

# HONG KONG EXCHANGES AND CLEARING LIMITED

## GUIDES ON THE EXCHANGE'S PRACTICES AND PROCEDURES FOR HANDLING LISTING-RELATED MATTERS

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# HONG KONG EXCHANGES AND CLEARING LIMITED

## GUIDES ON THE EXCHANGE'S PRACTICES AND PROCEDURES FOR HANDLING LISTING-RELATED MATTERS

### Purpose of the Guides

The following guidance materials are published to explain how the Exchange deals with certain listing-related matters and provide greater transparency of the regulatory process. It aims to promote a better understanding of the Exchange's practices and procedures for handling listing-related matters and assist listed issuers in meeting their listing obligation.

#### A. Guidance Materials relating to Announcements of Listed Issuers:

**I. Guide on Practices and Procedures for Post-vetting Announcements of Listed Issuers (last updated 28 September 2023)** – This guide aims to assist listed issuers to understand how the Exchange monitors their compliance with the Listing Rules through review of announcements published by the listed issuers (i.e. post- vetting).

**II. Guide on Selection of Headlines and Title of Documents under Electronic Disclosure (issued 28 September 2023)** – This guide provides guidance on common issues when selecting headlines and giving appropriate titles to announcements.

**B. Guide on Interpretation of Listing Rules and Requests for Individual Guidance (last updated 28 September 2023)** – This guide describes the Exchange's procedures on giving guidance to listed issuers on interpretation and application of the Listing Rules, including the information required to be provided by the listed issuer requesting individual guidance.

**C. Guide on Applications for Waivers and Modifications of the Listing Rules (issued 28 November 2008) (amended on 4 October 2021)** – This guide describes the Exchange's approach in handling listed issuers' applications for waivers and modifications of Listing Rule requirements and how such applications should be made by the issuers.

- D. Guide on Trading Arrangements for Selected Types of Corporate Actions (issued 28 November 2008) (last updated 1 October 2020)** – This guide outlines key issues and best practices in relation to schedule setting, provision of information and trading arrangements for selected types of corporate actions, including rights issue, open offer, share consolidation or sub-division, change of board lot, and change of company name or addition of Chinese name.
- E. Guide on Disclosure of Record Date, Book Closure and Latest Time for Lodging Transfers of Shares (issued 28 November 2008) (last updated 1 October 2020)** – This guide provides guidance and reference information to listed issuers in relation to the disclosure of book closure information.
- F. Guide on Distribution of Dividends and Other Entitlements (issued 14 December 2009) (last updated 1 October 2020)** – This guide aims to assist listed issuers in disclosing and making arrangements for distribution of dividends and other entitlements.
- G. Guide on General Meetings (issued 24 September 2010) (last updated 28 February 2023)** – This guide aims to assist listed issuers in disclosing and conducting general meetings.

**Disclaimer**

The guides do not form part of the Listing Rules and do not in any way amend or vary a listed issuer's obligations under the Listing Rules. In the event of any discrepancy between any of the contents of the guides and the Listing Rules, as amended and interpreted from time to time, the provisions of the Listing Rules prevail. In case of doubt, listed issuers or their advisers are encouraged to consult with the Exchange.

## **Section AI**

### **HONG KONG EXCHANGES AND CLEARING LIMITED**

### **GUIDE ON PRACTICES AND PROCEDURES FOR POST-VETTING ANNOUNCEMENTS OF LISTED ISSUERS**

(Last updated on 28 September 2023)

#### **Purpose of this Guide**

1. The purpose of this Guide is to assist listed issuers to understand how the Exchange monitors their compliance with the Listing Rules through ex-post reviews of announcements published by the listed issuers (“post-vetting”).

#### **Post-vetting Announcements Published by Listed Issuers**

2. It is a listed issuer’s responsibility to take all reasonable care to ensure its announcements and the transactions / matters which the announcements relate comply with the requirements of the Listing Rules.
3. Review of announcements published by listed issuers would allow the Listing Division to monitor the activities of the issuers and their ongoing compliance with the obligations under the Listing Rules.

#### **Information that is ordinarily required by the Exchange for post-vetting announcements**

4. Where applicable, the listed issuer must complete the checklist “Size Tests for Notifiable Transactions and Connected Transactions” (CF006) and submit it to the Listing Division not later than the publication of the announcement<sup>1</sup>.
5. In respect of any announcement published by a listed issuer, the Listing Division may require the issuer to submit information and / or documents in respect of the announcement to demonstrate whether the Listing Rules have been complied with.

#### **Circumstances under which the Exchange will make follow-up enquiry with a listed issuer**

6. The Listing Division may make follow-up enquiry with listed issuers after the issuers have published their announcements.

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<sup>1</sup> Under Main Board Rules 14.85 and 14A.66 / GEM Rules 19.85 and 20.64, listed issuers must complete and submit any checklist(s) in such form as may be prescribed by the Exchange from time to time in respect of any notifiable transaction and connected transaction.

7. Follow-up enquiry with listed issuers will normally be made by the Listing Division in the following circumstances:
- (1) to clarify situation that may raise concerns about the need to consider trading halt for the protection of investors or maintenance of an orderly market;
  - (2) to better understand certain transactions or matters disclosed in the announcements to ascertain whether the obligations under the Listing Rules have been or will be complied with;
  - (3) to follow up on (i) any non-compliance or possible non-compliance with the Listing Rules; or (ii) any matters disclosed in the announcement that will affect an orderly market for trading in the listed securities;
  - (4) to request a further announcement to rectify non-compliance with disclosure requirements<sup>2</sup>; and / or
  - (5) to request remedial action for non-compliance with specific rule requirements<sup>2</sup>.
8. When making any follow up enquiry, the Listing Division will advise the listed issuer its basis for making the enquiry and, where applicable, its basis for requesting a further announcement or other remedial action, including by reference to specific rules or the general principle under the Listing Rules.

**Listed issuers to respond to the Exchange's enquiry in a timely manner**

9. Post-vetting procedures are established with an aim to ensure that rule compliance issues in respect of listed issuers' announcements are identified and addressed in a timely manner.
10. A listed issuer must respond promptly to the follow-up enquiry made by the Listing Division in respect of its announcement and must provide without delay all information and explanations required by the Listing Division<sup>3</sup>.

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<sup>2</sup> Under Note 3 to Main Board Rule 13.52 / Note 4 to GEM Rule 17.53, the Exchange reserves the right to require an issuer to issue a further announcement or documents and/or take other remedial action, if the original document does not comply with the requirements of the Listing Rules.

<sup>3</sup> Under Main Board Rule 2.12A / GEM Rule 17.55A, an issuer must provide to the Exchange as soon as possible, or otherwise in accordance with time limits imposed by the Exchange: (1) any information that the Exchange considers appropriate to protect investors or ensure the smooth operation of the market; and (2) any other information or explanation that the Exchange may reasonably require for the purpose of investigating a suspected breach of or verifying compliance with the Exchange Listing Rules. Under Main Board Rule 13.10 / GEM Rule 17.11, an issuer shall respond promptly to any enquiries made of the issuer by the Exchange concerning any matters by giving such relevant information as is available to the issuer.

11. This is particularly the case where an announcement raises concerns on the continuing operation of a fair and orderly market. The listed issuer will be contacted immediately for clarification and it may need to consider publishing an appropriate clarification announcement before the market opens. Where the listed issuer is unable to promptly address the concerns, the need for immediate trading halt will be considered.
12. In general, when any post-vetting issue in respect of a particular announcement is communicated to the listed issuer, the issue should be resolved as soon as possible and within the same business day. Without prejudice to any requirements of the Listing Rules, a further announcement, if necessary, should be published by the listed issuer without delay and not later than the next business day following the publication of the particular announcement.

### **Follow-up actions**

13. Depending on the circumstances of individual cases, post-vetting activities may lead to one or more of the following actions:
  - (1) The Listing Division may decide that no further action is necessary in light of the results of post-vetting the announcement and, where enquiries have been made with the listed issuer, the responses made by the listed issuer.
  - (2) The Listing Division may identify issues that raise concerns on whether the trading of securities can be conducted in a fair and orderly manner. Where the listed issuer is unable to promptly address the concerns (for example, by issuing an appropriate clarification announcement to avert the risk of a disorderly market<sup>4</sup>), trading halt in the listed issuer's securities may be warranted for the protection of investors or the maintenance of an orderly market<sup>5</sup>.
  - (3) Remedial or preventive measures to address rule compliance issues or rectify rule breaches
    - Remedial or preventive measures to address any rule compliance issues (disclosure or specific compliance requirements) or rectify any rule breaches may be either (i) proposed by the listed issuer in response to the Listing Division's enquiry made in the post-vetting

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<sup>4</sup> See Question 1 on "false market" of Exchange's FAQ Series 22. A "false market" generally means a situation where there is material misinformation or materially incomplete information in the market compromising proper price discovery. A false market may arise, for example, where (a) there is false or misleading information, including a false rumour, circulating in the market; (b) an issuer has inside information that needs to be disclosed under the Inside Information Provisions but it has not announced the information; or (c) a segment of the market is trading on the basis of inside information that is not available to the market as a whole.

<sup>5</sup> See Chapter 6 of Main Board Rules / Chapter 9 of GEM Rules.

process; or (ii) required by the Listing Division where the circumstances necessitate.

- Remedial or preventive measures may be taken in respect of a particular announcement or the subject matter / transaction of such announcement. For example, reclassifying a transaction; or putting necessary arrangements in place to maintain the minimum public float of the listed issuer's shares upon completion of a proposed issue of new shares to connected persons; or making further disclosure to clarify the book close dates and related entitlement dates for different corporate actions; or publishing a further announcement to disclose information on the transaction.
- In determining the appropriate course of action in respect of a problem in rule compliance, the Exchange will also take into account the compliance history of the listed issuer. In particular where the circumstances suggest a persistent breach of rules by the listed issuer or reveal serious or systematic weaknesses in its compliance procedures, the Exchange may require the listed issuer to take appropriate remedial measures to enable it to meet its continuing obligations under the Listing Rules going forward. Such remedial measures will be imposed by the Listing Division without prejudice to any disciplinary action that may be taken by the Exchange in respect of the listed issuer's breach of the Listing Rules. However prompt remedial action by the listed issuer will be a factor looked upon favourably in determining whether disciplinary action is appropriate.

14. A further announcement will generally be required to be made by the listed issuer in conjunction with the above mentioned actions. For example:

- (1) Trading halt announcement - Where trading has been halted, the matters giving rise to the halt<sup>6</sup>.
- (2) Announcement to address non-compliance with disclosure requirements – This applies to circumstances where the original announcement does not comply with any specific disclosure requirement(s) in the Listing Rules or the general principle set out in Main Board Rule 2.13 / GEM Rule 17.56, or where material information came to light as a result of the Listing Division's follow-up enquiries. Making a clarification announcement is one of the remedial actions that the listed issuer may take to rectify a breach of disclosure requirements.

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<sup>6</sup> See also Main Board Rule 6.04 / GEM Rule 9.04.

- (3) Announcement on other remedial actions - Information relating to the remedial or preventive measures proposed or taken by the listed issuer to address any compliance issue under the Listing Rules, for example, Main Board Rule 14.36 / GEM Rule 19.36 requires a further announcement where the remedial action proposed by the listed issuer involves changes in the terms, or termination, of a notifiable transaction disclosed in the original announcement.



## **Section All**

# **HONG KONG EXCHANGES AND CLEARING LIMITED**

## **GUIDE ON SELECTION OF HEADLINES AND TITLE OF DOCUMENTS UNDER ELECTRONIC DISCLOSURE**

28 September 2023

### **Introduction**

1. The use of headlines provides useful and meaningful classification of announcements and circulars published by listed issuers. Proper selection of headlines by listed issuers is essential to enable classification of documents along thematic lines. This in turn facilitates online search of documents by the public.
2. This guide gives guidance on common issues when selecting headlines and giving appropriate titles to announcements.

### **Selection of headline categories**

3. Rule 2.07C(3) of the Main Board Listing Rules and Rule 16.18(2) of the GEM Listing Rules require a listed issuer to, when submitting a document through HKEX-EPS for publication, select all appropriate headlines from the list of headlines set out in Appendix 24 to the Main Board Listing Rules or Appendix 17 to the GEM Listing Rules.
4. As a general principle, a listed issuer should select all headlines that are applicable to the content of a document according to the nature of the subject matter or transaction.
5. We draw your attention to the following areas requiring particular attention:

#### ***Selection of multiple headlines***

6. If a document relates to more than one subject matter or is issued to satisfy multiple listing rule requirements, all relevant headlines relating to the subject matters and/or listing rule requirements must be selected.
7. As an example, issuers often publish information about their intended distributions and related arrangements for annual general meetings in their results announcements. In these cases, issuers should select all applicable headlines for their results announcements, including those related to dividends (e.g. “*Dividend or Distribution*”) and meeting arrangements (e.g. “*Closure of Books or Change of Book Closure Period*”).
8. Issuers should also select the headline “*Modified Report by Auditors*” for their results announcements if their auditors have issued or indicated that they will issue a modified report on the financial statements. Under Rule 1.01 of the Main Board Listing Rules and GEM Listing Rules, a “modified report” refers to an auditors’ report with (i) a modified opinion (i.e. a qualified opinion, an adverse opinion or a disclaimer of opinion); and/or (ii)

an unmodified opinion with an emphasis of matter paragraph and/or a material uncertainty relating to going concern.

### ***Trading halt, suspension and resumption***

9. An issuer applying for a trading halt or suspension is required under the Rules to release an announcement on the reason(s) for its trading halt or suspension. The headlines “*Trading Halt*” or “*Suspension*” should be selected.
10. Issuers should note that announcements with headlines “*Trading Halt*” or “*Suspension*” submitted to the HKEX-EPS would not be published on the HKEXnews website under the straight-through mode. These announcements will be withheld and released manually after the trading halt or suspension is confirmed with the Listing Division.
11. Accordingly, issuers must take care when selecting the headlines “*Trading Halt*” or “*Suspension*” for its announcements. If the announcement contains information (other than the reason for the trading halt/ suspension) that needs to be announced promptly, an issuer should confirm with the Listing Division about the manual release of the announcement. For example, if an issuer is requesting a trading suspension in its securities following the close of a general offer, it must contact the Listing Division to facilitate the immediate release of the suspension announcement to meet the publication deadline under the Takeovers Code<sup>1</sup>.
12. Alternatively, if an issuer wishes to publish information other than that related to the trading halt or suspension, it may publish a separate announcement under other applicable headlines to avoid a delay in dissemination of such information.
13. For the avoidance of doubt, announcements with the headline “*Resumption*” are not subject to manual release by the Exchange and are published on the HKEXnews website under the straight-through mode upon submission to the HKEX-EPS .

### ***Overseas regulatory announcements (ORAs)***

14. ORAs contain regulatory information released by an issuer or its subsidiary to other stock exchanges and may be published on the HKEXnews website in one language. If an ORA is published in one language, the issuer should only select the ORA headline(s) under “*Overseas Regulatory Announcement*”.
15. Where a dually listed issuer publishes an ORA containing its quarterly results released in the overseas market in a single language (e.g. quarterly results of PRC listed issuers in Chinese or interim management statements of overseas listed issuers in English), it would normally also release a summary of its quarterly results on the HKEXnews website in both languages. In this circumstance the headline “*Overseas Regulatory Information – Trading Update*” should be selected for the ORA, and the headline “*Quarterly Results*” should be selected for the summary of quarterly results announcement (or alternatively, the headline “*Inside Information*” if the issuer considers the information in its summary to contain inside

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<sup>1</sup> Under the Takeovers Code, an offeror must publish an announcement by 7:00 p.m. on the closing date of the offer stating the results of the offer.

information).

