

ANALYSIS OF CORPORATE GOVERNANCE
PRACTICE DISCLOSURE IN
2012 ANNUAL REPORTS

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

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EXECUTIVE SUMMARY

1. The Stock Exchange of Hong Kong Limited (“**Exchange**”) has completed its 2012 review (“**2012 Review**”) of issuers’ compliance with the Corporate Governance Code and Corporate Governance Report (“**Code**”).¹
2. Previously, we reviewed issuers’ compliance with the Code for the years 2005, 2006, 2007 and 2009. This review is the fifth since the Code came into effect in 2005 but it is the first review since the adoption of the revised Code on 1 April 2012 (“**Revised Code**”).
3. The 2012 Review involved analysing the disclosures made by 1,083 issuers² in their 2012 annual reports, focusing on the period from 1 April to 31 December 2012 during which the Revised Code applied. The 1,083 issuers represent 70 per cent of all issuers listed as at 31 December 2012. The issuers have been selected on the basis that they had a financial year-end at 31 December 2012.
4. 1 April 2012 marked the introduction of 30 additional Code Provisions³ (“**New CPs**”) to the Code, increasing the number of CPs from 45 to 74.⁴
5. The results of the 2012 Review show issuers responded positively and swiftly to the changes made in the Revised Code. In the first eight months of the implementation of the Revised Code, full compliance with the New CPs was reported by 84 per cent of the issuers reviewed. This is a positive sign that issuers recognise the importance of corporate governance and are more ready to adopt a higher standard of governance.
6. We believe that with the enhanced corporate governance framework resulting from the Revised Code and related Listing Rules, and the high level of compliance shown by issuers in the 2012 Review, the overall governance standard of issuers has improved.

Key Findings

- 36 per cent of issuers complied with all the CPs.
- 97 per cent of issuers complied with 70 or more CPs, out of 74.
- 84 per cent of issuers complied with all the 30 New CPs in the first eight months of their implementation.
- 43 per cent of issuers complied with the 44 CPs that were in the previous version of the Code (“**Existing CPs**”). This compared favourably with the 2009 review when only 39 per cent of the issuers fully complied with the same CPs.⁵ This compliance rate also compared favourably with the findings of all previous reviews.

¹ Appendix 14 of Main Board Listing Rules and Appendix 15 of GEM Listing Rules.

² 973 Main Board issuers and 110 GEM issuers.

³ See paragraph 8.

⁴ One CP (B.1.1) was, with some modification, upgraded to Rules 3.25 to 3.27 when the Code and associated Rules were revised in 2012.

⁵ CP B.1.1 was in the 2009 Code but not in the Revised Code. This has been taken into account in the statistics.

- As with previous reviews, larger issuers achieved a higher overall compliance rate than smaller issuers.
- Hang Seng Index (“**HSI**”) companies’ overall compliance rate was 9.4 per cent higher than that of non-HSI companies⁶ and 4.4 per cent higher than that of large-cap issuers.⁷
- All issuers met the “comply or explain” requirements.
- The five CPs with the lowest compliance rates were as follows:
 - **A.2.1** : separation of the roles of chairman and chief executive;
 - **A.4.1** : non-executive directors being appointed for a specific term, subject to re-election;
 - **E.1.2** : chairman’s attendance at annual general meeting (“**AGM**”);
 - **A.4.2** : directors appointed to fill a casual vacancy being subject to election by shareholders at the first general meeting and every director being subject to retirement by rotation at least once every three years; and
 - **A.5.1** : establishment of a nomination committee which is chaired by the chairman of the board or an independent non-executive director.

7. For Recommended Best Practices⁸ (“**RBP**s”), key findings include:

- 2.2 per cent of issuers disclosed whether they had complied with the RBPs.
- 51 per cent of issuers disclosed having an internal audit function.
- 16 per cent of the Main Board issuers (156 issuers out of 973) published quarterly financial results.
- 16 per cent of the issuers disclosed that they had established a whistleblowing policy and system.

