

HONG KONG EXCHANGES AND CLEARING LIMITED

GUIDE ON TRADING ARRANGEMENTS FOR SELECTED TYPES OF CORPORATE ACTIONS

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1. Introduction

- 1.1 The Listing ~~Division~~ Department has produced this Guide on Trading Arrangements for Selected Types of Corporate Actions (CA) which outlines key issues and best practices in relation to schedule setting, provision of information and trading arrangements for:
- i. Rights issue
 - ii. Open offer
 - iii. Share consolidation or sub-division
 - iv. Change in board lot size
 - v. Change of company name or addition of Chinese name
- 1.2 The responsibility for disclosing of information in announcements and circulars, and complying with Listing Rules rests firmly with issuers and their directors. This Guide does not form part of the Listing Rules and does not in any way amend or vary an issuer's obligations under the Listing Rules, nor does it remove the need for issuers to make their own judgement on what information should be disclosed in relation to their corporate actions. In case of doubt, issuers are encouraged to consult their contact persons in the Listing ~~Division~~ Department.

2. Issues for attention

- 2.1 Issuers should be aware that, as well as the Listing Rules and this Guide, the scheduling and arrangements of corporate actions may be also subject to statutory laws and regulations in their jurisdiction of incorporation. For instance, the Company Ordinance has certain requirements on the cumulative book closure period.
- 2.2 The guidelines in this document are developed and organised by types of corporate actions. In practice, issuers may initiate complicated events, involving multiple types of corporate actions. While the guidelines in this document refer to equities, they may also apply to other types of securities such as warrants and debt securities. If issuers encounter any difficulties in applying the guidelines, they can contact the designated Listing Officer for advice.
- 2.3 Unless otherwise specified, any reference to "day" or "days" in this document refers to calendar days.
- 2.4 In this document, "business day" refers to any day on which the Stock Exchange of Hong Kong ("the Exchange") is open for business to deal in securities, also called a "trading day". The term "settlement day" refers to a business day on which the settlement services of Central Clearing and Settlement System ("CCASS") are available for use by CCASS Participants; i.e. business days except for Christmas Eve; New Year's Eve and Lunar New Year's Eve (i.e. these are half trading days on which CCASS does not offer settlement services).

3. **Rights issue**

3.1 **Basic concept:** A rights issue is the offer of new shares in the form of nil paid rights (“NPR”) to existing shareholders in proportion to their existing holdings at a specified price. It is a multi-stage corporate action which involves distribution of NPR to registered shareholders, trading of NPR on the Exchange as temporary securities, acceptance of rights shares and trading of fully-paid rights shares in the secondary market. At different stages of the event, there are various issues for issuers’ attention.

3.2 **Book closure/Record date:** Issuers must publish a notice of the closure of its transfer books or register of members at least six business days (i.e. five clear business days) before the closure for a rights issue or 10 business days before the closure in other cases. The issuer must provide at least two trading days (as defined in the Rules of the Exchange) for trading in the securities with entitlements (i.e. before the ex-date) after publication of the book closure. If cum-rights trading is interrupted due to, for example, a typhoon and/or a black rainstorm warning or trading suspension of the issuer’s securities, and interruption causes the number of uninterrupted trading days for cum-rights trading to fall short of two, the book closure date will be postponed, where necessary, to provide the market with a minimum of two trading days (during neither of which trading is interrupted) for cum-rights trading during the extended notice period. In these circumstances, the issuer must publish an announcement on the revised timetable as soon as practicable. For the sake of clarity, the two uninterrupted trading days do not need to be consecutive.

*MB Rule
13.66(1),
13.66(2),
Notes (2)&(3)
to 13.66
GEM Rule
17.78(1),
17.78(2),
Notes (1)&(2)
to 17.78*

An issuer must ensure that the last day for trading in the securities with entitlements to the rights issue falls at least one business day after the general meeting, if the rights issue requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting. Under the current T+2 settlement system, the record date (when there is no book closure) or the last registration date (when there is a book closure) must be at least three business days after the general meeting.

If the issuer fails to publish the result of the poll conducted in the general meeting in the manner prescribed under MB Listing Rule 13.39(5) / GEM Listing Rule 17.47(5), it must ensure there is at least one trading day for trading in the securities with entitlements to the rights issue after publication of the results of the poll. The issuer must publish an announcement on any revised timetable.

3.3 **Offer period:** The Listing Rules require that the offer period in which the rights shares may be accepted should not be less than 10 business days. In cases where the issuer has a large number of overseas shareholders, a longer period may be desirable, but the Exchange must be consulted if the offer period is over 15 business days. The offer period commences from the next business day after the despatch of the provisional allotment letters (“PAL”).

*MB Rule 7.20,
GEM Rule
10.30*

- 3.4 The latest time for acceptance of and payment for rights shares: To allow sufficient time for clearing and settlement, the latest time for acceptance of and payment for rights share and application for excess rights shares should be three business days after the last trading day of NPR. However if one of the three business days immediately after the last trading day is Christmas Eve, New Year's Eve or Lunar New Year's Eve (which are not regarded as settlement days), the issuer should consult the Exchange to agree on a workable timetable.
- 3.5 Rights of overseas shareholders: For the sake of clarity, the issuer should state clearly in the announcement and/or circular whether the offer will be extended to overseas shareholders and if not, the arrangement of the NPR.
- 3.6 Convertible securities: If the issuer has outstanding equity warrants or other convertible securities listed on the Exchange at the time of the rights issue, to protect the interests of the convertible securities holders, the issuer should state in the announcement and circular the name and stock code of these convertible securities and the latest time for the holders of these securities to exercise their rights in order to be entitled to the rights issue.
- 3.7 CA Information to be provided: It is good practice for issuers to provide the following CA information as far as possible in the initial disclosure material of the rights issue:
- i. **Record date** (i.e. *dd/mm/yyyy*) on which the shareholders entitled to the rights issue will be identified based on the names appearing on the books at the end of that date. If the rights issue requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting, the record date on which the issuer will identify shareholders who will be entitled to attend and vote at the general meeting must also be provided.¹ 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 closure date. The issuer usually determines the identity of shareholders who qualify for the rights issue at the close of the business day. Otherwise, the issuer must specify the Hong Kong time at which the snapshot of shareholder records will be taken in the form of "*hh:mm on dd/mm/yyyy*".
 - ii. **Book closure period** (i.e. either "*on dd/mm/yyyy*" or "*from dd/mm/yyyy to dd/mm/yyyy, both days inclusive*") in which the company register will be closed to identify shareholders who will be entitled to the rights issue.
 - iii. **Latest time for lodging transfers of shares** (i.e. at 4:30pm on *dd/mm/yyyy*) in order to qualify for the rights issue. The issuer must ensure that the selected date is a future business day on which the share registrar will be open for business and will handle share transfers for the relevant security. In particular, if the issuer has a large number of shareholders, it is wise to ensure that the share registrar has the ability to handle the possible substantial volume of share transfers within the book closure period.
 - iv. **Rights issue ratio** (e.g. one rights share for every five shares held)
 - v. **Issue size of rights issue** (i.e. number of rights shares to be issued)
 - vi. **Subscription price per rights share** (It is advised to be expressed in Hong

¹ Issuer should refer to Guide on General Meeting for details.

Kong dollars or at least with an equivalent Hong Kong dollar amount for easy reference)

- vii. **The despatch date of Rights Issue Documents** (including prospectus, provisional allotment letter and excess application form, if any) (please specify in the form of either “*on dd/mm/yyyy*” or “*on or before dd/mm/yyyy*”)
 - viii. **The despatch date of the fully-paid rights shares** (please specify in the form of either “*on dd/mm/yyyy*” or “*on or before dd/mm/yyyy*”)
- 3.8 **ISIN code and stock code:** If there is a new security resulting from the corporate action, it is best practice for the issuer to announce the ISIN code and stock code of the new security to the market as soon as possible and not later than the payment date for the event.
- 3.9 **Basis of allocation of excess shares:** To ensure that sufficient information is provided to shareholders, the issuer is required to disclose the basis of allocation of excess shares not subscribed by allottees in the announcement, circular and listing documents for a rights issue.
- 3.10 **Treatment of fractions:** For the avoidance of doubt, the issuer should include conditions applying to the treatment of fractions in the calculation of resultant entitlements. This is because some ratios of rights issue may result in the creation of fractional entitlements; i.e. resultant entitlements that are not whole units of the underlying shares. For instance, assuming a rights issue ratio of two nil paid rights shares for every five shares held, it will be unclear whether a shareholder holding 1,004 shares (which is not an integral multiple of five shares) will receive 400 nil paid rights shares (on the basis of the whole multiple) or 401 nil paid rights shares (on a pro-rata basis). In such cases, the issuer should specify the conditions.
- 3.11 **Free splitting of PALs:** The issuer must provide its shareholders with a free splitting service for PALs. The splitting of PALs must be completed within three business days after the date of receipt. The issuer should also note that:
- i. the last day for splitting must be at least three business days before the last trading day of NPR; and
 - ii. there must not be more than five clear business days between the last day for splitting and the last day for renunciation (i.e. the latest time for acceptance of and payment for rights shares and application for excess rights shares).
- 3.12 **Trading of NPRs:** The NPRs distributed to shareholders will be traded on the stock exchange for a short period of time. To facilitate the trading of these temporary securities, the issuer should note the following:
- i. Trading currency of NPRs should be the same as for the underlying securities;
 - ii. Board lot size of NPRs should be the same as the existing board lot size for the underlying securities. If there is a proposal for a change in board lot size, the board lot size of NPRs should be the same as the proposed new board lot size for the underlying securities;
 - iii. Trading of NPRs normally commences two business days after the despatch

