



By email (response@hkex.com.hk)

24 September 2020

Our Ref.: C/CFAP, M127406

Corporate and Investor Communications Department
Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

Re: Proposals to introduce a paperless listing and subscription regime, online displays of documents, etc.

The Hong Kong Institute of CPAs' Corporate Finance Advisory Panel has reviewed the Consultation Paper on "Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display". While we support the general direction of the Stock Exchange of Hong Kong Limited's proposals to introduce a paperless listing and subscription regime, and streamline the requirements for display of documents by listed issuers, we have some comments on certain specific proposals, as indicated in the attached completed questionnaire.

The objective of the proposals should include making documents published in accordance with the new requirements no less accessible and transparent than is currently the case with the requirements for both online and printed documents. Paragraph 88 of the consultation paper makes clear that there is no intention to change the language requirements applicable to documents on display. Further clarification may therefore be required regarding the proposal in paragraph 128, to add a note to Main Board Rule 2.07C(4)(b) (GEM Rule 16.03) that the requirement to publish documents pursuant to the rule in both English and Chinese, unless otherwise stated, does not apply to documents on display. Under the circumstances, it may need to be confirmed that none of the documents referred in the note is currently required to be published in both languages.

If you have any questions on this submission, please feel free to contact me at the Institute by telephone on [REDACTED] or email [REDACTED]

Yours faithfully,

[REDACTED]

Peter Tisman
Director, Advocacy & Practice Development

PMT/NCL/pk
Encl.

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.

We generally agree with the proposal, provided that the main listing documents are made available in an easily accessible, searchable, downloadable and printable form. It has become increasingly convenient for most investors to access listing documents online. It is also more cost effective for listed issuers publish such documents online only and, at the same time, a better option from the environmental point of view. However, investors should not be prevented from downloading documents and reading some or all of them in a printed form, which some may find easier than reading entire documents on screen.

There should not be a significant impact on market participants as the vast majority of investors already access listing documents through electronic channels.

In addition, the Exchange could consider taking this opportunity to phase out Mixed Media Offers, as part of the introduction of a paperless subscription regime, to align with its objective of promoting the adoption of electronic means in new listings.

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

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).

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.

We agree with this proposal. Despite the suggestion in paragraph 54, that, with the proposed changes to the Listing Rules and the requirements under C(WUMP)O, "it follows that, under the law, both the listing documents and the application forms must be issued in the same medium, i.e. in electronic format only", we believe that there should not be anything legally stopping an issuer making some printed copies of the prospectus available for public viewing, in addition to making electronic copies available. Therefore, the Exchange may consider to leaving it as an option for listed issuers to make some physical copies of the prospectus (without the forms) publicly available for viewing purposes only, subject to the issuers' own business needs.

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 agree with the proposal. As mentioned in our response to Q2, the option to make some printed copies of prospectuses available for viewing, while fulfilling the requirement for electronic issuance of listing documents, need not be ruled out altogether.

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.

We agree with this proposal, on the understanding that these documents are required by the Listing Rules, or other relevant legislation, to be displayed for public access. They should be displayed online for at least as long as currently required by the Listing Rules for physical display.

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 agree with this proposal.

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.

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.

We agree with this proposal.

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 agree with this proposal. Please see the response to Q1.

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 agree with 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.

We understand the Exchange's objective of trying to streamline the documentary requirements. Nevertheless, we consider that, although the documents referred to in paragraph 117(a)(ii) of consultation paper (i.e. the constitutional documents or equivalent documents of the issuer, the audited accounts for the issuers for the last two financial years, and a copy of each notifiable and/ or connected transaction circular issued by the issuer since the latest published audited accounts) and the material contracts entered into by the issuer within the last two years before the issue of the circular, will already be published on the Exchange's website and the issuer's website, it would be more convenient for investors to be able to access to those documents, together with the circular, centrally in one place. We suggest, therefore, that the relevant links to those documents, be embedded, together with the circular, on the Exchange's website and the issuer's website for the investors' ease of reference. Hence, we suggest that the requirement to display the abovementioned documents (including via hyperlinks) be retained .

Further, if the current transaction is part of a series of transactions, or where it is related to a transaction announced within the past 2 years (or 3 years to align with general continuing connected transaction mandate period), the previously displayed documents that are relevant to the current transaction should be displayed again together with the documents for the current transaction, for investors' easy reference.

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?

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).

Yes

No

Please give reasons for your views.

Please see our reply to Q9.

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