



SHAREHOLDER MEETINGS IN HONG KONG - LATEST DEVELOPMENTS

May 2020

On 5 May 2020, the Government updated the Regulation that governs gatherings in Hong Kong and these updates will affect the way in which shareholder meetings can be conducted.

Although the updates to the Regulation increase the size of permitted gatherings to 8 persons, shareholder meetings of more than 8 persons are specifically permitted to exceed this limit provided:

- the meeting is required to be held within a specified period in order to comply with law or other regulatory instrument; or
- if it is a shareholder meeting of a company that is listed on the Hong Kong Stock Exchange, it is held in accordance with law or other regulatory instrument,

and, in any event, no food or drink is served.

If there are more than 50 attendees at the shareholder meeting, measures must be put in place to separate the attendees in different rooms or partitioned areas, each accommodating not more than 50 persons.

These updates will take effect on 8 May 2020 up to 21 May 2020.

Background

In our previous COVID-19 briefings, we considered the implications for company annual general meetings (AGMs) and extraordinary general meetings (EGMs) arising from the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation

(Cap 599G) (Regulation) and the joint statement (Joint Statement) issued by the Securities and Futures Commission (SFC) and The Stock Exchange of Hong Kong Limited (Exchange) on 1 April 2020.

On 29 March 2020, the Government introduced the Regulation, which prohibited gatherings of more than 4 persons in public places but exempted certain shareholder meetings from this prohibition.

The Joint Statement clarified that: (i) the exemption applies to an AGM of a company listed on the Exchange; and (ii) certain EGMs. An EGM would be exempted if it must be held within a “specified period” in order to comply with: (a) any law or regulation in Hong Kong or overseas; (b) the Rules Governing the Listing of Securities on the Exchange (Listing Rules) or the Takeovers Code; (c) the company’s own memorandum or articles of association; or (d) any other regulatory instrument.

Latest Developments

On 5 May 2020, the Government announced that with effect from 8 May 2020 up to 21 May 2020, the Regulation will be updated such that the number of persons constituting a prohibited gathering will be increased from more than 4 to more than 8 persons. The exemption applicable to certain shareholder meetings will also be amended, which will affect the way in which shareholder meetings can be conducted during this period.

Under the amended Regulation, a distinction will be made between shareholder meetings of companies listed on a recognised stock market

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(including companies listed on the Exchange) and other shareholder meetings.

Although the updates to the Regulation increase the size of permitted gatherings to 8 persons, shareholder meetings of more than 8 persons are permitted to exceed this limit provided:

- the meeting is required to be held within a specified period in order to comply with law or other regulatory instrument (for example, an AGM); or
- if it is a shareholder meeting of a company that is listed on the Exchange, it is held in accordance with law or other regulatory instrument (for example, an EGM),

and, in any event, no food or drink is served.

If there are more than 50 attendees at the shareholder meeting, measures must be put in place to separate the attendees in different rooms or partitioned areas, each accommodating not more than 50 persons.

Practical Implications

For shareholder meetings, the most significant implication of the latest updates to the Regulation is that where there are more than 50 attendees (in whatever capacity e.g. shareholders, proxies, company directors and staff, professional advisers to the company, etc.), the company must put in place measures to separate the attendees in different rooms or partitioned areas, each accommodating not more than 50 persons. When planning these measures, Hong Kong companies should ensure that all attending shareholders and proxies are able to listen, speak and vote at the meeting.¹

For companies that are listed on the Exchange, all EGMs which are held in accordance with the Listing Rules (and not only those that must

be held within a “specified period”) will fall within the updated exemption in the amended Regulation since the Listing Rules constitute a regulatory instrument that governs the operation of the company or its business.² This will include EGMs held in accordance with Chapter 14 (notifiable transactions) and / or 14A (connected transactions) of the Listing Rules.

Additional Precautions

Where listed companies hold shareholder meetings, they should, in any event, take precautions to ensure the safety of attendees, including:

- mandatory screening of attendees’ temperatures before granting them admission to the meeting venue (and turning away any attendees with high body temperatures);
- not hand out corporate gifts at the meeting;
- ensuring that all attendees wear face masks;
- maintaining sufficient distance between each attendee; and
- providing hand sanitizer at the meeting venues.³

Shareholder Communications

Companies should keep shareholders informed of the latest developments regarding their shareholder meetings and should publish announcements, as appropriate, including regarding precautionary measures being adopted for the meeting and any other particular arrangements that are being implemented e.g. special channels for

¹ Sections 584 and 596 of the Companies Ordinance

² Based on the clarifications contained in the Joint Statement

³ Listed companies can consider adopting the suggestions made by the Hong Kong Institute of Chartered Secretaries

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shareholders to raise questions for management, if shareholders do not attend the meeting.

If you would like further information about the impact of COVID-19 on your business, please speak to your usual Slaughter and May contact.



Jason Webber
Partner

T +852 2901 7212

E jason.webber@slaughterandmay.com



Wynne Mok
Partner

T +852 2901 7201

E wynne.mok@slaughterandmay.com

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