REPLY TO PART B QUESTION 1

1. **Should the Exchange[1] in no circumstances allow companies to use WVR structures?**

   In general, WVR structure should not be allowed because they significantly impact corporate governance at a company level by making it difficult to challenge incumbent management. Hong Kong already receives adverse reviews from time to time on the issue of corporate governance and family control of conglomerates. Allowing WVR would provide one more easy to use, powerful tool that can be potentially used to 'bend' corporate governance requirements to the will of the promoter.

   USA has a somewhat different regime for investor protection and application of one aspect (WVR) without context of the overall investor protection ecology that exists there could be problematic. It should be noted that Hong Kong tends to have higher levels of retail investor participation in the capital markets.

   While there is considerable regret and pain over the loss of the Alibaba listing, there could be other reasons such as the deeper capital markets, better appreciation of technology stocks, potential of higher valuations that could have been additional factors that tilted the scale in favor of USA. Hong Kong could consider other measures to enhance the overall ecology for technology stocks listing in Hong Kong.

   Hong Kong can also monitor other mega technology listings to consider whether the threat of market share loss is of a magnitude that justifies the risk of jeopardising the interests of minority shareholders.

   While we consider what we stand to gain by allowing WVR structures (presumably, the next "Alibaba", whenever that occurs, as these are not frequent occurrences) we should also consider what we stand to lose. - there is a very real risk of promoters seeking to shift assets out of Hong Kong listed companies and then relist them in new listed vehicles with WVR structures. This could materially impact the overall markets. Hong Kong could easily start slipping on other metrics and rankings concerning our capital markets.

   There is merit in the argument that given the structure of the China markets and the nature of private equity participation, promoters of technology stocks could have very low levels of equity by the time they list, and this is not desirable. Perhaps we can explore alternate measures to make Hong Kong a more attractive location for listing technology stocks. Perhaps, more research on this aspect needs to be conducted before considering WVR structures as a viable alternative.

   In any event the current regime that allows for WVR structures in exceptional circumstances does hold potential. A swifter and pre planned approval process (with a list corresponding additional corporate governance requirements) to accommodate exceptional approval requests could help significantly.