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October 2016

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The journal of The Hong Kong
Institute of Chartered Secretaries
香港特許秘書公會會刊

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Good governance comes with membership

About The Hong Kong Institute of Chartered Secretaries

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, as well as the development of the profession of the Chartered Secretary in Hong Kong and throughout Mainland China. 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. HKICS is a founder member of the Corporate Secretaries International Association (CSIA) which was established in March 2010 in Geneva, Switzerland to give a global voice to corporate secretaries and governance professionals. HKICS has over 5,800 members and 3,200 students.

Membership statistics update

As of 31 August 2016, the Institute's membership statistics were as follows:
Students: 3,362
Graduates: 498
Associates: 5,086
Fellows: 561

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Contents

The HKICS has been organising its corporate governance conferences (CGCs) on a biennial basis since 1998. This month's *CSj* reviews the latest conference, held on 23–24 September 2016 at the JW Marriott Hotel in Hong Kong.

Shareholder communications

This month's edition of our journal reviews our corporate governance conference (CGC) held at the end of last month – an event which fully lived up to our high expectations of it. Our CGCs are designed not just to facilitate a dialogue about key issues in corporate governance, but to come up with practical recommendations which participants can take away with them to improve the way they carry out their duties as governance professionals. Our cover stories this month (pages 6–27) serve as the conference's 'white paper' – a summation of the debate and the conclusions reached after two days' lively discussions.

In my President's Message this month, however, I would like to address a different subject. As promised last month, I would like to discuss a new publication that our Institute has just published on the important issue of shareholder communications in Hong Kong.

From March to April this year, we conducted a survey entitled 'Shareholder communications – navigating the maze for listed issuers' which looked at the shareholder communications policies and practices of companies listed on the Hong Kong, Shenzhen and Shanghai stock exchanges. The majority of the 413 respondents to the questionnaire comprised companies listed on the Hong Kong main board. This data, therefore, gives a valuable snapshot of the current approaches to, and practice of, shareholder communications in our market.

While the survey indicated that respondent companies recognise the importance of having a good dialogue with shareholders, in practice there remain significant obstacles to such a dialogue. For example, the survey found that a third of respondents did not know who their shareholders were and did not regularly or routinely monitor their shareholder base. Moreover, the survey indicates that shareholder communications is often treated as a matter of compliance by listed companies, rather than as a strategic advantage.

These results were not unexpected. I think one of the great strengths of the report is the broad historical context it gives for the way shareholder communications have evolved globally and in Hong Kong. The report's author, Dr RI (Bob) Tricker, tracks the increasing complexity of the corporate form, together with the increasing diversity of the shareholding community, both of which trends have led to a growing disconnect between share issuers and share owners. The report is not just diagnostic, however, in intent, and makes a number of recommendations designed to improve the quality of the dialogue between companies and shareholders.

There will be a review of the report in next month's *CSj*, but, before I sign off, I would like to highlight a pertinent message the report has for readers of this journal, namely that company secretaries are well placed to add significant value to companies' shareholder communications efforts. In particular, company secretaries can assist in two areas where our survey indicated that companies are underperforming – the lack of knowledge about shareholders and the lack of a properly devised strategy for shareholder engagement.

Company secretaries often play a role in maintaining a company's share register and are therefore in a good position to assist with profiling shareholders. The company secretary is also responsible, of course, for ensuring that key issues are escalated for consideration by the board. Company secretaries can therefore be instrumental in ensuring that boards, at the very least, formulate and regularly review the company's shareholder engagement policy and strategy.

Ivan Tam FCIS FCS

股东沟通

本期月刊报道上月底举行的公司治理研讨会。研讨会成功举行，完全符合我们对它的极高期望。研讨会不仅让各方就公司治理的重要课题展开对话，也得出实际可行的建议，供与会者参考，提升他们作为治理专业人士执行职务的方法。本期的封面故事（第6至27页）是研讨会的「白皮书」，概括了两天热烈讨论的内容和结论。

本月份的会长的话，则会集中探讨另一主题。正如我在上月份所说，我会讨论公会刚发表的新刊物，内容关乎香港上市公司的股东沟通这重要课题。

今年三月至四月，公会进行了一项名为「股东沟通 — 为上市公司引路」的调查，研究香港、深圳和上海证券交易所上市公司的股东沟通政策与实践情况。交回问卷的413位回应者，大多是在香港主板上市的公司；因此所得的重要数据，反映了香港目前采用的股东沟通模式与做法。

调查结果显示回应的公司均认识到与股东维持良好对话的重要性，但在实际执行上，却面对重重障碍。例如三分之一的回应者不确定其股东的身分，也没有定期或经常检视其股东的构成。此外，调查结果显示上市公司往往视股东沟通为合规事宜，而不是策略优势。

这些结果并非意料之外。我认为报告的一个亮点，是论述股东沟通方式在全球及香港的发展进程。报告的作者RI(Bob)Tricker博士缕述公司形式如何渐趋复杂，股东构成如何日益多样化；这两个趋势，均使公司与股东的关系日渐疏离。报告不仅分析现状，还提出若干建议，以提升公司与股东之间对话的质素。

本刊下一期将有专文介绍报告内容，但在这里，我想特别提出报告中一个与本刊读者息息相关的讯息，也就是公司秘书可为公司股东沟通的工作增值，尤其可协助公司改进调查结果显示的两项不足之处，亦即对股东缺乏认识，以及欠缺鼓励股东参与的妥善策略。

公司秘书通常负责为公司保存股东名册，因此很适宜协助分析股东的构成。当然，公司秘书也负责确保重要议题可提交董事会审议，因此最起码可以协助董事会订立并定期检讨公司的股东参与方针和策略。

谭国荣先生 FCIS FCS

“

Do not underestimate yourselves. Do not underestimate your own ability to make a difference. Do what needs to be done.

”

Chairman’s review

Concluding the HKICS Corporate Governance Conference 2016, Event Chair Peter Greenwood FCIS FCS, made an impassioned plea to the younger people in the audience to have confidence in their abilities to bring about positive change.

This has been the Institute’s 10th two-yearly corporate governance conference (CGC). Whilst we might still be two years away from our 20th anniversary (if you think about it), this offers a moment to take stock of where we have been, where we are and what the future might hold for Hong Kong’s corporate governance practitioners.

Looking back to those early conferences, it is striking that some of the themes we were discussing then are still very much on the governance agenda. Examples would include the role of directors (especially independent non-executives), board composition and the role of major shareholders, be they founding families or the state. It's equally striking that some themes have arrived on our agenda which few, if any, of us anticipated. To cite a few such emerging, or emerged, issues might include: environmental and social governance; the implications of the Internet and social media; a systematic approach to the management and disclosure of risk; and the extraordinary growth of Mainland-based listed companies.

Common to both categories is the increasing depth and sophistication with which corporate governance is now debated, regulated and applied in Hong Kong. Throughout the years, our conferences have consistently demonstrated that Hong Kong has the intellectual firepower to develop and implement a governance regime which matches the quality of that in other leading financial markets. The CGC 2016 drew on the expertise and experience of predominantly locally-based experts and practitioners, representing a full range of stakeholder interests. In doing so, we demonstrated Hong Kong’s ability not merely to be a follower of that elusive animal ‘global best practice’, but to recognise the characteristics and needs of our own market and to adopt policies and standards which best serve and protect the interests of Hong Kong companies, their shareholders and stakeholders.

But, and there is always a but, our speakers and panellists also commented on ‘patchy’ performance. Patchy in the sense that some issues, for example environmental performance and shareholder communications, offer general room for improvement. Patchy also in the sense that governance standards vary widely across the spectrum of Hong Kong companies. None of this is surprising. Corporate governance policies, practices and implementation are never ‘finished’. An oft-repeated, and widely-accepted theme of our conferences has

Highlights

- Hong Kong’s young people seem to underestimate themselves, their potential and their ability to bring about positive change
- it will fall to younger members of the Chartered Secretarial profession to make a difference to corporate governance standards in Hong Kong and Mainland China in the years to come
- the governance challenges discussed at the CGC 2016 have a relevance for *all* members of the Chartered Secretarial profession, irrespective of how junior a position they currently hold

been that corporate governance is a journey, not a destination.

For that reason, we may well be holding our two-yearly discussions in the decades ahead. And, just as during our first 10 conferences, we can expect to be addressing the themes we have already ventilated, alongside some which today we can hardly foresee.

In the future, as in the past, the Institute will strive to make its work on corporate governance, within and beyond the conference, relevant to our members. Corporate governance is important – poor governance ruins businesses, destroys jobs, erodes shareholder and investor value and damages people's livelihoods and well-being. Chartered Secretaries might sometimes feel that they cannot make a difference, whether as individuals or as a profession as a whole, but this is not, and cannot be, the case. We are the corporate governance professionals, if we do not make a difference, who can?

It will fall to our younger members to make that difference to corporate governance standards in Hong Kong – and, for that matter, in Mainland China – in the years to come. However, for reasons which lie far beyond the scope of this conference and these remarks, Hong Kong seems to be suffering from a lack of confidence in itself, and in its qualities and capabilities. As part of this, Hong Kong's young people seem to underestimate themselves, their potential and their ability to bring about positive change.

In the specific context of Chartered Secretaries, our younger colleagues might feel that some of the issues canvassed at our conference lie beyond their ability to exert a positive influence. Speaking to those colleagues directly, if you are a company secretary or, even more so, if you are 'only' a deputy company secretary, corporate secretarial manager or assistant corporate secretarial officer at a small unlisted company, you might think that challenges such as promoting board diversity, shareholder engagement and better board interaction with senior management at major listed companies are irrelevant to you.

This isn't, and shouldn't be, the case. The companies for which you work should grow and become the listed companies of tomorrow. If not, you will move over to those companies. And within those businesses you will develop and rise to become the company secretaries and senior managers of the future. The limits on your own ability to shape, influence and realise a comprehensive, thorough, practical and top-class corporate governance regime in Hong Kong are, in large measure, only those you yourselves choose to accept. Do not underestimate yourselves. Do not underestimate your own ability to make a difference. Do what needs to be done.

Our first 10 corporate governance conferences have shown that Hong Kong is capable of great strides towards improving corporate governance. With the ability and commitment of our profession, reinforced by the energy and initiative of our younger colleagues, we can be confident that the next 10 conferences will see similar, perhaps even greater, progress.

Peter Greenwood FCIS FCS
Event Chair,
HKICS Corporate Governance Conference 2016

Before he retired in May 2013, Peter Greenwood worked for CLP Holdings in Hong Kong as Corporate Counsel then Company Secretary and finally as Group Executive Director – Strategy.

Corporate governance in Hong Kong – an evolving story

In his keynote address on day one of the HKICS Corporate Governance Conference 2016, Professor KC Chan, Secretary for Financial Services and the Treasury, traced the evolution of Hong Kong's corporate governance system.

I am delighted to join you all today at the biennial Corporate Governance Conference of the Hong Kong Institute of Chartered Secretaries (HKICS). In its 10th edition this year, the conference has brought together thought leaders from various fields in one place to explore the ever-changing landscape of corporate governance. This year is no exception.

We in Hong Kong have every reason to attach great importance to corporate governance. As of August 2016, Hong Kong has over 1.3 million companies registered with the Companies Register. We incorporated almost 140,000 companies last year alone, and that comes down to more than 500 a day. And despite the slowing global economy, Hong Kong retained the top spot in terms of IPO funds raised in the world last year.

