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UK. Under this rule, except with the consent of the London Panel on Takeovers and Mergers, the offeree company may not enter into any offer-related arrangements with either the offeror or any persons acting in concert with it during an offer period or when an offer is reasonably in contemplation which may have the effect of, amongst others, restricting an offeree company board's freedom of action in responding to an offer.

The Executive should be consulted at the earliest opportunity if there is any doubt that any agreements, arrangements or commitments proposed to be entered into by an offeree company may not comply with General Principle 8 or General Principle 9.

Implications of enforcement of security

Since the publication of issue No. 52 of the *Takeovers Bulletin* in March 2020 on Dispensation Note 2 from Rule 26, the Executive continues to note an increase in the number of cases where offer periods are triggered by the enforcement actions of creditors, such as the appointment of a receiver or liquidator over a controlling block of shares. The Executive would like to remind market practitioners once again that all persons are expected to observe the letter as well as the spirit of the Takeovers Code. Parties should not expect the Executive to grant waivers or make exceptions under the Codes to facilitate debt recovery.

However, as explained in issue No. 52, the Executive may in appropriate circumstances waive the general offer obligation of a bank or a lending institution resulting from enforcement of security in accordance with Dispensation Note 2 from Rule 26.

In circumstances where a lender decides to take action in addition to the appointment of a receiver or liquidator to enforce its security, it should be aware of possible implications under the Takeovers Code. For instance, if a lender chooses to launch a voluntary general offer for the shares in a company at the same time as it appoints a receiver or liquidator over a substantial stake in the same company, any proposed settlement arrangement or

The Executive would like to remind all parties to make good use of and be conversant with Practice Note 20 from the beginning of a Codes transaction. This will help ensure that confirmations and information required by the Executive are submitted in an accurate and timely manner and, where appropriate, all relevant disclosure requirements are met. Failure to comply with Practice Note 20 may lengthen the Executive's vetting process and in appropriate circumstances the Executive may suspend vetting until documents complying with Practice Note 20 have been submitted.

Paragraph 30 of Practice Note 20 requires parties to submit both hard and soft copies of revised draft documents to the Executive for vetting. To enhance efficiency, a soft copy of the revised pages should also be submitted as part of the revised draft documents. All new insertions should be shown as mark-ups and all deletions must be shown in strikethroughs. It is not satisfactory to merely denote the deletions with a symbol without showing the deleted text. Material changes to the draft document which may have Codes implications should also be highlighted to the Executive.

As always, when there is any doubt as to whether a proposed course of action is in accordance with the Codes, parties or their advisers should consult the Executive in advance.

The above requirement is reflected in the revised Practice Note 20. Other housekeeping changes have also been made. A marked-up version and a clean version can be found in the "Regulatory functions – Corporates – Takeovers and mergers – Practice notes" section of the SFC website.

Disciplinary proceedings against Ngai Lai Ha for alleged breach of Takeovers Code

Useful links

- The Codes on Takeovers and Mergers and Share Buy-backs
- Practice notes
- Decisions and statements
- Previous Takeovers Bulletins

All issues of the *Takeovers Bulletin* are available under 'Published resources – Newsletters – Takeovers Bulletin' on the SFC website at www.sfc.hk.

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