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February 2016

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The journal of The Hong Kong
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The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies in Hong Kong and throughout China, as well as the development of the profession of the Chartered Secretary. The HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994, and today has over 5,800 members and 3,200 students.

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上月，香港特许秘书公会2016年公司秘书／董事会秘书圆桌会议在港召开，多家内地在港上市企业的代表聚首一堂，分享了大家对风险管理的看法和实施内控制度的经验。

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Chinese New Year greetings!

The Institute's secretariat in Hong Kong will close on the public holidays between 7 and 10 February 2016. The Beijing Representative Office will close during the Chinese New Year holidays between 7 and 13 February 2016. The Institute would like to wish *Kung Hei Fat Choy* to all members and friends. May you and loved ones have good health and good fortune in the Year of the Monkey!



IT and the company secretary

We have heard a lot about IT risks in recent years. This is partly due to the increased focus on risk management in today's business environment and to the increasingly common spectacle of cybersecurity breaches of one kind or another inflicting serious operational, financial and reputational damage on the companies involved. Consequently, issues such as cybersecurity risk and personal data privacy risk – are, quite rightly, receiving a lot more attention from members of our profession. You may be relieved to discover, however, that the negative consequences of the information technology revolution are not the topic of this month's *CSj*, but rather the reverse, the focus is on the tools designed to improve the efficiency with which we do our jobs.

Our cover story this month (pages 6–11) focuses on one such tool – the board portal. The board portal, as readers will no doubt be aware, offers a digital platform for board communications. It emerged over a decade ago as the 'digital board pack', but has since evolved into a much more comprehensive platform for board communications and document management. One of the interesting things to emerge from our cover story this month is just how much diversity there is in the way this tool has been adopted in Hong Kong. This perhaps should not come as too much of a surprise. While unitary

boards follow the same basic model, no two boards are the same – a lot depends on the history of the company and the culture that has developed in the way the board operates.

This diversity of approach is reflected in the way the board portal has evolved in Hong Kong – boards have been taking their own approach to what they want out of this tool. This month's cover story cites the fact that some 85–90% of companies in Hong Kong host their own board portals internally. This contrasts with the situation in the West, where 85–90% of boards use an external service provider. There are some fairly obvious advantages to going digital for your board communications – the compilation, annotation and distribution of board papers is an easier and faster task when you are dealing with electronic rather than paper documents. Moreover, using less paper is a major consideration in our more environmentally conscious age. But the emphasis in Hong Kong has been on having a system that is easy to use and suited for the specific needs of the company.

In conclusion then, IT has been good to the company secretary, but the company secretarial function is not about to be 'automated' any time soon. The efficiency with which company secretarial departments carry out administrative tasks

such as records management, regulatory filing and organising meetings has been greatly enhanced by IT tools, but there isn't a hardware or software out there that I know of that can advise directors on corporate governance best practice as it relates to the specific challenges the company is facing. Indeed, perhaps the greatest value of IT tools is that they have freed us up to focus on the really tough aspects of our calling – in particular the strategic and advisory aspects of our role.

Before I go, I would like to give a hearty thanks to all involved in the Annual Dinner. We had a record-breaking attendance this year filling to capacity the Ballroom at the JW Marriott. Special thanks also to Ada Chung, Registrar of Companies, for her excellent Guest of Honour address. I would also like to take this opportunity to wish all our members and friends a healthy, happy and prosperous Year of the Monkey!

Kung Hei Fat Choy!

A stylized, handwritten signature in black ink, appearing to read 'Ivan Tam'. The signature is fluid and cursive, with a prominent flourish at the end.

Ivan Tam FCIS FCS

资讯科技与公司秘书

近年来，我们听到很多人谈论资讯科技风险。究其原因，一方面是今天的营商者日益注重风险管理，另一方面是各种网络保安违规情况越加常见，对相关公司的运作、财务及声誉造成严重损害。因此，网络保安风险、个人资料私隐风险等议题，自然更获特秘书关注。不过，本刊今期的主题并非探讨资讯科技革命所带来的负面影响，而是介绍用以提升我们的工作效率的各种工具。

本期的封面故事（第6至11页）重点讨论其中一种工具——董事会电子文件管理系统。大家都知道，董事会电子文件管理系统提供数码平台让董事会沟通，十多年前以董事会电子文件夹的形式面世，后来演化为全面的平台，方便董事会沟通和管理档案。本期封面故事指出一个有趣现象：香港公司采用数码工具的方式林林总总。各董事会基本模式虽然相近，但也不会一模一样，具体应用数码工具的情况，相当视乎公司的历史和董事会运作中所倡导的文化。

从董事会电子文件管理系统在香港的演化情况可见其多样化的特点。各董事会分别采取不同的方式，运用这工具。本期封面故事引述以下事实：85-90%的香港公司在内部自行管理自己的董事会电子文件管理系统，这与西方国家85-90%的董事会聘用外间服务提供者的情况大相径庭。董事会以电子方式沟通，好处相当明显：以电子方式编制、注释和分发董事会文件，会比较以纸张形式处理文件容易和快捷。此外，在环保意识日强的年代，减少耗用纸张是重要的考虑因素。而在香港，考虑的重点是采用方便易用的系统，配合公司的独特需求。

总括而言，资讯科技为公司秘书带来裨益，但公司秘书的职能难以被「自动化」。有了这些资讯科技工具，公司秘书部门处理档案管理、按规定提交报表、安排会议等行政工作的效率得到大大提升，但我不曾听闻有任何硬件或软件可向董事提供企业管治最佳做法的意见，原因是这些意见因公

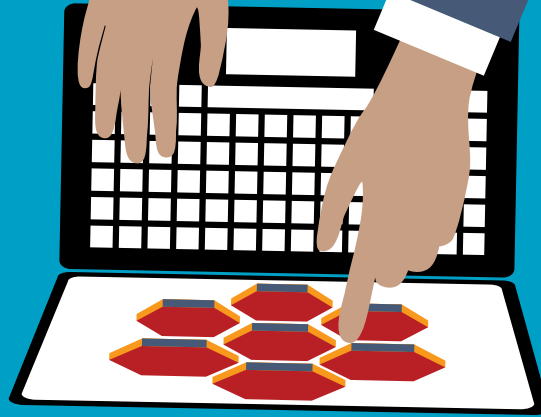
司面对的独特挑战而异。的确，资讯科技工具的最大价值，大概是让我们有更多时间专注于公司秘书工作中真正困难的部分，尤其是策略性和谘询性质的职务。

最后，让我衷心感谢所有参与周年晚宴的人士。今年出席晚宴的人数打破历年纪录，万豪酒店整个宴会厅座无虚席。我特别感谢当晚的主礼嘉宾公司注册处处长鍾丽玲为我们作精彩的致辞。藉此机会，我也恭祝全体会员和各方友好猴年进步，身体健康，喜气洋洋，万事胜意。

恭喜发财！



谭国荣先生 FCIS FCS



Board portals – a company secretarial perspective

CSj interviews company secretaries in Hong Kong for their views on how board portals have impacted their work, which systems they prefer and why the old-school paper system is still favoured by some.





Board portals first came to prominence in the early 2000s, and were used primarily as a hands-on tech tool to simplify document administration and improve communication with and among board members. However, portals remained a rarity until the appearance of the iPad in 2010 which made it increasingly easy to access and manage relevant board material on a tablet. The other factors that propelled market development included a group of progressive directors who were simply weary of bulky board books and, being enthusiastic about technology, promoted electronic access to meeting materials, although the early portals did little more than provide basic online access.

The second driver in the US, which was where board portals were pioneered, was the passage of the 2002 Sarbanes-Oxley Act which threw a spotlight on board portals as a vehicle to drive governance enabling directors to access vast amounts of information immediately.

Hong Kong's approach to the board portal, however, differs in some important aspects to the approach taken in other developed jurisdictions. Firstly, the market is relatively small compared with the US, UK, Europe and Australia. Phillip Baldwin, Director of software firm ICSA Boardroom Apps Ltd which sells the 'BoardPad' system, says that most medium-sized and small listed firms in Hong Kong are not

using a board portal system. 'In the US and Europe the question is *which* system to use. In Hong Kong, the question is rather *if* they should use a digital system at all. It's a developing market', says Mr Baldwin. He speculates that this may be because many Hong Kong companies have primarily local operations and market reach, and are often run by families where decisions can be made around the dinner table.

Secondly, while most of the 50 largest listed companies have some sort of board portal system, some have developed their own system and most want to host their portal on their own servers. Mr Baldwin estimates that some 85-90%



of companies in Hong Kong host their portals internally. In the West, the ratio is the opposite; 85-90% use a hosted system, often in the UK, US or even a local data centre. Most board portal providers don't offer this option and so companies must use a cloud-based hosting service. 'For local companies there seems to be a reluctance to outsource the hosting of information, while this isn't an issue for our service which can be hosted in-house or in our data centres, it does limit choice and many companies want at least three options to look at. That said, the market is developing and growing steadily here and the Mainland market has huge potential,' says Mr Baldwin.

James Wong, Chief Executive Officer, Computershare Asia, points out that board meeting materials sometimes contain price-sensitive information and this is one of the reasons companies prefer to keep such data on their own servers.

In-house systems

Lenovo, the world's biggest PC maker, is using an in-house board portal

Highlights

- companies planning to switch to a board portal should 'do their homework' – it is important to get a system that is easy to use and suited to the company's specific needs
- technological advances are steadily improving the usability of digital systems
- Some 85-90% of companies in Hong Kong host their portals internally

developed by its own team. When the company first started looking at switching to a digital board pack in 2005, there were not many options on the market, remembers Eric Mok, Company Secretary and Assistant General Counsel at Lenovo Hong Kong.

'We were among the first listed companies in Hong Kong looking at board portals', he says. 'At the time there were no such software companies in Hong Kong and we had initially only contact with suppliers in the US'.

After Lenovo's acquisition of IBM's Personal Computer Division, the company was looking to implement an American style of board management, Mok says. Due to confidentiality requirements regarding internal information and the lack of software options in Hong Kong, they chose to develop their own board portal system.

'At the time, it felt more safe. We didn't have to deal with confidentiality issues when using our own system in the same way as if we were to use an external system', he says. 'I'm sure many positive things have happened in the market since then and that there are many very good board portal companies'.

A digital meeting solution is also preferred as Lenovo often holds its board meetings in different cities across the globe. Eric Mok explains that the system works effectively from the board's perspective, although not being as fancy as other systems on the market.

'It serves the purpose of keeping all board materials on hand and delivering board materials to directors. A high level of confidentiality is of great importance, so

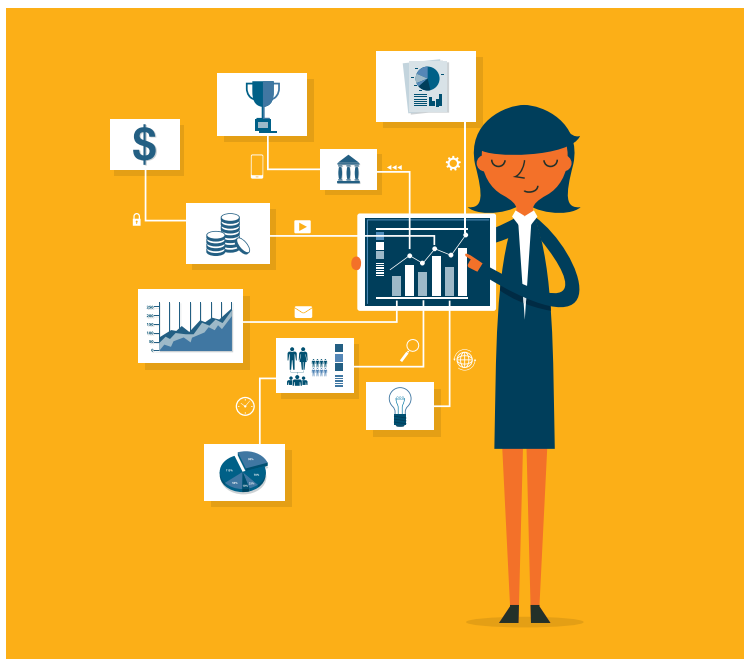
we are happy with this system, although we are always looking for enhancements and improvements'.

CK Hutchison Holdings also opted for an in-house board portal system when it set up its own system back in 2008. Edith Shih FCIS FCS(PE), the firm's Head Group General Counsel and Company Secretary, says the system has delivered on its promises – it has simplified document administration, improved the level of communication with directors and saved a lot of paper.

