



2007

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

2007 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	Hong Kong Exchanges and Clearing Limited
Special Mention	MTR Corporation Limited

Non-Hang Seng Index Category

Diamond	Standard Chartered PLC
Platinum	Hysan Development Company Limited
Gold	Transport International Holdings Limited
Significant Improvement Award	Agile Property Holdings Limited

H-share Category

Diamond	Shenzhen Expressway Company Limited
Platinum	Jiangsu Expressway Company Limited
Gold	China Shenhua Energy Company Limited
Special Mention	Huaneng Power International, Inc.

Growth Enterprise Market Category

Commendation	Global Digital Creations Holdings Limited
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Public Sector/Not-For-Profit Organisations

Diamond	Airport Authority Hong Kong
Platinum	Securities and Futures Commission

Background, Aim and Scope

First introduced in 2000, this is the eighth successive year of the Hong Kong Institute of Certified Public Accountants (“the Institute”)’s Best Corporate Governance Disclosure Awards (“BCGDA”). This competition, which has gained recognition and good support from regulators, the government, investor groups, and the business and professional community, continues to play an important role in encouraging improvements in the standards of corporate governance disclosures and practices and raising awareness of the need for transparency and accountability to shareholders, investors and other stakeholders, which, particularly in the case of public sector entities, includes the wider community.

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

Starting with three categories and a possible 10 awards in 2000, the BCGDA has now grown to take in five categories and a possible 20 awards.

The Significant Improvement Award (“SIA”) was first introduced in 2002 and, in 2003, was extended to all categories of entries.

A category for Growth Enterprise Market (“GEM”)-listed companies was introduced to the BCGDA in 2004 to encourage companies within this category to improve their disclosures and practices. Given the growth in the number of H-share companies, and their increasing significance to the Hong Kong market, in 2006, an H-share companies category was introduced for the first time, with the aim of establishing benchmarks of good practice and identifying companies amongst this group that would serve as positive role models.

In addition to Diamond, Platinum and Gold Awards, Special Mentions and Commendations are also available for annual reports that are regarded as worthy efforts, and which may be strong in important aspects of corporate governance, such as social responsibility and environmental and community reporting and reporting on risk assessment and management and internal controls.

Entries

There are five different categories of entries, namely,

- Listed companies:
 - Hang Seng Index (“HSI”)-constituent companies
 - Non-HSI-constituent companies (listed on main board)
 - Growth Enterprise Market companies
 - H-share companies (listed on main board or GEM)
- Public sector / Not-for-profit organisations

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 the corporate governance disclosure requirements of 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.
- Ease of identifying compliance information.

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 is also taken into account.
- (ii) **Compliance Review:** Reports that are short-listed in the quality review undergo a further review to ensure their compliance with the mandatory corporate governance disclosure requirements under the Companies Ordinance and the Listing Rules.

The Review Panel reviews the annual reports that have passed the initial vetting procedure 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 SIA, the Review Panel identifies reports that have attained, as a minimum, a reasonably good overall standard of corporate governance while demonstrating a substantial increase in overall marks in the 2007 BCGDA competition compared with the same company's report in the 2006 competition. A further review of the relevant companies' current and previous annual reports is then conducted as an additional check to identify the specific areas of improvement. The reports that have achieved the most substantial improvements are put forward to the Judging Panel for final determination.

Judging Considerations

The BCGDA focuses on voluntary disclosures of relevant information in annual reports that clearly exceed the bare legal and regulatory requirements. The review and judging criteria for this year were refined, and the marking scheme was adjusted, to take into account of those provisions of the Code on Corporate Governance Practices (Appendices 14 and 15 of the main board and GEM Listing Rules, respectively) ("the Code") that deal with companies' internal controls, and the related disclosures, which became effective for 2006/2007 reports.

The Quality Review, as in the past, was the core part of the BCGDA and, to ensure consistency and eliminate any marking bias, the process involved more than one review of reports that were being considered for the short list.

In their review of annual reports, the reviewers and judges assessed the scope of corporate governance-related disclosures, the quality of the information provided and the standards of the underlying governance practices – both the form and substance of corporate governance information provided. They took an overall view of a company's corporate governance structures, practices and disclosures, so as to form an impression of the extent to which a good corporate governance culture had been established, and whether efforts had been made towards further improvement. In addition, the reviewers and the judges were invited to take account of any other relevant publicly-known information that could reflect on a company's corporate governance practices and, where relevant, review the transparency and clarity of any disclosures relating to such information.

Given the increasing use of websites as a channel of communication between companies and their stakeholders, in the 2007 BCGDA, the Review Panel conducted a separate review of corporate governance-related information disclosed on the websites of the short-listed entries. This review looked at informativeness and scope of disclosure, user-friendliness and ease of locating relevant information on the company's website. The results of the review, although not forming part of the basic judging criteria for determining the winners of the BCGDA, were available to the Judging Panel for reference, and could be used to help decide between two or more short-listed entries in a particular category, which were otherwise very close in quality.

Overall Commentaries

Recent Corporate Governance Developments in Hong Kong

On the legislative front, the government has been working on two major initiatives, namely, (i) to give statutory backing to major listing requirements, covering disclosure of price-sensitive information, financial reporting and other periodic disclosures, and shareholders' approval for certain notifiable transactions; and (ii) a re-write and update of the Companies Ordinance.

