AMENDMENTS TO THE CODES ON TAKEOVERS AND MERGERS AND SHARE REPURCHASES EFFECTIVE 1 OCTOBER 2005

September 2005

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INTRODUCTION

- Consultation Paper published November 2004
- Amendments reflect market developments, practical issues identified by the Executive and market practitioners and recent changes to the London Takeovers Code
- Consultation Conclusions published August 2005
- Amendments take effect on 1 October 2005

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CLASS 2 OF THE DEFINITION OF "ACTING IN CONCERT"

A company is presumed to act in concert with the directors (together with their close relatives, related trusts and companies controlled by the directors, their close relatives or related trusts) of all group companies.

Experience has shown the presumption to be unnecessarily wide. It poses particular difficulties for offerors that are part of large corporate groups.

The presumption has been amended to apply only to a company, its directors (and their associates and controlled companies) and the directors of its parent companies.

Whether the directors of subsidiaries or fellow subsidiaries are acting in concert will be a question of fact.

"LOW-BALL" or "ONE CENT" OFFERS

General principle 9 and Rule 4 provide that once a bona-fide offer has been communicated to the board of the offeree or the board of the offeree has reason to believe that a bona-fide offer may be imminent, no action that could effectively result in an offer being frustrated, or in the offeree's shareholders being denied the opportunity to decide on its merits, may be taken by the offeree's board in relation to the affairs of the company without the approval of shareholders in general meeting.

Section 1.8 of the Introduction to the Codes states that the Codes are not concerned with the financial or commercial advantages or disadvantages of a takeover. This leaves little room for the Executive to conclude that an offer is not bona fide for the purposes of the Codes.

"LOW-BALL" or "ONE CENT" OFFERS (Cont'd)

The concern is that "low-ball" offers may be used to frustrate the target's business where there is no genuine intention to seek control.

The amended definition of "offer" includes a note that a voluntary offer at a discount of > 50% to the shares' market price will not normally be allowed.

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FRUSTRATING ACTIONS (New Rule 31.5)

Amendments prevent an incumbent offeree board from taking deliberate but lawful action to frustrate a successful offeror from exercising board control.

Under new Rule 31.5, once an offeror requisitions a general meeting after its offer has become unconditional in all respects, the offeree board must:

- cooperate fully and convene the meeting as soon as possible; and
- not take any frustrating action (as listed in Rule 4) without shareholder approval or the offeror's consent from the end of the offer period until the conclusion of the general meeting.

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VETTING PROCESS (Notes to Rule 12)

Given the international trend away from pre-vetting in favour of enforcement, the Executive's commenting process will be shortened. The Executive may give confirmation that it has no further comments once any substantive Code issues have been raised and, if appropriate, dealt with.

Code amendments delete references to Executive "clearance" of documents and stress that Code compliance is the sole responsibility of the issuer of the document (and its directors and advisers).

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TELECOM MERGERS (New Note 3 to Rule 15.5)

The Telecommunications (Amendment) Ordinance 2003 applies to a "change" (including an acquisition of 15%, 30% or 50% of the voting shares in the licensee or its controller) in relation to a carrier licensee in the Hong Kong telecommunications market. The Telecommunications Authority (the "TA") can commence an investigation where there has been an adverse effect on competition in relation to a "change".

The Code will be amended to extend "Day 39" (the latest date for announcement of new information by the offeree company) following any final decision of the TA. If any such extension exceeds 3 months after posting of the offer document, the Executive should be consulted to determine whether the offer should lapse and, if so, which provisions of the Code continue to apply.

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USE OF COMPARABLES (New Note 7 to Rule 9.1)

Comparables are often used in takeover documents to justify recommendations or support arguments. The concern is that they can be used selectively without explanation leading to misleading conclusions.

A new note 7 to Rule 9.1 requires comparables to be a fair and representative sample and the bases for compiling comparables to be clearly stated.

