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瑞生國際律師事務所

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File No.

Re: Consultation Paper on Proposals to Accelerate Rights Issues and Open Offers ("Consultation Paper")

Dear Sirs

We enclose our response to the questions set out in Part B of the Questionnaire to the Consultation Paper.

We agree with the proposal to shorten the notice period for book closure for rights issues. We understand the reasons to leave the subscription period largely intact for rights issues (see comments below for open offers) although we believe that it should be possible to consider further the logistical aspects of the splitting of PALs in rights issues which remain relevant when shares are held outside CCASS at the time. We believe it should be possible for the process of the splitting of PALs to be simplified (e.g. the design of the PAL can perhaps cater for more flexibility and convenience for splitting without affecting physical settlement involving PALs). It should also be feasible for CCASS and CCASS broker participants to facilitate the trading and settlement of nil paid rights further to obviate or decrease the need to split PALs for investors who prefer to hold physical share certificates and thus receive PALs. The 14 calendar days' or 10 business days' subscription period could perhaps be further shortened if arrangements can be put in place to reduce or remove the time period which is currently needed to accommodate the splitting of PALs.

We wonder whether the subscription period for an open offer can be shortened. The complex web of custodian/nominee arrangements as described in paragraph 38(i) of the Consultation Paper arguably applies to all types of corporate actions requiring investors to make investment decisions. Shortening the subscription period could encourage placings with clawbacks where existing shareholders can participate in a placing without perhaps very significantly extending the timetable for a typical placing.

If you would like to discuss any of our responses, please contact
in this office.

Yours faithfully,

LATHAM & WATKINS

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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 consider that the shortening of a rights issue or an open offer timetable by shortening the book closure notice period will be the least detrimental to shareholders'/investors' rights as it only affects the time available for shareholders'/investors to trade cum-rights shares. We also note that the notice period requirement is a minimum requirement only. Therefore, if an issuer, in discussion with its advisers, considers that five business days is not enough for commercial reasons or otherwise, it could adopt a longer notice period as appropriate.

Further, we support the change from the use of calendar days to business days as the latter provides greater clarity and consistency, especially in cases where offers are run over extended holiday periods such as Christmas, Chinese New Year and Easter.

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 believe that as the period of trading cum-rights shares would be shortened if the proposal in 1. is adopted, it is fair and in the interests of the shareholders'/investors to require a minimum of two uninterrupted trading days for the trading of such shares.

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.

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 note that if no public holiday falls within the 14 calendar days, the book closure notice period (in cases other than a rights issue or an open offer) would in effect be 10 business days. We support the use of "business days" instead of "calendar days" for the reason stated in our response to 1. above.

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, subject to our comments below

No

Please provide reasons to support your views.

We agree that adequate notice should be given to shareholders for changes to book closure date. However, we believe the suggested amendments to Rule 13.66 do not work if an issuer has given the minimum 5 business days' notice period for book closure for rights issues or open offers but subsequently wishes to change the book closure date.

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

Yes

No

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

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 note that assuming there is no public holiday falling within 14 calendar days, the minimum subscription period would in effect be 10 business days. We prefer the use of "business days" for reasons already stated above. We note the observations stated in paragraph 38 of the Consultation Paper and agree that the minimum subscription period should be maintained at current level to allow sufficient time for investors to complete the subscription process. We also note that in the recent UK consultation on shortening the minimum subscription period for rights issues, it was believed that a roughly two-week subscription period would be optimal. However, please see our comments in our covering letter concerning improving the logistical aspects of splitting PALs if possible.

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.

Again, we prefer the use of "business days" over "calendar days" for reasons stated above.

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

Yes

No

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

- End -