⁶ 45.5% versus 36.1%.

⁷ 45.5% versus 41.1%.

⁸ See paragraph 8.

CHAPTER 1: INTRODUCTION

BACKGROUND

8. The Code became effective in 2005. It sets out the principles of good corporate governance, and two levels of recommendations: (a) CPs; and (b) RBPs. Issuers are expected to comply with, but may choose to deviate from, the CPs. The RBPs are for guidance only. The Code requires issuers to state whether they have complied with the CPs in their interim and annual reports, and explain if there is any deviation.
9. In December 2010, the Exchange published a *Consultation Paper on Review of the Code on Corporate Governance Practices and Associated Listing Rules* (“**Consultation Paper**”), and in October 2011, published the Consultation Conclusions. Nearly all proposals made in the Consultation Paper met with strong market support. The Revised Code became effective on 1 April 2012.
10. As stated in the Consultation Paper, our principal objective is to promote the development of higher levels of corporate governance among issuers. When the Code was amended in 2012, nine new CPs were introduced (“**Newly Added CPs**”) and 21 RBPs were upgraded to CPs (“**Upgraded CPs**”). One CP (*issuers should establish a remuneration committee with specific terms of reference*)⁹ and one RBP (*an issuer should appoint independent non-executive directors representing at least one third of the board*)¹⁰ were modified and upgraded to Rules.
11. In the Revised Code, we emphasise that CPs and RBPs should not be treated as Rules. The reason for adopting a more flexible regulatory approach is that it is not possible to define good corporate governance in all circumstances. The purpose of CPs and RBPs is not to prescribe a set of hard and fast rules. Where deviation from a CP or RBP is in the best interest of the issuer, the issuer should do so and explain its choice. Shareholders should not treat deviations from CPs or RBPs as breaches of the Rules; instead they are encouraged to consider and evaluate the reasons for the departures.

SCOPE OF REVIEW

12. We examined the annual reports of 1,083 issuers with a financial year-end at 31 December 2012, which represents 70 per cent of all issuers.
13. The period of the 2012 Review was from 1 April to 31 December 2012 (except for internal controls where we looked at the full financial year, i.e. from 1 January to 31 December 2012). We examined the statistics in the following areas:
 - (a) Overall compliance rate with CPs¹¹ and breakdown by reference to:
 - Market capitalisation;
 - HSI and non-HSI companies;

⁹ CP B.1.1 was upgraded to Rules 3.25 to 3.27.

¹⁰ RBP A.3.2 was upgraded to Rule 3.10A.

¹¹ Compliance rates stated here do not include a possible deviation from CP A.6.7 if issuers disclosed that one or more non-executive directors failed to attend the general meetings. See FAQ Series 21 for explanation.

- (b) Existing CPs;
 - (c) Five CPs with the lowest compliance rates and the reasons;
 - (d) RBPs disclosure rate and compliance rate; and
 - (e) Internal controls review.
14. A summary of statistics in respect of the compliance with each CP forms **Appendix I** and a summary of past reviews forms **Appendix II**.
 15. In December 2012, we introduced changes to the Code in relation to board diversity. The implementation date of the new CP on board diversity was 1 September 2013. This review does not cover changes in this respect.
 16. We intend to undertake future implementation reviews of the Code for issuers with a December financial year-end so as to enable year-on-year comparison going forward.

CHAPTER 2: RESULTS AND FINDINGS

Compliance with the Code

17. Overall, 36 per cent of issuers reviewed reported full compliance with all CPs.
18. Although 64 per cent of issuers reported some degree of deviation from the Code, this generally related to just one or two CPs. As summarised in Table 1, 72 per cent of the issuers either fully complied with all CPs or merely deviated from one CP. On a cumulative basis, 97 per cent of issuers complied with 70 or more CPs, out of 74.