'We don't have to be Hercules and lug heavy box files around. Many of our directors are tech-savvy and welcome the use of board portals. We can send communications anytime during or after office hours, especially board papers. The directors can also access board papers anywhere and anytime. We save manpower on physical delivery of board papers and can reach out to directors anytime,' she says.

Confidentiality and data security were again part of the rationale for opting for an in-house system. The system ensures that communications are only accessed by the intended recipients and do not have to go through secretaries or other intermediaries. In terms of record keeping, however, the company still keeps hard copies. 'We would not just rely on the portal, that is, we always keep a hard copy on file,' Ms Shih says. Moreover, the portal has not replaced the existing channels for board communication.

Ms Shih's advice to other companies planning to switch to a board portal is first and foremost to seek advice from the company secretary. 'When the company secretary understands how to operate



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When the company secretary understands how to operate the system, the directors are more likely to make use of it
”

Edith Shih, Head Group General Counsel and Company Secretary, CK Hutchison Holdings

the system, the directors are more likely to make use of it,' she says. She also highlights the importance of using a system that is easy to operate and suited for the specific needs of the relevant company. 'Use a simple system, adequate for the objectives one wants to achieve. There are many fancy systems in the market. If you need a Toyota, don't pay for a Ferrari!'

Another key aspect to consider in the switch to a board portal is that the transition will inevitably involve changes in the way directors receive and interact with board documentation. At a minimum, companies have to ensure that directors are well briefed on how to access and use the portal. Ms Shih points out that there will usually be some directors who opt not to use the portal – enforcing use of the paperless board pack and communication system from day one might therefore be difficult to implement, but in due course those directors might retire or might learn to use the portal. The

Hutchison system now needs relatively little IT support, she adds. From time to time passwords need to be reset, but generally the system runs smoothly.

Third-party systems

Jardine Matheson introduced a third-party board portal in 2012. Neil McNamara, Group Corporate Secretary and Director of Group Corporate Affairs, says that the main goal in implementing the system was both to reduce the amount of paper being used and to better connect board members in different parts of the world. The system runs on the company's own servers.

'We have directors in different jurisdictions and we thought it would be more convenient for them to access board papers via a board portal,' Mr McNamara explains. He adds that Jardine Matheson chose a system it could host on its own server and it has been well received by directors, although the company is in an evolutionary stage of implementation.

'One of the problems initially, and still, is the complexity of annotation and mark-up tools. Some directors still like to write things down on paper', he says. 'But I think over the next couple of years, people will find it easier to use a tablet as the products on the market become more sophisticated!'

Technological advances are steadily improving the usability of digital systems. The new iPad Pro, for example, has been enhanced with a larger A4 size screen and the Apple pencil, which allows you to draw and write with precision. 'You can now write on the screen much more accurately than in previous systems,' he says. 'It is also convenient for directors going on flights to bring the iPad to look at documents, and for the meeting organisers it makes the process of updating and revising the board papers more streamlined and effective. It provides much more flexibility in using the content.'

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board meeting
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information and this
is one of the reasons
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their own servers
”

However, for company secretaries, using a board portal can make life both easier and more difficult. 'As we don't require people to use iPads, there are still many people using paper versions. So it actually makes our life more complex,' he says. 'But I suppose it's just a matter of time before more people will move across to the iPad version as they get more used to it. It's a transition mode.'

Hong Kong Rugby Union (HKRU) opted to have its portal hosted externally on the provider's server. The organisation's CEO, Vern Reid, says the HKRU was looking to create paperless boardroom meetings and to increase the board's efficiency. 'Apart from all the obvious features, such as being able to track documents relatively easily and to call up previous board minutes, the great attraction for me is to being able to – even in the eleventh hour – upload additional material ahead of a board meeting,' he says. 'This is a key component that I really like.'

Anson Bailey, a member of the HKRU board, says that the new system has made life easier and that the transition from paper to digital has been smooth for all board members. He highlights the fast recall of previous meetings minutes and late upload of last-minute papers as useful features of the software. 'One of the challenges is that we are faced with an increasing amount of data and so we really need the portal to provide us with the facts and figures at our fingertips where we can refer back to various data points in previous board minutes or spreadsheets. It helps to collate a lot of data, so if you need to check something from previous meetings you can easily do so,' says Bailey, who is also the Principal of Business Development at KPMG in Hong Kong.

He also points out how easy it is to take the iPad out when travelling to your office or a meeting and have some downtime, and quickly read through documents and agendas. 'The ease of using the portal is really important, especially when you're dealing with time-starved senior executives. It's important that the system helps to save time,' he says. His advice to other companies and organisations contemplating switching to a board portal is to 'do your homework' and find a system suitable for your needs.

The enduring appeal of paper

As mentioned at the beginning of this article, the uptake for board portals has been relatively slow in Hong Kong. There can be diverse reasons for resisting the move away from paper. CSj talked to the MTR Corporation Ltd as one of the large-scale companies that haven't made the switch to digital board packs. Gill Meller, Legal Director and Company Secretary of MTR Corporation Ltd, explains that

the company's previous chairman – who stepped down on 31 December 2015 – preferred to use paper and there wasn't really a strong push from other board members to change to a digital format.

'It's just a preference. There are certain things you do on a screen and other things you may like to print and read more closely. I guess some share this old-school approach. You read things sometimes in more depth if it's on paper. On a screen you tend to scan through,' she says.

The fact that all board members are based in Hong Kong also makes it less urgent to move to a digital solution, Ms Meller adds. 'But I can absolutely see the benefits of having an online solution. For example, it would make it easier for board members to dig out documents from previous meetings,' she says. 'I will raise the issue with our new chairman. We should be asking ourselves whether this is a switch we'd like to make.'

Johan Nylander

Journalist


A number of board portal suppliers have opened offices in Hong Kong in recent years, including those listed below.

*Azeus Systems Ltd
www.azeusconvene.com*

*Boardvantage Inc
<http://boardvantage.com/hk>*

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Going global

Eric Mok FCIS FCS, Company Secretary and Assistant General Counsel, Lenovo Group, tells CSj about the challenges and rewards of working as a company secretary for an organisation that has made the transition from a domestic to a multinational corporation.

Computer maker Lenovo Group was originally founded in a dusty, two-room Beijing guardhouse in 1984. Today, it's the largest PC maker in the world and a Fortune 500 frontrunner in smart connected devices with employees in more than 60 countries. But the initial innovative and entrepreneurial spirit is still present in the company culture today.

That became more than clear for Eric Mok when he became the firm's global company secretary in 2005. Just a few months earlier, Lenovo had acquired IBM's famed Personal Computer Division (PCD) in a US\$1.25 billion deal. This became the starting shot for the company's radical and sometimes challenging transformation from a local Chinese to a truly global corporation.

'It was very exciting at the time', Eric Mok said in an interview with CSj. 'It was a big challenge for the company. From my perspective, as company secretary on the board of directors, it was also very challenging.'

Can we start by discussing your personal and professional background?

'I initially trained as a company secretary. I graduated from the Hong Kong Polytechnic with a Professional Diploma in Company Secretaryship and Administration and, by the time I graduated, I had also completed all the external examinations of the Chartered Secretarial qualification. I was recruited as a Graduate in the Corporate Secretarial Department of Ernst & Whinney, one of the then "big eight" CPA firms, but when I graduated and reported for duty, the firm had already merged with Arthur Young, another CPA firm, to become the existing Ernst & Young. The Corporate Secretarial Department of Ernst & Young was later restructured as Tengis Ltd which is now a part of the Tricor Group.

Tengis was one of the best corporate secretarial practices at that time and I spent two years over there and at the same time I completed the UK Common Professional Examination. I was then enrolled to study the Postgraduate Certificate in Laws (PCLL) at The University of Hong Kong. After the PCLL, I articulated and practiced as a solicitor in a law firm in Hong Kong focusing on corporate, commercial and litigation areas.

As my interest is in the corporate area, I then moved in-house and worked as the legal counsel and company secretary for a succession of listed companies. I joined Lenovo as the Company Secretary and Assistant General Counsel in 2005, a few months after the acquisition of the IBM PCD.'

It would be interesting to hear more about Lenovo's transition from a domestic Mainland Chinese firm to a multinational corporation – can you tell us about that experience?

'At the time of the IBM PCD acquisition, Lenovo was the ninth biggest PC company in the world and was basically a Chinese company with very limited overseas business. After the acquisition we suddenly doubled the number of our employees, with many new people coming from IBM in the US.

Before, all seven board directors were Chinese – the composition was relatively simple. Afterwards, we had five US directors joining the board. We had some American equity funds invested in our business and they nominated US directors to sit on our board. With these new American directors joining the board, it became a very interesting time to see how East meets West. To me, it was also a challenging and remarkable experience.'

How did this affect the board dynamics?

'The language was a big challenge. At the time, not all of our Chinese directors could speak fluent English. The company made a decision to use English as the medium of communication in board meetings.'

Why did the company make that decision?

'We had a very strong determination to become a global company and to compete with global players. In addition to making changes in the business and organisation, the company needed to keep up with the best corporate governance

Highlights

- working as a company secretary of a global company has its challenges – particularly in terms of working across several time zones – but the work is anything but routine
- the acquisition of IBM's Personal Computer Division in 2005 meant that Lenovo doubled the number of its employees, with many new people coming from IBM in the US
- after the acquisition, the company switched to using English at board meetings to improve its communications and help attract well-qualified people to the board

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determination to become
a global company and to
compete with global players
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practices in the global market. Using English as a medium of communication would help to attract well-qualified people to the board and would naturally make communication with the world better!

You mention the need for the company to keep up with the best corporate governance practices – how has Lenovo and its founder and directors adapted to global corporate governance regulations and expectations via their Hong Kong listing and having international stakeholders?

'Looking back, it seems to me it was a natural development. As I mentioned, after the acquisition of the IBM PCD, the company had a strong determination to become a global corporation. We knew that this meant keeping up with the best corporate governance practices in the global market. With this understanding, directors and management have a high expectation of our corporate governance practices and this has made it relatively easy to adapt to the changes we needed to make in these areas.'

Lenovo CEO Yang Yuanqing has been ranked one of the world's best CEOs by Barron's and Founder Liu Chuanzhi was already in 2005 named 'China's high-tech hero' by the Financial Times. What is it like working with these leaders?

'As you may guess, they have a high expectation of your performance. You need to practice a high level of professionalism to win their trust in your work. You can never say something without a solid base. I'm very happy that I have such a good working relationship with them, but also with the whole board of directors and senior management team.'

Lenovo is in an extremely fast-moving industry – has the company been able to retain its initial entrepreneurial spirit?

'We are still very hungry, both in terms of technology and business. The IT industry is moving very fast and we have to stay hungry for new innovative technology. We are also keen to enter into new markets. Today, we have employees in more than 60 countries and are looking to develop business in more countries, especially developing markets. It's very important to keep up this spirit.'

It's been 10 years since the acquisition of IBM PCD and we are quite proud of what we have accomplished during this decade. Our share of the global PC market has risen from 2% to 21%, our turnover has risen from US\$3 billion to US\$46 billion and we have gone from selling only PCs to being the world's third biggest tablet maker. We've also become a Global Fortune 500 company.

During the decade, we've seen very big changes, and actually made eight successful acquisitions in addition to IBM PCD. In January 2014 we bought mobile phone handset maker Motorola Mobility from Google. Just a few weeks earlier we acquired IBM's "x86" server business.'

What was your role as the company secretary in these acquisitions?

'For the Motorola acquisition, our team participated in the transaction mainly in terms of the approval process and ensuring compliance with the Hong Kong listing rules and securities regulations. We also participated in the final completion

arrangements. Due to the sensitivity of the transaction, we stayed awake through the night to await the signing of the agreement. Although we had already prepared an announcement, we had to be prepared for any last-minute changes made during the night. We had to make sure we published the statement at the right time and also that the agreement complied with all regulations. It was exciting and we – the whole team – were experienced in dealing with this kind of transaction as this was the eighth acquisition since the IBM PCD deal in 2005. We worked very closely with other professional parties to make sure we complied with the listing rules requirements and that all information went out to the public in a fair way.

Timing was critical. The Hong Kong stock exchange has a specific time slot for putting up announcements. If you miss the 8.30am deadline, before trading starts, you have to wait till 12noon. And you might also have to apply for suspension of trading of the shares until noon – that's a big problem. Another difficulty is controlling the flow of information. You have to keep news of the deal confidential until it is signed and an announcement can be made. We had very strict internal procedures in the company to control these things!

Does the current announcement slot cause problems for companies disclosing important events in other time zones?

