



2006

Best Corporate Governance  
Disclosure Awards  
最佳企業管治資料披露大獎

**Best Corporate Governance Disclosure Awards**  
**Judges' Report**



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

# 2006 最佳企業管治資料披露大獎

## Best Corporate Governance Disclosure Awards

### Award Winners

#### Hang Seng Index Category

Diamond	CLP Holdings Limited
Platinum	HSBC Holdings plc
Gold	Li & Fung Limited
Special Mention	BOC Hong Kong (Holdings) Limited

#### Non-Hang Seng Index Category

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

#### H-share Companies Category

Diamond	Jiangsu Expressway Company Limited
Platinum	Shenzhen Expressway Company Limited
Gold	Datang International Power Generation Company Limited

#### Public Sector/Not-For-Profit Organisations

Diamond	Airport Authority Hong Kong
Platinum	Securities and Futures Commission

## Objectives

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

## Entries

- Listed companies:
  - Hang Seng Index (“HSI”)-constituent companies
  - Non-HSI-constituent companies (listed on Main Board)
  - Growth Enterprise Market (“GEM”) companies
  - H-share companies (listed on Main Board or GEM)
- 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 entrants’ annual reports, with the 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 mandatory corporate governance disclosure requirements under the Companies Ordinance and 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 reports of those companies/organisations that entered both the 2006 and 2005 Best Corporate Governance Disclosure Awards. The panel firstly identifies reports that achieve a substantial increase in overall marks in the 2006 Awards competition compared with 2005 and, as far as the latest report is concerned, also reflects, at the very least, a reasonably good overall standard of corporate governance. A further review of the relevant entries’ two most recent annual reports is then conducted as an additional check to identify 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, corporate social responsibility and environmental reporting
  - remuneration policy and details of directors' and senior management's remuneration packages
  - nomination committee's composition, role and functioning
  - internal controls assessment and risk management
  - related party transactions and relationships
  - other voluntary disclosures, such as shareholders' rights and investors' relations
- Compliance with corporate governance disclosure requirements of the Companies Ordinance and the Stock Exchange Main Board or GEM Listing Rules, as appropriate.
- Ease of identifying compliance information.

# Overall Commentaries

## Background and Recent Corporate Governance Landmarks

The Hong Kong Institute of Certified Public Accountants (“the Institute”)’s Best Corporate Governance Disclosure Awards competition (“BCGDA”) was first held in 2000. This is the seventh successive year in which the BCGDA has been organised by the Institute. Over this period, the competition has continued to play an important role in establishing benchmarks, encouraging improvements in the standard of corporate governance and raising awareness of the need for greater transparency and accountability to shareholders and stakeholders, prospective investors, the market generally and, in the case of public sector entities, the wider community. It has gained considerable support from the government, regulators and the business and professional community.

During 2006, there have been new developments in the field of corporate governance, both in the international arena and locally.

A draft *Boardroom Guide to the OECD Principles* was discussed at the meeting of the OECD (Organisation for Economic Cooperation and Development) Asian Roundtable on Corporate Governance held in Bangkok in September 2006. This aims to provide guidance on how the OECD Principles concerning boards can be practically implemented in different regulatory, economic and cultural contexts.

The UK Combined Code on Corporate Governance was revised and reissued in June 2006, although the changes were not major. The updated Code applies to reporting years beginning on or after 1 November 2006.

In Hong Kong, this year saw the full implementation of the Code on Corporate Governance Practices and the requirements of the Corporate Governance Report issued by the Stock Exchange to improve the manner in which listed companies are managed.

Standardisation of the Management Discussion and Analysis (“MD&A”) remains a subject of interest at the international level. In the UK, the statutory requirement for listed companies to prepare an operating and financial review (“OFR”), which was introduced in 2005 and applicable to companies whose financial years began on or after 1 April 2005, was repealed on 12 January 2006. Following this, the UK Accounting Standards Board repealed its Reporting Standard on OFR and converted it into a statement of best practice on OFR in January 2006. Nevertheless, the new UK Companies Act 2006, all parts of which will be in force by October 2008, encourages narrative reporting by companies to be forward-looking, covering risks and opportunities, with explicit requirements for listed companies to report on environmental matters, employees and social and community issues, etc. In Singapore, the listing rules have been revised to encourage listed issuers to adopt best practices set out in the OFR Guide issued by the Council on Corporate Disclosure and Governance when preparing the OFR in their annual reports, and this will be effective for all AGMs held on or after 1 January 2007.

Amongst other things, the UK Companies Act 2006 also contains measures aimed at encouraging shareholder engagement and a long-term investment culture, including enhancing the power of proxies and making it easier for indirect investors to be informed and to exercise governance rights in the company.

As regards Hong Kong’s legislative framework, the Financial Reporting Council (“FRC”) Ordinance was enacted in July 2006 to enhance the regulatory regime for the accounting profession. The FRC will be in operation in early 2007. As an independent body, the FRC will investigate auditing and financial reporting irregularities associated with listed companies and collective investment schemes. It will be empowered to request voluntary rectification of a listed company’s accounts and financial statements, or to seek a court order declaring non-compliance and directing rectification.

The Secretary for Financial Services and the Treasury (“SFST”) indicated that a bill will be introduced into the Legislative Council in the coming months to give statutory backing to major listing requirements, covering disclosure of price-sensitive information, financial reporting and other periodic disclosure, and shareholders’ approval for certain notifiable transactions. These legislative amendments, when enacted, will further upgrade the standard of corporate disclosure and enhance market quality in Hong Kong.