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ON MARKET SHARE REPURCHASES AND WHITEWASH WAIVERS

The Code only allows whitewash waivers of general offer obligations triggered by off-market share repurchases or share repurchases by general offer. The Consultation Paper considered allowing whitewash waivers for general offer obligations triggered by on-market share repurchases.

The Executive has decided that it is not in the best interests of minority shareholders to make this amendment.

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THE ROLE AND RESPONSIBILITY OF ADVISERS

A new Note to Section 1.7 of the Introduction to the Codes requires a financial adviser to allocate to a transaction sufficient experienced and competent professional staff, with the involvement of or reasonable supervision by, a responsible officer or experienced senior staff member. Sufficient time and work must be devoted to the transaction to discharge the adviser's responsibilities under the Codes.

ACTING IN CONCERT

Gifts

A new Note 10 to the definition of "acting in concert" provides that where a person transfers voting rights as a gift or at nominal consideration, the transferor and transferee are presumed to be acting in concert. The presumption will not apply to charities.

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DEFINITION OF "DERIVATIVE"

The term "derivative" mainly appears together with the terms "options" or "rights over shares" which cover derivatives that can be settled by delivery of underlying securities. The definition of "derivative" has been amended so that it only covers derivatives that do not involve the delivery of underlying securities.

DEFINITION OF EXEMPT PRINCIPAL TRADER ("EPT")

EPTs are exempted from certain disclosure and dealing requirements in respect of dealings necessary to their derivatives' market-making transactions such as arbitrage and hedging related activities. The definition of an EPT has been amended to specify the permitted exempt dealing activities.

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DEFINITION OF "PUBLIC COMPANY IN HONG KONG"

The definition clarifies that a "public company" is any company subject to the Codes under Sections 4.1 and 4.2 of the Introduction.

Section 4.1 applies the Codes to:

- public companies in Hong Kong; and
- companies with a primary listing of their equity securities in Hong Kong

Under Section 4.2, the Executive applies an economic or commercial test to determine whether a company is a "public company in Hong Kong", taking into account primarily the number of Hong Kong shareholders, the extent of share trading in Hong Kong and factors including:

- the location of its head office and place of central management;
- the location of its business and assets, registration under companies legislation and tax status;
- the existence or absence of protection for Hong Kong shareholders given by any statute or code regulating takeovers, mergers or share repurchases outside Hong Kong.

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BOARD OF OFFEROR COMPANY (Rule 2.4)

Rule 2.4 requires the offeror board to seek independent advice in the case of a reverse takeover or when the offeror's directors face a conflict of interest.

The amended Note 1 to Rule 2.4 requires that:

- the offeror board should obtain independent advice as to whether the offer is in the interests of the offeror's shareholders before announcing the offer;
- oral advice may be sought prior to the announcement and full advice as soon as possible thereafter;
- the announcement must contain a summary of the salient points of the advice received; and
- the full advice must be sent to the offeror's shareholders as soon as possible and at least 14 days before any general meeting to approve the offer.

A new Note 3 provides guidance as to when a conflict of interest exists. Examples given are significant cross-shareholdings between an offeror and offeree company, when a number of directors are common to both companies or when a person is a substantial shareholder in both companies.

Note 3 also clarifies that the Executive will normally waive the application of Rule 2.4 in relation to substantial shareholders who are not acting in concert with the offeror or directors of the offeree.

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INDEPENDENT FINANCIAL ADVISERS (Rule 2.1)

Rule 2.1 now provides that the offeree board must retain a competent independent financial adviser to advise an independent board committee ("IBC") in writing in connection with the offer and in particular as to whether the offer is fair and reasonable. The financial adviser must now additionally include in its advice a recommendation as to acceptance and voting.

The appointment of the independent financial adviser is now subject to the IBC's prior approval.

