



Attachment A – Responses from HKSI Members

A member answered Question 1 of Part B (Consultation Questions) with a YES (in no circumstance allow companies to use WVR structures), and provided the following comments:

“The principle of one share, one vote is sacred. Whilst I also agree with the principle of caveat emptor, the structure of the finance industry means that some investors are compelled to take these stocks.”

The following are comments from another member:

1. Minimum threshold of shares outstanding -

Suggest forced conversion of MVS (multiple voting shares) into OSOV shares if the number of MVS outstanding falls below 15% of total share capital issued and outstanding

2. Vote of shareholders

Suggest require the conversion of all MVS into OSOV shares if more than 50% of holders of MVS vote for it

3. Sunset clause

Suggest require the conversion of MVS into OSOV shares at a particular future date, say after 5 years upon IPO listing

Those MVS holders will have to think about ways to increase their shareholdings over 5 years to revert to normal.

This is prudent, I believe.

Overall, my comment is summarized as follows:-

1. HKEx should allow companies to use WVR structures, subject to the 3 provisions stated above

2. HKEx should permit WVR structures for particular industries only - IT and HT companies, to be approved by board on case by case basis (subject other terms



such as size and, history, financials) - may be need to form a review panel to micro define what is IT and HT

3. Review all listed companies which have a dual-class share structure with unequal voting rights at general meetings, and impose restrictions on such structures, with reference to stipulations on NYSE and elsewhere

4. Review pertinent corporate governance and regulatory framework to ensure consistency for companies allowed to use WVR structures



Attachment B – The Survey Result

Survey on Weighted Voting Right Structures

Objective

The survey was conducted as a supplement to the Weighted Voting Right (WVR) Structures Concept Paper issued by Hong Kong Exchanges and Clearing Limited in August 2014. We aim at (1) assessing the securities and investment practitioners' overall familiarity of WVR and (2) getting their views on WVR structure.

Target and Data Collection Methods

The survey was sent via 2 channels:

1. 5,395 online questionnaires were sent out via email inviting feedback from individual members, corporate members, and LE candidates from 29 October to 7 November 2014.
2. 510 paper questionnaires inviting feedback from Licensing Examination for Securities and Futures Intermediaries (LE) candidates were provided after examination sessions during the period from 4 to 7 November 2014.

Responses

We received 540 valid responses in total.

Online survey - 221 valid responses received.

Paper survey - 319 valid responses received.

Respondents

40% of the respondents are working at entry level.

34% of the respondents are working at middle management positions.

22% of the respondents are working at senior management positions.



Summary

Overall familiarity

The respondents of the survey include HKSI individual members, corporate members, and LE candidates. Up to 73% of all the respondents indicate that they are not familiar with the term “weighted voting rights” (“WVR”).

The respondents of the survey are mainly practitioners or potential practitioners of the securities and investment industry. The survey results show that 87% of entry level, 74% of middle management and 45% of senior management respondents are not familiar with WVR. This indicates that the overall familiarity on WVR in the industry is low, especially for more junior practitioners.

Observation 1

Although our survey does not cover the general public, the above findings may also imply that the general public (who is expected to be less sophisticated than practitioners) may not be really familiar with the WVR structures.

Specific views

The survey further asks questions on those respondents who are familiar with the WVR structures. We focus on three key issues:

- The key driver(s) one would consider to invest in a stock;
- The key implication(s) WVR cast(s) on a stock; and
- Any restriction(s) need(s) to be imposed on WVR stocks

Observation 2

More respondents choose those factors related to “profit-making” as the key driver to invest in a particular stock. Largest number of respondents choose “valuation” as a key driver. “Upside potential” comes second. “Corporate governance” and “stable management” are rated third and fourth respectively.



Observation 3

29% of the respondents indicate that they are not interested in WVR stock, most of them believe that WVR would affect their investment decisions in the way of “jeopardizing rights of minority shareholders” or “weakening corporate governance”.

Observation 4

The survey also asks about any restrictions needed to be imposed on WVR stocks. The result shows that 66% of the respondents would like to have restrictions imposed on WVR stocks. Among their selections, 54% of them fall in the following top three restrictions:

- WVR restricted to those listed companies subject to shareholder’s approval;
- WVR restricted to those companies with sunset clauses limiting the duration of the WVR; and
- Restrictions on the transfer of beneficial ownership of WVR.