In 2005, the Securities and Futures Commission ("SFC") conducted a consultation on codifying certain requirements of the existing Listing Rules as subsidiary legislation under the Securities and Futures Ordinance ("SFO"). The results of the consultation indicated that many found the proposed statutory rules too detailed, and reservations were expressed about the possibility that technical breaches of detailed requirements could attract statutory sanctions. Following extensive discussions with stakeholders, a revised approach was proposed in a consultation conclusions paper released by the SFC on 28 February 2007. The changes were aimed at ensuring that the regulatory regime would be flexible, effective and clear. It seems likely that there will be further discussion on these proposals.

With regard to re-writing the Companies Ordinance, the project was launched in 2006 and is being carried out in phases, with a tentative plan to introduce a new Companies Bill into the Legislative Council towards the end of 2010. The first of a series of topical consultations in the course of the rewrite exercise was released in March 2007, covering the accounting and auditing provisions in the Companies Ordinance.

Following the enactment of the Financial Reporting Council ("FRC") Ordinance in July 2006, the FRC began operating in July 2007. The FRC, which received initial funding from the Hong Kong SAR Government, the SFC, the Hong Kong Exchanges and Clearing ("HKEx") and the Institute, will investigate into auditing and financial reporting irregularities associated with listed companies and collective investment schemes.

Recent initiatives of the HKEx include the abolition, in late June 2007, of the main board requirement for paid announcements in newspapers when it launched an "electronic disclosure project" for enhancing online dissemination of regulatory information. Following a consultation in January 2006 on the way forward for the GEM, in July 2007, HKEx released a further consultation paper on proposals for developing GEM as a second board and positioning it as a stepping-stone to the main board. In August 2007, HKEx consulted the market on shortening of the reporting deadlines for half-yearly and annual reporting, and the introduction of a quarterly reporting requirement for main board companies. The outcome of these two recent consultations is awaited with interest.

Observations

With the raising of the bar following the full implementation of the Code, and the disclosure requirements of the Corporate Governance Report (Appendices 23 and 16 of the main board and GEM Listing Rules, respectively), the overall standard of corporate governance disclosure and practices in Hong Kong has clearly improved. The judges and reviewers noted that the best annual reports still exceeded this general standard by some margin and that more companies seemed to treat the new requirements as something more than merely an unavoidable burden for regulatory and compliance purposes. 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 improvement. Some of these points have been made in previous years, which suggests that it is still important for the government, regulators, professional bodies and other interested parties to continue their efforts to emphasise and promote the benefits of good governance.

The reviewers and judges also expressed some disappointment that in too many cases, although the standard of disclosure was good in terms of the quality and clarity of the information disclosed, in terms of scope, still not enough companies demonstrated the commitment to go beyond the minimum disclosure requirements of the Listing Rules. This was the case particularly in many of the GEM reports that were reviewed. Findings included the following:

1. More companies are providing information on the division of responsibility between the board and the management. Some companies conduct and disclose information about formal evaluations of the performance of the board and its committees, as well as the process for such evaluations. This reflects an increasing level of transparency and accountability on the part of boards, which is to be encouraged.
2. Some companies are extending the disclosure of remuneration to senior management (other than directors) on a named basis, and best practice includes disclosures of information covering the measurement basis for directors' performance and bonus/incentive calculations. More companies should try to follow these practices. It would also be helpful if there were more clarity in the disclosure of emolument policies, long term incentive schemes and the structure and basis for determining directors' and senior management's remuneration.
3. While more listed companies and major public sector organisations have formed nomination committees, additional information on the work undertaken by the nomination committee could be disclosed. In addition, disclosure of information about the process of selection of board members, such as the selection criteria, would enhance board transparency and accountability.
4. It is encouraging to see that some companies are disclosing information about directors' participation in continuous development programmes, which is a recommended best practice under the Code. In this respect, more information could be provided on directors' induction programmes and their training development.

5. Some clear criteria should be established to determine “independence” in relation to the governing board members of public sector organisations, so as to facilitate the distinction between non-executive members of the board and independent non-executive board members.
6. An increasingly visible area of additional disclosure is corporate social responsibility and environmental reporting. It is more common for well-governed companies to include a separate section in their annual report, or even a supplementary 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.
7. It is not always the case that companies whose operations have a greater impact on the environment have the best disclosures in relation to environmental policies and practices or demonstrate the greatest commitment to addressing environmental issues. There is room for more extensive and transparent reporting in this area, including on the part of the H-share companies.
8. Generally, disclosure of information about internal controls is rather standard. Many boards merely acknowledge their responsibility for the system of internal control and for reviewing its effectiveness through the audit committee. More information on internal control environment, and processes applied in reviewing the effectiveness of internal controls and dealing with any material internal control problems, would demonstrate a commitment to transparency and help to foster more confidence in the operation of the business.
9. Many reports provide only limited information on the company’s risk management framework and infrastructure, and the processes for evaluating and managing risks. Improved disclosure could be made in relation to how risk assessment is carried out, the assessment methodology adopted to identify and prioritise the risks identified, and the scope of the independent internal reviews and the matters that these reviews have addressed.
10. Companies should endeavour to supply more information on related party / 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.
11. The management discussion and analysis (“MD&A”) section of many reports could still usefully provide more information. For example, information outlining industry and business trends, key performance indicators and industry benchmarks, risks and uncertainties affecting the business, corporate strategies and the principal drivers of performance, would all be of value to investors. Companies should not avoid reporting on significant challenges that they face, and the potential, or actual, impact of negative events on the business (e.g., the impact of sub-prime lending, which has affected businesses outside of the United States).

