

2004



最佳企業管治資料披露大獎

Best Corporate Governance
Disclosure Awards

Judges' Report



Organiser



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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2004



最佳企業管治資料披露大獎

Best Corporate Governance Disclosure Awards

Award Winners

Significant Improvement Award

Hang Seng Index Category	Johnson Electric Holdings Limited PCCW Limited
Non-Hang Seng Index Category	Hong Kong Exchanges and Clearing Limited

Hang Seng Index Category

Diamond	CLP Holdings Limited
Platinum	HSBC Holdings plc
Gold	Li & Fung Limited

Non-Hang Seng Index Category

Diamond	Hong Kong Exchanges and Clearing Limited
Platinum	Hysan Development Company Limited
Gold	Standard Chartered PLC

Growth Enterprise Market Category

Diamond	Media Partners International Holdings Inc.
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Public Sector/Not-For-Profit Organisations

Diamond	Airport Authority Hong Kong
Platinum	Securities and Futures Commission
Gold	Hong Kong Chinese Orchestra Limited

Objectives

- To promote greater awareness of corporate governance
- To encourage and promote improvements in the standard of corporate governance disclosures in Hong Kong
- To give recognition to those companies/organisations whose annual reports set the standard in terms of the quality and extent of corporate governance disclosures and the soundness of the companies/organisations' underlying governance structures and practices

Categories of Entry

- Listed companies:
 - Hang Seng Index (HSI)-constituent companies
 - Non-HSI-constituent companies listed on Main Board
 - Growth Enterprise Market (GEM) companies
- Public sector / Not-for-profit organisations

Review and Judging Procedures

Following an initial vetting procedure to exclude problem reports (e.g., those which have qualified audit reports or companies whose shares have been suspended for a protracted period), two levels of review are conducted –

- (i) **Quality Review:** This involves an assessment of the quality and standard of presentation and disclosure of corporate governance information in the annual reports, with an emphasis on voluntary disclosures. Where appropriate, other relevant publicly-known information about the companies/organisations is also taken into account.
- (ii) **Compliance Review:** This focuses on compliance with the statutory corporate governance disclosure requirements under the Companies Ordinance and other relevant legislation, and the mandatory disclosures under the rules governing the listing of securities on the Stock Exchange Main Board or GEM (referred to in this report generically as “Listing Rules”), as appropriate.

The Review Panel reviews the annual reports of entrants and produces a short list in each category for final judging by the Judging Panel, which then determines the Diamond, Platinum and Gold Award winners in each entry category.

For the Significant Improvement Awards, the Review Panel compares the current year's report with the previous year's report of the companies/organisations that have entered the Best Corporate Governance Disclosure Awards in both years. The panel firstly identifies the reports that show the most substantial increase in overall marks in current year's competition compared with the previous year's and which have also achieved a reasonably good overall corporate governance standard. A further review of the relevant entrants' reports is then conducted in each case, as an additional check to highlight the specific areas of improvement. Those reports in each category exhibiting the most substantial improvements are put forward to the Judging Panel for final review. The Judges then determine the winners of the Significant Improvement Award.

Judging Criteria

- Overall presentation
- Promptness of reporting
- Quality of disclosure of the following information:
 - corporate governance statement and practice
 - capital structure
 - board structure and functioning
 - management discussion and analysis in respect of operating and financial affairs
 - remuneration committee and policy and details of directors' remuneration packages
 - audit committee's composition, role and functioning
 - related party transactions and relationships
 - other voluntary disclosures, such as social responsibility and community service
- Compliance with corporate governance disclosure requirements of the Companies Ordinance and other relevant legislation, and with the Stock Exchange Main Board or GEM Listing Rules, as appropriate.
- Ease of identifying compliance information.

Presentation of Awards

Presented by the Guest of Honour, IFAC President, Mr. Graham Ward, at the HKICPA Annual Dinner on 25 November 2004.

Overall Commentaries

Background and Recent Corporate Governance Landmarks

The Hong Kong Institute of Certified Public Accountants (HKICPA) Best Corporate Governance Disclosure Awards competition (BCGDA) was initiated in 2000. This is the fifth successive year in which the BCGDA has been organised by the HKICPA as part of the effort to promote greater awareness and higher standards of corporate governance. Over this period, the competition has gained welcome support from the government, regulators and the business community.

During 2004, advances have continued to take place in the field of corporate governance, both in the international arena and locally. In April of this year, following consultation, the Organisation for Economic Cooperation and Development (OECD) issued an updated and expanded version of the *“OECD Principles of Corporate Governance”*, which aims to rebuild and maintain public trust in companies and stock markets by adding new recommendations for good practice in corporate behaviour. The OECD/World Bank 2004 Asian Roundtable on Corporate Governance was held in Seoul in November 2004 under the principal theme of implementation and enforcement in corporate governance, and the issues discussed included how to carry forward the corporate governance agenda in this region.

Within Hong Kong, in January 2004, the Standing Committee on Company Law Reform (SCCLR) published its final recommendations arising from Phase II of the Corporate Governance Review and as a first step, the Companies Registry published a set of *“Non-statutory Guidelines on Directors’ Duties”*, drawn up by the SCCLR, to help company directors to better understand their roles. The Stock Exchange, also in January 2004, published the revised Main Board and GEM Listing Rules based on the recommendations set out in the (i) conclusions of its consultation on proposed changes to the Listing Rules relating to corporate governance issues, and (ii) the consultation conclusions relating to initial listing criteria and continuing listing obligations. The Listing Rule changes represent an incremental shift in the minimum requirements and include, for example, the mandatory establishment of an audit committee comprising only non-executive directors (NEDs), with a majority of independent non-executive directors (INEDs), the appointment of a minimum of three INEDs to the board and, in respect of accounting periods beginning on or after 1 July 2004, compulsory disclosure of individual directors’ emoluments on a named basis.

In addition, in early 2004, the Stock Exchange sought comments on a draft Code on Corporate Governance Practices and Corporate Governance Report. The final versions of these documents are expected to be issued for implementation in 2005.

In June 2004, the HKICPA published an extensive bilingual corporate governance guide for the public sector, entitled *“Corporate Governance for Public Bodies – A Basic Framework”*. The Institute is currently working on a guide on internal controls, which, it is hoped, will be published in the first half of 2005.

As regards legislation, the Companies (Amendment) Ordinance 2004, which was passed in July 2004, contains the SCCLR’s recommendations to enhance shareholder remedies, including the introduction of a statutory derivative action, orders for inspection of company records and injunctions, as well as strengthening the unfair prejudice remedy. The changes are expected to come into effect in 2005. In October 2004, the Financial Services and the Treasury Bureau of the Government of the Special Administrative Region set up a working group on corporate governance, with representation from relevant regulatory agencies and professional bodies, including the HKICPA, in addition to government representatives, to consider how to build on the progress made so far in improving corporate governance standards in Hong Kong.

