

# SFC Amends the Hong Kong Codes on Takeovers and Share Buy-backs

## Introduction

On 29 September 2023, the amendments to the Codes on Takeovers and Mergers and Share Buy-backs (the **Codes**) took effect. This follows the consultation made by the Hong Kong Securities and Futures Commission (SFC) on proposed changes to the Codes, all of whose proposals in the initial [consultation paper](#) have been adopted (with minor modifications). For the consultation conclusions, see this [link](#).

This is the first time since 2018 that the Executive Director of the SFC (the **Executive**) has conducted a comprehensive update of the Codes. The changes are intended to streamline and bring greater certainty to the application of the Codes. For on-going announced deals anticipating any difficulties with the amendments, parties should consult the Executive.

A high-level overview of the key amendments is set out in the list below. For a more detailed analysis of the key amendments, please refer to the table below.

## Overview of key amendments

The key amendments to the Codes include:

### 1. Concepts

- A. **“Close relatives”** as concert parties - expanding the definition of “close relatives” to include (i) grandparents; (ii) grandchildren; (iii) parents-in-law; (iv) brothers and sisters-in-law; (v) siblings’ spouses; and (vi) nieces and nephews - **this will extend concert party implications such as share dealings.**
- B. **“Voting rights”** - clarifying voting rights that are subject to exercise restrictions imposed on a holder and not affecting the rights attaching to the shares will still be regarded as voting rights exercisable at a general meeting - **this may impact on the fulfilment of thresholds relating to voting rights.**
- C. **“On-market share buy-back”** - clarifying that, to qualify as an on-market share buy-back, the company and its directors must not have any direct or indirect involvement in the solicitation, selection or identification of the seller of the shares - **otherwise this may be considered an off-market share buy-back with higher approval thresholds.**

- 2. **Irrevocable undertakings (IUs)** - relaxing the requirement for obtaining IUs from shareholders. SFC consent for obtaining IUs will only be required where a shareholder (and its concert parties) controls less than 5% of voting rights (subject to the “rule of six” stated by the SFC to be continuing to be applicable to all shareholders contacted for IUs) - **this will give greater flexibility in deal structuring and pre-announcement commercial negotiations, although the need for maintaining confidentiality remains an important consideration legally and commercially.**
- 3. **Possible offer announcements - disclosure of offer price** - codifying that such price and other terms in a possible offer (R3.7) announcement (the making of which continues not to be encouraged by the SFC) will form the floor price and terms for any subsequent offer that materialises - **a possible offer announcement with price will therefore restrict the flexibility of finalising the offer price at 3.5 announcement.**

### 4. Privatisations

- A. **Voting at shareholders’ meetings to approve a scheme, capital reorganisation or delisting proposal** - clarifying an offeror and its concert parties are allowed to attend and vote at such meetings provided their votes are not counted for the purpose of the Codes - **this provides greater technical flexibility in structuring shareholders’ voting in schemes of arrangement.**

- B. **Purchases / acceptances during an offer involving compulsory acquisition** - extending the starting time of the period during which an offeror can acquire disinterested shares (whether through market purchases or acceptances) that count towards the 90% compulsory acquisition threshold for the purpose of the Codes to the date of the Rule 3.5 announcement (but note that company law may require otherwise) - **this provides greater flexibility to offerors in meeting the 90% threshold.**

