

The Hong Kong Chartered Governance Institute

Submission

Securities and Futures Commission (SFC)

Consultation on Proposed Amendments to the Codes on Takeovers and Mergers and Share Buy-backs

23 June 2023

By email only: takeoverscode_review@sfc.hk

The Securities and Futures Commission
54th Floor, One Island East
18 Westlands Road
Quarry Bay
Hong Kong

Attn: Corporate Finance Division

Dear Sirs/Madam,

Consultation paper on proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs

[Unless the context requires otherwise, the terms and expressions used in this submission shall have the meanings set out under the Consultation Paper.]

About HKCGI

The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries, is the only qualifying institution in Hong Kong and the Mainland of China for the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications.

With over 70 years of history and as the Hong Kong/China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extend to all of CGI's nine divisions, with about 40,000 members and students worldwide. The Institute is one of the fastest growing divisions of CGI, with a current membership of over 7,000, 300 graduates and 2,600 students with significant representations within listed companies and other cross industry governance functions.

Believing that better governance leads to a better future, HKCGI's mission is to promote good governance in an increasingly complex world and to advance leadership in the effective governance and efficient administration of commerce, industry and public affairs. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach which takes account of the interests of all stakeholders.

Overall support

From the governance perspective, it is important to consolidate practices and ensure improvements for market integrity. We believe that the proposals under the Consultation Paper

achieve these and are in good governance. Accordingly, we express our general support for the amendments to the Codes.

Questions and Answers

Question 1: Do you agree with the proposal to delete Note 8 and introduce a new definition of "close relatives"? Please give reasons.

We agree in principle that the "close relatives" definition in the Codes should be amended as proposed. The current definition is limited and excludes individuals commonly considered close relatives. The Institute supports including additional individuals such as grandparents, grandchildren, sibling's spouse, children of siblings, parents-in-law, and spouse's siblings in the definition. This aligns with the existing practice followed by the Executive and promotes transparency and good governance. This expansion would also broaden the scope of the waiver from a general offer obligation and fair from a governance perspective. If individuals are deemed to be acting in concert, they should be entitled to the benefits of a waiver. However, since the essence of parties acting in concert requires two or more persons to cooperate actively, the Executive's discretion in allowing or rejecting rebuttal applications will need to be appropriately exercised in situations where, as a practical matter, members of a broader group of "close relatives" may well have innocently acquired voting rights independent of each other, but where there is no breakdown in a relationship. Part 1, paragraph 6 suggests a narrow set of circumstances where a rebuttal would be granted, and the position should be examined for situations relating to the innocent acquisition of voting rights with the expanded definition.

Question 2: Do you agree with the proposed amendment to the definition of "voting rights"? Please give reasons.

We agree the definition of "voting rights" should be amended as proposed. The current definition includes voting rights currently exercisable at a general meeting, but there have been questions regarding the treatment of voting rights subject to restrictions. The Institute believes that voting restrictions do not fundamentally alter the inherent rights attached to shares and that a narrow interpretation could lead to undesirable situations. Consistency is maintained by including voting rights subject to restrictions, and potential loopholes are avoided. Therefore, the Institute agrees with the proposed amendment for clarity and good governance.

Question 3: Do you agree with the proposed revision to Note (iii) to Rule 2.2? Please give reasons.

We agree that Rule 2.11 should explicitly include purchases made by an offeror and its concert parties when determining whether the threshold of acquiring 90% of the disinterested shares has been met. By aligning condition (iii) of Note to Rule 2.2 with Rule 2.11, consistency is maintained in the treatment of purchases in both rules. Also, allowing

purchases to be included in determining the 90% threshold under condition (iii) supports this objective by ensuring that the same requirements apply to all issuers, regardless of their jurisdiction, in line with current practice. These enhance consistency, transparency, and a level playing field, which are important from the applied governance perspective.

Question 4: Do you agree with the proposed amendment to Rule 2.11? Please provide reasons.

We agree with the proposed amendment to Rule 2.11, which aims to treat all offers consistently when determining the acceptance condition. The amendment recognises that acquiring 90% of the disinterested shares is equivalent to an acceptance condition and suggests treating acquisitions through acceptances or on-market purchases equally. By specifying a 4-month period for considering acceptances and purchases, the amendment brings clarity and simplicity to the determination process. Overall, the amendment promotes fairness, consistency, and a streamlined approach to assessing the acceptance condition.

