



Our Ref: GE/CSA/21/01

18 June 2021

BY EMAIL AND BY POST

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sirs,

Re: Consultation Paper on Review of Corporate Governance Code and Related Listing Rules

In reference to the Consultation Paper on Review of Corporate Governance Code and Related Listing Rules published April 2021, we commend the Exchange on its continuous efforts to promote improvements in the quality of governance of listed companies in Hong Kong.

We also take this opportunity to note our concerns with proposals to: (1) revise an existing Code Provision to require the re-election of an independent non-executive director (“INED”) serving more than nine years be subject to independent shareholders’ approval, and (2) require all listed issuers to set numerical targets and timelines for achieving gender diversity at both board level and across the workforce. We do not support these proposals for the following reasons:

1. *Re-election of INEDs serving more than nine years be subject to independent shareholders’ approval : Strongly disagree.*

There is no empirical evidence showing that INEDs who have served on a board for nine years or more would lose their independence nor be at an increased risk of complacency given their familiarity with management. Based on the details of disciplinary sanctions published by the Stock Exchange since the beginning of 2021 and up to the date hereof, we note that 96 directors were subject to public censure or public criticism of which 31 were INEDs. Among these 31 INEDs, only about six, or less than 20%, had served nine years or more on the boards of the companies concerned at the time of the relevant event. We consider that independence of mind is far more important than the appearance of independence.

If minority shareholders’ approval of INEDs is made a requirement, we expect that they will nominate their own INEDs to the board. Most worrisome would be the possibility of INEDs nominated by activists that wish to disrupt the companies for short-term gain without regard to the sustainable long-term growth vision.



We must return to the original question of: “Why invest in companies?” The traditional and rational reason is to allow investment of capital into companies to allow them to grow and expand on a sustainable long-term basis. Under One Share One Vote, those with the most invested in the company should have the most control, and as they benefit more from success and suffer more from loss, they should be allowed to utilize their engagement properly and be allowed to exercise their equitable rights. A company’s board of directors plays a critical role in making important strategic decisions. Major shareholders must not be disenfranchised in the election process of INEDs.

2. *Setting numerical targets and timelines for achieving gender diversity at both board level and across the workforce : Disagree*

We consider all appointments of Directors and Senior Management should be based on merit alone. Gender diversity at all levels of our society should be a given and a natural effect of an equal society. If the supply of capable male and female directors are the same, gender diversity should be achieved naturally. It is not necessary to try to generate diversity arbitrarily. Therefore, there is no justification for setting targets and timelines for gender diversity at the board level and across the workforce. A good example of natural gender diversity and equality has been observed in the field of Medicine, 53% of graduating doctors are women nowadays in Hong Kong. Women work hard and perform better in exams and in training, and they score better in school and college to be admitted to Medical School, based on MERIT. No quota has been set.

We are fighting the wrong battle if we simply impose more prescribed practices in the Listing Rules for Boards. We have to bear in mind that there is no one-size-fits-all formula that will guarantee to be effective. Good board governance practices cannot be enacted, but they can be built over time.

Thank you for your attention.

Yours faithfully,

For and on behalf of

GREAT EAGLE HOLDINGS LIMITED



Lo Ka Shui

Chairman and Managing Director