



Our ref.: PYICL/

BY EMAIL (response@hkex.com.hk)

18 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 Consultation Paper on Review of the Code on Corporate Governance Practices and Associated Listing Rules issued in December 2010 (the "Consultation Paper") and set out our comments on the proposed change of listing rules in the area of directors' duties and time commitments.

We agree that directors of a listed issuer including INEDs 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 for improvement of their understanding of their duties (paragraph 49(a) of the Consultation Paper). We also agree that directors must devote to the issuer sufficient time and attention, using his skills, judgment and experience. As such, it is important that an INED keeps the issuer informed of his other professional commitments and acknowledges to the issuer that he will have sufficient time to meet his obligations to the issuer (paragraph 55 of the Consultation Paper). However, we do not agree to expanding CP A.5.3 that a director including INED should limit his/her other professional commitments (paragraph 55 of the Consultation Paper and Question 7). Such statement without any qualification is totally unacceptable. As required under the CP A.5.3, a director should ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot do so. It goes without saying that the director would critically assess the demands of his commitments and satisfy himself that he is able to devote to each of those commitments the time and attention that they require. If it

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comes to the attention of the director that any of his commitments requires him to devote more time and attention and he is not able to give sufficient time and attention to any particular issuer(s) for an expected long period of time, then he should propose to resign from his directorship of the issuer(s). We consider that the existing CP A.5.3 with amendment that such director should propose to resign if circumstances warrant, among other relevant rules and CPs, is sufficient to serve the purpose of safeguarding the performance of directors' duties.

We agree that the nomination committee has the responsibility of regularly reviewing the time required from a director to perform his responsibilities to the issuer and whether, as per an INED's annual confirmation that he has spent sufficient time on the issuer's business, he has indeed done so (paragraph 53 of the Consultation Paper and Questions 4, 5 and 6). This would improve the transparency of issuers and accountability of both INEDs and nomination committees.

Although we note that the CSRC in the Mainland has issued guidelines, which states that, "in principle, independent directors can only hold concurrently the post of independent directors in five listed companies at a maximum" (paragraph 48 of the Consultation Paper), we do not agree that there should be a listing rule or CP that imposes a limit on the number of INED positions an individual may hold (paragraph 58 of the Consultation Paper and Question 11). We are of the view that the guidelines issued by CSRC is merely a guideline, the violation of which would not subject listed issuers and/or their directors to any sanction and that there is no such restriction on the number of INED appointments an individual may hold in any other major jurisdictions. Hong Kong is an international finance centre and our rules and practices on corporate governance should be in line with international standards.

In addition to the general self-assessment by directors for giving sufficient time and attention to the affairs of issuers as stated above, nomination committee would play a role in assessing an INED's ability to devote sufficient time and attention to the issuer's business having regard to the skills and expertise of an individual INED, the skill mix and composition of the board and the general and specific needs of the issuer. Such assessment can only be made upon taking into account different variables. For example, a retired lawyer or accountant may be able to devote more time and attention to the business of an issuer than a busy legal or accounting practitioner without compromising his/her knowledge and experience. It is unjustifiable to restrict such retired lawyer or accountant to a certain number of INED appointments he/she may hold. The imposition of a pre-set number of INED appointments that an individual may hold would not help the assessment but would seriously circumscribe the nomination committee's freedom in selecting the best and most suitable INED candidates, which may end up jeopardizing the interests of issuers and their shareholders.



We believe your proposed amendments that an INED should confirm annually to the nomination committee that he has spent sufficient time on the issuer's business (paragraph 55 of the Consultation Paper), and that the nomination committee should disclose in the issuer's corporate governance report that it has received and reviewed the INED's annual confirmations (paragraph 54 of the Consultation Paper) would be sufficient measures to ensure INEDs have discharged their duties properly and nomination committee has properly performed its selection and assessment functions. As such, we urge HKEx not to set a limit on the number of INED positions an individual may hold.

Yours faithfully,
For and on behalf
PYI Corporation Limited

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Director