

**Transcript of remarks by Acting Financial Secretary at media session
(with video)**

Friday, September 1, 2017

Following is the transcript of remarks by the Acting Financial Secretary, Mr James Lau, after attending the Conference on Business Ethics for Listed Companies 2017 today (September 1):

Reporter: Secretary, can you tell us the timetable and what are the considerations that really have to think or talk about on the weighted voting rights?

Acting Financial Secretary: Well, as I was explaining in Chinese, the question is actually when we see the prevalence or the increasing prevalence of weighted voting rights around the world, we also see heated debates between the buy side and the sell side on actually how should the shareholders' rights be safeguarded. As I was explaining, if I can sort of use a crude way to put it, it would be kind of taxation without representation, say when you have a recent March IPO where the shareholders were given zero voting rights. So that would be taxation without representation, is that a correct boardroom governance? Is that correct corporate governance? And I was saying that actually there is a host of factors one would need to consider in terms of the safeguards. For example, which are the new economy companies that should be eligible? What about existing, already listed companies? Are those super-voting rights as I called them, are they transferrable from one guru to another? What about sunset clauses requiring actually a scaledown of the super-voting rights to a more normal level? What are recourses of shareholders if there should be decisions by these super shareholders which are apparently not in the interests of the overall company or the public investors? So these are issues that would all need to be addressed and that's why they are really tricky issues, very controversial, so the SFC and the HKEX will have to take care of and do a very considered examination of all these issues.

Reporter: Would they come to a conclusion later this year? Will the regulators make a decision on weighted voting rights some time this year?

Acting Financial Secretary: Actually it is a bit premature to say when they will do it because what the HKEX have done in their consultation paper is actually

outlining, it is a concept paper in fact, so the concept paper outlines possibilities and they have posed some questions on actually what safeguards would need to be addressed. For example, would it be a disclosure-based approach? Or would it have to be a safeguard-based approach? Now these are all open issues and actually quite complicated and as far as I am aware, there is a whole range of views from the investors' world, from the corporate governance bodies and from index companies and so forth. They would need to sort out all these issues debated and they then would have to come up with a strawman proposal or something on actually what they have seen. So I think there would not be anytime soon necessarily on the conclusion of this particular CP (concept paper). They will be concluding after analysing the responses received, but then they will have to see what is the next step forward.

(Please also refer to the Chinese portion of the transcript.)

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