

Issued on: 23 September 2020

**The Exchange's Consultation Paper on
Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of
Documents and Reduction of the Types of Documents on Display**

In relation to the captioned consultation paper, The Hong Kong Institute of Directors has the following views and comments.

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General comments

The present consultation is on proposals to introduce a fully paperless listing and subscription regime, replace the requirement of physical display of documents for inspection with the requirement of online publication and reduce the types of documents mandatory for display for notifiable transactions and connected transactions.

HKIoD welcomes the proposals.

With the high Internet penetration rate worldwide, business and many other parts of our daily lives have been moved online. People are less reliant on paper. Many other Hong Kong and overseas regulators have allowed documents to be published or displayed online. The current paper-based requirements have become outdated.

HKIoD holds the belief that the proposals can reduce paper consumption and save costs and time for listing and compliance with the Exchange's document display requirements. It demonstrates the Exchange's and encourage companies' commitment to environmental sustainability. The proposed amendments would also align the requirements of the Exchange with international practices.

In the past, the Exchange has granted waivers to issuers to allow fully paperless subscription process for their Hong Kong public offer tranche. The vast majority of applications under Hong Kong public offer tranche in recent years were made electronically. For online document display and reduction of mandatory display documents, most of the documents subject to the proposed amendments are already required to be made accessible online by other Hong Kong regulators or to be disclosed under the Listing Rules. HKIoD believes that the proposals would not create any particular hardship and issuers are ready for the change.

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Consultation questions

Subject to the general comments above, we state below our response to specific questions as set out in the Consultation Paper.

Question 1	Do you agree with our proposal to amend the Listing Rules to require (i) all listing documents in a new listing (“New Listing”) to be published solely in an online electronic format and cease printed form listing documents; and (ii) except for Mixed Media Offers, all New Listing subscriptions, where applicable, to be made through online electronic channels only? Please give reasons for your views.
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HKIoD response

- AGREE on both (i) and (ii)
 - The Internet is commonly used nowadays in daily lives and the Exchange has in the past granted waivers to allow fully electronic subscription process. The market is ready for fully paperless listing and subscription.
 - If issuers wish to provide printed application forms to the prospective public subscribers, they may conduct Mixed Media Offers.

Question 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? Please give reasons for your views.
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HKIoD response

- AGREE
 - With the proposed amendments, prospective public subscribers can access to the listing documents anywhere with their electronic devices and may print them out if they think it is necessary. There is no need for issuers to make physical copies available.

Question 3	Do you agree with our proposal to require issuers to only post documents 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? Please give reasons for your views.
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HKIoD response

- AGREE
 - The Internet and electronic gadgets are routinely used by the investing public. Very few people would travel to the designated locations to inspect documents. The proposed amendment can allow the public to access the documents anytime, anywhere.

Question 4	Do you agree that Online Display Documents should be displayed online for a specified period except for those documents that are required by the Listing Rules to be made available on an ongoing basis? Please give reasons for your views.
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HKIoD response

- AGREE
 - The Online Display Documents would only be relevant to the investing public's and shareholders' consideration, evaluation and decision making for a limited period of time. There is no need and it would be onerous to require issuers to maintain the availability of Online Display Documents for an indefinite period of time.

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

- AGREE
 - The current case-by-case approach strikes a balance between the public and the issuers' interests.

Question 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?
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HKIoD response

- AGREE
 - The current scope of material contracts remains appropriate in the context of online display.

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

- AGREE
 - Shareholders and the investing public should have the freedom to download and print the Online Display Documents.

Question 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?
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HKIoD response

- AGREE
 - It would seem undesirable for issuers to incur costs to build in a system for identity verification.

Question 9	<p>In respect of a relevant notifiable transaction, do you agree with our proposal to:</p> <ul style="list-style-type: none"> (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? <p>Please give reasons for your views.</p>
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HKIoD response

- AGREE on both (i) and (ii)
 - Material information, including information regarding material contracts, relating to issuers in the last two years should have been disclosed by the issuers on a continuous basis under the Listing Rules.
 - The proposed amendment aligns the rules with the standard of other stock exchanges.

Question 10	<p>In respect of a connected transaction that is subject to the shareholders' approval requirement, do you agree with our proposal to:</p> <ul style="list-style-type: none"> (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 contracts? <p>Please give reasons for your views.</p>
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HKIoD response

- AGREE on both (i) and (ii)
 - Material information, including information regarding material contracts, relating to issuers in the last two years should have been disclosed by the issuers on a continuous basis under the Listing Rules. Directors' service contracts not relevant to the transaction in question do not warrant separate disclosure.
 - The proposed amendment aligns the rules with the standard of other stock exchanges.

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