### **Clarification of specific headline categories**

16. This section identifies the appropriate headline categories for the following subject matters:

(a) Positive profit alerts

The “*Profit Warning*” headline should be selected for announcements relating to profit warnings as well as positive profit alerts.

(b) Announcements relating to options, warrants or similar rights

For announcements relating to the grant, exercise or termination of options, warrants or similar rights, different headlines should be selected depending on the applicable chapters of the Listing Rules:

- *Matters relating to Options* – This headline is applicable to announcements relating to a transaction involving an issuer writing, accepting, transferring, exercising or terminating an option or deciding not to exercise an option in the manner described in Chapters 14 and 14A of the Main Board Rules or Chapters 19 and 20 of the GEM Rules.
- *Issue of Warrants* – This headline is applicable to announcements relating to an issue or grant of options, warrants and similar rights to subscribe or purchase equity securities of an issuer under Chapter 15 of the Main Board Rules or Chapter 21 of the GEM Rules.
- *Share Scheme* – This headline is applicable to announcements relating to a grant of options or awards under share schemes pursuant to Chapter 17 of the Main Board Rules or Chapter 23 of the GEM Rules.

(c) Notices of general meetings

For notices and results of general meetings, issuers are not required to select the headlines for the underlying matters or transactions subject to shareholders’ approval. For example, an issuer is not required to select the headline “*Major Transaction*” for its notice of general meeting to approve a major transaction.

(d) Announcements under the “*Other*” headline category

The headlines under the “*Other*” category should be selected only if no alternative headlines are applicable to an issuer’s announcement.

### **Amending headlines**

17. If a listed issuer has selected incorrect headlines for an announcement, it can amend the headlines via the “Correct Headline Categories of Published Document” function on the

HKEX-EPS<sup>2</sup> within 5 calendar days of publication of the relevant announcement. Thereafter or for repeated correction of headlines, the issuer should submit a written request to the Listing Division for further amendments.

### **Titles of documents**

18. The title of an announcement should give readers a quick understanding of the subject matter of the announcement. Issuers should avoid using titles that are generic and do not describe the subject matter, such as “announcement”, “voluntary announcement” and “other announcement”.
19. To avoid ambiguity on the financial year or interim period being reported on, the title of financial reports of issuers with financial year or interim period that straddle across two calendar years should accurately describe the relevant reporting period. For example, the title of the annual report of an issuer with a financial year ended on 31 March 2023 should be either “Annual report for the year ended 31 March 2023” or “2022/2023 Annual Report”, and the title of the interim report for the period ended on 30 September 2022 should be either “Interim report for the six months ended 30 September 2022” or “2022/2023 Interim Report”. Titles such as “Annual Report 2023” and “Interim Report 2022” should be avoided.

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<sup>2</sup> Please refer to the [e-Submission System User Manual for Publication Related Matters](#) for details.

## **Section B**

# **HONG KONG EXCHANGES AND CLEARING LIMITED**

## **GUIDE ON INTERPRETATION OF LISTING RULES AND REQUESTS FOR INDIVIDUAL GUIDANCE**

(Last updated on 28 September 2023)

### **Purpose of this Guide**

1. This guide describes the Exchange's procedures on giving guidance to listed issuers on interpretation and application of the Listing Rules, including the information required to be provided by the listed issuer requesting individual guidance.

### **Introduction**

2. In carrying out its main duties, the Exchange provides guidance on the Listing Rules and listing-related matters to assist listed issuers and their directors in meeting their obligations under the Listing Rules and encourages them to consult at an early stage.

### **Individual Guidance**

3. Individual guidance is normally given to one particular listed issuer and relates to its own particular circumstances or proposals.
4. Depending on the nature of the guidance requested and the specific set of facts and circumstances presented, in some cases the guidance given by the Listing Division will have the effect of a decision. Under these circumstances the listed issuer has the right to request a review of the decision or ruling of the Listing Division in accordance with the review procedure set out in the Listing Rules. In other circumstances the Listing Division may provide informal guidance, for example, by making references to particular Listing Rules which may apply to the circumstance described, or by highlighting factors which the listed issuer should consider in its analysis on compliance with Listing Rules. In those circumstances, the Listing Division would not make a ruling or decision and the guidance given by the Listing Division would not have a binding effect.

## **How to Make a Request for Individual Guidance**

### **Written or Oral Requests**

5. Requests for individual guidance may be made by a listed issuer or its advisers in writing or orally. The requests should be addressed to the Listing Division officers responsible for monitoring the listed issuer. Relevant information can be found on the HKEx website under “Contact Persons in the Listing Division of HKEx for Listed Companies” on the “Contact, Enquiry and Complaint” page.
6. The Listing Division may provide verbal guidance in the following situations (which are not exhaustive):
  - The subject transaction is in its early stages and the listed issuer is only seeking directional guidance.
  - The enquiry is general in nature and the Listing Division’s guidance involves directing the enquirer to specific Listing Rules or published interpretations.
  - The enquiry is made in respect of straight forward matters where an established set of precedents exists and the facts and circumstances of the cases are consistent with the precedent cases.
7. If oral questions raise complex or significant issues or involve exercise of the Exchange’s discretion or in other circumstances where the Listing Division considers it preferable, the Division may invite the party to submit details of the request in writing so that it may be considered more thoroughly. In appropriate circumstances staff of the Listing Division may provide general commentary by way of verbal guidance and advise the listed issuer to submit a written request if the listed issuer requires a more definitive view or a ruling from the Exchange.
8. Where a request for guidance has been made in writing, the Exchange will ordinarily provide its guidance in writing in order to create a clear record of its views for future reference.

### **Information that need to be submitted to the Exchange**

9. The person requesting an individual guidance is responsible for providing all material information that the Exchange will require to properly evaluate the situation and respond to the request.
10. Material information that the person requesting an individual guidance should provide include, but is not limited to:
  - (1) a description of the transaction/matter and the factual circumstances underlying the request;

- (2) the Listing Rule(s) in relation to which the guidance is sought;
  - (3) the listed issuer(s) and other person(s) to whom the Listing Rule(s) in relation to which guidance is being sought apply, or will apply; and
  - (4) the listed issuer's views of the application of the Listing Rule(s) in the particular circumstances of its case, including the listed issuer's analysis of the rule(s) in light of the material facts.
11. The Exchange may request further information that it considers necessary.

## **The Exchange's Response to a Request for Individual Guidance**

### **Formal Guidance**

12. A listed issuer may request a formal guidance on its case and a ruling or decision may need to be made by the Exchange. This is normally the case where the Exchange's prior consent / confirmation is required under the Listing Rules before the listed issuer may proceed with its proposal. The listed issuer may also request formal guidance in circumstances where it requires certainty on the application of the Listing Rules in a particular case.
13. In cases where substantial guidance is warranted to be given to the listed issuer requesting a ruling or decision from the Exchange, the Exchange's response to the listed issuer's request will usually contain:
  - the guidance given by the Exchange, including a brief analysis of the relevant Listing Rules in light of the materials presented by the listed issuer and the basis for the Exchange's view or decision;
  - where there is a difference in views between the Exchange and the listed issuer, brief reasons for the Exchange's decision; and
  - limitations applied to the guidance given to the listed issuer.
14. Formal guidance is given to the listed issuer based on particular facts and circumstances of the individual case. Where the listed issuer making the request for guidance has provided all material information, the listed issuer is generally entitled to rely upon it. The ruling or decision given by the Exchange will be binding on the listed issuer (unless it requests a review of the decision).
15. If the listed issuer does not accept the ruling or decision given by the Exchange, it may request a review of the ruling or decision according to the procedures set out in Chapter 2B of the Main Board Listing Rules / Chapter 4 of the GEM Listing Rules.

## **Informal Guidance**

16. In some circumstances, the Listing Division may decide to respond to an enquiry by giving informal guidance on such terms and conditions as the team considers reasonable based on the information provided by the enquirer. This is usually the case where:
  - (1) the enquirer is unwilling or unable to specify to whom the advice relates;
  - (2) the enquirer is seeking guidance on interpretation of particular Listing Rules without referring to any specific circumstances or cases;
  - (3) the enquiry is made in respect of a preliminary proposal where a listed issuer wishes to consult the Listing Division about the interpretation and application of certain Listing Rules in order to clarify the basis on which the proposal may properly proceed; and/or
  - (4) the enquiry is made in respect of a specific transaction/matter but the enquirer has not submitted all material information to allow the Exchange to make a ruling or decision on the particular case.
17. Informal guidance given to a listed issuer may include references to the principles on which the particular Listing Rules are based, and the preliminary views and comments of the Listing Division on the issues raised by the enquirer. Any such views or comments expressed by the Listing Division will not be binding.

## **When will the Listed Issuer get a Response**

18. The Listing Division will need sufficient time to consider a listed issuer's request for guidance and make an appropriate response to it. Nevertheless, the time taken to respond in each individual case will necessarily depend upon the complexity and novelty of the issues involved and whether sufficient information is provided by the listed issuer when it makes the request. In addition, the process may take longer if the particular request for guidance involves novel, controversial or sensitive matters with general policy implications which require consideration by the Listing Committee or the Listing Division wishes to seek the Listing Committee's guidance on the matter.
19. The Listing Division will endeavour to respond to any requests for guidance on a timely basis. In general, oral enquiries relating to routine or straightforward matters will be dealt with on the same day. For written enquiries, the Listing Division will ordinarily provide an initial response within 5 business days upon the receipt of the enquiry.



## **Status of the Individual Guidance given to a Listed Issuer**

20. Guidance is usually given to a listed issuer based on particular facts and circumstances which exist when the guidance is given. If the facts and circumstances change or there is found to be an omission of facts which are material to the analysis, the guidance will cease to be effective.

## **Section C**

# **HONG KONG EXCHANGES AND CLEARING LIMITED**

## **GUIDE ON APPLICATIONS FOR WAIVERS AND MODIFICATIONS OF THE LISTING RULES**

28 November 2008

### **Purpose of this Guide**

1. This guide describes the Exchange's approach in handling listed issuers' applications for waivers and modifications of Listing Rules ("**Waivers**") and how such applications should be made by the issuers.

### **Introduction**

2. The principal function of the Exchange is to provide a fair, orderly and efficient market for trading of securities. In discharging the regulatory duties, the Listing Division administers and interprets the Listing Rules as they apply to listed issuers. From time to time the Listing Division may under Main Board Listing Rule 2.04 (GEM Listing Rule 2.07) waive, modify or not require compliance with the Listing Rules in individual cases to suit the circumstances of a particular case.

### **Assessment of Waiver Applications**

#### **General principles**

3. Listed issuers are expected to exercise all reasonable care to ensure full compliance with the Listing Rules<sup>1</sup>.
4. The Listing Division will not grant Waivers to listed issuers, except where the Listing Rules already contemplate the granting of Waivers under certain circumstances or where the Listing Division is satisfied that there are exceptional and justifiable circumstances warranting the grant of a Waiver.
5. Generally the Exchange will not grant Waivers in the following circumstances:
  - (a) the listed issuer structures transactions or makes arrangements which would result in non-compliance with the relevant Listing Rules, where either there is no acceptable mechanism for rectifying the non-compliance with the Listing

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<sup>1</sup> The entering into a confidentiality agreement between the listed issuer and the counterparty should not fetter the listed issuer's obligation to comply with the Listing Rules. Accordingly the confidentiality obligation would not itself be a reason for granting a Waiver.

Rules or non-compliance with the Listing Rules will pose a significant regulatory concern. For example, a listed issuer requests a Waiver from the minimum public float requirement arising from a contemplated transaction involving issue of new shares to connected persons; and/or

- (b) the Waiver is applied for by the listed issuer in respect of a Listing Rule obligation which has crystallised. For example, by the listed issuer entering into a transaction. A Waiver will not apply retrospectively.
6. When deciding whether to grant a Waiver, the Listing Division will take into account the circumstances and reasons outlined in the Waiver application and all other relevant information supplied by the listed issuer.
7. When assessing the merits of the Waiver application, the Exchange will generally consider the following factors (which are not exhaustive):
- (a) whether the listed issuer is able to meet all the Waiver conditions where such conditions are specified under the Listing Rules or the listed issuer falls under the specific circumstances expressly provided for in the Listing Rules;
  - (b) whether compliance by the listed issuer with the Listing Rules in their unmodified form would be unduly burdensome, impractical (e.g. due to legal restriction, time constraint and/or inaccessibility of information) or would not achieve the regulatory purpose for which the Listing Rules were made;
  - (c) whether compliance with the Listing Rules would be prejudicial or seriously detrimental to the listed issuer's interests;
  - (d) whether the Waiver would result in undue risks to shareholders and investors whose interests are among those which the Listing Rules are intended to protect; and
  - (e) whether the grant of Waivers would be repugnant to, or conflict with the duties of, the Exchange under the Securities and Futures Ordinance in full or the general principles under Main Board Listing Rule 2.03 (GEM Listing Rule 2.06).

#### **Application for a disclosure relief**

8. In relation to an application for a specific disclosure relief, the Listing Division will also have regard to the following in its assessment:
- (a) whether the information is of minor importance only and is not such as will influence assessment of the assets and liabilities, financial position, profits and losses and prospects of the listed issuer and, where relevant, the impact of the subject transaction;

- (b) whether disclosure would be (i) contrary to the public interest; or (ii) seriously detrimental to the issuer and the omission of information is not likely to mislead investors with regard to the facts and circumstances, knowledge of which is essential for the informed assessment of the listed issuer's securities; and
- (c) whether the alternative disclosure (if any) will enable shareholders and the investing public to make a properly informed assessment of the listed issuer's securities or the subject transaction and/or to make an informed voting decision.

### **Application for a timing relief**

- 9. In relation to an application for timing relief (e.g. temporary public float waiver and waiver application for delay in despatch of circular), the Exchange will also consider plans formulated by the listed issuer to comply with the Listing Rules.

### **How to Make a Waiver Application**

- 10. All Waiver applications by listed issuers must be made in writing. The Waiver applications should be addressed to the Listing Division officers responsible for monitoring the listed issuer. Relevant information can be found on the HKEx website under "Contact Persons in the Listing Division of HKEx for Listed Companies" on the "Contact, Enquiry and Complaint" page.
- 11. Each Waiver application should include the following:
  - (a) the name and contact particulars of the issuer requesting the Waiver;
  - (b) identify the Listing Rules which the listed issuer is seeking to be waived or modified. Where a listed issuer applies for a modification of the Listing Rules, it is required to submit details of the proposed modification (including where applicable the text of the unmodified rule and a draft of modified rule text);
  - (c) indicate whether the applicant is applying for variation of an existing Waiver, and if so provide further details of the existing Waiver;
  - (d) include relevant facts and circumstances that support the Waiver request and all other relevant information that the listed issuer reasonably believe should be brought to the Listing Division's attention; and
  - (e) contain a clear explanation, based on all relevant facts and circumstances, of whether and why the grounds stated in paragraphs 7 to 9 apply so as to enable the Listing Division to consider the Waiver application. For example:
    - Where the relevant Listing Rule has already set out specific conditions for the granting of the Waiver, the listed issuer is required to submit

whether and how those conditions are, or will be met.

