

**Promoting Paperless Corporate Communication for
Hong Kong Companies**

Consultation Conclusions and Legislative Proposals

Financial Services and the Treasury Bureau
25 September 2024

Chapter 1

Introduction

1.1 From 27 November 2023 to 26 January 2024, the Financial Services and the Treasury Bureau (FSTB) conducted a public consultation on promoting paperless corporate communication for Hong Kong companies. This report summarises the major views received and the FSTB’s responses.

Background

1.2 The Government is committed to providing a business friendly environment for companies and enhancing Hong Kong’s status as an international business and financial centre. Since 2010, relevant stipulations have been introduced in the Companies Ordinance (Cap. 622) (CO) to facilitate electronic communication with shareholders by companies. At present, under the CO, companies may, with shareholders’ prior agreement, communicate with shareholders electronically¹ through email, uploading to the company website, etc. Relevant details are as follows.

	Communication in electronic form	Communication by means of website
Existing consent requirements	<ul style="list-style-type: none">• Prior express consent must be obtained from shareholders. (c.f. section 831 of the CO)	<ul style="list-style-type: none">• Prior express consent or deemed consent² must be obtained from shareholders.• The company should notify shareholders each time a new

¹ Communication by electronic means, such as by email, usually involves the communication between company and individual shareholders, such as requesting information from individual shareholders. The company may, with the consent of the shareholder and his/her email address, send the relevant documents to the shareholder by email instead of by post. As for communication uploaded to website, it is generally used when the company disseminates mass notification to all shareholders.

² Under section 833 of the CO, there is a **deemed consent** mechanism for electronic communication by means of website. A company may individually request a shareholder to agree that a document or information be supplied to him/her by means of website, and such request should clearly state that the shareholder is deemed to have given consent if he/she fails to respond within 28 days of the company’s request.

	Communication in electronic form	Communication by means of website
		<p>corporate communication is made available on website.</p> <ul style="list-style-type: none"> The notification above should be made in hard copy form or electronically (with shareholders' agreement obtained). <p>(c.f. section 833 of the CO)</p>

- 1.3 In addition, under section 837 of the CO, shareholders may request companies to provide a document or information in hard copy form.
- 1.4 Starting from 31 December 2023, the Hong Kong Exchanges and Clearing Limited (HKEX) has implemented the revised Listing Rules, which have removed the mandatory requirements for listed companies to make use of the express consent or deemed consent mechanisms for disseminating corporate communication³ electronically. In other words, a listed company may, if permitted by the relevant laws of the jurisdiction where it is incorporated and the constitutional document of the company, choose to adopt an implied consent mechanism⁴ for disseminating corporate communication by means of website without the need to seek consent from each shareholder individually and to send separate notifications to shareholders whenever a new corporate communication is published on website.
- 1.5 The revised Listing Rules have included appropriate safeguards to protect the interests of shareholders. Listed companies are required to specify, on their websites, the manner in which corporate communication will be disseminated and the arrangements under which shareholders may make

³ For listed companies, corporate communication include directors' report, annual accounts, interim report, listing document, notice of meeting, circular, etc.

⁴ According to the **implied consent mechanism**, companies may disseminate corporate communication via website where the constitutional document of the company state so.

hard copy requests. To ensure that shareholders are fully aware of any new arrangements regarding electronic dissemination of corporate communication (including any change to the mode of dissemination and the consent mechanism), all listed companies are required to send a first-time notification to each shareholder individually in hard copy form or electronically⁵ to inform them of the arrangements before implementation and solicit their electronic contact details (if applicable). If any shareholder requests to receive corporate communication in hard copy form, he/she may raise such a request with the listed companies. Actionable corporate communications⁶ that seek instructions from shareholders will continue to be sent to shareholders individually⁷. Separately, shareholders are encouraged to make use of the News Alert service on the HKEX's website to receive instant notifications of listed companies' information by emails or mobile alerts.

- 1.6 To promote paperless corporate communication for companies with a view to enhancing corporate efficiency and cost-effectiveness, as well as creating a green business environment in Hong Kong, we propose to amend the CO by introducing an implied consent mechanism and streamlining the notification requirement. Meanwhile, we also propose to introduce appropriate safeguards to protect shareholders' interests.