INDEPENDENT BOARD COMMITTEES (Rule 2.8)

Rule 2.8 has been amended so that members of an independent board committee should comprise all non-executive directors of the company unless they have a direct or indirect interest in the offer.

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SHAREHOLDER VOTES BY WAY OF POLL (Rule 2.9)

Rule 2.9 has been amended to require that a scrutineer (being the company's auditors, share registrar or external accountants) be present at any general meeting where voting is required to be taken on a poll. The identity of the scrutineer and the number of shares voting for and against the resolution and in the case of a scheme of arrangement, the number of shareholders voting for and against the resolution must be announced.

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TAKEOVER AND PRIVATISATION BY SCHEME OF ARRANGEMENT OR CAPITAL REORGANISATION (Rule 2.10)

Rule 2.10 applies if an offeror seeks to use a scheme of arrangement to acquire or privatise a company.

Amendments clarify that:

- Rule 2.10 regulates schemes of arrangement and capital reorganisations that assist a person to obtain or consolidate control, acquire or privatise a company and that in reviewing these transactions the Executive aggregates any linked transactions to establish whether they together amount to a privatisation or takeover;
- the Executive will normally only grant a waiver in the case of a scheme or reorganisation under which:
  - there is no substantial change in percentage shareholding of any shareholder;
  - there is no acquisition or consolidation of control by any person or a group of persons;
  - except as a result of any debt restructuring to which the company is a party, shareholders' economic interests in the company are not affected by implementation of the proposal.

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ANNOUNCEMENT OF FIRM INTENTION TO MAKE AN OFFER (Rule 3.5)

An amendment requires that the announcement of a firm intention to make an offer should disclose details of any agreements or arrangements to which the offeror is party which relate to a pre-condition or a condition to its offer and the consequences of its invoking such condition (eg. details of any break fees payable).

ANNOUNCEMENT OF NUMBERS OF RELEVANT SECURITIES IN ISSUE (New Rule 3.8)

An offeree must announce as soon as possible after the offer period begins the number of relevant securities in issue.

An offeror (or potential named offeror) must announce the number of its relevant securities unless solely for cash.

Announcements must remind associates of their disclosure obligations and include the text of Note 11 to Rule 22.

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NO WITHDRAWAL OF AN OFFER (Rule 5)

Note 2 to Rule 5 has been amended so that the Executive's consent is required if an offeror wishes to withdraw its offer following the posting of a higher offer by a competitor.

INFORMATION TO OFFERORS (Rule 6)

Rule 6 requires that all competing offerors are provided with the same information by the offeree.

Amendments provide that it is not necessary for the identity of a potential offeror to have been publicly announced for Rule 6 to apply.

The obligation on the offeree to provide information exists:

- when there has been a public announcement of the offeror's existence; and
- if there has been no public announcement, when the offeror or bona fide potential offeror requesting information has been informed authoritatively of the existence of another potential offeror.

A new Note 4 provides that offerees should not attempt to impose on potential offerors unduly onerous obligations which might deter them from making an offer. Restrictions relating to confidentiality, the non-solicitation of customers and employees and the use of information solely in connection with the offer are allowed. Such conditions should be no more onerous than those imposed on any other offeror.

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RESIGNATION OF DIRECTORS OF OFFEREE COMPANY (Rule 7)

Rule 7 prevents directors of the offeree company or any of its subsidiaries from resigning from the board before the first closing date or the offer becoming unconditional, whichever is the later.

Rule 7 will no longer apply to directors of subsidiaries of the offeree.

On a whitewash, the restriction will end on the shareholders voting on a waiver of a general offer obligation.

The Executive will normally allow the resignation of a director (unless eligible to serve on the independent board committee) if the offeror is a controlling shareholder before the offer period (New note 2 to Rule 7).

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DATE OF DESPATCH (New Note 4 to Rule 8)

The requirement for evidence of the date of despatch (eg. a copy of the posting certificate) to be provided to the Executive now applies to the offeree board circular and revised offer documents as well as offer documents.

