

Frequently asked questions relating to nature of dividend

Release Date	Main Board Rules	GEM Rules	Series No.	FAQ No.	Query	Response
17/4/2020	Rule 13.45(1)	Rule 17.49(1)	NA	071-2020	Should an issuer specify in its announcement relating to dividend payment whether such dividend is ordinary or special in nature? How should an issuer determine whether the declaration is ordinary dividend or special dividend?	<p>An issuer is required to announce any decision to declare, recommend or pay any dividend after approval by the board of directors. It would be desirable for an issuer to specify in the announcement whether the dividend is intended to be ordinary or special in nature because:</p> <ul style="list-style-type: none"> ▪ the nature of dividend is relevant for shareholders to understand whether the dividend is a regular payment in accordance with the issuer's dividend policy or it is a non-recurrent distribution in response to a special event; and ▪ classification of dividend as ordinary versus special will have a direct impact on pricing of derivative products as the terms of derivative products would require adjustments where the dividend is special in nature. A clear message on the dividend nature will help avoid market confusion in the derivative markets where derivative products (e.g. structured products, futures and/or options, etc.) are issued with the issuer's shares as underlying stock. <p>It is the issuer's sole discretion to determine whether a dividend is ordinary or special in nature, subject to any provisions, if any, set out in its</p>

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						<p>memorandum and articles of association or the laws or regulations of the place in which it is incorporated. An issuer should also seek its own legal advice on the matter where appropriate.</p> <p>In general, special dividend is a non-recurring distribution of corporate earnings and is often tied to specific events. In past cases, we note that some issuers paid special dividends to:</p> <ul style="list-style-type: none"> ▪ return surplus cash to shareholders; ▪ distribute proceeds from disposal of assets or divestment of business; or ▪ reduce capital. <p>The above list is not exhaustive. An issuer may decide to declare special dividends based on its own circumstances.</p>