The HKSAR Government has launched a legislative reform project to re-write and update the Companies Ordinance. According to SFST, the first topical consultation document on the accounting and auditing provisions of the Ordinance should be issued in early 2007. It is tentatively planned to issue a White Bill in mid-2009 for public consultation before the new Companies Bill is introduced into the Legislative Council by the third quarter of 2010.

## **Aim and Scope of the BCGDA**

The aim of the BCGDA is two-fold: firstly, to establish benchmarks of existing best practice against which organisations (in this report, the term “organisation” is used to refer to listed companies and public sector bodies, unless the context suggests otherwise) can measure their own performance and, secondly, to encourage more organisations to make reference to those examples in formulating their own corporate governance policies, practices and disclosures.

An overall Significant Improvement Award (“SIA”) was first introduced in 2002 to identify the organisation that stood out in terms of improvements in its corporate governance disclosures and practices. In 2003, the SIA was extended to all categories to give greater emphasis to encouraging improvements across the board.

In view of the substantial number of companies listed on the GEM and the substantial overall market capitalisation of this market, a GEM companies category was added to the BCGDA in 2004, to encourage companies within this category to improve their disclosures and practices.

This year, noting that H-share companies represented a significant and increasingly important element of the Hong Kong stock market, the BCGDA Organising Committee considered that it was an opportune time to conduct a more focused review of H-share companies’ annual reports to establish benchmarks and identify good corporate governance role models within this sector. A separate standalone category was therefore established for H-share companies, instead of including them in Non-HSI-constituents and GEM companies categories. It is hoped that this will help to promote greater awareness and encourage better disclosures and corporate governance practices among H-share companies.

## **Judging Considerations**

The review and judging criteria for this year’s BCGDA were reviewed and refined, and the marking scheme was adjusted, to take account of the Code and Corporate Governance Report requirements referred to above, and also other changes, such as the increasing emphasis given to emerging areas of corporate governance, including corporate social responsibility.

The overall procedure itself remained the same. As indicated above, the review process entailed (i) an initial vetting procedure, (ii) a Quality Review, and (iii) Compliance 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 reports that were being considered for the short list.

The reviewers and judges brief included examining the latest annual reports to assess the scope of disclosures, the quality of corporate governance information and the standards of the underlying governance practices - both the form and substance of corporate governance information provided. They were asked to take an overall view of each entrant’s corporate governance structures, practices and disclosures. The objective was to form an impression of the extent to which a good corporate governance culture had been established within a

particular organisation, and of the efforts being made towards improvement. In addition, the reviewers and the judges were invited to take account of any other relevant publicly-known information that might shed light on an organisation's corporate governance practices, and to review the transparency and clarity of any disclosures relating to such information.

## General Observations

As a general observation, the judges and reviewers noted some signs of continuing improvements in corporate governance disclosure and practices in Hong Kong, underpinned by the changes in regulatory requirements. This year, more listed companies produced a detailed and systematic explanation and analysis of how their corporate governance practices compared with the provisions of the Listing Rules Code on Corporate Governance Practices, using the Code's provisions and recommended best practices as a template.

As regards the board composition and structure, an increasing number of companies had independent non-executive directors ("INEDs") representing at least one-third of the board members. More companies provided information on the respective responsibility of the board and the management. In addition, more companies and major public sector organisations appeared to have formed nomination committees. All these are recommended best practices under the Code.

It was noted that some of the best reports extended the disclosure of remuneration to senior management (other than directors) on a named basis.

An increasingly visible area of additional disclosure was corporate social responsibility and environmental reporting. It was more common for organisations to include a separate section in their annual report describing their corporate social responsibility and sustainability policies, covering principally, environment, health and safety, staff and human resources, social and community services, ethical matters and key relationships with stakeholders. However, it was disappointing to see that other organisations disclosed little information about their environmental policies and approach to environmental issues, even though this could be relevant given the nature of their business.

Generally, the disclosure of information about internal controls, where such information was provided in the annual report, was rather standard. Many boards merely acknowledged their responsibility for the system of internal control and for reviewing its effectiveness through the audit committee. Some companies reported that the board had conducted a review of the effectiveness of the system of internal control, without further details on risks and internal control elements, or processes applied in reviewing the effectiveness of internal controls and dealing with material internal control problems.

The reviewers and judges also expressed some disappointment that in too many cases, improvements in corporate governance were the result mainly of the need to comply with the new Listing Rule requirements. Although their standard of disclosure was good in terms of the quality and clarity of the information disclosed, in terms of scope, most organisations did not demonstrate much commitment to go beyond the minimum disclosure requirements of the Listing Rules. The judges' decision not to give out any award in the GEM companies category or to give out any SIAs is evidence of this.

## 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 there was scope for further progress. Certain of these points have been made in previous years, which suggests that some organisations may have become complacent about their corporate governance standards, and that it remains important for the government, regulators, professional bodies and other interested parties to continue their efforts to emphasise and promote the benefits of good governance.

