

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

Our Ref: CRO20180504-015

4 May 2018

To: Main Board Listed Issuers (Attn: Authorised Representatives)
GEM Listed Issuers (Attn: Authorised Representatives)
Market Practitioners

Dear Sirs or Madam

Consultation Conclusions on Capital Raisings by Listed Issuers

We have today published consultation conclusions on the consultation paper on Capital Raisings by Listed Issuers.

The Consultation Conclusions represent the results of a public consultation held from 22 September to 24 November 2017. The market feedback indicated strong support on the proposals. The Exchange will implement the proposals with minor modifications in response to the comments received.

The changes to the Listing Rules include:

- **Highly dilutive capital raisings:**

- disallow rights issues, open offers and specific mandate placings, individually or when aggregated within a rolling 12-month period, that would result in a material value dilution (25% or more on a cumulative basis), unless there are exceptional circumstances e.g., the issuer is in financial difficulties;

- **Rights issues and open offers:**

- require minority shareholders' approval for all open offers, unless the new shares are to be issued under the authority of an existing general mandate;
- remove the mandatory underwriting requirement for rights issues and open offers;
- remove the connected transaction exemption currently available to connected persons acting as underwriters of rights issues or open offers;

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- require issuers to adopt either excess application arrangements or compensatory arrangements for the disposal of unsubscribed shares in rights issues or open offers;
 - where an issuer engages an underwriter in a rights issue or open offer, require it to be licensed under the Securities and Futures Ordinance and independent from the issuer and its connected persons, with the exception that a controlling shareholder or substantial shareholder may act as an underwriter if compensatory arrangements are made available for the unsubscribed offer shares and the connected transaction Rules are complied with;
 - require issuers to disregard any excess applications made by the controlling shareholders and their associates in excess of the offer size minus their pro-rata entitlements;
- **Placing of warrants or convertible securities under general mandate:**
 - disallow the use of general mandate for placing of warrants;
 - restrict the use of general mandate for placing of convertible securities with an initial conversion price that is not less than the market price of the shares at the time of placing;
 - There are also other Rule amendments to enhance disclosure of the use of proceeds from equity fundraisings, and to impose an additional requirement for subdivisions and bonus issues of shares to ensure an orderly market.

The Rule amendments will come into effect on 3 July 2018.

The consultation conclusions and copies of respondents' submissions are available on HKEX website at:

[http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/September-2017-Consultation-Paper-on-Capital-Raisings-by-Listed-Issuers/Conclusions-\(May-2018\)/cp2017092cc.pdf](http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/September-2017-Consultation-Paper-on-Capital-Raisings-by-Listed-Issuers/Conclusions-(May-2018)/cp2017092cc.pdf)

http://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses_May_2018?sc_lang=en

The amendments to the Listing Rules are available at:

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=2
(Update No. 120)

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=49
(Update No. 55)

The Frequently Asked Questions are available at:

http://en-rules.hkex.com.hk/en/display/display_main.html?rbid=4476&element_id=5074
(FAQ Number 024-2018 to 027-2018)

Yours faithfully
For and on behalf of
The Stock Exchange of Hong Kong Limited

[Signed]

David Graham
Chief Regulatory Officer and Head of Listing