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# SEHK Publishes Consultation Conclusions On Amendments To The Corporate Governance Code And Associated Listing Rules

## Introduction

The Stock Exchange of Hong Kong (**SEHK** or the **Exchange**) has published the consultation conclusions (the **Consultation Conclusions**) on its review of the Code on Corporate Governance Practices (now renamed the Corporate Governance Code (the **Code**)) and associated listing rules. Following a consultation that ended on 18 March 2011, amendments have been made to the Code and related rules governing the listing of securities on the SEHK (the **Listing Rules** or **Rules**). The SEHK’s stated purpose for the amendments is to keep the Code in line with international best practices and to improve the clarity, certainty and efficacy of the Listing Rules.

Not all of the amendments will take effect at the same time. Most of the amendments to the Listing Rules will take effect on 1 January 2012, while the amendments to the Code and other Rules will take effect on 1 April 2012. One particular Rule in relation to the appointment of independent non-executive directors (**INEDs**) representing at least one-third of the board must be complied with by 31 December 2012. Finally, Rules in relation to company secretary training will be staggered according to the company secretary’s date of appointment.

Chapter 2 of the Consultation Conclusions sets out the date on which each amendment takes effect. In the first interim, half-year or annual report that covers a period after 1 April 2012, an issuer must disclose whether it has complied with the code provisions (**CPs**) in the revised Code in addition to those in the former Code. Issuers may however adopt the revised Code before 1 April 2012.

This note summarises the amendments to be made to the Listing Rules and the Code, not including non-substantive amendments. Non-substantive amendments are set out in Chapter 3 of the Consultation Conclusions. The amendments will apply to the Rules applicable to issuers listed on the Main Board as well as the Growth Enterprise Market (**GEM**).

The [Consultation Conclusions](http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2010124cc.pdf) ([see archive](cp2010124cc.pdf)) can be accessed on the website of Hong Kong Exchanges and Clearing Limited.

A set of frequently asked questions relating to the Listing Rule and Code amendments (**FAQs**) can also be downloaded from the “Rules and Regulations – Rules and Guidance on Listing Matters – Interpretation” section of the Exchange’s website.

Charltons’ newsletter on the consultation paper can be accessed [here](http://website/newsletters/hklaw/en/2011/105/nl-hklaw-20110111-105.html).

## The Corporate Governance Regulatory Framework

The SEHK uses the Listing Rules and the Code to define its regulatory framework on corporate governance. The Code is divided into principles of good corporate governance (**Principles**), CPs and recommended best practices (**RBPs**). Rules, Principles, CPs and RBPs have the following differences:

* Listing Rules are mandatory for all issuers, and any breach may result in sanctions;
* Principles describe what good corporate governance is, but do not provide specifics as to how it is achieved;
* CPs provide specifics on how to comply with the Principles, but are not mandatory and are applied according to the “comply or explain” principle (see below); and
* RBPs are desirable standards with which issuers are encouraged, but not required, to comply.

Under the comply or explain approach, while issuers are expected to comply with CPs, they may choose not to comply. Issuers must however state in their half-year financial reports and annual reports whether they have complied with the CPs for the relevant accounting period. If any CP has not been complied with, the issuer must give considered reasons for the non-compliance. Issuers are encouraged to comply with the RBPs, but there is no requirement for non-compliance with RBPs to be disclosed or explained.

The SEHK has included a new section in the introduction to the Code to clarify the “comply or explain” approach and explain the purpose of CPs and RBPs. This emphasises that the CPs and RBPs are not mandatory and that deviations from the CPs are permitted if an issuer considers that there are more suitable ways for it to comply with the Principles set out in the Code. It must however give reasons for adopting the alternative course and must explain to its shareholders how such alternatives to the CPs amount to good corporate governance. This “comply or explain” principle is meant to provide some flexibility for issuers to maintain good corporate governance, which the SEHK believes is impossible to define, but may involve different practices between issuers in different circumstances.