15% of the respondents indicate that no restriction is needed. 20% of the respondents indicate that they are not familiar with restrictions on WVR stocks.

Conclusion

We note that most of the respondents who are not familiar with the WVR structures would like to learn more about it. We suggest that investor education programmes through appropriate channels should be organised in order to enhance market participants’, investors’ and public awareness and knowledge on WVR concept.



Key Findings:

1. Familiarity

Survey Question 1

Are you familiar with the term “weighted voting rights (WVR)”?

- Yes
- No

The survey shows that only 27% of the overall respondents believe that they are familiar with WVR structures. The findings below will further look into the views of such respondents.

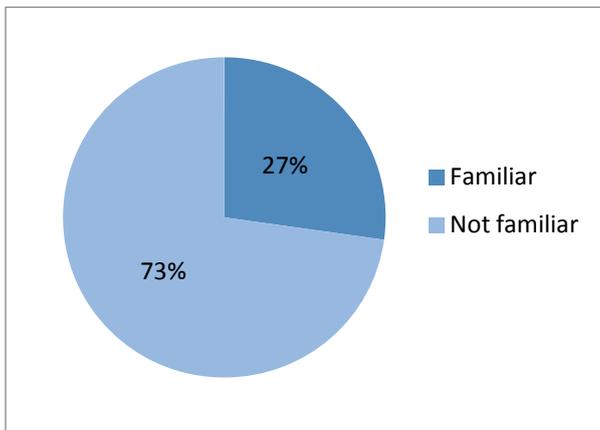


Chart 1. Familiarity with WVR

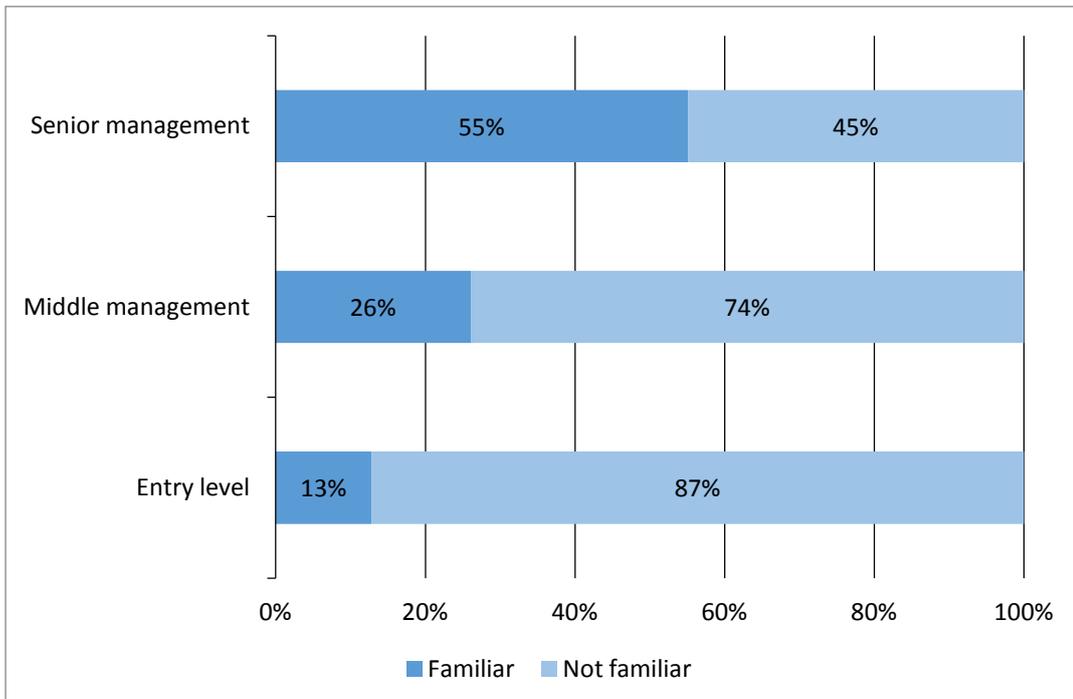


Chart 2. Familiarity with WVR in different seniorities

2. Investment Drivers

Survey Question 3

What are the key driver(s) for you to invest in a particular stock? (choose all that apply)

- Corporate governance
- Macro stock / sector trend
- Stable management
- Upside potential
- Valuation
- Others (please specify) _____

In terms of key drivers to invest in a particular stock, the survey shows that valuation is the major decision factor considered by the respondents. Upside potential is ranked second. Corporate governance and stable management are ranked third and fourth respectively.