Table 1: Number of CPs disclosed by issuers as non-compliant

Number of CPs disclosed as non-compliant	Number of issuers	%
0	395	36%
1	386	36%
2	185	17%
3	53	5%
4	35	3%
>4	29	3%
Total	1083	100%

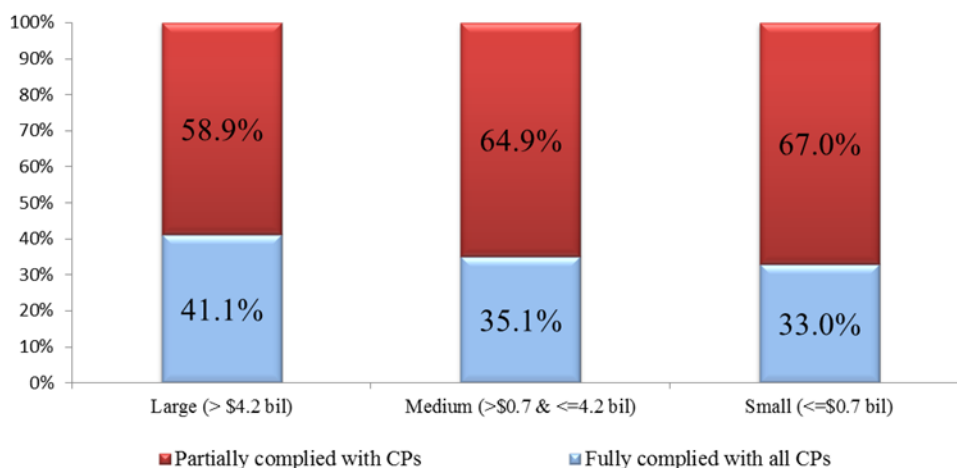
19. These results show that a significant majority of issuers are embracing the new corporate governance measures. That said, compliance in itself is not a guarantee of strong governance. As stated in the Code: *“The Exchange does not envisage a “one size fits all” approach. Deviations from code provisions are acceptable if the issuer considers there are more suitable ways for it to comply with the principles.”*

Compliance Rate by Market Capitalisation

20. We examined the overall compliance rates of issuers by reference to their market capitalisation. Issuers are divided into large-cap, mid-cap and small-cap groups.¹² Consistent with previous reviews, the results show that large-cap issuers achieved a higher rate of compliance than medium and small-cap issuers. See Chart A.

¹² Each category contains around one-third of issuers.

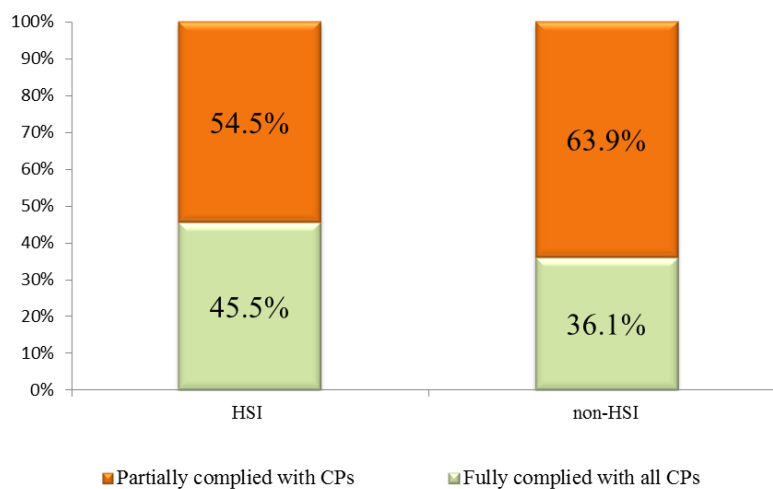
Chart A



Compliance Rate of HSI and non-HSI companies

21. We compared the overall compliance rate of HSI and non-HSI companies.¹³ The overall compliance rate of HSI companies was 9.4 per cent higher than that of non-HSI companies. See Chart B.

