

Submitted via Qualtrics

Cathay Pacific Airways Limited

Company/Organisation view

Listed Company

Question 1

Do you agree with the Electronic Instructions Proposal as detailed in paragraphs 29 to 45 of the Consultation Paper?

Yes

Please give reasons for your views.

We support the proposal to require issuers to put in place mechanisms that would allow shareholders to send Meeting Instructions or Non-Meeting Instructions via electronic means. This aligns with the environmental initiatives underpinning the Exchange's Paperless Regime and would enhance the efficiency of receiving instructions.

Regarding the requirement for issuers to verify the authenticity of the instructions, while we welcome the flexibility for issuers to select their own authentication mechanism, the Exchange should provide non-prescriptive guidance, including market examples, on what would constitute appropriate mechanisms.

Question 2

Do you agree with the implementation timeline (including the availability of transitional arrangements) for the Electronic Instructions Proposal as set out in paragraphs 47 to 54 of the Consultation Paper?

No

Please give reasons for your views.

We do not consider it necessary or appropriate to implement the Electronic Instructions Proposal on the same date as the implementation of the uncertificated securities market ("USM") regime, which is expected to be implemented by the end of 2025.

The USM regime significantly impacts the structure of securities ownership in the market, allowing investors to hold direct legal ownership in listed shares without paper certificates. Issuers need to comply with the requirements under the USM

regime in respect of their eligible listed securities within five (5) years after the USM regime implementation date, albeit under different timelines to be agreed between the relevant issuers' share registrars and the Exchange. Given this arrangement, we believe it would be more appropriate to implement the Electronic Instructions Proposal after the five-year transition period following the USM implementation date (the "Five-year USM Transition Period"). This approach would not only provide issuers sufficient time to prepare for such change after the market adapts to the new USM regime, but it would also help ensure consistency of practice amongst issuers and minimise confusion in the market. The Consultation Paper did not provide any substantive grounds to support the urgency of implementing this proposal on the same date as USM implementation.

In addition, many issuers may need to amend their constitutional documents in order to implement the Electronic Instructions Proposal. However, given that any amendment to constitutional amendments would (in most, if not all cases) require the approval of at least 75% of shareholders' votes cast at a general meeting – which is not within the power of issuers to ensure - the transitional arrangements should provide an exception where shareholders' approval cannot be obtained, such non-compliance shall not constitute a breach of the relevant Listing Rules.

Regarding Non-standardised Requested Communications (such as instructions from an offeree company's shareholders in a takeover offer, for which physical share certificates would need to be surrendered), the instructions are customised for the relevant corporate action or transaction. We believe such instructions would be challenging to digitalise and therefore a longer transition period of at least three (3) years following the USM implementation date should apply.

Question 3

Do you agree with the Real-time Electronic Payment Proposal as detailed in paragraphs 69 to 74 of the Consultation Paper?

No

Please give reasons for your views.

We do not consider it appropriate or necessary to specify CHATS as a mandatory option for payment of corporate action proceeds. Issuers should be afforded the flexibility to choose the appropriate electronic payment option(s) based on their specific circumstances. Instead of mandating CHATS, we suggest only requiring issuers to provide one or more electronic payment option(s), in line with the Electronic Subscription Monies Proposal referred to in Question 4 below.

Despite the absence of transaction size limit for payments made via CHATS (which facilitates the payment of very sizable corporate action proceeds), this proposal is not expected to result in any benefits nor would it create more efficiency for the vast majority of shareholders in the market, who generally receive corporate action proceeds which are well below the transaction limits set other electronic payments channels (such as FPS or Autopay), all of which are already very well adopted by shareholders in general. This is reflected in the low adoption rate for CHATS as a channel for corporate action proceeds payments – as highlighted in the Consultation Paper, only 8% of Hong Kong listed issuers employed CHATS as one of its electronic channels for payment of corporate proceeds in 2023 (despite it being launched in 1996). Among electronic payment channels available in Hong Kong, issuers have predominantly chosen FPS or Autopay over CHATS for payments of corporate action proceeds, with FPS being widely used by the general public on day-to-day transactions. We do not believe the Exchange should impose a mandatory payment option which is contrary to the market norm or trend unless the proposal entails significant benefits to the shareholders as a whole.

