



## The Stock Exchange of Hong Kong Ltd.

*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

27 July 2007

To : Listed Issuers (Attention: Chairmen)

**BY POST**

Dear Sirs,

### Corporate Governance Practice Disclosure in 2006 Annual Reports

A new Code on Corporate Governance Practices (the Code) became effective in 2005. The Code, which is set out in Appendix 14 of the Main Board Listing Rules and Appendix 16 of the Growth Enterprise Market (GEM) Listing Rules, sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices.

Issuers are expected to comply with, but may choose to deviate from, the code provisions. The recommended best practices are for guidance only.

The Code provides that issuers must state whether they have complied with the code provisions in their interim reports and annual reports. Issuers are required to explain any deviation. In the case of recommended best practices, issuers are encouraged, but are not required, to state whether they have complied and give considered reasons for any deviation.

In March 2007 The Stock Exchange of Hong Kong Limited (the Exchange), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx), published a report on the findings from its review of the corporate governance practices disclosed in listed issuers' 2005 annual reports (the 2006 Review). The 2006 Review report is available at: <http://www.hkex.com.hk/listing/listrpt/Analysis%20of%20CG%20Practices%20Disclosure.pdf>.

As noted in the report, the 2006 Review covered 621 issuers' annual reports (515 from Main Board issuers and 106 from GEM issuers) and all of the code provisions except C.2.1 on internal controls. We excluded C.2.1 from the 2006 Review because it had a later commencement date than the balance of the code provisions.

In the 2006 Review report, the Exchange noted that we intended to undertake a similar review annually and to continue publishing the results. We also noted that, in future years, we would expand the scope of the review to all relevant issuers and all code provisions.

To facilitate the Exchange's review of corporate governance practices, you are required to complete the enclosed mandatory questionnaire and return it to the Exchange **no later than 7 September 2007** by one of the following methods:

香港交易及結算所有限公司  
Hong Kong Exchanges and Clearing Limited

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香港中環港景街一號國際金融中心一期12樓  
12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

電話 Tel: +852 2522 1122 傳真 Fax: +852 2295 3106 網址 Website: [www.hkex.com.hk](http://www.hkex.com.hk) 電郵 E-mail: [info@hkex.com.hk](mailto:info@hkex.com.hk)

**The Stock Exchange of Hong Kong Ltd.**

*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

By mail to: Listing Division  
Re: Corporate Governance Practices Review  
Hong Kong Exchanges and Clearing Limited  
11th Floor, One International Finance Centre  
1 Harbour View Street, Central  
Hong Kong

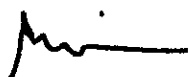
By fax to: (852) 2179 5982

By email to: [CGPractices@hkex.com.hk](mailto:CGPractices@hkex.com.hk)

Should you have any questions please contact the Listing Division on (852) 2840-3934.

Please note that the completed questionnaire must be signed by one of the following: your Chairman; your Chief Executive; or your Chief Financial Officer. A soft copy of the questionnaire is available on the HKEx website at [http://www.hkex.com.hk/listing/listrpt/rpt\\_cgpd.htm](http://www.hkex.com.hk/listing/listrpt/rpt_cgpd.htm).

Yours faithfully,  
For and on behalf of  
The Stock Exchange of Hong Kong Limited



Richard Williams  
Head of Listing

Encl.

## QUESTIONNAIRE REGARDING CORPORATE GOVERNANCE PRACTICE DISCLOSURE IN 2006 ANNUAL REPORTS

### Introduction

Listed issuers are required to complete this questionnaire and return it to the Listing Division of Hong Kong Exchanges and Clearing Limited (the Exchange) **no later than 7 September 2007**. The completed questionnaire may be returned to the Exchange by one of the methods set out in the covering letter to issuers.

The Exchange plans to use listed issuers' questionnaire responses to conduct its annual review of the extent to which issuers have complied with the Code on Corporate Governance Practices (the Code) set out in Main Board Listing Rules Appendix 14 (available at [http://www.hkex.com.hk/rule/listrules/Appendix\\_14.pdf](http://www.hkex.com.hk/rule/listrules/Appendix_14.pdf)) and Growth Enterprise Market (GEM) Listing Rules Appendix 15 (available at [http://www.hkex.com.hk/rule/gemrule/Appendix\\_15.pdf](http://www.hkex.com.hk/rule/gemrule/Appendix_15.pdf)).

The Exchange intends to publish its findings, as it did in respect of its review of listed issuers' 2005 annual reports. (The report regarding the Exchange's review of issuers' 2005 annual reports is available at <http://www.hkex.com.hk/listing/listrpt/Analysis%20of%20CG%20Practices%20Disclosure.pdf>.)

This questionnaire seeks information in respect of: (1) the extent to which issuers have adopted the code provisions (Sections 1 and 2); and (2) the extent to which issuers have adopted the recommended best practices (Section 3).

It is mandatory to respond to Sections 1 and 2. You are encouraged also to respond to Section 3. The Exchange will keep responses to Section 3 confidential and publish them only on a consolidated and no-names basis. We will use the information to monitor the development of corporate governance practices in Hong Kong. It might also inform consideration about which recommended best practices should become code provisions, if any.

### Completing the questionnaire

Please complete the information below. Should you need more space than is provided, please attach additional pages.