'Yes and we've actually talked informally about this issue with the stock exchange. Currently, the announcement time in the morning session is only 6:00am–8:30am. This is naturally set for Hong Kong time but many companies in Hong Kong enter into transactions in the US. How do you expect them to fulfil the requirements when they also want to hold a press conference in the US before the market closes there? This is not the way to do business. It's also very hard to get press coverage if we publish the news too late in the US, so we could lose the value of news.'

Lenovo has operations in more than 60 countries and has four 'key location' offices in the US, China, Hong Kong and Japan – what was the rationale behind the decision not to have a single headquarters?

'We want to be a global corporation and having one single headquarters would restrict us. Other than the four locations that you mention, we have operational centres located strategically around the world to drive global and local business. Our dispersed structure also keeps us closer to customers, enabling us to react more quickly to local market requirements.'

Being a global company, are there other international securities regulatory issues you need to consider?

'From a listing perspective, we don't have any secondary listings so our focus is on the Hong Kong rules and regulations. We have American Depository Receipts (ADRs) trading in the US so we are also required to comply with the relevant rules there. For other international rules and regulations, we have support from the company's global legal team.'

What's your approach to sustainability?

'Our approach to sustainability reflects our unique heritage having roots in both East and West. For the board of directors and senior management corporate social responsibility (CSR) is always high on the agenda. We have a team of people working solely on these issues, and the head of the CSR team is our Senior Vice-President and Chief Technology Officer.'

When you talk about CSR in terms of Lenovo you're mainly talking about manufacturing, welfare of employees and recycling of components and products. That's why we have senior management focusing on CSR. We publish our CSR report annually on our website and our Chief Technology Officer reports to the board about CSR. I believe we're doing a good job in this area. We've been awarded CSR awards many times and have been a constituent stock of the Hang Seng Corporate Sustainability Index since its inception in 2010. In two consecutive years (2015 and 2016), we were selected for inclusion in the "Global 100 Most Sustainable Corporations" index by Corporate Knights!

Are you involved in these issues too?

'CSR is about more than manufacturing – it's also about corporate governance so I'm very involved.'

Despite Lenovo's transition to being a global company, there is sometimes the assumption in the market, which your CEO has strongly denied, that Lenovo is a government-controlled company – what's your view of this issue?

'This is not correct. We are not controlled by any government. Actually, as you can see, all the shares of Lenovo are traded freely on the Hong Kong stock exchange, making us open, transparent and accountable to our public shareholders and a wide range of other stakeholders globally. Our current single largest shareholder is Legend Holdings Corporation, which is also listed on the Hong Kong stock exchange. Lenovo is the model of a modern, truly global company with freely traded

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It’s challenging but I like it. Many people think a company secretary’s job is very routine but my job is very exciting.
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shares. We have shared international and Chinese roots; seven different nationalities among our top 12 executives; over 60,000 employees across 60 countries; and global investments. In addition, we have a very independent board of directors in which seven out of the 11 directors are independent directors.

Lenovo is going through a large-scale, cost-cutting restructuring process – how are you, as the company secretary, involved?

'My first priority, just as with the acquisitions we discussed earlier, is that information disclosure is handled in accordance with the regulatory requirements. We need to decide if these kinds of restructuring plans are inside information that may affect the share price or trading and, if so, we have to ensure that the information is disclosed according to the requirements. In these issues we work closely with other teams in the company.'

In what ways is your job, as the company secretary of a global company, different from that of a company secretary of a domestic company?

'One major difference is that I often work around the clock and I travel more frequently. On one occasion I needed to wake up in the middle of the night to answer questions relating to the Hong Kong listing rules from a colleague in the US.'

We schedule at least four face-to-face board meetings through the year and we hold these meetings in different cities around the world. Other than Hong Kong, we've had these meetings in places like Beijing, Wuhan, India, Brazil, Italy, Japan, New York, Raleigh and San Francisco. So my team is relatively more mobile. The meetings can be in hotels, local offices or even in a manufacturing plant or a research centre.

Due to the global nature of the company and our Hong Kong listing, we are also required to provide training to relevant employees around the world on the Hong Kong listing rules and the processes needed to ensure compliance with the same. We also often have conference calls with colleagues from all over the world. So the work hours can be very demanding, but the company is very caring about our way of life. We've become much more flexible in terms of office hours and timing. If you've had a late conference call the previous evening, it is understandable that you may come in a bit later the next day. This is fairer and gives a better work/life balance.'

Do you enjoy working for a global company?

'It's challenging but I like it. Many people think a company secretary's job is very routine but my job is very exciting.'

Johan Nylander
Journalist



Supporting Organisation



Supporting Organisation

The Companies Ordinance Turns Two 2 March 2016 (Wednesday)

As the *Companies Ordinance* (Cap 622) moves into its third year this seminar brings together industry experts to highlight and discuss issues that are of interest to the accountant, chartered secretary and lawyer. The distinguished speakers will identify areas of difficulties facing the practitioner and will advance proposals for consideration in the next stage of reform. The seminar will include an interactive panel discussion during which members of the floor will be engaged on ways to make our *Companies Ordinance* even more business and user friendly.

- Date : Wednesday, 2 March 2016
Time : 2.30 pm – 5.45 pm (Registration at 2.00 pm)
Keynote speaker : **Ms Ada Chung JP**, Registrar of Companies, Companies Registry
Speakers & Panellists : **Mr Ernest Lee FCIS FCS(PE)**, Council Member, HKICS; Partner, Assurance, Professional Practice, EY
Mrs Natalia Seng FCIS FCS(PE), Past President, HKICS; Chief Executive Officer - China & Hong Kong, Tricor Group/Tricor Services Limited
Professor Say Goo FCIS FCS, Professor, Faculty of Law, The University of Hong Kong
Mrs Karen Ho, Consultant (Company Law), Companies Registry
Professor CK Low FCIS FCS, Associate Professor in Corporate Law, CUHK Business School (Seminar Chair)
- Level : Intermediate
Language : English
Venue : Hong Kong General Chamber of Commerce, 22/F United Centre, 95 Queensway, Hong Kong
Fee : HK\$450 for members of the HKICS, HKICPA or Law Society of Hong Kong
HK\$750 for non-members
Accreditations : HKICS (3 ECPD points)
HKICPA (3 CPD hours (TBC))
The Law Society of Hong Kong (3 CPD points (TBC))

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Risk focus

The latest HKICS Regional Board Secretaries Panel (RBSP) meeting, held in Hong Kong last month, focused on the management of risk from the perspective of Mainland companies listed in Hong Kong.

On 14 January this year, more than 30 corporate secretaries representing various Hong Kong-listed companies from the Mainland gathered at the Regional Board Secretaries Panel (RBSP) meeting hosted by the HKICS to talk about their experiences and views on risk management.

Dr Gao Wei FCIS FCS(PE), HKICS Vice-President and Board Secretary and General Counsel, Sinotrans Ltd, highlighted the new requirements in Hong Kong's Corporate Governance Code (the Code) Appendix 14 of the listing rules, regarding risk management and internal controls. He emphasised that Hong Kong-listed companies, both as a result of the new regulatory requirements and as a prudent corporate governance measure, need to adopt a structured approach to risk management. Dr Gao also highlighted the findings and recommendations of the recent HKICS/KPMG China survey on risk management – *Risk Management: Looking at the New Normal in Hong Kong*.



Dr Gao was followed at the podium by Xu Shiqing, Board Secretary, China Merchants Bank (CMB). Mr Xu gave attendees insights into the practical implementation of risk management measures by CMB and the role of the board secretary in risk management.

The presentations by Dr Gao and Mr Xu were followed by a roundtable discussion which gave attendees the opportunity to share views on the new risk management requirements in Hong Kong and to share their experiences in the practical implementation of risk management and internal control systems.

Risk management overview

Effective 1 January 2016, Hong Kong Exchanges and Clearing (the Exchange) has brought in new listing rule requirements relating to risk management and internal controls. The

Exchange's amendments to the Code, are aimed at integrating risk management into the Code; defining the roles and responsibilities of the board and management; and clarifying that the board has an ongoing responsibility to oversee risk management and internal control systems.

Other changes include upgrades of certain recommendations to Code Provisions (CPs) regarding the annual review of the effectiveness of issuers' risk management and internal control systems and disclosures in the Corporate Governance Report. Issuers are also required by a new CP to have an internal audit function in place.

As a result of the renewed regulatory requirements and the increased focus on risk governance, Hong Kong-listed companies need to adopt a structured



approach to risk management to mitigate risks that can threaten the achievement of their objectives, Dr Gao emphasised.

He also highlighted the recent HKICS/KPMG China survey on risk management – *Risk Management: Looking at the New Normal in Hong Kong* – which assesses the readiness of issuers for the more stringent requirements regarding risk management and internal control. Specifically, the survey aims to capture what the 'new normal' for risk management looks like in the region. This survey gathered data from 279 respondents from across a range of industries.

Below are the highlights of the survey's findings which Dr Gao shared with the participants.

- Despite the fact that the vast majority of respondents to the survey consider risk management as a priority on their board agenda, 34% do not regularly factor risk considerations into their planning decisions.
- Only 36% of respondents have fully developed a formal risk appetite statement which has been approved by the board and implemented.
- Only 42% of respondents believe that their companies could effectively help stakeholders understand the risk management solutions implemented, especially the underlying risk/return trade-off.
- The survey results also suggest that the correlation between risk management and the incentive structure of frontline employees tends to be weak, as about 61% of the respondents said there is no significant relation between the two.
- Only 43% believe that their internal audit could assure the top board risks are being managed. In addition, about 15% of the surveyed companies said they did not have an internal audit function.

These findings indicate that, while directors and senior executives are increasingly thinking about the risks their organisations face, there are many areas where they are failing to translate this raised awareness of risk into effective management of risk.

Dr Gao also highlighted some of the useful recommendations of the HKICS/KPMG China survey relevant to Hong Kong-listed companies from the Mainland.

Awareness of external emerging risks

External uncertainties such as the macroeconomic environment, regulatory changes and innovations are viewed as the region's top risks. Businesses need to prepare themselves for the unexpected threats and opportunities arising therefrom. However, possessing the right skill set to do so remains a key challenge. The majority (57%) of the respondents cited difficulties in understanding enterprise-wide risk exposures, and 61% indicated the need for better board and senior management team awareness.

Changing regulatory requirements

The recent amendments to the Code are seen as a significant step in bringing risk governance in line with more mature global markets. The change mandates new responsibilities for the boards, management and internal audit functions of companies listed in Hong Kong.

Highlights

- new listing rule requirements in Hong Kong require the boards of listed companies to assess and monitor risk management on a regular basis, and to improve transparency in this area
- companies should ensure that internal audit has adequate numbers of staff and access to specialists with the technical knowledge required to challenge the business
- company secretaries are responsible for helping the board set up and improve organisations' risk management frameworks

Boards are now required to determine and evaluate the level of risk they are willing to take to achieve their objectives. Management is held responsible for designing, implementing and monitoring controls to manage the risk, while internal audit needs to provide an independent appraisal of the systems.

Imperatives towards a structured approach to risk management

In view of the market trends outlined above, companies are recommended to adopt five imperatives to develop a structured approach to risk management:

1. establish risk management as a boardroom item and provide boards with insights on the top risks facing the business
2. establish a risk appetite statement to define the level and type of risk the business is willing to accept, and use it to drive strategic business decisions
3. develop and roll out enterprise-wide risk management practices to identify, manage and report on risks facing the business
4. define clear accountabilities for the management and oversight of risks across the organisation, and
5. set up an internal audit function that provides independent assurance for the effectiveness of the risk management and internal control systems.

Regarding the need to develop a risk appetite statement (see item 2 above), executives are recommended to articulate the company's strategic objectives and

performance drivers, align the risk profile to business and capital management plans, and then define and agree on thresholds in order to develop risk indicators for monitoring and reporting. The statement should finally be approved by the board, and then communicated and integrated across the organisation.

Developing an internal audit function (see item 5 above) that works requires a balance between its positioning in the organisation, the quality of its people and the processes in place to help it achieve its objectives. 'Internal audit should have unfettered access to top executives, and its reporting lines should not compromise its independence,' Dr Gao recommended.

An appropriate people strategy should also be defined so that internal audit has adequate numbers of staff and access to specialists with the technical knowledge required to challenge the business. Last but not the least, a standard methodology and a system should be put in place in order to deliver high-quality audits, track recommendations made and follow up on progress.

A case scenario: CMB's structured approach to risk management

As mentioned at the beginning of this article, Xu Shiqing, Board Secretary, China Merchants Bank (CMB) focused his presentation on the practical implementation of risk management measures by CMB. He outlined the way CMB has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. He also emphasised that CMB, as a modern bank, has placed great importance on risk control procedures and security measures in the implementation of internet banking.

