October 2020

Consultation Conclusions

Corporate WVR Beneficiaries

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APPENDICES

DISCLAIMER

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DEFINITIONS

TERM	DEFINITION
"centre of gravity in Greater China"	As set out in Listing Rule 19C.01, the Exchange will consider the following factors in determining whether an issuer has its centre of gravity in Greater China: (a) whether the issuer has a listing in Greater China; (b) where the issuer is incorporated; (c) the issuer's history; (d) where the issuer is headquartered; (e) the issuer's place of central management and control; (f) the location of the issuer's main business operations and assets; (g) the location of the issuer's corporate and tax registrations; and (h) the nationality or country of residence of the issuer's management and Controlling Shareholder(s)
"Consultation Paper"	The Consultation Paper on Corporate WVR Beneficiaries published on 31 January 2020 (here)
"Controlling Shareholder"	Any person (including a holder of depositary receipts) who is or group of persons (including any holder of depositary receipts) who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer; or in the case of a PRC issuer, the meaning ascribed to that phrase by Rule 19A.14 provided always that a depositary shall not be a Controlling Shareholder merely by reason of the fact that it is holding shares of the issuer for the benefit of the holders of depositary receipts
"Corporate Representative"	An officer (as defined under the SFO) of the corporate WVR beneficiary who, in his or her capacity as a member of the board of directors of a WVR issuer, acts as a representative of the corporate WVR beneficiary
"Corporate WVR Conversion"	The conversion of part of the WVR shares of the corporate WVR beneficiary into ordinary shares

TERM	DEFINITION
“Corporate WVR Maximum Ratio”	The maximum number of votes that can be carried by each share that is beneficially owned by a corporate WVR beneficiary
“Eligible Entity”	A corporate that meets the proposed eligibility requirements to benefit from WVR
“Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited
“FSDC”	Financial Services Development Council, Hong Kong
“Grandfathered Corporate WVR Issuers”	Greater China Issuers with corporate WVR beneficiaries that are grandfathered under the proposals set out in this paper (see paragraphs 10 to 17 and Chapter 6)
“Grandfathered Greater China Issuers”	Greater China Issuers that are permitted to secondary list with their existing WVR structures subject to them meeting applicable conditions set out in the Rules and/or guidance
“Greater China Issuers”	Issuers with a centre of gravity in Greater China as set out in Listing Rule 19C.01
“HKEX”	Hong Kong Exchanges and Clearing Limited
“Innovative Company”	A company that demonstrates the characteristics set out in paragraph 4.2 of the WVR Guidance Letter
“Individual WVR Fall-away”	The fall-away of the individual beneficiary’s WVR upon an “event-based” sunset
“Individual WVR Maximum Ratio”	The maximum number of votes that can be carried by each share that is beneficially owned by an individual WVR beneficiary
“IPO”	Initial public offering
“JPS”	“Joint policy statement regarding the listing of overseas companies” first published jointly by the Exchange and the SFC in 2007, updated on 27 September 2013, and last amended on 30 April 2018 (here)
“Listing Rules” or “Rules”	The Rules Governing the Listing of Securities on SEHK (Main Board unless otherwise stated)
“LSE”	London Stock Exchange plc
“Main Board”	The main board of the SEHK
“NASDAQ”	Nasdaq Stock Market

TERM	DEFINITION
"New Board Concept Paper"	The Concept Paper on a New Board published on 16 June 2017 (here)
"New Board Concept Paper Conclusions"	The Conclusions to the New Board Concept Paper published on 15 December 2017 (here)
"Non-pre-emptive Share Issuance"	An issuance of shares on a non-pre-emptive basis
"NYSE"	New York Stock Exchange LLC
"PRC" or "Mainland"	The People's Republic of China
"Qualifying Exchange"	NYSE, NASDAQ or the Main Market of the LSE (and belonging to the UK Financial Conduct Authority's "Premium Listing" segment)
"Qualifying Issuer"	an issuer primary listed on a Qualifying Exchange
"Rule Chapters Conclusions Paper"	The conclusions to the Rule Chapters Consultation Paper published on 24 April 2018 (here)
"Rule Chapters Consultation Paper"	The Consultation Paper on a Listing Regime for Companies from Emerging and Innovative Sectors published on 23 February 2018 (here)
"SFC"	Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Supportive Respondents"	Respondents who supported our proposal to expand the existing WVR regime to enable corporate entitles to benefit from WVR
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"UK"	United Kingdom
"US"	United States of America
"WVR"	Weighted voting rights
"WVR Guidance Letter"	Guidance issued by the Exchange entitled "Suitability for Listing with a WVR Structure" (HKEX-GL-93-18)
"WVR issuer"	Issuer with a WVR structure

TERM	DEFINITION
“WVR structure”	A structure that results in any party having WVR

EXECUTIVE SUMMARY

Purpose

1. This paper sets out conclusions to the consultation on the Exchange's proposals to extend the Exchange's current WVR regime to permit corporates to benefit from WVR, subject to appropriate safeguards.

Background

2. On 30 April 2018, following the publication of the Rule Chapters Conclusions Paper, the Exchange implemented Chapter 8A of the Main Board Listing Rules to permit individuals to benefit from shares with WVRs.

3. The Exchange received feedback from a number of parties that the Exchange should additionally consider permitting corporate entities to benefit from WVR. The Exchange stated that it would launch a separate consultation on the matter.

4. On 31 January 2020, following discussions with the SFC and stakeholders, the Exchange published the Consultation Paper to seek views on proposals to allow corporate entities to also benefit from WVR.

5. In view of the outbreak of COVID-19, the Exchange extended the consultation period from 1 May 2020 to 31 May 2020[1] to enable all who wished to respond to do so.

Results of Consultation

6. The Exchange received 65 non-duplicate[2] responses to the Consultation Paper from a broad range of respondents that were representatives of all stakeholders in the Hong Kong market. A list of all respondents is set out in **Appendix I**.

7. 45 respondents (69% of respondents) supported, in principle, permitting corporate entities to benefit from WVR. Among these supportive submissions, there was a wide range of views regarding the specific features and safeguards proposed for the regime. 21 respondents (32% of all respondents) thought our proposed safeguards were too stringent. There were suggestions to lower the minimum market capitalisation threshold for a corporate WVR beneficiary and the minimum economic interest to be held by a corporate WVR beneficiary. Eight respondents (12% of all respondents) thought that the safeguards were too weak. For example, they pointed to the absence of safeguards in the event of a change in control in the corporate WVR beneficiary and pressed for greater board independence. The remaining respondents supported the safeguards we had proposed.

8. 20 respondents (31% of all respondents) did not support permitting corporate entities to benefit from WVR and investment firms were nearly unanimous in their opposition to permitting corporate WVR in any circumstances. These respondents objected to

[1] For details, please refer to the HKEX news release published on 28 April 2020.

[2] Three respondents (i.e. Swire Properties Limited, Cathay Pacific Airways Limited and Swire Pacific Limited ("**Swire**")) submitted the same response. Further, Kabouter Management, LLC submitted the same response as the Asian Corporate Governance Association ("**ACGA**").

WVR structures in principle, pointing out that the proposal is contrary to the global trend to promote stewardship by institutional investors to enhance governance. They also referred to the additional risks of corporate WVR, including greater misalignment of interests between public shareholders and controllers holding through multiple tiers of WVR companies; and the lack of accountability by corporate WVR holders and their appointed directors, and believed that no safeguards could be sufficient to mitigate these risks.

9. A quantitative analysis of all the responses is set out in **Appendix II** to this paper.

Way Forward

10. After carefully considering the feedback from respondents, we have decided to give more time for the market to develop a better understanding of Hong Kong's regulatory approach towards regulating listed companies with WVR structures and their controllers, and for regulators to monitor that the existing Chapter 8A regime operates as intended, which will help to inform any future amendments.

11. Hong Kong was the first major listing market to introduce a specific listing rule regime to regulate listed companies with WVR structures. The Exchange recognises that expanding the current regime to allow corporate holders would be an additional significant new development. While a majority of respondents agree in principle that corporate WVR beneficiaries should be permitted, there are very diverse views and expectations as to how the proposed regime would operate in practice and whether (and if so what) modifications were required for it to operate as intended.

12. The safeguards proposed in the Consultation Paper are largely based on the existing Chapter 8A regime. The Chapter 8A regime has numerous requirements, including eligibility requirements and investors' safeguards, that were unique to Hong Kong when they were introduced in 2018. While some of those requirements have been replicated by other stock exchanges since then, they are quite different from other regulatory regimes, such as the United States, that permit ordinary shares with different voting rights.

13. We set out below our way forward on secondary listings by Qualifying Issuers that have corporate WVR holders.

Addition to Existing Grandfathering Arrangements

14. Grandfathered Greater China Issuers (namely, a Greater China Issuer that primary listed on a Qualifying Exchange on or before 15 December 2017) that meet the eligibility and suitability requirements under Chapter 19C of the Listing Rules are permitted to secondary list in Hong Kong without having to amend their existing WVR structures even if they have WVR structures that do not meet Hong Kong's own requirements[3]. This "grandfathering" provision of Chapter 19C already applies to any eligible issuers with capital structures that permit corporate WVR beneficiaries.

15. The Exchange will now, additionally, treat Greater China Issuers that are: (a)

[3] i.e. the relevant requirements under Chapter 8A that apply to the WVR structure of a primary listing applicant.

controlled[4] by corporate WVR beneficiaries (as at the date of this paper) and (b) primary listed on a Qualifying Exchange on or before the date of this paper in the same manner as Grandfathered Greater China Issuers for the purposes of Chapter 19C of the Listing Rules. Greater China Issuers that primary list on a Qualifying Exchange after this date would not be eligible for this treatment. The foregoing is a general modification of the definition of Grandfathered Greater China Issuer in Rule 19C.01 of the Listing Rules made under Rule 2.04.

