

Bad weather arrangements for shareholders' meetings

Probably the overwhelming typhoon news may make you think about bad weather arrangements for your shareholders' meetings. Let's have a quick review on the current market practice now.

Should shareholders' meetings be adjourned due to bad weather?

The Listing Rules do not explicitly mandate the adjournment of shareholders' meetings due to bad weather. However, one of the principles set out in the Corporate Governance Code is:

(http://en-rules.hkex.com.hk/net_file_store/new_rulebooks/h/k/HKEX4476_3828_VER10.pdf)

“The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.” (E.1 CG Code)

A general meeting is a major corporate event. It allows shareholders, company management and directors to examine and make decisions on important affairs of the company. Independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders (A.6.7 CG Code). And, chairmen and/or members of board committees should be available to answer questions at the annual general meeting (E.1.2 CG Code).....

Holding a shareholders' meeting when public transportation is suspended during typhoon signal no. 8 or above is hoisted, is certainly not an effective way to communicate with your shareholders and the above objectives would not be achieved. Also, if most shareholders could not attend the meeting, would it comply with the General Principles of the Listing Rules that “all holders of listed securities are treated fairly and equally”? (M.L.R. 2.03(4)) (http://en-rules.hkex.com.hk/net_file_store/new_rulebooks/h/k/HKEX4476_1942_VER10.pdf)

However, Chairmen of the meeting may have concerns to adjourn a meeting. For example, would the directors and meeting venue be available if the meeting is adjourned? The payment date of dividend to be approved in the shareholders' meeting may also need to be deferred. Some listed issuers, therefore, have chosen to deviate from the Corporate Governance Code. For example, there was a recent news report about a listed issuer which held its shareholders' meeting at the entrance of the meeting venue (the venue was not opened) when typhoon signal no. 10 was hoisted (http://news.mingpao.com/ins/instantnews/web_tc/article/20170823/s00002/1503456792190).

Luckily, there was no reported damage to its shareholders' safety. Otherwise, the company's reputation would also be damaged.

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Issue an announcement when it is anticipated that the shareholders' meeting may be affected by bad weather

When there is a risk that the weather condition may deteriorate at the time originally scheduled for a shareholders' meeting, some listed issuers may publish an announcement and inform the public the bad weather arrangements and, if necessary, adjourn the meeting. Please find below for your reference the link to some announcement samples:

HKR International Limited (stock code: 00480):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0822/LTN20170822204.pdf>

Luk Fook Holdings (International) Limited (stock code: 00590):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0822/LTN20170822712.pdf>

It is noted that some companies may have different arrangements for typhoon and black rainstorm, as for the latter, the public transportation is relatively less affected.

Arrangements to be made prior to a shareholders' meeting

Instead of making a hasty last-minute effort, section 2.4 of the *Guide on General Meetings* published by HKEX suggests http://www.hkex.com.hk/eng/rulesreg/listrules/guideref/documents/gm_guide.pdf:

“2.4 Typhoon or black rainstorm warning: General meetings sometimes may be interrupted by bad weather. Issuers, particularly those whose general meeting is held in typhoon or heavy rainfall seasons, should include arrangements, for example, setting a hotline, for a typhoon or black rainstorm in their announcement or circular about the general meeting and be aware of the need to issue an announcement regarding the typhoon/black rainstorm arrangements when it is anticipated that the general meeting may be affected by a typhoon or a black rainstorm.”

CLP Holdings Limited (stock code: 00002) is one of the examples that take precautionary measures in advance:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0327/LTN20170327313.pdf>

Recommendation

Since there is different practice in the market, shareholders would need to check whether or not a meeting would proceed as originally scheduled in case of bad weather. Therefore, do include arrangements, for example, setting a hotline, for a typhoon or black rainstorm in your notice of meeting as suggested by the HKEX guidelines.

Be prepared for a rainy day. Please also check the provisions of your company bye-laws relating to adjournment of meeting.

By **Maria Kwan** 5 September 2017

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