

The Report of the Market Misconduct Tribunal on whether
any market misconduct has taken place in relation to the listed securities of
Bloomage BioTechnology Corporation Limited
(ex-stock code: 963)

**A report pursuant to section 262(1) of the Securities and Futures
Ordinance, Cap 571**

Commencement of proceedings.

1. On 31 March 2023, the Tribunal received a notice from the Securities and Futures Commission (the ‘SFC’) requiring it to determine whether a single specified person, Mr. Wu Kam Shing (‘Mr. Wu’), had engaged in market misconduct by way of insider dealing when trading in the shares of a company called Bloomage BioTechnology Corporation Limited (‘Bloomage’).
2. By way of a broad outline, the allegations of insider dealing made against Mr. Wu had arisen as follows.
3. On 3 October 2008, Bloomage had been listed on the Main Board of the Stock Exchange of Hong Kong. Some nineteen years later, however, a scheme of privatisation was presented to the market and, on 1 November 2017, its listing was withdrawn.
4. It was within the context of this scheme of privatisation that the SFC asserted that Mr. Wu, in trading in the shares of Bloomage, had been culpable of insider dealing.
5. In this regard, it was asserted by the SFC that the scheme of privatisation had become known to Mr. Wu at a time when it constituted confidential information and was not known to the market.

6. This information had become known to Mr. Wu because, at all material times, he had been a senior executive with China CITIC Bank International Limited ('CITIC') which, in or about March 2017, had commenced negotiations with Grand Full Development Limited, a company seeking the necessary loan to enable it to finance the scheme of privatisation.

7. More than that, in addition to being a senior executive of CITIC, Mr. Wu had, at all material times, held the position of Executive Deputy General Manager of Business Finance in that section of CITIC most directly involved in negotiating the terms of the loan and, as such, had, among other matters, attended meetings at which the terms of loan had been discussed and had, in addition, been copied into relevant emails and other documents.

8. The negotiations with Grand Full Development Limited had been successfully concluded on 22 May 2017 when the required loan had been approved by CITIC. Mr. Wu, it was said, knew of this and indeed, in order to take advantage of this information - as yet unknown to the market - had commenced purchasing Bloomage shares that same day.

9. It was only some three weeks later, on 15 June 2017, that trading in Bloomage shares had been suspended pending the publication of an announcement containing price sensitive information. Four days later, on 19 June 2017, the scheme of privatisation was announced, becoming generally known to the market.

10. It was integral to the SFC case against Mr. Wu that, although he had not previously traded in the securities of Bloomage, he had commenced purchasing shares on 22 May 2017, using securities accounts in his own name and/or the name of his wife, his wife's accounts at all times being under his control.

11. As to the number of shares acquired at this time, it was asserted that between 22 May and 15 June 2017, when trading in Bloomage equities was suspended, Mr. Wu purchased 10,000 shares in his own name at a total cost of HK\$131,700 and 1,265,000 shares through accounts held in his wife's name at a total cost of HK\$16.46 million.

12. Following the public announcement of the privatisation scheme and thereafter the resumption of trading in Bloomage shares, Mr. Wu sold all the shares in that company purchased in his own name and just over 1 million of the shares purchased through the accounts held in the name of his wife. The balance of the shares was cancelled in accordance with the terms of the privatisation scheme at the price set by the scheme.

13. It was calculated by the SFC that, as a result of this alleged insider trading, Mr. Wu had gained a profit - either in his own name or the name of his wife - of HK\$2,971,604.43.

The proceedings.

14. It should be mentioned that, with the consent of the parties, as all issues were eventually agreed, including issues of liability and appropriate penalties, the Chairman presided over the proceedings alone. No members were appointed.

Admission of liability by Mr. Wu.

15. On 28 August 2023, a detailed Statement of Agreed and Admitted Facts was filed with the Tribunal. The statement, which constituted a full admission of liability by Mr. Wu, was signed on behalf of the SFC and was also signed on behalf of Mr. Wu by his legal representatives.

16. A copy of the statement - which sets out in greater detail the matters referred to above - is annexed to this report marked 'A' and is to be read as being incorporated into it.

17. More particularly, having considered the statement and, where necessary, the relevant background evidence, the Tribunal was satisfied that the admissions of culpability made by Mr. Wu were informed and correct and could be accepted as proof of guilt.