Public consultation

- 1.7 We launched a public consultation from 27 November 2023 to 26 January 2024 and set out our legislative proposals in the consultation document, which is attached in **Annex A** and available at the FSTB's website⁸.
- 1.8 During the public consultation period, we received nine submissions from various sectors of the community, e.g. business chambers, professional bodies, public organisations, etc. A list of respondents is set out in **Annex B**. We also consulted the Standing Committee on Company Law Reform, and organised a briefing session to introduce the legislative

⁵ For cases where shareholders have previously agreed to be notified by electronic means.

⁶ Examples of actionable corporate communications are (a) excess application form in connection with a rights issue or open offer; (b) application form for assured entitlement under an open offer; (c) blue application form for a preferential offering; (d) pink application form for employee reserved shares; and (e) acceptance form in connection with takeovers, mergers and share buy-backs.

⁷ Actionable corporate communications are disseminated individually in hard copy form if functional electronic contact details are not provided or if the laws and regulations applicable to the listed company concerned do not allow electronic communication.

⁸ https://www.fstb.gov.hk/fsb/en/publication/consult/doc/Consultation%20Document_Paperless%20Corporate%20Communication_e.pdf

proposals to seven industry organisations (listed in **Annex C**). On 6 May 2024, we briefed the Panel on Financial Affairs of the Legislative Council (LegCo) on the legislative proposals.

- 1.9 The community generally supported the proposals to promote paperless corporate communication for Hong Kong companies. Respondents agreed that the proposals will help enhance the cost-effectiveness and operational efficiency of companies, thereby achieving the objectives of streamlining procedures and promoting a green business environment. They also provided valuable comments on different aspects of the proposals, including introducing implied consent mechanism, obviating separate notification requirement and enhancing protection of shareholders' interests.
- 1.10 We are pleased to note the broad support of the community for the legislative proposals, and would like to take this opportunity to thank all respondents for their valuable views. The views received and our responses are set out in Chapters 2 to 4.
- 1.11 Taking into account the views received, we have prepared the latest legislative proposals which are set out in Chapter 5.

Chapter 2

Implied Consent Mechanism

Proposals in Consultation Document

- 2.1 We propose to allow both listed and unlisted companies incorporated in Hong Kong, having regard to their needs and circumstances, to choose to adopt **implied consent mechanism** for disseminating corporate communication by means of website. Under the implied consent mechanism, if the articles of association of a company contain a provision for the dissemination of corporate communication by means of website, the company may do so without seeking prior consent from each shareholder. This will obviate the need to send documents by post, facilitating electronic corporate communication and promoting environmental friendliness.

Views received

Overall policy

- 2.2 In general, respondents supported the introduction of implied consent mechanism, which would further facilitate paperless corporate communication for companies, thereby lowering operating costs, improving work efficiency, and achieving the objective of promoting a green business environment.

Scope and coverage

- 2.3 A respondent enquired about whether the implied consent mechanism would be applicable to electronic forms other than websites, and whether the existing deemed consent mechanism would be retained. Another respondent expressed concern over whether shareholders could revoke their implied consent.

Articles of association

- 2.4 Some respondents raised concerns about whether companies would need to amend their articles of association (e.g. by incorporating specific provisions) before they could implement the implied consent mechanism.

Other views

- 2.5 A respondent opined that the websites of companies adopting the implied consent mechanism should meet the web accessibility standards to cater for the needs of different people in the community. Another respondent suggested that companies should provide training for the staff concerned before implementing the implied consent mechanism.
- 2.6 Some respondents suggested that the Government should promote electronic communication between companies and shareholders through different measures, including enhancing publicity and facilitating the upgrade of digital infrastructure. In addition, a respondent expressed concern over situations where shareholders fail to receive electronic corporate communication due to technical problems.

FSTB's responses

- 2.7 Scope and coverage: At present, under the CO, companies wishing to communicate directly with their shareholders through email, etc., are required to first obtain the shareholders' express consent and their email addresses in order to protect shareholders' interests. As for corporate communication by means of website, it is generally used when companies disseminate mass notification to all shareholders. To enhance the operational efficiency of companies and promote a green business environment, we propose to introduce implied consent mechanism as an **additional** option under the existing arrangement for companies to disseminate communication by means of website under the CO, such that companies may choose their preferred consent mechanism having regard to their actual needs and circumstances. The existing express consent and deemed consent mechanisms under the CO will be retained. Same as the existing express consent and deemed consent mechanisms, we will include relevant provisions in the Amendment Bill to allow shareholders to revoke their implied consent according to their wish.

