

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please make your comments by replying to questions below against proposed changes discussed in the Consultation Paper at the hyperlink: http://www.hkex.com.hk/consul/paper/cp200907_e.pdf.

Where there is insufficient space provided for your comments, please attach additional pages.

Consultation Questions on Notice Period for Book Closure

1. Do you agree to our proposal to shorten the notice period for book closure for a rights issue or an open offer from 14 calendar days to five business days?

Yes

No

Please provide reasons to support your view.

We support the proposal to shorten the notice period for book closure for a rights issue or an open offer and the rationale put forward by the Exchange in the Consultation Paper.

2. In the case of a rights issue or an open offer, do you agree to our proposal to require extension of the notice period by postponing the book closure date, if necessary, to provide the market with a minimum of two uninterrupted trading days for trading in cum-rights securities during the notice period if, for examples, trading on the Exchange is interrupted due to typhoon and/or a black rainstorm warning or trading of the issuer's securities is suspended?

Yes

No

Please provide reasons to support your view.

We support the proposal to require an issuer to allow a period of time for the public to buy and sell shares with entitlements prior to the book closure period (“cum-rights Trading Period”). We recommend the Exchange to consider whether the cum-rights Trading Period for open offers should be longer than 2 trading days because, unlike rights issues, an investor or potential investor of a company proposing an open offer does not have a second opportunity to buy or sell the entitlements.

We note that recently there are a few cases where rights issues have been conducted without book closure. We note that the Listing Rules do not expressly regulate this type of deal structure to allow the public a window to buy and sell shares with rights entitlements before they become “ex-rights”. We recommend using the record date as the reference point for cum-rights Trading Period for rights issue and open offer deals without book closure.

Note: The consultation paper appears to have been drafted on the assumption that entitlement offers will involve a book closure arrangement. To a very large extent this reflects the market practice. However, we note there were at least three entitlement offer deals in Hong Kong in 2008 and 2009 which did not have book closure: Standard Chartered Bank 2008 rights issue, HSBC 2009 rights issue and Pacific Andes International 2009 rights issue.

3. If your answer to question 2 is “Yes”, do you agree that the proposed draft rule amendments in Appendix II will implement our proposal(s)?

Yes

No

Please provide reasons to support your view.

We believe the word “uninterrupted” leaves ambiguity as it may be interpreted as two consecutive days of trading which does not seem to be the Exchange’s intention. We propose changing the reference to “... two trading days neither of which trading is interrupted for the trading of the securities with entitlements during the notice period”.

4. Do you agree to our proposal to amend the notice period for book closure (in cases other than a rights issue or an open offer) from 14 calendar days to 10 business days?

Yes

No

Please provide reasons to support your view.

We believe 10 business days for book closure is rather long for any corporate actions especially after the introduction of the e-Submission regime where information is disseminated to the public efficiently.

5. Do you agree to our proposal to amend the notice period for alteration of book closure date from six calendar days to five business days?

Yes

No

Please provide reasons to support your view.

6. Do you agree to our proposal to clarify the rule that if an issuer changes the book closure date, it must give notice at least five business days before the originally announced closure or the newly proposed closure, whichever is earlier?

Yes

No

Please provide reasons to support your views.

If the amendment is to bring forward the first date of the book closure period, we agree to the 5 business days' notice to shareholders as they should be put on alert and take actions or make arrangements as necessary. On the other hand, if the change is to postpone or lengthen or shorten the book closure period and in the last two cases the original first book close date remains intact, we believe a shorter notice would be adequate.

7. Are there any other comments you would like to make?

Yes

No

If your answer is "Yes", please state below.

We are not sure why listed issuers have to announce to the public book closure and separately give notice to the Exchange. Please consider whether the announcement of book closure on the Exchange's website would serve as a deemed notice to the Exchange. It seems to be an unnecessary requirement on listed

issuers

Consultation Questions on Subscription Period

8. Do you agree to our proposal to amend the minimum subscription period for rights issues and open offers from 14 calendar days to 10 business days?

Yes

No

Please provide reasons to support your view.

We suggest that for (i) an open offer, which offers no separately saleable entitlement, and (2) a rights issue which, albeit unusual, is not renounceable, a much shorter subscription period will suffice. This would further accelerate an entitlement offer timetable without in any way prejudicing shareholders' interests.

9. Do you agree to our proposal to amend the maximum subscription period for rights issues and open offers (over which the issuer must consult the Exchange) from 21 calendar days to 15 business days?

Yes

No

Please provide reasons to support your view.

10. Are there any other comments you would like to make?

Yes

No

If your answer is "Yes", please state below.

- End -