

BY HAND AND BY EMAIL

Our Ref: RLOWLWM/CONSULT201702

8 December 2017

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

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

SHINEWING Risk Services Limited ("SHINEWING") has thoroughly studied the consultation paper on review of the corporate governance code and related listing rules and our detailed comments on it are set out in the questionnaire attached to this letter.

We support most of the proposals. We believe that the proposals could enhance the transparency and accountability of the nomination and election process of directors. The suggested amendments could also strengthen the independence of INEDs and promote the directors' contribution to the company affairs. Last but not least, the proposed disclosure of dividend policy could assist the stakeholders to assess the company.

Should you have any questions on the above comments, please do not hesitate to contact us at [REDACTED].

Yours faithfully,

[REDACTED]

SHINEWING Risk Services Limited

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<https://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017111.pdf>.

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

PART I: INDEPENDENT NON-EXECUTIVE DIRECTORS

Overboarding and INED's time commitment

1. Do you agree with our proposed amendment to Code Provision ("CP") A.5.5 (on a "comply or explain" basis) so that in addition to the CP's current requirements, the board should also explain, if the proposed independent non-executive director ("INED") will be holding his seventh (or more) listed company directorship, why he would still be able to devote sufficient time to the board?

Yes

No

Please give reasons for your views.

The role of INEDs is to maintain independent judgment to supervise management, participate in the company's business and affairs and speak out firmly and objectively on the issues submitted to the board, also to safeguard against the conflict of interest. INEDs are also responsible for ensuring that the interests of all shareholders are taken into account by the board. Hence, it is important for the INEDs to devote sufficient time in the board, and to understand the industry, business and operation of the company.

In this way, we agree with the proposal that the board should explain the reason(s) of the INEDs would still be able to devote sufficient time to the board if he/ she will be holding seventh (or more) listed company directorship. In addition, with the clear reasons, the nomination committee and the board could be able to decide if the proposed INEDs are able to carry out the duties as INEDs.

Board diversity

2. Do you agree with our proposals to upgrade CP A.5.6 (on a "comply or explain" basis) to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their corporate governance reports?

Yes

No

Please give reasons for your views.

In order to promote the board effectiveness and protect the interest of stakeholders, the composition of the board should be diversified in terms of gender, culture, education background, professional experience and etc. Therefore, we agree with the proposal to upgrade CP A.5.6 to a Rule that requires the issuers to have a diversity policy and disclose such policy in the corporate governance reports in order to promote the transparency of the company.

3. Do you agree with our proposal to amend CP A.5.5 that it requires (on a “comply or explain” basis) the board to state in the circular to shareholders accompanying the resolution to elect the director:

- (i) the process used for identifying the nominee;
- (ii) the perspectives, skills and experience that the person is expected to bring to the board; and
- (iii) how the nominee would contribute to the diversity of the board.

Yes

No

Please give reasons for your views.

Since director is elected to supervise management and participate in the company's business on behalf of the shareholders, the shareholder has the right to know more about the nomination processes. Hence, we agree with the proposal to require the board to state in the circular to shareholders accompanying the resolution to elect the director, such as the nomination process, background and contribution of the nominee.

4. Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) to reflect the upgrade of CP A.5.6 (on a “comply or explain” basis) to a Rule (Rule 13.92) requiring issuers to have a diversity policy and to disclose the policy or a summary of it in their Corporate Governance Reports?

Yes

No

Please give reasons for your views.

As stated in Question 2, we agree with the proposal to require issuers to have a diversity policy and to disclose such policy/ summary in the Corporate Governance Report to promote the transparency.

Factors affecting INED’s independence

A. Cooling off periods for former professional advisers

5. Do you agree with our proposal to revise Rule 3.13 (3) so that there is a three-year cooling off period for professional advisers before they can be considered independent, instead of the current one year?

- Yes
- No

Please give reasons for your views.

Not only to ensure the independence of former professional advisers, but also to align with other jurisdictions, we agree to extend the cooling off period for professional advisers from one year to three years.

6. Do you agree with our proposal to revise CP C.3.2 (on a “comply or explain” basis) so that there is a three-year cooling off period for a former partner of the issuer’s existing audit firm before he can be a member of the issuer’s audit committee?

- Yes
- No

Please give reasons for your views.