- 2.8 Articles of association: Companies may adopt the proposed implied consent mechanism if their articles of association contain a provision that they may disseminate communication to shareholders by means of website. As the requirements related to electronic communication with shareholders have been introduced into the CO since 2010, it is expected that the articles of association of most companies should have already contained provisions that allow them to disseminate communication by means of website and thus no amendment is necessary. We will also update the model articles provided under the CO via this legislative amendment exercise.
- 2.9 Other views: For webpage design, the Government is committed to providing an accessible environment for people with disabilities. Upon the implementation of the new arrangement, we will remind companies to enhance the accessibility of their websites to facilitate access by people with disabilities. We will also call on companies to ensure web accessibility by making reference to relevant guidelines when disseminating communication via websites.
- 2.10 On publicity, the Companies Registry (CR) will update its “Guide on Communications to and by Companies” after passage of the Amendment Bill. The CR will also promulgate external circulars and guidance note on good practice to provide general information and guidance on implementation of the implied consent mechanism. In addition, the CR will communicate with the industry associations through various channels to encourage companies to provide training to the staff concerned before implementation of the new arrangement.
- 2.11 On electronic communication arrangements, when a company communicates directly with shareholders via electronic means, it has the responsibility to ensure that the relevant document or information is accurately delivered to the electronic addresses specified by the shareholders. In case of technical issues for companies or shareholders in sending or receiving information, they should communicate with each other to ensure the document or information could be duly sent or received.

Chapter 3

Separate Notification Requirement

Proposals in Consultation Document

- 3.1 At present, under the CO, companies are required to send separate notifications to their shareholders whenever a new corporate communication is published onto the websites. We propose to simplify this requirement so as to help companies enhance operational efficiency. For listed companies adopting the implied consent mechanism for disseminating corporate communication by means of website, we propose to **obviate** the requirement for them to send separate notifications to their shareholders whenever a corporate communication is uploaded to website. For unlisted companies, we propose to obviate the separate notification requirement on the condition that a prior **one-off express consent** is obtained from each shareholder individually.

Views received

- 3.2 A respondent opined that requiring companies to send a first-time notification⁹ to each shareholder before implementing the implied consent mechanism should have provided sufficient protection for shareholders. It would be unnecessary to require unlisted companies to obtain one-off express consent from each shareholder individually before obviating the separate notification requirement.
- 3.3 Meanwhile, a respondent opined that companies should continue with the practice of sending separate notifications electronically to their shareholders who have provided electronic contact details (e.g. email address or mobile number) for the protection of shareholders' interests.
- 3.4 Moreover, a respondent suggested allowing shareholders of unlisted companies to specify the types of corporate communication to which their one-off express consent should apply, or the validity period of their consent.

⁹ Before implementation of the new arrangement, both listed and unlisted companies intending to adopt the implied consent mechanism will be required to send a first-time notification to each shareholder in hard copy form or electronically to inform them of the relevant arrangements for electronic dissemination of corporate communication by means of website. Details are set out in Chapter 4.

FSTB's responses

- 3.5 On the premise of providing sufficient protection for shareholders, our legislative proposal aims to facilitate the dissemination of paperless corporate communication by means of website and thus enhance operational efficiency.
- 3.6 As regards listed companies, we consider it appropriate to obviate the separate notification requirement since shareholders can receive instant notifications of information of listed companies by emails or mobile alerts through the HKEX's News Alert service.
- 3.7 As for unlisted companies, given that the HKEX's News Alert service is not applicable, we consider appropriate to require the unlisted companies to obtain express consent from their shareholders individually before obviating the separate notification requirement. There is currently around 1.4 million unlisted companies in Hong Kong, varying in size and mode of operation, and only around 50 of them have 50 or more shareholders. If such companies find it necessary to disseminate information through website, the proposed mechanism can strike an appropriate balance between promoting paperless corporate communication and protecting shareholders' interests.
- 3.8 Furthermore, we strive to ensure that the implied consent mechanism is simple and easy to understand so as to facilitate the implementation of the new arrangement. To avoid over-complicating the provisions, we consider it inappropriate to specify the applicability of the mechanism for different types of corporate communication or the validity of a shareholder's consent under different circumstances. In fact, shareholders may revoke their consent at any time, hence their rights will be fully protected.

