

2003

BEST CORPORATE GOVERNANCE DISCLOSURE AWARDS

最佳公司管治資料披露大獎



JUDGES' REPORT

Media Partners



Organiser



Hong Kong
Society of
Accountants

Award Winners

Significant Improvement Award

Hang Seng Index Category COSCO Pacific Limited

Hang Seng Index Category

Diamond CLP Holdings Limited

Platinum HSBC Holdings plc

Gold Li & Fung Limited

Non-Hang Seng Index Category

Diamond Hong Kong Exchanges and Clearing Limited

Platinum Standard Chartered PLC

Gold Kerry Properties Limited

Special Mention Media Partners International Holdings Inc.

Public Sector/Not-for-Profit Organisations

Diamond Securities and Futures Commission

Platinum Airport Authority Hong Kong

Gold Kowloon-Canton Railway Corporation

Objectives

- To promote greater awareness of corporate governance
- To promote and encourage improvements in the standards of corporate governance disclosure practices in Hong Kong
- To give recognition to those companies/organisations that demonstrate the best corporate governance practices

Entries

- Listed companies - Hang Seng Index (HSI)-constituent companies
 - Non-HSI-constituent companies
- Public sector/not-for-profit organisations

Review and Judging Procedures

Two levels of review were conducted -

- (i) Compliance Review: focusing 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 Growth Enterprise Market (GEM) (referred to in this report generically as "Listing Rules"), as appropriate.
- (ii) Quality Review: involving an assessment of the quality and standard of presentation and disclosure of corporate governance information in the annual reports, with the emphasis on voluntary disclosures. Where appropriate, other relevant publicly-known information about the companies/organisations was also considered.

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

For the Significant Improvement Awards, the Review Panel compared the reports of the companies/organisations that entered both the 2002 and 2003 Best Corporate Governance Disclosure Awards and identified the reports which showed the most substantial increase in overall marks in 2003, and which also achieved a reasonable overall standard. A further review of the relevant entrants' 2001/2002 and 2002/2003 annual reports was then conducted by the same Reviewer in each case to identify the specific areas of improvements and to serve as a second check on the quantum of any improvement. The two most improved annual reports in each category were recommended for members of the Judging Panel to review and to determine the Significant Improvement Award winners.

Judging Criteria

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

Overall Commentaries

Corporate governance landmarks in the past year

The Hong Kong Society of Accountants (HKSA) Best Corporate Governance Disclosure Awards ("Awards") were initiated in 2000 and are now in their fourth year. After each year's competition, the organising committee has reviewed the detailed arrangements of the Awards to see how they could be improved so as to better achieve the primary objectives of the competition. One of the particular highlights of the 2002 Awards was the opportunity to capitalise on a major international event taking place in Hong Kong at the time, namely the XVI World Congress of Accountants. The HKSA was fortunate to be able to conduct the presentation ceremony during the Gala Dinner of the World Congress, which was held at the Hong Kong Convention and Exhibition Centre before a large international audience. This provided an exciting international stage to reinforce one of the themes of the World Congress and to showcase the efforts being made by the HKSA, amongst others, to promote better standards of corporate governance in Hong Kong.

Advances in the field of corporate governance have continued steadily both in the international arena and locally. In mid-2003, the OECD published its **White Paper on Corporate Governance in Asia**, ("White Paper") which takes stock of progress since the onset in 1997 of the Asian financial crisis, and recommends directions for the future development of corporate governance in the region. The White Paper is a product of the Asian Roundtable on Corporate Governance and representatives of the Hong Kong SAR Government, the securities regulators and the HKSA have been participants in this forum.

Within Hong Kong, in January 2003, the Stock Exchange published the conclusions of its consultation on proposed changes to the Listing Rules relating to corporate governance issues and, in June 2003, the Standing Committee on Company Law Reform (SCCLR) published a consultation paper on proposals made in Phase II of its Corporate Governance Review. Some of the results of the SCCLR's Phase I consultation have now been incorporated into the Companies (Amendment) Bill 2003, which is currently being examined by the Legislative Council. The HKSA meanwhile is working on a guide to corporate governance for public sector bodies, which, it is hoped, will be published in the first half of 2004.

Aim and scope

The aim of the Awards is twofold: firstly, to encourage improvements in the standards of corporate governance in Hong Kong and, secondly, to establish benchmarks against which companies can measure their own performance.

Last year the emphasis changed somewhat towards encouraging improvement, whereas in the first two years of the competition the focus was more on establishing benchmarks. This shift in emphasis was reflected in the introduction of a new Significant Improvement Award. The HKSA considered that this would enable the Judges to encourage and recognise locally-listed businesses which, without necessarily being subject to the demands of the more extensive listing requirements of the major overseas markets, such as the United States or the United Kingdom, had nevertheless shown a commitment to better themselves and raise their own standards. This

year, the organising committee decided to build upon this approach and extend the Significant Improvement Award to all three categories in which awards are given.