TIMING AND CONTENTS OF OFFEREE BOARD CIRCULAR (Rule 8.4)

Amendments provide that where an offeror consents to a delayed despatch of the offeree board circular:

- the time restrictions under Rules 15.4 ("Day 39" Rule), 15.5 ("Day 60" Rule) and Rule 16 ("Day 46" Rule) are extended by the same number of days;
- the offer must be kept open for at least 14 days after despatch of the delayed offeree board circular;
- references to "business days" are deleted: calendar days apply.

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DOCUMENTS TO BE PUT ON DISPLAY (Note 1 to Rule 8)

Amendments provide that from 1 January 2006:

- documents required to be on display must be posted on the website of the issuer of the offer document or offeree board circular;
- copies of all display documents must be provided in electronic form to the Executive for display on the SFC website before despatch of the offer document or offeree board circular.

PROFIT FORECASTS AND OTHER FINANCIAL INFORMATION (Rule 10)

A new Note 3 has been added to Rule 10.2 to clarify that an independent financial adviser to an offeree company may report on a profit forecast for the offeree company.

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MATERIAL CHANGES IN FINANCIAL OR TRADING POSITION (Rule 10.11)

An amendment clarifies that information about a material change in the financial or trading position or outlook of the offeror or offeree since the latest published audited accounts must be seperately reported on if the information also constitutes a profit forecast under Rule 10.6.

An amendment to the Note to Rule 10.11 requires the directors and the financial adviser to disclose to the Executive any material difference of opinion between them as to material changes or their absence. The Executive may require disclosure of such information if it considers it relevant to a shareholder's decision on an offer.

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VALUATION OF ASSETS (Rule 11)

Rule 11 has been amended to reflect the requirements of "The HKIS Valuation Standards on Properties" issued by the Hong Kong Institute of Surveyors.

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PUBLICATION OF DOCUMENTS (Rule 12.2)

Announcements in respect of unlisted offeree companies must now also be posted on the SFC's website.

CLOSING DATES (Rule 15.1)

The earliest first closing date of an offer is the 21st day for composite documents or the 28th day for separate documents. An amendment clarifies that the offeror is not however obliged to set its closing date as the 21st or 28th day.

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CLOSING TIME (Rule 15.1)

The latest time for acceptance is expressly stated as 4.00 p.m. on the closing day unless the offer is extended under Rule 19**.**

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OFFEREE COMPANY ANNOUNCEMENTS AFTER "DAY 39" (Rule 15.4)

In line with similar amendments to the London Takeover Code, amendments clarify that an offeree company cannot announce **any** material new information after the 39th day after the posting of the initial offer document and that the restriction does not apply only to trading or financial information.

Where an offeree company makes such an announcement after Day 39 and after a no increase statement has been made, the offeror can choose not to be bound by that statement and may revise its offer with the Executive's permission, provided that notice is given as soon as possible and within 4 business days of the offeree company announcement (New Note 5 to Rule 18).

FINAL DAY RULE (Rule 15.5)

The latest time for declaring an offer unconditional as to acceptances has been amended from "midnight on the 60th day" to "7.00 p.m. on the 60th day".

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ANNOUNCEMENTS WHICH MAY INCREASE THE VALUE OF AN OFFER (Note 1 to Rule 16.1)

Note 1 to Rule 16.1 restricts an offeror, in the case of a securities exchange offer, from making any announcement about its trading results, profit or dividend forecasts, asset valuations, merger benefit statements or proposals for dividend payments after "Day 46". Such announcements could affect the value of the offer without giving sufficient time to the offeree board to respond to the revision or to the shareholders to consider it before "Day 60".

Amendments extend this restriction to include:

- announcements of **any** material new information; and
- the announcement of any "capital reorganisation" or material acquisition or disposal which might increase the value of the offer.

"capital reorganisation" will include rights issues, capital distributions or special dividends, dividends in specie other than scrip dividends of the same class.