16. Further details are set out in Chapter 6 of this paper.

All other existing safeguards continue to apply

17. A Greater China Issuer that applies for listing under the additional grandfathering arrangements must meet all other existing requirements of Chapter 19C, including the requirement to demonstrate to the Exchange:

(a) that it meets a high minimum market capitalisation threshold of at least HK$40 billion, or at least HK$10 billion with at least HK$1 billion of revenue for its most recent audited financial year[5];

(b) that it is an "innovative company" as part of the demonstration of its suitability for listing[6]; and

(c) that the domestic laws, rules and regulations to which it is subject and its constitutional documents, in combination, provide certain shareholder protection standards (including that it will hold an annual general meeting each year and provide members holding 10% of the voting rights or more, on a one vote per share basis, with the right to convene an extraordinary general meeting)[7] .

Forthcoming Consultation

18. The Exchange plans to consult the market on proposals to normalize the eligibility requirements that apply to Greater China Issuers that do not have WVR structures and seek to secondary list under Chapter 19C. We are currently considering whether these issuers should: (a) meet the same expected market capitalisation requirements as non-Greater China Issuers at listing as set out in the JPS; and (b) not have to demonstrate that they are an "Innovative Company". We hope to publish a consultation paper soon on a review of our dual-primary and secondary listing regimes as a whole.

[4] This means that a single corporate WVR beneficiary (or a group of corporate beneficiaries acting in concert) holds the largest share of the voting power in the listed issuer, which must amount to at least 30% of shareholders' votes carried by the issuer's share capital as at the date of this paper.

[5] Listing Rule 19C.05.

[6] Section 3 of HKEX-GL94-18 (April 2018).

[7] Listing Rules 19C.07 and 19C.08.

CHAPTER 1: INTRODUCTION

Background

19. On 30 April 2018, following the publication of the Rule Chapters Consultation Conclusions Paper, the Exchange implemented Chapter 8A of the Main Board Listing Rules to permit issuers that grant WVR to individual persons (e.g. their founders) to primary list on the Exchange.

20. Following that consultation we also implemented Chapter 19C that permits Qualifying Issuers to secondary list with WVR structures. This chapter also allows Greater China Issuers that primary listed on a Qualifying Exchange on or before 15 December 2017 to secondary list under Chapter 19C as "Grandfathered Greater China Issuers" without having to amend their existing WVR structures.

21. The Exchange received feedback from a number of parties during that consultation, and the New Board Concept Paper consultation that preceded it, that the Exchange should, additionally, consider permitting issuers to list with corporate WVR structures. The Exchange recognised that this would be a significant new development from the proposed way forward set out in New Board Concept Paper Conclusions. Accordingly, the Exchange stated that it would launch a separate consultation on the matter.

22. On 31 January 2020, the Exchange published the Consultation Paper to seek views on proposals to allow issuers to primary list with corporate WVR structures. In view of the outbreak of COVID-19, the Exchange extended the consultation period from 1 May 2020 to 31 May 2020[8] to enable all who wished to respond to do so.

[8] For details, please refer to the HKEX news release published on 28 April 2020.

CHAPTER 2: METHODOLOGY

Purpose of the Exchange's Methodology

23. In reviewing and drawing conclusions from the consultation responses, the Exchange's goal is to ensure that we come to a balanced view in the best interest of the market as a whole and in the public interest.

24. The effectiveness of this process depends on the submission of original responses from a broad range of respondents that give considered and substantive reasons for their views. The Exchange's methodology, accordingly, aims to accurately categorise respondents and identify different viewpoints. In line with the Exchange's past publicly stated practice, this requires a qualitative assessment of the responses in addition to a quantitative assessment.

Identifying the Category of Respondent

25. In this Conclusions Paper, respondents are categorised according to whether their response represented the view of:

    (a) an institution or an individual; and

    (b) one of the following: "Accounting Firm", "Corporate Finance Firm/ Bank", "Investment Firm", "Law Firm", "Listed Issuer", "Professional Body/ Industry Association"; or "Other Corporate".

26. The Exchange used its best judgment to categorise each respondent using the most appropriate description above.

27. The Exchange categorised "Professional Bodies / Industry Associations" as a single group rather than strictly assigning them individually to other categories (e.g. by assigning brokers' associations to the "HKEX Participant" category). This is in line with the Exchange's past practice. Subjective judgment is required to assign professional bodies to other categories and some do not fit easily with other categories of respondents. Nevertheless the Exchange has attempted, in this Conclusions Paper, to accurately reflect the opinions of various sections of the market by mentioning certain professional bodies in the context of categories to which they are most closely related.

28. It is not the Exchange's practice to categorise "Investment Firms" by their assets under management for the purposes of analysing consultation responses, as the Exchange believes that the size of an institution's global assets does not mean that the Exchange should necessarily attach more insight to their arguments or viewpoint. This would also raise issues as to the treatment of representative bodies that have considerable variances in number and type of members. Similarly, it is not the Exchange's practice to categorise professional bodies by the size and nature of their membership.

Qualitative Analysis

29. The Exchange performed a qualitative analysis to enable it to properly consider the broad spectrum of respondents and their views. A qualitative analysis enabled the Exchange to give due weight to responses submitted on behalf of multiple persons or institutions and the underlying rationale for a respondent's position.

Quantitative Analysis

30. The Exchange performed an analysis to determine the support, in purely numerical terms, for the Consultation Paper proposals. The result of this analysis forms **Appendix II**.

31. The Consultation Paper invited public comments on whether the existing WVR regime should be expanded to enable corporate entities to benefit from WVR regime. For the purpose of its quantitative analysis, the Exchange placed each response into one of the following five categories based on the content of the response:

    (a) support on the basis of the proposed safeguards;

    (b) support but with safeguards reduced;

    (c) support with mixed views on safeguards;

    (d) support subject to more stringent safeguards; or

    (e) not willing to accept the expansion of the WVR regime to corporate beneficiaries even with safeguards.

Counting Responses not Respondents

32. For the purposes of its quantitative analysis, the Exchange counted the number of responses received not the number of respondents those submissions represented. This means:

    (a) a submission by a professional body is counted as one response even though that body/association may represent many individual members;

    (b) a submission representing a group of individuals is counted as one response; and

    (c) a submission by a law firm representing a group of market practitioners (e.g. sponsor firms / banks) is counted as one response.

33. However, when undertaking qualitative analysis of responses, the Exchange has taken into account the number and nature of the persons or firms represented by other respondents.

34. The Exchange's method of counting responses, not the respondents they represent, is the Exchange's long established publicly stated policy.

Anonymous Responses

35. Thirteen respondents requested anonymity (see **Appendix I** for the number of these respondents by category).

36. Out of these anonymous respondents,

(a) Seven respondents requested that their responses be published anonymously. We included these responses in the list of responses published on the HKEX website, identified by category only (e.g. "Law Firm"); and

(b) Six respondents requested that their submission not be published on the HKEX website. For these responses we have not provided a hyperlink to the response on the webpage listing the responses to this paper.

We have counted these responses for the purpose of both our quantitative and qualitative assessment of responses.

Respondents by Type

37. The Exchange received 65 non-duplicate[9] responses to the Consultation Paper from a broad range of respondents. A breakdown of the types of respondents to the consultation is set out in the table below: A list of all respondents is set out in **Appendix I**.

Table 1: Breakdown of Respondents to the Consultation Paper by Type

CATEGORY	NUMBER	%
Professional Bodies / Industry Associations	19	29%
Investment Firms	14	22%
Listed Issuers	9	14%
Law Firms	8	12%
Accounting Firms	4	6%
Corporate Finance Firms/Banks	4	6%
Other corporates	4	6%
Individuals	3	5%
TOTAL[10]	**65**	**100%**

[9] Three respondents (i.e. Swire Properties Limited, Cathay Pacific Airways Limited and Swire Pacific Limited ("**Swire**")) submitted the same response. Kabouter Management, LLC submitted the same response as ACGA. We have counted these as two responses in total.

[10] Total number excludes the duplicated responses.

CHAPTER 3: RESPONSES TO QUESTION ON WHETHER CORPORATES SHOULD BE ABLE TO BENEFIT FROM WVR

38. A table of responses to the “threshold question” of whether the existing WVR regime should be expanded to enable corporate entities to benefit from WVR is set out below.

Table 2: Should the Exchange Expand the Existing WVR regime to Enable Corporate Entities to Benefit from WVR?

RESPONSE	NUMBER OF RESPONDENTS	%
SUPPORT / SUPPORT WITH CONDITIONS		
Support on the basis of the proposed safeguards	6[11]	9%
Support but with safeguards reduced	21[12]	32%
Support with mixed views on safeguards	10[13]	15%
Support subject to more stringent safeguards	8[14]	12%
NOT WILLING TO ACCEPT CORPORATE WVR		
Should not be accepted in any circumstances	20[15]	31%
TOTAL	**65**	**100%[16]**

[11] The respondents are FSDC, SHINEWING Risk Services Limited (“**SHINEWING**”), PricewaterhouseCoopers (“**PwC**”), KPMG, Jingtian & Gongcheng LLP (“**Jingtian & Gongcheng**”) and an anonymous respondent.

[12] The respondents are Swire, Slaughter and May, PingAn Insurance (Group) Company of China, Ltd. (“**PingAn Insurance**”), Davis Polk & Wardwell (“**Davis Polk**”), Clifford Chance (on behalf of an anonymous listed company), The Chamber of Hong Kong Listed Companies (“**CHKLC**”), China International Capital Corporation Hong Kong Securities Limited (“**CICC**”), Great Eagle Holdings Limited (“**Great Eagle**”), Charltons on behalf of Alliance Capital Partners Limited, Anglo Chinese Corporate Finance Limited, Da Yu Financial Holdings Limited, Pearl Bridge Securities Limited, and SHK Hong Kong Industries Limited (“**Charltons on behalf of five sponsors**”), Alibaba Group Holding Limited and 11 anonymous respondents.