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

J H Whittle

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, *CBE, JP*

Judy Tsui

Sir Rod Eddington

Audit Committee:

V F Moore, *BBS* (Chairman)

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

Hansen C H Loh

Judy Tsui

Auditors:

PricewaterhouseCoopers



Findings

1. The judges applauded CLP Holdings Limited (“CLP”) for its continuing high standards, its ongoing efforts to better its corporate governance and the consistently excellent presentation of its annual report. They found that the report’s comprehensive coverage and the clarity of the disclosure of corporate governance information represented an outstanding example of transparency and a reflection of a strong corporate governance culture.
2. CLP supplemented its annual report with a separate “CLP Code on Corporate Governance” and information on a dedicated section of its website, where the company’s corporate governance-related materials could be accessed and through which hard copies could be obtained upon request.
3. The judges were impressed by the clear and concise diagrammatic presentation of CLP’s overall risk management context and framework, showing the basic risk categories, describing the key risks within each of the basic categories and the measures taken by CLP to address these.
4. The CLP report also provided many recommended disclosures on internal controls. There was a succinct description of CLP’s internal control system, covering the framework, standards and processes. This included an anti-fraud programme and self-assessment system, as well as clear information pointing to group-wide standard controls and defined responsibilities for control at all levels. The report also contained a thorough description of the group’s internal audit function, including its responsibilities, tasks and reporting lines.
5. A separate Remuneration Report was 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 (in addition to directors) was also disclosed by name, with performance bonuses shown separately.
6. The CLP annual report was also accompanied by a separate social and environmental report, which provided interesting and useful international comparative data, identified clearly and in detail where CLP’s corporate social responsibility (“CSR”) challenges lay and acknowledged the areas in which improvements needed to be made. The “Q&A” presentation of selected CSR issues, including stakeholders’ questions to CLP management and the latter’s answers, was attractive and imaginative and, at the same time, covered some key valid concerns.

Hang Seng Index Category

PLATINUM AWARD

HSBC Holdings plc

Board of Directors:

EXECUTIVE

S K Green (Group Chairman)
M F Geoghegan, *CBE* (Group Chief Executive)
D J Flint, *CBE* (Group Finance Director)

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

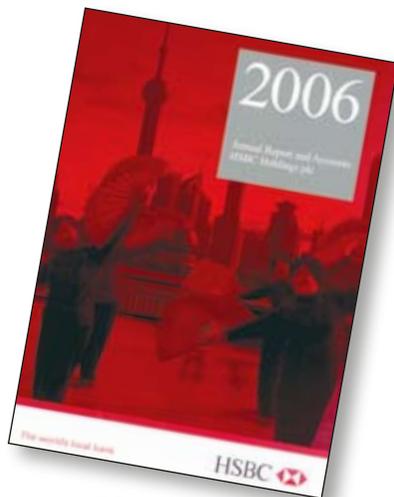
R K F Ch'ien, *CBE*
J D Coombe
R A Fairhead
W K L Fung, *OBE*
S. Hintze
J W J Hughes-Hallett
Sir Mark Moody-Stuart, *KCMG*
G Morgan
S W Newton
S M Robertson
Sir Brian Williamson, *CBE*

Audit Committee:

Sir Brian Moffat, *OBE* (Chairman)
R K F Ch'ien, *CBE*
J D Coombe
R A Fairhead
J W J Hughes-Hallett

Auditors:

KPMG Audit Plc



Findings

1. The judges were pleased to see that the 2006 annual report of HSBC Holdings plc (“HSBC”) continued to reflect a high standard of corporate governance practices, as in the past. This very extensive report provided copious information to cater for 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 were comprehensive, with obvious strengths across many areas and covering all the key elements of good practice. It was evident to the judges that a good corporate governance environment was 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 its particularly strong coverage of risk controls and management, as befitted a major global financial institution. HSBC provided considerable detail and thorough explanations of the risks it faced and how they were addressed. It also recognised that risk management and assessment was a dynamic and changing process as the group’s risk environment changed, showing senior management’s appreciation of the group’s complicated business across a vast geographic area.
4. It was noted that HSBC provided a good deal of information on its corporate social responsibility (“CSR”) philosophy, policies and activities in its Corporate Responsibility Report, which covered all of the main CSR areas, such as employees, community, environment, sustainability, health and safety, suppliers and customers. The report could be found on the company’s website and was referred to in its annual report. The relevant disclosures demonstrated HSBC’s full awareness of the significant potential impact on the community that a company of its standing and reach could have.
5. Given the voluminous data and extremely detailed and comprehensive information provided in the annual report, the judges found that it was not always easy to locate the relevant information in the report. They also suggested that the inclusion of more charts, graphs and indices, etc. would strengthen the report in terms of its readability and as a vehicle for communication.