Aim and Scope

The aim of the BCGDA is two-fold: firstly, to establish benchmarks of existing best practice against which companies/organisations can measure their own performance and, secondly, to encourage more companies/organisations to make reference to those examples in formulating their own corporate governance policies, practices and disclosures.

After each year's competition, the organising committee reviews the detailed arrangements of the BCGDA to see how they might be improved in order to better serve the primary objectives of the competition. This year, the emphasis has again been on giving encouragement to those companies/organisations that are clearly striving to raise their standards. This focus began with the introduction of the first overall Significant Improvement Award two years ago, and was intensified last year when the Significant Improvement Award was extended into each category. The organising committee expects to see qualitative advances to the next stage of development in corporate governance practices and disclosures in future competitions, particularly in the view of the new Listing Rules referred to above.

This year the organising committee noted that the number of GEM companies had grown to more than 200, with an aggregate market capitalisation of around HK\$70 billion. The committee considered that it was time to promote greater awareness and to establish benchmarks of good corporate governance among GEM-listed companies and, with this in mind, decided to launch a new, stand-alone category for GEM-listed companies.

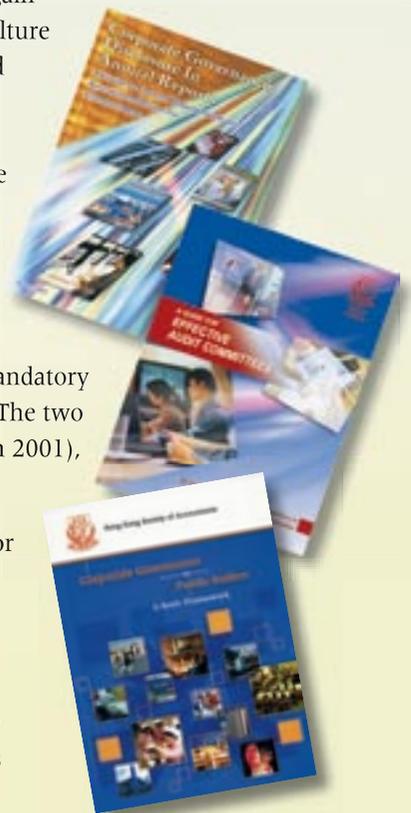
Judging Considerations

As indicated above, the review process entailed (i) an initial vetting procedure, (ii) a Compliance Review, and (iii) Quality Review. The Quality Review, as in the past, was the core part of the BCGDA and, to ensure consistency and accuracy, the process involved more than one review of a number of the reports being considered for the short list.

Both the Reviewers, and the Judges in the final selection stage, were asked to take an overall view of each entrants' corporate governance structures, practices and disclosures, based on the information contained in their annual reports. The objective was to gain an impression of the extent to which a good corporate governance culture had been established within a particular company or organisation and of the efforts being made towards improvement. The Reviewers and Judges were also invited to take account of any other relevant public information concerning the entrants that shed light on their corporate governance practices, and to review the transparency and clarity of any disclosures relating to such information.

The Reviewers and Judges were referred to two of the corporate governance guides previously issued by the HKICPA as useful sources of information to assist them in assessing the extent and quality of mandatory and voluntary disclosures contained in the entrants' annual reports. The two guides were: *"Corporate Governance Disclosure in Annual Reports"* (March 2001), and *"A Guide for Effective Audit Committees"* (February 2002).

The publication earlier this year of the HKICPA's guide on public sector corporate governance, referred to above, also provided Reviewers and Judges with a benchmark against which to assess performance of public sector bodies and identify the strengths and weaknesses in the practices adopted by such organisations. This will be of greater value in relation to future competitions when public sector bodies will have had more opportunity to review and consider carefully the numerous recommendations contained in the guide.



General Observations

As a general observation, the Judges and Reviewers noted various signs of continuing improvements in corporate governance practices in Hong Kong. It is, for example, more common for companies and organisations to include a separate section or statement in their annual report describing their corporate governance policy and practices. Information on the frequency of board and committee meetings and average attendance rates is more prevalent and companies and organisations are now more often disclosing the attendance rate of individual directors as opposed to average attendance rates.

The number of INEDs involved on boards seems to be increasing with many companies having more than the minimum requirement (which, in relation to the year under review, was still two). Almost all listed companies and major public sector organisations now have an audit committee and more, although still not enough, of them appear to be forming remuneration and nomination committees. Also some additional information is being provided about the terms of reference, number of meetings held and work undertaken by board committees. The evidence suggests that more of these key corporate governance committees are now composed primarily or entirely of NEDs and often of INEDs. As indicated above, Listing Rule changes mean that by next year all companies should be reporting that they have an audit committee comprising a majority of INEDs and containing no executive directors.

This year, the best annual reports disclosed individual directors' emoluments by name and best practice included the clear separation of the roles of the chairman and chief executive, with the positions being occupied by two different persons.

While these were all positive signs, the Reviewers and Judges also expressed some disappointment that for many companies, the quality of corporate governance could at most be described as middling and they showed no obvious commitment to advance from that level. While the Listing Rule changes and, more indirectly, increasing shareholder awareness, should provide some renewed impetus towards improvement, the media reports of companies that were unable, by the applicable deadlines, to comply with the new requirements for, e.g., a minimum of three INEDs to be included on the board, or for a qualified accountant to be appointed at the senior management level, and preferably as an executive director, suggest that there needs to be continuing efforts to strengthen corporate governance standards generally. It is noted that, in the first nine months of this year the Hong Kong stock market ranked as the world's second largest funding-raiser, after the New York Stock Exchange, a fact which emphasises the importance and the urgency of these efforts.

The Judges' decision not to award all of the available trophies in the GEM category and the Significant Improvement Awards was, to some extent, a reflection of the above observation.

Turning again to the positives, the better reports revealed companies that were already geared up for or that were anticipating the changes in the Listing Rules. It is companies such as these that help to establish benchmarks and to provide suitable role models for others to follow in Hong Kong.

Ultimately, a real mark of success will be when competitions like the BCGDA are no longer required because the average company has accepted that good governance is not a passing fad and needs to be ingrained in the hearts and minds of the board and senior management. That time has not yet come and, until it does, more education and the continuing promotion of corporate governance will continue to have a significant role to play.

Specific Observations

The Judges and Reviewers highlighted certain particular aspects of practice and disclosure to be commended and encouraged, as well as giving some general indications of where further progress could be made. Some of the main points are outlined below, and the fact that several of them have been made before is symptomatic of the situation described above, that standards have reached a plateau to some extent.