Chart B



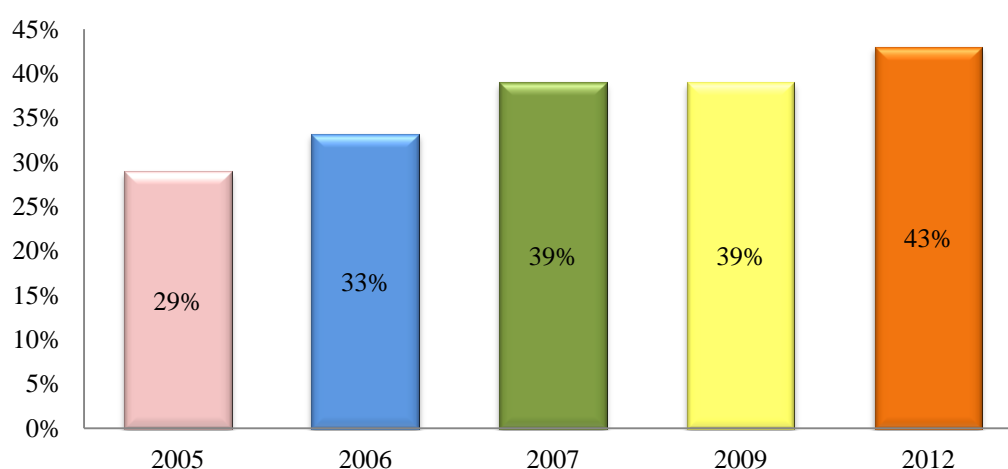
22. HSI companies are all large-cap companies. In comparison with all the large-cap companies examined, the compliance rate of HSI companies was 4.4 per cent higher. See Chart A and Chart B.

¹³ 44 out of the 50 HSI companies had a financial year-end at 31 December 2012.

Existing CPs

23. In percentage terms, issuers that complied with all CPs dropped from 39 per cent in the 2009 review to 36 per cent in the 2012 Review. However, it is important to note that, since 1 April 2012, the number of CPs in the Code has increased from 45 to 74. To gauge whether there has been any change in the compliance level with Existing CPs since the 2009 review,¹⁴ we compared the compliance rates of 2009 and 2012. The results indicate marked improvement, from 39 per cent of issuers that reported full compliance in 2009 to 43 per cent in 2012. It is also worth noting that the overall compliance rate with the Existing CPs in 2012 is the highest since the reviews began. See Chart C.

Chart C



Compliance with the New CPs

24. 84 per cent of issuers fully complied with the 30 New CPs (consisting of 21 Upgraded CPs and nine Newly Added CPs) in the first eight months of their implementation.
25. Issuers achieved a high compliance rate with the Upgraded CPs. On average, the compliance rate was 96.8 per cent. For the Newly Added CPs, the compliance rate was on average 99.7 per cent. This indicates that issuers have embraced the New CPs.

RBPs Disclosure Rate and Compliance Rate

26. The 2012 amendments to the Code saw the number of RBPs decrease from 32 to 11.¹⁵
27. The RBPs are for guidance only. Issuers are encouraged, but not required, to disclose whether they have complied with RBPs. Only 2.2 per cent of issuers disclosed the extent of their compliance with all 11 RBPs, which is comparable to previous reviews.

¹⁴ The CPs in the Code that was subject to the 2009 review remained the same as the Existing CPs.

¹⁵ 21 RBPs were upgraded to CPs, one RBP was upgraded to a Rule, two RBPs were added and one RBP was removed.

