



Hong Kong Takeovers Code Update

This Hong Kong Takeovers Code Update covers two significant regulatory developments. First, the Securities and Futures Commission (**SFC**) has published [Issue No. 75 of its Takeovers Bulletin](#) (December 2025), providing important guidance on submission protocols and the treatment of securities held by connected exempt principal traders. Second, the SFC has announced a landmark settlement with Sino Wealth International Limited and Clear Prosper Global Limited in relation to breaches of the Codes on Takeovers and Mergers and Share Buy-backs concerning Giordano International Limited. This settlement, involving compensation payments to affected shareholders, underscores the critical importance of identifying and disclosing concert party relationships and highlights the consequences of failing to comply with mandatory offer obligations under the Takeovers Code.

SFC Takeovers Bulletin Issue No. 75 (December 2025)

Designated Email Address for Submissions

The SFC reminds market practitioners that Takeovers@sfc.hk has been the exclusive channel for all electronic communications relating to the Codes on Takeovers and Mergers and Share Buy-backs (the **Codes**) since 1 February 2025. Despite this, the Takeovers Team has observed that some practitioners continue to use the SFC's general mailbox for matters concerning offers or share buy-backs.

To ensure prompt delivery and avoid confusion or delays, all submissions under the Codes requiring the Executive's review or consideration must be sent exclusively to Takeovers@sfc.hk. Market practitioners should refrain from sending duplicate copies to the general mailbox and update their contact records accordingly.

Submission Requirements for Revised Documents

The Bulletin highlights persistent non-compliance with the detailed submission requirements outlined in [Practice Note 20](#) – Guidance note on announcements and documents under the Codes on Takeovers and Mergers and Share Buybacks, particularly concerning the presentation of changes to draft documents following receipt of the Executive's comments.

Paragraph 35 of Practice Note 20 requires that each subsequent draft document submission include:

- A response table addressing the Executive's comments and indicating the page numbers where revisions

have been made;

- A comparison version showing all amendments since the previous draft, with additions marked up and deletions shown as strikethroughs;
- The revised pages (including any pages amended for reasons unrelated to the Executive's comments); and
- A clean version of the complete revised document.

The SFC emphasises that practitioners bear responsibility for drawing the Executive's attention to material amendments and assessing their implications under the Codes. Adherence to these submission protocols facilitates early identification and timely resolution of any issues arising from the revisions, ultimately serving the interests of the practitioners' clients.

Treatment of Securities Held by Connected EPTs for Non-Discretionary Clients

The Bulletin addresses the position of exempt principal traders (**EPTs**) connected with an offeror or offeree company that hold securities on behalf of non-discretionary clients.

Under Rule 35.4 of the Takeovers Code, securities owned by a connected EPT cannot be voted in relation to the relevant offer. Additionally, Rule 35.3 prohibits a connected EPT from accepting an offer until it becomes or is declared unconditional as to acceptances.

However, the SFC recognises that connected EPTs may hold securities as custodian for clients who wish to accept an offer or vote on offer-related matters. Consistent with guidance in previous Takeovers Bulletins (Issues No. 53 and 56), the SFC will ordinarily disapply Rules 35.3 and 35.4 regarding securities held by a connected EPT as simple custodian for non-discretionary clients, provided that:

- Contractual arrangements strictly prohibit the EPT from exercising discretion in voting such securities or tendering them into an offer; and
- The connected EPT conducts appropriate due diligence and enquiries to verify that the underlying clients are eligible to vote or accept the offer.

Where a connected EPT intends to exercise voting rights attached to securities held for clients or tender such securities for acceptance before the acceptance condition is satisfied, early consultation with the Executive is required. The EPT should submit (no later than two business days before the relevant shareholders' meeting or tender date):

- A list identifying the relevant clients and the number of securities held for each;
- Confirmation of their eligibility to vote or accept the offer; and
- Details of their instructions.

Practice Note 9 has been revised to reflect the SFC's practice concerning securities held by connected EPTs as custodian for non-discretionary clients. Both [marked-up](#) and [clean](#) versions are available in the "[Regulatory functions – Corporates – Takeovers and mergers – Practice notes](#)" section of the SFC website.

SFC's Quarterly Activity Update

Between July and September 2025, the SFC Takeovers Team received 22 takeovers-related cases (comprising privatisations, voluntary and mandatory general offers, and off-market and general-offer share buy-backs); 4 whitewash and 78 ruling applications.