Judging considerations

As in previous years, the latter stages of the review and judging process took account of the results of the initial Compliance Review of the entrants' annual reports, which assessed their compliance with the mandatory disclosures under the Companies Ordinance and other relevant legislation and the Listing Rules.

The Reviewers in the Quality Review stage considered the extent and quality of additional voluntary disclosures contained in the annual reports. Whilst the marking scheme has been developed to ensure the maximum objectivity, the Quality Review process is more than a mechanical marking exercise. Both the Reviewers, and the Judges in the final selection stage, were asked to take an overall view of each entrants' corporate governance structures, practices and disclosures, from the information contained in their annual reports. The objective was to gain an impression of the extent to which a good corporate governance culture had been established within a particular company or organisation and of the efforts being made towards self-improvement. The Reviewers and Judges were also invited to take account of any other relevant public information about the entrants that might shed light on their corporate governance practices, and to review the transparency and clarity of any disclosures relating to such information.

This year again, two guides previously issued by the HKSA were still considered to provide relevant benchmarks against which the Reviewers and Judges could assess the extent and quality of mandatory and voluntary disclosures contained in the entrants' annual reports, and so copies of the guides were issued to them. These were: **Corporate Governance Disclosure in Annual Reports** (March 2001), and **A Guide for Effective Audit Committees** (February 2002).



General observations

Overall, there were some signs of continuing improvements in corporate governance practices in Hong Kong. It is quite usual for companies and organisations to include a separate section or statement on corporate governance policy and practice. Information on the frequency of board and committee meetings and average attendance rates is more prevalent and the best annual reports are now disclosing the attendance rates of individual directors rather than just the average attendance rates. This is good practice because it highlights the importance of attendance at meetings by, for example, independent non-executive directors (INEDs). It is one thing for a company or organisation to list a number of INEDs on their boards and committees but the effectiveness of INEDs in fulfilling their role will clearly be diminished if they are absent from many of the meetings where important decisions are being taken.

The number of INEDs involved on boards seems to be increasing, with many companies having more than the minimum requirement of two. Almost all listed companies and major public sector organisations now have an audit committee and more, although still not enough, of them appear to have also formed a remuneration committee. The evidence suggests that more of these key corporate governance committees are now composed primarily or entirely of non-executive directors (NEDs) and often of INEDs. In addition, the companies and organisations with the highest standards of corporate governance in Hong Kong are setting up nomination committees to improve transparency in relation to the nomination of new directors.

These are the positive signs but there are, at the same time, indications that, for the bulk of companies, corporate governance standards have reached a plateau and there is no very clear commitment to advance from that position. It may be that, at this stage, if Hong Kong is to keep pace with developments in the world's major markets, that some further legislative and regulatory changes are now required to give the process greater impetus. In order to establish corporate governance standards in Hong Kong that equal those of the most highly developed markets overseas, and to make Hong Kong a "paragon of corporate governance", which was an aspiration expressed in the 2001/02 Budget Speech delivered by the Financial Secretary at the time, it was always going to entail a mix of legislative and regulatory reform, together with concerted promotional and educational efforts.

As mentioned above, legislative changes are already in the offing and revisions to the Listing Rules relating to corporate governance issues, as a result of the Stock Exchange's consultation exercise, are also expected to be introduced within the reasonably near future. As regards promotion and education, competitions, such as the Awards, continue to serve a useful purpose in helping to establish benchmarks and to identify and encourage suitable role models for others to follow, i.e. companies or organisations that exemplify, in different sectors in Hong Kong, the best in their class or a genuine commitment to self-improvement.

Specific observations

The Judges and Reviewers highlighted certain particular aspects of practice and disclosure to be commended and encouraged, as well as giving some general indications of where further progress could be made. Some of the main points are outlined below.

1. Compliance with the minimum requirements for corporate governance disclosure under the Listing Rules, the Companies Ordinance and other relevant legislation, e.g. Securities (Disclosure of Interests) Ordinance, was generally found to be good with no major problem areas.
2. While the companies and organisations demonstrating the highest standards of corporate governance are extending disclosure to individual directors' emoluments, which is a positive development, most companies and organisations could provide more information in relation to directors' remuneration, including information on remuneration policy, individual remuneration packages and analyses of directors' packages into salary and other benefits, performance and non-performance based. Information on directors' fees and emoluments paid to INEDs could also be clearer.

