

Takeovers Executive of the SFC sanctions Ms Zuo Ping for breaching Rule 26.1 of the Takeovers Code

Sanctions

1. The Securities and Futures Commission (SFC) today publicly censures and imposes a six-year cold shoulder order against Ms Zuo Ping (**Ms Zuo**) for breaching the mandatory general offer obligation under Rule 26.1 of the Code on Takeovers and Mergers (**Takeovers Code**) in respect of her dealings in the shares in CBK Holdings Limited (**CBK**). Ms Zuo will be denied direct or indirect access to the Hong Kong securities market for six years from 15 November 2024 to 14 November 2030.

Background and key facts

2. On 24 October 2023, Ms Zuo opened a brokerage account with uSmart Securities Limited (**uSmart**). Then, between 2 and 20 November 2023, she made a number of acquisitions and disposals of CBK shares (**Shares**) on the market via uSmart, resulting in a net holding of 28,200,000 Shares.
3. As a result of these dealings, Ms Zuo's shareholding interest in CBK increased from 0% to 30.22% of its then issued share capital on 20 November 2023, triggering a mandatory general offer obligation under Rule 26.1 of the Takeovers Code.
4. Ms Zuo bought another 700,000 Shares on 24 November 2023 and subsequently disposed of 40,000 Shares on 28 November 2023. These dealings further increased her shareholding to 28,860,000 Shares, which represented 30.93% of CBK's then issued share capital. The highest price paid by Ms Zuo for her acquisitions of the Shares in November 2023 (**November Acquisitions**) was \$1.84 per Share.
5. Ms Zuo did not notify CBK of the November Acquisitions at the material time or make timely disclosure in accordance with Part XV of the Securities and Futures Ordinance (Cap. 571) (**SFO**).
6. On 11 December 2023, Ms Zuo informed CBK of the November Acquisitions in writing. She claimed that her breach of Rule 26.1 of the Takeovers Code was inadvertent and she had no intention to make a general offer because of insufficient financial resources. CBK disclosed the same in its announcement dated 18 December 2023.
7. The Executive found that, at the time of the breach, Ms Zuo directly held a substantial shareholding interest (as defined under the SFO) in the parent company of a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO (**Licensed Corporation**). In addition, she was a director of two substantial shareholders of the parent company of the Licensed Corporation at the time.
8. Upon enquiry by the Executive, Ms Zuo claimed that her breach was unintentional due to an inadvertent oversight of the Takeovers Code, and she accepted that her breach of Rule 26.1(a) of the Takeovers Code had deprived CBK's shareholders of the right to receive a general offer for their Shares. She also apologised for her breach.

Relevant provision of the Takeovers Code

9. 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...”

10. As Ms Zuo’s dealings in the Shares between 2 November 2023 and 20 November 2023 had triggered a mandatory general offer obligation for the Shares on 20 November 2023 but no general offer was made at that time, Ms Zuo therefore breached Rule 26.1(a) of the Takeovers Code.

Sanctions against Ms Zuo

11. The Executive has carefully considered the evidence in this case, including Ms Zuo’s representations. Ms Zuo accepted that she had breached Rule 26.1(a) of the Takeovers Code and cooperated with the Executive in the SFC’s enquiry process.

12. Rule 26.1 is one of the most fundamental provisions of the Takeovers Code. At the time of the breach, Ms Zuo held directorships in two controlling shareholders of the parent company of a licensed corporation and also indirectly held a substantial shareholding interest (as defined under the SFO) in the licensed corporation. Through a then newly opened brokerage account, she increased her shareholding interests in CBK from 0% to over 30% in about two weeks in November 2023.

13. Given Ms Zuo’s background, it is reasonable to expect that she should have been aware of the rules and regulations concerning changes in significant shareholding in listed companies in Hong Kong and should have made necessary enquiries and sought professional advice about the implications of the November Acquisitions under the Takeovers Code before the transactions. Nonetheless, she acquired more than 30% interest in a listed company in a short span of about two weeks shortly after opening a brokerage account for this purpose, and continued to make more purchases thereafter.

14. The Executive expects persons who are actively engaged in the securities market to comply with the Takeovers Code. These include consultation with professional advisors as and when needed. In case of doubt, relevant individuals should consult the Executive at the earliest opportunity before embarking on a course of action which might have implications under the Takeovers Code.

15. Ms Zuo’s conduct fell short of the standards expected of her and amounts to a disregard of one of the most fundamental provisions of the Takeovers Code. This merits strong disciplinary action. She has accepted the disciplinary action taken against her under section 12.3 of the Introduction to the Takeovers Code.

16. 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 and the Share Buy-backs Code. Otherwise, they may find that the facilities of such markets are withheld from them by way of sanction in order to protect participants of Hong Kong's securities markets.

15 November 2024

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**

Ms Zuo Ping

The Executive Director of the Corporate Finance Division of the Securities and Futures Commission (**Executive**) hereby **REQUIRES** that all licensed corporations, licensed representatives and 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 written consent of the Executive:

- act or continue to act directly or indirectly in their capacity as licensed corporations, licensed representatives, registered institutions or relevant individuals for Ms Zuo Ping or any corporations controlled by her (as defined in the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs) other than CBK Holdings Limited and its subsidiaries (within the meaning of 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 15 November 2024 and ending on 14 November 2030.

BY ORDER



Michael Daignan

Executive Director, Corporate Finance Division

15 November 2024