SFC Announces Settlement Relating to Concert Party Breaches Involving Giordano International Limited

On 16 February 2026, the Takeovers Executive of the SFC [announced](#) that it had reached a settlement agreement with Sino Wealth International Limited and Clear Prosper Global Limited in relation to what the Executive considers to be breaches of the Codes on Takeovers and Mergers and Share Buy-backs (the **Codes**) by their parent company, Chow Tai Fook Nominee Limited, and its concert parties (collectively, the **Relevant Concert Group**), including Best

Sincere Limited and Firstrate Enterprises Limited, in connection with dealings in shares of Giordano International Limited.

Following an extensive investigation into Giordano's shareholding structure, the Executive concluded that Best Sincere and Firstrate were acting in concert with the CTFN Group in relation to Giordano shares for the purposes of the Codes. This conclusion was based on multiple factors including the source of funding used by Best Sincere to acquire Giordano shares, fund flows between Best Sincere and Firstrate and members of the CTFN Group from 2016 to 2024, the long-standing relationships between current and past shareholders, directors and key personnel of the two companies and CTFN Group, and representations from shareholders and key personnel indicating that they acted on instructions from a senior employee within CTFN Group rather than as beneficial owners.

The Executive determined that two significant breaches of the Codes had occurred. First, on 18 May 2016, when Best Sincere purchased one million Giordano shares, the aggregate voting rights held by the Relevant Concert Group crossed the 30% threshold that triggers a mandatory general offer obligation under Rule 26.1 of the Takeovers Code. The failure to announce and make a general offer at the highest price paid by the concert group in the preceding six months (HK\$3.60 per share) constituted a breach of this fundamental provision. Second, in relation to a voluntary general offer announced by Clear Prosper in June 2022 at HK\$1.88 per share, the offer was allowed to lapse on 13 September 2022 on the basis that the 50% acceptance condition had not been met. However, if the shareholdings of Best Sincere and Firstrate had been properly taken into account as concert parties, the total voting rights held by the Relevant Concert Group together with accepting shareholders would have amounted to 55.09% of Giordano's issued share capital, meaning the offer should have been declared unconditional. The failure to declare the offer unconditional constituted a breach of Rule 5 of the Takeovers Code.

Under the settlement agreement signed on 31 October 2025 and effective as of 16 February 2026, Sino Wealth and Clear Prosper agreed to make cash payments to Giordano shareholders who held shares as at the dates of the relevant breaches (other than members of the Relevant Concert Group). Each relevant independent shareholder as at 18 May 2016 will receive, per Giordano share held, an amount equivalent to the difference between HK\$3.60 and the lower of two volume weighted average closing prices calculated over specified periods. Each relevant independent shareholder as at 13 September 2022 will receive, per Giordano share held, an amount equivalent to the difference between HK\$1.88 and the lower of two average closing prices calculated over 30-day periods. The amount payable per share is determined by comparing the prices at which shareholders should have had an opportunity to sell their shares under a compliant general offer with benchmark market prices.

In agreeing to the settlement, the Executive took into account past Takeovers and Mergers Panel decisions involving failures to discharge general offer obligations and compensation payments, the specific facts and circumstances of the case, and the time and costs that would be required for a disciplinary hearing. The SFC stated that it is satisfied the settlement is in the public interest and serves the interests of the investing public. The settlement highlights the critical importance of adhering to the requirements of the Codes, particularly the proper identification and disclosure of concert party relationships. The Executive reminded market participants that they are expected to conduct themselves in accordance with the Codes and should consult the Executive at the earliest opportunity if there is any doubt about the application of the Codes, including whether certain persons should be regarded as concert parties.

This enforcement action demonstrates that concert party relationships may be established through circumstantial evidence and need not be written or formal, but may be tacit or informal. As the Executive noted, evidence of persons acting in concert is typically circumstantial rather than direct, and the Executive examines all available information to determine whether it is reasonable to infer that parties have reached an agreement or understanding to actively cooperate to obtain or consolidate control of a company. The case serves as an important reminder that Rule 26.1, which embodies General Principle 2 of the Codes, is one of the most fundamental provisions in the SFC Takeovers Code and reflects the market's expectation on when an offer should be made to shareholders. Similarly, Rule 5 serves a critical role in ensuring certainty of all offers, whether mandatory or voluntary. Market participants must exercise particular care in identifying concert party relationships and ensuring full compliance with their obligations under the Codes.

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