Where this restriction conflicts with the general obligation of listed companies to disclose material developments, the Executive should be consulted.

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RESTRICTIONS ON SHARE DEALINGS AND TRANSACTIONS BY OFFEROR DURING SECURITIES EXCHANGE OFFERS (Rule 21.3)

Rule 21.3 provides that where the consideration under an offer includes securities of the offeror or a person acting in concert with it, neither the offeror nor such person may deal in such securities during the offer period. This prevents an offeror from manipulating its share price during a securities exchange offer and restricts activities which might affect the value of the consideration.

Amendments further restrict an offeror or the issuer of the securities from proposing or completing the following during an offer period:

- on-market share repurchases;
- off-market share repurchases; and
- share repurchases by general offer.

The Rule 21.3 restrictions apply to **all** securities exchange offers irrespective of whether there is a cash alternative.

Rule 21.3 will not however prevent an offeror arranging for parties to underwrite a cash alternative to a share exchange offer.

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COMPETITIVE SITUATIONS (New Rule 16.5)

A new Rule 16.5 provides that where a competitive situation exists in the late stages of an offer period, the Executive will normally require revised offers to be published in accordance with an auction procedure (the terms of which will be determined by the Executive).

This will normally require final revisions to competing offers to be announced by the 46th day after the posting of the competing offer document but will allow an offeror to revise its offer within a set period in response to any revision announced by a competing offeror on or after the 46th day.

"Guillotine" – the Executive may impose a final time limit for announcing revisions to competing offers for the purpose of any procedure under Rule 16.5.

A new Note 2 to Rule 15.5 provides that if a competing offer is announced, both offerors will be bound by the timetable set by the posting of the competing offer document. The Executive will also extend "Day 60" for the purposes of any auction procedure under Rule 16.5.

A new Rule 31.4 further prevents a competing offeror whose offer has lapsed or any person acting in concert with such offeror from acquiring shares in the offeree company on terms better than those made available under its lapsed offer until each of the competing offers has either been declared unconditional in all respects or has lapsed.

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ANNOUNCEMENT OF RESULTS OF OFFER (Rule 19)

The announcement of whether an offer has been revised, extended, expired or become or been declared unconditional must be published on the Stock Exchange's website instead of through its teletext service.

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METHOD OF DISCLOSURE (Note 6(a) to Rule 22)

Public disclosure of dealings must be made:

- in writing to all offerors and the offeree company or their respective financial advisers;
- in electronic form to the Executive and, in the case of listed securities, to the Stock Exchange (Listing Division).

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INDEMNITY AND OTHER ARRANGEMENTS (Note 8 to Rule 22)

Rule 22 concerns disclosure of dealings in relevant securities during the offer period. The amended Note 8 extends the disclosure requirements to:

- arrangements involving rights over shares (including any irrevocable commitment), any indemnity arrangement and any agreement or understanding relating to the relevant securities which may be an inducement to deal or to refrain from dealing; and
- any subsequent changes to the terms of such arrangements.

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POTENTIAL OFFERORS (Note 13 to Rule 22)

Note 13 to Rule 22 requires private disclosure of dealings by potential offerors that have been the subject of an announcement that talks are taking place even though the potential offerors may not have been named.

The amended Note 13 clarifies that it applies to all subsequent potential offerors once the offer period commences.

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WHEN A SECURITIES OFFER IS REQUIRED (Rule 23)

A new Rule 23.2 requires that a full share offer must normally be made available to accepting shareholders after purchases of offeree shares have been made in exchange for shares.

The requirement does not apply to purchases of <10% of any class of the offeree company shares or where the purchase took place more than 3 months prior to the commencement of the offer period unless the vendors are directors of, or other persons closely connected with, the offeror or offeree company (Note 2 to Rule 23.2).