These statistics are a vote of confidence in Hong Kong's corporate governance standards. In fact, Hong Kong ranked fourth in ease of starting a business according to the World Bank's *Doing Business Report* 2016, which compares business regulations in 189 economies in the world. Among these indicators, Hong Kong ranked first in protecting minority investors worldwide. The study also commended the electronic filing service we launched last year, and the implementation of a modern collateral registry to help improve access to credit.

Cheers and applause to our corporate governance regime as it is a product of many years of hard work. The Corporate Governance Review, released in two phases in 2001 and 2003, was subsumed in the Companies (Amendment) Ordinances of 2003 and 2004 and, ultimately, in the new Companies Ordinance, passed in July 2012 and brought into operation in 2014. And we had the enactment of the Securities and Futures Ordinance in 2003, followed by revisions of the Code on Corporate Governance Practices in 2005, 2012 and 2013.

This year marks the second anniversary of the implementation of the new Companies Ordinance. Under the new law, the operation of companies is now more transparent and accountability of directors strengthened. There are also more opportunities for shareholders to participate in the decision-making process of companies, and their interests are better protected.

Thanks to the hard work of the industry and the Companies Registry, the implementation of the new law has been very smooth so far. It is well received as well since the business community is keen to take advantage of the initiatives introduced to facilitate business and save costs. For example, around 98% of those companies which reduced their capital adopted the alternative court-free procedure in 2015. And about 60% of company restoration cases are now dealt with under this new procedure. SMEs meeting specified size criteria are now preparing simplified financial statements and directors' reports. I would like to thank the HKICS for your inputs during the consultation and your hard work making a smooth sail of the transition process.

Highly regarded by international investors, our corporate governance regime has all along been the cornerstone of our financial market. Good corporate governance enhances investors' confidence and the appeal of our markets, which underpin the stability

of our financial system. A Hong Kong listing has also become a popular way for many companies to demonstrate to the world their accomplishments in corporate governance.

It is therefore no surprise that Hong Kong was home to the fourth largest stock market in Asia at the end of July. In terms of IPO funds raised, Hong Kong has been among the top five globally for the past decade, ranking first from 2009 to 2011 and 2015.

To further enhance Hong Kong's business environment by giving confidence to investors and creditors, we have conducted a comprehensive review of the relevant provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the relevant Amendment Ordinance was enacted by the Legislative Council in May 2016. The Amendment Ordinance will improve and modernise Hong Kong's corporate winding up regime by providing measures to increase protection of creditors as well as streamline and enhance the integrity of the winding up process. These will also help further align our corporate winding

Highlights

- good corporate governance enhances investors' confidence and underpins the stability of Hong Kong's financial system
- a Hong Kong listing has become a popular way for many companies to demonstrate to the world their accomplishments in corporate governance
- Hong Kong retained the top spot in terms of IPO funds raised in the world last year

> "our corporate governance regime has all along been the cornerstone of our financial market"

up regime with the latest international developments.

Last but not least, the audit profession also plays a crucial role in helping companies uphold the highest corporate governance standards. It is imperative to ensure that we have a robust regulatory regime for auditors of listed entities that is up to international standards and practices. This is particularly important given the international nature of our financial market and during times of economic uncertainties. The government has embarked on a reform exercise to improve the regulatory regime for auditors of listed entities in Hong Kong. The key objective of the reform is to further enhance the independence of the regulatory regime for listed entity auditors with a view to ensuring that the regime is benchmarked against international standards and practices.

Under the reform proposals, the Financial Reporting Council (FRC) will become the independent auditor oversight body vested with direct inspection, investigation and disciplinary powers with regard to listed entity auditors, whilst the Hong Kong Institute of Certified Public Accountants (HKICPA) will perform statutory functions of registration and standards-setting with respect to listed entity auditors under the new regime, subject to independent oversight by the FRC.

In the earlier public consultation, an overwhelming majority of the respondents were supportive of the objective and direction of the reform. The government is preparing an amendment bill for the reform and will continue the dialogue with relevant stakeholders in working out the detailed arrangements of the new regime. We look forward to continued support from all stakeholders to the reform.

As an international financial centre and responsible member of the global community, Hong Kong supports the international agenda to enhance tax transparency and combat cross-border tax evasion. We have been actively pursuing comprehensive avoidance of double taxation agreements (CDTAs) and tax information exchange agreements (TIEAs) with other jurisdictions. As of April 2016, 35 CDTAs have been concluded, and we are in discussion with India, Saudi Arabia, Finland, Bangladesh and others. Since the enabling legislation for signing TIEAs came into place, seven such agreements have been concluded with our partners.

We have also been actively involved in the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. We indicated our support for implementing the Standard for Automatic Exchange of Financial Account Information in Tax Matters last September. We plan to begin the first information exchanges with appropriate partners by the end of 2018, as long as domestic legislation is in place by 2017.

We will continue to engage relevant local stakeholders and address policy and legal issues before we seek the Legislative Council's approval. In this, we look forward to your input and support. Our intent, of course, is to meet international obligations and, in so doing, protect Hong Kong's status as a global financial centre.

Ladies and gentlemen, the corporate governance system is the cornerstone of modern companies and today's free capital markets. Corporate governance structures are widely adopted in the administration of many public bodies in Hong Kong and other parts of the world. The corporate governance regime is also an evolving one. I'm confident that you will make the most out of this two-day programme to understand the forces driving these changes. We look forward to working closely with the HKICS to further improve our regime in the future.

Professor KC Chan

Secretary for Financial Services and the Treasury
HKSAR Government

How does your company's corporate governance system compare to good practices?

pwc

Establishing a high-quality corporate governance framework within an organisation contributes to sustainable growth in the company's business value. Enhancing business transparency, improving the effectiveness and efficiency of the decision-making processes, mitigating the company's financial and non-financial risks and improving its reputation are some of the perceived benefits for stakeholders and the business community.

To find out more on how we can help, please contact us:

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The road ahead

In his keynote address on day two of the HKICS Corporate Governance Conference 2016, Anthony Neoh FCIS FCS, Senior Counsel and Former Chief Adviser to the China Securities Regulatory Commission, looks at three trends that boards cannot afford to ignore in the emerging business environment and at new proposals to improve the existing structure for listing regulation in Hong Kong.

I am honoured to have this opportunity to address you on the second day of this year's Corporate Governance Conference. The title of this year's conference is 'Corporate governance inside and out – forces shaping the corporate governance landscape'. It is a particularly apposite title, because in the space of the two years since the last conference, we have seen important trends consolidating. These are trends which boards cannot afford to ignore. I will devote the first part of this address to these trends and how boards may respond to these developments.

The responses of boards must be supported by a sound and effective legal and regulatory system. I would venture to suggest that Hong Kong is at a crossroad in this regard, and we must now grasp the nettle before it is too late. I will devote the second part of this address to this issue.

Emerging trends

Let us first consider the emerging trends, which have consolidated in the last year. There are three trends that boards cannot afford to ignore. The first is the highly energetic advance of digital technology. The second is an increasingly pronounced acknowledgement by communities around the world and their political and regulatory establishments of a need for better business ethics. The third is an urgent recognition also among communities around the world and their political and regulatory establishments that businesses must work towards the common goals reached at the COP 21 Paris Conference on Climate Change.

1. Digital technology

The digital revolution has been with us since the dawn of the millenium when the internet began to change our lives, but in recent years, the internet and technologies developed to commercially exploit the internet have made even more drastic inroads in our lives. Today, we have in our hands a smart phone having computing power many orders of magnitude more powerful than all the computers which accompanied the lunar landing spaceships. The functionality of our smart phones can enable us not only to communicate by voice but also by video, we hold in our hands the power to monitor the functioning of anything which can be connected to the internet. A new term has been coined – the 'internet of things' (IOT). The electronic purse and payment systems now pervasive in China are changing the patterns of the retail and logistics industry in China. Internet lending through P2P platforms, internet insurance sales platforms are all giving traditional financial businesses more than a good run for their money – whilst their existence are not threatened in the short run, their revenues certainly are. Added to this is the prevalence of social media, which offers a whole new world in communications.

To call this trend a game changer is a patent understatement. Boards must respond to this by reviewing their skills set and the skills set of their management and devising a strategy and programme for exploiting the many facets of this game-changing development. Boards have not nearly enough applied their collective minds to what their companies can do to exploit the promise of the digital age, not only as to how present services or supplies chains may be improved but also what new services might be provided. Also, with the importance of social media looming so large in the lives of everyone, how can that be exploited to improve communications between companies and their shareholders, customers and other stakeholders.

But whilst the digital age promises a brighter future, it also brings with it the scourge of fraud, deceit and potential ruin. In recent years, we have seen many cases of digital hacking and fraud, and directors can ill afford to ignore the establishment of adequate systems to prevent hacking and fraud. This involves developing an understanding of digital fraud and the technologies for prevention.

2. Business ethics

The second trend is the need to awaken to increasingly close scrutiny of businesses for their ethical behaviour. Since the mid-1970s, the US has been enforcing

Highlights

- boards should review their skills set and the skills set of their management and devise a strategy and programme to exploit the many facets of the digital revolution
- with the climate change commitments agreed at the COP 21 Paris Conference on Climate Change now being globally ratified, environmental issues both of a present and prospective kind must be addressed by all boards
- the SFC and the practitioners' community should work together to ensure that the proposed enhancements to the existing structure for listing regulation in Hong Kong are successfully implemented

the Foreign Corrupt Practices Act (FCPA). The FCPA applies to all companies whose securities are registered in the US – this may exclude companies which did a Regulation 144A issue to 'qualified institutional buyers' but there is no case yet determining this.

The UK enforces the UK Bribery Act (which applies to UK subsidiaries of international companies, but their parents may be caught if the subsidiary is set up to do business in the UK for the group), and the UK Modern Slavery Act (which prohibits forced labour as defined in International Labour Organisation conventions, which include child labour and which applies to all companies doing business in the UK with a global turnover of over 36 million pounds sterling. This means that global businesses must ensure that their supply chain is not infected by practices prohibited by the Modern Slavery Act. ICBC-Standard Bank in the UK was fined US$32.6 million by the UK Prosecuting Authority for failing to prevent bribery in an associate company within the Standard Bank Group for bribery that occurred in Tanzania. GSK, according to media reports, is still being investigated for potential breaches of the FCPA and the UK Bribery Act for failing to prevent what happened in China (despite having been fined by the Chinese Authorities). HSBC was fined US$1.9 billion for failure to institute sufficient anti-money laundering procedures in its US business (as has other international banks), and Deutsche Bank is now being asked for US$14 billion in fines by the US Department of Justice for selling toxic subprime mortgages to the Fannie Mae and Freddie Mac, and thus indirectly onto the capital markets.

A business ethics programme is not important only to financial institutions, the FCPA, UK Bribery Act and the UK Modern Slavery Act apply to all types of businesses. These pieces of legislation although domestic in nature, have long-reach application and in fact are being replicated by other European jurisdictions, as they are supported by OECD and UN Conventions on anti-corruption, prevention of tax evasion and prevention of terrorism and human trafficking. Boards cannot afford to ignore this trend.

3. Climate change

The third trend is less urgent if only because companies are already observing what is required under extant environmental legislation. But with the COP 21 commitments now being globally ratified (China and US just ratified these four commitments), environmental issues both of a present and prospective kind must be addressed by all boards.

How should boards respond?

Then, you might ask what are the responsibilities of directors. I think those present here would clearly be aware of the changes made not long ago to our company law. We are now in the course of the second year since the enactment of the new Companies Ordinance. In a landmark piece of legislation, one important provision stands out. It is the definition of a director's duty to exercise reasonable, care, skill and diligence.

