

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.

The paperless prospectus waivers have become widespread. The paper is a waste of resources. This change is overdue.

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.

Physical copies are redundant, and it is inefficient (and disproportionately expensive) to have small print runs to cater to the remote possibility that a very limited number of potential investors will still require a physical copy

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).

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.

In my 20 years of practising in Hong Kong, I am aware of only one instance where someone actually inspected the physical documents (and it was a junior from my team that I instructed to go and inspect a contract)

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.

The online requirement should track the former physical requirement, and therefore be limited in time duration.

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.

This is going to be a critical issue for biotechnology companies - particularly where they enter into in-licensing or other commercial agreements that may contain technical or other details of significant commercial sensitivity.

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.

The definition should be clarified to ensure that the "materiality" component is properly incorporated. At the moment the definition is ambiguous and could in theory capture any contract not in the usual course of business - which could in some cases (if a "materiality" is not applied), result in a disproportionate number of documents being disclosed, which may or may not be meaningful to investors. We think that a contract that would be neither discloseable under Chapter 14 or 14A (if the company was a listed issuer) should be clearly stated to not be covered by the definition.

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 think this will encourage issuers and their professional advisers seeking innovative ways to shift some details from the documents on display into "side letters" and other documents that do not strictly constitute material contracts. If downloading is going to be permitted without restriction, we think the Exchange ought to give consideration to whether some guidance can be provided on which provisions of contracts may be redacted upon application (and the considerations that the Exchange will take into account when considering applications).

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.

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.

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.

- End -

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).