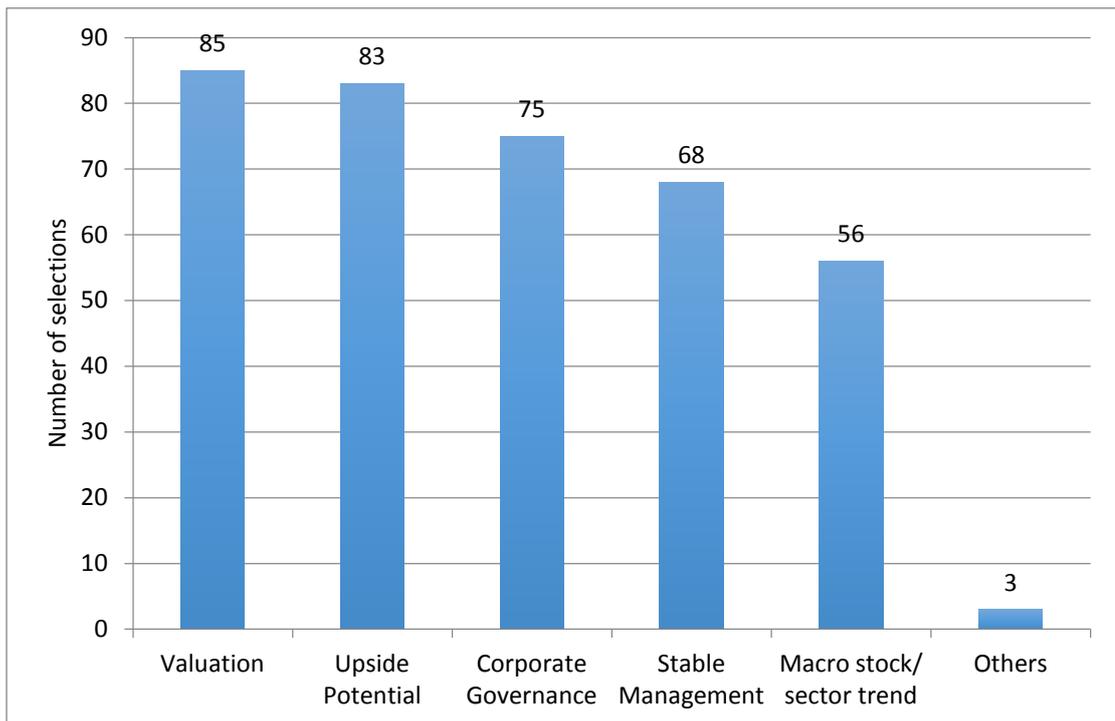


Chart 3. Investment Driver

Note: Multiple selections are allowed. Total 370 valid selections from 143 respondents.

3. Consideration to invest in WVR stocks

Survey Question 4

Have you interested in, or would you consider investing in a stock which has a WVR structure or structure entrenching management control in the hands of the founders?

- Yes
- No

71% of the respondents shows that they are interested in, or would consider investing in a stock which has a WVR structure or structure entrenching management control in the hands of the founders.

