

Apr/May 2025 Legal and Regulatory Update

Top stories

HKEX Guide for revised CG Code

HKEX published an updated [Corporate Governance Guide for Board and Directors](#) (the “Guide”), [FAQs 1.1](#) and [17.1](#) to support issuer boards’ application of the revised Corporate Governance Code (*effective from the financial year commencing on or after 1 Jul 2025*). (*Background on revised Code: our [Dec 24 update](#)*)

It is intended that the Guide will stimulate the issuer board’s thinking on how it can carry out its role most effectively by providing advice, examples, and further elaboration.

Our focus, at this stage, is on implementing the revised Code rather than detailed disclosure.

We have summarised some noteworthy guidance in the Guide/FAQ (*see the Appendix*), including “disclosure” issues which might impact on the underlying work.

These include 9-year INEDs (“Long-serving INEDs”), mandatory board training, board performance review, internal controls and risk management.

What you should do

- Management to update its gap analysis for (*in light of the applicable financial year*) implementing the revised Code, considering the Guide
- The board to discuss implementation of the revised Code

Also in this issue

Regulators

(i) SFC welcomes the enactment of all necessary legislation to pave the way for the implementation of the USM (Uncertificated Securities Market) regime in early 2026, subject to market readiness. ([Press release](#))

It is working with HKEX and the Federation of Share Registrars Limited on a detailed **five-year implementation timetable** which will cover issuers from Hong Kong, Mainland China, Bermuda and Cayman Islands. (*Background: see our [July 24](#), [Feb 25](#) updates*)

A dedicated [USM webpage](#) is also launched to provide one-stop access to all useful information.

What you should do

In its press release, **SFC encourages issuers to reach out to their share registrars to discuss the possible timing** of their participation.

(ii) **HKEX published an information paper explaining the changes to be made to the Listing Rules as a consequence of the implementation of the USM and the launch of HKEX's issuer platform.** ([Press Release](#); [Information Paper](#))

Firstly, the **USM rule amendments** (*Section 6 of the paper*) will come into force to coincide with the implementation of the USM regime (*tentatively, early 2026*).

The Listing Division will publish guidance and update the market in due course.

Secondly, the **new issuer platform** is an online platform established as a designated one-stop channel for communication between HKEX and issuers. Following its launch, issuers must submit listing application forms and make regulatory filings through the platform.

Rule amendments facilitating the implementation of the issuer platform (*Section 7*) will be effective on the date of its official launch (*tentatively, mid-2026*).

What you should do

HKEX's key message to issuers

Issuers should make enquiries with their relevant service providers at their earliest convenience to comply with the USM rule amendments by the prescribed deadlines. E.g. appoint an Approved Securities Registrar. (*For actions required: see Table 1, P.2*).

Legislation

(iii) **The Companies (Amendment) (No.2) Ordinance 2025** has become effective on 23 May 2025, enacting a **re-domiciliation regime** which enables non-HK companies to transfer their business to HK. ([Press Release](#)) (*Background on re-domiciliation: our [Jul 24 update](#)*)

The final Ordinance requires re-domiciliation applicants to be able to pay its debts which fall due within 12 months beginning on the application date. The relevant members' resolution must also be approved by a majority of at least 75% (*as defined*) in a meeting or in writing.

The **Companies Registry** provides guidance materials:

- [External circular No.4/2025](#) – introduction of company re-domiciliation regime
- [External circular No.5/2025](#) – in light of the new regime, updates on requirements for non-Hong Kong companies (*Part 16 of the Ordinance*)
- [Guide on Company Re-domiciliation](#) – checklist for application (*Appendix I*)
- A [new thematic section](#) has been set up on its **website**, including FAQs

(iv) The Privacy Commissioner for Personal Data (PCPD) has completed compliance checks re: use and processing of personal data during the use of AI, implementation of best practices according to its [Model Framework](#), as well as AI governance. ([Press Release](#); [Full Report](#))

(Background on previous round of checks: our [Feb 24 update](#); Model Framework: our [Jun 24 update](#))

The exercise commenced in Feb 25 and covers various sectors, including telecommunications, banking and finance, and insurance.

PCPD found no contravention of the Personal Data (Privacy) Ordinance. All organisations reviewed implemented appropriate security measures to ensure data security during the collection and/or use of personal data through AI systems and adopted a relatively high level of human oversight in the decision-making process to mitigate the risk of errors made by AI.