As this provision (Section 465) must have been indelibly imprinted into the mind of most of you, I would scarcely need to remind you of its content, which requires a director to exercise reasonable care, skill and diligence and this would satisfied by a reasonably diligent person with:

a. the general knowledge, skill and experience that may reasonably be expected of a person carrying out the function carried by the director in relation to the company, and

b. the general knowledge, skill and experience that director has.

This duty of care, skill and diligence, is to be understood in conjunction with an ever-increasing list of statutory duties imposed upon directors and companies. This list of statutory duties include the duties set out in the listing rules and the Securities and Futures Ordinance on listed companies and their officers (which include directors), and companies in financial services must observe the requirements of many jurisdictions on instituting proper risk management, anti-money laundering provisions, and fraud prevention regimes. The UK has implemented a regime which places personal responsibility and also regulatory and criminal law liability on directors and officers of financial institutions who fail to exercise reasonable care, skill and diligence in the exercise of their functions. The US has a similar regime. Other European jurisdictions will no doubt follow suit and Asian and Latin American jurisdictions will find that they cannot afford to miss out.

All of these developments place tremendous responsibility on directors who must thoroughly understand these developments as they apply to their companies and ensure that the management of their companies develop programmes of compliance and at the same time, boards must develop systems for monitoring compliance by the company.

Environmental, social and governance (ESG) reporting cannot therefore just be a paper exercise, it has to be well thought through by the board, with knowledge

> boards have not nearly enough applied their collective minds to what their companies can do to exploit the promise of the digital age

of what is facing the company and what the company intends to achieve. This means that directors will need to take an active part in planning the strategy of their companies, not only in business development but also in compliance with the increasing legislative and regulatory expectations placed upon them both presently and prospectively. This will mean directors taking an active part in developing the agenda of their board work and not just relying on the management, and engaging in an educational effort of themselves both through self-study and through organised education by experts in relevant fields.

Regulatory reform

As I have said at the beginning of this address, the efforts of directors must be supported by a sound legal and regulatory environment. In this arena, I am afraid we are at a crossroad in Hong Kong.

It is regrettable that we do not have adequate private law procedures to deal with corporate governance abuses in Hong Kong. Remember that directors' duties are owed to the company, and majority shareholder's market activities generally belong to the sphere of market abuse, either as defined in the Securities and Futures Ordinance or as a breach or breaches of the listing rules. A minority shareholder will find it daunting to start an action against the board of directors or certain directors in the name of the company, since he or she will have little resources whereas the directors will at least initially have the resources of the company or their D&O insurance to fight the shareholder. Further, a minority shareholder will have to show loss if he or she were to start a civil action for market abuse, which is in any case extremely difficult if not impossible to mount without a finding by the Market Abuse Tribunal or the investigational materials of the Securities and Futures Commission (SFC) – which under the Securities and Futures Ordinance is confidential and may only be divulged through court order or in any action by the SFC. Also, there is no class action regime in Hong Kong despite the Law Reform Commission's report on class actions three years ago (in which I had the privilege to chair the sub-committee which prepared the report).

The only effective weapons, at present available, are the civil actions which the SFC can start under Sections 213 and 214 of the Securities and Futures Ordinance. These sections can be used by the SFC to recover from directors, officers and others, losses occasioned to shareholders and investors for breaches of the listing rules, Takeovers Code, breaches of fiduciary duty or duties of care of directors resulting in non-compliance with statutory and listing rules, and market abusers. These sections have been effective, where for example, in the Hontex Case, the proceeds of a fraudulent IPO, were recovered for shareholders.

But the effectiveness of the SFC's enforcement efforts is dependent upon on two important planks of the regulatory system in Hong Kong:

i. the SFC is reliant on the CSRC to investigate into the affairs of companies with businesses based in the PRC, and

ii. the SFC relies on good co-ordination between its regulatory functions and the regulatory functions of the Listing Committee and Listing Department of the Hong Kong Stock Exchange.

> "boards also need to awaken to the increasingly close scrutiny of businesses for their ethical behaviour"

Neither of these two important planks can be allowed to fail.

I discern that co-operation with the CSRC has improved in the last year, as more effort is spent by each side to strengthen ties, helped no doubt by the Stock Connect initiatives.

But the recent efforts by the SFC to improve co-ordination on listing matters have, it appears, been immersed in stormy waters, despite the fact that in recent years coordination in listing matters have not been as smooth as the process would require. Under the existing MOU arrangements between the SFC and the Stock Exchange, applications to the Listing Committee for waivers which have policy implications and changes to the listing rules requires approval of the SFC. The recent consultation paper jointly published by the SFC and the Exchange, seeks to improve the consultation and approval process by way of a system of committees. I have publicly supported the idea and have suggested that the SFC and practitioners community look into ensuring that this system of committees work in close coordination with each other and perhaps produce performance indicators to ensure that the new procedure is indeed better than the existing system. The consultation period has been extended for two months to allow this discussion to take place and hopefully a constructive outcome will emerge.

There have been comments in the last few months that this new system of coordination allocates too much power to the SFC. But the SFC already has the power to require approval of policy waivers and changes to the listing rules. In fact under Sections 19-36 of the Securities and Futures Ordinance, the SFC has statutory responsibility and power to regulate the content and the operation of listing rules.

But reading between the lines of some of the public comments, there appears to be a fear that the SFC as market regulator might be so aggressive that market innovation would be stifled. But the SFC is not supposed to do this. Section 6(2) of the Securities and Futures Ordinance requires the SFC, in performing its regulatory functions, to have regard to:

a. the international character of the securities and futures industry and the desirability of maintaining the status of Hong Kong as a competitive international financial centre

b. the desirability of facilitating innovation in connection with financial products and with activities regulated by the SFC under any of the relevant provisions, and

c. the principle that competition among persons carrying on activities regulated by the SFC under any of the relevant provisions should not be impeded unnecessarily.

As a former Chairman of the SFC, I can state that the Commission has long made the above principles, the guiding policies of the Commission. There is no evidence that the Commission has deviated from these principles, and I would state for example that the Mutual Recognition of Funds is an example of the innovation promoted by the Commission, as has been the facilitation of the Stock Connect programmes. But if there is any residual perception that the Commission has forgotten its remit to facilitate innovation, the best way to ensure this does not happen, is to have a forum for engagement with the SFC. The proposals in the consultation paper provides this forum. I think that forum has the potential to consider future innovations such as new listing regimes such as those in London (with premium and standard listings differentiating companies with different corporate governance standards), reviewing the REITS regime and business trusts regimes, and considering innovations which will enable infrastructure financing, which we will in the near future see, from the One Belt One Road initiative.

Hong Kong has always thrived when all the actors in the market work together, it is time that we should pull together again, grasp the nettle, and choose the best fork in this crossroad for the community's future prosperity!

Anthony Neoh

Senior Counsel and Former Chief Adviser to the China Securities Regulatory Commission


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Conference conclusions part one

External investors and stakeholder groups have become much more active players in the corporate governance arena in Hong Kong over last decade, but they are sometimes treated with suspicion by governance players within companies. The HKICS Corporate Governance Conference 2016 looked at what all the key players – inside and outside the company – bring to the governance table and how their roles interact.

The HKICS has been organising its corporate governance conferences (CGCs) on a biennial basis since 1998. This year's CGC, as the 10th in the series, showed just how far the event has progressed in terms of refining the format and management of the event to ensure it delivers on its promises. One of those promises is the remit not only to discuss tough corporate governance challenges, but also to offer possible solutions to them. This review will focus on the key questions raised, and the conclusions reached, during the two days of discussions.

Governance – a collaborative endeavour

The theme of this year's conference was 'Corporate governance inside and out – forces shaping the corporate governance landscape'. The forum looked at the roles of key governance players internal and external to the corporate entity – namely directors, managers, shareholders and stakeholders.

Though these roles were addressed in separate sessions, the forum quickly revealed that they cannot be considered in isolation. Governance is a collaborative effort which requires everyone in an organisation from the chairman to shop floor employees to sign up to. Moreover, complex intersecting relationships exist between the roles and single individuals often find themselves in dual or multiple roles.

The need for a recognition of the complex interactions between the various governance players is nowhere more evident than in the role of the company secretary. Company secretaries play an intermediary role between board and management and between the company and its shareholders and stakeholders. They also hold a role which straddles the 'inside and out' categorisation as members of senior management as well as gatekeepers for compliance and ethics. The role of the company secretary, while it was not the specific focus of any of the conference sessions, was frequently at the centre of the discussions.

This first part of our conference review will focus on the key conference conclusions relating to directors and managers.

1. Directors

The business environment within which companies operate has become a lot more complex. In this context, the necessity of having a good board to navigate the challenges and opportunities facing the enterprise is all the more important. In his keynote address on day two of the conference, Anthony Neoh FCIS FCS, Senior Counsel and Former Chief Adviser to the China Securities Regulatory Commission, sketched out some of the key risks and opportunities that directors should be addressing (see his keynote address on pages 12–16 of this month's *CSj*).

How then should boards respond? The first session of the conference focused on the need for directors to take a professional approach to their responsibilities. For speaker Nicholas Charles Allen, Chairman, Link Asset Management Ltd, the key issue is the need for directors to be in a position to constructively challenge management. To do this properly, directors need to ensure that they are adequately informed to ask the right questions.

Highlights

- directors need to do their homework – in particular ensuring that they are adequately informed to ask the right questions
- too few boards are addressing the strategic challenges and opportunities facing their organisations
- the enhanced public scrutiny of companies has both a cost (financial and in terms of management time) and a benefit (increased transparency and improved governance)

> my message to the Chartered Secretaries here is to be brave enough to help develop the skill sets of the directors on your boards
>
> Nicholas Charles Allen, Chairman, Link Asset Management Ltd

Do your homework

Directors usually have a seat on the board because of a particular area of expertise they can bring to board discussions. This does not mean, however, that they are not expected to contribute to discussions outside their field of expertise. Indeed, panellist Ada Chung FCIS FCS, Registrar of Companies, Companies Registry, highlighted the fact that, since the implementation of the new Companies Ordinance, directors are no longer only subject to a 'subjective' test of their duties of care, skill and diligence. The new Companies Ordinance added an 'objective' test which looks at the general knowledge, skill and experience that may reasonably be expected of a person carrying out the functions of the director. 'This means that they cannot claim ignorance,' she pointed out. 'They are expected to go out of their way to know about the subjects under discussion by the board. It is more and more onerous to act as a director today.'

So what is the best way for directors to ensure that they are adequately informed? A primary source of information, of course, will be the board papers prepared by management. Mr Allen warned, however, that 'while board papers are a very important source of information, they nevertheless come with a health warning. The CFO and CEO will vet all documents going to the board and they spend considerable amounts of time managing their boards,' he said.

To avoid the danger of management 'capture', directors need to broaden their sources of information. They should be having face-to-face meetings with managers not on the executive committee or board, particularly leaders of business divisions. They should be going on site visits to assets of the business, and they should be attending industry-specific events and learning opportunities. These 'learning opportunities', such as CPD events and conferences, are a good way for directors to gain a better understanding of the areas they are not an expert in. 'You won't become an instant expert, but you will be able to participate in the debate and ensure the right questions are asked,' Mr Allen said.

This issue has particular relevance, of course, for company secretaries – directors' access to information is a key part of the company secretary's board support role. Mr Allen made a direct appeal to the company secretaries in the audience – 'My message to the Chartered Secretaries here is to be brave enough to help develop the skill sets of the directors on your boards by facilitating these meetings, site visits and industry and related conferences,' he said.

