

For Immediate Release

Survey Finds Slight Improvement in Corporate Governance among Hong Kong-Listed Companies

Family-owned Companies Slack in Concern for the Interests of all Stakeholders

Hong Kong, 24 November 2009 – A survey on the corporate governance standards of companies listed in Hong Kong conducted by **The Hong Kong Institute of Directors** (“HKIoD”) and **Hong Kong Baptist University** (“HKBU”) found a slight improvement in the quality of corporate governance practices of Hong Kong companies last year.

“The HKIoD Corporate Governance Score-card 2009” survey is organised by HKIoD and executed by HKBU’s research team led by Professor Stephen Cheung, Chair Professor of Finance and Dean of School of Business, and sponsored by the Corporate Governance Development Foundation Fund. The first report was published in 2004 and the latest set of findings is the third, which have shown improvement over the years.

Compared with the second Score-card published in 2006, the 146 companies studied on average achieved a 1.44% improvement in their Corporate Governance Index (“CGI”) score. As for the five areas – “rights of shareholders”, “equitable treatment of shareholders”, “role of stakeholders”, “disclosure and transparency” and “board responsibilities” – the first three improved notably whereas the last two had slightly lower CGI scores. The decline might have stemmed from the expanded number of rating criteria mostly used in the last two areas in this survey.

Summary of the findings:

- Consistent with the findings in 2004 and 2006, a positive and strong correlation is found between the market value and quality of governance of a company.
- The finance industry leads the CGI with the highest mean of 74, whereas the properties and construction industry group is the laggard, with an average score of 69. Other industry segments scored between 71 and 73 on average.
- The quality of corporate governance varies tremendously among subject companies, though the gap has narrowed against 2006. The average score for all companies is 71.89, with the best performing company scoring 85.21 and the worst 56.64. (2006: overall average score was 70.87, the best performing 92.14 and the worst 51.42.)

Dr Kelvin Wong, Chairman of HKIoD, said, “HKIoD regularly takes reference from the Corporate Governance Score-card in perfecting its assessment of corporate governance standards of local enterprises and assisting members in delivery of those standards. Although in this latest score-card we saw improvement in corporate governance standards among the subjects, we had actually expected more of them. We hope listed companies in Hong Kong will work harder yet to raise their corporate governance standard and HKIoD is ready to assist them.”

Professor Stephen Cheung, who led the survey, said, “While we are optimistic about more companies in Hong Kong coming to realise their obligations towards not just shareholders but all stakeholders of their business, findings of the survey suggested that some companies, especially family companies, slack in concern for the interests of all stakeholders, when compared with companies of similar scale in Japan, South Korea and mainland China.

“The underlying purpose of the survey is to give local enterprises reference on their corporate governance performance against each other and the best levels and in turn encourage them to strive for continuous improvement. By publishing the findings, we also hope to raise investor awareness of the importance of making corporate governance of a company a factor in making investment decisions. We hope to help companies create and ensure a corporate culture that embraces fairness, transparency and integrity.”

The subjects surveyed are constituent stocks of the HSI (Hang Seng Index), HSCCI (Hang Seng China-Affiliated Corporation Index), HSCEI (Hang Seng China Enterprise Index), and HSHKCI (Hang Seng Hong Kong Composite Index). The evaluation criteria used are based on the Principles of Corporate Governance promulgated by the internationally recognised Organisation for Economic Cooperation and Development (OECD) and the Code on Corporate Governance Practices issued by the Hong Kong Exchanges and Clearing Limited, and the information studied is publicly available information on the subjects including the annual reports, company websites, the article of association, government/regulatory filings, public announcements, minutes of annual general meetings (AGMs), voting decisions, analyst reports and other public sources of information.

Ten Best Performing Companies in Corporate Governance Score
(by alphabetical order)

Bank of China (3988)
China Resources (0291)
CLP Holdings (0002)
Hang Lung Group (0010)
HKEX (0388)

HSBC Holdings (0005)
ICBC (1398)
Jiangsu Express (0177)
MTR Corporation (0066)
Sinopec Corp (0386)

About HKIoD

The Hong Kong Institute of Directors (“HKIoD”) is Hong Kong's premier body representing professional directors working together to promote good corporate governance and to contribute towards advancing the status of Hong Kong, both in China and internationally. A non-profit-distributing organisation with membership consisting of directors from listed and non-listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi-cultural environment, HKIoD conducts business in biliteracy and trilingualism. HKIoD website: www.hkiod.com.

About Hong Kong Baptist University

Hong Kong Baptist University was founded in 1956 with a mission to provide quality Whole Person Education. Presently the University has a full-time student population of about 10,000. Through the Faculties/Schools of Arts, Business, Chinese Medicine, Communication, Science, Social Sciences as well as the Academy of Visual Arts, the University offers a wide range of undergraduate and postgraduate programmes, while the School of Continuing Education offers associate degree and life-long learning programmes. Please check the HKBU homepage www.hkbu.edu.hk for more information.

The School of Business aspires to be the leader in whole-person business education and a centre of excellence in business research in selected strategic areas. It is our vision to inspire business practice, create values for stakeholders, and promote social and economic growth and development. Our wide spectrum of well-balanced quality undergraduate and postgraduate programs aim to nurture students' leadership, critical and creative thinking, commitment to life-long learning and self-development, and the global insight that the business world needs.

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