

Hong Kong Corporate Governance Charter

Jointly launched by The Chamber of Hong Kong Listed Companies and
the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University

Endorsed by:



A. General Principles & Commitments

- 1 The Charter embodies the paramount aspects of corporate governance (CG) and highlights the principles and core values of good corporate governance. It encourages organizations to recognize the importance of CG to their business and adopt these principles, values and aspirations incorporated therein. This Charter also reflects the board of director's commitment to monitoring the effectiveness of policy and decision-making both at the board and management levels, with a view to enhance long-term firm values.
- 2 We recognize that corporate governance is a system or institutional arrangement that delineates the rights and responsibilities of each primary (internal) stakeholder and decision-maker (i.e. shareholders, the board of directors, and the executive management) of a company, and the design of institutions and mechanisms that induce or control board directors and executive management to maximize firm values and best align the interests of different stakeholders of the company.
- 3 We believe good CG is paramount to the health and long-term sustainability of a company, the financial market and the economy. It is a basic element of a company's commitment to being an organization that is responsible to its stakeholders. We believe good CG yields tangible results in the long-term. On the other hand, poor governance affects how all stakeholders perceive us, and is often too visible and costly.
- 4 We are voluntarily committing to higher than legally required standards of CG. We embrace the principles and values behind CG and move away from an attitude of box-ticking compliance. We are continuously seeking improvements and innovations in CG. We treasure the spirit and substance of CG, not the fad or form.
- 5 While we share the core values and spirit of good CG, we understand and accept not every CG measure is suitable to every company because of the different stages of company development. The cost-effectiveness of each specific CG measure has to be assessed carefully before adoption in each organization.
- 6 By signing this Charter, our companies agree to observe the core values and spirit embodied in it and will treat them as the cornerstone of the way forward for our own CG development.

B. Specific Principles & Commitments

Commitment	Substance
<p>7. We provide leadership to champion the CG spirit within our organizations and adopt appropriate corporate structure and policies.</p>	<p>As leaders of companies, we lead by example in demonstrating good CG and in educating and coaching staff members of its importance. We develop the necessary infrastructural framework and cultivate a healthy corporate culture conducive to integrity, fairness, transparency, accountability and responsibility.</p>
<p>8. We protect the rights and interests of shareholders and treat all shareholders fairly.</p>	<p>We respect that all shares have equal rights. We will do our best to communicate with shareholders and enable them to attend, raise agenda items, ask questions, express opinions, vote and appoint proxies at shareholders' general meetings. A controlling shareholder, if in existence, should not make any decisions for its own interests at the expense of the company or the minority shareholders.</p>
<p>9. We fulfill not only shareholders' but also other stakeholders' expectations and honour ethical, social, environmental and human values.</p>	<p>We believe that our efforts to perform well financially and to protect our shareholders' interests are not in conflict with our respect for the needs and well being of other stakeholders including employees, customers, suppliers and the general public. We continuously communicate and work closely with different stakeholders to make sure the company is responsive to the needs of others, and their concerns.</p>
<p>10. We ensure effective composition and structure of the board of directors.</p>	<p>We find the right people to sit on the board of directors, people who will engage, and who are committed, competent and independent. There are well-defined nomination, election, appointment, renewal and assessment procedures. We provide directors with effective orientation and training, resources support, access to information, and fair and performance-linked remuneration.</p>
<p>11. We empower the board to set strategic directions for the company and monitor corporate performance, risks and opportunities.</p>	<p>The board delegates authority and allocates responsibilities by setting up effective board committees and establishing effective accountability mechanisms. Working for the interests of the company as a whole, the board and its committees work with good division of labour, with each committee having its clearly defined role and measurable performance objectives. We seek an optimal balance between directors' conformance role and performance role.</p>
<p>12. Our board of directors oversees information inflow to the board, financial reporting, and corporate disclosures and transparency.</p>	<p>The board will communicate with, and report to, shareholders and other stakeholders on important corporate policies and decisions. It works closely with the executive management to ensure the relevancy, accuracy, completeness and timeliness of disclosures relating to financial and other corporate information.</p>

13. Our board of directors **upholds business ethics and integrity** via appropriate control systems, audit processes, code of conduct and staff training.

The board will oversee the design and effectiveness of its internal control system, risk management system, and the internal as well as external audit process so as to minimize the likelihood of fraud, corruption and other malpractices. Code of conduct, guidelines and policies concerning transactions in company shares (insider trading), connected party transactions, gift & entertainment, use (abuses) of company property, and conflict of interests as well as anti-corruption and bribery, are available.

14. We **define clearly the role of executive management and hold them accountable** to the board.

The board will lay down policies that guide the search, selection, coaching, supervision, assessment, retention and compensation of the executive management. It ensures continuity and effective succession plan of the CEO. While maintaining appropriate independence, we promote culture, dynamics and mutual trust between the board and management.

Disclaimer

The Hong Kong Corporate Governance Charter (the “Charter”) is initiated by The Chamber of Hong Kong Listed Companies (the “Chamber”) and the Centre for Corporate Governance and Financial Policy of the Hong Kong Baptist University (the “Centre”). Listed companies sign the Charter strictly on a voluntary basis to signify their endorsement of, and their intention to observe, the principles set out in the Charter. However, being a signatory to the Charter does not by itself constitute any legally binding obligations on the part of the signatory, and there is therefore absolutely no assurance that the act of signing will mean that the corporate behaviour of the signatory will in all respects conform to the principles set out in the Charter. Therefore neither Chamber nor the Centre assumes any responsibility (nor any of them be in any way deemed as assuming any responsibility) whatsoever and howsoever for the corporate behaviour of the signatories, and neither of them shall be held liable for any losses any persons may incur from acting on the basis that a company is a signatory to the Charter.