Hang Seng Index Category

GOLD AWARD

Hong Kong Exchanges and Clearing Limited

Board of Directors:

EXECUTIVE

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

INDEPENDENT NON-EXECUTIVE

Arculli Ronald Joseph*, *GBS, JP* (Chairman)

Cha May-Lung Laura*, *SBS, JP*

Cheng Mo Chi Moses*, *GBS, JP*

Cheung Kin Tung Marvin*, *SBS, JP*

Fan Hung Ling Henry*, *SBS, JP*

Fong Hup*

Kwok Chi Piu Bill

Lee Kwan Ho Vincent Marshall

Loh Kung Wai Christine

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)

Cheng Mo Chi Moses, *GBS, JP*

Cheung Kin Tung Marvin, *SBS, JP*

Lee Kwan Ho Vincent Marshall

Auditors:

PricewaterhouseCoopers



Findings

1. The 2006 report of Hong Kong Exchanges and Clearing Limited (“HKEx”) set a high standard in terms of corporate governance best practices and disclosure. The judges considered that the company clearly demonstrated its commitment to good corporate governance by detailing the extent to which it had complied with the Code on Corporate Governance Practices.
2. In addition to a corporate governance report, there were also separate reports from the audit committee and remuneration committee. The judges noted that HKEx continued the commendable approach of leading by example.
3. The report included a strong and comprehensive MD&A. Of particular interest was the 3-Year Strategic Plan. The strategic plan 2007-2009 gave a clear outline of the company’s future direction. In addition, a stock-take of major achievements in the past three years (2004-06) and key initiatives in 2007 were clear and easy to understand. There was also an important discussion of how HKEx managed the potential conflict between its role as a listed company and its public responsibility as a market regulator.
4. The judges found it positive to see that, although HKEx was not operating in an environmentally sensitive business, it provided an extensive report on its overall framework for corporate social responsibility, showing linkages with market place, work place, community and the environment.
5. Taking into account the information provided on the company’s website, disclosure of the company’s internal controls was fairly comprehensive, with the objectives of internal controls, key control procedures and methodology and process for assessing the internal control system clearly specified. It was also noted that HKEx maintained a whistle-blowing policy to facilitate employees to raise concerns about internal malpractice directly to the chairman of the audit committee, who would review complaints and decide how the investigation should be conducted.

Hang Seng Index Category

SPECIAL MENTION

MTR Corporation Limited

Board of Directors:

EXECUTIVE

Chow Chung-kong (Chief Executive Officer)

NON-EXECUTIVE

Raymond Ch'ien Kuo-fung (Chairman)

Commissioner for Transport

– Alan Wong Chi-kong

Secretary for the Environment,

Transport and Works

– Sarah Liao Sau-tung

Frederick Ma Si-hang

INDEPENDENT NON-EXECUTIVE

Cheung Yau-kai

David Gordon Eldon

Christine Fang Meng-sang

Edward Ho Sing-tin

Lo Chung-hing

T Brian Stevenson

Audit Committee:

T Brian Stevenson (Chairman)

Cheung Yau-kai

Commissioner for Transport

– Alan Wong Chi-kong

Auditors:

KPMG



Findings

1. The 2006 annual report of MTR Corporation Limited (“MTR”) was considered by the judges to merit a Special Mention.
2. The judges noted that the two-tier board structure of MTR ensured clarity of roles, strong independence and a high level of oversight – the first tier consisting of non-executive directors, independent non-executive directors, government appointees and the chief executive officer (“CEO”), and the second tier, the executive board, led by the CEO, which was responsible for operations.
3. The MTR report provided very comprehensive executive management reports, covering detailed analyses of individual divisions of the business, including Hong Kong network expansion projects and overseas growth. In addition to reporting success stories, the company also acknowledged overseas tenders for train operating franchises that had not been successful. The report provided a good summary of operational performance, comparing the performance requirements/customer services pledges and actual performance in 2006. The benchmarks laid down were of high standard.
4. As regards additional areas of disclosure, the judges suggested that corporations partially owned by the government, or corporations that were considered to be important to the wellbeing of the local economy, should endeavour to clarify their relationship with the government, and be prepared to discuss how conflicts between government policy and the interests of non-government shareholders were addressed.

Non-Hang Seng Index Category

DIAMOND AWARD

Standard Chartered PLC

Board of Directors:

EXECUTIVE

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

INDEPENDENT NON-EXECUTIVE

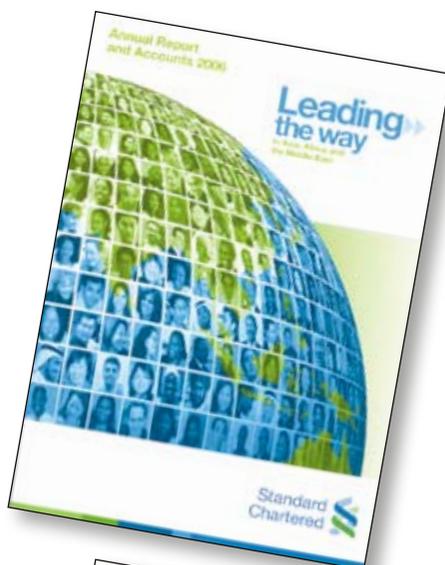
Sir CK Chow
Jamie Dundas
Val Gooding, *CBE*
Rudy Markham
Ruth Markland
Paul Skinner
Oliver Stocken
Lord Turner