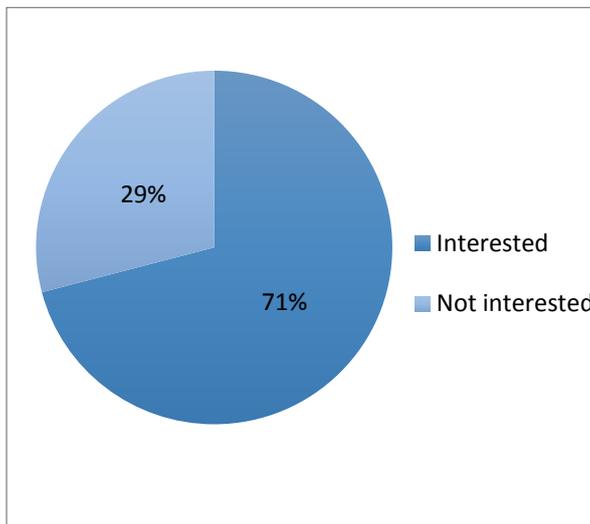


Chart 4. Interest in stocks with WVR structures

4. Investment decision affected by WVR structures

Survey Question 5

Is your investment decision affected if a particular stock has a WVR structure (e.g. Facebook, Google, Groupon, Alibaba, etc.)?

- Yes
- No

The survey shows that 69% of the respondents think that their investment decision would be affected if a particular stock has a WVR structure.

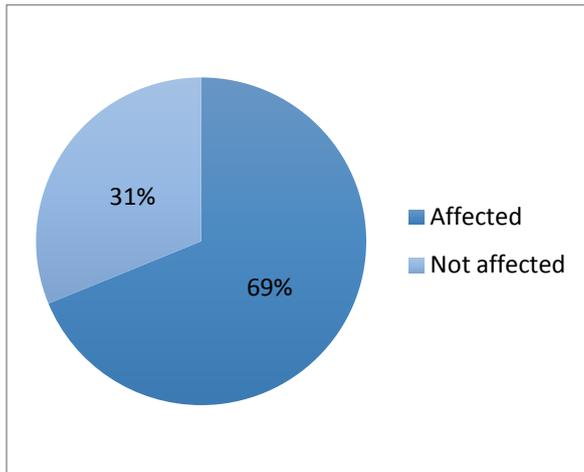


Chart 5. Investment decision affected by the WVR structure of a stock – overall view

Among the respondents who indicate that they are not interested in WVR stock, 78% think WVR would affect their investment decisions.

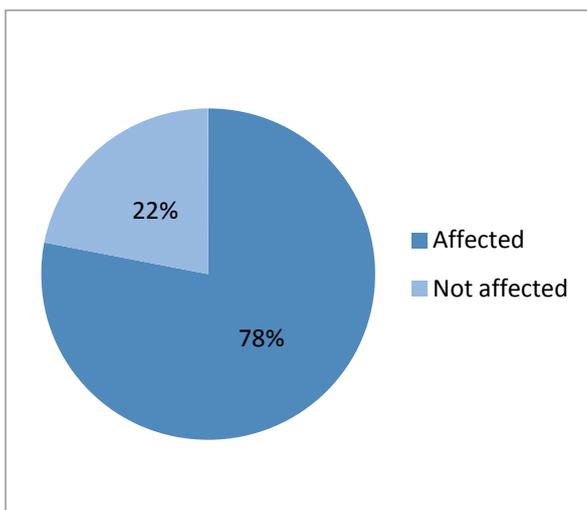


Chart 6. Investment decision affected by the WVR structure of a stock – views of respondents not interested in WVR stock

5. Key implications of WVR on a stock

Survey Question 6

What are the key implication(s) of WVR to a stock from an investor’s perspective?
(choose all that apply)

- Jeopardise rights of minority shareholders
- Maintain continuity of management
- Safeguard from hostile takeover bid
- Weaken corporate governance
- Others (please specify) _____

Among those respondents whose investment decisions would be affected by WVR structures, we have further looked into their views on the key implications of WVR to a stock.

In general, “jeopardizing the rights of minority shareholders” is considered the most important implication of WVR on a stock.

