

AMENDMENTS TO MAINBOARD RULES

Legend: Insertions are underlined.

Practice Note 7.7 Announcement of dividends and other corporate actions

Cross-referenced from Rule 107 and Rule 704(25)

1. Introduction

1.1 Rule 704(25) states that after the end of the first three quarters of its financial year, half year or financial year, as the case may be, an issuer must not make specific corporate action announcements (i.e., dividend, bonus issue or rights issue, record date, capital return or passing of a dividend), unless it is accompanied by the financial statements for the quarter, half year or financial year (as set out in Appendix 7.2), as the case may be, or the financial statements (as set out in Appendix 7.2) have been announced.

1.2 Rule 107 states that the Exchange may waive or modify compliance with a listing rule. This Practice Note sets out guidance on the restricted periods in which an issuer may not make specific corporate action announcements (the “Restricted Periods”). Additionally, this Practice Note sets out guidance on a waiver in respect of announcement of dividend or passing of dividend, subject to certain conditions.

2. Restricted Period on announcements of bonus issue or rights issue, record date or capital return

2.1 In relation to announcements of bonus issue or rights issue, record date or capital return, the Restricted Periods set out in Rule 704(25) shall commence from such time after the end of the relevant financial period in which an issuer is announcing its financial statements in accordance with Rule 705, until such time when such financial statements have been announced.

2.2 For an issuer that announces its financial statements for its half year in accordance with Rule 705(3)(b)(ii) and its full financial year in accordance with Rule 705(1), the Restricted Periods for announcements of bonus issue or rights issue, record date or capital return shall commence from after the end of the issuer’s half year and full financial year until the financial statements for these financial periods have been announced.

2.3 On the other hand, for an issuer that announces its financial statements for each of the first three quarters of its financial year in accordance with Rule 705(2) or Rule 705(3)(b)(i) and its full financial year in accordance with Rule 705(1), the Restricted Periods for such announcements shall commence from after the end of the first three quarters of the financial year and the full financial year, as the case may be, until the financial statements for these financial periods have been announced.

2.4 Other than for the Restricted Periods set out in paragraphs 2.1 to 2.3, Rule 704(25) does not prohibit issuers from making announcements of bonus issue or rights issue, record date or capital return at all other periods.

3. Announcements of dividend or passing of dividend

3.1 The announcement of dividend or passing of dividend without it being accompanied by the release of the results may send signals on a company's financial performance for the relevant period.

3.2 Thus, the Restricted Periods for announcements of dividend or passing of dividend shall commence from after the end of the first three quarters of the financial year and the full financial year, until the financial statements for the first three quarters, half year or full financial year have been announced in accordance with Appendix 7.2. This approach applies regardless of whether the issuer performs financial reporting on a quarterly basis or a half-yearly basis.

3.3 Therefore, an issuer must not announce dividend or passing of dividend in relation to the first or third quarters of the financial year, unless the issuer has announced its quarterly financial statements in accordance with Appendix 7.2 (whether required by the Exchange or otherwise) for the first or third quarters of the financial year.

3.4 However, dividend announcements are permissible without being accompanied by the results for the relevant period if the issuer is able to fulfill the following conditions: —

(i) the issuer must have a committed dividend policy to announce dividends on a quarterly basis and such policy must have been communicated to shareholders;

(ii) the issuer must confirm, for each dividend announced for the first or third quarter of the financial year, that after making payment of the dividend, the issuer has sufficient financial resources to fulfil its liabilities as and when they fall due; and

(iii) in the case of an issuer that is a corporation, the issuer must confirm, for each dividend announced for the first or third quarter of the financial year, that the corporation complies with or will comply with section 403 of the Companies Act or similar statutory requirements in its place of incorporation.

3.5 Notwithstanding this exemption, all issuers are reminded of their obligation to make immediate disclosures of material information under Rule 703, which will include a material development that will cause dividends to significantly deviate from expectations based on previous announcements, or if no dividend is paid. The exemption set out in paragraph 3.4 will cease to apply once an issuer is unable to fulfill its commitment to the dividend policy.

3.6 Other than for the Restricted Periods set out in paragraph 3.2, Rule 704(25) does not prohibit issuers from making announcements of dividend or passing of dividend at all other periods.

4. Announcements of record date for previously announced bonus issues or rights issues, capital return or dividend

4.1 Rule 704(25) does not prohibit the announcement of a record date during the Restricted Period if such record date is relating to a dividend, capital return, bonus issue or rights issue which has been previously announced outside the Restricted Periods for such announcements as set out in this Practice Note.