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DAILY EDITION

# LEGAL WISE BY MDME | THE KEY TO ATTRACT INVESTMENT? GOOD CORPORATE GOVERNANCE PRACTICES



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There was never a time when transparency and good corporate governance practices were more spoken of in Macau; the outcome of the recent launch of the Macau Corporate Governance Institute (MCGI). Good and transparent corporate governance practices have long been a concern for our neighbours in Hong Kong, which is now acclaimed as a benchmark and an example to follow.

One of the ways of achieving better corporate transparency is listing on a reputable stock market. Despite the fact that the stock market will always primarily serve to raise capital, the stringent listing requirements certainly lead any corporation to increase their level of disclosure and compliance activity.

Paradoxically enough, Macau is not included in the list of acceptable overseas jurisdictions that the Hong Kong Stock Exchange (HKEx) formally considers to be acceptable as an issuer's place of incorporation is based upon an assessment of each jurisdiction's level of shareholder protection and – of course – corporate governance standards.

So, why is corporate transparency so important? It profoundly affects the market value and creditworthiness of any corporation. In the corporate world, there is no such thing as too much information. Ask investors or bankers what kind of information they want companies to disclose and the answer will most probably be "more and better". Investors often steer clear of companies that lack transparency in their commercial operations, financial statements or business strategies, as they represent riskier and potentially less valuable investments. Hence the importance of creating standardized efficient control mechanisms and more transparent and responsible corporate management, ensuring that directors, supervisors and managers of companies are held properly accountable to their shareholders (all of them, including minority shareholders). This is particularly crucial for Macau SMEs: with an increasing number of start-ups and entrepreneurs looking for funding and investment in Macau, it is crucial to create awareness of the importance of good corporate governance as a means of increasing the attractiveness of their businesses and lowering the risk for investors.

The MCGI's first announced objective is the organisation of a conference focused on corporate governance practices in Hong Kong with a view to preparing a general proposal to be presented to the Macau Government with the aim of improving local corporate governance. Training is one of the many aspects in which the MCGI could also be involved: it is important that directors thoroughly understand their Macau specific duties and obligations – made accessible to them in a clear and concise manner – so as to earn the confidence of shareholders and investors.

Legal professionals, members of corporate bodies, prospective investors, fund managers and bankers certainly await with expectation the results of MCGI's efforts, especially at a time when cross-continent mergers and acquisitions have become commonplace and the trading of stocks has assumed an international dimension. We hope that more and more professionals and companies of all sectors and industries collaborate towards the creation of a benchmark that can later be translated into guidelines and, finally, a code. Also, we hope that future initiatives and proposals come with an understanding that the Asian market is influenced by characteristics that set it apart from the markets in Europe and North America, and that such unique characteristics are respected on the road to their implementation and enforcement.

Good corporate governance should be a shared concern and facilitated by governmental entities, professionals and businesspeople alike; it is proven to benefit each and every market player, and enhances the economic welfare and image of sophistication of a jurisdiction. With this, we hope to finally see Macau



Liliana Faria

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joining the list of acceptable overseas jurisdictions for listing with the HKEx soon and, when that happens, Macau corporations can look for endless new sources of funding and investment.

\* Senior Associate, MdME

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