



September 24, 2020

**BY EMAIL & POST**

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

Dear Sirs

**Re: Paperless Listing and Documents on Display CP**

The Chamber of Hong Kong Listed Companies is pleased to submit our response to the captioned consultation paper. Our answers and comments to the consultation questions are provided in the following:

**Q1 & Q2**

We support the proposals to publish listing documents in a New Listing via online electronic format only, and in relation to that, new listing subscriptions, except for MMOs, shall only be made through online electronic channels. The requirement of having physical copies of listing documents available to the public would therefore be redundant.

We would like to make a remark on two points: First, the investors' right to opt for physical share certificates in an IPO shall not be affected by this new arrangement until the Uncertificated Securities Market legislation comes into effect. Investors shall continue to be able to choose to own paper certificates through subscribing directly to the share registrars of the IPO issuers.

Second, the removal of requirement of providing printed prospectus to the public should not lead to a shortening of the exiting timeline of the IPO process, any change of which should be a subject of a separate consultation. Issuers are still required to lodge hard copy of the prospectus to the Registrar of Companies and that still requires a fair amount of preparation time.



### Q3 and 4

In tackling these questions, we considered that although the move to online display from physical display is a more streamlined arrangement, it does change how the public gains access to company information and affect the company's ability to keep track of who is accessing the information.

By having the documents on physical display for inspection at designated locations, listed issuers can request that appointments must first be made, thus allowing them to maintain a record of who have read the documents. Members of the public who take the effort to make a visit to inspect the document will at least be serious about it and for a real purpose. Such control and knowledge will not be available to issuers once the documents go online. It is one thing to have disclosure to regulators and the public, it is quite another to give unrestrained access to everyone, including maybe business competitors without issuers knowing it.

In general, we agree to the proposals of requiring only online display of documents in many instances. This includes documents that are already on display on both the HKEX website and issuer's website on an ongoing basis, such as constitutional documents, audited financial information and previous transaction circulars. We have no problem for them to be freely viewed and downloaded as they have long been in the public domain.

But for other documents related to a New Listing or rights issue or open offer applications, such as the material contracts, director's service contract, valuation and expert reports, that have only been on physical display, we recommend that they should be password-protected when becoming online only. Members of the public, who wish to view them online, either on HKEX website or the issuer's website, will be directed to a registration page on the issuer's website. After providing simple personal identity information, same as what they would be asked to provide when they do a physical inspection, they would be given a password to unlock the documents. This step would not inhibit the right of the members of the public to view the documents, including those residing outside of Hong Kong. At the same time, this gives issuers a level of knowledge of who views their documents. These documents are what we call "source information" to support the listing applications. Much of their details would have been disclosed in the Prospectus or listing documents already. For interested parties who wish to make further study, having to first register is fair. Such password-protection and registration requirement shall apply to any other documents that are currently not required to be posted online, including those spelled out in paragraph 80 of the consultation paper.

The duration of these documents to be available for online inspection shall follow the current requirement.

**Q.5**

As we propose to have online documents password-protected and introduce a registration arrangement, the degree of public access to documents is similar to the present level, hence we agree that the redaction arrangement can follow the existing practice. But should our proposal be rejected, we envisage issuers would wish to redact the documents as much as possible so as to having a better sense of security of their business sensitive information. Such redaction requests should not be unreasonably declined by the Listing Division.

**Q.6**

We agree the current definition of “material contract” remains fit for purpose and applicable.

**Q.7**

We believe that the public’s right to access to documents should not deviate from the present arrangement. At present, documents which are on physical display at issuers’ office are for viewing on the spot only. No photocopy services are provided by the issuers. It therefore follows that documents which are moved online from physical display should not be freely-downloaded or printed (except for documents available from Companies Registry or takeovers-related documents on display at the SFC website as spelled out in paragraphs 109 and 110). Documents newly moved online should be password-protected, as aforesaid, with the printing and downloading functions disabled, technology permitting.

**Q.8**

Please see our answers for Q.3 and Q.4. Although issuers cannot verify the identity of the persons having access to online documents, making a record of the identity is necessary.

**Q.9 & Q.10**

We appreciate the Exchange’s proposals to remove the display requirements of all material contracts entered into by the issuer for notifiable transactions (major transaction, VSD and VDA) and to remove the requirement to display relevant directors’ contracts for connected transactions. We agree to this streamlined arrangement.

Yet, the remaining requirements to display contracts and expert reports pertaining to the notifiable transactions in question, and contracts pertaining to the connected transactions, while seems reasonable on the surface, are still not a straightforward



task. Such contracts related to transactions of a considerable size would always contain a large amount of business sensitive and confidential information. Disclosure of those would affect the interest of not just the issuers but the counterparty as well, and may lead to competitive issues. As listed issuers already need to prepare and issue a transaction circular for shareholders, all important and relevant information about the transaction would have been included in the circular, the necessity of making available the actual contracts, full of sensitive information and legalistic terms, is open to question.

We propose that the Exchange removes altogether the requirements of displaying the contracts and expert reports (as spelled out in paragraph 120), and the public can rely on the information contained in the circular, which have been vetted by the Listing Division, to assess the merit of the transactions.

We hope you would give the above your due consideration.

Regards

For and on behalf of

The Chamber of Hong Kong Listed Companies

Mike Wong

Chief Executive Officer