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WHEN A SECURITIES OFFER IS REQUIRED (Cont'd)

An obligation to make an offer in cash or provide a cash alternative also arises under Rule 23 unless the vendor is required to hold the shares received until the offer has lapsed or the offer consideration has been posted to accepting shareholders.

Vendor Placings

If an offeror (or its associates) arranges the immediate placing of the consideration shares for cash, shares acquired in exchange for securities will be deemed to be purchases for cash and no obligation to make a securities offer arises (Note 3 to Rule 23.2).

Management retaining an interest

In a management buy-out, if the only offeree shareholders receiving offeror securities are offeree management members, offeror securities need not be offered to all shareholders subject to compliance with Note 3 to Rule 25.

The Executive should be consulted in the case of acquisitions for a mixture of cash and securities or purchases in exchange for securities to which selling restrictions are attached during the offer period and within 6 months prior to its commencement.

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SHAREHOLDER LOANS (Rule 25)

A new note 5 to Rule 25 provides that the repayment to a shareholder of indebtedness due by an offeree company or the assignment by a shareholder of a debt due from the offeree, may be considered a special deal under Rule 25. The Executive will normally consent to such repayment or assignment if it is at arms length provided that a financial adviser's opinion that the transaction is fair and reasonable and independent shareholders' approval have been obtained.

PLACINGS (Note 7A to Rule 26)

Note 7A to Rule 26 has been amended to clarify that where a purchaser acquires just under 30% of a company's voting rights, the purchaser is ultimately responsible for making all necessary enquiries to ensure that there are no concert party holdings that might result in the concert group holding 30% or more.

Confirmation from the financial adviser or placing agent as to the independence of other placees is no longer required.

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EMPLOYEE BENEFIT TRUSTS ("EBTs") (New Note 20 to Rule 26.1)

A new note 20 to Rule 26.1 duplicates the note added to the London Takeover Code on EBTs.

The Executive will determine whether the trustees of an EBT are acting in concert with the board of directors or the controlling shareholder of a company in accordance with factors set out in the note. There is no general presumption that an EBT's trustees are acting in concert with the board or controlling shareholder.

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Note 1(i) ON DISPENSATIONS FROM RULE 26 (WHITEWASHES)

Note 1(i) provides that the Executive will not normally waive a general offer obligation if the whitewash applicant or its concert parties have acquired voting rights in the company in the 6 months before the announcement of the proposals but subsequent to "negotiations, discussions or the reaching of understandings or agreements with the directors of the company". The note has been amended to clarify that such discussions would include informal discussions. The Consultation Conclusions also stress that such discussions need not involve the full board.

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PLACING AND TOP-UP TRANSACTIONS (Note 6 on Dispensations from Rule 26)

Where a shareholder has held >50% of a company's voting rights for at least 12 months before a placing and top-up transaction, the transaction does not involve a change of control and is outside the Takeovers Code. The requirement for confirmation from the financial adviser or placement agent as to the independence of placees has been deleted.

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PARTIAL OFFERS

Partial offers can be divided into the following categories:

(i) Class A – those involving no change of control under Rule 26.1(a) to (d) (ie. partial offers within Rule 28.1(a) or (b):

- the offeror ends up holding < 30%
- the offeror starts at > 50% (and has been holding > 50% for the immediately preceding 12 months)

(ii) Class B – those involving change of control under Rule 26.1(a) to (d):

- the offeror starts at < 30% and ends up holding 30% or more
- the offeror starts at < 30% and ends up holding > 50%
- the offeror starts at between 30% and 50% and ends up increasing > 2% but to not more than 50%
- the offeror starts at between 30% and 50% and ends up by increasing more than 2% and over 50%

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PARTIAL OFFERS (CONT'D)

- Rules 28.2 (acquisitions prior to the offer) and 28.3 (acquisitions during and after an offer) will not apply to Class A as these types of offer do not involve any change or consolidation of control.