Audit and Risk Committee:

Rudy Markham (Chairman)
Jamie Dundas
Ruth Markland
Lord Turner

Auditors:

KPMG Audit Plc



Findings

1. The 2006 annual report of Standard Chartered PLC (“Standard Chartered”) was considered by the judges to be comprehensive, well-presented and interesting to read. A brief description of the business and analyses of performance by geographical areas were contained in the section entitled, “Group at a Glance”. This provided a clear, well-presented summary of a complex and diversified business and the operations of the group.
2. A separate booklet, “Sustainability Review”, was produced to supplement the annual report. This provided comprehensive information on Standard Chartered’s approach to social and environmental issues, which reflected the bank’s commitment to a wide range of areas such as sustainable lending, tackling financial crime, responsible selling and marketing, environmental protection, employee retention and community investment.
3. The comprehensive corporate governance report included all the key elements of good corporate governance practices, demonstrating high standards. The annual report also referred to the company’s website, where more detailed corporate governance-related information was available, including the respective roles and responsibilities of the chairman and the chief executive, the terms of reference of board committees, and proxy voting results of each resolution at the annual general meeting.
4. The annual report contained a separate “Risk Review” section, which provided extensive information on the group’s risk management structure and risk governance policies and procedures to identify and manage risks, including credit risks, country risks, market risks, liquidity risks, operational and regulatory risks, and reputational risks.
5. The judges praised the very detailed Directors’ Remuneration Report, which set out information on the remuneration committee, the group’s remuneration policy and remuneration arrangements, performance share plans, etc. It also provided information on how Standard Chartered evaluated the performance of its directors.

Non-Hang Seng Index Category

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:

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

Auditors:

Deloitte Touche Tohmatsu



Findings

1. The judges considered the 2006 report of Hysan Development Company Limited (“Hysan”) set a good benchmark. It included a comprehensive corporate governance report, revealing that, in a number of respects, the company’s corporate governance practices exceeded the standards laid down by the Code on Corporate Governance Practices. The governance model adopted by Hysan demonstrated an effective combination of family ownership and professional management. The appointment of a senior non-executive director, for example, was indicative of the company’s efforts to bridge the gap between stakeholders and the management.
2. The Emoluments Review Committee produced a very detailed Directors’ Remuneration and Interests Report, setting out information about the company’s remuneration policy, share option schemes and directors’ interests in competing businesses. It was also noted that Hysan adopted a formal process of board evaluation.
3. The judges commended Hysan’s annual report for its extensive disclosure on internal controls and risk management. The company adopted the framework developed by COSO in the US (the Committee of Sponsoring Organisations of the Treadway Commission) in establishing its internal control environment, performing risk assessment and conducting internal audit.
4. Generally, the judges found the report to be an impressive and professionally-presented report, which incorporated a number of colourful and dynamic photographs of the people of Hong Kong and their city, thus helping to bring the report to life. Of particular interest was the design of the front cover and the highlights in the “Special Feature” section, which was a clever way to focus readers on Causeway Bay, where many of Hysan’s properties were located.

Non-Hang Seng Index Category

GOLD AWARD

Transport International Holdings Limited

Board of Directors:

EXECUTIVE

John Chan Cho Chak, *GBS, JP*

(Managing Director)

Charles Lui Chung Yuen

Winnie Ng

Lui Pochiu

Edmond Ho Tat Man

NON-EXECUTIVE

Kwok Ping-luen Raymond, *JP*

Kwok Ping-sheung Walter, *JP*

Ng Siu Chan

William Louey Lai Kuen

George Chien Yuan Hwei

INDEPENDENT NON-EXECUTIVE

The Hon Sir Sze-yuen Chung, *GBM, GBE, JP*

(Chairman)

Norman Leung Nai Pang, *GBS, JP*

(Deputy Chairman)

Kung Ziang Mien James, *GBS, OBE*

Eric Li Ka Cheung, *GBS, OBE, JP*

Siu Kwing-chue Gordon, *GBS, CBE, JP*

Audit Committee:

Eric Li Ka Cheung, *GBS, OBE, JP* (Chairman)

Kung Ziang Mien James, *GBS, OBE*

George Chien Yuan Hwei

Auditors:

KPMG



Findings

1. The 2006 annual report of Transport International Holdings Limited (“Transport International”) contained a comprehensive corporate governance report, illustrating, by way of a chart, the company’s corporate governance structure with details of the committees established and their reporting lines.
2. The report included a strong and comprehensive MD&A, providing a comprehensive commentary in an operational review, broken down by business type and by market, and an informative commentary on the group’s funding and treasury policies. In addition to all the positive factors, the company showed commendable transparency by including analyses of possible negative factors, risks, uncertainties and challenges, and their potential impact on the group. Of particular interest was the section entitled, “A Conversation with the Managing Director”, presented in a question and answer format, which assisted readers to understand the group’s operations, challenges, business strategy and outlook. This informal, conversational section focused mainly on future prospects and strategy.
3. The judges praised Transport International’s strong corporate social responsibility reporting, with very comprehensive descriptions and illustrations indicating how the various issues, such as customer service, people and safety, community, and environmental policy, linked in closely with the company’s business operations. It also provided evidence of the company’s efforts to enhance effective communication with customers, shareholders, employees and the general public.

