

Response to the Consultation Paper of Review of the Code on Corporate Governance Practices and Associated Listing Rules issued by Hong Kong Exchange and Clearing Limited in December 2010

- Question 1: Yes, we agree to the plainer writing amendments. Plainer writing is always better and easier for understanding.
- Question 2: Yes, we agree to the proposed change to expand Rule 3.08 to state more clearly and in detail the responsibilities the Exchange expects of directors.
- Question 3: Yes, we agree to include guidance to directors in a Note to Rule 3.08. By making reference to the guidelines issued from different authorities and institutes which state more clearly and concretely the responsibilities the Exchange expects of directors.
- Question 4: No, we do not agree to this proposed change. We believe that time spent is not an appropriate factor to be used to determine whether a director has committed sufficiently to perform his duties, as it could be possible for a director, with his experiences and expertise to fully perform his duties without spending excessive time. Therefore we do not agree to include a new duty in the nomination committee's written terms of reference that it should review regularly the actual time spent by the director to perform his responsibilities.
- Question 5: No, we do not agree to this proposed change. We do not consider actual time spent is a main factor to be used to determine whether a director has committed sufficiently to perform his duties. A director, with his expertise and good time management can fully perform his duties. Therefore we do not agree to include a new duty in the nomination committee's written terms of reference that it should review NED's annual confirmation that they have spent sufficient time on the issuer's business.
- Question 6: No, we do not agree to this proposed change for the same reason stated above in the answers to questions 4 and 5.
- Question 7: No, we do not agree to expanding CP A.5.3 to state that a director should limit his other professional commitments and acknowledge to the issuer that he will have sufficient time to meet his obligations. We should emphasize on quality of time instead of quantity of time contributed by the directors. The directors, with their expertise, could be able to perform different duties in various firms or organizations, they have their own freedom and right to decide whether to commit in different areas as long as they are experienced and capable enough to deal with these issues.

- Question 8: No, we do not agree time spent is an appropriate factor to determine whether a director has committed sufficiently to perform his duties, so we do not consider the necessity that NED should confirm annually to the nomination committee that he has spent sufficient time on the issuer's business.
- Question 9: Yes, we merely agree to upgrade RBP D.1.4 to a CP but it should not be amended to state that a NED's letter of appointment should set out the expected time commitment as we do not agree time spent is an appropriate factor to determine whether a director has committed sufficiently to perform his duties.
- Question 10: Yes, we agree to the proposed change since rotation and re-election of directors usually take places once for certain number of years, it is important to continuously monitor the performance of the directors by encouraging timeliness of disclosure by the directors to the issuer on any change to their significant commitments.
- Question 11: We agree to limit the number of INED positions an individual may hold to a reasonable number mainly because most of the board meetings of listed issuers are held at about the same time each year and the INEDs may not be able to juggle his schedule to fit the timetable of the board meetings.
- Question 12: Not applicable
- Question 13: Not applicable
- Question 14: Yes, we agree to the upgrading of RBP A5.5 to a CP. It is important for the directors to continue updating and refreshing their skills and knowledge by receiving relevant training to ensure themselves being able to provide informed and relevant contribution to the issuers.
- Question 15: Yes, we agree that the minimum number of hours of directors training to be set at eight. Most professionals are required to attend training for more than eight hours annually, but for directors who normally possess rich experiences and knowledge, eight hours training is sufficient for them to continuously develop and refresh their skills and knowledge. In addition, such arrangement also provides the directors with more flexibility to decide the number of training that they would like to receive in a way that would not hinder them from performing their other duties.
- Question 16: Reading articles, attending seminars or giving talks can also be efficient and flexible ways for the training.

- Question 17: Yes, issuers with at least one-third of directors being INEDs can enhance independence of their board of directors.
- Question 18: Yes, sufficient transitional period can allow the issuers to seek suitable candidates for their INEDs.
- Question 19: No, we do not agree to the proposed change. Every INED is required to make annual confirmation of his independence to the issuer. Also, the years that the INED has served the issuer will be disclosed in the AGM circular when he stands for re-election. Shareholders have full disclosure of information to decide his vote. If a shareholder does not consider an INED to be independent, he can choose to vote against the INED re-election.
- Question 20: Yes, we agree to the proposed change since disclosure is important to increase the transparency of the issuers to the shareholders.
- Question 21: Yes, we agree to the proposed change. No directors should involve in decision to their own remuneration.
- Question 22: Yes, we agree that the remuneration committee must be chaired by an INED. It can ensure the independence in deciding the remunerations for the executive directors and senior management.
- Question 23: Yes, we agree to the proposed upgrading of CP B.1.1. Duties of a remuneration committee should be well defined to facilitate the committee members to carry out their duties.
- Question 24: Yes, we agree to the proposed change. It increases the transparency of the issuers to the shareholders.
- Question 25: Yes, we agree to the three months rectification period. Not all the issuers can comply forthwith, being more flexible to rectify any non-complied rules in a transitional phase is always goods.
- Question 26: Yes, we agree to this proposed change as it is important to be professional and independent to decide the remuneration of the directors.