Chapter 4

Safeguards to Protect Interests of Shareholders

Proposals in Consultation Document

- 4.1 We propose to put in place sufficient safeguards in the CO to protect the interests of shareholders. Specifically, before the implementation of new arrangements, both listed and unlisted companies intending to adopt the implied consent mechanism will be required to send a first-time notification to each shareholder to inform them of the arrangements for electronic dissemination of corporate communication by means of website. In addition, shareholders may continue to request hard copies of documents or information from companies under section 837 of the CO.

Views received

- 4.2 Respondents agreed that sufficient safeguards should be provided for shareholders and put forward various suggestions.

Notifications to shareholders and hard copy requests

- 4.3 Some respondents opined that companies adopting the implied consent mechanism should explain the relevant arrangements clearly to shareholders and the rights they have, and that shareholders might request electronic copies (e.g. PDF version) of individual communication from the companies. In addition, a respondent suggested that the Government should provide a template of the first-time notification for reference by companies, and asked whether an unlisted company could send a first-time notification to shareholders while simultaneously seeking their one-off express consent for obviating the separate notification requirement.
- 4.4 Regarding hard copy requests, some respondents supported retaining shareholders' right to request hard copies from companies, while a respondent opined that companies need not provide hard copies at shareholders' request given the corporate communication has been disseminated on website. If the right of shareholders to make requests for hard copy would be retained, companies should be allowed to charge their shareholders an administrative fee.

Transitional period and cyber security

- 4.5 A respondent expressed concern over the rights of shareholders who were not familiar with computers and suggested that the Government should consider providing a transitional period for the new arrangement and enhance the prevention of frauds in relation to electronic communication.

Actionable corporate communications

- 4.6 Some respondents suggested that unlisted companies should be subject to the same requirement as listed companies where actionable corporate communications or other important documents should be sent to each shareholder individually.

FSTB's responses

- 4.7 On notifications to shareholders and requests for copies: To strike a balance between facilitating business and protecting shareholders, we propose to put in place sufficient safeguards in the Amendment Bill by requiring companies to send a first-time notification to each shareholder, which should include information including the address of company website, before adopting the implied consent mechanism. The CR will also promulgate a guidance note on good practice to provide information and guidance related to the first-time notification arrangement.
- 4.8 As for hard copy requests, the CO currently requires companies to provide hard copies of documents and information free of charge upon shareholders' requests, in order to protect the interest of shareholders who may not be familiar with the Internet or other electronic means of communication. We will retain the current requirement to protect the interests of shareholders. Apart from hard copies, to further promote a green business environment, we **propose** that shareholders may also request free electronic copies of corporate communication. The arrangement will be the same as the existing arrangement for making requests for hard copy.
- 4.9 On transitional period: We **propose** to implement the new arrangement three months after the passage of the Amendment Bill in order to ensure smooth implementation. The CR will promulgate a guidance note on good practice to provide information and guidance on implementation of the new arrangement. Besides, since companies may decide whether and when to adopt the implied consent mechanism for disseminating communication by means of website on their own, the proposed first-time notification arrangement and the sending of separate notifications

according to shareholders' wish will both help protect the interests of the companies' shareholders.

- 4.10 On cyber security: The Government attaches great importance to information and cyber security, and has been reminding the public to stay vigilant against fraud. The CR has provided links to the Police Anti-Deception Coordination Centre and CyberDefender on its website for easy reference by companies, and will remind companies to take appropriate anti-deception measures when disseminating corporate communication on websites. We will also keep an eye on the latest market situation after implementation of the new arrangement, and maintain close liaison with financial regulators and law enforcement agencies for publicity and issuing reminders as appropriate.
- 4.11 On actionable corporate communications: Currently, unlisted companies may disseminate communication to shareholders through different means under the CO, including in hard copy form, via emails or by means of website. Such arrangement will remain unchanged, and companies may continue to adopt the mode of communication as they think fit.

