 CHEUNG KONG (HOLDINGS) LIMITED 長江實業(集團)有限公司

28 November 2014

**BY FAX (852 2524 0149)**

Corporate and Investor Communications Department  
Hong Kong Exchanges and Clearing Limited  
12/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong  
**Re: Concept Paper on Weighted Voting Rights**

Dear Sirs,

**Re: Concept Paper on Weighted Voting Rights (“WVR”)**

We are writing in response to your invitation to comment on the above Concept Paper.

**“One-share, one-vote” principle should be upheld**

We firmly believe in the merit of the “one-share, one-vote” principle, being an important principle underlying a wide spectrum of corporate governance practices in respect of investor protection in Hong Kong, and is commonly accepted as a measure of fairness and equality for shareholders. This principle has also been seen to be embedded in the Listing Rules, for example, Rule 13.39(4) of the Main Board Listing Rules stipulates that any vote of shareholders at a general meeting must be taken by poll, which is a manifestation of the “one-share, one-vote” spirit. This principle is further reinforced by the recent abolition of the “headcount test” in the new Companies Ordinance.

Nonetheless, we note that Rule 8.11 of the Main Board Listing Rules allows the listing of shares (which have voting power disproportional to the equity interest of those shares when fully paid) in “exceptional circumstances”.

In the above connection, it would be helpful if the Exchange can give some guidance to the market as to what would constitute “exceptional circumstances” under the Exchange’s policy, giving due regards to the importance of investor protection and maintaining a level-playing field amongst existing listed issuers and the new listing applicants. Companies can then assess their own situation and decide if they would proceed with their plan of seeking to list with WVR structures.

**Interests of different players in the market should be balanced**

Should the Exchange decide that the WVR structures could be permitted for listing under exceptional circumstances pursuant to the existing Listing Rules (or otherwise via more substantive rule changes), it would then become important to balance the interests of the different players in the market, being those of the listing applicants, the investing public, as well as the existing listed issuers. In particular, it is necessary to consider whether the current legal and regulatory framework of Hong Kong can support listing of WVR structures. In the case where we come to a view that the Hong Kong market does not have

*C: Letter to HKEx re Concept Paper (Nov 2014) EY/NP*

in place commensurate investor protection measures like those exist in the US or other overseas markets, as well as those suggested in the “OECD Report on Proportionality”, any listing of WVR shares must be subject to sufficient safeguards and appropriate conditions and restrictions. Further, rigorous disclosure should be enforced and the buyer-beware philosophy should be adopted for WVR shares listing. In particular, the risks associated with WVR structures must be set out clearly in the listing documents for investors’ information and consideration.


### **Our other views**

We set out our other views and observations below for your consideration:

- a) When deciding whether to allow listing of WVR structures, a right balance must be struck between current market needs and high regulatory standards. Though it is important to attract overseas companies to list their shares in Hong Kong so as to maintain Hong Kong’s status as an international financial centre and a leading venue for the listing of shares, a level-playing field amongst existing listed issuers and listing applicants/new listed issuers must be ensured – apart from the circumvention risk as mentioned in the Concept Paper, existing listed issuers might consider to move to other listing venues to list their shares. In this connection, more flexibility and less restrictions could be considered for applications for secondary listing the issuers of which are already listed on a recognized overseas stock exchange.
- b) To be on par with other jurisdictions which permit listing of WVR structures, the permission to list WVR shares should not be limited to certain industries such as the information technology industry or innovative companies. It would be difficult to justify why the industries are being treated differently. Besides, determining what is innovative would be subjective or even arbitrary at times, and such innovative-ness of a company may be short lived.
- c) In response to the question as to whether to adopt, and to what extent, the common restrictions for the dual-class shares structures used by the US listed companies, e.g. restriction on transfers, minimum equity threshold held by founders and the sunset clause, this will require further debate in light of the characteristics of the Hong Kong financial market.

We hope that our above views and comments are helpful to you.

Yours faithfully,



Eirene Yeung  
Executive Committee Member  
& Company Secretary