

Consultation Conclusions

# Review of Corporate Governance Code and Related Listing Rules

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## **CONTENTS**

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	Page No.
DEFINITIONS .....	1
EXECUTIVE SUMMARY.....	2
CHAPTER 1: INTRODUCTION .....	7
CHAPTER 2: MARKET FEEDBACK AND CONCLUSIONS .....	9
<b>APPENDICES</b>	
APPENDIX I: LIST OF RESPONDENTS	
APPENDIX II: QUANTITATIVE ANALYSIS OF RESPONSES	
APPENDIX III: AMENDMENTS TO MAIN BOARD LISTING RULES	
APPENDIX IV: AMENDMENTS TO GEM LISTING RULES	
APPENDIX V: MAPPING TABLE: RE-ARRANGED SECTIONS OF THE CORPORATE GOVERNANCE CODE	

## DEFINITIONS

TERM	DEFINITION
“AGM”	Annual general meeting;
“CG”	Corporate governance;
“CG Code” or “Appendix C1”	Corporate Governance Code as set out in Appendix C1 to the Main Board Listing Rules and Appendix C1 to the GEM Listing Rules;
“CG Report”	Corporate Governance Report under the CG Code;
“Conclusions Paper”	Conclusions to the Consultation Paper (i.e. this paper);
“Consultation Paper”	<a href="#">The Consultation Paper on Review of Corporate Governance Code and Related Listing Rules</a> ;
“CP(s)”	Code Provisions under the CG Code;
“ESG”	Environmental, social and governance;
“Exchange” or “we”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“First-time Directors”	Directors who: (a) are appointed as a director of an issuer listed on the Main Board or GEM of the Exchange for the first time (i.e. have no prior experience as a director of an issuer listed on the Exchange); or (b) have not served as a director of an issuer listed on the Main Board or GEM of the Exchange within the three years prior to their appointment (i.e. whose previous directorship of an issuer listed on the Exchange does not fall within the three years prior to their appointment);
“GEM Listing Rules” or “GEM Rules”	Rules governing the listing of securities on GEM of The Stock Exchange of Hong Kong Limited;
“HKEX”	Hong Kong Exchanges and Clearing Limited;
“INED”	Independent non-executive director;
“IPO”	Initial public offering;
“Listing Rules” or “Rules”	Main Board Listing Rules and GEM Listing Rules;
“Long Serving INED”	Independent non-executive director who has served for nine years or more on the board of a listed issuer;
“Main Board Listing Rules” or “MB Rules”	Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited;
“MDR(s)”	Mandatory Disclosure Requirements under the CG Code;
“Overboarding INED”	INED who is holding seven or more listed issuer directorships; and
“RBP(s)”	Recommended Best Practices under the CG Code.

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## EXECUTIVE SUMMARY

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### Purpose

1. On 14 June 2024, the Exchange published a Consultation Paper seeking views and comments on proposed changes to the CG Code and related amendments to the Listing Rules. This paper sets out our conclusions to the consultation.
2. Sound corporate governance is considered by investors as an essential foundation for a business's long-term success, particularly as markets become more dynamic, competitive and uncertain. For this reason, we are committed to promoting high standards of corporate governance through regulation and market education.
3. We believe the enhancements set out in this paper strike an appropriate balance between advancing good corporate governance practices in Hong Kong as an international financial centre and addressing the practical concerns of listed issuers.
4. The new measures reflect our continued focus on improving board effectiveness. Our efforts help to ensure that new and diverse experiences and perspectives are available in the boardroom, with the aim of improving issuers' decision-making when tackling known and emerging challenges and opportunities. The phased implementation approach that we have taken should provide issuers with greater flexibility and more time to make these governance improvements at an appropriate pace.
5. The Exchange will continue to enhance the corporate governance standards in Hong Kong through other channels, including the publication of guidance materials and the hosting of webinars and e-learning.

### Market Feedback

6. We received a total of 261 submissions<sup>1</sup> to the Consultation Paper from a broad range of respondents, including listed issuers, professional bodies and industry associations, market practitioners, investment managers, and other organisations and individuals.<sup>2</sup> 250 responses contained original content.
7. Respondents were generally supportive of our efforts to strengthen issuers' corporate governance practices. All our proposals received majority support from respondents<sup>3</sup>. We observed a more marked divergence of views on our proposals regarding: (i) the designation of a Lead INED; and (ii) the cap on INED tenure.
8. We have concluded that all the proposals outlined in the Consultation Paper should be adopted, with certain modifications or clarifications as set out in this paper. We would like to thank all those who shared their views with us during the consultation process.

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<sup>1</sup> Submissions with entirely identical content were counted as one response. Submissions by a professional body or industry association were counted as one response irrespective of the number of individual members that body/association represents.

<sup>2</sup> See paragraph 18 for a breakdown of responses received under each category.

<sup>3</sup> Please refer to the quantitative analysis of the responses to the consultation questions set out in **Appendix II**.

## Implementation Date

9. We had proposed that the revised CG Code and related Listing Rules will come into effect on 1 January 2025.
10. After considering the market feedback, we will adopt a revised implementation date of 1 July 2025. The new requirements will therefore apply to CG Reports and annual reports in respect of financial years commencing on or after 1 July 2025.
11. The revised effective date is intended to facilitate the smooth implementation of the new requirements by providing more time for issuers to prepare for and manage the changes.

## Major Changes Adopted

12. The table below sets out a summary of our original proposals and the final requirements (with a description of the major modifications adopted):

Original proposals (June 2024)		Final Rules
<b><u>Board Effectiveness</u></b>		
1.	<p><u>Designation of Lead INED</u></p> <p><i>New CP:</i> require issuers without an independent board chair to designate one INED as a Lead INED</p>	<p>Adopt with the following modifications:</p> <ul style="list-style-type: none"> <li>• Introduce as an RBP (New RBP C.1.8)</li> <li>• Require enhanced disclosure in the CG Report regarding shareholder engagement (New MDR paragraph L(d), new CP F.1.1)</li> </ul>
2.	<p><u>Mandatory director training</u></p> <p>(1) <i>New rule:</i> require (i) all directors to receive mandatory continuous professional development on specified topics each year and (ii) First-time Directors to complete a minimum of 24 training hours within 18 months of their appointment</p> <p>(2) <i>Revised MDR:</i> require enhanced disclosure in the CG Report</p>	<p>Adopt<sup>4</sup> with the following modifications (New MB Rules 3.09F, 3.09G, 3.09H / GEM Rules 5.02F, 5.02G, 5.02H):</p> <ul style="list-style-type: none"> <li>• Reduce minimum training hours to 12 hours for First-time Directors with directorship experience in issuers listed on an exchange other than the Main Board or GEM of the Exchange within three years prior to their appointment</li> <li>• Remove “reset” mechanism for minimum training hours where a First-time Director ceases to be a director of an issuer prior to completion of such minimum training hours</li> </ul> <p>Adopt, with revised disclosure on the different modes of training undertaken by directors (MDR paragraph B(i))</p>

<sup>4</sup> The mandatory director training requirements do not apply to secondary listed overseas issuers. Please refer to MB Rule 19C.11.

Original proposals (June 2024)		Final Rules
3.	<p><u>Board performance review</u></p> <p><i>Upgrade to CP:</i> require a board performance review at least every two years, with specific disclosure in the CG Report</p>	Adopt (New CP B.1.4)
4.	<p><u>Disclosure of board skills matrix</u></p> <p><i>New CP:</i> require issuers to maintain and disclose a board skills matrix in the CG Report, with enhanced disclosure on the board's skills</p>	Adopt (New CP B.1.5)
5.	<p><u>Overboarding INED and directors' time commitment</u></p> <p>(1) <i>New rule:</i> hard cap on overboarding (i.e. an INED must not concurrently hold more than six listed issuer directorships), with a three-year transition period</p> <p>(2) <i>New MDR:</i> require the nomination committee to annually assess and disclose its assessment of each director's time commitment and contribution to the board</p>	<p>Adopt<sup>5</sup> (New MB Rule 3.12A / GEM Rule 5.07A)</p> <ul style="list-style-type: none"> <li><i>Issuers:</i> three-year transition period (<i>compliance required by the first AGM held on or after 1 July 2028 by any issuer that an overboarding INED serves</i>)</li> <li><i>IPO applicants:</i> from 1 July 2025 onwards, IPO applicants will not be permitted to have overboarding INED(s) on the board upon listing</li> </ul> <p>Adopt (MDR paragraph E(d)(iii))</p>
<b><u>Independence of INEDs</u></b>		
6.	<p><u>Independence of INEDs after nine years</u></p> <p>(1) <i>New rule:</i> hard cap on the tenure of Long Serving INEDs, with a two-year cooling-off period and a three-year transition period</p> <p>(2) <i>Revised MDR:</i> disclosure on the length of tenure of each director</p>	<p>Adopt<sup>6</sup> with the following modifications (New MB Rule 3.13A / GEM Rule 5.09A):</p> <ul style="list-style-type: none"> <li>Phased implementation over a transition period of six years: <ul style="list-style-type: none"> <li><i>phase one</i> (<i>compliance required by the first AGM held on or after 1 July 2028</i>) – issuers must not have long serving INEDs representing a majority of the INEDs on the board</li> <li><i>phase two</i> (<i>compliance required by the first AGM held on or after 1 July 2031</i>) – issuers must not have any long serving INED on the board</li> </ul> </li> <li>Lengthen cooling-off period to three years</li> </ul> <p>Adopt (MDR paragraph B(a))</p>

<sup>5</sup> The cap on overboarding does not apply to secondary listed overseas issuers. Please refer to MB Rule 19C.11.

<sup>6</sup> The cap on INED tenure does not apply to secondary listed overseas issuers. Please refer to MB Rule 19C.11.

Original proposals (June 2024)		Final Rules
<b><u>Board and Workforce Diversity</u></b>		
7.	<p>(1) <i>New CP</i>: require issuers to have at least one director of a different gender on the nomination committee</p> <p>(2) <i>Upgrade to MDR</i>: require an annual review of the implementation of the board diversity policy</p> <p>(3) <i>New rule</i>: require issuers to have and disclose a workforce diversity policy</p> <p>(4) <i>Revised MDR</i>: require separate disclosure of the gender ratios of senior management and the workforce</p> <p>(5) <i>New rule</i>: codify arrangements during temporary deviations from the requirement for issuers to have directors of different genders on the board</p>	Adopt (MB Rule 13.92 / GEM Rule 17.104, MDR paragraph J, New CP B.3.5)
<b><u>Risk Management and Internal Controls</u></b>		
8.	<p>(1) <i>Upgrade to MDR</i>: require enhanced disclosure in the CG Report on the board's review of the effectiveness of the risk management and internal control systems, which shall be conducted at least annually ("<b>RMIC Systems</b>")</p> <p>(2) Other enhancements to the RMIC sections of the CG Code</p>	<p>Adopt, with clarificatory drafting changes (MDR paragraph H)</p> <p>Adopt, with clarificatory drafting changes (section D.2 of the CG Code)</p>
<b><u>Dividends</u></b>		
9.	<i>New MDR</i> : require issuers to disclose in the CG Report specific information on their dividend policy (or explain the reason(s) for not having one) and the board's dividend decisions	Adopt (New MDR paragraph M)

13. We also proposed certain minor amendments to the Listing Rules (as summarised below), which we will adopt with effect from 1 July 2025:

- (a) Codify our existing guidance by revising the Listing Rules to require issuers to set a record date for general meetings and for receiving entitlements;
- (b) Codify our recommended disclosure in the annual report regarding issuers' modified auditors' opinions into the Listing Rules;
- (c) Clarify our expectation on the provision of monthly updates to the board; and

- (d) Align the requirements applicable to the nomination committee, the audit committee and the remuneration committee on establishing written terms of reference and arrangements during temporary deviations from requirements.
14. The relevant amendments to the Main Board Rules and the GEM Rules (including consequential changes) are set out in **Appendices III and IV**, respectively. A mapping table setting out the current location and the new location of the relevant provisions under the re-arranged CG Code can be found in **Appendix V**.

## Guidance

15. The Exchange's training and guidance materials are available in the [Corporate Governance Practices portal](#), our one-stop educational CG platform. In the first half of 2025, we will add to this platform updated guidance for boards and directors ("**New CG Guide**") to assist issuers' compliance with the new CG requirements and address the requests for guidance in the responses to the Consultation Paper<sup>7</sup>. The New CG Guide will aim to support boards and directors in the effective discharge of their roles and responsibilities; and facilitate thoughtful decision-making and meaningful corporate governance disclosure for investors and other stakeholders.
16. Other useful resources include our [INED Corner](#), which provides focused, practical guidance for INEDs, and our [Board Diversity Hub](#), which contains guidance and data on board diversity. We will provide further guidance and training as appropriate, based on our review of issuers' compliance.

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<sup>7</sup> The New CG Guide will build on and supersede the Exchange's Corporate Governance Guide for Boards and Directors published in December 2021.



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## CHAPTER 1: INTRODUCTION

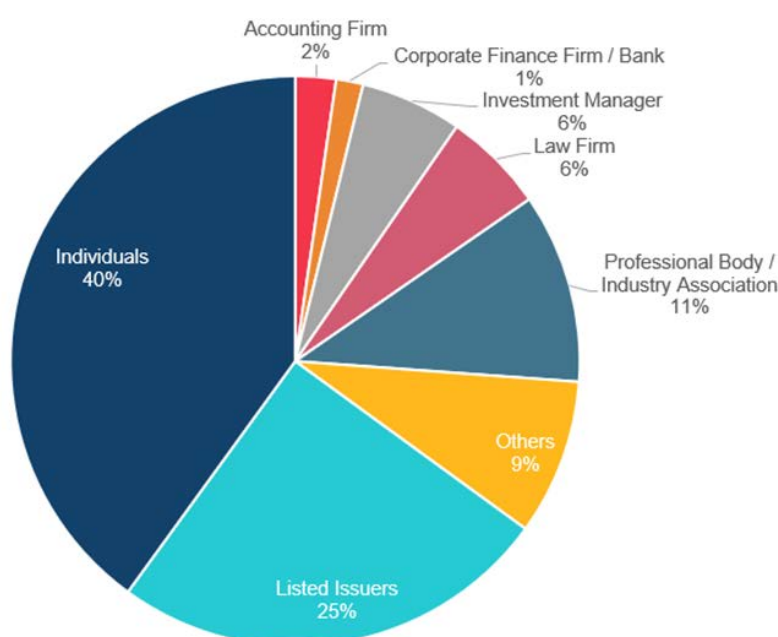
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### Background

17. On 14 June 2024, the Exchange published the Consultation Paper to seek market feedback on proposed enhancements to the CG Code and related Listing Rules. The proposals sought to ensure that the Exchange's CG framework remains fit for purpose, promotes high quality corporate governance standards and continues to meet stakeholders' expectations.

### Number and Nature of Respondents

18. We received a total of 261 submissions to the Consultation Paper from a broad range of respondents, of which 250 responses contained original content. The respondents can be grouped, broadly, into the following categories:



19. A list of the respondents (other than those who requested anonymity) is set out in **Appendix I**. Except for the respondents who indicated that they did not wish their response to be published, the full text of all the submissions is available on the HKEX website. We would like to thank all those who shared their views with us during the consultation process.
20. The Exchange used its best judgment to categorise the respondents using the most appropriate descriptions.

### Methodology

#### Qualitative analysis

21. We performed a qualitative analysis so that we could properly consider the broad spectrum of respondents and their views. A qualitative analysis enabled the Exchange

to give due weight to responses submitted on behalf of multiple persons or institutions and the underlying rationale for a respondent's position<sup>8</sup>.

### **Quantitative analysis**

22. We also performed a quantitative analysis to determine the support, in purely numerical terms, for the proposals. The result of this analysis is set out in **Appendix II**.
23. For the purpose of our quantitative analysis, we counted the number of responses received, not the number of respondents those submissions represented. For example, a submission by a professional body was counted as one response even though that body may represent many members.
24. In calculating the percentage of support for or against each proposal, we excluded those respondents who did not respond or did not indicate clearly a view to that proposal. For each question, at least 75% of respondents indicated clearly their views.

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<sup>8</sup> As part of the qualitative analysis, we also identified a small number of respondents who agreed with the general policy direction of a particular proposal but provided suggestions on its practical implementation. For example, some argued that the duration of the transition period for the cap on INED tenure should be different from the proposed three years. In these cases, we have categorised such responses to the specific proposal as supportive as it is apparent that the relevant respondents are generally supportive of the policy direction. Where relevant, these respondents' suggestions and the rationale for their views are reflected in this paper.

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## CHAPTER 2: MARKET FEEDBACK AND CONCLUSIONS

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### Part I: Amendments to the CG Code and related Listing Rules

#### (A) Board effectiveness

##### I. Designation of Lead INED (Question 1)

25. We proposed to introduce a new CP requiring issuers without an independent board chair to designate one INED as a Lead INED<sup>9</sup>.

##### *Comments received*

26. 59% of the respondents supported our proposal and 41% opposed it.
27. Supportive respondents welcomed the designation of a Lead INED as a focal point for providing investors with independent insight into the board's operations and direction, particularly when the board chair is not independent. They cited the prevalence of controlling shareholder structures within listed issuers in Hong Kong and noted that as the interests of controlling and minority shareholders may not always align, a Lead INED could help foster a more proactive independent voice on the board and safeguard the interests of minority shareholders. A few supportive respondents encouraged the Exchange to go further and require all issuers to designate a Lead INED, or indicate a timeframe for upgrading the Lead INED designation to a mandatory requirement.
28. Opposing respondents queried the need for a Lead INED, given that issuers already have in place a shareholders' communication policy and existing communication channels (e.g. the investor relation function). They considered that shareholder engagement should be performed by all INEDs, rather than falling on one designated INED. A few respondents commented that the proposal would only have a wider beneficial effect in a market where INEDs constitute a majority on the board and/or where issuers tend to have a more extensive shareholder base. Some called for the Exchange to adopt the Lead INED proposal as a recommended best practice instead.
29. Some respondents expressed the following concerns regarding the implementation of the Lead INED proposal:
- (a) Designating an INED as Lead INED could be seen as placing that INED in a different or higher position compared to other INEDs;
  - (b) Designation may inadvertently dilute the roles and responsibilities of other INEDs (or the perception of those roles);
  - (c) The Lead INED may not be sufficiently equipped to answer shareholders' queries since he / she is not involved in the issuer's day-to-day management;
  - (d) There is a risk that the Lead INED may divulge commercially sensitive information when engaging with shareholders; and

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<sup>9</sup> See paragraphs 24 to 33 of the Consultation Paper.

- (e) The additional responsibilities of a Lead INED may result in additional liability for that INED and so disincentivize persons from taking on the Lead INED role, compounding the difficulty of INED recruitment which is already challenging because of the perceived limited pool of eligible and available candidates.
30. Some respondents requested the Exchange to clarify that the Lead INED requirement does not apply where the board chair is an INED, as the proposed note to CP C.1.7 appears to suggest that a Lead INED is required even if the board chair is an INED. Clarification was also sought as to whether designation as a Lead INED would constitute a change requiring an announcement to be made pursuant to Listing Rule 13.51(2)<sup>10</sup>.
31. Further guidance was requested on the expected role of the Lead INED and how the Lead INED's responsibilities and authority differ from that of the board chair.