Noteworthy findings include:

- Among organisations which used AI in their day-to-day operations
 - (54%) used 3 or more AI systems; primarily applied in areas such as customer service, marketing, administrative support, compliance/risk management, and research and development, etc.
- Among organisations which collected and/or used personal data through AI systems
 - (All) implemented appropriate security measures
 - (92%) formulated data breach response plans to address contingencies
 - (63%) made reference to the PCPD guidelines/advice on AI including the Model Framework

ESG

(v) ISSB published an Exposure Draft proposing targeted amendments to IFRS S2 Climate-related Disclosures that would provide reliefs to ease application related to the disclosure of greenhouse gas (GHG) emissions. ([Press release](#))

Our focus is not on the technical amendments (*e.g. relief from measuring Scope 3 emissions related to some financial activities*).

In its press release, ISSB stresses that it listens to market feedback and proposes targeted amendments helping preparers where possible, without causing too much disruption and ensuring that its standards continue to enable the provision of decision-useful information to investors.

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The Appendix: some noteworthy areas in the Guide

- **Long-serving INEDs**
 - **Issue:** by the first AGM held on or after **1 Jul 2028**, the majority of INEDs must not be Long-serving INEDs
 - **Guidance:** (*FAQ 1.1, No.12*)
 - HKEX expects **non-Long Serving INEDs to represent a majority (i.e. more than 50%)** of INEDs
 - 50/50 split not allowed
- **Board skills matrix**
 - **Issue:** maintain and disclose a board skills matrix, with **enhanced disclosure**
 - e.g. **explain how** the combined skills serve the issuer's purpose/values/strategy/culture; **details and plans** to acquire (*if any*) further skills
 - **Guidance:** **example** (*reinforcing “importance”, “adequacy”, “future plans”*) (*Table 3, P.26*)
- **Board performance review**
 - **Issue:** discretion for issuers regarding format (*e.g. internal or external providers*)
 - **Guidance:** the board
 - should consider **if internal review is adequate** (*e.g. with more complex business operations that have changed or expanded their business model*) (*Para 15, P.23*)
 - may consider involving an **external reviewer in specified areas only** (*e.g. to assist in the design of the review process and the assessment of the review findings*); can minimise costs to gain valuable external insights (*Para 16, P.23*)
 - details of **assessment criteria** (*Table 2, P.24*)
- **Mandatory director training**
 - **Issue:** no prescribed number of training hours (*except for First-time directors*)
 - **Guidance:** (*Para 33, P.28*)
 - referenced the minimum training hours of various institutes (*i.e. HKIoD, HKCGI, HKICPA, Law Society of Hong Kong*)
 - ranging from 10 to 20 training hours per year

[*Note: Abbreviations*

CP (Code Provision)

MDR (Mandatory Disclosure Requirement)

RBP (Recommended Best Practice)]

- **Nomination committee**
 - **Issue:** *(New MDR)* **annually assess** and **disclose** its assessment of each director's time commitment, and contribution to the board
 - **Guidance:** **annual nomination committee assessment** *(Table 1, P.9)*
- **Lead INED: communication with shareholders**
 - New RBP *(NOT CP)*
 - **Guidance:** *(Para 40, P.10)*
 - provide shareholders with **independent insights on matters** such as governance, board effectiveness, corporate strategy and capital management; and **how the INEDs have discharged responsibilities** *(e.g. scrutiny of loans granted)*
 - investors **should not expect** to discuss with Lead INED the issuer's results or operational matters; but he/she may shed light on board deliberation process
- **Risk management and internal controls**
 - **Recap of requirements** *(which include)*
 - *(New MDR)* **enhanced disclosure** on details of the *(at least annually)* board review *(e.g. information supporting the board's conclusion, including confirmation from management; internal audit; auditors, other external service provider)*
 - *(New MDR)* **board statement** confirming that the issuer's risk management and internal control systems are appropriate and effective for the purposes set out in **Principle D2 of the CG Code** *(note: updated language with express reference to "identified risks, safeguarding assets; preventing fraud; ensuring accuracy of financial reports; compliance with applicable laws and regulations")*
 - *(Updated CP D.2.1)* the board's review of **issuer and subsidiaries' systems**; scope of the review should cover **all material controls**, including financial, operational and compliance controls
 - **Guidance:**
 - *(On CP)* **scope for the review "should be broad and cover all material aspects** of these systems, including financial, operational and compliance controls. It should also cover the issuer's **subsidiaries"** *(Para 19, P.45)*
 - details of the **components** and **scope** of annual reviews *(Table 7, P.46)*