Part B Consultation Questions

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

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

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

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

☒ Yes

☐ No

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

The Group greatly welcomes the Exchange's proposals to allow corporate WVR beneficiaries, which are essential to assuring Hong Kong's continued attractiveness and competitiveness. The current Listing Rules' bar on corporate WVR holders has meant that Hong Kong missed out on a number of major IPOs by Chinese tech companies (including Huya, Tencent Music Entertainment and Youdao) which listed instead on the NYSE and Nasdaq, which allow corporates to hold WVR, as acknowledged in the Consultation Paper. With the Consultation Paper noting that 42 of the 50 largest unlisted Chinese unicorns have corporate shareholders, the Exchange should move quickly to allow these companies to list if it is to avoid missing out on these major listings. Quite apart from the Exchange's competiveness as the listing venue of choice for Chinese companies, it is important that these companies should be allowed to list to improve investor choice. Chinese companies listed on US exchanges are beyond the reach of many Hong Kong retail investors and Mainland Chinese investors. As evidenced by Alibaba Group's secondary listing on the Exchange, a Hong Kong listing gives access to some of China's most successful companies to Hong Kong and international investors, and to Chinese investors through Stock Connect. Moreover, Shanghai's Science and Technology Innovate Board ("STAR Board") looks set to challenge the Exchange and the US exchanges as the listing venue of choice for Chinese tech unicorns. The STAR Board allows companies with WVR shares to list providing both a route to domestic listing for Chinese start-ups and a way for US-listed Chinese companies to "come home" via a domestic listing.

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

☒ Yes

☐ No

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

The Group generally agrees with this requirement, subject to its comments regarding ensuring that the definition of Eligibile Entity is broad enough to cover WVR holders who are traditional sector companies as set out in the responses below.

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

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

☐ Yes

☒ No

Please give reasons for your views.

The stated rationale for the comparable 10% requirement for individual WVR holders at listing is to align their interests at listing, but not thereafter, with those of the IPO shareholders (paragraph 137 of the Consultation Paper). The requirement for corporate WVR holders is impractical for a number of reasons. The Consultation Paper notes that the requirement for a corporate WVR holder to have a 30% interest means that it will already have de facto control as defined by the Takeovers Code and the Listing Rules, and thus the WVR holder's exercise of WVR will have less of an impact on the issuer's other shareholders. However, if a company already has de facto control by virtue of holding a 30% stake, the issue of WVR shares is surely redundant. The purpose of WVR shares is to allow the company's founder(s) whose interests in the company have been diluted in pre-IPO funding rounds to retain control (either as individuals or through a company) in circumstances in which they could not afford to retain a 30% stake. Given the proposed minimum market capitalisation of HK$10 billion for eligible issuers, this proposal could require the proposed corporate WVR holder to spend a significant amount to increase its shareholding in the issuer to 30%, which is likely to make a Hong Kong listing very unattractive for companies in this position. As noted in the Consultation Paper, of the 23 US-listed Chinese issuers with non-fund corporate shareholders, only 6 had corporate WVR beneficiaries holding controlling economic stakes. Seventeen held minority economic stakes and some had multiple non-fund corporate investors with holdings in more than one Chinese WVR-structured issuer. Since the New York stock exchanges do not require a minimum economic interest to qualify as a WVR beneficial owner, this proposal will prevent the Exchange from competing for a significant number of WVR listings. Furthermore, it is questionable whether this requirement is necessary to achieve the stated purpose of aligning the corporate WVR beneficiary's interest with those of the issuer's other shareholders. This aim is probably already achievable under the Listing Rules' current corporate governance provisions including the requirements for connected transactions and directors' fiduciary duties. Moreover, as noted in the Exchange's 2019 Research Report "Weighted Voting Rights: Angel or Evil to Investors?", empirical evidence suggests that WVR structures contribute positively to companies' price and operational performance.

