CGj

March 2025

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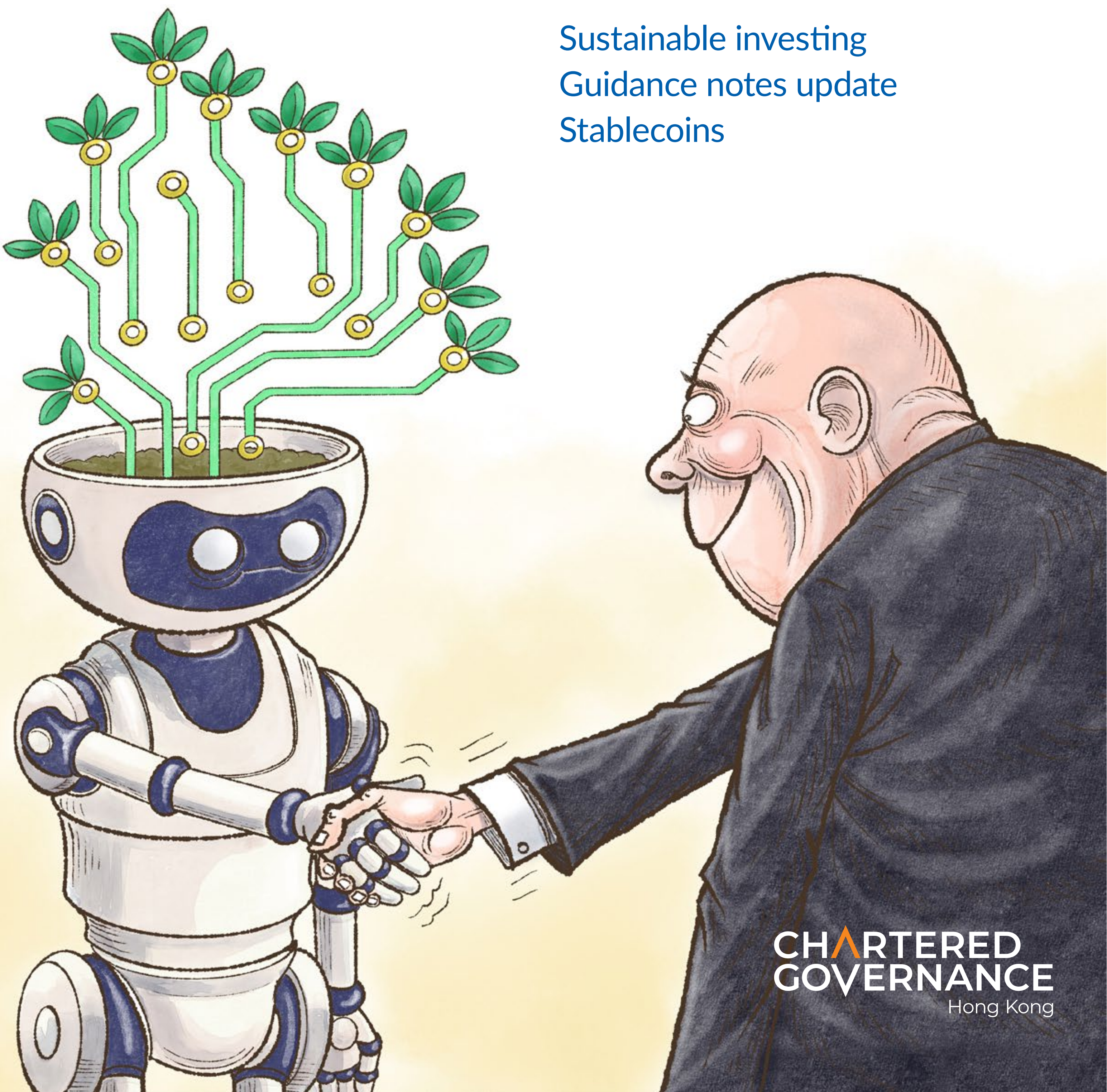
The journal of the Hong Kong Chartered Governance Institute
香港公司治理公會會刊

AI and sustainability

Sustainable investing
Guidance notes update
Stablecoins



CHARTERED GOVERNANCE Hong Kong

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Hong Kong

PILOT GREEN AND SUSTAINABLE FINANCE CAPACITY BUILDING SUPPORT SCHEME
Centre for Green And Sustainable Finance

ESG Reporting Certification Course - 6th Cohort

Overview

This course covers the latest international climate change disclosure standards established by HKEX. The Institute's ESG Reporting Certification will validate your competencies in ESG and sustainability, as well as your understanding of the processes and procedures for ESG reporting in line with the HKEX Listing Rules, earning the trust of your employer and peers.

A Certificate that matters

Those who complete the Certification course, meet the attendance requirements (between March and May 2025) and pass the final assessment in June 2025 will receive two years of accreditation (from 1 July 2025 to 30 June 2027). During this time, they can use the post-nominal 'HKCGI Cert: ESG', and will be listed on the Institute's dedicated webpage for potential employers and public searches.

Topic Covered

In line with the latest climate-related disclosure requirements, the ESG Reporting Certification Course will cover:

- Introduction to HKEX's ESG Reporting Code
- Directors' duties in ESG & climate reporting
- Latest climate-related disclosure Rules
- Governance structure for ESG and climate-related disclosures
- Setting strategy, materiality assessment, and identifying risks and opportunities
- Setting metrics and targets
- Data collection, report drafting, timeline
- Workshops – ESG report writing, sector specific KPIs and alignment with international standards

FREE SEMINAR

Registrants will be invited to attend a free 1 or 1.5-hour seminar on climate disclosures by way of update in Q3/4 2025.

Government Funding (for the 6th Cohort)

This programme is eligible for the Pilot Green and Sustainable Finance Capacity Building Support Scheme (Scheme) (https://greentalent.org.hk/). Eligible applicants can apply for a subsidy of 80% of the enrolment fees ($2,800 for members and $3,500 for non-members). Full-time students can apply for a subsidy of 100% of the enrolment fee.

Programme Provider: **The Hong Kong Chartered Governance Institute**
Identification Code: **GTP-919235**
Effective date under the Scheme*: **2023/04/28**

*For details, please visit the Scheme website: https://greentalent.org.hk/ or contact the Scheme enquiry hotline: (852) 2258 6000 or email enquiry@greentalent.org.hk.

REGISTER NOW

Enquiries

For enquiries, please contact the Professional Development Section by phone (852) 2881 6177 or email cpd@hkcgi.org.hk.

CGj

CHARTERED GOVERNANCE
Hong Kong

March 2025

CGj, the journal of the Institute, is published 12 times a year by Ninehills Media and is sent to members and students of the Institute and to certain senior executives in the public and private sectors.

Good governance comes with membership

About The Hong Kong Chartered Governance Institute

The Hong Kong Chartered Governance Institute (HKCGI, the Institute) 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 and Chartered Governance Professional in Hong Kong and the Chinese mainland.

The Institute was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute (CGI). In 1994 the Institute became CGI's Hong Kong Division and, since 2005, has been CGI's Hong Kong/China Division.

The Institute is a founder member of Corporate Secretaries International Association Ltd (CSIA), which was established in March 2010 in Geneva, Switzerland. Relocated to Hong Kong in 2017, where it operates as a company limited by guarantee, CSIA aims to give a global voice to corporate secretaries and governance professionals.

HKCGI has about 10,000 members, graduates and students.

Membership and studentship statistics update

As of 31 January 2025, the statistics were as follows:
Students: 2,160 **Graduates**: 364 **Associates**: 6,517 **Fellows:** 890

The Hong Kong Chartered Governance Institute

(Incorporated in Hong Kong with limited liability by guarantee)
3/F, Hong Kong Diamond Exchange Building,
8 Duddell Street, Central, Hong Kong
Tel: (852) 2881 6177 Fax: (852) 2881 5050
Email: ask@hkcgi.org.hk (general)
cpd@hkcgi.org.hk (professional development)
member@hkcgi.org.hk (member)
student@hkcgi.org.hk (student)
Website: www.hkcgi.org.hk

Beijing Representative Office

Room 1220, Jinyu Tower,
No 129, Xuanwumen West Street,
Xicheng District, Beijing, 100031, PRC
Tel: (86) 10 6641 9368/6641 9190
Email: bro@hkcgi.org.hk
Website: www.hkcgi.org.cn

The Chartered Governance Institute

The Chartered Governance Institute
c/o MCI UK
Building 1000, Western Road
Portsmouth, Hampshire PO6 3EZ
United Kingdom
Tel: (44) 1730 715 226

Governance Institute of Australia
Level 11, 10 Carrington Street
Sydney, NSW 2000
Australia
Tel: 1800 251 849

The Chartered Governance Institute of Canada
1568 Merivale Road, Suite 739
Ottawa, ON Canada K2G 5Y7
Tel: (1) 613 595 1151
Fax: (1) 613 595 1155

MAICSA
No 57 The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel: (60) 3 2282 9276
Fax: (60) 3 2282 9281

Governance New Zealand
PO Box 444
Shortland Street
Auckland 1140
New Zealand
Tel: (64) 9 377 0130

SAICSA
149 Rochor Road
#04-05 Fu Lu Shou Complex
Singapore 188425
Tel: (65) 6334 4302
Fax: (65) 6334 4669

Chartered Governance Institute of Southern Africa
PO Box 3146
Houghton 2041
Republic of South Africa
Tel: (27) 11 551 4000
Fax: (27) 11 551 4027

The Chartered Governance Institute UK & Ireland
Saffron House, 6–10 Kirby Street
London EC1N 8TS
United Kingdom
Tel: (44) 20 7580 4741

Chartered Governance and Accountancy Institute in Zimbabwe
Cnr 3rd St & Nelson Mandela
PO Box 2417
Zimbabwe
Tel: (263) 242 707582/3/5/6

Contributors to this edition

Agnes KY Tai
Climate Governance Initiative
Patricia Hui FCG HKFCG(PE)
Lawyer and governance professional
Jezamine Fewins
Joanne Chan
Lewis Silkin
Richard Mazzochi
Minny Siu
Urszula McCormack
Andrew Fei
Vince Lee
Nikita Ajwani
King & Wood Mallesons

Ninehills Media Ltd

12/F, Infinitus Plaza
199 Des Voeux Road
Sheung Wan
Hong Kong
Tel: (852) 3796 3060
Fax: (852) 3020 7442
www.ninehillsmedia.com
Email: enquiries@ninehillsmedia.com

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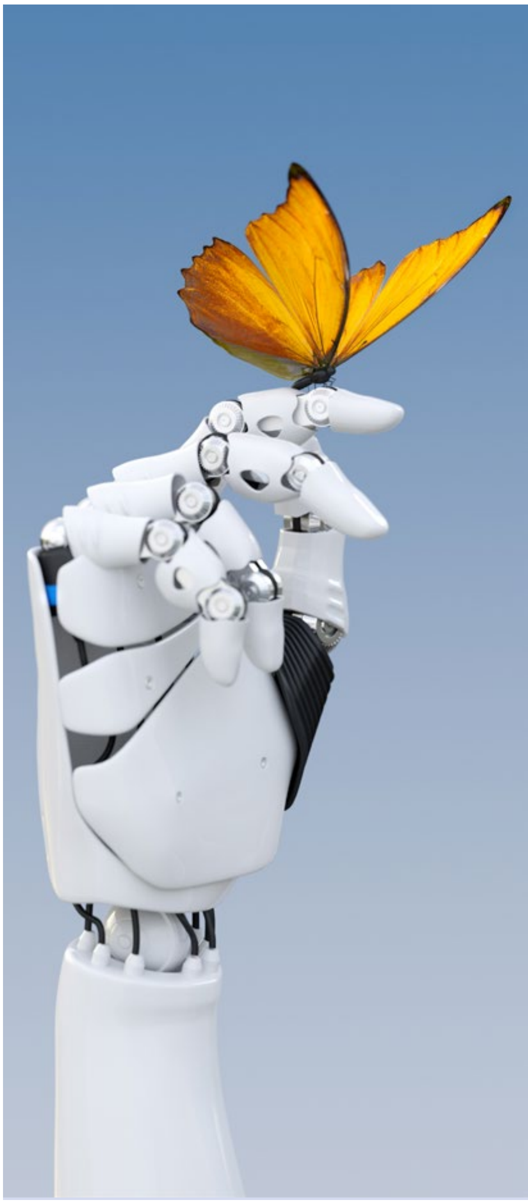

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This month's interview in the GoldenGen Reflections series is with April Chan FCG HKFCG, Institute Past President.

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本期的睿思智享系列采访了公会前会长陈姚慧儿女士FCG HKFCG。

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Rethinking board expertise

This edition of CGj looks at the role played by the board in guiding AI adoption within organisations, particularly with regard to sustainability efforts. Our cover story this month makes the point that ongoing director education will be a core part of getting this aspect of good governance right and it is this theme that I would like to address in my message this month.

AI adoption is a good example of how we may need to rethink some common assumptions about how to ensure organisations have informed directors at their helm. Building an informed board is not just about recruiting directors with deep technical expertise in relevant areas. Certainly, having expertise in areas such as AI adoption and sustainability will be a major advantage for boards in today's operating environment, but the increasing diversity of challenges that directors need to address means that their attitude to continuous learning is as important as the expertise they bring with them on their CVs.