## 5. Offers

- A. **Deduction of dividends from offer price** - codifying that deduction of dividends from an offer price is not permitted unless such right has been specifically reserved in the announcement. However, a new change in the consultation conclusions is that where a no increase statement is made in respect of the offer consideration, any subsequent target dividend the target shareholders' entitlement to which has not been specified by the offeror, the amount of the dividend must be deducted from the offer price. **This is a change to previous practice where the offeror has discretion whether to invoke its reserved position to reduce the offer consideration in such a situation.**
- B. **Mandatory general offer (MGO) under chain principle** - codifying the SFC's existing approach towards the "substantiality test" (which may result in a chain principle MGO not having to be made) by including a market capitalisation test (where the relevant companies are both listed) and requiring a three-year look back if the most recent financial period produces anomalous results - **this expands the scope for the calculations under the "substantiality test" to deal with different situations.**
- C. **Ending an offer period** - (i) codifying the Executive's right to end an offer period and to issue a "put up or shut up" (PUSU) order against a potential offeror (1) upon an offeree's request; or (2) in exceptional circumstances, on its own initiative; and (ii) codifying its existing practice that any consent to extend Day 60 (the last day on which an offer must be declared unconditional as to acceptances) would not exceed four months after the despatch of the initial offer document - **this increases offer period certainty.**
- D. **Return of share certificates** - effectively shortening the timing for returning share certificates on an unsuccessful offer or when a shareholder exercises its right to withdraw a previously tendered acceptance to no more than seven business days - **the return of share certificates will need to be built into the payment and settlement logistics to ensure meeting of the deadline.**
- E. **Tick-box approvals for partial offers** - clarifying that, after meeting the acceptance condition, the partial offer must close on the 14th day thereafter (subject to a minimum offer period of 21 days). The offeror must therefore satisfy all other conditions (including the tick-box approval) within the above period.
- F. **Frustrating actions** - clarifying prior contractual obligations that do not involve special circumstances would not constitute frustrating action or require consultation with the SFC; and where offeror's consent to the action has been obtained, no waiver from the SFC is required, but the consent has to be disclosed in an announcement or lodged with the SFC - **these changes reduce the administrative burden for dealing with frustrating actions during an offer period.**
6. **Whitewash transactions** - clarifying that a transaction conditional on a whitewash waiver being granted that is not waivable (or is waivable but not waived) will trigger the moratorium for a subsequent offer under Rule 31.1 - **careful consideration has to be given to whether a whitewash approval condition is waivable in a subscription.**
7. **Resignation of offeree directors** - clarifying the timing for resignation of offeree directors by requiring that it should not "take effect" until after the closing announcement on first closing date or announcement on unconditionality, whichever later, or announcement on results of shareholders' meeting to approve a whitewash waiver - **this provides more flexibility for the resignation arrangements as the resignations may be first announced but to take effect later.**
8. **Disclosure of dealings** - offeror's shareholders holding 5% or more (class (6) associates) are no longer required to disclose their dealings in relevant securities of the target in a cash offer - **this reduces the disclosure obligations in an offer.**
9. **Green Initiative** - giving issuers of documents greater flexibility to disseminate Code documents via electronic means or to send documents in just English or Chinese if language preferences have been ascertained - **this environmentally friendly move also reduces printing time and cost.**