1. As would be expected, compliance with the minimum requirements for corporate governance disclosure under the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance was generally found to be good with no major problem areas.
2. It is encouraging to see that a number of companies and organisations are now extending disclosure of remuneration to individual directors' emoluments on a named basis and a few are separately disclosing performance bonuses. This is a positive development. Under the revised Listing Rules, all listed companies will in future be required to disclose this kind of information.
3. The setting up of remuneration and nomination committees is becoming more common, which is to be welcomed, but in some cases executive directors continue to sit on these board committees. It would be better practice for remuneration and nomination committees to be composed primarily of NEDs and, in particular, INEDs.
4. It is noted that some INEDs appear to be the nominees of the solicitors or bankers of the companies concerned, which raises questions as to whether they can provide a truly independent view. The issue of determining the "independence" of INEDs is important, and additional guidance on independence has been included in the revised Listing Rules.
5. There is a tendency for public sector organisations not to distinguish clearly between NEDs and INEDs. Some clear criteria should be established for making this distinction to ensure that INEDs can be separately identified.
6. Companies need to ensure that disclosure of a reasonable amount of biographical data on directors and senior management is included in their reports. In this regard more information could usefully be provided about non-director senior management and in relation to directors who have resigned during the year.
7. Although it is quite common for the positions of chairman and chief executive be held by separate persons, more information on their respective roles would be useful. It is not uncommon for the chairman to also be an executive director. This would tend to diminish the separation of the board and executive and present an obstacle to the chairman fulfilling his role as a link between the executive and non-executive directors.
8. It is encouraging to see more detailed information on the number of board and committee meetings and average attendance rates being provided. More companies are also giving out information on the attendance record of individual directors. This is relevant and useful as it enhances transparency and accountability.
9. Some companies hold only a limited number of board and committee meetings. Depending upon the nature of the business and developments during the year, best practice would suggest the need for more regular meetings to be held.
10. Companies should endeavour to supply more information on related party and connected transactions, including the approval process undertaken in respect of such transactions and the effect of such transactions on the company. This is an important area, particularly in the context of family-controlled companies and, as such, it has been identified by the OECD/ World Bank Asian Roundtable as the possible subject of a more detailed study.
11. The "management discussion and analysis" part of many reports could provide more information outlining business trends, risks and uncertainties affecting the business, as well as management strategies and future development plans.
12. There appears to be a general tendency not to disclose and discuss in annual reports negative news and its potential impact on the company, even where it is clearly information that is in the public domain. A general example would be the effect of new competitive changes in a particular industry sector. While this reluctance may be understandable, it tends to detract from the overall quality of stakeholder communications. However, it was encouraging to see that there were some exceptions to this trend and signs in some of the better reports of a willingness to acknowledge criticisms and areas of difficulty.

Significant Improvement Award

Hang Seng Index Category

Johnson Electric Holdings Limited

PCCW Limited



Board of Directors:

Executive

Patrick Wang Shui Chung, JP
(Chairman & Chief Executive)
Winnie Wang Wing Yee (Vice Chairman)
Richard Wang Li-Chung

Non-Executive

Wang Koo Yik Chun
(Honorary Chairman)
Peter Wang Kin Chung

Independent Non-Executive

Peter Stuart Allenby Edwards
Patrick Blackwell Paul
Peter John Wrangham
Arkadi Kuhlmann
Oscar De Paula Bernardes Neto
Michael John Enright

Audit Committee members:

Patrick Blackwell Paul (Chairman)
Michael John Enright

Auditors:

PricewaterhouseCoopers

Board of Directors:

Executive

Li Tzar Kai, Richard (Chairman)
So Chak Kwong, Jack (Deputy Chairman &
Group Managing Director)
Yuen Tin Fan, Francis (Deputy Chairman)
Peter Anthony Allen
Alexander Anthony Arena (Chief Financial Officer)
Michael John Butcher
Chung Cho Yee, Mico
Lee Chi Hong, Robert

Non-Executive

Sir David Ford, KBE, LVO
The Hon. Raymond George Hardenbergh Seitz

Independent Non-Executive

Chang Hsin-kang
Fung Kwok King, Victor
The Hon. Li Kwok Po, David, GBS, JP
Sir Roger Lobo, CBE, JP
Aman Mehta

Audit Committee members:

Sir Roger Lobo, CBE, JP (Chairman)
Chang Hsin-kang
The Hon. Li Kwok Po, David, GBS, JP
Aman Mehta

Auditors:

PricewaterhouseCoopers

Findings

1. Both Johnson Electric Holdings Limited (“Johnson Electric”) and PCCW Limited (“PCCW”) were considered by the Judges to have clearly signalled an intention to improve their corporate governance disclosure and practices, as evidenced by their latest annual reports. The two reports reveal different areas of improvements.
2. A notable improvement in the latest annual report of Johnson Electric was the addition of a corporate governance statement, with more information being disclosed, including in relation to the following:
 - board role and functioning;
 - quantitative data on auditors’ compensation by nature of service;
 - details of directors’ attendance at board and committee meetings;
 - information on internal control and risk management contained in a separate section; and
 - establishment of two new committees - remuneration and nomination committees.
3. In the case of PCCW, a comparison with its 2002 report reveals that, in addition to setting out the challenges faced by the company and addressing its business strategies with commendable clarity, PCCW’s 2003 annual report makes reference to the introduction of a number of basic corporate governance improvements, including:
 - appointment of group managing director and separation of the posts of chairman and group MD, each with well-defined roles;
 - establishment of nomination and remuneration committees chaired by NEDs, with details of their composition and function disclosed;
 - disclosure of the frequency of board committee meetings; and
 - adoption of a corporate responsibility policy that applies to all employees, including directors and officers.
4. Johnson Electric and PCCW were considered to have achieved a similar degree of improvement in their corporate governance, although their starting and finishing points may not necessarily have been identical. Under the circumstances, the Judges decided that both reports were worthy of a Significant Improvement Award.
5. The two companies have taken some very positive steps to raise their corporate governance standard this year and the Judges look forward to seeing their continuing progress in future years.