Chapter 5

Latest Legislative Proposals

5.1 We would like to thank the respondents for their general support for the legislative proposals and their valuable views on different aspects. Taking into account the views received, we have prepared the latest legislative proposals.

Implied consent mechanism for disseminating corporate communication by means of website

5.2 Both listed and unlisted companies incorporated in Hong Kong may choose to adopt the implied consent mechanism for disseminating corporate communication by means of website, i.e. if their articles of association contain a provision that they may disseminate corporate communication by means of website, they may do so without having to seek prior consent from each shareholder.

Separate notification requirement for each corporate communication uploaded on website

5.3 For listed companies adopting the implied consent mechanism for disseminating corporate communication by means of website, they will **not be required** to send separate notifications to shareholders whenever a communication is uploaded to websites.

5.4 For unlisted companies adopting the implied consent mechanism for disseminating corporate communication by means of website, they will be required to obtain a prior **one-off express consent** individually from each shareholder to obviate the separate notification requirement.

Safeguards to protect interests of shareholders

5.5 Both listed and unlisted companies intending to adopt the implied consent mechanism will be required to send a **first-time notification** to each shareholder to inform them of the relevant arrangement for electronic dissemination of corporate communication by means of website.

- 5.6 Shareholders in need may request free electronic copies of corporate communication. The arrangement will be the same as the existing arrangement for making requests for hard copy.

Next steps

- 5.7 We are preparing the Amendment Bill and plan to introduce it into LegCo for deliberation within this year. We look forward to the continuous support of the community in taking forward these legislative proposals.
- 5.8 The CR will continue to maintain close contact with industry associations through various channels. After passage of the Amendment Bill, the CR will promulgate a guidance note on good practice to provide information and guidance in relation to the implied consent mechanism, with a view to facilitating the smooth implementation of the proposals.

Public Consultation on Promoting Paperless Corporate Communication for Hong Kong Companies

FOREWORD

1. This consultation document is issued by the Financial Services and the Treasury Bureau (“FSTB”) for seeking views on proposals relating to promoting paperless corporate communication for Hong Kong companies.
2. FSTB welcomes written comments on or before 26 January 2024 by email or by mail –

By email: e-comm-consult@fstb.gov.hk
By mail: Division 6, Financial Services Branch,
Financial Services and the Treasury Bureau
15/F, Queensway Government Offices
66 Queensway, Hong Kong
3. FSTB may, as appropriate, reproduce, quote, summarise and publish the written comments received, in whole or in part, in any form and use without seeking permission of the contributing parties.
4. Names of the contributing parties and their affiliations may be referred to in other documents we publish and disseminate through different means after the consultation. If any contributing parties do not wish to have their names or affiliations disclosed, please expressly state so in their written comments. Any personal data provided will only be used by FSTB and other government departments/agencies for purposes which are related to this consultation.

Promoting Paperless Corporate Communication for Hong Kong Companies

Purpose

The Government plans to introduce legislative proposals with a view to further facilitating Hong Kong companies to communicate with their shareholders via electronic means. This paper sets out key features of the legislative proposals.

Background

Revised Listing Rules on Electronic Dissemination of Corporate Communications

2. The Hong Kong Exchanges and Clearing Limited (“HKEX”) conducted a public consultation on further progressing to a paperless listing regime from 16 December 2022 to 28 February 2023. One of the initiatives put forward by the HKEX is to mandate listed companies to disseminate corporate communications to shareholders electronically to the extent permitted under their applicable laws and regulations. Given the majority support received from stakeholders in the consultation exercise, the HKEX concluded to implement the initiatives¹ and the amended Listing Rules (other than certain minor and housekeeping amendments²) will take effect on 31 December 2023.

3. The Listing Rules of HKEX currently allow listed companies to disseminate corporate communications to shareholders by publishing them on their websites, provided that express consent in writing or deemed consent³ has been received from shareholders. In addition, listed companies are required to notify shareholders each time when new corporate communication is uploaded. This will unavoidably lead to paper

¹ Apart from mandating electronic dissemination of corporate communications, other key initiatives include mandating digitalisation of prospectus authorisation and registration process and restructuring the Appendices to the Listing Rules.