18. Accordingly, the Tribunal found Mr. Wu to be culpable of insider dealing, the amount of profit gained from that market misconduct being HK\$2,971,604.43.

Agreement as to the nature and extent of penalties.

19. In respect of penalties to be imposed on Mr. Wu, the Tribunal was convened on 21 September 2023 to hear submissions. At the hearing, the Tribunal was informed that, sensibly, counsel for both the SFC and Mr. Wu had discussed matters to see if - subject, of course, to the agreement of the Tribunal - appropriate penalties could be agreed. The Tribunal was informed that discussions had been successful and proposed penalties were jointly advanced by counsel.

20. Having considered what was proposed, the Tribunal ruled at the hearing that, in its opinion, the penalties were, each and all, well within the parameters of what was appropriate and reasonable, taking into account, as best as possible, what was required to protect the interests of the market and the personal mitigating circumstances of Mr. Wu, more especially his personal contrition and, as evidence of that fact, his co-operation with the SFC and the Tribunal.

21. In the result, the penalties imposed were as follows; namely, that -

1. Pursuant to section 257(1)(a) of the Ordinance, for a period of 36 months, Mr. Wu shall not, without the leave of the Court of First Instance:
 - (a) Be or continue to be a director, liquidator, or receiver or manager of the property or business, of any listed or unlisted corporation in Hong Kong; or
 - (b) In any way, whether directly or indirectly, be concerned or take part in the management of any listed or unlisted corporation in Hong Kong.

2. Pursuant to section 257(1)(b) of the Ordinance, Mr. Wu shall not, without the leave of the Court of First Instance, in Hong Kong, directly or indirectly, in any way acquire, dispose of or otherwise deal in any securities, futures contract or leverage foreign exchange contract, or an interest in any securities, futures contract, leveraged foreign contract or collective investment scheme for a period of 36 months.

3. Pursuant to section 257(1)(c) of the Ordinance, Mr. Wu shall not again perpetrate any conduct which constitutes the market misconduct of:
 - (a) Insider dealing under section 270 of the Ordinance;
 - (b) False trading under section 274 of the Ordinance;
 - (c) Price rigging under section 275 of the Ordinance;
 - (d) Disclosure of information about prohibited transactions under section 276 of the Ordinance;

- (e) Disclosure of false or misleading information inducing transactions under section 277 of the Ordinance; and
 - (f) Stock market manipulation under section 278 of the Ordinance.
4. Pursuant to section 257(1)(d) of the Ordinance, Mr. Wu shall pay to the Government a sum of HK\$2,971,604.43 as a result of the market misconduct in question.
 5. Pursuant to section 257(1)(e) of the Ordinance, Mr. Wu shall pay to the Government costs and expenses reasonably incurred by the Government in relation or incidental to these proceedings, to be taxed if not agreed.
 6. Pursuant to section 257(1)(f)(i) of the Ordinance, Mr. Wu shall pay to the SFC costs and expenses reasonably incurred by the SFC in relation or incidental to these proceedings, to be taxed if not agreed, with a certificate for two counsel.
 7. Pursuant to section 257(1)(f)(ii) and (iii) of the Ordinance, Mr. Wu shall pay to the SFC costs and expenses reasonably incurred in relation or incidental to the investigation carried out before these proceedings were instituted as well as the investigation carried out for the purposes of these proceedings, in the agreed sum of HK\$709,328.
 8. Pursuant to section 257(1)(g) of the Ordinance, the Accounting and Financial Reporting Council be recommended to take disciplinary action against Mr. Wu.

9. Pursuant to section 264(1) of the Ordinance, notice be given to the Registrar of the High Court for this Order to be registered in the Court of First Instance.
10. Pursuant to section 264(2) of the Ordinance, this Order be filed with the Registrar of Companies as soon as reasonably practicable.

A handwritten signature in black ink, appearing to read 'M. Hartmann', with a long horizontal stroke extending to the right.

Mr. Michael Hartmann, GBS

(Chairman)

Dated 29 July 2024

MARKET MISCONDUCT TRIBUNAL

**IN THE MATTER OF THE LISTED SECURITIES OF
BLOOMAGE BIOTECHNOLOGY CORPORATION LIMITED
(EX-STOCK CODE: 963)**

STATEMENT OF AGREED AND ADMITTED FACTS

The facts and matters set out in this Statement of Agreed and Admitted Facts (this “**Statement**”) are agreed and accepted by Securities and Futures Commission (the “**SFC**”) and the Specified Person Wu Kam Shing (“**Mr Wu**”).