Non-Hang Seng Index Category

SIGNIFICANT IMPROVEMENT AWARD

Agile Property Holdings Limited

Board of Directors:

EXECUTIVE

Chen Zhuo Lin (Chairman)
Chan Cheuk Yin
Luk Sin Fong Fion
Chan Cheuk Hung
Chan Cheuk Hei
Chan Cheuk Nam

INDEPENDENT NON-EXECUTIVE

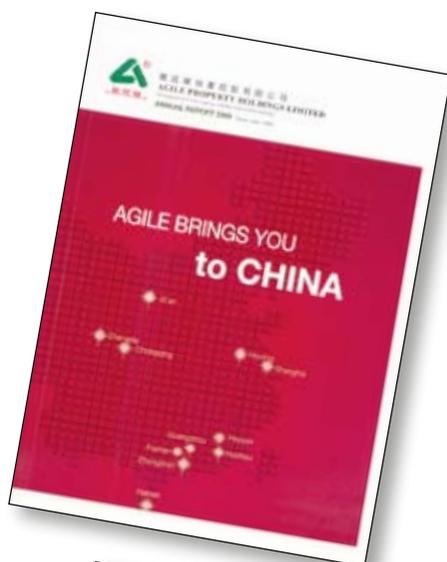
Cheng Hon Kwan
Kwong Che Keung Gordon
Cheung Wing Yui

Audit Committee:

Kwong Che Keung Gordon (Chairman)
Cheng Hon Kwan
Cheung Wing Yui

Auditors:

PricewaterhouseCoopers



Findings

1. Agile Property Holdings Limited (“Agile”) demonstrated a significant improvement in its corporate governance disclosure and underlying practices. As compared with its 2005 report, Agile’s 2006 report revealed:
 - a more comprehensive and detailed corporate governance report, which fully complied with the Code;
 - full details on the company’s board structure and functioning, with additional information on board and board committee meeting arrangements;
 - attendance of directors at board and board committee meetings was high;
 - the establishment of a nomination committee in 2006 and information on its composition and main functions;
 - more comprehensive MD&A, including more extensive disclosure on individual projects, and additional financial information, such as profit attributable to equity holders and return on capital;
 - a separate “Corporate Citizen” section, providing more information on environmental protection, community services, staff development and training;
 - a separate “Investor Relations” section, setting out major investor relations events during the year.
2. Overall, the judges considered that the positive steps Agile had taken to enhance its corporate governance practices and disclosures deserved recognition.

H-share Company Category

DIAMOND AWARD

Shenzhen Expressway Company Limited

Board of Directors:

EXECUTIVE

Yang Hai (Chairman)

Wu Ya De (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 2006 annual report of Shenzhen Expressway Company Limited (“Shenzhen Expressway”) to be informative and well presented, covering most of the major areas of good corporate governance, with a high degree of transparency.
2. The annual report provided comprehensive operational and financial information and analyses, which indicated that the group had maintained a high quality of management and financial reporting. The judges found the extensive discussion of financial and operational risks, and the summary of risk management, to be particularly impressive.
3. It was also positive and noteworthy that the report extended the disclosure of remuneration to senior management (other than directors and supervisors) on an individual, named basis.
4. The investor relations section was also well presented. In this section, the company stressed its commitment to strengthening investor relations and listed out relevant events that took place during the year. The chart showing major events versus share price was informative.
5. The judges were also impressed by the inclusion of an affirmation that there were no false representations or misleading statements in the company’s annual report, attached to which were the signatures of directors and members of the senior management. This clearly demonstrated the board and senior management’s commitment to accountability and transparent and accurate company reporting.

H-share Company Category

PLATINUM AWARD

Jiangsu Expressway Company Limited

Board of Directors:

EXECUTIVE

Xie Jia Quan (General Manager)

NON-EXECUTIVE

Shen Chang Quan (Chairman)

Zhang Wen Sheng

Sun Hong Ning

Chen Xiang Hui

Fan Yu Shu

Cui Xiao Long

INDEPENDENT NON-EXECUTIVE

Chang Yung Tsung Alice

Fang Hung Kenneth

Yang Xiong Sheng

Fan Cong Lai

Audit Committee:

Yang Xiong Sheng (Chairman)

Fan Cong Lai

Fan Yu Shu

Auditors:

Deloitte Touche Tohmatsu



Findings

1. The 2006 annual report of Jiangsu Expressway Company Limited (“Jiangsu Expressway”) contained a comprehensive corporate governance report, which included a detailed and systematic explanation and comparison of each provision of the Code on Corporate Governance Practices with the company’s practices and how the company had addressed compliance.
2. The “Confirmation Opinion” signed by each of the company’s directors and by senior management, confirming the accuracy and completeness of the annual report, was firm evidence of an awareness of the importance of accountability and joint responsibility.
3. The company extended the disclosure of remuneration to senior management (other than directors and supervisors) on an individual, named basis.
4. Jiangsu Expressway’s report contained a comprehensive MD&A providing a detailed segmental analysis with high quality commentary. It also provided a good summary of significant events taking place during the year. 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 had an investment, vehicle classifications, toll rates, etc., provided useful information to help readers understand better the operation of the group.