3. A number of companies have set up remuneration committees, which is to be welcomed, but in some cases executive directors continue to sit on these. It would be better practice for remuneration committees to be composed primarily of NEDs and in particular INEDs.
4. In relation to the disclosure of biographical data of directors and senior management, more information could usefully be provided about non-director senior management, as well as information regarding directors who have resigned during the year.
5. There is an increasing number of INEDs involved on board and committees, which is good practice. However, some of these directors appear to be the nominees of the solicitors or bankers of the companies concerned, in which case it is doubtful whether they can provide a truly independent view.
6. There is a tendency for public sector organisations not to distinguish clearly between NEDs and INEDs. Criteria should be established for making this distinction to ensure that INEDs can be clearly identified.
7. It is quite common for the positions of chairman and chief executive to be separate, which is good practice because it avoids the concentration of too much power in the hands of one person. However, it is also not uncommon for the chairman to be listed as an executive director, which implies that he or she has other executive powers in addition to chairing the board. This could tend to diminish the separation of the board and executive and make it more difficult for the chairman to fulfil the role of a link between the executive and non-executive directors.
8. The provision of information on the number of board and committee meetings and average attendance rates is improving. However, providing information on the attendance record of individual directors would enhance transparency and accountability.
9. Some companies hold only the minimum number of board and committees meetings. Depending upon the nature of the business and developments during the year, best practice would suggest the need for more regular meetings to be held.
10. The average attendance rate at the board and committee meetings of some companies is not very high. Efforts should be made to address this issue, as a relatively low attendance rate could cast doubt on the effectiveness of the overall strategic management of the company.
11. Companies should endeavour to supply more information on related party transactions including the approval process undertaken in respect of such transactions.
12. The management discussion and analysis section of many reports could provide more information on outlining business trends and risks and future development plans.
13. There appears to be a general tendency not to disclose and discuss in annual reports negative news, even where it is clearly information that is in the public domain and may be the subject of discussion in the media. A general example would be the effect of competitive changes in a particular industry sector, whilst a more specific example would be the effect of the outbreak of SARs (severe acute respiratory syndrome) on a business. While this reluctance may be understandable, it may tend to undermine the overall quality of stakeholder communications.

Award Winners

Significant Improvement Award

Hang Seng Index Category - COSCO Pacific Limited

Board of Directors:

Executive

Wei Jiafu (Chairman)
Liu Guoyuan (Vice Chairman)
Li Jianhong
Sun Yueying
Zhou Liancheng
Sun Jiakang (Managing Director)
Xu Lirong
Lu Zhiming
Liang Yanfeng
Wong Tin Yau, Kelvin
Meng Qinghui
Lu Chenggang
Qin Fuyan

Non-Executive

Kwong Che Keung, Gordon

Independent Non-Executive

Li Kwok Po, David
Liu Lit Man, GBS, JP
Alexander Reid Hamilton
Lee Yip Wah, Peter

Audit Committee members:

Alexander Reid Hamilton (Chairman)
Li Kwok Po, David
Lee Yip Wah, Peter

Auditors: PricewaterhouseCoopers



Findings

1. COSCO Pacific Limited ("COSCO") was considered by the Judges to have demonstrated a firm commitment to improving its overall corporate governance, both in terms of disclosure and underlying practices. Its latest annual report is a reflection of this very positive development.
2. Amongst the presentational and general structural areas in the report highlighted by the Judges were the introduction of a separate section on corporate governance; the addition of a mission statement and detailed strategic objectives, as well as a section on investor relations. The newly-added section on Frequently Asked Questions was considered to be useful in providing shareholders with insights on the strategic focus of the company. A statement on social responsibility was also added.
3. At the more operational level, additional information has been provided in the current annual report on the role of the board and the functions of the group's chairman, the managing director, the financial controller and the company secretary. Good detail and clarity is provided in relation to directors' interests in competing businesses. Information on the number of board meetings and the average attendance rate for each meeting over the past three years is included for the first time. New board committees have been formed, including a Corporate Governance Committee and a Risk Management Committee. The company's risk management process in respect of container leasing is explained in a review of this element of the business. Generally, COSCO's latest annual report has an improved layout and presentation, which also reflects a significant improvement in the company's corporate governance culture.

General Commentary

Significant Improvement Awards

While there were companies and organisations whose annual reports showed progress in corporate governance terms in each of the three categories in which the Significant Improvement Award could have been given out this year, the Judges did not feel that the improvements had been substantial enough to merit a specific award, other than in the HSI category. In some cases the standard of disclosures and practice reflected in the previous annual report was already fairly high and remained high in the current annual report. However, the Significant Improvement Award, as the name suggests, is to be reserved for cases where substantial and material improvements are evident.

