

Submitted via Qualtrics

(Anonymous)

Company/Organisation view

Listed Company

Question 1

Do you agree with our proposal to introduce a new Code Provision (CP) under the Corporate Governance Code (CG Code) requiring issuers without an independent board chair to designate one independent non-executive director (INED) as a Lead INED to enhance engagement with investors and shareholders?

No

Please provide reasons for your views.

General response:

We strongly agree that it is important for listed companies (“ListCos”) in Hong Kong to maintain high standards of corporate governance to ensure that interests of investors are appropriately protected, as it is essential in maintaining Hong Kong’s position as a key international financial centre and the effectiveness of the Hong Kong stock market. We would like to express our steadfast support to the Hong Kong Government’s relentless efforts in this respect and in particular, the Exchange’s ongoing review of the Listing Rules with a view to maintaining an effective regulatory framework commensurate with international standards. With the increasingly challenging economic and market conditions, it would be crucial for an appropriate balance to be struck between the need for and effectiveness of tightened regulatory requirements, expectations of the investing communities and market participants, shortage of willing and qualified INEDs in the market as well as the potential cost and other implications and burdens on listed issuers, in order to attract new listing applicants to the Hong Kong market.

Below are our specific responses to the questions contained in the consultation paper for consideration.

Response to Q1:

While we agree that communications among INEDs, between INEDs and the rest of the board and with shareholders are important, the designation of a lead INED may not be the only and/or the best way for all ListCos to enhance

such communications. INEDs usually have different backgrounds and experience and serve different roles or functions in the board of a particular ListCo. Sometimes, it may not be easy or appropriate to designate a single lead INED for certain ListCos for the purpose of enhancing engagement with investors and shareholders. It would be logical to expect that most the INED who is the most senior in terms of experience and professional standing and reputation may be designated as the lead INED, but he/she may not be the most appropriate person to fulfil the intended function of leading the communications with shareholders and investors. On the other hand, communications among INEDs and between INEDs and the rest of the board do not seem to require the designation of a lead INED. All directors including the INEDs should have ample opportunities to communicate with each other through board and committee meetings, on top of other less formal meetings and gathering depending on the circumstances of the ListCos. Technological improvements over recent years have also made communications a lot easier than before.

Besides, ListCos could have a large number of shareholders and potential investors, involving the general public and institutional investors of varied background and level of sophistication. Most ListCos actually need a team of designated professional investor relations personnel for handling communications with such shareholders and potential investors. It is a demanding function requiring a lot of time and efforts, and will create unnecessary burden on the designated lead INED on top of the normal director's duty for the ListCo. As the INEDs are not expected to be involved in the day-to-day operations of the ListCos, the Lead INED will not be in a position to respond to questions from shareholders and potential investors which would very often involve details about the ListCo's business. We do not see the need, advantage nor practical effectiveness in designating a specific INED for this purpose.

Therefore, in our view, a new CP should not be added to require all ListCos to designate one INED as a lead INED on a mandatory basis.

Question 2(a)

Regarding continuous professional development for directors, do you agree with our proposal to make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours?

Yes

Please provide reasons for your views.

We agree with the proposal to make continuous professional development mandatory for all existing directors, without specifying a minimum number of training hours, as it is indeed important for directors to keep developing and refreshing their knowledge and skills essential for the due performance of their duties on an ongoing basis.

Question 2(b)

Regarding continuous professional development for directors, do you agree with our proposal to require First-time Directors to complete a minimum of 24 hours of training within 18 months following their appointment?

No

Please provide reasons for your views.

While we agree that most directors of ListCos should be provided with adequate introductory training to ensure that they possess necessary knowledge and understanding of the regulatory regime, directors' duties, business and industry of the ListCos, etc, the actual scope, extent and time of training required would very much depend on the background and experience of the individual director and the circumstances of the ListCo. A First-time Director who, for example, is a solicitor, financial advisor or accountant with professional experience in advising ListCos will need less training than someone having recently acted as an INED for another ListCo (and therefore not a First-time Director). Besides, someone with experience as a director in a ListCo listed in an international stock exchange in another jurisdiction but not Hong Kong (and therefore considered as a First-time Director) could already be familiar with comparable concepts about the listing regulatory regime and the directors' duties. A new director who has extensive experience working in the same industry of the ListCo would also need less training in respect of industry-specific developments, trends and regulatory requirements.

Therefore, in our view, the level of training needed should be tailored for a new director by the relevant ListCo. A mandatory requirement of at least 24 hours' training for all First-time Directors within 18 months could result in immense but unnecessary burden on both the ListCos and the First-time Directors, particularly when it is on top of the general induction training that should be provided by a ListCo under the existing requirements as noted in the consultation paper. It may also not be the most effective use of the INEDs' time on top of the time required to be spent on the work of the ListCo itself.

