



# Takeovers Bulletin

## Highlights

- New Practice Note 26 on treasury shares
- New Practice Note 27 on severe weather arrangements
- Quarterly update on the activities of the Takeovers Team

## New Practice Note 26 on treasury shares

We published a new practice note (PN26) on 24 May 2024 to explain the treatment of treasury shares under the Codes on Takeovers and Mergers and Share Buy-backs (Codes).

The Stock Exchange of Hong Kong Limited (SEHK) introduced the new treasury shares regime under the Listing Rules on 11 June. Market participants should take note that any voting rights attached to treasury shares are excluded from the definition of voting rights under the Codes, and are thus disregarded in the calculation of the related threshold percentages.

The voting rights percentage calculated under the Codes might differ from the level of interests in voting shares required to be disclosed under Part XV of the Securities and Futures Ordinance. For

example, for a shareholder to determine whether a mandatory general offer obligation has arisen or whether it is a Class (6) associate<sup>1</sup> of an offeree company and therefore needs to disclose dealings in the company during the offer period, it should take into account the outstanding issued share capital (excluding treasury shares) of the offeree company as stated in its next day disclosure returns and monthly returns posted on HKEX's<sup>2</sup> website.

For details, please refer to PN 26, which can be found in the "[Regulatory functions – Corporates – Takeovers and mergers – Practice Notes](#)" section of the SFC website.

## New Practice Note 27 on severe weather arrangements

In view of SEHK's new severe weather trading arrangements announced on 18 June, we published a new practice note<sup>3</sup> (PN27) on 28 June to provide guidance on matters regulated under the Codes in the event of severe weather<sup>4</sup>.

- <sup>1</sup> "Class (6) associates" is defined under the Codes to include a person who owns or controls 5% or more of any class of relevant securities issued by an offeror or potential offeror or the offeree company, including a person who as a result of any transaction owns or controls 5% or more.
- <sup>2</sup> Hong Kong Exchanges and Clearing Limited.
- <sup>3</sup> PN27 supersedes the guidance relating to adverse weather set out in *Takeovers Bulletin* Issue No. 10 (September 2009).
- <sup>4</sup> This refers to the scenario where Typhoon Signal No. 8 or above, a Black Rainstorm Warning, or the "Extreme Conditions" warning is in force.

As most of the processes involved in an offer may be completed electronically, the Executive considers that the timetable of an offer should normally continue to run as usual under severe weather unless a severe weather condition is in effect at noon or thereafter on any of the following cut-off dates:

- (a) the closing date, the last day for acceptance and the last day for withdrawal;
- (b) the last day for the offeror to despatch or post relevant share certificates, or make the share certificates available for collection; and
- (c) the last day for an offeror to settle consideration.

For details and further guidance, please refer to PN 27, which can be found in the "[Regulatory functions – Corporates – Takeovers and mergers – Practice Notes](#)" section of the SFC website.

Where relevant parties encounter genuine practical difficulties in complying with any Codes requirements because of severe weather, the Executive should be consulted at the earliest opportunity. The takeovers team operates on any business day (ie, days on which SEHK is open for trading).

## Quarterly update on the activities of the Takeovers Team

From January to March 2024, we received 13 takeovers-related cases (including privatisations, voluntary and mandatory general offers and off-market and general-offer share buy-backs), three whitewashes and 48 ruling applications.

### Useful links

- [The Codes on Takeovers and Mergers and Share Buy-backs](#)
- [Practice notes](#)
- [Decisions and statements](#)
- [Previous \*Takeovers Bulletins\*](#)

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