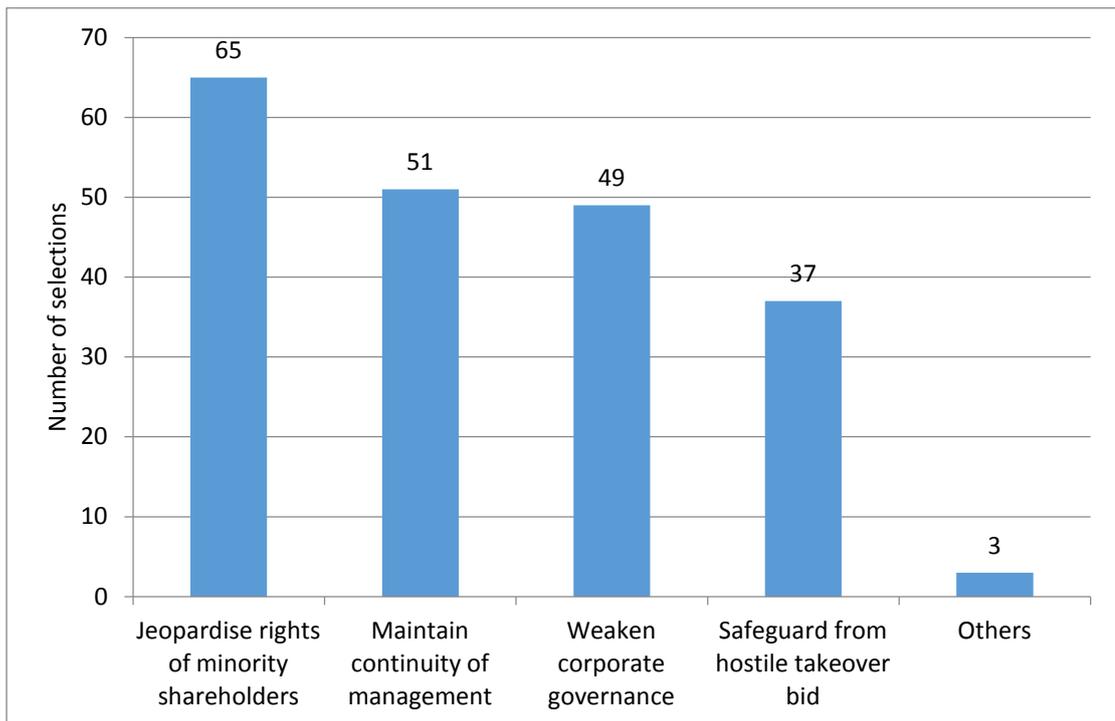


Chart 7. Key implications of WVR on a stock – overall view

Note: Multiple selections are allowed. Total 205 valid selections from 96 respondents.



For the respondents indicating not interested in WVR stock, “jeopardizing rights of minority shareholders” and “weakening corporate governance” are the major WVR implications that they concern.