### ***Our response and conclusion***

32. A Lead INED can positively facilitate INED discussions on the board and enable stakeholders to better understand INEDs' contributions, which helps instil investors with greater confidence in the governance of an issuer.
33. After giving due consideration to all responses, we have decided that the designation of a Lead INED should be implemented as a recommended best practice<sup>11</sup> rather than a code provision. We have also decided to delete the note to CP C.1.7 to clarify that it is a recommended best practice to designate a Lead INED only where the board chair is not an INED.
34. While respondents acknowledged the importance of effective shareholder engagement, the responses to the Consultation Paper showed that there is a mismatch in expectations between issuers and investors as to the purpose and responsibilities of a Lead INED. Concerns were expressed by respondents, especially issuers, on the practical implications of the proposal, and there were queries as to how a Lead INED could add value on top of existing shareholder communication channels. We are also aware that the concept of a Lead INED is relatively new for listed issuers in Hong Kong.
35. Our way forward should allow more time for the expectation gap between issuers and investors to close and for issuers to build their capacity to accommodate the Lead INED concept. We strongly encourage issuers to designate a Lead INED pursuant to the new RBP. While we will provide further elaboration in the New CG Guide on the expected role and functions of a Lead INED to support issuers, investors also play an important part in the ecosystem and should proactively communicate with issuers on their expectations (more specifically, what they expect from INEDs and/or the Lead INED).
36. Regarding concerns that a Lead INED may not be best placed to answer shareholders' queries, investors have stated that they do not expect to discuss the issuer's results or operational matters with the Lead INED. Instead, they expect a Lead INED to engage in a meaningful discussion with them on matters such as strategy, governance and capital management. They believe that a Lead INED should be able to do so without disclosing

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<sup>10</sup> MB Rule 13.51(2) / GEM Rule 17.50(2) require an issuer to publish an announcement as soon as practicable in the event of the appointment, resignation, re-designation, retirement or removal of a director, supervisor or chief executive, with specific details.

<sup>11</sup> RBP C.1.8.

material, non-public information.

37. We would also like to reiterate that the increased responsibilities of the Lead INED would not equate to increased liability. All directors have the same fiduciary duties and responsibilities to the issuer and its shareholders. The designation of a Lead INED should strengthen, not weaken, the overall level of independent oversight on the board.
38. We clarify that designation as a Lead INED does not fall within the types of director changes that would require an announcement to be made pursuant to Listing Rule 13.51(2). Nonetheless, for transparency, issuers with a Lead INED should publicise any change in Lead INED designation as soon as possible through an updated list of directors and their roles and functions announced via the issuer's website and the Exchange's website.

#### *Enhanced disclosure on shareholder engagement*

39. The responses to the Consultation Paper also confirmed, clearly, that access to the board is important to shareholders as a means to ensure issuers fulfil their responsibilities to their shareholders. Therefore, we will require issuers to enhance their disclosure in the CG Report regarding the board's engagement with shareholders during the reporting period.
40. This disclosure must include details of: (i) the nature and number / frequency of such engagements; (ii) the group(s) of shareholders and representatives of the issuer involved and (iii) the issuer's approach to following up on the outcomes of these engagements<sup>12</sup>.
41. These enhanced disclosure requirements aim to facilitate constructive two-way dialogue between the board and shareholders for better understanding of pertinent issues relating to matters including governance and performance against the issuer's corporate strategy. We note that other jurisdictions are also taking action to facilitate active dialogue between issuers and investors<sup>13</sup>, which reinforces the importance of having effective communication channels in place.
42. We will review and monitor the adoption of the Lead INED designation among issuers as well as compliance with the enhanced disclosure requirement. Based on the results, we may consider introducing further measures, for example upgrading the current RBP to a code provision, in future reviews.

## **II. Mandatory director training (Questions 2 and 3)**

43. We proposed to require all directors of issuers listed on the Exchange to participate in mandatory continuous professional development as follows<sup>14</sup>:

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<sup>12</sup> MDR paragraph L(d) and CP F.1.1.

<sup>13</sup> It is [reported](#) that the Tokyo Stock Exchange intends to highlight issuers seeking active dialogue with investors and provide good and bad examples of shareholder engagement in 2025, with the aim of encouraging sustainable growth among its issuers and mid- to long-term improvement in corporate value.

<sup>14</sup> See paragraphs 41 to 53 of the Consultation Paper.

- (a) For all existing directors – mandatory training on specified topics<sup>15</sup> in each financial year of the issuer (no specified minimum number of training hours); and
  - (b) For First-time Directors – a minimum training requirement of 24 hours on specified topics which must be completed within 18 months of the date of their appointment.
44. We also proposed that issuers confirm, as a mandatory disclosure requirement, that their directors and First-time Directors (as applicable) have completed their respective required training, and that issuers provide enhanced disclosure on the training received by each director<sup>16</sup>.
45. In addition, we proposed to highlight the importance of continuous training as a Principle under the CG Code and make consequential changes to certain CPs<sup>17</sup>.

### ***Comments received***

46. Respondents were generally supportive of our proposals on mandatory director training.

#### *Mandatory director training for existing directors*

47. 90% of the respondents supported our proposal and 10% opposed it.
48. Supportive respondents emphasized that continuous, structured training can support the development of directors' knowledge and skills, which optimizes their contribution to the board and enhances board effectiveness.
49. Some respondents went further to suggest that existing directors should be required to complete a minimum number of annual training hours to ensure that they receive sufficient training to keep up with changes in the regulatory and legal landscape and other recent developments. However, the majority of respondents agreed that our proposal to not set a minimum training hour requirement for existing directors provided directors with flexibility to attend trainings that were appropriate to their needs and level of experience.

#### *Definition of First-time Directors*

50. 86% of the respondents supported the definition of First-time Directors and 14% opposed it.
51. Supportive respondents recognized the need for First-time Directors to familiarize themselves with their roles and responsibilities and Hong Kong legal and regulatory requirements upon their appointment. Many respondents noted that our proposal would ensure that First-time Directors receive a baseline of training which would in turn raise

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<sup>15</sup> The relevant topics include, as a minimum: (i) the roles, functions and responsibilities of the board, its committees and its directors, and board effectiveness; (ii) issuers' obligations and directors' duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rule updates) relevant to the discharge of such obligations and duties; (iii) CG and ESG matters (including developments on sustainability or climate-related risks and opportunities relevant to the issuer and its business); (iv) risk management and internal controls; (v) updates on industry-specific developments, business trends and strategies relevant to the issuer.

<sup>16</sup> See paragraphs 48 to 49 of the Consultation Paper.

<sup>17</sup> See paragraph 46 of the Consultation Paper.

the level of knowledge and expertise across boards in Hong Kong.

52. There were suggestions that the Exchange should distinguish the following types of directors:
- (a) First-time Directors with listed issuer directorship experience on other exchanges<sup>18</sup>. Some respondents noted that it would be reasonable to expect such directors to have accumulated the necessary experience and that they may already have undergone similar training to that required under our proposal. Requiring such directors to undergo the full 24 hours of mandatory training may be regarded as onerous and potentially discourage them from serving on Hong Kong listed issuer boards; and
  - (b) Directors who last served on the board of a Hong Kong listed issuer more than three years prior to their appointment. Some respondents suggested that such directors would possess a different level of experience and knowledge compared to individuals who have never been a director of a Hong Kong listed issuer. They thought that such persons should be excluded from the definition of First-time Directors, or else be required to complete a lower number of mandatory training hours.

*Minimum training hours for First-time Directors*

53. 87% of the respondents supported our proposal and 13% opposed it.
54. Respondents generally agreed that specifying a minimum number of training hours would ensure that First-time Directors receive a baseline of training, enabling them to contribute meaningfully to the board following their appointment.
55. Regarding the number of training hours, some respondents suggested that the proposed minimum of 24 hours was excessive and would create an unreasonable burden for potential First-time Director candidates, particularly as they would also have to complete general induction training with the issuer. Such respondents suggested a lower threshold of 12 to 15 hours.
56. Regarding the length of the period to complete the training, some respondents who did not agree with the proposed period of 18 months considered that the training should be completed prior to appointment to ensure that directors are ready to contribute from “day one” of their tenure. The Exchange also received a spectrum of suggestions from shortening the 18-month period to twelve months, to extending the period to two years (or more), with a minimum of 12 hours of training for each year.
57. A number of respondents opposed our proposal to reset the mandatory First-time Director training if such directors resigned prior to completing the minimum training

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<sup>18</sup> “First-time Directors with listed issuer directorship experience on other exchanges” means First-time Directors with experience serving as directors of issuers listed on an exchange other than the Main Board or GEM of the Exchange. “Other exchanges” is not limited to exchanges that are included in the list of Recognised Stock Exchanges published on the Exchange’s website as updated from time to time.

hours<sup>19</sup> (“**Reset Mechanism**”). They considered that the Reset Mechanism may create an unnecessary burden for First-time Directors if previously completed training could not be recognized.

*Specifying training topics for existing directors and First-time Directors*

58. 76% of the respondents supported our proposal and 24% opposed it.
59. Supportive respondents agreed that specifying a broad scope of relevant topics would assist issuers and directors to arrange suitable training and build expertise in critical areas. Some respondents suggested that the scope of the specified topics could be further expanded (e.g. to include ethics and professional conduct, anti-corruption training, cyber-security or financial literacy).
60. Some respondents noted that specifying mandatory topics may limit the flexibility of issuers and directors to arrange training that is more tailored to their specific needs. There were also suggestions to allow exemptions on a case-by-case basis from particular training topics for First-Time Directors who were professionals or otherwise had relevant expertise in such topics.
61. Clarification was sought as to whether training completed by directors as part of their continuous professional development would count towards the mandatory training requirements.

*Format of training*

62. Some respondents commented that the relevant training should be externally facilitated through recognized professional bodies or educational institutions to ensure a consistent quality of training. They were of the view that formal, structured training led by experienced facilitators could help ensure that directors develop the relevant competencies and awareness. There were also calls for safeguards to ensure the quality of the internal training received by directors.

*Disclosure on training received by each director*

63. Most respondents supported our amended disclosure requirements for director training. There were some concerns that requiring disclosure of the name of the training provider may result in the disclosure of sensitive information (e.g. confidential professional advisory relationships).

*Consequential changes as a result of the mandatory director training proposal*

64. 86% of the respondents supported the consequential changes to Principle C.1 and CP C.1.1 of the CG Code and 14% opposed them.

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<sup>19</sup> See paragraph 43 of the Consultation Paper. It was proposed that in the event that a First-time Director ceases to be a director of an issuer listed on the Exchange prior to the completion of the required minimum 24 hours of training, and is subsequently appointed as a director of another (or the same) issuer listed on the Exchange, the 24-hour training requirement would reset and the director would be required to complete a minimum of 24 hours of training within 18 months from such subsequent appointment.



## ***Our response and conclusion***

65. The quality of directors of listed issuers in Hong Kong is important for the proper discharge of their duties. Raising and updating the knowledge and expertise of directors, in particular those who have not previously served on the board of issuers in our market, will help safeguard director standards, improve board effectiveness and promote good corporate governance.
66. In light of the general support for mandatory director training, we will adopt the proposal with the following modifications<sup>20</sup>:
- (a) Reduce the number of mandatory training hours to 12 hours for First-time Directors with listed issuer directorship experience on other exchanges within three years prior to their appointment (i.e. who is currently serving as a director of an issuer listed on such other exchange or whose previous such directorship falls within the three years prior to their appointment);
  - (b) Remove the Reset Mechanism; and
  - (c) Elaborate on the disclosure that issuers are expected to make on the different modes of training that directors undertake (i.e. external, internal or self-study), namely the number of hours completed, the topics covered and a description of the relevant training provider(s) (where applicable) for each mode of training.

### *Minimum training hours for First-time Directors*

67. We will proceed with the requirement for 24 minimum hours of training for First-time Directors within 18 months from appointment. We consider 24 hours to be appropriate and necessary to ensure that such directors achieve a baseline of relevant training on their responsibilities and the Hong Kong legal and regulatory environment. We expect First-time Directors to endeavour to complete their training as soon as possible after their appointment to ensure that they can effectively discharge their duties and contribute to the board in a timely manner.
68. We wish to attract seasoned directors with international experience to serve on the boards of Hong Kong listed issuers. We recognize that First-time Directors with listed issuer directorship experience on other exchanges would have acquired certain relevant expertise and general knowledge of the duties of directors of public companies. The modification to the required training hours for such directors is intended to strike a balance between: (i) recognizing their expertise gained; and (ii) ensuring that such directors have sufficient knowledge of Hong Kong requirements. These directors are reminded to go further and obtain training beyond the minimum number of hours stipulated where suitable for the proper discharge of their duties.
69. Consistent with the definition of First-time Directors, former directors of issuers listed on other exchanges who last served as directors more than three years prior to their appointment as a Hong Kong listed issuer director will be subject to the full 24 hours of mandatory training. This is intended to ensure that such persons sufficiently refresh their knowledge and obtain training on the latest developments.
70. Insofar as directors are subject to training requirements of other organizations or

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<sup>20</sup> MB Rules 3.09F, 3.09G, 3.09H / GEM Rules 5.02F, 5.02G and 5.02H, and MDR paragraph B(i).

professional associations (e.g. CPD training requirements for solicitors or accountants), such training can be counted towards the mandatory training requirement provided that the topics of such training fit within the scope of the specified topics<sup>21</sup>. Individuals with multiple directorships can also use the same training for each of their board appointments, provided that such training is not issuer specific. Similarly, training within the scope of the specified topics which directors receive as part of their listed directorships on other exchanges can be counted towards the mandatory director training requirement – but such directors are reminded to obtain sufficient training on Hong Kong-specific requirements.

71. As a consequence of the postponed effective date of 1 July 2025, the training requirements for First-time Directors will apply to First-time Directors appointed on or after 1 July 2025.

*Reset Mechanism*

72. After considering the comments received, we will remove the Reset Mechanism. Therefore, previous training received by a First-time Director can be counted towards the minimum training hours for First-time Directors. Such individuals will need to complete the remaining balance of minimum training hours (rather than the full number of minimum training hours) upon their subsequent appointment to a Hong Kong listed issuer, provided that the subsequent appointment is within three years of the conclusion of their first appointment.

*Format of training and specified topics*

73. We do not intend to dictate how directors fulfil the mandatory director training requirements as issuers and/or directors are best placed to decide what is most relevant or appropriate in their circumstances:

- (a) We do not specify the format of director training as we believe that it is important to provide directors and issuers with flexibility to make appropriate arrangements that suit their own requirements. However, director training must be of sufficient quality to adequately support directors in developing their knowledge and expertise. The required disclosure of further details on the different modes of training that directors undertake (i.e. external, internal or self-study) would enable investors to better understand and assess the training that directors have received.

While internal training may be more relevant or appropriate for certain industry or issuer-specific topics, we encourage directors to seek external training (for example, on topics such as the regulatory and legal responsibilities of boards and directors) where it would better facilitate the objectives of the director training; and

- (b) We believe that the scope of the specified topics is sufficiently wide to support directors in gaining relevant knowledge and expertise. We encourage directors to obtain training outside these topics where helpful (for example, the INEDs of a majority-controlled issuer may wish to strengthen their understanding of how to best perform their role and responsibilities in such a context).

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<sup>21</sup> See footnote 15.

### **III. Board performance review (Question 4)**

74. We proposed to upgrade the RBP on regular board performance evaluation to a CP requiring issuers to conduct regular board performance reviews at least every two years, and to make specific disclosure on this in the CG Report<sup>22</sup>.

#### ***Comments received***

75. 73% of the respondents supported our proposal and 27% opposed it.
76. Respondents who welcomed the proposal commented that regular reviews of the board's performance would facilitate a board composition and succession planning that is aligned with the issuer's business goals. Respondents also recognized that regular reviews are an important corporate governance measure that can assist in identifying potential governance risks and setting up proactive risk mitigation.
77. Some respondents suggested the Exchange to go further and expand the scope for board performance reviews to require: (i) performance assessments of individual directors (to inform decisions on director reappointment) and board committees; and (ii) externally facilitated reviews to ensure the quality and independence of the review process.
78. Opposing respondents highlighted the administrative and financial burden of regular board performance reviews, especially for small and medium sized issuers with limited resources. There were concerns that disclosure of the review findings may divulge confidential or commercially sensitive information, in particular where the performance assessment was linked to future plans of the issuer. There were some suggestions that board performance reviews should be conducted at three-year intervals instead to allow full implementation of any changes made at the board level following a performance review before the next review.
79. Some respondents requested further guidance on the scope, evaluation criteria and expected level of disclosure for the board performance review.

#### ***Our response and conclusion***

80. Regular board performance reviews and relevant disclosure are important tools for boards to assess whether their skills and qualifications are aligned with the issuer's long-term business goals and strategy and to provide transparency to investors. In light of the support, we will adopt the proposal<sup>23</sup>.
81. We intend to provide boards with flexibility to structure and implement regular board performance reviews in a manner that fits their individual circumstances and to use such reviews as an opportunity to reflect, provide feedback and optimize their performance. The review can be conducted internally or externally facilitated. We encourage issuers to weigh the costs and benefits when considering the options for the format of their review.
82. We would like to clarify that the board performance review is not intended to be a

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<sup>22</sup> See paragraphs 64 to 66 of the Consultation Paper.

<sup>23</sup> CP B.1.4.

personal assessment of individual directors. The focus should be on the overall performance of the board and whether its performance, together with the board's skills, expertise and qualifications as identified by the board skills matrix, are aligned with the issuer's broader business and strategic goals. The disclosure on the review findings should include the key aspects of the board's performance which can be improved (if any) and the steps taken or to be taken to address them.

83. We will issue further guidance in the New CG Guide on the expected scope and level of detail for disclosure of a board performance review.

#### **IV. Board skills matrix (Question 5)**

84. We proposed to introduce a new CP requiring issuers to maintain a board skills matrix and to make specific disclosure on this in the CG Report<sup>24</sup>.

##### ***Comments received***

85. 72% of the respondents supported our proposal and 28% opposed it.
86. Supportive respondents recognized that the board skills matrix, together with the board performance review, would enable issuers to identify gaps in their board competencies and skills. Respondents noted that these measures would be helpful for issuers to plan their board refreshment and succession in accordance with their long-term strategic objectives and diversity goals.
87. Opposing respondents commented that the board skills matrix may not fully capture the relevant attributes and character traits of individual directors. There were also comments that if the matrix was too high level, it would not add value to readers. On the other hand, if the matrix was too detailed, it may not be comprehensible and may be administratively burdensome to maintain.
88. Further guidance was requested from the Exchange on the scope and detail that should go into the preparation and disclosure of the board skills matrix.