Question 5: Do you agree with the proposed amendments to Rules 2.10(a) and 2.2(a) and the addition of a new note 8 to Rule 2? Please provide reasons.

We agree with the proposed amendments to Rules 2.10(a) and 2.2(a), along with the addition of a new Note 8 to Rule 2. They clarify that the form of shareholders' meetings for approving a scheme of arrangement should be governed by a company's constitutional documents and the company law of its place of incorporation. This aligns with the non-statutory nature of the Codes and promotes consistency with company laws in different jurisdictions. The new guidance encourages offeree companies to seek legal advice and, if applicable, guidance from the relevant courts. Overall, these revisions enhance transparency and promote good governance practices.

Question 6: Do you agree with the proposed amendments to Note 4 to Rules 3.1, 3.2 and 3.3? Please provide reasons.

We agree with the proposed amendments to Note 4 aim to streamline the process for offerors to obtain irrevocable commitments and reflect the increased sophistication of the market in Codes transactions. The revised framework allows offerors to approach shareholders with a material interest without consulting the Executive, while the consultation is required for approaches to other shareholders. The maximum number of shareholders an offeror can approach is limited to six. These amendments seek to balance deal certainty and the need to minimise leaks, providing adequate information and opportunity for consideration and independent advice which is sound from the applied governance perspective.

Question 7: Do you agree with the proposed amendments to Note 8 to Rule 26.1? Please provide reasons.

We agree as the proposed amendments to Note 8 to Rule 26.1 appear reasonable and beneficial, providing clarity and guidance in assessing whether a "chain principle offer" is required. By explicitly stating market capitalisation as one of the parameters for comparison, it offers a more objective benchmark for determining the significance of the holding in the second company relative to the first company. This clarification can help avoid ambiguity and provide a more standardised approach.

Also, the existing flexible approach in considering various factors, including assets, profits, and market capitalisation, is maintained. It recognises that different companies may have varying business natures and financial structures, and a one-size-fits-all approach may not be appropriate. The proposal to require further calculations by reference to at least the three most recent audited financial periods, and alternative tests, if the initial calculations produce anomalous results or are otherwise inappropriate enhances transparency and ensures that decisions are based on comprehensive information. Requiring justification for alternative tests promotes accountability and a thorough evaluation of the situation. These are sound applied governance approach.

The proposal acknowledges the divergence and different market conditions between Hong Kong and the United Kingdom. While the UK Code has reduced the relative value of the Substantiality Test, the Executive in Hong Kong considers the Purpose Test an important anti-avoidance provision. By retaining the Purpose Test and maintaining the current approach, Hong Kong can preserve its unique regulatory framework suited to its market conditions as part of applied governance.

Question 8: Do you agree with the proposed amendments to the definition of "offer period"? Please provide reasons.

We agree with the amendment of the definition of "offer period" recognises the burdens faced by offeree companies during an offer period and aims to keep the period as short as possible. This allows offeree companies to return to their normal business operations promptly once the offer period ends. Specifically, offeree companies in financial difficulties or under receivership often experience prolonged offer periods with no control over the process, and the Executive should be empowered to end the period in limited circumstances for market integrity accompanied by a published statement and clear reasons, promoting transparency and accountability. Overall, the proposed amendments offer a balanced approach that considers the interests of offeree companies, shareholders, and the market, and acceptable from the applied governance perspective.

Question 9: Do you agree with the proposed amendments to Rule 15.5? Please provide reasons.

We agree the amendments address concerns about early accepting shareholders by requiring Executive consent for any extension beyond Day 60. This ensures their shares are not locked up indefinitely. The amendments balance the offeror's desire to extend the offer period and the interest of shareholders, as consents from the offeree board and the Executive are required. Also, the proposal limits Day 60 extensions to four months after the offer document is dispatched, aligning with Rule 2.11 and avoiding excessively long offer periods. The involvement of the Executive in granting extensions ensures they are exceptional, safeguarding shareholder interests. Overall, the proposed amendments provide clarity and certainty in applied governance.

Question 10: Do you agree with the addition of the new Rule 3.9? Please provide reasons.