[13] The respondents are Central China International Capital Limited (“**CCICL**”), Association of Chartered Certified Accountants (“**ACCA**”), Law Society of Hong Kong (“**Law Society**”), Withers, Hong Kong Professionals and Senior Executives Association (“**HKPSEA**”), Latham & Watkins LLP (“**Latham**”), Patrick Chu, Conti Wong Lawyers LLP (“**Patrick Chu Conti Wong**”), Hong Kong Institute of Directors (“**HKIoD**”), British Chamber of Commerce in Hong Kong (“**BCCHK**”) and Asia Securities Industry & Financial Markets Association - sell side (“**ASIFMA sell-side**”),

[14] These respondents are Norges Bank Investment Management (“**NBIM**”), Ernst & Young (“**EY**”), Hon Christopher CHEUNG Wah-fung, SBS, JP, Legislative Council, Financial Service (“**Christopher CHEUNG”**), The Hong Kong Independent Non-Executive Director Association (“**HKINEDA**”), Hong Kong General Chamber of Commerce (“**HKGCC**”), Hong Kong Women Professionals & Entrepreneurs Association (“**HKWPEA**”), Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and Herbert Smith Freehills (“**Herbert Smith**”).

[15] The respondents are EOS at Federated Hermes, Robeco Hong Kong, Council of Institutional Investors, ASIFMA’s Asset Management Group, The Hong Kong Institute of Chartered Secretaries, The International Corporate Governance Network, BMO Global Asset Management (EMEA), ACGA, State Street Global Advisors Asia Limited, BlackRock Asset Management North Asia Limited, Hong Kong Investment Funds Association, Allianz Global Investors Asia Pacific Limited, Andra AP-fonden, HSBC Global Asset Management (Hong Kong) Limited, Fidelity International, USS Investment Management Ltd, Impax Asset Management (Hong Kong) Limited, M&G Investment Management,an individual (Wong Kong Chi) and an anonymous respondent.

[16] Due to rounding, the total percentage does not add up to 100%.

CHAPTER 4: VIEWS OF RESPONDENTS WHO THOUGHT CORPORATES COULD BENEFIT FROM WVR

Introduction

39. A majority of the respondents (69% or 45 respondents) supported our proposal to expand the existing WVR regime to enable corporate entitles to benefit from WVR. They generally considered that, so long as safeguards for minority shareholders were sufficient and the associated risks were disclosed to shareholders and potential investors, the proposal would enhance the competitiveness of Hong Kong as listing destination, attract listings by companies in fast growing sectors and broaden the range of investment opportunities for investors.

40. This Chapter summarises the key comments on the proposed safeguards from these respondents. We have only included comments in this Chapter on safeguards that were the most contentious among these respondents.

Proposals

A. Pre-listing 10% Economic Interest[17]

Summary of proposal

41. The Exchange proposed that a corporate WVR beneficiary should: (a) hold at least a 10% economic interest; and (b) be materially involved in the management or business of the listing applicant for at least two financial years before the date of its application for listing.

42. 49% of the Supportive Respondents (or 22 respondents) agreed with the proposal, 18% (or eight) of them raised issues with regards to the proposal and 33% (or 15) of them did not express any views on it.

Key comments

10% Economic Interest

43. 22 Supportive Respondents[18] (73% of those who commented) supported the proposal that a corporate WVR beneficiary should hold at least a 10% economic interest without substantive further comments.

44. Six believed that, in order for a corporate WVR beneficiary to demonstrate its commitment to the listing applicant, a higher level of economic interest is required. Three Supportive Respondents suggested a 20% interest[19] and three Supportive

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[17] Question 6 of the Consultation Paper.

[18] The respondents are CCICL, PingAn Insurance, SHINEWING, CHKLC, Law Society, KPMG, HKICPA, CICC, Withers, HKPSEA, Latham, Patrick Chu Conti Wong, BCCHK, Christopher CHEUNG, ASIFMA (sell-side), Herbert Smith, Jingtian & Gongcheng and five anonymous respondents.

[19] The respondents are ACCA, HKINEDA and HKWPEA. ACCA and HKWPEA suggested an economic interest of at least 20% for a period not less than two financial years prior to the date of listing application and in the track

Respondents[20] suggested economic interest of more than 10% prior to listing.

2-Year Material Involvement

45. Nine Supportive Respondents[21] requested clarification on the meaning of "material involvement in the management of the business of the listing applicant". Three of these respondents[22] commented that investors with a 10% economic interest would not normally be substantially involved in the management of the listing applicant. They said it is more likely that such investors would have only a single representative on the board of the listing applicant and questioned whether this would be sufficient to meet the requirement.

46. Four Supportive Respondents[23] suggested a longer period of material involvement by a corporate WVR beneficiary than two financial years.

B. 30% Threshold and Single Largest Shareholder Requirement

(a) Requirement at listing[24]

Summary of proposal

47. The Exchange proposed that a corporate WVR beneficiary own at least a 30% economic interest in the listing applicant and be the single largest shareholder at listing.

48. 31% of the Supportive Respondents (or 14 respondents) agreed with the proposal, 44% (or 20) of the Supportive Respondents raised issues with regards to the proposal and 24% (or 11) of them did not express any views on it[25].

Key comments

49. Of the 20 Supportive Respondents who raised issues with regards to the proposal, six of them commented specifically on the requirement that the corporate WVR beneficiary must be the single largest shareholder. Five proposed that a corporate WVR beneficiary either meet the 30% economic interest threshold as stated above or be the single largest shareholder at listing.[26] One thought this requirement unnecessary[27].

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record period, respectively. HKINDEA suggested an average of 20% economic interest over the last three years prior to the date of listing application.

[20] The respondents are HKIoD, HKICPA and an anonymous respondent. HKICPA suggested an economic interest of more than 10% for more than two years prior to listing.

[21] This comment was made by Davis Polk, Clifford Chance (on behalf of an anonymous listed company), CHKLC, Latham and five anonymous respondents.

[22] This comment was made by David Polk, Clifford Chance (on behalf of an anonymous listed company) and an anonymous respondent.

[23] The respondents are HKIoD, HKWPEA, HKICPA and Christopher CHEUNG. Christopher CHEUNG suggested three years of material involvement prior to listing.

[24] Question 3(a) of the Consultation Paper.

[25] Due to rounding, the total percentage does not add up to 100%.

[26] The five respondents are Clifford Chance (on behalf of an anonymous listed company), Davis Polk, Latham and two anonymous respondents.

[27] This comment was made by the HKIoD.

50. 14 Supportive Respondents[28] (41% of those who commented) agreed that a corporate WVR beneficiary own at least a 30% economic interest in the listing applicant. However, 20 (59% of those who commented) raised issues with this economic interest threshold and their key comments were as follows:

(a) Six[29] thought that requiring a corporate WVR beneficiary to have "de facto control" by holding at least a 30% economic interest in a WVR issuer (at least partly) defeated the purpose of having WVR, which was to enable a shareholder to control an issuer without the economic interest that would otherwise be required.

(b) Nine[30] noted that it was not uncommon for Innovative Companies in emerging sectors to go through series of pre-IPO financing that which would dilute the economic interest of the prospective corporate beneficiary. Acquiring shares to reach the 30% economic interest threshold before listing would force corporate WVR beneficiaries in the opposite direction and require a substantial amount of cash outlay, thereby dissuading potential candidates from listing in Hong Kong.

(c) Four[31] noted that individual WVR beneficiaries were required, collectively, to hold only a 10% economic interest in an issuer at listing[32]. As the Exchange had deemed this level of interest to be sufficient to align the interests of individual beneficiaries with those of other shareholders, they did not see why corporate WVR beneficiaries should be subject to a higher threshold and unequal treatment in this regard.

(d) Six[33] commented that imposing the 30% economic interest threshold on the listing applicant would put Hong Kong at a competitive disadvantage to U.S. exchanges which did not have this requirement. They stated that this is illustrated by the empirical evidence set out in the Consultation Paper that 38% non-fund corporate WVR beneficiaries of US-listed Mainland WVR issuers held less than 30% economic interest at the time of listing.

(e) As mentioned in paragraph 49, five Supportive Respondents proposed that a corporate WVR beneficiary either meet the 30% economic interest threshold as stated above or be the single largest shareholder at listing[34].

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[28] The respondents are FSDC, HKINEDA, SHINEWING, CHKLC, NBIM, KPMG, HKICPA, Withers, Patrick Chu Conti Wong, BBCHK, Herbert Smith, Jingtian & Gongcheng and two anonymous respondents.

[29] This comment was made by PingAn Insurance, HKIoD, Charltons on behalf of five sponsors, Latham, CICC and ASIFMA (sell-side).

[30] This comment was made by PingAn Insurance, Clifford Chance (on behalf of an anonymous listed company), Law Society, Latham and five anonymous respondents.

[31] This comment was made by ASIFMA (sell-side) and three anonymous respondents.

[32] Listing Rule 8A.12.

[33] This comment was made by CCICL, CICC, ASIFMA (sell-side), HKPSEA, Charltons on behalf of five sponsors and an anonymous respondent. The mentioned statistic is shown in Figure 5 of the Consultation Paper.

[34] Clifford Chance (on behalf of an anonymous listed company), Davis Polk, Latham and two anonymous respondents.

(b) Bridging the gap between 10% Economic Interest and 30% Threshold

Key comments

51. Eight Supportive Respondents[35] drew attention to the technical difficulties of complying with the Rules if a corporate was required to increase their stake from 10% to 30% by the time of listing, in light of the ownership continuity and control requirements of the Listing Rules[36] .

52. Three[37] drew attention to the Exchange's restriction on pre-IPO investments shortly before an IPO[38] as another hurdle to a corporate increasing their stake to 30%.

53. One[39] asked whether the Exchange could relax the current restrictions in its guidance[40] preventing existing shareholders who are interested in 5% or more voting rights of a listing applicant to subscribe for its shares in an IPO to enable a corporate WVR beneficiary to comply with the 30% economic interest threshold.

(c) Ongoing requirement for 30% Threshold[41]

Summary of proposal

54. The Exchange proposed that the WVR attached to a corporate WVR beneficiary's shares must lapse if the beneficiary fails to maintain at least a 30% economic interest in the WVR issuer on an ongoing basis after listing.