##### ***Our response and conclusion***

89. The requirement for issuers to maintain a board skills matrix forms part of the Exchange's efforts to enhance board effectiveness and goes hand in hand with regular performance reviews of the board. These proposals are intended to build upon the work that most boards and nomination committees already undertake. In light of the support, we will adopt the proposal<sup>25</sup>.
90. Maintaining an effective board skills matrix should not be a box-ticking exercise that merely presents the directors' biographies (which are already part of an issuer's annual report) in a different format. Instead, a properly maintained board skills matrix should illustrate the board's collective experience, skills, qualifications and expertise and connect these with the issuer's long-term strategy and particular goals (including for example its diversity targets). We do not expect individual directors to be singled out in

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<sup>24</sup> See paragraphs 75 to 76 of the Consultation Paper.

<sup>25</sup> CP B.1.5.

the relevant disclosure.

91. In our New CG Guide, we will provide suggestions as to the format, scope and level of detail for maintaining an effective board skills matrix and making meaningful disclosure.

## **V. Overboarding INED and directors' time commitment (Questions 6 and 7)**

### *Cap on Overboarding INEDs*

92. We proposed to introduce a Listing Rule mandating a "hard cap" of six Hong Kong listed issuer directorships that an INED may hold. We proposed to implement this requirement with a three-year transition period<sup>26</sup>.
93. We also proposed a similar "hard cap" on the number of Hong Kong listed issuer directorships that the INEDs of IPO applicants may hold, to be applied to A1 submissions filed on or after 1 January 2025<sup>27</sup>.

### **Comments received**

94. 69% of the respondents supported the proposed cap and 31% opposed it.
95. Respondents who welcomed the proposal agreed that the responsibilities and commitment required of directors had become more demanding in light of an increasingly complex business environment. Overcommitted directors pose a risk to the issuers whose boards they serve if they are unable to dedicate sufficient time and attention to the affairs of the issuers. One respondent noted that numerous studies have indicated a correlation between overboarding and board underperformance<sup>28</sup>.
96. Some respondents suggested that the Exchange should further lower the cap to four or five listed issuer directorships and/or extend the cap to all directors. There were also recommendations to implement different caps for different types of directorships.
97. Opposing respondents noted that while the number of directorships is a useful indicator, an INED's time commitment to each board depends on their own circumstances and the complexity of the issuer's business and affairs. They were of the view that a hard cap is an overly simplistic tool and would preclude competent and diligent INEDs who are able to devote sufficient time to multiple directorships from continuing to contribute on the board.

### *Three-year transition period*

98. 76% of the respondents were supportive of a three-year transition period for implementing the cap on overboarding and 24% opposed it.
99. Some respondents commented that a three-year period is too long given the small number of Overboarding INEDs, while others suggested that a longer transition period

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<sup>26</sup> See paragraphs 86 to 87 and paragraph 92 of the Consultation Paper.

<sup>27</sup> See paragraph 88 of the Consultation Paper.

<sup>28</sup> For example, see the 2019 report titled '[Director Overboarding: Global Trends, Definitions, and Impact](#)' published by ISS Analytics.

may be appropriate given their perceived shortage of qualified INEDs in Hong Kong.

### ***Our response and conclusion***

100. After giving due consideration to all responses, we continue to believe that a cap on overboarding helps ensure directors have adequate time to perform their responsibilities and contribute to good board performance and engagement.
101. In light of the majority support, we will adopt the proposal<sup>29</sup>, with the following modifications as a consequence of the postponed effective date of 1 July 2025:
- (a) The three-year transition period will start from 1 July 2025, with compliance required by the first AGM held on or after 1 July 2028 by any issuer that an overboarding INED serves; and
  - (b) From 1 July 2025 onwards, IPO applicants will not be permitted to have INED(s) who hold six, or more, Hong Kong listed issuer directorships on their board upon listing.
102. During the transition period (i.e. for any relevant general meetings held on or before 30 June 2028), the current requirements in respect of the election of Overboarding INEDs will continue to apply<sup>30</sup>.
103. A cap of six Hong Kong listed issuer directorships is in line with the existing threshold for overboarding. We agree that different directorships require different levels of commitment. Directors should consider their pre-existing time commitments and the expected further time commitment before taking up any new Hong Kong listed issuer directorship. For example, where an INED is invited to join the board of an issuer who has the same financial year-end as the other issuer(s) that the INED is already serving on, such INED should consider whether he / she may become over-stretched during specific periods of the year (e.g. prior to the release of annual and interim reports and during the AGM season). Directors with multiple board roles should also re-evaluate their commitments and ability to effectively serve on those boards from time to time.

### ***Nomination committee's annual assessment of directors' time commitment and contribution***

104. We proposed to introduce a new MDR requiring the nomination committee to annually assess and disclose its assessment (as part of its summary of work done) of each director's time commitment and contribution to the board<sup>31</sup>.

### ***Comments received***

105. 64% of the respondents supported our proposal and 36% opposed it.
106. Supportive respondents agreed that the nomination committee's annual assessment would bring greater transparency to board effectiveness and assist investors in

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<sup>29</sup> MB Rule 3.12A / GEM Rule 5.07A.

<sup>30</sup> CP B.3.4(b). Where the board proposes a resolution to elect an individual who will be an Overboarding INED, it should explain in the shareholder circular why the board believes such individual would still be able to devote sufficient time to the board.

<sup>31</sup> See paragraphs 89 to 91 of the Consultation Paper.

determining whether to vote on the re-election of directors. They thought our proposed approach recognized that other engagements beyond Hong Kong listed issuer directorships may involve a considerable time commitment and affect a director's capacity to properly discharge his / her duties.

107. Opposing respondents commented that it would be difficult to objectively assess and quantify a director's time commitment and contribution. They also thought that more senior directors would likely spend less time on certain duties because they are experienced, whereas newer directors may spend more time on them because they are less experienced. A few respondents considered that a separate assessment is not necessary as the board performance review would already cover directors' time commitment and contribution.
108. Further guidance was requested on the assessment criteria that should be used and the format and extent of disclosure expected. The Exchange also received comments that any disclosure should cover the board as a whole, as disclosure on an individual named basis may embarrass particular directors or result in directors comparing themselves to others.

### ***Our response and conclusion***

109. It is incumbent upon individual directors to manage their commitments effectively and responsibly to ensure that they have the capacity to allocate sufficient time and attention to each issuer whose board they serve. The nomination committee's annual assessment ensures that there is a periodic evaluation of director effectiveness and strengthens director accountability.
110. We will adopt the proposal, with minor drafting changes<sup>32</sup>.
111. The nomination committee's existing responsibilities include reviewing the structure, size and composition of the board at least annually. The matters to be considered by the nomination committee in its assessment should already be part of its agenda, and such assessment is separate from the board performance review.
112. The nomination committee's holistic assessment should cover areas including the nature of a director's involvement on the board and the commitment required from a director to perform his / her responsibilities effectively, and not simply focus on the number of hours spent by a director. The nomination committee should apply a consistent set of assessment criteria to evaluate all directors (including members of the committee). While each director should be assessed, we do not expect the disclosure in the CG Report to be on an individual named basis. To assist issuers' compliance, we will provide guidance in the New CG Guide on the assessment criteria and the expected level of disclosure.

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<sup>32</sup> MDR paragraph E(d)(iii).

## **(B) Independence of INEDs (Questions 8 and 9)**

### Cap on tenure of INEDs

113. We proposed to introduce a Listing Rule to provide a “hard cap” of nine years on the tenure of INEDs (beyond which an INED would no longer be considered to be independent), with a three-year transition period for implementation<sup>33</sup>.
114. We further proposed that a person can be re-considered as an INED of the same issuer after a two-year cooling-off period<sup>34</sup>.

### **Comments received**

#### *Cap on INED tenure*

115. 51% of the respondents supported the proposed cap and 49% opposed it.
116. Supportive respondents agreed that board independence and periodic refreshment are essential to good corporate governance. They thought shareholders are best served when there is orderly renewal on the board, which creates a healthy balance between the retention of more experienced directors and the introduction of fresh perspectives to improve overall board effectiveness. Some respondents were of the view that long tenured INEDs may be less able to act independently due to their involvement in prior decisions and their close relationships established over the years with management, other directors and, possibly, the controlling shareholders.
117. While these respondents recognized that a director’s independence may depend on other factors in addition to tenure, they considered a cap on INED tenure to be a measurable, decisive mechanism to accelerate orderly board renewal and address potential concerns around long tenured INEDs in the Hong Kong market.
118. Opposing respondents commented that independence is a mindset and is not necessarily compromised by an INED’s length of service. Although they acknowledged the value of board refreshment, such respondents considered the current requirements on Long Serving INEDs to be adequate and noted that certain jurisdictions (for example, the US) do not have a cap on INED tenure.
119. A number of issuers expressed other concerns regarding the proposed cap as follows:
- (a) It takes time for directors to familiarize themselves with an issuer and its business. A cap on INED tenure would deprive issuers of the knowledge and experience that Long Serving INEDs have accumulated over the years. Issuers (in particular those who operate in specialized industries) may experience difficulties in recruiting suitable replacements given the limited pool of qualified INEDs;
  - (b) The departure of Long Serving INEDs may impact board dynamics. Before newly appointed INEDs grow into their role, their oversight function may not be as effective as that performed by experienced INEDs. The quality of the work of the mandatory board committees, which comprise of a majority of INEDs, may also

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<sup>33</sup> See paragraphs 104 to 106 and paragraphs 107 to 112 of the Consultation Paper.

<sup>34</sup> See paragraph 107 of the Consultation Paper.



be affected in this way;

- (c) Re-designating a Long Serving INED as a non-executive director may not be desirable due to the increased administrative costs of an expanded board; and
- (d) For issuers with all or a majority of INEDs as Long Serving INEDs, the impact of the proposed cap would be particularly acute, given that these issuers will need to replace multiple INEDs within a short period.

120. A few respondents suggested that to strengthen the independence of INEDs, the Exchange should go further to require Long Serving INEDs or all INEDs to be appointed and re-appointed by independent shareholders.

*Two-year cooling-off period*

121. 59% of the respondents were supportive of a two-year cooling-off period and 41% opposed it. Some respondents did not agree with the proposed cap on the tenure of Long Serving INEDs and thus opposed the two-year cooling-off period.

122. Numerous respondents queried whether two years would be sufficient to reset a former Long Serving INED's independence. Referring to the two-year cooling-off period which is used for an issuer's former financial adviser, these respondents commented that the responsibilities of an INED are different in nature and can be distinguished from those of former financial advisers. There were recommendations to lengthen the cooling-off period to at least three years or remove it altogether.

*Three-year transition period*

123. 69% of the respondents were supportive of a three-year transition period for implementing the cap on INED tenure and 31% opposed it.

124. Supportive respondents agreed that a three-year transition period would allow issuers to introduce the necessary changes to board composition over a reasonable period. A few respondents suggested a shorter transition period or no transition period at all.

125. Other respondents, including various issuers, called for a longer transition period (ranging from five to seven years); a staggered implementation of the cap; or the more limited application of the cap to a majority of INEDs only.

***Our response and conclusion***

126. We note that many respondents acknowledged the value of and need for regular board refreshment. A periodic turnover of INEDs can help achieve diversity and independence of perspectives on the board, which are essential for effective corporate governance. New INEDs can provide fresh insights and prevent "groupthink".

127. While we agree that the independence of directors cannot be judged solely by their tenure, we continue to believe that a tenure limit is a pragmatic measure to promote board refreshment and foster greater diversity of perspectives in the boardroom. However, we also recognise the well-founded practical and logistical challenges raised by issuers, especially those with all or a majority of INEDs as Long Serving INEDs.

128. After giving due consideration to all responses, we will adopt the proposed cap on INED

tenure, with the following modifications to alleviate the concerns raised<sup>35</sup>:

- (a) A phased implementation over a transition period of six years –
    - (i) Phase one (*three-year transition period starting from 1 July 2025; with compliance required by the first AGM held on or after 1 July 2028*) – an issuer must not have Long Serving INEDs representing a majority of the INEDs on their board; and
    - (ii) Phase two (*six-year transition period starting from 1 July 2025; with compliance required by the first AGM held on or after 1 July 2031*) – an issuer must not have any Long Serving INED on their board; and
  - (b) Lengthen the cooling-off period for former Long Serving INEDs to three years to align with a single term of office for a director. A consequential change will also be made so that where an INED temporarily ceases to be an INED for less than three years and is subsequently re-appointed as an INED of the same issuer, this period must be included in the calculation of the “nine-year tenure” for the purpose of the cap.
129. While our ultimate objective of phasing out Long Serving INEDs remains unchanged, our modified phased approach will allow issuers more time and flexibility over two director rotation cycles to conduct comprehensive succession planning to phase out Long Serving INEDs in an orderly and measured manner to minimize the risk of potential disruption. It should be noted that issuers may re-designate Long Serving INEDs as non-executive directors following the completion of their nine-year tenure, and/or re-appoint former Long Serving INEDs following the completion of their three-year cooling-off period.
130. While the extended six-year transition period will help ease the burden on issuers to recruit suitable talent to replace departing Long Serving INEDs, we strongly encourage issuers to plan ahead of time to avoid significant abrupt changes to board composition that could impact board continuity and create gaps in experience and governance.
131. During the transition period, the current requirements in respect of Long Serving INEDs will apply as follows: (i) the requirements on tenure disclosure in the shareholder circular and new INED appointment where all INEDs are Long Serving INEDs<sup>36</sup> will continue to apply for any relevant general meetings held on or before 30 June 2028 (i.e. expiry of phase one); and (ii) the requirements on the re-election of Long Serving INEDs<sup>37</sup> will continue to apply for any relevant annual general meetings held on or before 30 June 2031 (i.e. expiry of phase two).
132. Regarding the suggestion on independent shareholder election of INEDs, the proposal to require independent shareholders’ vote on the re-election of Long Serving INEDs was

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<sup>35</sup> MB Rule 3.13A / GEM Rule 5.09A.

<sup>36</sup> CP B.2.4.

<sup>37</sup> CP B.2.3.

consulted on in our last CG consultation in 2021 and was not adopted ultimately<sup>38</sup>.

133. A number of issuers commented that they perceived the pool of suitable INEDs in the market to be limited. Our [Board Diversity Hub](#) contains links to different market initiatives and external platforms to help issuers identify and attract suitable talent for their boards.

#### Disclosure of length of tenure of each director in the CG Report

134. We proposed to require issuers to disclose the length of tenure of each director in the CG Report<sup>39</sup>.

#### **Comments received**

135. 92% of the respondents supported our proposal and 8% opposed it.
136. Respondents generally agreed that disclosure on the length of tenure of each director would improve transparency and assist investors in evaluating the board dynamics and engaging with issuers on board succession issues.

#### **Our response and conclusion**

137. We will adopt the proposal<sup>40</sup> in light of the overwhelming support from respondents.

### **(C) Board and workforce diversity (Questions 10 to 14)**

#### Directors of different genders on the nomination committee

138. We proposed to introduce a CP requiring issuers to have at least one director of a different gender on the nomination committee<sup>41</sup>.

#### **Comments received**

139. 62% of the respondents supported our proposal and 38% opposed it.
140. Supportive respondents agreed that the proposal would broaden perspectives on the nomination committee and motivate issuers to promote greater diversity in their recruitment. Some cited research studies<sup>42</sup> indicating that board diversity is associated with better financial performance, and that there is a correlation between female representation on the nomination committee and improved board gender diversity.
141. Opposing respondents were of the view that issuers should be given the flexibility to determine the composition of the nomination committee and to appoint directors to the committee based on merit, rather than gender. Some issuers believed that the proposal

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<sup>38</sup> See paragraphs 49 to 52 and 58 of the [Consultation Conclusions for Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments](#) published in December 2021. Many respondents were of the view that all shareholders should be entitled to vote on board appointment matters.

<sup>39</sup> See paragraph 113 of the Consultation Paper.

<sup>40</sup> MDR paragraph B(a).

<sup>41</sup> See paragraph 129 of the Consultation Paper.

<sup>42</sup> For example, see the 2019 [KPMG Ridgeway Partners Nomination Committee Study](#) on FTSE 100 companies and the 2023 McKinsey & Company report titled "[Diversity Matters Even More](#)".

is not necessary since issuers are already required to have at least one director of a different gender on the board.

142. A few respondents observed that issuers who only recently appointed their first director of a different gender to comply with the 31 December 2024 deadline for phasing out single gender boards would be compelled to appoint such director to the nomination committee, even if he / she is not suitable for the role. There were requests for the Exchange to reconsider the timing for implementing this proposal.

### ***Our response and conclusion***

143. The nomination committee plays an important role as the gatekeeper for board appointments, and ensures a suitable balance of skills, experience and attributes on the board. Having directors of different genders on the committee should help promote greater diversity in the boardroom. A more diverse committee is likely to have a broader base of social networks, for example, and so have knowledge of potential candidates with different experiences and backgrounds. Expanding and diversifying the nomination committee's connections may, therefore, help an issuer tap into a larger external talent pool.
144. Having considered all the responses, we will adopt the proposal<sup>43</sup>.
145. We encourage issuers with only a single director of a different gender on their boards to appoint more directors from the under-represented gender, which will provide more flexibility for appointments to different roles within the board.

### ***Workforce diversity policy***

146. We proposed to introduce a Listing Rule to require issuers to have and disclose a diversity policy for their workforce (including senior management)<sup>44</sup>.

### ***Comments received***

147. 79% of the respondents supported our proposal and 21% opposed it.
148. Supportive respondents agreed that workforce diversity is key to encouraging constructive dialogue and informed decision-making. The proposal was regarded as a positive step that would enhance issuer accountability for improving diversity across the whole company. One respondent commented that a comprehensive workplace diversity policy should include an anti-discrimination and equal opportunity policy and an anti-sexual harassment policy.
149. Some respondents noted that issuers in different industries would approach workforce diversity at a different pace, and that it may not be feasible for certain issuers to disclose measurable objectives for achieving workforce diversity and the progress towards it.

### ***Our response and conclusion***

150. Our proposal to require issuers to establish a workforce diversity policy (in addition to a

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<sup>43</sup> CP B.3.5.

<sup>44</sup> See paragraph 129 of the Consultation Paper.

board diversity policy) is intended to foster a stronger culture of inclusion and support the development of a diverse pipeline for succession.

151. After giving due consideration to all the responses, we will adopt the proposal<sup>45</sup>.
152. We recognize that achieving workforce diversity may be challenging for issuers where their industry or the nature of their operations give rise to a workforce population that is skewed towards a particular gender. For this reason, it is not mandatory for issuers to set measurable objectives for workforce diversity. Nonetheless, when establishing their workforce diversity policy, we encourage issuers to focus on how they can better improve diversity and inclusion beyond the boardroom.

#### Annual review of implementation of board diversity policy

153. We proposed to upgrade from a CP to a MDR the requirement on the annual review of the implementation of an issuer's board diversity policy<sup>46</sup>.