Looking at it from this perspective, an essential 'qualification' needed by directors today is a willingness to recognise the limits of their own knowledge and, consequently, the need to embrace continuous learning. This month's In Focus article further expands on this theme. It looks at the role that ongoing director education plays in strategic decision-making and, of particular interest to readers of this journal, it looks at how governance professionals can facilitate continuous learning for directors.

Governance professionals have a well-recognised role in director education, but it is important to point out that this is not solely a question of how we go about preparing board meeting papers, or of arranging director induction and director ongoing training programmes. This month's In Focus article offers a broader view of how members of our profession can help curate a comprehensive range of resources and materials to support directors in their ongoing learning journeys. Sometimes this curation, for example, may involve fostering collaboration with outside experts on emerging areas of interest to the board.

Our Institute has stepped up its involvement in director education and this will continue to be a major focus of our work in 2025. We recently launched our Director Training Package designed to enable directors to fulfil the new requirements soon to become effective in Hong Kong's Corporate Governance Code and Listing Rules. For financial years commencing on or after on 1 July 2025, ongoing training will become mandatory for directors of companies listed in Hong Kong. Moreover, first-time directors (those who have not served as directors of a locally listed company in the three years prior to their appointment) will be subject to specified minimum training-hour requirements.

As a matter of urgency, companies listed in Hong Kong need to review their director training practices to ensure they will be in compliance with the incoming requirements. The focus, however, should not just be on achieving compliance. As discussed above, in the emerging operating environment it is critical for organisations to get this aspect of good governance right. Accordingly, members of our profession, and of course our Institute itself, will continue to play an integral role in facilitating continuous learning for directors.

David Simmonds FCG HKFCG

重新审视董事会之专业素养

本月会刊探讨了董事会在引导企业采用人工智能方面所发挥的作用，尤其是在可持续发展方面的努力。本月的“封面专题”(Cover Story) 文章指出，持续的董事培训将是实现良好治理这一工作的关键环节，而这也是我希望在本期寄语中探讨的主题。

人工智能的应用是一个很好的例子，它促使我们重新思考如何确保组织由具备充分专业认知的董事引领。组建一个具备充分专业认知的董事会并不仅仅意味着招聘在相关领域拥有深厚技术专长的董事。当然，在当今的营商环境中，拥有人工智能应用和可持续发展等领域的专业知识对董事会来说将是一个巨大的优势，但董事们需要应对的挑战日益多样化，这意味着他们对持续学习的态度与他们简历上的专业经验同样重要。

从这个角度来看，如今董事必备的一项 “资质” 是愿意承认自身知识的局限性，进而认识到持续学习的必要性。本月的“焦点”(In Focus) 专栏文章进一步阐述了这一主题，探讨了持续董事培训在战略决策中所起的作用，并特别针对本刊读者，分析了治理专业人士如何促进董事的持续学习。

治理专业人士在董事培训方面的作用是公认的，但需要指出的是，这不仅仅关乎我们如何准备董事会会议文件，或者安排董事入职培训和董事持续培训计划。本月的 “焦点文章” 以更广阔的视角，阐述了公会会员们如何协助整合全面的资源和材料，以为董事们的持续学习提供支持。例如，这种整合有时可能涉及与外部专家合作，针对董事会关注的新兴领域提供支持。

公会已加大了在董事培训方面的投入，这仍将是公会在 2025 年的工作重点。公会最近推出了董事培训课程，旨在帮助董事满足即将生效的香港《企业管治守则》和《上市规则》的新要求。自 2025 年 7 月 1 日或之后开始的财政年度起，香港上市公司的董事必须接受持续培训。此外，首次担任董事的人士（即任命前三年未曾担任过香港本地上市公司董事的人员）将需要满足规定的最低培训时长要求。

当前，香港上市公司亟需审视其董事培训实践，以确保符合即将实施的要求。然而，重点不应仅仅停留在合规层面。正如上文所述，在新兴的经营环境中，企业能否妥善落实治理的这一环节至关重要。因此，公会会员们，包括公会自身，都将继续在促进董事持续学习方面发挥不可或缺的作用。

司马志先生 FCG HKFCG

AI adoption for sustainable growth – a board of directors' perspective

Professor Agnes KY Tai, Governing Board member of the Climate Governance Initiative, explores the pivotal role of boards in overseeing AI-driven sustainability initiatives, and looks at real-world applications of AI in addressing environmental and social challenges.

In today's rapidly evolving business landscape, the intersection of AI and sustainability presents both unprecedented opportunities and challenges for corporate boards. As stewards of long-term value creation, boards must navigate the complex terrain of AI adoption while ensuring their organisations remain committed to sustainable practices. This article explores the multifaceted role of boards in AI and sustainability initiatives, highlighting real-world applications and case studies.

The board's role in AI adoption

The board of directors plays a crucial role in guiding AI adoption within organisations, particularly as it relates to sustainability efforts. Board responsibilities encompass several key areas.

Accountability and responsibility. Boards must ensure that AI initiatives align with the company's overall strategy and values, including its sustainability goals. They are responsible for setting the tone from the top and fostering a culture of responsible AI use. As with any decision made by the board, it is ultimately fully accountable for the outcome. Entities operating in the EU and the Chinese mainland, for instance, must ensure compliance with regulatory requirements to minimise reputational risks and fines.

Transparency and fairness. Directors should advocate for transparent AI systems and ensure that these technologies are deployed fairly across the organisation and also, to a certain extent, throughout the ecosystem in which the organisation operates. This includes addressing potential biases in AI algorithms that could impact sustainability efforts and operations.

Ethics and guardrails. Establishing ethical guidelines and risk management frameworks for AI use is a vital board function. This involves creating guardrails to prevent misuse of AI technologies and to ensure they contribute positively to sustainability goals. Requiring AI and the associated data-related risks to be incorporated into the risk register for regular review is an important act.

Subject knowledge. While boards don't need deep technical expertise, they should have a basic understanding of AI and its implications for sustainability. This may involve ongoing education and the addition of directors with relevant experience. Board directors should be well equipped to ask good, relevant questions and to discern whether the responses received are reasonable and feasible.

Resource allocation and management authority. Boards must ensure that management has the necessary resources and authority to implement AI initiatives effectively. This includes approving budgets and overseeing the delegation of responsibilities.

Pilots, progress and scaling. Directors should monitor AI pilot projects, assess their progress and make informed decisions about scaling successful initiatives. This involves regular updates from management and a critical evaluation of results.

Highlights

- corporate boards play a pivotal role in navigating AI adoption while aligning initiatives with sustainability goals through accountability, transparency, ethics and resource allocation
- AI is revolutionising sustainability efforts across sectors, with real-world applications – such as climate scenario analysis, deforestation tracking, carbon emissions reduction and predictive maintenance – driving innovation and efficiency
- by leveraging AI tools for sustainability reporting, risk management and talent acquisition, boards can enhance transparency, build strategic leadership and align organisations with long-term environmental goals

AI tools enhancing sustainability

AI is revolutionising sustainability efforts across various sectors. Real-world applications are evolving and boards that are bold in trying out suitable tools can steer their organisations ahead of their peers.

Climate scenario analysis

Nuveen, a global investment manager, used ClimateAi's tools to forecast future climate conditions across its holdings. This allowed Nuveen to identify key risks, such as water scarcity, and to take proactive measures like securing water rights. According to ClimateAi's 2024 Climate Resilience Playbook, the investment company calculated a 17x return on investment from this technology, as it enabled more efficient due diligence and identification of growth opportunities in renewables and agriculture lending.

Weather risks and deforestation tracking in agriculture

Advanta Seeds leveraged ClimateAi's predictive modelling to identify an unexpected precipitation event two months in advance. This early insight allowed the Australian seed company to transport seed to the affected location before competitors, resulting in a 5% to 10% increase in sales. Elsewhere, Google Research uses AI to accurately predict riverine flooding and help protect livelihoods in over 80 countries up to seven days in advance, covering 460 million people, including in data-scarce and vulnerable regions.

According to the World Economic Forum, the Amazon Environmental Research Institute (IPAM)'s Cerrado Deforestation Alert System uses satellite imagery and AI to map deforestation down to a 10-square-metre resolution in the Cerrado, the world's most biodiverse savannah. Similar tools are being deployed in deforestation monitoring of Singapore-listed Olam's supply chain.

Mitigating climate risks

IBM used AI to analyse its supply chain data and identify areas for improvement in carbon emissions. By optimising logistics routes, the company achieved a 12% reduction in carbon emissions, demonstrating AI's potential in driving sustainability improvements through data analysis.

ClimateAi's ClimateLens platform deploys technology to assess climate risk exposure for specific locations, predict weather events, and make projections for crop yield and quality to ensure supply reliability. It allows users to quickly onboard using informative templates, receive key alerts and insights, and build customised, shareable dashboards within minutes.

Predictive factory maintenance

Nestlé deployed AI-driven sensors in its manufacturing facilities to monitor water consumption, detect leaks and identify conservation opportunities. This resulted in a 15% reduction in water usage and increased water recycling rates.

Customer preferences and trends

Walmart implemented AI algorithms to analyse customer purchasing patterns and preferences related to sustainable products. This data-driven approach allowed the company to optimise its product offerings and promote more environmentally friendly options.

Renewable energy solutions

Google's DeepMind AI was used to optimise energy use in Google's data centres, reducing energy consumption for cooling by up to 40%. This application of AI demonstrates its potential in enhancing energy efficiency and promoting renewable energy solutions.

Sustainability investments

The Southeast Asia Climate and Nature-based Solutions (SCeNe) Coalition is utilising Google's AI infrastructure to map nature-based carbon projects in the region. This initiative not only aids in carbon sequestration efforts, but also ensures that these projects deliver co-benefits to local communities and the local biodiversity.

Disclosures and reporting

AI is also transforming how companies approach sustainability disclosures and reporting, with benefits that extend beyond merely complying with ESG reporting regulations.

Strategy tool

EnerSys uses ChatGPT Enterprise to analyse large datasets related to sustainability metrics, including Scope 1 and Scope 2 emissions, travel data and waste data. This AI tool helps the team uncover insights more quickly than manual analysis, informing strategic decision-making.

Communication tool with stakeholders

EnerSys uses ChatGPT Enterprise to assist in answering customer questionnaires and surveys about its sustainability practices. By uploading

> **by embracing AI as a tool for sustainability, boards can position their organisations at the forefront of innovation while contributing to a more sustainable future**

sustainability reports and internal policies to the platform, the company can generate responses to customer inquiries more efficiently, cutting the time spent on questionnaires by roughly 50%.

Productivity enhancement tool
AMP's AI platform, AMP Neuron™, uses cameras to scan mixed waste streams and identify the different materials. AMP Cortex™, the body to AMP Neuron's brain, is a high-speed intelligent robotics system that can sort recyclables at a rate of 80 items per minute with an accuracy of up to 99%.

Tool for talent management
Unilever has implemented AI-powered tools in its recruitment process to identify candidates whose values align with the company's sustainability goals. The AI system analyses video interviews and assesses candidates based on predetermined criteria, including their commitment to sustainability. This approach has helped Unilever build teams that are more aligned with its sustainability mission and values.

A means to demonstrate industry leadership
Microsoft has taken a leadership role in using AI for sustainability reporting. The company has developed AI models to analyse and report on their carbon footprint across complex global operations, setting an example for transparent and comprehensive sustainability disclosures.

Conclusion

As AI continues to reshape the business landscape, boards of directors must take an active role in guiding its adoption and ensuring its alignment with sustainability goals. By leveraging AI tools for climate scenario analysis, risk management, sustainability reporting and talent acquisition, companies can enhance their sustainability efforts while driving innovation and efficiency.

The case studies presented here demonstrate the transformative potential of AI in addressing environmental challenges and promoting sustainable business practices. However, it is essential that boards remain vigilant about the ethical implications and potential risks associated with AI use.

Moving forward, boards should focus on:

- developing a comprehensive AI governance framework that incorporates sustainability considerations
- ensuring ongoing education and upskilling of board members in AI and sustainability topics
- fostering collaboration between AI experts, sustainability professionals and business leaders
- regularly reviewing and updating AI strategies to align with evolving sustainability goals and regulations, and
- promoting transparency in AI-driven sustainability initiatives and their outcomes.

By embracing AI as a tool for sustainability, boards can position their organisations at the forefront of innovation while contributing to a more sustainable future. The journey towards AI-driven sustainability is complex, but with proper governance and strategic oversight, it offers immense potential for creating long-term value for businesses and society alike.

Professor Agnes KY Tai PhD CCB.D SCR®, ESG Investing, Responsible AI, FRM CAIA MBA FHKIoD
Governing Board member of the Climate Governance Initiative

Agnes is also a Supervisory Board member of the Global Reporting Initiative and a Steering Committee member of the Climate Governance Initiative Hong Kong Chapter. In addition, she is also on the faculty of Competent Boards and is a committee member of the Global Association of Risk Professionals Hong Kong Chapter, an Adjunct Professor at the University of Hong Kong, and a frequent speaker and author. More details of her experience can be found here: https://www.linkedin.com/in/agnestai.

The importance of continuous learning for directors and good governance

Patricia Hui FCG HKFCG(PE), lawyer and governance professional, offers insights on why continuous learning is essential for directors to navigate challenges, enhance governance and drive organisational success.

