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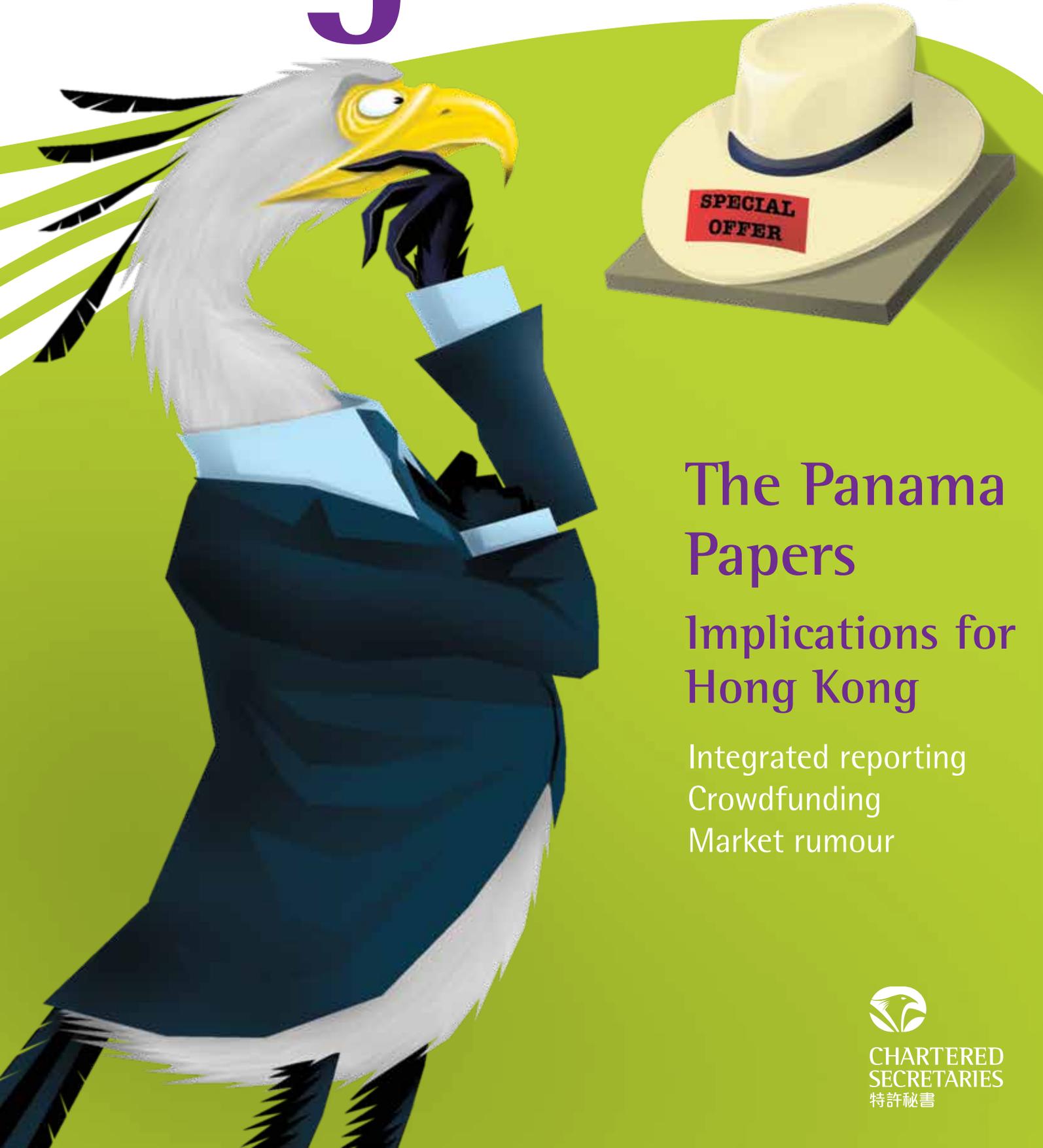
May 2016

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The journal of The Hong Kong  
Institute of Chartered Secretaries

香港特許秘書公會會刊



## The Panama Papers

### Implications for Hong Kong

Integrated reporting  
Crowdfunding  
Market rumour



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Annual Corporate and Regulatory Update

Date: Friday, 20 May 2016  
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Venue: Hall 5G, Hong Kong  
Convention and  
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The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies in Hong Kong and throughout China, as well as the development of the profession of the Chartered Secretary. The HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994, and today has over 5,800 members and 3,200 students.

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## May 2016

CSj, the journal of The Hong Kong Institute of Chartered Secretaries, is published 12 times a year by Ninehills Media and is sent to members and students of The Hong Kong Institute of Chartered Secretaries and to certain senior executives in the public and private sectors.

Views expressed are not necessarily the views of The Hong Kong Institute of Chartered Secretaries or Ninehills Media. Any views or comments are for reference only and do not constitute investment or legal advice. No part of this magazine may be reproduced without the permission of the publisher or The Hong Kong Institute of Chartered Secretaries.

Circulation: 8,200

Annual subscription: HK\$2600 (US\$340)

To subscribe call: (852) 3796 3060 or

email: enquiries@ninehillsmedia.com

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 ISSN 1023-4128

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Before turning to the theme of this month's journal, I would like to mention the very successful enhanced professional development seminar our Institute held at the end of last month in Luoyang, one of the seven ancient capitals in Mainland China. The seminar updated attendees on environmental, social and governance (ESG) matters, as well as risk management and internal control requirements. It was attended by over 130 board secretaries and governance professionals, most of whom were HKICS members or Affiliated Persons. The seminar once again demonstrated the key role our Institute is playing in the provision of training and expertise for the profession on the Mainland.

So to this month's action-packed edition of your monthly journal, which looks at a number of ways in which new developments are shaking up the traditional economic and social environment we have grown used to. Our first cover story looks at the implications of the Panama Papers leaks for Hong Kong. This issue is highly relevant for members of our Institute – particularly those working in corporate service firms. Therefore, before talking in more detail about anti-money laundering and counter-financing of terrorism issues (and a new initiative of our Institute in this space) in next month's President's Message, I will rather limit

## Navigating change

myself to recommending you read this excellent introduction to the issues raised by the Panama leaks in this edition.

The pace of change, and our attempts to keep up with it, is most relevant when we look at the impact of new technologies. Our In Focus article this month looks at how crowdfunding is impacting our financial services sector. The article shows that, with varying degrees of success, jurisdictions around the world have had to play catch up with the crowdfunding phenomenon. Certainly in this part of the world, crowdfunding has already become an established and rapidly growing part of our business environment – despite the fact that we are still in the early stages of considering how to ensure that appropriate regulatory and investor protection measures are in place.

Our legislative process is necessarily a very thorough and consequently a rather time-consuming course of action – can it keep up with the exponential pace of change? Fortunately there are of course other ways of responding to new developments. It is no coincidence that regulators have increasingly relied on issuing guides, codes and subsidiary rules as an initial response to emerging issues that may later warrant a full legislative response. In the case of crowdfunding, for example, crowdfunding could be deemed a 'regulated activity' under the Securities and Futures Commission (SFC). The SFC could then issue a conditioned exemption from the prospectus requirement for crowdfunders, provided that certain disclosure and investor protection measures are met.

Another example of this process at work can be seen in this month's Technical Update article. News travels fast in our emerging environment, aided by

mobile communications technologies, the Internet and social media forums, so knowing how to deal with market rumour is increasingly important for today's companies. There are a number of laws which are relevant here – the inside information regime in the Securities and Futures Ordinance in particular, but what the market really needs is guidance on practical issues such as how to ensure orderly share trading, and how and when to issue an announcement. In April this year, Hong Kong Exchanges and Clearing Ltd published just such guidance and its 'Guidance Letter' is reviewed in our Technical Update column.

Before I go, I would like to highlight the imminent arrival of the most popular event in our Institute's CPD calendar – the Annual Corporate and Regulatory Update (ACRU). This year's ACRU will be held on 20 May and is shaping up to be another unmissable opportunity to hear first hand from regulators in Hong Kong about the latest regulatory challenges. I would like to thank the sponsors and the speakers from the Companies Registry, Financial Services and Treasury Bureau, Hong Kong Exchanges and Clearing, Securities and Futures Commission and the Official Receiver's Office, for their contributions to this event. In recent years, ACRU has been attracting an increasingly diverse audience and, in addition to our members and other professional practitioners, I encourage directors and other governance professionals to join.

A stylized, handwritten signature in black ink, appearing to read 'Ivan Tam'.

Ivan Tam FCIS FCS

# 駕馭轉變

在介绍本期月刊的主题前，我先在此一提，公会上月底在中国七大古都之一洛阳所举行的强化持续专业发展讲座十分成功。讲座为参加者提供环境、社会及治理事宜的最新资讯，并讲解风险管理及内部监控的规定。出席的董事会秘书及治理专业人士超过130人，当中大部分是公会会员或联席成员。这次讲座再次显示公会在为内地治理专业人士提供培训和传授专门知识方面担当重要角色。

本期月刊内容丰富，我们将探讨冲击我们习以为常的传统经济与社会环境的多项新发展。第一个封面故事探讨巴拿马文件外泄对香港的影响。这事件与公会会员息息相关，任职企业服务机构的会员尤需注意。我建议读者细阅本期这篇精彩文章，概括掌握巴拿马文件外泄所带出的课题。而在下一期会长的话中，我将更详细讲述打击清洗黑钱及恐怖分子融资活动的议题，以及公会在这方面的新举措。

当看到新科技的影响，我们最能感受到改变的步伐，以及人们如何努力紧贴时代转变。本期的焦点文章，为大家介绍众筹如何影响金融服务业。文章指出，世界各地纷纷急起直追应对众筹的现象，有的已经相当成功，有

的则仍成效未彰。在大中华地区，众筹在商业环境中已非新事物，并正在迅速发展；同时，香港在如何实施恰当的监管和投资者保障措施方面仍处于初步考虑阶段。

香港的立法程序缜密严谨，所需时间较长；这些程序能否追得上急遽的改变？幸好还有其他方法应对新发展。监管机构愈来愈常先通过发出指引、守则和辅助性规则的形式应对新课题，往后再以立法形式规管；这实非巧合。以众筹为例，众筹可视作为证券及期货事务监察委员会（证监会）辖下的「受规管活动」，在符合若干披露及投资者保障措施的前提下，证监会可于招股章程的规定之中给予众筹者有条件豁免。

另一个例子，见于本期的「技术新知」文章。在流动通讯科技、互联网和社交媒体平台发达的时代里，消息传播迅速，因此懂得如何处理市场传闻，对公司来说日益重要。在此涉及几项相关法例，特别是《证券及期货条例》中有关内幕消息的规定；但市场真正需要的是实务指引，例如如何确保股份交易有序、如何及何时发出公告等。今年4月，香港交易及结算有限公司刚出版了有关指引；本期

「技术新知」文章，就港交所〈有关发行人应对市场评论或传闻的指引〉有所说明。

最后，我想特别一提，公会持续专业发展计划中最受欢迎的项目，亦即一年一度的公司规管最新发展研讨会(ACRU)即将举行。今年ACRU将于5月20日举行，参加者将直接听取本港监管机构讲解有关规管方面的最新挑战，机会难得，实在不容错过。我谨向各赞助机构致谢，并感谢来自公司注册处、财经事务及库务局、港交所、破产管理署和证监会的讲者，感谢他们对此项盛事的宝贵贡献。近年来，ACRU所吸引的参加者愈趋多元化，除了公会会员和其他专业人士外，我也鼓励公司董事和治理专业人士参与。



谭国荣先生 FCIS FCS



# The Panama Papers: implications for Hong Kong

In the wake of the Panama Papers leaks last month, questions are being asked about the adequacy of Hong Kong's regulatory regime to prevent the abuse of offshore structures. Senior practitioners and corporate service providers give *CSj* their views about the way forward for Hong Kong.

The top global news story of last month was the revelations of the 'Panama Papers' – the leak of 2.6 terabytes of data from the Panamanian law firm Mossack Fonseca. The initial news stories focused on the revelations concerning high-profile political figures, their relatives, celebrities and business figures. Then, in the ensuing weeks, the spotlight shifted. The question became what are the standard *modus operandi* of firms involved in the offshore industry? Closer to home, there were also questions as to what were the roles of the intermediaries and practitioners who did business with the likes of Mossack Fonseca? It is estimated that nearly a third of the business of the firm came from its offices in Hong Kong and Mainland China. On a more general footing, and again, without going into specifics of Mossack Fonseca or any case, the Panama leak has raised questions about whether Hong Kong has an effective regulatory regime in place to prevent the abuse of offshore structures and about the implications of the leak for Hong Kong's reputation as an international financial centre.

Mossack Fonseca had a mainly 'wholesale' business model – that is, selling a large number of relatively low-cost offshore companies to intermediaries. Christian Heinen, Managing Director, Intertrust Greater China, points out that a global service provider like Intertrust has a different business model. 'We provide a wide range of corporate and trust services to our clients and apply strict client acceptance procedures. We know our clients and are comfortable with them. It is not a 'wholesale' business model,' he says.

