Part B Consultation Questions

Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at: https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/January-2020-Corporate-WVR/Consultation-Paper/cp202001.pdf. Please indicate your preference by ticking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages.

We encourage you to read all of the following questions before responding.

1. Do you agree, in principle, that the Exchange should expand the existing WVR regime to enable corporate entities to benefit from WVR provided that they meet appropriate conditions and safeguards?

☒ Yes

☐ No

Please give reasons for your views. If your agreement is conditional upon particular aspect(s) of the proposed regime being implemented, please state what those aspect(s) are.

We agree that the existing WVR regime should be expanded to allow corporate entities to benefit from WVR.

Empirical evidence from the U.S. market has shown that Chinese issuers, which are mainly from the TMT industry, have provided pre-IPO investors with the opportunity to benefit from WVR. Ninety-one Chinese companies listed in the United States between 2010 and November 2019 have WVR arrangements with thirty-eight of them have granted WVRs to corporate shareholders.

We consider one of the main reasons for Chinese issuers to pursue listing in the US market is its flexibility in listing arrangements. With the evolving competitive landscape in China, especially for the TMT industry, an increasing number of potential issuers are backed by industry players (non-fund corporate shareholders) or fund corporate shareholders in their early stage of development to enable them to stand out and grow. It will become more common for corporate shareholders to ask for WVRs to further develop their ecosystems and help new issuers with their expansion post listing.

We believe that the expansion of the existing WVR regime can help the Hong Kong market become more competitive in terms of listing arrangements and provide potential Chinese issuers with additional benefits and incentives to be listed in a “home market”.

2. Do you agree that a corporate WVR beneficiary must be either the Eligible Entity or a wholly owned subsidiary of the Eligible Entity?

☒ Yes

☐ No

Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

The restriction can help mitigate potential risks of the corporate WVR regime.

Not all issuers are by their nature fit for WVR arrangements, and not all companies should be deemed eligible to be a corporate WVR beneficiary.

If there is no eligibility control over corporate WVR beneficiary, it would be natural for existing shareholders to seek more control compared to their shareholdings, thereby prejudicing the interest of the secondary market shareholders.

It is common for companies to hold some or all of their investments through special purpose vehicles. Therefore, wholly owned subsidiaries of an Eligible Entity should also be eligible to be a corporate WVR beneficiary.

3. Recognising that, with at least a 30% economic interest, the corporate WVR beneficiary would be regarded as having “de facto control” of the relevant listing applicant even without WVR and would be considered a Controlling Shareholder under both the Listing Rules and the Takeovers Code, the Exchange has proposed a minimum shareholding requirement for a corporate WVR beneficiary to own at least 30% of the economic interest in the listing applicant.

(a) Do you agree with the proposed requirement for a corporate WVR beneficiary to own at least 30% of the economic interest in the listing applicant and be the single largest shareholder at listing?

☐ Yes

☒ No

Please give reasons for your views.

We agree that there should be a minimum economic interest threshold requirement, but 30% may be too aggressive.

It is proposed that the 30% requirement be relaxed to 20% for the following reasons:

(a) A shareholder with a 30% economic interest is considered a controlling shareholder under the Listing Rules, who usually has had strong control over the issuer already and has little incentive to seek WVR. By way of comparison, the Stock Exchange currently only requires a 10% economic interest for an individual to benefit from the existing WVR regime.

(b) A company in which another company owns a 20% economic interest is generally recognized for accounting purposes as an associate. It demonstrates a significant shareholding and should be sufficient to align the controller's interests with those of the minority shareholders.

(c) In the TMT industry, except for spin-off cases, it is very common for strategic corporate investors to hold around 20% or less economic interest in target companies, which is usually sufficient to secure a board seat. Therefore, 20% appears to be a more realistic threshold.

(d) The U.S. market does not impose any minimum economic interest requirement. A too-high threshold would make the Hong Kong market less attractive and render the proposed reform less meaningful.

(e) The Exchange has shown in Figure 5 of the Consultation Paper a breakdown of 26 non-fund corporate holdings in Mainland US-listed WVR issuers at listing. Based on the statistics, a reduction in the minimum economic interest requirement from 30% to 20% would increase the percentage of eligible non-fund corporate WVR beneficiary candidates from 62% to 70% and makes the Hong Kong market a more competitive listing platform.

