



PROPOSALS TO FURTHER EXPAND THE PAPERLESS LISTING REGIME AND OTHER RULE AMENDMENTS

THE LAW SOCIETY'S SUBMISSIONS

The Stock Exchange of Hong Kong Limited (the “SEHK”) issued a consultation paper on “Proposals to Further Expand the Paperless Listing Regime and Other Rule Amendments” (“**Consultation Paper**”) on 16 August 2024.

In response, the Law Society provides the following submissions. The same abbreviations and definitions appearing in the Consultation Paper are used in this submission.

Question 1 *Do you agree with the Electronic Instructions Proposal as detailed in paragraphs 29 to 45 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

The proposals align with the global trend towards environmentally sustainable practices, including the reduced use of papers. The option given to shareholders to submit Requested Communications via hard copies alongside the electronic option is a flexible approach to cater for securityholders of all background/demographic groups, which will help to facilitate a smooth transition.

However, additional guidance on how verification on the authenticity of Requested Communications may be helpful to issuers in light of the evolving landscape of online fraud and deception.

Question 2 *Do you agree with the implementation timeline (including the availability of transitional arrangements) for the Electronic Instructions Proposal as set out in paragraphs 47 to 54 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

We generally agree to the proposed transitional period of 2 years for the implementation for Electronic Instructions Proposal and the suggested approach to differentiate the transitional periods between the Standardised Requested Communications and Non-standardised Requested Communications. However, it is important to incorporate unambiguous parameters defining the two categories into formal guidance (e.g. FAQs).

Question 3 *Do you agree with the Real-time Electronic Payment Proposal as detailed in paragraphs 69 to 74 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

In light of the recent economic challenges some issuers are facing, it may be beneficial to allow the issuers to adopt the payment options readily available to the public at the issuers' discretion, rather than mandating the implementation of a particular payment channel alongside the range of options available.

Currently CHATS may not be a payment channel widely recognised by the public shareholders in Hong Kong. SEHK may consider enhancing marketing efforts to raise public awareness so that when issuers are ready to adopt CHATS, it will be more receptive to the public shareholders, which will in turn promote success of the proposal in a long run.

Question 4 *Do you agree with the Electronic Subscription Monies Proposal as detailed in paragraphs 83 to 89 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

The proposal is consistent with the trend on the digitalisation of monetary transactions. Since issuers will still be required to accept non-electronic payments at securityholders' choice, the proposal caters for securityholders of various kinds. We do not have further comment.

Question 5 *Do you agree that MMOs should no longer be available to issuers as set out in paragraph 99 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

As there had been limited demand for MMO recently according to the information provided by the Consultation, we agree with the proposal.

Question 6 *Do you agree with the Hybrid General Meeting and E-voting Proposal as detailed in paragraphs 129 to 134 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

In practice, a lot of the issuers have already looked into the hybrid general meeting and e-voting after SEHK updated the General Meeting Guide in February 2023. Issuers are therefore likely to be ready to revise their constitutional documents accordingly, if they have not already done so. This legal framework further promotes the adoption of VMT¹, which aligns with the global trend.

Question 7 *Should issuers be required to provide securities holders with an option to attend general meetings remotely and vote via electronic means (as set out in paragraph 135 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

Allowing attendance of general meetings remotely provides greater flexibility for securityholders to participate and encourages greater engagement of securityholders in an issuer's corporate actions. Given VMT platforms are widely available now, the proposal is therefore unlikely to cause major difficulties on the part of issuers. In light of the benefits, we agree with the proposal.

Question 8 *Should web accessibility guideline(s) (e.g. WCAG) be incorporated into, or referred to, in the Listing Rules (for example, the CG Code) or the SEHK's guidance, such that any corporate communications made available on issuers' website under the Rules should conform to such guideline(s), as set out in paragraph 146 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

The proposal promotes the principles of inclusivity and equality, which reflects a broader global trend and aligns the SEHK's approaches with international standards.