1. While it is more common for organisations to include a separate section in their annual report on corporate social responsibility and environmental reporting, it is not always the case that those organisations whose operations have a greater impact on the environment are stronger in terms of disclosure in this area. More information about environmental policies and a clearer commitment to addressing and minimising any adverse impact on the environment could be disclosed in some cases. This is an area in which the H-share companies could strengthen their reporting.
2. More companies and organisations are now extending disclosure of remuneration to senior management (other than directors) on an individual named basis. This is a positive development. It would, however, be better still if there were more clarity in disclosure of remuneration policies and the structure and basis for determining directors' and senior management's remuneration.
3. It is encouraging to see that more companies have INEDs representing at least one-third of their board members. The setting up of nomination committees is also becoming more common, and the many relevant board committees are now composed primarily or entirely of non-executive directors ("NEDs"), and often of INEDs, which is to be welcomed.
4. More companies are providing information on division of responsibility between the board and the management.
5. Some clear criteria should be established for public sector organisations to identify "independence" so that NEDs and INEDs within these organisations can be more clearly distinguished from each other.
6. More information about biographical data on directors, in particular, on non-director senior management, as well as on directors who may have resigned during the year, would be useful.
7. More information on the selection process of directors and criteria to select and recommend candidates for directorship would enhance board transparency and accountability.
8. Although it is quite common for the positions of chairman and chief executive be held by separate persons, it is not uncommon for the chairman to also be an executive director. This tends 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.
9. Some organisations hold only a limited number of committee meetings. Depending upon the nature of the business and developments during the year, best practice may suggest the need for more regular meetings to be held.
10. More information could be provided on related party / connected transactions, including the approval process undertaken in respect of such transactions and the effect of such transactions on the organisation. This is an important area, particularly in the context of family-controlled companies.
11. The MD&A section of many reports could still usefully provide more information. For example, information outlining industry and business trends, risks and uncertainties affecting the business and risk management policies, corporate strategies and the principal drivers of performance would all be of value to investors. Organisations should not avoid reporting about negative news or significant challenges and their potential impact on the business.
12. More information on the internal control environment, risk management measures and procedures, and the processes applied in reviewing the effectiveness of internal controls and dealing with material internal control problems, would demonstrate a commitment to transparency and help to foster more confidence in an organisation's operations.

## 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)

Y B Lee

###### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)

W E Mocatta (Vice Chairman)

J S Dickson Leach

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

Tsui Lam Sin Lai Judy

Sir Roderick Ian Eddington

##### Audit Committee:

V F Moore (Chairman)

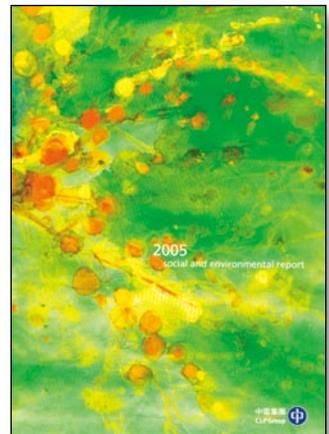
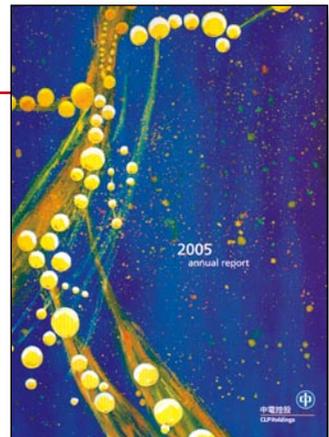
The Hon Sir S Y Chung, *GBM, GBE, JP*

Hansen C H Loh

Tsui Lam Sin Lai Judy

##### Auditors:

PricewaterhouseCoopers



## Findings

---

1. The judges commended CLP Holdings Ltd (“CLP”) for its continuing efforts to better its corporate governance and the consistently excellent presentation of its annual report. The report’s comprehensive coverage and the clarity of the disclosure of corporate governance information, represents an outstanding example of transparency and a reflection of strong commitment to good corporate governance.
2. To supplement the information contained in the report, CLP refers readers to a separate section on its website, designated for corporate governance, where the company’s Code on Corporate Governance and other corporate governance-related materials can be accessed, and through which hard copies can be obtained upon request.
3. The judges were impressed by the detailed analysis of the major aspects in which the CLP Code exceeds, parallels or diverges from the provisions and recommended best practices of the Listing Rules Code on Corporate Governance Practices. Further progress and various new initiatives to enhance CLP’s corporate governance are also highlighted in the report. Such information, presented in tabular format, is easy to follow and understand.
4. A separate Remuneration Report is included in the annual report, setting out clearly the group’s emolument policy and components, and the basis of determining emoluments payable to directors and senior management. The remuneration of individual senior executives (other than directors) is also disclosed by name, with performance bonuses shown separately.
5. To further its commitment to the responsible and effective management of the social, environmental and ethical aspects of its business, the company established a Social, Environmental and Ethics Committee in 2005. This is chaired by the CEO and includes executive and non-executive directors. It is designated with the responsibility for overseeing CLP’s positions and practices on issues of corporate social responsibility that affect shareholders and other key stakeholders, principally, in relation to social, environmental and ethical matters.

# Hang Seng Index Category

## PLATINUM AWARD

### HSBC Holdings plc

#### Board of Directors:

##### EXECUTIVE

Sir John Bond (Group Chairman)  
 S K Green (Group Chief Executive and  
 Group Chairman designate)  
 A W Jebson  
 D J Flint (Group Finance Director)  
 M F Geoghegan, *CBE*

##### NON-EXECUTIVE

The Baroness Dunn, *DBE* (Deputy Chairman)  
 H Sohmen, *OBE*

##### INDEPENDENT NON-EXECUTIVE

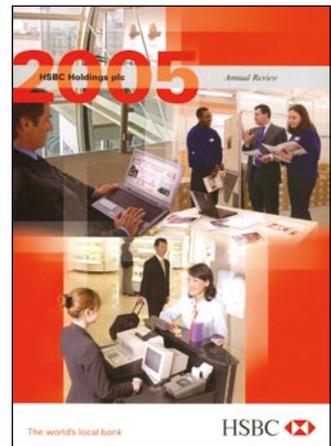
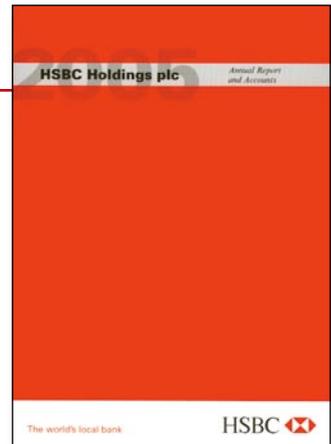
Sir Brian Moffat, *OBE* (Deputy Chairman)  
 The Rt Hon the Lord Butler of Brockwell,  
*KG, GCB, CVO*  
 R K F Ch'ien, *CBE*  
 J D Coombe  
 R A Fairhead  
 W K L Fung, *OBE*  
 S Hintze  
 J W J Hughes-Hallett  
 Sir John Kemp-Welch  
 Sir Mark Moody-Stuart, *KCMG*  
 S W Newton  
 S M Robertson 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