Don't get lost in the detail

Another key part of directors' due diligence is the need to ensure that the board addresses the strategic challenges and opportunities facing the organisation. Panellist Dr Kelvin Wong, Executive Director and Deputy Managing Director, COSCO SHIPPING Ports Ltd, pointed out that board agendas are often much the same as they were 100 years ago and often boards don't get much further than a review of minutes of the last meeting followed by a discussion of 'matters arising'. 'These matters are essential but not sufficient, they tend to be confirmatory rather than exploratory and to discuss strategy is rare among listed companies in Hong Kong,' he said.

Dr Wong believes that it is more common for management to discuss strategy in

In their own words






"Directors cannot claim ignorance, they are expected to go out of their way to know about the subjects under discussion by the board."
Ada Chung FCIS FCS, Registrar of Companies, Companies Registry

"If you are required to do something, that is a good place to start. Initially you may adopt good governance only for compliance reasons, but hopefully when you start to practice it you come to embrace it."
Edith Shih FCIS FCS(PE), Head Group General Counsel and Company Secretary, CK Hutchison Holdings Ltd

"These matters [discussed by boards] are essential but not sufficient, they tend to be confirmatory rather than exploratory and to discuss strategy is rare among listed companies in Hong Kong."
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"Stakeholder pressure has helped us set our priorities. I believe it is good for management and the board – it keeps us humble and helps to take care of blind spots"
William Lo Chi-Chung, Executive Director, Finance, Airport Authority Hong Kong

"While board papers are a very important source of information, they nevetheless come with a health warning. The CFO and CEO will vet all documents going to the board and they spend considerable amounts of time managing their boards."
Nicholas Charles Allen, Chairman, Link Asset Management Ltd

"First *who* then *how*. If you have the wrong people, the best system in the world will not prevent things going wrong."
Antony Leung Kam-chung, Group Chairman and Chief Executive Officer, Nan Fung Group

Hong Kong companies. He therefore urges INEDS to demand that strategy should be added to the board agenda at least once a year. He also urges professional investors to attend AGMs and ask the questions they want answered. He pointed out that this helps directors ensure that such issues are taken seriously by the board.

The need for boards to discuss strategy was also raised by panellist Andrew Weir, Regional Senior Partner, Hong Kong, Head of Capital Markets, KPMG China, and Global Chairman of Real Estate and Construction, KPMG. He highlighted the fact that both risk and strategy are often neglected by boards in Hong Kong and linked this to the danger of management 'capture' discussed above. Where management controls the board agenda, risk and strategy are often neglected. The issue for the board is therefore to make sure that the board, rather than management, owns the board discussion, he said.

Speaker Antony Leung Kam-chung, Group Chairman and Chief Executive Officer, Nan Fung Group, also emphasised the importance of directors discussing strategy – 'often boards don't have time to see around the corner and lead the organisation going forward,' he said. He recommended having specific board sessions dedicated to strategy and pointed out that the agreed strategy needs to be matched with the organisation's key performance indicators (KPIs). He cited the example of an organisation which had focused its business model on being the best in customer service while none of it's KPIs were related to customer service.

Get the right people

Mr Leung also emphasised the importance of getting the right people – whether for board or management positions.

'First *who* then *how*. If you have the wrong people, the best system in the world will not prevent things going wrong,' he said. Where directors are concerned, he added that the recruitment exercise should not only look at a potential director's credentials.

'Some candidates have great credentials but lack creative and lateral thinking, as well as critical independence,' he pointed out.

> "often boards don't have time to see around the corner and lead the organisation going forward"

Antony Leung Kam-chung, Group Chairman and Chief Executive Officer, Nan Fung Group

> an electronic poll found that a majority of the audience felt that corporate governance was observed more out of compliance rather than as a strategic advantage

2. Managers

Session two of the conference examined the governance role of managers, posing the question whether management is 'hands on or handcuffed'? Speaker Lincoln Leong, CEO, MTR Corporation Ltd, pointed out that managers are subject to a lot more public scrutiny today. Ten years ago they were expected to uphold the interests of shareholders – now, in addition to shareholder interests, they need to consider an ever-widening group of stakeholders who tend to have very high expectations of ethics and corporate governance.

Has this enhanced public scrutiny been good for companies? Mr Leong believes it has, since it has pushed them to be more transparent. Panellist William Lo Chi-Chung, Executive Director, Finance, Airport Authority Hong Kong, pointed out that, for the Airport Authority, everyone is a stakeholder and that, while the increased scrutiny has been 'more good than bad', it has not come without a cost. For example, there have been eight judicial reviews related to the airport's third runway. 'We have spent a lot of money and management time on this, but the stakeholder pressure has helped us set our priorities. I believe it is good for management and the board – it keeps us humble and helps to take care of blind spots.'

Speaker Edith Shih FCIS FCS(PE), Head Group General Counsel and Company Secretary, CK Hutchison Holdings Ltd, pointed out that company secretaries can 'uncuff the chains' for management in the sense that they help to assure directors that legal, regulatory and ethical compliance issues are under control. 'When compliance is attained there are no chains to be uncuffed,' she said.

She also made the point that improving governance solely in the interests of 'compliance' was not necessarily a bad thing. An electronic poll found that a majority of the audience felt that corporate governance was observed more out of compliance rather than as a strategic advantage. Ms Shih pointed out that this is often the way good governance practices first take hold. 'If you are required to do something, that is a good place to start. Initially you may adopt good governance only for compliance reasons, but hopefully when you start to practice it you come to embrace it,' she said. CSj

The Hong Kong Institute of Chartered Secretaries Corporate Governance Conference was held at the JW Marriott Hotel, Hong Kong on the 23–24 September 2016. More information and photos of the event can be found on the Institute's website: www.hkics.org.hk, and the conference website: www.hkics.org.hk/CGC2016.

Conference conclusions part two

CSj looks at the key conference conclusions relating to shareholders, stakeholders and the latest corporate governance issues facing Mainland China.

Part one of this review focused on the governance players internal to the company – directors and managers, but one of the most noticeable trends over the last decade has been the extent to which players outside the company have been able to assert their legitimate interests in governance outcomes. This second part of the review will focus on the key conference conclusions relating to external shareholders and stakeholders.

In addition, the structure of this year's CGC departed from the format adopted in previous years with the addition of a second half-day of discussions (this slot previously comprised site visits). The second day of the conference was devoted to corporate governance issues in Mainland China, and the complex interplay of factors between the Mainland and Hong Kong. This review will conclude with a look at the forum's insights in these areas.

1. Shareholders

As mentioned above, external shareholders have become much more active players in the corporate governance arena in Hong Kong over the last decade. The forum looked at what influence, for example, the increasing presence of institutional investors is having on the Hong Kong market. These investors tend to have a long-term approach to their investments and they also tend to have the resources to be able to engage with investee companies on governance issues.

Speaker Pru Bennett, Head of BlackRock Investment Stewardship for Asia Pacific, pointed out that active engagement with investee companies is a fiduciary duty to an institutional investor's clients (see the interview with Ms Bennett in this month's In Profile on pages 28–32).

The SFC recently published its '*Principles of Responsible Ownership*' which seeks to promote active stewardship by investors in Hong Kong. Speaker Michael Duignan, Senior Director, Corporate Finance Division, Securities and Futures Commission (SFC), noted that some people have dubbed the principles an 'activist shareholder charter'. 'The seven principles are actually seven basic and sensible things all investors should be doing,' he countered.

He added that shareholder engagement also makes a lot of sense for companies. At an AGM shareholders are given a binary vote – yes or no – but that is the worst time to find out that your investors are going to vote no. Companies need to develop a relationship with investors before it gets to that point. 'If you are only reaching out to them during a crisis, that is too late,' he said.

Nevertheless, the trend towards more active shareholder engagement with investee companies has not always been welcomed by companies – indeed, they sometimes see active investors as a potential threat rather than an ally. Speaker Cas Sydorowitz, CEO, Georgeson Corporate Advisory Europe, pointed out that active investors fulfill an important governance role as defenders of shareholder value.

He also looked at some of the issues investors are most concerned about in Hong Kong. In particular for example, there has been a high percentage of no votes among institutional investors in Hong Kong relating to director elections and re-elections. Investors often vote these resolutions down due to inadequate disclosure about the director candidates. Mr Sydorowitz therefore reiterated Michael Duignan's point that companies need to get their message across to shareholders before the AGM if they want to ensure a minimum of resolutions voted down. 'Manage your shareholder engagement, don't leave it to chance,' he said.

2. Stakeholders

As noted above, companies have had to become a lot more inclusive of stakeholder concerns over the last decade and session four looked at the governance role of these 'noisy neighbours'. Speaker David Graham, Chief Regulatory Officer and Head of Listing, Hong Kong Exchanges and Clearing, looked at the benefits of environmental, social and governance (ESG) reporting for listed issuers and at the Exchange's initiatives to help listed

Highlights

- shareholders and stakeholders have become much more active players in the corporate governance arena in Hong Kong
- companies sometimes see these players as potential threats rather than allies, but they can be an important catalyst to improve governance
- despite the trend for closer convergence of the Mainland and Hong Kong markets, fundamental differences still exist and are likely to persist for some time

> “manage your shareholder engagement, don’t leave it to chance”

Cas Sydorowitz, CEO, Georgeson Corporate Advisory Europe

companies raise their game in this arena (see his article ‘What ESG reporting brings to the table’ in last month’s *CSj*).

Panellist Melissa Brown, Partner, Daobridge Capital, pointed out that active shareholders and stakeholder groups play an essential governance role, and listed companies need to take a more informed and open approach to the role they play. After all, she pointed out, they are committed to raising the quality of the market. She added that this is a good area for company secretaries to add value to their organisations – making sure that the organisation is aware of the concerns of shareholder and stakeholder groups and the changing environment within which the organisation operates.

3. Mainland China

The second day of the conference addressed the key corporate governance challenges facing Mainland China. Speaker Estella Ng Yi-Kum ACIS ACS, Executive Director, Deputy Chairman, Chief Strategy Officer and Chief Financial Officer, Tse Sui Luen Jewellery (International) Ltd, focused on two areas where corporate governance standards in the Mainland are relatively under-developed compared to Hong Kong – connected transactions and inside information.

The problem here is not, she suggested, the absence of a viable regulatory framework, but rather the low level of awareness among senior managers of the need to maintain the confidentiality of price-sensitive information (PSI). For example, she noted that it is relatively common for senior managers to share PSI on inappropriate communication channels such as ‘we chat’ leading to confidentiality breaches. She recommended providing regular training and updates to board members, management and relevant staff. She also recommended more reliance on the professional advice of company secretaries and consultants, particularly in relation to building better internal controls for the management of inside information and connected transactions.

Another key issue addressed on the second day of the conference was the current convergence of the Mainland and Hong Kong markets. We have seen dramatic examples of closer ties between the two markets in recent years – such as the Stock Connect programme linking Shanghai (and soon Shenzhen) to Hong Kong and the Mutual Recognition of Funds initiative. Many speakers and panellists, however, reminded the conference that significant differences still exist between the two markets.

‘It is an interesting time for us all,’ said speaker Wei Fang, Chief Representative in Hong Kong, PetroChina Company Ltd, ‘but despite the Stock Connect and the trend of convergence between the Mainland and Hong Kong, the two markets are fundamentally different and those differences will remain for some time still.’ He added that this diversity of approaches to governance is no bad thing. ‘Not everyone has to look like Brad Pitt,’ he quipped.