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the company secretary
should articulate his
or her professional
opinions on the
organisation's risk
management measures
at board and special
committee meetings
while serving as the
bridge between the
board and management
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Xu Shiqing, Board Secretary, China Merchants Bank

In the first tier, which represents the headquarters, risks are factored into the formulation of the group's portfolio management and credit policy. Risks associated with customer life cycle and regional portfolio management are identified, assessed and managed proactively in the second tier. The third tier, which he refers to as front-line, client-facing managers, is where the gatekeeping for approval of loans to and business deals with individual businesses and customers takes place.

'A bank must ensure that the risk it is willing to tolerate is in line with its business objectives and management philosophies,' he said, adding that the risk appetite of CMB as a prudent bank is 'conservative.'

After years of efforts, CMB has developed a relatively complete risk management



Institute President Ivan Tam FCIS FCS and Past President Edith Shih FCIS FCS(PE) presenting souvenirs to speakers Xu Shiqing (second left) and Dr Gao Wei FCIS FCS(PE) (far right)

system to identify, assess, mitigate and handle credit and operational risks with the use of scientific tools. The quality of analytics collected has seen tremendous improvements, which can be used extensively to improve business-making decisions, optimise revenue management while reducing risk costs, he added.

CMB's risk management relies on a 'check-and-balance' control system, according to Mr Xu, in which the risk management and sales/marketing units, with two of them monitoring each other, are supervised by the internal audit unit.

As the first line of defence, the sales/marketing unit is responsible for identifying, assessing and monitoring risks associated with each business or deal. The risk management unit, as the second line of defence, defines rule sets

and models, provides technical support, develops new systems and oversees portfolio management. Equally important is that it ensures risks are within the acceptable range and that the first line of defence is effective.

As the final line of defence, the internal audit and compliance unit ensures that the first and second lines of defence are effective through constant inspection and monitoring.

'As an example, our loan underwriting process is based on a detailed risk assessment and a stringent due diligence process. We pay close attention to the borrower's cash flow and make sure that the guarantor is not from within the same organisation. We prefer secured loans backed by collaterals to unsecured, risky loans.'

Before committing to a new client, the bank carries out a thorough due diligence process to understand and validate the client's business, profit, investment, liabilities and risk profile in order to give a complete picture of a company's balance sheet. Over a longer time span, the bank carries out regular credit analysis on its existing clients and examines local market conditions as part of its ongoing risk rating process.

The role of company secretaries in risk management

Mr Xu emphasised that company secretaries should help the board set up and improve the organisation's risk management framework; strengthen and maintain the independence and authority of the internal audit unit; and play a facilitative role in the implementation of corporate governance practices, especially those related to risk management.

'The company secretary should articulate his or her professional opinions on the organisation's risk management measures at board and special committee meetings while serving as the bridge between the board and management,' he said, adding that the company secretary is also responsible for true, accurate, complete and timely disclosures of information and assisting in investor relations activities.

Implications and challenges for issuers

The updated CPs regarding issuers' risk management and internal control practices require listed companies to pay more attention to the effectiveness of risk management. They also require the board to assess and monitor risk management on a regular basis, define clearly the role and responsibilities of the board, management and internal audit function, and improve information disclosure transparency, Mr Xu pointed out.

'The rule changes have prompted us to redefine the roles and responsibilities of the board and management in risk management in order for the bank to comply with the new requirements. It is inevitable that the accounting and internal audit departments have more work to do and that we have to dedicate more manpower,' he said. The internal control system also has to be optimised from time to time to adapt to the fast-changing business environment.

Despite the new challenges and extra resources needed, however, he believes that the benefits of better risk management go well above and beyond compliance requirements. 'More importantly, we consider effective risk management an integral part of our strategy to achieve sustained growth,' he said.

Roundtable discussion

Li Zhidong FCIS FCS, Assistant General Manager, Shipbuilding Marine and defence Equipment Co Ltd, said the updates made by the Exchange to the CPs concerning risk management, especially internal control, are quite comprehensive, focusing on effectiveness, accountability and independence. 'Other than managing different risks in the design, manufacturing and safety management processes, we also strive to minimise foreign exchange risk because an increase in imported raw material costs is likely to hurt the firm's profitability,' he said.

To streamline the internal budget approval process, Xie Jilong, Board Secretary of CRRC Corporation Ltd, said his firm has implemented a budget management policy, which authorises different levels of department heads to manage their budget. 'Our budget management guidance saves a great deal of time in the budget approval process, especially the time of the financial controller. It outlines the responsibilities of budget holders and specifies the maximum amounts they can sign off,' he explained.

Nuclear power plants need to consider many dimensions of risk in addition to nuclear safety-related risk, said Fang Chunfa, Board Secretary and General Manager of the Investor Relations Department at China General Nuclear Power Corporation. He emphasised that, in order to stay competitive in modern energy markets, nuclear power plants must integrate management of production, safety-related and economic risks in an effective way. 'Certainly, safety remains our utmost concern,' he said.

Luo Binhua, Vice-President and Board Secretary of GF Securities Co Ltd, said his firm was one of the early adopters

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internal audit should
have unfettered access
to top executives and
its reporting lines
should not compromise
its independence
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Dr Gao Wei, HKICS Vice-President and Board Secretary and General Counsel, Sinotrans Ltd

of risk management practices in China's securities brokerage industry. 'We have a robust, companywide risk management system to effectively manage market, credit, liquidity and operational risks. It gives us the capacity to identify foresight risks when they occur and take well-prepared actions even in hindsight,' he said.

In addition to risk management and internal control, Wei Fang, Chief Hong Kong Representative for China National Petroleum Corporation, said he looks forward to more discussions on environmental, social and governance (ESG) reporting in future RBSP meetings organised by the HKICS.

Jimmy Chow

Journalist

The HKICS/KPMG China report 'Risk Management: Looking at the New Normal in Hong Kong' is available in the publications section of the HKICS website: www.hkics.org.hk.

A bird's eye view

Company secretaries need to be proficient in a wide range of practice areas. *CSj*, the journal of The Hong Kong Institute of Chartered Secretaries, is the only journal in Hong Kong dedicated to covering these areas, keeping readers informed of the latest developments in company secretarial practice while also providing an engaging and entertaining read. Topics covered regularly in the journal include:

- regulatory compliance
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- corporate reporting
- board support
- investor relations
- business ethics
- corporate social responsibility
- continuing professional development
- risk management, and
- internal controls



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特許秘書

聚焦风险

上月，香港特许秘书公会2016年公司秘书／董事会秘书圆桌会议在港召开，多家内地在港上市企业的代表聚首一堂，分享了大家对风险管理的看法和实施内控制度的经验。



今年1月14日，逾30位内地在港上市企业的董事会及公司秘书，出席了由香港特许秘书公会举办的公司秘书／董事会秘书圆桌会议，分享了大家对风险管理的看法及实施内控制度的具体经验。

中国外运股份有限公司董事会秘书兼总法律顾问高伟博士，先向与会者讲解了香港《企业管治守则》中有关于风险管理和内部控制的新要求。他强调，香港的上市公司，无论是为了符合新的监管要求，还是希望加强企业管治，都有需要采用一套系统化的风险管理方案以降低企业风险。

去年，香港特许秘书公会及毕马威中国联合进行了一项问卷调查，名为《风险管理—香港新常态观察》，高博士扼要介绍了调查结果和分析。紧随其后，招商银行股份有限公司董事会秘书许世清，也分享了他对风险管理的理解和招商银行所采取的内控措施，以及道出公司秘书在过程中所扮演的角色。

在高博士及许世清发言后，部分与会者先后就《企业管治守则》中有关风险管理要求进行了交流，以及在风险管理和内部控制等方面的落实经验。

风险管理概述

在2014年，香港交易及结算所有限公司（港交所）提出修订《企业管治守则》（《上市规则》）附录十四），加强了对发行人在风险管理及内部控制的要求，将风险管理纳入到《守则》之中；界定董事会和管理层在风险管理的权责；以及明确指出董事会应有的长远职责，持续监督风险管理和内控制度的有效实施。新要求于2016年1月生效。

这一轮的修订还包括将部分先前针对发行人风险管理和内控系统有效性年度审查建议升格为守则条文；以及要求将之

于企业管治报告中作披露。新守则条文还要求发行人须设有内部审计职能。

高博士续说，有见及此，香港上市公司有需要采用一套系统化的机制进行风险管理，从而降低及管理风险，同时实践企业目标。会上，他分享了该份风险管理调研报告的结果和分析，探讨了上市公司对风险管理及内控的准备是否充足，了解在新要求下风险管理的“新常态”。调查共收集了279位来自各行各业受访者的数据。

以下是该份调研报告的结果摘要：

- 即使大部分受访者都认同风险管理是优先考虑的重要事项，但仍有34%的受访企业没有定期将风险管理融入他们的战略决策和计划中。
- 只有36%的受访者制定了正式的风险取向政策偏好。如果没有风险取向政策偏好，企业便会难以准确衡量实现某既定战略所涉及的风险。
- 不到一半（42%）受访者认为其企业能有效促进利益相关者了解风险管理方案。这意味着部分企业往往不能令董事会、投资者及/或监管机构了解其所采取的优化措施，从而不能将有关措施转化为企业价值。

摘要

- 根据上市规则的新要求，上市公司董事会须定期评估和监测风险管理制度的有效性，并提高透明度
- 上市公司应确保内部审计部门有充足的人手，并配备深谙有关知识的专才对业务进行检讨，以符合新要求
- 公司秘书职责包括协助董事会建立和完善组织的风险管理架构

- 风险管理和激励机制之间关系薄弱，阻碍了企业在战略决策过程中对风险因素的考量。61%受访者表示，其企业在风险管理和报酬之间没有显著关系。

- 仅有43%的受访者认为他们内部审计职能的审计工作能够清楚地与企业所面对的主要风险挂钩。此外，15%的企业没有建立内部审计职能。

结果表明，虽然董事和高级管理人员已多加关注组织所面临的风险，但在提高风险意识并将之切实的纳入内控系统中，仍有很多不足之处。有见市场更加注重风险管治，香港企业必须采用系统性的风险管理方案，以降低可能阻碍实现业务目标的风险。报告建议企业采用5项必要措施，协助上市企业制定系统性的风险管理方案。

外部新兴风险的风险管理意识

企业高管越来越认识到管理企业所面对外部不确定因素的艰巨性。经济环境、监管变化以及增长和创新等因素被视为是区域内主要的风险，促使企业必须为无法预计的威胁和商机做好充分准备。对本地企业来说，具备适当的技能以处理有关工作仍然是一项关键挑战。大部分（57%）受访管理层认为，他们对于掌握企业整体层面所面对的风险敞口感到困难，而61%受访管理层则认为董事会和高级管理层有需提高风险管理意识。

投资者行动主义加剧，董事会更加注重风险管理

投资者就企业的战略和执行情况质询企业董事会的情况有增加的趋势。股东加强监督和投资者积极参与等现象促使董事会进一步涉足公司事务并跨越了他们传统的监督角色。调查显示，区域内的董事会正加大力度就风险管理事宜对管理层作出更加严格的要求和质询。大部分受访者（90%）表示，他们的董事会目前已将风险管理列为常设议题，或定期在董事会会议中讨论风险管理事宜。

不断变化的监管要求

全球各地的监管机构纷纷评估其企业管治制度是否充足，以确保有关制度符合最佳操作模式，这已经成为大势所趋。在香港，监管机构更新了适用于香港上市公司的《企业管治守则》和《企业管治报告》，在促进香港企业就风险管治与更成熟的全球市场保持一致方面，迈出了重大的一步。

监管规则的变化为香港上市公司的董事会、管理层和内部审计职能赋予了新的任务。需要注意的是，董事会目前需要进行评估并厘定他们为达到既定的企业目标而愿意承担的风险程度；管理层须负责设计、实施风险控制措施并监察措施的落实情况；内部审计职能需就有关系统进行独立评估。

报告建议的五项必要措施

基于以上调查结果，报告建议五项必要措施以制定系统性的风险管理方案：

1. 将风险管理纳入董事会议程，让董事会了解企业面对的主要风险
2. 制定风险偏好，以界定企业愿意承受的风险水平和类别，以此作为战略业务决策的基础
3. 在企业层面制定和推行风险管理措施，以识别、管理和报告企业所面对的风险

4. 制定清晰的问责制度，以在企业层面管理和监察风险
5. 设置内部审计职能，就风险管理和内部控制系统的有效性提供独立保证

就制定风险偏好（必要措施2）而言，企业应先明确列出企业的战略目标和绩效推动因素。下一步便是就每项主要因素界定可接受的非预期损失水平和零风险容忍的范围，从而确保企业的风险概况符合业务和资本管理计划。在制定和确定有关限额后，应当制定风险衡量指标以进行监察和报告。最后，风险偏好该由董事会正式审批，并在整个企业内部有效传达和整合。