(b) Do you agree that a corporate WVR beneficiary’s shares should lapse if it fails to maintain at least a 30% economic interest on an ongoing basis?

☒ Yes

☐ No

Please give reasons for your views.

Save for our comments on the staking holding percentage threshold as mentioned above, we agree that the WVR should lapse if the beneficiary fails to maintain the minimum economic interest. There have been discussions over the fairness of WVR arrangements and the level of protection offered to other investors who are not WVR beneficiaries. The minimum shareholding requirement can to some extent protect the listed issuer from conflict of interests among shareholders. Moreover, it is fair and reasonable for the WVR to lapse when the minimum shareholding, which forms the basis of the corporate WVR regime, ceases to exist.

4. (a) If your answer to Question 3(a) is "no", do you propose a different economic interest in order for the applicant to benefit from WVR and, if so, what this should be?

☒ Yes

☐ No

If so, please state these conditions/requirements.

Please refer to our response to Quesiton 3(a) above.

(b) Do you believe that any other conditions and requirements should be imposed if a lower economic interest threshold is allowed?

☐ Yes

☒ No

If so, please state these conditions/requirements. Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

Please refer to our response to Quesiton 3(a) above.

5. Do you agree with the proposed exception from the Rules to permit an issuance of shares on a non-pre-emptive basis to a corporate WVR beneficiary without shareholders' approval if the below conditions are satisfied?

(a) The subscription is solely for the purpose and to the extent necessary to allow the corporate WVR beneficiary to comply with the 30% economic interest requirement;

(b) such shares do not carry WVR;

(c) the subscription will be on the same terms or better (from the perspective of the listed issuer) as the original issuance that triggered the need for the corporate WVR beneficiary to subscribe for additional shares in order to comply with the 30% economic interest requirement; and

(d) the subscription price paid by the corporate WVR beneficiary for the anti-dilution shares is fair and reasonable (having regard, among other things, to the average trading price of the listed issuer's stock over the preceding three months).

☒ Yes

☐ No

Please give reasons for your views. If your answer to Question 5 is "no", and you agree with the requirement for the corporate WVR beneficiary to hold at least 30% of economic interest in the issuer on an ongoing basis, what alternative measures would you propose to enable such minimum economic interest to be maintained on an ongoing basis? In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

Any requirement on the corporate WVR beneficiary should be set for the sole purpose of deciding whether a prospective issuer or beneficiary is qualified to benefit from such arrangements. For a corporate WVR beneficiary to maintain its status, there should not be additional non-commercial, non-regulatory and purely technical obstacles.

6. Do you agree with the proposed requirement that a corporate WVR beneficiary must have held an economic interest of at least 10% in, and have been materially involved in the management or the business of, the listing applicant for a period of at least two financial years prior the date of its application for listing?

☒ Yes

☐ No

Please give reasons for your views. If your answer to 6 is "no", do you agree that a historical holding requirement should be imposed? If so what alternative threshold or holding period would you propose?

In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

If a potential issuer is part of an ecosystem or has been strategically cooperating with an investor, it is very likely that the investor has been playing an important role in the issuer's business operation for a relatively long time (in many cases, all the time). The proposed requirement of at least 10% stake holding for at least two years should effectively filter out many pure financial investors who are not ideal corporate WVR beneficiary candidates.

7. (a) Do you agree that the maximum ratio of weighted votes permitted for shares of a corporate WVR beneficiary should be lower than the maximum ratio permitted for individual WVR beneficiaries?

☒ Yes

☐ No

Please give reasons for your views.

Individual WVR beneficiaries usually own relatively small portion of stake holdings in absolute number, thus requiring more voting power to achieve control. For corporate WVR beneficiaries, with the minimum economic interest requirement in place, we believe five times voting power should be sufficient for the corporate WVR beneficiaries. This is because a corporate WVR beneficiary holding a 30% economic interest would have a maximum of 68% of the voting power at general meetings. If the economic interest requirement is lowered to 20% as we proposed, the corporate WVR beneficiary would have a maximum of 55.6% of the voting power at general meetings. The corporate WVR beneficiary would have sufficient voting power to pass ordinary resolutions in both scenarios.