The speakers and panellists also noted that the corporate governance environment in the Mainland differs greatly depending on whether you are looking at private enterprises or state-owned enterprises (SOEs). Panellist Cimi Leung, Risk Assurance Partner, PricewaterhouseCoopers, pointed out that China has produced a number of

"it is an interesting time for us all but, despite the Stock Connect and the trend of convergence between the Mainland and Hong Kong, the two markets are fundamentally different and those differences will remain for some time still"

Wei Fang, Chief Representative in Hong Kong, PetroChina Company Ltd

global brands which have moved fast towards international standards of corporate governance. On the other hand, the SOE sector operates in a very different environment from Hong Kong and the West.

Panellist Paul Chow Man-yiu FCIS FCS, Former Chairman, Hong Kong Cyberport Management Company Ltd, believes that, to avoid false expectations, market participants should bear in mind that SOEs are part of the government machinery in the Mainland. 'In the Mainland, most major companies are SOEs – this is the biggest distinction to make. Mainland China is a one-party state and companies work in a highly controlled environment,' he said.

He pointed to the new directive for party secretaries to get more involved with the management of SOEs as an example of the direction in which SOEs are going – not towards privatisation but towards more state control. He believes that those expecting SOEs to be privatised are likely to be disappointed. 'The state relies on the profits from SOEs,' he said, 'most SOEs are there to provide money to the state so the state can use the money for infrastructure development. They will be there for a long time.'

Speaker Edward Chow, Chair, HK Chapter, Institute of Chartered Accountants in England & Wales and Past President, HKICPA, noted the extraordinary pace at which the Mainland environment has been transformed. He also noted, however, some of the challenges going forward – for example the practice of regularly transferring senior managers from one SOE to another. 'You may be asked to transfer to another company the next day. That may be in the national interests but is it in the interests of shareholders?' he asked.

He also pointed to the duplication that exists where independent directors coexist with a supervisory board. Speaker David Tam, Joint Company Secretary, China Railway Group Ltd, also raised this point. He pointed out that the agenda of the supervisory board is often 90% the same as that of the audit committee.

Despite the many differences which exist, however, between the Mainland's corporate governance regime and those in Hong Kong and the West, the opening up of China's markets has brought benefits for both sides. David Tam mentioned that feedback from overseas investors had provided China Railway Group with a much better sense of international standards of corporate governance.

Speaker Alfred Chan Wing-kin, Managing Director, Hong Kong and China Gas Company Ltd, highlighted the fact that the Mainland has represented a major opportunity for his company. Today, 60% of its profits come from the Mainland.

He also discussed some of the hurdles the company has encountered in this journey. Like Estella Ng, he made the point that there is no lack of good regulations and guidelines on corporate governance matters in the Mainland, but the problems often arise through a lack of implementation and enforcement, he said. He also cited a number of drivers which should lead to better recognition of the importance of good governance in the Mainland, such as the increase in the number of corporate governance courses offered in universities and the increasing emphasis on professional standards.

A passive investor's guide to active engagement

CSj talks to Pru Bennett, Head of BlackRock Investment Stewardship for Asia Pacific and a speaker at the HKICS CGC 2016, about her approach to engaging with investee companies in Hong Kong and the region.

Could we start by talking about your background and your role at BlackRock?
'I am part of BlackRock's Investment Stewardship team. We have teams in the US, the UK and the Asia Pacific, and I am Head of Asia Pacific, with team members in Sydney, Hong Kong and Japan. Our role is to provide oversight of the corporate governance of the companies we invest in. A lot of BlackRock's investments are passive, in the sense that they are in indexes or iShares. We are a long-term investor because of the nature of passive investing – selling is not an option.'

While your investments are 'passive', are you an 'active' investor in the sense of engaging with your investee companies?
'Very much so. We've got a fiduciary duty to our clients to look at the issues on their behalf. We believe that a company that is well governed should have a board comprising competent people with a good mix of skills and experience that can provide the oversight of management and contribute to the long-term sustainable growth of the company. So proxy voting is one of things that we do. We try to vote at all meetings of the companies we have invested in. If we are invested in a company that has governance concerns and performance problems, we have a duty on behalf our clients to do something.'

So is the composition of the board the key information you are looking for when monitoring your investee companies?
'We look closely at who is on the board. Generally there is not enough information disclosed on directors, such as their background, what skills they bring to the board and the process for selecting independent directors. There is a lack of transparency on those issues in the region. However, we don't push the independence issue – some of the most competent directors that I have met in Hong Kong are not independent and they are often family members. Some of the most incompetent that I have come across are technically independent. So, for us, the important thing is whether the company has competent directors on the board. When you have a family controlling 30% to 40% of the company there is a strong alignment with their interest because they are long-term shareholders like us, so there should be that strong alignment.'

How do you go about assessing the competence of board members?
'That comes down to face-to-face meetings. On the other hand, if you pick up an annual report and read the chairman's statement, I think you can tell if it is written by the marketing department or the chairman. You can learn a lot about a company through its disclosure, particularly about its culture and its attitude to shareholders.'

What is your view of the new HKICS research report on shareholder communications?
'I think it is a really good start and it would be interesting if there is a follow up in a couple of years so we can see how the issue has shifted. The report raises a big issue and shows the shift in the way things are done in Hong Kong. Ten years ago, listed companies were probably not engaging much with their foreign shareholders, or even their local investors, but there is a realisation now that companies need to engage with them to understand what their views are and to address those views.

When we meet with a company it is very much a two-way street. We go into a meeting with a well-prepared agenda raising any concerns we have, but we wait for the company to respond; we don't go in and say that you have to do this and that. We don't take a tick-the-box approach.'

What role do you think company secretaries can play in shareholder communications?
'We have a lot to do with company secretaries; they are the prime source of contact if there is an issue. In Hong Kong, the role of the company secretary is a statutory role – the Companies Ordinance requires all companies to have a company secretary. So it is very different from, let's say, an investor relations role.

Moreover, company secretaries have regular communication with the board. Previously, engagement of shareholders tended to be

Highlights

- corporate disclosures generally lack information on directors, such as their background and what skills they bring to the board
- getting the right directors on the board is about adding value to the company and its long-term growth and prospects, rather than just about ticking some boxes
- company secretaries, with their relationship with the board, have an extremely important role as a point of contact for engagement with shareholders

with general management, such as the CFO and CEO, but now that we focus on governance issues it is really the board that we want to talk to. That's where company secretaries, with their relationship with the board, have an extremely important role as a point of contact for engagement with shareholders. Now how companies set up their company secretary function, versus the investor relations function, varies from company to company. I don't think there is a one size fits all; it really does depend on the company.'

The report makes the point that shareholder engagement is still seen more as a compliance issue rather than as a strategic advantage – does this tally with your own experience of the market?

'Yes, and I think corporate governance in Hong Kong is often seen as a compliance issue rather than a strategic issue. This again comes back to getting competent directors on the board with a mix of skills and expertise that matches the company's strategy and business. That's what is most important and what helps add value to the company in the longer term, so it is a strategic issue.

If you have a board of nine, having three directors that you can technically call 'independent' is a compliance issue; having directors on the board which have been selected through a sound process is a strategic issue. We would like to see a shift towards a recognition that this is about adding value to the company and its long-term growth and prospects, rather than just about ticking some boxes.'

The majority of Hong Kong listed companies are closely held and shareholder engagement looks very different from that perspective; the majority shareholder will tend to be highly engaged with the company. Does the issue then become more about the treatment of minority shareholders?

'One of the good things about Hong Kong is the fact that, with related-party transactions, minority shareholders have quite significant rights. It is therefore in the interests of the block shareholder to ensure they there is a good relationship between the minority shareholders and the company. The block shareholder can't vote on related-party transactions and there have been some significant examples of minority shareholders voting down such transactions recently, such as the proposed merger of Cheung Kong Infrastructure Holdings and Power Asset Holdings. So it is really important for that relationship to be there and for the board to be transparent and accountable to their shareholders. Minority shareholders are a great source of capital for companies as they grow and continue to require capital to fund that growth.'

Is the trend in Hong Kong towards better engagement with minority shareholders?

'At the moment, family-controlled companies can be summarised as having three types of approaches to corporate governance and minority shareholders. The first has no interest in minority shareholders. We often see them having businesses outside the listed company that tend to do better than those inside the listed company. Then there is another group of companies where corporate governance is regarded as a compliance issue, in the way we talked about before. The third type of company sees corporate governance from a strategic perspective, is more transparent and tends to have more competent boards. I would like to see the last group increase in size.'

Are you seeing a trend towards that third type of company?

When I look at most CSR reports, they have pictures of the board with white helmets and orange vests on. There is usually a picture of the chairman handing over a cheque to his favourite charity and pictures of staff at a charity run. That doesn't convey the message of the company, it is not strategic and it's not talking about what exposure the company has to environmental and social issues.

However, we have seen changes in behaviour of boards through our engagement. An example of that is a company that had a manufacturing facility in China. We engaged with the company about their biggest risk – which was how they managed their human capital. In the meeting, we discussed what had happened to other companies where press reports about the poor treatment of employees had resulted in the loss of big customers, particularly customers in the US or Europe.

A year later when we met up with them, they had completely changed the way they looked at disclosure. They were more transparent about how they were managing human capital. They had started initiatives like the development of an employee's opinion survey and things like that. They recognised that human capital is a strategic issue that they needed to report on to their shareholders.'

How important is environmental, social and governance (ESG) information for investors?

'There is a view in the market that sustainability reports are just an extra report and extra cost. From an investor's perspective, what we are after is information that shows us that the company understands its exposure to environmental and social issues, and informs us about how those issues are being managed. This

> I think corporate governance generally in Hong Kong is seen as a compliance issue rather than a strategic issue

information, if it is material, should have already been reported to the board via the risk register; the board should have monthly reports from the risk register. So it is really a case of packaging that information in a way that is suitable for shareholders – it is not additional information.'

Do you support integrated reporting?

'I am a supporter of integrated reporting, but I think for any company that makes the decision to adopt integrated reporting, it probably has a three to five years transition to get there. Prior to being involved in governance, I used to prepare consolidated accounts and annual reports, and what integrated reporting does is it gets the preparer of the reports to look at reporting from the 'six capitals' perspective. I think it will change the mindset of people who have that role and provide more information about the long-term sustainable growth of companies.'

So is it the 'integrated thinking' that is the most valuable part of the exercise?

'That's a very good way of putting it. It really changes your thought processes on reporting and what you are doing.'

We have discussed companies' responsibilities to engage shareholders, but what about shareholders' responsibilities in that dialogue? In particular, what is your view of the SFC's recently published 'Principles of Responsible Ownership'?

'We are very supportive of the SFC initiative. We have a dedicated team for investment stewardship and our operations complies

Voting primer

BlackRock recently issued guidelines setting out its approach to corporate governance and proxy voting issues in Hong Kong. The *Corporate governance and proxy voting guidelines for Hong Kong securities* will be a useful resource for companies seeking to understand BlackRock's approach to a range of issues relevant to corporate resolutions. The guidelines set out, for example, the minimum information BlackRock expects to be disclosed when a director is seeking election or re-election. This includes a brief biography detailing the directors' past roles and experience, details of any current dealings with the company and the company's assessment of the director's independence. 'Where this information is not forthcoming, BlackRock may consider voting against the election/re-election of that director,' the guidelines state.

The guidelines also raise the issue of directors' time commitment. BlackRock may vote against the election or re-election of a non-executive director where it believes the individual will not be able to commit an appropriate amount of time to board matters. The guidelines also emphasise the need for listed companies to disclose all material risks relating to environmental and social (E&S) issues and how they are managed. BlackRock expects the E&S disclosures to include, but not be limited to:

- identification of E&S risks specific to the company
- clear outline of board and management responsibilities on E&S issues
- policies and processes to manage E&S risks, as well as an explanation of how they are implemented and monitored
- disclosure of key targets and indicators across the whole company, and
- regular reporting on performance against policies and targets.

