

Takeovers Executive of the SFC publicly criticises CM Asset Management (Hongkong) Company Limited in relation to breaches of the dealing disclosure requirements under Rule 22 of the Takeovers Code

Disciplinary action against CM Asset Management (Hongkong) Company Limited

1. The Executive publicly criticises CM Asset Management (Hongkong) Company Limited (**CMAM**) for breaching Rule 22 of the Code on Takeovers and Mergers (**Takeovers Code**) as a result of its failure to disclose its dealings in the shares of Mengke Holdings Limited (**Mengke Holdings**) (now known as Champion Alliance International Holdings Limited) between 2 August 2018 and 30 October 2018 under Rule 22. CMAM accepts that it breached the Takeovers Code and agreed to the disciplinary action taken against it under section 12.3 of the Introduction to the Takeovers Code.

Breaches of Rule 22 of the Takeovers Code

7. Between 2 August and 30 October 2018, CMAM, acting as the investment manager of SVF, executed a total of 26 trades in Mengke Holdings' shares
(Relevant Dealings)

Takeovers Bulletin, and SEHK to keep abreast of the development of the takeovers regime in Hong Kong.

Executive's comments

11. The disclosure obligations in 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 an 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 associates 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."

12. Whilst the Executive recognises CMAM's cooperation in its review of this matter, the Executive considers the breaches merit the present disciplinary action. The fact remains that during the relevant period, CMAM failed to report multiple dealings in breach of Rule 22 and General Principle 6. CMAM accepts that the breaches suggest material deficiencies in its compliance systems and that adequate systems should have been in place to prevent the breaches.
13. 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 and mergers in accordance with the Takeovers Code. In particular, associates with a 5% or more interest in the offeree company or offeror company must report their dealings in the relevant securities of the offeree company (and of the offeror company in the case of a securities exchange offer) during an offer period in accordance with Rule 22 of the Takeovers Code. In case of doubt as to the application of Rule 22, the Executive should be consulted.

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