*MB Rule 7.21(1),
7.26 A(1) / GEM
Rule 10.31
(10),10.42(1)*

*MB Rule
Appendix 2A,
4 (2), GEM
Rule Appendix
2A, 4 (2)*

- of NPRs to registered shareholders; and
- iv. Trading period of NPRs should not be less than five business days.
- 3.13 Other corporate actions: If the issuer pursues other corporate actions in the same period (e.g. stock consolidation or sub-division), the issuer should clearly state the rights issue ratio on a post-event basis and the par value (if applicable) of the resultant shares in the circular and rights issue prospectus. In case the other corporate actions are terminated, the issuer should disclose to the market whether or not the rights issue will proceed and if so, whether the rights issue ratio will remain the same.
- 3.14 Typhoon or black rainstorm arrangements: If trading is interrupted by a typhoon and/or a black rainstorm warning and the interruption causes the number of uninterrupted trading days for cum-rights trading during the book closure notice period to fall short of two, the book closure date will be automatically postponed, where necessary, to provide at least two trading days for trading cum-rights securities. In addition, an issuer must ensure that the last day for trading in the securities with entitlements to a rights issue falls at least one business day after the general meeting, if the rights issue requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting (see **G3.2**). If trading on the Exchange is interrupted due to a typhoon and/or a black rainstorm warning, the record date/book-close date (thus the ex-date) may need to be postponed. In these circumstances, the issuer must publish an announcement on the revised timetable as soon as practicable.

Whenever the schedule of rights issue may be interrupted by a typhoon or a black rainstorm warning, shareholders should be properly informed of the contingency arrangements for these circumstances. The issuer must insert the following note, or a similar note to the same effect, to the timetable set out in the circular and the listing document for a rights issue:

“The latest time for acceptance of and payment for rights shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a ‘black’ rainstorm warning:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on [Last Acceptance Date]. Instead the latest time for acceptance of and payment for the rights shares will be extended to 5:00 p.m. on the same business day;*
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on [Last Acceptance Date]. Instead the latest time of acceptance of and payment for the rights shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.*

If the latest time for acceptance of and payment for the rights shares does not take place on [Last Acceptance Date], the dates mentioned in the ‘Expected timetable’ section may be affected. The Company will notify shareholders by way of announcements on any change to the expected timetable as soon as practicable.”

- 3.15 CCASS eligibility: If the rights shares in their nil-paid and fully-paid forms will be admitted as CCASS eligible securities from the date of commencement of dealings, the circular and the listing document of the rights issue should contain the following paragraph or a similar paragraph to the same effect:

“Subject to the granting of listing of, and permission to deal in, the right shares in both nil-paid and fully-paid forms on the Stock Exchange, the rights shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the rights shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.”

- 3.16 Excess application arrangement: It is common for issuers to arrange for disposal of unsubscribed rights shares by means of excess application forms. In making excess application arrangements, issuers should note the following matters in relation to shareholdings under nominee companies.

- i. *Top-up arrangement*: In allocating excess rights, the issuer usually gives preference to applications with less than one board lot by rounding it up to a whole board lot (“Top-up Arrangement”) and treats shareholders whose names appear on the register of members (“Qualifying Shareholders”) as single shareholders. As such, a nominee company whose name appears on the register of members will be treated as a single shareholder (“Registered Nominee Company”) and the Top-up Arrangement will not be extended to the beneficial owners who hold their shares through that nominee company. It is important for issuers to draw the attention of shareholders to these facts. Accordingly, issuers should put the following statements or statements to the same effect into the proposed rights issue announcement, circular and listing document:

“The Board of the issuer will regard a Registered Nominee Company as a single shareholder under the Top-up Arrangement. Accordingly, the Top-up Arrangement in relation to the allocation of excess rights will not be extended to the beneficial owners individually. Beneficial owners who hold their shares through a Registered Nominee Company are advised to consider whether they would like to arrange registration of their shares in their own names prior to the relevant book close period.”

- ii. *Application tier arrangement:* The issuer may set application tiers to govern the number of excess rights shares that can be applied for in each excess application. However there are practical difficulties (described below) preventing nominee companies from complying with such requirement.

A Registered Nominee Company only has the shareholding information of its direct clients. It has limited information on the identity and shareholding information of beneficial owners who are the customers of its direct clients. Its direct client has full discretion to determine how the excess applications from its own customers are submitted to the Registered Nominee Company. The direct client may (a) aggregate all the excess applications of its clients and submit only one excess application to the Registered Nominee Company; or (b) submit several excess applications to the Registered Nominee Company with some excess applications representing the aggregate of excess applications of several clients and some excess applications representing the individual excess application of each client. As such, it is the responsibility of the direct client or its own customers to ensure compliance with the application tier requirement and the Registered Nominee Company is not in a position to do so; and

Even if all beneficial owners who hold shares through a Registered Nominee Company comply with the application tier requirement, it is still possible that the aggregate number of excess rights applied for by a Registered Nominee Company may not fall into any application tiers.

Accordingly, it is best practice for issuers to insert into the proposed rights issue announcement, circular and listing document (where applicable) a paragraph to the effect that Registered Nominee Companies would be exempted from the application tier requirement and that it is the responsibility of each beneficial owner who holds securities through a Registered Nominee Company to comply with the application tier requirement. The issuer should also state clearly in the announcement, circular and listing document that excess applications from nominee companies will be accepted by share registrars even if their subscription under PAL is not in full.

- 3.17 Undertaking / declaration: Given that nominee companies may only have the shareholding information of their direct clients and have limited information on the identity and shareholding information of the ultimate beneficial owners, the issuer should note that nominee companies are not in a position to give any undertaking / declaration or deemed representation / warranty (e.g. when making the subscription under PAL or application for excess rights, nominee companies are deemed to have given representation or warranty to the issuer that the beneficial owners are not (a) within the United States; or (b) persons by whom the subscription / application would require additional registrations or require the issuer to comply with any requirements or procedures under any laws or regulations of any jurisdictions outside Hong Kong) at the time of making the subscription under PAL or application for excess rights.

3.18 Sample timetable for a rights issue: The following table is compiled strictly as a sample for issuers' reference. It contains various assumptions which may not apply to a specific case of a rights issue. Depending on the individual requirements of each exercise, the issuer should make necessary modifications.

Event	Remarks	Timeline*
(i) General Meeting NOT required		
Publication of the rights issue announcement (including timetable) on HKExnews - <u>HKEXnews</u> website	At least six business days (i.e. five clear business days) before the book closure	Day 1
Last day of dealings in securities on cum-rights basis	The business day immediately before the ex-date	Day 4
Ex-date (the first day of dealings in securities on ex-rights basis)	The business day immediately before the record date (when there is no book closure) or two business days before the register of members closes (when there is a book closure)	Day 5
Latest time for lodging transfers of shares to qualify for the rights issue		4:30pm on Day 6
Register of members closes (both days inclusive)		Day 7-11
Record date for rights issue	Any day during the closure of the register of members period	Day 11
Despatch of PAL and NPR		Day 12
First day of dealing in NPR	Two business days after the despatch of PAL	Day 14
Latest time for splitting of PAL	- At least three business days preceding the last dealing day - Not more than five clear business days between the last day for splitting and the last day for renunciation	At a time on Day 16
Last day of dealings in NPR	Trading period of NPR should be at least five business days	Day 19
Latest time for acceptance and payment for rights shares and application for excess rights shares	- Three business day after last day of dealing - The offer period should not be less than 10 business days.	At a time on Day 22
Latest time for the termination of the underwriting agreement (if applicable)		At a time on Day 23
Announcement of the allotment results		Day 27
Despatch of certificates for fully-paid rights shares and refund cheques		Day 28
Expected first day of dealings in fully-paid rights shares	The business day immediately after the despatch of certificates	Day 29

