

An SFC newsletter to help participants in Hong Kong's financial markets better understand the Codes on Takeovers and Mergers and Share Buy-backs

We wish all readers a wonderful and healthy 2018!!

On 20 December 2017, we publicly censured Zhang Qiang for acquiring shares in Feishang Non-metal Materials Technology Limited within six months after the close of an offer at above the offer price in breach of Rule 31.3 of the Takeovers Code¹.

On 24 May 2017, Zhang made an unconditional mandatory general offer in cash for the shares of Feishang Non-metal Materials at \$0.70 per share. The offer closed on 14 June. On 25 July, Zhang made a series of on-market acquisitions of a total of 2,000,000 shares at prices ranging from \$1.47 to \$1.50 per share. After becoming aware of the breach of the Takeovers Code, Zhang sold all 2,000,000 shares on-market on 24 October, on 18 December.

Zhang submitted that the breach was not intentional. He has accepted that he breached Rule 31.3 and agreed to the current disciplinary action taken against him.

We wish to remind all those involved in takeovers and mergers in Hong Kong of the prohibition imposed by Rule 31.3. The rule provides shareholders with certainty that an offeror will not pay a price higher than the offer price for the shares in the offeree company in the six-month period after the close of an offer. As a result, it ensures that all shareholders of the offeree company are afforded equality of treatment in an offer as enshrined in General Principle 1 of the Codes on Takeovers and Mergers and

- Season's Greetings
- Public censure of Zhang Qiang for breaches of dealing restrictions
- forms for applications
- Quarterly update on Takeovers Team activities

¹ Rule 31.3 of the Takeovers Code prohibits a person and his concert parties from buying shares at prices higher than the offer price within six months after the end of the offer period.