The SFC and Mr Wu agree that the Market Misconduct Tribunal (the “**Tribunal**”) may and invite it to make a determination under section 252(3) of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) on the basis of the facts and matters set out herein.

Unless otherwise stated, references in square brackets are to the Exhibit Bundles (“**EB**”) and Witness Evidence Bundles (“**WB**”) filed with the Tribunal in the format [EB or WB or EE/ Bundle/ Tab/ Page].

A. Introduction

1. Bloomage BioTechnology Corporation Limited (“**Bloomage**”) was a company whose shares were listed on the Main Board of the Stock Exchange of Hong Kong (“**SEHK**”) from 3 October 2008 to 1 November 2017 (then with stock code 963), when its listing was withdrawn following a scheme of privatisation.
2. At all material times:
 - (1) Mr Wu was the Executive Deputy General Manager of Business Finance in the Wholesale and Cross-border Banking Group (“**WBG**”) in China CITIC Bank International Limited (“**CITIC Bank**”);
 - (2) His responsibilities included, *inter alia*, managing budgets so that WBG could meet its business needs, in particular ensuring the availability of funds so that WBG could extend the loans which it anticipated to extend to its customers;

- (3) He was the sole income earner in the family. His wife Ip Yee Man (“Ms Ip”) was a housewife with no income;
- (4) His annual income was around HK\$2.77 million and the family had a net worth of around HK\$26.65 million in 2017.
3. In or around March 2017, WBG started working on a loan transaction (the “Loan”) to finance Grand Full Development Limited (“Grand Full”) to make an offer to privatise Bloomage (the “Privatisation”).
4. Grand Full was at all material times wholly owned by Ms Zhao Yan (“Ms Zhao”), who was also the chairperson and an executive director of Bloomage owning, directly or indirectly, no less than 50.36% of the issued shares of Bloomage. Pursuant to section 3(b)(ii) in Schedule 1 to the SFO, Grand Full was a related corporation of Bloomage.
5. On 10 and 22 May 2017, meetings of the Credit Committee of CITIC Bank (“CC”) were held to, *inter alia*, discuss the Loan. The Loan was approved at the meeting on 22 May 2017.
6. On 15 June 2017, trading in Bloomage shares was suspended pending the issue of an announcement containing price sensitive information. The closing price of the shares on that day was HK\$14.3 per share.
7. On 19 June 2017, Bloomage and Grand Full issued a joint announcement regarding the Privatisation (the “Joint Announcement”).
8. Grand Full proposed to privatise Bloomage by way of a scheme of arrangement where all shares in Bloomage other than those held by Grand Full and its related parties would be cancelled in exchange for HK\$16.30 per share payable by Grand Full (the “Cancellation Price”).
9. On 20 June 2017, trading in Bloomage shares resumed. Bloomage’s share price rose from the previous closing price of HK\$14.3 per share to close at HK\$15.38 per share.

B. Inside Information

10. The SFC has retained an independent securities market expert, Mr Tsang Sze Wai, Claudius (“Mr Tsang”), to opine on whether the information that Grand Full had approached CITIC Bank for, and that CITIC Bank would or that its bankers were proposing to grant, the Loan to finance the Privatisation (the “Information”), constitutes “inside information” within the meaning of section 245(2) of the SFO. Mr

Tsang has produced reports dated 24 February 2020 and 6 March 2023 (the “**Expert Reports**”).¹ Mr Wu agrees to and accepts the contents of the Expert Reports.

11. As stated in the Expert Reports:

- (1) The Information was specific information about Bloomage and its listed securities;
- (2) The Information was not, before the Joint Announcement was made on 19 June 2017, generally known to persons who were accustomed, or would have been likely, to deal in the shares of Bloomage, but would if generally known to them before then have been likely to increase the price of Bloomage shares by around 22-33% (which increase is material); and
- (3) The Information was accordingly “inside information” within the meaning of section 245(2) of the SFO.

