

The Hong Kong Institute of Chartered Secretaries  
Submission on Consultation Paper on Ex-entitlement Trading and Shareholder Approval

	Consultation Questions	Yes	No	Reasons to support our views
1.	<p>Do you agree shares should be traded ex-entitlement (for conditional entitlements) only after shareholder approval?</p> <p>Please provide reasons to support your view.</p>		✓	<p>Most of our members continue to subscribe to the arguments set out in paragraphs 17 to 21 of the consultation paper. Indeed, based on the statistics provided in paragraphs 11 to 14 of the consultation paper, there does not appear to be an urgent need to require shares to be traded ex-entitlement only after shareholder approval.</p> <p>To further support their position that we should maintain the status quo, one of our members drew our attention to the case of distribution in specie of existing shares in a spin-off company made pursuant to paragraph 3(f) of Practice Note 15 of the Listing Rules and conditional upon the listing of the spin-off company. In order to enable the existing shareholders to receive their assured entitlements of shares distributed in specie and to deal in those shares on the date of listing of the spin-off company, the book closure period for such distribution and therefore ex-entitlement trading of the parent company shares have to be prior to the date of listing and therefore before such distribution becoming unconditional.</p> <p>While we respect the argument that Hong Kong's market should, to the extent possible, align with practices in other overseas markets, in the absence of any proposals to address the concerns about prolonging the distribution process</p>

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				(paragraph 19 of the consultation paper), we have reservations in supporting the proposal this time.
2.	<p>If the shares are required to be traded ex-entitlement after shareholder approval, do you agree the record date should be set at least 3 business days after the date of shareholder approval (i.e. at least one cum-trading day be provided)?</p> <p>If your answer is "No", please suggest the minimum period between the record date and the date of shareholder approval. Please provide reasons to support your view.</p>	✓		Presumably, the idea of a cum-trading day is to provide a chance for shares (with the entitlement) to be traded in the market. In the unlikely scenario that HKEx decide to implement the proposal, i.e., shares are required to be trade ex-entitlement only after shareholder approval, we agree that at least one cum-trading day be provided.
3.	<p>If the issuer fails to publish its voting results via HKExnews website by 11 pm on the date of the general meeting, do you agree the last cum-trading day should be extended to at least the second business day after the general meeting?</p> <p>Please provide reasons to support your view.</p>	✓		Same rationale as our response to Q.2: to provide a chance for the trading of the shares (with the entitlement).
4.	<p>Should any requirement to trade shares ex-entitlement only after shareholder approval has been given be applied to all conditional entitlements or only to some of them?</p> <p>If your answer is "No", please specify the types of entitlements that should be traded ex-entitlement after shareholder approval. Please</p>			Trying to decide which corporate action is subject to a higher risk of shareholder disapproval is arbitrary and difficult. We do not support such a 'half-way house' approach which could further confuse investors and market practitioners.

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	provide reasons to support your view.			
5.	Do you have any other comments in relation to the ex-entitlement arrangements?  If your answer is "Yes", please state and provide reasons to support your view.		✓	