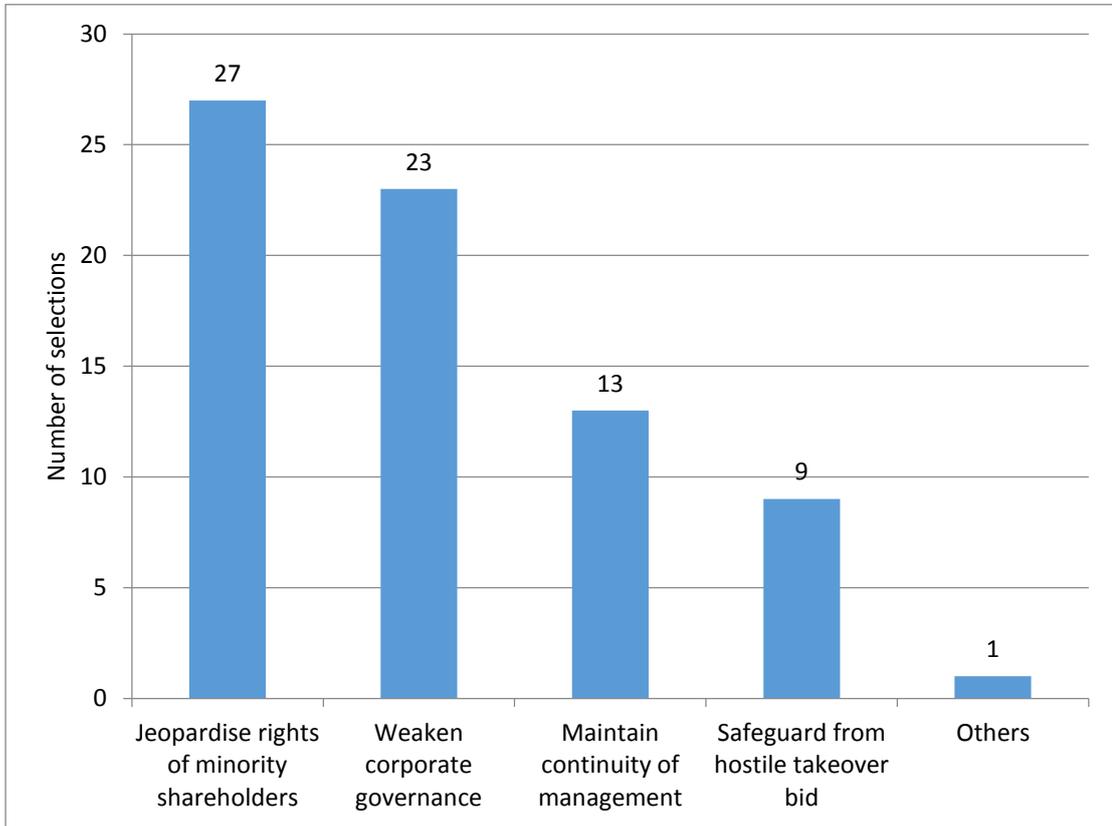


Chart 8. Key Implications of WVR on a stock – views from investors not interested in WVR stocks

Note: Multiple selections are allowed. Total 73 valid selections from 31 respondents.



6. Restrictions imposed on WVR stocks

Survey Question 7

Do you think there should be any restriction(s) imposed on WVR stocks? (choose all that apply)

- No restriction is needed
- I am not familiar with restriction measures on WVR
- Restricted to companies with a sunset clause limiting the duration of the WVR
- Restricted to new listed companies with a very large market capitalisation
- Restricted to listed companies subject to shareholder's approval
- The issue of shares by companies to be restricted to professional investors
- Restricted to a special board created for this purpose
- Restricted to specific industry (e.g. IT / e-commerce companies)
- Restrictions on transfer of beneficial ownership of WVR
- Others (please specify) _____

The result shows that 66% of the respondents would like to have restrictions imposed on WVR stocks. Among their selections, 54% of them fall in the following top three restrictions:

- WVR restricted to those listed companies subject to shareholder's approval;
- WVR restricted to those companies with sunset clauses limiting the duration of the WVR; and
- Restrictions on the transfer of beneficial ownership of WVR.

15% of the respondents indicate that no restriction is needed. 20% of the respondents indicate that they are not familiar with restrictions on WVR stocks.