'Where BlackRock has concerns regarding the disclosure and management of E&S issues, we may consider voting against the election/re-election of directors, who are ultimately responsible for such issues,' the guidelines state.

BlackRock's 'Corporate governance and proxy voting guidelines for Hong Kong securities' is available on the BlackRock website: www.blackrock.com.

with the SFC's principles, so we actually haven't had to change our processes. This is a global team and we have consistent operations throughout the regional teams. We report quarterly on our voting and engagement activities and you can find out about our approach to stewardship in the Investment Stewardship section of our website.'

Corporate governance standards in Hong Kong have generally been regulator-led – do you think investor pressure will play a greater role in the future?

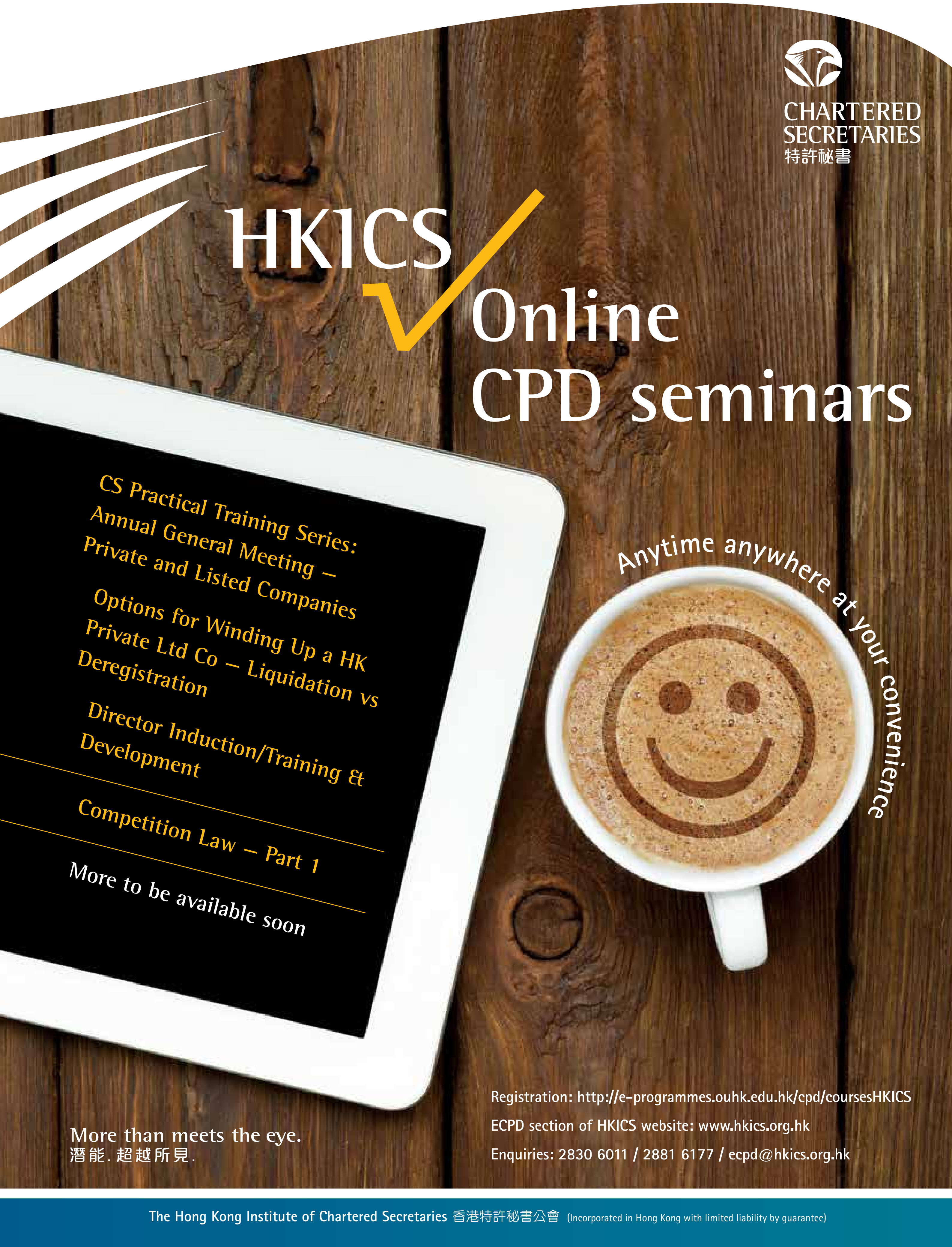
'Absolutely. An environment that relies on regulation to drive reporting won't work. Regulation and legislation are very, very important, don't get me wrong. Having a strong regulator with a focus on enforcement is extremely important in any market, but we want companies that go beyond what the regulations require. In this market there are a couple of big investors that are engaging in getting the message to companies that this is not about compliance, it is about strategy and adding value.'

How do you think the issues we have discussed today will develop over the next 10 to 20 years?

'I think standards will improve in Hong Kong. As shareholders we raise things in a constructive way, we put our views forward and we do take into account the company's views in our processes. I think as boards come to understand how and why we use the information, rather than the current view that this is just another report we have to produce, and as they start getting the strategic aspects of this in terms of this being good for the company in the longer term, I think things will change in a positive way.'

Pru Bennett was interviewed by Kieran Colvert, Editor, CSj.

More information on BlackRock's engagement principles is available on its website: www.blackrock.com.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CPD seminars
CS Practical Training Series:
Annual General Meeting –
Private and Listed Companies
Options for Winding Up a HK
Private Ltd Co – Liquidation vs
Deregistration
Director Induction/Training &
Development
Competition Law – Part 1
More to be available soon
Anytime anywhere at your convenience
Registration: http://e-programmes.ouhk.edu.hk/cpd/coursesHKICS
ECPD section of HKICS website: www.hkics.org.hk
Enquiries: 2830 6011 / 2881 6177 / ecpd@hkics.org.hk
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Professional Development

Seminars: August to September 2016

8 August
Guardian role of professionals in upholding ethical governance

Chair: Eric Chan FCIS FCS(PE), Chief Consultant, Reachtop Consulting Ltd
Speaker: Elis Leung, Senior Community Relations Officer, Hong Kong Business Ethics Development Centre, Community Relations Department, Independent Commission Against Corruption

16 August
Company secretarial practical training series: annual general meeting – private and listed companies (re-run)

Chair: Sally Chan FCIS FCS, Assistant Company Secretary, CLP Holdings Ltd
Speaker: Francis Yuen FCIS FCS, Institute Education Committee Member & Chairman of Assessment Review Panel, and Director of a consulting company

22 August
The enforcement of investor protection laws

Chair: Mohan Datwani FCIS FCS(PE) CAMS, Solicitor, Senior Director and Head of Technical and Research, HKICS
Speaker: Jenifer Varzaly, The University of Cambridge

22 August
Director's duty in practice

Chair: Professor CK Low FCIS FCS, Associate Professor in Corporate Law, CUHK Business School
Speaker: Jenifer Varzaly, The University of Cambridge

24 August
中国公司法调整对外资企业的影响 (re-run)

Chair: Ernest Lee FCIS FCS(PE), Institute Council Member, and Partner, Assurance, Professional Practice, EY
Speaker: Joe Zou, Managing Director, China Tax and Business Consultants Ltd

25 August
Company secretarial practical training series: options for winding up a Hong Kong private limited company: liquidation vs deregistration

Chair: Edmond Chiu FCIS FCS, Institute Membership Committee Member, and Head of Corporate Services, VISTRA Hong Kong
Speaker: Frances Chan FCIS FCS, Director, Head of Corporate Secretarial Services, TMF Group Hong Kong

29 August

How to deal with the 3 'C's when they come knocking – an overview of the dawn raid and investigative powers of the ICAC, SFC and CC (Competition Commission) and practical tips on dealing with them

Chair: Susan Lo FCIS FCS(PE), Institute Professional Development Committee Member, and Executive Director, Director of Corporate Services and Head of Learning & Development, Tricor Services Ltd

Speakers: Sherman Yan, Managing Partner, Head of Litigation & Dispute Resolution; and Dominic Wai, Partner, ONC Lawyers

1 September

Company secretarial practical training series: board evaluation – the role of the company secretary (re-run)

Chair: Mohan Datwani FCIS FCS(PE) CAMS, Solicitor, Senior Director and Head of Technical and Research, HKICS

Speaker: April Chan FCIS FCS, Institute Past President and Chairman of Technical Consultation Panel

2 September

Company secretarial practical training series: risk management (re-run)

Chair: Dr Eva Chan FCIS FCS(PE), Institute Treasurer and Chairman of Membership Committee, and Head of Investor Relations (IR), C C Land Holdings Ltd

Speaker: Michael Chan, Chief Executive, C&C Advisory Services Ltd

Condolence message

Our Institute is deeply sorry to receive the sad news that Douglas Charles Oxley, a Council member and a fellow of the Institute passed away on 27 September 2016. Look out for Mr Oxley's obituary in the next edition of *CSj*.

ECPD forthcoming seminars

Date	Time	Topic	ECPD points
18 Oct 2016	4.30pm – 6.00pm	Company secretarial practical training series: investor relations and shareholder communication	1.5
19 Oct 2016	6.45pm – 8.15pm	Corporate risk and risk management	1.5
25 Oct 2016	6.45pm – 8.15pm	Company secretarial practical training series: regular financial reporting preparation (re-run)	1.5
28 Oct 2016	4.30pm - 6.00pm	Updates on the Hong Kong listing rules and IPO practice	1.5
1 Nov 2016	4.30pm – 6.00pm	Company secretarial practical training series: ESG reporting	1.5

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

Professional Development (continued)

Online CPD seminars to be launched

The Institute will launch a new series of online CPD seminars in October 2016 in collaboration with The Open University of Hong Kong (OUHK). Through the online learning platform of OUHK, members, graduates and students will be able to easily access selected video recordings of seminars with any smart devices anytime, anywhere. The launch of online CPD seminars will enable members to schedule their professional learning more flexibly.

More details please refer to page 33 or 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 requirements may constitute grounds for disciplinary action by the Institute's Disciplinary Tribunal as specified in 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
2016/2017	1 January 1995 - 31 July 2016	13.5 (at least 2.5 ECPD points)	30 June 2017	31 July 2017
2017/2018	On or before 30 June 2017	15 (at least 3 ECPD points)	30 June 2018	31 July 2018

Key update on the revised MCPD policy (effective from 1 August 2016)

	Revised MCPD Policy (effective from 2016/2017 CPD year)
Extended coverage of CPD activities	a. participation in Institute activities as a mentor/coach for the Institute or other professional associations or institutions b. being an external examiner/assessor for the Institute or other professional associations or institutions for the promotion of education or professionalism in the key areas of learning c. participation in committees of the Institute other than technical committees of the Institute or committees of other professional associations or institutions for the promotion of education or professionalism in the key areas of learning A maximum of five CPD points in each CPD year can be earned in each category under (a)-(c), excluding activities of members/graduates' own occupation.
Full exemption from MCPD compliance	Full exemption from the MCPD requirements would be granted for the following reasons: • long-term illness • pregnancy • period of unemployment for over six months, or • retirement. Applications, with proof, should be submitted to the Institute by 31 July each year.