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Event	Remarks	Timeline*
(ii) General Meeting required		
Publication of the rights issue announcement (including timetable) on HKE news-HKEXnews website	At least 10 business days before the book closure for general meeting	Day 1
Latest time for lodging transfers of shares to qualify for attendance and voting at the general meeting		4:30pm on Day 10
Register of members closes (both days inclusive)		Day 11-15
Record date for attendance and voting at the general meeting	Any day during the closure of the register of members period but not later than the day any general meeting is held for such purpose	Day 15
General meeting to approve the proposal		Day 15
Announcement of the result of the general meeting		Day 15
Last day of dealings in securities on cum-rights basis	At least one business day after the general meeting	Day 16
Ex-date (the first day of dealings in securities on ex-rights basis)	The business day immediately before the record date (when there is no book closure) or two business days before the register of members closes (when there is a book closure)	Day 17
Latest time for lodging transfers of shares to qualify for the rights issue		4:30pm on Day 18
Register of members closes (both days inclusive)		Day 19-23
Record date for rights issue	At least three business days after the general meeting	Day 23
Despatch of PAL and NPR		Day 24
First day of dealing in NPR	Two business days after the despatch of PAL	Day 26
Latest time for splitting of PAL	- At least three business days preceding the last dealing day - Not more than five clear business days between the last day for splitting and the last day for renunciation	At a time on Day 28
Last day of dealings in NPR	Trading period of NPR should be at least five business days	Day 31
Latest time for acceptance and payment for rights shares and application for excess rights shares	- Three business day after last day of dealing - The offer period should not be less than 10 business days.	At a time on Day 34
Latest time for the termination of the underwriting agreement (if applicable)		At a time on Day 35
Announcement of the allotment results		Day 39
Despatch of certificates for fully-paid rights shares and refund cheques		Day 40
Expected first day of dealings in fully-paid rights shares	The business day immediately after the despatch of certificates	Day 41

Note: Timeline is counted in business days unless otherwise specified

3.19 Checklist for technical and operational matters in relation to a rights issue

An issuer is expected to provide affirmative answers to all the questions in the checklist.

** Please delete where inappropriate*

Issue	Checked
<p>1. Book closure/Record date (G3.2):</p> <p>i. Is the notice of book closure made at least six business days (i.e. five clear business days) before the closure for a rights issue or 10 business days before the closure in other cases? <input type="checkbox"/></p> <p>ii. Are you aware that you must maintain at least two trading days for trading cum-rights securities during the notice period and, where necessary, to postpone the book closure date if cum-rights trading is interrupted due to a typhoon and/or a black rainstorm warning or trading suspension of the issuer's securities which causes the number of uninterrupted trading days for cum-rights trading fall short of two? <input type="checkbox"/></p> <p>iii. If the rights issue requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting, is the record date (when there is no book closure) or the last registration date (when there is a book closure) set at least three business days after the general meeting (i.e. at least one cum-trading day will be provided)? <input type="checkbox"/></p> <p>iv. Are you aware that you must ensure there is at least one trading day for trading in the securities with entitlements to the rights issue after publication of the results of the poll? <input type="checkbox"/></p> <p>v. Have you complied with the best practices outlined in the Guides on Disclosure of Record Date, Book Closure and Latest Time for Lodging Transfers of Shares separately issued by the Exchange? <input type="checkbox"/></p>	
<p>2. Offer period: Is the offer period at least 10 business days? If it is over 15 business days, have you consulted the Exchange in advance? (G3.3) (_____ days) <input type="checkbox"/></p>	
<p>3. The latest time for acceptance of and payment for rights shares: Is the last acceptance day for rights shares and application for excess rights shares three business days after the last trading day of NPR? (G3.4)</p> <p>i. The latest time for acceptance of rights shares: _____ dd/mm/yyyy <input type="checkbox"/></p> <p>ii. Last trading day: _____ dd/mm/yyyy <input type="checkbox"/></p>	
<p>4. Rights of overseas shareholders: Have you stated clearly whether the offer will be extended to overseas shareholders and if not, the arrangement for the NPR? (G3.5) <input type="checkbox"/></p>	
<p>5. Convertible securities: If there are any outstanding equity warrants or convertible securities issued by your company, have you provided the name and stock code of the convertible securities as well as the deadline for the holders of these securities to exercise their rights to be entitled to the rights issue? (G3.6) <input type="checkbox"/></p>	

Issue	Checked
<p>6. Information to be disclosed: In your announcement, have you provided the following information in relation to the rights issue? (G3.7)</p> <p>i. Record date: _____ dd/mm/yyyy (if the identity of qualified shareholders is not determined at the close of business on this day, please specify the Hong Kong time _____ hh:mm) (if general meeting is required, the record date for attendance and voting at the general meeting must also be provided)</p> <p>ii. Book closure period: from _____ dd/mm/yyyy to _____ dd/mm/yyyy, both days inclusive</p> <p>iii. Latest time for lodging transfers of shares: at 4:30pm on _____ dd/mm/yyyy</p> <p>iv. Rights issue ratio: _____ rights shares for every _____ existing shares held</p> <p>v. Issue size: _____ rights shares</p> <p>vi. Subscription price per rights share: _____ (Please specify the currency _____. In case it is a foreign currency, please specify an equivalent HK\$ _____ amount for shareholders' easy reference.)</p> <p>vii. Despatch date of Rights Issue Documents: _____ on/ on or before* _____ dd/mm/yyyy</p> <p>viii. Despatch date of fully-paid rights shares: on /on or before * _____ dd/mm/yyyy</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>7. ISIN code and stock code (if applicable): Have you announced the ISIN code and stock code of the new resultant security? (G3.8)</p>	<p><input type="checkbox"/></p>
<p>8. Basis of allocation of excess shares: Have you disclosed the basis of allocation of excess securities? (G3.9)</p>	<p><input type="checkbox"/></p>
<p>9. Treatment of fractions: Have you specified the conditions applying to the treatment of fractions in the calculation of resultant rights shares? (G3.10)</p> <p>Whole multiple / pro-rata basis*</p>	<p><input type="checkbox"/></p>
<p>10. Free splitting of PAL: Have you provided the free splitting services? (G3.11)</p> <p>- Is the last day for splitting at least three business days before the last day of dealing in NPR? _____ days</p> <p>- Is there no more than five clear business days between the last day for splitting and the last day for renunciation? _____ days</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>11. Trading of NPR: Regarding the trading arrangement of the NPR (G3.12),</p> <p>i. Is the trading currency of the nil paid rights the same as the underlying shares? _____ (please specify the currency _____)</p> <p>ii. Is the board lot size of the nil paid rights the same as the existing board lot size of the underlying shares, or if there will be a change in board lot size, what is the new board lot size of the underlying shares? Board lot size: _____</p> <p>iii. Is there at least two business days between the despatch of nil paid rights to shareholders and the first day of dealing in the nil paid rights shares? _____ days</p> <p>iv. Is the trading period no less than five business days? _____ days</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>12. Other corporate actions (if applicable): Are there other corporate actions during the same period? If so, have you stated clearly in the prospectus the rights issue ratio on a post-event basis and the par value (if applicable) of the resultant shares?</p>	<p><input type="checkbox"/></p>

Issue	Checked
(G3.13)	
13. <u>Typhoon and black rainstorm arrangements</u> : Have you stated the contingency arrangements for typhoons or black rainstorms in the circular? (G3.14)	<input type="checkbox"/>
14. <u>CCASS eligibility</u> : Have you included the statement about the admission of the rights shares as CCASS eligible securities? (G3.15)	<input type="checkbox"/>
15. <u>Top-up arrangement</u> : Have you alerted the beneficial owners who hold their securities through a nominee company of the fact that the top-up arrangement would not be extended to them individually and reminded them to take appropriate action? (G3.16 (i))	<input type="checkbox"/>
16. <u>Application tier arrangement (if applicable)</u> : Have you reminded shareholders that it is the responsibility of beneficial owners who hold securities through a registered nominee company to comply with the application tier requirement and that registered nominee companies would be exempted from the application tier requirement? (G3.16 (ii))	<input type="checkbox"/>
17. <u>Underwriting / declaration</u> : Are you aware of the fact that nominee companies are not in a position to provide any undertaking/declaration or deemed representation at the time of making the subscription under PAL or application for excess rights in relation to matters about the beneficial owners? (G3.17)	<input type="checkbox"/>
18. <u>Expected timetable</u> : Have you included all the relevant events as illustrated in the timetable in relation to the rights issue? (G3.18)	<input type="checkbox"/>

4. **Open offer**

4.1 **Basic concept:** An open offer is an offer of securities to existing shareholders. Therefore many guidelines for a rights issue also apply to an open offer. However in an open offer, the offer of securities for subscription may or may not be in proportion to the existing holding of shareholders and the securities are not allotted on renounceable documents. Therefore the timetables are relatively simpler than for a rights issue.