Hang Seng Index Category

DIAMOND AWARD

CLP Holdings Limited

Board of Directors:

Executive

Andrew Brandler (Group Managing Director and Chief Executive Officer)

Peter P.W. Tse (Chief Financial Officer)

Peter W. Greenwood

Non-Executive

The Hon. Michael D. Kadoorie (Chairman)

W.E. Mocatta (Vice Chairman)

J.S. Dickson Leach (Vice Chairman)

R.J. McAulay

J.A.H. Leigh

R. Bischof

I.D. Boyce

P.C. Tan

Independent Non-Executive

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

William K. Fung, OBE, JP

V.F. Moore, BBS

Hansen C.H. Loh

Paul M.L. Kan

Audit Committee members:

V.F. Moore (Chairman)

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

Hansen C.H. Loh

Paul M.L. Kan

Auditors: PricewaterhouseCoopers



Findings

1. The Judges were impressed by CLP Holdings Limited ("CLP")'s clear commitment to and focus upon good corporate governance. The sense of endeavour conveyed by the company's annual report set it apart from the other contenders. CLP has been consistently amongst the front runners in the competition since it started and this year it has continued to extend its disclosure and strengthen its corporate governance practices. The Judges found the report to score well in all the areas examined.
2. The report itself was regarded as being well-presented, readable and attractive. The company reported promptly after the year end. In terms of disclosures, the report contains information on the number of board meetings and the attendance record of individual directors; on the role and function of board committees and of the INEDs, including considerable information on the operation of and work undertaken by the audit committee, the terms of reference of which have been amended in line with those recommended in the HKSA's publication **A Guide for Effective Audit Committees**. Individual executive directors' remuneration is disclosed and analysed into basic salary and other elements. As regards good practice, CLP has established a Nomination Committee, which is still not a common practice in Hong Kong. Its Audit Committee and Human Resources and Remuneration Committee comprise only NEDs, all of whom, in the case of the Audit Committee, are INEDs. The report is a reflection of good stakeholder and community relations. The Judges commended the sections on community, and safety, health and environmental responsibility.
3. CLP supplements its annual report with extensive additional information on its website, where, amongst other things, the company's corporate governance principles and practices and its code of conduct for staff can be accessed. Overall the Judges considered that CLP's annual report established a good benchmark for local Hong Kong companies.

PLATINUM AWARD
HSBC Holdings plc

Board of Directors:

Executive

Sir John Bond (Group Chairman)
Sir Keith Whitson (Group Chief Executive)
C.F.W. de Croisset
W.R.P. Dalton
D.G. Eldon
D.J. Flint (Group Finance Director)
S.K. Green
A.W. Jebson

Non-Executive

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

Independent Non-Executive

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

Audit Committee members:

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

Auditors: KPMG Audit Plc



Findings

1. The Judges found the annual report of HSBC Holdings plc ("HSBC") to be of a high standard as in previous years, especially in relation to financial and statistical information. HSBC has all the fundamental corporate governance structures in place, as is to be expected as one of the world's largest financial institutions. Generally, the content of the report is indicative of a strong corporate governance culture throughout the organisation and of the underlying importance of certain key areas of good governance to business performance.
2. HSBC is particularly strong in the area of disclosure of directors' emoluments and has produced a very detailed Directors' Remuneration Report, which provides considerable information on policy as well as individual directors' pay. In addition, there is a comprehensive section in the annual report on internal control and various aspects of risk management. The group is also heavily involved in many social and environmental initiatives.
3. In terms of practices, it is noteworthy that HSBC's board comprises nearly half INEDs, the Group Audit and Remuneration Committees are chaired by INEDs and comprise only INEDs. HSBC has also established a Nomination Committee comprising four NEDs, two of whom are independent.

GOLD AWARD

Li & Fung Limited

Board of Directors:

Executive

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

Non-Executive

Victor Fung Kwok King (Chairman)
Lau Butt Farn
Leslie Boyd
Steven Murray Small (alternate to Leslie Boyd)

Independent Non-Executive

Paul Edward Selway-Swift
Allan Wong Chi Yun, MBE
Franklin Warren McFarlan
Makoto Yasuda

Audit Committee members:

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

Auditors: PricewaterhouseCoopers



Findings

1. Li & Fung Limited ("Li & Fung") has once again produced an annual report of high quality, setting a good benchmark for a family-run trading company. The report indicates that Li & Fung has a solid commitment to the practice of corporate governance, having established a Corporate Governance Division, which holds regular interactive forums with staff. This is also evidence of the importance that the company places on enhancing communication with stakeholders.
2. Li & Fung's awareness of its social, economic and environmental responsibilities is also clear from the company's development of a Supplier Code of Conduct and its membership of the Business for Social Responsibility. At the more detailed level, the company has four INEDs, all of whom sit on the Audit Committee, together with two NEDs. Part of the committee's meetings are attended only by INEDs and the external auditors. A Nomination Committee has also been set up. The overall quality and extent of disclosures contained in the annual report were considered by the Judges to be sound, including the concise coverage of the board's structure and functions, incorporating an explanation of the respective roles of the chairman and the managing director, and the function of the NEDs on the board.
3. The inclusion of a corporate governance chart and a history and milestones statement was commended by the Judges as facilitating understanding by stakeholders. Li & Fung's annual report was considered generally to be an attractive and readable document.

