

Date : 20 March 2018.

I refer to SCMP newspaper dated 14 March 2018 on “ Dual-class share listings a big step backwards” which reported some views from the fund managers. I wish to offer some additional comments as a small investor and request the HKEX rules be modernised for better share investing results.

The basis of the public investors putting their savings money into shares of companies listed on the Hong Kong stock exchange is that their investment ( 25% and above ) is vested with the Board of Directors on the understanding the public investor accept the trading losses and trading profits reported by the listed companies. The trading profits of the company should be reflected by payment of higher dividends and higher valuation in share price will be accorded by the stock market. But trading losses of the company are usually taken on board by the public investors; and suffering silent pain on seeing lower share prices and dividend cuts.

But the big problem today for public investors is that there are no rules set by HKEX on what dividend should be paid to the public investors when the company is trading profitably. Many directors will follow the rules but if there are no rules, they will tend to rate their company needs first and pay little or no dividend even when very profitable and this really HURTS the public investor. Here below are some HK listed companies which currently pay little or no dividend :

No. ( HK )	Co Name	Closing Price on 16/3/2018	NAV approx.	EPS / PE Ratio	Dividend paid
1838	Ch. Properties Gp	\$ 1.58	\$ 22	\$ 0.46 / 3.47	Nil
214	Asia Orient	\$ 2.12	\$ 13	\$ 1.21 / 1.75	* \$0.024
191	Lai Sun	\$ 12.94	\$ 47	\$ 3.82 / 3.38	\$0.06856

Here below is my rough calculation of the capital gains denied to the public investor :

No. (HK)	Co, Name	NAV – Closing Price = Missing Value	Shares held by public	Missing out on potential Profit /lost gain	Current worth of shares held by public .
1838	Ch Properties Gp	\$22-\$1.58 = \$20	450 Mil	\$ 9000 Mil.	\$ 711 Mil.
214	Asia Orient	\$13-2.12 =\$10.80	400 Mil	\$ 4300 Mil.	\$ 848 Mil
191	Lai Sun	\$47- \$13 = \$34	96 Mil	\$ 3264 Mil.	\$ 1248 Mil

If we compare the above shares with CKI Holdings ( 1038.HK) which has a good track record of continued dividend payment over past 20 years . We can see the stockmarket rates the CKI shares on higher PE=17.5 and 1.84 x PE ( Price to Book) whilst the little or no dividend shares suffer substantial share price reduction to NAV.

If the above companies were required to pay a proper and fair dividend rate to share investors , then the share investors may gain higher shareprice valuations. When the decision on dividend is left to each Board of Directors, we can see many directors don't know what damage they are doing to their own company's investors and to the credit rating of their shares.

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- Asia Orient ( 0214.HK) paid dividends of 4 cts (2015), 3 cts ( 2016) and 2.4 cts ( 2017) reducing unnecessarily for past 3 years , the AO directors seems to want to discourage public investors in the company ??

No. ( HK)	Co. Name	EPS	EPS x 17.3 PE	Potential Result
1838	Ch Properties Gp	\$0.46	\$ 8.05	Still Below NAV
214	Asia Orient	\$1.21	\$ 21.17	Higher than NAV
191	Lai Sun	\$3.82	\$ 66.85	Higher than NAV

As a public investor , I believe HK investors want the HKEX to update their listing rules to include :

1. The Remuneration Committee for the listed company to declare what dividend policy will be followed . (e.g 25 % or 33 % rate on annual profits ). The Directors of every listed companies should be required to support a dividend payment policy when the company is trading profitably or else be disqualified after serving as director for 3 years and having no record of recommending any dividend payment. Higher dividend rate gives the most benefit to the major shareholder through higher income and raising the market value of the controlling stake .

2. In the Annual Report , the Chairman's Report to include information to investors on :

- (a) the amount of cash funds available for making a dividend payment
- (b) if there is sufficient funds for recommending a 30% dividend by the Board of Directors
- (c) show the voting record of each Director in favour of dividend payment.

3. The 5 or 10 years Financial Summary to include the EPS , the record of dividend paid plus the share price at start of year and on last day of year. Preferably show at front of Annual Report.

4. Companies should not be allowed to issue shares at below 90% of NAV including scrip dividends and directors options ,which should be exercisable only during their 3 years term.

5. Whenever the shareprice falls below 50% of NAV , the company should be required to buy back up minimum of 0.1% per month of the issued shares for cancellation.

6. If companies have reported losses and no dividend for 3 consecutive years, the public investors should be allowed to vote for liquidation of the company and for return of their investment capital .

Yours sincerely,

[Redacted Signature]

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