¹ VMT means a technology that allows a person to listen, speak and vote at a meeting without being physically present at the meeting, as defined under section 547(1) of the Companies Ordinance

This however may be an unconventional concept for the Hong Kong market and unavoidably increases the cost burden of issuers. Accordingly, it may be prudent to introduce these principles through a gradual, voluntary framework, rather than mandating immediate full compliance in a difficult market.

Question 9 *Do you agree with adding a new note to MB Rule 13.46(1) to clarify that the conditions for granting waivers from the publication and distribution requirements of annual results/reports also apply to issuers that are neither overseas issuers nor PRC issuers (see paragraph 151 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

Yes. We agree. There is no reason to differentiate issuers based on their places of incorporation on the topic of granting waivers for publication and distribution of annual results and reports.

Question 10 *Do you agree with the following proposed amendments to align requirements:*

- (a) to amend paragraph 12B of Appendix D2 to the MB Rules (GEM Rule 18.39B) to remove the annual affirmation requirement for independent non-executive director (see paragraph 152 of the Consultation Paper);*
- (b) amend MB Rule 9.11(33) (GEM Rule 12.25(2)) to more accurately reflect the documentary requirements for the registration of a prospectus of C(WUMP)O (see paragraph 154 of the Consultation Paper);*
- (c) to remove GEM Rule 18.50C to align the requirement on the timeframe for submission of annual report with the MB Rules (see paragraph 155 of the Consultation Paper); and*
- (d) to align the market capitalisation information required on Main Board and GEM listing application forms (see paragraph 157 of the Consultation Paper)?*

Please give reasons for your views.

Law Society's response:

We do not have objection as the proposed amendments seem more a house-keeping exercise to align the requirements between different sets of rules.

Question 11 *Do you agree with the proposal to amend MB Rule 2.07C to cover the types of announcements mentioned in paragraphs 158 and 159 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

We have no objection for better investors' protection.

Question 12 *Do you agree with the proposal to amend MB Rule 37.06 as mentioned in paragraphs 161 to 164 of the Consultation Paper? Please give reasons for your views.*

Law Society's response:

We have no objection as the proposed amendments allow the issuer more flexibility in terms of its timeline to list its debt securities.

Question 13 *Do you agree with the proposal to clarify the scope of Professional Debt Issuers' continuing obligation to notify the SEHK of their proposals to amend trust deed (see paragraphs 165 and 166 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

We have no objection to the proposal if it is just a notification obligation.

Question 14 *Do you agree with the proposal to clarify the scope of Professional Debt Issuers' continuing obligation to submit financial statements to the SEHK (see paragraphs 167 and 168 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

We have no objection.

Question 15 *Do you agree with the proposal to revise the scope of Public Debt Issuers' continuing obligation to inform and submit drafts to the SEHK with respect to their proposal to amend documents that affect the rights of the holders of their listed debt securities (see paragraphs 169 to 171 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

We agree with the proposal for better investors' protection.

Question 16 *Do you agree with the proposal to clarify the validity period of a debt programme under MB Rule 37.41 (GEM Rule 30.34) (see paragraphs 172 and 173 of the Consultation Paper). Please give reasons for your views.*

Law Society's response:

We agree for better clarity.

Question 17 *Do you agree with the proposal to revise the definition of supranationals under the MB Rules (see paragraphs 174 and 175 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

We agree for better clarity.

Question 18 *Do you agree with the proposal to require all Public Debt Issuers (except States and supranationals) to publish the English and Chinese versions of their financial statements (see paragraphs 176 to 178 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

We agree for better investors' protection.

Question 19 *Do you agree with the proposal to replace references to “general meeting” with “meeting of holders of the debt securities” in paragraph 9 of Appendix A2 to the MB Rules (paragraph 9 of Appendix A2 to the GEM Rules) (see paragraphs 179 and 180 of the Consultation Paper)? Please give reasons for your views.*

Law Society's response:

We agree for better clarity.

**The Law Society of Hong Kong
8 October 2024**