We agree that adding Rule 3.9 is essential for promoting good governance in takeovers. The "Put up or shut up" (PUSU) order, codifying existing practice, allows the Executive to set a time limit for potential offerors to announce their firm intention or withdraw from the offer. This mitigates prolonged uncertainty, safeguarding offeree companies' operations and establishing accountability. Consideration of factors such as offer duration, reasons for delay, proposed timetable, adverse effects, and conduct ensures a balanced approach. Including Rule 3.9 in the Takeovers Code and its applicability to share buy-backs strengthens the regulatory framework, fostering transparency, efficiency, and fair treatment of offeree companies while upholding principles of good governance.

Question 11: Do you agree with the proposed amendments to Rules 17 and 20.2? Please provide reasons.

We agree the proposed amendments to Rules 17 and 20.2 for promoting good governance in settlement of consideration and return of share certificates. The aligning of the timing requirements for both aspects ensure consistency and clarity in the process. The proposed amendment clarifies that share certificates for untaken or untendered shares should be provided to accepting shareholders at the same time as the payment of consideration, within seven business days after the offer becomes unconditional or the receipt of a completed acceptance. This ensures that shareholders receive their share certificates promptly and eliminates potential delays or uncertainties. Additionally, the proposal establishes a timeline for returning share certificates in the case of withdrawn or lapsed offers, requiring the offeror to post the certificates within seven business days of withdrawal or lapse. These amendments strengthen transparency, enhance investor protection, and promote efficient settlement practices, aligning with principles of good governance in takeover transactions.

Question 12: Do you agree with the proposed amendments for timing requirements set out in Appendix 2 and the amendments to Rule 7? Please provide reasons.

We agree with the proposed amendments for timing requirements, including those outlined in Appendix 2 and the amendments to Rule 7 are crucial for enhancing clarity and consistency within the Codes. The review of timing requirements addresses potential confusion and ensures a standardised approach. The proposed changes aim to establish a clear starting point for counting days, resolving ambiguity regarding whether the day of the event should be included or excluded. By aligning the practices with technological advancements, the proposal suggests dating the offer document on the same day as its despatch, including a "latest practicable date" provision for necessary information. This modernised approach reflects current practices and promotes transparency. Additionally, clarifying Rule 7 regarding the resignation of directors of an offeree company ensures that directors remain responsible for offer-related matters until the publication of key announcements, such as the closing announcement or the announcement of an unconditional offer. These amendments provide a more precise framework, reduce uncertainty, and contribute to good governance practices in takeover transactions and in good governance.

Question 13: Do you agree with the proposed introduction of a new Note to Rule 15.7? Please provide reasons.

We agree with the proposed introduction of a new Note to Rule 15.7. This amendment, which states that no consent from the Executive is required if the time delay between the court meeting and the effective date of a scheme is due to the court's timetable, aligns with good governance principles. Recognising that the court's timetable is beyond the offeror's control, this amendment eliminates the need for unnecessary applications and streamlines the vetting and approval process. By providing clarity and flexibility in cases of privatisation by way of a scheme of arrangement, the proposed amendment promotes fairness, efficiency, and transparency in the governance of such transactions.

Question 14: Do you agree with adding the new Notes 3 and 4 to Rule 3.7? Please give reasons.

We agree with the proposed addition of the new Notes 3 and 4 to Rule 3.7. Balancing the flexibility for offerors to adjust their offer price with the need to maintain market integrity and prevent abuse is crucial for governance in takeover transactions. The new notes provide clarity and guidance on the disclosure of an indicative offer price before the announcement of a firm intention to make an offer, allowing for exceptional circumstances such as correcting market rumours or complying with overseas regulatory requirements. This approach ensures transparency and protects shareholders' interests by treating the disclosed price as a floor for any subsequent offer, aligning with principles of market fairness and preventing potential manipulation. By codifying this practice, the proposed addition enhances governance standards in disclosing offer prices, promoting market stability and integrity.

Question 15: Do you agree with the proposed changes to Note 11 to Rule 23.1 and Note 3 to Rule 26.3? Please give reasons.

We agree with the proposed changes to Note 11 to Rule 23.1 and Note 3 to Rule 26.3. Codifying the treatment of dividends and withholding tax concerning the offer price enhances transparency and provides clarity for market practitioners. The decision in the Dalian Port case, where the deduction of dividends from the offer price was disallowed, establishes a fair and equitable approach. By allowing deductions only for net dividends received by shareholders and specifying that any withholding tax should be based on the gross amount, the proposed changes ensure that shareholders are appropriately compensated for dividends while preventing potential manipulation or unfair reductions in the offer price. This promotes good governance by safeguarding the interests of shareholders and maintaining a level playing field in takeover transactions.