Non-Hang Seng Index Category
Hong Kong Exchanges and Clearing Limited

Board of Directors:

Executive

Chow Man Yiu, Paul, JP (Chief Executive)

Non-Executive

Lee Yeh Kwong, Charles *, GBS, JP (Chairman)

Fan Hung Ling, Henry *, SBS, JP

Fong Hup *

Freshwater, Timothy George *

Kwok Chi Piu, Bill

Lee Jor Hung, Dannis, BBS

Lee Kwan Ho, Vincent Marshall

Leong Ka Chai *, JP

Lo Ka Shui *, GBS, JP

Strickland, John Estmond, GBS, JP

Webb, David Michael

Wong Sai Hung, Oscar

Audit Committee members:

Strickland, John Estmond, GBS, JP (Chairman)

Fong Hup (Deputy Chairman)

Fan Hung Ling, Henry, SBS, JP

Lee Kwan Ho, Vincent Marshall

Webb, David Michael

* *Public Interest Directors, i.e. appointed by the Financial Secretary of the HKSAR in the interest of the investing public or in the public interest.*

Auditors:

PricewaterhouseCoopers



Findings

1. The 2003 annual report of Hong Kong Exchanges and Clearing Limited (“HKEx”) has significantly expanded the breadth and depth of discussion and disclosure in its corporate governance statement compared with the 2002 report. The areas of greatest improvement in disclosure include the governance arrangements and information on the emoluments received by the chief executive and the five highest paid employees on a named basis. There is also a detailed breakdown of the attendance of individual directors at meetings of the board and board committees. In addition, HKEx has introduced quarterly reporting.
2. The 2003 report also contains a significant number of qualitative improvements, such as:
 - a section on conflict management – addressing public concerns about conflicts of interest through the signing of a Memorandum of Understanding with the Securities and Futures Commission;
 - better disclosure of the organisational structure and of the appointment process for the chief executive and the chief operating officer;
 - more information on the internal control policy and process; and
 - more details in respect of employee relationships, including human resources planning, staff training, communication, benefits and the performance development process.

General Commentary: Significant Improvement Awards

1. While the Judges were pleased to be able to find three worthy winners of the Significant Improvement Award, this was somewhat tempered by the fact that they were not able to identify sufficiently substantial improvements in either the GEM or the Public Sector/Not-For-Profit Categories to merit making a Significant Improvement Award in those categories.
2. In some cases the standard of disclosures and practices reflected in a competition entrant’s previous year’s annual report was already fairly high and remained high in the current annual report. However, the Significant Improvement Award, as the name suggests, is reserved for entrants whose corporate governance standards show substantial and material improvements.

Hang Seng Index Category

DIAMOND AWARD

CLP Holdings Limited

Board of Directors:

Executive

Andrew Brandler (Group Managing Director and Chief Executive Officer)

Peter P.W. Tse (Chief Financial Officer)

Peter W. Greenwood

Y.B. Lee

Non-Executive

The Hon. Michael D. Kadoorie, GBS (Chairman)

W. E. Mocatta (Vice Chairman)

J.S. Dickson Leach (Vice Chairman)

R.J. McAulay

J.A.H. Leigh

R. Bischof

I.D. Boyce

P.C. Tan

Independent Non-Executive

The Hon. Sir S.Y. Chung, GBM, GBE, JP

William K. Fung, OBE, JP

V.F. Moore, BBS

Hansen C.H. Loh

Paul M.L. Kan

Audit Committee members:

V.F. Moore, BBS (Chairman)

The Hon. Sir S.Y. Chung, GBM, GBE, JP

Hansen C.H. Loh

Paul M.L. Kan

Auditors:

PricewaterhouseCoopers



Findings

1. The Judges considered the latest annual report of CLP Holdings Ltd (“CLP”) to represent an outstanding example of transparency and a reflection of good corporate governance practices. The company has clearly put considerable thought into the approach and presentation of its annual report, and including in the extensive management discussion and analysis, which contains excellent and clear disclosure to assist investors to better understand the business, objectives and performance of the company. CLP also produces a separate social and environmental report with stakeholders’ statements, in which it acknowledges that stakeholder dialogue also involves listening to the company’s critics. The report indicates how it is trying to deal with the criticisms.
2. There are explicit references to how CLP incorporates good governance into its corporate culture, which indicates that it is among the company’s core values.
3. CLP’s governance structure is well established. There are written policies in respect of the company’s corporate governance, which are updated regularly and open to the public. The company also acknowledges that its corporate governance practices are evolving, signalling a commitment to further improvement.
4. The Judges were also impressed by the comprehensive remuneration report. This contains the main elements of the company’s remuneration policies, the methodology for calculating non-executive directors’ remuneration, and the remuneration of individual executive directors on a named basis, with a separate disclosure of performance bonuses. It is noteworthy that CLP specifically invites feedback from stakeholders on its annual report.

PLATINUM AWARD
HSBC Holdings plc

Board of Directors:

Executive

Sir John Bond (Group Chairman)
S.K. Green (Group Chief Executive)
A.W. Jebson
W.F. Aldinger
W.R.P. Dalton
D.G. Eldon
D.J. Flint (Group Finance Director)
M.F. Geoghegan, CBE

Non-Executive

The Baroness Dunn, DBE (Deputy Chairman)
The Lord Marshall
H. Sohmen, OBE

Independent Non-Executive

Sir Brian Moffat, OBE (Deputy Chairman)
The Rt. Hon. the Lord Butler of Brockwell, KG, GCB, CVO
R.K.F. Ch'ien, CBE
R.A. Fairhead
W.K.L. Fung, OBE
S. Hintze
Sir John Kemp-Welch
Sir Mark Moody-Stuart, KCMG
S.W. Newton
C.S. Taylor
Sir Brian Williamson, CBE

Audit Committee members:

Sir Brian Moffat, OBE (Chairman)
R.K.F. Ch'ien, CBE
Sir John Kemp-Welch

Auditors:

KPMG Audit Plc



Findings

1. The Judges found the 2003 annual report of HSBC Holdings plc (“HSBC”) to have maintained the company’s high standard of corporate governance practices. The fundamental corporate governance structures are all in place, in keeping with international best practices.
2. As with past annual reports, HSBC’s 2003 report contains comprehensive corporate governance disclosures, with an extensive discussion of risk management and internal control, a voluminous and detailed analysis of financial data and a good description of its businesses activities and markets around the world. The possible threats, challenges, and changing scenarios that may affect the bank are also well covered.
3. It is noteworthy that HSBC has a board and committee performance review process and that half of the board members are INEDs and a majority are NEDs. The annual report also includes a very detailed Directors’ Remuneration Report, which provides considerable information on remuneration policy and individual directors’ pay.
4. In addition to the annual report, the company produces a much slimmer, well-presented and easily-digestible summary report, in the form of its “Annual Review”.

