

Submitted via Qualtrics**(Anonymous)****Company/Organisation view****Law Firm****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.

We believe that an issuer's board of directors should be able to decide whether to designate a Lead INED taking into account the individual circumstances of the issuer. We also believe that the primary point of contact for potential investors and existing shareholders shall be the management of the issuer as shareholders' communication requires in-depth knowledge on day-to-day management of the issuer. In situations where the shareholders will be interested in the opinion of the INEDs, e.g., connected transactions or any other matter that requires independent shareholders' approval, the chairman of the independent board committee shall be able to answer the query from shareholders, in particular minority shareholders. In any event, as all directors shall bear the same responsibilities, all INEDs shall be able to serve as intermediaries between directors and shareholders so it is not necessary to introduce the role of Lead INED.

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.

In particular, we agree that the minimum number of training hours should not be specified as it should be decided on a case-by-case basis. For example, a newly appointed director without prior experience in accounting and compliance may need more training hours compared to an experienced director with specific knowledge in accounting and compliance.

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?

Yes

Please provide reasons for your views.

While we support the Exchange's proposal to require First-time Directors to complete a minimum number of training hours within 18 months following their appointment, we urge the Exchange to lower the minimum number of training hours and not to exclude the general induction training provided by an issuer to newly appointed directors from the minimum number of training hours as the induction training should have already covered important aspect of the issuer's obligations and directors' duties under Hong Kong law and the Listing Rules.

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?

Yes

Please provide reasons for your views.

We have no particular comment on this proposal.

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.

While we agree that the Exchange should set out a list of recommended topics for the mandatory continuous professional development requirement for directors, the issuers and directors should have the flexibility to decide on the topics of the training that best fit their own circumstances and it would be too restrictive if the topics is confined in the list in the draft Rule 3.09G of the Listing Rules. For example, it would be equally important

for the directors to receive training on the key legal and regulatory developments in the place of incorporation of the issuers besides Hong Kong law and it would be useful for the directors to gain a comparative perspective by having knowledge on overseas regulations relevant to listed companies.

Question 3

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

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We do not disagree with the Exchange's proposal. However, we suggest the Exchange to extend the maximum interval between the regular board performance reviews from two years to three years in line with CP B2.2 that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. We note that for issuers incorporated in the PRC, the tenure of a board session is usually three years. A three years interval will allow a PRC incorporated issuer to conduct a regular review near the end of a board session and the result of the review may assist the shareholders to decide whether to re-elect the board or not. We also note that the UK CG Code only requires the board chair to commission a regular externally facilitate board performance review at least every three years, instead of two years, for FTSE 350 companies.

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.

We are of the view that measuring and quantifying the mix of skills of each board member is a highly subjective exercise, and therefore the disclosures thereof would be of limited value for shareholders and potential investors. With the practical difficulty to quantify directors' skills, issuers will likely resort to making boilerplate disclosure with limited useful information for shareholders and potential investors. This new requirement will only increase compliance costs without improving corporate governance in any observable way. We consider that the current practice of including director biographies is sufficient, and this new change would be an unnecessary burden on issuers.

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 it is important to ensure that that INEDs are able to devote sufficient time to carry out the work of the listed issuers, we believe that a “hard cap” will deprive the rights of the shareholders to elect the most suitable candidates to the board. We also note that there is no absolute causal relation between the number of directorships held by an individual and his/her time commitment. An INED with seven listed issuer directorships may be able to devote more time in his/her duties compared to an INED with six listed issuer directorships depends on his/her diligence and other full-time commitment. The “hard cap” is therefore arbitrary without taking into account individual circumstances.

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.

We have no particular comment on this proposal. However, we stressed that we do not agree with the “hard cap” in the first place.

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.

Time commitment of each director is affected by various factors and directors may have higher productivity and make more contribution despite lower time being spent. Assessing contribution of directors is a highly subjective exercise and would vary based on the issuer's business and directors' responsibilities within the board. Over-emphasizing these metrics may discourage potential candidates, especially those with other full-time commitments, from joining the board as an INED, contributing diverse insights and thereby undermining corporate governance of issuers. The quality of a director's work should matter more than the quantity of time he spent with the issuer, and cannot be assessed in a short period of time (say only with 12 months or less). Any assessment would better be done at the time of re-election so that the board can have a full picture of the director's performance during his tenure.

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.

As mentioned in our response to question 6(a), we believe a "hard cap" will deprive the rights of the shareholders to elect the most suitable candidates to the board. We also note that is lack of empirical evidence that INEDs will lose independence after nine years on the tenure of INEDs. While the length of tenure may be a relevant consideration, we believe the question of independency shall be decided on the list of factors as stated in Rule 3.13 of the Listing Rules. Therefore, we believe the current requirements under CP B.2.3 and B.2.4 that further appointment of a Long Serving INED should be subject to a separate shareholders' resolution and the length of tenure of each Long Serving INED should be disclosed in the issuer's circular to shareholders are sufficient.

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?

Yes

Please provide reasons for your views.

Yes. However, we reiterated that we do not agree with the proposal to introduce a “hard cap” for the reasons we explained in our response to question 8(a).

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?

Please provide reasons for your views.

We have no particular comment on this proposal. However, we reiterated that we do not agree with the proposal to introduce a “hard cap” for the reasons we explained in our response to question 8(a).

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

No

Please provide reasons for your views.

While we agree that board diversity is an important aspect of good corporate governance, there is no strong reason to mandate this at the committee level as the existing requirement for gender diversity on board level is sufficient to promote diversity. Nomination of directors in board committees, just as in the case of the appointment of

board members, should be based on various considerations, including but not limited to one's qualities, experience, expert knowledge, integrity, etc. The current board-level diversity rule is adequate, and the proposed committee-level requirement would be an unnecessary burden on issuers.

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)?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal. However, we suggest the Exchange to clarify whether the word "subsidiaries" in Principle D.2 intends to cover "insignificant subsidiary (as defined in Rule 14A.09 of the Listing Rules)". If it is indeed the intention of the Exchange, then we urge the Exchange to reconsider as it will place undue administrative burden on the board of issuers, which in turn will negatively impact the overall attractiveness of Hong Kong's equity capital market.

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?

Please provide reasons for your views.

We have no particular comment on this proposal. However, as stated in our response to question 15(a), we suggest the Exchange to clarify whether the word "subsidiaries" in MDR paragraph H intends to cover "insignificant subsidiary (as defined in Rule 14A.09 of the Listing Rules)".

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

Question 19

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

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal. However, we suggest that the Exchange should consider the inclusion of monthly financial summary as an alternative to monthly management accounts in the monthly updates, as monthly management accounts of some issuers, especially those of large cap issuers, may be too complicated for directors without solid accounting or financial background to apprehend. Nevertheless, a director is always entitled to request further information, including

management accounts, when carrying out his/her duties regardless of the provision in the CP.

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?

Please provide reasons for your views.

We have no particular comment on this proposal.

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?

Please provide reasons for your views.

We have no particular comment on this proposal. However, as a general comment, the Exchange should be wary of the consequence of over-regulation as it may increase the compliance costs of issuers and turn away potential listing applicants from Hong Kong's equity capital market. We also note that the UK has recently overhauled its listing rules to simplify compliance requirements, aiming to increase the competitiveness of its listing regime. We suggest the Exchange to pay close attention to the developments of its major competitors (e.g. the NYSE, NASDAQ and LSE) when amending its Listing Rules.