#### **Comments received**

154. 80% of the respondents supported our proposal and 20% opposed it.
155. Supportive respondents considered that mandating an annual review of the implementation of the board diversity policy would ensure ongoing monitoring of issuers' diversity progress and provide helpful data for issuers to make more informed decisions on their diversity strategies. A few respondents suggested to progressively extend the no single-gender board rule (e.g. to require 30% female representation on boards by 31 December 2027).
156. A few respondents commented that diversity policies require time to show tangible results and that annual reviews may not effectively capture the long-term impact. They considered that a review could be conducted every two or three years instead, or that issuers should have the flexibility to determine the frequency of the review.
157. Respondents also sought clarification as to whether an annual review would be required where an issuer had achieved its diversity objective (e.g. by appointing one director of a different gender to the board).

#### **Our response and conclusion**

158. Mandating an annual review should help ensure that an issuer's board diversity policy remains appropriate and effective and foster greater accountability for diversity goals and progress measurement.
159. After giving due consideration to all the responses, we will adopt the proposal<sup>47</sup>.
160. We reiterate that the absence of a prescribed percentage in the Listing Rules does not mean that putting an end to single gender boards is the ultimate goal. Issuers should continue to assess their own circumstances and needs, and periodically consider

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<sup>45</sup> MB Rule 13.92(1) / GEM Rule 17.104(1) and MDR paragraph J(b).

<sup>46</sup> See paragraph 129 of the Consultation Paper.

<sup>47</sup> MDR paragraph J(a).

whether to commit to a more gender balanced board. An annual review is therefore required even if an issuer has achieved its current diversity objective.

*Separate disclosure of senior management and workforce gender ratios*

161. We proposed to revise the current MDR to require issuers to separately disclose the gender ratio of: (i) senior management and (ii) the workforce (excluding senior management) in the CG Report<sup>48</sup>.

***Comments received***

162. 77% of the respondents supported our proposal and 23% opposed it.

163. Supportive respondents were of the view that the separate disclosure of workforce and senior management gender ratios will improve transparency around issuers' progress in nurturing diverse talent across different organisational levels. More detailed data could also assist issuers in making directional adjustments in their diversity efforts, where applicable.

164. A few respondents commented that issuers in certain industries are, by nature, not as gender diverse as others. For such issuers, the separate disclosure of gender ratios may not be helpful or could be misleading when comparisons are made.

***Our response and conclusion***

165. The disclosure will provide investors and the market with information to conduct more nuanced analysis on the implementation of issuers' diversity and inclusion strategies. We will therefore adopt the proposal<sup>49</sup>.

*Codification of arrangements during temporary deviations*

166. We proposed to codify the Exchange's existing guidance on temporary deviations from the requirement that issuers have directors of different genders on their board<sup>50</sup>.

***Comments received***

167. 81% of the respondents supported our proposal and 19% opposed it.

168. Most respondents were supportive. The Exchange received a few suggestions to extend the grace period from three months to six months to allow issuers more time to identify suitable replacement directors. Such respondents noted that there may be occasions where a director's departure is out of the issuer's control or expectation (for example, due to sudden ill health).

***Our response and conclusion***

169. In view of the high level of support, we will adopt the proposal<sup>51</sup>. We will maintain the

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<sup>48</sup> See paragraph 129 of the Consultation Paper.

<sup>49</sup> MDR paragraph J(c).

<sup>50</sup> See paragraph 129 of the Consultation Paper.

<sup>51</sup> MB Rule 13.92(2) / GEM Rule 17.104(2).

proposed three-month grace period, which reflects the need for issuers to act promptly in the event of any deviation; and is in line with the approach on temporary deviations from the mandatory board committee requirements. All remaining single gender board issuers should appoint at least one director of a different gender to their board as a matter of priority before the transition period for single gender board issuers expires on 31 December 2024. A failure to do so by 1 January 2025 will constitute a breach of the Listing Rules and the Exchange will take appropriate action.

170. The Exchange will continue to track issuers' compliance with the requirement to have a different gender board.

## **(D) Risk management and internal control (Questions 15 and 16)**

### *Board's responsibility and annual review(s) of the RMIC Systems*

171. We proposed to emphasize in Principle D.2 of the CG Code the board's responsibility for the issuer's risk management and internal controls and for the reviews of the effectiveness of the risk management and internal control systems ("**RMIC Systems**"), which shall be conducted at least annually<sup>52</sup>.
172. We also proposed to upgrade to an MDR the requirement to conduct such reviews of the effectiveness of the issuer's RMIC Systems and require specific disclosure thereon in the CG Report<sup>53</sup>.

### ***Comments received***

173. 92% of the respondents agreed with our proposal to emphasize the board's responsibility for the issuer's RMIC Systems and 8% opposed it. Respondents generally recognized the importance of the board's oversight of the establishment of adequate RMIC Systems and regular assessment of the effectiveness of the RMIC Systems.
174. 84% of the respondents supported our proposal to mandate reviews of the RMIC Systems, which shall be conducted at least annually, with supporting disclosure, and 16% opposed it. A few respondents were concerned that the burden for smaller issuers arising from having to conduct annual reviews would be too great and suggested reducing the frequency of the reviews (e.g. to every two years).
175. The Exchange received some suggestions to strengthen the requirements for issuers to implement and maintain effective anti-corruption, ethics and integrity policies by reinforcing conflict of interest procedures and requiring enhanced disclosure around these topics, for example.

### ***Our response and conclusion***

176. Effective RMIC Systems are integral to good corporate governance. The need for issuers to constantly monitor and strengthen their RMIC Systems is a priority for the Exchange. In light of the support, we will adopt the proposal, with drafting changes to

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<sup>52</sup> See paragraph 142 of the Consultation Paper.

<sup>53</sup> See paragraph 143 of the Consultation Paper.

improve clarity<sup>54</sup>.

177. With the rapid changes in risk profile and the different challenges that businesses face in the current environment, it is important that reviews of issuers' RMIC Systems are conducted at least annually. Infrequent reviews of the RMIC Systems' effectiveness may lead to risks being identified too late and remedial measures not being adopted in time.
178. We aim to ensure that issuers take a more structured approach and provide better disclosure to the market. Most issuers currently provide detailed and comprehensive disclosure on their RMIC Systems in the CG Report, including a confirmation on the RMIC Systems' effectiveness.
179. Consideration of anti-corruption, ethics and integrity matters are part of effective risk management and internal control. We will continue to explore how to further strengthen these aspects in future reviews of the CG Code.

#### Scope of annual review(s) of the RMIC Systems

180. We proposed to refine the existing CPs in section D.2 of the CG Code setting out the scope of the annual reviews of the effectiveness of the RMIC Systems<sup>55</sup>.

#### **Comments received**

181. 90% of the respondents supported our proposal and 10% opposed it.
182. Supportive respondents were of the view that the proposed scope generally covered items, stakeholders and processes that were relevant to, and may affect, the effectiveness of issuers' RMIC Systems.
183. Some respondents commented that the inclusion of insignificant subsidiaries in the review scope could create a significant burden for issuers, in particular those with many subsidiaries. Some respondents suggested that the Exchange clarify whether an externally conducted review of the RMIC Systems is mandatory.
184. While many respondents recognized that there can be no "one-size-fits-all" approach for the review of the RMIC Systems, there were requests for further guidance on the scope and the expected level of detail for these reviews.

#### **Our response and conclusion**

185. In light of the general support for the proposed review scope, we will adopt the proposal, with drafting changes to improve clarity<sup>56</sup>.
186. For reviews of the RMIC Systems to be adequate and effective, a clear and sufficiently broad review scope is required. Under the existing CP D.2.1, the scope for the review of the RMIC Systems' effectiveness already includes both the issuer and its subsidiaries. Our proposal does not broaden the existing scope for the review.

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<sup>54</sup> MDR paragraph H and Principle D.2 of the CG Code.

<sup>55</sup> See paragraphs 144 to 148 of the Consultation Paper.

<sup>56</sup> CP D.2.1.



187. The review should focus on holistically assessing the RMIC Systems' operation and effectiveness for the issuer and its subsidiaries. Issuers are expected to oversee their subsidiaries' systems to ensure that adequate processes and controls are in place to address business risks. The precise level of analysis will depend on the interaction between the issuer and its individual subsidiaries, as well as the size and significance of the subsidiaries.
188. We have not mandated that the review of the RMIC Systems be facilitated externally. We recognize that the situation of each issuer is different, and we believe it is important that issuers retain flexibility in designing the scope and process for their review. Issuers should consider the benefits of external assistance in their review. Where external providers (such as the auditors or other external consultants) are involved in the review process, issuers should make relevant disclosure in the CG Report on their involvement and any assurances received.
189. We will include further guidance in the New CG Guide on the scope and detail of disclosure on the RMIC Systems and the review of their effectiveness.

### **(E) Dividends (Question 17)**

190. We proposed to introduce a new MDR requiring specific disclosure of the issuer's policy on payment of dividends and the board's dividend decisions during the reporting period<sup>57</sup>.

#### ***Comments received***

191. 84% of the respondents supported our proposal and 16% opposed it.
192. Respondents noted the importance of investors having better visibility around issuers' dividend policies and their decisions on capital allocation (and the reasons behind such decisions). Some respondents suggested that the scope of the disclosure requirement should be widened to cover the issuer's capital allocation policies and strategies, including share buy-backs and share cancellations.
193. Some respondents sought clarification as to whether it is mandatory for issuers to adopt a dividend policy even if they had no current plan for future capital allocation. Other respondents raised confidentiality concerns where earnings were retained to support future and yet unannounced business plans and projects.

#### ***Our response and conclusion***

194. Based on the general support received, we will adopt the proposal<sup>58</sup>.
195. Our proposed disclosure will improve transparency regarding issuers' dividend policy and the board's dividend decisions for the benefit of the issuer's investors. Issuers may also consider providing more details on their capital allocation policies in general.
196. Where an issuer does not have a dividend policy, disclosure of such fact and an explanation thereof would be sufficient. Issuers whose dividend decisions are subject to regulatory oversight should disclose this fact. We do not expect issuers' disclosure to

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<sup>57</sup> See paragraphs 156 to 159 of the Consultation Paper.

<sup>58</sup> MDR paragraph M.

include confidential or commercially sensitive information.

197. As we noted in the Consultation Paper, other jurisdictions have acted to improve listed companies' capital management<sup>59</sup>. We also note recent developments since the publication of the Consultation Paper<sup>60</sup>. We encourage issuers to go beyond what is required in the Listing Rules and step up their capital management efforts to enhance shareholder value - and, in doing so, contribute to the attractiveness of the Hong Kong market to investors.

## **(F) Other minor Rule amendments**

### **I. Requirements for issuers to set a record date (Question 18)**

198. We proposed to codify our existing guidance by introducing a Listing Rule requirement for issuers to set a record date to determine the identity of security holders eligible to attend and vote at a general meeting or to receive entitlements<sup>61</sup>.

#### ***Comments received***

199. 92% of the respondents supported our proposal and 8% opposed it.
200. Respondents welcomed the requirement and believed that it will facilitate shareholders' voting and participation at shareholders meetings. They thought this would also help to clarify shareholders' rights to dividends and avoid potential allegations of unfair distributions.

#### ***Our response and conclusion***

201. We will adopt the proposal in light of the almost unanimous support from respondents<sup>62</sup>.

### **II. Disclosure on modified auditors' opinion (Question 19)**

202. We proposed to codify our recommended disclosure in respect of issuers' modified auditors' opinions in the annual report into the Listing Rules<sup>63</sup>.

#### ***Comments received***

203. 94% of the respondents supported our proposal and 6% opposed it.
204. Respondents endorsed the codified disclosure and commented that the disclosure on audit committee responsibilities and oversight will also strengthen accountability.
205. One respondent asked the Exchange to clarify whether the proposed disclosure

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<sup>59</sup> See paragraphs 154 to 155 of the Consultation Paper.

<sup>60</sup> Subsequent to the publication of the Consultation Paper, in November 2024, the China Securities Regulatory Commission published [Listing Regulation Guidance No.10 – Market Value Management](#) (*Chinese version only*) to encourage listed companies to adopt measures to enhance their investment value and their ability to provide shareholder returns.

<sup>61</sup> See paragraph 167 of the Consultation Paper.

<sup>62</sup> MB Rule 13.66(1) / GEM Rule 17.78(1).

<sup>63</sup> See paragraphs 172 and 174 of the Consultation Paper.

requirement on management's position and basis on major judgmental areas would only apply to accounting estimates based on judgments and assumptions.

### ***Our response and conclusion***

206. The disclosure on modified auditors' opinions will provide transparency on audit modifications and their impact on issuers' financial position, which are important information for investors. We will therefore adopt the proposal<sup>64</sup>.
207. The proposed disclosure requirement on management's position and basis on major judgmental areas covers any situation where a difference in views between the auditors and management has led to a modified audit opinion. This would include where management disagreed with the auditor's request for information / audit evidence.

### **III. Financial information (Question 20)**

208. We proposed to clarify our expectation with regards to the provision of monthly updates in CP D.1.2 of the CG Code and the note thereto to make it clear that directors are entitled to and should request such information if management does not provide it<sup>65</sup>.

### ***Comments received***

209. 81% of the respondents supported our proposal and 19% opposed it.
210. Respondents generally recognized the importance of directors having access to timely, high-quality information to assist the board in conducting well-informed board meetings.
211. Some respondents noted that the provision of monthly management accounts may not be feasible or may create an additional burden for issuers who do not prepare or have available such information in their normal course of business. There were also comments that different boards have different information needs, and that the Exchange should not be overly prescriptive regarding the monthly updates to the board.

### ***Our response and conclusion***

212. Based on the general support received, we will proceed and adopt the proposal with minor drafting changes<sup>66</sup>.
213. It is crucial for directors to have access to the information necessary to make informed decisions and diligently discharge their duties. Management should provide information that it has prepared in the ordinary course of the issuer's business to facilitate directors' assessment of the issuer's financial and operating performance. If available, this should include monthly management accounts and management updates. Where directors consider that they have not been provided with sufficient information by management, they should be able to request further information.

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<sup>64</sup> Paragraph 3.1 of Appendix D2 to the MB Rules / Note to GEM Rule 18.47.

<sup>65</sup> See paragraph 178 of the Consultation Paper.

<sup>66</sup> CP D.1.2.

#### **IV. Align nomination committee requirements with existing audit committee and remuneration committee requirements (Question 21)**

214. We proposed to align the requirements for the nomination committee, the audit committee and the remuneration committee on establishing written terms of reference for the committee and the arrangements during temporary deviations from requirements<sup>67</sup>.

##### ***Comments received***

215. 93% of the respondents supported our proposal and 7% opposed it.

216. Most respondents supported harmonizing the requirements across the three mandatory board committees to ensure a consistent regulatory approach.

##### ***Our response and conclusion***

217. Based on the significant support received, we will adopt the proposal<sup>68</sup>.

#### **Part II: Implementation dates and transitional arrangements (Question 22)**

218. We proposed that the revised CG Code and related Listing Rules come into effect on 1 January 2025 and apply to CG Reports and annual reports for financial years commencing on or after 1 January 2025, with a three-year transition period for the proposed caps on overboarding and the tenure of Long Serving INEDs<sup>69</sup>.

##### ***Comments received***

219. 81% of the respondents supported our proposal and 19% opposed it.

220. While respondents were generally supportive of our proposed implementation date and transitional arrangements, some respondents suggested that issuers should be given more time to prepare for the proposed new requirements.

221. A number of respondents noted that the three-year transition period in relation to the cap on INED tenure may be insufficient, in particular for issuers with all or a majority of INEDs as Long Serving INEDs. These respondents expressed concerns based on potential difficulties for the relevant issuers in identifying suitable INED candidates and the impact on the issuers' operations if all or most of their existing INEDs would have to be replaced within a relatively short period of time.

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<sup>67</sup> See paragraph 180 of the Consultation Paper.

<sup>68</sup> MB Rules 3.23, 3.27, 3.27B and 3.27C / GEM Rules 5.33, 5.36, 5.36B and 5.36C (for all issuers except for issuers with a weighted voting rights structure), and MB Rule 8A.28A (for issuers with a weighted voting rights structure). The requirements for the nomination committee, the audit committee and the remuneration committee do not apply to secondary listed overseas issuers. Please refer to MB Rule 19C.11.

<sup>69</sup> See paragraphs 182 to 183 of the Consultation Paper.

## ***Our response and conclusion***

222. We note the market feedback received and will revise the implementation date to 1 July 2025. The new requirements under the revised CG Code and related Listing Rules will apply to CG Reports and annual reports in respect of financial years commencing on or after 1 July 2025.
223. Regarding the transitional arrangements:
- (a) the three-year transition period for the cap on overboarding will commence from the revised implementation date of 1 July 2025; and
  - (b) we will adopt a longer transition period of six years for the cap on INED tenure, which will be implemented in two phases commencing from the revised implementation date of 1 July 2025 (see paragraph 128 for further details).
224. The revised effective date and transitional arrangements will facilitate the smooth implementation of the new CG requirements and allow issuers more time to prepare for the changes, conduct proper succession planning and identify suitable INED replacement candidates. Notwithstanding the revised arrangements, we expect issuers to proactively implement and adopt the new changes set out in our proposals to enhance their corporate governance practices. Issuers should not wait until the expiry of the relevant transitional arrangements to make necessary changes to their boards.

## **Part III: Additional comments**

225. As part of the submissions received in response to the Consultation Paper, we also received valuable comments on further measures to enhance our corporate governance framework. As these comments were outside the scope of this consultation, they may be considered in future reviews as appropriate. We summarise some of the recurring comments below.

### ***Increasing INED representation on the board***

226. A number of respondents recommended that the Exchange increase the minimum level of INED representation on the board from one-third of INEDs<sup>70</sup> to at least a majority of INEDs. This was regarded as particularly important for issuers without an independent board chair. These respondents believed that having a majority of INEDs on the board would increase INEDs' active involvement in board matters and help them to better perform their collective roles. They believed that an increased number of INEDs would also provide issuers with more room for meaningful refreshment through careful succession planning.

### ***INED chair of the nomination committee***

227. A number of respondents suggested that the Exchange require the nomination committee to be chaired by an INED. This would align the nomination committee (which can currently be chaired by the board chair or an INED<sup>71</sup>) with the audit and

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<sup>70</sup> MB Rule 3.10A / GEM Rule 5.05A.

<sup>71</sup> MB Rule 3.27A / GEM Rule 5.36A.

remuneration committees.

*INED remuneration in Hong Kong*

228. A few respondents noted that various proposals in this consultation would affect INEDs, and that the level of INED remuneration in Hong Kong is lower than that in some other major markets, which may discourage quality candidates from taking on INED roles. There were suggestions to conduct a market survey of INED remuneration in Hong Kong, and to reflect the need for issuers to remunerate INEDs at a suitable level in the Listing Rules.