The outward charges required to be borne by the issuers under CHATS (typically chargeable on a per transaction basis) are generally substantially higher than the nominal fee [of less than HK\$10 per transaction] charged by FPS or Autopay, and the CHATS charges – which could be as much as HK\$60 – 100 per transaction - would add up to a significant amount if a large number of shareholders opted for this payment channel. More importantly, the Consultation Paper expressly highlights the fact that inward charges (i.e., remittance fees payable by fund recipients) will be borne by the shareholders receiving payments under CHATS – this represents an additional cost which shareholders are not required to bear by using other electronic payment channels. In addition, while FPS offers instant settlement, payments through CHATS are not truly “real-time” based on market users’ experience, which indicate that CHATS could take hours to settle a transaction, even though the settlement usually takes place on the same day. FPS is accessible on a 24/7 basis without any cut-off time, whereas CHATS only operates during banking hours. We submit that the arguments raised in the Consultation Paper regarding potential benefits of mandating that CHATS be made available as a payment option do not appear to justify the additional costs implications for both the issuers and their shareholders.

Issuers should be given the flexibility to choose any electronic payment channel that best suits the needs of all shareholders taken as a whole. If an issuer considers CHATS necessary or appropriate for electronic payments of corporate action proceeds above a certain threshold, it will also have the flexibility to offer this option to shareholders. For reasons stated above, we believe issuers should not be

required to include CHATS as a mandatory option for payment of corporate action proceeds.

Question 4

Do you agree with the Electronic Subscription Monies Proposal as detailed in paragraphs 83 to 89 of the Consultation Paper?

Yes

Please give reasons for your views.

We support the proposal to require issuers to provide an option for shareholders to pay subscription monies via electronic means for offers conducted by issuers to existing shareholders. This would align with the overall spirit of the Paperless Regime and would help reduce paper usage and improve the overall efficiency of payments.

However, we request the Exchange to modify the proposal such that issuers would not be required to provide an electronic payment option for shareholders who continue to hold physical share certificates after the implementation of the USM regime. While an issuer (or a share registrar) can readily identify the subscription monies paid electronically by shareholders with electronic shareholding accounts opened with the share registrars under the USM regime, it would be administratively burdensome to identify and verify subscription monies paid electronically by holders of physical share certificates (as the monies would not be transferred through a channel provided under the electronic account opened with the share registrar).

For reasons mentioned in our response to Question 2, we believe that it is more appropriate to implement the Real-time Electronic Payment after the Five-year USM Transition Period (as defined in our response to Question 2 above). If the Exchange were to implement this proposal on the same date as the USM implementation, there would need to be a transition period of at least three (3) years from the USM implementation date, similar to the implementation timeline for the Electronic Instructions Proposal (in Question 2 above).

Question 5

Do you agree that MMOs should no longer be available to issuers as set out in paragraph 99 of the Consultation Paper?

Yes

Please give reasons for your views.

We support the proposal to abolish Mixed Media Offers (“MMO”) for listed issuers. MMOs are no longer relevant following the removal of the requirement to issue paper prospectuses under the Listing Rules in 2021.

Question 6

Do you agree with the Hybrid General Meeting and E-voting Proposal as detailed in paragraphs 129 to 134 of the Consultation Paper?

Yes

Please give reasons for your views.

We support the proposal to require issuers to ensure their constitutional documents enable them to hold hybrid or virtual general meetings and allow E-voting. This would facilitate and encourage shareholder participation regardless of geographical location, and remove potential obstacles to physical attendance, such as typhoon or other severe weather conditions.

However, before mandating issuers to review their constitutional documents (and to offer securities holders with an option to attend general meetings remotely and vote via electronic means under Question 7 below), further guidance is needed from the Exchange to help maintain securities holders’ right to speak at virtual or hybrid general meetings. For instance, while certain issuers allow its securities holders to submit questions electronically before or during the general meeting, it is unclear whether this practice is sufficient to meet the requirement (under paragraph 14 of Appendix 3 to the Listing Rules) to give securities holders a right to “speak” at general meetings.

Regarding the implementation timeline, the Consultation Paper indicates that “the transitional period will be short” and will allow issuers to amend their constitutional documents at their next annual general meeting following publication of the Consultation conclusions. However, it is unclear when the Consultation conclusions will be published, and it would not be reasonable to require every issuer to amend their constitutional documents according to this timeline. For example, if the conclusions are published in late November 2024, it would not be practicable for an issuer with financial year-end on 30 June (which is required to hold its annual general meeting on or before 31 December 2024 under Rule 13.46(2) of the Listing Rules) to amend its constitutional documents at its annual general meeting immediately after the Consultation conclusions are published. In addition to the timeline for reviewing constitutional documents, the Exchange should specify the timeline for implementing the requirement to provide remote attendance/voting options. We expect that providing these options would involve substantial time and costs for issuers to put in place the necessary infrastructure and arrangements to

ensure that general meetings to be held under the new hybrid format can be held securely, smoothly and efficiently. Careful planning and coordination between an issuer and its share registrar and other professional parties would be necessary. As such, we suggest that a transition period of not less than two (2) years be provided to issues to amend their constitutional documents and provide the remote attendance/voting options.