We propose that no minimum time requirement be imposed as a mandatory Code Provision, but for it to be included as a recommended best practice to help ListCos to determine how much training may be adequate for someone who is entirely new in terms of being a ListCo director.

Question 2(c)

Regarding continuous professional development for directors, do you agree with our proposal 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?

No

Please provide reasons for your views.

As mentioned in our response to Q2(b) above, we do not agree that any requirement of mandatory minimum training shall depend solely on whether the director has any recent directorship in another ListCo in the past 3 years, as the level of training required also depends very much on the director’s own background, knowledge and experience. Besides, although regulatory requirements applicable to ListCos may change over time, someone who had been a director in the past but more than 3 years ago should not be treated as the same as someone who has never been a ListCo director in the past.

Question 2(d)

Regarding continuous professional development for directors, do you agree with our proposal to specify the specific topics that must be covered under the continuous professional development requirement?

No

Please provide reasons for your views.

We do not agree that the mandatory topics should be specified for continuous professional training for directors. In our view, topics that would be appropriate for the directors of a ListCo depend on various factors, such as the knowledge and experience of the directors, business and current strategic focus / directions of the ListCo (for example, a ListCo seeking to develop a new market or business segment may need to provide its directors with more training on relevant topics in a specific year), current industry and market trend (for example, more focused training could be provided when there is recent changes in the industry-specific regulatory requirements or market trend relevant to the ListCo), other special circumstances of the ListCo (for

example, a ListCo which has been subject to certain new regulatory requirements, investigation or challenges may need to focus on strengthening its directors' knowledge in the relevant topics first), etc. We would suggest for the ListCos to be given the flexibility in determining the appropriate topics of the training.

Question 3

Do you agree with the proposed consequential changes to Principle C.1 and CP C.1.1 of the CG Code?

No

Please provide reasons for your views.

Please refer to our responses to Q2 above.

Question 4

Do you agree with our proposal to upgrade the current Recommended Best Practice (RBP) in the CG Code 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?

No

Please provide reasons for your views.

We are of the view that a mandatory board performance review at every two years would be burdensome for some of the ListCos. We would suggest for the review to be conducted at a lower frequency (for example, every three years) as a recommended best practice only rather than a mandatory code provision.

Question 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?

No

Please give reasons for your views.

Given the biography of the directors is fully disclosed in the annual report, the additional disclosure of the board's skills in the form of a matrix does not seem necessary. Besides, in making the matrix, the directors' knowledge and experience will need to be categorized into separate and seemingly mutually exclusive buckets of skills. In our view, this tends to over-simplify the complexity in one's knowledge and experience.

We do not agree with the mandatory requirement of an explanation of how the directors' skills and experiences serve the ListCo's purpose, values, strategy and desired culture. In our view, INEDs and sometimes NEDs provide a good source of independent and potentially contrasting view to the board which may, by nature, be different from the ListCo's purpose, values, strategy and culture.

Question 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?

No

Please provide reasons for your views.

While we strongly agree that ListCos should make sure that their INEDs are able to devote sufficient time and attention to carry out the work of the ListCo, the number of concurrent directorships in other ListCos is just one of the factors that would be relevant. Other factors include, for example, complexity and workload of all the ListCos, time required to be spent on his/her own business and/or profession (if any) and other non-ListCo engagements (such as charitable organisations and public service), health conditions, family circumstances and priorities, personal interests, etc. In other words, it would be unfair to disqualify a director solely by the fact that he/she holds more than 6 directorships in ListCos.

In addition, from experience, it has become increasingly difficult to identify willing yet suitably qualified candidates for INEDs for ListCos in the market. The proposed universal cap would further reduce the pool of available INEDs to the detriment of the market in Hong Kong.

Question 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?

No

Please provide reasons for your views.

While we do not agree with the proposed hard cap on the number of directorships of INEDs, if a hard cap were to be imposed, the three-year transition period for the ListCos concerned to identify and appoint replacement appears too short. With the current difficulties in identifying suitable INEDs candidates, there will be intense competition for the already limited pool among relevant ListCos when they all seek to replace their overboarding INEDs within the same period of time.

Question 7

Do you agree with the proposal to introduce a new Mandatory Disclosure Requirement (MDR) in the CG Code to require the nomination committee to annually assess and disclose its assessment of each director's time commitment and contribution to the board?

No

Please provide reasons for your views.