#### Audit Committee:

Sir Brian Moffat, *OBE* (Chairman)  
 R K F Ch'ien, *CBE*  
 J D Coombe  
 R A Fairhead  
 Sir John Kemp-Welch

#### Auditors:

KPMG Audit Plc



## Findings

---

1. The judges found that the 2005 annual report of HSBC Holdings plc (“HSBC”), continued to reflect a high standard of corporate governance practices, as in the case of the company’s previous annual reports. This weighty report provides extensive information to cover the different needs of a global investor community and to satisfy local regulatory and supervisory requirements in a number of countries.
2. Corporate governance disclosures in the report are comprehensive, with obvious strengths across many areas, covering all the key elements of good practice. It is clearly evident that a good corporate governance culture is well established within the company. The judges noted, for example, the high number of independent non-executive directors, the transparency of the criteria and process for selection of directors and the very detailed Directors’ Remuneration Report, which explained the compensation policies for directors, senior management and employees.
3. The judges also commended HSBC for providing extensive details on risk and risk management policies and in relation to the breakdown of the group’s results by geographical locations and business lines. There is also an excellent summary on attributable return to shareholders.
4. In addition to the full report, HSBC produces a very readable, colourful and compact Annual Review, containing summary financial statements and other information. At the same time, given the considerable volume of information provided in the main report, the judges suggested that the company might also wish to consider including more charts, graphs and indices, etc. in that report.

# Hang Seng Index Category

## GOLD AWARD

### Li & Fung Limited

#### Board of Directors:

##### EXECUTIVE

William Fung Kwok Lun (Managing Director)  
Bruce Philip Rockowitz  
Henry Chan  
Danny Lau Sai Wing  
Annabella Leung Wai Ping

##### 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  
Franklin Warren McFarlan  
Makoto Yasuda

#### Audit Committee:

Paul Edward Selway-Swift (Chairman)  
Allan Wong Chi Yun  
Franklin Warren McFarlan  
Makoto Yasuda  
Victor Fung Kwok King  
Leslie Boyd

#### Auditors:

PricewaterhouseCoopers



## Findings

---

1. The 2005 annual report of Li & Fung Limited (“Li & Fung”) is a high quality document, which continues to set a creditable benchmark for a family-run trading company. The judges found the report to be well balanced, informative and concise, while covering the major areas of good corporate governance practice. The descriptive and narrative information contained in the report is clear and readable, particularly with respect to the board and its committees.
2. Li & Fung’s annual report discloses a clear and understandable remuneration policy and practice for executive directors and provides good information on internal control measures. Establishing a Code of Conduct and Business for all directors and a Supplier Code of Conduct is indicative of the emphasis given by the company to ethics in conducting business.
3. The MD&A section of the report is succinct and to the point. The judges suggested that the company might also wish to consider including further information and discussion on challenges affecting the business and business risks.
4. Overall, the judges commended Li & Fung on a clear and concise report, which is very well presented and organised. The document contains a simple but effective combination of narrative, charts and graphs, which succeeds in conveying a strong visual impression, while making the report more interesting to read and easier to follow.

## Hang Seng Index Category

### SPECIAL MENTION

## BOC Hong Kong (Holdings) Limited

### Board of Directors:

#### *EXECUTIVE*

He Guangbei (Vice Chairman and  
Chief Executive)

#### *NON-EXECUTIVE*

Xiao Gang (Chairman)  
Sun Changji (Vice Chairman)  
Hua Qingshan  
Li Zaohang  
Zhou Zaiqun  
Zhang Yanling

#### *INDEPENDENT NON-EXECUTIVE*

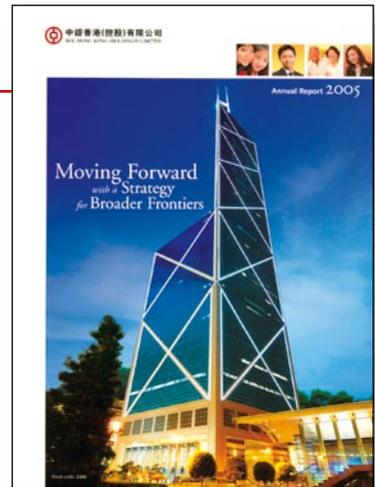
Fung Victor Kwok King  
Shan Weijian  
Tung Chee Chen  
Tung Savio Wai-Hok  
Yang Linda Tsao  
Koh Beng Seng

### **Audit Committee:**

Shan Weijian (Chairman)  
Zhou Zaiqun  
Fung Victor Kwok King  
Tung Chee Chen  
Yang Linda Tsao  
Tung Savio Wai-Hok

### **Auditors:**

PricewaterhouseCoopers



## Findings

---

1. The improved quality of the 2005 annual report of BOC Hong Kong (Holdings) Limited (“BOC”) was considered by the judges to be worthy of a special mention.
2. BOC’s commitment to improving its corporate governance structures and practices are evidenced by, for example, the clear delineation of the roles of the board and management, the adoption of a fair disclosure policy, the establishment of a process for the appointment of INEDs, to ensure the appointment procedures are standardised and transparent, and the introduction of annual reviews of the effectiveness of internal controls, including key procedures established and implemented for the review process.
3. Other features of the report include comprehensive shareholder information and a good explanation of shareholders’ rights. A question-and-answer section providing information, such as when and how to vote and how resolutions are passed at the annual general meeting, is included as an appendix to the notice of annual general meeting.