- Question 27: No, we do not agree to revise CP B.1.3. Under model B, remuneration committee should review the proposals and make recommendations to the board. It is acceptable for the board to make different view on the proposal. However, the board members, including the remuneration committee members, will discuss the proposals together in board meeting. All the decisions are made after thorough discussion. There is no need to disclose whether the board disagrees with the remuneration committee or not as it is a collective decision of the board.
- Question 28: No. The resolutions are concluded after discussion with board members (including the remuneration committee members) at board meeting.
- Question 29: No, we do not agree to the deletion of the term “performance-based” from CP B.1.2 (c) because respective functions of the senior managements and executive directors can be different from the corporate goal, therefore performance is an important factor to determine their remuneration and should not be deleted.
- Question 30: Yes, we agree to the upgrading of RBP A 4.4 to a CP with INEDs being the majority.
- Question 31: Yes, we agree to the proposed amendment for the same reason above for question 30.
- Question 32: Yes, we agree to the upgrading of RBP A 4.5 to a CP in order to give power to the INED to perform their duties in the nomination committee.
- Question 33: Yes, we agree to the proposed amendment because company’s structure and business needs are changing continuously, it is important to have periodic review on the structure, size and composition of the board which is in the company’s interest.
- Question 34: Yes, we agree to the proposed amendment. The composition of the board should be able to attain the company’s corporate strategy in order to achieve the company’s missions and visions.
- Question 35: Yes, we agree to the upgrading of the RBP A4.6 to a CP to increase the transparency of the nomination committee for the interest of the shareholders.
- Question 36: No, we do not agree to make it mandatory to make available the terms of reference of nomination committee on the website of HKEx. Since most of the issuers provide such information on their own websites, it will be redundant and incur additional administrative burden of the issuers to provide such on the website of HKEx.

- Question 37: Yes, we agree to provide sufficient resources to the nomination committee to allow them to perform their functions more effectively. For example they may need resources to hire external professional recruitment firms for the purpose of seeking suitable candidates for directors.
- Question 38: Yes, we agree to clarify in a CP that nomination committee should be able to seek independent professional advice at the issuer's expense for the same reason above for question 37.
- Question 39: No, we do not agree to the proposed terms of reference for the corporate governance committee because the duties are discharged in any event, with the primary responsibility for corporate governance being assumed by the board. The issuers are required to disclose compliance with corporate governance codes requirements in their corporate governance report in the annual report. There is no need to have a separate committee to review the corporate governance issues.
- Question 40: No, we do not agree to the proposed change because in any event, issuers are required to make disclosure in the corporate governance report of annual report.
- Question 41: No, it is because, as explained above for question 39, we do not see the need to have a company governance committee and hence we do not agree to publish such report as part of the corporate governance report.
- Question 42: Yes, we do agree that this is just a recommended best practice to establish corporate governance committee. In normal practice for most companies, the duties of this committee have been discharged by the board. It is not necessary to have such a separate committee to be responsible for these duties.
- Question 43: No, it is not necessary to repeat and expand the duties of an existing committee or committees to include those of a corporate governance committee.
- Question 44: We do not think this question is applicable as we do not think it is necessary to establish the corporate governance committee as explained above for question 39.
- Question 45: We do not think this question is applicable as we do not think it is necessary to establish the corporate governance committee as explained above for question 39.