It is also not clear why the requirement for individual WVR beneficiaries to hold a 10% economic stake applies only upon listing, while the proposal for corporate WVR beneficiaries is that they should continue to hold a 30% stake after listing. In allowing individual WVR beneficiaries to sell down their stake once listing is achieved, the stated aim of aligning individual WVR holders' interests with those of the issuer's shareholders as a whole would appear to be defeated. As the Consultation Paper recognises, share-based employee incentive schemes that are commonly adopted by tech companies may dilute the corporate WVR beneficiary's after listing requiring it to make a further cash outlay to maintain a 30% stake.

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

☐ Yes

☒ No

Please give reasons for your views.

Please see the answer to question 3 above. We disagree with the proposed 30% economic interest requirement which is likely to act as a disincentive to listing on the Exchange.

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

☒ Yes

☐ No

If so, please state these conditions/requirements.

We would propose requiring a 15% interest at listing and an ongoing requirement to maintain the number of shares held at listing rather than a percentage stake. It should also be permissible for that stake to be held among different companies within the same corporate group and their associated companies.

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

☐ Yes

☒ No

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

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

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

(b) such shares do not carry WVR;

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

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

☒ Yes

☐ No

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

As stated above, we do not agree with the minimum 30% requirement. However, if this proposal (or a lower threshold) is adopted, we would agree with the proposal to allow shares to be issued on a non-preemptive basis.

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

☐ Yes

☒ No

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

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

While we agree that WVRs should not be held by companies holding a pure financial investment (e.g. investment funds), care needs to be taken to ensure that the eligibility criteria do not prevent a company from holding WVR in an issuer in which it was originally materially involved (i.e. more than two years previously), which has since grown and operates more independently of the proposed WVR holder at the time of listing. This requirement would seem to restrict the companies in which corporates can hold WVR shares to start-up/early stage companies and appears to envisage that they remain largely under the control and direction of the WVR holder. We consider that this is overly restrictive. Greater clarity regarding what is meant by being "materially involved" would be helpful. The Consultation Paper gives as an example "inclusion of the business of the applicant in its ecosystem" for two years prior to the listing. However the criteria for the existence of the required ecosystem (at paragraph 44 of the Consultation Paper) appear to envisage that the issuer remains under the control of the WVR holder. The requirement for the issuer and other companies within the ecosystem to have "grown and co-evolved around a technology or know-how platform etc." (at paragraph 44(b)) would also act to exclude a company in the financial services or transport/logistics sector which establishes a tech company to enhance the services it provides. The original group will have existed for some considerable time before the tech company is established and will not fulfil the "co-evolvement" criteria. Quite apart from the tech conglomerates which are a recent phenomenon, there are a number of traditional sector companies which are also investing in technology. There is no reason why those tech companies should not be allowed to list with WVR corporate beneficiaries merely because they fail the co-evolvement test.

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

☐ Yes

☒ No

Please give reasons for your views.

As stated in the response to Question 3 above, we do not agree with the proposed requirement for corporate WVR beneficiaries to hold a minimum 30% stake in the issuer. Since the five times the voting power of ordinary shares restriction is premised on a 30% stake to limit the WVR beneficiary's voting power to 68% in general meeting, this ratio can be reduced if the required stake is reduced to 15% as we have suggested.

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

☐ Yes

☒ No

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

Please refer to the response to (a) above.

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

☐ Yes

☒ No

Please give reasons for your views.

As discussed in the response to Question 6 above, these proposals would restrict the companies which are allowed to have corporate WVR holders to start-up and early stage companies within a tech group. The proposals need to be more broadly drafted to allow for the listing of companies within traditional sector corporate groups. In these groups, the tech entity will not have co-evolved with the original business and moreover the benefits will be going in the opposite direction to that envisaged in the Consultation Paper. That is to say that the Consultation Paper envisages a tech group such as Alibaba or Tencent which has established a company which continues to benefit from input from the major company within the group. In the context of a financial or logistics group, however, the tech company will be established to provide efficiencies and benefits to the rest of the group, although the group will remain essential to the success of the tech company. Alternatively, a banking group might establish a fintech company which does not necessarily benefit from the input of the group companies. Instead, the fintech company enables the financial group to offer new services to its clients. That capability may arise from the tech company recruiting employees from the tech sector and developing the capabilities itself, rather than the group leader contributing that expertise.