Martin Crawford, CEO, Vistra Group, points out that the global offshore industry has seen a number of these shocks in the past. 'We had the 'Lux leaks' a couple of years ago and we had the 'Portcullis TrustNet' leaks five years ago. There have been various shocks to the industry over the years, but the industry continues to grow. What you see every time it happens is there's a bit of a shake out and a flight to quality,' he says.

This is one reason, quite apart from the need to protect themselves against regulatory risks, that it makes good business sense to ensure stringent compliance procedures, adds Crawford. And it's not just corporate clients that are driving the flight to quality – intermediaries such as the banks have a list of corporate service providers (CSPs) that do the right thing. 'It's hard to get on those lists and if you don't behave you will be struck off the list very quickly,' he says.

Maintaining high compliance standards comes at a cost, of course, and this can

result in a competitive cost disadvantage where CSPs are competing against firms that opt for a compliance 'lite' approach, or who flout the rules altogether. This is one reason that tougher regulations in this area is favoured by the global players in Hong Kong. Heinen says that the tightening of the rules for financial institutions in 2012 – with the introduction of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) – helped to create a 'new normal' in Hong Kong in terms of the expected level of anti-money laundering and counter financing of terrorism (AML/CFT) due diligence.

Natalia Seng, Chief Executive Officer – China and Hong Kong of Tricor Group and an Executive Director of Tricor Services Ltd, makes a similar point, 'If a client who wants to set up a company complains about our requests for know your customer (KYC) information, we point out that the next step for them will be to open a bank account and the bank will require the same information,' she says.

## Highlights

- Hong Kong lags behind comparable jurisdictions in not having a regulatory body for corporate service providers (CSPs)
- a regulatory body for CSPs would be able to ensure that industry members implement FATF recommendations and best practices, and this would level the playing field for CSPs
- the Panama Papers leaks could be a positive development for CSPs and for the offshore industry – accelerating the existing trend towards global best practice standards

The AMLO applies primarily to financial institutions, but the Financial Action Task Force (FATF) – the global AML/CFT regulator – has since focused its attention on the regulation of what it calls 'Designated Non-Financial Businesses and Professions (DNFBPs), which includes CSPs. In this area, Hong Kong has a gap since there is currently no specific regulations, let alone a regulator, for CSPs. Martin Crawford believes this will inevitably be an area of focus for the HKSAR since regulations have to capture all parts of the chain. He regrets that the focus of the debate after the Panama Papers has been at the jurisdiction level,

rather than about the need to regulate at the 'point of sale'.

'It is really where the business is won and secured that needs regulating. Already we have seen Singapore moving to bring in the licencing of CSPs because they recognise that it will be the practitioners that are going to win the business and decide what rules to play by. I believe the industry can work with regulators on ensuring effective regulation in this area,' Crawford says.

Heinen seconds this point. 'We don't have a regulator in Hong Kong and that is the big difference with most of the

other key jurisdictions Intertrust is active in. A regulatory body for CSPs would be able to ensure that all industry members would adhere to the same rules and recommendations. This would level the playing field for CSPs. In Hong Kong, we apply the same internal processes and procedures for client acceptance as applicable in the regulated jurisdictions. That sometimes puts us at a disadvantage against players in the market using a more flexible approach. But it's important to us, as we treasure our reputation,' he says.

So is it just a matter of time before the regulation of CSPs catches up with the existing regulation for financial institutions in Hong Kong? Martin Crawford is certainly of that view. 'Banking has gone far further than corporate services have, it is inevitable that CSPs will follow that track – it's just a question at what speed and my view is 'bring it on'. We take a higher standard than we need to legally because, as a global company, we take a highest common denominator approach. In China, for example, we will operate to European standards.'

Mohan Datwani FCIS FCS(PE), Senior Director and Head of Technical & Research, points out that FATF, of which Hong Kong is a member jurisdiction, allows for self-regulation by the CSP industry. Pending legislations, he believes this will be the way to go to enhance not just individual CSP business practices in critical areas of KYC for client onboarding, record-keeping, ongoing training in areas like sanctions compliance, but also to comply with Hong Kong's international obligations. FATF is looking towards specific regulations for the DNFBPs, inclusive of the CSP sector, and banks are hoping for convergence towards their standards so that they can place more reliance on CSPs.

## Offshore glossary

**Lux leaks** – in 2014 information about tax avoidance deals between multinational firms and the Luxembourg government was made public by the International Consortium of Investigative Journalists.

**Base erosion and profit shifting (BEPS)** – BEPS schemes shift profits across borders to take advantage of tax rates that are lower than in the country where the profit is made. The OECD recently launched an 'Action Plan' designed, among other things, to ensure that taxable profits can't be artificially shifted away from countries where the value is created, and it will oblige taxpayers to report any aggressive tax planning arrangements.

**Centralised UBO register** – this is a register of ultimate beneficiary owners (UBOs) of legal entities such as companies and trusts. As mentioned in the main article, an EU directive to be implemented on 5 June this year will mandate such a register in the EU.

**The OECD's common reporting standard (CRS)** – this is a new standard for the automatic exchange of information between tax authorities endorsed by some 50 countries including China. CRS adopters agree to share information on residents' assets and incomes automatically in conformation with the standard. This agreement is informally referred to as GATCA (the global version of the US Foreign Account Tax Compliance Act which requires non-US financial institutions to report the assets and identities of US persons to the US Department of the Treasury). By the end of 2016, CRS adopters must have completed due diligence procedures for identifying high-value, pre-existing individual accounts.

“  
the world has changed and the only way forward for businesses is to accept that you need to be doing the right thing and you need to be transparent about your practices  
”

Natalia Seng, Chief Executive Officer –  
China and Hong Kong, Tricor Group



#### The move towards global standards

In fact, the Panama Papers leaks could be a positive development for CSPs and for the offshore industry – accelerating the existing trend towards global best practice standards. Natalia Seng points out that the British Virgin Islands (BVI), where about half of the offshore companies set up by Mossack Fonseca were incorporated, has actually been in the forefront of implementing tougher rules in this area. For example, BVI recently brought in a requirement for all BVI companies to file a register of directors with the Companies Registry. Companies now have to disclose, not only the names of their directors, but various other information such as their date and place of birth to ensure that these individuals can be accurately and easily identified.

Similarly, later this month the EU will bring in a directive mandating a central register identifying the ultimate beneficial owners (UBOs) of companies and trusts. The Fourth EU Anti-Money Laundering Directive, to be implemented on the 5 June this year, will give EU member states until 26 June 2017 to transpose the

requirements of the directive into national law. The register will be accessible to:

- competent authorities and EU Financial Intelligence Units, without any restriction
- obliged entities (such as banks, notaries and lawyers conducting their customer due diligence duties), and
- a member of the public that can demonstrate a 'legitimate interest' (that is, in respect of money laundering, terrorist financing and the associated predicate offenses – such as corruption, tax crimes and fraud).

EU member states are authorised to deny access to obliged entities or the public to part or all of the UBO information in exceptional circumstances on a case-by-case basis, for example when there is a high risk of fraud, kidnapping or blackmailing.

'We have seen some very real examples of threats of kidnapping,' says Martin

Crawford adding that, while the centralised UBO register is a good idea, it should not be made available to the public. 'Any competent authority should have access to the register but don't assume that everyone would use this information virtuously – there are certainly some bad people out there who would exploit this information for no good at all,' he says.

Another relevant development is the implementation of the OECD's common reporting standard (CRS) – a new standard for the automatic exchange of information between tax authorities. The CRS will help prevent schemes which shift corporate profits across borders to take advantage of lower tax rates. This so-called 'base erosion and profit shifting' has been a common practice but, while legal, it has led to a public outcry where companies have been shown to have made substantial profits in jurisdictions without contributing anything to their tax revenues.

Natalia Seng points out that businesses can no longer afford to ignore the reputational



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I think there’s growing recognition of the need to regulate corporate service providers because it only takes one bad apple to upset the whole industry  
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Martin Crawford, Chief Executive Officer, Vistra Group

risks of such practices. ‘The world has changed and the only way forward for businesses is to accept that you need to be doing the right thing and you need to be transparent about your practices. As standards of transparency rise, unethical practices are eventually made public – the beneficial owners will be identified and they will not be able to hide behind corporate shareholders or corporate directors.’

She adds that in this environment companies are taking compliance much more seriously and this has reinforced the importance of having well-qualified compliance professionals. ‘There is higher demand for people who are able to handle the compliance job’, she says, ‘and there is a need to provide ongoing training and guidance to all staff, including less experienced ones. You need people with the knowledge, experience and good judgment to be effective in this role. Compliance professionals need to be able to think logically and know how to follow up when your suspicions are raised.’

Seng also believes that the importance of AML/CFT compliance needs to be promoted

from the top of the organisation. ‘The top leader has to be seen by your team to be really serious about it. It is not just a matter of saying that KYC procedures are important and that getting the right client is important, you have to personally demonstrate that you take this seriously in your own practice. This increases our operational costs and creates more work for us but if we try to ignore these obligations at some point it will blow up.’

#### The public relations challenge

The use of offshore entities has been common in Hong Kong – the majority of companies currently listed on the Hong Kong stock exchange are incorporated in offshore jurisdictions. Natalia Seng hopes that the Panama Papers leaks do not lead to an assumption that the use of offshore structures, whether they be companies or trusts, must be for illicit purposes and that all offshore jurisdictions are facilitating illicit practices. She cites the recent statement by Orlando Smith, BVI Premier and Minister of Finance – ‘The value of the BVI to the global economy’ (available at: [www.bvi.gov.vg](http://www.bvi.gov.vg)) – pointing out that offshore jurisdictions play a key role in the global economy.

Similarly, Martin Crawford regrets that there are many misconceptions about the nature and role of the offshore industry. ‘Any objective observer would see that the way most offshore jurisdictions is regulated is actually better than many of their onshore counterparts – that has been validated by the OECD the world bank and others. You get these embarrassing headlines about the political figures who have been named and shamed, but that has nothing to do with the jurisdictions and everything to do with the fact that some have allegedly lied on their disclosure statements,’ he says.

He adds that observers in Hong Kong have a front seat view of the positive role that such jurisdictions can play in helping emerging economies to develop. ‘Look at the role Hong Kong, BVI and the Cayman Islands have played in the development of Mainland China,’ he says. The fact that China has been able to drag itself out of poverty over the last 30 years despite having capital controls on its currency and an antiquated legal system is in large part to do with these jurisdictions. If you are General Electric and you are

considering putting a billion dollar plant in the West of China, you are probably not going to do that in a Chinese legal environment but you may be very happy to do that in a Cayman Island or a BVI legal environment, because you will have legal practitioners you trust and you will have US dollar bank accounts. So these jurisdictions have played a critical role in facilitating global investment in China.'

What then will be the implications of the Panama leak for Hong Kong's reputation as an international financial centre? Questions about the adequacy of Hong Kong's AML/CFT defences have been raised before. In particular at the time of the last evaluation

of Hong Kong by FATF in 2006, there was some doubt over whether Hong Kong/China would make it into the white list, the black list or the grey list in terms of its compliance with global AML/CFT standards.

Crawford believes that this is one reason why Hong Kong needs to ensure its regulation of CSPs is up to global standards. 'Hong Kong has been a bit unique. It has been very easy to set up businesses and provide services, but I think there's growing recognition of the need to regulate CSPs because it only takes one bad apple to upset the whole industry. The lion's share of the industry is doing the right thing.'

“ a regulatory body for corporate service providers (CSPs) would be able to ensure that industry members implement FATF recommendations and best practices, and this would level the playing field for CSPs

”

Christian Heinen, Managing Director, Greater China, Intertrust



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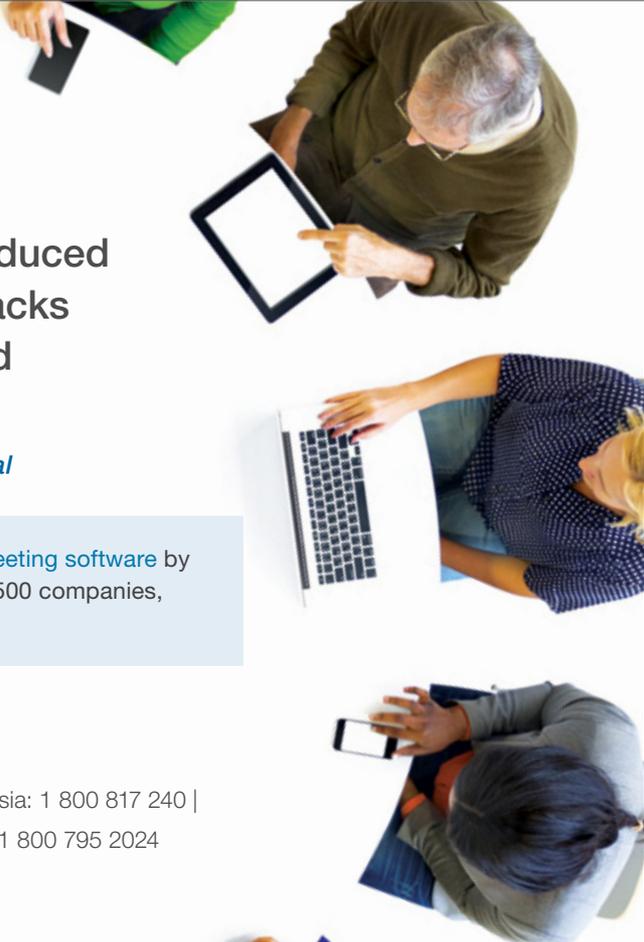
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# Integrated reporting: the view from Asia

Outside of Japan, a relatively low number of companies in Asia are currently producing integrated reports, but this month's In Profile interviewee – Jonathan Labrey, Chief Strategy Officer and Head of Asia Pacific, International Integrated Reporting Council – explains why he believes that integrated reporting will become the norm in Asia over the next 10 years.

