Annex A.10 Companies with Weighted Voting Rights Structures

Applicant	Background and Decision
Company A *(MB Applicant) (2022)* Rule reference: MB Rules 8.04, 8A.04, 19C.02	*Background* 1. Company A was a retailer based in Mainland China which sold lifestyle products (such as stationery and gifts, personal care products, home décor and electronics). 2. Company A operated its physical retail network under a franchise and distributorship model. Under the franchise model, the franchisees would purchase Company A's products and on-sell them to consumers at the retail store. Company A mainly assisted the franchisees in customising merchandise mix and monitoring store operations. Under the distributorship model, Company A sold the products to the distributors without any involvement in store and merchandise mix management. 3. During the track record period, (i) Company A's R&D expenses represented a very insignificant portion of its total operating expenses; and (ii) Company A used management systems and tools (which included its supply chain management system, digitalised consumer engagement and marketing tools and the application of artificial intelligence in store management) that were already well-established in the retail sector and commonly used among large-scale retailers. *Decision* 4. Company A failed to demonstrate that its franchise and distributorship model was a new and innovative business model given that many businesses in Mainland China adopted a similar approach for expansion. 5. Company A also failed to demonstrate that R&D was a significant contributor of its expected value and constituted a major activity and expense, and that it had implemented new technologies taking into account (i) and (ii) in paragraph 3 above.
Company B *(MB Applicant) (2022)* Rule reference: MB Rules 8.04, 8A.04, 19C.02	*Background* 1. Company B operated an automotive-related business in Mainland China. 2. In recent years, to complement its offline business, Company B introduced an online platform (e.g. a website) as an ancillary service to enable users to search for and compare products online. Despite the introduction of the online platform, the majority of Company B's sales transactions were generated from its offline network. *Decision* 3. Company B failed to demonstrate why the ancillary online platform was a new technology or innovation given that complementing the brick-and-mortar business with an online channel is common in Mainland China. 4. Company B's financial performance was on a decreasing trend, as demonstrated by a significant decrease in both revenue and gross profit margin by nearly half in the last two years of the track record period. Company B failed to demonstrate that it had a track record of high business growth and that its high growth trajectory was expected to continue.

Applicant	Background and Decision
Company C *(MB Applicant) (2022)* Rule reference: MB Rules 8.04, 8A.04, 19C.02	*Background* 1. Company C was a vocational education and training service provider in Mainland China which offered examination preparation courses through online and offline channels. 2. During the track record period, (i) while Company C's revenue increased, a significant majority of the revenue was generated from offline tutoring, and its gross profit decreased; and (ii) Company C's R&D expenses decreased by nearly two-thirds and its R&D expenses as a percentage of total operating expenses was lower than that of its peers. *Decision* 3. Company C failed to demonstrate that its success was attributable to the implementation of innovative technologies and business model for the following reasons: (i) the majority of revenue shifted from online education to offline education, which was very similar to conventional classroom-based education given that it did not involve the use of new technologies, innovations or a new business model; and (ii) the technologies adopted in its business were commonly used by the education sector in Mainland China and most of them were less advanced than those of its peers. Hence, Company C could not differentiate itself from other existing market players. 4. In addition, Company C could not establish that R&D was a significant contributor of its expected value and constituted a major activity and expense, and it failed to demonstrate that it had a track record of high business growth and that its high growth trajectory was expected to continue.
Company D *(MB Applicant) (2022)* Rule reference: MB Rules 8.04, 8A.04, 19C.02	*Background* 1. Company D was an electric vehicle ("**EV**") manufacturer in Mainland China and it recorded decent growth in sales of EVs during the track record period. 2. During the track record period, Company D mainly sold its vehicles through car dealers and adopted the direct-sales model recently. It co-operated with third parties to co-develop new technologies and innovations which were to be adopted in future vehicle models. However, its R&D expenses was on a decreasing trend and, as a percentage of total operating expenses, it decreased by nearly half during the track record period and was also lower than its peers. *Decision* 3. Whilst the EV industry was widely considered to be an emerging sector at the material time, the question of whether a company was eligible for listing with a WVR structure remained subject to its ability to satisfy the requirements based on individual facts and circumstances. Company D failed to demonstrate that it had a new business model or technologies that could differentiate itself from other existing players (which exhibited a higher growth trend with newer car models) or that it would be able to sustain growth with updated car models. In particular, its business model (i.e. sales through car dealers and direct-sales) was not new in the industry and it failed to differentiate itself from other existing market players.

Applicant	Background and Decision
	4. In addition, Company D could not establish that R&D was a significant contributor of its expected value. In particular, the new technologies and innovations to be adopted in future vehicle models were co-developed with third parties; and Company D had yet to record any revenue from the sales of new vehicle models.
Company E *(MB Applicant) (2022)* Rule reference: MB Rules 8.04, 8A.04, 19C.02	*Background* 1. Company E was initially engaged in the provision of third-party payment services and general trading. Mr. E was Company E's founder and the proposed WVR beneficiary. Since the first year of the track record period, Company E acquired a number of businesses involved in the provision of cloud-based e-commerce solution services using data analytics and AI technologies to merchants, which subsequently became Company E's core business (the "**Core Business**"). *Decision* 2. Company E failed to demonstrate that Mr. E had been materially responsible for the growth of Company E and/or the Core Business, which was one of the key requirements for qualifying as a WVR beneficiary in light of the following facts: (i) The growth of Company E was mainly attributed to the acquisition of the Core Business; and (ii) The Core Business was not established by or primarily developed under the management of Mr. E.