General Commentary

Hang Seng Index Category

The HSI category continues to set the standard in terms of the quantity and quality of disclosures. The better reports in this category reflect a good and dynamic corporate governance culture. They provide more information in areas such as directors' remuneration and on board and committee structure and functioning. They also tend to involve INEDs in the business to a greater extent and have established nomination committees. There is a clear awareness of the need for good communication with stakeholders, as well as of community and social responsibility, reflected in, amongst others things, the publication of codes of conduct.

Non-Hang Seng Index Category

DIAMOND AWARD

Hong Kong Exchanges and Clearing Limited

Board of Directors:

Executive

Kwong Ki Chi, GBS, JP (Chief Executive)

Non-Executive

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

Chan Cho Chak, John, GBS, JP *

Fan Chor Ho, Paul, JP

Freshwater, Timothy George *

Kwok Chi Piu, Bill

Lee Jor Hung, Dannis, BBS

Lee Kwan Ho, Vincent Marshall

Leong Ka Chai, JP *

Liu Jinbao *

Lo Ka Shui, JP *

Seto Gin Chung, John

Strickland, John Estmond, GBS, JP *

Ward, Rodney Gordon *

Yue Wai Keung



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

Audit Committee members:

Strickland, John Estmond, GBS, JP (Chairman)

Fan Chor Ho, Paul, JP

Freshwater, Timothy George

Leong Ka Chai, JP

Yue Wai Keung

Auditors: PricewaterhouseCoopers

Findings

1. The annual report of Hong Kong Exchanges and Clearing Limited ("HKEx") impressed the Judges as containing all the key elements of good governance. HKEx's internally-driven commitment to high standards of governance is demonstrated by the fact that the company subjected itself to an independent third party assessment of its corporate governance structures and processes conducted by Standard and Poor's. HKEx was one of the first companies in Asia to do this.
2. The report itself contains a comprehensive and detailed corporate governance statement. There are comprehensive sections on Review of Operations and Management Discussion and Analysis, including a concise discussion of the main positive and negative factors affecting the business and future development. The "Public Interest" NEDs are separately identified and full biographical details of directors are provided. The chief executive's remuneration package is disclosed in detail. HKEx indicates that it is committed to providing clear and updated performance information to all shareholders as soon as it is available.
3. As regards good practice, there is a separation of the positions of chairman and chief executive. The board met regularly during the year with a high average attendance. The board is composed overwhelmingly of NEDs - the chief executive is the only executive director on a board of 15 members. The Audit and Remuneration Committees are composed exclusively of NEDs. A Nomination Committee has also been established comprising three NEDs. Overall, the report was regarded by the Judges as being clear and understandable, and indicative of a good, well-rounded corporate governance performance.

PLATINUM AWARD

Standard Chartered PLC

Board of Directors:

Executive

Sir Patrick John Gillam (Chairman)
Evan Mervyn Davies, CBE (Group Chief Executive)
Michael Bernard DeNoma
Christopher Avedis Keljik
Richard Henry Meddings
Kaikhushru Shiavax Nargolwala
Peter Alexander Sands

Non-Executive

David George Moir, CBE

Independent Non-Executive

The Rt. Hon. Lord Stewartby
(Deputy Chairman)
Ronnie ChiChung Chan
Sir C.K. Chow
Barry Clare
Ho KwonPing
Rudolph Harold Peter Markham
Hugh Edward Norton
Sir Ralph Harry Robins
Bryan Kaye Sanderson, CBE
Anthony William Paul Stenham

Audit and Risk Committee members:

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

Auditors: KPMG Audit Plc



Findings

1. Standard Chartered PLC ("Standard Chartered") has produced a very detailed report with extensive coverage of financial and statistical information. It was considered by the Judges to be particularly strong in relation to directors' pay with a good Directors' Remuneration Report, which explained the policy and disclosed individual directors' remuneration. The company published its annual report within two months' of the year end.
2. There is a large number of INEDs on Standard Chartered's board and they form the majority (10 out of 18 members). The board meets regularly during the year. The company's Audit and Risk Committee (of four members) and the Board Remuneration Committee (of six members) are composed entirely of INEDs, including the chairman in each case. The latter committee has also taken up the functions of a nomination committee.
3. The annual report contains informative statements on corporate governance and social responsibility. It is clear that Standard Chartered gives a high priority to good corporate social and environmental responsibility, having launched a corporate social responsibility website and a three-year global environmental management programme in 2002.