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

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

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

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

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

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

☐ Yes

☒ No

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

As already discussed, we consider the ecosystem criteria to be too narrow in failing to provide for corporate groups in traditional sectors who establish a company with technical expertise to enhance the group's capabilities. The Listing Rules also need to allow a corporate WVR holder to hold WVR shares in such companies notwithstanding that the company achieves a greater degree of independence from the original group. For example, a technology company within a transport and logistics group may have other clients and customers other than its group companies. This should not disqualify its corporate shareholder from continuing to hold WVR shares in it.

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

☒ Yes

☐ No

Please give reasons for your views.

Please see our response to Question 9 above. It is important that companies within groups operating in sectors other than tech are permitted to have corporate WVR beneficiaries.

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

☒ Yes

☐ No

Please give reasons for your views.

We very much agree with this proposal. However, greater clarity is required as to how the "ecosystem requirement" will be applied to traditional economy companies. Currently, these companies do not appear to be catered for.

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

☐ Yes

☒ No

Please give reasons for your views.

As indicated above, it is not clear how this requirement would apply to traditional economy companies. In the context of a transport/logistics company for example, it is not clear what "contribution" would be required from the corporate WVR beneficiary. Would the use of the issuer's services be sufficient?

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

☐ Yes

☒ No

Please give reasons for your views.

14. (a) If your answer to Question 12 is “yes”, do you agree that a WVR issuer’s corporate governance committee should (after making due enquiries) confirm, on a six month and annual basis, that there has been no termination or material disruption, etc., to the corporate WVR beneficiary’s contribution to the listing applicant and that this requirement be set out in the committee’s terms of reference?

☒ Yes

☐ No

Please give reasons for your views.

Subject to our comments in response to Question 12 above, if there is an ongoing requirement, it is appropriate for a WVR issuer's corporate governance committee to confirm on a six month and annual basis as proposed by the Exchange.

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

☐ Yes

☒ No

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

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

☐ Yes

☒ No

Please give reasons for your views.

The market can be highly volatile due to changes in global economics and uncertainties of geopolitics that are beyond the control of a company. Recently, the outbreak of COVID-19 has hit the financial markets hard, and as a result the market capitalisation of many listed companies has drastically declined.

Against this backdrop, many innovative corporate WVR beneficiaries that have great potential may not be eligible under the proposed market capitalisation requirement in the prevailing market conditions. The expected market capitalisation of at least HK$200 billion is also too high and is likely to create a barrier to entry for smaller innovative companies. The sole use of the market capitalisation requirement is restrictive, not appropriate in a volatile market, and would not allow flexibility for listing applicants.

Alternatively, we suggest that the Exchange consider alternatives to the proposed market capitalisation requirement. For example, the profit, revenue and/or cash flow test under Listing Rules 8.05 could be amended with a higher threshold.

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

☒ Yes

☐ No

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

Please see our response to Question 15.

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

☒ Yes

☐ No

Please give reasons for your views.

The Group broadly agrees with this proposal, subject to greater clarity as to its requirements and ensuring these are broad enough to allow traditional sector companies to hold WVR. While the Exchange has defined the meaning of "innovative company" in GL93-18, it is unclear what "business experience", "investment" and "contributions" mean.

"Business experience" is a broad and vague term. For example, would a traditional retail company using an online sales platform qualify as "business experience" in an emerging/innovative sector? The Exchange should provide clearer guidance on this and narrow the interpretation to exclude companies merely adopting online sales platforms from qualification as innovative companies. However, the definition must be broad enough to include traditional sector companies (e.g., in logistics and financial services) which establish tech companies to extend their businesses.

While "investment" could be financial and objectively assessed, "contribution" can be both quantitative and qualitative in the sense that a company can contribute its knowledge, technology and/or innovations to an innovative company. Again, the Exchange should provide clearer guidance on this. Moreover, as noted above, in the context of a logistics company, the benefits of a group tech company would flow in the opposite direction from the tech company back to the main group. This needs to be borne in mind to ensure that the requirements are not drafted so narrowly as to exclude these companies.

