

**CONSULTATION PAPER**  
**EX-ENTITLEMENT TRADING AND**  
**SHAREHOLDER APPROVAL**

**December 2010**



**Hong Kong Exchanges and Clearing Limited**  
**香港交易及結算所有限公司**

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## **How to respond to this Consultation Paper**

We invite interested parties to submit written comments on this paper no later than **28 February 2011**. Responses should, if possible, be made by completing and returning the questionnaire (Questionnaire) which is available at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2010123q.doc> by one of the following methods:

By mail or hand delivery to Corporate Communications Department  
Hong Kong Exchanges and Clearing Limited  
12<sup>th</sup> Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong  
**Re: Consultation Paper on Ex-entitlement Trading and Shareholder Approval**

By fax to (852) 2524-0149

By e-mail to [response@hkex.com.hk](mailto:response@hkex.com.hk)

Please mark in the subject line:  
**“Re: Consultation Paper on Ex-entitlement Trading and Shareholder Approval”**

Our submission enquiry number is (852) 2840-3844.

In the Questionnaire, we invite interested parties to give views on whether shares should be traded ex-entitlement only after the entitlement has been approved by shareholders, and where appropriate support the answers with reasons. Respondents should reply to the questions against the backdrop of this Consultation Paper. For the purpose of the public consultation, respondents are reminded that we will publish responses on a named basis in the intended consultation conclusions. Please refer to the Questionnaire on how to complete it.

Our policy on handling personal data is set out in **Appendix III** of this paper and the Questionnaire.

### **Next Steps**

We will carefully consider and analyze all the responses received, and if appropriate, develop rule amendments to implement the final agreed conclusions. As usual we will develop the consultation conclusions and work with the Securities and Futures Commission for any relevant rule amendments.

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## **EXECUTIVE SUMMARY**

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This consultation paper seeks market views on whether shares should be traded ex-entitlement only after the entitlement has been approved by shareholders.

Entitlements are benefits distributed by a company to its shareholders. Some entitlements are announced and then distributed to registered shareholders directly. Some entitlements are “proposed” by the board and still require shareholder approval at a general meeting in accordance with statutory or Listing Rules requirement (i.e. they are conditional entitlements).

In Hong Kong, there is no restriction on the timing of the record date for a conditional entitlement. The company can set the record date before or after the date of shareholder approval. This practice is quite different to other leading markets (including Shanghai and Shenzhen, New York, Australia and Singapore) which require that a share not go ex-entitlement until after shareholder approval. However, the way a company designates its record date for the entitlement has the potential to have an impact on the orderly trading of its stocks.

If the record date (and thus the ex-date) is set before the date of the general meeting, sellers on the ex-date will be subject to a risk of uncertainty; i.e. they may not receive the entitlement as expected if the distribution is blocked by shareholders at the general meeting. Similarly, if the distribution is blocked at the general meeting, buyers on or after the ex-date may receive a windfall gain. If the record date (and thus the ex-date) is set after the general meeting at which the entitlement is approved, sellers on the ex-date will not be exposed to any risk of uncertainty and the trading of stocks would be conducted in a fair manner to both buyers and sellers.

Given the diverse views and concerns expressed by different market stakeholders during soft consultation, we believe a formal consultation should be held to solicit views on whether the Listing Rules should be amended to prevent a share from trading ex-entitlement before shareholder approval.

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## CHAPTER 1: INTRODUCTION

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### Purpose

1. This consultation paper seeks market views on whether shares should be traded ex-entitlement only after the entitlement has been approved by shareholders. The Exchange has an open mind on the existing ex-entitlement arrangements.