Question 16: Do you agree with the proposed amendment to Rule 28.4? Please give reasons.

We have no major issue with the proposed amendment to Rule 28.4. The amendment aims to clarify and prevent confusion regarding extending offer periods in partial offers. By clearly stating that the offeror must declare a partial offer unconditional as to accept and extend the final closing day to the 14th day after the acceptance condition is met, the proposed amendment ensures a timely resolution for accepting shareholders. It aligns with the principle of fairness by preventing a prolonged offer period that could dilute the number of accepted shares and delay the consideration receipt. Additionally, the amendment clarifies that Rule 28.4 applies irrespective of whether the approval under Rule 28.5 has been obtained, emphasising that the acceptance and approval conditions are separate and should not be treated as one. However, there might be situations where additional time should be permitted for preserving the offer by allowing additional time to meet tick-the-box conditions subject to the effective deadline imposed under Rule 15.7, which should be considered to allow some flexibility in the overall timetable for the offer.

Question 17: Do you agree with the proposed addition of the new Rule 28.10? Please give reasons.

We agree with the proposed addition of the new Rule 28.10 requiring appropriate offers for convertible securities, warrants, options, or subscription rights during partial offers. This amendment aligns with good governance principles and ensures consistency in treating different types of securities. While partial offers may not lead to the privatisation or delisting of an offeree company, it is still important to provide holders of convertible securities and other similar instruments with a proportionate opportunity to exit the company. By explicitly stating the requirement for comparable offers under Rule 13 in partial offers, the proposed amendment enhances transparency and investor protection. The fact that all partial offers made since 2011 have included comparable offers for convertible securities demonstrates market acceptance and supports the need for a clear rule on this matter. The proposed Rule 28.10 provides clarity and eliminates any ambiguity regarding the obligation to make

appropriate offers for these types of securities. This clarity promotes fairness and prevents discrepancies or confusion in treating different security holders during partial offers. Therefore, the addition of Rule 28.10 is a positive step towards ensuring consistent governance practices and protecting the rights of shareholders.

Question 18: Do you agree with the proposed change to Rule 28.5? Please give reasons.

We agree with the proposed change to Rule 28.5, clarifying that the tick-box approval does not apply to partial offers falling under Rule 28.1(a) or (b). This amendment promotes clarity and aligns with good governance principles. By excluding situations where the offeror and its concert parties already hold a majority of the voting rights, the proposed amendment streamlines the process, reduces administrative burden, and avoids confusion. It ensures consistency and transparency in governance rules, fostering a fair and transparent market environment. Overall, the proposed change enhances the effectiveness of the regulatory framework and promotes good governance practices.

Question 19: Do you agree with the introduction of a new Note 3 to Rule 28? Please give reasons.

We agree with the proposed introduction of the new Note 3 to Rule 28. Introducing a new Note 3 to Rule 28, clarifying the application of Rules 35.3 and 35.4 to partial offers, is a necessary step to ensure consistency and integrity in the governance of such offers. It is important to maintain the same discipline and restrictions for exempt principal traders in partial offers as is applied to general offers. By prohibiting exempt principal traders connected with an offeror or the offeree company from approving a partial offer or voting in the context of the offer, it prevents potential conflicts of interest or manipulation of the offer process. This helps to safeguard the fairness and transparency of partial offers and upholds the principles of good governance in the market.

Question 20: Do you agree with the proposal to introduce electronic dissemination under the Codes and the relating Code amendments? Please give reasons.

We agree with the proposal to introduce electronic dissemination under the Codes and the related Code amendments. These green initiatives enhance efficiency and align with principles of good governance, including sustainability. By allowing the dissemination of documents electronically, the proposal recognises the importance of reducing the environmental impact associated with printing and despatching physical copies. It promotes using technology to streamline processes and improve accessibility while complying with applicable laws and regulations. Furthermore, removing the requirement to publish announcements in newspapers for unlisted offeree companies and eliminating annual subscription services for printed copies of the Codes demonstrates a commitment to sustainability and reduces paper waste. These changes reflect a progressive approach to

governance, embracing digital advancements and contributing to a more environmentally friendly and sustainable business environment.

Question 21: Do you agree with the proposal to allow an issuer to send documents to shareholders in either Chinese or English? Please give reasons.

