

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.

1. Exchange already applies "cash company" rule (which i do not agree) to restrict the fund raising activities which in my point of view, already more than enough and disallowing highly dilutive pre-emptive offers is way too excessive and would limit companies from raising fund for real business development;
2. when the company raise fund for business expansion or working capital, whether it is beneficial to the shareholders should be determined by the shareholders but not the Exchange. Even when the company is introducing a new controlling shareholders by way of subscription of new shares, as long as the use of proceed proposal is commercially justifiable, the Exchange should not by any means restrict it.
3. Instead, the Exchange can encourage more shareholders to support any proposal by putting a higher threshold for shareholders approval, i.e. 75% of independing shareholders (who attend the meeting) approval and not more than 10% (of total number of shares) vote against for highly dilutive pre-emptive offers.
4. Shareholder turnouts were low (or shareholders do not subscribe for the offer) does not necessarily mean that the shareholders do not support the proposal and the Exchange cannot rely on such fact to determine that the offer is not supported by the minority shareholders. Exchange should consider the number of shareholders turnout to "object" to the proposal.
5. Rights issue (but not open offer) is always the fairest to the minority shareholders and already in-built an mechanism for them to sell the rights in the market should they choose not to subscribe the shares. I can only agree to placing more restrictions on open offer but not rights issue.
6. Putting a % of dilution effect is nonsense and would be detrimental to company having real needs to raise capital, ultimately the shareholders will be suffering.
7. For the stock market itself, who would choose to list in Hong Kong if they find out that there are so many limitation to raise capital.

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 n/a)

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

should not place any %.

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.

same reason in 1

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.

The key is whether the company has commercial justification to raise fund and dilute the % of the minority shareholders

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.

I don't agree to restrict at all.

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

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.

The Exchange has correctly pointed out that some pre-emptive offers were conducted absent demonstrable commercial rationale. The Exchange should therefore address this concern but not restrict the issuers to raise fund in whatever appropriate way they consider. I do not see the rationale how requiring a licensed person to act as an underwriter can address the concern about commercial rationale.

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.

providing that there is a compensatory arrangement, whoever acting as underwriter should not be a concern of the minority shareholders

- (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.

same to 9

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.

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.

same to 9

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.

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.

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

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 -