- Question 46: No. Although we agree in principal that there should be proper channel to allow the employees to raise their concerns about improprieties in financial reporting, internal control and other matters, we do not agree to upgrade RBP C.3.7 to a CP. We believe that whether or not the issuer considers such responsibility falls within the scope of the Audit Committee would depend on own circumstances. For instance, such responsibility may be taken cared of by the human resources department or the internal audit department of the issuer. Furthermore, a written policy might be subject to create false expectations or subject to abuse as the employees might expect the issuer to act in response to all their concerns whether or not considered appropriate by the issuer.
- Question 47: Yes, we agree that the audit committee should meet the external auditor at least twice a year and should be present at all audit committee meetings, in order to keep close track on the issuer's situation.
- Question 48: Yes, we agree to have a new RBP to encourage audit committee to establish a whistle blowing policy, however such requirement should only be maintained in a RBP but not set as mandatory requirement because establishing and maintaining such policy would increase much administrative burden for most of the issuers.
- Question 49: Yes, we agree that the senior management remuneration should be disclosed by band as it protects the confidentiality of individual senior management.
- Question 50: No. Sales commission may be sensitive figure, should not be disclosed separately.
- Question 51: Yes, we agree to that because CEO is a very important position in a company who is actually the head of a company. Disclosing such can increase the transparency of the company to the public.
- Question 52: Yes, we agree to that, we believe both corporate and individual performance should be considered to determine how the executive directors should be remunerated.
- Question 53: Yes, we agree that evaluation of the issuers' own and individual directors' performance should be conducted, because with this evaluation, the board can understand whether itself needs further improvement and ensure the board's function can be carried out properly and effectively. Directors may conduct their own evaluation, e.g. whether they are experienced and possess sufficient knowledge, etc.

- Question 54: Yes, we agree to retaining the wording of CP A.1.8 that a board meeting should be held to discuss resolutions on a material matter where a substantial directors or a director has a conflict of interest. It is because if there is a connected transaction happening, it is important to allow the board members opportunity to discuss such matters to safeguard the interest of the minority shareholders.
- Question 55: Yes, we agree to state in the note of CP A.2.8 that attendance at board meeting can be achieved by telephonic or video conferencing. This is especially good for global companies with directors stationed in different countries and in different jurisdictions. As due to time difference, it may be difficult for all the directors physically present at the same place to attend a meeting.
- Question 56: Yes, we agree to the proposal to add the notes to paragraph I(c) of Appendix 14 as we believe it can more accurately and clearly reflect whether a director have or have not participated in the meetings and committed to perform his duty.
- Question 57: Yes, we agree to the proposal that attendance by an alternate should not be counted as attendance by the director himself. It is because alternate directors and actual director are different individuals, and they should be clearly distinguished from each other when counting the attendance in order to show a more accurate and clearer picture for the situation.
- Question 58: Yes, we agree to the proposed change for the same reason mentioned above for question 57.
- Question 59: No, we do not agree to remove the exemption that the director may vote on a board resolution for a proposed transaction with a company which he is beneficially interested in no more than 5% of that company's issued shares or voting rights. It is because less than 5% interest is not a material interest. Important matters like notifiable transactions and connected transactions are currently governed by the disclosure requirements under chapter 14 and 14A of Listing Rules. In any event, dividends should be an exemption.
- Question 60: Yes, we agree that the words "at the board level" should be removed. The usage of these words is confusing as not only the board is included but also the management level.

- Question 61: Yes, we agree to the proposed amendment. For better understanding, it is good to clarify the code. It is important and essential to provide accurate and clear information to the directors for their review, information and discussion.
- Question 62: Yes, we agree to the proposal to upgrade RBP A2.4 to a CP because the role of the chairman is important in providing leadership and ensuring the board works effectively.
- Question 63: No, we do not agree to state that the chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established. The board is collectively responsible to ensure good corporate governance.
- Question 64: Yes, we agree to the proposed change. Chairman is responsible for directing meeting, he should encourage the meetings be carried out smoothly and effectively by encouraging directors to voice their concerns and allowing sufficient time for discussion among the board members.
- Question 65: Yes, we agree with the proposal to upgrade RBP A.2.7 to a CP. However whether to have separate meeting with INEDs or NEDs should be decided by the issuers themselves since the principle of the practice is for the chairmen to have meetings with INEDs and NEDs without the presence of executive directors.
- Question 66: No, we do not agree with the proposal to upgrade RBP A.2.8 to a CP to highlight chairman's role to ensure effective communication between the board and shareholders, because as normal practice for most issuers, their investors' relations department or personnel to that effect are responsible to discharge this duty. The Chairman should not be responsible for this duty. This requirement should be retained as a RBP only.
- Question 67: Yes, we agree with the proposal to upgrade RBP A.2.9 to a CP as it is good to have open discussion among the board members.
- Question 68: We agree with the proposal to require issuers to disclose the retirement of the directors or supervisors. However for removal of directors or supervisors, it must obtain shareholders' approval in general meeting. Relevant notice of the general meeting has to state the proposed resolutions and the poll results of the shareholder's resolution relating to removal of directors or supervisors are already required to be disclosed.