## Non-Hang Seng Index Category

### DIAMOND AWARD

---

## Standard Chartered PLC

### Board of Directors:

#### *EXECUTIVE*

Bryan Sanderson, *CBE* (Chairman)  
E Mervyn Davies, *CBE* (Group Chief Executive)  
Mike DeNoma  
Richard Meddings  
Kai Nargolwala  
Peter Sands

#### *INDEPENDENT NON-EXECUTIVE*

Sir CK Chow  
Jamie Dundas  
Val Gooding, *CBE*  
Ho Kwon Ping  
Rudy Markham  
Ruth Markland  
Hugh Norton  
Paul Skinner  
Oliver Stocken

### Audit and Risk Committee:

Rudy Markham (Chairman)  
Jamie Dundas  
Ruth Markland  
Hugh Norton

### Auditors:

KPMG Audit Plc



## Findings

---

1. The 2005 annual report of Standard Chartered PLC (“Standard Chartered”) was considered by the judges to be comprehensive and interesting to read. A clear, well-presented summary of a complex and diversified business is contained in the section entitled, “Group at a Glance”. This provides a brief description of the business and analyses performance by geographical areas.
2. Standard Chartered’s report highlights the importance and awareness of corporate responsibilities to the community. It leads by example through its commitment to, and active participation in, a wide range of community activities. The establishment of a new Corporate Responsibility and Community Committee by the board to deal with matters relating to environment protection, social investment, economic development and other corporate responsibility and community matters demonstrates the company’s efforts to understand and respond to the concerns and interest of stakeholders.
3. The corporate governance report contains all the key elements of best corporate governance practices and is of a high standard. Reference is also made to the company’s website, where more detailed corporate governance-related information is available, including on the responsibilities and roles of the board, the contribution of non-executive directors, the respective roles and responsibilities of the chairman and the chief executive, the terms of reference of board committees, etc.
4. The judges praised the very detailed Directors’ Remuneration Report, which sets out information on the remuneration committee, the group’s remuneration policy and remuneration arrangements, etc. It also highlights changes in the approach to executive compensation and the group’s share plans.

## Non-Hang Seng Index Category

### PLATINUM AWARD

## Hong Kong Exchanges and Clearing Limited

### Board of Directors:

#### EXECUTIVE

Chow Man Yiu Paul, *SBS, JP* (Chief Executive)

#### INDEPENDENT NON-EXECUTIVE

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

Cheung Kin Tung Marvin \*, *SBS, JP*

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

Lo Ka Shui \*, *GBS, JP*

Strickland John Estmond, *GBS, JP*

Webb David Michael

Wong Sai Hung Oscar

\* *Government Appointed Directors*

### Audit Committee:

Strickland John Estmond, *GBS, JP* (Chairman)

Fong Hup (Deputy Chairman)

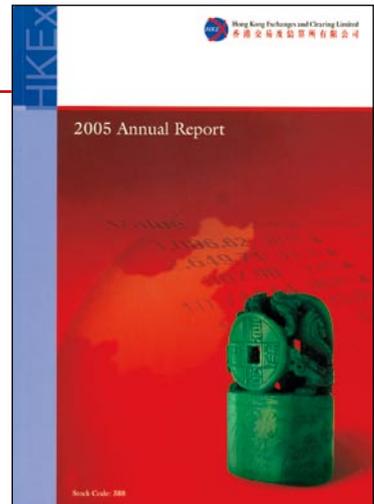
Cheung Kin Tung Marvin, *SBS, JP*

Fan Hung Ling Henry, *SBS, JP*

Lee Kwan Ho Vincent Marshall

### Auditors:

PricewaterhouseCoopers



## Findings

---

1. The 2005 report of Hong Kong Exchanges and Clearing Limited (“HKEx”) sets a high standard in terms of corporate governance best practices and disclosure. The company clearly demonstrates its commitment to good corporate governance by indicating the extent to which it has complied with the Code on Corporate Governance Practices, acknowledging some minor deviations, which it has addressed. There is also a specific section highlighting the improvements of its corporate governance practices compared with last year. In this way, HKEx continues to lead by example, which is laudable.
2. The report includes a strong and comprehensive MD&A. Of particular interest is the 3-Year Strategic Plan, excellently laid out in a table form, with a stock-take of achievements in 2005 and a clear indication of the priorities in 2006, which is clear and easy to understand. The judges suggested that the company might wish to consider including additional analysis of competition with other exchanges around the region and HKEx’s competitive advantages and disadvantages, to provide further insight into the company’s prospects.
3. It is noteworthy and positive to see that, in addition to acknowledgement by the board of its responsibility for ensuring the maintenance of a sound and effective internal control system, the report also discloses the key procedures established to provide for effective internal controls, as well as the annual review and assessment process. There is also disclosure of the internal audit methodology and process adopted by its Internal Audit Department.

