

30 March 2012

Mr Paul Chan  
Chairman  
Bills Committee on Companies Bill  
c/o Clerk to Bills Committee on Companies Bill  
Legislative Council Secretariat

*By email and fax: 2840-0797*

Dear Mr Chan,

**“HEADCOUNT TEST” FOR MEMBERS’ SCHEMES OF ARRANGEMENT  
UNDER THE COMPANIES BILL, A COLLECTIVE SUBMISSION**

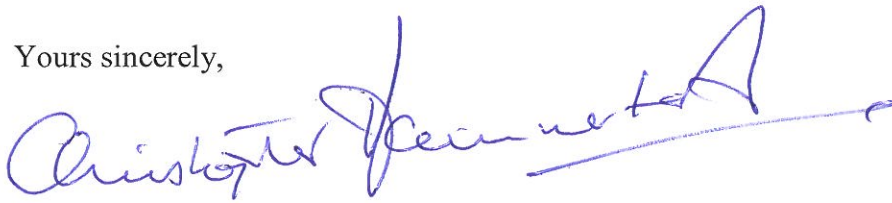
We thought it would be useful to write to you again following the last Bills Committee meeting on 23<sup>rd</sup> March to reiterate arguments against the retention of headcount test.

We consider the “headcount test” for members’ schemes of arrangement to be obsolete and should be abolished for reasons as outlined under:

1. The headcount test is fundamentally unfair as it cannot properly reflect the opinions of the majority of minority shareholders. The ‘one share one vote’ approach should be adopted instead;
2. The headcount test may penalize the vast majority of minority shareholders in Hong Kong who hold their shares through nominee companies;
3. The headcount test is an open invitation to share splitting and other forms of abuse and manipulation;
4. If the headcount test was removed, there are sufficient safeguards in the law already to protect minority shareholders; and
5. Abolishing the headcount test is consistent with Government’s policy of supporting the development of Hong Kong as an international financial centre.

As a further note, we would like to point out that support for abolition is by no means a business-only sentiment but that this is also shared by the majority of the investing public as evidence from submissions to the First Phase Consultation on the Draft Companies Bill back in 2009/2010, as well as recent depositions at the Bills Committee meeting on 23<sup>rd</sup> March.

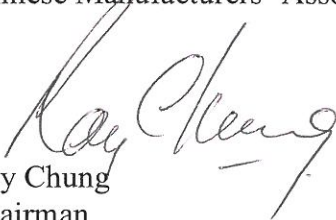
Yours sincerely,



Christopher Hammerbeck  
Executive Director  
British Chamber of Commerce in Hong Kong



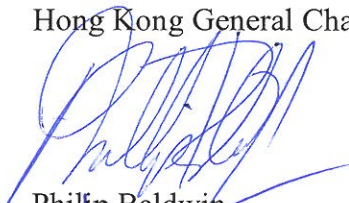
Irons Sze  
President  
Chinese Manufacturers' Association of Hong Kong



Roy Chung  
Chairman  
Federation of Hong Kong Industries



Anthony Wu  
Chairman  
Hong Kong General Chamber of Commerce



Philip Baldwin  
CEO  
Hong Kong Institute of Chartered Secretaries