4.2 **Book closure/Record date:** An issuer must publish a notice of the closure of its transfer books or register of members at least 10 business days before the closure.

*MB Rule
13.66(1),
13.66(2),
Note(3) to
13.66*

An issuer must ensure that the last day for trading in the securities with entitlements to the open offer falls at least one business day after the general meeting, if the open offer requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting. Under the current T+2 settlement system, the record date (when there is no book closure) or the last registration date (when there is a book closure) must be at least three business days after the general meeting.

*GEM Rule
17.78(1),
17.78(2),
Note(2) to
17.78*

If the issuer fails to publish the result of the poll conducted in the general meeting in the manner prescribed under MB Listing Rule 13.39(5) / GEM Listing Rule 17.47(5), it must ensure there is at least one trading day for trading in the securities with entitlements to the open offer after publication of the results of the poll. The issuer must publish an announcement on any revised timetable.

4.3 **Offer period:** The Listing Rules require that the offer of securities by way of an open offer must remain open for acceptance for a minimum period of 10 business days. In cases where the issuer has a large number of overseas shareholders, a longer period may be desirable, but the Exchange must be consulted if the offer period is over 15 business days. The offer period commences from the next business day after the despatch of subscription forms.

*MB Rule 7.25,
GEM Rule
10.40*

4.4 **Rights of overseas shareholders:** For the sake of clarity, the issuer should state clearly in the announcement and circular whether the open offer will be extended to overseas shareholders and if not, the arrangement for the unsubscribed offer shares.

4.5 **Convertible securities:** If the issuer has outstanding equity warrants or other convertible securities listed on the Exchange at the time of an open offer, to protect the interests of the convertible securities holders, the issuer should state in the announcement and circular the name and stock code of the convertible securities and the latest time for the holders of these securities to exercise their rights in order to be entitled to the open offer.

4.6 **CA information to be provided:** It is good practice for issuers to provide as far as possible the following information in the initial announcement of the

open offer:

- i. **Record date** (i.e. dd/mm/yyyy) on which the shareholders entitled to the offer shares will be identified based on the names appearing on the books at the end of that date. If the open offer requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting, the record date on which the issuer will identify shareholders who will be entitled to attend and vote at the general meeting must also be provided.² 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 closure date. The issuer usually determines the identity of qualified shareholders at the close of the business day. If otherwise, the issuer must specify the Hong Kong time at which the snapshot of shareholder records will be taken in the form of “*hh:mm on dd/mm/yyyy*”.
 - ii. **Book closure period** (i.e. either “*on dd/mm/yyyy*” or “*from dd/mm/yyyy to dd/mm/yyyy, both days inclusive*”) in which the company register will be closed to identify the shareholders who will be entitled to the open offer.
 - iii. **Latest time for lodging transfers of shares** (i.e. by 4:30pm on dd/mm/yyyy) in order to qualify for the open offer. The issuer should ensure that the selected date is a future business day on which the share registrar will be open for business and will handle transfers of shares for the relevant securities. In particular, if the issuer has a large number of shareholders, it is wise to ensure that the share registrar has the ability to handle the possible substantial volume of share transfers within the book closure period.
 - iv. **Open offer ratio** (e.g. one offer share for every five shares held)
 - v. **Issue size of open offer** (i.e. number of offer shares to be issued)
 - vi. **Subscription price per offer share** (It is advised to be expressed in Hong Kong dollars or at least with an equivalent Hong Kong dollar amount for easy reference)
 - vii. **The despatch date of the subscription forms and the offer document** (please specify in the form of either “*on dd/mm/yyyy*” or “*on or before dd/mm/yyyy*”)
 - viii. **The despatch date of the offer shares** (please specify in the form of either “*on dd/mm/yyyy*” or “*on or before dd/mm/yyyy*”)
- 4.7 **Basis of allocation of excess shares:** To ensure that sufficient information is provided to shareholders, the issuer must disclose the basis of the allocation of securities not validly applied for by shareholders in the announcement, circular and listing documents for an open offer.
- 4.8 **Treatment of fractions:** For the avoidance of doubt, the issuer should include conditions applying to the treatment of fractions in the calculation of resultant entitlements. This is because some ratios of an open offer may result in the creation of fractional entitlements; i.e. resultant entitlements that

*MB Rule
7.21(1), 7.26
A(1) / GEM
Rule 10.31
(10), 10.42(1)*

² Issuer should refer to Guide on General Meeting for details.

are not whole units of the underlying shares. For instance, for an open offer ratio of two offer shares for every five shares held, it will be unclear whether a shareholder holding 1,004 shares (which is not an integral multiple of five shares) will receive 400 offer shares (on the basis of the whole multiple) or 401 offer shares (on a pro-rata basis). In these cases, the issuer should specify the conditions.

- 4.9 Other corporate actions: If the issuer pursues other corporate actions during the same period (e.g. stock consolidation or sub-division), it should clearly state the open offer ratio on a post-event basis and the par value (if applicable) of the resultant shares in its circular. In cases where the other corporate actions are terminated, the issuer should disclose to the market whether or not the open offer will proceed and if so, whether the open offer ratio will remain the same.
- 4.10 Typhoon or black rainstorm arrangements: The schedule of an open offer may be interrupted by typhoons or black rainstorms. Shareholders should be properly informed of the contingency arrangements in these circumstances. The issuer must insert the following note, or a similar note to the same effect, to the timetable set out in the circular or the listing document of the open offer:

“The latest time for acceptance of and payment for offer shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a ‘black’ rainstorm warning

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on [Last Acceptance Date]. Instead the latest time for acceptance of and payment for the offer shares will be extended to 5:00 p.m. on the same business day;*
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on [Last Acceptance Date]. Instead the latest time of acceptance of and payment for the offer shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.*

If the latest time for acceptance of and payment for the offer shares does not take place on [Last Acceptance Date], the dates mentioned in the ‘Expected timetable’ section may be affected. The Company will notify shareholders by way of announcements on any change to the expected timetable as soon as practicable.”

In addition, an issuer must ensure that the last day for trading in the securities with entitlements to the open offer falls at least one business day after the general meeting, if the open offer requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting. If trading on the Exchange is interrupted due to a typhoon and/or a black rainstorm warning, the record date/book-close date (thus the ex-date) may need to be postponed. In such circumstance, the issuer must publish an announcement on the revised timetable as soon as practicable.

- 4.11 CCASS eligibility: If the offer shares will be admitted as CCASS eligible securities from the date of commencement of dealings, the timetable set out

in the circular and the listing document of the open offer should contain the following paragraph or a similar paragraph to the same effect:

“Subject to the granting of listing of, and permission to deal in, the offer shares on the Stock Exchange, the offer shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the offer shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.”

4.12 Excess application arrangement: Issuers may arrange for disposal of securities not validly applied for by shareholders under their assured entitlement, in which case such securities will be available for subscription by all shareholders in excess of their assured allotments. In cases where an excess application arrangement will be made, issuers should note the following matters in relation to shareholdings under nominee companies.

- i. *Top-up arrangement*: In allocating excess offer shares, the issuer usually gives preference to applications with less than one board lot by rounding it up to a whole board lot (“Top-up Arrangement”) and treats shareholders whose names appear on the register of members (“Qualifying Shareholders”) as single shareholders. As such, a nominee company whose name appears on the register of members will be treated as a single shareholder (“Registered Nominee Company”) and the Top-up Arrangement will not be extended to the beneficial owners who hold their shares through that nominee company. It is important for issuers to draw the attention of shareholders to these facts. Accordingly, issuers should put the following statement or a statement to the same effect in the proposed open offer announcement, circular and listing document:

“The Board of the issuer will regard a Registered Nominee Company as a single shareholder under the Top-up Arrangement. Accordingly, the Top-up Arrangement in relation to the allocation of excess offer shares will not be extended to the beneficial owners individually. Beneficial owners who hold their shares through a Registered Nominee Company are advised to consider whether they would like to arrange registration of their shares in their own names prior to the relevant book close period.”

- ii. *Application tier arrangement*: The issuer normally may set application tiers to govern the number of excess offer shares that can be applied for in each excess application. However there are practical difficulties (described below) preventing nominee companies such as HKSCC Nominee Limited from complying with such a requirement.