28. However, it is worth noting that if an issuer does not disclose whether it has complied with RBPs, it cannot be assumed that it did not comply. This is because, unlike CPs, disclosure of RBP compliance is not mandatory.
29. We examined the compliance level with RBPs. In a number of areas, we looked beyond the issuers' disclosure on compliance with the RBPs.¹⁶ For instance, whilst some Main Board issuers did not state in the corporate governance reports that they had complied with RBPs C.1.6 and C.1.7 (which recommend that issuers should publish quarterly financial results), they nevertheless issued quarterly financial reports. Similarly, some issuers did not report compliance with the RBPs on disclosure of senior management remuneration (RBP B.1.8), board evaluation (RBP B.1.9), internal audit function (RBP C.2.6) and whistleblowing policy (RBP C.3.8), but we found from reviewing the annual reports in detail that they had, to various extents, indeed complied with these RBPs. Table 2 summarises the findings.

Table 2: Disclosure/Compliance rates of RBPs

RBPs	Percentage
Recommended disclosure on whether the issuer has an internal audit function. (Section S of the Code)	51% disclosed ¹⁷
Main Board issuers amongst the 1,083 issuers disclosed compliance with the RBP on publishing quarterly financial results. (C.1.7)	16% complied
Issuers should establish a whistleblowing policy and system. (C.3.8)	16% disclosed ¹⁸
Issuers should review the need for an audit function on an annual basis. (C.2.6)	7% disclosed ¹⁹
Issuers should disclose details of any remuneration paid to senior management by name. (B.1.8)	6% disclosed ²⁰
Board evaluation. (B.1.9)	4% disclosed ²¹

Internal Control Review

30. The 2012 amendments to the Code did not include a review of internal control. We intend to conduct a separate consultation exercise in this area. CP C.2.1 states that directors should at least annually conduct a review of the issuer's internal control systems. All issuers complied with the CP and stated that they had conducted at least one internal control review during their 2012 financial year.

¹⁶ We looked at the RBP compliance of all 1,083 issuers even though only 2.2 per cent issuers made disclosure in respect of their RBP compliance.

¹⁷ It is important to note that the figure represents the percentage of issuers which made disclosure relating to this RBP. We expect some issuers to have complied with this RBP without making a disclosure.

¹⁸ See footnote 17 above.

¹⁹ See footnote 17 above.

²⁰ See footnote 17 above.

²¹ See footnote 17 above.

31. Table 3 summarises the frequency of the internal control reviews conducted by issuers in compliance with CP C.2.1.

Table 3: Frequency of Internal Control Review

Frequency	Number of issuers	%
Annually	291	27%
Half-yearly	310	28%
Quarterly	116	11%
Other frequency (e.g. 3 or 5 times)	139	13%
No mention at all ²²	227	21%
Total	1083	100%

32. The internal audit function plays an important role in the internal control review process. However, the establishment of an internal audit function is voluntary under the Code. RBP C.2.6 encourages issuers without an internal audit function to review the need for one annually and disclose the outcome of this review. Nevertheless, despite the obligation level being voluntary, 51 per cent of all issuers examined stated that they have an internal audit function. Moreover, issuers also disclosed that the internal control review process is discharged either by (i) the board; (ii) the audit committee; (iii) an external auditor; or (iv) an internal audit function.

²² This means that the issuer did not disclose the frequency of the review, but disclosed that a review had been carried out at least once during the financial year.

CHAPTER 3: ANALYSIS OF DEVIATIONS

33. The compliance rates with all CPs are set out in **Appendix I, Table A**. The top ten CPs with the lowest compliance rates and the percentage of issuers that deviated from the CPs are set out in **Appendix I, Chart A**.

The five CPs with the lowest compliance rates and their reasons

34. The five CPs with the lowest compliance rates were A.2.1, A.4.1, A.5.1, A.4.2 and E.1.2.
35. CP A.5.1 (*establishment of a nomination committee*) was introduced in April 2012. Except for CP E.1.2 (*Chairman's attendance at AGM*), there was some degree of improvement in compliance from previous reviews. There was a notable improvement in the compliance level of CPs A.4.1 (*non-executive directors being appointed for a specific term, subject to re-election*) and A.4.2 (*directors appointed to fill a casual vacancy being subject to election*), and a slight increase in compliance with CP A.2.1. See Table 4.