In today's dynamic and ever-evolving business landscape, directors are navigating a maze of complexities and increased expectations across various sectors – whether in corporate, non-profit or governmental organisations. As stewards, they bear the vital responsibility not only of guiding their organisations toward achieving strategic objectives, but also of ensuring that ethical standards and governance principles are steadfastly upheld.

Embracing continuous learning is not merely important, it is empowering as it provides directors with the tools to enhance their decision-making capabilities and fortify governance practices. This article explores the importance of continuous learning for directors in all contexts, and examines how it shapes effective governance and boosts the directors' abilities in their roles.

The dynamics of change

The world is currently experiencing an unprecedented degree of volatility, uncertainty, complexity and ambiguity. Environmental concerns, technological advancements, geopolitical changes and societal expectations are reshaping industries and posing difficulties for conventional business models. There are also compounding and interconnected effects amongst the increasing number of uncertainties and disruptions – and less and less time for the leaders to react to them.

In the contemporary context, directors' roles extend beyond traditional responsibilities. They must be visionaries, strategists and catalysts for change, leading their organisations through turbulent times.

Enhancing strategic decision-making

Effective governance requires directors to make strategic decisions that align with the organisation's mission and vision. Continuous learning equips directors with the insights and analytical skills to evaluate complex situations and make informed choices.

Directors who engage in lifelong learning are better positioned to understand market trends, competitive landscapes and emerging risks. They can leverage this knowledge to develop strategies that drive organisational success while ensuring compliance with legal and ethical standards. This strategic foresight is crucial in preventing crises and seizing growth opportunities.

Fostering a culture of innovation

Continuous learning is not just an individual endeavour, but is a catalyst for fostering a culture of innovation within organisations. When directors prioritise learning and development, they set a precedent for other members of the organisation, encouraging a culture of continuous improvement and innovation.

Innovation is essential for organisations to stay competitive and relevant. By advancing a culture of continuous learning, leaders can motivate their teams to think creatively and to question existing norms. This shared dedication to learning can improve problem-solving skills and inspire a more adaptable organisational mindset.

Building resilience and adaptability

In an uncertain era, resilience and adaptability are essential traits for organisations. Resilient leaders embrace change and view challenges as opportunities for growth, while their adaptability enables them to

Highlights

- continuous learning equips directors with the strategic foresight to anticipate challenges and seize opportunities for growth
- ethical leadership is strengthened when directors prioritise learning, fostering trust and transparency within organisations
- governance professionals play a key role in facilitating director education, ensuring boards remain informed and effective

> embracing continuous learning is not merely important, it is empowering as it provides directors with the tools to enhance their decision-making capabilities and fortify governance practices

pivot quickly in the face of evolving circumstances. Continuous learning empowers directors to develop these traits within themselves and throughout their organisations. By embracing a growth mindset, seeking new knowledge and experiences, and staying informed about best practices, industry standards and emerging trends, directors can better anticipate challenges and respond proactively.

Moreover, continuous education enables directors to develop emotional balance and interpersonal competencies essential for successful leadership. Resilient leaders can handle crises with composure, promoting trust and stability in their organisations. By leading through example, as well as demonstrating strength and resolve during difficulties, they motivate their teams to overcome obstacles and sustain motivation. This capacity to adapt to changing conditions reflects effective governance, ensuring that organisations remain responsive to the needs of their stakeholders.

Strengthening ethical leadership

Effective governance is fundamentally anchored in ethical leadership and accountability. Continuous learning plays a pivotal role in reinforcing ethical standards among board members. By engaging in various educational opportunities, directors can enhance their comprehension of ethical dilemmas and the significance of transparency and integrity in decision-making processes.

Ethical leadership transcends mere compliance – it necessitates the cultivation of a culture of integrity within the organisation. Directors who emphasise continuous learning are more adept at exemplifying ethical behaviour and encouraging open discussions regarding ethical challenges. This unwavering commitment to ethical principles is essential for bolstering stakeholder trust and maintaining the organisation's reputation.

Enhancing stakeholder engagement

Effective governance involves engaging with stakeholders, including shareholders, employees, customers and the community. Continuous learning enables directors to understand these stakeholders' diverse perspectives and interests.

By staying abreast of social and environmental issues, directors can make informed decisions that align with their stakeholders' values. This engagement is essential for building strong relationships and ensuring that the organisation's decisions reflect the interests of its stakeholders. Directors prioritising continuous learning can communicate more effectively with stakeholders, fostering transparency and collaboration.

Keeping abreast of regulatory changes

Compliance with laws and regulations is the cornerstone of good governance. Continuous learning allows directors to stay informed about changes in legislation, industry standards and regulatory requirements. This knowledge is critical for ensuring the organisation operates within legal boundaries and adheres to ethical practices.

Directors who engage in continuous learning can better assess the implications of regulatory changes for their organisations. This proactive approach to compliance mitigates legal risks and enhances the organisation's credibility and reputation in the eyes of stakeholders.

How governance professionals can help

Governance professionals play an increasingly crucial role in facilitating continuous learning for directors, helping them stay ahead of the curve in a rapidly changing environment. Their strategic arrangement of a variety of training programmes, workshops and seminars that are specifically designed to focus on emerging trends, regulatory changes and best practices in governance is invaluable. This proactive approach not only enhances the knowledge base of the directors, but also equips them with the tools needed to respond effectively to new challenges, underscoring the integral role of governance professionals in the continuous learning process.

> resilient leaders embrace change and view challenges as opportunities for growth, while their adaptability enables them to pivot quickly in the face of evolving circumstances

In addition to organising these valuable learning opportunities, governance professionals can curate a comprehensive range of resources and materials that support directors in their ongoing learning journeys. These resources may include articles, case studies, white papers and interactive digital content, all tailored to address the specific governance issues the board might face.

By fostering a robust culture of learning within the boardroom, governance professionals can ensure that the directors are well informed and well equipped to navigate the complexities of their roles. This commitment to continuous education ultimately supports the overarching principles of good governance, enabling boards to make informed decisions that contribute to their organisation's long-term success and sustainability.

Conclusion

In conclusion, continuous learning transcends mere optionality for directors. It constitutes a vital necessity within the contemporary, complex and dynamic business and organisational landscape. By embracing continuous learning, directors can augment their strategic decision-making capabilities, promote innovation, cultivate resilience, reinforce ethical leadership, effectively engage stakeholders and ensure compliance with regulatory standards. Such attributes are indispensable to robust governance and the sustainable success of the organisation.

Patricia Hui FCG HKFCG(PE)
Lawyer and governance professional

Fostering growth through governance

CGj reviews a recent Institute seminar, held as part of Hong Kong's International Financial Week 2025, designed to spotlight the pivotal role of governance in fostering sustainable performance and growth across organisations.

Hong Kong's International Financial Week 2025, coordinated by the Hong Kong Trade Development Council, was kick-started by its anchor event, the Asian Financial Forum (AFF), on 13 and 14 January 2025 under the theme Powering the Next Growth Engine.

As part of this annual event, the Institute held a seminar on 16 January 2025, titled Governance: The Driver of Growth, to support the AFF theme. This article provides an overview of the seminar, spotlighting key takeaways on the role of governance in driving sustainable growth.

“long-term returns for investors can only be generated by companies with a strong focus on sustainable corporate governance”

Stephen Wong, Partner, DLA Piper

Moving beyond compliance

Opening the seminar, Gill Meller FCG HKFCG(PE), International Vice President and Institute Past President, and Legal and Governance Director, MTR Corporation Ltd, underscored the importance of governance in driving long-term financial sustainability. 'The long-term aim of all our organisations is to be financially sustainable,' Ms Meller remarked, pressing home the collective responsibility of all organisations – be they listed companies, law firms or sporting bodies – to achieve sustainable development.

Dr Kelvin Wong SBS JP, Chairman of the Securities and Futures Commission (SFC), highlighted the positive association between good governance and superior corporate performance in his speech. Drawing on his extensive experience, Dr Wong observed, 'Governance, in whatever form, intends to drive performance. I believe that in order to make Hong Kong a sustainable international financial centre, we really need good performance from listed companies.' While acknowledging Hong Kong's recovery in 2024, which saw 71 new listings and HK$87 billion raised, Dr Wong stressed the need for listed companies to move beyond compliance.

He pointed out that effective shareholder communication enhances the performance of listed companies, particularly for small and medium-sized listed companies. 'For company secretaries, corporate governance experts or investor relations professionals, you have a bigger role to play in terms of ensuring that the equity story can be delivered to the market,' Dr Wong stated.

Definition of good governance

The seminar explored the elusive concept of 'good governance', with speakers offering diverse perspectives. Ms Meller, moderator of the discussion, commented, 'Bad governance fills the front pages of newspapers,' and challenged the panel to articulate what good governance looks and feels like.

Stephen Wong, Partner, DLA Piper, shared his expertise on promoting growth through innovation. With years of experience driving initiatives

Highlights

- good governance is the cornerstone of long-term financial sustainability and competitive growth, which was emphasised throughout the seminar
- diversity, accountability and INED empowerment were identified as being pivotal to improving corporate governance standards
- startups must balance survival with structured governance to attract investors and enable future growth

> **good governance varies depending on the company – for founder or family controlled firms, it's about distinguishing between personal and company resources**

Michael Duignan, Executive Director, Corporate Finance Division, Securities and Futures Commission

that have strengthened Hong Kong's competitive edge, he flagged up the role governance plays in nurturing sustainable growth in a fast-changing business landscape. 'Long-term returns for investors can only be generated by companies with a strong focus on sustainable corporate governance,' he said.

Mr Wong linked good governance to a constant narrative. 'When I perform well, I can tell a good story. When I don't, I can explain why.' He pinpointed the relevance of consistent communication with investors. 'The more stories we are willing to share, the more the public will understand us, even in challenging times.' He cautioned against silence, which often signals deeper problems such as delayed reports or trading suspensions.

Dr Renu Bhatia, Chairman of the Listing Committee of the Stock Exchange of Hong Kong Limited (the Exchange), shared her perspectives on governance from both regulatory and entrepreneurial angles. 'Corporate governance is not just an abstract, but is something that becomes ingrained in the company's culture, rather than being just a compliance issue,' she said.

Dr Bhatia also put prominence on board dynamics. 'Good corporate governance is the willingness to discuss things internally, the willingness to air things that might not necessarily be what the rest of the board members want to hear,' she said. 'It's not about everyone having the same thought process, because in a complex business environment, when you're dealing with challenges, you need to have that robust discussion.' She added that effective internal communication is just as vital as external transparency, stating, 'Good governance leads to better management and, ultimately, better profits.'

Michael Duignan, Executive Director, Corporate Finance Division, SFC, discussed the role of regulation in supporting effective governance. 'When you're simultaneously criticised for being too aggressive and for being too relaxed, you've probably got it right.' He identified context as being crucial when discussing corporate governance. 'Good governance varies depending on the company – for founder or family controlled firms, it's about distinguishing between personal and company resources.'

Chris Brooke, INED, Link REIT, brought insights from his multifaceted roles across real estate, startups and sports governance. He accentuated how governance is a critical enabler of sustainable development across organisations of all sizes and stages, and expanded on long-term resilience. 'The trust between management and the governance body is important. Foster a culture of collaboration, but bear in mind that there needs to be checks and balances at the same time.'

Diversity, accountability and the role of INEDs

The seminar also delved into key governance themes, focusing on diversity, accountability and the challenges faced by independent non-executive directors (INEDs).

Ms Meller asked Dr Bhatia about the link between diversity and governance. Dr Bhatia asserted, 'If you want to succeed in today's world, both from an investor perspective and from an issuer perspective – and you have cross-border customers and supply chains – it's important to have some of that reflected not only in management but also at board level, so that you can have those differing viewpoints.'

Dr Bhatia emphasised the need for diversity not just in relation to gender but also age, skills and technological expertise, noting, 'Boards need diverse skills to manage complex business situations.' Reflecting on progress, she added that by the end of 2024, 98% of companies in Hong Kong had eliminated single-gender boards, with 800 new female directors appointed. 'I think this is just the beginning of the journey into a deeper concept of diversity that will extend beyond gender, enabling a much wider range of stakeholders to play a role on the board. This ties in well with the idea of board refreshment,' she suggested. Dr Bhatia also stressed that – given the current global hunt for talent – it is imperative that the very smart, innovative young individuals looking for a career feel they are being properly represented at the management and board levels, otherwise they will be reluctant to join a company. 'Diversity is no longer simply a social responsibility – it is now an essential business responsibility to secure the right talent to manage the complex situation,' she argued.

The conversation shifted to governance in sports organisations, where Mr Brooke discussed the Sports Federation and Olympic Committee of Hong Kong, China's new governance code. He acknowledged its impact on smaller National Sports Associations (NSAs), saying, 'It's a

radical but necessary step to ensure accountability for public money and government funding.' Mr Brooke drew attention to proportional governance, explaining, 'Larger NSAs can offer support to smaller ones, promoting best practices.' He also cited the code's value in protecting volunteers, adding, 'It helps non-experts avoid making inadvertent governance errors, because they are not normally board experts.'

Finally, Mr Wong addressed the challenges INEDs face in regulatory enforcement. 'INEDs are under increasing scrutiny, acting as gatekeepers who must raise red flags and ensure proper disclosures,' he noted. However, he acknowledged the limited resources and guidance available, stating that some INEDs receive minimal compensation and lack support, making it hard to fulfil their duties. Mr Wong urged greater education and empowerment for INEDs, and stressed that INEDs must be bold in demanding timely information and should not hesitate to step down if their concerns are ignored.