GOLD AWARD

Kerry Properties Limited

Board of Directors:

Executive

Kuok Khoon Loong, Edward (Chairman)
Ang Keng Lam (Deputy Chairman)
Wong Siu Kong
Ho Shut Kan
Thaddeus Thomas Beczak

Independent Non-Executive

Fung Kwok King, Victor
Lee Pui Ling, Angelina
Christopher Roger Moss, OBE

Audit Committee members:

Christopher Roger Moss, OBE (Chairman)
Fung Kwok King, Victor
Lee Pui Ling, Angelina

Auditors: PricewaterhouseCoopers



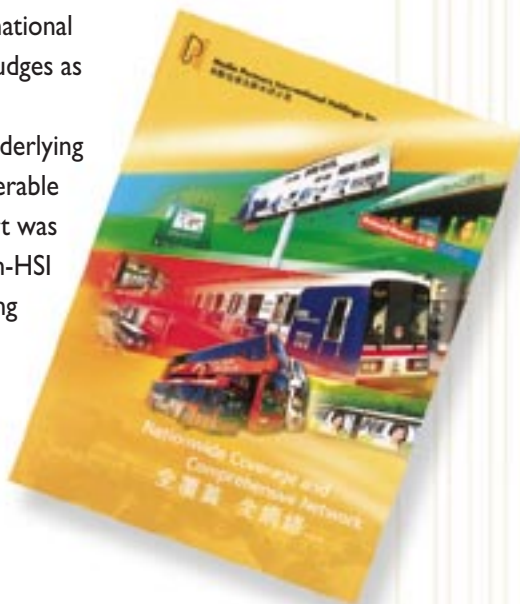
Findings

1. Kerry Properties Limited ("Kerry")'s annual report has a detailed corporate governance statement, an extensive chairman's statement providing detailed information by division, and a comprehensive management discussion and analysis, with a particularly clear and informative Review of Operations. The general clarity of presentation of the report was commended by the Judges.
2. The report contains full biographical information on directors and a detailed disclosure of directors' interests in shares and share options as well as their interests in competing businesses. Information on directors' emoluments is disclosed by bands. Timely information is provided on meetings of the board and key committees held in the first quarter of 2003. Other voluntary disclosures refer to a range of communication channels that have been opened with shareholders and investors, including various websites.
3. As regards good corporate governance practices, the Judges were particularly impressed by the statement that all directors, including committee members, have access to independent legal counsel and other professionals for independent advice at the company's expense. More than one third of the board comprises INEDs (three out of a board of eight members). The Audit Committee comprises the three INEDs and these three also form the majority of the Remuneration Committee of five members. Overall, Kerry's annual report was considered by the Judges to be very clear and readable with a good integrated layout, which confirmed that many of the key corporate governance structures were in place in the company.

SPECIAL MENTION

Media Partners International Holdings Inc.

The annual report of GEM-listed Media Partners International Holdings Inc. ("Media Partners") was regarded by the Judges as being worthy of a Special Mention. The quality of the presentation, corporate governance disclosures and underlying practices demonstrate that the company places considerable emphasis on good governance, and as a result its report was on the short list for one of the main awards in the Non-HSI category. Although Media Partners does not have a long track record as a listed company, its annual report represents a good example for GEM-listed companies aspiring to improve their own corporate governance standards.



General Commentary

Non-Hang Seng Index Category

The best annual reports in the Non-HSI category are clear, well-presented and interesting to read. They contain a good level of disclosures, reflecting basically sound corporate governance practices. The Non-HSI annual reports tend to be stronger in some areas than others and the areas of relative strengths and weaknesses differ between different companies. Nevertheless, the best of them equal or surpass a number of those in the HSI category.

Public Sector/Not-for-Profit Organisations

DIAMOND AWARD

Securities and Futures Commission

Board of Directors:

Executive

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

Mark Dickens, JP

Alexa Lam

Ashley Alder

Alan Linning

Non-Executive

Henry H.L. Fan, SBS, JP

Raymond P.L. Kwok

Daniel R. Fung

T. Brian Stevenson, SBS

Anna H.Y. Wu, SBS, JP

The Hon. Jasper Tsang Yok Sing, GBS, JP

Audit Committee members:

