



BY EMAIL

Email : response@hkex.com.hk

18th March, 2011

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th 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 refer to your letter dated 17th December, 2010 (Your Ref. : MD20101217023) regarding the Consultation Paper on Review of the Code on Corporate Governance Practices and Associated Listing Rules (the "Consultation Paper"). Capitalised terms used herein have the same meanings as in the Consultation Paper, unless otherwise stated.

We strongly support that a higher level of corporate governance among the issuers should be promoted by means of the proposed changes in line with the international best practice and would like to express our views and comments as follows:

Directors' duties and professional commitment limit

We agree with *paragraph 49* of the Consultation Paper which proposes to expand the directors' duties to include that "*directors must take an active interest in the issuer's affairs, obtain a general understanding of its business and follow up anything untoward that comes to their attention*". We consider that every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept an appointment if he cannot, which is also the current requirements under CP A.5.3.

We also agree with *paragraph 55* of the Consultation Paper that a director should keep the issuer informed of his other professional commitments and acknowledge to the issuer that he will have sufficient time to meet his obligations to the issuer. However, we have some concerns about the statement in *paragraph 55* of the Consultation Paper that a director should limit his other professional commitments. We understand that the rationale behind is to ensure a director can devote sufficient time and attention to the issuer but the number of professional commitments does not necessarily have direct relevance to the time and attention given to the issuers. We consider that such limitation is unnecessary as long as the directors can or have confirm(ed) to the issuer that he is able to spend or has spent sufficient time to meet his obligations at the time of appointment or annually as mentioned below.

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Annual confirmation on time commitment from NEDs

We support under *paragraph 55* of the Consultation Paper that “an NED should confirm annually to the nomination committee that he has spent sufficient time on the issuer’s business”. We trust that this can clear the concern about whether the NED has properly discharged his duties.

Duties of nomination committee

We agree with *paragraphs 53 and 54* of the Consultation Paper that the nomination committee should regularly review the time required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time on the issuer’s business based on the review of the NEDs’ annual confirmations and the disclosure of such information in the issuer’s corporate governance report. We trust that this would improve the responsibility and accountability of both the NEDs and the nomination committee.

Limit on number of INED positions

We strongly disagree with *paragraph 58* of the Consultation Paper that the Code of Practice or the Listing Rules “impose a limit on the number of INED positions an individual may hold”. We consider that the number of positions held may not have a direct and strong relevance to the time devoted to the issuer by an INED and his performance. Whether one can devote sufficient time to an issue depends on various circumstances, such as the kinds of responsibilities the INED are having, the complexity of the issuer’s businesses and the ability of the INED. Imposing a rigid limit to the number of INED positions a person can hold will unfairly penalize competent and diligent INED who devotes sufficient time to his multiple directorships. We note from the Consultation Paper that no such restriction is mentioned in the well-developed markets, except for the guidelines available in the Mainland market. We are doubtful about whether a meaningful limit can be set for the number of INED positions. A one-size-fits-all rule is not applicable and practicable in Hong Kong.

In addition, if such proposal was finally implemented (which we strongly oppose) and by a Rule, we consider that this would deprive the issuers of the flexibility to choose to “comply and explain”. Thus, an upper limit may be more appropriate to be set as a guideline to the issuers and that the nomination committee can have the authority to assess the appointment or performance of INEDs and deviation from such guideline can be due to the reasonable or acceptable occasion and disclosure in the corporate governance report could help.

Appointment and performance assessment of INEDs

The Consultation Paper clearly states the standards on the INEDs and the nomination committee. We consider that there are sufficient guidelines to the directors and the issuer and the issuer’s expectation (including the time commitment) on the INEDs could be set out in the INEDs’ letters of appointment. We agree with *paragraph 131* of the Consultation Paper “to upgrade the establishment of a nomination committee to a CP” and consider that there is sufficient measure to ensure that if the nomination committee is given the responsibility to assess the appointment of an INED and to evaluate his performance in terms of his time commitment and attention to the issuer. Meanwhile, the nomination committee should have the authority to access the appointment and performance of an INED and thus a quantitative restriction does not help to its qualitative assessment.

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ITC PROPERTIES GROUP LIMITED

For the above reasons, we strongly suggest the HKEx not to set a rigid limit on the number of INED positions an individual may hold. Our pool of able and willing independent directors is already very tight. The HKEx should refrain from making that pool even tighter. That could end up hurting the issuers and their shareholders.

We welcome this reply letter with our name to be published to the public by the HKEx as part of your consultation conclusions.

Thank you very much for your kind attention.

Yours faithfully,
For and on behalf
ITC PROPERTIES GROUP LIMITED
(Stock Code : 199)