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**APPENDIX I: LIST OF RESPONDENTS**

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<b>Accounting firms (6 in total)</b>	
1	BDO Risk Advisory Services Limited
2	Deloitte Touche Tohmatsu
3	Ernst & Young
4	KPMG
5	PricewaterhouseCoopers
6	SHINEWING Risk Services Limited
<b>Corporate finance firms / banks (4 in total)</b>	
1	China International Capital Corporation Hong Kong Securities Limited
2	Independent Audit Limited
3-4	2 corporate financial firms/ banks requested anonymity
<b>Investment management firms (15 in total)</b>	
1	BlackRock
2	Columbia Threadneedle Investments
3	Fidelity International
4	Impax Asset Management
5	Link Asset Management Limited
6	Norges Bank Investment Management
7	Robeco
8	T Rowe Price Associates
9-15	7 investment management firms requested anonymity
<b>Law firms (15 in total)</b>	
1	Baker & McKenzie
2	Clifford Chance
3	Davis Polk & Wardwell
4	Kirkland & Ellis

5	Latham & Watkins LLP
6	Simmons & Simmons
7	Skadden Arps Slate Meagher & Flom
8	Slaughter and May
9	北京市海問（深圳）律師事務所
10-15	6 law firms requested anonymity
<b>Listed issuers (66 in total)</b>	
1	AIA Group Limited
2	Cathay Pacific Airways Limited <sup>1</sup>
3	Champion Real Estate Investment Trust
4	CK Asset Holdings Limited
5	CLP Holdings Limited
6	Da Yu Financial Holdings Limited
7	ENN Energy Holdings Limited
8	Great Eagle Holdings Limited
9	Guotai Junan International Holdings Limited
10	Kirkland & Ellis on behalf of Wynn Macau Limited
11	Langham Hospitality Investments and Langham Hospitality Investments Limited
12	Meitu, Inc.
13	Melco International Development Limited
14	MTR Corporation Limited
15	Prosperity Real Estate Investment Trust
16	Prudential plc
17	Quam Plus International Financial Limited
18	Sun Hung Kai Properties Limited

<sup>1</sup> Cathay Pacific Airways Limited's submission is identical to the submission of Swire Pacific Limited and Swire Properties Limited. Therefore, we count the three submissions as one response.



19	Swire Pacific Limited
20	Swire Properties Limited
21	Television Broadcasts Limited
22	Tencent Holdings Limited
23	The Bank of East Asia Limited
24	The Hongkong and Shanghai Hotels Limited
25	Wing Tai Properties Limited
26-66	41 listed issuers requested anonymity <sup>2,3</sup>
<b>Other entities (23 in total)</b>	
1	Avista Risk Advisory Limited
2	CompliancePlus Consulting Limited
3	Copeland and Partners Limited
4	Egon Zehnder International Limited
5	Glass Lewis
6	Kerry Holdings Limited
7	Masterpiece Risk Advisory Limited
8	OCF Corporate Advisory Limited
9	Protiviti Shanghai Co., Ltd.
10	SWCS Corporate Services Group (Hong Kong) Limited
11	The 30% Club Hong Kong
12	The DCRO Risk Governance Institute
13	The Equal Opportunities Commission
14	The Women's Foundation
15	Webb-site

<sup>2</sup> One anonymous listed company submission was identical to two anonymous individual submissions. Therefore, we count the three submissions as one response.

<sup>3</sup> There were two instances where one anonymous listed company submission was identical to another anonymous listed company submission. We count each set of identical submissions as one response. Therefore, the four submissions are counted as two responses.

16	Women Alliance Group
17	ZD Proxy Shareholder Services
18-23	6 other entities requested anonymity <sup>4</sup>
<b>Professional bodies / industry associations (28 in total)</b>	
1	Asian Corporate Governance Association
2	Asset Management Group of Asia Securities Industry & Financial Markets Association
3	Association of Hong Kong Capital Market Practitioners Limited
4	Association of Women Accountants (Hong Kong) Ltd & Shenzhen Hong Kong Macau Women Directors Alliance Ltd
5	CFA Society Hong Kong and CFA Institute
6	China Independent Non-Executive Director Association
7	Federation of Hong Kong Industries
8	Hong Kong General Chamber of Commerce
9	Hong Kong Independent Non-Executive Director Association
10	Hong Kong Institute of Certified Public Accountants
11	Hong Kong Investment Funds Association
12	Hong Kong Investor Relations Association
13	Hong Kong Professionals and Senior Executives Association
14	Hong Kong REITS Association Limited
15	Hong Kong Securities & Futures Professionals Association
16	International Corporate Governance Network
17	Professional Investors (PI) Association Limited
18	The Chamber of Hong Kong Listed Companies
19	The Chinese Manufacturers' Association of Hong Kong
20	The Hong Kong Chartered Governance Institute
21	The Hong Kong Federation of Insurers

<sup>4</sup> One anonymous other entities submission was identical to one anonymous individual submission. Therefore, we count the two submissions as one response.

22	The Hong Kong Institute of Directors
23	The Institute of Internal Auditors Hong Kong Limited
24	The Law Society of Hong Kong
25	The Real Estate Developers Association of Hong Kong <sup>5</sup>
26	The Society of Chinese Accountants & Auditors
27-28	2 professional bodies / industry associations requested anonymity
<b>Individuals (104 in total)</b>	
1	Andy Clay
2	Anthony Cheung
3	Augustus Cheng
4	Chui Man Lung Everett
5	Diana David
6	Dr. Lawrence Wong
7	Enrique Becerra Soto
8	Fiona Nott
9	Ivy Au Yeung
10	Jessie Zhang
11	Joanna Hotung
12	John Gale
13	Ka Shi Lau
14	Lee Kwan Hung
15	Leung Sze Man
16	Li Siu Kei
17	Mary Mulvihill
18	Mok Chi Ming

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<sup>5</sup> The Real Estate Developers Association of Hong Kong's submission is an endorsement of The Chamber of Hong Kong Listed Companies' views as set out in its submission in respect of the proposal regarding the cap on the tenure of Long Serving INEDs. Therefore, we count the two submissions as one response.

19	Patrick B Paul
20	Steve Ong
21	Steve Wong
22	Susan Holliday
23	Wai Man Ho
24	Wu Wanqi
25	Yuk Shau Celina Chan
26	李一俊
27	陸澄
28-104	77 individuals requested anonymity <sup>6</sup>

*Remarks:*

1. *If the entire body of the response is identical, word-for-word, with the entire body of another response, it will be recorded as a “duplicate response” and it will not be counted for the purpose of a quantitative and qualitative analysis of the responses.*
2. *The total number of responses is calculated according to the number of submissions received and not the underlying members that they represent.*

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<sup>6</sup> Four anonymous individual submissions were identical. Therefore, we count the four submissions as one response.

## APPENDIX II: QUANTITATIVE ANALYSIS OF RESPONSES

Proposals in the Consultation paper	Feedback <sup>1</sup>		
	Yes	No	Did not comment
<b>(A) Board effectiveness</b>			
<b>I. Designation of lead INED</b>			
1. Do you agree with our proposal to introduce a new CP requiring issuers without an independent board chair to designate one INED as a Lead INED to enhance engagement with investors and shareholders?	132 (59%)	93 (41%)	25
<b>II. Mandatory director training</b>			
2. (a) Regarding continuous professional development for directors, do you agree with our proposals to make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours?	196 (90%)	21 (10%)	33
2. (b) Regarding continuous professional development for directors, do you agree with our proposals to require First-time Directors to complete a minimum of 24 hours of training within 18 months following their appointment?	192 (87%)	28 (13%)	30
2. (c) Regarding continuous professional development for directors, do you agree with our proposals to define "First-time Directors" to mean directors who (i) are appointed as a director of an issuer listed on the Exchange for the first time; or (ii) have not served as a director of an issuer listed on the Exchange for a period of three years or more prior to their appointment?	178 (86%)	29 (14%)	43
2. (d) Regarding continuous professional development for directors, do you agree with our proposals to specify the specific topics that must be covered under the continuous professional development requirement?	162 (76%)	50 (24%)	38

<sup>1</sup> The market feedback (Yes / No) out of the 250 non-duplicate responses presented for each consultation question in this table excludes respondents who did not respond or did not indicate clearly a view to a proposal.

Proposals in the Consultation paper	Feedback <sup>1</sup>		
	Yes	No	Did not comment
3. Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code?	168 (86%)	28 (14%)	54
<b>III. Board performance review</b>			
4. Do you agree with our proposal to upgrade the current RBP to a CP requiring issuers to conduct regular board performance reviews at least every two years and make disclosure as set out in CP B.1.4?	162 (73%)	60 (27%)	28
<b>IV. Board skills matrix</b>			
5. Do you agree with our proposal to introduce a new CP requiring issuers to maintain a board skills matrix and make disclosure set out in CP B.1.5?	157 (72%)	62 (28%)	31
<b>V. Overboarding INED and directors' time commitment</b>			
6. (a) In relation to our proposal to introduce a "hard cap" of six listed issuer directorships that INEDs may hold, do you agree with the hard cap to ensure that INEDs are able to devote sufficient time to carry out the work of the listed issuers?	163 (69%)	73 (31%)	14
6. (b) In relation to our proposal to introduce a "hard cap" of six listed issuer directorships that INEDs may hold, do you agree with the proposed three-year transition period to implement the hard cap?	157 (76%)	49 (24%)	44
7. Do you agree with the proposal to introduce a new MDR to require the nomination committee to annually assess and disclose its assessment of each director's time commitment and contribution to the board?	137 (64%)	76 (36%)	37
<b>(B) Independence of INEDs</b>			
8. (a) In relation to our proposal to introduce a "hard cap" of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree with the proposed hard cap to strengthen board independence?	126 (51%)	120 (49%)	4

Proposals in the Consultation paper	Feedback <sup>1</sup>		
	Yes	No	Did not comment
8. (b) In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree that a person can be re-considered as an INED of the same issuer after a two-year cooling-off period?	121 (59%)	83 (41%)	46
8. (c) In relation to our proposal to introduce a “hard cap” of nine years on the tenure of INEDs, beyond which an INED will no longer be considered to be independent, do you agree with the proposed three-year transition period in respect of the implementation of the hard cap?	141 (69%)	63 (31%)	46
9. Do you agree with the proposal to require all issuers to disclose the length of tenure of each director in the CG Report?	195 (92%)	16 (8%)	39
<b>(C) Board and workforce diversity</b>			
10. Do you agree with our proposal to introduce a CP requiring issuers to have at least one director of a different gender on the nomination committee?	134 (62%)	81 (38%)	35
11. Do you agree with our proposal to introduce a Listing Rule to require issuers to have and disclose a diversity policy for their workforce (including senior management)?	164 (79%)	43 (21%)	43
12. Do you agree with our proposal to upgrade from a CP to a MDR the requirement on the annual review of the implementation of an issuer’s board diversity policy?	164 (80%)	41 (20%)	45
13. Do you agree with our proposal to require as a revised MDR separate disclosure of the gender ratio of: (i) senior management; and (ii) the workforce (excluding senior management) in the CG Report?	165 (77%)	48 (23%)	37
14. Do you agree with our proposal to codify the arrangements during temporary deviations from the requirement for issuers to have directors of different genders on the board as set out in draft MB Rule 13.92(2) in Appendix I?	162 (81%)	37 (19%)	51

Proposals in the Consultation paper	Feedback <sup>1</sup>		
	Yes	No	Did not comment
<b>(D) Risk management and internal control</b>			
15. (a) Do you agree with our proposal to emphasise in Principle D.2 the board's responsibility for the issuer's risk management and internal controls and for the (at least) annual reviews of the effectiveness of the risk management and internal control systems?	193 (92%)	17 (8%)	40
15. (b) Do you agree with our proposal to upgrade the requirement to conduct (at least) annual reviews of the effectiveness of the issuer's risk management and internal control systems to mandatory and require the disclosures set out in MDR paragraph H?	178 (84%)	33 (16%)	39
16. Do you agree with our proposal to refine the existing CPs in section D.2 of the CG Code setting out the scope of the (at least) annual reviews of the risk management and internal control systems?	184 (90%)	20 (10%)	46
<b>(E) Dividends</b>			
17. Do you agree with our proposal to introduce a new MDR requiring specific disclosure of the issuer's policy on payment of dividends and the board's dividend decisions during the reporting period?	168 (84%)	33 (16%)	49
<b>(F) Other minor Rule amendments</b>			
<b>I. Requirement for issuers to set a record date</b>			
18. Do you agree with our proposal to introduce a Listing Rule requirement for issuers to set a record date to determine the identity of security holders eligible to attend and vote at a general meeting or to receive entitlements?	180 (92%)	16 (8%)	54
<b>II. Disclosure on modified auditors' opinion</b>			
19. Do you agree with our proposal to codify our recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules?	179 (94%)	11 (6%)	60



Proposals in the Consultation paper	Feedback <sup>1</sup>		
	Yes	No	Did not comment
<b>III. Financial information</b>			
20. Do you agree with our proposal to clarify our expectation of the provision of monthly updates in CP D.1.2 and the note thereto?	162 (81%)	37 (19%)	51
<b>IV. Align nomination committee requirements with existing audit committee and remuneration committee requirements</b>			
21. Do you agree with our proposal to align requirements for the nomination committee, the audit committee and the remuneration committee on establishing written terms of reference for the committee and the arrangements during temporary deviations from requirements as set out in draft Main Board Listing Rules 3.23, 3.27, 3.27B, 3.27C and 8A.28A in Appendix I?	180 (93%)	14 (7%)	56
<b>Implementation dates and transitional arrangements</b>			
22. Do you agree with the proposed implementation date of financial years commencing on or after 1 January 2025, with transitional arrangements as set out in paragraphs 182 to 183 of the Consultation Paper?	150 (81%)	36 (19%)	64

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## APPENDIX III: AMENDMENTS TO MAIN BOARD LISTING RULES

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### Part A: Amendments to Main Board Listing Rules

#### Chapter 3

#### GENERAL

#### AUTHORISED REPRESENTATIVES, DIRECTORS, BOARD COMMITTEES AND COMPANY SECRETARY

...

#### Directors

...

3.09F Every director of a listed issuer must receive continuous professional development in each financial year of the issuer.

Director  
Training

3.09G The continuous professional development required by rule 3.09F must at least cover each of the following topics:

- (1) the roles, functions and responsibilities of the board, its committees and its directors, and board effectiveness;
- (2) issuers' obligations and directors' duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rule updates) relevant to the discharge of such obligations and duties;
- (3) corporate governance and ESG matters (including developments on sustainability or climate-related risks and opportunities relevant to the issuer and its business);
- (4) risk management and internal controls; and
- (5) updates on industry-specific developments, business trends and strategies relevant to the issuer.

3.09H First-time directors must complete no less than 24 hours of the continuous professional development required by rule 3.09F within 18 months of the date of their appointment. First-time directors who have served as a director of an issuer listed on an exchange other than the Main Board or GEM within the three years prior to their appointment must complete no less than 12 hours of the continuous professional development required by rule 3.09F within 18 months of the date of their appointment.

Notes: 1. For the purpose of this rule, "first-time directors" means individuals who: (i) are appointed as a director of an issuer listed on the Main Board or GEM for the first time (i.e. have no prior experience as a director of an issuer listed on the Main Board and GEM); or (ii) have not served as a director of an issuer listed on the Main Board or GEM within the three years prior to their appointment.

2. If a first-time director ceases to be a director of an issuer listed on the Main Board or GEM prior to the completion of the required number of hours of continuous professional development in rule 3.09H, and is subsequently appointed as a director of an issuer listed on the Main Board or GEM within three years of the conclusion of the first appointment, that individual would have to complete the remaining training hours within 18 months from the subsequent appointment.

...

3.12 In addition to fulfilling the requirements and continuing obligations of rules 3.08, 3.09, 3.12A, and 3.13, and 3.13A, every independent non-executive director must have the character, integrity, independence and experience to fulfil his role effectively. The Exchange may stipulate a minimum number of independent non-executive directors which is higher than three if, in the opinion of the Exchange, the size of the board or other circumstances of the listed issuer justify it.

3.12A An independent non-executive director must not concurrently hold more than six directorships of issuers listed on the Main Board or GEM.

Note: As a transitional arrangement, an independent non-executive director who concurrently holds more than six directorships of issuers listed on the Main Board or GEM as at 30 June 2028 must comply with this rule by the conclusion of the earliest annual general meeting held on or after 1 July 2028 by any of these issuers.

...

3.13A An issuer's board must not include an independent non-executive director who has served on the board as an independent non-executive director for a period of nine years or more, as at the conclusion of the issuer's annual general meeting that follows the end of the director's nine-year tenure.

Notes: 1. As a transitional arrangement, an issuer's board must not:

(i) as at the conclusion of its first annual general meeting held on or after 1 July 2028, have independent non-executive directors who have served for a period of nine years or more representing a majority of its independent non-executive directors; and

(ii) as at the conclusion of its first annual general meeting held on or after 1 July 2031, include any independent non-executive director who has served for a period of nine years or more.

2. For the purpose of this rule, a "period of nine years" will be counted from the date of appointment of an independent non-executive director or (where the appointment occurs before listing) the listing date of the issuer. Where the individual ceases to be an independent non-executive director of the issuer for a period(s) of less than three years (prior to serving as an independent non-executive director for a period of nine years), such period(s) will be counted towards the calculation of the tenure.

Over-boarding

Long serving INEDs

3. The Exchange will permit an individual who has previously served as an independent non-executive director on the board of a listed issuer for nine years or more to be subsequently re-appointed as an independent non-executive director of the same issuer, provided that such individual: (i) satisfies the independence guidelines set out in rule 3.13; and (ii) has not, at any time during the three years immediately prior to the date of their proposed re-appointment, been a director of the listed issuer, of its holding company or of any of their respective subsidiaries or of any core connected persons of the listed issuer.

...

## Chapter 13

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

...

#### GENERAL

...

#### Environmental and Social Matters

...

13.92 (1) ~~The issuer nomination committee (or the board) shall~~ must have a policy(ies) concerning the diversity of its board members and the diversity of its workforce (including senior management), and shall must disclose ~~the policy on diversity~~ such policy(ies) or a summary of the policy(ies) in the corporate governance report.

Diversity

(2) Board diversity differs according to the circumstances of each issuer. While diversity of board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience), the Exchange will not consider diversity to be achieved for a single gender board. If the issuer is unable at any time to meet the requirement to have directors of different genders on the board, it must immediately publish an announcement containing the relevant details and reasons. The issuer must use all reasonable endeavours to appoint appropriate member(s) to the board to meet such requirement on a timely basis, and in any case within three months after being unable to meet such requirement.

*Note: As a transitional arrangement, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024.*

...

Part B: Amendments to Appendix C1

**C. Corporate Governance /  
Environmental, Social and Governance**

**Appendix C1**

**CORPORATE GOVERNANCE CODE**

...

**PART 1 - MANDATORY DISCLOSURE REQUIREMENTS**

To provide transparency, issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible. Failure to do so will be regarded as a breach of the Exchange Listing Rules.

...

**B. BOARD OF DIRECTORS**

- (a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors, ~~and~~ independent non-executive directors and lead independent non-executive director (if any); and for each named director, their length of tenure and current period of appointment;

Lead  
INED

...