### Background and reasons for review

2. *Record date and ex-date of entitlements:* Entitlements are benefits (i.e. cash, securities or other benefits) distributed by a company to its shareholders. For listed companies, as their stocks are continually traded in the market, their shareholder lists are constantly changing. To determine who should receive the entitlement, the company will designate a record date. Those who are registered shareholders on the record date will receive the entitlements. If there is a book closure period, the record date can fall on any day during the period, but it normally falls on the last book closing date. Under Hong Kong's T+2 settlement, the Ex-date<sup>1</sup> is usually the business day before the record date (when there is no book closure) or the last registration date (when there is a book closure).
3. Sellers on the ex-date will still be registered shareholders on the record date. Therefore they will be entitled to the distribution even if their shares have been sold to others. Buyers on or after the ex-date will not be registered shareholders on the record date and therefore will not receive the entitlement even though they own the stock. Theoretically, if other factors remain equal, the share price should decline on the ex-date by an amount equivalent to the value of the entitlement, discounted for time value.
4. *Book closing dates:* Where physical certificates exist, share registration may take time to complete. Issuers usually announce a period of time during which the book will be closed for share transfers – the book closing dates or book closure period. However, with the advent of technology, issuers and their share registrars can identify registered shareholders by closing the register just for a single day or by taking a snapshot of its register books at the end of the record date. The issuer will then determine the identity of registered security holders for entitlements. Therefore, the issuer in fact can decide on a record date without a book closure. Under the current arrangement, the register is closed for inspection during the book closure period. However, if there is only a record date (i.e. without a book closure), the register will effectively be available for inspection without interruption.

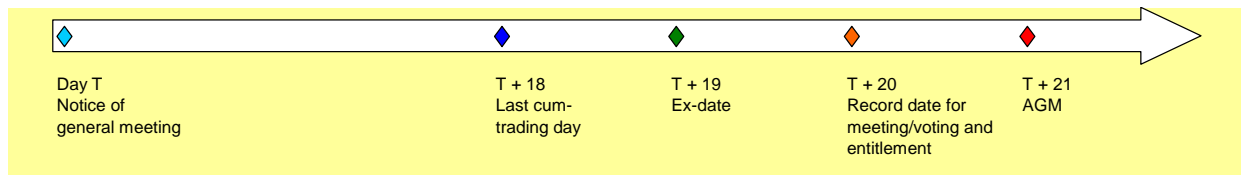
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<sup>1</sup> The Ex-date will be varied from the normal schedule due to no settlement on the eves of Christmas, New Year and Lunar New Year.

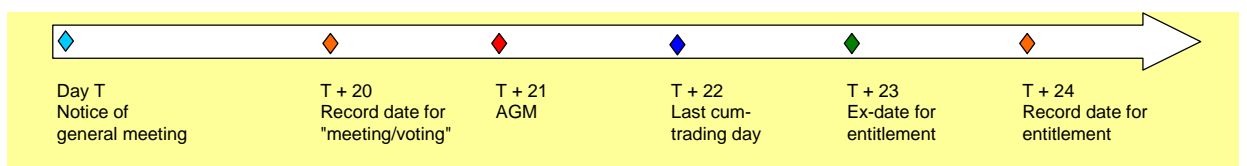
5. *Entitlements subject to shareholder approval:* Some entitlements (such as interim dividends) are announced and then distributed to registered shareholders directly. However there are some entitlements which are only “proposed” by the board and still require shareholder approval at a general meeting in accordance with statutory or Listing Rules requirements (**see details in Appendix 1**). These conditional entitlements can be classified into two types:
- a) Entitlement itself requiring shareholder approval: Some entitlements by their nature must be approved by shareholders at a general meeting before implementation, such as the final dividend and any rights issue or open offer which will lead to an increase of issued share capital or market capitalization by more than 50 percent on its own or when aggregated with any other rights issue or open offer announced within the 12 month period immediately before the corporate action.
  - b) Entitlement contingent on shareholder approval of certain transaction: Some entitlements are distributed by the company on condition that a major transaction or very substantial acquisition/disposal is approved by shareholders at a general meeting.
6. *Uncertainty of shareholder approval:* For conditional entitlements as described in Paragraph 5 above, how the company designates its record date for the entitlement will have an impact on the orderly trading of its stocks. If the record date (and thus the ex-date) is set before the date of the general meeting, sellers on the ex-date will be subject to a risk of uncertainty; i.e. they may not receive the entitlement as expected and the shares would turn out to have been sold at a discount to the buyers if the distribution is blocked by shareholders at the general meeting. If the record date (and thus the ex-date) is set after the general meeting at which the entitlement is approved, sellers on the ex-date will not be exposed to any risk of uncertainty and the trading of stocks would be conducted in a fair manner to both buyers and sellers.

