

1. This Practice Note aims to provide guidance on the interpretation of material contracts under the Code requirements.
2. Paragraph 9 of Schedule II to the Takeovers Code requires disclosure in the offeree board circular of details of every material contract entered into by the offeree company or any of its subsidiaries after the date two years before commencement of the offer period. A similar requirement exists for the offeror during a securities exchange offer under paragraph 26 of Schedule I.
3. Under Note 1(i) to Rule 8 mi7 ()10 (h)10 (e dat)1T(ak)10 (m)3 ov document or offeree board circular from the time the relevant document is published until the end of the offer period **or the date of the shareholders' meeting for whitewashes**, along with other documents required under Note 1. Typically these documents are also displayed on the websites of the **SFC** and the Stock Exchange (in the form of a hyperlink to the SFC's website) during such period.
4. Under the Codes, material contracts do not include contracts that are entered into in the ordinary course of business carried on or intended to be carried on by the offeree company or any of its subsidiaries (or the offeror or any of its subsidiaries, in the case of a securities exchange offer).
5. To assist issuers of documents and their advisers to comply with Code requirements and to ensure a consistent practice in the market, going forward, the Executive would expect that as a starting point, all contracts relating to discloseable transactions under the Listing Rules should normally be treated as material contracts for the purposes of the Code. Obviously, contracts for transactions with percentage ratios that reach the thresholds for major transactions, very substantial disposals, very substantial acquisitions and reverse takeovers under the Listing Rules would normally also be caught. This is not by any means an exhaustive list. If any contract that falls below the tests for discloseable transactions but is otherwise material and not entered in the ordinary course of the offeree company's business (or of the offeror,

offer period, the same tests as those set out in the Listing Rules to determine whether a transaction is a discloseable transaction are applied. The Executive believes this approach with respect to material contracts will help bring the two sets of regulatory requirements into further alignment to assist compliance by issuers and market practitioners.