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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,

Re: Weighted Voting Rights

We are writing in response to the Exchange's Concept Paper of August 2014 on Weighted Voting Rights (WVRs).

I should note at the outset that AIA Group Limited does not allow for weighted voting rights in its constitution. Accordingly, our comments are focused on the continuing development of the market of which we are a part rather being made with our own situation in mind.

The rights of shareholders are critically important to the functioning of modern capital markets. The enforcement of these rights relies on a complex structure of legislation, regulation and regulatory guidance (which itself takes many forms) and common law that in turn give rise to complex and voluminous disclosure requirements and many and detailed layers of corporate governance. As in any 'ecosystem', changing a single variable can have far-reaching implications. Accordingly, any consideration of WVRs must be considered with all the care associated with maintaining the healthy wider environment applicable to listed companies in Hong Kong.

Hong Kong is a renowned and robust market that has attracted leading regional and indeed global companies. At the same time, it is recognized that the need for Hong Kong to remain competitive as a leading international financial center is an important policy objective. Continuing success in this respect will give rise to a host of benefits including attracting listings from high quality innovative companies and encouraging renowned institutions to establish a presence in Hong Kong, as well as sustaining a deep and liquid market with appropriate valuation multiples that are beneficial to investors and listed companies alike.



Accordingly, it is our view that provided appropriate safeguards are put in place, which would include (but not necessarily be limited to) appropriate disclosure requirements, special ticker symbols as well as possible changes in the Companies Ordinance, WVRs may be appropriate **but only provided that they are limited to initial public offerings (“IPO”) in Hong Kong and allowed by exception when strict criteria are met.**

We believe that new listing applicants (accompanied by detailed disclosure documentation heavily vetted by legal, financial and banking advisors) present a special situation where approval of WVR structures may in some cases be granted by exception. Typically, the vast majority of investors in a company at the IPO stage do not have a prior stake in the company. Therefore, most IPO investors have no existing rights or stakes that can be reduced or otherwise prejudiced by the introduction of a WVR structure. In contrast, any attempt to introduce a WVR structure post-listing would invariably change the character of the rights of minority (often retail) investors. We note that neither the NYSE nor NASDAQ permit companies to implement WVRs post listing. Accordingly, we see such a restriction as both sensible and appropriate having regard to maintaining both Hong Kong’s reputation as a market as well as its international competitiveness.

We presume that any listing application process seeking consideration of WVR inclusion would follow the usual process with some additional vetting mechanism (either through the Listing Committee or a special sub-committee) specifically in relation to the question of WVRs. We would assume that approval of WVRs would be exceptional and be conditional upon full and fair disclosure to investors, a special prefix stock code of these issuers for continuous alert to investors and available only to industry leaders or substantial issuers (who meet prescribed size tests.) We would expect that the controlling shareholders or “key men” exercising these rights to have an impeccable record of integrity coupled with proven significant contributions to the value of the company. Similarly, we would expect that there would be special disclosure – perhaps even on the cover of the prospectus – clearly pointing out that the applicant has applied for WVRs. For so long as such WVRs remain a feature of the applicant’s governance framework, such disclosure should be repeated somehow in all announcements.

Moreover, prior to granting such an approval, the Listing Committee should consider whether it is appropriate to require the WVRs to be subject to restrictions, such as sunset clauses or minimum controller shareholder-holdings. These restrictions should be mandatory if they are necessary for the protection of all shareholders or if the WVRs no longer serve any corporate benefit. An example would be automatic termination if the shares with weighted voting rights are transferred outside of the founder group. It goes without saying that such issuers must continue to comply with the regulations governing connected transactions and other conflict of interest situations.



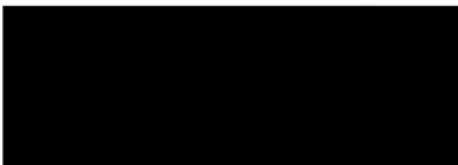
We referenced earlier that where WVRs exist (as in the United States), they exist as part of a larger system of checks and balances. The US justice system for example has a very active and aggressive plaintiff's bar association. They also operate with a highly evolved series of statutory minority shareholder oppression remedies and common law tests for fair dealing which are regularly and actively litigated. This dynamic does not exist in Hong Kong, and while we express no direct view on specific changes required to the Companies Ordinance, we would suggest that a review of the protections offered to minority shareholders under Hong Kong law ought to be undertaken as part of the consideration of this issue.

At the end of the day, it is the buyer (properly informed) that must make a determination as to whether or not he or she wishes to participate as a shareholder in a company with WVRs. The job of the system is to ensure that the implications of WVRs are clearly understood by potential investors and to ensure that they are not abused once in place. *Nixon v. Blackwell*, 626 A.2d 1366 (Del. 1993), is a Delaware (US) case that is often cited for the proposition that while a fairness test applies, it is ultimately the buyer's choice. Quoting from that judgment:

A stockholder who bargains for stock in a closely-held corporation and who pays for those shares ... can make a business judgment whether to buy into such a minority position, and if so on what terms. One could bargain for definitive provisions of self-ordering permitted to a Delaware corporation through the certificate of incorporation or by-laws by reason of the provisions in [Delaware law, and] in addition to such mechanisms ... [such as] elaborate earnings tests, buy-out provisions, voting trusts, or other voting agreements. *The tools of good corporate practice are designed to give a purchasing minority stockholder the opportunity to bargain for protection before parting with consideration.* (emphasis added)

AIA firmly believes in the fair treatment of shareholders. At the same time, the need for Hong Kong to remain competitive as a leading international financial center globally is an important objective and maintaining that stature will support liquidity and valuation levels that are beneficial to all investors here. We believe that this can be achieved provided a holistic approach is taken to the protection of shareholder interests.

Yours faithfully for AIA Group Limited,



Mark E Tucker
Group Chief Executive & President