We agree with the proposal to allow an issuer to send documents to shareholders in either Chinese or English. This change aligns with the importance of accommodating the language preferences of shareholders. By providing flexibility in the language of document dissemination, issuers can improve accessibility and enhance communication with their shareholders and physical waste from unnecessary language copies. This proposal demonstrates a commitment to fostering a governance framework that values stakeholder engagement and understanding.

Question 22: Do you agree with the proposal to simplify the publication of announcements relating to unlisted offeree companies by removing the requirement to publish in newspapers? Please give reasons.

We agree with the proposal to simplify the publication of announcements relating to unlisted offeree companies by removing the requirement to publish in newspapers. This change aligns with the principles of good governance by embracing technological advancements and the widespread use of the internet for information dissemination. By eliminating the newspaper publication requirement, the proposal allows for more efficient and timely information communication to the investing public. It recognises the evolving preferences of stakeholders who rely on digital platforms for accessing information. Furthermore, delivering documents in electronic form for publication on the SFC's website ensures wider accessibility and transparency, fostering a governance framework that promotes efficient and inclusive communication practices in the context of unlisted offeree companies in line with sustainability concerns.

Question 23: Do you agree with the proposal requiring submissions to the Executive to be made electronically by email? Please give reasons.

We agree with the proposal to require submissions to the Executive to be made electronically by email. This aligns with the principles of good governance by promoting efficiency, transparency, and accessibility in the submission process. Electronic submissions streamline communication, reduce administrative burdens, and enable faster processing and response times. By embracing digital channels, stakeholders can easily submit documents, applications, and other required information, ensuring a more seamless and secure data exchange. The proposal also sets the foundation for further advancements, such as establishing an online platform to enhance convenience and provide a centralised hub for submissions and fee payments. Overall, the shift to electronic submissions enhances governance practices by

leveraging technology to facilitate effective and timely interactions between stakeholders and the Executive.

Question 24: Do you agree with the amendment to the definition of derivative? Please give reasons.

We agree with the proposed amendment to the definition of derivative. This amendment improves the clarity and consistency of the definition, aligning it with the intention of the Codes. By explicitly stating that the Codes do not restrict dealings in or require disclosures of derivatives that have no connection with an offer or potential offer, it provides clear guidance to offerors, offeree companies, and their financial advisers. Including a note clarifying the circumstances under which a derivative is considered connected with an offer or potential offer adds further transparency and facilitates decision-making. Also, consulting the Executive in cases of doubt ensures that stakeholders can seek guidance and clarification when needed, promoting good governance practices by encouraging compliance with the Codes and fostering a better understanding of derivative transactions in the context of offers and potential offers. These are good governance practices.

Question 25: Do you agree with the proposed amendment to the definition of on-market share buy-back? Please give reasons.

We agree with the proposed amendment to the definition of on-market share buy-back. The amendment provides clarity and aligns the definition with the intention of the Codes. By explicitly stating that an on-market share buy-back must be made through an automatic order matching system and that the company buying back the shares and its directors should not have any involvement in the solicitation, selection, or identification of the sellers, it ensures that the concept of equal opportunity for all shareholders is maintained. This amendment strengthens the governance framework surrounding on-market share buy-backs and ensures transparency and fairness in the process. By considering the substance of the transaction rather than relying solely on the form, the amendment promotes good governance practices and protects the interests of shareholders.

Question 26: Do you agree with the amendments to Rule 3.5, Schedule I and Schedule II relating to special deal disclosure? Please give reasons.

We agree with the amendments to Rule 3.5, Schedule I, and Schedule II relating to special deal disclosure. The proposed codification of the practice to disclose details of special deals in a firm intention announcement and shareholders' document, or provide a negative statement, enhances transparency and promotes good governance in takeover situations. By requiring the disclosure of any consideration, compensation, benefits, understandings, arrangements, or special deals between the offeror, vendors, shareholders, and related parties, the amendments ensure that relevant information is provided to shareholders and market practitioners. This facilitates informed decision-making and helps maintain fairness and integrity in takeover processes. Additionally, the commitment to update Practice Note 17 to

provide guidance on defining special deals demonstrates a proactive approach to clarifying and standardising disclosure requirements.

Question 27: Do you agree with the amendment to Rule 3.8 and the proposed addition of new Note 14 to Rule 22? Please give reasons.

