Charltons - Hong Kong Law Newsletter - 17 May 2004

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# Summary Of Changes To The GEM Listing Rules Effective March 31, 2004

## *O. Directors' Contracts, Remuneration And Appointments*

### 1. Directors' Service Contracts (Rule 17.90)

The Rules have been amended to require the prior approval of shareholders (other than the relevant director and his associates) for a service contract that is to be granted to a director of the listed issuer or any of its subsidiaries which:

1. may exceed a period of 3 years; or
2. requires the issuer to give more than one year's notice or pay compensation of more than one year's remuneration, in order to terminate the contract.

The Rules are also amended to require the issuer's remuneration committee (if any and provided it has a majority of INEDs) or an independent board committee to advise shareholders (other than shareholders who are directors with a material interest in the service contracts and their associates) on any such contract and as to how to vote. See paragraph S.4 below for the requirements for contracts entered into before March 31, 2004.

### 2. Disclosure of Directors' Remuneration

The Rules have been amended to require listed issuers to disclose individual directors' and past directors' emoluments on a named basis in its financial statements (Rule 18.28).

## *P. Disclosure Of Information*

### 1. New Announcement Requirements

There are new requirements for issuers to include the following details in relevant announcements:

1. biographical details of any newly appointed or redesignated director (or supervisor of a PRC company);
2. the reasons given by a director (or supervisor) for his resignation and a statement as to whether there are any matters needing to be brought to the attention of holders of the issuer's securities; and
3. the reason(s) for any change in the issuer's auditors or financial year end and any other matters that need to be brought to the attention of the holders of the issuer's securities, including information set out in the outgoing auditors' confirmation in relation to the change. The issuer must state in the announcement whether the outgoing auditors have provided confirmation that there are no matters needing to be brought to the attention of holders of securities or explain why such confirmation has not been provided.

*This memorandum is intended only to highlight some of the principal amendments to the GEM Listing Rules. Specific advice should be sought in relation to any particular situation.*

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