

Speech
Speech by SFST at HKICPA Best Corporate Governance Awards 2016
(English only)

Thursday, December 1, 2016

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the HKICPA Best Corporate Governance Awards 2016 today (December 1):

Ivy (President of the Hong Kong Institute of Certified Public Accountants (HKICPA), Ms Ivy Cheung), Patrick (Chairman of the Awards Organising Committee, Mr Patrick Rozario), distinguished guests, ladies and gentlemen,

It is again my great pleasure to join you all today at the HKICPA Best Corporate Governance Awards Presentation Luncheon. This is an excellent opportunity for us to recognise those companies that commit themselves to the highest standards of corporate governance.

My warmest congratulations to the award winners in the various categories for their achievements. I would also like to thank the HKICPA and everyone here, the judges, the reviewers, for helping us uphold the standards of corporate governance, which is the cornerstone of Hong Kong as an international financial centre.

First organised in 2000, the Best Corporate Governance Awards has become the benchmark for good corporate governance and stewardship in Hong Kong. This year, as mentioned by Patrick, I noticed that the name of the Awards is simplified by dropping the word "disclosure". Accurate and meaningful disclosures are no doubt a central component of good corporate governance. But in order to form a holistic view of an organisation's approach to corporate governance, the reviewers and judges are now also taking into account other public information such as media reports and websites. I also see that a new award for web-based corporate governance information is introduced among other things. These changes are timely indeed as technology and media are evolving very quickly these days.

When I was having the delicious lunch, I was thumbing through the Judges' Report. I congratulate the judges for such detailed and professional

observations about the reports. Ivy has also made some observations about some trends in corporate governance in Hong Kong. I certainly congratulate you for the good work you have done and the Judges' Report is of a very high standard and I hope we can publicise this as an example of good corporate governance practices.

Corporates aside, the Government and regulators are also keen to make sure that the corporate governance regime in Hong Kong is up to date and benchmarked against international best practices. In March, the Securities and Futures Commission (SFC) published the consultation conclusions on the Principles of Responsible Ownership. The Principles aim to provide guidance on how investors in Hong Kong-listed companies should fulfil their ownership responsibilities on a voluntary basis. The objective is to encourage an investment culture where engagement with investee companies is seen as paramount and fundamental and which in turn strengthens corporate governance.

Enforcement is also a vital aspect of the SFC's work. The number of SFC inquiries into corporate governance or disclosure issues, insider dealing and market manipulation has more than doubled in the past five years. The number of formal proceedings commenced has also increased by more than 50 per cent over the same period. However, enforcement usually comes only after real harm has been done to investors. It is no substitute for effective gatekeeping and regular reviews of rules governing listed companies and the intermediaries they work with.

Turning to the Stock Exchange of Hong Kong, it has revamped the risk management and internal control aspects of its Corporate Governance Code to strengthen issuers' disclosure and directors' accountability. Since the beginning of this year, issuers are required to disclose a number of risk management-related matters including the main features of their risk management and internal control systems on a "comply or explain" basis.

The Hong Kong IPO market has been very active in the past decade. In terms of IPO funds raised, we ranked first in the world in 2015 and this year so far. However, in order for a healthy market to develop, we need to look beyond the number of new IPO cases or the amount of funds raised. Market quality is equally, if not more, important. The SFC and the Stock Exchange have just

completed a joint consultation exercise on listing regulations and are currently studying the responses. I am confident that a fair, liquid and accessible market is what is needed for Hong Kong and will benefit all stakeholders.

Ladies and gentlemen, the trust and reputation our corporate governance regimes currently enjoy cannot be taken for granted. It is the hard-earned result of the effort and commitment of companies and professionals that make corporate governance their priority. Therefore, I would like to congratulate once again the award winners this year. We look forward to working closely with the Institute to further strengthen our corporate governance culture.

Thank you.

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