A Registered Nominee Company only has the shareholding information of its direct clients. It has limited information on the identity and shareholding information of beneficial owners who are the customers of its direct clients. Its direct client has full discretion to determine how the excess applications from its own customers are submitted to the Registered

Nominee Company. The direct client may: (a) aggregate all the excess applications of its clients and submit only one excess application to the Registered Nominee Company; or (b) submit several excess applications to the Registered Nominee Company with some excess applications representing the aggregate of excess applications of several clients and some excess applications representing the individual excess application of each client. As such, it is the responsibility of the direct client or its own customers to ensure compliance with the application tier requirement and the Registered Nominee Company is not in a position to do so; and

Even if all beneficial owners who hold securities through a Registered Nominee Company comply with the application tier requirement, it is still possible that the aggregate number of excess offer shares applied for by a Registered Nominee Company may not fall into any application tiers.

Accordingly, it is good practice for the issuer to insert in the proposed open offer announcement, circular and listing document (where applicable) a paragraph to the effect that Registered Nominee Companies would be exempted from the application tier requirement and that it is the responsibility of each beneficial owner who holds securities through a Registered Nominee Company to comply with the application tier requirement. The issuer should state clearly in the announcement, circular and listing document that excess application from nominee companies will be accepted by share registrars even if their assured entitlement of the offer shares are not subscribed in full.

- 4.13 Undertaking / declaration: Given that nominee companies may only have the shareholding information of their direct clients and have limited information on the identity and shareholding information of the ultimate beneficial owners, the issuer should note that nominees companies are not in a position to give any undertaking / declaration or deemed representation / warranty (e.g. when making a subscription for assured entitlement or application for excess offer shares, nominee companies are deemed to have given a representation or warranty to the issuer that the beneficial owners are not (a) within the United States; or (b) persons by whom the subscription / application would require additional registrations or require the issuer to comply with any requirements or procedures under any laws or regulations of any jurisdictions outside Hong Kong) at the time of making the subscription of assured entitlement or application for excess offer shares.

4.14 Sample timetable for an open offer: The following table is compiled strictly as a sample for issuers' reference. It contains various assumptions which may not apply to a specific case of an open offer. Depending on the individual requirements of each exercise, the issuer should make necessary modifications.

Event	Remarks	Timeline *
(i) General Meeting NOT required		
Publication of the open offer announcement (including timetable) on HKExnews HKEXnews website	At least 10 business days before the book closure	Day 1
Last day of dealings in securities on cum-entitlement basis	The business day immediately before the ex-date	Day 8
Ex-date (the first day of dealings in securities on ex-entitlement basis)	The business day immediately before the record date (when there is no book closure) or two business days before the register of members closes (where there is a book closure)	Day 9
Latest time for lodging transfers of shares in order to qualify for the open offer		4:30pm on Day 10
Register of members closes (both days inclusive)		Day 11-15
Record date for open offer	Any day during the closure of register of members	Day 15
Despatch of the prospectus and subscription form		Day 16
Latest time for acceptance and payment for offer shares and application for excess offer shares	The offer period should be at least 10 business days.	At a time on Day 26
Latest time for the termination of underwriting agreement (if applicable)		At a time on Day 27
Announcement of the allotment results		Day 31
Despatch of certificates for offer shares and refund cheques		Day 32
Expected first day of dealings in offer shares	The business day immediately after the despatch of certificates	Day 33

Event	Remarks	Timeline *
(ii) General Meeting required		
Publication of the open offer announcement (including timetable) on HKExnews HKEXnews website	At least 10 business days before the book closure	Day 1
Latest time for lodging transfers of shares in order to qualify for attendance and voting at the general meeting		4:30pm on Day 10
Register of members closes (both days inclusive)		Day 11-15
Record date for attendance and voting at the general meeting	Any day during the closure of register of members but not later than the day any general meeting is held for such purpose	Day 15
General meeting to approve the proposal		Day 15
Announcement of the result of the general meeting		Day 15
Last day of dealings in securities on cum-entitlement basis	At least one business day after the general meeting	Day 16
Ex-date (the first day of dealings in securities on ex-entitlement basis)	The business day immediately before the record date (when there is no book closure) or two business days before the register of members closes (where there is a book closure)	Day 17
Latest time for lodging transfers of shares in order to qualify for the open offer		4:30pm on Day 18
Register of members closes (both days inclusive)		Day 19-23
Record date for open offer	At least three business days after the general meeting	Day 23
Despatch of the prospectus and subscription form		Day 24
Latest time for acceptance and payment for offer shares and application for excess offer shares	The offer period should be at least 10 business days.	At a time on Day 34
Latest time for the termination of underwriting agreement (if applicable)		At a time on Day 35
Announcement of the allotment results		Day 39
Despatch of certificates for offer shares and refund cheques		Day 40
Expected first day of dealings in offer shares	The business day immediately after the despatch of certificates	Day 41

Note: Timeline is counted in business days unless otherwise specified

4.15 Checklist for technical and operational matters in relation to an open offer

The issuer is expected to provide affirmative answers to all the questions in the checklist.

** Please delete where inappropriate*

Issue	Checked
<p>1. <u>Book closure/Record date (G4.2):</u></p> <p>i. Is the notice of book closure made at least 10 business days before the closure?</p> <p>ii. If the open offer requires approval by shareholders in general meeting or is contingent on a transaction that is subject to approval by shareholders in general meeting, is the record date (when there is no book closure) or the last registration date (when there is a book closure) set at least three business days after the general meeting (i.e. at least one cum-trading day will be provided)?</p> <p>iii. Are you aware that you must ensure there is at least one trading day for trading in the securities with entitlements to the open offer after publication of the results of the poll?</p> <p>iv. Have you complied with the best practices outlined in the Guide on Disclosure of Record Date, Book Closure and Latest Time for Lodging Transfers of Shares separately issued by the Exchange?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>2. <u>Offer period:</u> Is the offer period at least 10 business days? If it is over 15 business days, have you consulted the Exchange in advance (G4.3) _____ days</p>	<p><input type="checkbox"/></p>
<p>3. <u>Rights of overseas shareholders:</u> Have you stated clearly whether the offer will be extended to overseas shareholders and if not, the arrangement for the unsubscribed offer shares? (G4.4)</p>	<p><input type="checkbox"/></p>
<p>4. <u>Convertible securities:</u> If there is any outstanding equity warrants or convertible securities issued by your company, have you provided the name and stock code of the convertible securities as well as the deadline for the holders of these securities to exercise their rights to be entitled to the offer shares? (G4.5)</p> <p>_____</p>	<p><input type="checkbox"/></p>
<p>5. <u>Information to be disclosed:</u> In your announcement, do you provide the following details of the open offer? (G4.6)</p> <p>i. Record date: _____ dd/mm/yyyy (if the identity of qualified shareholders is not determined at the close of business on this day, please specify the Hong Kong time _____ hh:mm) (if general meeting is required, the record date for attendance and voting at the general meeting must also be provided)</p> <p>ii. Book closure period: from _____ dd/mm/yyyy to _____ dd/mm/yyyy, both days inclusive</p> <p>iii. Latest time for lodging transfers of shares: by _____ hh:mm on _____ dd/mm/yyyy</p> <p>iv. Open offer ratio: _____ offer shares for every _____ shares held</p> <p>v. Issue size of open offer: _____ shares</p> <p>vi. Subscription price per offer share: _____ (Please specify the currency)</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>

Issue	Checked
<p>_____ . In case it is a foreign currency, please specify an equivalent HK\$ _____ amount for shareholders' easy reference.)</p> <p>vii. Despatch date of the subscription forms and the offer document: on/on or before* _____ dd/mm/yyyy</p> <p>viii. Despatch date of the offer shares: on/on or before* _____ dd/mm/yyyy</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>6. <u>Basis of allocation of excess shares</u>: Have you disclosed the basis of allocation of the excess shares? (G4.7)</p>	<p><input type="checkbox"/></p>
<p>7. <u>Treatment of fractions</u>: Have you specified the conditions applying to the treatment of fractions in the calculation of resultant offer shares? (G4.8)</p> <p>Whole multiple / pro-rata basis*</p>	<p><input type="checkbox"/></p>
<p>8. <u>Other corporate actions (if applicable)</u>: Are there other corporate actions during the same period? If so, have you stated clearly in the circular the open offer ratio on a post-event basis and the par value (if applicable) of the resultant shares? (G4.9)</p>	<p><input type="checkbox"/></p>
<p>9. <u>Typhoon or black rainstorm arrangements</u>: Have you stated the contingency arrangement for typhoons or black rainstorms in the circular? (G4.10)</p>	<p><input type="checkbox"/></p>
<p>10. <u>CCASS eligibility</u>: Have you included the statement about the admission of the offer shares as CCASS eligible securities? (G4.11)</p>	<p><input type="checkbox"/></p>
<p>11. <u>Top-up arrangement</u>: Have you alerted the beneficial owners who hold their securities through a nominee company of the fact that the top-up arrangement would not be extended to them individually and reminded them to take appropriate action? (G4.12(i))</p>	<p><input type="checkbox"/></p>
<p>12. <u>Application tier arrangement (if applicable)</u>: Have you reminded shareholders that it is the responsibility of beneficial owners who hold shares through a registered nominee company to comply with the application tier requirement and that registered nominee companies would be exempted from the application tier requirement? (G4.12 (ii))</p>	<p><input type="checkbox"/></p>
<p>13. <u>Underwriting / declaration</u>: Are you aware of the fact that nominee companies are not in a position to provide any undertaking/declaration or deemed representation at the time of making the subscription for assured entitlement or excess offer shares in relation to matters about the beneficial owners? (G4.13)</p>	<p><input type="checkbox"/></p>
<p>14. <u>Expected timetable</u>: Have you included all the relevant events as illustrated in the timetable in relation to the open offer? (G4.14)</p>	<p><input type="checkbox"/></p>