(b) Do you agree that this ratio should be set at no more than five times the voting power of ordinary shares?

☒ Yes

☐ No

If not, what is the maximum ratio that you would propose? Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

N/A

8. In summary, the Exchange recognises that the synergistic benefits of the ecosystem and the strategy and vision of the leader in developing the ecosystem may be difficult for a listing applicant to replicate on its own or with other business partners; and that this provides a basis for the listing applicant to determine that it is in its interest to issue WVR shares to the lead company within the ecosystem in order to reinforce its own role within the ecosystem. Accordingly, the Exchange has proposed that a corporate WVR beneficiary should be required to demonstrate its contribution through the inclusion of the listing applicant in its ecosystem in order to benefit from WVR. Do you agree with the Exchange's proposal in relation to the ecosystem requirement?

☒ Yes

☐ No

Please give reasons for your views.

As the relationship between the lead company and other ecosystem companies can be complex and of different forms, it is important to identify its contribution or synergistic benefits to the listing applicant. This in essence is in line with the personal contribution required of an individual WVR beneficiary.

Such requirement can serve to safeguard the WVR regime from abuse and minimize the room for misalignment of interest between the corporate WVR beneficiary and minority shareholders.

9. Do you agree with the required characteristics of an ecosystem as set out below:

(a) a community of companies (which includes the listing applicant) and other components (which may be non-legal entities such as business units of the corporate shareholder, user or customer bases, applications, programs or other technological applications) that has grown and co-evolved around a technology or know-how platform or a set of core products or services, owned or operated by the prospective corporate WVR beneficiary (for the avoidance of doubt, such platform or products or services does not need to represent the main business of the prospective corporate WVR beneficiary);

(b) the components within the ecosystem (including the listing applicant) both benefit from, and contribute to, the ecosystem by sharing certain data, users and/or technology (for example, software, applications, proprietary know-how or patents);

(c) the ecosystem must have attained meaningful scale, which will normally be measured by reference to indicators such as the number and technological sophistication of the components connected to the ecosystem, the size of its (combined) user base, or the frequency and extent of cross-interaction between the users or customers of different components;

(d) the core components within the ecosystem, and the listing applicant, are in substance controlled by the corporate WVR beneficiary; and

(e) the growth and success of the listing applicant was materially attributable to its participation in and co-evolvement with the ecosystem; and the applicant is expected to continue to benefit materially from being part of that ecosystem.

☒ Yes

☐ No

Please give reasons for your views. Please elaborate if you wish to propose an alternative or additional criteria.

Ecosystem can be difficult to define. The proposed criteria are reasonable and do not contain absolute thresholds or quantitative measures that may overly limit the potential candidates for ecosystem developers. We think the current set of characteristics strikes a good balance between opening up to a broad set of candidates and ring-fencing.

10. Are there other circumstances relevant to innovative companies that, in your view, could either (a) justify granting WVR to a corporate WVR beneficiary; or (b) be required as a pre-requisite to being granted WVR?

☐ Yes

☒ No

Please give reasons for your views.

Given the required size and nature of the corporate WVR beneficiary under the proposal, we think the existing description of the circumstances under which WVR can be granted is sufficient.

11. Do you agree that the corporate WVR beneficiary can be a traditional economy company provided that it develops a similar ecosystem which can satisfy the eligibility criteria?

☒ Yes

☐ No

Please give reasons for your views.

On one hand, traditional companies should not be prejudiced on the ground that their businesses are not of new forms. On the other hand, with the proliferation of usage of internet and technology, the boundary between a traditional corporate and an innovative corporate is no longer as clear-cut. For example, the adoption of facial recognition technology or digital payment in a traditional supermarket makes the traditional supermarket arguably at least an adopter of new technologies. We see that the core businesses of many innovative corporates are born out of a traditional setting. Thus, this provides a basis for WVR to be extended to a traditional economy company.

12. If your answer to 8 is “yes”, do you agree that the corporate WVR beneficiary should be required to provide a contribution to the WVR issuer (e.g. by facilitating the applicant’s participation in the ecosystem and including the applicant in its vision and planning for the ecosystem) on an ongoing basis and that its WVR should lapse if the corporate’s contribution to the WVR issuer is substantially terminated or materially disrupted or suspended for a period exceeding 12 months?