- For application for a timing relief (e.g. temporary public float waiver and waiver application for delay in despatch of circular), the listed issuer is normally required to submit its proposed plan and timetable for re-compliance with the Listing Rules.

### **When will the Listed Issuer get a Response**

12. The time required to process a Waiver application will depend on the complexity of the relevant issue and whether sufficient details have been provided by the listed issuer for the Listing Division to consider the Waiver application.
13. The Listing Division may make follow-up enquiry as it considers appropriate to ascertain the facts and circumstances of the case for assessing the merits of the Waiver application.
14. The process may take longer if the particular Waiver is intended to have general effect. Such Waivers require consideration by the Listing Committee and the consent of the Securities and Futures Commission.
15. Accordingly, for Waiver applications involving novel or complex issues, listed issuers are encouraged to submit their Waiver applications at the earliest possible opportunity. Where necessary, listed issuers may consider contacting the Listing Division to seek informal and confidential guidance at an early stage.
16. The Listing Division will endeavour to respond to any Waiver applications on a timely basis. In general, the Listing Division will provide an initial response within 5 business days from the receipt of the Waiver application.

### **Decisions relating to Waiver Applications**

17. The Listing Division will communicate its decision to approve or reject a Waiver application in writing.
18. The Exchange's decision letter would normally describe the conditions (if any) upon which the Waiver is based, making reference to the information provided in the listed issuer's Waiver application. Where the Waiver is rejected, our decision letter will state the reasons for such rejection.
19. If the listed issuer does not accept the decision made by the Listing Division, it may request a review of the decision according to the procedures set out in Chapter 2B of the Main Board Listing Rules / Chapter 4 of the GEM Listing Rules.

## **Revoking Waiver granted to Listed Issuer**

20. As one of the standard conditions to our Waiver approval, a listed issuer is obliged to promptly notify the Exchange if it becomes aware of any matter which is material to the relevance or appropriateness of the Waiver. The Listing Division has the right to revoke or modify a Waiver if there are any changes to the facts and circumstances as stated in the listed issuer's submission(s) or any specific conditions imposed by the Listing Division for granting a Waiver are no longer satisfied.
21. A Waiver granted with effect over a period of time may be revoked by the Exchange in the event of any future amendments to the Listing Rules. In such circumstances, the listed issuer must take immediate steps to establish whether the existing Waiver will survive the amendments to the Listing Rules and, if not take immediate steps to ensure compliance with the amended Rule requirements as soon as possible.
22. The Listing Division will normally give notice of its intention to revoke any Waiver and provide a reasonable period of time for the listed issuer to make representations. The Listing Division will notify the listed issuer of its decision to revoke the Waiver or not having regard to any representations made by the listed issuer.

## **Section D**

# **HONG KONG EXCHANGES AND CLEARING LIMITED**

## **GUIDE ON TRADING ARRANGEMENTS FOR SELECTED TYPES OF CORPORATE ACTIONS**

28 November 2008 (Updated 1 October 2020)

### **1. Introduction**

- 1.1 The Listing Division 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.

### **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).

2.5 International Securities Identification Number (“ISIN”): Issuers should contact corresponding numbering agencies according to their place of incorporation to obtain new ISIN for the securities to be created as a result of the following corporate actions<sup>1</sup>:

- i. Nil paid rights shares in rights issue
- ii. Issue of a class of securities new to listing
- iii. Share consolidation or sub-division
- iv. Change of domicile or group reorganization
- v. Change of company name or addition of Chinese name (if there is exchange of share certificates<sup>2</sup>).
- vi. Capital reduction or change in board lot size (if there is exchange of share certificates<sup>2</sup>).

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<sup>1</sup> ISIN is extensively used by International brokerage houses/ investors for settlement / clearing as well as trading. For ease of reference, issuers may refer to (i) the ISIN Uniform Guidelines for guidance on application of ISIN at [https://www.anna-web.org/wp-content/uploads/2018/05/ISIN-Guidelines-Version-14\\_clean.pdf](https://www.anna-web.org/wp-content/uploads/2018/05/ISIN-Guidelines-Version-14_clean.pdf) and (ii) the directory to the local numbering agencies at <https://www.anna-web.org/members-db/> and <http://www.anna-web.org/members/substitute-numbering-agencies/>.

<sup>2</sup> Whether a change in ISIN is required should be subject to the decision / operation procedure of the corresponding numbering agencies. In case no exchange of share certificates is arranged, the issuer is also required to update the corresponding numbering agency with the relevant information relating to the proposed corporate action (e.g. change of company name and change in board lot size).



### **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, “extreme conditions” caused by a super typhoon (“Extreme Conditions”)<sup>3</sup> 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

*MB Rule 7.20,  
GEM Rule  
10.30*

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<sup>3</sup> According to the “Code of Practice in Times of Typhoons and Rainstorms”, the Hong Kong Government may issue an announcement on “extreme conditions” in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons. When “extreme conditions” are in force (i.e. the two-hour period after cancellation of Typhoon Warning Signal No. 8), the Hong Kong Government will review the situation and further advise the public by the end of the two-hour period whether “extreme conditions” will be extended or cancelled.

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”).

- 34 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.
- 35 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.
- 36 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.
- 37 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.<sup>4</sup> 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.

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<sup>4</sup> Issuer should refer to Guide on General Meeting for details.

- 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 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. *MB Rule 7.21(1) and (3) / GEM Rule 10.31(1) and (3)*
- 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: *MB Rule Appendix 2A, 4 (2), GEM Rule Appendix 2A, 4 (2)*
- 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 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, Extreme Conditions or black rainstorm arrangements: If trading is interrupted by a typhoon, Extreme Conditions 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, Extreme Conditions 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, Extreme Conditions 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 a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by a super typhoon<sup>5</sup> or a ‘black’ rainstorm warning is:*

- 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*

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<sup>5</sup> See footnote 3

*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.

<b>Event</b>	<b>Remarks</b>	<b>Timeline*</b>
<b>(i) General Meeting NOT required</b>		
Publication of the rights issue announcement (including timetable) on HKEXnews 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

*Guide on Trading Arrangements for Selected Types of Corporate Actions*

<b>Event</b>	<b>Remarks</b>	<b>Timeline*</b>
<b>(ii) General Meeting required</b>		
Publication of the rights issue announcement (including timetable) on 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. <u>Book closure/Record date (G3.2):</u></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, Extreme Conditions 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. <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? (G3.3) ( _____ days) <input type="checkbox"/></p>	
<p>3. <u>The latest time for acceptance of and payment for rights shares:</u> 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. <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 NPR? (G3.5) <input type="checkbox"/></p>	
<p>5. <u>Convertible securities:</u> 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. <b>Information to be disclosed:</b> In your announcement, have you provided the following information in relation to the rights issue? <b>(G3.7)</b></p> <p>i. Record date: _____ <i>dd/mm/yyyy</i> (if the identity of qualified shareholders is not determined at the close of business on this day, please specify the Hong Kong time _____ <i>hh:mm</i>) (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 _____ <i>dd/mm/yyyy</i> to _____ <i>dd/mm/yyyy</i>, both days inclusive</p> <p>iii. Latest time for lodging transfers of shares: at 4:30pm on _____ <i>dd/mm/yyyy</i></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* _____ <i>dd/mm/yyyy</i></p> <p>viii. Despatch date of fully-paid rights shares: on /on or before * _____ <i>dd/mm/yyyy</i></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. <b>ISIN code and stock code</b> (if applicable): Have you announced the ISIN code and stock code of the new resultant security? <b>(G3.8)</b></p>	<p><input type="checkbox"/></p>
<p>8. <b>Basis of allocation of excess shares:</b> Have you disclosed the basis of allocation of excess securities? <b>(G3.9)</b></p>	<p><input type="checkbox"/></p>
<p>9. <b>Treatment of fractions:</b> Have you specified the conditions applying to the treatment of fractions in the calculation of resultant rights shares? <b>(G3.10)</b></p> <p>Whole multiple / pro-rata basis*</p>	<p><input type="checkbox"/></p>
<p>10. <b>Free splitting of PAL:</b> Have you provided the free splitting services? <b>(G3.11)</b></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. <b>Trading of NPR:</b> Regarding the trading arrangement of the NPR <b>(G3.12)</b>,</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>

<b>Issue</b>	<b>Checked</b>
12. <u>Other corporate actions (if applicable)</u> : 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? <b>(G3.13)</b>	<input type="checkbox"/>
13. <u>Typhoon, Extreme Conditions or black rainstorm arrangements</u> : Have you stated the contingency arrangements for typhoons, Extreme Conditions or black rainstorms in the circular? <b>(G3.14)</b>	<input type="checkbox"/>
14. <u>CCASS eligibility</u> : Have you included the statement about the admission of the rights shares as CCASS eligible securities? <b>(G3.15)</b>	<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? <b>(G3.16 (i))</b>	<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? <b>(G3. 16 (ii))</b>	<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? <b>(G3.17)</b>	<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? <b>(G3.18)</b>	<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.<sup>6</sup> 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 7.26A  
(1) and (3) /  
GEM Rule  
10.42(1) and  
(3)*

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<sup>6</sup> 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, Extreme Conditions or black rainstorm arrangements: The schedule of an open offer may be interrupted by typhoons, Extreme Conditions 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 a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by a super typhoon<sup>7</sup> or a ‘black’ rainstorm warning is:*

- 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, Extreme Conditions 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.

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<sup>7</sup> See footnote 3

- 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.

<b>Event</b>	<b>Remarks</b>	<b>Timeline*</b>
<b>(i) General Meeting NOT required</b>		
Publication of the open offer announcement (including timetable) on 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

<b>Event</b>	<b>Remarks</b>	<b>Timeline *</b>
<b>(ii) General Meeting required</b>		
Publication of the open offer announcement (including timetable) on 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. <b>Book closure/Record date (G4.2):</b></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. <b>Offer period:</b> 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. <b>Rights of overseas shareholders:</b> 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. <b>Convertible securities:</b> 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. <b>Information to be disclosed:</b> 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. <b>Basis of allocation of excess shares:</b> Have you disclosed the basis of allocation of the excess shares? <b>(G4.7)</b></p>	<p><input type="checkbox"/></p>
<p>7. <b>Treatment of fractions:</b> Have you specified the conditions applying to the treatment of fractions in the calculation of resultant offer shares? <b>(G4.8)</b></p> <p>Whole multiple / pro-rata basis*</p>	<p><input type="checkbox"/></p>
<p>8. <b>Other corporate actions (if applicable):</b> 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? <b>(G4.9)</b></p>	<p><input type="checkbox"/></p>
<p>9. <b>Typhoon, Extreme Conditions or black rainstorm arrangements:</b> Have you stated the contingency arrangement for typhoons, Extreme Conditions or black rainstorms in the circular? <b>(G4.10)</b></p>	<p><input type="checkbox"/></p>
<p>10. <b>CCASS eligibility:</b> Have you included the statement about the admission of the offer shares as CCASS eligible securities? <b>(G4.11)</b></p>	<p><input type="checkbox"/></p>
<p>11. <b>Top-up arrangement:</b> 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? <b>(G4.12(i))</b></p>	<p><input type="checkbox"/></p>
<p>12. <b>Application tier arrangement (if applicable):</b> 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? <b>(G4.12 (ii))</b></p>	<p><input type="checkbox"/></p>
<p>13. <b>Underwriting / declaration:</b> 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? <b>(G4.13)</b></p>	<p><input type="checkbox"/></p>
<p>14. <b>Expected timetable:</b> Have you included all the relevant events as illustrated in the timetable in relation to the open offer? <b>(G4.14)</b></p>	<p><input type="checkbox"/></p>

## **5. Share consolidation / subdivision<sup>8</sup>**

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. However, to allow sufficient time for market intermediaries (i.e. stockbrokers and custodian banks) to make appropriate adjustments to their internal systems, the Effective Date should be one clear business day after the general meeting in relation to the proposal for share consolidation or subdivision. For the avoidance of doubt, the effective date should be expressed in Hong Kong time.

5.3 Announcement of meeting results: The issuer should announce the results of the general meeting in relation to the proposal for share consolidation or subdivision as soon as possible, but in any event at least 30 minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting.

*Listing  
Rules, MB  
Rule  
13.39(5)/  
GEM Rule  
17.47(5)*

5.4 Share price after consolidation / subdivision: Issuers should observe Rules 13.64 and 13.64A of the Listing Rules / Rules 17.76 and 17.76A of the GEM Listing Rules when setting details of their share consolidation / subdivision: (i) Rule 13.64 / GEM Rule 17.76 states 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; (ii) Rule 13.64A / GEM Rule 17.76A provides that issuers must not undertake a subdivision if its adjusted share price after subdivision is less than HK\$1 based on the lowest daily closing price of the shares during the six-month period before the subdivision.

*Listing  
Rules, MB  
Rules  
13.64 and  
13.64A /  
GEM  
Rules  
17.76 and  
17.76A*

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;

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<sup>8</sup> Also applicable to warrant splits or consolidations

- 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 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

	<b>Original trading counter (board lot 2,000)</b>	<b>Temporary trading counter (board lot 1,000)</b>
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”).

*MB Rule  
13.65 /  
GEM Rule  
17.77*

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.

- 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.