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

☒ Yes

☐ No

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

The proposed requirement should ensure a corporate WVR beneficiary's conduct subject to regulatory oversight under a reputable legal and regulatory regime.

However, the Exchange should consider defining a "Qualifying Exchange" to include stock exchanges in Mainland China given that many unicorn startups have operations in China. The Exchange should also consider exceptions to the proposed requirement to enable an unlisted corporate WVR beneficiary to be eligible if it meets certain criteria e.g. proven financial records, reputation, operation etc.

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

☒ Yes

☐ No

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

We agree that the 30% restriction could help ensure that the issuer cannot in substance introduce a WVR structure over a material part of its business/assets.

As mentioned in our response to Question 15, the sole use of market capitalisation is not appropriate in a volatile market and would not allow flexibility for listing applicants. The Exchange should also consider providing options in addition to the proposed market capitalisation restriction. For example, the profit, revenue and/or cash flow test under Listing Rules 8.05 could be amended with a higher threshold.

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

☒ Yes

☐ No

Please give reasons for your views.

We agree in principle that at least one director of the listing applicant must be a Corporate Representative.

However, if the Corporate Representative is also a director of the corporate WVR beneficiary, there is a risk that conflicts of interest and breaches of fiduciary duties may occur. It could also be problematic from the perspective of the requirement for listing applicants to operate independently and in the interests of the company and its shareholders as a whole, not in the interests of one particular shareholder only. The Exchange should consider providing guidance on how the Corporate Representative (if also acting as a director of the corporate WVR beneficiary) could deal with his/her overlapping directorships and mitigate conflict of interest and fiduciary duty issues.

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

☒ Yes

☐ No

Please give reasons for your views.

To avoid asymmetry of information dissemination, the publication requirement of financials (as stipulated under the Listing Rules) for corporate WVR beneficiaries and the listing applicant should be aligned.

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

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

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

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

☒ Yes

☐ No

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

This proposal can ensure that a corporate WVR beneficiary is responsible and accountable for the performance of the issuer, but is not punished for actions or decisions taken by the Corporate Representative for which is not responsible.

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

☐ Yes

☒ No

Please give reasons for your views.

In jurisdictions such as the United States, there is no requirement for a sunset clause, although companies may opt to impose this.

23. If your answer to Question 22 is “yes”, do you agree with the proposed maximum 10 year length of the initial “sunset period”?

☐ Yes

☒ No

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

While we disagree with the proposed sunset clause, if one is to be imposed, a longer lifespan of e.g., 20 to 30 years should be allowed for the sun-set period to provide greater certainty to the market.

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

☒ Yes

☐ No

Please give reasons for your views.

The requirement for independent shareholders' approval should protect minority shareholders' interests. The threshold for shareholders' approval could be higher (e.g., 75%) and should be enshrined in the issuer's articles.

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

☐ Yes

☒ No

Please give reasons for your views.

A shorter period (say 3 years) is preferred given that tech-companies thrive in a fast-paced world. The independent shareholders of the issuer should more often than not decide on the WVR matter.

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

☒ Yes

☐ No

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

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

☐ Yes

☒ No

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

The Exchange should provide guidance on disclosure content requirement for the issuer in addition to the existing Listing Rules. i.e., independent shareholders should have sufficient information for them to make an informed decision.

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

☒ Yes

☐ No

Please give reasons for your views.

Individual and corporate WVR beneficiaries should not be mutually exclusive.

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

☐ Yes

☒ No

Please give reasons for your views.

The deadlock situation or disagreement among the beneficiaries is a commercial matter and should be resolved by them.

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

☒ Yes

☐ No

Please give reasons for your views.

LR8A.17 has already provided that an individual WVR beneficiary will cease to have WVR in certain situations. It would be unnecessary to impose a time-defined sunset on individual WVR beneficiaries.

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

☒ Yes

☐ No

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

This would ensure shareholders' protection.

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

☒ Yes

☐ No

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

The WVR belonging to a corporate WVR beneficiary should not be affected by the triggering of an individual WVR beneficiary's sunset. The corporate WVR beneficiary should have discretion on conversion.

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