> **"foster a culture of collaboration, but bear in mind that there needs to be checks and balances at the same time"**
>
> **Chris Brooke, INED, Link REIT**

Balancing independence and market readiness

The seminar then considered the Exchange's consultation conclusions on the proposed amendments to the Corporate Governance Code, specifically those pertaining to INEDs. The discussion centred around the new nine-year cap on the tenure of long-serving INEDs and the introduction of a lead INED, both of which received mixed reactions from the market.

Dr Bhatia emphasised the consultation's extensive public engagement, reflecting widespread interest in corporate governance. She indicated that, while there was significant pushback, 'We've landed in a good position that balances forward movement on governance with the market's readiness.' On the nine-year cap, she explained the rationale: 'The issue is whether or not INEDs can still be independent if they've been serving on the board for such a long time.' She also highlighted the importance of a six-directorship cap to make sure that INEDs can dedicate sufficient time to their roles: 'Research shows a person

> **boards need diverse skills to manage complex business situations**

Dr Renu Bhatia, Chairman, Listing Committee of the Stock Exchange of Hong Kong Limited

needs to spend at least 15% of their working hours on each board.'

Mr Duignan acknowledged the challenges when defining independence. 'Nine is not a magical number, but 30 years of service is unlikely to ensure independence,' he remarked, adding that independence depends on context, such as whether a company has a majority shareholder. He pointed out the value of international comparisons, but cautioned against over-reliance on such comparisons due to differing market structures.

Challenges in social and human capital disclosures

The seminar also explored the complexities of addressing social and human capital issues in corporate governance and sustainability.

Ms Meller started the discussion by concentrating on the increasing focus on the 'S' in ESG, given that the 'E' has, to a certain degree, been addressed by new standards such as IFRS S1 and IFRS S2 issued by the International Sustainability Standards Board (ISSB). She asked Mr Brooke about Link REIT's approach to social issues. Mr Brooke shared that Link's newly established Sustainability Committee is prioritising employee wellbeing, hybrid working models, and diversity and inclusion, as well as corporate culture. 'For us, sustainability is about the long-term resilience of the business. The social aspect offers opportunities for material gains and is linked to the long-term sustainability of the organisation.'

Mr Duignan offered a regulatory perspective, acknowledging the early stage of ISSB's work on social issues. He expressed concern about balancing flexibility with standardisation. 'More flexibility may make disclosures practical, but it compromises comparability, which is the whole point of standardisation.'

Dr Bhatia underscored the challenges of standardising social disclosures, given cultural and regional variations. 'It was hard enough with climate, but it's going to be even more difficult when it comes to human capital because of local variation and the way people think culturally. It's a long journey and the Exchange's Listing Committee needs to deepen its expertise.' Human capital issues like diversity, inclusion and labour standards are critical for attracting institutional investors, she pointed out.

Balancing survival and growth

The seminar concluded with a discussion on governance challenges faced by startups.

Ms Meller began by reflecting on notable governance failures in startups, emphasising the importance of building strong governance early. She asked Mr Brooke, who advises a number of startups, how he encourages them to approach governance. Mr Brooke explained: 'We often recommend starting with a small advisory board, which could include seed investors and external advisors. This helps founders with market testing, product fit and networking, and it's a value-add in the initial stage.' He stressed the significance of having governance as the foundation. 'Ensure you've got transparency and a well-managed business, and that you are well positioned for future growth.'

Dr Bhatia provided a broader perspective on the evolution of governance in startups. For most founders, she clarified, survival is key – getting a product to market and securing funding. Early stage investors typically play an informal advisory role, often keeping a close eye on their investments. However, as startups grow and attract serious funding, governance becomes more structured. 'At the A and B stages, investors demand board seats, which leads to the development of a formal governance framework,' she explained.

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Overview of recent Institute guidance notes

CGj presents a synopsis of some of the Institute's latest guidance notes from the fourth quarter of 2024, covering a wide range of topics from tax ethics to AI adoption, and provides a brief summary of all guidance notes published between October and December 2024.

As a vital part of its thought leadership and professional development initiatives, the Institute regularly publishes guidance notes to keep governance professionals and practitioners updated on the latest advances in governance, risk and compliance. In the fourth quarter of 2024, the Institute issued guidance notes addressing the following:

- global minimum tax and tax ethics for governance professionals
- recent British Virgin Islands company regulations and developments
- best practices for listed issuers in handling loans and lending arrangements
- applicability of international merger control rules to Hong Kong transactions
- impact of arbitration clauses on winding-up applications
- management of private funds and discretionary accounts, and
- AI adoption.

Tax ethics

The Institute's Wealth Management Interest Group published its fourth guidance note, titled Global Minimum Tax and Tax Ethics for Governance Professionals, in October 2024, offering practical advice to assist governance professionals navigate the evolving tax landscape, and to help promote fair and transparent tax practices.

This guidance note highlights the importance of tax ethics as a governance issue. 'With the evolution of business (for example, cross-border e-commerce), companies may generate huge profits in a jurisdiction without any physical presence there and no taxes could be charged under the traditional tax regimes,' the guidance note explains. 'Some multinational enterprises (MNEs) have shifted profits to low-tax jurisdictions with minimal business activities solely to enjoy low tax rates.' This tax planning strategy used by MNEs to exploit loopholes in tax rules is known as base erosion and profit shifting (BEPS).

To tackle this inequitable tax avoidance scheme, the Organisation for Economic Co-operation and Development proposed an international tax reform measure, namely the implementation of the global minimum tax (GMT) under Pillar Two of the BEPS 2.0 Project. A number of jurisdictions, including Hong Kong, have committed to the adoption of Pillar Two rules.

Pillar Two requires MNEs with consolidated revenue exceeding €750 million to pay at least 15% tax in each jurisdiction where they operate. Governance professionals must stay informed about these changes to guide their organisations effectively, as the guidance note emphasises.

To promote ethical tax practices, the guidance note recommends that governance professionals stay updated on evolving tax regulations, educate their organisations on the distinction between legitimate tax planning and aggressive tax avoidance, encourage transparent and fair tax strategies that align with modern tax ethics, recognise that what was once acceptable may now be unethical or illegal and seek advice from tax professionals to more competently handle complex rules and ensure compliance.

The guidance note further advocates for regular reviews of tax arrangements and accurate documentation of all tax-related

Highlights

- the Institute's latest guidance notes provide practical insights for governance professionals, covering important topics such as tax ethics, loans and lending arrangements, arbitration clauses in insolvency and AI adoption
- governance professionals are encouraged to adopt risk-based approaches and robust frameworks to address challenges such as compliance with global tax rules, mitigating risks in lending practices, navigating arbitration agreements and managing AI technologies
- key recommendations include fostering transparent and ethical practices, ensuring proper oversight mechanisms, implementing strong risk management measures and continuously reviewing governance strategies to align with evolving regulatory and operational landscapes

decisions, as well as collaboration with tax experts to ensure ethically sound and legally compliant tax strategies.

Loans and lending arrangements

The latest guidance note issued by the Institute's Securities Law and Regulation Interest Group, titled Governance and Best Practices for Listed Issuers in Handling Loans and Lending Arrangements, is a two-part publication that offers practical advice on how governance professionals can support listed issuers in this area. It also explores common pitfalls and regulatory enforcement actions relating to loan and lending practices.

Part one of the guidance note highlights the increased scrutiny by Hong Kong regulators of loans, advances, prepayments and similar arrangements, following a number of misconduct cases that led to significant losses. These fund transfers, often involving associated parties or being disguised as loans, may lack legitimate commercial rationale and expose issuers to risks.

Governance professionals play a crucial role in fostering best practices to ensure compliance with regulatory expectations. The guidance note outlines fundamental principles for effective governance, including ensuring transactions are backed by a legitimate commercial rationale, implementing robust risk management practices, maintaining strong internal controls and adhering to the Listing Rules.

The guidance note further suggests that directors should perform due diligence on the borrowers, as well as assess recoverability and monitor repayments. They must also ensure accurate disclosures and proper oversight at both issuer and subsidiary levels. Additionally, issuers are urged to maintain contemporaneous records to demonstrate compliance during regulatory reviews.

It also stresses that proper risk assessments and approvals are critical, particularly for loans with significant financial impact or those classified as connected transactions under the Listing Rules.

Part two of the guidance note highlights the common pitfalls relating to loans and lending arrangements. Key pitfalls identified include:

- ***Pre-loan stage:*** failure to conduct proper due diligence, approving loans on questionable terms, insufficient safeguards and lack of records.
- ***Post-loan stage***: inadequate monitoring of repayments, repeated renewals without justifiable reasons and a lack of effective internal controls.
- ***Recovery stage:*** insufficient recovery efforts, failure to recognise or provide for bad debts and significant impairment of loan receivables.

Governance professionals and directors are urged to conduct thorough due diligence and risk assessments for all lending arrangements, as well as to ensure accurate and timely disclosures, and should remain vigilant while upholding the highest standards of corporate governance in their lending practices. 'Any failure to do so would lead to investigations and possible sanctions, as well as possible civil actions to be taken by the Securities and Futures Commission (SFC) or shareholders for losses incurred as a result of the misconduct,' the guidance note warns.

Arbitration agreements

The interaction between arbitration clauses and insolvency proceedings presents significant challenges for creditors. A recent HKCGI guidance note – The Impact of Arbitration Clauses on Winding-up Applications – offers insights into the implications of such clauses on winding-up petitions and provides practical advice for governance professionals navigating this complex area.

The guidance note focuses on how arbitration agreements can limit creditors' ability to file winding-up petitions, especially in jurisdictions like Hong Kong. It highlights the 'multi-factorial approach' adopted by the Hong Kong courts, which requires balancing factors such as public policy, the terms of the arbitration agreement and the merits of the debtor's defence. Governance professionals should note that courts may dismiss or stay a winding-up petition in favour of arbitration, unless there are countervailing factors, such as a lack of genuine intent to arbitrate or the abuse of process by the debtor, the guidance note points out.

It also emphasises the importance of understanding jurisdictional differences. For instance, while Hong Kong courts favour arbitration agreements, the recent decision by the UK Privy Council in *Sian Participation Corp v Halimeda International Ltd* suggests a different approach in other jurisdictions, where arbitration clauses may not preclude a winding-up petition, if the debt is undisputed on substantial grounds. 'The governance professional should be aware of this difference and seek appropriate advice when enforcing their debt or contractual entitlements, including on whether there is an option to enforce in a jurisdiction that is potentially more friendly to creditors,' the guidance note states.

Another key takeaway is the practical impact of arbitration clauses on enforcement. The guidance note highlights potential delays caused by arbitration, which can be commercially problematic for creditors, especially in cases where the debtor's financial position deteriorates or assets are at risk. Governance professionals are advised to consider these risks carefully when drafting contracts and managing debt recovery processes.

AI language models

The rapid adoption of generative AI language models presents significant governance challenges. A recent guidance note by the Institute, titled AI Adoption Issues, provides governance professionals with a comprehensive overview of the major considerations in this area.

Drawing lessons from a November 2024 circular issued by the SFC, which focuses on licensed corporations, this guidance note underscores the importance of robust governance frameworks for AI adoption across sectors.

'While governance professionals may not directly manage the cybersecurity or operational aspects of AI integration, they play a crucial role in facilitating their organisations to effectively address related risks. This includes providing strategic insights into risk management, compliance and resource allocation to ensure organisations approach AI adoption responsibly and sustainably,' the guidance note states.

The guidance note also identifies several critical risks posed by AI language models, as outlined below:

- ***Inaccurate and unreliable outputs:*** risks such as 'hallucinations', whereby the AI generates responses that appear plausible but are factually inaccurate, biases in the data used to train the AI or in the algorithms themselves and performance drift all necessitate regular checks and reviews of AI-generated outputs to ensure reliability and accuracy.

- ***Cybersecurity and privacy concerns:*** AI language models pose data privacy and cybersecurity risks, requiring organisations to adopt strong data protection measures.

- ***Dependency on external providers:*** reliance on third-party providers for AI solutions can create vulnerabilities. Contingency plans and operational resilience are instrumental in mitigating those risks.

Governance professionals are encouraged to adopt a proportional, risk-based approach to AI governance. High-risk-use cases, such as investment recommendations, require stricter controls to minimise harm from inaccurate outputs. Clear accountability structures and alignment across legal, compliance and technology functions are essential for effective AI governance.

The guidance note outlines four core principles to guide governance professionals in managing AI-related risks.

1. ***Senior management responsibilities.*** Facilitate alignment of AI deployment with organisational goals and regulatory requirements, while ensuring oversight mechanisms are in place.

2. ***AI model risk management.*** Advocate for robust frameworks for model validation, testing and ongoing monitoring to maintain AI reliability and effectiveness.

3. ***Cybersecurity and data risk management.*** Promote comprehensive measures to safeguard data privacy and defend against cyberattacks.

4. ***Third-party provider risk management.*** Ensure rigorous due diligence and monitoring of external AI providers to manage legal and operational risks.

