

## 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 Exchange<sup>1</sup> 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.

In essence, we believe “one share one vote” to be a fair and equal treatment of shareholders. It represents the important aspect of investor protection and upholds the corporate governance standard, which is one of the essential factors to maintain Hong Kong’s reputation as a leading international financial centre.

By allowing a WVR structures on the Main Board, we are concerned that it will lead to a negative perception on HK Exchanges past efforts of enhancing corporate governance and safeguarding shareholder rights. It could eventually lead to a de-rating of overall market valuation which has profound negative impact, more than offsetting any potential benefits of attracting new listings.

Moreover, as retail investors still make up a significant proportion of minority shareholders in Hong Kong, they may not be sophisticated enough to assess the risks and expected losses that may arise from WVR structures. It may not be ideal to have new companies with WVR structures listed in the main board.

We understand that it is important to bolster Hong Kong’s attractiveness and continued ability to attract a broad spectrum of Mainland issuers. As such, we suggest exploring the possibilities of using the GEM board or a separate board to list companies with WVR structures. We expect there will be corresponding changes on listing rules, enhanced risk disclosures and continued strengthening actions by the SFC, as Hong Kong’s statutory securities regulator so as to uphold the standard of regulatory framework and approach of Hong Kong in protecting investors, maintaining market integrity and ensuring financial stability.

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

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

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;

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;

or

- (d)  only in “exceptional circumstances” as permitted by current Listing Rule

8.11<sup>2</sup> (see paragraph 81 of the Concept Paper) and, if so, please give examples below.

Please give reasons for your views below.

Should the Exchange permit WVR structures in the GEM board or a separate board, we suggest the Exchange only permits new applicants with WVR structures to be listed, but no restriction on companies from particular industries. Imposing restrictions on certain industries/companies to be listed with WVR structures may not be easily implemented effectively.

**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.

We do not have strong view whether the Exchange should require any restriction on such structures applied in the US. We are of the view that comprehensive and transparent disclosure of the restrictions that applied on the companies with WVR is essential and the restrictions should be as simple as possible for ease of understanding by the general investors.

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?

Should the Exchange permit WVR structures in the GEM board or a separate board, we are of the view that the Exchange should only allow a dual-class share structure that the company issues two share classes at the time of its IPO - "A" shares that carry one vote per share that are listed on an exchange while "B" shares that carry multiple votes per share that issued to the company's incumbent managers remain unlisted.

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<sup>2</sup> GEM Rule 11.25.

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.

Changes would definitely be required on the corporate governance and regulatory framework in Hong Kong if we allowed companies to use WVR structures. The regulator should review the relevant listing rules, in particular on the regulation of connected transactions, and take more proactive steps and measures so as to uphold the high standard on investor protection.

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

- (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)?

As mentioned in our response to Question 1, by exploring the possibilities of using GEM or a separate board to list companies with WVR structures, we are of the view that it may balance the importance of upholding Hong Kong's high regulatory standards and maintaining Hong Kong's competitiveness for Mainland Chinese Company Listings. Retail investors should be fully aware of the risks associated with WVR structures before investing in those companies.

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

None.

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