



Great Eagle  
Holdings Limited  
鷹君集團有限公司

(Incorporated in Bermuda with limited liability)

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**BY FAX (2524 0149) AND BY MAIL**

Corporate Communications Department  
Hong Kong Exchanges and Clearing Limited  
12<sup>th</sup> Floor,  
One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Dear Sirs,

**Re: Consultation Paper on Review of the Code on Corporate Governance Practices and Associated Listing Rules**

We write to share our views with the Exchange regarding the Consultation Paper on Review of the Code on Corporate Governance Practices and Associated Listing Rules issued in December 2010 (“Consultation Paper”).

We are fully supportive of the Exchange’s efforts to promote the development of a higher level of corporate governance among listed issuers. In order to assist the Exchange to refine the proposal, we wish to share our comments on some of the issues as raised in the Consultation Paper as follows:

***1. Directors’ Time Commitments***

The Exchange suggests that the expected time commitment shall be set out in Non-executive Directors’ letter of appointment. With due respect we consider the proposal is not meaningful. Not only because it is very difficult to accurately quantify time required from a director but also the fact that time spent is not a proper contribution indicator of a director. It is quality rather than quantity that matters. We suggest withdrawing this proposal.

***2. Minimum number of Hours of Directors Training***

Under the Listing Rules, a director has to fulfill fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. It is the obligations of the directors to ensure they are equipped with necessary skills and knowledge to discharge their own duties. A director can keep updating his or her skill and knowledge through the



participation in an event or project or self-directed studies in addition to formal seminars or conferences. To have all these recorded in overly detail and is not meaningful. While we agree that directors shall undertake trainings every year, we do not think it is appropriate to mandate the training format or the minimum number of hours. We suggest the existing Recommended Best Practice (“RBP”) in respect of Directors’ training shall remain unchanged.

**3. *Establishment of a Separate Corporate Governance Committee***

Clear guidelines and corporate governance principles and recommended best practices have been set out in the Listing Rules and all listed companies are required to publish its Corporate Governance Report annually. We consider the establishment of a new corporate governance committee is not necessary as it will then be a duplication of the effort of the Board of Directors as well as the Chairman who is expected to take primary responsibility for ensuring that good corporate governance practices and procedures are established. We believe listed companies shall have the discretion to decide whether or not to establish a separate corporate governance committee or have the proposed terms of reference inserted to any existing board committee. The proposed arrangement as mentioned under Section C of the Consultation Paper shall therefore only be a RBP instead of a Code Provision (“CP”).

**4. *The disclosure of senior management remuneration by band***

Information regarding remuneration is highly sensitive. The potential impact of the imposition of disclosure obligations in respect of such information is non-negligible. Although, the remuneration is only required to be disclosed by band, when there is staff turnover, the salary range of both the new and past employees will be disclosed indirectly. Every person should have a right to preserve his privacy. Information regarding remuneration is a private matter between an employee and his or her employer. A requirement to disclose remuneration moves the private negotiation and reward system into a public context. What is more, individual disclosure may lead to some inflationary spiral and to an undesired tendency towards a leveling of remuneration differences due to over disclosure. Needless to say it may also lead to social tension within the Company. What matters to shareholders largely is not individual remuneration of the senior management but the total amount of remuneration as it will affect their return on investment. We are of the view that accountability to shareholders is not actually served by a requirement to disclose the remuneration of senior management unless he or she is the CEO.



**5. *Significant Proportion of Executive Directors' Remuneration be structured so as to link rewards to Corporate and Individual Performance***

No doubt remuneration has to be linked with performance. However, it is not necessary to mandatorily require that a "significant proportion" of remuneration should be structured so as to link rewards to corporate and individual performance. The remuneration committee or the Board of Directors should be given the discretion to make its own judgement to fix the remuneration of the executive directors that will fit the circumstances of the Company and job requirements. Too much emphasis on the performance element might promote short-termism.

**6. *Evaluation of the Performance of the Board and Individual Directors' performance***

We consider the performance of the board is best reflected in the business performance of the Company and the directors are subject to re-election by rotation at each Annual General Meeting. It adds no practical value to the shareholders to have an additional tool to evaluate the performance of the Board and the Directors. Moreover, the tool to be used to measure such performance may itself be problematic.

Board evaluations are typically based on Directors rating themselves. The result of this self rating exercise is therefore not convincing. The engagement of governance facilitator to conduct the evaluation might to a certain extent mitigate the circumstance but it would mean extra management time and effort as well as extra financial burden. The issuers shall undertake board evaluation if there is a legitimate reason. However, it is not advisable to require the issuers to conduct Board evaluations regularly and hence, it is not appropriate to make it a RBP under the Listing Rules.

**7. *Providing Managements or Management Updates to the Board***

Not less than four regular board meetings will be held each year and at which the directors are usually given updates of the business operations of the Company. We consider this kind of quarterly updates is sufficient to keep directors informed of the state of the business and trend of development and would allow them to make proper response and follow up. Furthermore, it is the general obligation of an issuer to keep all Board members informed of any exceptional circumstances and additional information will always be provided to the directors upon request. To provide a monthly update may not be of great value as the operation of a company will not change much on a month-to-month basis. We therefore do not think a CP of monthly management updates for board members is necessary and that quarterly updates would suffice.



8. *Mandatory disclosure of NED and INEDs attendance at general meetings is not necessary*

General Meeting is only one of the various platforms for collecting the views of and communicating with the shareholders. There is an existing RBP to require the Chairman to take appropriate steps to provide effective communication with shareholders to communicate the views of the shareholders to the Board. In addition, there is an existing CP for chairmen of the three key committees to attend general meetings. It is therefore not necessary to require other NEDs and INEDs to attend and hence a mandatory disclosure of their attendance is also not necessary.

9. *The removal of the requirement for company secretaries to be ordinarily resident in Hong Kong is not agreeable*

We suggest the requirement for company secretary to be ordinarily resident requirement in Hong Kong shall be maintained so as to ensure every issuer has at least one local officer who will be readily available to answer questions from the regulators, local investors and shareholders.

We hope that the above comments can assist the Exchange to refine the proposal. Meanwhile, if you require any clarifications on our comments, please do not hesitate to contact us. Thank you for your kind attention.

Yours faithfully,  
For and on behalf of  
**GREAT EAGLE HOLDINGS LIMITED**