<b>Event</b>	<b>Remarks</b>	<b>Timeline*</b>
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	One clear business day after the general meeting	Day 3
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 3
Dealing in consolidated / subdivided shares commences		9:00am, Day 3
Original counter for trading in existing shares temporarily closes		9:00am, Day 3
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 3
Original counter for trading in consolidated / subdivided shares (in the form of new share certificates for consolidated/sub-divided shares) re-opens		Day 13
Parallel trading commences on	Lasts for at least three weeks	Day 13
Odd lot arrangement (if applicable)	Same as parallel trading period	Day 13 to Day 27
Temporary counter for trading consolidated / subdivided shares (in the form of existing share certificates) closes		Market closing time <sup>^</sup> , Day 27
Last day for free exchange of share certificates	At least two business days after the last day for parallel trading	Day 29 or later

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

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

	Full Day	Half-day
Non-CAS securities	4:00pm	12:00noon
CAS securities	4:10pm	12:10pm

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
<p>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? <b>(G5.2)</b>                      Effective Date: _____ <i>dd/mm/yyyy</i>, Hong Kong time;                      Commencement of trading on _____ <i>dd/mm/yyyy</i>, Hong Kong time</p>	<p><input type="checkbox"/> <input type="checkbox"/></p>
<p>2. <u>Announcement of meeting results</u>: Will the meeting results be announced to the market as soon as possible (i.e. at least 30 minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting)? <b>(G5.3)</b></p>	<p><input type="checkbox"/></p>
<p>3. <u>Stock price after consolidation / subdivision</u>: Is the expected market price of (i) the consolidated shares above HK\$0.1 or (ii) the subdivided shares above HK\$1? <b>(G5.4)</b></p>	<p><input type="checkbox"/></p>
<p>4. <u>New board lot size</u>: In respect of the new board lot size for the consolidated / subdivided shares <b>(G5.5)</b>,</p> <ul style="list-style-type: none"> <li>- Have you selected a board lot size which will minimise the creation of odd lots? <input type="checkbox"/></li> <li>- Is the new board lot size an integral multiple / an integral divisor of the original one? Board lot size: Existing _____ <i>shares</i>; New _____ <i>shares</i> <input type="checkbox"/></li> <li>- Is it less than 900,000 shares? <input type="checkbox"/></li> <li>- Is the expected board lot value greater than HK\$2,000? <input type="checkbox"/></li> </ul>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>5. <u>Free exchange of share certificates</u> <b>(G5.6)</b>:</p> <ul style="list-style-type: none"> <li>- Does it commence on the effective date? ( _____ <i>dd/mm/yyyy</i>) <input type="checkbox"/></li> <li>- Does it end at least two business days after the last day of parallel trading? ( _____ <i>dd/mm/yyyy</i>) <input type="checkbox"/></li> <li>- Have you specified the latest time for submission of share certificate for free exchange? (at _____ <i>hh:mm</i> on _____ <i>dd/mm/yyyy</i>) <input type="checkbox"/></li> <li>- Have you provided the name and address of the share registrar? <input type="checkbox"/></li> </ul>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>6. <u>New share certificates</u> <b>(G5.7)</b>:</p> <ul style="list-style-type: none"> <li>- Have you stated the colours of the existing and new share certificates in the circular? ( existing certificates: _____ new certificates: _____ ) <input type="checkbox"/></li> <li>- Are the existing and new stock certificates different in colour and design? <input type="checkbox"/></li> <li>- Will the new share certificates be ready for shareholders' collection before the start of parallel trading? <input type="checkbox"/></li> </ul>	<p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>

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"> <li>- The old share certificates will continue to be good evidence of legal title?</li> <li>- 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? _____dd/mm/yyyy</li> </ul>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<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)</p>	<p><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 _____shares</p>	<p><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)</p>	<p><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)</p>	<p><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)</p>	<p><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)</p>	<p><input type="checkbox"/></p>

## **6. Change in board lot size**

- 61 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.
- 62 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.
- 63 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.
- 64 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.
- 65 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.
- 66 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*

- 67 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.
- 68 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.

<b>Situation</b>	<b>Exchange of certificates required?</b>	<b>Parallel trading required?</b>	<b>Reason</b>
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

69 **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 Market closing time <sup>^</sup> , 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

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

	Full Day	Half-day
Non-CAS securities	4:00pm	12:00noon
CAS securities	4:10pm	12:10pm

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)? <b>(G6.2)</b> ( _____ 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 <b>(G6.3)</b>,</p> <ul style="list-style-type: none"> <li>- Have you selected a board lot size which will minimise the creation of odd lots? <input type="checkbox"/></li> <li>- Is the new board lot size an integral multiple / an integral divisor of the original one? <input type="checkbox"/></li> <li>Board lot size: Existing _____ shares / units; New _____ shares / units <input type="checkbox"/></li> <li>- Is it less than 900,000 shares / units? <input type="checkbox"/></li> <li>- Is the expected board lot value greater than HK\$2,000? <input type="checkbox"/></li> </ul>	<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? <b>(G6.4)</b></p>	<input type="checkbox"/>
<p>4. <u>Free exchange services</u>: In relation to the free exchange services for share certificates <b>(G6.5)</b></p> <ul style="list-style-type: none"> <li>- Does it commence at least 10 business days before the effective date? ( _____ dd/mm/yyyy) <input type="checkbox"/></li> <li>- Does it end at least two days after the last day of parallel trading? ( _____ dd/mm/yyyy) <input type="checkbox"/></li> <li>- Have you specified the latest time for submission of share certificate for free exchange? ( at _____ hh:mm on _____ dd/mm/yyyy) <input type="checkbox"/></li> <li>- Have you provided the name and address of the share registrar? _____ <input type="checkbox"/></li> <li>- Will the new stock certificates be ready for shareholders' collection before the start of parallel trading? <input type="checkbox"/></li> </ul>	<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? <b>(G6.6)</b> (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 <b>(G6.7)</b></p> <ul style="list-style-type: none"> <li>- the old share certificates will continue to be good evidence of legal title? <input type="checkbox"/></li> <li>- the old share certificates will continue to be valid for delivery, trading and settlement purposes? <input type="checkbox"/></li> </ul>	<input type="checkbox"/> <input type="checkbox"/>
<p>7. <u>Parallel trading</u>: In relation to the parallel trading <b>(G6.8)</b></p> <ul style="list-style-type: none"> <li>- Is the temporary counter established at least 10 business days before the first day of parallel trading? ( _____ business days) <input type="checkbox"/></li> <li>- Does the parallel trading period last at least three weeks? ( _____ days) <input type="checkbox"/></li> </ul>	<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 <b>(G6.9)</b>?</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? <b>(G7.2)</b></p> <ul style="list-style-type: none"> <li>- Hong Kong incorporated company: the Certificate of Change of Name issued by the Company Registry in Hong Kong <input type="checkbox"/></li> <li>- Overseas incorporated company:               <ul style="list-style-type: none"> <li>a. the Certificate of Incorporation (“C.I.”) issued by Company Registry in the place of incorporation; <input type="checkbox"/></li> <li>b. the Certificate of Registration of Change of Corporate Name of non-Hong Kong Company issued by the Company Registry in Hong Kong; and <input type="checkbox"/></li> <li>c. a legal opinion allowing the use of Chinese name in the place of incorporation if the Chinese name has not been registered there. <input type="checkbox"/></li> </ul> </li> </ul>	
<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? <b>(G7.4)</b></p> <p>If there will be a free service for the exchange of certificates, have you stated:</p> <ul style="list-style-type: none"> <li>- The period of the free exchange service? From _____ dd/mm/yyyy to _____ dd/mm/yyyy, both days inclusive <input type="checkbox"/></li> <li>- The colour of existing and new share certificates? Old certificates: _____ New certificates: _____ <input type="checkbox"/></li> <li>- The name and address of the share registrar? _____ <input type="checkbox"/></li> </ul>	
<p>3. <u>Old share certificates</u>: Have you included the following paragraphs to inform shareholders about the facts: <b>(G7.5)</b></p> <ul style="list-style-type: none"> <li>- the share certificates bearing the old company name will continue to be a good evidence of legal title <input type="checkbox"/></li> <li>- 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: _____ dd/mm/yyyy) <input type="checkbox"/></li> </ul>	

## **Section E**

# **HONG KONG EXCHANGES AND CLEARING LIMITED**

## **GUIDE ON DISCLOSURE OF RECORD DATE, BOOK CLOSURE AND LATEST TIME FOR LODGING TRANSFERS OF SHARES**

28 November 2008 (Updated 1 October 2020)

### **1. Introduction**

- 1.1 Very often an issuer in its public disclosure may refer to a temporary closure of its transfer books or member register to determine the identity of shareholders entitled to a corporate action (e.g. attendance and voting at its general meeting, entitlements and other distributions). The Listing Division has compiled this Guide to provide guidance and reference information to issuers in relation to disclosure of book closure information.
- 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 and their directors to make their own judgement as to what information should be disclosed in relation to corporate actions. In case of doubt, issuers are encouraged to consult their Listing Officers.
- 1.3 Issuers should also be aware that, other than the Listing Rules and the Guide, the scheduling and arrangements for book closure may be also subject to statutory laws and regulations in their jurisdiction of incorporation. For instance, there is a statutory requirement in Hong Kong on the cumulative book closure period.

### **2. General principles**

- 2.1 Sufficient time of notification: An issuer must ensure that there is sufficient time for shareholders to act so as to take part in its corporate actions. In respect of book closure, the Listing Rules require an issuer to publish a notice of the closure of its transfer books or register of members in respect of securities listed in Hong Kong at least six business days (i.e. five clear business days) before the closure in the case of a rights issue, or 10 business days before the closure in other cases. Where there is an alteration of book closing dates, the issuer must, at least five business days before the announced closure or the new closure, whichever is earlier, notify the Exchange in writing and give further notice to the market. (See **G3.8**) The date on which the notice is released on the HKEXnews website is counted in the notification period. Where the issuer decides on a record date without book closure, the requirements in this paragraph apply to the record date.

*MB Rule 13.66(1), Note (2) to 13.66 and GEM Rule 17.78(1), Note (1) to 17.78*

For a rights issue, 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, “extreme conditions” caused by a super typhoon (“Extreme Conditions”)<sup>1</sup> and/or a black rainstorm warning or trading suspension of the issuer’s securities, and the 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 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.

- 2.2 Ex-entitlement trading after shareholder approval: An issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require approval by shareholders in general meeting or are 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.

*MB Rule 13.66(2), Note(3) to 13.66 and GEM Rule 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 after publication of the results of the poll. The issuer must publish an announcement on any revised timetable.

- 2.3 Complete and accurate disclosure: Fragmented or unclear disclosure of book close dates may lead to unnecessary confusion in the market. The Exchange strongly suggests issuers strive to disclose relevant and complete information relating to corporate actions to allow shareholders and investors to easily ascertain the implications of these corporate actions on their holdings of securities.

*Listing Division’s Letter to issuers on 11 May 2007*

- 2.4 Book closure information and securities trading: The issuer should note that book closure will have implications as to how its securities will be traded and cleared in the secondary market. Under the current T+2 settlement system, securities will trade ex-entitlement on the business day immediately before the last registration date. For instance, an issuer declares a book closure period from Monday 1 September 2008 to Friday, 26 September 2008, both days inclusive, for the determination of shareholders who qualify for cash dividends. The latest time for lodging share transfers will be the close of business on Friday, 29 August 2008 in order to qualify for the dividends. Under the T+2 settlement system, the issuer’s securities will trade ex-entitlement on Thursday, 28 August 2008.

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<sup>1</sup> According to the “Code of Practice in Times of Typhoons and Rainstorms, the Hong Kong Government may issue an announcement on “extreme conditions” in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons. When “extreme conditions” are in force (i.e. the two-hour period after cancellation of Typhoon Warning Signal No. 8), the Hong Kong Government will review the situation and further advise the public by the end of the two-hour period whether “extreme conditions” will be extended or cancelled.

## 2.5 Typhoon, Extreme Conditions or black rainstorm arrangements

- i. *Emergency share registration arrangements during a typhoon, Extreme Conditions or a black rainstorm warning:* The issuer should note that the requirements for emergency share registration arrangements stipulated in Practice Note 8 of the Listing Rules will apply to the book closure period or record date for all purposes (e.g. distribution of entitlements, attendance and voting at a shareholder general meeting).  
*Practice Note 8, MB Rule /GEM Rule 17.79, 17.80, Table 1 & 2*
- ii. *Extension of the notice period for book closure for rights issues:* The issuer must provide at least two trading days for trading cum-rights securities during the notice period (see **G2.1**). If trading on the Exchange is interrupted due to a typhoon, Extreme Conditions and/or a black rainstorm warning, the book closure date will be automatically postponed, where necessary, to provide at least two trading days (during neither of which trading is interrupted) for trading of securities with entitlements during the notice period. In these circumstances, the issuer must publish an announcement on the revised timetable as soon as practicable.  
*MB Rule 13.66(1) and GEM Rule 17.78(1)*
- iii. *Minimum of one cum-entitlement trading day after the general meeting:* An issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require approval by shareholders in general meeting or are 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, Extreme Conditions 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.  
*MB Rule 13.66(2) and GEM Rule 17.78(2), MB Rule 13.66(1) and GEM Rule 17.78(1)*

## 3. **Disclosure of book closure information**

- 3.1 Purposes of the book closure: The issuer must clearly specify the purpose(s) of its book closure. In cases of the disclosure of multiple book closures in the same announcement, an issuer should specify clearly the purpose(s) of each of the book closures. For instance, if an issuer declares different book closures for the purposes of attendance at a general meeting and for receiving cash dividends, it should clearly state in its disclosure material the purpose and other relevant information for each and every book closure.
- 3.2 Record date and book closure period: The record date is the date on which the issuer will determine the identity of registered security holders for attendance and voting at the general meeting or for entitlement(s). In places like Hong Kong 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 so-called book closing dates

or book closure period (e.g. from 1 September 2008 to 5 September 2008, both days inclusive). However, there are some issuers who 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. Irrespective of book closing dates or record dates, the general principles stated in **G2.1** (sufficient time of notification), **G2.2** (ex-entitlement trading after shareholder approval) and **G2.3** (complete and accurate disclosure) equally apply to the disclosure.

3.3 Book closure timing information: Each time an issuer decides to close its books temporarily for a planned corporate action, it is good practice for it to provide the following book closure timing information in its announcement/circular:

- i *Record date*: The issuer must provide the record date on which it will identify its shareholders based on the names appearing on its books. If the corporate action 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.<sup>2</sup> 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. The issuer usually determines the identity of qualified shareholders at the close of the business day. If it is otherwise, the issuer should 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*: The issuer must specify the period of time in which the company register will be closed whenever there is a closure to qualify shareholders entitled to the corporate action. The period should be presented in the form of either “on *dd/mm/yyyy*” (for one-day book closure) or “from *dd/mm/yyyy* to *dd/mm/yyyy*, both days inclusive” (for a book closure period of more than one day).
- iii *Latest time for lodging transfers of securities*: The issuer must provide the latest date and time for lodging share registrations in order to qualify for the corporate action. The information is usually presented as “at 4:30 pm on *dd/mm/yyyy*”. An issuer should confirm with its registrar to ensure that the selected date is a future business day which the share registrar will be open for business and will handle transfers of the respective stock.

3.4 Other information relevant to book closure: The issuer should disclose other information or dates relevant to the specified book close, including (where appropriate) the share registrar’s name and address as well as the expected payable date or conditions and arrangements for approving the corporate action.

*Listing  
Division’s  
Letter to  
issuers on 11  
May 2007*

3.5 Headline category: The issuer must select an appropriate headline category during its submission of the announcement containing the book closure information via e-Submission System (ESS) for publication on the

*MB Rule  
2.07C (3),  
GEM Rule  
16.18 (2)*

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<sup>2</sup> Issuer should refer to Guide on General Meeting for details.

Exchange's website. The submitter must select "*Closure of Books or Change of Book Closure Period*" under the second-tier grouping "*Securities / Share Capital*" under the general category of "*Announcements and Notices*".

- 3.6 Announcing a corporate action with pending book closure timing information: As far as practicable, the issuer is strongly advised to provide all the book closure timing information (see **G3.3**) in the initial announcement of the corporate action. However, occasionally there may be practical situations where the issuer is not able to do so. In these circumstances, the issuer should as far as possible provide in the initial announcement its best estimate of the time the pending book closure information would be made available to the market. It should ensure that once the book closure timing is determined, a supplementary disclosure announcement is made as soon as practicable (see **G3.7**).
- 3.7 Supplementary disclosure to update pending book closure timing information when timing information is determined: Once the pending book closure timing information is determined, the issuer should as soon as possible make a distinct and specific supplementary disclosure announcement to update the market with the determined book closure timing information. It should also ensure that the selected timing of book closure will provide sufficient time for shareholders to take action (see **G2.1**). In addition, in the supplementary announcement, the issuer should make clear reference to the initial corporate action announcement and the date of publication. It must select the appropriate headline category (see **G3.5**) when submitting the supplementary announcement to the Exchange for publication via ESS.
- 3.8 Alteration of book closure timing information: An issuer needing to modify book closure arrangements already announced to the market should inform the market as soon as possible through the issuance of a distinct announcement on the alteration of book closure information. The issuer should ensure that the timing of the altered book closure provides sufficient time for shareholders to take action (see **G2.1**). It should make reference to the initial announcement on the corporate action and the date of publication, and should clearly spell out the new book closure timing and the original book closure timing. The issuer must select the appropriate headline category (see **G3.5**) when submitting the disclosure on the alteration of book closure timing information to the Exchange for publication via ESS.
- 3.9 Scheduling reasonable and practicable book closure arrangements: The issuer should follow the general principles and guidelines above in scheduling its book closure arrangement. It should ensure that the book closure arrangement for the corporate action is reasonable and practicable. If the issuer has a significant number of shareholders, it should liaise with its share registrar in advance so as to ensure that the share registrar will have sufficient time to process the possible substantial volume of share transfers within the book closure period.