*Thanks for giving us this interview, could we start by discussing your current role at the International Integrated Reporting Council (IIRC)?*

'Absolutely. I started at the IIRC about four years ago and two years ago took on the Asia brief specifically. One of the reasons we wanted to focus on Asia is that we have introduced, as you know, through integrated reporting (IR) this multi-capitals idea of managing the resources and relationships of an organisation. One of those capitals is 'social and relationship capital' and we have found, particularly in the Asian context, that the idea of putting a value on relationship capital is really something that resonates very strongly with the business community and with the culture here in Asia. If you understand the value of the relationships you have, you can build long-term value. So Asian markets are very interested in how you can use corporate reporting and corporate governance – because they see them as two sides of the same coin – to build and sustain long-term value creation.

I worked out in Singapore for six to nine months at the beginning of my Asia brief because the Singapore government has given very strong backing to IR. They want Singapore to be the hub for IR in Southeast Asia by 2020 and have put resources into making that happen.'

*How many companies in Singapore are currently producing integrated reports?*

'It's quite a low number – seven or eight, something like that.'

*Are they producing officially accredited integrated reports?*

'We don't have an accreditation system, it is a framework that we put out there for market-led adoption. At the moment we are in the innovation phase. We don't want to put barriers in place for companies to prevent them from experimenting with IR. All we are encouraging businesses to do is to acknowledge in their reports that they are following the principles of the International Integrated Reporting Framework. There will come a point where we need to build in some kind of accreditation system, but at the moment the only accreditation there is applies to the 100 companies globally in our IR Business Network – they can put in their annual report a logo saying they are following the Framework.'

*What other jurisdictions in Asia have embraced the IR concept?*

'Malaysia sees IR as being absolutely critical to building a more sustainable capital market. The prime minister and regulators in

Malaysia have embedded IR within their capital market master plan, and since 2014 the government has been calling on businesses to adopt IR. That is a good catalyst. About seven or eight companies are producing integrated reports in Malaysia, but we had a conference there in August last year and, of the roughly 100 companies participating, about half indicated they would be embarking on IR within the next two to three years.

The next country to look at would be India. The Chairman of the Securities and Exchange Board of India (SEBI), recently called on the Confederation of Indian Industry (CII) to produce a roadmap on how IR can be adopted as a mainstream practice in India. They will be presenting that roadmap during the course of this year. The CII has also set up an 'IR Lab', which brings together about 11 companies, including some of the biggest companies in India, which are either producing integrated reports or have signed up to IR.

It is a slow process, but it is aligned to a lot of the trends that are happening in India and in many Asian countries where it is recognised that they can leap to best practice in IR and thus avoid having to adopt the complexities of Western corporate reporting systems. If you tried to follow the US requirements, for example, you would need to adopt a very complex regulatory system.

But moving on to Japan. In Japan there are now over 200 companies producing integrated reports, making it by far the

## Highlights

- the International Integrated Reporting Council predicts that over the next two reporting cycles there will be 400 companies in Japan engaged in integrated reporting
- elsewhere in Asia, while the numbers of companies producing integrated reports may be low, integrated reporting is influencing companies' thinking below the headline numbers
- the company secretary can play an important role in integrated reporting by ensuring that strategy remains on the agenda of the board and by bringing together all the different factors that go into identifying the core value of the business

biggest IR success story in the world outside South Africa. This is all the more remarkable because, unlike South Africa, IR hasn't been mandated in Japan, it is purely market led.

That said, it has had a lot of backing from the government. The Japanese Prime Minister, Shinzo Abe recognised that Japanese companies were undervalued in the capital markets and he set about changing that. He launched a reform agenda which led to corporate governance reforms, a corporate governance code and a stewardship code for institutional investors. He also appointed an academic – Professor Kunio Ito – to do a report into what is holding back long-term investment in Japan's capital markets. One of the recommendations of the Ito Review in 2014 was to promote IR to help companies project their value to international investors. The Ito Review has become something of a boardroom bible in corporate Japan and IR has just taken off. We are predicting that over the next two reporting cycles there will be 400 companies in Japan engaged in IR!

*Can we turn to Hong Kong and Mainland China – what is your view of the Stock Exchange's promotion of environmental, social and governance (ESG) reporting in Hong Kong – will that be a good first step to wider adoption of IR?*

'We have mixed views on this initiative. We will back any moves that are going to get companies to think about their social and environmental footprints, but we are not calling for disclosure for disclosure sake. Investors are interested in knowing how ESG factors are going to impact the business model and strategies of the company. Is the board actually taking this information into consideration? Is the fact that the business is polluting the environment impacting the business model? Is it actually changing the way the business is thinking about its investment in the future? That's important to investors and that is why IR is primarily focused on how ESG information impacts the business model. We don't want to produce more silo reports. You can end up having a sustainability or a CSR report with a lot of great photos, but without any connection at all to your strategy as a business.

Turning to Mainland China – China taking over the G20 Chairmanship this year has been a good opportunity for us – the IIRC – to engage with the government on the IR agenda. In November 2015, my Chief Executive and I went to Beijing and Shanghai. We were invited by EY, they hosted two very significant seminars with about 100 businesses to raise awareness about IR.

We also met with the government and they invited us to join the task forces of the B20, the business arm of the G20!

*How many companies are producing integrated reports in Mainland China?*

'At the moment we have only identified one company doing IR which is CNG, the nuclear power company.'

*In our article on IR in Hong Kong (CSj October 2015), we found that, while a low number of organisations were actually producing integrated reports (at that time only four companies were doing so), the fundamental concepts of IR were having a significant influence on the market – it seems that, ex Japan, this pattern is repeated around Asia?*

'Yes. This is our challenge. We are living in a numbers game and people want to know how many companies are actually doing an integrated report, or how many markets are actually regulating for it, and both figures are quite low. South Africa and Brazil are the only markets where IR is a comply or explain requirement, but, as you say, IR is influencing companies' thinking below the headline numbers. Some companies don't like formalities and have opted to evolve with their annual report – they have adopted all the principles without calling it an integrated report.'

*How far do you think IR is going to go in Asia – do you think it could become the standard model for corporate reporting?*

'I think we are just breaking through now and IR will become the norm over the next 10 years. There are two major incentives for companies. Firstly, companies engaged in IR have a much greater sense within the business, not just of the financial performance, but the whole strategic performance of the business. They also have a better dialogue with their investor community because they have a much better understanding of what's happening, so they can talk about that.

The other major incentive is the external one – you can attract a longer-term investor. Most of the evidence coming out of Nanyang University in Singapore, and the University of Singapore Harvard Business School shows that you can actually have a better dialogue with those who are investing in you and build value over time. You will have fewer short-term traders and this reduces volatility.'

*Do you think IR is also better aligned with changing stakeholder expectations of the role of businesses in society?*

'Absolutely. Professor Michael Porter's concept of 'creating shared

value' shows that businesses, when they start thinking about their impact on society, can become part of the solution to the big problems facing us, such as employment, inequality, training and environmental problems. In the past businesses were seen as part of the problem, but they can create a 'shared value' model which may not be exactly the same thing as IR, but is certainly aligned with it.

*What is your view of the notion that IR is too complex for most companies to adopt?*

'If companies can follow the International Financial Reporting Standards, they can do IR.'

*You don't think that IR is setting the bar unrealistically high for the majority of companies?*

'I don't think it is. I think it is an evolution rather than a revolution in how companies should be doing their reporting. If

you agree that we are living in an interconnected and complex world; a world of more complex supply chains; a world of greater transparency where people are demanding more information and information that is in context; if you accept that, broadly speaking, the corporate reporting system is not fit for purpose because it has been built up through silos, so you have financial reporting, governance reporting and sustainability reporting all with their own standards and no one has thought holistically about how all of this comes together; if you accept that kind of rationale, then IR has to be the logical answer.

IR recognises the different capitals companies use to create value and it recognises how interconnected they all are. It also recognises that this has to be something that connects back to the capital markets because our capital markets have become far too short-term. Risks in businesses have not been spotted early enough and therefore escalated to the boards of those businesses.



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 the idea of putting a value on  
 relationship capital is really  
 something that resonates very  
 strongly with the business  
 community and with the  
 culture here in Asia  
 ”

Boards have been disempowered from the whole corporate reporting process – it has become a corporate communications exercise rather than being about the management of the business and the understanding of the business. The board needs to take responsibility for the story of the business and the strategy of the organisation. You have got companies with multiple strategies, companies that can't explain their business models and then they wonder why they are not valued properly by the capital markets.

We have found when we talk to companies in Asia that, quite often, you will get the internal audit, company secretarial, finance, strategy, HR, corporate communications and sustainability teams, all coming in and introducing each other for the first time since they have never actually met. And they are all working on the same strategy and often have all been producing chapters of their annual report for years, but never has anyone thought of bringing them together to ask what is the nature of the business and what connects us all together.'

*You mention the company secretarial team – CSj readers will be particularly interested in what sort of role the company secretarial team should be playing in the IR process.*

'Yes. Our Chairman Mervin King from South Africa has pointed out that the role of the company secretary is changing and it is changing for the better. It has changed from a backroom function to being a strategic function within the business. And the more issues of risk management become vital to boards, the

more the role of the company secretary will be enhanced within the business.

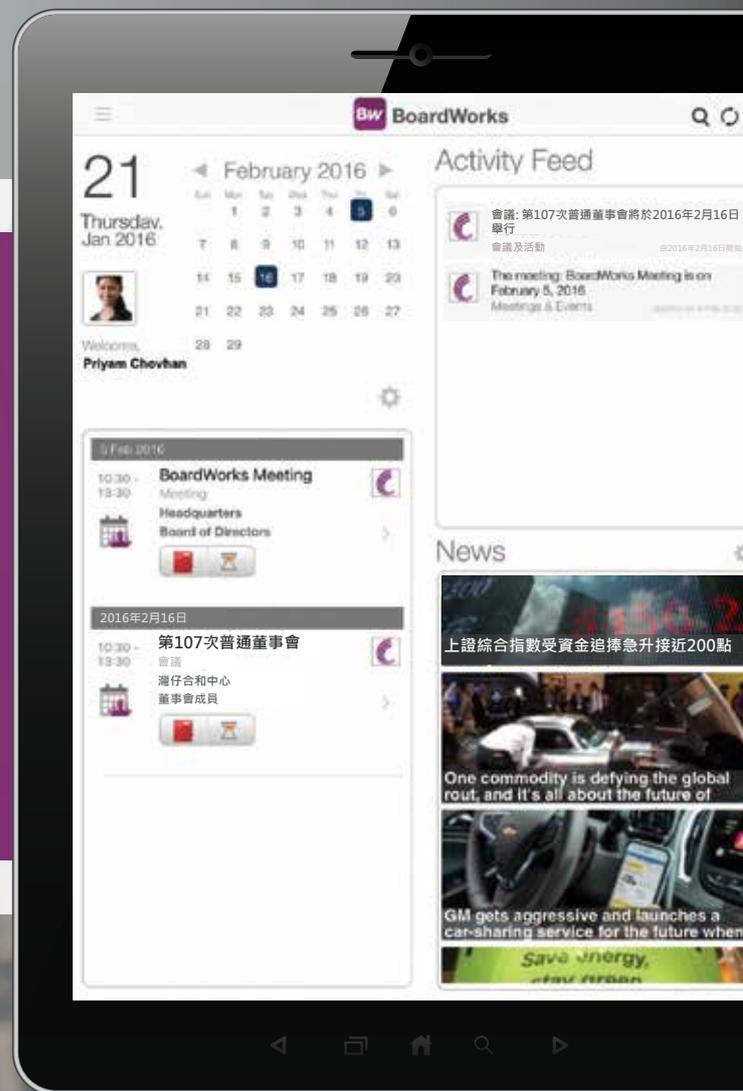
So, within that context, I think the company secretary can play an important role ensuring that strategy remains within the agenda of the board, because the board's agenda can become so full of compliance issues, operational issues and so on. But the company secretary also plays a key part in IR and integrated thinking because, as I mentioned, one of the first steps is to start connecting all the different factors that go into managing risks and identifying the core value of the business. This comes back to the idea that corporate governance and corporate reporting are actually two sides of the same coin. I don't think that we can separate governance and reporting any more, we have to have a focus on both and that also is where the role of the company secretary comes in.'