## Detailed Analysis of Key Amendments

Topic / Rule	Amendment	Our observations
<b>Concepts</b>		
<p>1. “Close relatives” as concert parties</p>	<p>The current definition of “close relatives” captures only parents, siblings, spouse and children.</p> <p>In practice, the SFC considered a wider group of family members to be caught and has codified its existing approach by adding the following six categories to the definition of “close relatives”:</p> <ul style="list-style-type: none"> <li>i. grandparents</li> <li>ii. grandchildren</li> <li>iii. parents-in-law</li> <li>iv. brothers and sisters-in-law</li> <li>v. siblings’ spouses</li> <li>vi. nieces and nephews.</li> </ul>	<p>This will have a knock-on impact on the persons presumed as “concert parties” and “associates”.</p> <p>The practical implication is that to avoid impact on the deal, the offeror and offeree should send stop notices to the expanded group and remind them to comply with relevant dealing restrictions and disclosures under the Codes.</p> <p>The SFC will continue to consider applications to rebut concert party presumptions, but the bar for rebuttal remains high, with the SFC indicating some corroborative evidence would be needed (e.g., litigation between family members evidencing a breakdown of relationships).</p> <p>Note “close relatives” does not have the same scope as the “associates” of connected persons who are individuals under the Hong Kong Listing Rules covering defined categories of “immediate family members”, “family members” and “deemed connected persons”.</p>
<p>2. “Voting rights”</p>	<p>The current definition of “voting rights” refers to voting rights currently exercisable at a general meeting.</p> <p>The definition will be revised to:</p> <ul style="list-style-type: none"> <li>i. remove the reference to “currently”; and</li> <li>ii. clarify that voting rights subject to any restrictions to their exercise (by agreement, operation of law and regulations, or pursuant to a court order) will still be regarded as voting rights, except those attached to treasury shares.</li> </ul>	<p>The rationale is restrictions imposed on a holder and not affecting the rights attaching to the shares do not fundamentally alter the rights attached to the shares and may be revoked by third parties, thus such restrictions on the voting rights should be disregarded. This may impact on the fulfilment of thresholds related to voting rights.</p> <p>The shares that are subject to such voting restrictions will still count towards acceptance conditions, the trigger thresholds for mandatory general offers, the tick-box approval threshold for partial offers and whether a shareholder has a “material interest” for the gathering of IUs (see section 4 below).</p> <p>Certain shareholder approval thresholds under the Codes are calculated by reference to votes cast in person or proxy at the meeting rather than “voting rights”. Where this is the case, shares subject to voting restrictions are likely to be excluded from both the denominator and the numerator as shareholders subject to these restrictions are unlikely to be voting at the meeting.</p>

Topic / Rule	Amendment	Our observations
		Care needs to be taken to assess the wording of each approval threshold.
3. “On-market share buy-back”	<p>The definition will be revised to clarify:</p> <ul style="list-style-type: none"> <li>i. on-market share buy-backs are limited to those made pursuant to Hong Kong Stock Exchange’s automatic order matching system;</li> <li>ii. the company and its directors must not have any direct or indirect involvement in the solicitation, selection or identification of the seller of the shares; and</li> <li>iii. the appointment of a broker to effect the buy-back will not in itself be treated as having such involvement.</li> </ul>	<p>As on-market buy-backs are subject to fewer restrictions, the amendment is intended to prevent companies, particularly those with limited liquidity, to achieve what is in substance a “pre-arranged” off-market repurchase despite the use of an automatic order matching system.</p> <p>It is a helpful clarification that the appointment of a broker to effect the buy-back would not, in itself, be considered involvement in the solicitation of the seller.</p>
<b>Irrevocable undertakings</b>		
4. Obtaining of IUs prior to offer announcement  Note 4 to Rules 3.1, 3.2 and 3.3	<p>The current position is that an offeror would be required to consult the Executive prior to approaching a shareholder for an IU if the shareholder controls less than 30% of the offeree.</p> <p>This will be relaxed such that Executive consultation is only required if the shareholder holds less than a “material interest” in the offeree. Material interest is defined as where the shareholder and his concert parties “control(s) directly or indirectly 5% or more of the voting rights of an offeree company”.</p> <p>The revised <a href="#">Practice Note 12</a> confirms the “rule of 6” will capture all shareholders approached prior to 3.5 announcement, irrespective of their shareholdings (a policy stated by the SFC to remain unchanged). Where a material interest in an offeree is held by a SPV, the SPV and its ultimate beneficial shareholders will count as one shareholder. In respect of concert party holdings in an offeree, each member of the concert group will be treated as one shareholder unless the interest of the group is held collectively through a SPV.</p>	<p>This is a significant relaxation as SFC consultation will not be required if approaching those holding 5% or more. This will give greater flexibility in deal structuring and pre-announcement commercial negotiations. However, the requirements to take steps to prevent leakage (e.g., obtaining confidentiality undertaking) remains important legally and commercially, and the requirement only to disclose information that would eventually be included in the Rule 3.5 announcement will remain.</p> <p>Approaching those holding under 5% will still require SFC consultation.</p> <p>The SFC’s approach towards the counting of concert party holdings in an offeree (for the purpose of “rule of 6”) may influence deal structuring.</p>
<b>Disclosure of offer price in Rule 3.7 announcement</b>		
5. Statements made in “talks” announcement under Rule 3.7  New Note 3 and Note 4 to Rule 3.7	<p>Codify the SFC’s existing practice that:</p> <ul style="list-style-type: none"> <li>i. an offeror is bound by any terms of offer made before a “firm intention” Rule 3.5 announcement unless (1) the right not to be bound in certain circumstances was reserved at the time and such circumstances have arisen or (2) in wholly exceptional circumstances; and</li> </ul>	<p>This reflects the SFC’s existing practice to prevent “talks” announcements from being used to condition or test the market, as well as to minimise the possibility of the trading price of offeree shares being affected by the announcement of incomplete negotiations, which may or may not materialise into an offer.</p>

