

November 28, 2014

Corporate Communications Department
Hong Kong Exchange and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Via electronic submission: response@hkex.com.hk

Concept Paper on Weighted Voting Rights

Dear Sir or Madam:

State Street Global Advisors¹ (“SSgA”) appreciates the opportunity to comment on the Concept Paper on Weighted Voting Rights (“Concept Paper”) issued by the Hong Kong Exchanges and Clearing Limited (“HKEX”) regarding giving certain persons voting powers or other rights disproportionate to their shareholdings. SSgA is the asset management business of State Street Corporation, one of the world's leading providers of financial services to institutional investors. We have a global presence and research focus with 29 global offices, 10 investment centers and a 24-hour global trading capability with trading desks in Boston, London and Hong Kong.

At SSgA, we view our fiduciary duties as a critical component of our work. Our dedicated teams of corporate governance professionals closely engage with companies, develop and enhance in-house corporate governance policies, and analyze corporate governance issues on a case-by-case basis at the company level when exercising our voting rights. In our view, corporate governance should be an integral part of the investment process. SSgA regularly engages companies to discuss corporate governance issues, and provide insight on the principles and practices that drive our voting decisions. We seek to strengthen the quality of corporate governance through discussions with boards and management, which can also help protect and enhance shareholder value.

¹ State Street Global Advisors is part of State Street Corporation whose identification number in the European Transparency Registry is 2428270908-83.

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For SSgA, Hong Kong has served as a gateway to investing in the region's companies for over 25 years. Our support for Hong Kong as an investment destination is based on the high quality of accounting and corporate governance standards espoused in Hong Kong's legal and regulatory framework. Maintaining this standard is essential if Hong Kong is to attract quality company listings. Any dilution of these standards, while beneficial in the short-term in attracting large initial public offerings, could adversely impact company valuations and market liquidity in the long-term.

SSgA strongly advocates a one-share-one-vote principle in every market that it invests in as we believe that it is a founding principle on which all other shareholder rights are built upon. Granting shareholders voting rights at shareholder meetings was designed to mitigate the inherent principle-agent problem that exists in publicly-listed companies. Institutional investors rely on these voting rights to execute their stewardship authority as principles in investee companies. Weighted or unequal voting rights to some shareholders, particularly if they are controlling shareholders, dilutes this authority making it difficult for us to provide the oversight needed in financial markets.

Further, any deviation from the optimal alignment between a shareholder's economic interest and his/her voting interest can create an environment that may open possibilities for misappropriation of company assets by the controlling shareholders or management. As non-controlling, minority shareholders in listed companies, it is imperative that we have voting rights that are equal to our economic interest. This right allows us to provide the check and balance on controlling shareholders' decisions and also allows us to indirectly protect the interests of retail investors through the oversight provided by our proxy voting activities. We rely on our ability to vote in listed companies with equal weight and influence, and incorporate this right in our valuation of these companies.

We strongly urge the HKE to apply the one-share-one vote principle and not the Weighted Voting Right structures for reasons mentioned above. Thank you again for the opportunity to comment on the important matters raised within this concept paper. Please contact [REDACTED] Head of Investments, Asia-Pacific ([REDACTED]) or [REDACTED], Vice President and Head Corporate Governance ([REDACTED]) should you wish to discuss SSgA's submission in greater detail.

Sincerely,

[REDACTED]
Ting Li
Senior Managing Director
State Street Global Advisors Asia Limited