

16 August 2024

Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Subject: Response to Consultation Paper on Review of Corporate Governance Code and Related Listing Rules

Dear Sir/ Madam,

Deloitte Touche Tohmatsu would like to express its support for the publication of the *Consultation Paper on Review of Corporate Governance Code and Related Listing Rules* by the Stock Exchange of Hong Kong (the Exchange) in response to market demand for high quality corporate governance. We appreciate that the Exchange reviews its Corporate Governance framework from time to time to ensure the framework is adequate for maintaining investors' confidence in the market.

Taking this opportunity, we would like to put forward our views and observations on some of the proposals outlined in the Consultation Paper.

Designation of Lead INED

We understand that the proposals intend to facilitate and strengthen communication among INEDs, between INEDs and boards and with shareholders of issuers. We principally agree with this intention.

We noticed that certain listed issuers have raised concerns that the designation of a Lead INED might mean that the Lead INED on a board will bear a separate or higher level of responsibility or liability relative to other INEDs. Although we note that the proposals do not intend the Lead INED to bear a higher level of responsibility or liability, in practice, investors, shareholders and other stakeholders might have higher levels of expectations for a Lead INED compared with other INEDs and they could expect the Lead INED to answer questions on operations or business management that the INED might not be familiar with. If the roles and responsibilities of a Lead INED are not defined clearly, it could lead to confusion and the potential overstepping of boundaries, resulting in tension and conflict between the Lead INED, the management team and the board. It is also not clear as to whether or not the "Lead INED" designation would create a higher level of legal liability (than other INEDs) in the event of litigation. We believe that the concerns could be addressed if the revision of the Listing Rules clarifies these matters. We welcome the Exchange's plan to provide further guidance on the expected role and functions of a Lead INED. We recommend that guidance should also be provided on other critical matters related to this role including the expected qualifications, experience and skillsets, time commitment and other factors that a listed issuer should consider when determining the emolument package.

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Long-serving INEDs

We support the Exchange's intention to enhance the independence of INED. Although the "hard cap" of nine years of tenure for INEDs might help address the appearance of independence of INEDs, it is important that INEDs have a state of mind to act independently in the best interests of all shareholders. We believe that there may be an even better way to allow the intended effect to be fully achieved than the proposed "hard cap" of nine years. With reference to the UK Corporate Governance Code approach, we recommend the Exchange could consider adding a factor for assessing the independence of a non-executive director in rules 3.13, namely a tenure of more than 9 years will be "likely to impair, or could appear to impair, a NED's independence". In the event that the tenure of an INED exceeds nine years and independence is not considered to be impaired, we suggest that the Exchange could require the listed issuer to disclose the reasons under rule 3.14. We also recommend enhancing the disclosure requirements on the selection of INEDs and annual review of their independence to increase transparency on this matter.

Overboarding INEDs

We support this proposal, which could give greater transparency around the time commitment made by each INED to shareholders.

We are aware of the proposal that the Exchange would, starting from 1 January 2025, not accept an IPO applicant with an "overboarding" INED. Nonetheless, the presence of INEDs with more experience who are able to contribute constructive insights to a boards' decision-making process can be beneficial to the development of an IPO applicant with less experience in corporate governance as compared with another issuer. There may have some occasions where an IPO applicant's INED holds seven or more listed issuer directorships.

Therefore, we believe the proposal might create certain implementation issues and suggest some solutions for these below.

For example, an overboarding INED might be obligated to resign from the directorship of another listed issuer once an IPO candidate company becomes listed, or a one-year transition period could be introduced during which an individual may hold INED positions at six listed issuers and one IPO applicant.

It has always been the Exchange's intention and plan to list quality issuers in the Hong Kong capital market, not just to protect shareholders but also for the greater and longer-term benefits and global competitiveness of the Hong Kong market. Other than having a well-established listing regime that focuses on the financial performance of potential and existing issuers, and a healthy ecosystem to draw these companies to list and remain in the Hong Kong market, it is also crucial to set a high standard of corporate governance practices and rules for these companies to help them thrive in the market at different times no matter the highs or lows.

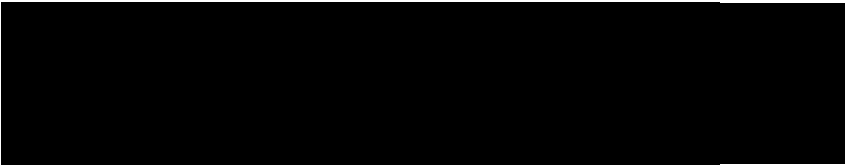
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Once again, we thank the Exchange for publishing these proposals and for giving us such a valuable opportunity to express our views. We believe these proposals will achieve the intended goals and look forward to seeing the refined Code of Corporate Governance come into effect soon.

Yours faithfully,

Yours faithfully,



General Information of the Respondent

(1) Please state whether your response represents your personal or your company/ entity's view by (p) checking the boxes below and filling in the information as appropriate:

Company/ Entity view

Company/ Entity name*:	Deloitte Touche Tohmatsu	
Company/ Entity type*:	<input type="checkbox"/> Listed Company	<input type="checkbox"/> HKEX Participant
	<input type="checkbox"/> Investment Management Firm	<input type="checkbox"/> Corporate Finance Firm
	<input type="checkbox"/> Law Firm	<input type="checkbox"/> Accountancy Firm
	<input type="checkbox"/> Professional Body/ Industry Association	
	<input checked="" type="checkbox"/> Others (Type: Professional services firm)	
Contact person*:	[Redacted]	
Title:	[Redacted]	
Phone no.*:	[Redacted]	Email address: [Redacted]

Personal view

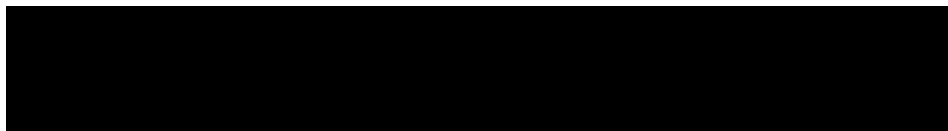
Respondent's full name*:	Mr/ Ms/ Mrs _____	
Phone no.*: _____	Email address: _____	
Among the following, please select the one best describing your position*:		
<input type="checkbox"/> Listed Company Staff	<input type="checkbox"/> HKEX Participant Staff	<input type="checkbox"/> Retail Investor
<input type="checkbox"/> Investment Management Staff	<input type="checkbox"/> Corporate Finance Staff	<input type="checkbox"/> Lawyer
<input type="checkbox"/> Accountant	<input type="checkbox"/> Others (Type: _____)	

Important note: All fields marked with an asterisk (*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

(2) Disclosure of identity

HKEX may publish the identity of the respondent together with this response to members of public. Respondents who do not wish their identities to be published should check the box below:

I/ We do not wish to disclose my/ our identity to the members of the public.



Signature (with Company/ Entity Chop if response represents company/ entity view)