



The British
Chamber of Commerce
in Hong Kong
香港英商會

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

23rd March 2018

Re: Emerging and Innovative Companies CP

The British Chamber of Commerce in Hong Kong welcomes the significant progress made on the proposed enhancements of Hong Kong's listing regime, as set out in your consultation paper of February 2018. We support the HKEX's pro-active and forward-thinking initiatives to maintain Hong Kong as an international financial centre.

Weighted Voting Rights

We support the initiative to allow issuers Weighted Voting Rights (WVR) structures to list on the Exchange, whilst recognising that first this is a principle on which there are divergent views, and that second some market participants have reservations about investor protection. The Chamber believes, that there can be an appropriate balance struck between meeting the needs of "new economy" companies without compromising investor protection. This requires full and transparent disclosures and safeguards, as mentioned in [the Chamber's response to the HKEX "Weighted Voting Rights Concept Paper" consultation of August 2014](#). In particular:

1. We agree with the safeguards proposed by the HKEX.
2. We believe HKEX should re-visit the "sunset clause" safeguard, not currently proposed by HKEX, which we believe is important for investor protection. A WVR structure is justifiable for a high growth, innovative company; at some point, after an initial spurt of high growth mode, we would expect the company to operate in a stable and steady mode (which may well be within the lifetimes of the WVR beneficiaries). At that point it has no commercial need for the WVR structure, and continued power in the hands of the founders and senior management may lead to poor corporate governance and lack of accountability. We note the comments of Commissioner Robert J. Jackson Jr. of the U.S. Securities and Exchange Commission on 15 February 2018 titled ["Perpetual Dual-Class Stock : The Case Against Corporate Royalty"](#).
3. We would like to see a higher proportion of Independent Non-Executive Directors as additional investor protection.

In the debate on WVR, we have seen many comparisons with the US regime. We should be careful to appreciate that the US environment is different and that legal avenues open to aggrieved shareholders there such as class action, contingency fees and third party litigation funding currently do not exist in Hong Kong. We suggest that the HKEX and SFC jointly give consideration to the establishment of a separate tribunal to which shareholders can take their grievances and/or establish a whistle-blower regime so that

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they can quickly receive information to take appropriate regulatory action. Concurrently, both the HKEX and SFC should work with the HKSARG to explore changes to expand shareholders' access to the courts and to justice for corporate misconduct.

Biotech

We support the HKEX's initiative to attract innovative companies to list in Hong Kong and its proposed chapter on Biotech Companies. We would like to see this initiative expanded to cover other companies that have good potential to maintain Hong Kong's status as an international financial centre and for which there is investor appetite, such as those focus on environment/green matters, fintech and "Belt and Road" projects.

Secondary Listings

Secondary listings should be available on equal terms to applicants from all jurisdictions. We believe that market forces, Hong Kong's competitive edge over other listing venues and applicants' needs for raising capital will naturally mean that there will be numerous PRC applicants in any case. All companies on the exchange will benefit from the HKEX's reputation as a premier international stock exchange.

Yours sincerely,

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Executive Director

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