## Summary Of Key Amendments

The following is a list of some of the major amendments to the Listing Rules and Code:

* The RBP that INEDs should comprise one third of the board has been upgraded to a Listing Rule (full compliance is required by 31 December 2012);
* The requirement for the establishment of a Remuneration Committee with a majority of INEDs as members and chaired by an INED is now a Listing Rule rather than a CP;
* The Nomination Committee requirement is now a CP rather than a RBP;
* A new CP requires the board to be responsible for corporate governance. Another CP sets out the terms of reference on duties that should be performed by the board or one or more committees to whom the corporate governance function is delegated;
* A new CP requiring issuers to avoid the "bundling" of shareholders' resolutions which are not interlinked;
* A new Listing Rule requirement for shareholders' approval at general meeting for any proposal to appoint an auditor or remove an auditor before the end of his term of office;
* A new Listing Rule requiring disclosure of an issuer's constitutional documents on the issuer's and SEHK website; and
* A new rule on the acceptable qualifications for Company Secretaries and removal of the requirement for ordinary residence in Hong Kong.

## Details Of Amendments To The Listing Rules And The Code

## Directors

### Directors’ Duties – Effective 1 January 2012

Rule 3.08 (GEM Rule 5.01) has been expanded to clarify the responsibilities of directors. It now provides that while directors may delegate their functions, doing so does not absolve them from their responsibilities or from exercising the required levels of skill, care and diligence. A director who pays attention to the issuer’s business only at formal meetings would not be considered to have exercised due skill, care and diligence. Rule 3.08 now therefore requires that directors must, at a minimum, take an active interest in the issuer’s affairs and gain at least a general understanding of the issuer’s business. They must also follow up anything untoward that comes to their attention.

A director that fails to discharge his legal duties and responsibilities may be disciplined by the Exchange and/or attract legal liability. A note to the amended Rule 3.08 refers directors to the Companies Registry’s “A Guide on Directors’ Duties” and the Hong Kong Institute of Directors’ “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” for further guidance.

### Directors’ Time Commitments – Effective 1 April 2012

A new Principle A1 has been added to the Code, stating that a board of directors should review regularly the time required of a director to perform his responsibilities to the issuer and whether each director is spending enough time performing them.

A new CP A.6.6 has been added to require directors to inform the board of any change to the number and nature of the offices they hold in public companies or organisations and their other significant commitments in a timely manner.

### Directors’ Training – Effective 1 April 2012

RBP A.5.5 which recommends that directors undergo continuous professional development and obliges issuers to arrange and fund such training has been upgraded to CP A.6.5. Directors may pursue whatever training they consider to be appropriate, but a new Note to the CP requires directors to provide to the issuer a record of their training. The Code now also requires the issuer’s Corporate Governance Report to disclose how each director (by name) complied with that CP (new mandatory disclosure requirement under paragraph I(i) of the Code).

### Change of Directors and Directors’ Information – Effective 1 January 2012

Rule 13.51(2) (GEM Rule 17.50(2)) has been amended to require the disclosure of the retirement or removal of a director or supervisor and the appointment, resignation, re-designation, retirement or removal of a chief executive.

Rule 13.51(2)(o) (GEM Rule 17.50(2)(o)) has been amended so that all civil judgments of fraud, breach of duty or other dishonest misconduct of a director or supervisor must be disclosed in an announcement upon his appointment or re-designation.

Rule 13.51B(3)(c) (GEM Rule 17.50A(3)) has been amended to clarify that in disclosing any sanctions made by statutory or regulatory authorities against a director or supervisor being appointed or re-designated, an issuer need not disclose any sanctions made by the Exchange against the issuer itself.

### Maintenance of Updated List of Directors on Issuers’ and Exchange Websites – Effective 1 April 2012

RBP A.3.3 has been amended and upgraded to CP A.3.2, so that an updated list of an issuer’s directors identifying their role and function and whether or not they are INEDs should be disclosed on the Exchange’s website (or GEM website) as well as the issuer’s website. This updated list should be published every time there is a change. According to the Exchange’s FAQs, issuers may publish this list on their own and the Exchange or GEM websites from 1 January 2012, and must do so by 31 April 2012.

### Next Day Disclosure of the Exercise of an Option by a Director of the Issuer’s Subsidiaries – Effective 1 January 2012

Rule 13.25A(2)(a)(viii) and (ix) (GEM Rule 17.27A(2)(a)(viii) and (ix)) have been amended so that when a director of an issuer’s subsidiary exercises an option for shares in the issuer, the issuer no longer needs to publish a Next Day Disclosure Return. However, under amended Rule 13.25A(2)(b)(i) and (ii) (GEM Rule 17.27A(2)(b)(i) and (ii)), the exercise of an option for shares in the issuer by a director of a subsidiary will require the issuer to publish a Next Day Disclosure Return if it results (individually or when aggregated with other events) in a change in the issuer’s share capital of 5% or more since its last Monthly Return.