- (i) ~~how each director, by name, complied with code provision C.1.4~~ a confirmation that all directors, by name, have participated in continuous professional development as required by rules 3.09F, 3.09G and 3.09H during the reporting period. The confirmation should set out sufficient details for each director, including:

Director  
Training

- (i) the total number of hours of continuous professional development completed during the reporting period;

- (ii) the format or mode of continuous professional development taken, including whether an external or internal provider was used or whether the professional development was the result of self-study. In respect of each mode of continuous professional development taken by each director, disclosure of the number of hours completed, the training topics covered and a description of the relevant training provider(s), where applicable (e.g. name(s) and/or type(s)); and

- (iii) in addition, for any director subject to rule 3.09H, where applicable, a statement confirming that such director has completed the required continuous professional development under rule 3.09H.

...

## E. BOARD COMMITTEES

The following information for each of the audit committee, remuneration committee, nomination committee, risk committee (if any), and corporate governance functions:

...

(d) a summary of the work during the year, including:

...

- (iii) for the nomination committee, disclosing (1) the policy for the nomination of directors during the year, which—This includes the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year, and (2) its assessment of each director’s time commitment and contribution to the board, as well as the director’s ability to discharge his or her responsibilities effectively, taking into account professional qualifications and work experience, existing directorships of issuers listed on the Main Board or GEM and other significant external time commitments of such director and other factors or circumstances relevant to the director’s character, integrity, independence and experience;

Over-boarding

*Note: For the purpose of this requirement:*

- 1 “significant external time commitments” includes all external commitments beyond directorship roles on issuers listed on the Main Board or GEM that involve significant time commitment. This includes, for example, directorships of issuers listed on an exchange other than the Main Board or GEM, full-time occupations, major consultancy work, major public service commitments, directorships of and involvement in statutory bodies or non-profit organizations; and
- 2 “other factors or circumstances relevant to the director’s character, integrity, independence and experience” includes any change or development in the director’s individual situation or circumstance that should reasonably be taken into account in assessing whether he or she is able to effectively discharge his or her duties.

...

## H. RISK MANAGEMENT AND INTERNAL CONTROL

~~An issuer who reports in the Corporate Governance Report~~Details of the review that it has conducted a review of the effectiveness of the issuer’s and its subsidiaries’ risk management and internal control systems under code provision D.2.1, which shall be conducted at least annually, including must disclose the following:

Internal Controls

- (a) a statement from the board: (i) acknowledging its responsibility for the issuer's risk management and internal control systems; and (ii) confirming that the issuer's risk management and internal control systems are appropriate and effective for the purposes set out in Principle D2 of the Corporate Governance Code;
- (b) the main features of the risk management and internal control systems, including the process used to identify, evaluate and manage significant risks, and the procedures for the timely, accurate and complete disclosure of discloseable information, including inside information and any other information required to prevent a false market in the issuer's securities;
- (c) any significant changes during the reporting period in (i) the issuer's assessment of risks (including ESG risks) and (ii) the risk management and internal control systems;
- (ad) whether the issuer has an internal audit function;
- (e) the responsibilities of internal departments (such as the internal audit function, if it exists) and external providers for reviewing the effectiveness of the issuer's risk management and internal control systems, the process used to conduct those reviews and their frequency;
- (f) information supporting the board's conclusion that the risk management and internal control systems are appropriate and effective, including any confirmations received (as applicable) from: management, the relevant board committee(s) with responsibility for the issuer's risk management and internal controls and any other internal departments (such as the internal audit function, if it exists), the issuer's independent auditors, and/or other external providers; and
- (g) scope of the review and details of review findings, including any significant control failings or weaknesses that were identified in the current reporting period, or that were previously reported but remain unresolved, and any remedial steps taken or proposed to address such control failings or weaknesses.
- ~~(b) how often the risk management and internal control systems are reviewed and the period covered; and~~
- ~~(c) whether the issuer considers its risk management and internal control systems effective and adequate.~~

...

## J. DIVERSITY

- (a) (i) The issuer's policy on board diversity or a summary of the policy, which should include information on including any measurable objectives (e.g. numerical targets and timelines) that it has set for the promotion of gender diversity on its board and implementing the policy the measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity; and (ii) the results of the issuer's review of the implementation of its board diversity policy conducted during the year (including progress towards the issuer's objectives and progress on achieving those objectives and how the issuer has arrived at its conclusion);
- ~~(b) disclose and explain:~~
  - ~~(i) how and when gender diversity will be achieved in respect of the board;~~

Diversity

- ~~(ii) the numerical targets and timelines set for achieving gender diversity on its board; and~~
- ~~(iii) what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity.~~
- (e**b**) disclose and explain the issuer's policy on diversitygender ratio in the workforce (including senior management) or a summary of the policy, including any plans or measurablemeasurable objectives (e.g. numerical targets and timelines) the issuer has set for achieving gender diversity, and progress on achieving those objectives. Where applicable, issuers may disclose and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.; and
- (c) the gender ratio of: (i) senior management; and (ii) the workforce (excluding senior management).

*Note: In this Corporate Governance Code, "senior management" refers to the same persons referred to in the issuer's annual report and required to be disclosed under paragraph 12 of Appendix D2.*

...

## L. INVESTOR RELATIONS

- (a) Any significant changes in the issuer's constitutional documents during the year;
- (b) the issuer's shareholders' communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters affecting the issuer, as well as steps taken to solicit and understand the views of shareholders and stakeholders; ~~and~~
- (c) a statement of the issuer's review of the implementation and effectiveness of the shareholders' communication policy conducted during the year (including how it arrives at the conclusion); ~~and~~
- (d) details of the shareholder engagement conducted under code provision F.1.1 (if applicable).

Lead INED / shareholder engagement

## M. DIVIDENDS

- (a) Where the issuer has a policy on payment of dividends:
  - (i) the policy or a summary of the policy, including the aim or objective of the policy, and the key factors that the board will take into account when deciding whether to declare, recommend or pay any dividend; and
  - (ii) a confirmation that all dividend decisions made by the board were made in accordance with the issuer's dividend policy; otherwise, an explanation of any deviations from the issuer's dividend policy;
- (b) where the issuer does not have a policy on payment of dividends:

Dividends



- (i) the fact that no such policy exists; and
- (ii) the reason(s) for the absence of such policy;
- (c) regardless of whether the issuer has a policy on payment of dividends, the issuer must:
  - (i) where the board declared a dividend (whether interim or final) during the year, the reason(s) for any material variation in the dividend rate compared to that for the previous corresponding period; and
  - (ii) where the board decided not to declare any dividend, the reason(s) for the board's decision and the measures that the issuer intends to take to enhance investors' return (if any).

...

## PART 2 - PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

...

### B. BOARD COMPOSITION AND NOMINATION

#### B.1 Board composition, succession and evaluation

...

##### Code Provisions

...

~~B.1.3 The board should review the implementation and effectiveness of the issuer's policy on board diversity on an annual basis.~~

Diversity

B.1.43 An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.

B.1.4 An issuer should conduct a formal evaluation of the board's performance at least every two years. Issuers should confirm in the Corporate Governance Report whether they conducted a board performance review during the reporting period and if not, when the next board performance review will be conducted. If a board performance review was conducted during the reporting period, issuers should disclose in the Corporate Governance Report:

Board  
Evaluation

(a) whether the board performance review was conducted internally or by an external provider;

(b) how the board performance review was conducted, including the scope of the review and the responsible department(s) /

committee(s) / external provider(s) involved in conducting the review;

(c) the connection (if any) between any external provider involved in the board performance review and the issuer or any of its directors; and

(d) details on the findings of the board performance review, including significant areas of improvement (if identified during the board performance review), and measures taken or planned as a result of the board performance review.

**B.1.5** An issuer should maintain and disclose in the Corporate Governance Report a board skills matrix setting out information including:

Skills Matrix

(a) details of the mix of skills that the board currently has;

(b) an explanation of how the combination of skills, experience and diversity of the directors serves the issuer's purpose, values, strategy and desired culture; and

(c) (where applicable) details of any further skills that the board is looking to acquire, its plans to acquire such further skills, and how the plans made in the previous year(s) were achieved or progressed in the reporting year.

### **Recommended Best Practices**

~~B.1.5 The board should conduct a regular evaluation of its performance.~~

Board Evaluation

...

## **B.2 Appointments, re-election and removal**

...

### **Code Provisions**

...

B.2.3 [To be repealed after 30 June 2031] If an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.

Long serving INEDs

B.2.4 [To be repealed after 30 June 2028] Where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:

(a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders

and/or explanatory statement accompanying the notice of the annual general meeting; and

- (b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting<sup>1</sup>.

<sup>1</sup> ~~The appointment of a new independent non-executive director requirement will come into effect for the financial year commencing on or after 1 January 2023.~~

### B.3 Nomination Committee

#### Code Provisions

B.3.1 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:-

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually, assist the board in maintaining a board skills matrix, and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- (c) assess the independence of independent non-executive directors; ~~and~~
- (d) make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive; and-
- (e) support the issuer's regular evaluation of the board's performance.

Skills  
matrix

Board  
Evaluation

B.3.4 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
- (b) [To be repealed after 30 June 2028] if the proposed independent non-executive director will be holding their seventh (or more) ~~listed company~~ directorship of an issuer listed on the Main Board or GEM, why the board believes the individual would still be able to

Over-  
boarding

devote sufficient time to the board;

- (c) the perspectives, skills and experience that the individual can bring to the board; and
- (d) how the individual contributes to diversity of the board.

**B.3.5** Issuers should appoint at least one director of a different gender to the nomination committee.

Diversity

## C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

### C.1 Responsibilities of directors

#### Principle

Every director must understand, and, at all times, be aware of ~~always know~~ their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. To ensure directors' contribution to the board remains informed and relevant, all directors must participate in continuous professional development to develop and refresh their knowledge and skills for a proper understanding of the issuer's business, operations and governance policies and full awareness of their responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements. Directors should provide a record of the continuous professional development they received to the issuer.

Director Training

#### Code Provisions

C.1.1 An issuer should be responsible for arranging and (where necessary) funding:

(a) Newly appointed directors of an issuer should receive a comprehensive, formal and tailored induction for newly appointed directors upon appointment; and

(b) suitable continuous professional development for all directors. Subsequently they should receive any briefing and professional development necessary to ensure that they have a proper understanding of the issuer's operations and business and are fully aware of their responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

...

C.1.4 ~~All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training,~~

~~placing an appropriate emphasis on the roles, functions and duties of a listed company director.~~

~~*Note: Directors should provide a record of the training they received to the issuer.*~~

C.1.54 Directors should disclose to the issuer at the time of their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant external time commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.

Over-boarding

C.1.65 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

*Note: Non-executive directors' attendance at general meetings is important. An independent non-executive director is often the chairman or a member of board committees and as such, the individual should be accountable to shareholders by being available to respond to questions and enquiries in relation to their work. Without attending general meetings, the director will not be able to develop a balanced understanding of the views of shareholders.*

C.1.76 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.

C.1.87 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

### **Recommended Best Practices**

C.1.8 Where the chairman is not an independent non-executive director, an issuer should appoint one independent non-executive director to be the lead independent non-executive director to (a) serve as an intermediary for the other directors and shareholders; and (b) be available to other directors and shareholders where normal communication channels with the chairman or management are inadequate.

Lead INED

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## D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

### D.1 Financial reporting

#### Code Provisions

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...

D.1.2 Management should provide all members of the board with, and the board and each director are entitled to and should request for, monthly updates giving a balanced and understandable assessment of the issuer's financial and operating performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under ~~R~~rule 3.08 and Chapter 13.

Management  
Accounts

*Note: The information provided ~~may~~ should (where available) include monthly management accounts and management updates, background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts ~~and monthly~~ and other relevant internal financial statements ~~such as monthly management accounts and management updates.~~ For budgets, any material variance between the projections and actual results should also be disclosed and explained.*

...

### D.2 Risk management and internal control

#### Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, ~~and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems.~~ Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide ~~Code~~ in Appendix C2 to the Exchange Listing Rules for further information).

Internal  
Controls

The board is responsible for ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems for the purpose of dealing with identified risks, safeguarding the issuer's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the issuer's financial reports and achieving compliance with applicable laws and regulations. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, on an ongoing basis. The board is also responsible for ensuring that the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems is reviewed at least annually, and management should provide a confirmation to the board on the effectiveness of these systems.

## Code Provisions

~~D.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.~~

D.2.21 The board should ensure that the review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems, which shall be conducted at least annually, is adequately resourced. should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the issuer's ESG performance and reporting. The scope of the review should cover all material controls, including financial, operational and compliance controls, and should, in particular, consider:

D.2.3 ~~The board's annual review should, in particular, consider:~~

- ~~(a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment;~~
- ~~(b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;~~
- ~~(c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) for the purposes of assessing the adequacy which enables it to assess control of the issuer and the effectiveness of the issuer's risk management and internal control systems;~~
- ~~(d) significant control failings or weaknesses that have been identified during the review period of the risk management and internal control systems, and. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition, and any remedial measures taken to address such control failings or weaknesses; and~~
- ~~(e) the effectiveness of the issuer's processes for financial reporting and Exchange Listing Rule compliance; and-~~

- (f) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, and financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.

Note: Issuers should refer to the guidance issued by the Exchange on the Exchange's website, as amended from time to time, on the scope of the review of the risk management and internal control systems.

~~D.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:~~

- ~~(a) the process used to identify, evaluate and manage significant risks;~~
- ~~(b) the main features of the risk management and internal control systems;~~
- ~~(c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;~~
- ~~(d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and~~
- ~~(e) the procedures and internal controls for the handling and dissemination of inside information.~~

D.2.52 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

Notes: 1 *An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems.*



2 *A group with multiple listed issuers may share group resources to carry out the internal audit function for members of the group.*

D.2.63 The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the issuer.

D.2.74 The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

### **Recommended Best Practices**

~~D.2.8 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.~~

~~D.2.9 The board may disclose in the Corporate Governance Report details of any significant areas of concern.~~

...

## **F. SHAREHOLDERS ENGAGEMENT**

### **F.1 Effective communication and conduct of shareholders meetings**

#### **Principle**

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use formal meetings (including annual general meetings or other general meetings) and other appropriate channels under the issuer's shareholders' communication policy to communicate with them and encourage their participation. In addition, the issuer should ensure that shareholders are given sufficient advance notice of shareholders meetings and provide sufficient information to enable shareholders to familiarise themselves with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

#### **Code Provisions**

~~F.1.1 The issuer should have a policy on payment of dividends and should disclose it in the annual report.~~

Dividends

### **~~F.2 Shareholders meetings~~**

#### **Principle**

The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

### **Code Provisions**

F.1.1 The board, in particular the independent non-executive directors, should be accessible to shareholders to facilitate constructive engagement and to understand their views on matters affecting the issuer, including governance and performance against the issuer's corporate strategy. The board should include in the Corporate Governance Report information on engagement conducted with shareholders during the reporting period, including:

- (a) the nature and number / frequency of the engagements conducted;
- (b) the group(s) of shareholders involved in these engagements;
- (c) the representatives of the issuer involved in these engagements (e.g. chief executive, chairman of the board, independent non-executive directors, board committee chairmen and members of senior management); and
- (d) the issuer's approach to following up on the outcomes of these engagements.

F.2.1.2 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.

*Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.*

F.2.1.3 The chairman of the board should attend the annual general meeting. The chairman of the board should also invite the lead independent non-executive director (if any) and the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence of any committee chairman, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer relevant questions at the annual general meeting. The chairman of the independent board committee (if any) should also be

Lead INED /  
Shareholder  
engagement

available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

*Note: Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by the above persons at a meeting by electronic means such as telephonic or videoconferencing may be counted as physical attendance.*

**F.2.31.4** The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

#### **Recommended Best Practices**

**F.1.25** Issuers are encouraged to include the following information in their Corporate Governance Report:

- (a) details of shareholders by type and aggregate shareholding;
- (b) indication of important shareholders' dates in the coming financial year;
- (c) the percentage of public float, based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report; and
- (d) the number of shares held by each of the senior management.

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Part C: Minor Rule Amendments

Chapter 3

GENERAL

AUTHORISED REPRESENTATIVES, DIRECTORS, BOARD COMMITTEES  
AND COMPANY SECRETARY

...

Directors

...

3.11 An issuer shall immediately inform the Exchange and publish an announcement containing the relevant details and reasons if, at any time, the number of its independent non-executive directors falls below:

- (1) the minimum number required under rule 3.10(1) or at any time it has ~~failed~~been unable to meet the requirement set out in rule 3.10(2) regarding qualification of the independent non-executive directors; or
- (2) one-third of the board as required under rule 3.10A.

The issuer shall use all reasonable endeavours to appoint a sufficient number of independent non-executive directors to meet the minimum number required under rule 3.10(1) or 3.10A or appoint an independent non-executive director to meet the requirement set out in rule 3.10(2) on a timely basis, and in any case within three months after being unable to ~~failing to~~ meet the requirement(s).

...

Audit Committee

...

3.23 A listed issuer shall immediately inform the Exchange and publish an announcement in accordance with rule 2.07C containing the relevant details and reasons if the listed issuer ~~fails~~is unable to set up an audit committee or at any time has ~~failed~~been unable to meet any of the other requirements set out in rules 3.21 and 3.22 regarding the audit committee. ~~Listed issuers shall~~The issuer must use all reasonable endeavours to set up an audit committee with written terms of reference and/or appoint appropriate members to the audit committee to meet the requirement(s) on a timely basis, and in any case within three months after being unable to ~~failing to~~ meet such requirement(s).

Board  
committee

...

## Remuneration Committee

...

- 3.27 If the issuer fails to set up a remuneration committee or at any time has failed to meet any of the other requirements in rules 3.25 and 3.26, it must immediately publish an announcement containing the relevant details and reasons. Issuers must use all reasonable endeavours to set up a remuneration committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) on a timely basis, and in any case within three months after being unable to meet such requirement(s).

## Nomination Committee

...

- 3.27B The board of directors must approve and provide written terms of reference for the nomination committee which clearly establish its authority and duties.
- 3.27C If the issuer is unable to set up a nomination committee or at any time has been unable to meet any of the other requirements in rules 3.27A and 3.27B, it must immediately publish an announcement containing the relevant details and reasons. The issuer must use all reasonable endeavours to set up a nomination committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) on a timely basis, and in any case within three months after being unable to meet such requirement(s).

...

## Chapter 8A

### EQUITY SECURITIES

### WEIGHTED VOTING RIGHTS

...

### CORPORATE GOVERNANCE

...

#### *Nomination committee*

...

- 8A.28A If a listed issuer with a WVR structure is unable to set up a nomination committee or at any time has been unable to meet any of the other requirements in rules 8A.27 (in respect of establishing written terms of reference for the nomination committee or the composition of the nomination committee) and 8A.28, it must immediately publish an announcement containing the relevant details and reasons. The issuer must use all reasonable endeavours to set up a nomination committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) on a timely basis, and in any case within three months after being unable to meet such requirement(s).

...