*Jonathan Labrey was interviewed by Kieran Colvert, Editor, CSj.*

*More information on the work of the International Integrated Reporting Council is available at: <http://integratedreporting.org>.*

*CSj would like to thank Brian CK Ho, Sustainability Leader (China South, Hong Kong and Macau), Climate Change and Sustainability Services, Ernst & Young, for his help in arranging this interview.*

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# Crowdfunding: a democratic online marketplace?



## The current sources of finance for start-ups in Hong Kong are limited, so should Hong Kong be promoting crowdfunding as a alternative funding model?

Hong Kong has been slow on the uptake when it comes to harnessing the huge potential of the new technologies that are rapidly changing the business environment globally. One example of this is the HKSAR's lack of a clear strategy for internet-based crowdfunding.

Like many technology-based innovations, crowdfunding – the raising of many small contributions of capital from individual funders via the internet – had become a *de facto* part of the emerging financial environment before regulators and governments had time to install a regulatory structure to control it. Nevertheless, governments around the world have, to varying degrees, attempted to catch up with crowdfunding. Some have amended existing regulations to cover crowdfunding, while others have introduced specific, bespoke regulations, such as the Jumpstart Our Business Start-ups (JOBS) Act in the US.

Which of these options would suit Hong Kong best? How can the HKSAR strike a balance between nurturing innovation and protecting the interests of consumers and investors? Before we tackle these interesting questions, perhaps we should take a quick armchair tour of the crowdfunding phenomenon.

### What is crowdfunding?

'Crowdfunding has several dimensions. It could be donation crowdfunding, reward crowdfunding, peer-to-peer lending, and equity-based crowdfunding,' says Jyoti Vazirani, Principal, Advisory, KPMG. As long as money is pooled together from a group of people for a specific

purpose, say to fund a startup, sponsor a charity, or lend money to someone, that constitutes crowdfunding. The growing availability of internet access and secure electronic payment systems has contributed to its growth, making it easier to create a large pool of money in a much shorter time, usually through a so-called crowdfunding platform.

As Vazirani points out, there are four main types of crowdfunding.

1. **Donation crowdfunding** – contributors donate to a cause without any expectation of receiving a return.
2. **Reward crowdfunding** – contributors receive a reward – whether a tangible product or service – for their funds.
3. **Peer-to-peer lending** – contributors lend money to projects/individuals in need of capital and are repaid over time.

4. **Equity crowdfunding** – contributors pay for equity shares in a project.

Crowdfunding, particularly equity crowdfunding, is of interest to regulators and governments around the world since the risks for investors can be significant. The genie, however, is very definitely already out of the bottle. According to a recent survey conducted by KPMG on the Asia Pacific online alternative finance market, China is by far the world's largest online alternative financial market by transaction volume, it was worth US\$101.7 billion (RMB 638.79 billion) in 2015. This constitutes almost 99% of the total volume in the Asia Pacific region. By comparison, Hong Kong is ranked ninth out of the 17 jurisdictions surveyed in terms of market volume, behind Taiwan and slightly ahead of Malaysia.

In Hong Kong, crowdfunding activity is dominated by reward-based crowdfunding and marketplace/peer-to-peer (P2P) consumer lending. The bulk of market activity took place within reward-based

## Highlights

- The current sources of finance for start-ups in Hong Kong are limited, equity crowdfunding could help to fill the financing void where angel investors, venture capitalists and banks do not reach
- China is by far the world's largest online alternative financial market by transaction volume, it was worth US\$101.7 billion (RMB 638.79 billion) in 2015
- successful reward- and donation-based crowdfunding campaigns witnessed in Hong Kong include the launch of two independent news organisations – Hong Kong Free Press (HKFP) and Factwire

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**Personally I think the social impact of an invention or an idea that can significantly reduce the use of plastic bottles or food waste far outweighs that of yet another dating app. Crowdfunding can help convert such brilliant ideas into a reality.**

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Ming Wong, co-founder and CEO of Asia Community Ventures

crowdfunding, with almost 57% of the total Hong Kong market, and over US\$7.5 million raised in the period 2013-2015. Marketplace/P2P consumer lending emerged in 2014 with US\$0.25 million raised and then accelerated markedly in 2015 to US\$5.5 million, according to the report.

Successful reward- and donation-based crowdfunding campaigns witnessed include the launch of two independent news organisations, Hong Kong Free Press (HKFP) and Factwire, which raised seed funding through Hong Kong-based crowdfunding platform FringeBacker. P2P consumer lending sites like WeLend and Queen Captial allow individuals to lend money to other individuals, or 'peers', without going through a traditional financial intermediary such as a bank. These lending platforms offer their own credit checking and scoring tools.

Across the Asia Pacific region, equity crowdfunding is the largest market segment within crowdfunding, with US\$948.26 million raised just in 2015. And it is evident that Hong Kong is far behind the Mainland and other Asian nations

in equity crowdfunding, not to mention western Europe and the US.

#### Is Hong Kong missing out?

The current sources of finance for start-ups in Hong Kong are limited. Globally, crowdfunding has proved itself as a highly popular alternative funding model – both for projects in need of capital and retail investors. As an alternative source of financing, equity crowdfunding opens up a new source of seed funding for start-ups that may be too small or risky for angel investors, venture capitalists or banks to invest in or lend money to. Risks aside, it also provides opportunities for the public to invest in a potentially profitable venture or an organisation which they share a vision with. Indeed, crowdfunding has been hailed as a democratic online marketplace – enabling ordinary retail investors to benefit from start-ups in ways usually reserved for wealthy and sophisticated venture capital investors.

'Not only does equity crowdfunding benefit tech start-ups or innovative products, it also can support social enterprises or NGOs that aim to deliver a more meaningful social impact,' says

Ming Wong, co-founder and CEO of Asia Community Ventures, who advocates the combination of crowdfunding and impact investing. 'Personally I think the social impact of an invention or an idea that can significantly reduce the use of plastic bottles or food waste far outweighs that of yet another dating app. Crowdfunding can help convert such brilliant ideas into a reality. Social entrepreneurs are worth supporting and equity crowdfunding could be a way out for them,' he says.

On the other hand, crowdfunders risk losing their shirts or a fortune if the amount committed is big. It has taken hundreds of years to build up the regulatory and institutional mechanisms that protect investors in official securities markets – where is the proper due diligence on information disclosure and investor protection in the crowdfunding scenario?

'Fairly speaking, given the small size and infant stage of the ventures, there is a big risk that they will fail after seeking the seed funding. There must be someone held responsible for doing proper due diligence and valuation KPMG's Vazirani says. In a regular IPO, the sponsor is held responsible for conducting due diligence on the company filing for an IPO – in the crowdfunding model, this role can be assumed by equity crowdfunding platforms.

Moreover, because of the large number of investors and the small amount of initial equity, a crowdfunding investor's share can be easily diluted by the company issuing more shares through private placements at a later stage, Vazirani adds. Crowdfunded equity investments are also generally illiquid because there is no organised secondary market for crowdfunded shares.

### The regulatory options

The KPMG report points out that the regulatory environment for alternative finance across Asia Pacific is diverse and rapidly changing. While some countries, such as Singapore and Thailand, have opted to regulate alternative finance within pre-existing regulatory frameworks, others, such as Malaysia, New Zealand and recently South Korea, have created bespoke regulation to govern equity and debt-based alternative finance activities.

Hong Kong has yet to introduce specific regulations on crowdfunding. The present challenge is striking the best balance between nurturing the alternative finance industry and protecting the interests of consumers and investors.

'If you look at the regulations all over the world, Hong Kong's regulatory environment has yet to catch up with the development of fintech and equity crowdfunding,'

KPMG's Vazirani says. In addition to streamlining local regulations to pick up the pace of development, she suggests that training, guidelines and resources be offered to fintech companies, entrepreneurs and investors interested in taking part in equity crowdfunding activities.

Although equity crowdfunding is not yet fully legalised in China, the China Securities Association (SAC) issued tentative draft regulations on equity crowdfunding for discussion in December 2014. The proposal lays out a regulatory framework to guide crowdfunding in China and encourage the development of private finance for innovative small and micro enterprises.

Last year, the Securities and Exchanges Commission (SEC) in the US adopted rules on crowdfunding under Title III of the Jumpstart Our Business Start-ups (JOBS) Act. These rules relate to a new exemption under the Securities Act of

1933 (the Securities Act) that will permit securities-based crowdfunding by private companies without registering the offering with the SEC. Larger crowdfunded businesses with more than 500 investors and more than US\$25 million in assets still have to file reports like a public company.

The Hong Kong government certainly knows that the city must embrace fintech – without compromising investor interests and protection – in order to stay competitive globally. In doing so, however, it should bear in mind the lessons learned from the misselling of minibond and structured products before the global financial crisis.

In his 2015-2016 budget speech, Financial Secretary John Tsang Chun-wah set out the government's intention to set up a steering group to study how to develop Hong Kong into a financial

### Is Hong Kong falling behind?

Country	Existing regulations/ status
New Zealand	Legislation on equity/peer-to-peer lending in force since April 2014
Malaysia	Guidelines to facilitate equity crowdfunding issued in Feb 2015
Thailand	Capital Market Supervisory Board notification on crowdfunding in force since May 2015
Japan	Amendment Act due to come into force in May 2015
Australia	Consultation period for discussion paper closed in Feb 2015
India	Securities and Exchange Board of India released a white paper on crowdfunding in June 2014; consultation period has now ended
China	Trial implementation of 'Measures for the Administration of Private Equity Crowdfunding' in place since Dec 2014
Singapore	Consultation paper issued by Monetary Authority of Singapore in Feb 2015
Hong Kong	No specific regulatory framework

credit: KPMG

technology hub and to look into issues relating to crowdfunding in Hong Kong. The Innovation and Technology Bureau (ITB) and Financial Services Development Council (FSDC) were established to galvanise efforts towards these goals.

In March this year, the FSDC issued a research paper – *Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong* (FSDC Paper No 21) proposing a number of different options the Hong Kong government could consider, including making amendments to existing regulations, to facilitate equity crowdfunding activities while ensuring sufficient investor protection. The SFC has also set up a fintech contact point and is setting up a fintech advisory group to discuss the interaction between regulation and fintech, an SFC spokesman told CSj.

Nonetheless, at least for now, requirements for fintech companies in Hong Kong are more challenging than those imposed in other jurisdictions in the Asia Pacific region. In May 2014, the SFC issued a notice regarding crowdfunding, its risks and issues relating to legal compliance. The financial market watchdog warned that parties seeking to

engage in crowdfunding activities should be aware of the potential breach of the relevant laws, which could lead to serious consequences, including criminal liability.

While donation and reward crowdfunding activities are not regulated in Hong Kong, P2P lending and equity crowdfunding are potentially subject to certain regulatory provisions, including:

- restrictions on offers of shares or debentures to the public under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (C(WUMP)O)
- prohibition of the issue of unauthorised invitations' to the public under Section 103(1) of the Securities and Futures Ordinance (SFO)
- prohibition of carrying on a 'regulated activity' under the SFO without being licensed/registered to do so by the SFC, and
- prohibition of carrying on a money lending business without a money lender's licence under Section 7 of the Money Lenders Ordinance.

### The FSDC proposal

The FSDC research paper – *Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong* – calls on the Hong Kong government to study the legal frameworks in other countries to regularise crowdfunding. Suggestions range from making amendments to Hong Kong's regulations, such as capping the number of investors and the monetary value of funds, to leaving the current regime unchanged.

'Right now we don't have any regulation and that's why we are proposing a change,' says David Donald, Professor, Faculty of Law, The Chinese University of Hong Kong, a key contributor to the FSDC research report. 'Equity crowdfunding helps fill the financing void where angel investors, venture capitalists and banks are not reaching, and where IPO doesn't work because these companies are too small and have no track record. From my point of view, equity crowdfunding does not shake up the traditional financial service sector as it's not competing with it. Companies receiving crowdfunding are small businesses that need a relatively small capital they could not obtain otherwise. So they resort to equity crowdfunding,' he adds.

One of the proposed changes to the legal framework is making amendments to the C(WUMP)O and the SFO in order to exempt crowdfunding fundraisers from the prospectus requirement for offerings made in a crowdfunding activity as defined by the SFO, which could be a regulated crowdfunding activity carried out by licensed crowdfunding platforms.

The other proposed legal amendment involves making changes to C(WUMP)O and SFO in order to extend the exemption

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**From my point of view, equity crowdfunding does not shake up the traditional financial service sector as it's not competing with it. Companies receiving crowdfunding are small businesses that need a relatively small capital they could not obtain otherwise.**  
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David Donald, Professor, Faculty of Law, The Chinese University of Hong Kong



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if you look at the regulations all over the world, Hong Kong’s regulatory environment has yet to catch up with the development of fintech and equity crowdfunding  
”

Jyoti Vazirani, Principal, Advisory, KPMG

currently available to ‘professional investors’ to retail investors privately investing in the equity of a startup aiming to raise an amount not exceeding HK\$5 million. For offerings made this way, a disclaimer must be in place, stating that the offering has not been reviewed by any regulatory authority in Hong Kong and that the potential buyer should ‘exercise caution in relation to the offer’.