H-share Company Category

GOLD AWARD

China Shenhua Energy Company Limited

Board of Directors:

EXECUTIVE

Chen Biting (Chairman)
Ling Wen (President)

NON-EXECUTIVE

Zhang Xiwu
Zhang Yuzhuo
Han Jianguo

INDEPENDENT NON-EXECUTIVE

Huang Yicheng
Neoh Anthony Francis
Chen Xiaoyue

Audit Committee:

Chen Xiaoyue (Chairman)
Huang Yicheng
Neoh Anthony Francis

Auditors:

KPMG



Findings

1. The 2006 annual report of China Shenhua Energy Company Limited (“Shenhua”) contained a very extensive corporate governance report, supplemented by board committee reports, which provided details about the respective committees as well as the nature of resolutions approved by the relevant committees during the year.
2. The report provided a comprehensive business performance review, analysing industry trends and market conditions, with reference to key indicators in the industry environment, and giving a balanced view on the coming year’s demand and supply of coal in the domestic market, the Asia-Pacific region and the power industry. Different charts and statistics were used to describe the group’s position in key operational areas, in terms of significant segments, to help readers understand better the operations of the group.
3. The report also described a significant level of activities in relation to corporate social responsibility and environmental issues. Shenhua established various environmental protection rules for its mining operations, and integrated an ISO14001 standards and safety management system to improve its existing system. The company’s report indicated that the company had earned environmental protection awards from the State Administration for Environmental Protection and had gained recognition in achieving higher benchmarks in its standards of safety year-on-year. In this way, Shenhua showed commendable commitment to being a socially responsible corporate citizen.
4. Shenhua demonstrated a desire to develop a sound internal control system in order to enhance its operational efficiency and reduce operational risks, by obtaining the assistance of international consultants. It also invited an appraiser to conduct tests to identify any weakness in its system for further improvement.

H-share Company Category

SPECIAL MENTION

Huaneng Power International, Inc.

Board of Directors:

EXECUTIVE

Li Xiaopeng (Chairman)
Na Xizhi (President)

NON-EXECUTIVE

Huang Yongda
Huang Long
Wu Dawei
Shan Qunying
Ding Shida
Xu Zujian
Liu Shuyuan

INDEPENDENT NON-EXECUTIVE

Qian Zhongwei
Xia Donglin
Liu Jipeng
Wu Yusheng
Yu Ning

Audit Committee:

Xia Donglin (Chief Member)
Qian Zhongwei
Liu Jipeng
Wu Yusheng
Yu Ning

Auditors:

PricewaterhouseCoopers



Findings

1. The 2006 annual report of Huaneng Power International, Inc. (“Huaneng”) was considered by the judges to be worthy of a Special Mention.
2. Huaneng, which had to comply with the listing rules in Hong Kong, Shanghai and United States, produced a good corporate governance report covering all the key elements of best corporate governance practice. The disclosure in relation to enhancing and improving the information disclosure system and internal controls, and detailed work done by Huaneng to safeguard / strengthen its operations, financial management, and internal management, was useful and well presented in the corporate governance report.
3. The investor relations section, in the format of questions and answers with investors, which explained key decisions made by the company, the future direction and strategies of the company, etc., was helpful in enhancing readers’ understanding of the company’s aims and plans.

Growth Enterprise Market Category

COMMENDATION

Global Digital Creations Holdings Limited

Board of Directors:

EXECUTIVE

Cao Zhong (Chairman)
Chen Zheng (Chief Executive Officer)
Jin Guo Ping
Xu Qing Catherine

NON-EXECUTIVE

Leung Shun Sang Tony

INDEPENDENT NON-EXECUTIVE

Kwong Che Keung Gordon
Bu Fan Xiao
Hui Hung Stephen

Audit Committee:

Kwong Che Keung Gordon (Chairman)
Bu Fan Xiao
Hui Hung Stephen

Auditors:

Deloitte Touche Tohmatsu



Findings

1. The judges commended Global Digital Creations Holdings Limited (“Global Digital”) for providing a corporate governance report containing a fair amount of information on the company’s corporate governance structures and processes, which clearly exceeded the general standard of GEM-listed companies and set it apart from its peers. This showed that the company had made genuine efforts to ensure that its corporate governance disclosures gave a positive account of the company and were not merely boiler-plate disclosures.
2. The annual report revealed that the following were among the best practices adopted by the company to strengthen its corporate governance performance:
 - independent non-executive directors (“INEDs”) comprised at least one-third of the board;
 - establishment of a nomination committee with a majority of INEDs;
 - directors were provided with updated information on the latest developments of the Listing Rules, and other applicable regulatory requirements, and were encouraged to participate in continuous training; and
 - establishment of an Internal Audit Department to enhance its internal control and corporate governance.