For the purpose of aligning with the three-year cooling off period for professional advisers, we agree to extend the cooling off period for a former partner of the issuer's existing audit firm from one year to three years before he can be a member of the issuer's audit committee.

B. Cooling off period in respect of material interests in business activities

7. Do you agree with our proposal to revise Rule 3.13(4) to introduce a one-year cooling off period for a proposed INED who has had material interests in the issuer's principal business activities in the past year?

Yes

No

Please give reasons for your views.

To avoid the suspicion of conflict of interest, we agree to introduce a one-year cooling off period for a proposed INED who has had material interests in the issuer's principal business activities in the past year.

C. Cross-directorships or Significant Links with other Directors

8. Do you agree with our proposal to introduce a new Recommended Best Practice A.3.3 (i.e. voluntary) to recommend disclosure of INEDs' cross-directorships in the Corporate Governance Report?

Yes

No

Please give reasons for your views.

INEDs are appointed to act on behalf of the shareholders and provide independent advice for the board issues. To safeguard the independence, we agree with the proposal to introduce new recommended best practice to disclose INEDs' cross-directorships in the Corporate Governance Report.

D. Family ties

9. Do you agree with our proposal to introduce a Note under Rule 3.13 to encourage inclusion of an INED's immediate family members in the assessment of the director's independence?

Yes

No

Please give reasons for your views.

To avoid conflict of interest, we agree to include INEDs' immediate family members in the assessment of the director's independence.

10. Do you agree with our proposal to adopt the same definition for "immediate family member" as Rule 14A.12(1)(a) which defines an "immediate family member" as "his spouse, his (or his spouse's) child or step-child, natural or adopted, under the age of 18 years"?

Yes

No

Please give reasons for your views.

To align with the existing practise, we agree to adopt the same definition of "immediate family member" as Rule 14A.12(1)(a).

PART II: NOMINATION POLICY

11. Do you agree with our proposal to amend Mandatory Disclosure Requirement L.(d)(ii) of Appendix 14 to require an issuer to disclose its nomination policy adopted during the year?

Yes

No

Please give reasons for your views.

To promote transparency and accountability, as well as to achieve consistency with the proposed disclosure requirement above-mentioned, we agree to require the issuer to disclose its nomination policy adopted during the year.

PART III: DIRECTORS' ATTENDANCE AT MEETINGS

Directors' attendance at general meetings

12. Do you agree with our proposal to amend CP A.6.7 (on a "comply or explain" basis) by removing the last sentence of the current wording (i.e. they should also attend general meetings and develop a balanced understanding of the views of shareholders.)?

Yes

No

Please give reasons for your views.

As directors are appointed to act on behalf the shareholders, they should attend the general meetings and understand the concerns of the shareholders. Hence, we agree to remove the last sentence of the current wording.

Chairman's annual meetings with INEDs

13. Do you agree with our proposal to revise CP A.2.7 (on a "comply or explain" basis) to state that INEDs should meet at least annually with the chairman?

Yes

No

Please give reasons for your views.

In the current practise, non executive directors (including INEDs) are required to meet at least annually with the chairman. However, there is no statutory requirement for the INEDs to meet the chairman solely.
To maintain the independence of INEDs and avoid conflict of interest, we agree with the proposal that INEDs should meet at least annually with the chairman, i.e. without the presence of management and non executive director/ executive director.

PART IV: DIVIDEND POLICY

14. Do you agree with our proposal to introduce CP E.1.5 requiring (on a “comply or explain” basis) the issuer to disclose its dividend policy in the annual report?

Yes

No

Please give reasons for your views.

Dividend is one of the types of return for the investors. They may consider the capital discipline and attitude towards shareholders of the company when they invest. Hence, we agree to require the issuer to disclose its dividend policy in the annual report, helping to enhance the transparency.

PART V: ELECTRONIC DISSEMINATION OF CORPORATE COMMUNICATIONS – IMPLIED CONSENT

15. Do you think that the Rules should be amended to allow shareholders' consent to be implied for electronic dissemination of corporate communications by issuers?

Yes

No

Please give reasons for your views.

To cope with the fast changing environment, it is more effective to disseminate corporate information through electronic methods. Hence, we agree to allow shareholders' consent to be implied for electronic dissemination.

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