

Hong Kong Capital Markets Update



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HKEX's consultation on Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display

On 24 July 2020, the Stock Exchange of Hong Kong Limited (the Exchange) published a [consultation paper](#) (Consultation) seeking market views on proposals to introduce a paperless listing and subscription regime, online display of documents and reduction of the types of documents on display. The deadline for submissions is 24 September 2020.

Highlights

- The Exchange proposed to amend the Listing Rules for fully paperless listing documents and paperless subscriptions.
- The Exchange proposed to replace the requirement for certain documents to be physically displayed with a requirement for those documents to be published online.
- The Exchange proposed to reduce the types of documents that are mandatory for an issuer to display for notifiable transactions and connected transactions.
- The deadline for submitting responses to the Consultation is 24 September 2020.

Background

Under the current Listing Rules, all issuers of equities, debt securities and the Collective Investment Scheme (CIS) are required to issue listing documents in printed form unless the issuer is conducting a Mixed Media Offer (MMO). An application in printed form must be issued with or accompanied by a paper prospectus in the same medium in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Moreover, the current Listing Rules also require issuers to place various documents (such as material contracts, certain directors' service contracts, experts' consents and statement of adjustments) on display for physical inspection.

Printed-form listing documents and subscriptions are out-of-date, environmentally unfriendly as well as time and cost-ineffective. In addition, with advances in technology, it is not necessary for investors to travel to the location when an issuer has made physical copies of a document available for inspection. It is also impractical for overseas investors to access documents physically placed in Hong Kong.

Accordingly, the Exchange proposed the fully paperless listing documents and paperless subscriptions and requires the documents to be published online, to ensure the Listing Rules are current and reflect market developments as well as international best practice.

Key proposals

Fully paperless listing and subscription regime

The Exchange proposed to amend the Listing Rules to require (1) online publication only for all listing documents in New Listing¹; and (2) New Listing subscriptions, where applicable, to be made through online electronic channels only except for those issuers adopting an MMO.

Documents to be displayed online

Instead of requiring the issuers to display various documents for physical inspection, the Exchange proposed to replace with the requirement for issuers to publish these documents online for the same period as they are currently required to make them available for physical inspection.

Documents on display for notifiable transactions and connected transactions

The Exchange proposed the following amendments to streamline documentary requirements:

- to remove the requirements to display other material contracts entered into by the issuer within the last two years and certain directors' service contracts as they are not directly related to the notifiable transactions and/or connected transactions; and
- to remove the requirements for issuers to display their constitutional documents, audited accounts and previously published transaction circulars, as these documents are already published and available on the website of the Hong Kong Exchanges and Clearing Limited (HKEX) and the issuers' websites.

The impact of the Exchange's proposals is set out in **Appendix 1**.

If you have any questions about the matters discussed in this publication, please feel free to contact the following capital markets partners and directors.

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¹ An application for listing of equities (including stapled securities and depositary receipts), debt securities and CIS on the Exchange by a new applicant where a listing document is required under the Listing Rules but excludes an MMO.

Appendix 1: Summary of proposals

The impact of the Exchange's proposals is summarised as follows:

		Existing requirements	Proposed requirements
Fully paperless listing and subscription			
New Listings	<p>Listing documents, except for an MMO, must be available in both a printed format for collection at designated locations in Hong Kong and in an electronic format on the Exchange website and the issuer's website.</p>	<p>To require online publication only of listing documents in a New Listing.</p>	
	<p>For equity (including stapled securities and depositary receipts)/CIS public offerings, issuers must ensure public subscriptions can be made by filling in a paper application form, unless a waiver is granted.</p>	<p>For equity (including stapled securities and depositary receipts)/CIS public offerings (except for MMOs), to require public subscriptions be made through online electronic channels only.</p> <p>No change to the existing subscription channels for preferential offerings, debt securities and structured products.</p>	
Documents to be displayed online			
New Listings	<p>To display certain documents (including, where applicable, constitutional documents, material contracts, directors' service contracts, valuation and expert reports and audited accounts) in a printed format for physical inspection by the public at a specified location for a set period of time.</p> <p>Please refer to the next row for the existing and proposed requirements for New Listings of debt issuance programmes.</p>	<p>To display these documents online only on both the HKEX website and the issuer's website for the same period of time as currently required under the Listing Rules for physical inspection.</p>	
	<p>For debt issuance programme, to display: (a) listing documents for physical inspection by the public for as long as issues are made under the programme; and (b) certain documents (including constitutional documents, valuation and expert reports, audited accounts etc) for physical inspection by the public throughout the life of the programme.</p>	<p>To display these documents online only on both the HKEX website and the issuer's website for the same period of time as currently required under the Listing Rules for physical inspection.</p>	
Listed issuers (for equity securities) ▪ on an ongoing and continuous basis	<p>To display certain documents (including constitutional documents, audited financial information and previous transaction circulars) on both the HKEX website and the issuer's website on an ongoing and continuous basis.</p>	<p>No change to the current requirement.</p>	

	Existing requirements	Proposed requirements
<ul style="list-style-type: none"> ▪ in the case of an application for listing of equity securities where a listing document is required (e.g. rights issue or open offer) 	<p>To display certain documents (including, where applicable, constitutional documents, material contracts, directors' service contracts, valuation and expert reports, audited accounts and previously published transaction circulars) in a printed format for physical inspection by the public at a specified location for a set period of time.</p>	<p>To display these documents online on both the HKEX website and the issuer's website for the same period of time as currently required under the Listing Rules for physical inspection (except constitutional documents, audited accounts and previously published transaction circulars that are covered by the issuers' continuing obligations as mentioned above).</p>
<ul style="list-style-type: none"> ▪ for certain notifiable transactions 	<p>To display certain documents (including, where applicable, constitutional documents, material contracts, valuation and expert reports, audited accounts and previous transaction circulars) in a printed format for physical inspection by the public at a specified location for a set period of time.</p>	<p>In addition to the continuous disclosure proposed above, to display those contracts pertaining to the transaction and where applicable, valuation and expert reports, on both the HKEX website and the issuer's website for the same period of time as currently required under the Listing Rules for physical inspection.</p>
<ul style="list-style-type: none"> ▪ for certain connected transactions 	<p>To display all contracts referred to in the circular and directors' service contracts in a printed format for physical inspection by the public at a specified location for a set period of time.</p>	<p>To display those contracts pertaining to the transaction on both the HKEX website and the issuer's website for the same period of time as currently required under the Listing Rules for physical inspection.</p>
Listings of structured products	<p>To display certain documents (including valuation reports, expert reports, letters or documents extracted or referred to in the listing documents and current and future base listing documents) physically or online for so long as any structured products issued under a listing document are listed on the Exchange.</p>	<p>To only display these documents online on both the HKEX website and the issuer's website for so long as any structured products issued under a listing document are listed on the Exchange.</p>
	<p>(On an ongoing and continuous basis) To display certain financial information-related documents physically or online for so long as any structured products issued are listed on the Exchange. In addition, these documents are required to be published on the HKEX website as a mandatory requirement.</p>	<p>To only display these documents online on both the HKEX website and the issuer's website for so long as any structured products issued are listed on the Exchange.</p>