- Question 69: Yes, we agree to the proposed change since CEO is a very important role of a company and it should also be covered under the rule.
- Question 70: Yes, we agree to the proposed change. Such disclosure is relevant for the shareholders to assess the qualification of directors and whether they are appropriate for such roles.
- Question 71: Yes, we agree with the amendment. Investors and the public may not be aware of the publication of the announcement by other issuers.
- Question 72: Yes, we agree with the proposal to upgrading RBP A.3.3 to a CP, because it is important for the shareholders to have access to up-to-date information of the directors so that they can have a better understanding on the directors.
- Question 73: We do not agree that the directors' information should also be published on the HKEx website. It is because the availability of directors' information on the issuer's website is sufficient. It will create unnecessary administrative burden to the issuers to operate and update two websites regularly. In addition, the HKEx website is not customized for every issuer as its own website can do.
- Question 74: Yes, we agree with the proposal to have monthly update for the board members as considered necessary by the board in order to allow them to access timely and updated information about the issuer's performance as well as any price sensitive information so that they could act accordingly to discharge their fiduciary duties.
- Question 75: Yes, we agree to the proposed change. In some situations, for example there is time difference with overseas directors and they may not be able to communicate with the issuers immediately. It is difficult to comply with next day disclosure requirement.
- Question 76: Yes, we agree to the proposed change because 5% or more of the issuer's share capital is material interest.
- Question 77: Yes, we agree to introduce the proposed CP C.1.4 as for it is good to update the shareholders from time to time about the company's short term and long term strategies and to disclose the reasons for not achieving them.
- Question 78: Yes, we agree to the proposed change since providing insurance to the directors is important to safeguard the interest of the directors.

- Question 79: Yes, we agree to the proposed change as it clarifies the requirement and gives better protection to the directors so that the director's interest could be aligned with the issuer's interest in a long and short run.
- Question 80: Yes, we agree to the proposed amendment to state that issuers should avoid "bundling" of resolutions since shareholders should have the opportunity to separately vote on each individual matter.
- Question 81: Yes, we agree to the proposed change since it can enhance the efficiency of the general meetings.
- Question 82: We agree with the examples in paragraph 275, we have no more examples to add.
- Question 83: Yes, we agree with the proposed amendments to Rule 13.39(5) as it provides the shareholders with more information about the poll for transparency purpose.
- Question 84: No, we think the words "at the commencement of the meeting" should be retained in CP E.2.1, because not all the shareholders will read the whole content of the circular before the meeting, therefore it is important for the chairman to explain the procedure for conducting a poll at the commencement of the meeting to the shareholders.
- Question 85: Yes, we agree to add new rule to require shareholder's approval to appoint the issuer's auditor. It is because the function of the auditor should be independent from the management and should therefore be appointed by the shareholders. In addition, this is actually the normal practice for most of the issuers.
- Question 86: Yes, we agree to require shareholder's approval to remove the auditor before the end of his term of office, because the auditor should be appointed by the shareholder, and therefore shareholder opinion should also be considered in case of the removal of the auditor.
- Question 87: Yes, we agree with this proposed amendment because auditor should have the opportunity to voice out his opinion or other important issue that he thinks should be drawn to the attention of the shareholders.
- Question 88: Yes, we agree with the proposed amendment as we believe attending and actively participating in board meetings is the basic responsibility of a director whether he is an ED, a NED or an INED.
- Question 89: Yes, we agree with the proposed amendment for the same reason above for question 88.