☒ Yes

☐ No

Please give reasons for your views.

As the additional rights given to a WVR beneficiary may be used against the interest of the listing applicant or its minority shareholder, it is advisable to ensure that the corporate WVR beneficiary is of good intention with respect to the use of its WVR. A contribution by the corporate WVR beneficiary on an ongoing basis is a manifestation of its cooperative intention. In cases such as when the board or management of the WVR beneficiary changes resulting in disruption of its contribution to the WVR issuer, this arrangement provides a mechanism for the WVR issuer to operate in a more standalone fashion. The interest of the WVR beneficiary is not prejudiced as its economic interest in the WVR issuer remains.

13. Are there alternative or additional conditions or requirements that you would propose for the corporate WVR beneficiary or the WVR issuer on an ongoing basis?

☐ Yes

☒ No

Please give reasons for your views.

The eligibility criteria itself will ring-fence many potential WVR issuers. We do not think any additional conditions or requirements are necessary.

14. (a) If your answer to 0 is “yes”, do you agree that a WVR issuer’s corporate governance committee should (after making due enquiries) confirm, on a six month and annual basis, that there has been no termination or material disruption, etc., to the corporate WVR beneficiary’s contribution to the listing applicant and that this requirement be set out in the committee’s terms of reference?

☒ Yes

☐ No

Please give reasons for your views.

The decision to terminate the WVR granted to the corporate WVR beneficiary should be made by a body independent from both the WVR issuer and the corporate WVR beneficiary. A Corporate Governance Committee comprised of all INEDs can suffice.

While the termination of the WVR given to a corporate WVR beneficiary is a mechanism that shields the WVR issuers from disproportional influence from the corporate WVR beneficiary, it is also important that the corporate WVR beneficiary, who may have significantly contributed to the growth of the WVR issuer, is not mistreated. A mechanism, in which a fully independent body can only terminate the WVR attached to the corporate WVR beneficiary's shares when there is clear evidence, will ensure a fair representation of interests of both sides.

(b) Alternatively, would you prefer there to be a different mechanism to check that this requirement is being met?

☐ Yes

☒ No

If so, please state what this should be. Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

N/A

15. Balancing the need to ring-fence corporate WVR beneficiary on a fair, rational and justifiable basis to avoid a proliferation of WVR structures, and the risk that a high market capitalisation requirement may be seen as creating an uneven playing field, the Exchange has proposed that a prospective corporate WVR beneficiary must have an expected market capitalisation of at least HK$200 billion at the time of the WVR issuer's listing. Do you agree with the proposed minimum market capitalisation requirement of HK$200 billion for a prospective corporate WVR beneficiary?

☐ Yes

☒ No

Please give reasons for your views.

As the WVR structure is in essence a matter of corporate governance, we agree that the WVR beneficiary should be ring-fenced in a limited range.

We would suggest imposing a lower market capitalization requirement of HK$40 billion, for the following reasons:

(a) Lowering the market capitalization requirement would create a more even playing field. There are a number of potential ecosystem developers in the market with market capitalization below HK$200 billion. In paragraph 16 of the Consultation Paper, the Exchange has referred to three Mainland-based internet, software and services companies listed on US exchanges, namely Youdao, Tencent Music Entertainment and Huya. Taking Huya as an example, its WVR beneficiary YY Inc. did not have a market capitalization of over HK$200 billion at the time of Huya's listing.

(b) There is no market capitalization requirement as such in the US market. Excessive market capitalization requirements will make the Exchange a less attractive listing platform. On the contrary, a lower market capitalization requirement can bring about huge benefits to the Exchange. As shown in Consultation Paper Figure 8, while only 58% of listed WVR beneficiaries have a market capitalization of over HK$200 billion, 75% of them have a market capitalization of over HK$40 billion.

(c) Under Chapter 19C of the Listing Rules, issuers in the innovation sector listed on Qualifying Exchanges seeking a secondary listing on the Exchange are required to have a minimum market capitalization of HK$40 billion at the time of listing. We believe that a similar standard should be applied when setting the market capitalization requirement for corporate WVR beneficiaries.