7. The diagrams below illustrate the different scenarios in setting the record date for a conditional entitlement:

**Scenario 1: Ex-entitlement before shareholder approval**



**Scenario 2: Ex-entitlement after shareholder approval**



Notes:

1. Timeline is counted in business days.
  2. Assume the register of members will not close for the determination of the shareholders who qualify for attending and voting at the general meeting and the entitlement.
  3. Pursuant to MB LR 13.66 / GEM LR 17.78, the notice of the book closure / record date shall be made at least six business days before the closure in the case of a rights issue, or 10 business days before the closure in other cases.
  4. With reference to paragraph E.1.3 of the Code of Corporate Governance, notice of an annual general meeting shall be made at least 20 clear business days before the meeting, or 10 clear business days in the case of all other general meetings.
8. Currently, Hong Kong's listing and trading rules allow both scenarios 1 and 2 in setting the record date for a conditional entitlement (i.e. before or after the general meeting date).
9. In preparing this market consultation, we conducted a soft consultation to solicit views from interested groups of market participants, including custodian banks, share registrars, professional bodies and industry associations. We thank them for sharing with us their views and suggestions in this exercise.
10. The market practices on ex-entitlement arrangements in Hong Kong and other leading overseas exchanges are set out in Chapter 2. Views and concerns expressed by different market stakeholders on the proposed policy change on the existing ex-entitlement arrangements in Hong Kong are set out in Chapter 3.

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## CHAPTER 2: HONG KONG AND OVERSEAS MARKET PRACTICES ON EX-ENTITLEMENT TRADING

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### Hong Kong market practice

11. As indicated in Paragraph 8 above, there is no restriction on the timing of the record date for a conditional entitlement in the Hong Kong market. The company can set the record date before or after the date of shareholder approval.
12. In 2009, there were 550 distributions of final dividend, 23 open offers, 21 rights issues and 11 distributions contingent on certain transactions. Among them, over 95% of distributions set a record date for the entitlement before the date of shareholder approval. Only 5% of these cases set the date of ex-entitlement after the general meeting. Most of them were Mainland issuers who are subject to the Mainland's regulatory requirement governing ex-entitlement.
13. Among 605 distributions, only three of them were subsequently blocked by shareholders, including one rights issue, one open offer and one final dividend. The chance of shareholder disapproval was 0.18% for final dividends, 4.35% for open offers and 4.76% for rights issues.
14. The scale of risk exposure is also higher for rights issues and open offers calculated by price adjustment on the ex-date. In 2009, the median of ex-date price adjustment for all final dividend cases was 2.2% of the previous closing price. The median of ex-date price adjustment for rights issues and open offers for 2009 was 37.78% and 35.07% respectively.

### Overseas market practices

15. We reviewed the market practices of other leading overseas exchanges (including Shanghai and Shenzhen, New York, Australia and Singapore) in ex-entitlement arrangements. The findings suggested that all these exchanges require the ex-date of any conditional entitlement to be arranged after shareholder approval. Some markets even expand the restriction on ex-date to conditions other than shareholder approval, such as finalization of a business deal or approval by a public authority (see **Appendix II** for details).
16. The UK allows issuers to set a record date before shareholder approval while the ex-date is required to be set at least 2 to 3 business days after shareholder approval. However, their system supports cum-trading under which entitlements can be transferred from sellers to buyers for any trades settled in CREST<sup>2</sup> from record date to ex-date. This market practice is unique to the UK infrastructure and the adoption of their mechanism in Hong Kong would involve major changes to the existing market practices and infrastructures.

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<sup>2</sup> CREST is the Central Securities Depository in UK.



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## CHAPTER 3: CONSIDERATIONS AND CONSULTATION QUESTIONS

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### Arguments supporting the status quo

17. For many years, Hong Kong has allowed ex-entitlement trading to be arranged before shareholder approval. This practice appears to have served Hong Kong well in the past. There have been very few investor complaints received on this matter<sup>3</sup>. Historical records also indicate that the perceived risk of shareholder disapproval after ex-entitlement trading is very small. As mentioned in Paragraph 13 above, only three out of 605 entitlements were disapproved by shareholders in 2009. It may not be justified to introduce a policy change.
18. Issuers are required to include a warning sentence in the circular alerting shareholders of the risk that the proposed entitlement may be blocked at the general meeting. With full disclosure of the risk, it could be argued that investors who still choose to trade the stocks should be responsible for any consequence arising from their actions.
19. Setting the record date for entitlement after the date of general meeting will prolong the distribution process. At the very least, the timetable will be longer by three business days (i.e. assuming at least one cum-trading day after the general meeting). For time-sensitive deals such as rights issues or open offers, the extension of the timetable will increase risk exposure for the underwriter who may ask for a higher underwriting fees, thus increasing the costs of listed issuers. In addition, it may undermine the acceleration of rights issues timetables implemented recently by amendment to the Listing Rules.
20. At present, the same list of shareholders is used for both voting and entitlements. Having two different record dates may create more confusion for retail investors who have already adapted to the current market practice of a single record date for voting and entitlements. There will be a mismatch since shareholders who vote at the general meeting will decide the distributions payable to a different group of shareholders. In addition, shareholders who are in the list to vote but not in the list to receive the entitlement may file requests regarding loss of dividend warrants by mistake.
21. Even if the record date for entitlement is set after the general meeting, the distribution could still be exposed to the risk of uncertainty since it may also be contingent on other conditions which ultimately may not be fulfilled.