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	<p>ii. the disclosure of an indicative offer price is not normally permitted prior to a Rule 3.5 announcement unless exceptional circumstances apply. If a statement on price is made, it will form the floor price.</p>	<p>The ability for an offeror to reserve its right not to be bound by terms made in a talks announcement in certain circumstances does not apply to an indicative offer price. An offeror is bound by any announced indicative offer price in all circumstances.</p> <p>Examples of exceptional circumstances where an indicative offer price may be announced include the need to correct an incorrect market rumour or statement in the media creating a false market, or where an offeror or offeree is required by overseas regulatory requirements to disclose an offer price prior to the Rule 3.5 announcement.</p> <p>A possible offer announcement with price will therefore restrict the flexibility of finalising the offer price at 3.5 announcement.</p>
<b>Privatisations</b>		
<p>6. Voting at shareholders' meetings to consider scheme, capital reorganisation or delisting proposal</p> <p>Rules 2.2 and 2.10, new Note 8 to Rule 2</p>	<p>The current wording requires a duly convened meeting of "holders of the disinterested shares" to consider a scheme, capital reorganisation or delisting proposal.</p> <p>This will be amended to be a duly convened meeting of "shareholders" (duly convened in accordance with the offeree's constitutional documents and laws of incorporation).</p>	<p>The change provides greater technical flexibility in structuring shareholders' voting in schemes of arrangement. It addresses the uncertainties caused by the Hong Kong case of <i>Re Chong Hing Bank</i>, in which the Court took the view an offeror and its concert parties cannot vote at the scheme meeting (even if those votes were not counted) as they are not holders of disinterested shares.</p> <p>The SFC clarified that the Codes do not override company legislation. Concert parties' right to vote may be enshrined in the laws of the offeree's place of incorporation and cannot be deprived by the Codes. The correct interpretation is that the Codes do not prohibit concert parties from voting at scheme meetings, only that their votes should be disregarded for the purpose of the Codes.</p> <p>In practice, the amendment should mean the offeror and its concert parties can either vote or voluntarily abstain from voting in compliance with company legislation and constitutional documents. Rules 2.2 and 2.10 would operate to ensure that, when calculating the requisite thresholds, any votes cast by such parties would not be included for the purposes of the Codes.</p>
<p>7. Purchases / acceptances during an offer involving compulsory acquisition</p> <p>Rule 2.11</p>	<p>The current position is that where an offeror seeks to acquire or privatise a company by exercising compulsory acquisition rights, it has to acquire 90% of the disinterested shares (whether through acceptances or market purchases) during a 4-month period starting from the date of the offer document.</p>	<p>This provides greater flexibility to offeror in meeting the 90% threshold. However, although the amendments extend the period during which purchases / acceptances can count towards the compulsory acquisition threshold for the purpose of the Codes, the company law of the place of incorporation of the offeree will also need to be considered.</p>