55. 31% of the Supportive Respondents (or 14 respondents) agreed with the proposal, 31% (or 14) of the Supportive Respondents raised issues with regards to the proposal and 38% (or 17) of them did not express any views on it.

Key comments

56. They key comments of the 14 Supportive Respondents[42], who raised issues with the proposal, were as follows:

   (a) Individual WVR beneficiaries are not required to maintain an economic interest in a WVR issuer on an ongoing basis after listing. Corporate and individual WVR beneficiaries should not be treated unequally in this regard[43];

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[35] This comment was made by Clifford Chance (on behalf of an anonymous listed company), ASIFMA (sell-side), ACCA, KPMG, Herbert Smith and three anonymous respondents.

[36] Listing Rule 8.05(3)(c) requires a new listing applicant must satisfy ownership continuity and control for at least the most recent audited financial year.

[37] This comment was made by Herbert Smith and two anonymous respondents.

[38] Paragraph 6.2 of HKEX-GL43-12 (Guidance on Pre-IPO investments).

[39] This comment was made by Clifford Chance (on behalf of an anonymous listed company).

[40] HKEX-GL85-16 (Guidance Letter on placing to connected clients, and existing shareholders or their close associates, under the Rules).

[41] Question 3(b) of the Consultation Paper.

[42] The respondents are CCICL, PingAn Insurance, Clifford Chance (on behalf of an anonymous listed company), ACCA, HKWPEA, Withers, HKIoD, Charltons on behalf of five sponsors and six anonymous respondents.

[43] This comment was made by five anonymous respondents.

(b) The on-going requirement would reduce the issuers' ability to raise funds through placing or conduct acquisitions by issuing consideration shares in future[44];

(c) Share-based employee incentive schemes, which are commonly adopted by innovative companies to attract and retain talents, may further dilute the interest of the corporate WVR beneficiary and require it to incur cash outlay to maintain 30% economic interest after listing[45];

(d) A grace period of a specific length should be stipulated to allow a corporate WVR beneficiary to acquire additional shares to fulfil the ongoing 30% economic interest requirement to avoid the lapse of its WVR[46]; and

(e) On an ongoing basis, a corporate WVR beneficiary should be required to either maintain at least 30% economic interest in the issuer, or be the single largest shareholder but not both[47].

57. Table 3 below shows the alternative thresholds held by the corporate WVR beneficiary at listing and/or on an ongoing basis proposed by Supportive Respondents:

Table 3: Alternative Economic Interest Thresholds Suggested by Supportive Respondents

Minimum Economic Interest at Listing and on an Ongoing Basis	Minimum Economic Interest at Listing Only
• Two[48] proposed a 10% threshold at the time of listing and on an ongoing basis; • Two[49] suggested a 15% threshold at the time of listing and on an ongoing basis; • Three[50] proposed a 20% threshold at the time of listing and on an ongoing basis;	• One[54] proposed a 5% threshold at the time of listing only; • Three[55] proposed a 10% threshold at the time of listing only; and • One[56] proposed an unspecified threshold lower than 30%, at listing only, where this represents a high dollar amount.

[44] This comment was made by HKWPEA, Withers and an anonymous respondent.

[45] This comment was made by Charltons on behalf of five sponsors, Withers and an anonymous respondent.

[46] This comment was made by Clifford Chance (on behalf of an anonymous listed company) and HKICPA.

[47] This comment was made by Davis Polk, Clifford Chance (on behalf of an anonymous listed company) and an anonymous respondent.

[48] PingAn Insurance and ASIFMA (sell-side).

[49] HKPSEA and Charltons on behalf of five sponsors.

[50] ACCA, CICC and Law Society.

[54] An anonymous respondent.

[55] Three anonymous respondents. One of the anonymous respondents did not expressly support or object to the ongoing 30% threshold.

[56] An anonymous respondent.

Minimum Economic Interest at Listing and on an Ongoing Basis	Minimum Economic Interest at Listing Only
• One[51] suggested a threshold between 20% to 29% at the time of listing and on an ongoing basis; • One[52] proposed a 30% threshold at the time of listing and 20% threshold on an ongoing basis; and • One[53] proposed a corporate WVR beneficiary hold a 30% interest collectively on an ongoing basis with other WVR beneficiaries.	

C Exception from requiring share issues on a pre-emptive basis without shareholder approval[57]

Summary of proposal

58. The Exchange proposed to introduce an exception in the existing Listing Rules[58] to permit a Non-pre-emptive Share Issuance to a corporate WVR beneficiary without shareholder approval solely for the purpose and to the extent necessary to enable it to comply with the ongoing 30% economic interest requirement so long as certain conditions[59] are satisfied.

59. 38% of the Supportive Respondents (or 17 respondents) agreed with the proposal, 22% (or 10) of the Supportive Respondents raised issues with regards to the proposal and 40% (or 18) of them did not express any views on it.

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[51] CCICL.

[52] Withers.

[53] HKICPA. In the event that a WVR issuer has both individual and corporate WVR beneficiaries, HKICPA suggested a 10% threshold for each of the WVR beneficiaries, with a 30% threshold for the total economic interest required to be held collectively by all WVR beneficiaries on an ongoing basis. It further proposed that independent shareholders be entitled to vote on whether their WVR should lapse if their collective economic interest fell below 30% for a certain period of time.

[57] Question 5 of the Consultation Paper.

[58] Listing Rule 13.36.

[59] The conditions are: (a) the subscription is solely for the purposes 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 subscription to comply with the 30% economic interest requirement; and (d) the subscription price 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).

Key comments

60. 17 Supportive Respondents[60] agreed with this proposal and commented as follows:

(a) One[61] noted that the subscription price for the corporate WVR beneficiary should be benchmarked against an average or a discounted average trading price over a reasonable period of time. If the subscription price was lower than the stipulated price, it proposed a specific mandate of the shareholders should be required;

(b) One[62] commented that the proposed requirement that the subscription by the corporate WVR beneficiary be on the same terms or better as the original issuance would be practically difficult to demonstrate in a scenario where the WVR issuer has issued consideration shares for the acquisition of interest in a company. It suggested removing this proposal; and

(c) One[63] commented that the exception from Non-pre-emptive Share Issuance should not be limited to subscription only, but should also include all situations that may lead to the corporate WVR beneficiary involuntarily becoming not interested in a 30% or greater economic interest in the issuer.

61. 10 Supportive Respondents[64], of a range of different respondent types, raised issues with regards to the proposal. Two[65] stated that there are other ways that a corporate WVR beneficiary could subscribe for shares to satisfy the required threshold of economic interest, without having to create an exception to the Listing Rules (e.g. by buying shares from the open market or under a general mandate to issue new shares).

62. Three[66] commented that the Non-pre-emptive Share Issuance should be subject to shareholder approval to prevent further dilution of the interest of, and provide adequate safeguard to, minority shareholders[67].

D Maximum voting ratio of WVR shares for Corporate WVR beneficiary[68]

Summary of proposal

63. The Exchange proposed that the Corporate WVR Maximum Ratio be set no more than five times the voting power of ordinary shares.

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[60] The respondents are PingAn Insurance, Clifford Chance (on behalf of an anonymous listed company), SHINEWING, ACCA, CHKLC, Law Society, KPMG, CICC, Latham, Patrick Chu Conti Wong, ASIFMA (sell-side), Charltons on behalf of five sponsors, Herbert Smith, Jingtian & Gongcheng and three anonymous respondents.

[61] This comment was made by the Law Society.

[62] This comment was made by an anonymous respondent.

[63] This comment was made by Clifford Chance.

[64] The respondents are HKINEDA, CCICL, Withers, HKICPA, HKPSEA, HKIoD, BCCHK and three anonymous respondents.

[65] This comment was made by HKIoD and HKICPA.

[66] This comment was made by CCICL, HKINEDA and Withers.

[67] HKINEDA supported independent shareholder approval, whilst CCICL and Withers supported independent shareholder approval with independent board committee's recommendations based on advice of an independent financial adviser.

[68] Question 7(b) of the Consultation Paper.

64. 33% of the Supportive Respondents (or 15 respondents) agreed with the proposal, 42% (or 19) of the Supportive Respondents raised issues with regards to the proposal and 24% (or 11) of them did not express any views on it.

Key comments

65. 15 Supportive Respondents[69] agreed with this proposal. Their key comments were as follows:

(a) Three[70] thought the difference in ratio for corporate and individual beneficiaries recognised the differences between them, such as the unique contribution and stronger commitment of an individual WVR beneficiary as the founder, and the stronger financial strengths and the perpetuity of a corporate WVR beneficiary;

(b) Five[71] commented that the Corporate WVR Maximum Ratio can limit the extent of control exercised by a corporate WVR beneficiary and alleviate the heightened misalignment of its interest with minority shareholders; and

(c) One[72] commented that the Corporate WVR Maximum Ratio should be even lower than five votes per share maximum proposed. It suggested lowering it to a level just sufficient to give a corporate WVR beneficiary a controlling voting power when combined with ongoing 30% threshold requirement[73].

66. 19 Supportive Respondents[74] thought the Corporate WVR Maximum Ratio was unnecessary or too low:

(a) 16[75] commented that the Corporate WVR Maximum Ratio should be aligned with, or should not be lower than, the Individual WVR Maximum Ratio[76] i.e. ten votes per share. They were generally not convinced that the misalignment of interests between a corporate WVR beneficiary and minority shareholders would be more significant to justify a lower ratio. One[77] considered the proposal would undermine the competitive edge of Hong Kong compared to U.S. markets;

(b) Three[78] stated that the Corporate WVR Maximum Ratio would provide unfair bargaining leverage to the individual WVR beneficiary, leading to a potential reversal of existing control sharing arrangements between the individual and corporate WVR beneficiaries; and

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[69] The respondents are FSDC, HKINEDA, CCICL, SHINEWING, ACCA, CHKLC, NBIM, KPMG, HKICPA, CICC, Withers, Patrick Chu Conti Wong, Christopher CHEUNG, Herbert Smith and an anonymous respondent.

[70] The respondents are HKINEDA, CHKLC and Patrick Chu Conti Wong.