Another option for crowdfunding presents itself by stacking up two existing exemptions. Currently, small offerings to no more than 50 ‘professional investors’ enjoy exemption provided in Section 103 of the SFO. As suggested, this exemption could be extended to entities licensed to perform regulated activity types: 1 (dealing in securities), 4 (advising on securities) or 6 (advising on corporate finance).

Under this exemption, the licensed entities are permitted to issue depository receipts to evidence other securities without a prospectus. This way, like an intermediate agent, they can privately purchase the shares of a crowdfunded startup, and then issue depository receipts,

certificating rights in these shares to the general public under an exemption from the prospectus requirement.

The FSDC proposal also explores other options confined to the existing regulatory framework. One suggestion is for the SFC to interpret crowdfunding activity as a regulated activity and issue a conditioned exemption from the prospectus requirement, provided that the disclosure requirements for all Hong Kong public companies under the company law are observed, and each crowdfunding investor declares that he or she will not invest more than a certain amount.

The SFC could issue a single public consultation proposing the class exemption and its interpretation of crowdfunding as a regulated activity. No legislative activity would be necessary, according to the FSDC report.

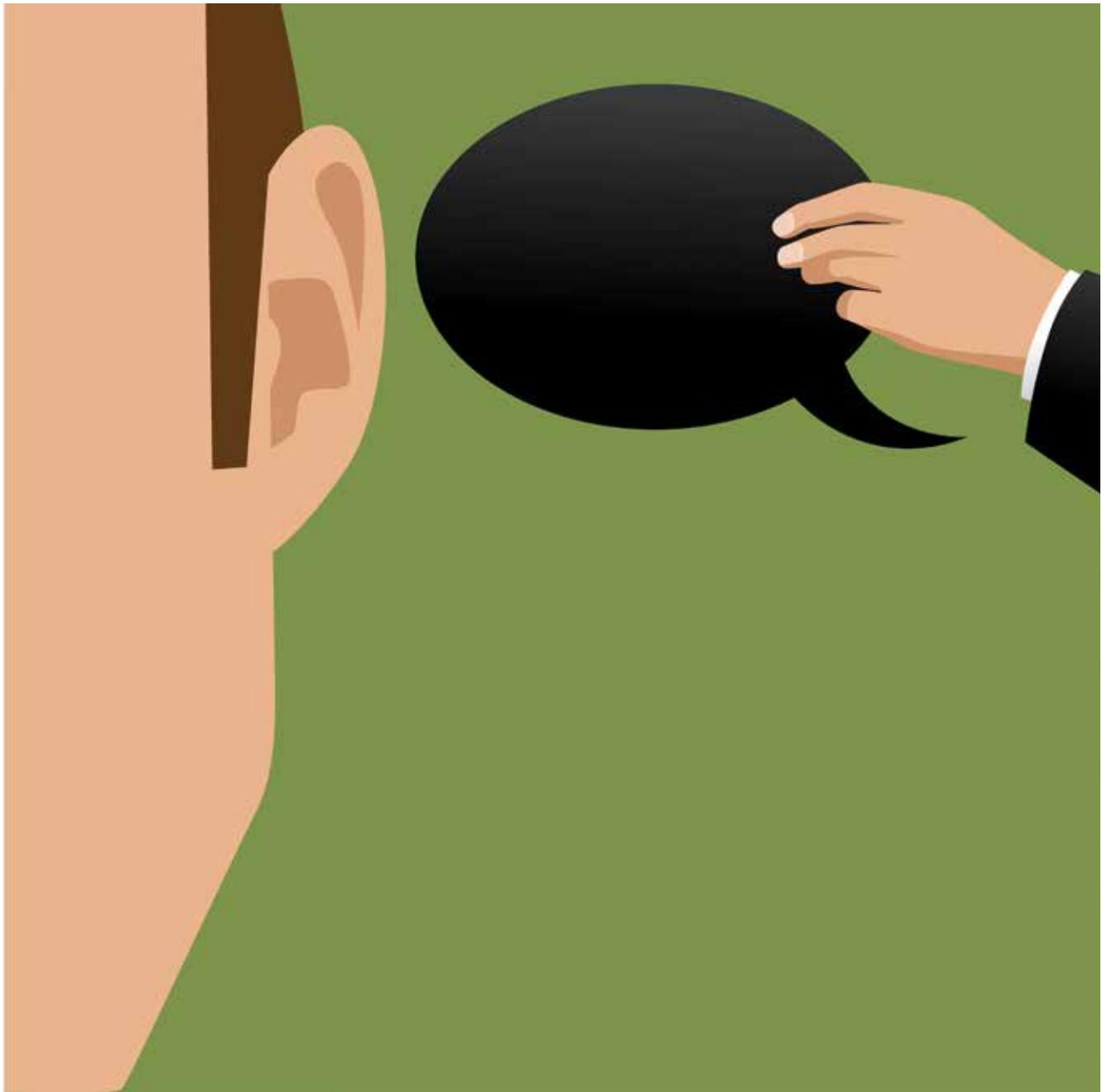
‘Mainland China is allowing many crowdfunding platforms to run and fail and it is waiting to see what happens. They experiment with it and then they regulate it – this is China’s trial-and-

error approach, but Hong Kong would never do that,’ says Professor Donald. ‘Hong Kong doesn’t want to experiment with risks. It would be very bad for Hong Kong’s reputation, especially if unregulated financing activity causes damages. The government is trying to provide a safe environment.’

**Jimmy Chow**  
Journalist

*The FSDC research paper – ‘Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong’ – is available online at: [www.fsd.org.hk/sites/default/files/Final\\_Report.pdf](http://www.fsd.org.hk/sites/default/files/Final_Report.pdf).*

*Professor David Donald has co-authored – ‘A People’s Market of Hong Kong: Facilitating Crowdfunding of SMEs’ – to be published in ‘Finance, Rule of Law and Development in Asia: Perspectives from Singapore, Hong Kong and Mainland China’ (Brill Academic Publishers, forthcoming).*



# Market rumour: a revised approach

What should listed companies do if they find themselves subject to market commentaries or rumours which may require a halt of trading in their securities? Hong Kong Exchanges and Clearing Ltd has published new guidance outlining its revised approach to such situations.

In recent years some listed issuers have, from time to time, become subjects of market commentaries or rumours involving allegations of fraud, material accounting or corporate governance irregularities. These allegations were made by market commentators or research firms and have caused, or could have caused, intense price pressure in the issuer's listed securities.

In April this year, Hong Kong Exchanges and Clearing Ltd (the Exchange) published a guidance letter (GL87-16) outlining a revised approach by the Exchange which allows listed issuers that have applied for a trading halt due to market rumours and commentaries to resume trading in their securities if they can address such allegations with a clarification announcement (for example a denial of the allegations). The guidance letter also sets out the issuers' obligations in handling such allegations.

'The guidance letter sets out the Exchange's revised approach to handling issuers subject to allegations. Our revised approach is closer to the regulatory approaches of other markets and has the effect of keeping any necessary trading halt to the minimum consistent with our general approach to trading halts,' said David Graham, the Exchange's Chief Regulatory Officer and Head of Listing.

'In the interest of maintaining the reputation and efficiency of our market, we review our rules and practices from time to time to ensure that they have addressed developments in the market,' Graham added.

#### Issuer's actions to address false or disorderly market concerns

Where there are allegations circulating in the market regarding an issuer, the

Exchange may be concerned that the allegations may disrupt orderly share trading. Under these circumstances the Exchange may make an enquiry under the listing rules (see Main Board Rule 13.10 and GEM Rule 17.11). If the allegations have, or are likely to have, an effect on the issuer's share price such that, in the view of the Exchange, there is, or there is likely to be, a false or disorderly market in the listed issuer's securities, the issuer must make a clarification announcement promptly.

The listed issuer's obligation to issue a clarification announcement to prevent the possible development of a false or disorderly market exists whether or not the Exchange makes enquiries.

The issuer must apply for a trading halt if it cannot promptly publish the clarification announcement to prevent the possible development of a false or disorderly market. The duration of any trading halt should be for the shortest possible period. If trading is halted, the issuer must ensure trading resumes as soon as practicable following publication of a clarification announcement (see Main Board Rule 6.05 and GEM Rule 9.09).

The clarification announcement serves to inform the market. It should make reference to the allegations and inform the market about the issuer's position regarding each allegation so as to avoid a false or disorderly market. To the extent possible, the clarification announcement should also contain particulars to address, or to refute, the allegations. The issuer should also disclose any inside information required to be disclosed under Part XIVA of the Securities and Futures Ordinance (SFO) where applicable, or an appropriate negative statement.

The Exchange would not normally prevent the clarification announcement and would expect such announcement to be made as soon as practicable by the issuer such that the duration of any necessary trading halt is kept to the minimum.

Save for exceptional circumstances, the Exchange would expect share trading to resume (if it was halted) following publication of a clarification announcement. If the Exchange believes that the announcement would not address the concerns on false or disorderly market, it may require the issuer to provide further information and

## Highlights

- the Exchange's guidance letter outlines a revised approach which allows listed issuers that have applied for a trading halt due to market rumours and commentaries to resume trading in their securities if they can address such allegations with a clarification announcement
- the guidance letter makes it clear that listed issuers have an obligation to issue a clarification announcement to prevent the possible development of a false or disorderly market
- where trading has been halted, listed issuers must ensure trading resumes as soon as practicable following publication of a clarification announcement

“our revised approach is closer to the regulatory approaches of other markets and has the effect of keeping any necessary trading halt to the minimum consistent with our general approach to trading halts”



halt trading pending further clarification. This may be the case where, for example, the clarification announcement contains information materially inconsistent with other published documents, or contains information which creates market confusion so as to raise the Exchange's concerns about the possible development of a false or disorderly market in the trading of the shares.

#### Continuing reviews or investigations

Following publication of the clarification announcement, the Exchange may continue to follow up with the issuer on any further disclosures, reviews or investigations it considers necessary on matters that have arisen out of the allegations. Depending on the nature, gravity and credibility of the allegations, the Exchange may require the issuer to provide further information to support its denials of allegations, to review or conduct investigations into the claims and documents purportedly reviewed or used to support the allegations.

The Exchange takes follow-up action to require an issuer to demonstrate that its

responses to allegations are supported and the basis for that support and that it has in place internal controls and risk management measures to safeguard its assets, and financial and reporting controls to promote reporting that is timely and materially accurate. Where appropriate, the issuer is expected to identify and correct any weaknesses in its internal controls, and adopt good corporate governance practices to address the inconsistent information identified in the allegations.

In the absence of a material development that raises concerns about trading in an orderly manner, the Exchange's follow-up action should normally not affect the trading of the issuer's securities. Where the follow-up action reveals that any issuer announcement or document was materially inaccurate or misleading, or that there are serious concerns about the issuer's compliance with the listing rules, the Exchange may suspend the issuer's share trading pending further clarification. Where appropriate, the Exchange may make a referral to an appropriate law enforcement agency,

such as the Securities and Futures Commission (SFC) for consideration of action under the law, for example the SFO.

The Exchange's guidance letter makes it clear that listed issuers should always maintain appropriate and effective risk management and internal control systems to safeguard their assets and monitor their operations.

*The guidance letter can be found on the the Exchange's website: [www.hkex.com.hk](http://www.hkex.com.hk).*

*See also the Exchange's guidance letter (GL83-15) for principles and best practices in applying for trading halts.*

*Listed issuers should also refer to the 'Guidelines on Disclosure of Inside Information' published by the Securities and Futures Commission (SFC) for guidance on discharging their obligations to announce inside information under Part XIVA of the SFO.*

## 行政人員文憑/證書《中國企業管理》 Executive Diploma / Executive Certificate in PRC Corporate Administration

行政人員文憑《中國企業管理》有四個單元，學員只要成功完成單元一至單元四，並在持續評估中的個案分析取得合格成績，將獲發行政人員文憑《中國企業管理》。學生如成功完成單元一（中國公司行政）及其他任何一個單元，並在持續評估中的個案分析取得合格成績，將獲發行政人員證書《中國企業管理》。具體如下：

單元一 中國公司行政 Corporate Administration in PRC  
單元二 中國公司治理 Corporate Governance in PRC  
單元三 中國稅務 Taxation in PRC  
單元四 中國公司法律 Corporate Law in PRC

**\*學生亦可報讀個別學科單元**

## 行政人員文憑《中國公司治理》 Executive Diploma in PRC Corporate Governance

學生如成功完成核心單元一至三及任何一個非核心單元（即四或五），並在持續評估中的個案分析取得合格成績，將獲發行政人員文憑《中國公司治理》。具體如下：

**核心單元：**（必須全部修讀）

單元一 中國董事會秘書實務 Corporate Secretaryship in PRC  
單元二 中國公司治理 Corporate Governance in PRC  
單元三 中國公司行政 Corporate Administration in PRC

**非核心單元：**（可選單元四或五）

單元四 中國稅務 Taxation in PRC  
單元五 中國公司法律 Corporate Law in PRC

**\*學生亦可報讀個別學科單元**

最新  
單元

### 中國稅務

2015/2016  
ECPD年度最後一單元

講者簡介

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- 兼任廣州市稅務學會常務理事及中國電子商務立法起草小組成員等職務

上課時間及地點

每單元課程為期兩週

授課時間：4堂，每堂6小時，共24小時

上課時間：週六14:00 – 17:00及18:00 – 21:00；週日10:00 – 13:00及14:00 – 17:00

授課地點：港島區其中一所教學中心

授課日期

2016年6月11日、6月12日、6月18日及6月19日（校方保留更改及調動課堂時間之權利）

每單元課程學費

港幣3,850元

\* 學生如報讀個別單元，成功完成該學科單元，並在持續評估中的個案分析取得合格成績，出席率達75%或以上，可獲發修讀證明書。

## 課程查詢

電話：2867 8317 (林小姐) 電郵：prcprogramme@hkuspace.hku.hk

每個單元課程出席率達75%或以上之香港特許秘書公會會員，可以獲得18個ECPD學分，但有關實際可帶往下一年之ECPD學分詳情，請個別與公會聯絡。

電話：28816177 電郵：ecpd@hkics.org.hk

# Staying competitive

Caroline Lacocque, Director of Client Services, TMF Hong Kong, looks at how Hong Kong can capitalise on its competitive advantages in the emerging business landscape.