Table 4: Five CPs with the lowest compliance rates in 2012 against previous reviews

CP	2012	2009	2007	2006	2005
A.2.1	64%	62%	63%	63%	70%
A.4.1	82%	68%	68%	63%	62%
E.1.2	86%	93%	93%	91%	92%
A.4.2	94%	87%	87%	77%	63%
A.5.1	94%	NA	NA	NA	NA

36. The top five most common deviations are considered further below.

A.2.1 - The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

37. The most common reason issuers gave for non-compliance was that one person performing the roles of both chairman and chief executive can provide strong and consistent leadership and can enable more effective planning and better execution of long-term strategies.
38. A substantial number of issuers gave as an explanation the fact that contributions are made by all executive and independent non-executive directors who bring different experience and expertise to the board. They meet regularly to discuss issues affecting the issuer's operations and it is therefore not necessary to have separate roles for chairman and chief executive.
39. Some issuers disclosed that the board has confidence in the person who acts as chief executive and chairman, because the person is knowledgeable and has a good understanding of the company's operations. Other reasons given for not separating the chairman and chief executive role were: the size of the group, the scope and nature of

the company business, or a practical necessity arising from the corporate operating structure.

40. Amongst those that deviated from this CP, five per cent have subsequently complied during the year.
41. The statistics and a summary of the reasons given for the deviation are set out in **Appendix I, Table B**.

A.4.1 - Non-executive directors should be appointed for a specific term, subject to re-election.

42. Issuers that did not comply with this CP all stated that non-executive directors are not appointed for a specific term but are subject to retirement by rotation at least once every three years at each AGM according to their articles of association, bye-laws or equivalent constitutional document.
43. Amongst those issuers that deviated from this CP, three per cent have subsequently complied during the year.

E.1.2 - The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

44. Issuers that did not comply with this CP commonly stated that the person(s) required by this CP to attend the AGM were unable to do so as they had commitments elsewhere. A breakdown of whether it was the chairman or the chairman of the committee(s) who failed to attend is at **Appendix 1, Table C**.
45. The compliance level with this CP has decreased compared to previous years.

A.4.2 - All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

46. Issuers that did not comply with the first part of this CP disclosed that casual vacancies rarely occur, or that the time between filling a casual vacancy and the next AGM is too short to require a re-election.

47. Issuers that did not comply with the second part of this CP gave either one or both of the following reasons :
- (a) the chairman and managing director are not subject to retirement by rotation since continuity is key to the successful implementation of long-term business plans; and/or
 - (b) the issuer's constitutional documents provide for one-third of the directors to retire from office each year.
48. The statistics and a summary of the reasons given for the deviation are set out in **Appendix I, Table D**.
49. Amongst those issuers that deviated from this CP, five per cent have subsequently complied during the year.

A.5.1 – Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

50. This CP was upgraded from a RBP in April 2012.
51. Most issuers that deviated from this CP disclosed that the board as a whole discharged the duties of directors' nomination. Some issuers stated that it was in the best interests of the company that the board collectively reviewed, deliberated on and approved the structure and composition of the board including the appointment of new directors.
52. Amongst those issuers that deviated from this CP, 23 per cent have subsequently complied during the year.

Quality of Explanation

53. All issuers fulfilled the "comply or explain" requirement.
54. Some reports tended towards adopting a boilerplate approach, merely quoting the common reasons for the deviations. Also worth noting is that many companies in full compliance offered little detail on how they had complied with the CPs.