In particular, special attention should be given to the scheduling of book closure if the issuer has one or more yet-to-be-expired but already announced book closure(s) for other purpose(s). In these circumstances, the issuer should exercise caution in scheduling the book closure arrangement so that its book closure timing in contemplation for the planned corporate action will not create any difficulties or confusion to shareholders in exercising their rights in all these corporate actions.

For issuers' reference:

- i. If there is sufficient time of notification, the issuer can select the book closure period of the previous corporate action for the new corporate action (see **G2.1**).
- ii. In all cases, the latest time for lodging share transfers of the new corporate action must not be within the book closure period of the previous corporate action(s).
- iii. If the issuer selects a new book closure period which will effectively alter the book closure period(s) of other corporate action(s) in any way (e.g. bring it forward or extend the period), it should ensure that the general principles of sufficient time of notification (see **G2.1**) and the guidelines for alteration of book closure (see **G3.8**) are observed. It should make reference and spell out the implications of such a book closure period and relevant corporate action(s) in the disclosure materials. Also, the issuer must clearly specify the latest time for lodging share transfers for these corporate actions.

3.10 Example: The following is an example for scheduling book closure when there is another unexpired but already announced book closure period.

The issuer made an announcement of a corporate action (CA 1), disclosing the closure of its book from Monday, 1 September 2008 to Wednesday, 10 September 2008 with the latest time for lodging transfers of shares entitled to CA 1 at 4:30pm on Friday, 29 August 2008.

A few days later, the issuer found that it needed to announce another corporate action (CA 2) which would also require a temporary closure of its books. In scheduling the book closure for CA 2, the issuer should note:

- a) If there is sufficient time of notification, the issuer may close its books from Monday, 1 September 2008 to Wednesday, 10 September 2008, both days inclusive (i.e. the identical book closure period) for the purposes of both CA 1 and CA 2.
- b) The issuer must not select a new book closure period in which the latest time for lodging transfers of shares will be between Monday, 1 September 2008 and Friday, 10 September 2008 (i.e. the book closure period of CA 1). This is because the member register will then be closed for CA 1 and no transfers of securities can take place.

- c) If the issuer selects a new book closure period which will effectively alter the book closing dates of CA 1, e.g. from Wednesday, 27 August 2008 to Friday, 29 August 2008 (which will effectively bring forward the latest time for lodging transfers of securities qualified for CA 1), it must declare the alteration of the book closure for CA 1 at least five business days before the new book closure on 27 August 2008 (see **G2.1**). In the respective material it should:
- make reference to CA 1 and its relevant book closure period in the disclosure materials of CA 2;
  - highlight the alteration of the book closure period of CA 1; and
  - specify the updated latest time for lodging transfers of shares for CA 1 (which is now Tuesday, 26 August 2008).

\* \* \*



### 3.11 Checklist for Record Date, Book Closure and Lodging Transfers of Securities

The issuer should go through the following checklist to ensure affirmative or appropriate answers are provided to all the questions below.

Issue	Checked
<p><b>1. Sufficient time of notification:</b> Have you complied with the following minimum requirement for the notification of the book closure period? <b>(G2.1 and G2.5)</b></p> <ul style="list-style-type: none"> <li>- For the initial announcement of the closure of books, it should be made at least six business days (i.e. five clear business days) ahead of the closure for a rights issue, or 10 business days before the closure for other cases. <input type="checkbox"/></li> <li>- In the case of a rights issue, 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, Extreme Conditions 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 to fall short of two. <input type="checkbox"/></li> <li>- For alteration of the book closure period already released to the market, the announcement should be made at least five business days ahead of the announced closure or the new closure, whichever is earlier. <input type="checkbox"/></li> </ul>	
<p><b>2. Ex-entitlement trading after shareholder approval:</b> Have you complied with the following requirements for ex-entitlement trading? <b>(G2.2 and G2.5)</b></p> <ul style="list-style-type: none"> <li>- If the entitlements require approval by shareholders in general meeting or are contingent on a transaction that is subject to approval by shareholders in general meeting, you must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting. <input type="checkbox"/></li> <li>- If you fail 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 after publication of the results of the poll. You must publish an announcement on any revised timetable. <input type="checkbox"/></li> <li>- If trading on the Exchange is interrupted due to a typhoon, Extreme Conditions and/or a black rainstorm warning, the record date / book-close date (thus the ex-date) may need to be postponed. In such circumstance, you must publish an announcement on the revised timetable as soon as practicable. <input type="checkbox"/></li> </ul>	
<p><b>3. Purpose of the book closure:</b> Have you clearly specified the purpose(s) of each and every book closure stated in the disclosure material (e.g. AGM attendance and voting, distribution of dividends)? <b>(G3.1)</b></p>	<input type="checkbox"/>
<p><b>4. Book closure timing information:</b> In your announcement, have you provided the following information? <b>(G3.3)</b></p> <ul style="list-style-type: none"> <li>- Book closure period <ul style="list-style-type: none"> <li>- on _____ dd/mm/yyyy; <b>or</b></li> <li>- from _____ dd/mm/yyyy to _____ dd/mm/yyyy, both days inclusive</li> </ul> </li> <li>- Record date (“on _____ dd/mm/yyyy”)</li> <li>- Latest time for lodging transfers of shares to be entitled to the corporate action (“at 4:30pm on _____ dd/mm/yyyy”)</li> <li>- Is the last day for lodging transfers of shares qualified for the corporate action a business day in which the share registrar is open for business and will handle share</li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Issue	Checked
transfers for the respective company?	
5. <u>Other information relevant to book closure (G3.4):</u> - Have you specified the name and address of the share registrar? - Have you included all necessary relevant information (e.g. conditions for approving the corporate action)?	<input type="checkbox"/>  <input type="checkbox"/>
6. <u>Headline category:</u> Have you selected the headline category “ <i>Closure of Books or Change in Book Closure Period</i> ” for the announcement submitted to the Exchange via ESS? <b>(G3.5)</b>	<input type="checkbox"/>
7. <u>Announcing a corporate action with pending book closure timing information</u> (if applicable): Have you specified your best estimate of when the pending book closure timing information will be available to security holders? <b>(G3.6)</b>	<input type="checkbox"/>
8. <u>Supplementary disclosure to update pending book closure timing information</u> (if applicable): Have you made reference to the initial announcement about the corporate action in relation to this book closure and the respective date of publication? <b>(G3.7)</b>	<input type="checkbox"/>
9. <u>Alteration of book closure timing information</u> (if applicable): Have you made reference to the initial announcement about the corporate action, the original book closure timing and the respective date of publication in addition to the provision of the new book closure timing? <b>(G3.8)</b>	<input type="checkbox"/>
10. <u>Scheduling the book closure arrangement:</u> Is the schedule of your book closure arrangement “reasonable and practicable” as described in this Guide? <b>(G3.9 and G3.10)</b>	<input type="checkbox"/>

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## **Section F**

# **HONG KONG EXCHANGES AND CLEARING LIMITED**

## **GUIDE ON DISTRIBUTION OF DIVIDENDS AND OTHER ENTITLEMENTS**

14 December 2009 (Updated 1 October 2020)

### **1. Introduction**

- 1.1 This Guide has been developed to assist issuers in disclosing and making arrangements for distribution of dividends and other entitlements.
- 1.2 Entitlements are the most common type of corporate action event. It is usually tied to company earnings and often made at regular intervals (e.g. quarterly or half-yearly). Entitlement can take different forms (i.e. cash or securities). Moreover, shareholders may be given options as to the form in which the distribution is received. For example, they may be able to choose the currency they receive or whether they receive securities rather than cash.
- 1.3 Listed companies can help improve market efficiency and risk management in processing entitlements by providing timely, accurate and complete information about their distribution plans and making proper arrangements for their shareholders.
- 1.4 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 and their directors to make their own judgement as to what information should be disclosed in relation to corporate actions. The responsibility for the disclosure of information in announcements and circulars and compliance with the Listing Rules rests firmly with issuers and their directors. In case of doubt, issuers are encouraged to consult their Listing Officers.
- 1.5 Users of this Guide should also note that, other than the Listing Rules and the various issuer guides, the disclosure and distribution of entitlements may be also subject to statutory laws and regulations in the company's jurisdiction of incorporation.

### **2. General principles**

- 2.1 Definition of entitlement: Benefit (including cash, securities and other types of distributions) to which a shareholder is entitled as a result of a corporate action.

2.2 Impact on share trading: Distribution of an entitlement will affect the value of the company's issued shares, hence its share price. Under the current T+2 settlement system, the shares are generally traded ex-entitlement on the business day before the last registration date, the so-called Ex-date. Buyers of the shares on or after the Ex-date will not gain an entitlement to the benefit while the sellers on the ex-date will retain the entitlement.

23 Typhoon, "extreme conditions" caused by a super typhoon ("Extreme Conditions")<sup>1</sup> or black rainstorm warning: The entitlement distribution timetable may be interrupted by bad weather. Issuers should outline the contingency arrangements for a typhoon, Extreme Conditions or black rainstorm in their announcements or circulars. Practice Note 8 of the Listing Rules specifies the emergency share registration arrangement during a typhoon, Extreme Conditions and/or a black rainstorm warning. The Guide on Trading Arrangement for Selected Types of Corporate Actions specifies the contingency arrangements to address any bad weather interruption to the timetable for a rights issue or open offer. Based on the same principle, the issuer should insert the following note, or a similar note to the same effect, in the circular and announcement about an entitlement with election(s):

MLR 13.66(2),  
Practice Note 8  
/ GLR 17.78(2)  
/ *Guide on  
Trading  
Arrangements  
for Selected  
Types of  
Corporate  
Actions*

*"The latest time for submission of election forms will not be valid if a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by a super typhoon<sup>2</sup>, or a "black" rainstorm warning is:*

- a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on [deadline for the submission of election form]. Instead the deadline for the submission of election forms will be 5:00 pm on the same business day;*
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 pm on [deadline for the submission of election forms]. Instead the deadline for the submission of election forms will be rescheduled to 4:00 pm on the next business day which does not have either of those warnings in force at any time between 9:00 am and 4:00 pm."*

In addition, an issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require approval by shareholders in general meeting or are 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 Extreme Conditions 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.

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<sup>1</sup> According to the "Code of Practice in Times of Typhoons and Rainstorms", the Hong Kong Government may issue an announcement on "extreme conditions" in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons. When "extreme conditions" are in force (i.e. the two-hour period after cancellation of Typhoon Warning Signal No. 8), the Hong Kong Government will review the situation and further advise the public by the end of the two-hour period whether "extreme conditions" will be extended or cancelled.

<sup>2</sup> See footnote 1

- 2.4 Buyback and cancellation: The Listing Rules state that the listing of any shares repurchased by an issuer shall be automatically cancelled upon purchase. The documents of title for the purchased shares shall be cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase. Holders of the cancelled shares will not be entitled to attend and/or vote at the general meetings. If an issuer repurchased shares before the Ex-date but did not withdraw the shares from Central Clearing and Settlement System (CCASS) for cancellation on or before the last day for share registration, the shares will remain in the CCASS shareholding records on the Record Date. As a result, HKSCC Nominees will require the issuer to distribute cash entitlements for the repurchased shares, even though the shares have already been cancelled and were destroyed on or after the Record Date. Issuers can claim back such cash entitlements via CCASS Participants (i.e. broker or custodian bank which held the repurchased shares on behalf of the issuer).
- MLR 10.06 (5) /  
GLR 13.14

### 3. Notification of entitlement

- 3.1 Board meeting notice: An issuer is required to inform the Stock Exchange (the Exchange) and publish an announcement at least seven clear business days (i.e. excluding the announcement date and the board meeting date) in advance of the date fixed for any board meeting at which the declaration, recommendation or payment of a dividend is expected to be decided or at which any announcement of the profits or losses for any year, half-year or other period is to be approved for publication.
- MLR 13.43 /  
GLR 17.48
- 3.2 Announcement of board's decision: An issuer is required to announce immediately of its board's decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities, including the rate and amount of the dividend or distribution and the expected payment date. If there is to be no such distribution, the issuer should make an appropriate negative statement.
- MLR 13.45, /  
GLR 17.49,  
MLR  
Appendix 16 -  
4(3) / GLR  
18.50B(3);  
18.79 (6)
- 3.3 Book closure/Record date: An issuer shall 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.
- MLR 13.66(1),  
13.66(2), Note  
(3) to 13.66 /  
GLR 17.78(1),  
17.78(2), Note  
(2) to 17.78

An issuer must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting, if the entitlements require approval by shareholders in general meeting or are 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 after publication of the results of the poll. The issuer must publish an announcement on any revised timetable.

- 3.4 Conditions leading to the cancellation of the entitlement: If there is any condition which will lead to the cancellation of the entitlement distribution, it must be clearly spelt out in the issuer's announcement.
- 3.5 Timing of announcement of decision on dividend: Announcements regarding decisions on dividends and results must not be published between 8:30 am and 12:00 noon or between 12:30 pm and 4:30 pm on a normal business day, or between 8:30 am and 12:30 pm on the eves of Christmas, New Year and the Lunar New Year (i.e. these dates have no afternoon trading session). MLR 2.07C (4)  
(a) / GLR  
16.18 (3) (a)
- 3.6 Headline categories: An issuer should select applicable headline categories for its announcements regarding benefit entitlement, such as: MLR  
Appendix 24  
/ GLR  
Appendix 17  
/ Guide on Pre-  
vetting  
Requirements  
and Selection  
of Headline  
Categories
- Announcements and Notices > Financial Information > Dividend or Distribution.
  - Announcements and Notices > Securities / Share Capital > Change of Dividend Payment Date.
  - Circulars > Securities / Share Capital > Rights Issue
  - Listing Document > Open Offer
- 3.7 Convertible securities: If the issuer has outstanding equity warrants or other convertible securities listed on the Exchange at the time of entitlement distribution, the issuer should provide the following information about the convertible securities in the announcement and circular about the entitlement distribution: -
- i. name and stock code;
  - ii. any adjustments to the subscription price / conversion price as well as the terms and conditions; and
  - iii. the latest time for the holders to exercise their rights in order to be entitled to the entitlement and the conversion arrangements.
- 3.8 Key dates for entitlement distribution<sup>3</sup>: The distribution plan usually contains the following key dates:

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<sup>3</sup> Issuer should also refer to the Guide on Trading Arrangements for Selected Types of Corporate Actions for other key dates in cases of rights issues and open offers.

