

Date : 17 Aug 2017.

Dear Sir,

Ref: HKEX Consultation on Dual Class Shares.

I am a retired person and small investor. I wish to contribute some comments to the HKEX Consultation on listing of companies with dual class shares.

When dual class shares have unequal voting rights, it allows a minority shareholder to control the company where the public investors are the majority shareholders. It creates the situation where unscrupulous Directors can refuse to pay any dividend year after year even when the company is profitable throughout the period. The SFC, as Regulator of the HK Stock Market have responsibility to protect the public interest against abuse by unscrupulous directors. It seems as if it has no powers to stop this type of situation which is an abuse against public investors.

The HK Stock Market operates in the HK SAR which has a population of 7.4 Million persons and around 150,000 High Net Worth Investors. Whereas the USA Stock Market operates in country with population of 323 Mil persons and 4.3 Mil High Net Worth Investors. Hong Kong is doing very well for its small population base but we should not expect it to beat every other country. Also some countries have higher income tax rates and losses on investing in development companies can be partly offset against tax.

At present the HKEX rules does not requires any listed company to pay a dividend and this is a serious problem for public investors. This allows the Board of Directors to decide NOT to recommend any dividend and no explanation is given for this decision. The Investment capital of the public investors is vested with the Board of Directors and there should be a requirement to pay a dividend when the business is profitable, so that existing shareholder can exit the shares at a higher price and the new shareholder has confidence to hold the shares as an investment for the future. But the present situation for some investors is not satisfactory in some companies e.g

Stock No. 1838 China Properties Group Ltd :

The 1838.HK shares were listed about 10 years ago and paid 8.7 cents dividend in 2007-08 only and paid NIL dividend for past 9 years. Yes 9 Years. The shares have NAV = \$22.60 but the shares stand at \$1.80 (closing price on 17 Aug 2017). **The INED (independent Directors) are not representing or asserting the interests of the public shareholders since 2008.**

Stock No. 129 Asia Standard International Ltd

The 0129.HK shares have high NAV = \$12.90 but the share price closed at \$2.12 (at 17 Aug 2017). The dividend has been needlessly reduced from 4 cents (2015) to 3.5 cents (2016) to 3 cents (in 2017) **because the INED s are not effective in representing or upholding the interests of the public shareholders.**

Stock No. 214 Asia Orient Holdings Ltd.

The 214.HK shares have high NAV = \$13.80 but the share price closed at \$2.18 (at 17Aug 2017) . The dividend has been needlessly reduced from 4 cents in 2015 to 3 cents in 2016 and to 2..4 cents in 2017 **because the INEDs are not effective in representing or upholding the interests of the public shareholders.**

Stock No. 191 Lai Sun Garment (International) Ltd

The 191.HK shares have recently risen to above \$3 level compared to its NAV= \$8.65 because of 5 for 1 share consolidation effective from 16 Aug 2017, this week bringing the shares to \$15.22 and NAV to \$43.625. But on first day of listing the consolidated share, the trading was halted for announcing the disposal of 50.934 mil shares in Lai Sun Development (2971.HK) by way of placing at \$ 13..05 for \$656 Mil. The NAV of Lai Sun Dev shares after consolidation = \$40 which makes the sale OF 50.934 Mils share at \$13.05 unreasonable . The reason given for 50 to 1 consolidation from \$0.20 cents level to above \$8 level was to attract US fund investors.

In my opinion , it looks like a giveaway of the undistributed profits from previous years and the INEDs should have stopped the sale and reported the matter to SFC or ICAC for investigation.

There must have been a Lai Sun Directors meeting to discuss the disposal of 50+ Mil shares and why it was necessary to sell on first day of listing of consolidated shares . SFC should ask to the directors to resign, if they voted for sale at \$13.05 when the NAV = \$43.

The value denied and cost to public investors by INEDs silently colluding with Controlling shareholder not to pay dividend can be calculated :

Stock No.	Company	Current Price	NAV	SHARES HELD BY PUBLIC	Value denied to Public Investors
1838	China Property GP	\$ 1.8	\$22.60	459 Mil	\$ 9,547 Mil
129	Asia Standard	\$2.12	\$12.90	669 Mil	\$ 7,211 Mil
214	Asia Orient	\$2. 18	\$13.80	417 Mil	\$ 4,845 Mil
2970	Lai Sun Garment	\$15.22	\$ 43.62	459 Mil	\$ 13.026 Mil

The loss to public shareholders is a colossal sum over \$30 Billion in just 4 companies. The capital and profits belongs to the public shareholders who should be given the right to decide how much dividend should be paid at the AGM . (or make 30% of Revenue profit standard) . Its not the function of HKEX and SFC to help the majority shareholder get richer at the public's expense. Dual class shares should be rejected because HK INED Directors are much smarter than the Regulators .

From : Mr Oliver