

From: Wong, Peter H.Y. (CN - Hong Kong)
Sent: Sunday, February 13, 2011 1:58 AM
To: response
Subject: CP on CG Review

Dear Sir

I am responding in my personal capacity to the call to respond to the Consultation Paper on Corporate Governance.

First of all, I would like to say that this is dealing with the situation after the horses have already bolted. It is obvious that the Listing Department and the parties who supported the listing have failed in their duties in allowing some of the entities to list. There must be a transparent process to ascertain what went wrong and learn from those lessons. If parties have failed in their responsibilities, action must be taken to ensure that these failings are not taken lightly. Cost should not be a major consideration since the Exchange seems to have too much of it.

Where I have not made any specific comments against the Executive Summary numbered by paragraph, I am supporting the recommendations.

4. In addition to whether the NED has spent sufficient time, perhaps the Nomination Committee should check whether he has received all the information in a timely manner to discharge his duties.

5. I have personally declined all invitations to become INED because I feel that most companies in Hong Kong do not treat the positions of INED with the respect and remuneration that their responsibilities are due. Most enquiries have stopped when I asked the value of the insurance policy they carry. You ask about time commitment of an INED, I know a number of practicing accountants who are acting as INEDs. From my knowledge of what it takes to know a client, prepare for board meetings, sit on audit and remuneration committees and the occasional search committee, that practicing accountant will be hard pressed to do a good job for one listed company and keep his practice in shape. A fully retired professional can probably do three, but that will be full time. If the company is a multinational, then one is probably enough if he has any other commitments.

6. I question whether the training actually taken is particularly relevant to the work involved.

7. This change is long over-due for Hong Kong. More important is that the INEDs should be genuinely doing their job and not be a whole bunch of yes-men.

8-12. All these must be implemented in full without delay.

13. I am surprised that this is needed.

14. As we are dealing with Hong Kong listings, I am surprised that the Exchange is prepared to deal with foreign based company secretaries. My concern is that when things go wrong, there has to be someone accessible to respond to quickly before things get out of hand. If the secretary is allowed to be overseas, that person must have a Hong Kong qualification. As some of our listed companies are incorporated elsewhere, and a great number of subsidiaries are incorporated in places like BVI, those company secretaries must demonstrate experience of those overseas jurisdictions. Also a code of secretary's role and responsibilities is long overdue.

15. I support all recommendations but with "c", I am concerned that if there is to be a shareholders' approval of removal and appointment of auditors, then there will be a hiatus period during the change, it is in those periods when reliable information is most urgently required. Certainly, if the outgoing auditors have no wish to be heard, then there is no objection to a quick change, but if they wish to be heard, then there is a good reason for the approval by shareholders even though it is unlikely to have any different outcome since the management is likely to have sufficient votes – but at least it will be heard.

16. Agree

17. Agree but in "a", if the INED fee forms a significant part of the income of someone who is not of great means (I have no problem with a well off retired professional who does the odd INED) could that person really be independent?

18. My experience of board performance self reviews are very difficult to do. In order that they are effective, they have to be mandatory and by third parties.

19. Of course.

Your faithfully and in my personal capacity