

## 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.

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 \_\_\_\_\_)

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

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

☒ Yes

Unless there are special reasons for the particular circumstances that are in the interest of the shareholders as a whole.

☐ No

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

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.

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.

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.

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

☒ Yes

On the basis that at the option of the issuer, underwriting arrangement can be arranged.

☐ No

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

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.

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.

***Underwriting by controlling shareholders which is expected to take a long-term view of its holdings in the issuer is a signal of confidence in the issuer which is in the interest of the shareholders as a whole.***

(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.

***On the basis that such substantial but not controlling shareholders can demonstrate he/it takes a long-term view as regards his/its holdings in the issuer.***

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

☐ Yes

☐ No

Compensatory arrangement is a U.K. model where there is no mechanism for excess application. Further, such model deprives participation of retail investors in the process. It would be facile assumption that the interests of institutional investors and retail investors align in all respects.

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

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.

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

But please note earlier comments regarding compensatory arrangement.

☐ No

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

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

Please see comments under 9 above.

☐ No

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

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.

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.

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 \_\_\_\_\_)

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

**No comment.**

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.

- End -