

**Hong Kong Institute of Certified Public Accountants
Best Corporate Governance Disclosure Awards Ceremony**

**Speech by Mr Eddy Fong
Chairman of the SFC
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Ladies and Gentlemen, it is an honour to be here at the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Disclosure Awards Ceremony.

It is almost 15 years since the Cadbury Report was published on 1 December 1992. When Sir Adrian Cadbury formed his committee, he had no idea that corporate governance would be a subject likely to catch headlines. The most he expected was a few lines in the Financial Times. In the short period of 18 months the committee took to finalise its report, a number of scandals, including BCCI and Maxwell, had pushed corporate governance to the centre of public attention.

Ten years since other events such as Enron, WorldCom and Parmalat have kept corporate governance firmly in the spotlight and an area of regulatory focus.

However, it would be very wrong to think that the importance of good governance and the attention it receives is just a response to high profile failures. If we were to adopt good governance purely as a precaution against scandals, we'd miss much of the point and would be in danger of missing out on the real benefits that flow from it.

Entities in my view gain from good governance in two ways:

- first, stakeholders have more confidence in the governance processes;
- second, the entity is better run.

Let me explain. Shareholders' confidence is reflected in the price of shares. Academic papers from countries as diverse as Brazil, Germany, Korea, PRC and USA all give the clear message that investors value corporate governance and are willing to pay a premium for companies with good corporate governance standards.

In addition to improving investors' perception of the entity, good governance also leads to better management and therefore better performance. Clear internal accountability, well defined responsibilities, and a fuller understanding of management of risks are some of the elements of good governance that add to a company's performance. Researches also show that good governance leads to better performance by entities.

Let me add that corporate governance is relevant to not just listed companies or even privately held companies, the same principles and issues apply to public bodies too. As an example, the Commission itself seeks to apply the highest governance standards expected from publicly listed companies.

I mentioned earlier on that when Sir Adrian started his work, he had never expected corporate governance to capture so many headlines and become a hot issue when he published the report. If Sir Adrian had looked forward would he have expected corporate governance to

remain as topical in 15 years? Perhaps he would have. As to me, I have no doubt that corporate governance is and will remain in the centre stage both as a key factor to evaluate investments and as an important driver of a successful entity.

I commend the HKICPA for its Awards thereby helping to keep the spotlight on corporate governance.

Thank you.