在实行必要措施5方面，企业应先设置内部审计职能，加强独立保证，就企业内部定位和人员素质及操作过程中找一个平衡，从而实践预期目标。高博士补充道，内部审计职能应可随时不受限制地接触最高管理层，其汇报制度不可有损其独立性。

同时，企业应制定合适的人力资源战略，确保内部审计职能有充裕人手，并配备深谙有关知识的专才对业务进行检讨；也应制定有关方案，确保内部审计人员了解业务流程的细节，并能从商业角度提供精辟务实的谘询。

案例分享：招商银行的系统化风险管理制度

招商银行董事会秘书许世清则集中介绍了招商银行对风险管理措施的安排和具体执行情况。据介绍，招商银行实施了三级制的风险管理的方案，以识别、评估、缓解和处理风险。他强调，招商银行作为现代化银行，十分重视网上银行的风险控制程序，并已实施了严谨的信息安全措施。

第一层是集团总部层面，负责组合管理及信贷政策；第二层是分行，主要

负责客户全生命周期及区域组合风险控制；第三层是则前线的经营团队，做好个别客户、单笔业务的准入和审批（包括财务指标、担保抵押、贷款三查等）。他表示：“银行必须确保其愿意承受的风险，符合其业务目标和经营理念，而招商银行的风险偏好是稳健。”

经过多年努力，招商银行现已初步搭建了较为完整的信用、市场和操作风险管理体系，风险治理架构得到优化，风险精细化管理水平大幅提高，数据质量明显改善，业务应用不断深化。新协议达标为加强风险管理提供了科学工具、为系统提升风险管理水平奠定了基础，同时实现了降低资本消耗的显著作用。

招商银行的风险管理体系以三权互相制衡作基础，风险管理部门及营销经营部门同时受审计部门监督，而它们两者之间也作相互制衡。

作为第一道防线，营销条线承担着风险识别、风险计量和风险监测的职责，确保单笔业务的风险可控。第二道防线，即风险管理条线，发挥制定规则、模型设计、技术支持、系统开发、组合管理等作用，确保组合层面的风险可控和第一道防线的有效。至于第三道防线，即审计合规部门，通过检查、监督，确保第一、二道防线的有效性。

“举例说，我们的贷款审批过程是基于详细的风险评估和严格的尽职调查程序。我们重视贷款人自身经营性现金流；对集团内部关联企业之间的担保要严格管理，严防陷入‘担保圈’；而在对关联企业融资具体担保方式的选择时，以抵押、质押等强担保方式为主等。”他解释说。

在审批新贷款客户前，招商银行都会进行彻底的尽职调查，藉此了解和核

“
内部审计职能应可随时不受限制地接触最高管理层，其汇报制度不可有损其独立性。

”

中国外运股份有限公司董事会秘书兼总法律顾问高伟博士



会长谭国荣与前会长施熙德律师向记者许世清(左二)和高伟博士赠予纪念品(最右)

实客户的业务状况、利润、投资、负债和风险状况等。其后，银行还会定期分析客户信贷状况及对区域风险进行前瞻性分析，以此作为风险评级的参考。

公司秘书在风险管理的角色

许世清强调，公司秘书有责任协助董事会建立完善风险管理架构；持续巩固和保持内部审计的独立性和权威性；以及在公司治理运作中发挥风险管理职责。

具体责任包括：在董事会及其专门委员会上须发表意见和建议；搭建董事会与高管层沟通桥梁；公司治理规范有效运作；真实、完整、准确地进行信息披露；组织开展与投资者积极沟通，维护资本市场良好声誉。

对发行人的意义及挑战

许世清指出，经修订后的守则条文更注重风险管理的有效性；强调董事会对风险管理的定期评估和持续监督；更清晰地明确董事会、管理层及内部审计的角色与职责；以及提高了信息披露的透明度。

“根据新的要求，我们重新梳理和界定了董事会、管理层的风险管理职责。无可避免，财务会计、内部审计

工作要求提高，需要更多的专业人才和足够的财务预算。此外，内控体系需针对新的经营环境不断评估和完善，才能确保持续有效。”但他相信，风险管理不仅仅为了合规，更是要为经营发展、实现战略保驾护航。

圆桌会议讨论

中船海洋与防务装备股份有限公司总经理助理李志东认为，港交所就风险管理和内控的修订全面而且深入，强调其有效性、问责性和独立性。“以造船行业为例，除了设计、制造及安全管理各环节的风险外，我们也十分关注外汇风险，因为原材料价格对我们的利润以至造船质量都有一定影响。”

中国中车股份有限公司董事会秘书谢纪龙表示，为了简化内部预算审批过程，该公司已实施了预算管理政策，授权不同级别的部门主管，能于指定权限内审批一定限额的项目或开支。若超过限额，则须上报财务总监或董事长加签审批。这样一来，财务管理更有效率，财务总监也不会成为瓶颈。

中国广核电力股份有限公司董事会秘书兼投资者关系部总经理方春法指出，毫无疑问，核安全对核电行业至关重要。不过，除此以外核电公司也

须好好管控其他方面的风险，包括生产和经济风险，并将之一并整合到风险管理制度中，才能于现今能源市场保持竞争力。

广发证券股份有限公司副总经理兼董事会秘书及公司秘书罗斌华透露，广发证券是内地证券经纪行业最早实施风险管理的公司之一。他说：「我们拥有一套统一的风险管理体系，有效地管理市场、信用、流动性风险和操作风险。所有业务、部门和人员纳入到统一的风险管理体系中，并渗透到事前、事中以及事后的各个阶段和环节。」

中国石油天然气股份有限公司香港代表处总代表魏方补充道，这次有关风险管理和内控制度的圆桌会议十分有意义和建设性，他同时期望香港特许秘书公会能于不久将来就其他议题，特别是环境、社会和治理报告，举办更多的交流活动。

Jimmy Chow
 記者

由香港特许秘书公司和毕马威中国联合进行和撰写的《风险管理—香港新常态观察》调研报告，可于香港特许秘书公会网站下载：www.hkics.org.hk

The new ESG reporting requirements

Your questions answered



Karen Pong, Project Coordinator, CSR Asia Hong Kong, gives a quick guide to the stock exchange's upgraded environmental, social and governance (ESG) reporting requirements.

Listed companies in Hong Kong should by now be aware of the decision of Hong Kong Exchanges and Clearing (the Exchange) on 21 December 2015 to strengthen its ESG reporting requirements from voluntary to 'comply or explain'. This article is a quick guide to what this means for listed companies.

How and why did the Exchange come up with this decision?

The latest amendments to the Exchange's *ESG Reporting Guide* (the ESG Guide) were proposed in July 2015. This was followed by a two-month public consultation which received 203 responses which were described as 'overwhelmingly supportive' of the proposal to upgrade the ESG disclosure requirements. Why are respondents supportive of the move from the voluntary approach to a more demanding comply or explain provision? David Graham, The Exchange's Chief Regulatory Officer and Head of Listing, said that 'Issuers starting to report on their ESG performance may reap the benefits of better risk management, improved access to capital, greater capacity to meet supply chain demands and lower operational costs, to name but a few of the advantages that ESG reporting could bring to issuers' businesses.'

Who will be affected and how?

Starting from 1 January 2016, the amended ESG Guide was applied to 1,842 (as of November 2015) listed companies on both the main and growth enterprise market (GEM) boards of the stock exchange. This means that companies will have to state in their annual or ESG reports if they have complied with the

provisions set out in the ESG Guide for the relevant financial year. If they have not, they must explain why not and give considered reasons. As for the disclosure of environmental KPIs, a one-year buffer was granted so companies will need disclose environmental KPIs no later than the 2017 financial year. If a company decides to issue a standalone ESG report, it should be published no later than three months after the publication of its annual report.

The two groups of listed companies that will be most affected are:

1. companies that have published ESG reports previously, but have not collected data and/or disclosed their environmental KPIs, and
2. companies that have never published any ESG reports aligned with the Exchange's voluntary ESG Guide or other international reporting guidelines.

Companies following international standards, like the sustainability reporting guidelines published by the Global Reporting Initiative (GRI), for their previous reports may be more at ease, but should double check if the environmental KPIs are all covered and whether their publication timeline can meet the new requirements.

What does the latest ESG Guide require a listed company to disclose?

An overview of the reporting requirements is captured in the table overleaf. Note that the wording might have been condensed from the original text in the ESG Guide. Always refer to the full version of the ESG Guide when preparing your report.

Do I have to report on every single aspect listed there? Some aspects just do not make any sense to our business.

Given that the new requirements are comply or explain provisions rather than mandatory requirements, the Exchange permits certain flexibility for companies to

Highlights

- listed companies will have to state in their annual or ESG reports if they have complied with the provisions set out in the Exchange's ESG Guide and, if they have not complied, they must explain why not and give considered reasons
- the upgraded ESG disclosure requirements will be most relevant to companies that have not yet started collecting data and/or disclosing their environmental KPIs
- companies already following international ESG reporting standards should double check if the required environmental KPIs are already covered by their reports and whether their publication timeline can meet the new requirements

TIMELINE			
ASPECTS	Comply or explain from financial year 2016	Comply or explain from financial year 2017	Recommended disclosures (that is voluntary)
SUBJECT AREA A: ENVIRONMENT			
A1- Emissions	Policies and compliance relating to emissions, discharges and wastes	KPIs: A1.1 Types + respective volume of emissions A1.2 Total GHG emission + intensity A1.3 Total hazardous waste + intensity A1.4 Total non-hazardous waste + intensity A1.5 Mitigating measures and results for emissions A1.6 Handling & reduction measures + results for hazardous & non-hazardous wastes	Recommended disclosures for all environmental KPIs <i>before financial year of 2017</i>
A2- Use of resources	Policies on the efficient use of resources	KPIs: A2.1 Direct & indirect energy use A2.2 Water consumption & intensity A2.3 Efficient use of energy initiatives & results A2.4 Water sourcing, saving initiatives & results A2.5 Total packaging material	
A3- The environment and natural resources	Policies on minimising environmental impacts	KPI: A3.1 Environmental impacts and management	
SUBJECT AREA B: SOCIAL			
B1- Employment	Policies and compliance relating to employment		KPIs: B1.1 Total workforce by gender, age, location & type B1.2 Turnover rate by gender, age, group & location
B2- Health and safety	Policies and compliance relating to occupational health & safety		KPIs: B2.1 Number & rate of fatalities B2.2 Lost days due to work injury B2.3 Occupational health & safety measures & management
B3- Development and training	Policies on development & training		KPIs: B3.1 Percentage of employees trained by gender & category B3.2 Average training hour per employee by gender & category
B4- Labour standards	Policies and compliance relating to child & forced labour		KPIs: B4.1 Measures taken to prevent child & forced labour B4.2 Steps to eliminate child & forced labour if these practices exist
B5- Supply chain management	Policies environmental and social risks of the supply chain		KPIs: B5.1 Number of suppliers by location B5.2 Description of engagement with suppliers
B6- Product responsibility	Policies and compliance to product responsibility matters		KPIs: B6.1 Percentage of products subject to recalls for safety and health reasons B6.2 Products related complaints received and handling B6.3 Intellectual property rights protection practices B6.4 Quality assurance process and recall procedures B6.5 Consumer privacy protection
B7- Anti-corruption	Policies and compliance to anti-corruption		KPIs: B7.1 Number of concluded legal cases regarding corrupt practices B7.2 Preventive measures against corruption
B8- Community investment	Policies on community engagement and consideration of community issues		KPIs: B8.1 Focus areas of contribution B8.2 Resources contributed to focus areas

“ given that the new requirements are comply or explain provisions rather than mandatory requirements, the Exchange permits certain flexibility for companies to adapt to the rules based on their specific circumstances ”



adapt to the rules based on their specific circumstances. The definition of comply or explain in Appendix 14 of the listing rules makes it clear that 'where an issuer considers a more suitable alternative to a code provision exists, it should adopt it and give reasons'.

Does the board have to be involved in ESG reporting?

Yes. The ESG Guide specifies that 'The board has overall responsibility of the issuer's ESG strategy and reporting' and is responsible for evaluating and determining the issuer's ESG-related risks and ensuring there are appropriate management systems in place.

Apart from meeting the disclosure requirements, what else is essential for good ESG reporting?