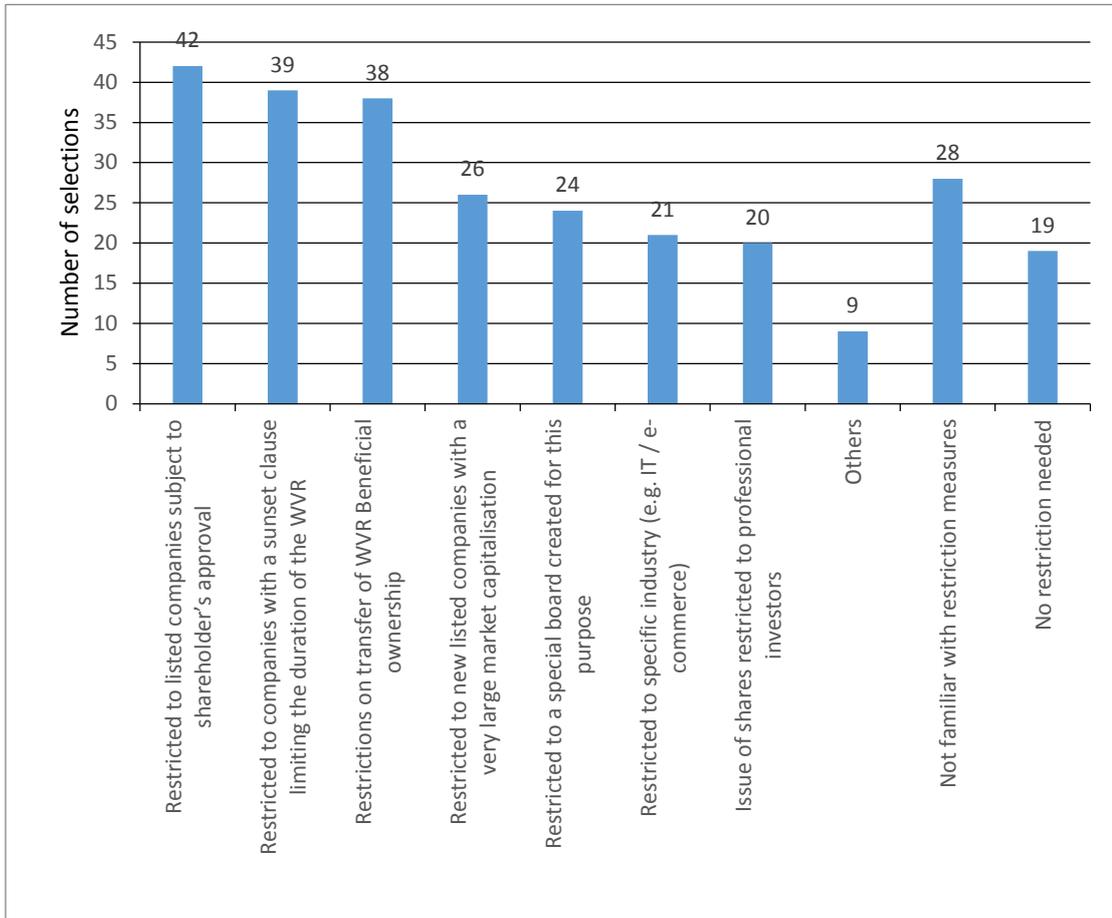


Chart 9. Restrictions to be imposed on WVR's stocks

Note: Multiple selections are allowed. Total 266 valid selections from 138 respondents.

7. Preferred channels for learning more about WVR

Survey Question 8

If you want to learn more about WVR, what are your preferred channel(s)? (choose all that apply)

- Training programmes
- E-Communications
- I am not interested in getting more knowledge about WVR
- Others (specify) _____

From the respondents who indicate that they are not familiar with WVR, 86% of them are interested in learning more about WVR. Among their selections, 62% prefer E-communications and 36% prefer training programmes.