The global economy is displaying 'a new normal' – the volatile financial markets we have been experiencing will be around for some time. In this rather challenging environment globally, Hong Kong needs to identify and capitalise on the key advantages which can help it stay competitive in the years ahead.

### Connecting Mainland China with the world

Hong Kong's geographic position makes it an ideal link between China and the rest of the world. It is a regional leader in a knowledge-based economy, well connected with entrepreneurs to support an outward-looking internationally minded population.

Hong Kong can attract foreign technologies and investments by acting as a 'superconnector' between Mainland China and the world, leveraging the advantages of 'one country, two systems', according to Chief Executive Leung Chun-ying in his January 2016 Policy Address.

The One Belt, One Road (Belt and Road) initiative refers to the 'Silk Road Economic Belt' and the '21st Century Maritime Silk Road'; and the aim is to promote economic cooperation with countries along the proposed Belt and Road routes. According to the Chief Executive, this initiative will help power the future for Hong Kong, China and more than 60 economies along its linked corridors. Key characteristics include an economic policy of free enterprise and free trade, the rule of law, a well-educated workforce, sophisticated commercial infrastructure as well as a seaport and an airport.

At the China Daily Asia Leadership Roundtable in 2009, the Chief Executive

explained that Hong Kong can help set the Belt and Road in motion. Its high degree of openness and recognition as one of the world's freest economies has helped maintain a reputable standing and valuable international connections.

Hong Kong has the expertise, capacity and connections to serve as the fundraising and financial management hub for the Belt and Road. It is more than China's international financial centre; it is also one of the world's financial capitals and the seventh largest stock market in terms of market capitalisation. Globally, it ranks second in equity funds raised through initial public offerings.

The government is also looking to issue its third sukuk (Islamic bonds) and become an Islamic bond centre to meet the financing needs of Islamic markets.

### The increase in Chinese enterprises

In recent years, the number of Chinese enterprises in Hong Kong has increased significantly, which reaffirms the city's unique role as 'the major springboard' for Chinese companies to expand overseas.

Data released by the government last October, illustrates Hong Kong's position as an international financial hub in the

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in this rather challenging environment globally, Hong Kong needs to identify and capitalise on the key advantages which can help it stay competitive in the years ahead  
”

world, with growth among financing and banking companies in the last five years. The number of businesses operating in Hong Kong with parent companies overseas and in the Mainland climbed to a new record of 7,904 in 2015, an increase of 4.2% compared to the previous year. Combined, these 7,904 companies have already employed about 422,000 people, which is a 4.3% increase compared to 2014.

Also in a five-year period, the number of businesses with parent companies located in China, and companies engaged in the financing and banking sector saw even more growth, both increasing by 36% from 805 and 1,059 respectively in 2011.

## Highlights

- Hong Kong has the expertise, capacity and connections to serve as the fundraising and financial management hub for China's Belt and Road initiative
- Hong Kong can capitalise on its extensive trade network, its rule of law and the resilience and resourcefulness of its people
- Hong Kong needs to increase global know-how among entrepreneurs, improve the availability of top technical talent, and grow the tech angel investor community



“  
Hong Kong’s  
geographic position  
makes it an ideal link  
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the rest of the world  
”

#### Fintech opportunities

Government support for financial technology (Fintech) start-ups has been growing as the sector complements the city’s strength in financial services and its existing talent pool. In April 2015, the Hong Kong government created the Steering Group on Financial Technologies and plans for the first Innovation and Technology Bureau were also mapped.

Cybersecurity, block chain, e-payments, robotics, Internet of Things (IoT) and regulatory technology will be among top niche industries being targeted as Hong Kong looks for greater recognition as a Fintech hub.

According to Financial Secretary John Tsang in his 2016-17 Budget speech, Hong Kong’s extensive trade network, the open market operating under the rule of law and total transparency, together with the resilience and resourcefulness of the people, will provide the required conditions for this new economic order.

The city has been one of the fastest growing start-up hubs in the world; there are more than 1,600 start-ups, up 50% since 2014. The government is setting up a HK\$2 billion Innovation and Technology Venture Fund to invest in local technology start-ups together with private venture-capital funds. The government has also set up Invest Hong

Kong, an official online platform to help start-ups, investors, as well as research and development institutions establish a presence in Hong Kong.

Companies should explore the existing Hong Kong fintech ecosystem and the support they can receive from the local government, incubators and accelerators, economic development agencies, strategic investors, angel investors, venture capitalists and use of co-working spaces.

The Hong Kong Monetary Authority, the Securities and Futures Commission, as well as the Office of the Commissioner of Insurance, will also be establishing

dedicated platforms respectively to enhance communication between regulators and the fintech community.

**Impact on business operations**

The global marketplace is multi-channel; financial institutions and merchants are offering a 'consumer self-service' point of sale evolution in order to stay competitive. The increasing trend towards mobile and the ever-growing security and compliance requirements create a complex real time business landscape that puts a huge strain on existing back office systems and processes.

The amalgamation of real time and legacy applications lead to high cost

work around processes that bring down potential business returns. According to research from McKinsey, banks are looking for a pay-off from investments made in digital processes, which should focus on back office automation projects and steer clear of multi-channel integration.

Real time will be the way forward.

**The challenges**

Despite the continuous support from the government, the city's high cost of living, a limited pool of talented IT professionals and lack of venture investors are challenges that companies face. Although it is not a big problem for companies to raise a first round of

funding from angel investors, they may find there is a funding gap later on.

In order to overcome these challenges and take on the combined advantages of 'one country, two systems', Hong Kong needs to increase global know-how among entrepreneurs, improve the availability of top technical talent, and grow the tech angel investor community and government support.

**Caroline Lacocque**

*Director of Client Services,  
TMF Hong Kong*

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# Employment law: the dangers of having inflexible disciplinary procedures

DLA Piper Hong Kong reviews a recent case in the High Court which highlights potential legal risks for employers in Hong Kong regarding the drafting of disciplinary procedures incorporated into an employee's employment contract.



A recent Hong Kong appeal decision of the Court of First Instance concerned the application of disciplinary procedures to an employee whose performance had already been reviewed under a performance improvement plan (PIP). While Hong Kong has no statutory procedural fairness provisions, it is common for employers to drive organisational consistency via procedural requirements for disciplinary cases and PIPs.

The case highlights the danger of having disciplinary procedures that are too rigid. Given that Hong Kong allows employers more flexibility in procedural requirements than in other jurisdictions, it can be helpful to retain flexibility over internal procedures and not to fetter the organisation's ability to decide what procedures apply. Procedures should build in enough flexibility to allow deviation (or departure altogether) in cases where standard procedures designed for the investigation of conduct issues may not be appropriate, for example general performance management issues.

### Facts

In 2010, a former legal counsel (Employee) of a Hong Kong bank (Bank) was put on a PIP following a mid-year performance review. At the end of the PIP period, the Bank found that the Employee had failed to achieve the expected performance as set out in the PIP and took the decision to dismiss him with payment in lieu of notice.

The Employee claimed that, before deciding whether to dismiss him, the Bank should have followed certain additional steps (conduct an investigation, hold a disciplinary hearing, etc) in accordance with the Bank's disciplinary procedure. The

Employee claimed that the disciplinary procedure formed part of his employment contract and brought a claim for wrongful dismissal and claimed damages, including end-of-year payments, income loss, various contractual benefits/ payments and aggravated damages (the specific details are not ascertainable from the judgment).

The Bank, on the other hand, argued that the disciplinary procedure only applied to 'conduct-related performance issues'; not to several poor performance issues *per se*. Given that the Employee's performance issues did not touch upon conduct or anything conduct-related (this was simply a case of poor performance), the Bank argued it was entitled to dismiss the Employee without having to apply the disciplinary procedure to him, having already completed the PIP process.

### Decision of the High Court

The case was taken all the way to the High Court of Hong Kong. On appeal, Andrew Chung J noted that the Bank's disciplinary procedure made a number of separate and distinct references to both 'conduct' and 'performance' issues as falling within its scope. The disciplinary procedure expressly carved out 'minor conduct

and performance issues' from its scope – that is the implication being that the disciplinary procedure was appropriate for instances of more serious misconduct or poor performance. The language in the disciplinary procedure was therefore entirely consistent with it being intended to cover both:

- a. conduct (including willful disobedience, dishonesty or conflict of interest); and
- b. serious performance (including incompetence, neglect of duty or general sloth or indolence).

The case has now been remitted back to the Labour Tribunal to be heard by another Presiding Officer.

### Key takeaways

This decision is concerning for any employers who use formal PIP procedures or capability/performance policies and who intend those procedures to be the final stage in the process, without then having to complete a separate disciplinary process.

Disciplinary procedures in Hong Kong are often designed with the purpose of

### Highlights

- the employee brought a claim for wrongful dismissal on the basis that his employer dismissed him without recourse to the steps set out in the contractual disciplinary procedures
- the employer argued that the disciplinary procedures only applied to conduct-related performance issues, not to poor performance issues
- this case demonstrates that where disciplinary procedures are found to be incorporated into an employee's employment contract, those procedures may apply to general performance issues if they are not carefully drafted

“ ensure you have enough flexibility to allow you to deviate (or depart altogether) from the disciplinary procedures or performance improvement plan process in the case of non-conduct issues ”



investigating and disciplining conduct issues rather than performance issues. The intention is rarely that they be used as a performance management tool. However, the decision in this case demonstrates that where disciplinary procedures are found to be incorporated into an employee's employment contract, those procedures may apply to general performance issues if they are not carefully drafted.

Pending a further judgment in favour of the Employee and a possible further appeal from the Bank, employers should consider adopting the practical tips set out below.

**Contractual or non-contractual?** Ideally, make clear that any disciplinary procedures do not form part of your employees' employment contracts. Particular care should be taken when referring to procedures contained in employee handbooks or standalone documents – these can render your procedures contractual if they are referred to in the employment contract without sufficient discretionary wording.

**Be clear on scope**

If you are comfortable with your disciplinary procedures being contractual or there are good business reasons for doing so, at least be clear on the types of issues that should fall within their scope and make necessary carve-outs for those which should not, for example conduct-related performance versus general performance issues.

**Build in flexibility**

Ensure you have enough flexibility to allow you to deviate (or depart altogether) from the disciplinary procedures or PIP process in the case of non-conduct issues, for example general performance management. Include cross references to other policies that apply instead and make clear if they are satisfied by use of another process.

**Do you really need a PIP?**

Employers will always have different views as to the effectiveness of PIPs in practice, and they may be more appropriate for some sectors than others. However, they should not be seen as a

shortcut to justify dismissals – in fact, as this case (and previous case law) demonstrates, they can often complicate what would otherwise be a fairly straightforward performance or dismissal process in Hong Kong.

**Keep a proper record of the decision**

As always, best practice is to keep an accurate paper trail of the company's decision as to the applicability of disciplinary procedures to a particular case – particularly where the outcome is (or is likely to be) summary dismissal.

**Breach of trust and confidence**

Even though there are no statutory procedural fairness provisions in Hong Kong, in extreme cases disciplinary or performance procedures which become contentious can give rise to claims for potentially substantial damages if an employee can show that an employer acted in such a way as to breach the implied duty of trust and confidence.

**DLA Piper**

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# Postgraduate Programme in Corporate Governance

[2 Years Distance Learning Programme (60 credits)]

## Programme Aims

This postgraduate programme aims to provide practical knowledge and skills for those who wish to pursue or further advance their careers as Company Secretaries and Corporate Governance professionals.

On successful completion of the programme, students should be able to demonstrate a comprehensive understanding of the theoretical, practical, comparative and international dimensions of corporate administration and company secretarial practices in changing business and regulatory contexts, evaluate the various theories underpinning good corporate governance, and offer financial and legal advice on the conduct of business.