Public Sector/Not-For-Profit Organisations

DIAMOND AWARD

Airport Authority Hong Kong

The Board:

EXECUTIVE

Stanley Hui Hon-chung, *JP*
(Chief Executive Officer)

NON-EXECUTIVE

Secretary for Economic Development and Labour

– Stephen Ip Shu-kwan, *GBS, JP*

Director-General of Civil Aviation

– Norman Lo Shung-man, *JP*

Secretary for Financial Services and the Treasury

– Frederick Ma Si-hang, *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, *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 the corporate governance disclosures and best practices reflected in its 2006/07 annual report, the Airport Authority (“the Authority”) continued to maintain a very high standard. The Authority’s corporate governance structure, with approval and reporting protocols, was illustrated clearly in a diagram. The attention given by the Authority to ethics as a core value and the provision of more information on its ethical culture was considered praiseworthy.
2. The report voluntarily benchmarked the Authority’s corporate governance practices against the Code on Corporate Governance Practices. The result indicated that the Authority had met most of the Code provisions and, in the few cases where it had not, an explanation was provided. Amongst the items of particular note in the report were the clarity of the Authority’s corporate governance structures and mechanisms, which placed an emphasis on board independence and management accountability, and its disclosure of the remuneration details of individual board members and senior executives on a named basis.
3. The annual report was clear, concise and interesting to read. It provided a comprehensive business review, with a good deal of informative data, well presented in the form of charts, graphs and tables, together with comparisons with other airports on freight and passenger throughput and airport charges.
4. The report was also transparent about future plans and key projects. The 20-year plan gave a clear overview of the Authority’s priorities and strategies and reflected the management’s awareness of the challenges and opportunities that lay ahead.

Public Sector/Not-For-Profit Organisations

PLATINUM AWARD

Securities and Futures Commission

Board of Directors:

EXECUTIVE

Martin Wheatley (Chief Executive Officer)
Brian Ho
Paul Kennedy
Alexa Lam
Keith Lui
Mark Steward

NON-EXECUTIVE

Eddy C Fong, *SBS, JP* (Chairman)
Christopher W C Cheng, *GBS, JP*
Kenneth H W Kwok, *BBS*
Angelina P L Lee, *JP*
York Liao, *SBS, JP*
Liu Pak Wai, *SBS, JP*
The Hon Jasper Y S Tsang, *GBS, JP*
Shengman Zhang

Audit Committee:

Angelina P L Lee, *JP* (Chairman)
Kenneth H W Kwok, *BBS* (Deputy Chairman)
Liu Pak Wai, *SBS, JP*
Shengman Zhang

Auditors:

KPMG



Findings

1. The judges were pleased to note that the 2006/07 annual report of the Securities and Futures Commission (“SFC”) indicated that a high standard of corporate governance reporting and practices had been maintained, as appropriate for a securities regulator in one of the world’s major financial markets.
2. The corporate governance section of the report contained a very clear explanation of the SFC’s governance processes with details of, for example, the composition and operation of the board and the functions and objectives of key governance committees and panels. This all pointed to a high degree of transparency and accountability. The appointment of the first non-executive chairman in October 2006, and delineation of the separate roles of the chairman and the chief executive officer, marked another step forward in adopting corporate governance best practices.
3. The operational review was regarded as being first-rate for a public sector organisation, with a clear focus on performance evaluation and commitments. The comprehensive statistical comparison of performance over the past three years, and comparison with performance pledges, provided a clear and concise, yet effective, summary, highlighting the SFC’s achievements over the years. A clear overview of divisional performance was also provided in the breakdown of work completed and in progress during the year in respect of the different divisions. The judges noted that it would also be useful if the statistical comparisons were to be supplemented with brief explanations of underlying changes and significant trends.
4. The judges praised the SFC for its strong corporate social responsibility disclosures, covering staff relations and social and environmental matters, and its clear focus on public responsibilities.

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.

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Chris Chan, University of Hong Kong
Colin Chau, Hong Kong Exchanges and Clearing Ltd.
Gary Cheung, Hong Kong Securities Institute
Chew Fook Aun, Chairman of Corporate Governance Committee, HKICPA
Y K Choi, Hong Kong Monetary Authority
Anthony Espina, Hong Kong Stockbrokers Association Ltd.
Gerry Ng, Hong Kong Investment Funds Association
Shum Man-to, The Financial Reporting Council
Robert I Tricker, University of Hong Kong and Open University Hong Kong
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

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Catherine Chau, Fidelity Investment Management (HK) Ltd.
Raymond Cheng, HLB Hodgson Impey Cheng
Hugh Gozzard, Deloitte Touche Tohmatsu
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Charles Lo, Charles Lo & Co.
Patrick Rozario, Grant Thornton
Sean Tuckfield, PricewaterhouseCoopers
Thomas Wong, Nexia Charles Mar Fan & Co.
- Compliance Review**
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William Crowe, KPMG
Tommy Fung, PricewaterhouseCoopers
Ernest Lee, Ernst & Young
Ruby Leung, Kennic L H Lui & Co.
Victoria Pau, Grant Thornton
Johnny Yuen, Wong Brothers & Co.
- Secretary: Mary Lam, Assistant Director, Specialist Practices, HKICPA

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

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Ernst & Young	Hong Kong Investment Funds Association
Grant Thornton	Hong Kong Monetary Authority
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Horwath Hong Kong CPA Ltd.	Hong Kong Stockbrokers Association Ltd.
Kennic L H Lui & Co.	Securities and Futures Commission
KPMG	The Financial Reporting Council
Nexia Charles Mar Fan & Co.	The Hong Kong Institute of Chartered Secretaries
Nomura International (HK) Ltd.	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 2007 Awards competition and related events.

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Derek Broadley
Paul Cheng
Raymond Cheng
Patrick Rozario
H Y Wan
Debra Wong
Peter Tisman

Mary Lam, Secretary, HKICPA

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Chris Chan
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