'There is no one-size-fits-all and the governance professional must ensure that AI-related governance matters are subject to continuing review,' the guidance note concludes. CGj

> ***The guidance notes covered in this article are available in the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.***

Guidance note roundup

The HKCGI guidance notes published in the fourth quarter of 2024 are set out below. The Institute would like to thank everyone involved in their production.

October

Global Minimum Tax and Tax Ethics for Governance Professionals. This guidance note, issued by the Institute's Wealth Management Interest Group (4th issue), was authored by Polly Wan, Tax Partner & Tax Controversy Leader, Southern Region, Hong Kong, and Sandy Go, Senior Tax Manager, Deloitte China. The Wealth Management Interest Group members are Edmond Chiu FCG HKFCG(PE) and Jenny Choi FCG HKFCG(PE) (Co-Chairs), Willa Chan ACG HKACG, Wilson Cheng, Hazel Fok ACG HKACG(PE), Catherine Lee, Lee Chee Weng FCG HKFCG, Winnie Shek and Alice Yip.

Recent BVI Company Regulations and Developments. This HKCGI guidance note was authored by Edmond Chiu FCG HKFCG(PE), Institute Council member, and Head of Company Secretarial Services, Greater China, Vistra, and Joe Cheung, Managing Director, Harney's Fiduciary HK.

November

Governance and Best Practices for Listed Issuers in Handling Loans and Lending Arrangements (Parts 1 and 2). The Institute's Securities Law and Regulation Interest Group issued a two-part guidance note (10th and 11th issues), authored by Stephanie Chan, Partner, Adrian Tang, Senior Managing Associate, Celia Chong, Associate, and Samantha Chan, Associate, Sidley Austin. The Securities Law and Regulation Interest Group members are Stephanie Chan (Chairman), Bill Wang FCG HKFCG, CK Low FCG HKFCG, CK Poon FCG HKFCG, Dr David Ng FCG HKFCG and Tommy Tong FCG HKFCG.

Applicability of international merger control rules to Hong Kong transactions. This Competition Law Interest Group guidance note (15th issue) was authored by Adelaide Luke, Partner, and Adam Janmohamed, Registered Foreign Lawyer, Herbert Smith Freehills. The Institute's Competition Law Interest Group members are David Simmonds FCG HKFCG (Chairman), Adelaide Luke, Alastair Mordaunt, Brian Kennelly QC, Mike Thomas and Natalie Yeung.

December

The Impact of Arbitration Clauses on Winding-up Applications. This HKCGI guidance note was authored by Ralph Sellar, Partner, and Liu Hui, Senior Counsel, Slaughter and May.

Internal Control and Governance in the Management of Private Funds and Discretionary Accounts. This guidance note, issued by the Institute's Wealth Management Interest Group guidance note (5th issue), was authored by Willa Chan ACG HKACG, Founding Principal of Willa Legal, in association with YC Solicitors LLP and Humphrey & Associates. The Wealth Management Interest Group members are Edmond Chiu FCG HKFCG(PE) (Chairman), Willa Chan ACG HKACG, Wilson Cheng, Hazel Fok ACG HKACG(PE), Catherine Lee, Lee Chee Weng FCG HKFCG, Winnie Shek and Alice Yip.

AI Adoption Issues. This guidance note, issued by the Institute's Technology Interest Group (15th issue) was authored by Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive. The Technology Interest Group members are Dylan Williams FCG HKFCG (Chairman), Ricky Cheng, Harry Evans, Gabriela Kennedy and Philip Miller FCG HKFCG.

The Institute would also like to thank April Chan FCG HKFCG, Institute Past President, and Michael Ling FCG HKFCG, Chairman of the Institute's Technical Consultation Panel, for their oversight of the Institute's guidance notes, and Mohan Datwani FCG HKFCG(PE), Institute Deputy Chief Executive, who serves as Secretary of the Institute's Interest Groups and is Contributing Editor of the Institute's guidance notes.

Comments and suggestions are welcome, and should be sent to: mohan.datwani@hkcgi.org.hk.

All Institute guidance notes are available in the Thought Leadership section of the Institute's website: www.hkcgi.org.hk.

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Biometric systems in the workplace

Five top tips for using biometric data in the workplace in Hong Kong

Jezamine Fewins, Partner and Head of Litigation, and Joanne Chan, Associate, Lewis Silkin, explore the complexities of using biometric systems in Hong Kong workplaces, highlighting the need for compliance with data protection laws and for conducting privacy impact assessments to build employee trust.

As we become more accustomed to using our faces or fingerprints to unlock devices in our everyday life, it's not surprising that employers in Hong Kong are considering using biometric systems in the workplace. However, employers need to address the significant challenges involved with using biometric data.

Employers are beginning to see the potential benefits of using biometric systems, such as facial recognition and fingerprint access systems, in the workplace. These include enhancing security (such as reducing access to a restricted area), ensuring efficiency (such as eliminating the need for passwords, keys or cards) and monitoring employee wellbeing and performance (such as tracking activity, productivity or stress levels).

However, given the nature of biometric data and the sensitivities around its use and, importantly, its potential misuse, there are significant challenges to overcome when using biometric systems in the workplace.

Here we list five top tips to help Hong Kong employers navigate this complex landscape.

1. Comply with the data protection requirements

The use and collection of biometric data is regulated by the Personal Data (Privacy) Ordinance if such data directly or indirectly relates to a living individual from which it is practicable for the identity of the individual to be directly or indirectly ascertained. Employers should familiarise themselves and comply with the Ordinance and the guidance notes issued by the Office of the Privacy Commissioner for Personal Data (PCPD) from time to time.

The Ordinance is principle-based. According to data protection principle (1), the collection of biometric data must be for a lawful purpose related directly to its function and activity. The collection of biometric data must not be excessive for achieving such purpose. Data protection principle (3) prevents employers from using biometric data for a new purpose without the express and voluntary consent of the employee. For instance, DNA samples taken for an annual health check-up as part of an employer's medical benefits should not then be used to assess employees' long-term employability without their consent.

A Hong Kong school hit the headlines a few years ago when it installed a facial recognition camera at the school entrance for recording staff attendance and for security purposes. The biometric data was collected without the staff's knowledge. The PCPD found the collection of biometric data to be excessive for the intended purpose. The school already had a CCTV system and a security guard at the entrance of the school for security purposes. Teachers were already using access cards to record their attendance. If the school wanted to enhance security and monitor attendance, it should have considered less intrusive alternatives to biometric data collection. This case highlights the importance of exploring less privacy intrusive alternatives before resorting to collecting and using biometric data.

2. Conduct a privacy impact assessment

Employers are recommended to conduct a thorough privacy impact

Highlights

- employers must comply with the Personal Data (Privacy) Ordinance, ensuring biometric data collection is lawful, necessary and not excessive
- conducting a privacy impact assessment helps evaluate the necessity of using biometric systems and what alternatives might be available
- building trust through transparency and implementing strong security measures ensures responsible handling of biometric data

> employers should take all reasonably practicable steps to ensure that the biometric data is protected against unauthorised or accidental access, processing, erasure, loss or use

assessment (PIA) before collecting and using biometric data. A PIA is a systematic process that evaluates a proposal in terms of its impact on personal data privacy.

A PIA should:

- evaluate the necessity and proportionality of using biometric data
- consider less privacy intrusive alternatives, and
- consider whose biometric data should and could be collected.

Regular reviews of the PIA can help ensure ongoing compliance and address any emerging issues.

3. Manage biometric data

The precision and accuracy of biometric technologies vary greatly and may not be always reliable. For example, some are probabilistic and are only able to identify a 'likely' match in the database. Data inaccuracies may lead to serious consequences. For example, if biometric data is collected for the purposes of recording attendance, any data inaccuracies might cause the employer to mistakenly believe that an employee was absent from work, potentially leading to disciplinary action or even the termination of the employee's employment.

Employers should therefore take all reasonable steps to ensure that the biometric data held by them is accurate and should allow human intervention in the automatic decision-making processes. Employers should also regularly review the data held by them and delete any data that is no longer needed. Retaining data that is no longer required increases security risks and is in contravention of data protection principle (2), which requires data users to take all practicable steps to ensure that personal data is accurate and is not kept longer than is necessary for the fulfilment of the purpose for which the data is used.

4. Build trust and be transparent

The special relationship between employers and employees, marked by a clear imbalance of bargaining power, gives rise to a rebuttable suggestion that undue influence might be exerted upon employees when an employer uses their biometric data. Employers are encouraged to devise clear privacy policies and procedures, explaining why, how, what, where and when the company uses biometric data. The privacy policies and procedures should be communicated and made easily accessible to all employees.

Providing detailed information about biometric data usage empowers employees to make informed decisions. Employees can understand the benefits and potential risks, which helps them feel more in control of their personal information. When employees know that their data is being handled responsibly and securely, it helps address the concerns and fears they might have.

A company in Hong Kong used a fingerprint reader system to collect fingerprint data of employees for the purposes of monitoring their time-and-attendance and ensuring office security. However, the company failed to provide the employees with the option of choosing whether they wanted to give their fingerprint data or not. The employer did not explain to the employees the purposes of collection or the availability of alternatives such as access cards. This prevented employees from making an informed decision on whether they should supply their biometric data to the company and had an adverse impact on their data privacy.

5. Implement strong security measures

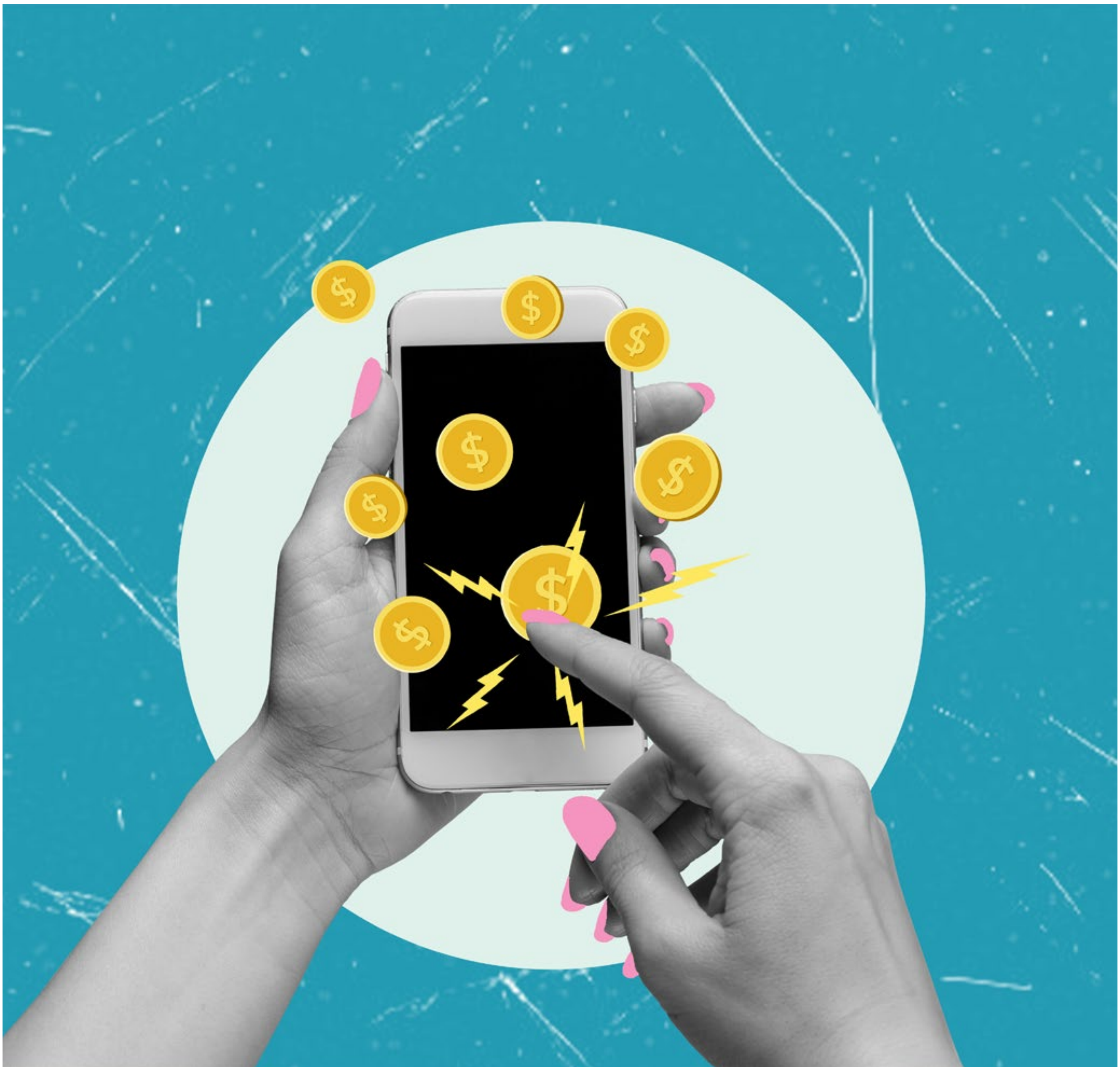
Unlike passwords or PINs, which can be changed or replaced, biometric data once compromised remains compromised. Employers should take all reasonably practicable steps to ensure that the biometric data is protected against unauthorised or accidental access, processing, erasure, loss or use. This may include encryption, access controls and regular security audits. Access to biometric data should be on a need-to-know basis only. Authorised personnel should receive training on the use and collection of biometric data. With a notable increase in cyberattacks, employers should also regularly review and update their security measures to address new technological threats.