## Programme Structure

Applications for this programme will only be open for the Autumn Term which commences in September.

Course Code	Course Title
ACT B861	Accounting for Corporations
FIN B862	Treasury and Financial Management
MKT B890	International Management Strategy
ACT B864	Tax Framework
LAW B868	Corporate Law
CGV B897	Corporate Administration and Secretaryship
CGV B898	Issues in Corporate Governance*
FIN B851	Financial Planning and Risk Management

## Entry Requirements

Applicants to this programme must meet one of the following entry requirements:

- a recognized degree in a business-related area (or its equivalent); or
- a recognized degree in a non-business area (or its equivalent), plus three years of supervisory/managerial experience.

## Tuition Fee

- Application fee: RMB 200
- Tuition fee: RMB 79,200
- Fee for the Residential School in Hong Kong (one week): RMB 1,500

## Conferment of Award

Upon successful completion of all prescribed courses for Postgraduate Programme in Corporate Governance, students will need to transfer all credits earned to the Master of Corporate Governance programme of The Open University of Hong Kong. They will be granted the degree certificate and transcript of the Master of Corporate Governance in Hong Kong after completing the Residential School. Graduates of the Master of Corporate Governance (MCG) programme are eligible to apply for full exemption from the examinations of International Qualifying Scheme (IQS) of The Institute of Chartered Secretaries and Administrators (United Kingdom) (ICSA) and The Hong Kong Institute of Chartered Secretaries (HKICS).

## Application

- Deadline: 31 August 2016
- Completed application should be sent to East China University of Science & Technology Room 101,166 Meilong Road, Xuhui District, Shanghai
- Required documents for application:
  - A completed application form
  - 2 passport photos 2.5 x 3 cm in size with the applicant's name written at the back
  - The applicant's identity card and two photocopies
  - The applicant's original academic credentials (e.g. award certificates and transcripts of studies) and 2 sets of photocopies
  - The applicant's original supporting documents of work experience and 2 sets of photocopies

(All original documents will be returned after verification.)

## Enquiries

### *East China University of Science and Technology*

Address: Room 101, 166 Meilong Road, Xuhui District, Shanghai

Contact person: Ms Hua, Mr Kong

Tel: 021 – 64251865 / 64251139 / 18917101865 / 18917101139

Email: peixun@ecustmde.com

### *Open University of Hong Kong*

Contact person: Mr Johnny Lui

Tel: 27686930

Email: jlui@ouhk.edu.hk

## Professional Development

### Seminars: March 2016

8 March

Updates in employment-related law and regulations: what you need to know



*Chair: Elaine Chong FCIS FCS, Institute Professional Development Committee Member, and General Counsel – Hong Kong, CLP Power Hong Kong Ltd*

*Speakers: Hong Tran, Partner; and Elaine YL Yeung, Associate, Mayer Brown JSM*

15 March

Competition law – part 1 (re-run)



*Chair: Kitty Liu FCIS FCS, Institute Membership Committee Member, and Company Secretary – Group Legal, AIA Group*

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

22 March

Optimising corporate structures for effective cost management – legal entity rationalisation



*Chair: Jenny Choi FCIS FCS(PE), Institute Professional Services Panel Member, and Senior Manager, Ernst & Young Tax Services Ltd*

*Speaker: Sammy Koo, Managing Director, Corporate Restructuring & Insolvency, Ernst & Young*

10 March

Execution and proof of company documents for overseas use under the new Companies Ordinance (Cap 622)



*Chair: Terry Wan FCIS FCS, Institute Membership Committee Member, and Group Company Secretary, Li & Fung Ltd*

*Speaker: Samuel Li, Notary Public & Solicitor, Samuel Li & Co*

17 March

Competition law – part 2



*Chair: Dr Maurice Ngai FCIS FCS(PE), Institute Immediate Past President, and Chief Executive Officer, SW Corporate Services Group Ltd*

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

## ECPD

### Forthcoming seminars

Date	Time	Topic	ECPD points
16 May 2016	6.45pm – 8.45pm	Company secretarial practical training series: board evaluation – the role of the company secretary	2
27 May 2016	6.45pm – 8.45pm	中国公司法调整对外资企业的影响	2
2 Jun 2016	6.45pm – 8.15pm	Directors' liability risks in corporate financial distress/ failure	1.5
6 Jun 2016	6.45pm – 8.45pm	Competition law – part 1 (re-run)	2
8 Jun 2016	6.45pm – 8.45pm	Competition law – part 2 (re-run)	2
13 Jun 2016	6.45pm – 8.15pm	Director and senior management remuneration	1.5
20 Jun 2016	6.45pm – 8.15pm	Ethics and sustainability	1.5
23 Jun 2016	6.45pm – 8.15pm	Trust for family and corporate planning	1.5
7 Jul 2016	6.45pm – 8.15pm	Professional ethics and regulatory compliance with case studies	1.5

For details of forthcoming seminars, please visit the ECPD section of the Institute's website: [www.hkics.org.hk](http://www.hkics.org.hk).

## MCPD requirements

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

CPD year	Members who qualified between	MCPD or ECPD points required	Point accumulation deadline	Declaration deadline
2015/2016	1 January 1995 – 31 July 2015	15 (at least 3 ECPD points)	31 July 2016	31 August 2016
2016/2017	1 January 1995 – 31 July 2016	13.5 (at least 2.5 ECPD points)	30 June 2017	31 July 2017

## MCPD requirement extends to graduates

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

## Professional Development (continued)

### Regional Board Secretary Panel Meetings in Mainland China

The Institute organised Regional Board Secretary Panel (RBSP) meetings in four major Mainland cities (Beijing, Shanghai, Shenzhen and Chengdu) in March and April 2016. The meetings were attended by a total of 76 participants, including the Institute's Affiliated Persons (AP), members, students and local officials.

Institute Vice-President Dr Gao Wei FCIS FCS(PE) introduced the findings of the recent HKICS/KPMG China research report *Risk management – looking at the new normal in Hong Kong*. Representatives from CRRC Corporation Ltd, China Eastern Airlines, China Merchants Securities and Xinhua Winshare Publishing and Media Co Ltd, gave presentations sharing their experience in risk management and internal control.

Institute council members from Hong Kong also attended the meetings to exchange views and discuss the regulations and practices relating to risk management and internal control. President Ivan Tam FCIS FCS attended the Beijing, Shenzhen and Chengdu meetings. Institute Immediate Past President Dr Maurice Ngai FCIS FCS(PE), and Institute Treasurer and Membership Committee Chairman Dr Eva Chan FCIS FCS(PE) attended the Shanghai meeting, and Chief Executive Samantha Suen FCIS FCS(PE) attended the Beijing and Shenzhen meetings.

*The Institute would like to thank the co-organisers of the RBSP meetings – CRRC Corporation Ltd, Shanghai Jinjiang International Hotel (Group) Company Ltd, China Merchants Securities and Xinhua Winshare Publishing and Media Co Ltd, for their support.*



The Beijing RBSP meeting



Ivan Tam at the Beijing RBSP meeting



Dr Gao Wei, Dr Eva Chan, Dr Maurice Ngai, and sponsors at the Shanghai RBSP meeting



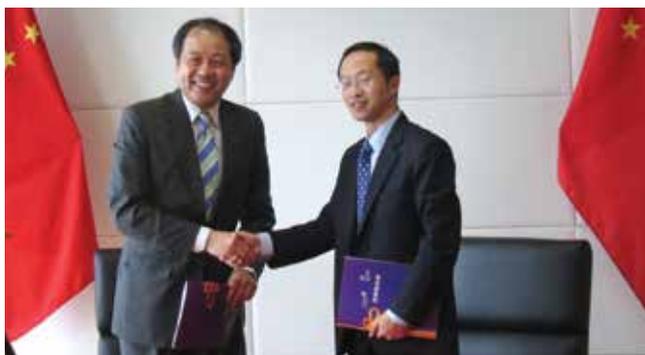
Dr Gao Wei, Samantha Suen and sponsors at the Shenzhen RBSP meeting

## Advocacy

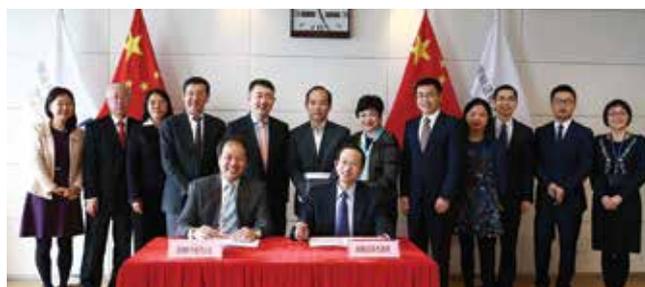
### HKICS signs MoU with Shenzhen Stock Exchange

The Institute and Shenzhen Stock Exchange (SZSE) signed a Memorandum of Understanding (MoU) in Shenzhen on 31 March 2016. SZSE Vice-President Jin Liyang and Institute President Ivan Tam FCS FCIS signed the MoU at the ceremony. SZSE and the Institute have been in close contact for many years. They held the first joint professional training in 1997 for board secretaries of listed companies in Mainland China. Under the MoU, SZSE and the Institute will deepen their strategic partnership to jointly promote the professional development of board secretaries, and further enhance corporate governance and operational compliance by listed companies in Mainland China and Hong Kong.

SZSE and the Institute also agreed to develop long-term cooperation, especially in research, training, professional communication and resource sharing. In particular, efforts will be made to develop joint research on corporate governance issues relating to onshore and offshore listed companies, promote best corporate governance practices and hold seminars and develop hands-on courses for board secretaries in Mainland China and Hong Kong.



*Jin Liyang (right) and Ivan Tam*



*SZSE officials and Institute representatives at the MoU signing ceremony*

### HKICS delegation visits Taiwan

On 23 March 2016, Past President Edith Shih FCIS FCS(PE) and Chief Executive Samantha Suen FCIS FCS(PE) were invited by National Taiwan University and National Chengchi University to speak at their forum on the roles, responsibilities and professional development of company secretaries and corporate governance officers in Hong Kong, Mainland China and Taiwan. The Taiwan Stock Exchange and Taiwan Futures Exchange were the joint organisers. Other presenters at the forum included speakers from The China Association for Public Companies, KPMG Taiwan, Lee & Li (Attorneys-At-Law), Standard Chartered Bank (Taiwan), The University of Hong Kong and Tsinghua University.

The HKICS representatives also met and exchanged views with potential founders hoping to setting up an association for corporate governance officers/company secretaries in Taiwan. The Institute looks forward to collaborating with this association once it is established on training, exchange of relevant information and professional development.



*Edith Shih speaking at the forum in Taiwan*



*At the forum*

## Advocacy (continued)

### Luncheon with the financial secretary

On 23 March 2016, the Hong Kong Coalition of Professional Services (HKCPS) organised a luncheon with John Tsang Chun-wah, GBM, JP, HKSAR Financial Secretary, as guest of honour. Institute President Ivan Tam FCIS FCS, Council member Ernest Lee FCIS FCS(PE) and 10 Institute fellows attended the luncheon,

where the financial secretary presented his insights on new challenges and opportunities ahead for Hong Kong. The speech was followed by an interactive discussion session between the financial secretary and representatives of the professional bodies under HKCPS.



At the event

### New Postgraduate Programme in Corporate Governance in Shanghai

The Open University of Hong Kong (OUHK) will launch its Postgraduate Programme in Corporate Governance (PGPCG) in Shanghai in September 2016 at the East China University of Science and Technology. This programme aims to equip candidates with sound knowledge and competency in corporate governance and corporate secretaryship. Upon successful completion of all prescribed courses of the PGPCG and attending a one-week residential school in Hong Kong, students can transfer all credits earned to the Master of Corporate Governance (MCG) programme of OUHK, which is endorsed by the Institute.

*Please refer to the Institute's Chinese website: [www.hkics.org.cn](http://www.hkics.org.cn) for programme details. For queries about the programme, please contact Johnny Lui of OUHK at: (852) 2768 6930, or email: [jlui@ouhk.edu.hk](mailto:jlui@ouhk.edu.hk), or call Iona Li of the HKICS Beijing Representative Office at: (8610) 6641 9368 (ext. 228), or email: [bro@hkics.org.hk](mailto:bro@hkics.org.hk).*

### HKICS members invited to offer internship or job opportunities

The Institute has received two invitations regarding the provision of internship or job opportunities for students.

1. The Hong Kong Coalition of Professional Services (HKCPS), of which HKICS has been a member since 2011, is inviting HKICS members and their companies to provide two-week summer internship positions from mid-July to early August 2016 to Form 5 students of the Yuen Long district to broaden their horizons and enhance their self-confidence. Interested parties please contact Janice Lam of HKCPS at: 2231 9115, or email: [info@cps.hk](mailto:info@cps.hk).
2. The Hong Kong Economic and Trade Office in Guangdong (GDETO) is inviting HKICS members and their companies to provide summer internships or job opportunities to Hong Kong students who are studying in, or recently graduated from, Guangdong to understand more about operations of businesses in Hong Kong. Interested parties please contact Fiona Chen of GDETO at: (8620) 3891 1220 (ext 305), or email: [crd@gdeto.gov.hk](mailto:crd@gdeto.gov.hk).