In addition, for reasons set out in our response to Question 2 above, it is not within the power of the issuers to ensure that necessary amendments are in place to enable the implementation of the Hybrid General Meeting and E-voting Proposal. We therefore propose that the transitional arrangements should provide an exception where shareholders' approval cannot be obtained, such non-compliance shall not constitute a breach of the relevant Listing Rules.

Question 7

Should issuers be required to provide securities holders with an option to attend general meetings remotely and vote via electronic means (as set out in paragraph 135 of the Consultation Paper)?

No

Please give reasons for your views.

As mentioned in our response to Question 6 above, we expect that the provision of the remote attendance/voting options would involve substantial time and costs for issuers to develop the necessary infrastructure and arrangements to ensure that general meetings under the new hybrid format can be held securely, smoothly and efficiently. The Exchange should consider the resourcing impact of these options, particularly for smaller cap issuers already facing resource constraints amidst a challenging economic environment. Furthermore, the Exchange should consider if these options may be cost efficient for issuers with relatively few registered shareholders.

Whilst we do not oppose offering such options to shareholders, we believe it would be more appropriate to introduce this new requirement as a code provision under the Corporate Governance Code, as opposed to a mandatory Listing Rule requirement. The "comply-or-explain" approach under the Corporate Governance Code would provide issuers with flexibility to consider and adopt options based on their specific circumstances (including their number of registered shareholders and historical shareholder attendance rate as well as resourcing constraints). It is also notable that, based on the figures disclosed in the Consultation Paper, even a majority of the

flagship Hang Seng Index constituent companies have not adopted fully virtual or hybrid general meetings.

We repeat our responses to Question 6 for our comments on the implementation timeline.

Question 8

Should web accessibility guideline(s) (e.g. WCAG) be incorporated into, or referred to, in the Listing Rules (for example, the CG Code) or the Exchange's guidance, such that any corporate communications made available on issuers' website under the Rules should conform to such guideline(s), as set out in paragraph 146 of the Consultation Paper?

Yes

Please give reasons for your views.

We support enhancing the accessibility to issuers' corporate communications for persons with disabilities, which is an important step in the journey towards greater diversity and inclusion. This aligns with the principle of equal treatment of all shareholders under the Listing Rules – shareholders with disabilities should have the same access to an issuer's corporate communications as any other shareholders.

Whilst we welcome the Exchange in seeking market view on this important proposal, further clarification in terms of any specific proposal is required from the Exchange in order for issuers and other market participants to provide constructive feedback. For example, the Exchange should specify which web accessibility guidelines it proposes to follow, as well as the required level of conformance, where applicable. Web Content Accessibility Guidelines ("WCAG") were cited in the Consultation Paper as one example of such guidelines, and WCAG provides for three levels of conformance: A, AA and AAA, representing the lowest, mid-range and highest levels, respectively. A lack of clear guidance would lead to confusion and inconsistencies in the market.

Additionally, the benefits that this proposal would bring must be weighed against the associated compliance costs, particularly for small to mid-cap issuers or issuers with a limited number of registered shareholders. For instance, if the AA or AAA standards were applied to all corporate communications, text alternatives must be provided for all non-text contents (with exceptions for decorative images), which may not be practicable for all issuers and would involve substantial preparation time and costs.

We expect the Exchange to further consult the market before any further proposals in this regard are made.

Question 9

Do you agree with adding a new note to MB Rule 13.46(1) to clarify that the conditions for granting waivers from the publication and distribution requirements of annual results/reports also apply to issuers that are neither overseas issuers nor PRC issuers (see paragraph 151 of the Consultation Paper)?

Please give reasons for your views.

We have no specific comment on this question.

Question 10(a)

Do you agree with the following proposed amendments to align requirements:

To amend paragraph 12B of Appendix D2 to the MB Rules (GEM Rule 18.39B) to remove the annual affirmation requirement for independent non-executive director (see paragraph 152 of the Consultation Paper)?

Yes

Please give reasons for your views.

We are supportive of the proposal to align paragraph 12B of Appendix D2 to the MB Rules with MB Rules 3.13.