We are of the view that the contribution of an INED to the board does not only depend on the time that he/she has spent on the ListCo. One of the greatest contribution of an INED would be to express contrasting views and raising challenging questions to decisions of the management to ensure that there are balanced views in the decision making process. This is not a function of simply how much time the INEDs has committed to the ListCo, but more importantly the ability to approach issues from an independent perspective and willingness to bring it to the attention of the board. We agree that it would be a good practice for the nomination committee to make an assessment of each director's time commitment and contribution to the board, but making it a mandatory requirement and disclosing it will not be appropriate nor fair to the INEDs.

Question 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?

No

Please give reasons for your views.

We strongly disagree with the proposed hard cap of nine years on the tenure of INEDs. We are of the view that an INED should not be presumed to have lost his/her independence by reason of the length of tenure. Other factors such as past or present business dealings between the INED and the ListCo

or its controlling shareholders and other potential conflict of interests, which are already provided for in the Listing Rules, should be considered instead.

It takes an INED a significant amount of time to get sufficiently familiar with a ListCo's business, operations and financial positions in order for him/her to be in a position to properly perform his/her role, duties and function. With knowledge and understanding in the ListCo and experience as an independent director on the board increasing over time, the INED will actually become better positioned in providing valuable feedbacks on and, when necessary, challenges to transactions and other matters of the ListCo. Disqualifying a qualified and experienced INED, who does not show any other signs of concern in his/her independence, upon a continuous service of 9 years (which appears a rather arbitrary period) solely on the ground of the length of tenure will do harm rather than benefits to the ListCo and its shareholders as a whole.

It is also proposed in the consultation paper that, after leaving the board for having served for 9 years, an INED could be re-considered as an INED of the same ListCo again after a two-year cooling-off period. This shows that in the view of the Exchange, independence of an INED is not undermined by the fact that the INED has established a long and good relationship with the other directors and the executive senior management team through such long service as an INED. This reinforces our view that an INED should not be considered to have lost his/her independence and be required to leave the board solely by reason of the length of tenure, no matter how long. It was explained in paragraph 118 of the consultation paper that the cooling-off period was also proposed to align with the cooling-off period in respect of professional advisers. However, in our view, the potential conflict of interest of a professional adviser who has recently provided services to a ListCo and is then appointed as its INED (and therefore cooling-off period required) does not exist in the case of an INED having served for 9 years and wishing to stay in the board as an INED.

Question 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?

No

Please provide reasons for your views.

As mentioned in our response to Q8(a), we strongly disagree with the proposed hard cap on the tenure of service for INEDs. Having said that, if the hard cap is imposed, we think that the INED should be qualified to act as an INED after a very short cooling-off period (even less than 2 years) because as mentioned, it is our view that the INED's independence is not affected by his/her long service.

Question 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?

No

Please provide reasons for your views.

In line with our response to Q6(b), the three-year transition period for the ListCos concerned to identify and appoint replacement INEDs appears too short. As noted in our response to Q6(b), we are worried about the competition for replacement of INEDs among ListCos within such a short period of time, which will be further intensified by the proposed 3-year transition period also for the proposed hard cap on INED tenure.

Question 9

Do you agree with the proposal to require all issuers to disclose the length of tenure of each director in the CG Report?

Yes

Please provide reasons for your views.

We agree that the proposed disclosure of the length of tenure of each director, rather than just the Long Serving INEDs, in the CG report will help shareholders and investors find such information in one place more easily.

Question 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?

Yes

Please provide reasons for your views.

We are a strong supporter of diversity in workplace and the society in general. We agree that a board comprising different genders would help foster balancing views, and it is desirable for this to be extended to the nomination committee given its important function in director nomination. With the requirement of at least one director to be of a different gender becoming effective on 31 December 2024, it would only cause a moderate, if not minimal, impact on ListCos to require at least one director of a different gender on the nomination committee.

Question 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)?

Yes

Please provide reasons for your views.

As mentioned in our response to Q10, we are a strong supporter of diversity in workplace and the society in general. Such diversity could only be achieved with the support from governments, corporations and the public in general. In particular, we think that companies of a considerate size and resources, such as ListCos, owe a corporate social responsibility to lend its support to promoting diversity. The requirement of a diversity policy for the workforce of ListCos helps encouraging them to at least include diversity considerations into their corporate strategies and operations as a start. Disclosure of such a policy could enable shareholders and investors of a ListCo to understand its approach to diversity as part of the continuing trend and efforts of increasing corporate transparency in general.

Question 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?

Yes

Please provide reasons for your views.

In line with our support of diversity as described in our responses to Q10 and Q11 above, we agree with the proposed upgrade from a CP to a MDR the requirement on the annual review of the implementation of an issuer's board diversity policy.