By following these tips, employers in Hong Kong can effectively use biometric data while respecting employee privacy and complying with the Ordinance. This approach not only enhances workplace security and efficiency, but also builds trust and transparency with employees.

Jezamine Fewins, Partner and Head of Litigation, and Joanne Chan, Associate
Lewis Silkin

Hong Kong's Stablecoins Bill

Regulatory regime for issuance and offers of stablecoins



Authors at King & Wood Mallesons provide an overview of Hong Kong's recent Stablecoins Bill, which establishes a licensing and regulatory framework for stablecoin issuers to address concerns over financial stability and investor protection.

On 6 December 2024, the HKSAR Government published the highly anticipated Stablecoins Bill, which was introduced into the Legislative Council for first reading on 18 December 2024.

This follows after the Hong Kong Monetary Authority (HKMA) and the Financial Services and Treasury Bureau published the much-anticipated conclusions to their December 2023 consultation paper on the proposed regulatory regime for stablecoin issuers in Hong Kong.

The Stablecoins Bill sets out the licensing and regulatory regime for certain stablecoins (Specified Stablecoins), which are digital assets that purport to maintain a stable value relative to one or more official currencies, or which meet other specified requirements.

The regime is intended to address the monetary policy, financial stability and investor protection concerns associated with Specified Stablecoins, while encouraging the responsible development of the digital asset market in Hong Kong. It builds on other key regimes, including the licensing regime for digital asset exchanges that went live on 1 June 2023.

In summary, the Stablecoins Bill contains three key components, as outlined below.

1. ***Specified Stablecoin issuer licensing and requirements.*** Issuers of Specified Stablecoins in Hong Kong must obtain a licence from the HKMA and comply with comprehensive licensing requirements relating to, among other things, the issuer and its controller(s), its financial and other resources, the Specified Stablecoins it issues, the reserve assets and stabilisation mechanism supporting the Specified Stablecoins, and other requirements.

2. ***Specified Stablecoin offering and marketing restrictions.*** Only certain regulated entities and platforms can offer Specified Stablecoins in Hong Kong or actively market them to the public of Hong Kong. Furthermore, only Specified Stablecoins that are issued by HKMA-licensed issuers can be offered to retail investors. Other Specified Stablecoins can only be offered if the offer falls within one of the available exemptions.

3. ***Broader consumer protection, market integrity and other offences.*** These can affect a range of market participants – not just issuers and distributors.

The Stablecoins Bill includes extraterritorial provisions that will be relevant to many offshore issuers and platforms. Crucially, any Specified Stablecoin referencing Hong Kong dollars is in scope, irrespective of the location of the issuer, marking a notable expansion of typical Hong Kong regulatory jurisdictional triggers.

Key aspects of the stablecoin regime will be similar in many respects to the structure and approach to stored value facility (SVF) regulation in Hong Kong, and are generally consistent with the Basel Committee's recently revised

Highlights

- the proposed stablecoin regulatory regime mandates licensing for issuers of fiat-referenced stablecoins and imposes strict requirements on reserves, business activities and redemption mechanisms
- only certain regulated entities can offer or market Specified Stablecoins in Hong Kong, with restrictions for non-HKMA-licensed issuers
- the regime includes extraterritorial provisions and transitional arrangements

> the regime is intended to address the monetary policy, financial stability and investor protection concerns associated with Specified Stablecoins, while encouraging the responsible development of the digital asset market in Hong Kong

criteria for stablecoins to qualify as so-called 'Group 1b cryptoassets', which enjoy favourable regulatory capital treatment under the Basel cryptoasset standards, although they are narrower than the Financial Stability Board's recommendations for 'global stablecoin arrangements'.

Below is an overview of Hong Kong's Stablecoins Bill.

Focus on fiat-referenced stablecoins

Hong Kong's proposed stablecoin regulatory regime focuses on fiat-referenced stablecoins, as opposed to other types of stablecoins such as those referencing gold or other assets. The stablecoin regulatory regime adopts a risk-based approach to regulating stablecoin issuers and seeks to apply the 'same activity, same risk, same regulation' principle. Hong Kong authorities will be empowered to adjust the scope of application of the new regime as the digital asset market evolves. Importantly, the scope of the regime versus the licensing available (including related licensing conditions) may mean that certain stablecoins are effectively banned or significantly restricted.

To implement the proposed stablecoin regulatory regime, the government has introduced new legislation in the form of the Stablecoins Bill, which will be named the Stablecoins Ordinance once operational, instead of amending existing legislation such as the Payment Systems and Stored Value Facilities Ordinance (Cap 584) and the Anti–Money Laundering and Counter–Terrorist Financing Ordinance (Cap 615) (AMLO). We consider that this approach may assist in enabling the evolution of the regime over time.

Definition of a Specified Stablecoin

Under the Stablecoins Bill, a Specified Stablecoin essentially means a cryptographically secured digital representation of value that, among other features, purports to maintain a stable value with reference wholly to one or more fiat currencies or other HKMA-specified units of account or stores of economic value.

However, financial products and instruments that are already covered by existing regulatory regimes, such as deposits, securities (including authorised collective investment schemes and authorised structured products), futures contracts, float stored in SVFs and SVF deposits, as well as government or central bank issued digital assets (such as central bank digital currencies), will be excluded.

This is critical, as avoiding overlap will be an important part of the lawmaking process and there can be a particularly fine line between stablecoins and other existing instruments such as SVFs, structured products, collective investment schemes and debentures. In this respect, we note that many stablecoins are already regulated under existing Hong Kong laws.

Licensing triggers

The following persons (each having a Hong Kong nexus) must obtain a licence from the HKMA (unless a specific exemption is available) for carrying on a regulated stablecoin activity (ie the issuance of a Specified Stablecoin):

- any person that issues a Specified Stablecoin in Hong Kong
- any person that issues a Specified Stablecoin outside Hong Kong referencing the Hong Kong dollar

- any person that carries on, in respect of a Specified Stablecoin, an activity specified by the HKMA pursuant to Section 5(4) of the Stablecoins Bill, or
- any person that holds itself out as carrying on a regulated stablecoin activity, including a person that actively markets its issuance of a Specified Stablecoin to the public of Hong Kong (which includes a class of that public).

Licensing requirements

Key licensing conditions and requirements for licensees include the following:

- A licensee must be a Hong Kong incorporated company or an authorised institution (AI) incorporated outside Hong Kong with certain of its senior management and key personnel based in Hong Kong. It must also meet specified minimum criteria, including financial resources requirements.
- The licensee must have an effective stabilisation mechanism for its Specified Stablecoins by maintaining a pool of segregated, high-quality and highly liquid reserve assets in an amount at least equal to the total amount of Specified Stablecoins in circulation. In short, this means that fractionalisation by the issuer (by only maintaining sums expected to be redeemed at any given time) is not possible. The precise requirements at the bank custodial level are yet to be seen. The HKMA's SVF regime generally requires a degree of negotiation and customisation regarding reserve arrangements, and we expect a similar approach will be involved.
- Specified Stablecoin holders must be able to redeem their Specified Stablecoins on a timely (generally 'as soon as practicable') basis, at par value and in the referenced currency, without having to pay disproportionate fees or meet unreasonable redemption conditions.
- The licensee must comply with a wide range of other licensing conditions and requirements relating to business activity restrictions, fitness and propriety, risk management, information disclosures, anti–money laundering and counter–financing of terrorism compliance, recovery planning and wind-down.
- The HKMA has discretion to impose additional licensing conditions relating to matters such as reserve assets and restrictions on business activities. The HKMA will be empowered to impose, amend and cancel ongoing licensing conditions on the licensee.
- The HKMA will administer and enforce the new stablecoin licensing and regulatory regime, and new criminal offences and an appeal mechanism has been introduced. The HKMA's powers under the new stablecoin regime will be similar to its powers under the Banking Ordinance (Cap 155).

Certain exemptions for AIs

Considering that AIs are already subject to prudential regulation and supervision by the HKMA, it is proposed that the licensing conditions and requirements relating to business activity restrictions, localisation and physical presence in Hong Kong and minimum financial resources will not apply to licensees that are AIs. In our view, these exemptions reflect the existing exceptionally high levels of AI regulation in Hong Kong, as well as other banking-related supervisory principles (including that certain matters are regulated by a global bank's home country authorities).

Specified Stablecoin offering regime

Hong Kong's proposed stablecoin regime will not only regulate the issuing of Specified Stablecoins, it will also regulate the offering of Specified Stablecoins. Under the proposed offering regime, only licensed digital asset trading platforms (VATPs), HKMA-licensed Specified Stablecoin issuers, licensed corporations regulated by the Hong Kong Securities and Futures Commission and AIs (collectively, 'regulated entities') can offer Specified Stablecoins in Hong Kong or actively market such offerings to the public of Hong Kong.

The proposed Specified Stablecoin offering regime further distinguishes between two types of Specified Stablecoins.

1. Specified Stablecoins issued by HKMA-licensed issuers, which the HKMA has previously indicated can be offered to retail investors.

2. Specified Stablecoins that are not issued by HKMA-licensed issuers, which can only be offered to a person designated by the HKMA or the Financial Secretary as exempted persons. The HKMA has previously indicated that such exempted persons would generally be limited to professional investors.

Under the proposed Specified Stablecoin offering regime, it should still be possible for VATPs to offer Specified Stablecoins such as USDC and USDT to professional investors in Hong Kong on their platforms, subject to obtaining a licence or meeting one of the available exemptions.

Transitional arrangements

The Stablecoins Bill includes a transitional arrangement for certain existing entities to migrate to the new regulatory regime in an orderly manner. In our experience working with digital asset exchanges on their compliance with the new AMLO regime's transitional arrangements, it is valuable to prepare for this early and to closely examine the eligibility requirements for transitional protection and applications, which can take time.

During the first three months

During the first three months after the commencement date, pre-existing regulated stablecoin activities may continue in certain circumstances. An issuer must apply for a licence within the first three months to continue to enjoy certain transitional relief.

An issuer that does not make a licence application within the first three months will enter into a one-month closing down period at the end of the first three months. Other issuers will enter into a one-month closing down period on the earliest of (1) rejection notice is given, (2) licence application is withdrawn and (3) licence application is refused.

The HKMA may extend the one-month closing down period at its discretion.

During the first six months

During the first six months after the commencement date, pre-existing regulated stablecoin activities may continue in certain circumstances if, within the first three months, the issuer has:

- applied to the HKMA for a licence to carry on regulated stablecoin activity, and

- has made to the HKMA certain declarations regarding its pre-existing activities and certain undertakings regarding compliance with the stablecoins regulatory regime.

After the first six months

The HKMA may, within the first six months, grant a provisional licence to an issuer that has, within the first three months, applied to the HKMA for a licence to carry on regulated stablecoin activity and has made certain declarations and undertakings to the HKMA.

To be eligible to receive a provisional licence, the issuer must have:

- carried on the regulated stablecoin activity in Hong Kong before the commencement date, and

- a reasonable prospect of complying with the stablecoins regulatory regime.

A provisional licence will be in force until the earliest of (1) licence application is withdrawn, (2) licence application is refused, (3) licence is granted and (4) rejection notice is given.

The commencement date of the Stablecoins Ordinance is to be designated by the Secretary for Financial Services and the Treasury by notice published in the Gazette.

Richard Mazzochi, Partner, Minny Siu, Partner, Urszula McCormack, Partner, and Andrew Fei, Partner, with contributions from Associates Vince Lee and Nikita Ajwani
King & Wood Mallesons

This article is an extract from a report published by King & Wood Mallesons on 23 December 2024. The full report is available in the Publications section of the Insights page of the company's website.

CHARTERED GOVERNANCE
Hong Kong

Corporate Governance Paper Competition and Presentation Awards 2025

Theme: Is Governance a Driver for Growth?

The annual Corporate Governance Paper Competition and Presentation Awards organised by the Institute aims to promote the importance of good governance among local undergraduates. This is a great opportunity for students to learn about teamwork and to research, write and present their thoughts on the selected theme.

Awards:

Best Paper
HKD11,000
The best paper will be published in the HKCGI monthly journal.

Best Presentation
HKD6,000

Audience's Favourite Team
HKD2,000

Eligibility:

Current undergraduates of all disciplines in Hong Kong are eligible to enrol for this Competition in a team of two to four members.

Important dates:

Enrolment deadline
Tuesday 6 May 2025

Paper submission deadline
Wednesday 18 June 2025

Presentation competition
(for the six finalists)
Saturday 6 September 2025

For enquiries, please contact the Qualifications and Assessments Section at (852) 2830 6039 or email student@hkcgi.org.hk.

Register Now!

The Hong Kong Chartered Governance Institute 香港公司治理公會 (Incorporated in Hong Kong with limited liability by guarantee)

April Chan FCG HKFCG

When did you first join the Institute and what was your professional role at that time?

'I joined the Institute in 1981 as a member and became a Fellow in 1994. I supported the Institute on an ad hoc basis until I was elected to Council in 2004. I was Institute Vice-President from 2008 to 2009 and served as President from 2010 to 2011. I retired in 2016 as the Company Secretary of CLP Holdings Ltd, having served the CLP Group for 27 years.'

Did membership of the Institute support your career development and, if so, in what ways?