Question 10(b)

Do you agree with the following proposed amendments to align requirements:

Amend MB Rule 9.11(33) (GEM Rule 12.25(2)) to more accurately reflect the documentary requirements for the registration of a prospectus of C(WUMP)O (see paragraph 154 of the Consultation Paper)?

Yes

Please give reasons for your views.

We are supportive of this proposal as the amendments would align the documentary requirements under the Listing Rules for the registration of a prospectus with the

requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Question 10(c)

Do you agree with the following proposed amendments to align requirements:

To remove GEM Rule 18.50C to align the requirement on the timeframe for submission of annual report with the MB Rules (see paragraph 155 of the Consultation Paper)?

Please give reasons for your views.

We have no specific comment on this question.

Question 10(d)

Do you agree with the following proposed amendments to align requirements:

To align the market capitalisation information required on Main Board and GEM listing application forms (see paragraph 157 of the Consultation Paper)?

Please give reasons for your views.

We have no specific comment on this question.

Question 11

Do you agree with the proposal to amend MB Rule 2.07C to cover the types of announcements mentioned in paragraphs 158 and 159 of the Consultation Paper?

Yes

Please give reasons for your views.

We support the proposal to amend Listing Rule 2.07C to cover the types of announcements mentioned in paragraphs 158 and 159 of the Consultation Paper, including those in response to enquiries from the Exchange concerning unusual movements in the price or trading volume. It is reasonable to align the Rule applicable to Public Debt Issuers and Professional Debt Issuers in this respect. Similar to Public Debt Issuers, Professional Debt Issuers should also be allowed to issue such announcements during trading hours.

Question 12

Do you agree with the proposal to amend MB Rule 37.06 as mentioned in paragraphs 161 to 164 of the Consultation Paper?

Yes

Please give reasons for your views.

We support the proposal to amend MB Rule 37.06 as mentioned in paragraphs 161 to 164 of the Consultation Paper. The proposal enhances the timing flexibility for a debt issuer by extending the potential window before the validity of their financial statements expire for the purpose of listing its debt securities.

Question 13

Do you agree with the proposal to clarify the scope of Professional Debt Issuers' continuing obligation to notify the Exchange of their proposals to amend trust deed (see paragraphs 165 and 166 of the Consultation Paper)?

Yes

Please give reasons for your views.

We support this proposal. In line with the existing requirement to notify the Exchange for any amendment to the trust deed, it is reasonable to expect a Professional Debt Issuer to make a similar notification for amendments to other documents securing or constituting the debt securities.

Question 14

Do you agree with the proposal to clarify the scope of Professional Debt Issuers' continuing obligation to submit financial statements to the Exchange (see paragraphs 167 and 168 of the Consultation Paper)?

Yes

Please give reasons for your views.

We support this proposal. It aligns with the existing requirement for Professional Debt Issuers to submit annual accounts (i.e., annual financial statements) to the Exchange such that they will be required to submit interim financial statements under the proposal, instead of interim reports as currently worded.

Question 15

Do you agree with the proposal to revise the scope of Public Debt Issuers' continuing obligation to inform and submit drafts to the Exchange with respect to their proposal to amend documents that affect the rights of the holders of their listed debt securities (see paragraphs 169 to 171 of the Consultation Paper)?

Please give reasons for your views.

We have no specific comment on this question.

Question 16

Do you agree with the proposal to clarify the validity period of a debt programme under MB Rule 37.41 (GEM Rule 30.34) (see paragraphs 172 and 173 of the Consultation Paper)?

Yes

Please give reasons for your views.

We support this proposal. It provides more clarity on the commencement date of the validity of a debt programme.

Question 17

Do you agree with the proposal to revise the definition of supranationals under the MB Rules (see paragraphs 174 and 175 of the Consultation Paper)?

Please give reasons for your views.

We have no specific comment on this question.

Question 18

Do you agree with the proposal to require all Public Debt Issuers (except States and supranationals) to publish the English and Chinese versions of their financial statements (see paragraphs 176 to 178 of the Consultation Paper)?

Please give reasons for your views.

We have no specific comment on this question.

Question 19

Do you agree with the proposal to replace references to “general meeting” with “meeting of holders of the debt securities” in paragraph 9 of Appendix A2 to the MB Rules (paragraph 9 of Appendix A2 to the GEM Rules) (see paragraphs 179 and 180 of the Consultation Paper)?

Yes

Please give reasons for your reviews.

We agree with the proposal to replace references to “general meeting” with “meeting of holders of the debt securities” in paragraph 9 of Appendix A2 to the Listing Rules.

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It avoids confusion between this meeting of debt securities holders and the issuer's general meeting of shareholders.