- The Rules will be amended so that all partial offers which result in the offeror holding between 30% and 50% will be allowed subject to the approval of independent shareholders holding > 50% of the voting rights.

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RECOMMENDED AND COMPETING OFFERS (Note 1 to Rules 31.1 and 31.2)

An amendment clarifies that the Executive may consent to an offeror making a further offer if the offeree proposes a whitewash or reverse takeover.

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CODE ON SHARE REPURCHASES

APPLICATION OF THE TAKEOVERS CODE TO SHARE REPURCHASES (Rule 5.1)

Amendments have been made to the Rules of the Takeovers Code specified in Rule 5.1 as being applicable to share repurchases by general offer and now also to off-market share repurchases.

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PARAGRAPH 1 OF SCHEDULE I (The Offeror)

Amendments:

- require disclosure of details (including the terms and conditions) of any agreements, arrangements or understandings to transfer securities acquired pursuant to an offer which are required to be disclosed under paragraph 1; and

- clarify that charges and pledges are agreements to transfer within paragraph 1.

PARAGRAPH 10 OF SCHEDULE I AND PARAGRAPH 13 OF SCHEDULE III (Market Price of Securities)

These require an offer document to include the market price of the offeree's securities and, in the case of a securities exchange offer, of the offeror's securities.

Amendments clarify that the offer document must include the market price for:

- the last trading day immediately preceding the "talks announcement" (if any);
- the last trading day immediately preceding the announcement of the offer under Rule 3.5; and
- at the end of each of the calendar months during the period commencing 6 months before the commencement of the offer period (the offer period commences on the date of an announcement of an offer or proposed offer with or without terms).

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FINANCIAL INFORMATION – Paragraph 12(a) of Schedule I, paragraph 6(a)(v) of Schedule II and paragraph 16(a)(v) of Schedule III

Amendments require the inclusion of any qualification to the auditors' report for each of the last 3 financial years or a statement that there is no such qualification.

FINANCIAL INFORMATION AND OUTLOOK – Paragraph 12(a)(v) of Schedule I

This paragraph requires a statement of material changes in the financial or trading position of the offeror since the last audited accounts. The requirement has been extended to cover material changes in the "outlook" of the offeror.

FINANCING OF OFFER – Paragraph 12(c) of Schedule I

This requires the offeror to disclose financing arrangements for the offer and whether they will depend on the offeree's business. An amendment states that the paragraph does not apply in the case of a privatisation with only cash consideration.

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SCHEDULES II (OFFEREE BOARD CIRCULAR) AND III (SHARE REPURCHASE OFFER DOCUMENT)

The words "*Except with the consent of the Executive, the document shall include the following information"* will be included in the preamble to both Schedules in case a waiver of disclosure is required.

DIRECTORS' SERVICE AGREEMENTS (Paragraph 13 of Schedule II)

Amendments clarify that disclosure is required of:

- continuous contracts with a notice period of 12 months or more;
- fixed term contracts with more than 12 months to run irrespective of the notice period; and
- contracts entered into or amended within 6 months before the commencement of the offer period (details of both the current and replaced or amended contracts are required).

If no Paragraph 13 disclosures are required, this should be stated.

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APPLICATION OF TAKEOVERS CODE TO WHITEWASHES – Paragraph 2(d) of Schedule VI

Amendments clarify the application to persons seeking a whitewash waiver of Rule 2.1 and Note 2 to Rule 2 (Appointment of Independent Financial Adviser and its competence), Rule 2.8 (Establishment of Independent Board Committee) and Rule 10 (Profit Forecasts and other Financial Information).

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DISQUALIFYING TRANSACTIONS – Paragraph 3 of Schedule VI

Amendments:

- clarify that a prior subscription of shares does not constitute a disqualifying transaction if fully disclosed in the whitewash circular;
- extend the disqualifying transaction period from the date of the general meeting to the completion of subscription; and
- clarify that any purchase of shares from a former substantial shareholder of the company in the 6 months after the whitewashed transaction is caught by the "6 month restriction" in the first paragraph of the special deal provisions in Rule 25 (new Note 2).

