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A periodic newsletter to help Á , ‘ r
better understand the Codes on Takeovers and Mergers and Share Repurchases

1. In this issue of the Takeovers Bulletin, the Executive informs readers that Practice Note 2 has been revised to clarify its application to profit forecasts and to reflect the Executive's approach regarding profit warning announcements.
2. The Executive revises Practice Note 6 to clarify the calculation of "see-through" prices in offers for convertible securities.
3. The Executive reminds market practitioners of the importance of early identification of Code implications and consultation with the Executive.
4. Finally, the Executive explains arrangements relating to offers affected by adverse weather conditions.

- Revised Practice Note 2
- Revised Practice Note 6
- Reminder on early identification of Code

Clarification on calculation of "see-through" price for convertible

Rule 13.1 of the Takeovers Code provides that where an offer is made for equity share capital and the offeree company has convertible securities outstanding, the offeror must make an appropriate offer or proposal to the holders of the convertible securities to ensure that their interests are safeguarded. The offeror is also required to make an appropriate offer or proposal to the holders of any warrants, options or subscription rights outstanding in respect of any class of equity share capital of the offeree company (see Rule 13.5). The purpose of Rule 13 is to safeguard the interests of holders of securities in their capacity as potential holders of shares with voting rights to which the share offer relates.

Normally the consideration under any offer or proposal in relation to convertible securities, warrants, options or subscription rights will be considered appropriate if it is based on the offer price for the relevant equity share capital and such "see-through" price should be regarded as the minimum offer price (see Note 1 to Rule 13). The market price of the relevant securities is not relevant to the calculation of the "see-through" price. The following example illustrates how the "see-through" price of convertible securities may be calculated:

Example:

An offeror is offering $2 for each ordinary share in the offeree company. Other than ordinary shares, the offeree company has in issue (i) options entitling holders to subscribe for ordinary shares at an exercise price of $1 per share and (ii) convertible notes with a face value of $100, which is convertible into ordinary shares at $4 per share.

The option offer - The see-through value of each option would be the difference between the offer price for each ordinary

In this regard, a “document” as defined under the Takeovers Code includes any announcement, advertisement or document issued or published by any party to an offer or possible offer in connection with such offer or possible offer. It also includes any

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