² The minor and housekeeping amendments to the Listing Rules came into effect on 8 July 2023.

³ Under the deemed consent mechanism, the following conditions should be met, i.e. (a) the shareholders have resolved in a general meeting (or its constitutional documents contain a provision to the effect) that it may do so; (b) the shareholder has been asked individually by the listed company for such consent; and (c) the listed company has not received a response indicating the shareholder’s objection within 28 days.

consumption as the notifications will be delivered in hard copy if electronic contact details of shareholders are not provided for receiving the notifications.

4. To promote paperless corporate communication for listed companies, the HKEX will remove from the Listing Rules mandatory requirements for listed companies to make use of the existing consent mechanisms (i.e. express or deemed consent) for disseminating corporate communications electronically including through publication on their websites. Under the revised Listing Rules, a listed issuer will be able to use the consent mechanism of its choice for disseminating corporate communications electronically provided that the chosen mechanism is permissible under the laws and regulations applicable to it. Hence, listed companies may choose to rely on **implied consent**⁴ for disseminating corporate communications by means of website without the need to seek consent from each shareholder individually and send separate notifications to shareholders each time when new corporate communication is published on the websites, subject to the applicable laws and regulations as well as the articles of associations of the companies concerned.

5. The revised Listing Rules will put in place sufficient safeguards to protect the interest of shareholders. Listed companies will be required to specify, on their websites, the manner in which corporate communications will be sent or otherwise made available to their shareholders, including the arrangements under which shareholders may make hard copy requests. To ensure that shareholders are fully aware of the new arrangements on electronic dissemination of corporate communications by means of website, including any change to the mode of dissemination and the consent mechanism, all listed companies will be required to send a **first-time notification** to inform each shareholder individually in hard copy or electronically⁵ of the new arrangements before implementation and solicit their electronic contact details (if applicable). If any shareholder requests to receive corporate communications in hard copy, he/she may raise such a request with the listed companies accordingly anytime. Actionable corporate communications⁶ that seek instructions from shareholders will

⁴ Under the implied consent mechanism, shareholders receive corporate communications via electronic means where the articles of association of the company state so.

⁵ For cases where the shareholders have previously agreed to be notified by a particular electronic means.

⁶ Some examples of actionable corporate communication are (a) provisional allotment letter and excess application form in connection with a rights issue or open offer; (b) application form for assured entitlement under an open offer; (c) blue application form for a preferential offering; (d) pink application form for employee reserved shares; and (e) acceptance forms in connection with takeovers, mergers and share buy-backs.

continue to be sent to shareholders individually⁷. Separately, shareholders will be encouraged to make use of the News Alert service on the HKEX’s website to receive instant notification of listed companies’ information by way of email or mobile alerts.

Existing Requirements under the Companies Ordinance

6. Electronic communication with shareholders by companies has been introduced in the Companies Ordinance (Cap. 622) (“CO”) since 2010. At present, options are available under the CO for companies to communicate with shareholders electronically, i.e. by electronic form or website, with the following consent requirements.

	Communication in electronic form	Communication by means of website
Existing consent requirements	<ul style="list-style-type: none"> • Prior express consent must be obtained from its shareholders. <p>(c.f. section 831 of the CO)</p>	<ul style="list-style-type: none"> • Prior express or deemed consent⁸ must be obtained from the shareholders. • The company should notify the shareholders each time new corporate communication is made available on its website. • The notification above should be made in hard copy or electronically (with shareholders’ agreement obtained). <p>(c.f. section 833 of the CO)</p>

⁷ Actionable corporate communication must be disseminated individually in hard copy only if functional electronic contact details are not provided or if the issuer’s applicable laws and regulations do not allow electronic communication.

⁸ Under section 833 of the CO, there is a **deemed consent** mechanism for electronic communications by means of website. A company may individually request a shareholder to agree that the document or information be supplied to him/her by means of website, and such request clearly states that the shareholder is deemed to have given consent if he/she fails to respond within 28 days of the company’s request.

7. In addition, shareholders may request companies to provide hard copy form of document or information under section 837 of the CO. There is, however, no implied consent mechanism in the CO for disseminating corporate communications to shareholders by electronic form or website.