- i. *Record date* (Format: “dd/mm/yyyy”): The issuer must provide the record date on which it will identify its shareholders based on the names appearing on its books. If the entitlements require approval by shareholders in general meeting or are 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.<sup>4</sup> 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. The issuer usually determines the identity of qualified shareholders at the close of the business day. If it is otherwise, the issuer should 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* (Format: “dd/mm/yyyy” or “from dd/mm/yyyy to dd/mm/yyyy, both days inclusive”): If the issuer will close the book to identify qualified shareholders, it must specify the period when the company register will be closed to identify qualified shareholders for the entitlement.
- iii. *Latest time for lodging transfers of securities* (Format: “hh:mm on dd/mm/yyyy”): The issuer must provide the deadline for lodging share registrations in order to qualify for the entitlement. The deadline is usually set at the close of business hours on a selected business day.
- iv. *Ex-date* (Format: dd/mm/yyyy): The Ex-date is set by the Exchange. Under Hong Kong’s current T+2 settlement cycle, the Ex-date is usually the trading day immediately before the last registration date<sup>5</sup>. To maintain a fair and orderly market for securities trading, if the issuer alters its Book Closure Period or Record Date which will in turn lead to a change in Ex-date, it must, at least five business days before the announced closure or the new closure, whichever is earlier, notify the Exchange in writing and publish the same in a regulatory announcement.

MLR 13.66(1)  
/ GLR 17.78(1)

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<sup>4</sup> Issuer should refer to Guide on General Meeting for details.

<sup>5</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. Issuers have to refer to the circular issued by the Exchange or to consult their Listing Officers.

- v. **Payment Date** (Format: *dd/mm/yyyy*): To facilitate cash flow planning by shareholders, the issuer must announce the expected Payment Date (also called Payable Date) immediately after approval by or on behalf of the board. The Payment Date is the date on which the company is expected to pay a cash or securities entitlement to its shareholders of record. As far as practicable, the issuer should specify a clear and specific date as the Payment Date, such as “*dd/mm/yyyy*”. Unclear specifications such as “*on or about (a date)*” are not recommended.

MLR 13.45(1)  
/ GLR 17.49(1)

- **Notification**: If there is any change to the expected payment date previously disclosed, the issuer should announce this fact and the new expected payment date as soon as practicable. If the issuer announcement mentions multiple entitlements to be paid on different dates, the issuer should clearly specify the Payment Date for each entitlement.
- **Scheduling**: It is the general practice to designate the Payment Date as the day on which the dividend cheques can be presented to banks for payment; i.e. not a Saturday, Sunday or public holiday when there is no transmission of funds among banks.
- **Time interval**: There is no requirement as to the time interval between the Record Date and the Payment Date. However, in the interest of shareholders, it is desirable that the interval should be as short as practicable.

MLR 13.45(3)  
Note 3 / GLR  
17.49(3) Note 3

#### 4. **Cash entitlement**

- 4.1 **Currency of dividend payment**: An issuer should specify the currency in which any dividends will be distributed and the dividend rate per share (e.g. final dividend of HK\$0.50 per share) in its announcement.
- 4.2 **Currency conversion**: If the distributed currency of cash entitlement will be different from the announced currency in the announcement, the issuer should alert its shareholders of the arrangement prior to the Payment Date. The issuer should also provide information about currency conversion between the two currencies, including the source of foreign exchange data, the selected dates for reference and the method of calculation.
- 4.3 **Reference and actual exchange rate**: If an issuer provides an approximate value of the dividend rate due to possible fluctuations of foreign exchange rate, shareholders must be alerted of such fact and advised that the final dividend rate may differ. Once the exchange rate is final, the issuer should announce the actual value of the dividend prior to the Payment Date.
- 4.4 **Currency options for shareholders**: If an issuer distributes a cash entitlement in a currency other than the Hong Kong dollar, it is a good practice to provide multiple currency alternatives to shareholders so that they may choose the currency in which they receive the cash entitlement.



4.5 **Taxation:** An issuer should indicate whether or not the declared entitlement is subject to any withholding tax. If so, the issuer should state the withholding tax rate, the jurisdiction where the dividend is generated and whether or not the tax deducted is claimable. Provision of authoritative sources for more detailed information about the applicable withholding tax and any related tax treaty will be helpful.

5. **Securities entitlement** (including dividends paid by way of scrips, bonus shares, warrants, rights issues and open offers<sup>6</sup>)

5.1 **Shareholder eligibility:** An issuer may only exclude overseas shareholders in its distribution plan on the basis that, after its enquiry on the legal restrictions under the law of the relevant place, requirements of the relevant regulatory body or stock exchange, it would be necessary or expedient to do so.

Notes to  
MLR13.36 (2)  
(a) and  
GLR17.41 (1)

- i. In such circumstances, the issuer must include an explanation for the exclusion in the circular or document containing the distribution plan. The issuer must ensure that the circular or offer document is delivered to its overseas shareholders for their information only subject to compliance with the relevant local laws, regulations and requirements.
- ii. The issuer should consider distributing cash in lieu of securities entitlements to overseas shareholders excluded from securities entitlements.

5.2 **Undertaking / declaration:** HKSCC Nominees only has the shareholding information of its direct Participants and has no information on the identity and shareholding information of the ultimate beneficial owners (except for Investor Participants). Therefore, issuers should note that HKSCC Nominees is not in a position to give any undertaking / declaration or deemed representation / warrant in relation to the identity of the beneficial owners.

5.3 **Changes in issued shares:** The Listing Rules require issuers to submit for publication on the HKEXnews website a Next Day Disclosure Return to inform the market of any changes in their issued shares. The information should be submitted to the Exchange at least 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day following the relevant event.

MLR 13.25A /  
GLR 17.27A

5.4 **Calculation of securities entitlements:** The issuer should clearly specify in its announcement or circular how it calculates the resultant securities entitlements, including but not limiting to the following:

- i. The rounding rules of the resultant securities entitlements where the application of securities ratios results in fractional entitlement; i.e. less than one share (e.g. round down any fraction to the nearest whole unit).
- ii. The calculation method to determine the resultant securities entitlement allotted to a shareholder. For instance, assuming a bonus issue ratio of 12 bonus shares for 25 existing shares held, a shareholder holding 1,024 shares (which is not an integral multiple of 25 shares) may receive 480 bonus shares (on the basis of the whole multiple) or 491 bonus shares (on a pro-rata basis), depending on how the issuer makes the calculation.

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<sup>6</sup> For rights issues and open offers, issuers should refer to the *Guide on Trading Arrangement for Selected Types of Corporate Action*

- 5.5 Resultant odd lots: In setting a security entitlement ratio, the issuer should seek to minimise the creation of odd lots. Issuers should appoint a securities dealer to purchase odd lots from shareholders within a specific period of time after the distribution so as to help shareholders to dispose of any odd lots resulting from the distribution of a securities entitlement.
- 5.6 Distribution of unlisted securities: If an issuer distributes unlisted securities, it is a good practice to offer a means for shareholders to dispose of the unlisted securities. Moreover, the issuer should also appoint a local transfer agent to provide share registration, warrant conversion and share splitting services to shareholders. The following information should be provided in the issuer announcement:
- i. Name and address, contact person and telephone number of the transfer agent;
  - ii. Procedures and charges for share registration, share splitting, warrant conversion and other relevant services;
  - iii. Number of business days required for the completion of share registration, share splitting, warrant conversion and other relevant services.
- 5.7 Distribution of securities listed outside Hong Kong: If an issuer distributes securities listed outside Hong Kong to its shareholders, it should provide:
- i. The ISIN code(s) of the securities;
  - ii. The name of the overseas stock exchange(s) on which the securities are listed;
  - iii. A brief description of how the securities are traded and settled;
  - iv. Any arrangement to help shareholders to dispose of the securities as well as any related charges; and
  - v. Information on the broker(s) who can assist shareholders wishing to trade the securities where they are listed.

If the securities are issued in scripless form, the issuer must specify the procedures for shareholders to receive the securities, such as opening an account with a particular share depository. In addition, it should appoint a transfer agent in Hong Kong qualified to provide share registration, warrant conversion and other services to Hong Kong shareholders.

If the securities are issued in physical certificates, the issuer should appoint a transfer agent in Hong Kong qualified to provide share registration, share splitting, warrant conversion and other relevant services to Hong Kong shareholders. The following information should be provided in the issuer announcement:

- Name and address, contact person and telephone number of the transfer agent;
- Procedures and charges for share registration, share splitting, warrant conversion and other services; and
- Number of business days required for the completion of share registration, share splitting, warrant conversion and other services.

## 6. Entitlement with election(s)

- 6.1 Description: Sometimes, issuers may offer shareholders a choice as to how they will take part in the entitlement. For instance, shareholders can opt to receive the entitlement in cash or in securities through a reinvestment scheme. Some issuers even allow shareholders to apply their choice to all or only part of their entitled position.
- 6.2 Election form: Issuer should develop and dispatch an election form to help shareholders indicate their choice of entitlement option. The election form is normally distributed to qualified shareholders together with the circular about the entitlement.
- 6.3 Deadline for returning the completed election form: Issuers should provide sufficient time for shareholders to consider the entitlement election. It is a general practice for issuers to provide no less than 10 business days between the dispatch of the election form and the deadline for returning the completed election form. Issuers should clearly specify in the announcement the deadline for returning the completed election form, which is usually specified as “*hh:mm on dd/mm/yyyy*”.
- 6.4 Material information for election decision: All material information required to make a decision on the entitlement election (e.g. the exact reinvestment prices or the foreign exchange rate for calculating the number of new shares to be allotted under a dividend reinvestment plan) should be provided to shareholders at least 5 business days prior to the deadline for returning the election form.
- 6.5 Default options: The issuer must state which of the available options will be considered a default choice of the shareholders. In case of no election decision being made, the issuer will automatically allocate the default option to the shareholder in order to calculate the resultant entitlement.
- 6.6 Combination of options: Issuers should state clearly in the announcement whether or not shareholders are allowed to choose a combination of the available options (i.e. shareholders can choose to receive the entitlement partly in cash and partly in scrip). Nominee services companies including HKSCC Nominees must be allowed to choose a combination of the available options in all cases of distribution of entitlements with options.
- 6.7 Cash in lieu of fractional entitlements: Under a scrip dividend scheme, a shareholder may choose to receive the entitlement wholly in scrip shares. Issuers should consider distributing cash in lieu of fractional entitlements of scrip shares to the shareholder. For example, an issuer announces a dividend payment of \$1 per share and allows shareholders to reinvest at a price of \$100 per scrip share. A shareholder holding 1,090 shares chooses to receive the entitlement wholly in scrip shares under a standing instruction. Apart from the allocation of 10 scrip shares, the issuer should also consider distributing cash in lieu (i.e. \$90) of fractional entitlements of scrip shares (i.e. dividends for the 90 existing shares) to the shareholder.

\* \* \*

**Appendix: Checklist for Distribution of Dividends and Other Entitlements**

The issuer should go through the following checklist, in addition to any other relevant checklists (e.g. the one in the *Guide on Disclosure of Record Date, Book Closures and Latest Time for Lodging Transfers of Shares*), and ensure affirmative or appropriate answers are provided to all the questions below.

Issue	Checked
<p>1. <b>Board meeting notification (G3.1 / G3.2):</b> Have you complied with the following notification requirements in relation to the board meeting at which the recommendation of an entitlement will be considered and a decision made?</p> <p>1.1. Notify the market at least seven clear business days (excluding announcement date and board meeting date) in advance of the meeting date;</p> <p>1.2. Announce the board’s decision (including a decision of no distribution) and details of the entitlement immediately.</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>2. <b>Book closure / Record date (G3.3)</b></p> <p>2.1. 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?</p> <p>2.2. If the entitlements require approval by shareholders in general meeting or are contingent on a transaction that is subject to approval by shareholders in general meeting, you must ensure that the last day for trading in the securities with entitlements falls at least one business day after the general meeting.</p> <p>2.3. If you fail 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), you must ensure there is at least one trading day for trading in the securities with entitlements after publication of the results of the poll. You must publish an announcement on any revised timetable.</p> <p>2.4. If trading on the Exchange is interrupted due to a typhoon, Extreme Conditions and/or a black rainstorm warning, the record date/book-close date (thus the ex-date) may need to be postponed. In such circumstance, you must publish an announcement on the revised timetable as soon as practicable.</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>3. <b>Conditions leading to the cancellation of the entitlement (if applicable) (G3.4):</b> Have you clearly specified any condition which will lead to the cancellation of the entitlement in your announcement?</p>	<p><input type="checkbox"/></p>
<p>4. <b>Timing of announcing decision (G3.5):</b> Have you arranged proper timing for your announcement about the entitlement?</p>	<p><input type="checkbox"/></p>
<p>5. <b>Headline category (G3.6):</b> Have you selected the appropriate headline category for the announcement regarding benefit entitlement?</p>	<p><input type="checkbox"/></p>

Issue	Checked
<p>6. <u>Convertible securities (if applicable) (G3.7)</u>: Have you provided the following information about each of the convertible securities in your announcement and circular:</p> <p>6.1. Name and stock code;</p> <p>6.2. Any adjustment to the subscription price / conversion price / terms and conditions;</p> <p>6.3. The latest time for the holders to exercise their rights in order to be entitled to the distribution and the conversion arrangement.</p>	<input type="checkbox"/>  <input type="checkbox"/>  <input type="checkbox"/>
<p>7. <u>Key dates for entitlement distribution (G3.8)</u>: In your announcement, have you provided the following information?</p> <p>7.1. Book closure period                      - on _____ dd/mm/yyyy;     <b>or</b>                      - from _____ dd/mm/yyyy to _____ dd/mm/yyyy, both days inclusive</p> <p>7.2. Record date (“on _____ dd/mm/yyyy”)</p> <p>7.3. Latest time for lodging transfers of shares to be entitled to the corporate action (“at _____ hh:mm on _____ dd/mm/yyyy”)</p> <p>7.4. Expected Payment Date (“on _____ dd/mm/yyyy”)</p>	<input type="checkbox"/>  <input type="checkbox"/>  <input type="checkbox"/>  <input type="checkbox"/>
<p>8. <u>Payment Date (G3.8(v))</u>:</p> <p>8.1. Have you selected a day on which the dividend cheques can be presented to banks for payment (i.e. not a Saturday, Sunday or a public holiday)?</p> <p>8.2. If there is a change to the expected payment date previously disclosed, have you announced this fact and the new expected payment date?</p>	<input type="checkbox"/>  <input type="checkbox"/>
<b>Cash entitlement</b>	
<p>9. <u>Currency of dividend payment (G4.1)</u>: Have you specified the distributed currency of the dividend for each share in your announcement?</p>	<input type="checkbox"/>
<p>10. <u>Currency conversion (if applicable) (G4.2)</u>: Have you alerted shareholders that the distributed currency may be different from the announced currency and provided information about currency conversion between the two (e.g. source of FX data, selected dates and method of calculation)?</p>	<input type="checkbox"/>
<p>11. <u>Reference and actual exchange rate (if applicable) (G4.3)</u>: Have you alerted shareholders that the dividend rate in distributed currency was only an approximate value and the final payout may be different due to the fluctuation of the foreign exchange rate?</p>	<input type="checkbox"/>
<p>12. <u>Currency options for shareholders (if applicable) (G4.4)</u>: If you will distribute cash entitlement in a foreign currency, have you considered providing an option for shareholders to select in which currency they would like to receive the entitlement?</p>	<input type="checkbox"/>
<p>13. <u>Taxation (G4.5)</u>:</p> <p>13.1. Have you indicated whether or not the declared entitlement is subject to any withholding tax?</p> <p>13.2. If it is subject to withholding tax, have you stated the withholding tax rate, the jurisdiction where the dividend is generated and whether or not the tax deducted is claimable?</p>	<input type="checkbox"/>  <input type="checkbox"/>