The Exchange expects that the responses given below should always reflect fully and accurately the disclosures made by the issuer in its 2006 annual report.

This questionnaire must be signed by one of the following: the Chairman of the listed issuer; the Chief Executive of the listed issuer; or the Chief Financial Officer of the listed issuer.

To be clear, references in this questionnaire to "you" and "your" mean the issuer / the issuer's e.g. a question that asks "did you fully comply...?" means "did the issuer on whose behalf this questionnaire is completed fully comply ...?".

### Issuer information

Name of issuer:	
Completed by: name: position title:	Chairman / Chief Executive / Chief Financial Officer ( <i>strike through the positions that are not relevant</i> )
Contact person's name and telephone number:	

## Section 1: Code provisions

For Section 1, please note:

- an issuer fully complies with a code provision only if it fully complies for the full financial year;
- the Code provides that where an issuer deviates from a code provision, the issuer must give considered reasons for the deviation; and
- if there is more than one limb to the code provision, please be clear about which limb was deviated from and the reason for deviation in respect of each relevant limb.

1.1 Did you fully comply with all of the code provisions for the full 2006 financial year?

☐ Yes (please go to Sections 2 and 3)

☐ No (please continue with the rest of Section 1 of the questionnaire before going to Sections 2 and 3)

1.2 Please indicate below which of the code provisions you did not fully comply with (i.e. from which you deviated).

(Please then answer the detailed questions about those code provisions e.g. if you only deviated from code provision A.1.1 you should list only code provision A.1.1 in the following table and then you need only complete question 2 before moving to Section 2 of this questionnaire.)

We deviated from the code provisions listed below:			
1	(e.g. A.1.1)	11	
2		12	
3		13	
4		14	
5		15	
6		16	
7		17	
8		18	
9		19	
10		20	

- 1.3 For each of the code provisions that you did **NOT** fully comply with (as set out in response to question 1.2 above), please indicate which of (a) to (c) best applies. (Please tick the appropriate cell.)

Code provision	Not fully comply and you stated in your 2006 annual report that:		
	(a) you had rectified the deviation during the 2006 financial year	(b) you proposed to rectify the deviation	(c) you decided not to follow the code provision (If this part applies to you, please answer question 1.4.)
<b>Directors</b>			
A.1.1			
A.1.2			
A.1.3			
A.1.4			
A.1.5			
A.1.6			
A.1.7			
A.1.8			
A.2.1			
A.2.2			
A.2.3			
A.3.1			
A.4.1			
A.4.2			
A.5.1			
A.5.2			
A.5.3			
A.5.4			
A.6.1			
A.6.2			
<b>Remuneration of directors and senior management</b>			
B.1.1			
B.1.2			
B.1.3			
B.1.4			
B.1.5			

Internal controls			
C.1.1			
C.1.2			
C.1.3			
C.2.1			
C.3.1			
C.3.2			
C.3.3			
C.3.4			
C.3.5			
C.3.6			
Delegation by the board			
D.1.1			
D.1.2			
D.2.1			
D.2.2			
Communication with shareholders			
E.1.1			
E.1.2			
E.2.1			
E.2.2			
E.2.3			

- 1.4 If you decided not to follow any code provision in your 2006 financial year (as indicated by checking box (c) in response to question 1.3 above), please state the reason given in your annual report for the deviation:

Code provision	Reason for deviation (as set out in your annual report) (If you need more space, please attach additional pages)
(e.g. A.1.1)	

Code provision	Reason for deviation (as set out in your annual report) (If you need more space, please attach additional pages)

## Section 2: More detail about code provision C.2.1

Code provision C.2.1 requires that the directors of every issuer should, at least annually, conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.

2.1 During the 2006 financial year, how often did you conduct the required annual review?

- ☐ not at all (i.e. we did not comply with code provision C.2.1)
- ☐ annually
- ☐ half-yearly
- ☐ quarterly
- ☐ other frequency: at least \_\_\_\_ times a year

2.2 How did you and your subsidiaries undertake the reviews? (For example: were internal control reports submitted to the board? Have you established an internal audit function? etc. If you and your subsidiaries conducted the reviews differently, please set out how the reviews were undertaken at each.)

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2.3 What are the most significant challenges to undertaking a review of the effectiveness of your system of internal control and those of your subsidiaries? Is there further guidance or clarification from the Exchange that would assist?

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### Section 3: Recommended best practices

3.1 For each of the following recommended best practices (RBP) did you comply for the full 2006 financial year? If not, please give the reason for deviation.

RBP	Please tick the appropriate column:		If you did not comply, why not? (If you need more space, please attach additional pages.)
	We complied	We did not comply	
A.1.9			
A.1.10			
A.2.4			
A.2.5			
A.2.6			
A.2.7			
A.2.8			
A.2.9			
A.3.2			
A.3.3			
A.4.3			
A.4.4			
A.4.5			
A.4.6			
A.4.7			
A.4.8			
A.5.5			



RBP	Please tick the appropriate column:		If you did not comply, why not? (If you need more space, please attach additional pages.)
	We complied	We did not comply	
A.5.6			
A.5.7			
A.5.8			
B.1.6			
B.1.7			
B.1.8			
C.1.4			
C.1.5			
C.2.2			
C.2.3			
C.2.4			
C.2.5			
C.3.7			
D.1.3			
D.1.4			

**End of Questionnaire**