**Chapter 13**  
**EQUITY SECURITIES**  
**CONTINUING OBLIGATIONS**  
...  
**TRADING AND SETTLEMENT**  
...

**Closure of books and record date**

- 13.66 (1) (a) An issuer must set a record date for determining the identity of securities holders eligible for attending and voting at the general meeting or receiving entitlements.
- (b) An issuer must announce (a) the record date and (b) any closure of its transfer books or register of members in respect of securities listed in Hong Kong. For a rights issue, such announcement must be made at least six business days before the record date (when there is no book closure) or book closure date~~the closure for a rights issue, or in all other cases,~~ 10 business days before the record date (when there is no book closure) or book closure in other cases. ~~In cases where~~ Where there is an alteration of the record date or book closing dates, the issuer must, at least five business days before (i) the announced record date (where there is no book closure) / book closure or (ii) the new record date (where there is no book closure) / book closure, whichever is earlier, notify the Exchange in writing and make a further announcement. If, however, there are exceptional circumstances that render the giving of the notification to the Exchange and publication of the announcement impossible, the issuer must comply with the requirements as soon as practicable. ~~Where the issuer decides on a record date without book closure, these requirements apply to the record date.~~

Record  
date

Notes:

- ...
2. *In addition, for a rights issue, the issuer must provide at least two trading days for trading in the securities with entitlements (i.e. before the ex-dates, as referred to in Practice Note 8) after publication of the record date (when there is no book closure) or book closure. If trading on the Exchange is interrupted, the record date (when there is no book closure) or book-close date will be postponed, where necessary, to provide at least two trading days (during neither of which trading is interrupted) for trading of the securities with entitlements during the notice period. In these circumstances the issuer must publish an announcement on the revised timetable.*
- ...

## Chapter 19C

### EQUITY SECURITIES

#### SECONDARY LISTINGS OF OVERSEAS ISSUERS

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##### Exceptions to the Rules

- 19C.11 The following rules do not apply to an overseas issuer that has, or is seeking, a secondary listing on the Exchange: 3.09F; 3.09G; 3.09H; 3.12A; 3.13A; 3.17; 3.21 to 3.23; 3.25 to 3.27AC; 3.28; 3.29; 4.06; 4.07; Chapter 7; 8.08 (prescribed percentage of public float only); 8.09(4) (exception limited to issues outside the Exchange's markets); 8.18 (exception limited to issues outside the Exchange's markets); 9.11(10)(b); 10.05; 10.06(2)(a) to (c); 10.06(2)(e); 10.06(4); 10.06(5); 10.06A(1); 10.06A(3); 10.06B; 10.07(1); 10.07(2) to (4); 10.08; 13.11 to 13.22; 13.23(1); 13.23(2); 13.25A; 13.27; 13.28; 13.29; 13.31(1); 13.35; 13.36; 13.37; 13.38; 13.39(1) to (5A); 13.39(6) to (7) (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.40 to 13.42; 13.44 to 13.45; 13.47; 13.48(2); 13.49; 13.51(1); 13.51(2) (except that each director or member of the overseas issuer's governing body must provide their contact information and personal particulars as soon as possible as required under rule 3.20); 13.51B; 13.51C; 13.52(1)(b) to (d); 13.52(1)(e)(i) to (ii); 13.52(1)(e)(iv) (exception limited to issues outside the Exchange's markets); 13.52(2); 13.67; 13.68; 13.74; 13.80 to 13.87 (exception limited to circumstances other than where a spin-off proposal requires approval by shareholders of the parent); 13.88; 13.89; 13.91; Chapter 14; Chapter 14A; Chapter 15 (exception limited to issues outside the Exchange's markets); Chapter 16 (exception limited to issues outside the Exchange's markets); Chapter 17; Practice Note 4 (exception limited to issues outside the Exchange's markets); Practice Note 15 paragraphs 1 to 3(b) and 3(d) to 5 (exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Exchange's markets and the approval of shareholders of the parent is not required); Appendix C3; Appendix C1; Appendix D2; and Appendix C2.

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#### D. Document Content Requirements

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#### Appendix D2

#### DISCLOSURE OF FINANCIAL INFORMATION

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##### Requirement for all Financial Statements

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3. If the financial statements do not give a true and fair view of the state of affairs of the listed issuer and of the results of its operations and its cashflows, more detailed and/or additional information must be provided.

3.1 *If a listed issuer is in doubt as to what more detailed and/or additional information should be provided, it should ~~apply to the Exchange for~~ seek guidance from the Exchange. As a minimum, the listed issuer shall provide the following information:*

- (a) details of the modifications and their actual or potential impact on the listed issuer's financial position;*
- (b) management's position and basis on major judgmental areas (such as basis for impairment or valuation of assets), and how management's view is different from that of the auditors;*
- (c) the audit committee's view towards the modifications, and whether the audit committee reviewed and agreed with management's position concerning major judgmental areas; and*
- (d) the listed issuer's proposed plans to address the modifications.*



## Part D: Consequential Amendments to Main Board Listing Rules

### Chapter 8A

#### EQUITY SECURITIES

#### WEIGHTED VOTING RIGHTS

...

#### CORPORATE GOVERNANCE

...

#### Independent Non-Executive Directors

##### *Role of an independent non-executive director*

- 8A.26 The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in code provisions C.1.2, C.1.65 and C.1.76 in Part 2 of Appendix C1 to these rules.

...

#### D. Document Content Requirements

...

### Appendix D2

#### DISCLOSURE OF FINANCIAL INFORMATION

...

##### Recommended additional disclosure

52. Issuers are encouraged to disclose the following additional commentary on discussion and analysis in their interim and annual reports:
- (i) efficiency indicators (e.g. return on equity, working capital ratios) for the last five financial years indicating the bases of computation;
  - (ii) industry specific ratios, if any, for the last five financial years indicating the bases of computation;
  - (iii) a discussion of the listed issuer's purpose, corporate strategy and principal drivers of performance;
  - (iv) an overview of trends in the listed issuer's industry and business;
  - (v) a discussion on the listed issuer's policies and performance on community, social, ethical and reputational issues; and

(vi) receipts from, and returns to, shareholders.

52.1 *Issuers should also note the disclosures set out in recommended best practices F.1.25 in Part 2 of Appendix C1.*

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## APPENDIX IV: AMENDMENTS TO GEM LISTING RULES

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### Part A: Amendments to GEM Listing Rules

#### Chapter 5

#### GENERAL

#### DIRECTORS, COMPANY SECRETARY, BOARD COMMITTEES, AUTHORISED REPRESENTATIVES AND CORPORATE GOVERNANCE MATTERS

...

#### Directors

...

5.02F Every director of a listed issuer must receive continuous professional development in each financial year of the issuer.

Director  
Training

5.02G The continuous professional development required by rule 5.02F must at least cover each of the following topics:

- (1) the roles, functions and responsibilities of the board, its committees and its directors, and board effectiveness;
- (2) issuers' obligations and directors' duties under Hong Kong law and the GEM Listing Rules, and key legal and regulatory developments (including GEM Listing Rule updates) relevant to the discharge of such obligations and duties;
- (3) corporate governance and ESG matters (including developments on sustainability or climate-related risks and opportunities relevant to the issuer and its business);
- (4) risk management and internal controls; and
- (5) updates on industry-specific developments, business trends and strategies relevant to the issuer.

5.02H First-time directors must complete no less than 24 hours of the continuous professional development required by rule 5.02F within 18 months of the date of their appointment. First-time directors who have served as a director of an issuer listed on an exchange other than GEM or the Main Board within the three years prior to their appointment must complete no less than 12 hours of the continuous professional development required by rule 5.02F within 18 months of the date of their appointment.

Notes: 1. For the purpose of this rule, "first-time directors" means individuals who: (i) are appointed as a director of an issuer listed on GEM or the Main Board for the first time (i.e. have no prior experience as a director of an issuer listed on GEM and the Main Board); or (ii) have not served as a director of an issuer listed on GEM or the Main Board within the three years prior to their appointment.

2. If a first-time director ceases to be a director of an issuer listed on GEM or the Main Board prior to the completion of the required number of hours of continuous professional development in rule 5.02H, and is subsequently appointed as a director of an issuer listed on GEM or the Main Board within three years of the conclusion of the first appointment, that individual would have to complete the remaining training hours within 18 months from the subsequent appointment.

...

5.07 In addition to fulfilling the requirements and continuing obligations of rules 5.01, 5.02, 5.07A, ~~and 5.09~~, and 5.09A, every independent non-executive director must have the character, integrity, independence and experience to fulfil his role effectively. The Exchange may stipulate a minimum number of independent non-executive directors which is higher than ~~three~~ if, in the opinion of the Exchange, the size of the board or other circumstances of the issuer justify it.

5.07A An independent non-executive director must not concurrently hold more than six directorships of issuers listed on GEM or the Main Board.

Note: As a transitional arrangement, an independent non-executive director who concurrently holds more than six directorships of issuers listed on GEM or the Main Board as at 30 June 2028 must comply with this rule by the conclusion of the earliest annual general meeting held on or after 1 July 2028 by any of these issuers.

Over-boarding

...

5.09A An issuer's board must not include an independent non-executive director who has served on the board as an independent non-executive director for a period of nine years or more, as at the conclusion of the issuer's annual general meeting that follows the end of the director's nine-year tenure.

Long serving INEDs

Notes: 1. As a transitional arrangement, an issuer's board must not:

(i) as at the conclusion of its first annual general meeting held on or after 1 July 2028, have independent non-executive directors who have served for a period of nine years or more representing a majority of its independent non-executive directors; and

(ii) as at the conclusion of its first annual general meeting held on or after 1 July 2031, include any independent non-executive director who has served for a period of nine years or more.

2. For the purpose of this rule, a "period of nine years" will be counted from the date of appointment of an independent non-executive director or (where the appointment occurs before listing) the listing date of the issuer. Where the individual ceases to be an independent non-executive director of the issuer for a period(s) of less than three years (prior to serving as an independent non-executive director for a period of nine years), such period(s) will be counted towards the calculation of the tenure.

3. The Exchange will permit an individual who has previously served as an independent non-executive director on the board of a listed issuer for nine years or more to be subsequently re-appointed as an independent non-executive director of the same issuer, provided that such individual: (i) satisfies the independence guidelines set out in rule 5.09; and (ii) has not, at any time during the three years immediately prior to the date of their proposed re-appointment, been a director of the listed issuer, of its holding company or of any of their respective subsidiaries or of any core connected persons of the listed issuer.

...

## Chapter 17

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

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#### Environmental and Social Matters

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- 17.104 (1) ~~The issuer nomination committee (or the board) shall~~must have a policy(ies) concerning the diversity of its board members and the diversity of its workforce (including senior management), and ~~shall~~ must disclose ~~the policy on diversity~~ such policy(ies) or a summary of the policy(ies) in the corporate governance report.

Diversity

- (2) Board diversity differs according to the circumstances of each issuer. While diversity of board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience), the Exchange will not consider diversity to be achieved for a single gender board. If the issuer is unable at any time to meet the requirement to have directors of different genders on the board, it must immediately publish an announcement containing the relevant details and reasons. The issuer must use all reasonable endeavours to appoint appropriate member(s) to the board to meet such requirement on a timely basis, and in any case within three months after being unable to meet such requirement.

*Note: ~~As a transitional arrangement, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024.~~*

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Part B: Amendments to Appendix C1

**C. Corporate Governance /  
Environmental, Social and Governance**

**Appendix C1**

**CORPORATE GOVERNANCE CODE**

...

**PART 1 - MANDATORY DISCLOSURE REQUIREMENTS**

To provide transparency, issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible. Failure to do so will be regarded as a breach of the GEM Listing Rules.

...

**B. BOARD OF DIRECTORS**

- (a) Composition of the board, by category of directors, including name of chairman, executive directors, non-executive directors, ~~and~~ independent non-executive directors and lead independent non-executive director (if any); and for each named director, their length of tenure and current period of appointment;

Lead  
INED

...

- (j) ~~how each director, by name, complied with code provision C.1.4.~~ a confirmation that all directors, by name, have participated in continuous professional development as required by rules 5.02F, 5.02G and 5.02H during the reporting period. The confirmation should set out sufficient details for each director, including:

Director  
Training

- (i) the total number of hours of continuous professional development completed during the reporting period;
- (ii) the format or mode of continuous professional development taken, including whether an external or internal provider was used or whether the professional development was the result of self-study. In respect of each mode of continuous professional development taken by each director, disclosure of the number of hours completed, the training topics covered and a description of the relevant training provider(s), where applicable (e.g. name(s) and/or type(s)); and
- (iii) in addition, for any director subject to rule 5.02H, where applicable, a statement confirming that such director has completed the required continuous professional development under rule 5.02H.

...

## E. BOARD COMMITTEES

The following information for each of the audit committee, remuneration committee, nomination committee, risk committee (if any), and corporate governance functions:

...

(d) a summary of the work during the year, including:

...

- (iii) for the nomination committee, disclosing (1) the policy for the nomination of directors during the year, which. This includes the nomination procedures, and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship during the year, and (2) its assessment of each director's time commitment and contribution to the board, as well as the director's ability to discharge his or her responsibilities effectively, taking into account professional qualifications and work experience, existing directorships of issuers listed on GEM or the Main Board and other significant external time commitments of such director and other factors or circumstances relevant to the director's character, integrity, independence and experience;

Over-boarding

Note: For the purpose of this requirement:

- 1 "significant external time commitments" includes all external commitments beyond directorship roles on issuers listed on GEM or the Main Board that involve significant time commitment. This includes, for example, directorships of issuers listed on an exchange other than GEM or the Main Board, full-time occupations, major consultancy work, major public service commitments, directorships of and involvement in statutory bodies or non-profit organizations; and
- 2 "other factors or circumstances relevant to the director's character, integrity, independence and experience" includes any change or development in the director's individual situation or circumstance that should reasonably be taken into account in assessing whether he or she is able to effectively discharge his or her duties.

...

## H. RISK MANAGEMENT AND INTERNAL CONTROL

An issuer who reports in the Corporate Governance Report Details of the review that it has conducted a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems under code provision D.2.1, which shall be conducted at least annually, including must disclose the following:

Internal Controls

- (a) a statement from the board: (i) acknowledging its responsibility for the issuer's risk management and internal control systems; and (ii) confirming that the issuer's risk management and internal control systems are appropriate and effective for the purposes set out in Principle D2 of the Corporate Governance Code;
- (b) the main features of the risk management and internal control systems, including the process used to identify, evaluate and manage significant risks, and the procedures for the timely, accurate and complete disclosure of disclosable information, including inside information and any other information required to prevent a false market in the issuer's securities;
- (c) any significant changes during the reporting period in (i) the issuer's assessment of risks (including ESG risks) and (ii) the risk management and internal control systems;
- (ad) whether the issuer has an internal audit function;
- (e) the responsibilities of internal departments (such as the internal audit function, if it exists) and external providers for reviewing the effectiveness of the issuer's risk management and internal control systems, the process used to conduct those reviews and their frequency;
- (f) information supporting the board's conclusion that the risk management and internal control systems are appropriate and effective, including any confirmations received (as applicable) from: management, the relevant board committee(s) with responsibility for the issuer's risk management and internal controls and any other internal departments (such as the internal audit function, if it exists), the issuer's independent auditors, and/or other external providers; and
- (g) scope of the review and details of review findings, including any significant control failings or weaknesses that were identified in the current reporting period, or that were previously reported but remain unresolved, and any remedial steps taken or proposed to address such control failings or weaknesses.
- ~~(b) how often the risk management and internal control systems are reviewed and the period covered; and~~
- ~~(c) whether the issuer considers its risk management and internal control systems effective and adequate.~~

...

## J. DIVERSITY

- (a) (i) The issuer's policy on board diversity or a summary of the policy, which should include information on including any measurable objectives (e.g. numerical targets and timelines) that it has set for the promotion of gender diversity on its board and implementing the policy the measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity; and (ii) the results of the issuer's review of the implementation of its board diversity policy conducted during the year (including progress towards the issuer's objectives and progress on achieving those objectives and how the issuer has arrived at its conclusion);
- ~~(b) disclose and explain:~~
  - ~~(i) how and when gender diversity will be achieved in respect of the board;~~

Diversity



- ~~(ii) the numerical targets and timelines set for achieving gender diversity on its board; and~~
- ~~(iii) what measures the issuer has adopted to develop a pipeline of potential successors to the board to achieve gender diversity.~~
- (e) ~~disclose and explain the issuer's policy on diversity~~ gender ratio in the workforce (including senior management) or a summary of the policy, including any plans or measurable objectives (e.g. numerical targets and timelines) the issuer has set for achieving gender diversity, and progress on achieving those objectives. Where applicable, issuers may disclose ~~and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant;~~ and
- (c) the gender ratio of: (i) senior management; and (ii) the workforce (excluding senior management).

*Note: In this Corporate Governance Code, "senior management" refers to the same persons referred to in the issuer's annual report and required to be disclosed under rule 18.39.*

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## L. INVESTOR RELATIONS

- (a) Any significant changes in the issuer's constitutional documents during the year;
- (b) the issuer's shareholders' communication policy (or its summary), which should include channels for shareholders to communicate their views on various matters affecting the issuer, as well as steps taken to solicit and understand the views of shareholders and stakeholders; ~~and~~
- (c) a statement of the issuer's review of the implementation and effectiveness of the shareholders' communication policy conducted during the year (including how it arrives at the conclusion); and
- (d) details of the shareholder engagement conducted under code provision F.1.1 (if applicable).

Lead INED / shareholder engagement

## M. DIVIDENDS

- (a) Where the issuer has a policy on payment of dividends:
  - (i) the policy or a summary of the policy, including the aim or objective of the policy, and the key factors that the board will take into account when deciding whether to declare, recommend or pay any dividend; and
  - (ii) a confirmation that all dividend decisions made by the board were made in accordance with the issuer's dividend policy; otherwise, an explanation of any deviations from the issuer's dividend policy;
- (b) where the issuer does not have a policy on payment of dividends:

Dividends

- (i) the fact that no such policy exists; and
- (ii) the reason(s) for the absence of such policy;
- (c) regardless of whether the issuer has a policy on payment of dividends, the issuer must:
  - (i) where the board declared a dividend (whether interim or final) during the year, the reason(s) for any material variation in the dividend rate compared to that for the previous corresponding period; and
  - (ii) where the board decided not to declare any dividend, the reason(s) for the board's decision and the measures that the issuer intends to take to enhance investors' return (if any).

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## PART 2 - PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

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### B. BOARD COMPOSITION AND NOMINATION

#### B.1 Board composition, succession and evaluation

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##### Code Provisions

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~~B.1.3 The board should review the implementation and effectiveness of the issuer's policy on board diversity on an annual basis.~~

Diversity

~~B.1.43 An issuer should establish mechanism(s) to ensure independent views and input are available to the board and disclose such mechanism(s) in its Corporate Governance Report. The board should review the implementation and effectiveness of such mechanism(s) on an annual basis.~~

~~B.1.4 An issuer should conduct a formal evaluation of the board's performance at least every two years. Issuers should confirm in the Corporate Governance Report whether they conducted a board performance review during the reporting period and if not, when the next board performance review will be conducted. If a board performance review was conducted during the reporting period, issuers should disclose in the Corporate Governance Report:~~

Board  
Evaluation

~~(a) whether the board performance review was conducted internally or by an external provider;~~

~~(b) how the board performance review was conducted, including the scope of the review and the responsible department(s) / committee(s) / external provider(s) involved in conducting the review;~~

(c) the connection (if any) between any external provider involved in the board performance review and the issuer or any of its directors; and

(d) details on the findings of the board performance review, including significant areas of improvement (if identified during the board performance review), and measures taken or planned as a result of the board performance review.