Thank you for attending the Institute's Corporate Governance Conference 2016

The Institute's 10th biennial Corporate Governance Conference (CGC 2016), themed 'Corporate governance inside and out – forces shaping the corporate governance landscape', was successfully held on 23 and 24 September 2016 in Hong Kong with an attendance of around 300. Insights on corporate governance were shared among attendees and thought leaders from the corporate governance, legal, regulatory, risk and finance, and other fraternities at the conference.

The HKICS would like to thank the speakers, panellists, event and panel chairs, sponsors, delegates and all those who helped in the organisation of the CGC 2016.

More photos are available at the Gallery section of the Institute's website: www.hkics.org.hk.

Advocacy

New shareholder communications survey report

The Institute launched a new research report (*Shareholder Communications for Listed Issuers – Five Imperatives to Break the Monologue*) at a press briefing on 21 September 2016. The report reveals that the majority of Hong Kong's listed companies fall short of delivering what investors expect of shareholder communications. The survey, on which the report is based, elicited some 400 responses in March and April 2016, and showed that companies' interactions with shareholders are driven more by compliance with existing rules and regulations than a genuine desire to proactively engage with the shareholder base.

A press briefing was held in September 2016 to launch the report

The Institute would like to thank the respondents who provided their views and insights to the survey. The Institute also thanks CLP Holdings Ltd for their generous sponsorship of the report, and BlackRock Asset Management North Asia Ltd; Computershare Hong Kong Investor Services Ltd; Hermes Investment Management; Orient Capital Pty Ltd; and Tricor Services Ltd for their support.

The report is available on the Institute's website: www.hkics.org.hk.

ICSA annual general meeting results

The Annual General Meeting of the Institute of Chartered Secretaries and Administrators (ICSA) was held on Wednesday 14 September 2016 at 17.45pm (local time) at the Four Seasons Hotel, Sydney, Australia. The agenda was:

1. To receive and consider the report of the Council on the business of the Institute for the period ended 30 June 2016.

2. To receive comprehensive financial statements of the Institute for the period ended 30 June 2016.

The vast majority of the voting members approved the resolutions put forward at the annual general meeting.

For details, please refer to the News section of the Institute's website: www.hkics.org.hk

At the ICSA annual general meeting in Sydney

ICSA Council Meeting

The Council of the Institute of Chartered Secretaries and Administrators (ICSA) held its meeting in Sydney, Australia on 15 and 16 September 2016, while the ICSA divisional chief executives held their meeting on 14 September 2016.

HKICS representatives attend the Taiwan Institute of Directors (TWIOD) 2016 Annual Forum

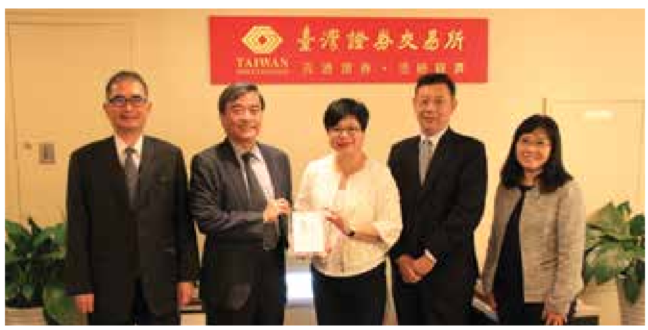
On 6 September 2016, Chief Executive Samantha Suen FCIS FCS(PE) and Beijing Representative Office Chief Representative Kenneth Jiang FCIS FCS(PE), attended the Annual Forum of the Taiwan Institute of Directors (TWIOD). TWIOD's 2016 White Paper *Value Competitiveness Report* was launched. Ms Suen's article 'A Brief Introduction to the Company Secretarial System in Hong Kong' was published in the September Edition of *The BOD Review*, a publication of TWIOD.

On 7 September 2016, the HKICS representatives also met and exchanged views with potential founders who are in the course of setting up an association for corporate governance officers/ company secretaries in Taiwan and some regulators. Ms Suen gave a presentation on the work that HKICS is involved in and its impact on local and global capital markets, as well as the corporate governance system in general.

Samantha Suen, Paul SC Hsu, TWIOD Chairman, and Kenneth Jiang at the TWIOD dinner

They also visited the Taiwan Stock Exchange (TWSE) and met with officials of TWSE, including: David Yang, Senior Executive and Vice-President; Yuan Cheng-hua, Vice-President, Corporate Governance Department; Tracy Y Chen, Associate, Corporate Governance Department; and Huang Yu-san, Attorney-at-Law, Corporate Governance Department. Both parties agreed to keep in close contact and seek cooperative opportunities in the development of the company secretarial profession and promotion of good corporate governance.

Samantha Suen and Ulyos KJ Maa, Vice Chairman of KPMG Taiwan



(From left) Huan Cheng-hua, David Yang, Samantha Suen, Kenneth Jiang and Tracy Y Chen at the TWSE

The Chartered Secretaries Foundation changes its name

Effective from 15 September 2016, The Chartered Secretaries Foundation Ltd has changed its name to The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation). The Foundation is a wholly-owned subsidiary of HKICS, aiming to support education and research in company secretarial, legal, accounting and business studies; the promotion of corporate governance; the Chartered Secretarial profession; and related charitable activities.

Membership

New graduates

Congratulations to our new graduates listed below.

Au Wai Ching	Chow Ka Lai	Lam Chun Yat	Ly Mei Fong	Veremeev, Nikolay
Chan Chiu Wing	Chow Yue Hin ,Terence	Lam Hiu Man	Ma Ching Fung	Wan Pui Ying
Chan Ieok Mun	Choy Ngar Ling	Lam Wing Chi	Ma Ling	Wan Sau Kwan
Chan May See	Chung Su Ling	Lau Mei Wah	Mak Kam Chun	Wan Yuen Ki, Eunice
Chan Pui Man, Angie	Cui Wei	Lau Wing Chuen	Ng Kwok Kei, Sammy	Wang Xiao Xue
Chan Pui Sim	Fung Ming Lee	Lee Man Yu	Ng Lok Man, Jackie	Wong Cheung Ki, Johnny
Chan Tin Chun, Steven	Ho Ka Yan	Lee Wing Yan	Ng Sui Man	Wong Kin Cheung
Chan Tsz Yeung	Ho Sze Ting	Lee Wing Yu	Ng Yee Kwan	Wong Kwan Yi, Queenie
Chan Tung Yi	Hui Man Chun	Leung Cheuk Hei	Pang Kai Cheong	Wong Sze Lok
Chan Wai Yu	Hui Sze Ho, Davis	Leung Hoi Yan	Pau Yim Chuen	Yau Hong Chun
Chan Wing Yu	Kaur Satpreet	Leung Kin Yan	Pun Wai Hang	Yau Kar Yi, Grace
Chan Yu Choi	Kwan Lai Ki	Li Chak Kan	Sin Yuk King	Yeung Yu Ching
Cheng Mei Ting	Kwan Ming Sum, Joyce	Li Wai Shan	Tang Sui Ying, Linda	Yuen Yee Yi, Janice
Cheung Kwun Kiu	Kwan Yan Tung	Liao Xiaoqing	Tian Lina	
Cheung Siu Chun	Lam Chi Shan	Lu Heng	Tsang Sau Lai	

New associates

Congratulations to our new associates listed below.

Chan Ka Ching, Marina	Cho Yuk Han	Lee Shuk Yin, Rosita	Pang Wing Sze	Wong Yan
Chan Kit Man, Fanny	Chong Hoi Ling	Leung Karmen	Shi Yu	Yeung King
Chan Yuen Mui	Chong Ki Fung	Li Hoi Tung	Shiu Wing Yan	Yeung Man Sun
Chau Wai Yee	Fung Ching Yee	Li Min Di	Shum Kit Han	Yip Tsui Shan
Cheng Pui Man	Gao Yuan	Li On Ki	Tan Xi	Yiu Hang Ching
Cheung Cham Yan, Joyce	Hui Yin Shan	Li Ping Yui	Tang Wing Fong	Yu Hiu Kwan, Hilda
Cheung Man Yee	Lee Ka Wing, Catherine	Liu Wei	Wan Hoi Ying	Zou Dan
Chiu Shuk Kuen	Lee Kin Chung	Ng Chun Mui	Wong Ka Yee	

Chartered Secretary Mentorship Programme 2017: Recruitment of mentors and mentees

The Chartered Secretary Mentorship Programme will be running its third term in 2017. The Institute invites members, graduates and registered students to join the 2017 programme which will be launched in December 2016. Mentorship is a personal development tool outside the formal training process which offers significant benefits to both mentors and mentees. The Institute has received positive feedback from mentors and mentees involved in previous mentorship programmes. The application deadline is Wednesday, 9 November 2016. For details, please visit the Institute's website: www.hkics.org.hk.

For enquiries, Melani Au at: 2830 6007, or email: member@hkics.org.hk.

Members' activities highlights: August and September 2016

14 August
HKICS Dragon Boat Team – Ap Lei Chau Race

Members, families and friends supporting the team

24 August
Young Group – introduction to the world of wine (co-organised with HKICPA)


Members learning to appreciate red wine at the HKICPA Centre

27 August
Young Group – Flower art arrangement


Members with their floral masterpieces

10 September
Fellows Only – 品茗与茶艺


At the gathering

Forthcoming membership activities

Date	Time	Event
19 October 2016	6.30pm – 8.30pm	Chartered Secretary Mentorship Programme – mentors and mentees social gathering (by invitation only)
23 October 2016	8.30am – 4.30pm	The Repulse Bay Dragon Boat Races
27 October 2016	6.00pm – 8.30pm	Networking Drinks (organised by Michael Page)
29 October 2016	12.15pm – 4.00pm	Members' Networking – Visit to Tsz Shan Monetary
5 November 2016	9.30am – 1.00pm	Community Service – CSR angels: cookies baking workshop

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

Concessionary rate subscription applications for year 2016/2017 (reminder)

The application deadline for any concessionary rate subscription is Monday 31 October 2016. For details, please visit the Institute's website: www.hkics.org.hk. For enquiries, please contact Rose Yeung at: 2830 6051, or Melani Au at: 2830 6007, or email: member@hkics.org.hk.

International Qualifying Scheme (IQS) examinations

December 2016 diet reminders

Examination timetable

	Tuesday 6 December 2016	Wednesday 7 December 2016	Thursday 8 December 2016	Friday 9 December 2016
9.30am – 12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2.00pm – 5.00pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

IQS study packs

Students can order the study packs on Corporate Administration, Corporate Governance, Corporate Secretaryship and Hong Kong Corporate Law. The order form can be downloaded from the Studentship section of the Institute's website: www.hkics.org.hk.

Examination technique workshops

The Institute will organise a series of three-hour IQS examination technique workshops. These workshops, commencing in late October, aim to help students improve their examination techniques. Each workshop costs HK$500. Students may download the enrolment form from 'Exam Workshop' under the Events section of the Institute's website: www.hkics.org.hk.

Student orientations for collaborative universities

The Institute organised orientations for newly-admitted students of the Institute-endorsed Collaborative Courses in corporate governance offered by the City University of Hong Kong, The Open University of Hong Kong and The Hong Kong Polytechnic University in August 2016. These orientations aim to familiarise students with the Institute as well as the studentship registration requirements.

At The Hong Kong Polytechnic University

At City University of Hong Kong

At The Open University of Hong Kong

Winning advice

Subject prize winners from the June 2016 IQS examination diet share their study experiences and give tips to students on the best way to prepare for the IQS examinations.