In addition, we would suggest that the duration of preceding period be extended from 3 months to 6 months. First of all, as noted in paragraph 23 of the Consultation Paper, a prospective corporate WVR beneficiary is usually a tech giant or a technology-enabled platform. Since companies in the TMT/Tech industry face rapid changes from time to time, their stock prices/market capitalization can be volatile. Therefore, the average market capitalization of a longer period, say 6 months, before the listing date of the applicant is more meaningful and reliable. Moreover, a 6-month period is in line with the financial reporting requirements of the Exchange and other Qualifying Exchanges. The financial results can have significant influence on a prospective corporate WVR beneficiary’s market capitalization, and most listed companies announce their financial results semi-annually rather than quarterly.

We would also suggest that an exit mechanism be implemented. As noted above, the industry landscape and business evolvement in TMT/Tech industry are constantly changing. Some of the tech giants 10 years ago can be fading away now, and certain ecosystem leaders nowadays may also go downhill in the future. It is essential to terminate the WVR by, for example, converting the Class B WVR shares held by a corporate WVR beneficiary into Class A ordinary shares, when it can no longer meet the market capitalization requirement.

16. Do you consider that any exceptions to the market capitalisation requirement should be provided?

☐ Yes

☒ No

If your answer to this question is “yes”, please explain the reason(s) for your view and state under what circumstances, and the factors that you consider to be relevant. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

N/A

17. Do you agree with the proposed requirement that to be suitable to benefit from WVR, a corporate WVR beneficiary must be either: (a) an Innovative Company or (b) have business experience in one or more emerging and innovative sectors as well as a track record of investments in, and contributions to, innovative companies?

☒ Yes

☐ No

Please give reasons for your views.

We agree with the proposed requirement, which ensures that a corporate WVR beneficiary has adequate competency.

18. Do you agree with the proposed requirement that to benefit from WVR, a corporate beneficiary must have and maintain a primary listing on the Exchange or a Qualifying Exchange?

☒ Yes

☐ No

Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

We partially agree with the proposed requirement. We agree that a corporate beneficiary should have and maintain a primary listing on the Exchange or a Qualifying Exchange. We would suggest that qualifying debt issuers should also be allowed to benefit from WVR. The fundamental concerns regarding a corporate WVR beneficiary are the potential agency problems and corporate governance issues. If the Exchange believe that a primary listing on the Exchange or a Qualifying Exchange can address the concerns, qualifying debt issuers, especially those who have made public offerings of their corporate bonds, should also be allowed to benefit from WVR. These debt issuers are under scrutiny of public investors and rating agencies and are expected to maintain certain corporate governance standard. For example, Huawei, a qualified debt issuer which does not have primary listing in any exchange, is potentially a leading ecosystem developer which should be allowed to benefit from WVR.

19. Do you agree with the requirement that a listing applicant must not represent more than 30% of the corporate WVR beneficiary in terms of market capitalisation at the time of its listing?

☐ Yes

☒ No

If not, do you prefer an alternative threshold? Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

We do not agree that a 30% limit should be imposed to prohibit a listed issuer from introducing a WVR structure over a material part of its business/assets. (a) There is no such requirement in the US market. An overly stringent requirement will screen out many otherwise eligible corporate WVR beneficiary candidates and make the Exchange a less competitive listing platform. (b) If it is the Exchange's concern that a listed issuer may propose a significant (or even a substantial) part of its businesses to be spun off for a separate listing with the listed issuer being the corporate VWR beneficiary, the Exchange can always regulate such spin-off via the administration of the current Practice Note 15, which requires both the spun-off businesses and remaining businesses be eligible for listing. (c) Even if a ceiling % is to be imposed, a 30% limit is too low. Taking the listing of Huya as an example, the market capitalization ratio between Huya and YY Inc. was 37% at the time of listing. As at 24 April 2020, the market capitalization ratio was 74%.

20. (a) Do you agree with the proposed requirement that at least one director of the listing applicant must be a Corporate Representative?

☒ Yes

☐ No

Please give reasons for your views.