## Membership

### New graduates

Congratulations to our new graduates listed below.

Lam Yee Hang    Leung Chung Nam    Tsang Chun Tung

### New associates

Congratulations to our new associates listed below.

Chan Ching Yi	Lo Cheuk Nam
Chan Chun Ho, Kevin	Ma Chun Fai
Chan Sing Fai	Mak Ka Chun, Billy
Chen Chun	Ng Ching Tung
Cheng Pui Ling	Ngai Lai Han
Chik Wai Chun	Or Yick Yi, Hydon
Choi Ying Kwan	Peng Junlei
Chu Lai Sim	Sin Cho Ying
Chu Oi Wa	Suen Miu Ling
Chung Kit Mui	Tai Yat Chung
Deng Ren Yu	Tang Tin Shing
Feng Zhe	Tong Ka Kin, Kenneth
Fong Tak Wah	Tsang Wing Sze
Ho Wing Yan	Wan Wai Ching, Lilian
Ji Cheng	Wang Nga Yung, Jennifer
Ku Lai Shan	Wong Tze Yan, Grace
Lam Kin Ho, Thomas	Wong Ying Kit
Lam Kwan Yin	Wu Tim Man
Lam Pui Yi	Yim Ming Chung
Lee Wing Man	Yiu Lai Sze
Li Ching Yi	Yuen Tsz Ho
Lo Cheuk Ming	

### New fellows

The Institute would like to congratulate the following fellows elected in March 2016.



#### Lee Pui Shan FCIS FCS

Ms Lee is the Company Secretary of Water Oasis Group Ltd (Stock Code: 1161). She has over 15 years of experience in the financial, accounting and company secretarial areas. She holds a master's degree in corporate governance and a bachelor's degree in accountancy from The Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a Chartered Financial Analyst (CFA) Charterholder.

#### Lau Wai Yee, Eppie FCIS FCS

Ms Lau is the Founder of Immanuel Consulting Ltd which provides professional services to local and international clients, and private and publicly-listed companies. Services include assisting clients to establish a business presence and set up in Hong Kong and Mainland China; providing support in annual compliance and corporate governance, accounting and payroll, tax planning and arranging for audit; as well as trademark registrations and visa applications. Ms Lau also looks after the overall management, business development and marketing of her company. She obtained her professional qualification as a Chartered Secretary in 1990.

#### Wong Po Yee, Catherine FCIS FCS

Ms Wong is currently the Human Resources Director at Baker & McKenzie.

### Change of the Institute's financial year-end date

The Institute's Council has resolved to align with the practice of the Institute of Chartered Secretaries and Administrators (ICSA) going forward, by changing the Institute's financial year-end date from 31 July to 30 June, effective from the next financial year 2016/2017. As a result, the Institute's financial year 2016/2017 will run from 1 August 2016 to 30 June 2017, which covers an 11-month period.

The change of the financial year-end date has no impact on the current 2015/2016 financial year's subscription or other one-off

fees. The annual subscription rates for the 2016/2017 financial year remain at the current level as set in 2013/2014 but will be pro-rated to reflect the period of 11 months. Accordingly, the MCPD points requirement for the 11 months in 2016/2017 will be 13.5 CPD points (including 2.5 ECPD points).

*For details, please refer to the News section of the Institute's website: [www.hkics.org.hk](http://www.hkics.org.hk).*

## Membership (continued)

### Concessionary subscription applications for year 2016/ 2017

As a professional body established by members and for members, the Institute continues to offer concessionary subscription rates to members who satisfy the criteria listed below.

#### 1. Retired rate

This applies to members who:

- are retired from employment and are not contributing to the Mandatory Provident Fund Scheme; and
  - o have reached the age of 55 on or before the beginning of the financial year (1 August) and who have been a paid-up member of the Institute for at least 25 years; or
  - o have reached the age of 60 on or before the beginning of the financial year (1 August) and may be exempted from the 25-year membership requirement at the discretion of the Membership Committee.

#### 2. Reduced rate

This applies to members who:

- have been unemployed for a minimum of six months prior to their application; or
- have ceased to receive income and/or remuneration due to health conditions for a minimum of three months prior to their application; or
- have encountered circumstances which, in the judgement of the Membership Committee, warrant the reduced rate.

#### 3. Hardship rate

This applies to members who have ceased to receive income and/or remuneration due to health conditions for over two years prior to application or other circumstances which, in the judgement of the Membership Committee, warrant the hardship rate.

#### Notes to applicants:

- The application deadline for any concessionary subscription rate for the 2016/2017 financial year is Monday 31 October 2016.
- All applications must be approved by the Membership Committee, the decision of which is final.
- Retired rate applications should only be made once. However, such members should keep the Institute informed immediately of any change in circumstances which may affect their entitlement to the retired rate.
- Reduced rate and hardship rate applications are approved on an annual basis.

*The application forms for the concessionary subscription rates can be downloaded from the Membership section of the Institute's website: [www.hkics.org.hk](http://www.hkics.org.hk). For enquiries, please contact Rose Yeung at: 2830 6051, or Melani Au at: 2830 6007, or email: [member@hkics.org.hk](mailto:member@hkics.org.hk).*

### CSj – go green

The Council, in support of preserving the environment, has offered members, graduates and students the option to receive CSj electronically and from the Institute's website: [www.hkics.org.hk](http://www.hkics.org.hk) from August 2015 onwards. The Institute is pleased to let you know that 1,440 members, graduates and students have opted for the electronic version (eCSj) as of 30 June 2015.

If you are currently receiving the print copy but would like to switch to the eCSj, or if you are currently receiving eCSj but would like to switch to the print copy, please complete the reply form which may be downloaded from the News section of the Institute's website: [www.hkics.org.hk](http://www.hkics.org.hk), and return it to the secretariat on or before 30 June 2016. The change will take effect from 1 August 2016. If the Institute does not receive alternative instructions from those who opted for eCSj in 2015, it will continue to forward the eCSj to you in the 2016/2017 financial year.

You may change your means of receiving CSj once a year from 1 May to 30 June.

*For students, please contact Karin Ng at: 2830 6010, or email: [student@hkics.org.hk](mailto:student@hkics.org.hk). For members and graduates, please contact Vicky Lui at: 2830 6088, or email: [member@hkics.org.hk](mailto:member@hkics.org.hk).*

**Membership activities**

**Members' Networking – appreciation of jewellery and watches**

On 6 April 2016 the Institute organised a session for members and friends to learn to appreciate jewellery and watches. A Jewellery expert from Prince Jewellery & Watch Company delivered a presentation on a new diamond cutting method which maximises the beauty of a diamond.



*Dr Eva Chan FCIS FCS(PE) presenting a souvenir to Eamon Chu ACIS ACS, Group Finance Director of Prince Jewellery & Watch Company*

**Chartered Secretary Mentorship Programme – launch ceremony**

The Institute received an overwhelming response to its Mentorship Programme invitation this year. Seventy mentors and mentees have joined the programme. At the launch ceremony, held on 20 April 2016, Institute President Ivan Tam FCIS FCS thanked the participating mentors for their time and energy devoted to nurturing the future leaders of the profession. He also encouraged the mentees to make good use of this opportunity. Institute Treasurer and Membership Committee Chairman, Dr Eva Chan FCIS FCS(PE) gave further details on the aims of the Institute's Mentorship Programme and provided practical tips on establishing a successful mentoring relationship. A series of activities for mentors and mentees will be held in the coming months. Details will be reported in future editions of CSj.



*(From left to right) Sally Chan (mentor), Brian Chan (mentee), Kirsten Yau (mentee), and Freda Chan (mentor)*



*Ivan Tam with mentors and mentees*



*At the ceremony*

**Forthcoming membership activities**

Date	Time	Event
21 May 2016	10.00am–1.00pm	Young Group – cake baking
28 May 2016	10.00am–12.00noon	Community Service – volunteer training (2 MCPD points)
3 June 2016	6.30pm–8.15pm	Members' Networking - 用《易经》·做对养生 (1 MCPD point)
14 June 2016	6.30pm–8.30pm	Welcome reception for new graduates and associates (by invitation only)

## International Qualifying Scheme (IQS) examinations

### June 2016 examination diet

#### Examination timetable

	Tuesday 31 May 2016	Wednesday 1 June 2016	Thursday 2 June 2016	Friday 3 June 2016
9.30am - 12.30pm	Hong Kong Financial Accounting	Hong Kong Corporate Law	Strategic and Operations Management	Corporate Financial Management
2.00pm - 5.00pm	Hong Kong Taxation	Corporate Governance	Corporate Administration	Corporate Secretaryship

#### Admission slips

Admission slips, together with the 'instruction to candidates', will be posted to candidates during the second week of May 2016. The slip specifies the date, time and venue of the examination. Candidates are also reminded to read through the 'instructions to candidates' before taking the examination.

*For enquiries, please contact Ruby Ng at: 2830 6006, or Mandy So at: 2830 6068.*

## Studentship

### New students orientation

Nearly 50 newly registered students joined a new students orientation on 15 March 2016 to learn about the IQS examinations, exemption details and the student support services provided by the Institute. HKICS Education Committee member, Winnie Li ACIS ACS presented certificates to the subject prize and merit certificate awardees for the December 2015 examination diet. Joanne Pui (subject prize winner, Hong Kong Corporate Law) and Yanda Wong (subject prize winner, Hong Kong Financial Accounting) shared their tips and experience on examination preparation.



Winnie Li and the awardees



Subject prize winners Yanda Wong (left) and Joanne Pui (right)

## Studentship (continued)

### Academic Cocktail 2016

On 21 March 2016, the Institute held its Academic Cocktail – an annual event which aims to foster closer working relationships with representatives from local universities and educational institutions. A total of 80 guests attended the event. Institute President Ivan Tam FCIS FCS thanked the tertiary institutions for their staunch support in promoting the Chartered Secretarial profession, and highlighted current developments at the Institute and new initiatives for the year. Institute Education Committee Chairman David Fu FCIS FCS(PE) also provided updates on upcoming educational activities.



## Studentship (continued)

### HKICS professional seminars

Three professional seminars were organised by the Institute to promote the Chartered Secretarial profession to university students.

Date	Institute	Speaker	Topic
22 March 2016	The Chinese University of Hong Kong	Dr Brian Lo FCIS FCS	Professional ethics and regulatory compliance
1 April 2016	Hong Kong Shue Yan University	Jack Chow FCIS FCS	Risk management
5 April 2016	Centennial College	Dr Davy Lee FCIS FCS(PE)	Company secretaries and corporate governance



Dr Brian Lo FCIS FCS



Jack Chow FCIS FCS



Dr Davy Lee FCIS FCS(PE), second right, with students

### Networking Day 2016 at Lingnan University

The Institute participated in the Lingnan University Networking Day on 16 March 2016 and promoted the Chartered Secretarial profession and its Student Ambassadors Programme to recruiters and students.



Networking Day 2016 at Lingnan University

### HSMC scholarship and award presentation ceremony

On 19 March 2016, Institute Chief Executive Samantha Suen FCIS FCS(PE) attended the Scholarship and Award Presentation Ceremony of Hang Seng Management College (HSMC). She presented a Chartered Secretaries scholarship, donated by The Chartered Secretaries Foundation Ltd to the awardee Eva Yu Suet Ying.



Samantha Suen presenting scholarship to Eva Yu Suet Ying

## Student Ambassadors Programme visits

The Institute organised visits for its Student Ambassadors to the Companies Registry (CR) on 11 March 2016 and Hong Kong Exchanges and Clearing Ltd (HKEX) on 8 April 2016. The Institute would like to thank CR and HKEX for their generous support.



*Visit to HKEX*



*Visit to CR*

## HKICS/HKU SPACE programme series: Taxation in the PRC (new module)

A new module – 'Taxation in the PRC' will be launched under the HKICS/HKU SPACE programme series in PRC corporate practices. Up to 18 HKICS ECPD points will be awarded to participants who attain 75% or more attendance.

<b>Dates</b>	11, 12, 18 and 19 June 2016
<b>Time</b>	Saturdays: 2.00pm – 5.00pm; 6.00pm – 9.00pm Sundays: 10.00am – 1.00pm; 2.00pm – 5.00pm
<b>Venue</b>	HKU SPACE Learning Centre on Hong Kong Island
<b>Speaker</b>	Dr Long Zhaohui Department of Public Finance and Taxation, Lingnan College of Sun Yat-sen University

## Payment reminders

### Studentship renewal

Students whose studentship expired in March 2016 are reminded to settle the renewal payment by Saturday 21 May 2016.

### Exemption fees

Students whose exemption was approved via confirmation letter on 2 March 2016 are reminded to settle the exemption fee by Thursday 2 June 2016.



## Company Secretarial Professionals

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

Requirements:

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

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

We offer to successful candidates:

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

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

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

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

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

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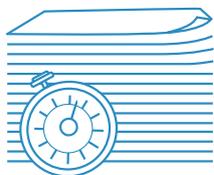
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