

The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: CRO20140620-023

20 June 2014

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)
Market practitioners

Dear Sirs,

Consultation Paper on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report

We have today published a Consultation Paper on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report (the “**Consultation Paper**”).

The Consultation Paper seeks views on proposals to update the internal controls section of the Corporate Governance Code and Corporate Governance Report. In summary, the proposals aim to:

- emphasise that internal controls are an integral part of risk management;
- enhance accountability of the board, board committees and management by clearly defining their roles and responsibilities in relation to risk management and internal controls;
- improve transparency of the issuer’s risk management and internal controls by upgrading the recommendation for issuers to disclose their policies and processes along with details of their annual review of the effectiveness of their risk management and internal control systems; and
- strengthen oversight of issuers’ risk management and internal control systems by upgrading the recommendation for issuers to have an internal audit function.

We strongly recommend that you consider the Consultation Paper carefully as there are detailed issues that may be of direct relevance to you.

The Consultation Paper is available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201406.pdf>. We invite written comments on the proposed changes. These can be made using one of the methods set out in the Consultation Paper. We have also published a consultation questionnaire available at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201406q.doc>.

The consultation period will close on 31 August 2014.

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

[Signed]

David Graham
Chief Regulatory Officer and Head of Listing

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