## Non-Hang Seng Index Category

### GOLD 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:

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

##### Auditors:

Deloitte Touche Tohmatsu



## Findings

---

1. The 2005 report of Hysan Development Limited (“Hysan”), in a number of ways, sets a benchmark for listed companies generally. Of particular note is the inclusion of a good summary on the impact on the company of new reporting and accounting standards, together with explanation of why, as a result of the adoption of these new standards, additional performance indicators are provided.
2. Hysan provides a comprehensive benchmarking of its corporate governance performance against the Listing Rules Code on Corporate Governance Practices. The assessment indicates that, in a number of aspects, the company’s corporate governance practices exceed the standards laid down by the Code.
3. The judges also commended Hysan’s annual report for its extensive disclosure on internal controls and risk management, including analysis of key components of its internal control systems in terms of the widely-accepted framework developed by COSO (the US Committee of Sponsoring Organisations of the Treadway Commission).
4. It is worthy of note that the report provides very detailed description of key risks that the company’s management considers could have a potentially significant impact on the group’s core business activities, the areas on which they could impact, and the relevant key control activities to mitigate those risks.

## H-share Companies Category

### DIAMOND AWARD

---

#### Jiangsu Expressway Company Limited

##### Board of Directors:

###### *EXECUTIVE*

Shen Chang Quan (Chairman)  
Xie Jia Quan

###### *NON-EXECUTIVE*

Sun Hong Ning  
Chen Xiang Hui  
Zhang Wen Sheng  
Fan Yu Shu  
Cui Xiao Long

###### *INDEPENDENT NON-EXECUTIVE*

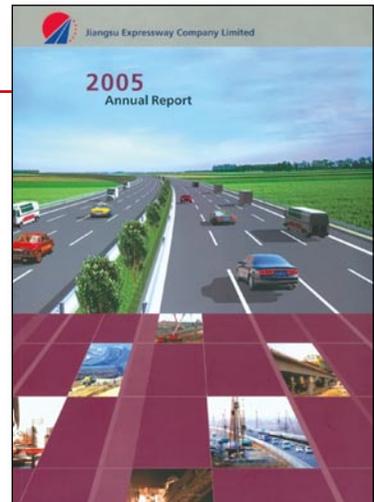
Chang Yung Tsung  
Fang Keng  
Yang Xiong Sheng  
Fan Chong Lai

##### **Audit Committee:**

Yang Xiong Sheng (Chairman)  
Fan Yu Shu  
Fang Keng

##### **Auditors:**

Deloitte Touche Tohmatsu



## Findings

---

1. The 2005 annual report of Jiangsu Expressway Company Limited (“Jiangsu Expressway”) provides a comprehensive corporate governance report, which includes a detailed and systematic explanation and comparison of the provisions of the Listing Rules Code on Corporate Governance Practices with the company’s practices and how the company addressed compliance.
2. The judges were impressed by the inclusion of a confirmation opinion by the company’s directors and senior management, with the signature of each director and senior management attached, confirming the accuracy and completeness of the annual report. This is good evidence of an awareness of the importance of accountability.
3. It is also positive and noteworthy that the report extends the disclosure of remuneration to senior management (other than directors and supervisors) on an individual, named basis.
4. Jiangsu Expressway’s report contains a good summary of events taking place during the year that represented significant milestones for the company. A clear diagram showing the asset structure of the group, supplemented by an appendix listing the toll roads and bridges owned by the group, or in which it has an investment, vehicle classifications, toll rates, etc., provides useful information to help the reader to understand better the operation of the group.

## H-share Companies Category

### PLATINUM AWARD

---

#### Shenzhen Expressway Company Limited

##### Board of Directors:

###### EXECUTIVE

Yang Hai (Chairman)

Wu Ya De (Director and General Manager)

###### NON-EXECUTIVE

Li Jing Qi

Wang Ji Zhong

Liu Jun

Lin Xiang Ke

Zhang Yang

Chiu Chi Cheong Clifton

###### INDEPENDENT NON-EXECUTIVE

Li Zhi Zheng

Zhang Zhi Xue

Poon Kai Leung James

Wong Kam Ling

##### Audit Committee:

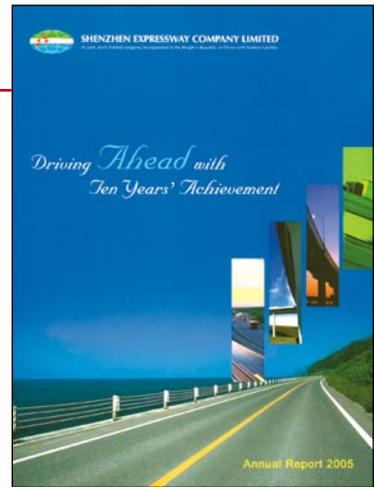
Wong Kam Ling (Chairman)

Poon Kai Leung James

Chiu Chi Cheong Clifton

##### Auditors:

PricewaterhouseCoopers



## Findings

---

1. The judges found the corporate governance report in the 2005 annual report of Shenzhen Expressway Company Limited (“Shenzhen Expressway”) to be informative and well presented, covering most of the major aspects of good corporate governance, with a high degree of transparency.
2. The company’s annual report contains an elaborate discussion on financial and operational risks and an impressive summary on risk management. A Risk Management Committee was established in 2004, chaired by an INED, which is principally responsible for improving and enhancing the company’s procedures and systems for managing risks in relation to individual investment projects.
3. It is noteworthy that the company extends the disclosure of remuneration to senior management (other than directors and supervisors) on a named basis.
4. A separate report of the audit committee, giving an account of the work undertaken by the committee during the year is included in the report, as is a useful section on investor relations, in which the company stresses its commitment to good investor relations and lists out relevant events that took place during the year.
5. A separate booklet is included with the report. This provides detailed information about the toll highways operated or invested in by the group, illustrated with maps of road networks and charts showing yearly traffic flow and the revenue from individual projects, together with vehicle classifications, toll rates, etc. This is helpful in understanding the business.