- **Materiality.** Report on ESG aspects and issues that are considered important for reflecting your organisation's economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders.
- **Quantitative.** Provide measurable KPIs and targets wherever possible

and supplement them with explanatory narrative.

- **Balance.** Ensure that the disclosure is an unbiased and inclusive account of your ESG performances. Report both good and bad news.
- **Consistency.** Use consistent methodologies to report on and track the trends of your ESG data for meaningful comparisons.

If I have never prepared an ESG report before, what should my first step be?

- **Allocate responsibility.** Identify the people in the company that will take responsibility for ESG issues.
- **Training.** Build capacity and knowledge of the people involved in driving the ESG reporting process.
- **Gap analysis.** Map where the company currently is compared to the disclosure requirements and identify what information is missing.
- **Materiality.** Assess which aspects and KPIs are relevant to your specific business and report on those items.

- **Stakeholder engagement.** Engage your stakeholders in identifying material issues for reporting.
- **Data collection.** Create a system mapping out individual data points for collection.

What if I still have questions?

How do I communicate the value of ESG reporting to management? How exactly am I supposed to engage with stakeholders? What content would make an interesting ESG report? Those involved in ESG reporting can attend training seminars and workshops to answer these and other questions that they might have. CSR Asia was the consultancy commissioned by the Exchange to deliver training seminars and develop training materials for listed companies when the ESG Guide was first launched in 2012. More information on CSR Asia training is available on the CSR Asia website (www.csr-asia.com).

Karen Pong

*Project Coordinator,
CSR Asia Hong Kong*

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China's inclusion in the IMF's SDR valuation

Another illustration of China's
integration in the global economy

Thomas Laryea and Alex Wang, Dentons, take a look at the significance of the International Monetary Fund decision to include China's renminbi in the basket of currencies the IMF uses to calculate the value of its reserve asset, the SDR.

The inclusion by the International Monetary Fund (IMF) of China's renminbi (RMB) in the basket of currencies used to calculate the value of the Special Drawing Right (SDR – the IMF's reserve asset) is a notable development in the international financial system.

'The [IMF] Executive Board's decision to include the renminbi in the SDR basket,' commented the IMF's Managing Director, Christine Lagarde, 'is an important milestone in the integration of the Chinese economy into the global financial system. It is also a recognition of the progress that the Chinese authorities have made in the past years in reforming China's monetary and financial systems. The continuation and deepening of these efforts will bring about a more robust international monetary and financial system, which in turn will support the growth and stability of China and the global economy.'

In order to understand this development and its likely direction, it is important to comprehend what the IMF did (and did not do) on 30 November 2015, its place in history and what this signals for the future.

What is the SDR?

The SDR is an international reserve asset created by the IMF to supplement official reserves of IMF member countries. At the time of the SDR's creation in 1969, the international monetary system operated under the so-called gold standard in which currencies of IMF member countries were required to be in fixed parities based on gold (or more precisely

other currencies were in fixed parity with the US dollar whose convertibility to gold was guaranteed).

During the gold standard, one unit of SDR was valued as equivalent to 0.888671 gram of the fine gold value of the US dollar in 1944 (when the IMF was established). With the collapse of the gold standard in the early 1970s due to the inability of the then high inflationary US economy to credibly guarantee fixed US dollar convertibility to gold, the IMF sought to wean the global financial system away from gold/US dollar dependency and instead the IMF sought to promote the SDR to become the 'principal reserve asset in the international monetary system'.

Ironically, a limitation in the SDR's capacity to play such a central role has been a provision in the IMF's international legal treaty, the Articles of Agreement, which limits the circumstance in which

the IMF can allocate SDRs to IMF member countries, namely where the IMF determines that there is a need for additional global liquidity. Based on this legal provision, the IMF has decided to allocate SDRs on only four occasions, the last of which was in 2009 during the liquidity crunch of the global financial crisis. At that time, SDR 182.6 billion was allocated, out of a total of SDR 204.1 billion that has been allocated to date. The volume of allocated SDRs is minuscule compared to the around 11.5 trillion of foreign exchange reserves held by central banks, around 65% of which is denominated in US dollars. (Notably, China represents the largest holder of US dollar reserves. Conversely, only 1% of global foreign exchange reserves are held in RMB). In addition to the constraints on allocation of SDRs, the use of SDRs is also limited by the IMF's Articles of Agreement: to use in payments among IMF member countries, by the IMF itself and by certain official entities prescribed by the

Highlights

- questions had been raised as to whether the renminbi (RMB) could be characterised as meeting the requirement to be 'freely usable' for currencies included in the SDR basket
- in order to dispel such questions, the Chinese authorities have continued to introduce a series of measures to liberalise the foreign exchange regime and to moderate controls in relation to the RMB
- while the IMF decision represents a step forward for China's ascendancy in the global economy, it will probably take many years for central banks and other asset managers to increase materially their holdings in RMB denominated assets

IMF (such as the Bank for International Settlements). Accordingly, the SDR cannot be used for payments by private parties, who in the modern day are a major component of the global financial system.

The decision by the IMF on 30 November 2015 is not directly related to the allocation or use of SDRs. Rather, the decision is focused on the valuation of the SDR. The IMF's methodology for determining the value of the SDR is based on a basket of currencies, which currently comprises the US dollar, the euro, the Japanese yen and the UK sterling. The composition of this currency basket depends on two criteria:

1. currencies that are issued by IMF member countries or monetary unions whose exports had the largest value over a five-year period, and
2. currencies that have been determined by the IMF to be 'freely usable'.

With China as the third largest export country in the globe, the first criterion was met with little debate. But questions had been raised as to whether the RMB could be characterised as 'freely usable' within the terms of the IMF's Articles of Agreement. The relevant provision in the IMF's Articles of Agreement defines a freely usable currency in relation to whether the currency is widely used to make payments for international transactions and is widely traded in the principal exchange markets. This definition is not the same as that for a 'freely convertible' currency, although in practice controls on a currency can limit its wide international use, as had arguably been so in China's case. In order to dispel such questions, the Chinese

authorities have continued to introduce a series of measures to liberalise the foreign exchange regime and to moderate controls in relation to the RMB.

China's progressive liberalisation of foreign exchange and RMB controls

China's approach to its progressive liberalisation of foreign exchange controls broadly reflects the distinction made in the IMF's Articles between:

1. international payments for current transactions, which IMF member countries are generally required to liberalise, and
2. international capital movements, with respect to which IMF member countries generally preserve freedom to restrict.

Accordingly, the Chinese government has substantially lifted foreign exchange controls in relation to current account transactions (for example, payments for imports). Chinese companies are no longer required to obtain an approval from the State Administration of Foreign Exchange (SAFE) or its local counterpart to open a foreign exchange account for the purposes of engaging in current account transactions and for these transactions Chinese companies are generally allowed to convert their onshore RMB into foreign currencies, remit the same offshore or retain their foreign currency revenues either onshore or offshore, without being subject to a foreign exchange quota.

China has also relaxed foreign exchange controls on capital account transactions in the past decade. Most outbound investment projects (except for those involving sensitive industries or regions) to be pursued by Chinese domestic

investors are now only required to be filed with – and not approved by – the Chinese authorities before the private parties are allowed to convert their onshore RMB funds into foreign currencies for the purpose of making the relevant outbound transactions (which generally include green field investments and M&A transactions, but exclude investments in offshore capital markets).

In 2006, the Chinese government introduced a Qualified Foreign Institutional Investors (QFII) scheme. This scheme opened a gate to qualified foreign institutional investors to invest in Chinese capital markets within a foreign exchange quota. In the next year, the Chinese authorities rolled out a Qualified Domestic Institutional Investors (QDII) scheme, which allowed qualified Chinese financial institutions to make investments in qualified offshore capital markets, also within a foreign exchange quota.

Furthermore, the Chinese authorities' effort to expand the use of RMB in international transactions was precipitated in July 2009, when China's central bank launched a pilot scheme allowing domestic companies in certain pilot regions to directly use RMB for cross-border trading settlements. This scheme was expanded nationwide in 2011. Starting from January and October 2011 respectively, Chinese domestic companies have been allowed to make outbound direct investments and foreign companies have been allowed to make inbound direct investments using RMB funds. In December 2011, China introduced a RMB Qualified Foreign Institutional Investor (RQFII) scheme. This scheme enables qualified foreign institutional investors to utilise RMB funds for their investments in Chinese capital markets. Subsequently, in November 2014, a similar scheme (RMB Qualified



“
The [IMF] Executive Board’s decision to include the renminbi in the SDR basket is an important milestone in the integration of the Chinese economy into the global financial system
”

Christine Lagarde, Managing Director, IMF

Domestic Institutional Investor—RQDII) was launched to allow qualified domestic institutional investors to use RMB funds to invest in qualified offshore capital markets. These measures and others demonstrate the Chinese authorities’ resolution to turn RMB into a more freely convertible and internationalised currency.

A journey for the IMF, China and others

As noted by the IMF Managing Director, the approach of inclusion of the RMB in the SDR basket of currencies, also represents a journey for the IMF and not just for China. It is a far cry from the stand-off experienced between the IMF and China less than a decade ago over whether the IMF, in exercise of its quasi-regulatory ‘economic surveillance’ function, would determine the exchange rate of the RMB to be ‘fundamentally misaligned’. The approach with regard to the SDR also side-steps – or at least mitigates the frustration of China (and other fast growing emerging market economies) – that have been waiting for IMF governance reform to provide them

with greater economic weight and voting power within the institution. Notably, two weeks after the IMF’s decision to include the RMB in the SDR basket of currencies, the US Congress adopted legislation authorising the US government to agree to the IMF governance reforms.

The effective date of the IMF’s determination of the RMB as a freely usable currency and its inclusion in the SDR basket of currencies has been deferred to 1 October 2016 in order to allow time for adjustment within the IMF’s operations. At that time, the new respective weights of the SDR currencies will be: 41.73% for the US dollar; 30.93% for the euro; 10.92% for the Chinese RMB; 8.33% for the Japanese yen; and 8.09% for the UK sterling.

While we can today say that a milestone for China’s ascendancy in the global economy has been reached, it will probably take many years for central banks and other asset managers to increase materially their holdings in RMB denominated assets. However, we

can expect the Chinese authorities to immediately promote greater use of RMB in the international financing of the government and the corporate sector. For example, with the announcement on 4 December 2015 at the Forum on China-Africa Cooperation of China’s commitment of US\$60 billion in financing to the African continent over the next three years, we can expect an increasing proportion of such financing to be denominated in RMB. This is merely one illustration of the growing importance of understanding China’s currency regime for actors engaged with China’s increasing global economic influence.

Thomas Laryea and Alex Wang
Dentons

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The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Professional Development

Seminars: January 2016

5 January

Company secretarial
practical training series:
regular financial reporting
preparation



Chair: Ernest Lee FCIS FCS(PE), Institute Council Member, and Partner, Assurance, Professional Practice, Ernst & Young
Speaker: Sharon Leung FCIS FCS, Vice-President, SW Corporate Services Group Ltd

7 January

The new Companies
Ordinance – directors'
liabilities and responsibility
– selected themes (re-run)



Chair: Bill Wang FCIS FCS, Institute Professional Development Committee Member, and Head of Group Listings, Asia and Regional Head of Subsidiary Governance, Greater China, Standard Chartered Bank (Hong Kong) Ltd
Speaker: Mohan Datwani FCIS FCS(PE) CAMS, Solicitor, Senior Director and Head of Technical & Research, HKICS

12 January

International tax update



Chair: Eric Chan FCIS FCS(PE), Chief Consultant, Reachtop Consulting Ltd
Speaker: Dicky To, Partner, Tax Services, RSM Tax Advisory (Hong Kong) Ltd

年度财务审计与业绩报告新规则

香港特许秘书公会第三十九期联席成员强化持续专业发展 (ECPD) 讲座11月25至27日在珠海举办。时至年关,为配合境内外上市公司年度财务审计及业绩报告的需要,公会将此次讲座主题定为“年度财务审计与业绩报告”,主要内容包括:香港上市规则最新修订;沪港通对两地市场的影响及两地信息披露;经济新常态下的上市公司财务报告关注事项;环境、社会和管治报告;市值管理与财务管理的关系;新关连交易规则;董事会秘书如何在履职过程中规避执业风险案例介绍;香港上市公司之风险管理调研报告解析;2015 A+H股东大会概览;多地上市公司财务审计与业绩报告实务案例分析;以及业绩发布与信息披露分组讨论等。