Under the current Listing Rules, the WVRs attached to individual beneficiaries' shares will lapse permanently if a WVR beneficiary dies, ceases to be a director, or is deemed by the Exchange to be incapacitated for the purpose of performing his or her duties as a director, or is deemed to no longer meet the requirements of a director set out in the Listing Rules. The requirement that at least one director of the listing applicant must be a Corporate Representative will ensure the regulations of the corporate WVR beneficiaries are consistent with those governing individual WVR beneficiaries, in terms of responsibility and accountability for the performance of the issuer.

(b) Are there any alternative or additional measures that you would propose to increase a corporate WVR beneficiary's responsibility and accountability for how it exercises its control?

☐ Yes

☒ No

Please give reasons for your views.

N/A

21. Do you agree that the WVR attached to a corporate WVR beneficiary's shares must lapse permanently if:

(a) the beneficiary no longer has a Corporate Representative on the listed issuer's board of directors for a continuous period of 30 days;

(b) the Corporate Representative is disqualified as a director or found unsuitable by the Exchange as a result of an action or decision taken in his or her capacity as director of the listed issuer save where the corporate WVR beneficiary is able to demonstrate to the Exchange's satisfaction that the action or decision was taken outside of the authority granted by the corporate WVR beneficiary to the Corporate Representative; or

(c) the corporate WVR beneficiary has been convicted of an offence involving a finding that the beneficiary acted fraudulently or dishonestly?

☒ Yes

☐ No

If not do you suggest any alternative criteria? Please give reasons for your views. In your response, you may propose additional or alternative measures to the ones discussed in the Consultation Paper.

The requirement that one director of the listing applicant must be a Corporate Representative is a prerequisite for the WVRs attached to a corporate WVR beneficiary's shares to be valid. The WVRs should lapse once the premise does not hold. We, however, recognize the differences between corporate WVR beneficiaries and individual WVR beneficiaries. It is suggested that actions taken and decisions made by a Corporate Representative for which the relevant corporate WVR beneficiary is not culpable should be distinguished to prevent inappropriate deprivation of the WVRs attached to a corporate WVR beneficiary's shares.

22. Do you agree that the Exchange should impose a time-defined sunset on the WVR of a corporate WVR beneficiary?

☐ Yes

☒ No

Please give reasons for your views.

It is recommended that a time-defined sunset not be imposed on the WVR of a corporate WVR beneficiary for the following reasons:

(a) The imposition of a time-defined sunset and its approval by independent shareholders may increase the risk of hostile takeovers. For example, it is possible for a competitor to vote down the renewal of the WVR of a corporate WVR beneficiary after acquiring a small number of shares in the market. Contrary to the fundamental purpose of the WVR regime to enhance stability and control, a time-defined sunset may lead to instability of the management and disruption of the company's business development.

(b) The same restriction does not apply to the WVRs attached to individual WVR beneficiaries. Taking into account the life expectancy of human beings in general, we would expect the WVRs attached to individual WVR beneficiaries to last for more than 10 years. The Exchange may consider requiring the WVRs attached to corporate WVR beneficiaries to lapse in the event of winding-up, which is analogous to the death of an individual.

(c) The US market does not impose similar restrictions, nor does any Chinese company listed in the United States have a time-defined sunset arrangement. Therefore, the time-defined sunset would make the Exchange a less attractive platform for listing.

23. If your answer to 0 is "yes", do you agree with the proposed maximum 10 year length of the initial "sunset period"?

☐ Yes

☐ No

If not, what length of period would you prefer? Please give reasons for your views.

N/A

24. (a) Do you agree that the WVR of a corporate WVR beneficiary could be renewed at the end of the sunset period with the approval of independent shareholders?

☐ Yes

☒ No

Please give reasons for your views.

We do not agree that the WVR of a corporate WVR beneficiary should be subject to renewal. Please refer to our response to Question 22.

(b) If so, do you agree with the maximum five year length of the renewal period or would you prefer an alternative renewal period length?

☐ Yes

☒ No

Please give reasons for your views.

We do not agree that the WVR of a corporate WVR beneficiary should be subject to renewal. Please refer to our response to Question 22.

25. Do you agree that there should be no limit on the number of times that the WVR of a corporate WVR beneficiary could be renewed?

☐ Yes

☐ No

If not, what is the limit that you would propose? Please give reasons for your views.

We do not agree that the WVR of a corporate WVR beneficiary should be subject to renewal. Please refer to our response to Question 22.

