

Part B Consultation Questions

Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at: <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/July-2020-Paperless-Listing/Consultation-Paper/cp202007.pdf>. Please indicate your preference by ticking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages.

We encourage you to read all of the following questions before responding.

1. Do you agree with our proposal to amend the Listing Rules to require (i) all listing documents in a new listing ("**New Listing**")¹ to be published solely in an online electronic format and cease printed form listing documents; and (ii) except for Mixed Media Offers², all New Listing subscriptions, where applicable, to be made through online electronic channels only?

Yes

No

Please give reasons for your views.

When the consensus of the modern world is that we should strengthen our environmental protection efforts, reduce unnecessary cutting of trees and step-up our efforts in the preservation of rain forests, the existing prospectus printing regime is simply out-dated and contradictory to that.

We agree with the "Reasons for Change" section in the Consultation Paper and, therefore, support the proposal.

2. As a consequence of our proposal in Question 1, do you agree with our proposal to amend the Listing Rules to remove the requirement for listed issuers to make available physical copies of listing documents to the public at the address(es) set out in a formal notice?

Yes

No

Please give reasons for your views.

¹ "New Listing" refers to an application for listing of equities (including stapled securities and depositary receipts), debt securities and collective investment schemes ("**CIS**") on the Exchange by a new applicant where a listing document is required under the Listing Rules but excludes a Mixed Media Offer. For the purpose of the Consultation Paper, debt securities refer to debt securities (including debt issuance programmes) listed pursuant to chapters 22 to 36 of Main Board Listing Rules and chapters 26 to 29, 32 to 35 of GEM Listing Rules.

² "Mixed Media Offer" refers to an offer process whereby an issuer or a CIS offeror can distribute paper application forms for public offers of certain securities without a printed prospectus, so long as the prospectus is available on the HKEX website and the website of the issuer/CIS offeror and it makes printed prospectuses publicly available free of charge upon request at specified locations (which do not have to be the same locations as where the printed application forms are distributed).

We agree with the "Reasons for Change" section in the Consultation Paper and support the proposal.

3. Do you agree with our proposal to require issuers to only post documents³ online on both the Exchange's e-Publication System and the issuer's website ("**Online Display Documents**") and to remove the requirement for their physical display?

Yes

No

Please give reasons for your views.

We wonder, in the modern world, what would be the rationale for maintaining the requirement for physical display whilst it is so convenient and user friendly to retrieve a document online. In an era when most of our citizens read newspapers online, there is a need to review the existing Listing Rules and the proposal has been rightly made.

The world has apparently changed since the introduction of smartphones. When usage of the internet and smartphones has apparently become an essential part of every citizen's daily lives, the old argument that a potential investor may be deprived of access to information should we remove the requirement for physical display simply cannot stand. The regimes in the US and the UK work perfectly and we do not see any requests being advocated there to offer public inspection as an alternative to online display of information.

4. Do you agree that Online Display Documents should be displayed online for a specified period⁴ except for those documents that are required by the Listing Rules to be made available on an ongoing basis?

Yes

No

Please give reasons for your views.

³ Such documents are listed in Appendix I to the Consultation Paper, save for the changes proposed in respect of notifiable transactions and connected transactions as set out in Section G of the Consultation Paper.

⁴ The time frames are set out in Appendix 1 to the Consultation Paper.

Whilst we support the spirit of the proposals generally, we have concerns with respect to making material contracts (document 4), directors service contracts (document 7) and contracts referred to in connected transactions circular (document 9) online.

For material contracts in relation to major transaction or above or contracts referred to in connected transactions circular without any offer of shares/debt securities to the public, there is currently no requirement to make them publicly available online.

For directors' service contracts other than in a takeover's scenario, there is currently no requirement to make them available online. In the Hong Kong market, the prevalence of a Chapter 14 major transaction or above with no takeovers implications is common as compared to takeovers transactions. Adopting the proposal could mean that issuers will need to make their directors' service contracts online a lot more frequently than before.

These documents may contain confidential information, sometimes even trade secrets, proprietary information and directors remuneration details. At present, the Consultation Paper lacks convincing analysis rebutting the concerns in allowing parties such as potential competitors of the issuers, short selling agencies, reporters with a political agenda or anybody who has internet access to access all such confidential information a lot more easily through a much more readily accessible method. We suggest that the HKEX, the SFC and market participants should engage in more thorough discussions, comparing the practices adopted in other jurisdictions and preferably having a separate consultation on this issue before adopting any change.

We also look at this issue with question 5 together. If we support this proposal on the basis that the Listing Division will have to grant specific disclosure relief a lot more frequently than before so as to redact the confidential information, we worry that this would massively increase the regulatory burden of the Listing Division since the granting of such relief is very much judgemental on a case-by-case basis. We do not support changing the existing redaction practice and therefore we also do not support making material contracts (document 4), directors service contracts (document 7) and contracts referred to in connected transactions circular (document 9) online.

5. Do you agree that the Exchange should continue to allow redaction of Online Display Documents in only very limited circumstances?

Yes

No

Please give reasons for your views.

We consider the existing practice adequate.

6. Do you agree that the current definition of "material contract" remains fit for purpose and that the Exchange should continue to apply it under our proposals?

Yes

No

Please give reasons for your views.

The existing practice on what constitutes a "material contract" appears to work fine and advisors are used to the interpretation and practice in this regard. We do not consider that there is a need to change.

7. Do you agree that restrictions should not be placed on downloading and/or printing Online Display Documents?

Yes

No

Please give reasons for your views.

We fail to see the rationale or justification in prohibiting a reader to download or print an Online Display Document. We are also not aware that other major markets have such a practice, which appears contradictory to information freedom.

8. Do you agree with our proposal not to put in place a system that would enable issuers to record and verify the identity of a person who accesses Online Display Documents?

Yes

No

Please give reasons for your views.

We fail to see the rationale or justification in such proposal. It is contradictory to information freedom and may also negatively impact the image of the Hong Kong market should we adopt this proposal.

9. In respect of a relevant notifiable transaction⁵, do you agree with our proposal to:
- i) require the issuer to display the contracts pertaining to the transaction only; and
 - ii) remove the requirement to display all material contracts entered into by the issuer within the last two years before the issue of the circular?

Yes

No

Please give reasons for your views.

However, we do not support displaying the contracts pertaining to the transaction online. Please see our response to question 4 above.

10. In respect of a connected transaction that is subject to the shareholders' approval requirement, do you agree with our proposal to:

- i) require the issuer to display the contracts pertaining to the transaction only; and
- ii) remove the requirement to display contracts referred to in the circular and directors' service contracts⁶?

Yes

No

Please give reasons for your views.

However, we do not support displaying the contracts pertaining to the transaction online. Please see our response to question 4 above.

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⁵ A relevant notifiable transaction refers to a major transaction, a very substantial disposal or a very substantial acquisition as defined in the Consultation Paper.

⁶ Excluding contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).