- Question 90: Yes, we agree to disclose details of attendance at general meetings of each director by name to allow the shareholders to monitor their attendance.
- Question 91: Yes, notwithstanding we disagree to establish a corporate governance committee, we agree that the chairman for any other committees should also attend the annual general meeting in order to gain a better understanding of the concerns or opinions of the minority shareholders over any important issues of the issuer.
- Question 92: Yes, we agree to arrange for the auditor to attend the issuer's annual general meeting to allow auditor to answer questions relating to the audit and ensure the directors have clear understanding of the auditor's report.
- Question 93: Yes, we agree with the proposal to upgrade the recommended disclosure of shareholders' rights to mandatory disclosure for transparency purpose.
- Question 94: Yes, we agree with the proposed amendment. For many issuers, communication channel for shareholders to communicate with the companies are already in place although such practices may not have been put in form of a policy.
- Question 95: No, we do not agree to publish an updated and consolidated version of M&A on the issuers' websites and the HKEx website. M&A involves legal and technical terms which the shareholders may not be able to understand easily. It may be more appropriate and helpful to direct the shareholder's query to the company according to the communication policy as proposed to be added as the New CP E.1.4 referred to in Q94 above. In any event, the M&A is always available to the shareholder upon request.
- Question 96: Yes, we agree to publish the procedures for shareholders to propose a person for election as a director in the issuers' website for transparency purpose.
- Question 97: Yes, we agree to mandatory disclose any significant change in issuer's articles of association to the shareholders for transparency purpose.
- Question 98: Yes, we agree with the proposal to add new rule 3.28 to emphasize the requirements for company secretary. Company secretary plays an important role in the corporate governance of an issuer, it is necessary to have a qualified person to ensure high corporate governance standards are upheld.

- Question 99: Yes, we agree with the list of qualifications for company secretary that the Exchange consider as acceptable. Company secretary plays an important role in an issuer and should therefore be a professional person with sufficient professional knowledge to uphold high corporate governance standards.
- Question 100: Yes, we agree with the list of items that the Exchange consider as relevant experiences of the company secretary. By possessing those experiences, it could ensure that the company secretary has good understanding of the company and has relevant knowledge and skill to uphold the corporate governance standards.
- Question 101: Yes, we agree with the removal of the requirement for the company secretary to be ordinarily resident in Hong Kong, as especially for a global company, suitable person may not merely be ordinarily resident in Hong Kong. An issuer can seek appropriate candidates from elsewhere.
- Question 102: Yes, we agree with the proposal to add new rule requiring mainland issuer's company secretary to meet the same requirements for other countries. It is because when issuers are to be listed in Hong Kong, they are therefore required to uphold the same standards and meet the same requirements for a matter of impartiality. Directors rely on the professional advice provided by the company secretary.
- Question 103: Yes, we agree to add new rule to require company secretary to attend 15 hours training annually because it can provide the company secretary with up-to-date information with the latest legal and regulatory development to perform their duties and assist the directors.
- Question 104: Yes, we agree with the proposed transitional arrangement because for the company secretary with greater years of experience may not keep himself up-to-date with the current corporate governance standard, and it is good for him to receive training to refresh his knowledge and understandings.
- Question 105: Yes, we agree to include a new section of the Code on company secretaries, because company secretary is an important role in a company and such role should be defined clearly to give power and responsibility to the company secretary to carry out the role and responsibilities effectively.

- Question 106: No. Company secretaries need not to report to the board chairman or CEO as the duty of the company secretary is to assist the full board and reporting to an ED should be sufficient. Besides each issuer has its own situation. The issuer should decide the reporting line of the company secretary so that the duty of the company secretary can be fully discharged in a most effective way.
- Question 107: Yes, we agree that the company secretary should be an employee of the issuer since it will ensure that the company secretary has good understanding and updated information of the issuer's affairs to enable him to perform his duty effectively and to discharge his fiduciary duty.
- Question 108: Yes, we agree that the issuer's contact person should be disclosed to the external service provider in order to allow the service provider to gain sufficient knowledge of the day to day affairs of the issues to perform his duty effectively.
- Question 109: No, we do not agree that the selection, appointment or dismissal of the company secretaries should be the subject matter of a board decision. The primary responsibility of the selection, appointment or dismissal of the company secretaries should lie with the executive directors whom the company secretary is reporting to, with the concurrence of the board.
- Question 110: No, we believe that a written board resolution is sufficient.
- Question 111: No. We do not agree that the company secretary should report to the chairman or CEO for the same reason stated above in the answer for question 106.
- Question 112: Yes, we agree that the company secretary should maintain a record of directors training, because the major duty of company secretaries is to ensure director discharge their duties, it is necessary for the company secretaries to keep record of the director training to ensure that the director has received sufficient training and up-to-date information according to the requirement.
- Question 113: Yes, we agree to define the term "announcement and announce" to make it clear for the issuers what the Exchange expects.
- Question 114: Yes, we agree that the contact details of the authorized representatives should be provided to the Exchange to clarify any matters in a timely manner.

- Question 115: Yes, we agree to merge Appendix 23 into Appendix 14 for ease of reference as the readers no longer need to refer to separate appendices relating to corporate governance.
- Question 116: Yes, we agree to streamline and make plain language amendments to Appendix 23 for ease of reference.