

**Speech by SFST at Hong Kong Corporate Governance  
Excellence Awards Presentation  
(English only)**

Tuesday, December 4, 2007

Following is a speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Chamber of HK Listed Companies 5th anniversary gala dinner cum Inaugural HK Corporate Governance Excellence Awards presentation today (December 4) :

Lawrence (Ho), Honourable Michael Oxley, ladies and gentlemen,

I am pleased to be here this evening to celebrate with you the Chamber of Hong Kong Listed Companies' 5th anniversary and to congratulate this evening's awardees. And to the Honourable Michael Oxley, a warm welcome to Hong Kong. I look forward to your address later this evening.

Good corporate governance is a desirable market standard that cannot be legislated or regulated. Instead it is a culture of good ethics that must be learned, practised, and internalised by corporate leaders. The Hong Kong Corporate Governance Excellence Awards scheme was designed to recognise such corporations and their leaders. I commend the chamber for launching this awards scheme, which embodies that chamber's commitment to furthering our corporate governance culture. My warm congratulations to all six awardees. We look to you to continue to uphold best corporate governance practices, and to serve as role models and an inspiration to other companies.

Indeed, corporate governance is not only beneficial for individual companies; it is also of vital importance to maintaining the credibility, stability and competitiveness of a financial market. As Hong Kong aspires to be an international financial centre and a premier capital formation hub for China, good corporate governance is not an optional extra, but an essential element in attracting investment and stimulating economic growth.

Hong Kong's stock market now ranks seventh in the world and is the third largest in Asia in terms of market capitalisation. We have got to this position because of the openness of our market, and the ability to meet the need for capital from local and mainland companies. As at the end of October this year, 397 Mainland enterprises

are listed on our stock exchange, accounting for 60% in terms of our market capitalisation and 67% in terms of the daily turnover. These Mainland enterprises are subjected to the same regulatory oversight as local companies, or companies from overseas for that matter. Capital needs are of course a primary consideration, but mainland companies want to list in our market for international benchmarking and for raising their corporate governance. Quality corporate governance is one of the key benchmarks on which international investors rely, and a standard to which companies aspire.

Hong Kong is now recognised as a regional leader in corporate governance and has ranked well in recent surveys and studies. But the needs of the markets are always changing and the investing public in our market as well as overseas are asking for better protection to meet their needs. To maintain our competitive edge, on the part of Government and regulators, we are committed to continuously enhancing the regulatory regime and upgrading our market quality. But in bringing about changes, we are always mindful of the need to strike a proper balance between the necessary level of regulation and facilitation of business.

In recent years -

We launched the Code on Corporate Governance Practices, which is benchmarked against best prevailing market practices and international standards. I am pleased to note that all issuers have met the code's requirement to "comply or explain";

We introduced a new sponsor regulatory regime on January 1, 2007 whereby only those intermediaries that have met the stringent eligibility requirements are allowed to continue to carry out sponsor/compliance adviser work;

We established the Financial Reporting Council, a new statutory body empowered to investigate accounting and auditing irregularities of listed companies. It became fully operational in mid-2007 and will be working closely with other regulators to safeguard our financial reporting standards; and

We are also rewriting the Companies Ordinance to ensure that our statutory framework provides the best possible infrastructure for Hong Kong as an international financial centre in the 21st century. In formulating and finalising our proposals, we will take into account suggestions in respect of corporate governance.

All these initiatives will only bear fruit if you from the listed companies give them your full support. As I mentioned at the beginning, corporate governance is a culture of good ethics. The Government, our regulators, our chambers and professional bodies and that investing public, we all have our roles to play. But for Hong Kong to stay ahead, we look to you, our business leaders, in the daily running of your businesses, in the boardroom, in relating to investors, to not only do what is within the strict parameters of the law, but also what is ethically right and ultimately good for your business.

Thank you.

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