APPENDIX I: SUMMARY OF STATISTICS

Table A: Compliance rate with each CP

	2012	2009 ²³
Code Provision	% of compliance	% of compliance
A.1.1	98%	100%
A.1.2	100%	100%
A.1.3	100%	100%
A.1.4	100%	100%
A.1.5	100%	99%
A.1.6	100%	100%
A.1.7	99%	100%
A.1.8	96%	
A.2.1	64%	62%
A.2.2	99%	98%
A.2.3	100%	98%
A.2.4	100%	
A.2.5	100%	
A.2.6	100%	
A.2.7	97%	
A.2.8	100%	
A.2.9	100%	
A.3.1	100%	100%
A.3.2	100%	
A.4.1	82%	68%
A.4.2	94%	87%
A.4.3	100%	
A.5.1	94%	
A.5.2	96%	
A.5.3	96%	
A.5.4	96%	
A.5.5	99%	
A.6.1	100%	100%
A.6.2	100%	100%
A.6.3	100%	100%
A.6.4	100%	100%
A.6.5	100%	
A.6.6	100%	
A.6.7	100%	
A.6.8	100%	
A.7.1	100%	99%
A.7.2	100%	100%
A.7.3	100%	100%
B.1.1	100%	100%

²³ The numbering of the CPs in this table corresponds to the re-numbered CPs of 2012.

	2012	2009 ²³
Code Provision	% of compliance	% of compliance
B.1.2	99%	97%
B.1.3	100%	100%
B.1.4	100%	100%
B.1.5	100%	
C.1.1	100%	100%
C.1.2	99%	
C.1.3	100%	100%
C.1.4	100%	
C.1.5	100%	100%
C.2.1	100%	100%
C.2.2	100%	100%
C.3.1	100%	100%
C.3.2	100%	100%
C.3.3	99%	98%
C.3.4	100%	100%
C.3.5	100%	100%
C.3.6	100%	100%
C.3.7	100%	
D.1.1	100%	100%
D.1.2	100%	100%
D.1.3	100%	
D.1.4	97%	
D.2.1	100%	100%
D.2.2	100%	100%
D.3.1	100%	
D.3.2	100%	
E.1.1	100%	100%
E.1.2	86%	93%
E.1.3	100%	99%
E.1.4	100%	
E.2.1	100%	100%
F.1.1	99%	
F.1.2	100%	
F.1.3	99%	
F.1.4	100%	100%

Chart A: The ten CPs with the lowest compliance rates

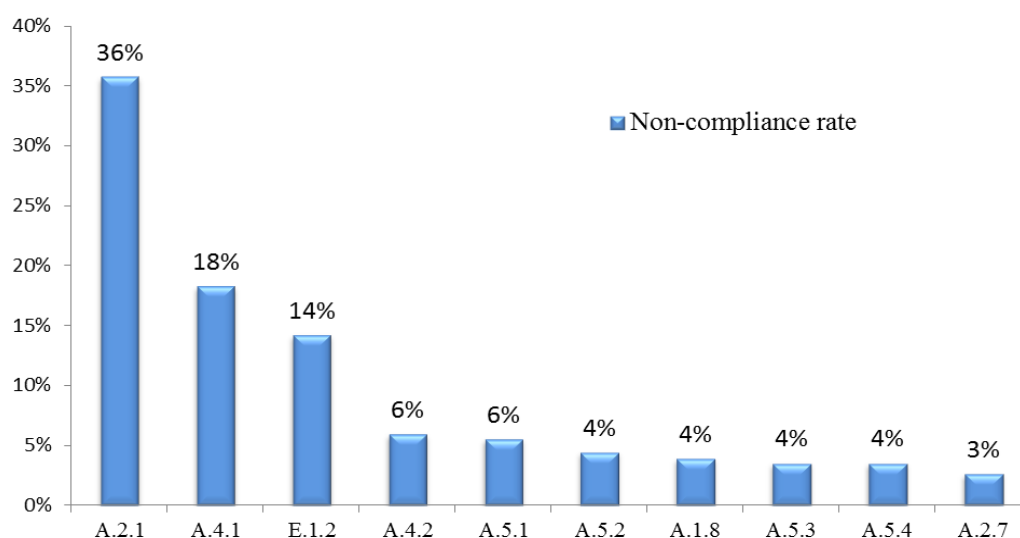


Table B: Reasons disclosed for not separating the role of Chairman and Chief Executive (CP A.2.1)