## H-share Companies Category

### GOLD AWARD

## Datang International Power Generation Company Limited

### Board of Directors:

#### EXECUTIVE

Zhang Yi  
Yang Hongming

#### NON-EXECUTIVE

Zhai Ruoyu (Chairman)  
Hu Shengmu  
Fang Qinghai  
Liu Haixia  
Guan Tiangang  
Su Tiegang  
Ye Yonghui  
Tong Yunshang

#### INDEPENDENT NON-EXECUTIVE

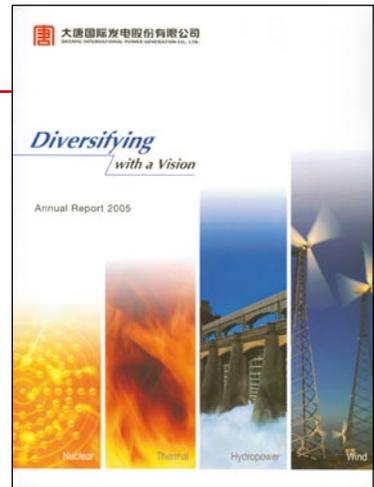
Xie Songlin  
Xu Daping  
Yu Changchun  
Liu Chaoan  
Xia Qing

### Audit Committee:

Yu Changchun (Chairman)  
Xu Daping  
Xia Qing  
Ye Yonghui  
Guan Tiangang

### Auditors:

PricewaterhouseCoopers



## Findings

---

1. The judges found the corporate governance report in the 2005 annual report of Datang International Power Generation Company Limited (“Datang Power”) to be concise, easy-to-read and indicative of a well-balanced governance performance. One commendable feature is a comprehensive analysis of the main contents of the Listing Rules Code on Corporate Governance Practices against the company’s governance practices. The narrative and details given are very clear and informative.
2. Datang Power has demonstrated its strong commitment to strengthening internal controls and risk management by setting up various specialists committees and steering groups, each responsible for a specific area, covering, e.g., safety operations, fuel supply, energy savings, project design and construction tendering.
3. The annual report contains a comprehensive overview of the structure and training of human resources. A considerable investment in human resources training clearly reflects the company’s strong emphasis on enhancing staff quality and building a strong management team.
4. The section entitled, “Questions Frequently Asked by Investors” is interesting and assists the reader to understand the company’s business strategy and outlook. Publishing questions posed by the investment community also shows the company’s strong awareness of the importance of good investor relations.

## Public Sector/Not-For-Profit Organisations

### DIAMOND AWARD

#### Airport Authority Hong Kong

##### The Board:

###### EXECUTIVE

David J Pang (Chief Executive Officer)

###### NON-EXECUTIVE

Secretary for Economic Development and Labour

– Stephen Ip Shu-kwan, *GBS, JP*

Secretary for Financial Services and the Treasury

– Frederick Si-hang Ma, *JP*

Director-General of Civil Aviation

– Norman Lo Shung-man, *AE, JP*

###### INDEPENDENT NON-EXECUTIVE

Victor Fung Kwok-king, *GBS* (Chairman)

The Hon Marvin Cheung Kin-tung, *SBS, JP*

The Hon Vincent Fang Kang, *JP*

He Guangbei

Edmund Leung Kwong-Ho, *OBE, JP*

The Hon Andrew Liao Cheung-sing, *SBS, JP*

Lo Ka-shui, *MD, GBS, JP*

The Hon Jasper Tsang Yok-sing, *GBS, JP*

Wilfred Wong Ying-wai, *JP*

##### Audit Committee:

He Guangbei (Chairman)

The Hon Marvin Cheung Kin-tung, *SBS, JP*

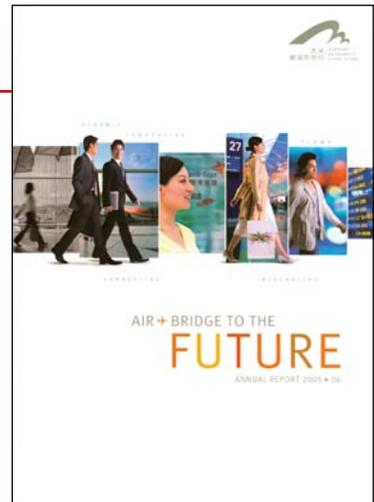
The Hon Vincent Fang Kang, *JP*

Edmund Leung Kwong-Ho, *OBE, JP*

The Hon Jasper Tsang Yok-sing, *GBS, JP*

##### Auditors:

KPMG



## Findings

---

1. The judges found that, in terms of corporate governance disclosure and best practices, the Airport Authority (“the Authority”)’s 2005/06 annual report continued to maintain a very high standard, which set it apart from most, if not all, other public sector/not-for-profit organisations and made it more comparable with some of the better reports of companies in the HSI category.
2. The report voluntarily benchmarks the Authority’s corporate governance practices against the Listing Rules Code on Corporate Governance Practices. The result indicates that the Authority has met most of the Code provisions and, in the few cases where it has not, an explanation is provided. Of particular note are its clear corporate governance structure and mechanisms, with an emphasis placed on board independence and management accountability, and its disclosure of the remuneration details of individual board members and the executive directors, on a named basis.
3. The report is clear, concise and interesting to read. It provides a comprehensive business review, with a good deal of informative data, well presented in charts, graphs and tables, together with comparison with other airports on security, freight and passenger throughput and airport charges. The report is also transparent about future plans and key projects, effectively giving a clear overview of the Authority’s priorities and strategies.