Question 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?

Yes

Please provide reasons for your views.

In line with our support of diversity as described in our responses to Q10 and Q11 above, we agree with the proposed upgrade from a CP to a MDR for the disclosure of gender ratios.

Question 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 Main Board Listing Rule 13.92(2) in Appendix I?

No

Please provide reasons for your views.

While we support the transitional arrangement for a ListCo to publish an announcement regarding the details and reasons of its failure to have directors of different genders on the board, the 3-month period for the ListCo to re-comply with such requirement may be too short. It is because directors could leave the board for different reasons, sometimes out of the ListCo's control or expectation (e.g. death or health conditions). At such times, it would be hard for the ListCo to identify suitable replacement within such a short period of time. We would suggest for the period to be extended to 6 months, and to also allow for certain exceptional circumstances where such period may be extended by application to the Stock Exchange.

Question 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?

Yes

Please provide reasons for your views.

We support the proposal to emphasize the board's responsibility for an issuer's risk management and internal controls. This initiative is a crucial step towards enhancing corporate governance and ensuring sustainable business practices.

It fosters a culture of accountability and transparency, which are vital for investor confidence and market stability. By regularly assessing these systems, boards can proactively identify potential risks and implement strategies to mitigate them effectively.

Moreover, this proposal aligns with global best practices, reinforcing Hong Kong's position as a leading international financial center. It encourages boards to adopt a more strategic approach to risk management, which is fundamental in today's rapidly changing business environment.

Question 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?

No

Please provide reasons for your views.

We acknowledge the importance of robust risk management and internal control systems. However, we believe that making annual reviews mandatory, along with the required disclosures, would place significant resource burdens on companies like ours.

Our existing processes already involve comprehensive risk assessments and internal controls tailored to our specific operational contexts. Implementing mandatory annual reviews and additional disclosure requirements would necessitate considerable additional resources—both in terms of financial costs and manpower. These resources might be better utilized in other critical areas of our business that directly impact our stakeholders and development projects.

We suggest that a more flexible approach, which allows companies to develop and maintain effective risk management and internal controls systems suited to their unique needs, would be more beneficial. Enhanced guidance and support from regulatory bodies, rather than strict mandates, could still achieve improved oversight and transparency without imposing undue strain on organizational resources.

Question 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?

Yes

Please provide reasons for your views.

We support this proposal, provided that the Exchange will also issue comprehensive guidance to aid issuers in formulating the scope of these reviews. Clear and detailed guidance from the Exchange will be invaluable in ensuring that all issuers maintain a consistent and high standard in their evaluations, promoting better overall risk management and internal controls across the industry.

This refinement aligns with our company's commitment to maintaining robust governance practices. Structured guidance will help us streamline our review processes, ensuring that our risk management and internal control systems remain both effective and efficient. It will also minimize ambiguities and discrepancies in how reviews are conducted across different issuers, leading to more uniform and reliable disclosures.

Question 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?

Yes

Please provide reasons for your views.

We agree with the proposed requirement in specific disclosure of the issuer's dividend policy and the board's dividend decisions during the reporting period. The proposal helps promote transparency of the ListCo's dividend policy and decisions which, in our view, is one of the most important factors for shareholders and potential investors in making investment decisions in the ListCo.

Question 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?

Yes

Please provide reasons for your views.

We support the proposal because the setting of a record date will improve clarity on the eligibility of such rights which are important to shareholders and potential investors.

Question 19

Do you agree with our proposal to codify our recommended disclosures in respect of issuers' modified auditors' opinions into the Listing Rules?

Yes

Please provide reasons for your views.

We support the proposal to codify the recommended disclosures in respect of issuers' modified auditors' opinion into the Listing Rules since those are important information to support the investment decisions by investors.

Question 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?

No

Please provide reasons for your views.

We acknowledged the importance of providing timely update and high-quality information to the board. However, depending on complexity in structure of different listed issuer, the issuance of monthly management accounts to the board may not be feasible and put additional pressure to workload of management. Monthly updates that include management updates and key trend highlights should be sufficient to keep the board abreast on latest development of the ListCo.

Question 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?

Yes

Please provide reasons for your views.

We agree with the proposal to align the requirements on written terms of reference and arrangements during temporary deviations between all three

committees in view of the importance of the nomination committee. It will help provide clarity on the function and scope of work of the committee, both to the members of the committee and the shareholders and potential investors.

Question 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?

No

Please provide reasons for your views.

While we agree with the proposed implementation date of 1 January 2025 for most of the proposals, we think that the transitional periods mentioned in Q6(b) and Q8(c) are too short as noted above.