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Corporate Finance Division
Securities and Futures Commission
35/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

BY FAX (2810 5385)

Dear Sirs,

Re: **Consultation Paper on Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation**

Angela Ho & Associates appreciates the opportunity to express its views on the Consultation Paper on the Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation (the "Consultation Paper"). We set out below our comments on the Proposals (as defined in the Consultation Paper) adopting the suggested headings where appropriate.

Objectives of the Proposals

The Consultation Paper states that there are many regulatory issues remain unresolved, such as stock price manipulation and misconduct on the part of corporate insiders, and suggests that the Proposals may allow the Securities and Futures Commission ("SFC") and the Stock Exchange of Hong Kong (the "Exchange") to coordinate on policy formulation to address concerns on corporate and intermediaries' conduct. The Consultation Paper also suggests that the Proposals may streamline the listing application process by reducing unnecessary duplication and administrative burden.

While we note that the regulatory concerns are not remote and we applaud the efforts of the SFC and the Exchange in preparing the Consultation Paper, we fail to see how the Proposals would assist the regulators to achieve the stated objectives. We take the view that the current system has been working reasonably well with the Exchange acting as the frontline regulator while SFC assuming a more supervisory role having the veto power in listing policy and listing applications. We are not quite sure how, by simply setting up an extra layer of structure, namely the Listing Regulatory Committee and the Listing Policy Committee, and having SFC executives sitting on the two committees, that the existing regulatory concerns may be resolved.

Listing Applications by New Applicants / Oversight of the Listing Function

Under existing system, listing applications will be first reviewed by the Listing Department, and upon satisfactory vetting, the same will be passed to the Listing Committee for approval. Throughout the application process, SFC has the power to reject any listing applications.

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In the Consultation Paper, it is proposed that the Listing Department would first consider whether the listing application involves suitability concerns or other broader policy implications, and if the answer is affirmative, such case shall be passed to the Listing Regulatory Committee, the proposed addition to the current regime, for approval.

The problem is, there is no bright line test for whether a case involves suitability concerns. Even if an applicant has satisfied all the listing requirements, the regulator may reject the listing application because it subjectively thinks that the applicant is unsuitable for listing. This will stifle the ability of small and medium sized companies with huge potential to raise funds. The introduction of the Listing Regulatory Committee as an overseeing body would impose an onerous burden on the Listing Department to prove a case does not involve any suitability concerns should the Listing Department decide not to refer the case to the Listing Regulatory Committee. Coupled with the proposed creation of another committee, namely Listing Policy Committee (which is more or less composed of the same members and appears to be dominated by the SFC), which is charged with the responsibility of overseeing the Listing Department, it is foreseeable that the Listing Department would rather err on the side of caution and decide that majority of the cases should go to the Listing Regulatory Committee rather than the Listing Committee. In such circumstances, it would be difficult, if not impossible, to achieve the Proposals' purposes of streamlining listing application process and achieving efficiency.

We are not aware of any pressing concerns on the listing application level that may justify the introduction of the untested Proposals into our current regime which has proved to be working reasonably well over the years. While we understand there are regulatory concerns over certain conducts of listed companies, we are of the view that it may be best to strengthen enforcement actions or if necessary, amend Listing Rules, or issue guidance to stop such unwelcome conducts. Based on the current materials, it is difficult to understand why the Proposals which may bring fundamental change in our listing application regime should be introduced. We note that many market participants have expressed their concern over the members of the two proposed committees and the involvement of the SFC in the listing application. We agree that any over-involvement by the SFC in the listing approval powers may deter companies wanting to list in Hong Kong. It appears to us that the ambiguity in what constitutes suitability and the doubt over the change in the regulatory regime may bring more uncertainty on the part of market participants and professionals alike.

In light of the above, we object to the introduction of the Listing Regulatory Committee and the Listing Policy Committee and submit that the current listing application regime shall be maintained.

Yours faithfully,

ANGELA HO & ASSOCIATES