

Part B Consultation Questions

Please reply to the questions below that are raised in the Concept Paper downloadable from the HKEx website at: [add link]. Please indicate your preference by ticking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages.

We encourage you to read all of the following questions before responding.

1. Should the Exchange¹ in no circumstances allow companies to use WVR structures?

Yes (in no circumstances allow companies to use WVR structures)

No

Please give reasons for your views below.

Careful thoughts must be given to allowing WVR structures to be listed in Hong Kong as Hong Kong lacks easy access to class rights actions. WVR structures by nature can suit a particular situation which does not last forever. There must be sufficient mechanism to immediately revert to normal shareholders' rights when situations justifying WVR structures have changed.

Please only answer the remaining questions if you believe there are circumstances in which companies should be allowed to use WVR structures.

2. Should the Exchange permit WVR structures:

(a) for all companies, including existing listed companies; or

(b) only for new applicants (see paragraphs 147 to 152 of the Concept Paper);
or

(c) only for:

(i) companies from particular industries (e.g. information technology companies) (see paragraphs 155 to 162 of the Concept Paper), please specify below which industries and how we should define such companies;

¹ References to “the Exchange” in this Questionnaire mean The Stock Exchange of Hong Kong Limited, a HKEx subsidiary.

or

- (ii) “innovative” companies (see paragraphs 163 to 164 of the Concept Paper), please specify how we should define such companies below;

or

- (iii) companies with other specific pre-determined characteristics (for example, size or history), please specify with reasons below;

It seems that companies that can demonstrate that skills of certain founders are indispensable should be allowed the WVR structure irrespective of their trade/industry.

or

- (d) only in “exceptional circumstances” as permitted by current Listing Rule 8.11² (see paragraph 81 of the Concept Paper) and, if so, please give examples below.

Please give reasons for your views below.

² GEM Rule 11.25.

The WVR structure must be justified by the particular characteristics of a particular industry at particular circumstances, and where it can be demonstrated that the traditional shareholders' vote structure will inhibit growth and prosperity of the company.

If you wish, you can choose more than one of the options (b), (c) and (d) above to indicate that you prefer a particular combination of options.

3. If a listed company has a dual class share structure with unequal voting rights at general meetings, should the Exchange require any or all of the restrictions on such structures applied in the US (see the examples at paragraph 153 of the Concept Paper), or others in addition or in substitution?

Please identify the restrictions and give reasons for your views below.

The restrictions mentioned in the Concept Paper are measures voluntarily adopted by listed companies in the US to limit the rights attached to multiple vote shares with the aim of improving the shares' marketability. Additional corporate governance measures should be imposed to protect shareholders' rights in the event of material change of the original situation/circumstance.

4. Should other WVR structures be permissible (see Chapter 5 of the Concept Paper for examples), and, if so, which ones and under what circumstances?

Please give reasons for your views below. In particular, how would you answer Question 2 and Question 3 in relation to such structures?

We believe minority shareholders in such companies should be entitled to at least the same protections as minority shareholders in listed companies controlled by a single shareholder or a group of related shareholders.

5. Do you believe changes to the corporate governance and regulatory framework in Hong Kong are necessary to allow companies to use WVR structures (see paragraphs 67 to 74 and Appendix V of the Concept Paper)?

Yes

No

If so, please specify these changes with reasons below.

Some form of class actions - which may be devised in the Listing Rules.
A separate board.
Only available for newly listed companies, or companies migrated to HK for listing or for dual listing.

6. Do you have any comments or suggestions regarding the additional matters discussed in paragraphs 33 to 47 of the Concept Paper:

- (a) using GEM, a separate board, or a professional board to list companies with WVR structures (paragraphs 33 to 41 of the Concept Paper); and

A separate board with specific criteria for WVR structure.

- (b) the prospect of overseas companies seeking to list for the first time on the Exchange with a WVR structure or seeking a further primary or secondary listing here (see paragraphs 44 to 47 of the Concept Paper)?

Yes.

7. Do you have any other comments or suggestions regarding WVR structures?

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