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WHITEWASH CIRCULAR (Paragraph 4(c) of Schedule VI)

"52%" is an error and has been amended to "50%".

DIRECTORS' VOTING INTENTION IN WHITEWASHES (Paragraph 4(k) of Schedule VI)

An amendment requires directors to state their voting intentions.

ARRANGEMENT WITH DIRECTORS – Paragraph 4(j) of Schedule VI

This now includes reference to paragraphs 10 (benefit given to director for loss of office) and 12 (material contract entered into by the offeror in which any director of the offeree company has a material personal interest) of Schedule II.

ISSUE OF NEW SHARES AND OFF-MARKET SHARE REPURCHASES – New Paragraph 11 to Schedule VI

A new Paragraph 11 has been added to state that an arrangement where potential controlling shareholders subscribe 30% or more (or more than 2% if they hold between 30% to 50%) new shares of a company and the company repurchases a substantial number of shares of the company from other shareholders in an off-market share repurchase will violate the Codes if an off-market repurchase whitewash is used to avoid a general offer. Any waiver of an obligation under Rule 26 in respect of such a transaction may be invalidated. The Executive can aggregate transactions or arrangements over a reasonable period of time.

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RECEIVING AGENTS' CODE OF PRACTICE – New Schedule VIII

The new Code of Practice regulates the qualification and conduct of the receiving agent and the offeree company's share registrar.

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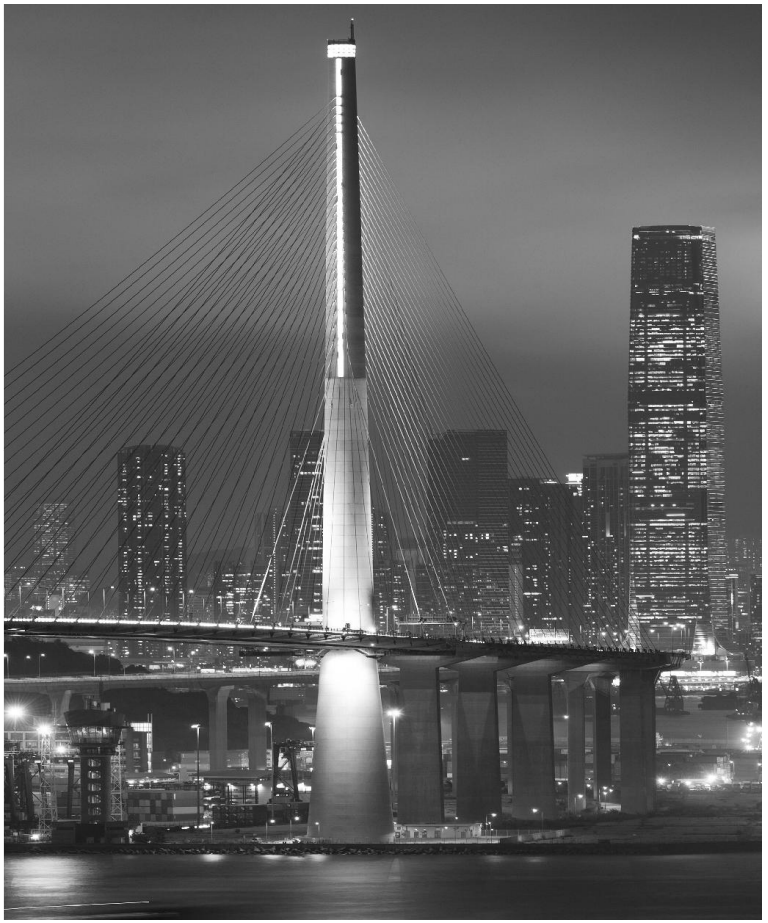

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