C. Mr Wu’s Possession of the Information

12. Mr Wu had the Information by reason that:

- (1) He was the Executive Deputy General Manager of Business Finance in WBG within CITIC Bank;
- (2) He attended meetings within WBG where the Loan and the Privatisation were mentioned;
- (3) He received, was copied on, and had access to emails and other documents of CITIC Bank which mentioned Grand Full and the Loan,

and he knew that the Information was inside information in relation to Bloomage.

13. In particular:

- (1) On 21 April 2017, Mr Wu received an email from Mr Peng Jianyin, the Deputy Head of WBG, under subject heading “*WBG pipeline 21 B HKD*”, which stated, *inter alia*, that a “*HuaXi 3.5 B*” loan was expected to be submitted for approval and drawn down “*at end of 4Q*”. “Hua Xi” was the Chinese name of Bloomage.

¹ The Expert Reports are produced at [WB/E/16/2837-2849] and [WB/E/17/2850-2856].

- (2) On 8 May 2017, Mr Wu attended a bi-weekly management meeting of WBG, where Mrs Fanny Lui of WBG, who was one of the relationship managers for Grand Full's credit/ loan application, stated, *inter alia*, that one of the major deals to be submitted for approval soon was "*Project Chemical*". "*Project Chemical*" was the project name of the Loan transaction.
 - (3) On 9 May 2017, Mr Wu received the agenda for an upcoming CC meeting on 10 May 2017. The first item on the agenda was a new credit/ loan application for "*Grand Full Development Ltd – Zhao Yan Group*" for HK\$3,922,000,000. "Zhao Yan" was Ms Zhao, the chairperson as well as the ultimate majority and controlling shareholder of Bloomage.
 - (4) On 10 May 2017, Mr Wu received an email under subject heading "*ACCOUNT TRANSFER: from RM Code of C0760 to C6302 – Bloomage Biotechnology Corporation Ltd (Urgent)*" on transferring the accounts of Bloomage and Grand Full from the China and Cross-border Banking unit in WBG to the Multinational and Cross-border Banking unit in WBG. In the Account Transfer Form attached to the email:
 - (a) the transfer was stated to be prompted by a "*credit facility package*" for the two named companies, which was to be tabled for discussion on 10 May 2017;
 - (b) Grand Full was stated to be a "*related company*" of Bloomage.
 - (5) On 19 May 2017, Mr Wu received the agenda for an upcoming CC meeting on 22 May 2017. The third item on the agenda was the credit/ loan application for "*Grand Full Development Ltd – Zhao Yan Group*" for HK\$3,922,000,000.
 - (6) On 22 May 2017, CC unanimously approved the Loan. Mr Wu knew about the approval from his colleagues shortly thereafter.
 - (7) On 5 June 2017, Mr Wu attended a bi-weekly management meeting of WBG. Mrs Fanny Lui stated that "*total facility of HK\$3.9B for Project Chemical*" had been approved.
14. The Loan and the purpose of the Loan (i.e. to finance the Privatization) were mentioned at management meetings of WBG which Mr Wu attended.

D. Mr Wu's Connection with Bloomage

15. Mr. Wu: (a) was a person connected with Bloomage; (b) received the Information from persons connected with Bloomage; and/or (c) received the Information from persons contemplating making a takeover offer for Bloomage.

16. First, Mr Wu was a person connected with Bloomage within the meaning of section 247(1) of the SFO as he occupied a position which may reasonably be expected to give him access to inside information in relation to Bloomage by reason of a business relationship existing between his employer CITIC Bank and its related corporation, Grand Full.

17. Second, Mr Wu received the Information from persons connected with Bloomage:
 - (1) He received, directly or indirectly, from colleagues in WBG in CITIC Bank who were working on the Privitisation, the Information which he knew to be inside information in relation to Bloomage.
 - (2) He knew that those colleagues were connected with Bloomage by reason of their positions in the bank which may reasonably be expected to give them access to inside information in relation to Bloomage by reason of a business relationship between the bank and Grand Full.
 - (3) He also knew or had reasonable cause to believe that they had the Information as a result of being so connected.

18. Third, Mr Wu received the Information from persons contemplating making a takeover offer for Bloomage:
 - (1) He received the Information, which he knew to be inside information, indirectly from Grand Full.
 - (2) He knew from the very Information that Grand Full was contemplating making a takeover offer for Bloomage.

E. Mr Wu's Dealings in Bloomage Shares

19. Mr Wu had securities account at, amongst others, the following firms:
 - (1) Bright Smart Securities International (H.K.) Limited: account no. M0995573;
 - (2) Haitong International Securities Company Limited: account no. 02-00130680-33.