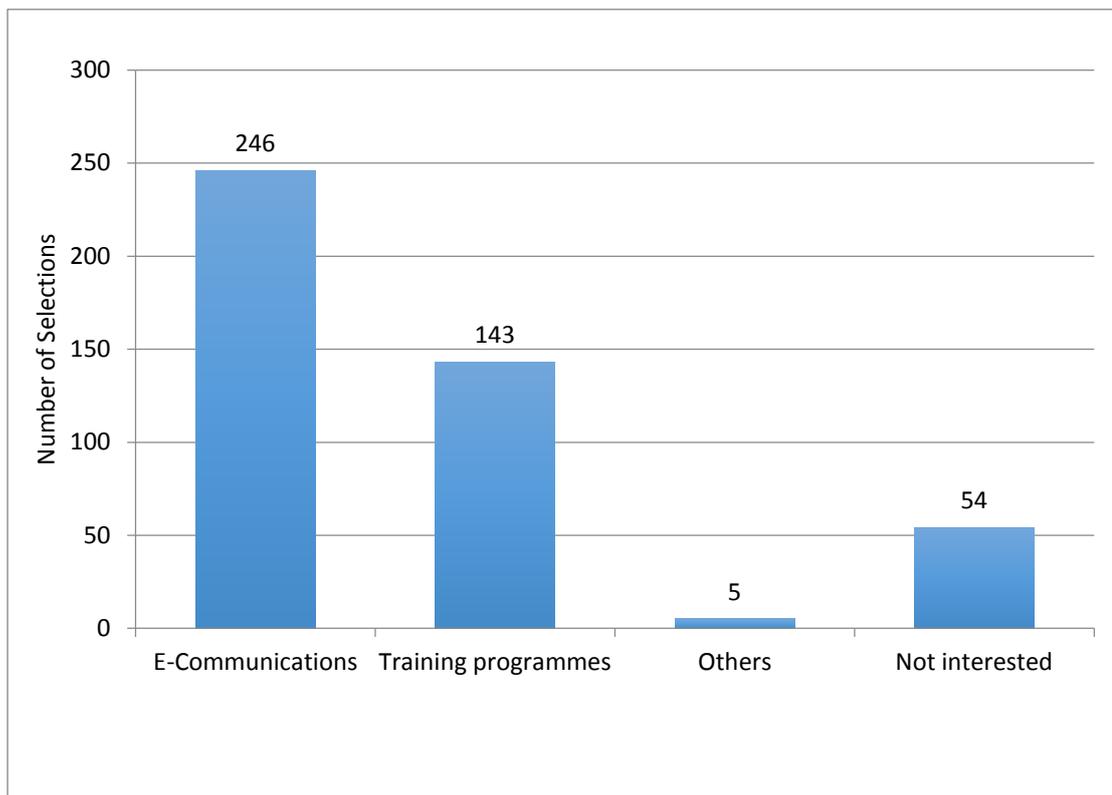


Chart 10. Preferred channels for WVR learning

Note: Multiple selections are allowed. Total 448 valid selections from 384 respondents.



Appendix I - Other comments

We have also received some additional comments from some questions in the survey questionnaire.

i. Question 3

Other key drivers to invest in a particular stock include:

- equity story;
- growth potential; and
- quality of management.

ii. Question 6

Other key implications of WVR to a stock include:

- the accessible means to redress any unfair treatment; and
- maintain founder's vision.

iii. Question 7

Other suggested restrictions imposed on WVR stocks include:

- class action in order to protect small investors;
- more regulatory oversight by SFC and HKEX;
- restrictions can be dictated by the market as it occurs in the US market; and
- sufficient disclosures.

iv. Question 8

Other learning channels include:

- document / pdf file; and
- internet.



Appendix II - Questionnaire

- Q1 Are you familiar with the term “weighted voting rights (WVR)”?**
- Yes → please proceed to Q2
 - No → please proceed to Q8
- Q2 With regards to investments concerning WVR, which of the following best describes your role? (choose only one answer)**
- Investor or potential investor
 - Practitioner
- Q3 What are the key driver(s) for you to invest in a particular stock? (choose all that apply)**
- Corporate governance
 - Macro stock / sector trend
 - Stable management
 - Upside potential
 - Valuation
 - Others (please specify) _____
- Q4 Have you interested in, or would you consider investing in a stock which has a WVR structure or structure entrenching management control in the hands of the founders?**
- Yes
 - No
- Q5 Is your investment decision affected if a particular stock has a WVR structure (e.g. Facebook, Google, Groupon, Alibaba, etc)**
- Yes → please proceed to Q6
 - No → please proceed to Q7
- Q6 What are the key implication(s) of WVR to a stock from an investor’s perspective? (choose all that apply)**
- Jeopardise rights of minority shareholders
 - Maintain continuity of management
 - Safeguard from hostile takeover bid
 - Weaken corporate governance
 - Others (please specify) _____
- Q7 Do you think there should be any restriction(s) imposed on WVR stocks? (choose all that apply)**
- No restriction is needed
 - I am not familiar with restriction measures on WVR
 - Restricted to companies with a sunset clause limiting the duration of the WVR
 - Restricted to new listed companies with a very large market capitalisation



- Restricted to listed companies subject to shareholder's approval
- The issue of shares by companies to be restricted to professional investors
- Restricted to a special board created for this purpose
- Restricted to specific industry (e.g. IT / e-commerce companies)
- Restrictions on transfer of beneficial ownership of WVR
- Others (please specify) _____

Q8 If you want to learn more about WVR, what are your preferred channel(s)? (choose all that apply)

- Training programmes
- E-Communications
- I am not interested in getting more knowledge about WVR
- Others (specify) _____

Demographic Data

Q9 Age

- 20 or below
- 21-30
- 31-40
- 41-50
- 51-60
- 61 or above

Q10 Seniority in Company

- Entry level
- Middle management
- Senior management

Q11 Role in Company

- Client-facing
- Internal operation

Q12 Sector

- Banking
- Brokerage
- Investment & Fund Management
- Investment Consultancy
- Professional Services
- Others (specify) _____

Personal Information (for coupon delivery)

Name _____

Email _____

Membership Number (if Applicable) _____

Phone _____

ID (first 4-digit) _____