We agree with the amendment to Rule 3.8 and the proposed addition of new Note 14 to Rule 22. The removal of the requirement for class (6) associates of the offeror to disclose their dealings in the offeree company's relevant securities during a cash offer is justified. The information is not considered material in the context of a cash offer and does not provide significant value to shareholders or the market. By eliminating this requirement, the disclosure obligations can be streamlined, focusing on more relevant and meaningful information for market participants. However, it is important to note that in the case of a securities exchange offer, the disclosure of dealings by a class (6) associate of an offeror in the relevant securities of the offeree company remains relevant and should be maintained to ensure transparency and informed decision-making. Overall, these amendments strike a balance between disclosure requirements and the materiality of information, promoting efficient and effective governance practices.

Question 28: Do you agree with the proposed clarification of Rule 4 and Note 1 to Rule 4? Please give reasons.

We agree with the proposed clarification to Rule 4 and Note 1 to Rule 4. Rule 4 is crucial in maintaining a fair and transparent playing field for all parties involved in an offer. It ensures that shareholders of an offeree company are not denied the opportunity to consider and decide on the merits of an offer due to frustrating actions taken by the board. The proposed amendment clarifies the scope of frustrating actions, providing examples without restricting the interpretation of the rule. It also addresses the need for consultation with the Executive in special circumstances and streamlines the process when the offeror consents to a corporate action. These amendments promote greater clarity and compliance during an offer period, contributing to effective governance practices and protecting the interests of shareholders.

Question 29: Do you agree with the amendment to Note 6 to Rule 26.1? Please give reasons.

We agree with the amendment to Note 6 to Rule 26.1. The renumbering of subparagraphs within the note addresses the inconvenience market practitioners face when referring to specific parts of the note. This amendment improves clarity and ease of reference, facilitating better understanding and interpretation of the rule. It also provides clear criteria for determining the obligation to make an offer when a member of a group acquires voting rights acting in concert. The factors the Executive considers for waiving the general offer obligation are relevant and contribute to a fair and balanced approach. Overall, the amendment

enhances the practical application of Rule 26.1 and promotes efficient governance practices in the market.

Question 30: Do you agree with the proposed addition of a new note to paragraph 10 of Schedule I? Please provide reasons.

We agree with the proposed addition of a new note to paragraph 10 of Schedule I. The disclosure of market prices of the offeree company's and offeror's securities is crucial for transparency and informed decision-making during an offer period. The adding of a note codifying the practice of disclosing the closing price on the last full trading day and the trading price immediately before a suspension provides clarity and consistency in reporting standards. This amendment ensures that relevant information is available to market participants, facilitating fair evaluation of the offer and promoting a level playing field.

Question 31: Do you agree that Rule 31.1 should apply to whitewash transactions? Please give reasons.

We agree that Rule 31.1 should apply to whitewash transactions. The rationale behind Rule 31.1 is to prevent an offeree company from being subjected to repeated sieges and to ensure that the offeror presents their best price in the initial offer. The extending of this discipline to whitewash transactions ensures consistency and fairness in the takeover process. Also, including Rule 31.1 in the list of Takeovers Code requirements applicable to whitewash transactions ensures that the restrictions following offers and possible offers are appropriately applied, maintaining the integrity and transparency of the whitewash process which is in good governance.

Question 32: Do you agree that Rules 3.8 and 3.9 should be added to Rule 5.1(c) of Share Buy-backs Code? Please give reasons.

We agree that Rules 3.8 and 3.9 should be added to Rule 5.1(c) of the Share Buy-backs Code. In a share buy-back through a general offer, it is important to provide investors with the most up-to-date information on the offeree company's relevant securities to ensure compliance with the Code's requirements, particularly in determining whether they are class (6) associates requiring compliance with Rule 22. Including Rule 3.8, which imposes an obligation to announce details of relevant securities, enhances transparency and enables investors to make informed decisions. Additionally, including the proposed Rule 3.9 further strengthens the applicability of the Takeovers Code rules during share buy-backs, ensuring consistency and adherence to regulatory standards.

If there are any questions, please feel free to reach out to Ellie Pang FCG HKFCG(PE), Chief Executive, HKCGI or Mohan Datwani FCG HKFCG(PE), Deputy Chief Executive, HKCGI at 2881 6177 or research@hkcgi.org.hk.

Yours sincerely,

For and on behalf of
The Hong Kong Chartered Governance Institute

A handwritten signature in black ink, appearing to read 'Ernest Lee', written in a cursive style.

Ernest Lee FCG HKFCG(PE)
President