

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: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201209q.doc>.

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

1. Do you agree that the Exchange should promote board diversity?

Yes

No

Please give reasons for your views.

See attachment

2. If your answer to Q.1 is "yes", do you agree that our Corporate Governance Code and Corporate Governance Report is the appropriate place for the new measures on board diversity?

Yes

No

Please give reasons for your views.

N.A.

3. Do you agree with our proposal to introduce CP A.5.6 (*the nomination committee or the board should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report*)? Please give reasons for your views.

- Yes
 No

Please give reasons for your views.

See attachment.

4. Do you agree (i) with our proposal to introduce a note under CP A.5.6 to clarify what we mean by diversity; and (ii) with the content of the note? Please give reasons for your views.

- | | |
|--|--|
| (i) | (ii) |
| <input type="checkbox"/> Yes | <input type="checkbox"/> Yes |
| <input checked="" type="checkbox"/> No | <input checked="" type="checkbox"/> No |

Please give reasons for your views.

See attached

5. Do you agree with our proposal to introduce a new mandatory disclosure provision in the Code stating that if the issuer has a policy concerning diversity, it should disclose details of the board's policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives? Please give reasons for your views.

- Yes
 No

Please give reasons for your views.

6. Which of the following would you prefer as the implementation date of the amendments set out in this paper?

1 January 2013

1 April 2013

1 June 2013

1 September 2013

Other, please specify and give reasons.

See attached

- End -

My comments to your Questions are as follow:

1. Not practical to the Hong Kong environment, too academic.
Most of the arguments are weak, not persuasive.

Reasons:

- May only applicable to the Board of those multinational companies, e.g. Banks; Insurance companies etc. with no single major shareholder and with more than 10 board members. Not applicable to most of Hong Kong Listed Companies.
- Most of the HK listed companies are controlled by a major shareholder or family-owned (over 50%). Therefore the majority of Board members are connected/related persons to the major shareholder in order to maintain absolute control. How to achieve the proposed principle of board diversity by the remaining minority number of directors? I don't think the minority number of directors can achieve the board diversity in terms of gender, age, culture etc., unless you disallow those major shareholders to appoint the majority of directors.
- How to apply to those State Owned Enterprises?
- Selection of Board members should be based on their talent and professional experiences irrespective of their age, gender, culture etc. Why should we set a already limitation or criteria as a barrier for the selection of directors? In Hong Kong, it is difficult to appoint qualified directors. In your consultation paper, you have emphasized the benefit of increasing the number of female directors on the Board (Para. 15 to 23, and Para. 43). Are you considering this is the main objective to promote board diversity? I think this is wrong and misleading. Are you saying that most of the Boards of Hong Kong Listed Companies are not functioning well, as they have a small number of female directors? More female directors on Board cannot guarantee business success. Do you have any research finding to support this?
- How to resolve the problems as quoted in Para. 57, 58?
- Para. 40, you quoted Enron was suffered from groupthinking. Absolutely disagree. This is an isolated criminal case, no one could prevent this to happen. Are you saying that most of the Boards of Hong Kong Listed Companies are not functioning well? Groupthinking can eliminate conflicts and maintain relationships at Board, this is critical to move the company forward. Board diversity is not the only solution to effective decision-making.

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- Comments to other paragraphs:

Para 2

A world-wide phenomenon to increase women of boards does not guarantee business success.

Para 9

“The objective is to enhance the effectiveness of the board”:

Weak argument

Effectiveness of the board depends on the talent and experiences of directors, not just gender, age, culture etc.

Para 15 to 21

Weak argument

The statistic just reflects what the real world is. A low % of female directors does not mean we need to increase the %. I would interpret that corporate governance would be enhanced if there were 100% male directors.

Do you agree Stock Exchange has a good corporate governance because men directors dominate its board?

Para 25

Age

What is your conclusion about the “Age”?

Shall we appoint some youngsters?

Para 26 to 33

Hong Kong has its own characteristics in terms of culture, educational background, political influences etc. Why you pick these countries as examples? You just select some data in your favor, totally bias. Again misleading.

Para 42

Encourage creativity and innovation etc does not guarantee success; on the other hands, it creates conflicts and increase business risks.

Para 43

Directors must contribute to the company at all times, not just showing a better attendance record.

Para 44
Misleading

Para 47, 48
Wrong
You don't understand how to do business.

Para 49, 50
Wrong
Why should we give this privilege to them? How about other groups of minority e.g. handicapped and retired?

Para 51 to 56
These are subjective judgment only; not persuasive.


3. Too abstract

A written policy must be clear, unambiguous and most important, could be implemented. Without a clear benchmark, Listed Companies are difficult to comply and follow, and also difficult to disclose in its report whether comply or not. Can you draft a "sample" of this policy taking Stock Exchange as an example? As a shareholder or investor, how to evaluate (i.e. the measurable objectives) whether a Listed Company have achieved the principle of board diversity and brought benefit to the company? Just a "comply or explain" approach is meaningless. To put forward this proposal, you must state benchmarks, don't pass the responsibilities to the Listed Companies. This is irresponsible.

4. Same reasons as in "3".

5. Same reasons as in "3".

6. Based on the above, this proposal should be terminate.

Submitted by: 

Tel No. 

Date: 9 November 2012