5. Share consolidation / subdivision³

5.1 Basic concept: Occasionally an issuer may restructure its issued share capital by changing the quantity of shares issued and/or the par value (if applicable) of shares, including through:

- i. **A share split**, which is an increase in the issuer's number of issued shares by dividing its existing shares proportionally into multiple subdivided shares. It will result in the proportionate reduction of the market price per sub-divided share.
- ii. **A share consolidation**, which is a decrease in the issuer's number of issued shares by merging its existing shares proportionally into new consolidated shares. It will result in the proportionate increase of the market price per consolidated share.

5.2 Effective date: The issuer should specify the effective date of the share consolidation / subdivision and the commencement date of trading of consolidated or subdivided shares in its announcement or circular, and highlight this information in the respective timetable. In general, the corporate action should become effective as soon as all conditions become unconditional. For the avoidance of doubt, the effective date should be expressed in Hong Kong time.

5.3 Announcement of meeting results: As best practice, issuers should announce the results of the general meeting in relation to the proposal for share consolidation or subdivision as early as possible before the Effective Date. This will allow sufficient time for market intermediaries (i.e. stockbrokers and custodian banks) to make appropriate adjustments to their internal systems.

5.4 Share price after consolidation / subdivision: Issuers should observe Rule 13.64 of the Listing Rules / Rule 17.76 of the GEM Listing Rules when setting details of their share consolidation / subdivision. The Rules state that the Exchange reserves the right to require an issuer to either change its trading method or to proceed with a consolidation of its securities where the market price of the securities approaches the extremities of HK\$0.01, which the Exchange considers to be any trading price less than HK\$0.10.

*Listing
Rules, MB
Rule 13.64 /
GEM Rule
17.76*

5.5 New board lot size: In determining the new board lot size for the consolidated / subdivided shares, the issuer should note the following:

- i. The issuer should select a new board lot size which will minimise the creation of odd lots;
- ii. The new board lot should be an integral multiple of the original board lot size for an increase in board lot size; or an integral divisor for a decrease in board lot size;
- iii. The new board lot must be less than 900,000 shares; and
- iv. Taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

5.6 Free exchange of certificates: The period of the free exchange of share

³ Also applicable to warrant splits or consolidations

certificates should be clearly stated in the disclosure material. The free exchange period generally lasts for five weeks, starting from the effective date and ending at least two business days after the last day of parallel trading. For clarity, the latest time for submission of share certificates for free exchange as well as the name and address of share registrars should be provided.

- 5.7 New share certificates: To avoid confusion in physical settlement, it is advised that new share certificates should be different from old share certificates as far as possible in terms of design and colour. The colour of the old and new certificates should be clearly stated in the disclosure material. The new share certificates should be made available on or before the first day of parallel trading.
- 5.8 Old share certificates: Issuer circulars on the share consolidation or subdivision must clearly state the following:
- i. Existing share certificates will continue to remain good evidence of legal title; and
 - ii. Whether or not the old share certificates are still valid for trading; and if not, the date from which the old share certificates will cease to be valid for delivery, trading and settlement purposes.
- 5.9 Parallel trading: During the period of free exchange of share certificates, the Exchange will set up a parallel trading arrangement to facilitate trading of the respective securities in the form of existing and new share certificates. The parallel trading period normally lasts for at least three weeks. A typical parallel trading arrangement involves three stages:
- i. Stage 1: On the effective date of the share consolidation or subdivision, a temporary trading counter is set up for trading of the consolidated/subdivided shares in the form of old share certificates in a temporary board lot size (see G5.10). The original trading counter is temporarily closed.
 - ii. Stage 2: After 10 business days, the original trading counter is reopened for trading of the consolidated/subdivided shares in the form of new share certificates in the new board lot size. Parallel trading is conducted simultaneously in the original counter (new stock certificates) and in the temporary counter (old share certificates).
 - iii. Stage 3: After three weeks, the parallel trading comes to an end and the temporary trading counter is closed. Trading of consolidated/subdivided shares in new share certificates in the new board lot size will be effected in the original counter only. The old share certificates will, if applicable, cease to be valid for delivery, trading and settlement purposes but will remain effective as document of title.

- 5.10 Board lot size in temporary trading counter: To ensure one board lot in the temporary counter is equivalent to one board lot before the consolidation / subdivision, the board lot size in the temporary counter should be set according to the following formula:

$$\text{Temporary Board Lot Size} = \frac{\text{Existing board lot size}}{\text{Basis of consolidation/subdivision}}$$

For example, a 2-into-1 share consolidation

Existing board lot size = 2,000 old shares; New board lot size = 4,000 new shares

Temporary board lot size = 2,000 old shares divided by 2 (i.e. basis of consolidation as determined by the issuer) = 1,000 new shares

	Original trading counter (board lot 2,000)	Temporary trading counter (board lot 1,000)
Effective date	Temporarily closed	Opened for trading of old share certificates, in the temporary board lot size
↕ At least 10 business days		
First day of parallel trading	Trading of new certificates in new board lot of 4,000	Trading of old share certificates, in the temporary board lot size
↕ At least three weeks		
After last day of parallel trading	Continue trading of new certificates in new board lot of 4,000	Closure of temporary trading counter

- 5.11 Temporary trading counter: The temporary trading counter should be established at least 10 business days before the start of parallel trading (i.e. which is the time required for the standard share registration service in respect of the exchange of share certificates). Otherwise, the issuer is required to make a statement in the relevant announcement/circular listing document to guarantee that new certificates will be available on or before the first day of parallel trading if shareholders lodge their old certificates on the effective date.

- 5.12 Odd lot arrangement: The Listing Rules require the issuer make appropriate arrangements to enable odd lot holders either to dispose of their odd lots or to round them up to a board lot (“Odd lot arrangement”).

During the parallel period, the issuer is required to appoint a broker as its agent to match the sales and purchases of odd lots or for the major shareholder itself or through its agent to stand in to buy or sell odd lot securities. The particular circumstances of an issuer may dictate the method by which odd lot holders are to be accommodated. If necessary, issuers can consult the Exchange on their preferred odd lot programme.

*MB Rule
13.65 /
GEM Rule
17.77*

- 5.13 CCASS eligibility The issuer should include in the circular the following paragraph or a similar paragraph to the same effect:

“Subject to the granting of listing of, and permission to deal in, the securities on the Stock Exchange, the securities will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the consolidated / subdivided securities on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.”

- 5.14 Sample timetable for share consolidation / subdivision: The following table is compiled strictly as a sample for issuers’ reference. It contains various assumptions which may not apply to the specific case of a particular share consolidation / subdivision. Depending on the individual requirement of each exercise, the issuer should make modifications thereto.

