

FEDERATION OF SHARE REGISTRARS LIMITED

Honorary Secretary - Tricor Abacus Limited
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證券登記公司總會有限公司

Your Ref: CRO20140930-034

26 November 2014

Private & Confidential

By Post & By email

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

Dear Sirs,

Re: Concept Paper on Weighted Voting Rights ("WVR")

We refer to your letter of 30 September 2014 addressed to the Federation inviting views on the Concept Paper.

We, Federation of Share Registrars Limited, are an organization approved and governed by The Securities and Futures Commission ("SFC") under Section 12 of the Securities and Futures (Stock Market Listing) Rules. The main objective in establishing the Federation is to promote and uphold the interests and business of share registrars in Hong Kong as well as to enhance professional standards and services of the share registrar industry. All our members are approved share registrars under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (HKEx).

We, in principle, support issuers with various WVR securities to apply for listing in Hong Kong, under the close supervision of SFC and HKEx and the appropriate rules and regulations.

In relation to the possible launch of any WVR securities in the Hong Kong market, relevant legal changes and additional listing rules and regulations should be introduced and implemented. In this connection, we recommend the following:-

- a. HKEx to conduct in-depth study into international best practices and take necessary actions to ensure adequate protection of shareholders' rights is in place;
- b. HKEx to provide shareholder/investor education on WVR securities and issues; and
- c. HKEx to conduct a full scale market consultation if WVR securities are to be launched.

In order to enable investors and market participants to get familiar to these new types of securities and to avoid any misunderstanding and confusion, we concur that listing of WVR securities in Hong Kong should be limited to new listings at the start.

We also attach a completed Questionnaire for your further reference.

Should you need further information on our submission or require our further explanation, please feel free to contact the undersigned at [REDACTED]

Yours faithfully
For and on behalf of
Federation of Share Registrars Limited

[REDACTED]
Allan Tong
Chairman

c.c. Committee Members

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.

Subject to a full scale market consultation on the format to be adopted and requisite rules and regulations to be implemented, we agree the Exchange to allow issuers to list WVR securities in Hong Kong to enhance our international IPO centre of choice.

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;

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.

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.

Agreed and subject to a full scale market consultation. We suggest to take into consideration of international practices and guidelines and to provide more investors protection.

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?

Yes and subject to a full scale market consultation.

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.

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

No comment.

- (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)?

No comment.

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

Should the Exchange permit issuers to use WVR structures, those structures should be simple, reasonable and easy to understand. In addition, different voting rights within the same class of shares should not be allowed.

The Federation takes an open view towards the WVR structures/listing in Hong Kong as long as minority investors' interests are being sufficiently considered and discussed.

- End -