SWIRE PROPERTIES

Our Ref: CSA/PROP39/23

8th April 2020

By email to response@hkex.com.hk

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

Dear Sirs,

Corporate WVR CP

1. This is our submission in response to the above consultation paper. We are a listed company. Our contact person is the signatory of this letter, with contact details indicated below the signature.

2. We attach a copy of a letter which Swire Pacific Limited wrote to you in 2014 in response to the concept paper on weighted voting rights which you published in that year. We also attach a copy of a letter which we wrote to you 2018 in response to your consultation paper about emerging and innovative companies. Our views about weighted voting rights have not changed since those letters were written. In short, we think that existing and new listed companies should be permitted to have shares with weighted voting rights on an unrestricted basis. We welcomed the proposal in the emerging and innovative companies consultation paper that companies should be permitted to list with shares with weighted voting rights on a restricted basis. We also welcome the proposal in the corporate WVR consultation paper that corporate entities should be permitted to benefit from weighted voting rights. But we do not think that the proposals in the two consultation papers go far enough. Weighted voting rights should in our view be permitted on an unrestricted basis.

Yours faithfully,
For SWIRE PROPERTIES LIMITED
太古地產有限公司

Encl.

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SWIRE PACIFIC

Our Ref: CSA/PAC1/23

22nd March 2018

By email: response@hkex.com.hk

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

Dear Sirs,

Emerging and Innovative Companies CP

1. This is our submission in response to the above consultation paper.

Issuers with WVR structures

2. We attach a copy of the letter which we wrote to you in 2014 in response to the concept paper on weighted voting rights which you published in that year. Our views about weighted voting rights have not changed since that letter was written. In short, we think that existing and new listed companies should be permitted to have shares with weighted voting rights on an unrestricted basis. It follows that, while we welcome the proposal in the emerging and innovative companies consultation paper that certain companies should be permitted to list with shares with weighted voting rights on a restricted basis, we do not think that the proposal goes far enough. We would add that the restricted basis on which it is proposed that weighted voting rights be permitted causes us to doubt whether the proposal will be sufficiently attractive to cause potential issuers to choose Hong Kong as a listing venue over listing venues where weighted voting rights are not subject to restrictions of the type proposed or are subject to fewer restrictions.

Secondary listings of qualifying issuers

3. We have a point of detail which we wish to draw to your attention. A mandatory general offer may be triggered upon a Greater China Issuer being required to comply with the Takeovers Code under Listing Rule 13.23(2) following the expiry of the grace period of 12 months provided in Note 2 to proposed Listing Rule 19C.13. If a controlling shareholder holds less than 30% of the shares in a Greater China Issuer on the date of the Exchange's written notice of its decision that the majority of trading in its listed shares has migrated permanently to the Exchange and increases its shareholding interest to more than 30% (or, as a holder of 31% of the shares increases its shareholding by 3% to 34%) during the grace period of 12 months, Rule 26.1 of the Takeovers Code will become applicable on the anniversary of the date of the Exchange's written notice, requiring a mandatory

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general offer by the controlling shareholder for the shares of the Greater China Issuer. We do not think this consequence is intended. There may be other unintended consequences under the Takeovers Code which will only become apparent when the proposed new Listing Rules start to operate. We would recommend that a statement be included in the proposed Chapter 19C to the effect that the SFC has indicated that acts or omissions during the 12 month grace period will not be taken into account in determining whether anything is required to be done or omitted under the Takeovers Code on expiry of the 12 month grace period.

Yours faithfully,
For SWIRE PACIFIC LIMITED
太古股份有限公司

[redacted]

Encl.

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Company Secretary's Department 公司秘書部
33/F One Pacific Place 88 Queensway Hong Kong
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SWIRE PACIFIC

Our Ref: CSA/PAC1/23

24th November 2014

By Hand

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

Dear Sirs,

Concept Paper on Weighted Voting Rights

1. We welcome an open debate on the merits of weighted voting rights (or WVR) and hope that the debate leads to them being fully permitted for companies listed on HKSE. We are accordingly pleased to enclose our formal responses to your WVR questionnaire. We thought it might also be helpful if we attempted to deal with certain of the arguments related to WVR in one place in this separate letter.