FAQ about the Hong Kong Corporate Governance Charter

What is the purpose of the Charter?

The Charter is developed by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Public Policy of the Hong Kong Baptist University. The idea was initiated by a group of listed companies who wish to demonstrate publicly their commitment to sound corporate governance and their belief in advancing long-term firm value through good corporate governance practices. The Charter takes a holistic approach towards corporate governance, based on eight aspects, emphasizing company culture and leadership, relationship between majority and minority shareholders and various stakeholders, relationship between the board and management, board and company structure, internal controls and checks-and-balances as well as Corporate Social Responsibility and business ethics. It highlights key principles and core values and encourages companies to embrace the culture of corporate governance, moving away from box-ticking compliance.

Who can sign up to the Charter?

Any listed companies on the Stock Exchange of Hong Kong can sign up as a signatory of the Charter. There is no obligation as a signatory apart from committing to the principles and values expounded by the Charter. What needs to be emphasized is that the Charter contains principles, not detailed measures. Different companies will be in different stages of corporate development, hence differ in their readiness in adopting certain CG measures. So long as companies agree to the principles can sign up to the Charter and they can adopt specific measures at a pace suitable to them.

What are the benefits of becoming a Charter signatory?

Signing the Charter signifies a company's endorsement and acceptance of the principles and values of the Charter. It gives a clear and positive message to the market about the signatory's emphasis on sound corporate governance and commitment to shareholders' and stakeholders' interests. Having good corporate governance would improve investor confidence and create goodwill in the market.

How can a company sign up to the Charter?

Companies interested in becoming a signatory and are willing to commit to the core values and principles of the Charter can download the copy of the Charter from the Chamber website www.chkclc.org; to be signed by the most senior member of the company's board, and send a copy back to the Chamber for record. The company will then be listed as a Charter signatory on the Chamber's website and is entitled to mention itself as such in corporate materials, such as the Corporate Governance Report in the annual report, to emphasize its commitment to corporate governance. There is no fee involved in becoming a signatory.

☞ List of Founding Signatories ☞

(Year 2007)

<u>Stock Code</u>	<u>Company</u>
3	The Hong Kong and China Gas Co., Ltd.
9	Mandarin Entertainment (Holdings) Ltd.
23	The Bank of East Asia, Ltd.
25	Chevalier International Holdings Ltd.
36	Far East Holdings International Ltd.
54	Hopewell Holdings Ltd.
83	Sino Land Co., Ltd.
173	K. Wah International Holdings Ltd.
200	Melco International Development Ltd.
298	Chuang's China Investments Ltd.
367	Chuang's Consortium International Ltd.
384	China Gas Holdings Ltd.
397	Hong Kong Health Check and Laboratory Holdings Co., Ltd.
420	Fountain Set (Holdings) Ltd.
493	GOME Electrical Appliance Holding Ltd.
533	Goldlion Holdings Ltd.
600	Honesty Treasure International Holdings Ltd.
601	Group Sense Ltd.
669	Techtronic Industries Co., Ltd.
737	Hopewell Highway Infrastructure Ltd.
821	Value Convergence Holdings Ltd.
952	Quam Ltd.
970	Jade Dynasty Group Ltd.
1031	Golden Resorts Group Ltd.
1051	Smart Rich Energy Finance (Holdings) Ltd.
1173	Midas International Holdings Ltd.
2322	Sam Woo Holdings Ltd.
3886	Town Health International Holdings Co., Ltd.
8169	Eco-Tek Holdings Ltd.

Associate Member Enlighten Securities Ltd.

List of Signatories

<u>Stock Code</u>	<u>Company</u>
41	Great Eagle Holdings Ltd.
71	Miramar Hotel and Investment Company Ltd.
79	Century Legend (Holdings) Ltd.
86	Sun Hung Kai & Co., Ltd.
89	Tai Sang Land Development Ltd.
228	China Energy Development Holdings Ltd.
256	China Haidian Holdings Ltd.
289	Wing On Company International Ltd.
390	China Railway Group Ltd.
494	Li & Fung Ltd.
517	COSCO International Holdings Ltd.
688	China Overseas Land and Investment Ltd.
722	UMP Healthcare Holdings Ltd.
746	Lee & Man Holding Ltd.
806	Value Partners Group Ltd.
829	Shenguan Holdings (Group) Ltd.
941	China Mobile Ltd.
997	Chinlink International Holdings Ltd.
1088	China Shenhua Energy Co. Ltd.
1178	Share Economy Group Ltd.
1199	COSCO SHIPPING Ports Ltd.
1288	Agricultural Bank of China Ltd.
1398	Industrial and Commercial Bank of China Ltd.
1658	Postal Savings Bank of China Co., Ltd.
1938	Chu Kong Petroleum & Natural Gas Steel Pipe Holdings Ltd.
2023	China Ludao Technology Company Ltd.
2343	Pacific Basin Shipping Ltd.
2388	BOC Hong Kong (Holdings) Ltd.
2628	China Life Insurance Co. Ltd.
3311	China State Construction International Holdings Ltd.

☞ List of Signatories ☞

Stock	Company
3623	China Success Finance Group Holdings Ltd.
3633	Zhongyu Gas Holdings Ltd.
3948	Inner Mongolia YiTai Coal Co., Ltd.
6880	Tempus Holdings Ltd.
8029	Sun International Resources Ltd.
8301	Shenzhen Mingwah Aohan HighTechnology Corporation Ltd.