新规则 新玩法

英国欧华律师事务所资深顾问刘江介绍了香港上市规则最新修订情况,对于企业管治守则及企业管治报告的修订,主要包括:一,将风险管理作为内部监控的重要环节;二,界定董事会与管理层的角色与责任;三,厘清董事会对风险管理及内部监控系统的持续监察责任;四,将有关年度检讨并于《企业管治报告》内作出披露的建议最佳常规提升至守则条文;五,将有关发行人应设有内部审核功能,没有者应每年检讨是否需要增设此项功能的建议最佳常规提升至守则条文。英国欧华律师事务所中国业务管理合伙人刘巍则解析典型案例,强调互联互通下公司风险管控的重要性、复杂性及事发的严重后果,要求董秘们要敢于警示、善于建言,守住合规的底线。

此外,参考《公司条例》及《香港财务报告准则》,《上市规则》还对财务资料披露等进行了修订,精简《上市规则》以避免与《香港财务报告准则》的披露规定重复,以及修订其他财务数据披露的相关规则以加强联交所在有关方面的合规监察。

来自安永华明会计师事务所的审计服务合伙人杨淑娟及专业业务部合伙人范勋重点介绍了香港上市规则、审计准则的变化及其对业绩报告工作的影响。2015年,国际/香港审计与鉴证准则理事会发布了多项新制定(修订)的审计准则,包括:修订ISA 700—对财务报表形成审计意见和出具审计报告;制订ISA 701—在独立审计师报告中关键审计事项的沟通;修订ISA 570—持续经营;修订ISA 720—审计师对其他信息的信息责任;修订ISA 260—与治理层的沟通。中国审计准则正在相应更新,目标是在时间和内容上与国际/香港审计准则同步。

新的审计准则给上市公司带来了挑战,由于审计报告需要反复讨论和复核,并可能会导致管理层修改或改进其披露,管理层和治理层应提前关注的审计事项起始于与治理层的



顺时针左上起：安永华明会计师事务所四位讲者；魏伟峰博士与英国欧华律师事务所合伙人刘巍律师和资深顾问刘江律师；魏伟峰博士与是次讲座的合作伙伴；讲座现场

讨论事项，审计委员会需要自审计初期就参与其中。此外，恰当处理关键审计事项颇具挑战性，需要审计师高度专业判断，关键审计事项因行业而异，因审计实体而异，审计师须从报告使用者角度出发，清晰地、简洁地描述关键审计事项、其为何重要以及相应审计应对措施。

香港联交所审阅发行人2014年年报披露内容后，发现了年报中需要改进的披露事项：一是股本集资方面，进行股本集资的发行人应在集资时清楚披露集资的原因及预定的集资用途，在年报中向股东汇报集资所得款项的实际用途；二是新上市发行人方面，根据内幕消息条文刊发盈警公告的新上市发行人，应确保有关内容属招股章程日期后所出现的重大发展而发行人尚未披露的资料；发行人若拟向市场提供关于其上市后财务状况且不属于内幕消息的额外资料，应确保该等资料有意义且具体，而非重述招股章程中的披露；发行人应选择适当的标题类别来描述此等资料性质。三是发行人财务表现的重大变动，倚赖主要客户的发行人，其主要客户的详情及与它的关系，出现任何重大逾期应收款项的原因，发行人如何执行其信贷政策，有关减值拨备及年结日后结清情况的详情；四是应收货款出现重大变动的发行人，任何偏离发行人本身既定信贷政策的情况，在年结日后结清的应收货款，发行人对逾期应收款项所采取的跟进行动。

范礼尊律师行与安胜恪道（香港）律师行联营合伙人温国良介绍了新关联交易规则，新的规则于2014年7月1日生效，明确上市发行人和上市发行人集团的定义，其中上市发行人集团指的是上市发行人及其附属公司或上市发行人或其任何一家附属公司。他借用关连交易指引中的两张中国发行人之核心关连人士和紧密联系人判断图表，非常逻辑地系统介绍了关联人士、交易、关联交易的适用范围，新规则对于关联交易的规定，豁免的适用范围等。

针对这些议题，参会的上市公司董秘们在会后进行了分组专题讨论，重点关注了如何有效地统筹、协调公司年度审计与业绩公布工作，以及互联互通下两地信息披露工作的重点、难点、经验或教训。

Seminar review: 39th AP/ECPD seminars in Zhuhai

An English review of this AP/ECPD seminar was published in last month's Institute News (see CSj, January 2016, page 35).

Professional Development (continued)

Shareholder engagement forum

The Institute held a forum on 'Shareholder engagement trends and practices – what role does the company secretary play?' on 18 January 2016 as one of the events during the International Financial Week of the Asia Financial Forum 2016. The forum covered trends in shareholder engagement and the significant role played by the company secretary and corporate governance professionals in communication between investors and corporations.

The first speaker, Pru Bennett, Director, Head of Corporate Governance and Responsible Investment for Asia Pacific, BlackRock, gave important insights into shareholder engagement from an institutional investor's perspective. Her 'suggestions for companies' for example, gave useful advice on how companies can improve their relationships with investors. At the top of her list was the need to improve transparency. In particular, she listed six 'disclosure gaps' that are of particular concern to BlackRock:

1. the nomination process for the appointment of directors
2. the skill set required of the board and the skills that each director brings to the board
3. disclosure around the general mandate
4. disclosure of related-party transactions particularly financial service agreements with group financial companies
5. disclosure of proxy voting statistics relating to the election of independent directors, and
6. over-boarding (the number of directorships individual directors hold).

The need for better transparency was further discussed in the panel discussion chaired by Edith Shih FCIS FCS(PE), Past President, HKICS, Head Group General Counsel and Company Secretary, CK Hutchison Holdings Ltd. Ms Shih asked which item in the list Ms Bennett would choose if she could highlight only



(Above) April Chan, Fang Chun-fa, Edith Shih and Pru Bennett; (below) at the seminar

one disclosure issue. Ms Bennett chose directors' disclosure – citing the crucial importance for investors to know who the directors are and what skills they bring to the board. She added that it is usually hard to assess whether there is a competent board of directors in place from the available information.

The second speaker at the forum, Fang Chun-fa, Board Secretary and General Manager, Investor Relations Department, CGN Power, focused his presentation on the role of the board secretary as a bridge between stakeholders and the company. He pointed out that the board secretary is on the 'front line' connecting the company and the market, and quipped that the difficulty of this role can be demonstrated by his grey hair.

The third and final speaker at the forum was April Chan FCIS FCS(PE), Past President, HKICS, and Former Company Secretary, CLP Holdings Ltd. Mrs Chan gave a very lively presentation based on the idea that it takes two to tango. She used the 'tango' metaphor to demonstrate the complementary roles that both companies and shareholders must play in establishing a direct and effective dialogue.

The Institute would like to thank Orient Capital for sponsoring the event.

ECPD

Forthcoming seminars

Date	Time	Topic	ECPD points
18 Feb 2016	4.30pm – 6.00pm	Emerging risks in China's new normal	1.5
22 Feb 2016	4.30pm – 6.00pm	Operation of Part XIVA of the Securities and Futures Ordinance	1.5
24 Feb 2016	4.00pm – 6.00pm	Schemes of arrangement: issues and case studies	2
1 Mar 2016	6.45pm – 8.15pm	Corporate governance and developments in risk management and internal control (re-run)	1.5
8 Mar 2016	4.30pm – 6.00pm	Updates in employment related law and regulations: what you need to know	1.5
10 Mar 2016	6.45pm – 8.15pm	Execution and proof of company documents for use overseas under the new Companies Ordinance	1.5
15 Mar 2016	6.45pm – 8.45pm	Competition Law – part 1 (re-run)	2
17 Mar 2016	6.45pm – 8.45pm	Competition Law – part 2	2

For details of forthcoming seminars, please visit the ECPD section of the Institute's website: www.hkics.org.hk.

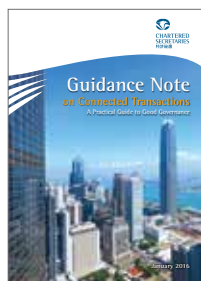
MCPD requirements

Members are reminded to observe the MCPD deadlines set out below. Failing to comply with the MCPD policy may constitute grounds for disciplinary action by the Institute's Disciplinary Tribunal as specified in the Article 27 of the Institute's Memorandum of Articles.

CPD year	Members who qualified between	MCPD or ECPD points required	Point accumulation deadline	Declaration deadline
2015/2016	1 January 1995 – 31 July 2015	15 (at least 3 ECPD points)	31 July 2016	31 August 2016
2016/2017	1 January 1995 – 31 July 2016	15 (at least 3 ECPD points)	31 July 2017	31 August 2017

MCPD requirement extends to graduates

Effective from 1 August 2015, all graduates who acquired graduate status before 1 August 2015 are required to comply with the Institute's MCPD requirements.



Connected transaction guidance note published

The Institute released its latest technical publication on connected transactions at the Annual Dinner on 14 January 2016. The publication is a practical guidance note to address this complex listing rule topic. This guidance note is available on the Publications section of the Institute's website: www.hkics.org.hk.

Advocacy

Meeting with HKSAR Chief Executive

Chief Executive of the HKSAR, the Honourable CY Leung GBM GBS JP met with the representatives of the member bodies of the Hong Kong Coalition of Professional Services (HKCPS) on 14 January 2016 after he delivered the 2016 Policy Address. The Institute's President Ivan Tam FCIS FCS and Immediate Past President Dr Maurice Ngai FCIS FCS(PE) joined the meeting and participated in the 'Belt and Road' initiative discussions. During the discussions, the Institute's representatives gave an introduction to the HKICS Affiliated Persons (AP) Programme – which is a practical platform for professional exchange between company secretaries in Hong Kong and AP board secretaries in Mainland China. The Institute's representatives also highlighted the Institute's intention to promote Hong Kong as a hub of corporate governance for the region.

HKICS presents corporate governance talk to Hong Kong Police

The Institute's Senior Director and Head of Technical & Research, Mohan Datwani FCIS FCS(PE), delivered a presentation on 21 January 2016 on 'Directors of private and listed companies – accountabilities and responsibilities' as part of the Commercial Crime Investigation Course for Inspectorate Officers with a view to enhancing their understanding in this important area of corporate governance.



YCPG visit to Qianhai

The Young Coalition Professional Group (YCPG) under the Hong Kong Coalition of Professional Services (HKCPS) brought 52 participants under the HKCPS member bodies (including seven HKICS members) to the new service industry cooperation zone in Qianhai on 16 January 2016. The Qianhai authority provided a guided tour of the exhibition centre which was followed by discussions. The Honourable Fanny Law GBS JP discussed young professionals' future development in Hong Kong and Mainland China with YCPG members while on the way back to Hong Kong.



HKICS members joining the visit to Qianhai

Membership

New graduates

Congratulations to our new graduates listed below.

Chan Chun Ho, Kevin	Chung Kit Mui	Ji Cheng	Liu Chiu Yiu, Iris	Tsui Nga Chuen
Chan Pik Yeng, Fiona	Deng Ren Yu	Lam Pui Yi	Liu Tsz Yin	Tung Suet Ying
Chan Suk Yin	Fong King Chi	Lee Ka Wing, Catherine	Mak Ka Chun, Billy	Wan Wai Ching, Lilian
Cheng Pui Ling	Fong Tak Wah	Lee Miu Yui	Or Yick Yi, Hydon	Wang Nga Yung, Jennifer
Chik Wai Chun	Fung Ching Yee	Lee Wing Man	Pang So Kin	Wong Ying Kit
Chiu Shuk Kuen	Ho Rosenna	Leung Kam Wah	Tai Yat Chung	Wu Tim Man
Chow Hoi Kan	Ho Siu Man	Li Ching Yi	Tang Po Man	Yiu Lai Sze
Chu Lai Sim	Hui Sum Yi	Li Hei	Tong Ching	Yu Hiu Kwan, Hilda

New fellows

The Institute would like to congratulate the following fellows elected in December 2015.



Hui Shuk Yin FCIS FCS(PE)

Ms Hui is the Senior Manager of North Asia Corporate Services Ltd. She has more than 13 years of experience in corporate secretarial services and has held her management position for over 10 years. She leads a professional team which provides premium corporate secretarial services. Her job duties include corporate secretarial consultation, business development, compliance, corporate structure and trademark services. She holds a master's degree in Philosophy and a bachelor's degree in Business Administration (Hons) from the Hong Kong Baptist University.

Tse Ching Wah FCIS FCS

Ms Tse is the Company Secretary of China Chengtong Development Group Ltd (Stock Code: 217). She has extensive experience in accounting, auditing, corporate governance and merger and acquisition activities. She holds a master's degree in Corporate Governance from The Hong Kong Polytechnic University. She is also a member of The Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales.