Corporate Governance – Ng Yee Kwan, Edward

Edward is currently an Assistant Accounting Manager in a leading telecom company overseeing investment projects. He has a bachelor's degree in accountancy from the Chinese University of Hong Kong. He completed the IQS Examinations in June 2016 and is now a graduate of HKICS.

This was Edward's first attempt at taking the Corporate Governance examination. He studied the study packs provided by the Institute and practiced the past papers. Furthermore, he read the reference materials recommended by the Institute which were very useful. He suggests students should keep an eye on the major changes in the business community, especially those relating to legislation. This will enable students to apply what they have learnt from study materials to the real business environment.

Edward found the study materials helpful for examination preparation. The study packs are well structured and summarise all the key areas and provide illustrative examples to help students understand the principles and rules. It is much easier and more efficient to study the packs than attempting to read the legislation directly.

The biggest challenge for Edward was the need to study such a wide scope of information in a limited time. He started his preparation early – reading the materials, going through the syllabus and identifying the focus areas of the subject. He also prepared a well-structured study plan.

With the higher level of sophistication in laws and regulations, Edward believes that there is an increasing demand for expertise in compliance matters for corporations, especially listed companies. The Chartered Secretarial qualification has not only equipped him with comprehensive and solid knowledge on company secretarial matters, but also offers strong recognition in the business community for career development. He has gained a lot of confidence in giving advice and explaining various board structures, compliance requirements and corporate governance issues in his work. He is also able to solve problems arising from different investment projects involving both the internal company secretarial department and external parties such as joint venture partners from a corporate regulatory perspective.

The IQS syllabus covers both routine business issues and professional compliance requirements. Edward belives that the IQS has broadened his horizon and expertise, allowing him to provide advice and solutions on various corporate administrative and regulatory requirements from different perspectives. This has enhanced his contributions and work performance. He observed that there is an increasing public awareness of business ethics and compliance requirements for big corporations, the role of the company secretary is getting more and more recognition from management. Obtaining a Chartered Secretarial qualification through the IQS examination is a valuable asset which helps to increase your career options and furthers one's career development.

Corporate Governance – Siu Wing Shan, Stephanie

Stephanie is currently working as an accountant in a commercial firm. She has a bachelor's degree in accountancy from City University of Hong Kong.

This was Stephanie's first attempt at taking the Corporate Governance examination. She was encouraged by her boss to pursue the Chartered Secretarial qualification due to the rapid expansion of her company which demanded qualified company secretaries. Her study strategy was to focus on the last five years' past examination papers after revising the whole study pack. She sorted the past examination questions by topic and answered all questions.

She found the Institute's study materials useful. Having studied the reference materials in-depth, she was able to work out the answers more easily during the examination. Furthermore, having relevant work experience was useful for preparing for the examination. For example, working for a listed company gives you a better understanding of the roles of chairman, directors and board committees. This knowledge makes it easier to prepare for the Corporate Governance examination.

Studentship

Corporate Governance Paper Competition and Presentation Award 2016

To promote good corporate governance awareness among local undergraduates, the Institute has been running its 'Corporate Governance Paper Competition and Presentation Award' since 2006. This year's topic was 'Internal and external forces for better corporate governance'. The six finalist teams attended the Paper Presentation Competition on 10 September 2016. The Institute congratulates the winners listed below.

Paper Writing Competition	Paper Presentation
Champion Chan Sze Wai, Chiu Wai Hung and Wong Ho Wai, The University of Hong Kong	**Best Presenter Award** Lau Tien Zhen, Jeremiah, Chinese University of Hong Kong; and Luk Wing San, Winson and Wong Shun Kit, Charles, The Hong Kong University of Science and Technology
First runner-up Lau Tien Zhen, Jeremiah, Chinese University of Hong Kong; and Luk Wing San, Winson and Wong Shun Kit, Charles, The Hong Kong University of Science and Technology	**First runner-up** Chan Hiu Wa, Lydia, Mari Matsuda and Shaw Jun Wu, Geoffrey, City University of Hong Kong
Second runner-up Lee Yee Man, Hang Seng Management College, and Wong Wan Lung, City University of Hong Kong	**Second runner-up** Chan Sze Wai, Chiu Wai Hung, and Wong Ho Wai, The University of Hong Kong

(From left, front row) Dr Tommy Leung, Tony Chan, Louisa Lau, David Yip, Dr Linsey Chen, Paul Yeung, David Fu, Philip Miller, Dr Raymond Wong, Dr Olivia Leung, Dr Lawrence Lei and Oswald Huang; (from left, back row) Candy Wong, the presentation competition participants and Samantha Suen

The Institute would like to thank the following individuals and organisations (listed in alphabetical order of their surnames) for their contribution and support.

Reviewers

Dr Linsey Chen, Assistant Professor, Department of Accountancy, Hang Seng Management College

- Professor David Donald, Professor, Faculty of Law, Chinese University of Hong Kong
- David Lai, Lecturer, Department of Accounting, Hong Kong University of Science and Technology
- Dr Mark Ng, Assistant Professor, Department of Business Administration, Hong Kong Shue Yan University
- Professor Richard Simmons, Associate Professor, Department of Accountancy, Lingnan University
- Dr Davy Wu, Senior Lecturer, Department of Accounting & Law, Hong Kong Baptist University
- David Yip, Senior Teaching Fellow, Department of Accountancy, City University of Hong Kong
- Dr KP Yuen, Senior Teaching Fellow and Associate Head (Teaching), School of Accounting and Finance, The Hong Kong Polytechnic University
- Dr Susana Yuen, Associate Professor, Lee Shau Kee School of Business and Administration, The Open University of Hong Kong

Papers Panel Judges

Dr PM Kam FCIS FCS, former Chief Executive Officer of the Financial Reporting Council

- Dr Brian Lo FCIS FCS(PE), Vice-President & Company Secretary, APT Satellite Holdings Ltd
- Joseph Mau FCIS FCS, Managing Director-Listing & Regulatory Affairs & Company Secretary, Hong Kong Exchanges and Clearing Ltd

Papers Presentation Judges

David Fu FCIS FCS(PE), Company Secretary, John Swire & Sons (HK) Ltd

- Philip Miller ACIS, Assistant Company Secretary, HSBC
- Paul Yeung ACIS, Commission Secretary, Commission Secretariat, Securities and Futures Commission

Sponsors

- CUHK, School of Accountancy
- Ernst & Young
- Noble Group
- Sino Group
- Tricor Services Ltd
- The Hong Kong Institute of Chartered Secretaries Foundation Ltd (formerly known as The Chartered Secretaries Foundation Ltd)

Studentship (continued)

Chartered Secretaries scholarships

Jerry Tong FCIS FCS, member of the Institute's Education Committee attended The Open University of Hong Kong (OUHK) Scholarship & Bursary Awards Presentation Ceremony on 26 August 2016. At the ceremony, he presented the Chartered Secretaries scholarships donated by The Hong Kong Institute of Chartered Secretaries Foundation Ltd (formerly known as The Chartered Secretaries Foundation Ltd) to the following students.

Master of Corporate Governance (MCG) programme
Wong Wai Ching

BBA in Corporate Administration (Part-time) programme
Lena Chan

OUHK Scholarship & Bussary Awards Presentation Ceremony

Policy – payment reminder

Studentship Renewal

Students whose studentship expired in August 2016 are reminded to settle the renewal payment by Monday 24 October 2016.

Exemption Fees

Students whose exemption approved via confirmation letter on July 2016 are reminded to settle the exemption fee by Thursday 27 October 2016.

Information session for the Postgraduate Programme in Corporate Governance in Shanghai

The Postgraduate Programme in Corporate Governance, offered by The Open University of Hong Kong (OUHK), commenced in Shanghai in September 2016. Thirty-three students were admitted in the inaugural intake.

An orientation was held at the East China University of Science and Technology (ECUST) in Shanghai on 11 September 2016. Dr Susana Yuen, Associate Professor from OUHK; Professor Cheng Hua and Gao Jianbao from ECUST, and Candy Wong, Institute's Director of Education and Examinations, welcomed the new students.

From left: Candy Wong, Dr Susana Yuen, Professor Cheng Hua and Gao Jianbao

At the orientation

Code compliance review

The Stock Exchange of Hong Kong Ltd (the Exchange), has published the findings of its latest review of listed issuers' corporate governance practices. The Exchange reviewed the corporate governance reports of 81 issuers with the financial year-end date of 30 June 2015 and analysed their compliance with the Corporate Governance Code requirements in the listing rules. The listing rules require issuers to state whether they have complied with the Code Provisions set out in the Code for the relevant accounting period in their interim (or half-yearly) and annual reports. Under the 'comply or explain' principle, where an issuer deviates from the Code Provisions, it must give considered reasons.

The Exchange's latest review, along with the two previous reviews of issuers' reports with year-end dates of 31 December 2014 and 31 March 2015, show that, whilst the issuers' compliance level with the Code was high, the quality of explanations given for deviating from Code Provisions was varied and reflected a degree of 'boilerplate' language. 'We observed a certain degree of "boilerplate" style explanations which were vague and had been repeated year after year,' the review states.

'Issuers should avoid the temptation of box-ticking and instead provide well-considered reasons for non-compliance with Code Provisions in corporate governance reports,' said David Graham, Chief Regulatory Officer and Head of Listing, Hong Kong Exchanges and Clearing.

Furthermore, some issuers did not disclose board diversity policies and did not provide an explanation. Code Provision A.5.6 states that issuers should have a policy on board diversity and should disclose the policy or a summary of the policy in their corporate governance reports.

More information is available on the Exchange's website: www.hkex.com.hk.

Shenzhen-Hong Kong Stock Connect update

The Stock Exchange of Hong Kong Ltd (the Exchange) and Hong Kong Securities Clearing Company Ltd (HKSCC), have published new information to facilitate preparation for the implementation of the Shenzhen-Hong Kong Stock Connect (Shenzhen Connect). Subject to market readiness and approval by the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission, the Exchange expects the Hong Kong market to be ready for the implementation of Shenzhen Connect in the second half of November.

The revised 'Information Book for Market Participants', frequently asked questions and the proposed amendments to the rules and operational procedures relating to Shenzhen Connect are available on the Exchange's website.

The proposed amendments to the rules and operational procedures relating to Shenzhen Connect mainly expand the coverage of the current Exchange and CCASS rules and operating procedures to reflect differences in trading arrangements and market practices between Shanghai and Shenzhen. Connectivity testing and market rehearsals have been scheduled for October and November to verify that market participants are ready for the launch of Shenzhen Connect.

More information is available on the Exchange's website: www.hkex.com.hk.

Consultation deadline extended

The Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Ltd (the Exchange), have announced a two-month extension of the deadline for responding to the joint consultation on the proposed enhancements to the Exchange's decision-making and governance structure for listing regulation. The consultation period will now end on 18 November 2016.

The consultation document – 'Joint Consultation Paper on Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-Making and Governance Structure for Listing Regulation' – is available for download from the SFC and the Exchange websites: www.sfc.hk and www.hkex.com.hk.

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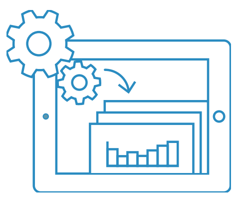

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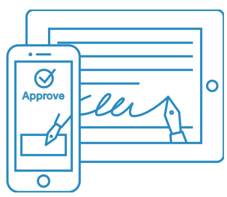

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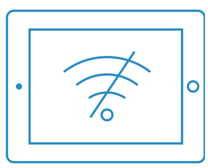

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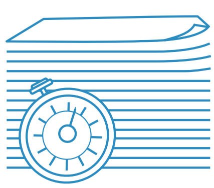

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