

Enforcement Actions

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15 November 2005

SFC Criticises the Board of Directors of ITC Corporation Limited for Breaching Rule 21.3 of the Takeovers Code

The SFC criticises the board of directors of ITC Corporation Ltd for breaching Rule 21.3 of the Takeovers Code, which restricts share dealings and transactions by an offeror and parties acting in concert with it during securities exchange offers.

Rule 21.3 of the Takeovers Code states that “Except with the consent of the Executive, where the consideration under an offer includes securities of the offeror or a person acting in concert with it, neither the offeror nor any person acting in concert with it may deal in any such securities or conduct any on-market repurchase of such securities during the offer period”.

On 19 April 2005, Hanny Holdings Ltd announced that it would make a possible voluntary securities exchange offer for all shares of Group Dragon Investments Limited, a company to be established following completion of the group reorganisation of China Strategic Holdings Limited. As a result an offer period commenced under the Takeovers Code. As ITC held over 20% of the shares in Hanny, it was presumed to be acting in concert with Hanny under the Takeovers Code. It was in consequence subject to the restrictions in Rule 21.3 during the offer period.

On 21 October 2005, a wholly-owned subsidiary of ITC acquired 11 million Hanny shares for \$44 million, increasing ITC’s shareholding in Hanny from 20.61% to 25.48%. This acquisition of shares by ITC constitutes a breach of Rule 21.3 of the Takeovers Code.

The board of directors of ITC admits the breach and accepts the SFC’s criticism.

Hanny and ITC and their respective board of directors have also undertaken to put in place suitable measures to ensure future compliance with the Takeovers Code.

The Executive would like to remind all those involved in takeovers and mergers in

Hong Kong of the dealing restrictions in Rule 21 of the Takeovers Code, which include restrictions on share dealings in securities exchange offers. If there is any doubt about the application of the Takeovers Code, the Executive should be consulted at the earliest opportunity.

Ends

Notes to Editor:

1. For further information, please also see a joint announcement issued by Hanny and ITC today. The announcement can be found on the [HKEx website](#).

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