**B.1.5** An issuer should maintain and disclose in the Corporate Governance Report a board skills matrix setting out information including:

Skills  
Matrix

(a) details of the mix of skills that the board currently has;

(b) an explanation of how the combination of skills, experience and diversity of the directors serves the issuer's purpose, values, strategy and desired culture; and

(c) (where applicable) details of any further skills that the board is looking to acquire, its plans to acquire such further skills, and how the plans made in the previous year(s) were achieved or progressed in the reporting year.

### **Recommended Best Practices**

~~B.1.5 The board should conduct a regular evaluation of its performance.~~

Board  
Evaluation

...

## **B.2 Appointments, re-election and removal**

...

### **Code Provisions**

...

B.2.3 [To be repealed after 30 June 2031] If an independent non-executive director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination.

Long  
serving  
INEDs

B.2.4 [To be repealed after 30 June 2028] Where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should:

(a) disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the

- annual general meeting; and
- (b) appoint a new independent non-executive director on the board at the forthcoming annual general meeting<sup>4</sup>.

<sup>4</sup> ~~The appointment of a new independent non-executive director requirement will come into effect for the financial year commencing on or after 1 January 2023.~~

### B.3 Nomination Committee

...

#### Code Provisions

B.3.1 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties:-

- (a) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually, assist the board in maintaining a board skills matrix, and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- (b) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- (c) assess the independence of independent non-executive directors; and
- (d) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and;
- (e) support the issuer's regular evaluation of the board's performance.

Skills matrix

Board Evaluation

...

B.3.4 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (a) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
- (b) [To be repealed after 30 June 2028] if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship of an issuer listed on GEM or the Main Board, why the board believes the individual would still be able to devote sufficient time to the board;

Over-boarding

- (c) the perspectives, skills and experience that the individual can bring to the board; and
- (d) how the individual contributes to diversity of the board.

B.3.5 Issuers should appoint at least one director of a different gender to the nomination committee.

Diversity

## C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

### C.1 Responsibilities of directors

#### Principle

Every director must understand, and, at all times, be aware of ~~always know~~ their responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors. To ensure directors' contribution to the board remains informed and relevant, all directors must participate in continuous professional development to develop and refresh their knowledge and skills for a proper understanding of the issuer's business, operations and governance policies and full awareness of their responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements. Directors should provide a record of the continuous professional development they received to the issuer.

Director Training

#### Code Provisions

C.1.1 An issuer should be responsible for arranging and (where necessary) funding:

(a) Newly appointed directors of an issuer should receive a comprehensive, formal and tailored induction for newly appointed directors upon appointment; and

(b) suitable continuous professional development for all directors. Subsequently they should receive any briefing and professional development necessary to ensure that they have a proper understanding of the issuer's operations and business and are fully aware of their responsibilities under statute and common law, the GEM Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

...

C.1.4 ~~All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.~~

*Note: —Directors should provide a record of the training they received to the issuer.*

C.1.54 Directors should disclose to the issuer at the time of their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant external time commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. The board should determine for itself how frequently this disclosure should be made.

Over-boarding

C.1.65 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

*Note: Non-executive directors' attendance at general meetings is important. An independent non-executive director is often the chairman or a member of board committees and as such, the individual should be accountable to shareholders by being available to respond to questions and enquiries in relation to their work. Without attending general meetings, the director will not be able to develop a balanced understanding of the views of shareholders.*

C.1.76 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.

C.1.87 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.

### **Recommended Best Practices**

C.1.8 Where the chairman is not an independent non-executive director, an issuer should appoint one independent non-executive director to be the lead independent non-executive director to (a) serve as an intermediary for the other directors and shareholders; and (b) be available to other directors and shareholders where normal communication channels with the chairman or management are inadequate.

Lead INED

...

## D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

### D.1 Financial reporting

...

#### Code Provisions

...

D.1.2 Management should provide all members of the board with, and the board and each director are entitled to and should request for, monthly updates giving a balanced and understandable assessment of the issuer's financial and operating performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 5.01 and Chapter 17.

Management  
Accounts

*Note: The information provided ~~may~~ should (where available) include monthly management accounts and management updates, background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained.*

...

### D.2 Risk management and internal control

#### Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, ~~and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems.~~ Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide Code in Appendix C2 to the GEM Listing Rules for further information).

Internal  
Controls

The board is responsible for ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems for the purpose of dealing with identified risks, safeguarding the issuer's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the issuer's financial reports and achieving compliance with applicable laws and regulations. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, on an ongoing basis. The board is also responsible for ensuring that

the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems is reviewed at least annually, and management should provide a confirmation to the board on the effectiveness of these systems.

## Code Provisions

~~D.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.~~

Internal  
Controls

~~D.2.21 The board's annual~~ The board should ensure that the review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems, which shall be conducted at least annually, is adequately resourced. should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the issuer's ESG performance and reporting. The scope of the review should cover all material controls, including financial, operational and compliance controls, and should, in particular, consider:

~~D.2.3 The board's annual review should, in particular, consider:~~

- (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment;
- (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
- (c) the extent and frequency of communication of monitoring results to the board (or board committee(s)) for the purposes of assessing the adequacy which enables it to assess control of the issuer and the effectiveness of the issuer's risk management and internal control systems;
- (d) significant control failings or weaknesses ~~that have been identified during the review period of the risk management and internal control systems, and~~ Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition, and any remedial measures taken to address such control failings or weaknesses;



and

- (e) the effectiveness of the issuer's processes for financial reporting and GEM Listing Rule compliance; ~~and~~
- (f) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, and financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.

*Note: Issuers should refer to the guidance issued by the Exchange on the Exchange's website, as amended from time to time, on the scope of the review of the risk management and internal control systems.*

~~D.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and internal control code provisions during the reporting period. In particular, they should disclose:~~

- ~~(a) the process used to identify, evaluate and manage significant risks;~~
- ~~(b) the main features of the risk management and internal control systems;~~
- ~~(c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;~~
- ~~(d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and~~
- ~~(e) the procedures and internal controls for the handling and dissemination of inside information.~~

D.2.52 The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.

*Notes:*

- 1 *An internal audit function generally carries out the analysis*

*and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems.*

*2 A group with multiple listed issuers may share group resources to carry out the internal audit function for members of the group.*

~~D.2.63~~ The issuer should establish a whistleblowing policy and system for employees and those who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the audit committee (or any designated committee comprising a majority of independent non-executive directors) about possible improprieties in any matter related to the issuer.

~~D.2.74~~ The issuer should establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

### **Recommended Best Practices**

~~D.2.8~~ The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.

~~D.2.9~~ The board may disclose in the Corporate Governance Report details of any significant areas of concern.

...

## **F. SHAREHOLDERS ENGAGEMENT**

### **F.1 Effective communication and conduct of shareholders meetings**

#### **Principle**

The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use formal meetings (including annual-general meetings or other general meetings) and other appropriate channels under the issuer's shareholders' communication policy to communicate with them and encourage their participation. In addition, the issuer should ensure that shareholders are given sufficient advance notice of shareholders meetings and provide sufficient information to enable shareholders to familiarise themselves with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.

#### **Code Provisions**

~~F.1.1~~ The issuer should have a policy on payment of dividends and should disclose it in the annual report.

Dividends

## **F.2 Shareholders meetings**

### **Principle**

~~The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings.~~

### **Code Provisions**

F.1.1 The board, in particular the independent non-executive directors, should be accessible to shareholders to facilitate constructive engagement and to understand their views on matters affecting the issuer, including governance and performance against the issuer's corporate strategy. The board should include in the Corporate Governance Report information on engagement conducted with shareholders during the reporting period, including:

- (a) the nature and number / frequency of the engagements conducted;
- (b) the group(s) of shareholders involved in these engagements;
- (c) the representatives of the issuer involved in these engagements (e.g. chief executive, chairman of the board, independent non-executive directors, board committee chairmen and members of senior management); and
- (d) the issuer's approach to following up on the outcomes of these engagements.

F.2.1.2 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, issuers should explain the reasons and material implications in the notice of meeting.

*Note: An example of a substantially separate issue is the nomination of persons as directors. Accordingly, each person should be nominated by means of a separate resolution.*

F.21-23 The chairman of the board should attend the annual general meeting. The chairman of the board should also invite the lead independent non-executive director (if any) and the chairmen of the audit,

Lead INED /  
Shareholder  
engagement

remuneration, nomination and any other committees (as appropriate) to attend. In their absence of any committee chairman, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer relevant questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

*Note: Subject to the issuer's constitutional documents, and the laws and regulations of its place of incorporation, attendance by the above persons at a meeting by electronic means such as telephonic or videoconferencing may be counted as physical attendance.*

**F.21.34** The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

### **Recommended Best Practices**

**F.1.25** Issuers are encouraged to include the following information in their Corporate Governance Report:

- (a) details of shareholders by type and aggregate shareholding;
- (b) indication of important shareholders' dates in the coming financial year;
- (c) the percentage of public float, based on information that is publicly available to the issuer and within the knowledge of its directors as at the latest practicable date prior to the issue of the annual report; and
- (d) the number of shares held by each of the senior management.

...

Part C: Minor Rule Amendments

Chapter 5

GENERAL

DIRECTORS, COMPANY SECRETARY, BOARD COMMITTEES, AUTHORISED REPRESENTATIVES AND CORPORATE GOVERNANCE MATTERS

...

Directors

...

*Independent non-executive directors*

...

5.06 An issuer shall immediately inform the Exchange and publish an announcement containing the relevant details and reasons if, at any time, the number of its independent non-executive directors falls below:

(1) the minimum number required under rule 5.05(1) or at any time it has ~~failed~~been unable to meet the requirement set out in rule 5.05(2) regarding qualification of the independent non-executive directors; or

(2) one-third of the board as required under rule 5.05A.

The issuer shall use all reasonable endeavours to appoint a sufficient number of independent non-executive directors to meet the minimum number required under rule 5.05(1) or 5.05A or appoint an independent non-executive director to meet the requirement set out in rule 5.05(2) on a timely basis, and in any case within three months after being unable to ~~failing to~~ meet the requirement(s).

...

**Audit ~~e~~Committee**

...

5.33 An issuer shall, ~~pursuant rule 17.51(2),~~ immediately inform the Exchange and publish an announcement in accordance with rule 16.17 containing the relevant details and reasons if the issuer ~~fails~~is unable to set up an audit committee or at any time has ~~failed~~been unable to meet any of the other requirements set out in rules 5.28 and 5.29 regarding the audit committee. ~~The issuer must~~ Issuers shall use all reasonable endeavours to set up an audit committee with written terms of reference and/or appoint appropriate members to the audit committee to meet the requirement(s) on a timely basis, and in any case within three months after being unable to ~~failing to~~ meet such requirement(s).

...

**Remuneration Committee**

...

5.36 If the issuer ~~fails~~is unable to set up a remuneration committee or at any time has ~~failed~~been unable to meet any of the other requirements in rules 5.34 and 5.35, it must immediately publish an announcement containing the relevant details and reasons. ~~Issuers~~ The issuer must use all reasonable endeavours to set up a

Board committee

remuneration committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) on a timely basis, and in any case within three months after being unable to failing to meet them such requirement(s).

...

### Nomination Committee

...

5.36B The board of directors must approve and provide written terms of reference for the nomination committee which clearly establish its authority and duties.

5.36C If the issuer is unable to set up a nomination committee or at any time has been unable to meet any of the other requirements in rules 5.36A and 5.36B, it must immediately publish an announcement containing the relevant details and reasons. The issuer must use all reasonable endeavours to set up a nomination committee with written terms of reference and/or appoint appropriate members to it to meet the requirement(s) on a timely basis, and in any case within three months after being unable to meet such requirement(s).

...

## Chapter 17

### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

...

#### Trading and Settlement

...

#### *Closure of books and record date*

- 17.78 (1) (a) An issuer must set a record date for determining the identity of securities holders eligible for attending and voting at the general meeting or receiving entitlements.
- (b) An issuer must announce (a) the record date and (b) any closure of its transfer books or register of members in respect of securities listed in Hong Kong. For a rights issue, such announcement must be made at least six business days before the record date (when there is no book closure) or book closure date the closure for a rights issue, or in all other cases, 10 business days before the record date (when there is no book closure) or book the closure in other cases. In cases where Where there is an alteration of the record date or book-close dates, a further notice shall be given at least five business days before (i) the announced record date (where there is no book closure) / book closure or (ii) the new record date (where there is no book closure) / book closure, whichever is earlier, unless exceptional circumstances render the

Record  
date

giving of such notice impossible, in which case, a further notice (by way of an announcement) should be given as soon as practicable, save that no further notice need be given in the circumstances referred to in rules 17.79 to 17.80. ~~Where the issuer decides on a record date without book closure, these requirements apply to the record date.~~

Notes:

- ...
1. *For a rights issue, the issuer must provide at least two trading days for trading in the securities with entitlements (i.e. before the ex-dates, as referred to in rules 17.79 and 17.80) after publication of the record date (when there is no book closure) or book closure. If trading on the Exchange is interrupted, the record date (when there is no book closure) or book-close date will be postponed, where necessary, to provide at least two trading days (during neither of which trading is interrupted) for trading of the securities with entitlements during the notice period. In these circumstances the issuer must publish an announcement on the revised timetable.*
- ...

## Chapter 18

### EQUITY SECURITIES

#### FINANCIAL INFORMATION

...

#### Annual reports

...

*Information to accompany directors' report and annual financial statements*

...

- 18.47 If the relevant annual financial statements do not give a true and fair view of the state of affairs and profit or loss and cash flow of the listed issuer or group, more detailed and/or additional information must be provided.

Note: *If listed issuers are in doubt as to what more detailed and/or additional information should be provided, they should ~~apply to the Exchange for seek guidance from the Exchange~~. As a minimum, the listed issuer shall provide the following information:*

- (1) details of the modifications and their actual or potential impact on the listed issuer's financial position;
- (2) management's position and basis on major judgmental areas (such as basis for impairment or valuation of assets), and how management's view is different from that of the auditors;

Modified  
auditors'  
opinion

- (3) *the audit committee's view towards the modifications, and whether the audit committee reviewed and agreed with management's position concerning major judgmental areas; and*
- (4) *the listed issuer's proposed plans to address the modifications.*



## Part D: Consequential Amendments to GEM Listing Rules

### Chapter 17

#### EQUITY SECURITIES

#### CONTINUING OBLIGATIONS

...

##### Appointments outstanding

17.51 ~~[Repealed 1 July 2025] An issuer shall immediately inform the Exchange and publish an announcement containing the relevant details and reasons if:~~

- (1) ~~[Repealed 1 January 2024]~~
- (2) ~~[Repealed 1 July 2025] the issuer fails to set up an audit committee or at any time has failed to meet any of the other requirements set out in rule 5.28 regarding the audit committee. The issuer shall set up an audit committee and/or appoint appropriate members to the audit committee to meet the requirement(s) within 3 months after failing to meet such requirement(s); or~~
- (3) ~~[Repealed 1 July 2025] the number of its independent non-executive directors falls below the minimum number required under rule 5.05(1) or at any time it has failed to meet the requirement set out in rule 5.05(2) regarding qualification of the independent non-executive directors. The issuer shall appoint a sufficient number of independent non-executive directors to meet the minimum number required under rule 5.05(1) or appoint an independent non-executive director to meet the requirement set out in rule 5.05(2) within 3 months after failing to meet the requirement(s).~~

...

### Chapter 18

#### EQUITY SECURITIES

#### FINANCIAL INFORMATION

...

##### Recommended additional disclosure

18.83 Issuers are encouraged to disclose the following additional commentary on discussion and analysis in their interim and annual reports:

- (1) efficiency indicators (e.g. return on equity, working capital ratios) for the last 5 financial years indicating the bases of computation;
- (2) industry specific ratios, if any, for the last 5 financial years indicating the bases of computation;

- (3) a discussion of the listed issuer's purpose, corporate strategy and principal drivers of performance;
- (4) an overview of trends in the listed issuer's industry and business;
- (5) a discussion on the listed issuer's policies and performance on community, social, ethical and reputational issues; and
- (6) receipts from, and returns to, shareholders.

*Note: Issuers should also note the disclosures set out in recommended best practices F.1.25 in Part 2 of Appendix C1.*

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## APPENDIX V: MAPPING TABLE: RE-ARRANGED SECTIONS OF THE CORPORATE GOVERNANCE CODE

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The left-hand column sets out the location of the relevant provisions in the current CG Code. The right-hand column sets out the new location of the relevant provisions (or parts thereof) under the re-arranged CG Code.

Current Location	New Location
<b>Part 1 – Mandatory Disclosure Requirements</b>	
<b>Paragraph H. Risk management and internal control</b>	<b>Paragraph H. Risk management and internal control</b>
Paragraph H(a)	Paragraph H(d)
<b>Paragraph J. Diversity</b>	<b>Paragraph J. Diversity</b>
Paragraph J(b)	Paragraph J(a)
Paragraph J(c)	Paragraph J(b)
<b>Part 2 – Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices</b>	
<b>Section B.1 Board composition, succession and evaluation</b>	<b>Section B.1 Board composition, succession and evaluation</b>
CP B.1.3	Upgraded to MDR paragraph J(a)
CP B.1.4	CP B.1.3
RBP B.1.5	Upgraded to CP B.1.4
<b>Section C.1 Responsibilities of directors</b>	<b>Section C.1 Responsibilities of directors</b>
CP C.1.1	Principle of section C.1
CP C.1.4	Principle of section C.1 and CP C.1.1
CP C.1.5	CP C.1.4
CP C.1.6	CP C.1.5
CP C.1.7	CP C.1.6
CP C.1.8	CP C.1.7
<b>Section D.2 Risk management and internal control</b>	<b>Section D.2 Risk management and internal control</b>
CP D.2.1	Principle of section D.2 and CP D.2.1
CP D.2.2	CP D.2.1
CP D.2.3	CP D.2.1
CP D.2.4	Upgraded to MDR paragraph H
CP D.2.5	CP D.2.2
CP D.2.6	CP D.2.3
CP D.2.7	CP D.2.4
RBP D.2.8	Upgraded to MDR paragraph H(f)
RBP D.2.9	Upgraded to MDR paragraph H(g)
<b>Section F.1 Effective communication</b>	<b>Section F.1 Effective communication and conduct of shareholders meetings</b>
CP F.1.1	Upgraded to MDR paragraph M
RBP F.1.2	RBP F.1.5
<b>Section F.2 Shareholders meetings</b>	Deleted
Principle	Principle of section F.1
CP F.2.1	CP F.1.2
CP F.2.2	CP F.1.3
CP F.2.3	CP F.1.4

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