

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years later, however, a scheme of privatisation was presented to the market and, on 1 November 2017, its listing was withdrawn.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 'Hartmann', with a long horizontal stroke extending to the right.

Mr. Michael Hartmann, GBS

(Chairman)

Dated 29 July 2024