

From: Tang, Cynthia [mailto:Cynthia.Tang@BakerNet.com]  
Sent: Friday, April 02, 2004 6:04 PM  
To: CVW  
Subject: Code of Best Practice for Corporate Governance

Dear Sirs,

I refer to the above Consultation Paper.

I am a partner of Baker & McKenzie and the legal adviser of a Consultation Group formed by the Chairman of the Hong Kong Institute of Directors comprising over 10 Hong Kong listed companies with the objective of providing their views on various consultation from the HKSAR Government and other regulatory bodies. I am writing on behalf of the Consultation Group. The Consultation Group plays the role of coordinating the individual views of each of those listed companies and ensure that their individual views are accurately and efficiently reflected in responding to the consultation.

Please note that whilst the Consultation Group plays a coordinating role, the views and comments of each of those listed companies should be treated separately, and not as the collective views of the Consultation Group as a whole.

For convenience, I set out below the common views and comments of 6 listed companies as follows:

1. As a general comment, we wish to express our support of the proposed Code, that they recognize the need for Hong Kong companies to conduct their business with transparency, accountability and integrity. The codification of accepted corporate practices should further strengthen the recognition of the importance of corporate governance and the promotion of an easily understandable reporting system to shareholders and other stakeholders.
2. We welcome the decision not to follow the UK Combined Code in its entirety. This demonstrates flexibility and the recognition of the importance to cater for the unique marketing environment for HK issuers as well as investors.
3. Recognizing the importance of an adequate training for directors of issuers, the Code provides little backing and support from the regulatory bodies for such training via properly conducted organizers like the HKIoD. More such backing and support should be provided.
4. The proposed timetable is that the Code should be implemented and complied with by all issuers and their directors is the accounting period commencing on or after 1 July 2005. This timetable allows just over 1 year of lead time for preparation of compliance. There is a concern that for issuers which have not yet put in place corporate governance measures akin to these proposed practices, there may not be sufficient time to prepare for compliance of the Code.

Organizations such as the HKIoD has been actively running training programmes to train up directors on all aspects. Under the Code, relatively onerous burden is put on the chairman as well as executive and non-executive directors. By the 2nd half of 2005, the population of "well-trained directors" in the Hong Kong business community may not be large enough to

support compliance of the Code by all issuers. Perhaps a longer lead time should be allowed.

Implementation from January 2006 may be a more realistic and fairer implementation timetable.

5. Under A.2.7, the chairman is recommended to at least annually hold a meeting with non-executive directors (including independent non-executive directors). This requirement may be too low having regard to the emphasis on the importance of non-executive directors and independent non-executive directors in other parts of the Code and under the general principles of corporate governance. Perhaps a requirement to hold at least half-yearly meetings with non-executive directors should be recommended.

6. At the end of the paper, it is noted that the corporate governance standards to be applied by company secretaries will be dealt with at a later stage and after the post-implementation review of the Code. Whilst the ultimate responsibility rests with the directors, company secretaries play an important role in implementing good corporate governance. It is therefore advisable to have codified standards for company secretaries at the same time (or at least in the near future) so that company chairmen and directors have clear guidance on how they may use the assistance of company secretaries in their continuous compliance of these practices.

To preserve the individuality of each of those companies, please note for your record that (in alphabetical order)

- (i) Cafe de Coral Holdings Limited;
- (ii) Far East Pharmaceutical Technology Company Limited;
- (iii) Ocean Grand Holdings Limited;
- (iv) National Electronics Holdings Limited;
- (v) Techtronic Industries Company Limited;

agree with all the above comments, whilst

(vi) K. Wah International Holdings Limited agree with items 1, 2, 3, 5 and 6 of the above comments.

I trust that the Hong Kong Stock Exchange would welcome the well-considered views and comments of the members of the Consultation Group as they are established listed companies of Hong Kong who actively participate in and support the Hong Kong market.

If you have any questions, please do not hesitate to contact me. My contact details are listed below.

Yours sincerely,

Cynthia Tang  
For and on behalf of the Consultation Group

c.c. Mr. Herbert Hui, Chairman, HKIoD  
Mr. Peter Wong, Deputy Chairman, HKIoD  
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