2. By way of background, and as you point out in the concept paper, we ourselves have shares with WVR. We have two classes of shares (A and B), both of which are listed on HKSE. Each A share and each B share has one vote at general meetings. Each A share has five times the economic rights of each B share. So, for example, the first interim dividends which we declared for 2014 were HK$1.10 per A share and HK$0.22 per B share. The relative market values of the A shares and B shares reflect their different economic rights. As you also point out, our WVR were put in place in the 1970s.

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3. The main argument against WVR appears to be that they are wrong in principle. They are said to be undemocratic, in that they offend against a principle that each ordinary share in a company should have the same voting rights if it represents the same amount of capital contributed to the company. So, the argument runs in our case, as each A share initially represented a contribution of capital five times the size of each B share, A shares should have five times the votes that B shares have. We dispute the existence of such a principle. We say that it is for the shareholders of a company, through the agreement among them evidenced by the company's articles of association or other constitutive document, to decide whether to accord different voting rights to different classes of shares. More importantly though, we say that if investors believe in such a principle, they have no need to invest in companies which do not apply it. Nobody is forcing them to do so. The existence and consequences of WVR must of course be properly disclosed, but so long as they are, we fail to see how investors are disadvantaged. Those who object need not invest. Those who do not object can invest. It may be, of course, that if objectors predominate, the cost of capital for companies with WVR will rise. But, this is a matter for the market to resolve, not regulation. Companies with WVR will take into account the increased cost of capital when considering the continued desirability of WVR.

4. Opponents of WVR say that such rights incentivize minority controllers of companies (that is those who, by reason of holding shares with WVR control companies without owning a majority of the equity) to shift value to themselves through unfair transactions with the companies which they control. We say that, if this is the case, it applies equally to majority controllers (that is those who control companies without WVR by controlling a majority of the equity) and that value shifting in Hong Kong is adequately policed by the connected transactions rules. Again though, disclosure is the key. Investors who, notwithstanding the connected transaction rules, still fear value shifting have no need to invest in companies with WVR.

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5. Opponents of WVR say that their acceptability in the US reflects the fact that legal redress for wrongdoing by controllers of companies is more easily available in the US than in Hong Kong, because the US permits class actions and contingency fees but Hong Kong does not. Whether or not this is a valid point (and there are certainly arguments that investors may not be best protected by a system which incentivizes their lawyers to litigate in cases which may be marginal), the point applies equally in the case of majority controllers as in the case of minority controllers.

6. It is important in our view that, if HKSE decides to permit WVR, which we would of course welcome, it should not impose restrictions on the rights (for instance that shares with WVR should lose them on transfer) or on trading in existing shares with WVR, for example on a market only open to professional investors. Whether to impose restrictions on the rights themselves should be a matter for the companies concerned, not HKSE. It would not in any event be open to HKSE to impose restrictions on existing WVR. The Exchange has no power to require shareholders to give up rights. To do so would be expropriatory. As was rightly said in the 1987 report of the standing committee on company law reform appended to the concept paper, "to interfere with established contractual rights would be contrary to general principle and might raise questions of compensation". Similarly, restricting trading in existing shares with WVR to a market only open to professional investors would deprive existing non-professional shareholders of their ability to trade in the shares.

7. Finally, as the holding company of a major group of companies in Hong Kong, we are naturally in favour of Hong Kong maintaining and improving its competitiveness as an international financial centre. We strongly believe that permitting WVR will make a significant contribution to Hong Kong being able to do this and should be supported accordingly.

Yours faithfully,
For SWIRE PACIFIC LIMITED

Copy to Mr. David Graham, Head of Listing