[71] The respondents are CCICL, SHINEWING, NBIM, HKICPA and Herbert Smith.

[72] This comment was made by CHKLC.

[73] CHKLC suggested three times the voting power of ordinary shares.

[74] The respondents are Swire, PingAn Insurance, Davis Polk, Clifford Chance (on behalf of an anonymous listed company), HKPSEA, Latham, HKIoD, ASIFMA (sell-side), Charltons on behalf of five sponsors and 10 anonymous respondents.

[75] The respondents are PingAn Insurance, Davis Polk, Clifford Chance (on behalf of an anonymous listed company), HKPSEA, Latham, ASIFMA (sell-side) and 10 anonymous respondents.

[76] Listing Rule 8A.10 provides that the Individual WVR Maximum Ratio should be no more than 10 times the voting power of ordinary shares.

[77] This comment was made by ASIFMA (sell-side).

[78] This comment was made by Davis Polk, Law Society and and anonymous respondent.

(c) Three[79] thought that applying WVR maximum ratios to individual and corporate WVR beneficiaries should be a commercial matter left to the listing applicant and its shareholders to determine.

E. "Ecosystem Requirement"[80]

Summary of proposal

67. The Exchange 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. The proposed characteristics that would be expected of an ecosystem are as below:

(a) there is 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.

68. 56% of the Supportive Respondents (or 25 respondents) agreed with the proposal, 13% (or six) of the Supportive Respondents raised issues with regards to the proposal and 31% (or 14) of them did not express any views on it.

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[79] This comment was made by Swire, Clifford Chance (on behalf of an anonymous listed company) and an anonymous respondent.

[80] Questions 8 and 9 of the Consultation Paper.

Key comments

69. Although a majority of the Supportive Respondents[81] agreed with this proposal, 15[82] found the "ecosystem" characteristics "vague and subjective" and sought modifications or more objective and quantifiable guidance on the ecosystem requirement. For example:

(a) Four [83] highlighted the uncertainty in determining what were the "core components" of an ecosystem and whether they were "in substance controlled" by the corporate WVR beneficiary;

(b) Four[84] stated that it can be difficult to define the full scope of an ecosystem and identify the components within that are controlled by a corporate WVR beneficiary, given that it is increasingly common for innovative companies to cross-invest in each other; and

(c) Two [85] sought clarifications on several terms, including "community of companies", "a meaningful scale" and "materially attributable to its participation".

70. Nine Supportive Respondents[86] questioned how the Exchange could reconcile the "ecosystem" requirement with the Rule requirement that an issuer demonstrate its independence. In particular, they commented that a WVR issuer should be allowed, if not encouraged, to develop their business independently rather than rely on the corporate WVR beneficiary after listing.

71. Two Supportive Respondents[87] also believed that a corporate WVR beneficiary may find it difficult to comply with the non-competition requirements of the Rules and relevant guidance due to the likely possibility of competition between components of its corporate WVR beneficiary's ecosystem.

72. Three[88] commented that a corporate WVR beneficiary that was not a technology company would struggle to meet the "ecosystem" requirement. They commented that the characteristics were not drafted broadly enough to allow companies from traditional sectors to benefit from WVR (e.g. financial or logistics groups).

73. One[89] commented that the Exchange should form an advisory panel comprising of members familiar with functioning of the new economy and the characteristics of

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[81] These respondents are FSDC, HKINEDA, CCICL, PingAn Insurance, Davis Polk, SHINEWING, ACCA, CHKLC, Law Society, KPMG, HKICPA, CICC, EY, Withers, HKPSEA, Latham, Patrick Chu Conti Wong, HKIoD, BCCHK, Christopher CHEUNG, ASIFMA (sell-side), Herbert Smith, Jingtian & Gongcheng and two anonymous respondents.

[82] The respondents are PingAn Insurance, Clifford Chance (on behalf of an anonymous listed company), Davis Polk, KPMG, Law Society, Patrick Chu Conti Wong, BCCHK, ASIFMA (sell-side), Latham, Jingtian & Gongcheng and five anonymous respondents.

[83] The respondents are Clifford Chance (on behalf of an anonymous listed company), KPMG, Latham and an anonymous respondent.

[84] Four anonymous respondents.

[85] The respondents are HKGCC and HKICPA.

[86] This comment was made by PingAn Insurance, Davis Polk, Law Society, EY, Patrick Chu Conti Wong, Jingtian & Gongcheng and three anonymous respondents.

[87] This comment was made by CCICL and Davis Polk.

[88] This comment was made by Charltons on behalf of five sponsors and two anonymous respondents.

[89] This comment was made by the CHKLC.

"ecosystems" to advise it in in the listing approval process.

F. Size of corporate WVR beneficiary[90]

Summary of proposal

74. The Exchange proposed that a corporate WVR beneficiary should have a minimum market capitalisation requirement of HK$200 billion at the time of listing.

75. 49% of the Supportive Respondents (or 22 respondents) agreed with the proposal, 24% (or 11) of the Supportive Respondents raised issues with regards to the proposal, and 27% (or 12) of them did not express any views on it.

Key comments

76. Three Supportive Respondents[91] believed that the HK$200 billion requirement struck the right balance in terms of limiting the proliferation of WVR structures in Hong Kong and allowing the listing of high-calibre candidates.

77. Six Supportive Respondents[92] believed that the HK$200 billion market capitalisation requirement was too high. They were of the view that existing ring-fencing measures (including the requirement for a listing applicant to be an Innovative Company and have HK$40 billion market capitalisation) together with other proposed measures were sufficient. One Supportive Respondent[93] stated that the threshold was likely to create a barrier to entry for smaller innovative companies, whilst one[94] commented it was anti-competitive and unnecessary to allow companies with HK$200 billion market capitalisation to enjoy WVRs and enlarge their own influence at the expense of their competitors.

78. One Supportive Respondent[95] proposed that the market capitalisation requirement should be ongoing after listing and the WVR of the corporate WVR beneficiary should lapse if it fails to meet such requirement.

79. The following exceptions to the HK$200 billion market capitalisation requirement were proposed:

    (a) Alternative quantifiable criteria based on revenue[96], profit[97], asset[98], and cash flow[99] of a corporate WVR beneficiary;

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[90] Question 15 of the Consultation Paper.

[91] This comment was made by CHKLC, KPMG and ASIFMA (sell-side).

[92] This comment was made by CICC, BCCHK, Charltons on behalf of five sponsors, Great Eagle and two anonymous respondents.

[93] This comment was made by Charltons on behalf of five sponsors.

[94] This comment was made by Great Eagle.

[95] This comment was made by CICC.

[96] This comment was made by Law Society, Withers, Jingtian & Gongcheng, Charltons on behalf of five sponsors and three anonymous respondents. Charltons on behalf of five sponsors suggested the revenue test should be based on Listing Rule 8.05 with a higher threshold.

[97] This comment was made by Law Society, Jingtian & Gongcheng and Charltons on behalf of five sponsors suggested the profit test should be based on Listing Rule 8.05 with a higher threshold.

[98] Jingtian & Gongcheng proposed a net asset test while three anonymous respondents proposed a total asset test.

[99] Charltons on behalf of five sponsors suggested the cash flow test should be based on Listing Rule 8.05 with a higher threshold.

(b) An average market capitalisation of HK$200 billion over the 12 months prior to listing[100];

(c) An expected market capitalisation of not less than HK$200 billion on the date of listing and an average market capitalisation of the same over the three months prior to listing[101];

(d) An average market capitalisation of HK$200 billion over the two years during which the corporate WVR beneficiary must hold an economic interest of 10% or more prior to the date of listing application[102];

(e) An average market capitalisation requirement of HK$40 billion over the six months prior to listing[103]; and

(f) A market capitalisation requirement of HK$10 billion if the listing applicant can demonstrate a strong symbiotic relationship with the corporate WVR beneficiary with reference to the proposed characteristics of an "ecosystem" as set out in paragraph 67 above[104].

G. Imposition of a time-defined sunset period on corporate WVR[105]

(a) Initial sunset period

Summary of proposal

80. The Exchange proposed that WVR of a corporate WVR beneficiary should be subject to a time-defined sunset, with an initial sunset period of not more than 10 years.

81. 29% (or 13[106]) of the Supportive Respondents agreed with the proposal, 44% (or 20[107]) of the Supportive Respondents raised issues with regards to the proposal and 27% (or 12) of them did not express any views on it.

Key comments

82. 13[108] (39% of the Supportive Respondents who commented) agreed with the imposition of the 10-year initial time-defined sunset and said that, for example, it was "reasonable and pragmatic".

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[100] This comment was made by ACCA.

[101] This comment was made by HKINEDA.

[102] This comment was made by HKICPA.

[103] This comment was made by CICC.

[104] This comment was made by Patrick Chu Conti Wong.

[105] Questions 22 and 23 of the Consultation Paper.

[106] The respondents are CCICL, PingAn Insurance, SHINEWING, CHKLC, Law Society, NBIM, KPMG, Withers, ASIFMA (sell-side), Herbert Smith, Jingtian & Gongcheng and two anonymous respondents. These respondents agreed with both the imposition of a time-defined sunset and an initial sunset period of not more than 10 years.

[107] The respondents are Davis Polk, Clifford Chance (on behalf of an anonymous listed company), ACCA, CICC, Latham, HKIOD, Charltons on behalf of five sponsors, HKINEDA, HKICPA, HKPSEA, Patrick Chu Conti Wong, HKBCC and eight anonymous respondents. These respondents raised issues with regards to the imposition of a time-defined sunset and/or suggested an alternative duration of the initial sunset period.

[108] The respondents are CCICL, PingAn Insurance, SHINEWING, CHKLC, Law Society, NBIM, KPMG, Withers, ASIFMA (sell-side), Herbert Smith, Jingtian & Gongcheng and two anonymous respondents.

83. Four[109] (12% of the Supportive Respondents who commented) suggested a shorter period of five years, which they considered as a reasonable time period given the relatively short life cycle for innovative sectors. One[110] suggested five to seven years, which it considered sufficient for a corporate WVR beneficiary to execute its strategy and create values.