GOLD AWARD
Li & Fung Limited

Board of Directors:

Executive

William Fung Kwok Lun, OBE, JP
(Managing Director)

Henry Chan

Danny Lau Sai Wing

Annabella Leung Wai Ping

Bruce Philip Rockowitz

Non-Executive

Victor Fung Kwok King (Chairman)

Lau Butt Farn

Leslie Boyd

Steven Murray Small (alternate to Leslie Boyd)

Independent Non-Executive

Paul Edward Selway-Swift

Allan Wong Chi Yun, JP

Franklin Warren McFarlan

Makoto Yasuda

Audit Committee members:

Paul Edward Selway-Swift (Chairman)

Allan Wong Chi Yun, JP

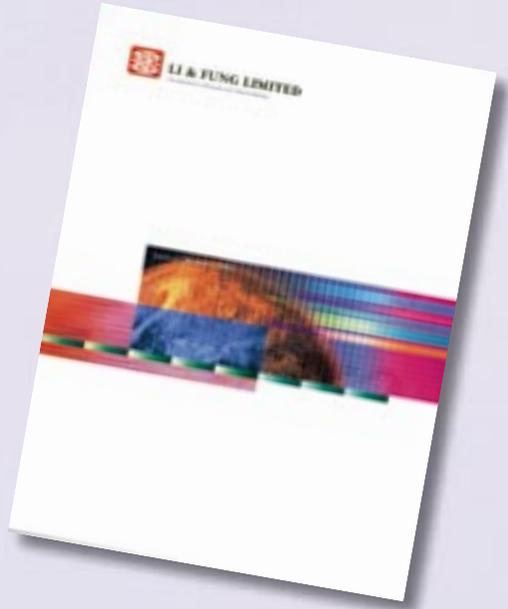
Franklin Warren McFarlan

Leslie Boyd

Makoto Yasuda

Auditors:

PricewaterhouseCoopers



Findings

1. The Judges found the annual report of Li & Fung Limited (“Li & Fung”) to be very strong on the presentation of the company’s approach in relation to corporate governance, making it easy for investors to judge its performance in this regard. The 2003 annual report is comprehensive without overloading stakeholders. Financial data is well presented, in straightforward language and with clarity. The corporate governance statement is clear and concise and captures all the main elements. Overall, the report is a solid piece of work in a compact and readable format.
2. The annual report reveals a commitment to enhancing the company’s corporate governance culture. The company’s governance structure is sound and it includes various board committees, details of which, including the composition, attendance at meetings and work undertaken, are supplied in the report. It is noteworthy, and indicative of the company’s desire to continue improving, that the nomination and compensation committees were restructured during the year and now comprise all NEDs, a majority of whom are INEDs.
3. Li & Fung highlights in the report the various corporate governance awards that it has received in the past, which demonstrates that the company takes justifiable pride in this aspect of its performance.

General Commentary: Hang Seng Index Category

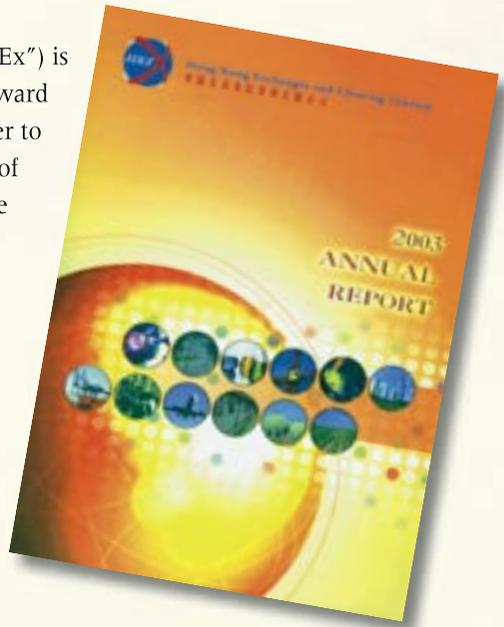
1. The better reports in the HSI Category continued to set the pace in terms of the quality of their corporate governance disclosures and the soundness of the structures and processes that they have in place. They reflect a generally good and evolving corporate governance culture, providing good disclosure of information on key matters such as directors’ remuneration and board and committee structure and functioning. The companies concerned have established effective audit and other governance committees, such as remuneration and nomination committees, in which INEDs play a vital role.
2. There is a clear awareness of the need for good communication with stakeholders, as well as issues of community and social responsibility. This is reflected, for example, in the publication of employee codes of conduct and the inclusion of separate sections in annual reports dealing with community matters or, in some cases, separate reports, supplemented by information on the companies’ websites, etc.

Non-Hang Seng Index Category

DIAMOND AWARD

Hong Kong Exchanges and Clearing Limited

Hong Kong Exchanges and Clearing Limited (“HKEx”) is also the winner of the Significant Improvement Award in the Non-Hang Seng Index Category. Please refer to page 10 for details of the composition of its board of directors and audit committee and the name of the auditors.



Findings

1. HKEx's 2003 annual report indicates a commitment to transparency and provides an excellent level of disclosure. The company has clearly put substantial effort into a detailed corporate governance report that forms part of its annual report. Corporate governance is well-defined and amply discussed.
2. There are comprehensive corporate governance-related disclosures, including directors' remuneration and that of the five highest paid employees on an individual basis. The report contains a detailed description of the role and responsibilities of the directors, as well as additional disclosures in relation to human resources planning, remuneration policy and internal controls.
3. The parts dealing with internal governance are very well done, including an extensive summary of the functioning of the various board committees and the directors' participation in them – the composition, number of meetings and individual attendance records, terms of reference and work undertaken. The company has also voluntarily adopted quarterly reporting.
4. Overall, the Judges regarded this annual report a very user-friendly, informative and readable document, through which HKEx, as a regulator and a listed company, has set a good example for the market of practising what it preaches.

PLATINUM AWARD

Hysan Development Company Limited

Board of Directors:

Executive

Peter Ting Chang Lee, JP (Chairman)
Michael Tze Hau Lee (Managing Director)
Pauline Wah Ling Yu Wong

Non-Executive

Fa-kuang Hu, GBS, CBE, JP
Hans Michael Jebsen, BBS
Anthony Hsien Pin Lee
Chien Lee
Deanna Ruth Tak Yung Rudgard

Independent Non-Executive

Sir David Akers-Jones, GBM, KBE, CMG, JP
(Deputy Chairman)
Per Jorgensen
Geoffrey Meou-tsen Yeh, SBS, MBE, JP



Audit Committee members:

Sir David Akers-Jones, GBM, KBE, CMG, JP (Chairman)
Per Jorgensen
Chien Lee

Auditors:

Deloitte Touche Tohmatsu

Findings

1. The Judges were particularly impressed by the four separate corporate governance reports highlighting Hysan Development Company Limited (“Hysan”)’s corporate governance practices. These are:
 - Corporate Governance Guidelines – A Statement of Policy for Hysan: provides guidance on how corporate governance principles are applied to the company.
 - Corporate Governance Best Practices – Hysan’s Statement of Adherence: provides detailed information on the company’s compliance with corporate governance best practices.
 - Directors’ Remuneration and Interests Report: provides details of the policy and level of the directors’ remuneration. Elsewhere in the report, information on the remuneration of individual executive directors by name is also given.
 - Audit Committee Report: sets out the terms of reference, work performed and findings of the audit committee.
2. The road map on Corporate Governance Best Practices is particularly well done. The presentation, quoting different guidelines and best practices of corporate governance and commenting in detail, using concrete examples, on how the company matches up to them, is eye-catching, concise, and very informative. The presentation is easy to understand and review, in relation to both the overall policies and in the best practices against which the company has benchmarked itself.
3. The section on strategic directions, achievements and objectives for the next year is also visually appealing and informative.