Event	Remarks	Timeline*
General meeting to approve the proposed share consolidation / sub-division		Day 1
Publication of issuer announcement of the result of the general meeting in respect of the approval of the share consolidation / sub-division		Day 1
Effective date of the share consolidation / subdivision	The business day immediately after the general meeting	Day 2
First day of free exchange of existing share certificates for new share certificates for consolidated / subdivided shares	Commences on or before the Effective Date and lasts for at least five weeks	Day 2
Dealing in consolidated / subdivided shares commences		9:00am, Day 2
Original counter for trading in existing shares temporarily closes		9:00am, Day 2
Temporary counter for trading in consolidated / subdivided shares (in the form of existing share certificates) opens	At least 10 business days before the start of parallel trading	9:00am, Day 2
Original counter for trading in consolidated / subdivided shares (in the form of new share certificates for consolidated/sub-divided shares) re-opens		Day 12
Parallel trading commences on	Lasts for at least three weeks	Day 12
Odd lot arrangement (if applicable)	Same as parallel trading period	Day 12 to Day 26
Temporary counter for trading consolidated / subdivided shares (in the form of existing share certificates) closes		4:00pm Market closing time [^] , Day 26
Last day for free exchange of share certificates	At least two business days after the last day for parallel trading	Day 28 or later

* Note: Timeline is counted in business days unless otherwise specified

^ With the introduction of Closing Auction Session (CAS), the market closing times are as follows:

	<u>Full Day</u>	<u>Half-day</u>
<u>Non-CAS securities</u>	<u>4:00pm</u>	<u>12:00noon</u>
<u>CAS securities</u>	<u>4:10pm</u>	<u>12:10pm</u>

5.15 Checklist for technical and operational matters in relation to a share consolidation / sub-division

The issuer is expected to provide affirmative answers to all the questions in the checklist.

* Please delete where inappropriate

Issue	Checked
1. <u>Effective date</u> : Have you clearly indicated the effective date and the commencement of the trading of consolidated / sub-divided shares in the respective issuer announcement or circular? (G5.2) Effective Date: _____ dd/mm/yyyy, Hong Kong time; Commencement of trading on _____ dd/mm/yyyy, Hong Kong time	<input type="checkbox"/> <input type="checkbox"/>
2. <u>Announcement of meeting results</u> : Will the meeting results be announced to the market as early as possible before the effective date? (G5.3)	<input type="checkbox"/>
3. <u>Stock price after consolidation / subdivision</u> : Is the expected market price of the consolidated / subdivided shares above HK\$0.1? (G5.4)	<input type="checkbox"/>
4. <u>New board lot size</u> : In respect of the new board lot size for the consolidated / subdivided shares (G5.5) , <ul style="list-style-type: none"> - Have you selected a board lot size which will minimise the creation of odd lots? <input type="checkbox"/> - Is the new board lot size an integral multiple / an integral divisor of the original one? Board lot size: Existing _____ shares; New _____ shares <input type="checkbox"/> - Is it less than 900,000 shares? <input type="checkbox"/> - Is the expected board lot value greater than HK\$2,000? <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
5. <u>Free exchange of share certificates</u> (G5.6) : <ul style="list-style-type: none"> - Does it commence on the effective date? (_____ dd/mm/yyyy) <input type="checkbox"/> - Does it end at least two business days after the last day of parallel trading? (_____ dd/mm/yyyy) <input type="checkbox"/> - Have you specified the latest time for submission of share certificate for free exchange? (at _____ hh:mm on _____ dd/mm/yyyy) <input type="checkbox"/> - Have you provided the name and address of the share registrar? <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
6. <u>New share certificates</u> (G5.7) : <ul style="list-style-type: none"> - Have you stated the colours of the existing and new share certificates in the circular? (existing certificates: _____ new certificates: _____) <input type="checkbox"/> - Are the existing and new stock certificates different in colour and design? <input type="checkbox"/> - Will the new share certificates be ready for shareholders' collection before the start of parallel trading? <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Issue	Checked
<p>7. <u>Old share certificates</u>: Have you clearly stated the following facts in the circular (G5.8),</p> <ul style="list-style-type: none"> - The old share certificates will continue to be good evidence of legal title? <input type="checkbox"/> - If it is decided that the old share certificate will no longer be valid for trading, the date from which the old share certificates will cease to be valid for delivery, trading and settlement purposes? _____ <i>dd/mm/yyyy</i> <input type="checkbox"/> 	
<p>8. <u>Parallel trading</u>: In relation to the parallel trading, does the parallel trading period last for at least three weeks? (G5.9) (_____ days) <input type="checkbox"/></p>	
<p>9. <u>Temporary board lot size</u>: Have you calculated the board lot size in the temporary counter correctly as per the formula (G5.10)? Temporary board lot size _____ <i>shares</i> <input type="checkbox"/></p>	
<p>10. <u>Temporary trading counter</u>: Is the temporary trading counter established at least 10 business days before the first day of parallel trading? (G5.11) <input type="checkbox"/></p>	
<p>11. <u>Odd lot arrangement</u>: Have you included a paragraph about the odd lot arrangement to match the sales and purchases of odd lots? (G5.12) <input type="checkbox"/></p>	
<p>12. <u>CCASS eligibility</u>: Does the circular contain the required statement in relation to the admission of the consolidated / subdivided shares as CCASS eligible securities? (G5.13) <input type="checkbox"/></p>	
<p>13. <u>Expected timetable</u>: Have you included all the relevant events as illustrated in the timetable in relation to the share consolidation / subdivision? (G5.14) <input type="checkbox"/></p>	

6. Change in board lot size

- 6.1 Basic concept: A board lot is the standard number of shares / units that constitutes one lot for trading in a particular security. Orders placed to the Exchange's cash market trading system for auto-matching must be a board lot or a multiple of a board lot. In Hong Kong, there is no standard board lot size for listed securities. However, a majority of issuers adopt the board lot size of 1,000 shares or its multiple, with nearly half having 2,000 shares as a board lot. Sometimes, an issuer may change the board lot size to improve the trading liquidity of its securities.
- 6.2 Effective date: To allow sufficient time for shareholders to make appropriate adjustments to their shareholding, the effective date of the new board lot size should be at least 15 business days after the publication of the respective issuer announcement. The timeframe must be clearly spelt out in the announcement or circular and highlighted in the timetable.
- 6.3 New board lot size: In determining the new board lot size, the issuer should note the following:
- i. The issuer should select a new board lot size which will minimise the creation of odd lots;
 - ii. The new board lot should be an integral multiple of the original board lot size for an increase in board lot size; or an integral divisor for a decrease in board lot size;
 - iii. The new board lot must be less than 900,000 shares; and
 - iv. Taking into account the basic transaction costs for a securities trade, the new board lot value should be greater than HK\$2,000.
- 6.4 Odd lot arrangement: The Listing Rules require the issuer, in the case of a change in board lot size, to make appropriate arrangements to enable odd lot holders either to dispose of their odd lots or to round them up to a board lot. The issuer may appoint a broker as its agent to match the sales and purchases of odd lots or for the major shareholder itself or through its agent to stand in to buy or sell odd lot securities. The particular circumstances of an issuer may dictate the method by which odd lot holders are to be accommodated. Issuers are urged to consult the Exchange at the earliest opportunity to agree on the appropriate odd lot programme. The odd lot arrangement is offered during the parallel trading period. Irrespective of the existence of parallel trading, the odd lot arrangement should last for at least three weeks.
- 6.5 Free exchange of stock certificates: The issuer needs to decide whether or not to issue new stock certificates (see **G6.8**). If new share certificates are to be issued, there should be free exchange of share certificates provided to shareholders. The free exchange period should commence 10 business days before the effective date and cease at least two business days after the end of parallel trading. If there is no parallel trading, the free exchange period should last at least one month. The free exchange period should be clearly stated in the issuer's announcement or circular. For clarity, the latest time for submission of share certificates for free exchange as well as the name and address of share registrars should be provided.
- 6.6 New share certificates: The issuer circular should indicate the colour of the new and old share certificates (which can be the same).

*MB Rule
13.65 /
GEM Rule
17.77*

- 6.7 Old stock certificates: The issuer should indicate in the respective announcement and circular that the old share certificates will
- i. remain good evidence of legal title; and
 - ii. continue to be valid for delivery, trading and settlement purposes in the case of a change in board lot size.
- 6.8 Parallel trading: a change of board lot size may or may not require parallel trading, subject to the need for new share certificates. The duration of parallel trading usually lasts at least three weeks.

Situation	Exchange of certificates required?	Parallel trading required?	Reason
Increase by a small integral multiple of existing board lot	Optional	No	Old stock certificates can be stapled together for trading
Increase by a large integral multiple of existing board lot	Optional	Optional	Could be too inconvenient to deliver piles of stock certificates during settlement
Increase by a non-integral multiple of existing board lot	Mandatory	Yes	To eliminate odd lots
Decrease of existing board lot	Mandatory	Yes	To avoid trading in special lots

6.9 Sample timetable for change in board lot size: The following table is compiled strictly as a sample for issuers’ reference. It contains various assumptions (e.g. parallel trading) which may not apply to a specific case of a change in board lot size. Depending on the individual requirements of each exercise, the issuer should make necessary modifications.

