

**City University of Hong Kong**  
**香港城市大學**

**Corporate Governance in Hong Kong: An  
Empirical Study of the Effects of  
Independent Non-Executive Directors on  
Voluntary Corporate Disclosures and  
Adoption of Best Corporate Governance  
Practices**

**香港企業管治：一項實證研究關於獨立非執  
行董事對公司信息自願披露及採納最佳企業  
管治常規之影響**

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## **ABSTRACT**

Given the emphasis regulators and standard setters have placed in recent years on board independence and the recent corporate governance reforms in Hong Kong, this study investigates whether the inclusion of independent non-executive directors (INEDs) on company boards enhances voluntary disclosure in annual reports and the adoption of best corporate governance practices. In addition, because family control by family share ownership is prominent in Hong Kong firms, this study also examines whether family control moderates the relationship between INEDs, corporate disclosure, and the adoption of best corporate governance practices.

Using 353 publicly listed companies in Hong Kong, the results of this study indicate that firms with more INEDs on the board are associated with a higher level of voluntary annual-report disclosure and are more inclined to adopt the best corporate governance practices. The extent of INEDs' expertise and experience (proxied by education level, industrial knowledge, other independent directorships, and tenure) is positively associated with levels of corporate disclosure and best corporate governance practices. However, the positive association between INEDs' attributes and disclosures is weaker in family-controlled firms relative to non-family-controlled firms.

*Keywords:* Corporate Governance; Corporate Disclosure; Best Corporate Governance Practices; Independent Non-Executive Directors; Attributes of Directors; Family Control