GOLD AWARD Standard Chartered PLC

Board of Directors:

Executive

Bryan Kaye Sanderson, CBE (Chairman)
Evan Mervyn Davies, CBE (Group Chief Executive)
Michael Bernard DeNoma
Christopher Avedis Keljik
Richard Henry Meddings
Kaikhushru Shiavax Nargolwala
Peter Alexander Sands

Non-Executive

David George Moir, CBE

Independent Non-Executive

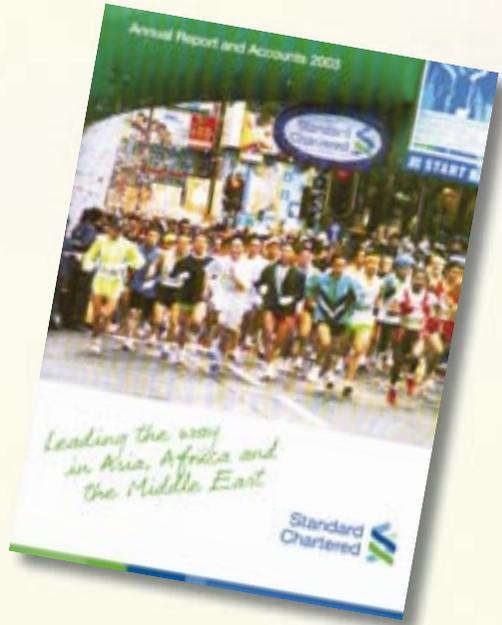
The Rt. Hon. Lord Stewartby (Deputy Chairman)
Sir C.K. Chow
Ho KwonPing
Rudolph Harold Peter Markham
Ruth Markland
Hugh Edward Norton
Sir Ralph Harry Robins
Paul David Skinner

Audit and Risk Committee members:

The Rt. Hon. Lord Stewartby (Chairman)
Rudolph Harold Peter Markham
Ruth Markland
Hugh Edward Norton
Sir Ralph Harry Robins

Auditors:

KPMG Audit Plc



Findings

1. The 2003 annual report of Standard Chartered PLC (“Standard Chartered”) includes a detailed corporate governance statement, which provides a good general overview of the issues and covers the main elements of good practice.
2. The report contains a comprehensive financial review section, incorporating, amongst other things, an explanation of how the company addresses major risk factors. It also contains a detailed remuneration report, which provides substantial information on the company’s remuneration policy and structure and on its evaluation of performance. There is also detailed information on the remuneration package of each individual director by name.
3. The report includes a comprehensive section on corporate social responsibility, showing Standard Chartered’s participation in a range of community activities, which is indicative of the importance that the company attaches to this area of its responsibilities.
4. The majority of the company’s board members are NEDs, and half of the board are INEDs, which is conducive to ensuring independence and effective corporate governance practices.

General Commentary: Non-Hang Seng Index Category

1. The Reviewers and Judges found that the best annual reports in the Non-HSI category were clear, well-presented, informative and interesting to read. The best of them equalled or even exceeded a number of those in the HSI category. They contained a good level of disclosures, revealing sound underlying practices. As in the case of the better HSI Category reports, they demonstrated that a corporate culture is being established in which good corporate governance is regarded as a core value.
2. The real challenge is trying to convey the message to the next level of non-HSI companies that good corporate governance is good business, and that if they want to broaden investor interest and improve their ability to raise further capital from the market they cannot afford to be complacent about their governance practices and corporate transparency.

Growth Enterprise Market Category

DIAMOND AWARD

Media Partners International Holdings Inc.

Board of Directors:

Executive

George Ka Ki Chang (Vice Chairman)
Winnie Pik Shan To (Chief Executive Officer)
Tony Cheung Kin Au-Yeung

Non-Executive

Gerald Lokchung Chan (Chairman)

Independent Non-Executive

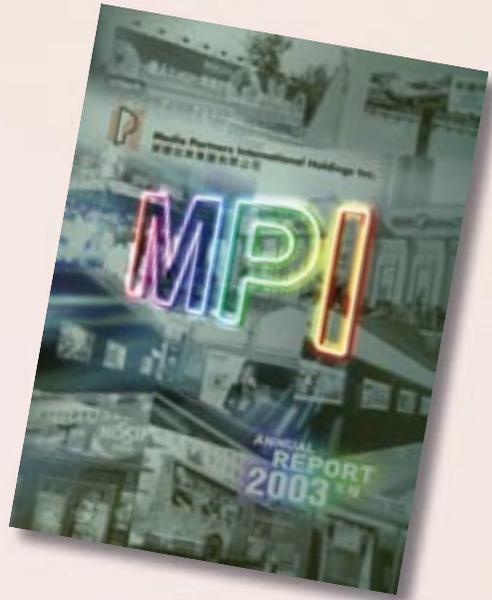
Lawrence Juen-Yee Lau
Meocre Kwok Wing Li
Paul Laurence Saffo

Audit Committee members:

Lawrence Juen-Yee Lau
Meocre Kwok Wing Li
Paul Laurence Saffo

Auditors:

KPMG



Findings

1. The Judges found that the quality of corporate governance disclosure in the 2003 annual report of Media Partners International Holdings Inc. (“Media Partners”) stood head and shoulders above others in the GEM category. The overall presentation of results and analyses is clear, straightforward, and interesting to read. Especially interesting are the comparisons of stated plans and goals with current progress.
2. The annual report contains a separate corporate governance statement, with a good summary table of the latest corporate governance requirements and best practices and how the group has measured up to and implemented them. The inclusion of a statement to uphold compliance with the new requirements of GEM Listing Rules, information on the various board committees established and a statement on internal controls, all demonstrate the importance placed by the company on good corporate governance.
3. The Judges were also impressed by Media Partners’ detailed disclosure of the background of the directors and voluntary disclosure on a named basis of the emoluments of individual directors. This information is disclosed in a clear table format, which gives useful information on the breakdown of the nature of the emoluments.
4. The Judges considered that the company merited the first award to be given out in the new GEM Category and that its annual report would set a useful benchmark against which other companies in this category could measure themselves in the future.

General Commentary: Growth Enterprise Market Category

1. The Reviewers and Judges found that the GEM company annual reports tended to be fairly basic and pro-forma in their approach to corporate governance practices and disclosures. They met the minimum disclosure requirements of the GEM Listing Rules (which, albeit, in some areas were more extensive than the Main Board Listing Rules) but did not demonstrate any significant voluntary initiatives in corporate governance terms that went beyond the mandatory requirements. This was something of a disappointment and it showed that more effort needed to be made to promote good governance amongst this increasingly significant group of companies.
2. This being the case, it was decided that in this category it was not possible make a full complement of awards this year. It was noted that in the previous year, prior to the introduction of the new GEM Category of awards, Media Partners had received a Special Mention in the Non-HSI Category (which at that time also covered GEM-listed companies). When making their decision, the Judges pointed out that the aim of having the different categories of awards was to facilitate comparisons within a peer group and, generally, entrants were not being directly compared between categories. Against this background, they were of the view that it was important to find suitable benchmarks within each category and that the annual report of Media Partners set a good standard for GEM companies to emulate.