84. 15[111] (45% of the Supportive Respondents who commented) disagreed with the imposition of any time-defined sunset. Of these Supportive Respondents, seven of them proposed a longer initial sunset period as follows if a time-defined sunset is to be adopted:

(a) One[112] proposed a sunset period of 30 years;

(b) Five[113] proposed a 20-year sunset; and

(c) One[114] proposed a sunset period of 20 to 30 years.

(b) Renewal of Corporate WVR for five years[115]

Summary of proposal

85. The Exchange proposed that the WVR of a corporate WVR beneficiary could be indefinitely renewed, with the approval of independent shareholders[116], for a further period of five years following the expiry of the previous term.

86. 29% of the Supportive Respondents (or 13 respondents) agreed with the proposal, 20% (or nine) of the Supportive Respondents raised issues with regards to the proposal and 51% (or 23) of them did not express any views on it.

Key comments

87. 12 Supportive Respondents[117] commented that they agreed with the proposal on the condition that such renewals were voted by independent shareholders following a review and evaluation of the WVR issuer's performance. One suggested a super majority[118] be required for the independent shareholder approval and such

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[109] The respondents are HKPSEA, Patrick Chu Conti Wong, BCCHK and HKINEDA.

[110] This comment was made by HKICPA.

[111] The respondents are ACCA, CICC, Davis Polk, Clifford Chance (on behalf of an anonymous listed company), Charltons on behalf of five sponsors, Latham, HKIoD and eight anonymous respondents.

[112] This comment was made by HKIoD.

[113] This comment was made by Davis Polk, Clifford Chance (on behalf of an anonymous listed company), Latham and two anonymous respondents.

[114] This comment was made by Charltons on behalf of five sponsors.

[115] Question 24(b) of the Consultation Paper.

[116] Independent shareholder approval would be as currently defined in the Listing Rules. All WVR beneficiaries would be required to abstain from voting on all renewal resolutions (*please see paragraph 179 of the Consultation Paper*).

[117] The respondents are CCICL, SHINEWING, CHKLC, Law Society, NBIM, KPMG, Latham, ASIFMA (sell-side), Herbert Smith, Jingtian & Gongcheng and two anonymous respondents.

[118] 75% or more of the shareholders present and voting at a general meeting. This comment was made by Charltons on behalf of five sponsors.

requirement be enshrined in the issuer's articles.

88. It was also suggested by two Supportive Respondents[119] that a WVR issuer should engage an external professional independent third party to issue an assurance statement at each financial year end to confirm that there had been no termination or material disruption of the corporate beneficiary's contribution to the WVR issuer.

89. Three Supportive Respondents[120] suggested a shorter renewal period of three years. One[121] suggested extending the renewal period to no more than 10 years (being consistent with the initial sunset period) so as to maintain flexibility to accommodate changes of the internal and external environment. One[122] commented that the renewal period can be as long as the initial sunset period, which it suggested 30 years.

(c) Number of renewals of Corporate WVR[123]

Summary of proposal

90. We proposed that there be no limit on the number of times that the WVR of a corporate WVR beneficiary could be renewed.

91. 31% of the Supportive Respondents (or 14 respondents) agreed with the proposal, 13% (or six) of the Supportive Respondents raised issues with regards to the proposal and 56% (or 25) of them did not express any views on it.

Key comments

92. Two Supportive Respondents[124] suggested a "hard-stop" upon expiry of the initial sunset period without any renewals. Four Supportive Respondents[125] commented that rather than a "hard stop", limiting the number of times of renewals could create a good balance between giving due recognition to the contribution of corporate WVR beneficiaries and the protection of minority interests. Suggestions included:

(a) Having a definitive lifespan of 30 years (i.e. 4 renewals only)[126] for corporate WVR;

(b) An initial sunset period of five years, with a maximum of two-time renewals. The renewal period could be shorter than five years with the approval of independent shareholders[127]; and

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[119] This comment was made by ACCA and EY.
[120] The respondents are HKICPA, Withers and HKPSEA.
[121] This comment was made by PingAn Insurance.
[122] This comment was made by HKIoD.
[123] Question 25 of the Consultation Paper.
[124] This comment was made by BCCHK and HKINEDA.
[125] The respondents are HKICPA, Law Society, Patrick Chu Conti Wong and EY.
[126] This comment was made by Law Society.
[127] This comment was made by Patrick Chu Conti Wong.

(c) A maximum 16-year sunset period, consisting of an initial sunset period of five years, with the first renewal period of five years and two subsequent renewal periods of three years[128].

H. Conversion of Corporate WVR Shares upon the Fall-away of Individual WVRs[129]

Summary of proposal

93. The Exchange proposed that upon any Individual WVR Fall-away, the corporate WVR beneficiary would not be required to convert part of its WVR shares into ordinary shares. This would mean that the corporate WVR beneficiary would benefit from a larger voting power percentage after any Individual WVR Fall-away.

94. 31% of the Supportive Respondents (or 14 respondents) agreed with the proposal, 20% (or nine) of the Supportive Respondents raised issues with regards to the proposal and 49% (or 22) of them did not express any views on it.

Key comments

95. 14 Supportive Respondents[130] agreed with the proposal. Their key comments were:

(a) Five[131] expressly agreed with our rationale for the proposal. Three[132] commented that a corporate WVR beneficiary should not be penalised in terms of its voting rights by virtue of the lapse of individual WVR, which is beyond its control.

(b) Two[133], whilst agreeing with the proposal, suggested that a corporate beneficiary should be given discretion to convert its WVR shares to ordinary shares, for example, if the increase in its voting power arising from the Individual WVR Fall-away would result in any implications under the Takeovers Code[134].

(c) One[135] commented that, although it supported the proposal, given that the Individual WVR Fall-away may occur at any time, it posed significant difficulties for a corporate WVR beneficiary to make appropriate investment planning. It also created uncertainties for the investors of the corporate beneficiary.

96. Nine Supportive Respondents[136] thought this proposal was problematic. Five[137] of them believed a corporate WVR beneficiary should be required to convert a portion of their WVR to ordinary shares upon the triggering of the Individual WVR Fall-away. They

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[128] The comment was made by HKICPA.

[129] Question 31 of the Consultation Paper.

[130] The respondents are HKINEDA, PingAn Insurance, SHINEWING, CHKLC, Law Society, KPMG, CICC, HKPSEA, Latham, Patrick Chu Conti Wong, Charltons on behalf of five sponsors, Jingtian & Gongcheng and two anonymous respondents.

[131] The respondents are SHINEWING, KPMG, CICC, Patrick Chu Conti Wong and Jingtian & Gongcheng.

[132] The comments were made by three anonymous respondents. They also objected to the conversion of individual WVR shares upon the expiry of a time-defined sunset for the same reason.

[133] The respondents are the Law Society and Charltons on behalf of five sponsors.

[134] This comment was made by Law Society.

[135] This comment was made by Latham.

[136] The respondents are CCICL, HKICPA, Withers, HKIoD, BCCHK, Herbert Smith and three anonymous respondents.

[137] The respondents are HKICPA, Withers, CCICL, HKIoD and Herbert Smith.

said this would ensure fair treatment of all shareholders and prevent a windfall of additional control for the corporate WVR beneficiary which could prejudice the interests of minority shareholders. The absence of such an adjustment may lead to uncertainty over the control of an issuer.

97. One[138] proposed an alternative approach whereby the percentage of the increase in the percentage of the voting power of the corporate WVR beneficiary arising from the Individual WVR Fall-away would be distributed among all shareholders[139].

98. Four[140] sought greater clarifications as to the application of and implications under the Takeovers Code in the event of a lapse of either corporate or individual WVR upon time-defined or event-based sunsets.

[138] This comment was made by ASIFMA (sell-side).

[139] ASIFMA (sell-side) proposed a similar approach if the corporate WVR falls away upon the expiry of a time-defined sunset.

[140] The respondents are Withers, BCCHK, Latham and ASIFMA (sell-side).

CHAPTER 5: VIEWS OF RESPONDENTS WHO THOUGHT CORPORATES SHOULD NOT BE ABLE TO BENEFIT FROM WVR IN ANY CIRCUMSTANCES

Introduction

Respondents opposing the introduction of corporate WVRs

99. 20 respondents[141] (representing 31% of the total number of respondents) believed that corporate WVR should not be accepted on principle.

100. These respondents were mostly investment firms or organisations representing investment firms. A list of these respondents are set out below:

Investment Firms:

- Allianz Global Investors Asia Pacific Limited;
- Andra AP-fonden;
- BlackRock Asset Management North Asia Limited;
- BMO Global Asset Management (EMEA);
- EOS at Federated Hermes;
- Fidelity International;
- HSBC Global Asset Management (Hong Kong) Limited;
- Impax Asset Management (Hong Kong) Limited;
- M&G Investment Management;
- Robeco Hong Kong;
- State Street Global Advisors Asia Limited;
- USS Investment Management Ltd; and
- one anonymous respondent.

Professional Bodies/ Industry Associations:

- Asian Corporate Governance Association;
- Asia Securities Industry & Financial Markets Association's Asset Management Group;
- Council of Institutional Investors;
- Hong Kong Investment Funds Association;
- The Hong Kong Institute of Chartered Secretaries; and
- The International Corporate Governance Network.

Individuals

- Wong Kong Chi

[141] See Footnote 15 above for details of the respondents.

Feedback

General Feedback

101. These respondents did not agree that corporate entities should benefit from WVRs for one or more of the reasons set out below:

(a) Entrenchment of management

They considered that the introduction of corporate WVRs would hinder the removal of under-performing management by shareholders. As stated by one respondent, the proposals would expose other shareholders to "*significant disenfranchisement and lack of control over key company matters as well as the associated risks of management entrenchment*."

(b) Misalignment of interests

These respondents expressed concerns that the Controlling Shareholders of corporate WVR beneficiaries could be in a position to exercise majority voting power in WVR issuers with only a small and indirect economic interest in the issuers, leading to a greater risk of a misalignment between their interests with the interests of the WVR issuer. They were generally of the view that "*one share one vote*" would be the optimal method of empowering shareholders and aligning their interests in a company.