26. Should the Exchange impose any other requirements on a corporate WVR beneficiary as of a condition of renewing its WVR?

☐ Yes

☐ No

If so, please provide details of the suggested requirement. Please give reasons for your views. In your response, you may propose additional or alternative measure to the ones discussed in the Consultation Paper.

We do not agree that the WVR of a corporate WVR beneficiary should be subject to renewal. Please refer to our response to Question 22.

27. Do you agree that the Exchange should not restrict an issuer from granting WVR to both corporate and individual beneficiaries provided that each meets the requisite suitability requirement?

☒ Yes

☐ No

Please give reasons for your views.

We agree that the Exchange should not restrict an issuer from granting WVR to both corporate and individual beneficiaries in case where each of them meet the requisite suitability requirements.

There are cases in which an issuer has materially benefited from the contributions of both individual and corporate WVR beneficiaries. An issuer's business may be developed initially through the knowledge and strategic direction of an individual founder and it subsequently benefits from the ecosystem of a corporate investor.

For instance, in the case of Pinduoduo Inc. (NASDAQ: PDD), the founder and CEO Zheng Huang founded the company with the idea of "New E-commerce" and the concept of "Group buying". Pinduoduo later on introduced Tencent as a strategic corporate investor and collaborates with Tencent in many aspects of Wechat mini-program, advertising and cloud technology.

28. Are there any additional measures that you would propose for the WVR beneficiaries or the WVR issuer to safeguard the interests of the WVR issuer (e.g. prevent a deadlock) if there were both corporate and individual beneficiaries?

☒ Yes

☐ No

Please give reasons for your views.

The Exchange may consider if the list of matters for which any WVR must be disregarded under Rule 8A.24 of the Listing Rules should be expanded to further protect the interests of the minority shareholders.

29. Do you agree that where an issuer has both a corporate WVR beneficiary and individual WVR beneficiaries, the time-defined sunset should only apply to the corporate WVR beneficiary?

☐ Yes

☒ No

Please give reasons for your views.

We do not agree to the time-defined sunset proposal. Please refer to our response to Question 22.

30. Do you agree that, in the event that the WVR of the corporate WVR beneficiary falls away as a result of its time-defined sunset, the individual beneficiary should be required to convert part of his or her WVR shares into ordinary shares such that the individual beneficiary will control the same proportion of voting power in the issuer both before and after the corporate WVR beneficiary's WVR fall away?

☒ Yes

☐ No

Please give reasons for your views. In your response, you may propose additional or alternative measure to the ones discussed in the Consultation Paper.

First of all, we do not agree to time-defined sunset. Please refer to our response to Question 22.

However, if a time-defined sunset were to be implemented and the WVR of the corporate WVR beneficiary falls away as a result, we agree that the individual beneficiary should be required to convert part of his or her WVR shares into ordinary shares, for the following reasons:

(a) This requirement allows the independent shareholders to make a genuine decision as to whether or not to renew the WVR of the corporate WVR beneficiary.

(b) Such requirement is fair and reasonable. Individual WVR beneficiaries should not be permitted to benefit from the lapse of a corporate WVR beneficiary's WVRs, which is independent of and unrelated to the contribution made by the individual WVR beneficiaries to the issuer.

(c) It serves as an important safeguard of the interest of the independent shareholders by not allowing the individual WVR beneficiaries to exercise more control over the issuer than what they were given at listing.

31. Do you agree that the Listing Rules need not mandate that, if an individual beneficiary's WVR falls away before a corporate WVR beneficiary's WVR, the corporate WVR beneficiary should convert part of its WVR shares into ordinary shares such that the corporate WVR beneficiary will control the same proportion of voting power in the issuer both before and after the individual beneficiary's WVR fall away?

☒ Yes

☐ No

Please give reasons for your views. In your response, you may propose additional or alternative measure to the ones discussed in the Consultation Paper.

Although the triggering of an "event-based" sunset applicable to individual WVR beneficiaries may cause disruption and a material change to the control of an issuer, the risk is currently tolerated for issuers that have multiple individual WVR beneficiaries. Also, an “event-based” sunset of an individual WVR beneficiary is not subject to a shareholder vote and so the concerns regarding the potential effect of the sunset on a voting decision do not arise.

- End -