Wong Cho Ching FCIS FCS

Assistant General Manager, China Aerospace International Holdings Ltd (Stock Code: 31)

Forthcoming membership activities

Date	Time	Topic
24 February 2016	7.00pm – 8.30pm	Welcome drinks with new fellows by invitation only)
5 March 2016	9.15am – 1.00pm	Community Service – Bake to feed

For details of forthcoming membership activities, please visit the Events section of the Institute website: www.hkics.org.hk.

Membership (continued)

Membership activities

Community Service – low-carbon living workshop at Green Hub

On 9 January 2016, Institute members joined a green cookery class and a tour at the Green Hub of Kadoorie Farm and Botanic Garden. Green healthy living concepts, especially how to live in a low-carbon way were introduced. Following a green cookery class where members prepared their lunch, they were toured around the 116-year-old building of the Old Tai Po Police Station where the Green Hub now houses.



Speaker illustrating ways to lead a low-carbon lifestyle



Members cooking their delicious environmentally-friendly food

HKICS Prize 2015

The annual HKICS Prize celebrates the achievements of leaders of the Chartered Secretarial profession. The 2015 prize was awarded to Anthony Rogers GSB QC JP FCIS FCS, who was formerly Vice-President of the Court of Appeal of Hong Kong, Chairman of the Standing Committee on Company Law Reform and a member of the Basic Law Consultative Committee, to name but a few of his many high-profile appointments.

Look out for the interview with Anthony Rogers in a future edition of CSj.



HKICS Annual Dinner 2016

The Institute held its 2016 Annual Dinner on 14 January 2016 at the JW Marriott Hong Kong. Under the theme of 'Celebrating our Heritage', the event was held in celebration of the 125th anniversary of the Institute of Chartered Secretaries and Administrators (ICSA) and the 20th anniversary of the establishment of the HKICS Beijing Representative Office. The event attracted almost 570 guests and friends of the Institute including our members, Mainland Affiliated Persons, government officials and regulatory bodies in Hong Kong. The ICSA President Frank Bush FCIS FGIA(Life) joined the celebration in a live broadcast from New South Wales, Australia.

Ada Chung FCIS FCS JP, the Registrar of Companies, was our guest of honour. In her speech, Ms Chung mentioned that the terms 'Chartered Secretary' and 'company secretary' are more commonly understood by members of the public, and Chartered Secretaries are now widely recognised as professionals who are trained to uphold good corporate governance, carry out customer due diligence, ensure regulatory compliance and the proper management of companies.

The Institute will continue its endeavour to uphold the globally-accepted principles of good governance and best corporate secretarial practices in Hong Kong and Mainland China and to work with the authorities in the development of the regulatory and governance regime in Hong Kong.



Annual Dinner Guest of Honour Ada Chung (pictured lower left) joined by Institute President Ivan Tam, HKICS Council, Frank Bush and other guests for a toast

Guests (in alphabetical order)

April Chan FCIS FCS(PE), Past President, HKICS

Dr Eva Chan FCIS FCS(PE), Chairman, Hong Kong Investor Relations Association

Jeffrey Chan, Divisional Deputy President 2015 – Greater China, CPA Australia – Hong Kong Division

YC Chan FCIS, Chief Executive, the Malaysian Institute of Chartered Secretaries and Administrators

Professor Patrick Chau, Director & Padma and Hari Harilela Professor in Strategic Information Management,

School of Business, Faculty of Business & Economics, The University of Hong Kong

Ivy Cheung, President, Hong Kong Institute of Certified Public Accountants

Susie Cheung FCIS FCS(PE), Council Member (2014-2015), HKICS

Ebony Chiu, President, the Association of International Accountants, Hong Kong Branch

Paul Chow FCIS FCS, GBS, SBS, JP, Senior Member, HKICS

Chua Siew Chuan FCIS, President, the Malaysian Institute of Chartered Secretaries and Administrators

Membership (continued)



(From left) Gordon Jones, Richard Stoneman and Mike Scales



(From left) Samantha Suen, Natalia Seng, YC Chan, Grace Tan, Chua Siew Chuan and April Chan

Michael Duignan, Senior Director, Corporate Finance, Securities and Futures Commission

Anthony Fan, President, the Hong Kong Independent Non-Executive Director Association

Dr Aidan Goddard, Past Chairman, Chartered Institute of Management Accountants, Hong Kong Division and North Asia Regional Board

David Graham, Chief Regulatory Officer and Head of Listing, Hong Kong Exchanges and Clearing Ltd

Sr Thomas Ho, Senior Vice-President, the Hong Kong Institute of Surveyors

Edwin Ing FCIS FCS, Past President, HKICS

Dr Josephine Jim, Associate Head of College of Business and Finance, HKU SPACE

Gordon Jones FCIS FCS, BBS, Senior Member, HKICS

Tony Kam, President, the Society of Chinese Accountants & Auditors

Sophia Kao, Member, Central Policy Unit, the Government of HKSAR

Dorte Kristoffersen, Executive Director, Hong Kong Council for Academic Accreditation & Vocational Qualifications

Dr Peter Lau, Associate Dean, School of Business, Hong Kong Baptist University

Arthur Lee FCIS FCS, Chairman, Association of Chartered Certified Accountants, Hong Kong

Thomas Lee, Vice-President, Hong Kong Professionals and Senior Executives Association

Richard Leung FCIS FCS, Past President, HKICS

Dr Sigmund Leung, JP, President, Hong Kong Dental Association Ltd

Charbon Lo, Director, Crowe Horwath (Hong Kong) CPA Ltd



Game participants at the dinner



(Left) Institute President Ivan Tam presenting the Past President medal to Dr Maurice Ngai; (centre and right) guests and members enjoying themselves at the Annual Dinner

John Maguire, Chairman, Hong Kong Securities and Investment Institute

Dr Eunice Mak, President, the Hong Kong Institute of Planners

Neil McNamara FCIS FCS, Past President, HKICS

The Hon Eddie Ng, SBS, JP, Secretary for Education, Education Bureau, the Government of HKSAR

Vincent Ng, JP, President, the Hong Kong Institute of Architects

Anthony Rogers FCIS FCS, GBS, QC, JP, Senior Member, HKICS

Natalia Seng FCIS FCS(PE), Past President, HKICS

Michael Shue, Chairman, Hong Kong Trustees' Association

Richard Stoneman FCIS FCS, Past Chairman, The Association of The Institute of Chartered Secretaries and Administrators in Hong Kong (former body of HKICS)

Tam Tai-pang, JP, Deputy Commissioner of Inland Revenue (Operations), Inland Revenue Department, the Government of HKSAR

Grace Tan FCIS, Chief Executive, the Singapore Association of the Institute of Chartered Secretaries and Administrators

Daniel Wan, Solicitor, Francis & Co in association with Addleshaw Goddard (Hong Kong) LLP

Professor Philips Wang ACIS ACS, Vice-President (Research and Advancement), Caritas Institute of Higher Education

Dr Claire Wilson, Associate Head, Assistant Professor, Hong Kong Shue Yan University

Dr Brossa Wong, Associate Dean of School of Business, Hang Seng Management College

Duffy Wong FCIS FCS, Past Chairman, The Association of The Institute of Chartered Secretaries and Administrators in Hong Kong (former body of HKICS)

Gary Wong, Treasurer, CPA Canada, Hong Kong Chapter

Polly Wong FCIS FCS(PE), Council Member (2014-2015), HKICS

Tak Wong, President, the Hong Kong Institute of Landscape Architects

Thomas Wong, President, Hong Kong Institute of Accredited Accounting Technicians

姚铭, 中央政府驻港联络办协调部处长

Professor Yi Cheong Heon, Acting Head and Professor, Department of Accountancy, College of Business, City University of Hong Kong

Dr William Yip, Vice-Chairman, Hong Kong Institute of Marketing

Dr KP Yuen, Associate Head (Teaching), the School of Accounting and Finance, The Hong Kong Polytechnic University

The Institute would like to thank all the guests, sponsors and helpers for participating in this year's Annual Dinner.

International Qualifying Scheme (IQS) examinations

June 2016 diet

A. Examination timetable

	Tuesday 31 May 2016	Wednesday 1 June 2016	Thursday 2 June 2016	Friday 3 June 2016
9.30am - 12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2pm - 5pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

Please enrol between 1 and 31 March 2016.

B. HKICS Examinations Preparatory Programme

The HKICS Examinations Preparatory Programme conducted by HKU SPACE will commence on Sunday 21 February 2016. The timetable and enrolment form are available in the ECPD section of the Institute's website: www.hkics.org.hk.

For enquiries, please contact HKU SPACE at: 2867 8478, or email: hkics@hkuspace.hku.hk.

New students orientation

Students who have registered since September 2015 are invited to attend a new students orientation which provides new students with the opportunity to learn about the Institute and meet with other students. IQS examinations subject prize winners will also share their examination preparation tips at the event.

The enrolment form is available in the Studentship section of the Institute's website: www.hkics.org.hk. For enquiries, please contact Karin Ng at: 2830 6010, or Carmen Wong at: 2830 6019.

Dates:	Tuesday 15 March 2016
Time:	7pm – 8.30pm
Venue:	Joint Professional Centre Unit 1, G/F, The Center, 99 Queen's Road Central, Hong Kong

Student Ambassadors Programme – Summer Internship Programme 2016

The Institute invites companies and organisations to offer summer internship positions to local undergraduates under its Student Ambassadors Programme, with the aim to promote the Chartered Secretarial profession to the younger generation in Hong Kong. The internship period will be for a maximum of eight weeks from June to August 2016.

Interested members please contact Carmen Wong at: 2830 6019, or email: student@hkics.org.hk.

Payment reminders

Studentship renewal

Students whose studentship expired in December 2015 are reminded to settle the renewal payment by Monday 22 February 2016.

Exemption fees

Students whose exemption was approved via confirmation letter on 25 November 2015 are reminded to settle the exemption fee by Thursday 25 February 2016.



Company Secretarial Professionals

Our Corporate Services Division is fast growing and we are looking for company secretarial professionals to join us.

Requirements:

- ▶ Degree holder and minimum 1 year relevant experience;
- ▶ Registered students of HKICS preferred;
- ▶ Experience in handling assignments of Hong Kong-listed companies preferred but not essential;
- ▶ Self-motivated, well-organized, detail-minded, good interpersonal skills and willing to take challenges;
- ▶ Excellent command of both written and spoken English and Chinese;

Candidates who are members of HKICS with 7 years solid experience and with special focus in listed companies will be considered for an executive position.

We offer to successful candidates:

- ▶ 15-day annual leave (20-day for managers)
- ▶ 5-day work, study / examination leave
- ▶ Qualifying premium upon completion of HKICS examinations
- ▶ Excellent job exposure and career prospects

Applicants should send their full C.V. and expected salary to:

HR Manager, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email to: hr@hk.tricorglobal.com or by fax to 2543-7124.

Please quote reference: "Company Secretarial Professionals" on your application.

Personal data provided by job applicants will be used strictly in accordance with the employer's personal data policies, a copy of which will be provided immediately upon request.



KWOK YIH & CHAN
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Company Secretarial Manager

Kwok Yih & Chan is a dynamic corporate law firm with an established track record, distinguished international experience and outlook. We pride ourselves in delivering effective and top quality services with a commercial-oriented approach to legal solutions. Our core expertise is capital markets and securities regulations, takeovers, mergers and acquisitions, corporate/commercial and compliance and regulatory investigations involving securities regulators.

We are looking for a company secretarial manager to join our team.

Main Responsibilities

1. Handle a full spectrum of corporate secretarial, regulatory compliance and corporate governance matters.
2. Draft / review interim and annual results announcements, interim and annual report, minutes of board meetings and shareholders meetings, monthly returns, disclosure of interests forms, etc.
3. Assist in handling connected or notifiable transactions and other ad hoc projects.

Qualifications / Requirements

1. Higher diploma holder or above.
2. Associate member of ICSA / HKICS.
3. At least 5 years experience gained in Hong Kong listed companies or service providers.
4. Well-versed in the Listing Rules, Securities and Futures Ordinance, Companies Ordinance requirements and other compliance related regulations.
5. Self-initiative, independent, detail-oriented and able to meet tight deadline.
6. Immediate availability preferred.

* Candidates with less experience and qualifications may be considered as an **Assistant Company Secretarial Manager**.

We offer attractive salary package including medical scheme and excellent career advancement opportunity to the right candidates.

We are an equal-opportunities employer. The nature of our work requires fluent English and Putonghua, as well as written Chinese.

Applicants should email the Recruitment Partner at hr@kyclaw.com or post to Suites 2103-05, 21st Floor, 9 Queen's Road Central, Hong Kong. All applications will be treated with strict confidence.

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