### Preserving Business Value – Effective 1 April 2012

A new CP C.1.4 requires directors to explain in the issuer’s annual report how the company generates or preserves value in the long term and the issuer’s strategy to achieve its objectives. This explanation should be included in the separate statement containing a discussion and analysis of the group’s performance.

### Directors’ Insurance – Effective 1 April 2012

The RBP which recommends that issuers should arrange appropriate insurance cover in respect of legal action against its directors, has been upgraded to CP A.1.8.

## Independent Non-Executive Directors

### Proportion of INEDs on the Board – Compliance Required by 31 December 2012

It is now a listing rule requirement (rather than a RBP under the Code) under new Rule 3.10A (GEM Rule 5.05A) that at least one-third of an issuer’s board of directors must be INEDs. This Rule must be complied with by 31 December 2012. The requirement is additional to the existing requirement under Rule 3.10(1) (GEM Rule 5.05(1)) that an issuer’s board must have a minimum of 3 INEDs.

Rule 3.11 (GEM Rule 5.06) has also been amended to require an issuer to immediately inform the Exchange and publish an announcement if it fails to comply with the requirement for INEDs to comprise one-third of the board and to provide that an issuer will then have three months to appoint enough INEDs to be in compliance.

### Retaining a Long-Serving INED – Effective 1 April 2012

RBP A.4.3, which recommends that the retention of an INED who has served for more than nine years should be voted on by shareholders as a separate resolution, has been upgraded to CP A.4.3.

### Nominating an INED for Election – Effective 1 April 2012

RBP A.4.8, which recommends that an issuer should include in a circular proposing the election of an INED the reasons why the board believes that the person should be elected and the reasons why the board considers the person to be independent, has been upgraded to CP A.5.5.

## Board Committees

### Remuneration Committee – Effective 1 April 2012

New Rules require:

* an issuer to establish a remuneration committee of which the majority of members (including the chairman) are INEDs (Rule 3.25 (GEM Rule 5.34));
* the board to approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties (Rule 3.26 (GEM Rule 5.35)); and
* an issuer that does not comply with these Rules to announce its reasons for non-compliance immediately and rectify its non-compliance in three months (Rule 3.27 (GEM Rule 5.36)).

Several existing CPs have been amended to:

* require professional advice provided to a remuneration committee to be “independent” (CP B.1.1);
* provide 2 alternative models for a remuneration committee’s terms of reference so that it may either: (i) determine the remuneration packages of executive directors and senior management itself; or (ii) play an advisory role to the board, with the board having final authority to approve the remuneration of directors and senior management (CP B.1.2(c)). The revised Code also requires that an issuer must disclose in its Corporate Governance Report which of the two models of remuneration committee it adopted (new mandatory disclosure requirement under paragraph L(d)(i) of the Code). Where the second model is adopted, and the board resolves to approve remuneration or compensation with which the remuneration committee disagrees, it is a RBP that the board should disclose reasons for the resolution in the next Corporate Governance Report (RBP B.1.6); and
* require the remuneration committee to review all management remuneration proposals (and not just performance-based remuneration) by reference to the board’s corporate goals and objectives (CP B.1.2(b)).

### Nomination Committee – Effective 1 April 2012

The following RBPs have been upgraded to CPs with some amendments:

* the requirement that an issuer must establish a nomination committee of which the majority of members are INEDs and the chairman is either an INED or the board chairman (CP A.5.1);
* the nomination committee’s written terms of reference described in the Code and the requirement for those terms to be made available on both the issuer’s and the Exchange’s (or the GEM) websites (CP A.5.3);
* the duties of the nomination committee have been amended to require them to review the structure, size and composition of the board at least annually and that recommendations from these reviews should complement the issuer’s corporate strategy (CP A.5.2); and
* the requirement for issuers to ensure that nomination committees have sufficient resources to perform their duties. A new requirement has been added that issuers should bear the expense if the nomination committee needs to seek independent professional advice (CP A.5.4).

The Code has also been amended to require an issuer to disclose in its Corporate Governance Report a summary of the work performed by the nomination committee during the year, including the nomination procedures and the process and criteria adopted by the nomination committee or, if none, the board of directors to select and recommend candidates for directorship (new mandatory disclosure requirement under paragraph L(d)(ii) of the Code).

