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## **CHINA CORPORATE GOVERNANCE SURVEY FINDINGS REVEAL PROGRESS MADE IN REFORMS TO IMPROVE DISCLOSURES AND CORPORATE GOVERNANCE PRACTICES IN CHINA**

Findings also show there is room for improvement in financial disclosures practices

(View the [China Corporate Governance Survey report](#))

**Hong Kong, April 17, 2007** — CFA Institute Centre for Financial Market Integrity (CFA Institute Centre) today unveils the results of its China corporate governance survey. The findings show that while the Chinese government has done much to put in place a sound corporate governance framework, observable changes are still not evident in financial disclosures and transparency, which are viewed by the survey respondents as very important for decision-making.

From August to September 2006, the CFA Institute Centre conducted a study of corporate governance practices in China with CFA charterholders and CFA Institute members in Hong Kong and China who have investments or interests in Chinese companies. The survey received 475 responses. The main objective of the survey was to obtain opinions and views on:

- issues relating to corporate governance and financial disclosures among Chinese companies;
- the effectiveness of recent reforms made by China to improve corporate governance practices; and
- ways to further improve corporate governance practices in China.

The survey questionnaire presented 16 corporate governance issues, categorized under (i) board composition, structure and mechanisms, (ii) relationships with stakeholders and shareholders, and (iii) disclosure and transparency. The respondents were asked to rate (on a scale from 1 to 5) how important each issue was to investment decision-making and the extent to which that issue has changed over the last three years.

The following categories received the highest ratings (between ‘somewhat important’ and ‘extremely important’) for importance to the decision-making process:

- skills and experience of management (4.37);
- accuracy of financial and company information disclosed by companies (4.30);
- completeness of information disclosed (4.22);
- timeliness of financial and company information disclosed by companies (4.17); and
- protection of shareholder’ rights (4.17).

The changes observed over the last three years vary from one company to another. Some have made significant improvements while others have not. “The results indicate that there is definitely room for improvement. As the China reporting system evolves there will likely be continued significant

disparities in both the quality and quantity of information disclosures from one company to another,” said Lee Kha Loon, CFA, head, Asia Pacific, CFA Institute Centre.

Some notable suggestions from the survey respondents are to:

- increase institutional investor participation, both local and foreign, to inculcate good governance practices in the market place;
- encourage the development of professionals with a variety of industry and financial skills that can serve more effectively as independent directors;
- develop programs/ activities for investor and director education;
- enhance the structure of board governance, such as to have more independent director participation and to create board committees such as compensation committee; and to
- improve the overall practices in respect of completeness, accuracy and timeliness of information disclosed.

“It has been widely acknowledged that China has made significant strides on the corporate governance front with respect to laws, rules, regulations and standards. But, the acceptance of good governance practices by Chinese companies will likely be a long and involved process, and will not happen overnight. Chinese companies still need to do much more to be competitive in the global marketplace,” said Lee.

### **CFA Institute Centre for Financial Market Integrity**

The CFA Institute Centre develops timely, practical solutions to global capital market issues, while advancing investors’ interests by promoting the highest standards of ethics and professionalism within the investment community worldwide. The CFA Institute Centre builds upon the CFA Institute 40-year history of standards and advocacy work, especially its *Code of Ethics* and *Standards of Professional Conduct* for the investment profession, which were first established in the 1960s.

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