Issue	Checked
<p>19. <u>Distribution of securities listed outside Hong Kong (if applicable) (G5.7)</u>: Have you provided the following information?</p> <p>19.1. The ISIN code(s) of the securities <input type="checkbox"/></p> <p>19.2. Name of the overseas exchange(s) on which the securities are listed <input type="checkbox"/></p> <p>19.3. A brief description of how the securities are traded and cleared <input type="checkbox"/></p> <p>19.4. Any arrangement to help shareholders to dispose of the securities and any related charges <input type="checkbox"/></p> <p>19.5. Information on the broker(s) who can assist shareholders wishing to trade the securities. <input type="checkbox"/></p> <p>19.6. Procedures for shareholders to receive the securities (for scripless shares only) <input type="checkbox"/></p> <p>19.7. Information about your designated transfer agent for the securities: <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>- Name and address, contact person and telephone number of the agent;</li> <li>- Procedures and charges for share registration, warrant conversion and other services; and</li> <li>- Number of business days required for the completion of share registration, warrant conversion and other services</li> </ul>	
<b>Entitlement with elections</b>	
<p>20. <u>Election form (G6.2)</u>: Have you developed and dispatched an election form on which shareholders can indicate their choice(s)? <input type="checkbox"/></p>	
<p>21. <u>Deadline for returning the completed election form (G6.3)</u>:</p> <p>21.1. Have you provided no less than 10 business days between the dispatch of the election form and the deadline for returning the completed election form? <input type="checkbox"/></p> <p>21.2. Have you clearly specified in your announcement the deadline for returning the completed election form? <input type="checkbox"/></p>	
<p>22. <u>Information for election decision (shareholder decision?) (G6.4)</u>: Have you provided all material information (e.g. exact reinvestment prices or foreign exchange rate) to shareholders at least five business days prior to the deadline for returning the completed form? <input type="checkbox"/></p>	
<p>23. <u>Default option (G6.5)</u>: Have you stated which option will be considered the default choice of the shareholders? <input type="checkbox"/></p>	
<p>24. <u>Combination of options (G6.6)</u>: Have you clearly stated in your announcement whether or not shareholders are allowed to choose a combination of the available options? <input type="checkbox"/></p>	
<p>25. <u>Cash in lieu of fractional entitlements (G6.7)</u>: Under your scrip dividend scheme, have you considered offering cash in lieu of fractional entitlements of scrip shares to those shareholders who chose to receive entitlements wholly in scrip shares? <input type="checkbox"/></p>	

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# HONG KONG EXCHANGES AND CLEARING LIMITED

## GUIDE ON GENERAL MEETINGS

24 September 2010 (Last updated on 28 February 2023)

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**Appendix      Template Proxy Form**



<p><b>1. Introduction</b></p> <p>1.1 This Guide has been developed to assist issuers in convening and conducting general meetings (including annual general meeting (AGM) and extraordinary general meeting (EGM) or special general meeting (SGM)).</p>	
<p>1.2 A general meeting is a major corporate event. It allows shareholders, company management and directors to examine and make decisions on important affairs of the company. They should have a fundamental right to speak and vote at general meetings.</p> <p>1.3 The organisation of general meetings is governed by the company's constitutional documents, company law and regulations of the jurisdiction in which the company is incorporated. In addition, the Core Shareholder Protection Standards<sup>1</sup> (Core Standards) under the Listing Rules provide a baseline level of shareholder protection, including matters as regards general meetings.</p> <p>Issuers are required to incorporate in their constitutional documents the Core Standards which are not already provided by the laws of their places of incorporation, and any other shareholder protection standards required to fit their specific circumstances.</p>	

<p><b>2. Overview</b></p>	
<p>2.1 The board should maintain an on-going dialogue with shareholders, and use annual general meetings or other general meetings to communicate with them and encourage their participation.</p>	<p>F.1 of CG Code</p>
<p>2.2 An issuer must hold a general meeting for each financial year as its annual general meeting. Generally, an issuer must hold its annual general meeting within six months after the end of its financial year.</p>	<p>Paragraph 14(1) of MLR Appendix 3 / GLR Appendix 3</p>
<p>2.3 The board should give the issuer's shareholders sufficient notice of general meetings, ensure the shareholders are familiar with the poll procedures, and should address questions from shareholders in the meetings.</p>	<p>F.2 of CG Code</p>

<sup>1</sup> Appendix 3 to Main Board Listing Rules / GEM Listing Rules

2.4 Issuers should use modern information technology as far as practicable (as permitted by applicable laws and regulations and constitutional documents) to facilitate shareholders' timely access to general meeting information, and to promote better shareholders' engagement and maximise their participation.	
2.5 An issuer must publish an up to date version of its constitutional document on its own website and the Exchange's website. An issuer must also disclose any significant changes to its constitutional documents during the year in its Corporate Governance Report.	MLR 13.90 / GLR 17.102 / Paragraph L under Part 1 of MLR Appendix 14 / GLR Appendix 15

<b>3. Convening a general meeting</b>	
3.1 <u>Notice of general meeting</u> : An issuer must give its members reasonable written notice of its general meeting, which normally means at least 21 days for an annual general meeting and at least 14 days for other general meetings.	Paragraph 14(2) of MLR Appendix 3 / GLR Appendix 3
3.2 <u>Place and time for the meeting</u> : Meetings should be held a time that is convenient to the largest possible number of shareholders to attend at the physical venue. Issuers should not change the venue or the time of a general meeting without giving sufficient notice to shareholders.	
3.3 <u>Virtual/ hybrid general meeting</u> : To promote better engagement with and to maximise participation by shareholders, issuers should consider holding general meetings virtually or in hybrid form (i.e. a combination of physical and virtual meetings) using virtual meeting technology (e.g. webcast, video conference), where permitted under the laws of their place of incorporation and their constitutional documents.  See also "Guidance Note – Good Practice on Holding Virtual or Hybrid General Meetings" <sup>2</sup> issued by the Companies Registry.	
3.4 <u>Drafting the notice</u> : Issuers should present the information in plain language and an easy-to-read manner. Legal jargon should be avoided. Issuers should note the following when drafting the notice:	
a) <u>Ordinary vs special resolution</u> : Issuers should specify each resolution as ordinary or special in the notice and the respective proxy form.	

<sup>2</sup> [https://www.cr.gov.hk/en/companies\\_ordinance/docs/Guide\\_GoodPracticeonHoldingVirtualorHybridGM-e.pdf](https://www.cr.gov.hk/en/companies_ordinance/docs/Guide_GoodPracticeonHoldingVirtualorHybridGM-e.pdf)

<p>b) <u>Text of resolutions</u>: Issuers should disclose in the notice the exact text of the proposed resolution, rather than just the purpose of the resolution.</p> <p>c) <u>Unbundled resolutions</u>: Issuers should propose a separate resolution for each substantially separate issue at a general meeting. They should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, issuers should explain to shareholders the reasons and material implications in the notice of meeting.</p> <p>d) <u>Meeting format</u>: The notice of general meeting should specify how the general meeting will be held, i.e. whether it is a physical, virtual or hybrid meeting.</p> <p>e) <u>Virtual/ hybrid general meeting</u>: Issuers should explain the meeting arrangements for a virtual or hybrid meeting clearly in the notice. For example, issuers should give clear instructions on the pre-registration and verification procedures (if any) and how to access the virtual meeting technology to be used in the meeting.</p> <p>f) <u>Voting record date</u>: Issuers should specify the record date for ascertaining entitlement to attend and vote at the general meeting, and the latest time for lodging share transfer in order to be registered as a shareholder on the voting record date. See also “Guide on Disclosure of Record Date, Book Closure and Latest Time for Lodging Transfers of Shares”<sup>3</sup>.</p> <p>g) <u>Meeting arrangements in times of bad weather</u>: General meetings may sometimes be interrupted by bad weather such as typhoon, “extreme conditions” caused by a super typhoon (“Extreme Conditions”)<sup>4</sup> or black rainstorm warning. Issuers, particularly those whose general meetings are held in typhoon or heavy rainfall seasons, should set out in their notices of general meeting and/or announcements or circulars the meeting arrangements in case of bad weather. Issuers should also issue an announcement if they subsequently anticipate that their general meetings may be affected by bad weather.</p>	<p>F.2.1 of CG Code</p>
<p>3.5 <u>Service of meeting notice</u>: Notice of a general meeting shall be given to all shareholders in printed form or, to the extent permitted under the law of the issuer’s place of incorporation and its constitutional documents, in electronic form. If a notice of a general meeting is to be sent to shareholders with overseas addresses in printed form, it shall be sent by airmail or an equivalent service that is not slower.</p>	<p>MLR 2.07C, 13.71, 13.76 / GLR 16.17, 17.46(1)</p>

<sup>3</sup> [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Practices-and-Procedures-for-Handling-Listing-related-Matters/e\\_bk\\_close.pdf?la=en](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Other-Resources/Listed-Issuers/Practices-and-Procedures-for-Handling-Listing-related-Matters/e_bk_close.pdf?la=en)

<sup>4</sup> According to the “Code of Practice in Times of Typhoons and Rainstorms”, the Government may issue an announcement on “extreme conditions” in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons. During the first two-hour period when the “extreme conditions” are in force, the Government will continue reviewing the situation. If it is considered that “extreme conditions” persist, the Government may make a further announcement to extend the “extreme conditions”.

<p>3.6 <u>Security and authentication for virtual/ hybrid meeting:</u> Where registration and authentication are required for shareholders to access a virtual/ hybrid meeting, issuers should provide their shareholders with the relevant information prior to the meeting. Issuers should consider using secure methods of authentication such as providing to each shareholder a unique meeting login ID and password or sending a one-time unique personal identification number to a shareholder’s phone number or email address. The registration and authentication process should be simple so as not to become an attendance barrier.</p>	
<p>3.7 <u>Shareholder with a disability:</u> The exclusion of people with disability from the discussions and/or to receive the messages exchanged in the meeting may constitute indirect discrimination on the grounds of disability<sup>5</sup>.</p> <p>Where issuers are aware of any shareholders with disabilities, they should consider using alternative means to communicate the notice of general meeting, such as by way of email, braille, and documents in digital (e-book) or audio form, as appropriate.</p> <p>Issuers may also consider asking potential participants to indicate in advance whether they need special arrangements to assist them in participating at the meeting. Special arrangements may take the form such as sign language for the deaf, special technology for the visually impaired or wheelchair users-accessible venue.</p>	

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<sup>5</sup> The Disability Discrimination Ordinance (Cap. 487) (DDO) provides that it is unlawful for a person who provides goods, services or facilities, whether for payment or not, to discriminate against another person with a disability.

<p><b>4. Information for shareholders</b></p>	
<p>4.1 <u>Information in circulars/ announcements</u>: The information contained in circulars or announcements must be accurate and complete in all material respects and not misleading or deceptive. Issuers should provide shareholders a clear and adequate explanation of any matters to be considered at a general meeting so that they can make a properly informed decision.</p> <p>a) <u>Resolutions about directors</u>: Issuers shall disclose the details (see MLR 13.51(2) / GLR 17.50(2)) of any proposed new directors or directors proposed to be re-elected in the notice or the accompanying circular.</p> <p>If an independent non-executive director has served more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The issuer should disclose why the board believes that such director is still independent and should be re-elected.</p> <p>If a proposed independent non-executive director will be holding his seventh (or more) listed company directorship, the issuer should disclose why the board believes the individual would still be able to devote sufficient time to the board.</p> <p>b) <u>Resolutions about auditor</u>: Issuers must not remove their auditors before the end of the auditors' term of office without first obtaining shareholders' approval at a general meeting. Issuers should send a circular to the shareholders disclosing the written representations from the auditor (if any) at least 10 business days before the general meeting.</p> <p>Issuers must allow the auditor to attend the general meeting and make written and/or verbal representations to shareholders at the general meeting.</p>	<p>MLR 2.13 / GLR 17.56</p> <p>MLR 13.51(2), 13.74 / GLR 17.50(2), 17.46A</p> <p>B.2.3 of CG Code</p> <p>B.3.4 of CG Code</p> <p>MLR 13.88 / GLR 17.100</p>
<p>4.2 <u>Voting recommendation</u>: Where voting is required, issuers should provide voting recommendation from their directors based on what is, in their opinion, in the best interest of the shareholders as a whole.</p>	
<p>4.3 <u>Supplemental information</u>: If the issuer becomes aware of any additional material information on the subject matter to be considered at the general meeting or a change in voting intention of its shareholders (see paragraph 7.3 b) below) after publication of the circular, it must publish a supplementary circular or an announcement not less than 10 business days before the date of general meeting. Otherwise, the meeting must be adjourned to a date that is at least 10 business days from the publication of the supplementary circular or announcement by the chairman or, if that is not permitted by the issuer's constitutional documents, by shareholders' resolution to that effect.</p>	<p>MLR 13.40, 13.73 / GLR 17.46(2), 17.47A</p>
<p><b>5. Shareholders' requisition of meetings</b></p>	

<p>5.1 <u>Shareholders' requisition of meeting</u>: Shareholders holding a minority stake must be able to convene a general meeting and add resolutions to a meeting agenda. Issuers should set out in their constitutional documents the minimum stake for convening a general meeting having regard to the requirements of the Listing Rules<sup>6</sup> and the laws of their places of incorporation.</p>	<p>Paragraph 14(5) of MLR Appendix / GLR Appendix 3</p>
<p>5.2 <u>Directors' duty to call meeting requested by shareholders</u>: The directors are required to convene the meeting as requested by the shareholders within the specified period<sup>7</sup> required under the laws of the issuer's place of incorporation and its constitutional documents.</p>	
<p>5.3 <u>Disclosure of shareholders' rights in Corporate Governance Report</u>: In order to help the shareholders understand and exercise their rights, issuers must disclose the following information in their Corporate Governance Report:</p> <ul style="list-style-type: none"> <li>a) how shareholders can convene an extraordinary general meeting;</li> <li>b) the procedures for submitting enquiries to the board and contact details to enable such enquiries to be properly directed; and</li> <li>c) the procedures and contact details for putting forward proposals at shareholders' meetings.</li> </ul>	<p>Paragraph K under Part 1 of MLR Appendix 14 / GLR Appendix 15</p>

<sup>6</sup> Paragraph 14(5) of Appendix 3 to Main Board Listing Rules / GEM Listing Rules provides that the minimum stake required for convening a general meeting or adding resolutions to a meeting agenda must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer.

<sup>7</sup> For example, the directors of a Hong Kong incorporated company must call a meeting within 21 days upon receipt of the requisition. The meeting must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors fail to do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a meeting at the issuer's expenses.