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	<p>In practice, the SFC has allowed the period to start earlier - from the date of the Rule 3.5 announcement. This will be codified into Rule 2.11 such that purchases and acceptances from the Rule 3.5 announcement to 4 months after the date of the initial offer document can count towards the threshold. However, as clarified in <a href="#">Takeovers Bulletin 66</a>, in an MGO triggered by a share acquisition, shares acquired by an offeror under an SPA would not be treated as disinterested shares that count towards the threshold.</p>	<p>For example, Hong Kong incorporated offerees will not be able to fully make use of the longer time period as the Companies Ordinance does not count purchases / acceptances towards the compulsory acquisition threshold until the offer has been made.</p>
<b>Offers</b>		
<p>8. Deduction of dividends from offer price</p> <p>Note 11 to Rule 23.1 and Note 3 to Rule 26.3</p>	<p>Deduction of dividends from an offer price is not permitted unless such right has been specifically reserved in the announcement.</p> <p>The SFC has further clarified that if withholding tax applies, any deductions to offer price should be by the amount of gross dividends.</p> <p>The SFC has clarified further in the consultation conclusions and a revised <a href="#">Practice Note 4</a> that where an offeror has made a no increase statement about the offer consideration and a dividend is subsequently paid or becomes payable by the target, the offeror must reduce the offer consideration by an amount equal to that dividend, unless and to the extent that the offeror has stated that target shareholders will be entitled to receive all or a part of a specified dividend in addition to the offer consideration.</p> <p>Thus, a special dividend payable when the offer becomes unconditional or when the scheme becomes effective is considered part of the offer consideration. Its payment should not affect the headline offer price even if a no increase statement was made by the offeror.</p>	<p>Primarily a codification of the Panel decision on Dalian Port whereby for a subsequent target dividend to be deductible from the offer price, this must be expressly reserved by the offeror in its announcement.</p> <p>However, a new change in the consultation conclusions is that where a no increase statement is made in respect of the offer consideration, any subsequent target dividend the target shareholders' entitlement to which has not been specified by the offeror, the amount of the dividend must be deducted from the offer price. This is a change to previous practice where the offeror has discretion whether to invoke its reserved position to reduce the offer consideration in such a situation.</p>
<p>9. Chain principle MGO</p> <p>Note 8 to Rule 26.1</p>	<p>The SFC currently considers certain factors under the "Substantiality Test" and the "Purpose Test" to determine whether an MGO for a target is required when statutory control of its controlling shareholder is obtained or consolidated by a person or group of persons.</p> <p>The application of the Substantiality Test will be amended to add:</p> <ul style="list-style-type: none"> <li>i. market capitalisation as a comparison metric where both companies are listed; and</li> <li>ii. (if the most recent audited statements produce an anomalous</li> </ul>	<p>This is a codification of existing practice - this expands the scope for the calculations under the "Substantiality Test" to deal with different situations.</p> <p>The Purpose Test will continue to apply as an anti-avoidance mechanism. This represents a divergence from The Takeover Code in the United Kingdom (the UK Code), which contains a 30% Substantiality Test and has removed its Purpose Test.</p> <p>The SFC has updated <a href="#">Practice Note 19</a> to elaborate on its approach to the Substantiality Test.</p>

