

January 2025

HKEX unveils new corporate governance code: what issuers need to know



Introduction

On 19 December 2024, The Stock Exchange of Hong Kong Limited (the "**Exchange**") released the consultation conclusions (the "**Consultation Conclusions**") following its consultation paper (the "**Consultation Paper**") on the Review of the Corporate Governance Code (the "**CG Code**") and related Main Board and GEM Listing Rules (the "**Listing Rules**"). The finalised approach aims to balance the need to advance the corporate governance regime while providing issuers with the flexibility to make enhancements at an appropriate pace. The new requirements will take effect on 1 July 2025, with transitional arrangements in place for certain amendments. The Exchange will publish updated guidance in the first half of 2025 to assist issuers in complying with the new requirements.

Key amendments under the Consultation Conclusions include:

- a new recommended best practice of the designation for a lead independent non-executive director (the "**Lead INED**") for issuers without an independent board chair;
- phasing out independent non-executive directors having served on the same board for more than nine years (the "**Long Serving INEDs**") to strengthen board independence; and
- enhancing disclosures regarding issuers' dividend policy and the board's dividend decisions.

Background

On 14 June 2024, the Exchange published the Consultation Paper to seek market feedback on the proposed enhancements to the CG Code and related Listing Rules. Please see [here](#) for the summary of the Consultation Paper.

The consultation period ended on 16 August 2024. The Exchange on 19 December 2024 published its Consultation Conclusions, confirming the adoption of its consultation proposals, subject to certain modifications and clarifications, with effect from 1 July 2025.

Key amendments

The key amendments to the Listing Rules are summarised below:

Aspects	Key changes	
Board effectiveness improvements	- The designation of a Lead INED (where the board chair is not independent) as a voluntary practice (New recommended best practice), with mandatory enhanced disclosures on shareholder engagement (<i>New code provision of the CG Code (the "New CP")</i>). - Annual director training on specific topics, with a minimum of 24 hours of training for first-time directors (including directors who have no prior experience as a director of an issuer listed on the Exchange or have not served as a director of an issuer listed on the Exchange within the three years prior to their appointment) within the first 18 months of appointment. The minimum training hours for first-time directors with listed issuer directorship experience on other exchanges will be 12 hours (<i>New rule</i>). - Regular board performance reviews and the disclosure of a board skills matrix (<i>New CP</i>). - Cap on "overboarding" – the INED must not concurrently hold more than six Hong Kong-listed issuer directorships, with a three-year transition period (i.e. compliance by the first annual general meeting (the "AGM") held on or after 1 July 2028) (<i>New rule</i>). - Disclosure of annual assessment by nomination committee on individual director's time commitment and contribution to the board (<i>New mandatory disclosure requirement under the CG Code (the "MDR")</i>).	
Strengthening board independence	Exclusion of Long Serving INEDs from an issuer's board (<i>New rule</i>), with a new phased implementation over an extended six-year transition period as follows:	
	Timing	What is required
	Phase one - compliance by the first AGM held on or after 1 July 2028	Majority of INEDs on an issuer's board must not be Long Serving INEDs

Aspects	Key changes	
	Phase two - compliance by the first AGM held on or after 1 July 2031 An issuer must not have any Long Serving INED on their board <i>Illustration for December financial year-end issuers</i> The diagram illustrates the phased implementation of the new corporate governance code for December financial year-end issuers. It shows a timeline from 1 Jan 2025 to 2032 AGM. Key milestones include: Rule effective on 1 Jan 2025 and 1 Jul 2025; a transition period with a cap on Long Serving INEDs (Phase one) leading to a complete phase out (Phase two) by the 2032 AGM.	
Promoting diversity	- The nomination committee to comprise directors of different genders (<i>New CP</i>). - Annual reviews of board diversity policy (<i>Upgraded to MDR</i>). - A workforce diversity policy (<i>New rule</i>).	
Enhancing risk management and internal controls	Review to be conducted at least annually and enhanced disclosures of the review and findings (<i>Upgraded to MDR</i>).	
Better capital management	Enhanced disclosures of an issuer's dividend policy and its board's dividend decisions (<i>New MDR</i>).	

Next steps

The new requirements will come into effect on 1 July 2025 and apply to corporate governance reports and annual reports for financial years commencing on or after 1 July 2025, with transitional arrangements for the cap on "overboarding" and the cap on INED tenure as set out above.

The Exchange will publish updated guidance in the first half of 2025 to assist issuers' compliance with the new requirements.

Given the complexity and broad implications of the proposed amended Listing Rules, we strongly advise issuers to consult legal advisors. Early preparation and expert guidance will be key to navigating this regulatory evolution successfully.

Contact us



Danny Kan

Partner

T: +852 2533 2758

E: danny.kan@shlegal.com



Amy Yu

Partner

T: +852 3166 6946

E: amy.yu@shlegal.com



David Chan

Associate

T: +852 2533 2775

E: david.chan@shlegal.com



Angela Ng

Associate

T: +852 2533 2706

E: angela.ng@shlegal.com

Stephenson Harwood is a law firm of over 1300 people worldwide, including 200 partners. Our people are committed to achieving the goals of our clients – listed and private companies, institutions and individuals.

We assemble teams of bright thinkers to match our clients' needs and give the right advice from the right person at the right time. Dedicating the highest calibre of legal talent to overcome the most complex issues, we deliver pragmatic, expert advice that is set squarely in the real world.

Our headquarters are in London, with eight offices across Asia, Europe and the Middle East. In addition, we have forged close ties with other high quality law firms. This diverse mix of expertise and culture results in a combination of deep local insight and the capability to provide a seamless international service.