### Corporate Governance Functions – Effective 1 April 2012

A new CP D.3.1 sets out the following corporate governance duties to be performed by the board of directors or by one or more board committee(s) to which such duties are delegated:

* to develop and review the issuer’s corporate governance policies and practices and make recommendations to the board;
* to review and monitor the training and continuous professional development of the directors and senior management;
* to review and monitor the issuer’s policies and practices on compliance with legal and regulatory requirements;
* to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
* to review the issuer’s compliance with the Code and disclosure in the Corporate Governance Report section.

The Code has also been amended to require an issuer to disclose in its Corporate Governance Report the corporate governance duties performed by the board or the committee(s) under CP D.3.1 (new mandatory disclosure requirement under paragraph L(d)(iii) of the Code).

### Audit Committee – Effective 1 April 2012

RBP C.3.7, which recommends that an audit committee’s terms of reference should include requiring it to review the avenues for employees to voice concerns about financial reporting improprieties, has been upgraded to CP C.3.7. CP C.3.3 has been amended to require audit committees to meet the issuer’s external auditor twice annually at minimum. New RBP C.3.8 has been introduced to recommend audit committees to establish a whistleblowing policy and system for employees and those dealing with the issuer (e.g. customers and suppliers) to raise concerns in confidence with the audit committee about possible improprieties related to the issuer.

Issuers are required to disclose in their Corporate Governance Reports a summary of the audit committee’s work including a report on how it met its responsibilities in its review of the quarterly (if relevant), half-year and annual results and internal control system (new mandatory disclosure requirement under paragraph L(d)(iv) of the Code).

### Website Publication of Terms of Reference of Nomination, Remuneration and Audit Committees – Effective 1 April 2012

CPs A.5.3, B.1.3 and C.3.4 require issuers to publish the terms of reference of their nomination, remuneration and audit committees on their own and the Exchange (or GEM) websites. The Exchange’s FAQs state that while compliance is required by 1 April 2012, issuers may publish such terms of reference on websites at any time from 1 January 2012.

## Board Evaluation – Effective 1 April 2012

A new RBP B.1.9 recommends that the board should conduct regular evaluations of its performance. The evaluation would cover the performance of the board as a whole, but not the performance of individual directors.

## Board Meetings

### Directors’ Attendance – Effective 1 April 2012

The Code has been modified as follows:

* a note has been added to provide that attendance at board meetings must be in person or by electronic means (including telephone or video-conferencing) (which will be considered to be physical attendance subject to the issuer’s constitutional documents and the laws of the issuer’s place of incorporation) (Note 1 to paragraph I of the Code);
* issuers must disclose in their Corporate Governance Report:
  1. the number of board and general meetings attended by each named director (a note has been added that where a director is appointed part way through a financial year, his attendance should be stated by reference to the number of board meetings held during his tenure)(New mandatory disclosure requirement under paragraph I(c) of the Code); and
  2. for each named director, the number of board or committee meetings he attended and separately the number of board or committee meetings attended by his alternate)(New mandatory disclosure requirement under paragraph I(d) of the Code). Attendance at board or committee meetings by an alternate director is not counted as attendance by a director himself.

### Resolutions in which a Director is Interested – Effective 1 January 2012

Rule 13.44 (GEM Rule 17.48A) has been amended so that a director can no longer vote on resolutions concerning a company in which he has an interest of less than 5%. The 5% exemption set out in Note 1(3) of Appendix 3 to the Listing Rules will be removed. The Exchange will clarify by way of FAQs that a director should not abstain from voting on resolutions in relation to dividend payments if that director is a shareholder.

## The Chairman And Chief Executive

### Disclosure of Remuneration of the Chief Executive – Effective 1 January 2012

The remuneration of chief executives who are not directors must be disclosed in issuers’ annual reports (paragraph 24 of Appendix 16/GEM Rule 18.28) and in any announcement of their appointment under amended Rule 13.51 (GEM Rule 17.50).

### Chairman’s Responsibilities – Effective 1 April 2012

Other amendments have been made to the Code in relation to the role of the chairman. In particular, the following RBPs have been upgraded to CPs, placing greater emphasis on the roles and responsibilities of the chairman:

* RBP A.2.4, which requires the chairman to provide leadership for the board, ensure that the board works effectively, discharges its responsibilities and discusses all appropriate issues in a timely manner;
* RBP A.2.5, which has been amended to require the chairman to take primary responsibility for ensuring that good corporate governance practices and procedures are established;
* RBP A.2.6, which requires the chairman to encourage all directors to participate in the board’s affairs and to ensure that the board acts in the issuer’s best interests;
* RBP A.2.7, which requires the chairman to hold meetings with NEDs (including INEDs) at least annually without the executive directors present;
* RBP A.2.8, which requires the chairman to ensure that the views of shareholders are communicated to the board via effective means; and
* RBP A.2.9, which requires the chairman to facilitate the contribution of NEDs and ensure constructive relations between executive directors and NEDs.