Public Sector/Not-For-Profit Organisations

DIAMOND AWARD

Airport Authority Hong Kong

The Board:

Victor Fung Kwok-king, GBS (Chairman)
David J Pang (Chief Executive Officer)
Marvin Cheung Kin-tung, SBS, JP
The Hon. Selina Chow Liang Shuk-ye, GBS, JP
Daniel R. Fung, SBS
Stephen Ip Shu-kwan, GBS, JP
He Guangbei
Norman Lo Shung-man, AE, JP
Lo Ka-shui, MD, GBS, JP
Frederick Si-hang Ma, JP
John Strickland, GBS, JP
Maria Tam Wai-chu, GBS, JP
Peter Wong King-keung, BBS, JP



Audit Committee members:

The Hon. Selina Chow Liang Shuk-ye, GBS, JP (Chairman)
Marvin Cheung Kin-tung, SBS, JP
He Guangbei
John Strickland, GBS, JP
Peter Wong King-keung, BBS, JP

Auditors:

KPMG

Findings

1. The Judges found that in terms of corporate governance best practices and disclosure, the Airport Authority (“the Authority”)’s 2003/04 annual report set a high standard for the public sector and gave prominence to corporate governance. The report contains a concise and informative section on corporate governance indicating a commitment to good governance and reflecting the Authority’s view that “good corporate governance will lead to better corporate performance”.
2. The Authority has a clear corporate governance structure with well-defined and separate roles for the chairman and the chief executive officer (“CEO”). The two positions are held by different persons. The major functions and activities of the board and governance committees are disclosed, including the composition, the number of meetings held, work undertaken and the average attendance at meetings. There is also a good section on internal control.
3. Of particular note is the comprehensive disclosure of the biographical details of board members and the executive directors, as well as disclosure of the remuneration details of the CEO and executive directors on an individual, named basis.
4. Overall, it is a very attractive, professionally designed and user-friendly report, with an excellent integration of text, photographs and graphs. The presentation is clear and comprehensive, providing a very good disclosure of the Authority’s operations, business financial outcomes, governance arrangements and operating environment. The report addresses the competitive threats from the other airports in the Pearl River Delta in a positive manner by emphasising the strengths of the Hong Kong International Airport.

PLATINUM AWARD

Securities and Futures Commission

Board of Directors:

Executive

Andrew L.T. Sheng, SBS, JP (Chairman)

Mark Dickens, JP

Alexa Lam

Ashley Alder

Alan Linning

Peter Au-Yang

Non-Executive

Henry H.L. Fan, SBS, JP

Raymond P.L. Kwok

Daniel R. Fung, SBS

T. Brian Stevenson, SBS

Anna H.Y. Wu, SBS, JP

The Hon. Jasper Tsang Yok Sing, GBS, JP

York Liao, JP

Christopher W.C. Cheng, JP



Audit Committee members:

T. Brian Stevenson, SBS (Chairman)

Anna H.Y. Wu, SBS, JP

Raymond P.L. Kwok

Auditors:

KPMG

Findings

1. The Judges considered that the 2003/04 annual report of the Securities and Futures Commission (“SFC”) was good in many respects, as they would have expected of a securities regulator, with a particularly good disclosure of operational outcomes and considerable emphasis placed on corporate governance. The SFC has put in place a structure with good checks and balances through various advisory committees, panels and tribunals, involving industry practitioners and professionals.
2. The corporate governance section provides a clear focus on the functions and objectives of key governance committees and panels, which have been set up to assist the board of the SFC. Some of the committees are comprised only of NEDs. The report contains a detailed disclosure of the attendance record of individual committee members, which enhances transparency and accountability.
3. To demonstrate further the SFC’s commitment to strengthening its accountability, among the disclosures contained in the report are the following:
 - report of actual performance against performance pledges and the reasons for failing to achieve any pledges;
 - detailed analysis of the SFC’s achievements and work in progress in the year; and
 - three-year comparison covering the market, the SFC’s finance and staff and its supervisory and regulatory work.

GOLD AWARD

Hong Kong Chinese Orchestra Limited

Council Members:

Carlye W.L. Tsui, BBS, MBE, JP (Chairman)
John K.P. Fan, BBS, JP (Vice Chairman)
Carlson Tong (Vice Chairman)
Chan Wing-wah, JP
Davie T.P. Au-yeung
Chiu Lai-kuen Susanna
Lai Hin-wing Henry
Wong Tin-yau Kelvin
Chan Kam-biu Joshua
Ma Kai-loong Tony

Principal Executives:

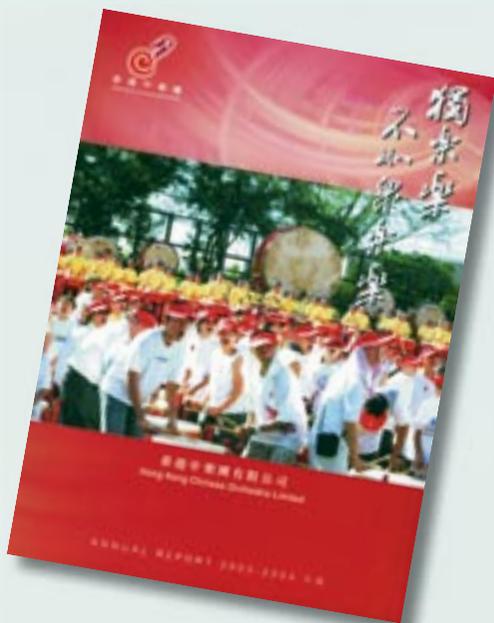
Yan Huichang Hubert, BBS
Chin Man-wah Celina

Finance and Audit Committee members:

Carlson Tong (Chairman)
Carlye W.L. Tsui, BBS, MBE, JP
Chiu Lai-kuen Susanna
Wong Tin-yau Kelvin
Chan Kam-biu Joshua
Chin Man-wah Celina

Auditors:

Ernst & Young



Findings

1. The Judges commended the 2003/04 annual report of Hong Kong Chinese Orchestra Limited (“the Orchestra”), which they found to be an interesting document that reflected an exceptional standard of corporate governance for an organisation of its nature and size. The report contains good disclosures and reveals very sound practices for a relatively small, government-subsidised organisation. Considerable emphasis is placed on public accountability.
2. The Orchestra’s annual report contains a very positive statement on corporate governance, indicating a high level of awareness and a genuine commitment to good governance.
3. Of particular note is the existence of a very sound governance committee structure, covering key areas such as finance and audit, human resources, marketing and education. The report also contains clear information on the role and responsibilities of the Council and its meeting procedures, as well as fairly detailed biographies of the Council members and directors. There is extensive disclosure in relation to the various committees, including their role and function, the number of meetings held and the attendance record of individual members at both Council and committee meetings. There are also informative descriptions of the work undertaken by the committees, which includes the conduct of various internal reviews and the introduction of key performance indicators to better monitor the Orchestra’s financial performance. All this information is laid out in a clear and logical fashion.