## Public Sector/Not-For-Profit Organisations

### PLATINUM AWARD

---

#### Securities and Futures Commission

##### Board of Directors:

###### EXECUTIVE

Martin Wheatley (Chairman)  
Alexa Lam  
Alan Linning  
Peter Au-Yang

###### NON-EXECUTIVE

Raymond P L Kwok, *JP*  
The Hon Jasper Tsang Yok Sing, *GBS, JP*  
York Liao, *SBS, JP*  
Christopher W C Cheng, *GBS, JP*  
Eddy C Fong, *SBS, JP*  
Kenneth H W Kwok  
Liu Pak Wai, *SBS*

##### Audit Committee:

Eddy C Fong, *SBS, JP* (Chairman)  
Raymond P L Kwok, *JP* (Deputy Chairman)  
Kenneth H W Kwok

##### Auditors:

KPMG



## Findings

---

1. The judges considered that the 2005/06 annual report of the Securities and Futures Commission (“SFC”) continued to maintain a high standard of corporate governance practices in many respects, as would be expected of a securities regulator in a major financial market, with a particularly clear explanation of its corporate governance process.
2. The corporate governance section of the report provides details on, amongst other things, the composition and operation of the board and the functions and objectives of key governance committees and panels, indicating a high degree of transparency and accountability.
3. The operation review is first rate for a public sector organisation, with a clear focus on performance evaluation and commitments. An analysis of achievements and work in progress of the different divisions provides a clear overview of divisional performance. There are also good comparisons of actual performance with that of previous years and with performance pledges. The judges suggested that it would be useful if the SFC were to include a comparison of its performance against other regulatory bodies, similar to that contained in the previous year’s report.

# Judges and Reviewers

The Hong Kong Institute of Certified Public Accountants (“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: Paul M P Chan, President, HKICPA

Members: April Chan, The Hong Kong Institute of Chartered Secretaries  
Chris Chan, University of Hong Kong  
Gary Cheung, Hong Kong Securities Institute  
Chew Fook Aun, Chairman of Corporate Governance Committee, HKICPA  
Paul Chow, Hong Kong Exchanges and Clearing Ltd.  
Anthony Espina, Hong Kong Stockbrokers Association Ltd.  
Gordon Jones, Companies Registry  
Tim Krause, International Finance Corporation, World Bank Group  
William Ryback, Hong Kong Monetary Authority  
Elisabeth Scott, Hong Kong Investment Funds Association  
Ryan Tsang, Standard & Poor’s  
Judy Tsui, The Hong Kong Polytechnic University  
Martin Wheatley, Securities and Futures Commission  
Peter Wong, The Hong Kong Institute of Directors  
Jimmy Woo, MPF Schemes Authority

Secretary: Peter Tisman, Director, Specialist Practices, HKICPA

## Review Panel

Chairman: Jim Wardell, Horwath Corporate Advisory Services Ltd.

Members: **Quality Review**  
Nicholas Allen, PricewaterhouseCoopers  
Thaddeus Beczak, Nomura International (HK) Ltd.  
Clement Chan, Horwath Hong Kong CPA Ltd.  
Catherine Chau, Fidelity Investment Management (HK) Ltd.  
Raphael Ding, Moores Rowland Mazars  
Richard George, Deloitte Touche Tohmatsu  
Stephen Law, Texas Pacific Group  
Stephen Lee, KPMG  
Charles Lo, Charles Lo & Co.  
Keith Pogson, Ernst & Young  
Patrick Rozario, Grant Thornton  
Thomas Wong, Nexia Charles Mar Fan & Co.

### **Compliance Review**

William Crowe, KPMG  
Tommy Fung, PricewaterhouseCoopers  
Ernest Lee, Ernst & Young  
Ruby Leung, Kennic L H Lui & Co.  
Daniel Lin, Moores Rowland Mazars  
Victoria Pau, Grant Thornton  
Johnny Yuen, Wong Brothers & Co.

Secretary: Mary Lam, Assistant Director, 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.	Companies Registry
Deloitte Touche Tohmatsu	Hong Kong Exchanges and Clearing Ltd.
Ernst & Young	Hong Kong Investment Funds Association
Grant Thornton	Hong Kong Monetary Authority
Horwath Corporate Advisory Services Ltd.	Hong Kong Securities Institute
Horwath Hong Kong CPA Ltd.	Hong Kong Stockbrokers Association Ltd.
Kennic L H Lui & Co.	International Finance Corporation, World Bank Group
KPMG	Mandatory Provident Fund Schemes Authority
Moores Rowland Mazars	Securities and Futures Commission
Nexia Charles Mar Fan & Co.	The Hong Kong Institute of Chartered Secretaries
Nomura Asia Holding N.V.	The Hong Kong Institute of Directors
PricewaterhouseCoopers	
Standard & Poor's	
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 2006 Awards competition and related events.

## Organising Committee of the Awards

Jim Wardell, Chairman  
Catherine Chau  
Richard George  
Patrick Rozario  
Peter Tisman  
Nancy Tse

Mary Lam, Secretary, HKICPA

## Corporate Governance Committee

Chew Fook Aun, Chairman  
Patrick Chan, Deputy Chairman  
Richard George, Deputy Chairman  
Nicholas Allen  
Catherine Chau  
Paul Cheng  
Gordon Jones  
Quinn Law  
Stephen Lee  
Paul Mok  
Keith Pogson  
Patrick Rozario  
James Siu  
Tommy Tam  
Nancy Tse  
H Y Wan  
Jim Wardell

Peter Tisman, Secretary, HKICPA



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

37/F., Wu Chung House,  
213 Queen's Road East, Hong Kong  
香港皇后大道東213號胡忠大廈37樓  
Tel 電話：2287 7228  
Email 電郵：hkicpa@hkicpa.org.hk  
Website 網址：www.hkicpa.org.hk

Media Sponsors