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<sup>3</sup> HKEx received a total of four enquiries/complaints for the three entitlement cancellation cases occurring in 2009.

## **Arguments supporting banning trading ex-entitlement before shareholder approval**

22. Hong Kong should not insist on a market practice which is not aligned with international and Mainland market practices.
23. Trading ex-entitlement before shareholder approval has the potential to create a disorderly market from the ex-date to the date of general meeting, during which investors cannot be certain of what they are trading (i.e. with or without entitlement). Unlike other legitimate and inevitable market risks facing investors, the risk of going ex-entitlement is specific, obvious and completely avoidable without much market cost. Removal of this unnecessary risk would enhance the integrity of Hong Kong's securities market.
24. Trading ex-entitlement before shareholder approval may increase the risk of uncertainty for the trading arrangements of the associated derivatives products. At present, capital adjustments will also be made to the Exchange's related derivatives products including options, futures contracts and/or structured products on the ex-date based on the corporate action announced by the listed company. Under the current practice, in general these contracts or structured products will not be re-adjusted if the entitlement is blocked by shareholders at the general meeting. Banning shares from trading ex-entitlement before shareholder approval will remove the risk of uncertainty and facilitate a harmonized approach to entitlements for both the cash and derivatives markets.
25. Trading ex-entitlement before shareholder approval could be said to create loopholes for market manipulation. Some interested parties may try to make free gains by influencing the voting on the corporate action, particularly in those corporate actions where major shareholders must abstain from voting.
26. With increasing shareholder activism and the changing profile of shareholders in Hong Kong listed companies, the voting results at general meeting might become more and more unpredictable. The risk of trading ex-entitlement before shareholder approval may also increase over time.
27. Some market participants suggested that, rather changing the ex-entitlement arrangement for all conditional entitlements, only those corporate actions subject to a higher risk of shareholder disapproval (e.g. major shareholders must abstain from voting) and a more substantial price adjustment on ex-date should be required to set the record date for entitlement after the general meeting.
28. Share registrars have indicated that there would not be any operational difficulties in arranging ex-entitlement after general meeting and there would not be any additional cost in processing two separate lists of shareholders (i.e. one for voting and the other for entitlements).

### **Consultation questions**

29. Question 1: Do you agree shares should be traded ex-entitlement (for conditional entitlements) only after shareholder approval? Please provide reasons to support your view.
30. Question 2: If the shares are required to be traded ex-entitlement after shareholder approval, do you agree the record date should be set at least 3 business days after the date of shareholder approval (i.e. at least one cum-trading day be provided)? If your answer is “No”, please suggest the minimum period between the record date and the date of shareholder approval. Please provide reasons to support your view.
31. Question 3: If the issuer fails to publish its voting results via HKExnews website by 11pm on the date of the general meeting, do you agree the last cum-trading day should be extended to at least the second business day after the general meeting? Please provide reasons to support your view.
32. Question 4: Should any requirement to trade shares ex-entitlement only after shareholder approval has been given be applied to all conditional entitlements or only to some of them? If your answer is “No”, please specify the types of entitlements that should be traded ex-entitlement after shareholder approval. Please provide reasons to support your view.
33. Question 5: Do you have any other comments in relation to the ex-entitlement arrangements? Please provide reasons to support your view.