Reasons	Number of issuers	% of issuers
The same person provides the Group with strong and consistent leadership, allows for more effective planning/formulation and execution/implementation of long-term business strategies.	87	23.8%
Contributions are made by all executive directors/independent non-executive directors, who bring different experience and expertise and who meet regularly to discuss issues affecting the issuer's operations.	86	23.6%
The board has confidence in the person who acts as chief executive and chairman, e.g. because the person is knowledgeable, well-known and/or has a good understanding of the operations of the issuer.	45	12.3%
Due to the size of the Group, the scope and/or nature of its business and/or a practical necessity arising from the corporate operating structure.	48	13.2%
The issuer considers its structure is sufficiently consistent with the Code and the deviation has no materially adverse impact on its corporate governance structure.	5	1.4%
The responsibilities of the chairman and chief executive are clear and distinct and therefore need not be set out in writing.	3	0.8%
More than one of the above	69	18.9%
Others	22	6.0%
Total	365	100%

Table C: Breakdown on parties unable to attend AGM (CP E.1.2.)

Parties	Number of issuers	% of issuers
Chairman of the board	119	76.8%
Chairman of committee(s)	28	18.0%
Both of above	8	5.2%
Total	155	100%

Table D: Non-compliance relating to director's appointment (CP A.4.2.)

Two limbs to CP A.4.2		Number of issuers	% of issuers
(i)	All directors filling a casual vacancy should be subject to election at first general meeting after appointment	11	18.6%
(ii)	Every director should be subject to retirement by rotation at least once every three years	38	64.4%
Deviated from both limbs of the CP		10	17.0%
Total		59	100%

APPENDIX II: SCOPE OF PAST REVIEWS

- The Exchange implemented the Code in 2005. We reviewed issuers' compliance with the Code for the years 2005, 2006, 2007 and 2009.
- The scope of previous reviews included one or both of the following:
 - a review of issuers' annual reports for Code compliance;
 - a questionnaire to issuers on their Code compliance.
- The table below summarises the scope of past reviews:

Year	Number of annual reports reviewed for compliance	Issuer questionnaire used?	Number of questionnaire replies on CPs	Number of questionnaire replies on RBPs
2005	621	No	N/A	N/A
2006	<i>See Note</i>	Yes	1114	558
2007	<i>See Note</i>	Yes	1213	584
2009	132	No	N/A	N/A

Note - For the 2006 and 2007 reviews, Code compliance was reviewed for all issuers except for long suspended, recently de-listed companies and one secondary listed company. The Code compliance was measured based on issuers' replies to a questionnaire. These replies were then verified with issuers' disclosure in their annual reports for a 20 per cent sample.

- The results of the 2006 and 2007 reviews were relatively similar and the differences insignificant. We found issuing questionnaires to all issuers was environmentally unfriendly, cost ineffective and time inefficient. Therefore, we decided to conduct the 2009 review by looking at corporate governance reports on a sample basis.
- In 2009, we divided the 1,319 issuers listed as at the end of 2009 into large-, mid- and small-cap categories according to their market capitalisation. We then reviewed the 2009 annual reports of 10 per cent of issuers randomly selected from each category.
- The 2012 Review is the first review after the Code was revised in 2012. We adopted the same approach as the 2005 review, i.e. reviewing the annual reports of issuers that had a financial year-end at 31 December. We examined 1,083 issuers (excluding those issuers that were long suspended, recently de-listed, had delayed in publishing annual reports, and two secondary listed companies²⁴). We reviewed 70 per cent of all of our issuers.

²⁴ Manulife Financial Corporation (stock code: 945) and Vale S.A (stock code: 6210) were granted waivers from strict compliance with the corporate governance disclosure Rules.