Event	Remarks	Timeline*
Publication of the announcement		Day 1
First day of free exchange of share certificates	Commences 10 business days before the effective date and lasts for one month	Day 6
Last day for trading of the shares with old board lot size in the original counter	The business day before effective date	Day 15
Effective date of the new board lot size	At least 15 business days after the announcement date	Day 16
Original counter for trading in existing board lot size becomes a counter for trading in the new board lot size	On the effective date	9:00am, Day 16
Temporary counter for trading in old board lot size opens		9:00am, Day 16
First day of parallel trading		9:00am, Day 16
Odd lot arrangement (if applicable)	Provided during the parallel trading period. Lasts at least three weeks	Day 16 to Day 30
Temporary counter for trading old board lot closes	Lasts at least three weeks	4:00pm <u>Market closing time</u> [^] , Day 30
Last day for free exchange of share certificates	Ends at least two business days after the last day of parallel trading	Day 32

* Note: Timeline is counted in business days unless otherwise specified

[^] With the introduction of Closing Auction Session (CAS), the market closing times are as follows:

	<u>Full Day</u>	<u>Half-day</u>
<u>Non-CAS securities</u>	<u>4:00pm</u>	<u>12:00noon</u>
<u>CAS securities</u>	<u>4:10pm</u>	<u>12:10pm</u>

6.10 Checklist for technical and operational matters in relation to a change in board lot size

The issuer is expected to provide affirmative answers to all the questions in the checklist.

* Please delete where inappropriate

Issue	Checked
<p>1. <u>Effective date</u>: Have you clearly indicated the effective date of the change in board lot size in the respective issuer announcement or circular (which should be at least 15 business days after the publication of the respective issuer announcement)? (G6.2) (_____ dd/mm/yyyy. If it is not in Hong Kong time, please indicate the equivalent Hong Kong time _____ dd/mm/yyyy, Hong Kong time)</p>	<input type="checkbox"/>
<p>2. <u>New board lot size</u>: In respect of the new board lot size for the securities (G6.3),</p> <ul style="list-style-type: none"> - Have you selected a board lot size which will minimise the creation of odd lots? <input type="checkbox"/> - Is the new board lot size an integral multiple / an integral divisor of the original one? Board lot size: Existing _____ shares / units; New _____ shares / units <input type="checkbox"/> - Is it less than 900,000 shares / units? <input type="checkbox"/> - Is the expected board lot value greater than HK\$2,000? <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>3. <u>Odd lot arrangement</u>: Have you included the paragraph about the odd lot arrangement to match the sales and purchases of odd lots? (G6.4)</p>	<input type="checkbox"/>
<p>4. <u>Free exchange services</u>: In relation to the free exchange services for share certificates (G6.5)</p> <ul style="list-style-type: none"> - Does it commence at least 10 business days before the effective date? (_____ dd/mm/yyyy) <input type="checkbox"/> - Does it end at least two days after the last day of parallel trading? (_____ dd/mm/yyyy) <input type="checkbox"/> - Have you specified the latest time for submission of share certificate for free exchange? (at _____ hh:mm on _____ dd/mm/yyyy) <input type="checkbox"/> - Have you provided the name and address of the share registrar? _____ <input type="checkbox"/> - Will the new stock certificates be ready for shareholders' collection before the start of parallel trading? <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>5. <u>New share certificates</u>: Have you stated the colours of the existing and new share certificates in the circular? (G6.6) (existing certificates: _____; new certificates: _____)</p>	<input type="checkbox"/>
<p>6. <u>Old share certificates (if applicable)</u>: Have you clearly stated the following in the circular (G6.7)</p> <ul style="list-style-type: none"> - the old share certificates will continue to be good evidence of legal title? <input type="checkbox"/> - the old share certificates will continue to be valid for delivery, trading and settlement purposes? <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/>
<p>7. <u>Parallel trading</u>: In relation to the parallel trading (G6.8)</p> <ul style="list-style-type: none"> - Is the temporary counter established at least 10 business days before the first day of parallel trading? (_____ business days) <input type="checkbox"/> - Does the parallel trading period last at least three weeks? (_____ days) <input type="checkbox"/> 	<input type="checkbox"/> <input type="checkbox"/>
<p>8. <u>Expected timetable</u>: Have you included all the relevant events as illustrated in the timetable in relation to the change in board lot size (G6.9)?</p>	<input type="checkbox"/>

7. Change of company name / addition of Chinese name

- 7.1 Basic concept: Occasionally an issuer may change its name. In most cases, this is due to a change in the business scope of the issuer, such as expansion into a new business or service areas, or the completion of a significant transaction, a corporate takeover or merger. In addition, an issuer with only an English name may opt to add a Chinese name. In these cases, the issuer needs to solicit the approval of shareholders as governed by the issuer's Memorandum (where applicable) and/or Articles of Association (or equivalent constitutional document) and file the new name with the respective company registry in its place of incorporation.
- 7.2 Supporting materials: When notifying the Exchange of the change of its corporate name / addition of a Chinese name, the issuer should provide the Certificate of Change of Name issued by the Company Registry in the place of incorporation. If the issuer is an overseas incorporated company, it should provide the following supporting materials:
- i. the Certificate of Registration of Change of Corporate Name of non-Hong Kong Company issued by the Company Registry in Hong Kong, if applicable; and
 - ii. a legal opinion allowing the use of the Chinese name in the place of incorporation, if the Chinese name has not been registered there.
- 7.3 New stock short name: The Exchange will normally notify or confirm with the issuer the changes to trading arrangements, including the new stock short name within three business days after the receipt of the required supporting materials for adoption of the new company name. It is good practice for the issuer to announce the short stock short name to the market as soon as practicable.
- 7.4 Free exchange of certificates: The issuer should indicate whether or not there will be any arrangement for the free exchange of the old share certificates for new share certificates bearing the new corporate name (if applicable). If there will be a free exchange service, the issuer should indicate the following information in its announcement:
- i. the period for free exchange of certificates (which usually more than a month);
 - ii. the colour of new and old share certificates; and
 - iii. the name and address of share registrars.
- 7.5 Old share certificates: The issuer should clearly inform shareholders in the respective announcement or circular that the old share certificate will continue to remain good evidence of legal title. Subject to the decision of the issuer, the existing share certificates bearing the old corporate name may or may not become invalid for delivery, trading and settlement purposes. If it is decided that the old share certificates will not be valid for such purposes, the issuer should clearly state the fact in its announcement and provide the date from which the old share certificates will cease to be valid for such purposes.

7.6 Checklist for technical and operational matters in relation to a change of company name / addition of Chinese name

The issuer is expected to provide affirmative answers to all the questions in the checklist.

** Please delete where inappropriate*

Issue	Checked
<p>1. <u>Notification to the Exchange</u>: Have you provided the following supporting materials to the Exchange? (G7.2)</p> <ul style="list-style-type: none"> - Hong Kong incorporated company: the Certificate of Change of Name issued by the Company Registry in Hong Kong - Overseas incorporated company: <ul style="list-style-type: none"> a. the Certificate of Incorporation (“C.I.”) issued by Company Registry in the place of incorporation; b. the Certificate of Registration of Change of Corporate Name of non-Hong Kong Company issued by the Company Registry in Hong Kong; and c. a legal opinion allowing the use of Chinese name in the place of incorporation if the Chinese name has not been registered there. 	<p style="text-align: center;"><input type="checkbox"/></p> <p style="text-align: center;"><input type="checkbox"/></p> <p style="text-align: center;"><input type="checkbox"/></p> <p style="text-align: center;"><input type="checkbox"/></p>
<p>2. <u>Free exchange service</u>: Have you included the paragraph about whether or not there will be free exchange of share certificates provided to shareholders? (G7.4)</p> <p>If there will be a free service for the exchange of certificates, have you stated:</p> <ul style="list-style-type: none"> - The period of the free exchange service? From _____ <i>dd/mm/yyyy</i> to _____ <i>dd/mm/yyyy</i>, both days inclusive - The colour of existing and new share certificates? Old certificates: _____ New certificates: _____ - The name and address of the share registrar? _____ 	<p style="text-align: center;"><input type="checkbox"/></p> <p style="text-align: center;"><input type="checkbox"/></p> <p style="text-align: center;"><input type="checkbox"/></p>
<p>3. <u>Old share certificates</u>: Have you included the following paragraphs to inform shareholders about the facts: (G7.5)</p> <ul style="list-style-type: none"> - the share certificates bearing the old company name will continue to be a good evidence of legal title - whether or not the share certificates bearing the old company name will continue to be valid for delivery, trading and settlement purposes (If not, indicate the date from which the share certificates will cease to be valid for such purposes: _____ <i>dd/mm/yyyy</i>) 	<p style="text-align: center;"><input type="checkbox"/></p> <p style="text-align: center;"><input type="checkbox"/></p>