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**APPENDIX I: LISTING RULES IN RELATION TO DISTRIBUTIONS OF ENTITLEMENTS  
AND SHAREHOLDER APPROVAL**

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Detailed Rules	MB Rule Ref.	GEM Rule Ref.
<b>A) Corporate actions requiring shareholder approval</b>		
<u>Rights issue</u>		
1) "If the proposed rights issue would increase either the issued share capital or the market capitalisation of the issuer by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers): - (a) the rights issue must be made conditional on approval by shareholders in general meeting by a resolution ....."	7.19(6)	10.29
2) "Subject to [MB] rule 10.08, in the period of 12 months from the date on which dealings in the securities of a new applicant commence on the Exchange, the issuer shall not effect any rights issue, unless it is made conditional on the approval of shareholders in general meeting by a resolution ....."	7.19(7)	NA
3) "If no arrangements or arrangements other than those described in [MB] rule 7.21(1) [no arrangement for excess application or disposal for benefit of shareholders] are made for the disposal of securities not subscribed by the allottees under provisional letters of allotment or their renounees and the rights issue is wholly or partly underwritten or sub-underwritten by a director, chief executive or substantial shareholder of the issuer (or an associate of any of them), then the absence of such arrangements or the making of such other arrangements must be specifically approved by shareholders."	7.21(2)	10.31(2)

Detailed Rules	MB Rule Ref.	GEM Rule Ref.
<u>Open offer</u>		
4) "If the proposed open offer would increase either the issued share capital or the market capitalisation of the issuer by more than 50% (on its own or when aggregated with any other open offers or rights issues announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed open offer or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers): - (a) the open offer must be made conditional on approval by shareholders in general meeting by a resolution ....."	7.24(5)	10.39
5) "Subject to [MB] rule 10.08, in the period of 12 months from the date on which dealings in the securities of a new applicant commence on the Exchange, the issuer shall not effect any open offer, unless it is made conditional on the approval of shareholders in general meeting by a resolution ....."	7.24(6)	NA
6) "If the securities are not offered to existing holders in proportion to their existing holdings then, unless the securities will be issued by the directors under the authority of a general mandate granted to them by shareholders in accordance with [MB] rule 13.36(2), an open offer requires the prior approval of the shareholders in general meeting."	7.26	10.41
7) "If no arrangements or arrangements other than those described in [MB] rule 7.26A(1) [no arrangement for excess application] are made for the disposal of securities not validly applied for and the open offer is wholly or partly underwritten or sub-underwritten by a director, chief executive or substantial shareholder of the issuer (or an associate of any of them), then the absence of such arrangements or the making of such other arrangements must be specifically approved by shareholders."	7.26A(2)	10.42(2)

Detailed Rules	MB Rule Ref.	GEM Rule Ref.
<u>Issuance of securities</u>		
<p>8) "Except in the circumstances mentioned in [MB] rule 13.36(2), the directors of the issuer (other than a PRC issuer, to which the provisions of [MB] rule 19A.38 apply) shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting: -</p> <p>(i) shares;</p> <p>(ii) securities convertible into shares; or</p> <p>(iii) options, warrants or similar rights to subscribe for any shares or such convertible securities."</p>	13.36(1)(a)	17.39
<p>9) "No such consent as is referred to in [MB] rule 13.36(1)(a) shall be required: -</p> <p>(a) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer which excludes for that purpose any shareholder that is resident in a place outside Hong Kong provided the directors of the issuer consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings; or</p> <p>(b) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution in general meeting given a general mandate to the directors of the issuer, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of 20% of the existing issued share capital of the issuer ....."</p>	13.36(2)	17.41

Detailed Rules	MB Rule Ref.	GEM Rule Ref.
<u>Issuance of options/warrants</u>		
10) "All warrants must, prior to the issue or grant thereof, be approved by the Exchange and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting (unless they are issued by the directors under the authority of a general mandate granted to them by shareholders in accordance with [MB] rule 13.36(2))."	15.02	21.02
<b>B) Distributions contingent on certain transactions which in turn require shareholder approval</b>		
There were previous cases that issuers entered into acquisition/disposal transactions and at the same time proposed distribution to shareholders which was conditional on completion of the subject acquisition/disposal.		
1) <u>Major transactions</u>		
"A major transaction must be made conditional on approval by shareholders."	14.40	19.40
"Major transaction - a transaction or a series of transactions (aggregated under [MB] rules 14.22 and 14.23) by a listed issuer where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal"	14.06(3)	19.06(3)
2) <u>Very substantial disposal/acquisition</u>		
"A very substantial disposal and a very substantial acquisition must be made conditional on approval by shareholders in general meeting."	14.49	19.49
"Very substantial disposal - a disposal or a series of disposals (aggregated under [MB] rules 14.22 and 14.23) of assets (including deemed disposals referred to in [MB] rule 14.29) by a listed issuer where any percentage ratio is 75% or more"	14.06(4)	19.06(4)
"Very substantial acquisition - an acquisition or a series of acquisitions (aggregated under [MB] rules 14.22 and 14.23) of assets by a listed issuer where any percentage ratio is 100% or more"	14.06(5)	19.06(5)

