

Takeovers Executive of the SFC publicly criticises CICC Financial Trading Limited and China International Capital Corporation Limited in relation to breaches of Rule 22 of the Takeovers Code

Criticism on CICC Financial Trading Limited and China International Capital Corporation Limited

1. The Executive publicly criticises CICC Financial Trading Limited ("**CICCFT**") and China International Capital Corporation Limited ("**CICCL**") under section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs ("**Codes**") for breaching Rule 22 of the Code on Takeovers and Mergers ("**Takeovers Code**") as a result of their late disclosure of dealings in the relevant securities in two transactions governed by the Takeovers Code in 2019.
2. For the purposes of the Takeovers Code, both CICCFT and CICCL were (i) associates of Broadford Global Limited ("**Broadford**") in its mandatory general offer for the H shares of

and their respective related hedging transactions (collectively, the “**Permitted Trades**”) during an offer period. As the ETF Trades and the Index Futures Trades (together, the “**Derivative Trades**”) are trades relating to derivatives which were referenced to a basket or index including the relevant securities of either Dalian Port or Maanshan Iron that represented less than 1% of their respective class in issue and less than 20% of their respective value of the securities in the basket or index (“**Threshold**”), the Derivative Trades were not considered as having a connection with the Dalian Port Offer or the Maanshan Iron Offer (together, the “**Offers**”). Therefore, no disclosure for the Derivative Trades was required.

not considered “connected with an offer”, it became apparent then that CICCFT

which the reporting staff can extract data directly from the system instead of relying on operations teams' email reporting;

- (b) CICC Group will streamline its operations systems such that trade details can be centralised into one or two back office systems for easy co-ordination; and
- (c) CICC Group will strengthen its internal notification and compliance procedures whereby the internal guideline will be reviewed to set out more explicitly the reporting obligation for all products, in particular the more complex products.

Executive's comments

26. The disclosure obligations under Rule 22 of the Takeovers Code are intentionally onerous to reflect the fact that a high degree of transparency is essential to the efficient functioning of the market in an offeree company's shares and/or offeror company's shares in the case of a securities exchange offer during the critical period of an offer or possible offer. Timely and accurate disclosure of information in relation to dealings by the offeree company's or the offeror company's associates including advisers plays a fundamental role in ensuring that takeovers are conducted within an orderly framework and that the integrity of the markets is maintained. This is in line with General Principle 6 which provides that:

"All persons concerned with offers should make full and prompt disclosure of all relevant information and take every precaution to avoid the creation or continuance of a false market. Parties involved in offers must take care that statements are not made which may mislead shareholders or the market."

27. CICCFT and CICCL, as associates of Broadford and Baosteel, failed to make timely disclosure of details of their dealings in the relevant securities of Dalian Port and Maanshan Iron between 3 June 2019 and 26 June 2019 during the offer period. The late filings of dealings in relation to the Relevant Trades under Rule 22 of the Takeovers Code by CICCFT and CICCL is a breach of General Principle 6 as well as Rule 22 of the Takeovers Code. The Executive considers that the breach merits the present disciplinary action.

Note 5 to Rule 22

Disclosure must be made no later than 12.00 noon on the business day following the date of the transaction or, where dealings have taken place in the time zones of the United States no later than 12.00 noon on the second business day following the date of the transaction. The Executive should be consulted at the earliest opportunity if there is difficulty in meeting the deadlines set.

Note 6(a) to Rule 22

Dealings should be disclosed in writing to the Executive using the prescribed forms available on the SFC's website. The Executive will arrange for the posting of the disclosure on the SFC's website and on the Stock Exchange's website.

Persons proposing to engage in dealings should also acquaint themselves with the disclosure requirements of Part XV of the Securities and Futures Ordinance (Cap. 571).

If any person chooses to make an announcement regarding dealings in addition to making formal disclosure, that person must ensure that no confusion results.

Public disclosure may be made by the person concerned or by an agent acting on its behalf. Where there is more than one agent (e.g. a merchant bank and a stockbroker), particular care should be taken to ensure that the responsibility for disclosure is agreed between the parties and that it is neither overlooked nor duplicated.