

Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017092.pdf>

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

1. Do you agree with the proposal to disallow highly dilutive pre-emptive offers unless there are exceptional circumstances?

Yes

No

If your answer is "No", please give reasons for your views.

Listed issuers may have legitimate reasons to devise terms that would be highly dilutive to existing shareholders. To disallow highly dilutive pre-emptive offers would limit the flexibility of the issuers and restrict their right to raise funds for their corporate action.

2. Do you agree with the proposed 25% threshold on value dilution? If not, what is the appropriate percentage threshold and the reasons for this threshold?

Yes

No

(Please specify the appropriate percentage threshold 40%)

If your answer is "No", please give reasons for your views.

Setting up any thresholds for open offers and right issues would limit the issuers' legitimate right to devise the terms of offers that suit the dire financial situation or when they are in bad need to inject funds in order to stay afloat.

If a threshold is inevitably required for these offers, the value dilution threshold set at 40% is appropriate in order to strike a balance between minority shareholder protection and flexibility of fundraising.

3. Do you agree that the proposed requirements should also apply to share issuance under a specific mandate?

Yes

No

If your answer is "No", please give reasons for your views.

As minority shareholders may not have a chance to participate in specific mandate placings, it is reasonable that the minority shareholders should be protected from having their interest overly diluted. However, the value dilution threshold set at 40% is appropriate in order to strike a balance between minority shareholder protection and flexibility of fundraising.

4. Do you agree with the proposal to aggregate rights issues, open offers and specific mandate placings within a rolling 12-month period?

Yes

No

If your answer is "No", please give reasons for your views.

We do not agree to set a threshold for the offers. However, if a threshold is inevitably required, the 12-month period is appropriate as it aligns with the 12-month period fixed in R7.19(6) and R7.24(5) of the Listing Rules.

5. Do you agree with the proposed method of calculating cumulative value dilution? If not, what is the appropriate method?

Yes

No

(Please specify the appropriate method _____)

If your answer is "No", please give reasons for your views.

No views on the above question

6. Do you agree with the proposal to extend the minority shareholder approval requirement to all open offers (unless the new securities are issued under the general mandate)?

Yes

No

If your answer is "No", please give reasons for your views.

No views on the above question

7. Do you agree with the proposal to remove the underwriting requirement for pre-emptive offers?

Yes

No

If your answer is "No", please give reasons for your views.

It is a commercial decision whether to engage an underwriter.

8. Do you agree with our proposal to require underwriters to be licensed persons independent from the issuers and their connected persons?

Yes

No

If your answer is "No", please give reasons for your views.

This proposal will ensure that the terms of underwriting are engaged at arm's length basis. However, the controlling shareholder acting as an underwriter should not be barred.

9. In view of paragraphs 72 and 73 of the Consultation Paper:

(a) do you agree that controlling shareholders should be allowed to act as underwriters?

Yes

No

If your answer is "Yes", please give reasons for your views.

Having a controlling shareholder to act as an underwriter will facilitate certain fundraising exercises and signifies the controlling shareholder's confidence in the company. Outsiders being not familiar with the issuer's operations may be unwilling to act as underwriters.

(b) do you think that substantial (but not controlling) shareholders should be allowed to act as underwriters?

Yes

No

If your answer is "Yes", please give reasons for your views.

There are a lot of issuers having no controlling shareholders but substantial shareholders which in fact perform the same functions of the controlling shareholders. Having substantial shareholders to act as underwriters would be a positive factor to the success of the offer.

10. Do you agree that compensatory arrangements should be mandatory when pre-emptive offers are underwritten by connected persons?

Yes

No

If your answer is "No", please give reasons for your views.

No views on the above question

11. Do you agree with the proposal to remove the connected transaction exemption for underwriting (including sub-underwriting) of pre-emptive offers by connected persons?

Yes

No

If your answer is "No", please give reasons for your views.

No views on the above question

12. Do you agree with the proposal to make it mandatory for issuers to adopt either the excess application arrangement or the compensatory arrangement in rights issues and open offers?

Yes

No

If your answer is "No", please give reasons for your views.

No views on the above question

13. Do you agree with the proposal to limit the excess applications by a controlling shareholder and his/her/its associates to a maximum number equivalent to the offer shares minus their pro rata entitlements?

Yes

No

If your answer is "No", please give reasons for your views.

However, the restriction should be applied to all shareholders.

14. Do you agree with our proposal to disallow the use of general mandate for placing of warrants and options for cash consideration?

Yes

No

If your answer is "No", please give reasons for your views.

No views on the above question

15. Do you agree with the proposal to disallow any price discount of the initial conversion price of convertible securities to be placed under general mandate?

Yes

No

If your answer is "No", please give reasons for your views.

16. Do you agree with the proposal to require disclosure of the use of proceeds from all equity fundraisings in interim and annual reports?

Yes

No

If your answer is "No", please give reasons for your views.

This proposal enhances transparency.

17. Do you agree with the proposal to impose a minimum price requirement on subdivision or bonus issue of shares?

Yes

No

If your answer is "No", please give reasons for your views.

18. Do you agree with the proposed minimum adjusted price of HK\$1? If not, what is the threshold you consider appropriate: (a) HK\$0.5; or (b) other?

HK\$1

HK\$0.5

Other (Please specify the appropriate threshold HK\$0.1)

If you answer is "Other", please give reasons for your views.

This facilitates the issuers with low traded share price for corporation actions of bonus issues.

19. Do you support a demonstration period of six months? If not, please specify the period you consider appropriate.

Yes

No

(Please specify the appropriate demonstration period _____)

If your answer is "No", please give reasons for your views.

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