Detailed Rules	MB Rule Ref.	GEM Rule Ref.
<p>3) <u>Reverse takeover</u></p> <p>"A reverse takeover must be made conditional on approval by shareholders in general meeting."</p> <p>"Reverse takeover - an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Exchange Listing Rules"</p>	14.55	19.55
<p>4) <u>Connected transactions</u></p> <p>"The Exchange will require that connected transactions and continuing connected transactions are made conditional on prior approval by the shareholders of the listed issuer in general meeting." [except for de-minimis transactions]</p> <p>"<i>De minimis transactions</i> - a connected transaction on normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is/are:</p> <ul style="list-style-type: none"> <li>(a) less than 0.1%;</li> <li>(b) less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the listed issuer by virtue of its/his relationship(s) with the issuer's subsidiary or subsidiaries; or</li> <li>(c) less than 5% and the total consideration is less than HK\$1,000,000;"</li> </ul>	14A.18	20.18
<p>5) <u>Spin-off</u></p> <p>"..... shareholder approval will be required where, under [MB] rule 14.07, any of the percentage ratios of the transaction is 25% or more."</p> <p>"The Listing Committee expects the Parent to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to shares in Newco, either by way of a distribution in specie of existing shares in Newco or by way of preferred application in any offering of existing or new shares in Newco."</p>	Para 3(e)(1) of PN15	Para 3(e)(1) of PN3
	Para 3(f) of PN15	Para 3(f) of PN3

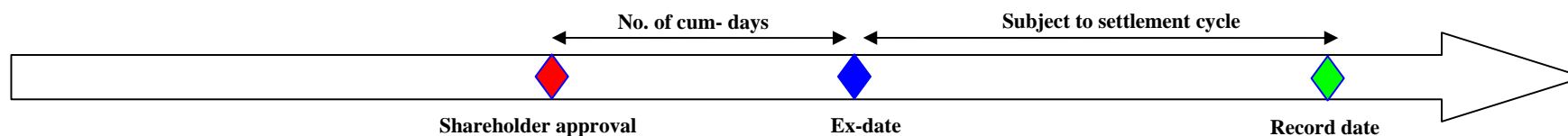


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## APPENDIX II: OVERSEAS MARKET PRACTICES IN EX-DATE OF CONDITIONED ENTITLEMENTS

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1. Mainland: The Listing Rules of both Shanghai and Shenzhen stock exchanges specify that an issuer must announce details of its distribution plan - including the date of general meeting at which the distribution plan was approved - 3 to 5 trading days before the record date for the distribution. (SHSE and SZSE Listing Rules 11.4.4)
2. New York: At the time the board announces a conditional stock distribution (i.e. subject to future fulfilment of certain condition such as shareholder approval or approval by a public authority), if there is a specific date on which the board will definitely know if the distribution will be made, the record date for the entitlement should be at least 6 days after that specific date. If there is no idea which specific date the board will know definitely if the distribution will be made, the record date will not occur until at least 9 calendar days after it is definitely determined that the distribution will be made. (Listed Company Manual, Rule 703.02)
3. Australia: If any offer or stock issuance must get the approval of shareholders, the record date to determine who will receive the entitlement must be at least 7 days after the general meeting. (Listing Rules 7.15)
4. Singapore: Issuers must ensure the last day of trading on a cum basis falls at least one day after shareholder approval at the general meeting. (Listing Manual, Rule 704 (24)).