20. At all material times, Mr Wu also controlled and had access to securities accounts opened and maintained in Ms Ip's name at, amongst others, the following firms:
 - (1) CITIC Bank: account no. 709217454600;
 - (2) The Hongkong and Shanghai Banking Corporation: account no. 811-052851-380;
 - (3) Interactive Brokers Hong Kong Limited: account no. U9363995.
21. Whilst in possession of the Information, Mr Wu dealt in Bloomage shares through the 2 securities accounts in his name as stated in paragraph 19 above and 3 securities accounts in the name of his wife Ms Ip as stated in paragraph 20 above.
22. Mr Wu started buying Bloomage shares on 22 May 2017, the day when the CC approved the Loan for the Privatisation. Prior to that, neither Mr Wu nor Ms Ip had traded in Bloomage shares.
23. Between 22 May 2017 and 15 June 2017, Mr Wu:
 - (1) purchased 10,000 Bloomage shares through accounts in his name at an average price of HK\$13.17 per share and a total cost of HK\$131,700;
 - (2) purchased 1,265,000 Bloomage shares through accounts in Ms Ip's name at an average price of HK\$13.01 per share and a total cost of HK\$16.46 million.
24. To make the purchases in Bloomage shares, Mr Wu had to and did mobilize substantial funds from the family's assets, including liquidating the other stocks in the stock portfolio in his or Ms Ip's name.
25. In less than one month (i.e. between 22 May 2017 and 15 June 2017), Mr Wu invested a total of HK\$16.6 million in Bloomage shares. Such an investment represented (i) around 6 times the family's annual household income, (ii) two-thirds of the family's total assets and (iii) almost the entirety of the stock portfolio in each of Mr Wu and his wife's names.
26. Trading in Bloomage shares was suspended on 15 June 2017 and resumed on 20 June 2017, the day after Bloomage and Grand Full issued the Joint Announcement.
27. Following the resumption of the trading in Bloomage shares:

- (1) On 20 June 2017, Mr Wu sold all 10,000 Bloomage shares in the accounts in his name;
 - (2) Between 20 June 2017 and 6 October 2017, Mr Wu sold 1,007,500 Bloomage shares in the accounts in Ms Ip's name;
 - (3) On 3 November 2017, the remaining 257,500 Bloomage shares in the accounts in Ms Ip's name were cancelled pursuant to the Privatisation at the Cancellation Price.
28. The amount of profit gained by Mr Wu as a result of the above trading of Bloomage shares through the accounts in Mr Wu's name and Ms Ip's name is HK\$2,971,604.43.

F. Market misconduct under section 270 of the SFO

29. By reason of the aforesaid matters:

- (1) Mr Wu was a person connected with Bloomage and, whilst in possession of the Information which he knew was inside information in relation to Bloomage, dealt in Bloomage shares as set out in paragraph 23 above. As such, he engaged in insider dealing within the meaning of section 270(1)(a) of the SFO.
- (2) Mr Wu received the Information from colleagues in WBG who were working on the Privatisation, knew the Information to be inside information in relation to Bloomage, knew that his colleagues were connected with Bloomage, knew or had reasonable cause to believe that the colleagues had the Information as a result of being connected with Bloomage, and dealt in Bloomage shares as set out in paragraph 23 above. As such, he engaged in insider dealing within the meaning of section 270(1)(e) of the SFO.
- (3) Mr Wu:
 - (a) received the information which he knew to be inside information indirectly from Grand Full;
 - (b) knew or had reasonable cause to believe, from the Information, that Grand Full was contemplating making a takeover offer for Bloomage;
 - (c) dealt in Bloomage shares as set out in paragraph 23 above.

As such, he engaged in insider dealing within the meaning of section 270(1)(f) of the SFO.

30. In the premises, Mr Wu admits, agrees and accepts that he engaged in market misconduct, namely insider dealing, within the meaning of section 270 of the SFO.

Dated this 28th day of August 2023.

Securities & Futures Commission

Securities and Futures Commission

A handwritten signature in black ink, consisting of a large, stylized 'W' shape, positioned above a horizontal line.

Messrs Raymond Chan, Kenneth Yuen
& Co.
For the Specified Person Wu Kam Shing