International Practice

8. As at end-September 2023, there are 2 603 listed companies in Hong Kong, among which 209 (8.0%) are incorporated in Hong Kong, while 90% of the listed companies are incorporated in three jurisdictions, namely the Mainland (325 or 12.5%), Bermuda (463 or 17.8%) and Cayman Islands (1 558 or 59.9%).

9. In the Mainland, Bermuda and Cayman Islands, there is no restriction under their respective local company law for listed companies to adopt implied consent mechanism for disseminating corporate communications by means of website. Furthermore, in the Mainland and Cayman Islands⁹, listed companies are not required to send separate notification to shareholders when disseminating corporate communications by means of website.

Legislative Proposals

10. As mentioned in paragraph 6 above, the CO already provides for electronic communication made by companies to shareholders individually or by means of website. To further promote paperless corporate communications through website for both listed and non-listed companies incorporated in Hong Kong, we **recommend** amending the CO by introducing an implied consent mechanism and streamlining the notification requirement. Suitable safeguard measures will also be put in place to protect shareholders' interest. Details are set out in the ensuing paragraphs.

(A) Implied consent mechanism

11. We propose allowing both listed and non-listed companies incorporated in Hong Kong to choose to rely on **implied consent** (i.e. where the articles of the association state so, hence no need to seek consent from

⁹ For Cayman Islands, no separate notification is needed if it is agreeable between company and shareholders.

shareholders individually) for disseminating corporate communications by means of website, having regard to their specific needs and circumstances.

(B) Separate notification requirement

12. Regarding the separate notification requirement, we propose obviating the need for listed companies to send separate notifications to shareholders when new corporate communication is uploaded to website if the companies concerned choose to adopt the implied consent mechanism.

13. We are mindful that the News Alert service provided by the HKEX is not available to non-listed companies. If the non-listed companies choose to adopt the implied consent mechanism, we propose requiring the companies concerned to obtain **one-off prior express consent** from shareholders for obviating the need for them to send separate notifications to shareholders when new corporate communication is uploaded to website. This will ensure that the new arrangement is agreeable to the shareholders and that their interest will be protected.

14. The proposal to remove the existing requirement of issuing separate notification whenever corporate communication is disseminated by means of website will help reduce paper consumption.

(C) Safeguards to protect interest of shareholders

15. We also propose to put in place sufficient safeguards in the CO to protect the interest of shareholders. Specifically, both listed and non-listed companies which would like to adopt the implied consent mechanism will be required to issue a **first-time notification** to each shareholder individually in hard copy or electronically¹⁰ to inform them of the new arrangements regarding electronic dissemination of corporate communication by means of website before implementation and to solicit their email addresses (if applicable). The shareholders may also request hard copy of corporate communications anytime under section 837 of the CO.

Advice Sought and Next Steps

16. Promoting paperless corporate communication will improve the efficiency and cost effectiveness of companies and establish an environmentally-friendly business environment in Hong Kong. Members

¹⁰ For cases where the shareholders have previously agreed to be notified by a particular electronic means.

of the public are invited to offer views and suggestions on the legislative proposals set out above.

17. We will take into account the comments received in finalising the proposals, with a view to introducing an Amendment Bill to the Legislative Council in the second half of 2024.

**Financial Services Branch
Financial Services and the Treasury Bureau
November 2023**

**Public Consultation on
Promoting Paperless Corporate Communication for
Hong Kong Companies**

List of Written Submission Respondents
(in alphabetical order)

1. Consumer Council
2. Democratic Alliance for the Betterment and Progress of Hong Kong
3. Equal Opportunities Commission
4. Hong Kong General Chamber of Commerce
5. J.S. Gale & Co
6. Simmons and Simmons
7. The Hong Kong Chartered Governance Institute
8. The Hong Kong Federation of Insurers
9. The Law Society of Hong Kong

**Public Consultation on
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Hong Kong Companies**

List of Associations attending the Briefing Session
(in alphabetical order)

1. Hong Kong General Chamber of Commerce
2. Hong Kong Institute of Certified Public Accountants
3. The Chamber of Hong Kong Listed Companies
4. The Hong Kong Chartered Governance Institute
5. The Hong Kong Chinese Enterprises Association
6. The Hong Kong Federation of Insurers
7. The Law Society of Hong Kong