(c) Exchange of WVR is possible

They were concerned that, as the control of a corporate WVR beneficiary can change, the WVRs of the corporate beneficiary would effectively become tradeable and would be used by someone who had not made a commensurate non-economic contribution to the development of the issue.

(d) Lack of fiduciary duties

A corporate is not a natural person and therefore does not owe fiduciary duties to an issuer in the same way as an individual shareholder. These respondents therefore questioned whether the fiduciary responsibilities would be effectively undertaken by the representative of the corporate WVR beneficiary placed on the issuer's board.

(e) Corporate WVR may exist indefinitely

Unlike an individual WVR beneficiary, a corporate does not have a natural lifespan. These respondents raised concerns that the WVR of the corporate entity can exist in perpetuity even with change in ownership or after the corporate has ceased contributing to the development of the issuer.

(f) No safeguards are sufficient

These respondents commented that the various conditions and safeguards proposed in the Consultation Paper only provided a limited degree of protection of minority shareholders. As it is nearly impossible to cover all the scenarios where minority shareholders may be disadvantaged, no safeguards may adequately mitigate against the risks of corporate WVR structures.

(g) Reputational risk

These respondents believed that multiple voting rights were incompatible with the principle of fair treatment of all shareholders and would dilute minority voting rights. One commented that extending the WVR franchise to corporate holders would result in the accumulation of "*structural corporate governance deficits*" [142] in the Hong Kong listed market and run counter to the broad global movement of empowering and requiring institutional investors to conduct stewardship of public listed assets. A respondent further commented that the proposals would lead to "*further deterioration of governance standards and practices, thus weakening investor trust in the Hong Kong market and making it less attractive for both investors and issuers*" [143].

Feedback on specific proposals

102. Regarding specific aspects of the proposals, the Exchange received the following feedback from these respondents:

(a) Minimum economic interest

In general, these respondents considered that a minimum economic interest set at 30% for a corporate WVR was too low and recommended a higher threshold to be maintained on an ongoing basis to better align corporate WVR beneficiary's interest with those of other shareholders. They also commented that the proposed minimum economic interest of 10% prior to listing was too low, and the two year time frame required for holding that level of economic interest prior listing was too short for demonstrating a corporate WVR beneficiary's commitment.

(b) Exemption from requiring share issues on a pre-emptive basis without shareholder approval

These respondents stated that any issuance of shares to the corporate WVR beneficiary should be subject to shareholders' approval on one-share one-vote basis to allow shareholders to decide whether they wish the corporate WVR beneficiary remain as a Controlling Shareholder.

(c) Maximum voting ratio of WVR shares

These respondents considered that the maximum number of votes per share permitted should be lower than the five votes per share proposed. They thought that, otherwise, the aggregate voting power of the corporate WVR beneficiary would be too high and independent shareholders would not be able to guard against egregious proposals by the corporate WVR beneficiary.

(d) Ecosystem Requirement

These respondents generally rejected the proposition that the voting power should be determined by reference to contribution and advantages contributed

[142] This comment was made by Fidelity International.
[143] This comment was made by Allianz Global Investors Asia Pacific Limited.

by an ecosystem and thought that the ecosystem criteria were subjective and lacked precision.

(e) Size and nature of corporate WVR Beneficiary

These respondents did not believe that a primary listing on a Qualifying Exchange in and of itself was a sufficient guarantee of a high standard of corporate governance. They suggested that corporate WVR beneficiary should be subject to continuing obligations which are in all material respects equivalent to the standards of corporate governance as if they were primarily listed on the Exchange.

(f) Imposition of a time-defined sunset period

These respondents stated that the sunset period should be shorter than the 10 years proposed and should not be renewable. Otherwise, they suggested that greater constraints should be placed around renewing a corporate beneficiary's WVR.

CHAPTER 6: WAY FORWARD

Introduction

103. In light of the feedback from the respondents to the Consultation Paper, the Exchange has decided to give more time for the market to develop a better understanding of Hong Kong's regulatory approach towards regulating listed companies with WVR structures and their controllers, and for regulators to monitor that the existing Chapter 8A regime operates as intended, which will help to inform any future amendments.

104. Hong Kong was the first major listing market to introduce a specific listing rule regime to regulate listed companies with WVR structures. The Exchange recognises that expanding the current regime to allow corporate holders would be an additional significant new development. While a majority of respondents agree in principle that corporate WVR beneficiaries should be permitted, there are very diverse views and expectations as to how the proposed regime would operate in practice and whether (and if so what) modifications were required for it to operate as intended.

105. The safeguards proposed in the Consultation Paper are largely based on the existing Chapter 8A regime. The Chapter 8A regime has numerous requirements, including eligibility requirements and investors' safeguards, that were unique to Hong Kong when they were introduced in 2018. While some of those requirements have been replicated by other stock exchanges since then, they are quite different from other regulatory regimes, such as the United States, that permit ordinary shares with different voting rights.

106. We set out below our way forward on secondary listings by Qualifying Issuers that have corporate WVR holders.

Addition to Existing Grandfathering Arrangements

107. Grandfathered Greater China Issuers (namely, a Greater China Issuer that primary listed on a Qualifying Exchange on or before 15 December 2017) that meet the eligibility and suitability requirements under Chapter 19C of the Listing Rules are permitted to secondary list in Hong Kong without having to amend their existing WVR structures even if they have WVR structures that do not meet Hong Kong's own requirements[144]. This "grandfathering" provision of Chapter 19C already applies to eligible issuers with capital structures that permit corporate WVR beneficiaries.

108. The cut-off date for Grandfathered Greater China Issuers is the day on which the conclusions paper for HKEX's New Board Concept Paper (the concept paper to facilitate the listing of "New Economy" companies) was published.

109. The Exchange was willing to defer to the Qualifying Exchange where the Grandfathered Greater China Issuer is listed to regulate its WVR structure because (a) this is consistent with the Exchange's conventional approach to defer to the rules of the primary listing market to regulate secondary listed issuer, and (b) Greater China

[144] i.e. the relevant requirements under Chapter 8A that apply to the WVR structure of a primary listing applicant.

Issuers that primary listed overseas before the relevant conclusions paper was published were unaware of those policy proposals and therefore their primary listings could not have been an attempt to circumvent Hong Kong's own WVR regime.

110. For similar reasons, the Exchange will treat Greater China Issuers (a) that are controlled by corporate WVR beneficiaries (as at the date of this paper), and (b) that primary listed on a Qualifying Exchange on or before the date of this paper (**Qualifying Corporate WVR Issuers**) in the same manner as Grandfathered Greater China Issuers for the purposes of Chapter 19C. Greater China Issuers that primary list on a Qualifying Exchange after the date of this paper would not be eligible for this treatment. The foregoing is a general modification of the definition of Grandfathered Greater China Issuer in Rule 19C.01 to additionally encompass Qualifying Corporate WVR Issuers with the result that these issuers would be treated as Grandfathered Greater China Issuers for the purposes of Chapter 19C of the Listing Rules made under Rule 2.04.

111. To be a Qualifying Corporate WVR Issuer, the secondary listing applicant would be expected to demonstrate that (as at the date of this paper) (a) it is controlled by a single corporate WVR beneficiary (or a group of corporate beneficiaries acting in concert) which is the largest shareholder in terms of shareholders' votes, and (b) the percentage of shareholders' votes it controls is at least 30% of total shareholders' votes.

All other Chapter 19C requirements continue to apply

112. Qualifying Corporate WVR Issuers would be subject to all other existing requirements of Chapter 19C.

113. A Greater China Issuer that applies for listing under the additional grandfathering arrangements would be required to demonstrate to the Exchange:

(a) that it meets a high minimum market capitalisation threshold of at least HK$40 billion, or at least HK$10 billion with at least HK$1 billion of revenue for its most recent audited financial year[145];

(b) that it is an "innovative company" as part of the demonstration of its suitability for listing[146]; and

(c) that the domestic laws, rules and regulations to which it is subject and its constitutional documents, in combination, provide certain shareholder protection standards (including that it will hold an annual general meeting each year and provide members holding 10% of the voting rights or more, on a one vote per share basis, with the right to convene an extraordinary general meeting)[147].

114. Like other secondary issuers listed under Chapter 19C of the Listing Rules, Qualifying Corporate WVR Issuers would be exempt from certain Listing Rules (e.g. notifiable

145 Listing Rule 19C.05.
146 Section 3 of HKEX-GL94-18 (April 2018).
147 Listing Rules 19C.07 and 19C.08.

transaction and connected transaction Listing Rules)[148].

115. If trading in the shares of a Qualifying Corporate WVR Issuer migrates to the Exchange's markets on a permanent basis[149], these exemptions would fall away as they would now for Chapter 19C issuers. The Exchange would then treat the issuer as having a dual-primary listing and it would be required to comply with the Listing Rules that apply to such issuers after a grace period of one year. The Exchange would allow these issuers to retain their existing corporate WVR structures at that time, as already permitted for all Grandfathered Greater China Issuers.

Forthcoming Consultation

116. The Exchange plans to consult the market on proposals to revise the Listing Rules to normalize the eligibility requirements that apply to Greater China Issuers that do not have WVR structures and seek to secondary list under Chapter 19C. We are currently considering whether these issuers should:

(a) meet the same expected market capitalisation requirements as non-Greater China Issuers at listing as set out in the JPS; and

(b) not have to demonstrate that they are an "Innovative Company".

117. We hope to publish a consultation paper soon on a review of our dual-primary and secondary listing regimes as a whole.

[148] See Listing Rule 19C.11.

[149] As defined by Listing Rule 19C.13.

