

Takeovers Executive of the SFC sanctions Mr Yeung Wing Yee for breaching Rule 26.1 of the Takeovers Code

Sanctions

1. The Securities and Futures Commission (SFC) publicly censures and imposes a 24-month cold shoulder order against Mr Yeung Wing Yee ("**Mr Yeung**") for breaching the mandatory general offer obligation under Rule 26.1 of the Code on Takeovers and Mergers ("**Takeovers Code**"). Mr Yeung will be denied direct or indirect access to the Hong Kong securities market for a period of 24 months commencing on 30 August 2017 to 29 August 2019.

Background and key facts

2. Mr Yeung first invested in Union Asia Enterprise Holdings Limited ("**Union Asia**") on 8 July 2016. As at 29 July 2016, he was holding an approximate 23.13% interest.
3. On 1 August 2016, Mr Yeung bought 227,760,000 shares in Union Asia ("**Shares**") and increased his shareholding interest from approximately 23.13% to approximately 31.13%. On 3 August 2016, Mr Yeung acquired an additional 49,480,000 Shares and further increased his shareholding interest in Union Asia to 32.87% (collectively, the "**Acquisitions**").
4. On 3 August 2016, through Mr Yeung's disclosure of interest notice filed under Part XV of the Securities and Futures Ordinance (Cap. 571), Union Asia's board of directors was notified of Mr Yeung's shareholding interest and noted that Mr Yeung might have triggered a mandatory general offer obligation ("**the Offer**"). Union Asia then made enquiries as to Mr Yeung's intentions on the making of the Offer. In response, Mr Yeung's legal adviser indicated that Mr Yeung did not intend to make the Offer.
5. On 4 August 2016, trading in Union Asia shares was halted pending the release of an announcement in relation to this matter.
6. On the same day, Mr Yeung made written submissions to the Executive through his legal adviser stating that he had no intention to acquire control of Union Asia and did not recognise that he had incurred an obligation to make an offer. Although Mr Yeung indicated that he was not prepared to make the Offer, the Executive reminded Mr Yeung of the mandatory general offer requirement under Rule 26.1 of the Takeovers Code and the importance of complying with such a requirement forthwith.
7. On 8 August 2016, Union Asia issued an announcement stating that Mr Yeung had triggered the Offer but he had no intention to make the Offer. The announcement also stated that the SFC was considering taking appropriate actions in view of the Acquisitions.

Relevant provisions of the Takeovers Code and discussion

8. Rule 26.1 of the Takeovers Code provides that:

“Subject to the granting of a waiver by the Executive, when...

- (a) any person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company; ...*

that person shall extend offers, on the basis set out in this Rule 26, to the holders of each class of equity share capital of the company, whether the class carries voting rights or not ...;”

9. It follows that a mandatory general offer obligation was triggered on 1 August 2016 when Mr Yeung’s interest in Union Asia crossed the 30% threshold and reached 31.13%. No general offer has been made.

Sanctions against Mr Yeung

10. The Executive has carefully considered the evidence in this case including Mr Yeung’s submissions that he was sincerely apologetic about this incident, he was ignorant of the relevant requirements of the Takeovers Code and had failed to seek professional advice. On 9 August 2016, the day on which the Shares resumed trading, Mr Yeung disposed of 88,680,000 Shares such that his shareholding interest fell below 30%.
11. Mr Yeung accepts that he has breached Rule 26.1(a) of the Takeovers Code and deprived Union Asia’s shareholders of the right to receive a general offer for their Shares.
12. Rule 26.1 is one of the most fundamental provisions in the Takeovers Code. The Executive expects persons who are actively engaged in the securities market to comply with the Takeovers Code which includes seeking professional advice as and when needed. Mr Yeung fell short of the standards expected of him, and his conduct in this matter amounts to a disregard of the Takeovers Code which merits strong disciplinary action. Mr Yeung has accepted the disciplinary action taken against him under section 12.3 of the Introduction of the Takeovers Code.
13. The Executive takes 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 Takeovers Code. If they do not, they may find that the facilities of such markets are withheld by way of sanction in order to protect those who participate in them.

30 August 2017

SECURITIES AND FUTURES COMMISSION

**Order pursuant to section 12 of the Introduction to the Hong Kong Codes on
Takeovers and Mergers and Share Buy-backs**

Mr Yeung Wing Yee

The Executive Director of the Corporate Finance Decision of the SFC ("Executive Director") hereby **REQUIRES** that all licensed corporations, licensed representatives, registered institutions within the meaning of the Securities and Futures Ordinance (Cap. 571) and relevant individuals within the meaning of section 20(10) of the Banking Ordinance (Cap. 155) shall not, without the prior consent of the Executive in writing:

- act or continue to act directly or indirectly in their capacity as licensed corporations, licensed representatives and registered institutions or relevant individuals for Mr Yeung Wing Yee or any corporation controlled by him (as defined in the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs); or
- knowingly assist directly or indirectly in a breach of this Order;

during the period commencing on 30 August 2017 and ending on 29 August 2019.

BY ORDER



Mr Brian Ho

Executive Director

30 August 2017