General Commentary: Public Sector / Not-For-Profit Organisations

1. The Judges noted that the better annual reports in this category were reasonably good in terms of disclosures and the relevant organisations' appreciation of best corporate governance practices. However, in the absence of benchmarks, common standards or general guidance on corporate governance in the public sector in Hong Kong, the annual reports of public sector bodies generally tended to be variable in the quantity and quality of disclosures. The Judges expressed some concern that not enough organisations in the sector appeared to report in a very timely or transparent manner and suggested that more attention needed to be given to public accountability.
2. One specific area in relation to which they considered more should be done, was the disclosure of the remuneration of individual executive directors and senior executives, particularly in the case of larger organisations with significant financial resources.
3. It was noted that this broad category included major public sector organisations, with substantial assets and turnover and also small, non-government organisations, with limited financial and human resources. Under the circumstances, the Judges suggested that consideration should be given to creating two separate categories, if it was practical to do so. They noted that the organising committee had already given some thought to how this might be done.
4. The Judges hoped that the HKICPA's comprehensive guide on corporate governance for public bodies, launched earlier this year, would provide a constructive and practical reference to assist public sector/not-for-profit organisations to establish effective corporate governance structures and processes, and/or enable them to review and, where necessary, build upon their existing structures and processes. They suggested that the guide be used as a benchmark in future competitions.

Judges and Reviewers

The HKICPA would like to express its appreciation to the Judges and Reviewers for their invaluable contributions in assessing, analysing and judging the competition entries.

Judging Panel

- Chairman: Mr. Roger Best, President, HKICPA
- Members: Dr. Au King-lun, Hong Kong Investment Funds Association
Dr. Chris Chan, University of Hong Kong
Mr. Edward Chow, Chairman of Corporate Governance Committee, HKICPA
Mr. Paul Chow, Hong Kong Exchanges and Clearing Ltd.
Mr. Anthony Espina, Hong Kong Stockbrokers Association Ltd.
Mr. Herbert Hui, The Hong Kong Institute of Directors
Mr. Gordon Jones, Companies Registry
Mr. Tim Krause, International Finance Corporation, World Bank Group
Mr. Darren McShane, MPF Schemes Authority
Mr. Anthony Neoh, Senior Counsel
Mr. William Ryback, Hong Kong Monetary Authority
Prof. Judy Tsui, The Hong Kong Polytechnic University
Mr. Calvin Wong, Standard & Poor's
- Secretary: Mr. Peter Tisman, Technical Director
(Business Members & Specialist Practices), HKICPA

Review Panel

- Chairman: Mr. Jim Wardell, Horwath Corporate Advisory Services Ltd.
- Members: **Quality Review**
Mr. Peter Barrett, Organisation Development Ltd.
Mr. Gary Cheung, Hong Kong Securities Institute
Mr. Raphael Ding, Moores Rowland Mazars
Mr. Richard George, Deloitte Touche Tohmatsu
Mr. Peter Greenwood, The Hong Kong Institute of Company Secretaries
Mr. Paul Hebditch, Ernst & Young
Mr. Stephen Lee, KPMG
Mr. Charles Lo, Charles Lo & Co.
Mr. Nicholas Mayhew, Dah Sing Finance Holdings Ltd.
Mr. Richard Sun, PricewaterhouseCoopers
Mr. Alan Wong, The Jardine Engineering Corporation Ltd.
Mr. Thomas Wong, Nexia Charles Mar Fan & Co.
- Compliance Review**
Mr. William Crowe, KPMG
Mr. Tommy Fung, PricewaterhouseCoopers
Mr. Ernest Lee, Ernst & Young
Ms. Ruby Leung, Kennic L.H. Lui & Co.
Mr. Daniel Lin, Moores Rowland Mazars
Ms. Victoria Pau, Grant Thornton
Mr. Johnny Yuen, Wong Brothers & Co.
- Secretary: Ms. Mary Lam, Assistant Director
(Business Members & Specialist Practices), HKICPA

Supporting Organisations

The HKICPA would like to thank the following supporting organisations of the Best Corporate Governance Disclosure Awards (in alphabetical order):

Charles Lo & Co.	Asian Development Bank
Deloitte Touche Tohmatsu	Companies Registry
Ernst & Young	Hong Kong Exchanges and Clearing Ltd.
Grant Thornton	Hong Kong Investment Funds Association
Horwath Corporate Advisory Services Ltd.	Hong Kong Monetary Authority
Jardine Matheson Ltd.	Hong Kong Securities Institute
Kennic L.H. Lui & Co.	Hong Kong Stockbrokers Association Ltd.
KPMG	International Finance Corporation,
Moores Rowland Mazars	World Bank Group
Nexia Charles Mar Fan & Co.	Mandatory Provident Fund Schemes Authority
Organisation Development Ltd.	Securities & Futures Commission
PricewaterhouseCoopers	The Hong Kong Institute of Company Secretaries
Standard & Poor's	The Hong Kong Institute of Directors
The Hong Kong Polytechnic University	
Wong Brothers & Co.	

The HKICPA would also like to thank the Corporate Governance Committee and its Awards Organising Committee for developing the Awards programme and their organisation of the 2004 Awards competition and related events.

Organising Committee for the Awards

Mr. Jim Wardell, Chairman
Mr. David Cheng
Mr. Richard George
Mr. Richard Sun
Mr. Tommy Tam
Mr. Peter Tisman
Ms. Nancy Tse
Ms. Mary Lam, Secretary, HKICPA

Corporate Governance Committee

Mr. Edward Chow, Chairman
Prof. Judy Tsui, Deputy Chairman
Mr. Jim Wardell, Deputy Chairman
Mr. Michael Chan
Mr. David Cheng
Mr. Richard George
Mr. Gordon Jones
Mr. Quinn Law
Mr. Stephen Lee
Ms. Fanny Li
Mr. Ken G Morrison
Mr. Peter Nixon
Mr. Nigel Reid
Mr. James Siu
Mr. Richard Sun
Mr. Tommy Tam
Ms. Nancy Tse
Mr. Peter Tisman, Secretary, HKICPA