Topic / Rule	Amendment	Our observations
	result) a look-back period of three audited financial years.	
10. "Offer period"	The Executive is given express power to end an offer period (having considered all relevant circumstances).	<p>This is considered a codification of the Executive's existing power and is intended to ensure an offeree is not subject to an unnecessarily prolonged offer period where an offeror is not proactive in relation to the offer or ending the offer.</p> <p>The Executive will only exercise such power in limited circumstances (e.g., when there is no real prospect of any change of control of offeree or offers being made in the foreseeable future) using a pragmatic approach.</p>
11. Put up or shut up (PUSU) New Rule 3.9	<p>At any time during an offer period following a possible offer announcement, the Executive is given express power to issue a PUSU order:</p> <p>(i) upon request by offeree; or</p> <p>(ii) on its own initiative in exceptional circumstances.</p> <p>A PUSU order requires a potential offeror to, by a specified deadline, announce its firm intention to make an offer or announce it will no longer proceed with an offer.</p> <p>The Executive will take all relevant factors into account when considering whether and how long a time limit should be imposed, including:</p> <ul style="list-style-type: none"> <li>i. current duration of offer period;</li> <li>ii. reason for delay;</li> <li>iii. any proposed offer timetable;</li> <li>iv. adverse effects the offer period has had on the offeree; and</li> <li>v. conduct of the parties to the offer.</li> </ul> <p>This also applies to share buy-backs.</p>	<p>Currently, when an offeror has published a possible offer announcement under Rule 3.7, it is required to publish monthly update announcements, but unlike the UK Code, there is no specified PUSU period. In practice, the Executive has relied on the spirit of the Code to impose deadlines on potential offerors to avoid the offeree being "under siege", but this requires a request from the offeree which may not always be forthcoming.</p> <p>The amendments will give the Executive power to grant PUSU order without the offeree's request.</p>
12. Final day rule Rule 15.5	Currently "Day 60" (latest day an offer can be unconditional as to acceptances) may be extended with the offeree board's consent. The change provides that this period cannot exceed four months after the date of the initial offer document.	This is a codification of existing practice to protect (i) accepting shareholders (especially those who have accepted early in an acceptance period) from an extended lock-up and (ii) offerees (especially those subject to privatisation proposals from controlling shareholders with control over offeree boards) from a prolonged offer period disrupting its normal business activities.
13. Return of share certificates Rules 17 and 20.2	Align the time for settling consideration and returning share certificates by specifying share certificates must be returned no later than:	The timing for returning share certificates is effectively shortened as current rules are either silent on this point or, in the case of unsuccessful offers, specified to be within ten business days of withdrawal / lapse.

Topic / Rule	Amendment	Our observations
	<ul style="list-style-type: none"> <li>i. in the case of unsuccessful offers, seven business days after the offer is withdrawn or lapses (R20.2(a));</li> <li>ii. for untaken or untendered shares in the case of successful offers and partial offers, when consideration is paid (i.e., no later than 7 business days after (1) the later of the date on which the offer becomes, or is declared, unconditional and the date of receipt of a duly completed acceptance or (2) in the case of a partial offer, the close of the partial offer) (R 20.2(b)); and</li> <li>iii. where an acceptor exercises its right to withdraw, seven business days after receipt of the notice of withdrawal (Rule 17).</li> </ul>	<p>Thus, the return of share certificates will need to be built into the payment and settlement logistics to ensure meeting of the deadline.</p>
<p>14. Partial offers - tick-box approvals</p> <p>Rules 28.4, 28.5 and new Note 3 to Rule 28</p>	<p><u>Tick-box approvals and closing of the offer</u></p> <p>The SFC has clarified that, after meeting the acceptance condition, the partial offer must close on the 14th day thereafter (subject to a minimum offer period of 21 days).</p> <p>The offeror must therefore satisfy all other conditions (including the tick-box approval) within the above period.</p> <p>The tick-box approval (if required under Rule 28.5) is a separate approval condition and does not count as an acceptance condition, it needs to be obtained by the above deadline.</p> <p><u>Concert group holding above 50%</u></p> <p>The SFC has also clarified that the tick-box approval requirement does not apply to an offeror concert group holding above 50% of an offeree.</p> <p><u>Connected exempt principal traders</u></p> <p>For connected exempt principal traders, Rules 35.3 and 35.4 have been extended to partial offers such that they are restricted from: (i) accepting a partial offer before it becomes unconditional as to acceptance and (ii) voting in the context of the partial offer (i.e., giving the tick-box approval).</p>	<p>The clarifications indicate the SFC's more stringent approach to partial offers. For general offers, an offeror can satisfy other conditions within 21 days of the later of the first closing date or the date when the acceptance condition has been met, in contrast, an offeror only has 14 days for partial offers.</p>
<p>15. Partial offers - comparable offers</p> <p>New Rule 28.10</p>	<p>Comparable offers are required for convertible securities, options and warrants in a partial offer that could result in offeror holding 30% or more of voting rights.</p>	<p>Codification of existing market practice. As is the case for the existing requirement under Rule 28.9, the proposed requirement only applies when a partial offer could result in the offeror acquiring control of the offeree company.</p>