APPENDIX I: LIST OF RESPONDENTS

Named Respondents:

INSTITUTIONS
Accounting Firms
Ernst & Young
KPMG
PricewaterhouseCoopers
SHINEWING Risk Services Limited
Corporate Finance Firms / Banks
Central China International Capital Limited
Charltons on behalf of Alliance Capital Partners Limited, Anglo Chinese Corporate Finance Limited, Da Yu Financial Holdings Limited, Pearl Bridge Securities Limited, and SHK Hong Kong Industries Limited
China International Capital Corporation Hong Kong Securities Limited
Investment Firms
Allianz Global Investors Asia Pacific Limited
Andra AP-fonden
BlackRock Asset Management North Asia Limited
BMO Global Asset Management (EMEA)
EOS at Federated Hermes
Fidelity International
HSBC Global Asset Management (Hong Kong) Limited
Impax Asset Management (Hong Kong) Limited
Kabouter Management, LLC (*duplicate of Asian Corporate Governance Association*

response)
M&G Investment Management
Norges Bank Investment Management
Robeco Hong Kong
State Street Global Advisors Asia Limited
USS Investment Management Ltd
Law Firms
Davis Polk & Wardwell
Herbert Smith Freehills
Jingtian & Gongcheng LLP
Latham & Watkins LLP
Patrick Chu, Conti Wong Lawyers LLP
Slaughter and May
Withers
Listed Issuers
Alibaba Group Holding Limited
Clifford Chance (on behalf of an anonymous listed company)
Cathay Pacific Airways Limited (*duplicate of Swire Pacific Limited response*)
Great Eagle Holdings Limited
PingAn Insurance (Group) Company of China, Ltd.
Swire Pacific Limited
Swire Properties Limited (*duplicate of Swire Pacific Limited response*)
Professional Bodies / Industry Associations
Association of Chartered Certified Accountants (ACCA)

Asian Corporate Governance Association
Asia Securities Industry & Financial Markets Association's Asset Management Group
Asia Securities Industry & Financial Markets Association (ASIFMA) – Sell Side
Council of Institutional Investors
Financial Services Development Council
Hong Kong General Chamber of Commerce
Hong Kong Institute of Certified Public Accountants
Hong Kong Investment Funds Association
Hong Kong Professionals and Senior Executives Association
Hong Kong Women Professionals & Entrepreneurs Association
Law Society of Hong Kong
The British Chamber of Commerce in Hong Kong
The Chamber of Hong Kong Listed Companies
The Hong Kong Independent Non-Executive Director Association
The Hong Kong Institute of Chartered Secretaries
The Hong Kong Institute of Directors
The International Corporate Governance Network
INDIVIDUALS
Hon Christopher CHEUNG Wah-fung, SBS, JP, Legislative Council, Financial Service
Wong Kong Chi

Anonymous Respondents

Category	Number
Corporate Finance Firms / Banks	1
Investment Firms	1
Law Firms	1
Listed Issuers	4
Professional Bodies/ Industry Associations	1
Other Corporates	4
Individuals	1
TOTAL	**13**

APPENDIX II: QUANTITATIVE ANALYSIS OF RESPONSES

The table below summarises the quantitative responses from Supportive Respondents to the safeguards proposed. For Question 1, please refer to Chapter 3 of this paper. Unshaded questions are not discussed in Chapter 5 as they were not contentious. Due to rounding, the total percentage may not add up to 100%.

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
Q2	Should a corporate WVR beneficiary be either an Eligible Entity or a wholly-owned subsidiary of the Eligible Entity?	24	53%	3	7%	18	40%
Q3(a)	Should a corporate WVR beneficiary own at least 30% economic interest and be the single largest shareholder at listing?	14	31%	20	44%	11	24%
Q3(b)	Should a corporate WVR beneficiary's shares lapse if it fails to maintain the 30% Threshold on an ongoing basis?	14	31%	14	31%	17	38%
Q4(a)	If the answer to Q3(a) is "no", should a different threshold be imposed? If so, please describe.	18	40%	4	9%	23	51%
Q4(b)	If a lower economic interest threshold is allowed, should extra conditions and requirements be imposed? If so, please state the conditions.	6	13%	14	31%	25	56%
Q5	Should non-pre-emptive share issuances to corporate WVR beneficiary be allowed without shareholders' approval if the below conditions are satisfied? (a) The subscription is solely for the corporate WVR beneficiary to comply with the 30% Threshold; (b) such shares do not carry WVR; (c) the subscription will be on the same terms or better as original issuance (from the perspective of the listed issuer); and	17	38%	10	22%	18	40%

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
	(d) the subscription price paid by the corporate WVR beneficiary for the anti-dilution shares is fair and reasonable. If not, please suggest alternative measures to maintain the 30% Threshold on an ongoing basis.						
Q6	Should the corporate WVR beneficiary hold at least 10% economic interest in, and have been materially involved in the management or the business of, the listing applicant for at least 2 financial years before the date of its application for listing? If not, should a historical holding requirement be imposed? If so, please suggest the alternative threshold or holding period.	22	49%	8	18%	15	33%
Q7(a)	Should the maximum ratio of WVR for the Corporate Beneficiary be lower than the maximum ratio for individual WVR beneficiaries?	14	31%	18	40%	13	29%
Q7(b)	Should the ratio be set at no more than 5 times the voting power of ordinary shares? If not, please suggest alternative measures.	15	33%	19	42%	11	24%
Q8	Should the corporate WVR beneficiary be required to demonstrate its contribution through the inclusion of the listing applicant in its ecosystem in order to benefit from WVR?	25	56%	6	13%	14	31%
Q9	Should the corporate WVR beneficiary be required to have the following features? (a) a community of companies and components that has grown and co-	19	42%	8	18%	18	40%

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
	evolved around a technology or know-how platform or a set of core products or services, owned or operated by the prospective corporate beneficiary; (b) the components within the ecosystem (including the listing applicant) both benefit from, and contribute to the ecosystem; (c) the ecosystem must have attained a meaningful scale; and (d) the core components within the ecosystem, and the listing applicant, are in substance controlled by the corporate 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.						
Q10	Are there other circumstances relevant to innovative companies that could either (a) justify granting WVR to a corporate WVR beneficiary; or (b) be required as a pre-requisite to being granted WVR?	8	18%	17	38%	20	44%
Q11	Can a corporate WVR beneficiary be a traditional economy company provided that it develops a similar ecosystem which can satisfy the eligibility criteria?	24	53%	2	4%	19	42%
Q12	Should a corporate WVR beneficiary be required to provide a contribution to the WVR issuer on an ongoing basis and should WVR lapse if such contribution is substantially terminated or materially suspended/disrupted for	20	44%	4	9%	21	47%

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
	more than 12 months?						
Q13	Are there alternative/additional conditions for a corporate WVR beneficiary or the WVR issuer on an ongoing basis?	9	20%	13	29%	23	51%
Q14(a)	Should a WVR issuer's corporate governance committee, having made due enquiries, confirm on a six month and annual basis that there has been no termination/material disruption of the contribution to the listing applicant and that such requirement be set out in the committee's terms of reference?	20	44%	2	4%	23	51%
Q14(b)	Should there be a different mechanism to check that this requirement is being met? If yes, please describe the alternative.	9	20%	11	24%	25	56%
Q15	Should there be a minimum market capitalisation requirement of HK$200 billion for a prospective corporate WVR beneficiary at the time of WVR issuer's listing?	22	49%	11	24%	12	27%
Q16	Should there be any exceptions to the market capitalisation requirement? If yes, please state the reasons, and the relevant circumstances and factors.	10	22%	13	29%	22	49%
Q17	Should the corporate WVR beneficiary 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?	23	51%	4	9%	18	40%
Q18	Should a corporate WVR beneficiary have and maintain a primary listing on the Exchange or a Qualifying Exchange?	25	56%	4	9%	16	36%

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
Q19	Should the listing applicant represent not more than 30% of the corporate beneficiary in terms of market capitalisation at the time of listing? If not, please state reasons and propose alternative measures.	20	44%	10	22%	15	33%
Q20(a)	Should at least one director of the listing applicant to be a Corporate Representative?	26	58%	2	4%	17	38%
Q20(b)	Are there any alternative or additional measures to increase a corporate WVR beneficiary's responsibility and accountability for how it exercises its control?	8	18%	14	31%	23	51%
Q21	Should the WVR attached to a corporate WVR beneficiary's shares 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?	21	47%	3	7%	21	47%

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
	If not, please suggest alternative criteria and give reasons.						
Q22	Should the Exchange impose a time-defined sunset on the WVR of a corporate WVR beneficiary?	19	42%	15	33%	11	24%
Q23	If the answer to Q22 is "yes", do you agree with the proposed maximum 10 year length of the initial "sunset period"?	13	29%	13	29%	19	42%
Q24(a)	Should the WVR of a corporate WVR beneficiary be renewed at the end of the sunset period with the approval of independent shareholders?	20	44%	3	7%	22	49%
Q24(b)	If so, do you agree the maximum 5 years for the renewal period or would you prefer an alternative renewal period?	13	29%	9	20%	23	51%
Q25	Should there be no limit on the number of times that the WVR of a corporate WVR beneficiary could be renewed? If not, please propose another limit and give reasons.	14	31%	6	13%	25	56%
Q26	Should there be any other requirements for a corporate WVR beneficiary to renew the WVR? If yes, please propose requirements and give reasons.	6	13%	16	36%	23	51%
Q27	Should the WVR issuer be allowed to grant WVR to both corporate and individual beneficiaries provided that each meets the requisite suitability requirement?	25	56%	1	2%	19	42%

NO.	SUMMARISED QUESTIONS	YES	%	NO	%	DID NOT COMMENT	%
Q28	Are there any additional measures that could be put in place to safeguard the interests of the WVR issuer (e.g. prevent a deadlock) if it had both corporate and individual beneficiaries?	6	13%	18	40%	21	47%
Q29	Where an issuer has both a corporate WVR beneficiary and individual WVR beneficiaries, should the time-defined sunset only apply to the corporate WVR beneficiary?	17	38%	7	16%	21	47%
Q30	Where the WVR of the corporate WVR beneficiary falls away as a result of its time-defined sunset, should the individual beneficiary 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?	19	42%	5	11%	21	47%
Q31	Do you agree 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?	14	31%	9	20%	22	49%

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