

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

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).

Please give reasons for your views.

We agree with the proposals. The Internet is a mature and mainstream technology and an effective means for dissemination and access of information. Accessing documents and making New Listing subscriptions online are no stranger to the investing public, and electronic documents are easy to distribute, more cost efficient and conducive to reducing carbon footprint. These proposals also demonstrate the commitment of Hong Kong and the Exchange to uphold a leading status not only as an international financial centre but also in sustainability and ESG.

However, given that Hong Kong is a unique market with wide participation by retail investors of diversified backgrounds, some of whom may be less technically savvy, the Exchange may wish to consider addressing the needs of those investors by implementing alternative channels itself or by cooperating with or requiring exchange participants to do so.

The success of Alibaba's first paperless IPO in 2019, a leading e-commerce and digital platform, sets a good precedent for new listing applicants to follow suit.

The introduction of the fully paperless listing and subscription regime would provide administrative and cost efficiencies to listing applicants and other parties involved in a New Listing, such as reducing the time involved in printing and subsequent logistics arrangements. It also allows swifter dissemination of and prompt access to documents and information to investing public.

In addition, it resolves issues that may hinder the physical distribution of New Listing documents, such as public events, disruptions to normal business hours of receiving banks, underwriters and stockbrokers, and social distancing due to COVID-19 or other pandemic outbreak.

Fully paperless listing and subscription regime would also be a cornerstone of compliance with ESG requirements upon listing for listing applicants.

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.

We agree with the proposal 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.

While the present requirement to do so is observed by listed issuers and generally known to investing public, in reality it is quite rare that those documents are physically accessed by inspecting parties due to such reasons as the hassle of physical attendance for inspection (particularly for those investors located overseas), the time restrictions imposed by the office of the listing applicant or its counsel in which the copies of the New Listing documents are kept, and concerns of identity verification and recording.

The recent COVID-19 pandemic and the associated travel restrictions and precautions have also accelerated and amplified the need for making available means other than physical attendance.

Similar to reasons mentioned in Question 1, this proposal will bring the same benefits to applicants and investing public, offering them administrative and cost efficiencies and greater accessibility to the New Listing documents.

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 to require issuers to only post the documents listed in Appendix I of 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) online on both the EPS and the issuer's website and to remove the requirement for their physical display.

Again, the Internet is a mature and mainstream technology and an effective means for dissemination and access of information. Accessing documents online is no stranger to the investing public, and electronic documents are easy to distribute, more cost efficient and conducive to reducing carbon footprint. These proposals also demonstrate the commitment of Hong Kong and the Exchange to uphold a leading status not only as an international financial centre but also in sustainability and ESG, complementing nicely with the Exchange's paperless initiatives.

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. 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 that documents listed in Appendix I to the Consultation Paper should be displayed online for the periods set out in that appendix except for those documents that are required by the Rules to be made available on an ongoing basis.

For documents only required to be displayed online for a specified period, the Exchange may consider encouraging listed issuers to make those documents available on an ongoing basis after the prescribed time frames as a matter of recommended best practice to promote high standards of transparency.

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

Yes

No

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

Please give reasons for your views.

We generally agree that the Exchange should continue to allow redaction of documents on display in only very limited circumstances. However, we observe the same analysis as set out in paragraph 103 of the Consultation Paper that as a result of the documents on display becoming more widely accessible, there may be an increase in enquiries and applications to the Exchange for redaction.

The Exchange may have received only a handful of requests to redact documents on physical display in the past due to listed issuers' view of the unlikelihood of actual access of, and the limited period for, documents on physical display. As such, it is likely to result in an increase of applications for redactions and specific disclosure relief for online display if the current proposals are implemented as compared with physical display in the past.

In light of the possible increased applications for redactions, the Exchange may consider providing more guidance to issuers and market practitioners in relation to its grant of waiver on applications for disclosure relief.

While we appreciate that each individual application is to be decided on a case-by-case basis and that the Exchange is prepared to amend the Waiver Guide to accommodate data privacy concerns, the Exchange may consider adopting a pre-emptive approach when handling waiver applications, taking into account that some issuers may have legitimate considerations over the confidentiality or sensitive commercial terms in the documents on display.

In anticipation of more applications to the Exchange for redaction by issuers, it would also inevitably increase the cost of publication and lengthen the time for making such application and vetting by the Exchange. As such, any guidance should be clear and easy to follow. Otherwise this proposal may risk creating a time-consuming exercise for issuers, professional advisors and market participants thus defeating the purpose of having a streamlined eco-friendly change in the first place.

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 that the current definition of "material contract" remains fit for purpose and that the Exchange should continue to apply it under the proposals. The current definition of a "material contract" has been well understood by listed issuers, professional advisors and market practitioners.

The nature of a material contract does not change regardless of whether it is available online or not.

Prior to the proposals, the material contracts have to be registered with the Companies Registry accompanying the prospectus and will be available for download by public in any case. Therefore, it has nothing to do with revisiting the definition of "material contract" so as to address potential issue in paragraph 103 of the Consultation Paper.

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 that restrictions should not be placed on downloading and/or printing Online Display Documents. Any restrictions may defeat the purpose of making them available for display and inspection by the investing public.

To supplement paragraph 109 of the Consultation Paper, the public could simply download an electronic scanned copy of documents on display from the Companies Registry as well as ordering them in a CD-ROM format, giving them the liberty to peruse, retain and print at their own accord free from restrictions.

If there's no change to the publication regime by the Companies Registry and/or SFC, it is unnecessary to work differently to impose restrictions on downloading and/or printing the Online Display Documents, which may adversely cause confusion to the market practitioners and the investing public.

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 the proposal not to put in place a system that would enable issuers to record and verify the identity of a person who accesses documents on display online. This is consistent with the practice of other regulators and government authorities and the fact that it would be very difficult in practice to do so and may defeat the purpose of making them available for display and inspection by the investing public.

We agree that such a system would unnecessarily increase administrative burden to issuers and may raise personal data collection and data privacy issues, which serves no greater purpose than simply knowing "who is reading the Online Display Documents".

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 agree with the proposal to (i) require the listed 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.

The contracts pertaining to the relevant notifiable transaction in question are most relevant and material for providing shareholders and potential investors with information additional to that set out in the circular and opportunity to conduct their own due diligence if they so wish to understand the transaction further.

This proposal would reduce documentary burden and streamline circular disclosures.

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.

We agree with the 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 relevant directors' contracts.

The contracts pertaining to the relevant connected transaction are most relevant and material for providing independent shareholders and potential investors with information additional to that set out in the circular and opportunity to conduct their own due diligence if they so wish to understand the transaction further.

This proposal will reduce documentary burden and streamline circular disclosures.

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