T. Brian Stevenson, SBS (Chairman)

Anna H.Y. Wu, SBS, JP

Raymond P.L. Kwok

Auditors: KPMG



Findings

1. The annual report of the Securities and Futures Commission ("SFC") was considered by the Judges to contain the best all-round disclosure in the Public Sector/Not-for-Profit Organisations category. It includes a comprehensive statement on corporate governance. Amongst the areas of the report where there is good disclosure are the detailed coverage of the SFC's structure and functions, particularly in relation to the appointment and termination of directors; the frequency of board meetings, as well as individual directors' attendance rates, and also information on the function of board committees. Directors' emoluments are disclosed by bands.
2. The board and main committees met frequently during the year - the board met 14 times and the Audit Committee, for example, met 8 times. In order to enhance transparency and accountability, two key committees, namely the Audit and Remuneration Committees, were reconstituted to comprise only NEDs. The annual report also reveals that the SFC is innovative and proactive in communicating with key stakeholders, producing various audio-visual materials to promote investor education and awareness. In addition, the SFC seeks to engage stakeholders in the development of regulatory policies.
3. Overall, the annual report was regarded as being well-presented with an informative layout describing the different operations of the SFC, and a good integration of text and non-text materials. The Judges considered that the table showing comparative statistics for the past three years was also helpful in better understanding the progress of the SFC's work.

PLATINUM AWARD

Airport Authority Hong Kong

The Board:

Victor Fung Kwok-king (Chairman)
David J. Pang (Chief Executive Officer)
The Hon. Selina Chow Liang Shuk-ye, GBS, JP
Daniel R. Fung
Stephen Ip Shu-kwan, GBS, JP
Albert Lam Kwong-yu, JP
Frederick Si-hang Ma, JP
John Strickland, GBS, JP
Maria Tam Wai-chu, GBS, JP
Peter Wong King-keung, BBS, JP

Audit Committee members:

The Hon. Selina Chow Liang Shuk-ye,
GBS, JP (Chairman)
Liu Jinbao
John Strickland, GBS, JP
Peter Wong King-keung, BBS, JP

Auditors: KPMG

Findings

1. The Airport Authority Hong Kong ("Airport Authority") has consistently performed well in this category. The Airport Authority's latest annual report continues in the same mould and was determined by the Judges to be a very professional and clearly presented document.
2. The Judges commended in particular the full disclosure of executive directors' remuneration, which sets the example in the Public Sector/Not-for-Profit category. There is a separation of the offices of chairman and chief executive officer. The board has an overwhelming majority of NED members and it met regularly during the year with a high attendance rate. A range of committees has been set up to assist the board. Amongst these, the Audit Committee comprises only NEDs and the Human Resources Committee, which also considers remuneration-related issues, is chaired by a non-executive and is composed of a majority of NEDs.
3. Other useful disclosures contained in the report include information on the main positive and negative factors affecting the business. The Airport Authority is also engaged in a number of different community and environmental projects.



GOLD AWARD **Kowloon-Canton Railway Corporation**

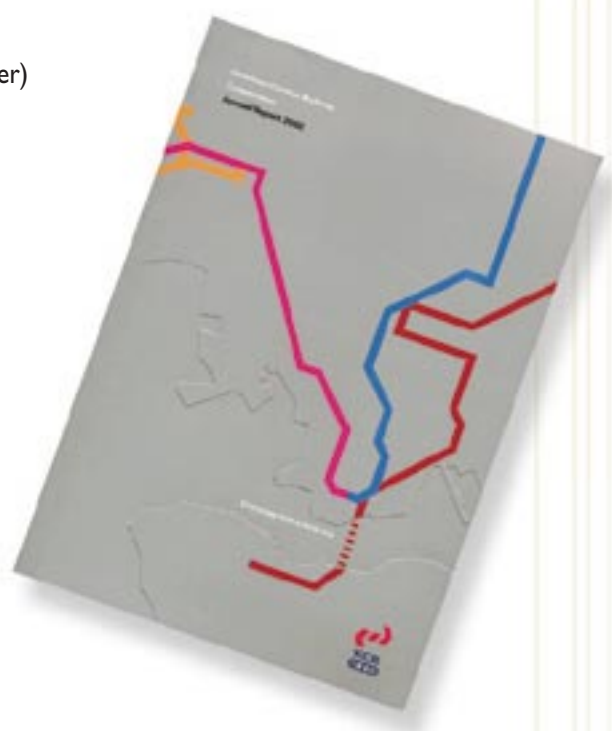
Managing Board:

- Michael Tien, BBS, JP (Chairman)
- K.Y. Yeung, CBE, JP (Chief Executive Officer)
- Vincent Cheng Hoi-chuen, OBE, JP
- Vincent W.S. Lo, JP
- Frederick Ma Si-hang, JP
- Sarah Liao Sau-tung, JP
- Wan Man-yee, BBS, JP
- Patrick B. Paul, CBE
- Patrick Wang Shui-chung, JP
- Victor So Hing-woh, MBE, JP