'Absolutely. Being a member of the Institute and earning its professional qualification was instrumental to my career. It helped build my professional network, which was particularly useful when working in a listed company in terms of sharing best practices and practical experience. The Institute has worked tirelessly to gain recognition from regulators. The endorsement of the Chartered Secretary (CS) qualification in the Companies Ordinance and the Listing Rules, for example, meant that listed companies were then required to appoint qualified company secretaries. This recognition not only improved career advancement opportunities, but also helped raise the professional standards in Hong Kong as an international financial hub.'

What has motivated your ongoing contribution to governance as a profession?

'The Institute is always in my heart. Over the years, I've held several roles within the Institute. Apart from being its President, I served on numerous committees, both as a member and as Chairman. Even after retiring in 2016, my passion for governance and professional development has kept me engaged. I led practical company secretarial workshops, covering topics such as board dynamics, effective board meetings, board evaluation and other board advisory skills. These workshops were interactive, with exercises and discussions, allowing me to share my decades of experience while learning from younger members. Coaching young members has been especially rewarding – their energy and fresh perspectives have inspired me to rethink traditional approaches and I value the mutual learning process.'

What would you say are some of the most significant milestones in the Institute's development?

'During my presidency, we focused on development in three main directions – locally, regionally and internationally.

Locally, in Hong Kong, we launched the Mandatory Continuing Professional Development Programme in 2011, requiring all members to complete 15 hours of training annually. This is widely acknowledged by market practitioners, regulators and employers as an effective way of improving an individual's professional skills and of raising industry standards. I also chaired the Technical Consultation Panel, which explores regulatory developments and advocates for practical changes that benefit listed companies and trust or company service providers. To date, the panel has published more than 150 Guidance Notes and 40 research papers, enhancing members' knowledge and standards.

In regional development, the Institute had already set up the Beijing Representative Office in the Chinese mainland in 1996. Then, in 2010, we established four Regional Board Secretary Panels in Beijing, Shanghai, Guangzhou and Shenzhen. These panels facilitated discussions and networking opportunities about issues unique to mainland-listed companies, and fostered collaboration with mainland regulators. For example, the signing of an MOU with the Shanghai Stock Exchange in 2011 was a big step forward in terms of enhancing awareness of our profession in the mainland.

> “coaching young members has been especially rewarding – their energy and fresh perspectives have inspired me to rethink traditional approaches and I value the mutual learning process”
>
> **April Chan FCG HKFCG, Institute Past President**

On the international front, to amplify our global voice, we co-founded the Corporate Secretaries International Association (CSIA) in 2010 with other governance institutes in our global network. As its inaugural President, I worked to promote international collaboration and recognition of governance professionals. Nowadays, the Institute plays an important role in both CGI and CSIA, and it has been wonderful to witness its evolution from being simply CGI's Hong Kong Division into the professional body it is today, with strong membership and financial strengths, as well as good standing in the governance profession locally and overseas. These milestones represent the collective efforts of many dedicated individuals, including members of the Secretariat, the Council and its committees.

What advice would you give to the younger generation starting out on their governance careers?

'I believe young professionals should embrace what I think of as the 5 Ps of life. First, Principles – governance professionals must have integrity and uphold principles like accountability and transparency in communications with their shareholders and other stakeholders. Second, Perseverance – challenges are inevitable, but persistence is key. Learn from good governance practices and apply them appropriately to your organisation, even if you encounter opposition. Third, Patience – change takes time. Cultural shifts often face resistance, so be patient and work to bring about a convergence of opinion. Fourth, Passion – love what you do and take pride in your work. Be a sponge – absorb knowledge and best practices from others. And finally, Preparedness – always be ready for challenges before opportunities arise. When the right moment comes, you'll be able to seize it and shine.

Also, don't be afraid of hard work and don't worry about being underestimated. Remember – employers give opportunities to those who are ready, so do your best, prepare yourself and take every chance to grow.'

陈姚慧儿女士FCG HKFCG

您是什么时候加入公会的？当时您的专业身份是什么？

‘我于1981年以会员身份加入公会，并于1994年成为资深会士。最初我在公会有需要的时候临时帮忙，后来到2004年当选为理事会成员。2008年至2009年，我担任公会副会长，2010年至2011年担任会长。2016年从中电控股有限公司的公司秘书职位退下来，结束了在中电27年的服务。’

公会的会员资格是否有助于您的职业发展？如果有，在哪些方面？

‘当然有帮助。成为公会会员并获得专业资格，对我的职业发展至关重要。公会会员的身分帮助我建立专业网络，这在上市公司工作时尤其有用，可以和其他会员分享最佳实践和实际经验。

公会为获得监管机构的认可做出了不懈努力。例如，公司条例和上市规则认可了特许秘书资格，意味着上市公司必须任命合格的公司秘书。这种认可不仅有助于职业发展，也提升了香港作为国际金融中心的专业水平。’

是什么促使您持续推动公司治理这一专业领域的发展？

‘我始终心系公会。多年来，我在公会担任过多个角色。除了担任会长外，还服务许多委员会，既做过委员，也当过主席。即使在2016年退休后，我对公司治理和专业发展的热情仍然不减。我主导了公司秘书实务工作坊，涵盖董事会运作、高效董事会会议、董事会评估及其他董事会咨询技巧等主题。这些工作坊以互动形式进行，包括练习和讨论，让我在分享自己数十年经验的同时，也能向年轻会员学习。指导年轻会员尤其让我获益良多。他们的活力和新视角启发我重新思考传统方式，我很珍视这种相互学习的过程。’

您认为公会历史上有哪些重要的里程碑？

‘在我担任会长期间，我们的发展重点围绕三个主要方向：本地、区域及国际层面。

在本地层面，我们于2011年推出了强制性持续专业发展政策，要求所有会员每年完成15小时的培训。该计划广受市场从业者、监管机构及雇主认可，被视为提升个人专业技能及提高行业标准水平的有效方式。此外，我还担任专业知识谘询小组主席，该小组负责研究监管动态，并倡导对上市公司及信托或公司服务提供者有利的务实变革。至今，该小组发表了超过150篇指引说明及40份研究报告，帮助会员提升知识和专业水平。

在区域扩展方面，公会早在1996年便在中国内地设立了北京代表处。随后，在2010年，我们在北京、上海、广州和深圳成立了四个区域董事会秘书小组，提供交流平台，探讨与内地上市公司相关的议题，并促进与内地监管机构的合作。例如，2011年我们与上海证券交易所签署了合作备忘录，这是提升内地对本专业认知的重要一步。

在国际化发展方面，为了扩大我们的全球影响力，我们于2010年与全球其他有联系的治理机构共同创立了公司秘书国际联合会。作为其创会会长，我致力于促进国际合作，并提升治理专业人士的认可度。如今，公会在公司治理学会及公司秘书国际联合会中均扮演着重要角色。见证公会从公司治理学会香港分会成长为如今这一具有强大会员基础、稳健财政，并在本地及国际治理领域享有良好声誉的专业机构，我深感欣慰。这些里程碑成就全赖众多敬业人士的共同努力，包括秘书处、理事会及各委员会成员。’

> **“指导年轻会员尤其让我获益良多。他们的活力和新视角启发我重新思考传统方式，我很珍视这种相互学习的过程。”**
>
> **陈姚慧儿女士FCG HKFCG，公会前会长**

您对刚刚开始治理生涯的年轻一代有什么建议？

‘我认为年轻专业人士应当坚持我所称的生命中的“5P”。首先是原则(Principles)，治理专业人士必须坚守诚信，并在与股东及其他持份者沟通时，贯彻问责性和透明度等核心原则。其次是毅力(Perseverance)，挑战在所难免，但坚持是关键。学习良好的公司治理实践，并适时应用于你的组织，即使遇到阻力也不要轻易放弃。第三是耐性(Patience)，变革需要时间，文化转变往往会遭遇阻力，因此要有耐心，努力促成共识。第四是热诚 (Passion)，热爱自己的工作，并以此为荣。要像海绵一样，向他人学习，吸收知识和最佳实践，不断提升自己。最后是准备(Preparedness)，在机会到来之前，始终做好迎接挑战的准备。当合适的时机出现，你就能把握住并脱颖而出。

此外，不要害怕工作艰辛，也不用担心被低估。请记住，雇主会把机会留给有准备的人，所以请尽力而为，提升自己，抓住每一个成长的机会。’

Professional Development

Seminars: January 2025

8 January
Governance and best practices for listed issuers in handling loans and lending arrangements

Chair: *Ernest Lee FCG HKFCG(PE), Institute Immediate Past President, Audit Committee Chairman, Mainland China Affairs Committee member, Nomination Committee member and HKCGI Prize Judging Panel member, and Technical Partner, Deloitte China*

Speakers: *Stephanie Chan, Partner, and Adrian Tang, Senior Managing Associate, Sidley Austin; and Polly Wong FCG HKFCG(PE), Institute Disciplinary Tribunal member and Professional Development Committee member, and Company Secretary and Group Financial Controller, Dynamic Holdings Ltd (panellist)*

9 January
From hire to fire: an overview of Hong Kong employment law

Chair: *Patricia Hui FCG HKFCG(PE)*

Speakers: *Victor Ng, Partner, and Barbara Kwong, Senior Associate, Oldham, Li & Nie; and Pooja Shukla FCG HKFCG, Senior Lecturer, Lee Shau Kee School of Business and Administration, Hong Kong Metropolitan University (panellist)*

14 January
Directors' duties under the Listing Rules – refresher and recent developments

Chair: *Robin Healy FCG HKFCG, Institute Council member, Membership Committee Vice-Chairman and Editorial Board member, and Director – Corporate Governance Secretariat, Link REIT*

Speakers: *Benita Yu FCG HKFCG, Senior Partner, and Dorothy Li, Associate, Slaughter and May*

16 January
Governance: the driver of growth

Speakers: *Gillian Meller FCG HKFCG(PE), International Vice President and Institute Past President, Nomination Committee Chairman and Governance Professionals Panel Chairman, and Legal and Governance Director, MTR Corporation Ltd; Dr Kelvin Wong FCG HKFCG, Chairman, and Michael Duignan, Executive Director, Corporate Finance Division, Securities and Futures Commission; Dr Renu Bhatia, Chairman of the HKEX Listing Committee; Chris Brooke, INED, Link REIT; and Stephen Wong, Partner, DLA Piper*

20 January

Practical considerations in resolving shareholder disputes in Hong Kong and the British Virgin Islands

Chair: Joyce Lau FCG HKFCG, Head of Financial Accounting & Tax Services, Corporate Clients (Service Management), Vistra Greater China

Speakers: Emily Li, Partner, Stephenson Harwood; and Kimberley Leng, Counsel, Carey Olsen Hong Kong LLP

21 January

Listed and learnt: case studies of long-term suspension and practical considerations in forensic investigations

Chair: Michelle Ho FCG HKFCG(PE), Institute Professional Development Committee member and Professional Services Panel member, and Managing Director, Governance Services, Computershare Asia (Chair)

Speakers: Brian Wong, Partner, Baker McKenzie; and Barry Tong, Partner & Head of Advisory, Grant Thornton

ECPD seminars/Videos on Demand

ECPD training is organised by the Institute to facilitate its members and other governance professionals to acquire governance knowledge, corporate secretarial skills, and related thought leadership and best practices.

In addition to in-person seminars, ECPD training is delivered via live webinars or pre-recorded videos for maximum accessibility and flexibility.

Details of the Institute's forthcoming ECPD seminars and ECPD Videos on Demand are available in the Professional Development section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Institute's Professional Development Section: (852) 2830 6011, or email: cpd@hkcgi.org.hk.

Membership

New Associates

The Institute would like to congratulate our new Associates listed below.

Chan Kai Yan	Huang Shujun	Li Tze Miu	Tsoi Wai Hung
Chan King Lun	Hung Ka Kit	Ling Li	Tsui Lok Yu
Chan Yin Lam	Huo Hongfei	Liu Yao	Wong Dik Man, Alex
Chan Yuk Yi	Kong Tsz Kwan	Liu Yi Man	Wong Hiu Tung
Chen Xi	Kuo Po Ying	Lo Kwong Ying	Wong Ka Yu, Rico
Cheung Pik Yuen, Belinda	Kwan Chi Nam	Lo Po Ling	Wong Mei Wan
Cheung Wun Lam	Kwan Tung	Lo Pui Ling, Mandy	Wong Nga Nam, Cindy
Cheung Yin Hei	Lai Yu Hin, Brian	Lu Xingzhi	Wong Tak Yi
Choy Yuen Mei	Lam Mei Yan	Mui Oi Ching	Wong Tung Lee
Chu Yan Tung	Lam Tsz Kwan	Ng Pui Ching	Wong Yiu Hung
Chui Ching Man	Lam Yuk Yi	Pang Hui	Yang Yu
Chung Cheuk Nam	Lau Chun Tung	Pang Tat Kwan	Yau Kit Yee
Chung Kai Yip	Lau Mei Ting	Phang Pok	Yeung May Yee, Iris
Feng Tao	Law Cheuk Luen, Cherry	Suen Wai Hin	Yu Shanling
Fong Mung Fan	Law Tsz Yan	Szeto Ching Yee, Chloe	Yu Yuanyuan
Fung Ching Kwan	Lee King Yan	Tam Wing Tsz	Yung Miu Chuen
Hai Pui Man	Leung Chi Kit	Tang Hau Miu	Zheng Hongyi
He Zhi	Leung Ka Fai	Tang Yan Yan	Zheng Xuci
Ho Kai Cheung, Alex	Leung On Ki, Fion	Tao Zhiheng	Zou Tao
Hou Haowen	Leung Tsz Ching	Tsang Wai Kit	
Hu Jian	Li Man Wai, Kelly	Tse Kwan Kit	

New graduates

The Institute would like to congratulate our new graduates listed below.