### Number of cum-trading day after shareholder approval in selected leading markets

Stock Exchange	Requirement	Ex- trade before shareholder approval	Minimum no. of business days between record date and shareholder approval	Settlement cycle	Minimum no. of cum-trading days after shareholder approval
Australian Stock Exchange	Record date at least 7 business days after shareholder approval	No	7	T+3	4
Singapore Exchange	Last cum-trading day must be at least 1 day after shareholder approval	No	4	T+3	1
New York Stock Exchange	Record date must be at least 6 business days after shareholder approval	No	6	T+3	3
Shanghai / Shenzhen Stock Exchange	Record date must be announced after shareholder approval and CSRC approval. Ex-date is the trading day after the record date	No	3	T+1	2
Hong Kong Stock Exchange	No record date / Ex-date requirement	Yes	NA	T+2	NA

#### Notes:

1. London Stock Exchange allows listed companies to set a record date before shareholder approval. Its market system supports cum-trading under which entitlement will be transferred from seller to buyer for any trades settled by CREST from record date to ex-date. Ex-date is required to be set at least 2 business days (if announced before 8am) or 3 business days (if announced after 8am) after shareholder approval.
2. New York Stock Exchange requires any stock entitlement equivalent to 25% or more of issued capital to defer ex-date until one day after the payment date. From record date to ex-date, cum-trading is provided under a system similar to London.
3. Listing rules in Mainland China require issuers to announce details of the distribution, including date of shareholder approval and other appropriate regulatory approvals, at least 3 days before record date. This table assumes regulatory approvals are given on the date of shareholder approval.

\* Material contained in this Appendix is for background and reference purposes only. This information was compiled on a best-effort basis through desktop research and discussion with overseas exchanges.

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## **APPENDIX III: PERSONAL INFORMATION COLLECTION AND PRIVACY POLICY STATEMENT**

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### **Provision of Personal Data**

1. Your supply of Personal Data to HKEx is on a voluntary basis. “Personal Data” in these statements has the same meaning as “personal data” in the Personal Data (Privacy) Ordinance, Cap 486, which may include your name, identity card number, mailing address, telephone number, email address, login name and/or your opinion.

### **Personal Information Collection Statement**

2. This Personal Information Collection Statement is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. It sets out the purposes for which your Personal Data will be used after collection, what you are agreeing to in respect of HKEx’s use, transfer and retention of your Personal Data, and your rights to request access to and correction of your Personal Data.

### **Purpose of Collection**

3. HKEx may use your Personal Data provided in connection with this consultation paper for purposes relating to this consultation and for one or more of the following purposes:
  - administration, processing and publication of the consultation paper and any responses received;
  - performing or discharging HKEx’s functions and those of its subsidiaries under the relevant laws, rules and regulations;
  - research and statistical analysis; and
  - any other purposes permitted or required by law or regulation.

### **Transfer of Personal Data**

4. Your Personal Data may be disclosed or transferred by HKEx to its subsidiaries and/or regulator(s) for any of the above stated purposes.
5. To ensure that the consultation is conducted in a fair, open and transparent manner, any response together with your name may be published on an “as is” basis, in whole or in part, in document form, on the HKEx website or by other means. In general, HKEx will publish your name only and will not publish your other Personal Data unless specifically required to do so under any applicable law or regulation. If you do not wish your name to be published or your opinion to be published, please state so when responding to this paper.

## **Access to and Correction of Data**

6. You have the right to request access to and/or correction of your Personal Data in accordance with the provisions of the Personal Data (Privacy) Ordinance. HKEx has the right to charge a reasonable fee for processing any data access request. Any such request for access to and/or correction of your Personal Data should be addressed to the Personal Data Privacy Officer of HKEx in writing by either of the following means:

By mail to: Personal Data Privacy Officer  
Hong Kong Exchanges and Clearing Limited  
12<sup>th</sup> Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Re: Consultation Paper on Ex-entitlement Trading and Shareholder Approval**

By email to: [pdpo@hkex.com.hk](mailto:pdpo@hkex.com.hk)

## **Retention of Personal Data**

7. Your Personal Data will be retained for such period as may be necessary for the carrying out of the above-stated purposes.

## **Privacy Policy Statement**

8. HKEx is firmly committed to preserving your privacy in relation to the Personal Data supplied to HKEx on a voluntary basis. Personal Data may include names, identity card numbers, telephone numbers, mailing addresses, e-mail addresses, login names, opinion, etc., which may be used for the stated purposes when your Personal Data are collected. The Personal Data will not be used for any other purposes without your consent unless such use is permitted or required by law or regulation.
9. HKEx has security measures in place to protect against the loss, misuse and alteration of Personal Data supplied to HKEx. HKEx will strive to maintain Personal Data as accurately as reasonably possible and Personal Data will be retained for such period as may be necessary for the stated purposes and for the proper discharge of the functions of HKEx and those of its subsidiaries.