<p><b>6. Proceedings</b></p>	
<p>6.1 <u>Attendance at general meetings</u>: The board should maintain on-going dialogue with shareholders and use general meetings to communicate with them.</p> <p>a) <u>Directors' attendance at general meetings</u>: Directors should actively participate in general meetings. In particular,</p> <ul style="list-style-type: none"> <li>• <b>Annual general meetings</b> - The chairman of the board, and the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) or in their absence, another member of the committee or their duly appointed delegates, should attend and answer questions at the annual general meeting.</li> <li>• <b>General meeting approving transactions</b> - The chairman of the independent board committee (if any) should be available at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.</li> <li>• <b>Attendance by non-executive directors</b> - Non-executive directors (including independent non-executive directors) should attend general meetings and develop a balanced understanding of the views of shareholders.</li> </ul> <p>b) <u>Auditors' attendance at general meetings</u>: The external auditor of an issuer should attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.</p> <p>c) <u>Advisers' attendance at general meetings</u>: Any advisers providing opinion on issues material to a resolution should also attend the general meeting to answer possible queries.</p>	<p>C.1.6, F.1, F.2.2 of CG Code</p>
<p>6.2 <u>Corporate representatives</u>: Every corporate shareholder shall be entitled to appoint representatives to attend and vote at the general meeting.</p>	<p>Paragraph 18 of MLR Appendix 3 / GLR Appendix 3</p>

<p>6.3 <u>Virtual/ hybrid general meeting</u>: Issuers should make necessary arrangements so that those shareholders attending virtually could listen, speak and submit real-time questions during the meeting. Virtual or hybrid meetings should preferably be accessible in both video and audio formats.</p> <p>In addition, issuers should consider and mitigate any potential technical issues (such as internet connectivity) and make necessary contingency plan to mitigate the risk of disruption to meeting. Issuers should also provide technical support to shareholders prior to or during the meeting<sup>8</sup>.</p>	
<p>6.4 <u>Adjournment of the meeting</u>: A general meeting should not be cancelled or postponed without a proper reason. Where a general meeting is required to be adjourned by resolution (see paragraph 4.3 above), all shareholders are permitted to vote on that resolution. Any shareholders who would have been required to abstain from voting on any resolution may vote in favour of the resolution to adjourn the meeting. The adjourned meeting can only deal with business left unfinished at the original meeting.</p> <p>If a general meeting is adjourned, the issuer must inform its shareholders and the market by publishing an announcement immediately.</p>	MLR 13.41 / GLR 17.47B
<p>6.5 <u>Scrutineer</u>: Issuers must appoint its auditors, share registrar or external accountants who are qualified to serve as its auditor as scrutineer for the vote-taking at the general meeting. The identity of the scrutineer must be disclosed in the poll results announcement.</p>	MLR 13.39(5) / GLR 17.47(5)
<p>6.6 <u>Minutes of the meeting</u>: Issuers should properly record key points and queries raised by shareholders (or their proxies) as well as responses from the board and management. Issuers should make such records available to shareholders.</p>	

<p><b>7. Voting</b></p>		
<p>7.1 <u>Right to speak and vote</u>: Shareholders must have the right to (a) speak at the general meeting; and (b) vote at the general meeting except where a shareholder is required, by Listing Rules, to abstain from voting to approve the matter under consideration.</p>	Paragraph 14(3) of MLR Appendix 3 / GLR Appendix 3	

<sup>8</sup> For example, issuers may consider providing a way for shareholders to check their devices for connecting to the technology (e.g. internet speed and performance) in advance of the meeting, so as to minimize the likelihood of connection issues.



<p>7.2 <u>Vote by poll:</u> Any vote of shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Issuers should provide a detailed explanation on the procedures for conducting a poll and answer any questions that the shareholders or their proxies may have.</p>	<p>MLR 13.39(4) / GLR 17.47(4) / F.2.3 of CG Code</p>
<p>7.3 <u>Abstaining from voting:</u> The Listing Rules provides that under certain circumstances, a shareholder must abstain from voting on or in favour of a resolution:</p> <p>a) <u>Abstaining from voting when there is material interest:</u> Any shareholder or his close associate (or, in the case of a connected transaction, his associate) who has a material interest in the transaction or arrangement must abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting.</p> <p>b) <u>Abstaining from voting in favour for certain transactions:</u> Certain parties are restricted from voting in favour of a resolution for specific transactions (see MLR 13.40 / GLR 17.47A) at general meeting. Such parties may vote against the resolution at the general meeting provided that their intention to do so has been stated in the relevant listing document or circular. They may subsequently change their mind as to whether to abstain or vote against the resolution, in which case the issuer must, if it becomes aware of the change before the date of the general meeting, immediately publish a supplemental circular or an announcement notifying shareholders of the change and, if known, the reason for the change.</p> <p>Issuers must have appropriate procedures to keep track of whether any shareholders who are required to abstain from voting or have otherwise stated their intention to vote against a resolution have so abstained or voted at the general meeting.</p>	<p>MLR 2.15, 14.33 / GLR 2.26, 19.33</p> <p>MLR 13.40 / GLR 17.47A</p> <p>MLR 13.42 / GLR 17.47C</p>
<p>7.4 <u>No counting of votes cast in contravention of Listing Rules:</u> Where any shareholders is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to vote only for or only against any particular resolution, any votes cast in contravention of such restrictions shall not be counted.</p>	<p>Paragraph 14(4) of MLR Appendix 3 / GLR Appendix 3</p>
<p>7.5 <u>Voting at virtual/ hybrid general meeting:</u> Issuers should make necessary arrangements to enable those shareholders attending virtually could cast their votes by electronic means in real-time. Issuers should implement necessary safeguards to validate votes submitted by their shareholders electronically, and ensure all votes cast via electronic voting system are accurately counted. Issuers should also provide voting record for audit and verification of accuracy.</p>	
<p>7.6 <u>Voting method for director election:</u> If the number of candidates exceeds the number of available positions on the board, the issuer should provide clear guidance on the voting method in determining support for a candidate (e.g. a separate resolution for the appointment of each</p>	

<p>candidate, with the candidate receiving the most positive net votes filling the vacancy). Issuers should consult share registrars if the voting method for director election is different to market norm.</p>	
<p>7.7 <u>Cumulative voting arrangements</u>: Issuers may adopt cumulative voting mechanism for election of directors and (for PRC issuers) supervisors at general meetings, if permitted under the laws of their places of incorporation and their constitutional documents. If cumulative voting mechanism is adopted, the issuers should clearly disclose this fact in their relevant notice of general meeting, proxy form and poll results announcement such that their shareholders would be properly informed in this regard.</p>	

<p><b>8. Proxy voting</b></p>		
<p>8.1 <u>Proxy voting</u>: Every shareholder shall be entitled to appoint a proxy who needs not necessarily be a shareholder of the issuer. Issuers should encourage shareholders to appoint proxies to represent them in general meetings if they are unable to attend in person. A proxy form offering two-way voting on all resolutions must be sent to all registered shareholders together with the notice of general meeting, and be published on the Exchange's website.</p>	<p>MLR 13.38 / GLR 17.45 / Paragraph 18 of MLR Appendix 3/ GLR Appendix 3</p>	
<p>8.2 <u>Key contents in proxy form</u>: The proxy form should make a clear reference to a shareholder's right to appoint a proxy of his own choice to attend, speak and vote on any particular matter at the meeting and provide a space for the name of the proxy. In addition, the proxy form should:</p> <ul style="list-style-type: none"> <li>a) state the date, time and place of the general meeting.</li> <li>b) state the latest time (Hong Kong time) and place for lodging proxy forms.</li> <li>c) state whether or not the proxy must be a member of the company.</li> <li>d) clearly explain to shareholders that if a proxy form is returned without an indication on how to vote, the proxy will exercise his discretion on whether or not he votes and if so how.</li> <li>e) where shareholders are given the option to "withhold" or "abstain" from voting, indicate clearly whether or not the shares withheld or abstained will be counted in the calculation of the required majority.</li> <li>f) whether the proxy would have full discretion on how to vote or whether to abstain on any resolution (e.g. a procedural motion) properly put to the meeting as well as those already set out in the notice of the general meeting.</li> </ul>		
<p>8.3 <u>Design of Proxy Form</u>: A well-designed proxy form will ensure that the views of absentee shareholders will be accurately reflected in proxy voting. A template proxy form is available in Appendix for issuers' reference. Special attention should be paid to the following issues:</p> <ul style="list-style-type: none"> <li>a) <i>Designated form</i>: Issuers should provide one proxy form for each of the general meetings they organise, even though the meetings will</li> </ul>		

<p>be held at the same venue on the same day one immediately after the other.</p> <ul style="list-style-type: none"> <li>b) <i>Font size</i>: Font size for all texts and relevant notes should be large enough for most members of the general public to read easily.</li> <li>c) <i>Number of shares that will be voted by the proxy</i>: A proxy form should allow a shareholder to clearly indicate the number of shares the proxy may vote if the number is less than the shareholder’s total holding.</li> <li>d) <i>Size of the selection boxes</i>: Selection boxes should be large enough for shareholders to insert the number of shares to be voted.</li> <li>e) <i>Symbol</i>: The norm is to require shareholder to put a simple tick “✓” under the column “For”, “Against” or “Abstain” to indicate their votes. Asking shareholders to use odd symbols such as “-” or “(” will only increase the risk of invalid votes.</li> <li>f) <i>Ordinary vs special resolution</i>: The proxy form should indicate whether a resolution is ordinary or special.</li> <li>g) <i>Consistency</i>: The contents and format of the Chinese and English version of the proxy form must be the same. In particular, the sequences and numbering of resolutions should be identical in the Chinese and English versions as well as in the proxy form and the notice of general meeting.</li> <li>h) <i>Description of resolution</i>: For clarity, the proxy form should not merely indicate “First resolution” or “Resolution 1”. Instead, it should provide a brief description for each resolution (e.g. To consider and approve the final dividend proposed for the financial year ended 31 December 2022).</li> </ul>	
<p>8.4 <u>Multiple proxies</u>: Shareholders (in particular those holding as nominees for clients) should be allowed to appoint multiple proxies. If a proxy is to be counted towards the quorum, issuers should consider how this would apply in the case of multiple proxies appointed by the same shareholder. Issuers should also consider how they would handle multiple proxies if a shareholder appoints multiple proxies and one or more of the proxy forms fail to state the number of shares represented by that proxy; or if the number of shares stated on the proxy forms in total add up to more than the total number of shares held by that shareholder.</p>	
<p>8.5 <u>Status of proxy when shareholder attends the meeting</u>: The appointment of a proxy will be revoked if the shareholder attends and votes at the general meeting.</p>	
<p>8.6 <u>Replacement of proxy form</u>: If there is anything (such as typo, error, change or addition/reduction of resolutions) in a proxy form which may confuse shareholders or hinder their exercise of voting rights, the issuer should make a correction statement and distribute a new proxy form in replacement. The issuer should also explain to shareholders the validity of old and new proxy forms and how any old proxy form already received by the agent will be handled. It must also ensure that there will be sufficient time for the new proxy form to be distributed, completed and returned to the agent before the deadline.</p>	

<p><b>9. Voting results</b></p>	
<p>9.1 <u>Poll results</u>: Issuers must announce the meeting’s poll results as soon as possible, but in any event at least 30 minutes before the earlier of either the commencement of the Exchange’s morning trading session or any pre-opening session on the business day after the general meeting.</p> <p>The poll results announcement must include:</p> <ul style="list-style-type: none"> <li>a) the number of shares entitling the holders to attend and vote on a resolution at the meeting;</li> <li>b) the number of shares entitling the holders to attend and abstain from voting in favour as set out in MLR 13.40 / GLR 17.47A;</li> <li>c) the number of shares of holders that are required under the Listing Rules to abstain from voting;</li> <li>d) the number of shares actually voted for a resolution;</li> <li>e) the number of shares actually voted against a resolution;</li> <li>f) the number of shares actually voted but excluded from calculating the poll results</li> <li>g) whether or not any parties that have stated their intention in the circular to vote against the relevant resolution or to abstain have done so at the general meeting; and</li> <li>h) directors’ attendance at the general meeting.</li> </ul>	<p>MLR 13.39(5) and (5A) / GLR 17.47(5) and (5A)</p>
<p>9.2 <u>Voting results and trading impacts</u>: The voting results may be price sensitive and may affect the orderly trading of the issuers’ securities. In this circumstance, issuers should pay special attention to the timing (see paragraph 9.1 above) and arrangement of the release of voting results so that there will not be uneven distribution of information in the market.</p>	

**APPENDIX: Template Proxy Form**

**[Company Name and Logo]**  
**(Stock Code: [stock code])**  
**PROXY FORM FOR ANNUAL GENERAL MEETING**

Number of shares to which this proxy form relates <sup>1</sup>	
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I/We, <sup>2</sup> \_\_\_\_\_  
of \_\_\_\_\_,  
being registered shareholder(s) in the share capital of [Company name], hereby appoint <sup>3</sup> \_\_\_\_\_  
of \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote on my/our behalf at the annual general meeting of the Company to be held at [venue of the meeting] on [time and date of the meeting] and at any adjournment of the meeting. I/We direct that my/our vote(s) be cast on the specified resolutions as indicated by an “✓” in the appropriate boxes. In absence of any indication, the proxy may vote for or against the resolution at his/her own discretion.

Ordinary resolutions		For <sup>4</sup>	Against <sup>4</sup>
1. To receive the reports and accounts for the year ended [a date]	1.		
2. To consider and approve the final dividend for the year ended [a date]	2.		
3. Election of directors			
a) To elect [name of 1 <sup>st</sup> candidate] as a director	3a.		
b) To elect [name of 2 <sup>nd</sup> candidate] as a director	3b.		
4. To authorise the board of directors to fix their remuneration	4.		
5. To consider and approve the re-appointment of external auditor	5.		
6. To consider and approve the Share Transfer Agreement and any one director to do such acts in relation thereof	6.		
Special resolutions		For <sup>4</sup>	Against <sup>4</sup>
7. To consider and approve the amendments to the Articles	7.		

Dated: \_\_\_\_\_

Signature<sup>5</sup>: \_\_\_\_\_

Notes:

<sup>1</sup> If no number is inserted, this form of proxy will be deemed to be related to all the shares of the company registered in your names.

<sup>2</sup> Please insert full name(s) and address(es) in **BLOCK CAPITALS** as shown in the register of members of the Company.

<sup>3</sup> Please insert the name and address of the proxy. If no name is inserted, the Chairman of the Meeting will act as your proxy. A shareholder may appoint one or more proxies to attend the meeting and vote for him. The proxy need not be a member of the Company but must attend the meeting in person to represent you. Any alteration made to this proxy form must be initialled by the person who signs it.

<sup>4</sup> **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK (✓) IN THE RELEVANT BOX BELOW THE BOX MARKED “FOR”. IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK (✓) IN THE RELEVANT BOX BELOW THE BOX MARKED “AGAINST”.** If you do not indicate how you wish your proxy to vote, your proxy will be entitled to exercise his/her discretion or to abstain. Your proxy will also be entitled to vote at his/her discretion or to abstain on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.

<sup>5</sup> This form must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of its legal representative, director(s) or duly authorised attorney(s) to it.

<sup>6</sup> To be valid, this completed and signed proxy form and the relevant notarised power of attorney (if any) and other relevant document of authorisation (if any), must be lodged with [name and address of the recipient] by not less than [number of hours] before the time appointed for the holding of the meeting or any adjournment of it (as the case may be).