## Senior Management

### Disclosure of Remuneration – Effective 1 April 2012

New CP B.1.5 requires senior management remuneration to be disclosed in the annual report by band.

### Management Updates – Effective 1 April 2012

New CP C.1.2 requires an issuer’s management to provide all board members with sufficiently detailed monthly updates so that they may assess the issuer’s performance, position and prospects. These updates need not be management accounts, but may be as simple as a short summary or a statement to the effect that the issuer’s business is operating as usual. If management updates should take the form of management accounts or contain financial data, they need not contain price-sensitive information, but directors are not absolved from the obligation to set up adequate systems, processes and procedures to identify and disclose price-sensitive information.

## Company Secretary

### Professional Training

New Rule 3.29 (GEM Rule 5.15) will require company secretaries to attend at least 15 hours of professional training per financial year. To help issuers comply with this new Rule, the following transitional arrangements will be made:

**A person who was a company secretary of an issuer…**

**…does not need to comply with Rule 3.29 (GEM Rule 5.15) until 1 August of…**

on 01/01/2005

2011

between 01/01/2000 and 31/12/2004

2013

between 01/01/1995 and 31/12/1999

2015

on or before 31/12/1994

2017

### Qualifications and Experience – Effective 1 January 2012

In the Main Board Rules, the academic/professional qualifications or experience that enables a person to serve an issuer as company secretary have been moved from Rule 8.17 to new Rule 3.28. In the GEM Rules the requirements are set out in Rule 5.14. Rule 3.28 (GEM Rule 5.14) sets out the two requirements that enable a person to act as a company secretary. These are: (a) academic or professional qualifications; and (b) relevant experience. The Exchange will consider one or both of these factors in assessing an individual’s suitability to serve as company secretary. A note on academic/professional qualifications lists three that the Exchange considers acceptable. These are:

* membership of the Hong Kong Institute of Chartered Secretaries;
* being a solicitor or barrister (as defined in the Hong Kong Legal Practitioners Ordinance); or
* qualification as a certified public accountant (as defined in the Professional Accountants Ordinance).

The note on assessing “relevant experience” states that the Exchange will consider the individual’s:

* length of employment with the issuer and other issuers and the roles of the person in such employment;
* familiarity with the Listing Rules and other relevant laws and regulations;
* relevant training in addition to the minimum professional training requirement under the new Rule 3.29; and
* professional qualifications in other jurisdictions.

### Residency – Effective 1 January 2012

The requirement under Rule 8.17 for company secretaries to be ordinarily resident in Hong Kong has been removed.

### Mainland Issuers – Effective 1 January 2012

Company secretaries of Mainland issuers are now required to meet the same requirements as those for all other issuers following the repeal of Rule 19A.16 (GEM Rule 25.11).

### Role and Responsibilities According to a New Section to the Code – Effective 1 April 2012

The Code has been revised to include a new section F entitled “Company Secretary”. The Principle to this section sets out the role and responsibilities of a company secretary which include the following:

* supporting the board;
* ensuring good information flow within the board;
* ensuring board policy and procedures are followed;
* advising the board on governance matters; and
* facilitating induction and directors’ professional development.

New CPs in section F set out the following requirements:

* a company secretary must be an employee of the issuer and have knowledge of its day-to-day affairs;
* where a company secretary is an external service provider, the issuer must give the name of a person with sufficient seniority at the issuer as a contact person to the service provider;
* the selection, appointment or dismissal of a company secretary should be subject to a board decision at a physical meeting;
* a company secretary must report to the chairman of the board or the chief executive; and
* all directors should have access to the advice and services of the company secretary to ensure that board procedures and applicable laws and regulations are followed (CPs F.1.1 to F.1.4).