Audit Committee members:

- Patrick B. Paul, CBE (Chairman)
- Frederick Ma Si-hang, JP
- Wan Man-yee, BBS, JP

Auditors: KPMG



Findings

1. The Kowloon-Canton Railway Corporation ("KCR") has produced a well-designed report reflecting a number of elements of good governance. The positions of the chairman and chief executive officer are now separated. The Managing Board meets very regularly. Various committees have been established under the board, including an Audit Committee and a Strategic Human Resource Committee, which also considers matters relating to remuneration. Experts from relevant fields have recently been appointed to sit on most of the committees to strengthen the advice given to the board.
2. The report contains reasonably good coverage of the board's structure and functions, including a statement on its role and responsibilities and detailed information on the appointment and termination of directors. There is information on the main positive and negative factors affecting the business and future development. In addition, the Chairman's Statement in the report emphasises the KCR's commitment to improving transparency and accountability.
3. The KCR gives considerable weight to fostering good community relations and to environmental management considerations. It has received the Caring Company award from the Hong Kong Council of Social Service and, for the third time in recent years, the President's Award of the Community Chest.

General Commentary

Public Sector/Not-for-Profit Organisations

There are some commendable annual reports in this category. However, the lack of common benchmarks and criteria for applying to the public sector elements of the framework developed for the private sector remains an issue. There is also a need to develop corporate governance standards for matters that are specific to the public sector, such as accountability for the use of public funds. Nevertheless, the best reports demonstrate a good level of disclosures and an appreciation of best corporate governance practices. It is worth mentioning, for example, that all the winning organisations in the category reported in a timely manner after the year end. In addition, perhaps not unexpectedly, organisations in this category tend to be particularly strong in relation to matters such as community, social and environmental responsibility.

Judges and Reviewers

The HKSA would like to express its appreciation to the Judges and Reviewers for their invaluable contribution in reviewing and judging the competition entries.

Judging Panel

- Chairman:** Mr. David Sun, President, HKSA
- Members:** Mr. Edward Chow, Chairman of Corporate Governance Committee, HKSA
 Mr. Paul Chow, Hong Kong Exchanges and Clearing Ltd.
 Mr. Anthony Espina, Hong Kong Stockbrokers Association Ltd.
 Mr. Herbert Hui, The Hong Kong Institute of Directors
 Mr. Gordon Jones, Companies Registry
 Mr. Darren McShane, MPF Schemes Authority
 Mr. Arthur Mitchell, Asian Development Bank
 Mr. Anthony Neoh, Senior Counsel
 Ms. Edith Ngan, Hong Kong Investment Funds Association
 Prof. Judy Tsui, The Hong Kong Polytechnic University
 Mr. Calvin Wong, Standard & Poor's
- Secretary:** Mr. Peter Tisman, Deputy Director (Business & Practice), HKSA

Review Panel

- Chairman:** Mr. Jim Wardell, JFAC Corporate Finance Ltd.
- Members:** **Quality Review**
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 Mr. Andrew Bennett, Ernst & Young
 Mr. Gary Cheung, Hong Kong Securities Institute
 Mr. Raphael Ding, Moores Rowland Mazars
 Mr. Peter Greenwood, The Hong Kong Institute of Company Secretaries
 Mr. Simon Harris, The Hongkong and Shanghai Banking Corporation Ltd.
 Mr. John Mansfield, Speedflex Ltd.
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 Mr. Richard Sun, PricewaterhouseCoopers
 Mr. Alan C.M. Wong, The Jardine Engineering Corporation Ltd.
 Mr. Thomas Wong, Nexia Charles Mar Fan & Co.
- Compliance Review**
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 Mr. William Crowe, KPMG
 Mr. Tommy Fung, PricewaterhouseCoopers
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 Mr. Ernest Lee, Ernst & Young
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 Mr. Daniel Lin, Moores Rowland Mazars
 Ms. Victoria Pau, Grant Thornton
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- Secretary:** Ms. Mary Lam, Assistant Director (Business & Practice), HKSA

Supporting Organisations

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

Deloitte Touche Tohmatsu	Asian Development Bank
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JFAC Corporate Finance Ltd.	Hong Kong Monetary Authority
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KPMG	Hong Kong Stockbrokers Association Ltd.
Moores Rowland Mazars	Mandatory Provident Fund Schemes Authority
Nexia Charles Mar Fan & Co.	Securities & Futures Commission
Organisation Development Ltd.	The Hong Kong Institute of Company Secretaries
PricewaterhouseCoopers	The Hong Kong Institute of Directors
Standard & Poor's	
The Hong Kong Polytechnic University	
Wong Brothers & Co.	

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Mr. Tommy Tam
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