Chan Ka Chun	Fung Ching Shun, Jackson	Liu Zhichun	Tsang Oi Shan, Teresa
Chan Wing Sum	Ip Pak Keung	Pang Wai Chun	Yu Miu Wan
Feng Zishan	Leung Ka Chun	Shea Ka Man, Charline	Zheng Lingning

Membership activities: January 2025

11 January

Fun & Interest Group – celebrating CNY with elegance and artistry!

18 January

Sustainable living exploration: visit to CLP Pulse

Forthcoming membership activities

Date	Time	Event
18 March 2025	1.00pm–2.00pm	Preventing workplace sexual harassment 101 – a practical guide (預防職場性騷擾: 實務101) (free webinar)

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

Advocacy

The Institute is featured in NowTV's Wealth Management (《理財有方》) channel, highlighting the essential role of governance professionals

The Institute is delighted to be featured in NowTV's Wealth Management (《理財有方》) business news channel, showcasing the vital role of company secretaries and governance professionals in today's business landscape. This episode highlights the strategic contributions of company secretaries in addressing governance challenges, exciting career prospects in the governance field and the pathway to achieving the Institute's prestigious dual designation of Chartered Secretary and Chartered Governance Professional, which has global reach.

The Institute would like to extend its gratitude to Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Honorary Adviser to Council, Past International President and Institute Past President, and Executive Director and Company Secretary of CK Hutchison Holdings Ltd, and Yuki Ho, Assistant Company Secretarial Manager of CK Hutchison Holdings Ltd, for sharing their insights with the audience. Whether exploring a governance career or advancing in your profession, this episode offers valuable perspectives.

For details, please visit the Press Clippings category under the News & Events section of the Institute's website: www.hkcgi.org.hk.

The Institute supports The Standard's Celebrating Young Talent: 2024 English & Story Writing Awards

12 The Standard Event Thursday, January 2, 2025

Celebrating Young Talent: 2024 English & Story Writing Awards

This year, The Standard held the 12th English Writing Competition and the 8th Story Writing Competition. The Education desk received thousands of submissions from young writers across both primary and secondary schools, divided into junior and senior groups.

The awards ceremony took place on 7 December at the HKSTP Data Technology Hub. Winners in each category were recognised as Champion, 1st Runner-up, 2nd Runner-up, and Merit Award recipients.

Quality submissions

This year, both competitions once again received numerary from schools throughout Hong Kong. Nearly 5,000 entries from primary schools and secondary schools were unexpected and impressive.

The Story Writing Competition featured seven plots of fiction. Based on these options, junior students from Primary 1 to 3 submitted entries that included a hand-drawn picture along with a short description of the story being illustrated, and students from Primary 4 to 6 showcased their imagination and creativity by writing longer fictional stories.

Mastering English through social affairs

In the English Writing Competition, secondary school students were given four questions addressing various social affairs. Junior participants were encouraged to share their perspectives on local issues, such as the significance of neon signboards in Hong Kong. Meanwhile, the senior group was challenged to reflect on global affairs such as racial equality and discrimination. These well-written essays showcased not only a deep understanding of the subject but also the ability to present sound arguments.

Merit award winners Leona, Regina and Ronald from Lui Cheung Kwong Lutheran College expressed surprise at receiving their accolades. "The most rewarding part of the competition was researching social issues we were previously unaware of," said Leona.

Encouraging young literary talent

This year, the panel of judges featured notable figures, including Ivan Tong, Editor-in-Chief of The Standard; Dr. Edsoulla Chung, Assistant Professor, Hong Kong Metropolitan University; Nury Vittachi, Senior Columnist; and Lau Hon Ting, Editor of The Standard – Education. The judges were seeking well-structured and fluent essays that demonstrated logical and critical thinking skills. For stories submitted by primary students, they emphasised the importance of creativity, originality, and imagination.

On pursuing writing as a career, Nury Vittachi said, "Being a writer in the West may be competitive, but not in Hong Kong – here, we lack writers, scriptwriters, playwrights." He advised young participants to continue their academic pursuits while actively seeking opportunities to hone their writing skills. Developing a consistent writing habit, he noted, is essential for growth and success in this field.

Organiser: The Standard Official publication: The Standard Junior Goodies

Sponsors: SFU YWCA

The Institute is pleased to announce that it was one of the sponsors of The Standard newspaper's Celebrating Young Talent: 2024 English & Story Writing Awards. This year's competition – The Standard's 8th Story Writing Competition – attracted nearly 5,000 entries from primary and secondary school students across Hong Kong, with an impressive turnout attending the ceremony held on 7 December 2024, at which the awards were presented to all winners.

In line with its dedication to fostering professional development, the Institute also recognises the importance of supporting early educational development and the value of uplifting Hong Kong's youth.

The Institute congratulates all participants and winners, and remains committed to nurturing the future leaders in governance.

The article was published on 2 January 2025 in The Standard newspaper.

For details, please visit the Press Clippings category under the News & Events section of the Institute's website: www.hkcgi.org.hk.

Chartered Governance Qualifying Programme (CGQP)

November 2024 examination diet

The results of the November 2024 examination diet, as well as the examination papers, mark schemes and examiners' reports, were released on 18 February 2025.

The closing date for examination results review applications was on 4 March 2025.

June 2025 examination diet timetable

The June 2025 examination diet of the CGQP is open for enrolment from 4 February to 31 March 2025. All examination enrolments must be made online via the Login area of the Institute's website.

Week one

Date/Time	9 June Monday	10 June Tuesday	11 June Wednesday	12 June Thursday
9.15am–12.30pm*	Hong Kong Taxation	Hong Kong Company Law	Interpreting Financial and Accounting Information	Corporate Secretaryship and Compliance

Week two

Date/Time	16 June Monday	17 June Tuesday	18 June Wednesday	19 June Thursday
9.15am–12.30pm*	Corporate Governance	Strategic Management	Risk Management	Boardroom Dynamics

* Including 15 minutes reading time (9.15am–9.30am).

The Institute reserves the right to change the dates and details without prior notice.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6010, or email: exam@hkcgi.org.hk.

Learning support

The Institute provides a variety of learning support services for students to assist them with preparing for the CGQP examinations.

CGQP examination technique online workshops

The Institute's examination technique online workshops are designed for students with substantive knowledge of their respective examination modules. Under the new structure for these workshops – implemented from September 2024 to better facilitate students' examination preparations – the workshops for the Boardroom Dynamics and Hong Kong Company Law modules for the June 2025 examination diet have now been extended from six hours to 12 hours, commensurate with the Corporate Governance, Corporate Secretaryship and Compliance, and Risk Management modules.

- Part one and part two: These sections consist of pre-recorded videos totalling 10.5 hours. They offer an overview of the syllabus by highlighting key points and significant issues. Past papers are used as illustrations to provide guidance on examination techniques for tackling questions.

Chartered Governance Qualifying Programme (CGQP) (continued)

- Part three: This will be a 1.5-hour webinar that provides feedback and guidance based on the mock examination paper.

The three-part examination technique online workshops for the CGQP June 2025 examinations will be held between late March and early May 2025.

Key dates for the three-part examination technique online workshops

Key dates	Description
Early April 2025	Complimentary pre-recorded videos – parts one and two – available for candidates enrolled in the June 2025 examination diet
Late March–8 April 2025	Enrolment period for part three and release of mock examination paper
Mid-April 2025	Submission deadline for mock examination paper
Late April–early May 2025	Examination technique online workshops – part three

Note: The Institute reserves the right to change the dates and details without prior notice.

From late March 2025 onwards, students enrolled in the June 2025 examination diet will have complimentary access to the pre-recorded videos for all eight modules. Registered candidates will receive all relevant information after the examination enrolment deadline.

For details, please visit the Online Learning Video Subscription page under the Learning Support subpage of the Studentship section of the Institute's website: www.hkcgi.org.hk.

For enquiries, please contact the Qualifications and Assessments Section: (852) 2830 6010, or email: exam@hkcgi.org.hk.

HKU SPACE CGQP Examination Preparatory Programme – spring 2025 intake

HKU SPACE has been endorsed by the Institute to organise the CGQP Examination Preparatory Programme, which helps students to prepare for the CGQP examinations. One assignment and one take-home mock examination will be provided to students. There are 36 contact hours for each module, except for Hong Kong Company Law, which has 45 contact hours. The spring 2025 intake will commence in mid-March 2025.

For details, please contact HKU SPACE: (852) 2867 8485, or email: hkcgi@hkuspace.hku.hk.

Studentship activities: January 2025

18 January

Student Ambassadors Programme: Mil Mill tour and recycled paper diffuser stone workshop (參觀喵坊及再生紙擴香石工作坊)

Forthcoming studentship activities

Date	Time	Event
19 March 2025	1.00pm–2.00pm	Student Gathering: sharing from outstanding students in the CGQP examinations

For details of forthcoming studentship activities, please visit the News & Events section of the Institute's website: www.hkcgi.org.hk.

HKEX publishes conclusions on further paperless listing reforms

On 24 January 2025, The Stock Exchange of Hong Kong Limited (the Exchange), a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEX), concluded its consultation on the proposed expansion to the Paperless Listing Regime. All proposals have been adopted, with minor modifications and clarifications.

'Under the new Listing Rule requirements, issuers will be able to flexibly adopt digital communication and payment technologies, enhancing operational and regulatory efficiency, whilst further reducing the impact of listing-related processes on the environment,' HKEX explained in a statement.

The relevant amendments to the Listing Rules will be provided with transitional arrangements to ease compliance, while some minor and housekeeping amendments were implemented on 10 February 2025.

The key proposals adopted by HKEX are outlined below.

Electronic instructions

Issuers will be required to provide securities holders with an option to send meeting and non-meeting instructions to issuers electronically, as follows:

- instructions regarding a meeting of securities holders, including an indication as to attendance at such meetings and proxy-related instructions, and
- instructions made in response to actionable corporate communications.

If securities holders choose to send instructions by electronic means, issuers are expected to verify the authenticity through their own choice of authentication mechanisms.

Issuers will have a one-year transitional period from the date when the uncertificated securities market (USM) regime is implemented for standardised requested communications, and a five-year transitional period for non-standardised requested communications. The USM effective date is expected to be at the end of 2025.

Real-time electronic payment of Corporate Action Proceeds

Issuers will be required to provide securities holders with an option to receive Corporate Action Proceeds, including dividends, on the announced payment date via an electronic payment option of the issuer's choice, with certain conditions.

Issuers will have a one-year transitional period from the date when the USM regime is implemented.

Electronic subscription monies

Issuers will be required to provide securities holders with an option to pay subscription monies via electronic means for offers to existing securities holders. Issuers will be required to disclose to the securities holders how they may pay subscription monies, including, but not limited to, electronic means.

Issuers will have a one-year transitional period from the date when the USM regime is implemented to comply with this requirement.

Abolition of Mixed Media Offers

Mixed Media Offers (MMOs) will be abolished. There will no longer be an option to issue paper application forms for a public offer of equity securities, collective investment schemes or debt securities.

The abolition of MMOs will be implemented on the date when the related Class Exemption Notice is repealed, with no transitional period for this Listing Rule amendment.

Hybrid general meetings and e-voting

Issuers must ensure that their constitutional documents enable them to hold hybrid general meetings and to allow e-voting, to the extent permitted by the laws and regulations applicable to them.

Issuers will have until their next annual general meeting held after 1 July 2025 to amend their constitutional documents.

More information is available on the HKEX website: www.hkexgroup.com.

HKCGI Sustainability Governance Academy (Academy)

Become an HKCGI Sustainability Professional - a stamp of quality that employers can rely on

All accredited HKCGI Reporting Certificate holders can join the Academy free of charge to promote sustainability and for peer-to-peer networking and sharing

HKCGI, with 75 years of history, now sets another milestone by establishing the Academy to promote sustainability-related advocacy, education and research.

Our **objectives** are to build a platform that recognises the knowledge and expertise acquired by the ESG Reporting Certificate holders, facilitates knowledge update through publications and continuous training, and enables the sharing of experience and regulatory and practical concerns, providing a voice for like-minded individuals to advocate sustainability policies and practices.

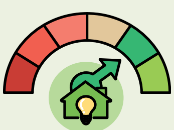
Our **vision** is to be the go-to resource and leading voice in ESG/sustainability governance and reporting.

Benefits of Being a Sustainability Professional

Priority enrolment to webinars, workshops, and special events

Opportunities for networking with people who share your enthusiasm for sustainability

Being kept informed of the most recent advancements in sustainability and ESG governance



Demonstration of expertise to employers or prospective employers

Contribute to shaping regulatory policy in sustainability governance

One free annual update seminar on sustainability

For more information and to register, click the link below.

Get Started with HKCGI

minisite.hkcgi.org.hk/academy/
(852) 2881 6177
academy@hkcgi.org.hk

To be recognised as a powerhouse on sustainability and ESG concerns.