## Shareholder Relations

### Disclosures in the Corporate Governance Report – Effective 1 April 2012

#### Shareholders’ Rights

Pursuant to paragraph O of the Code, the recommended disclosure of shareholders’ rights in the Corporate Governance Report has been upgraded to a mandatory disclosure requirement. Accordingly, issuers must disclose in their Corporate Governance Reports: (a) how shareholders can convene an extraordinary general meeting; (b) the procedures for submitting enquiries to the board and contact details to enable enquiries to be properly directed; and (c) the procedures and sufficient contacts for submitting proposals at shareholders’ meetings.

#### Changes to Constitutional Documents

Pursuant to paragraph P of the Code, it will be mandatory to disclose in the Corporate Governance Report a summary of any significant changes to the issuer’s constitutional documents made during the year.

### Communication Policy – Effective 1 April 2012

New CP E.1.4 requires issuers to establish a shareholder communication policy that should be reviewed on a regular basis.

### Publications on the Issuer’s Website – Effective 1 April 2012

New Rule 13.90 (GEM Rule 17.102) requires an issuer to publish on its website an up-to-date consolidated version of its constitutional documents. The constitutional documents must also be published on the Exchange’s website.

New Rule 13.51D (GEM Rule 17.50C) requires an issuer to publish on its website the procedures for shareholders to propose a person for election as a director.

## Shareholders' General Meetings

### Bundling of Resolutions – Effective 1 April 2012

CP E.1.1 has been amended to require issuers to avoid “bundling” resolutions unless they are interdependent and linked so that it is appropriate to propose them as one resolution. Where resolutions are “bundled”, the issuer should explain the reasons and implications of the “bundling” in its notice of the meeting.

### Voting by Poll – Effective 1 January 2012

Rule 13.39(4) (GEM Rule 17.47(4)) has been amended to allow the chairman, acting in good faith, to exempt purely procedural and administrative matters from being voted upon by poll (and allow them instead to be voted on by a show of hands) at a general meeting. A note provides that procedural and administrative matters are those that: (i) are not on the agenda of the general meeting or in any supplementary circular to members; and (ii) relate to the chairman’s duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, while allowing shareholders a reasonable opportunity to express their views. The Exchange has given examples of such circumstances in the FAQs.

Rule 13.39(5) (GEM Rule 17.47(5)) has been amended to clarify that an announcement of poll results must disclose the number of:

* shares entitling the holder to attend and vote on a resolution;
* shares entitling the holder to attend and abstain from voting in favour of a resolution;
* shares of holders required by the Rules to abstain from voting; and
* shares voted for and against a resolution.

CP E.2.1 has been amended so that the chairman may explain the procedures for conducting the poll and answer shareholders’ questions in relation to voting by poll at any point in the meeting (i.e. this no longer has to be done at the commencement of the meeting).

### Approval to Appoint or Remove an Auditor – Effective 1 January 2012

New Rule 13.88 (GEM Rule 17.100) requires an auditor’s appointment or removal before the end of its term of office to receive shareholder approval at general meeting. An issuer must send to its shareholders a circular containing any written representation from the auditor on its removal. At the general meeting to approve its removal, the auditor must be allowed to make written and verbal representations.

### Directors’ Attendance – Effective 1 April 2012

New CPs A.6.7 and A.6.8 have upgraded to CPs the former RBPs which require NEDs (including INEDs) to attend board meetings, committee meetings and general meetings and contribute to the issuer’s strategy and policies.

The Code has been amended to require issuers to disclose the attendance at general meetings of each director by name (new mandatory disclosure requirement in paragraph I(c)).

### Invitation to Chairmen to Attend – Effective 1 April 2012

CP E.1.2 has been amended to require the chairman of the board to invite chairmen of all other committees to attend annual general meetings along with the board chairman and the chairmen of the audit, remuneration and nomination committees.

### Auditors’ Attendance – Effective 1 April 2012

CP E.1.2 has been amended to require the issuer’s management to ensure that the external auditors will attend the annual general meeting to answer questions in relation to the audit, the auditors’ report, the auditors’ independence and the issuer’s accounting policies.

## Merger Of Corporate Governance Report And Code – Effective 1 April 2012

With effect from 1 April 2012, the Corporate Governance Report in Appendix 23 of the Rules (Appendix 16 of the GEM Rules) will be merged with the Corporate Governance Code in Appendix 14 of the Rules (Appendix 15 of the GEM Rules). The requirements for the Corporate Governance Report will be set out at paragraphs G to P of the Corporate Governance Code.

## Plainer Language

A number of other amendments were made to the Listing Rules and the Code in relation to the policy changes set out in the Consultation Conclusions, so as to use plainer language for ease of comprehension.

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