

Takeovers Executive of the SFC publicly criticises Nomura International (Hong Kong) Limited and related party for breaches of Rules 8 and 10 of the Takeovers Code

Disciplinary action against Nomura International (Hong Kong) Limited and Lee Yuen Yee, Annisa

1. The Executive publicly criticises Nomura International (Hong Kong) Limited (**Nomura Hong Kong**) and Lee Yuen Yee, Annisa (**Ms Lee**) for failure to comply with certain requirements in the issuance of research reports and profit forecasts on West China Cement Limited (**West China**) during an offer period in breach of the Code on Takeovers and Mergers (**Takeovers Code**).

The West China Offer

2. On 27 November 2015, West China and Anhui Conch Cement Company Limited (**Anhui Conch**) jointly announced a possible offer by Anhui Conch for West China shares (**West China Offer**). An offer period for West China commenced on the same date. The making of the offer, valued at HK\$3.52 billion, was conditional on the completion of West China's proposed acquisition of various cement businesses from Anhui Conch. The offer period closed when the parties announced the lapse of the transaction on 30 June 2016.
3. In addition to ordinary shares, West China had also issued US\$400 million in five-year, 6.50% Senior Notes (**West China Bonds**) in September 2014.

Nomura Hong Kong and Ms Lee

4. Nomura Hong Kong is a member of the Nomura Group (**Nomura Group**), a major international financial institution and it is licensed to carry out a number of re1 013()-4(an)3(no)3(un)3(ced)]TJET(i)r 0 1 96.16 ETBTc.77 671.14 Tm (

7. Note 4 to Rule 8.1 further explains that a financial adviser to an offeror or offeree company should stop issuing research reports on the offeree company (and on the offeror as well in the case of a securities exchange offer) except with the Executive's prior consent. If these reports contain profit forecast statements, full compliance with the reporting requirement under Rule 10 is required.
8. Note 5 to Rule 8.1 contains a reminder about the verification and reporting obligations under the Takeovers Code in relation to profit forecasts, asset valuations and estimates of other figures key to an offer. Note 5 also states that the release of such information without compliance with the relevant Takeovers Code requirements may constitute a breach of the Takeovers Code regardless of whether such information is withdrawn.

Breaches of Rule 8.1 and Rule 10 of the Takeovers Code

9. Nomura Hong Kong was engaged as West China's financial adviser on 5 November 2015. West China was added to the Nomura Group's watch list on 5 February 2015 and its restricted list on 29 November 2015 following the commencement of the offer period. The watch list contains the names of all companies for which Nomura Hong Kong possesses inside information, typically through the conduct of its capital markets or corporate finance advisory businesses. It enables the Compliance Department to conduct surveillance of trading activity and research products to ensure that the Chinese Walls are functioning appropriately. Companies are named on the restricted list when securities laws, regulations or firm policies prohibit Nomura Hong Kong and its employees from engaging in certain types of client solicitation and trading involving them. The intent is to prevent

18. Section 1.7 of the Introduction to the Codes emphasises the importance of the role and responsibility of financial and professional advisers in the context of offers and states that it is part of their responsibility to use all reasonable efforts to ensure that their clients understand and abide by the requirements of the Codes. The conduct of Nomura Hong Kong and Ms Lee in this case fell short of the standards expected of a financial adviser and its staff under the Codes.
19. The Executive wishes to take this opportunity to remind practitioners and parties who wish to take advantage of the securities markets in Hong Kong that they should conduct themselves in matters relating to takeovers, mergers and share buy-backs in accordance with the Codes. In particular, the Executive expects financial and other professional advisers to have the competence, professional expertise and adequate resources to fulfil their role and to discharge their responsibility under the Codes. Advisers are expected to be conversant with the Codes as it is part of their responsibility to ensure their clients understand, and abide by, the requirements of the Codes as per section 1.7 of the Codes.

5 March 2018