

LANGHAM

HOSPITALITY INVESTMENTS

Our Ref: LHIL/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

We refer to the Consultation Paper on Review of Corporate Governance Code and Related Listing Rules published by the Exchange in April 2021 and would like to share our views as follows:

With due respect, we strongly disagree with proposal to require the re-election of an independent non-executive director (“INED”) serving more than nine years be subject to independent shareholders’ approval.

We consider that independence of mind is far more important than the appearance of independence. With reference to the details of disciplinary sanctions published by the Stock Exchange since the beginning of 2021 and up to the date hereof, we notice that 96 directors were subject to public censure or public criticism of which only about six INEDs, or less than 20%, had served nine years or more on the boards of the companies concerned at the time of the relevant event. Therefore, we consider the correlation between these two variables to be weak. Under One Share One Vote, all shareholders should be allowed to exercise their equitable rights. Major shareholders must not be disenfranchised in the election process of INEDs. Furthermore, if minority shareholders’ approval of INEDs is made a requirement, we expect that they will nominate their own INEDs to the Board. Conflicts among the Board members are anticipated as the interest of the INEDs nominated by activists who usually focus on short-term gain may not align with the sustainable long-term growth vision of the Board.

Apart from the above issue, we also want to express our concern with proposal to require all listed issuers to set numerical targets and timelines for achieving gender diversity at both board level and across the workforce.

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We have a strong view that all appointments shall be made purely on merit. It is not necessary to try to generate diversity from a gender balance as it should already be present if the supply of capable male and female directors are the same. Gender diversity should be achieved naturally. Therefore, it is not necessary for setting targets and timelines for gender diversity at the board level and across the workforce.

We support the Exchange's initiative to promote improvements in the quality of governance of listed companies in Hong Kong and hope that the above comments could assist the Exchange to refine its proposals. Meanwhile, if you require any clarifications on our comments, please do not hesitate to contact us.

Thank you for your kind attention.