Topic / Rule	Amendment	Our observations
		The use of “comparable offer” indicates that the offeror will only be required to make an offer for the same percentage of convertibles as the partial offer for shares.
<p>16. Frustrating actions</p> <p>Rule 4 and Notes to Rule 4</p>	<p><u>Prior contractual obligations</u></p> <p>The SFC has clarified that prior contractual obligations of the offeree to take a particular action would not normally constitute frustrating actions, but where special circumstances apply (e.g., a pre-existing poison pill provision which is triggered in the case of an offer), the Executive must be consulted at the earliest opportunity.</p> <p><u>Offeror consent</u></p> <p>Once the offeror has given its consent to the action, no waiver has to be sought from the Executive. The consent must be disclosed in an announcement, or if no announcement will be made, be lodged with the Executive.</p>	These changes reduce the administrative burden for dealing with frustrating actions during an offer period.
<b>Whitewash transactions</b>		
<p>17. Whitewash waivers</p> <p>Para 2(d) Schedule VI</p>	<p>The moratorium on further offers under Rule 31.1 (restrictions following offerand possible offers) is extended to whitewash transactions.</p> <p>Where a person announces a transaction that is conditional on no general offer being required, and such person does not reserve the right to waive the condition or does reserve the right to waive but does not waive it, the restrictions under Rule 31.1(c) will apply to that person.</p>	<p>The SFC considers that a transaction that is conditional on a whitewash waiver being granted should not be treated differently from a transaction that is conditional upon no mandatory general offer being required after it is completed.</p> <p>However, the SFC also clarified that a non-waivable whitewash transaction taking place after an earlier non-waivable whitewash transaction is not subject to the moratorium under Rule 31.1.</p>
<b>Resignation of directors</b>		
<p>18. Resignation of offeree directors</p> <p>Rule 7</p>	<p>The SFC has clarified the timing for resignation of offeree directors by requiring that it should not “take effect” until after the closing announcement on first closing date or announcement on unconditionality, whichever later, or announcement on results of shareholders’ meeting to approve a whitewash waiver.</p>	<p>The drafting clarifies the time limit applies to the effective time of the resignation rather than the act of resignation itself. This provides more flexibility for the resignation arrangements as the resignations may be first announced but to take effect later.</p>
<b>Disclosure obligations</b>		
<p>19. Disclosure obligation of offeror’s class (6) associate</p> <p>Rule 3.8</p>	<p>Dealing disclosure for offeror’s class (6) associates (offeror shareholders holding 5% or more) in cash offers is no longer required.</p>	<p>This proposed relaxation from current requirements is on the basis the SFC has reviewed past disclosures of this category and does not consider them to be material.</p> <p>This reduces the disclosure obligations in an offer.</p>

## Green initiative

<p>20. Electronic dissemination and language preferences</p> <p>New Rule 8.7 and Note to Rule 8.6</p>	<p>Where permitted under applicable laws / regulations and constitutional documents, parties may:</p> <ul style="list-style-type: none"><li>i. despatch Codes documents electronically, publish them on websites in accordance with the Hong Kong Listing Rules, or send them in hard copy; and</li><li>ii. send documents in Chinese or English or both, if language preference has been ascertained.</li></ul>	<p>This is a relaxation from current requirements to seek to reduce the environmental impact of Codes documents.</p> <p>This environmentally friendly move also reduces printing time and cost.</p>
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