

**IN THE MATTER OF SMARTAC GROUP CHINA HOLDINGS LIMITED
(STOCK CODE: 395)**

**NOTICE TO THE MARKET MISCONDUCT TRIBUNAL PURSUANT TO
SECTION 252 OF AND SCHEDULE 9 TO THE SECURITIES AND FUTURES
ORDINANCE CAP 571**

Whereas it appears to the Securities and Futures Commission (**Commission**) that market misconduct within the meaning of sections 274, 275 and/or 278 of Part XIII of the Securities and Futures Ordinance (**Ordinance**) has or may have taken place in relation to the securities of Smartac Group China Holdings Limited, previously listed on the Stock Exchange of Hong Kong Limited (**SEHK**) (Stock Code: 395) (**Smartac**), the Market Misconduct Tribunal is hereby required to conduct proceedings and determine:

- (a) whether any market misconduct has taken place; and
- (b) the identity of any person who has engaged in the market misconduct.

Persons suspected to have engaged in market misconduct

- (1) SUI Guangyi (**SUI** or **Chairman**) (隋廣義)
- (2) CHEN Daijun (陳帶軍)
- (3) CHEN Jingfang (陳靜芳)
- (4) China Investment International Financial Services Limited (**China IIFS**)
- (5) DENG Haiming (鄧海明)
- (6) DUO Ya (朵婭)
- (7) FU Haiyan (傅海艷)
- (8) HK DYF Int'l Holding Group Limited (**HK DYF**)
- (9) HUANG Shuxian (黃淑嫻)
- (10) JI Wenlong (紀文龍)
- (11) JIANG Jinbo (姜金波)

- (12) LAN Chu Han (藍楚漢)
- (13) LI Lili (李嘸嘸)
- (14) LI Xiaohua (李曉華)
- (15) LI Zhan (黎展)
- (16) LIANG Wen Zhi (梁文志)
- (17) LIU Shuang (劉雙)
- (18) LUO Shensheng (羅深生)
- (19) MA Chun (馬純)
- (20) MO Jian Yun (莫建雲)
- (21) PU Xiaoming (蒲小明)
- (22) SUN Wen (孫文)
- (23) WANG Lina (王麗娜)
- (24) XIONG Li (熊理)
- (25) XU Guixiang (許桂香)
- (26) YANG Xuemei (楊雪梅)
- (27) ZHANG Jun (張軍)
- (28) ZHANG Yue Ying (張月英)
- (29) ZHAO Weifen (趙瑋芬)
- (30) ZHAO Xiaolu (趙曉璐)
- (31) ZHUANG Xiaoling (莊曉玲)

(the 2nd Specified Person CHEN Daijun to the 31st Specified Person ZHUANG Xiaoling above shall hereafter be defined as the **Account Holders**, or each being an **Account Holder**)

Statement of Institution of Proceedings

A. INTRODUCTION

1. At all material times, Smartac was an investment-holding company whose subsidiaries engaged in the sale of software, consultation services, the provision of digital platforms and related e-commerce solutions by offering market strategies and the management of the operation of online shops using e-commerce platforms. The listing of Smartac shares on the SEHK was cancelled on 20 February 2023:-
 - (1) On 1 April 2021, Smartac announced that trading in its shares on the SEHK would be suspended with effect from 9 a.m. on 1 April 2021, pending the release of its annual results for the year ended 31 December 2020;
 - (2) On 22 June 2021, Smartac announced that it had received resumption guidance from the SEHK, and that trading in Smartac shares will remain suspended until Smartac fulfils the resumption guidance; and
 - (3) On 16 February 2023, the SEHK announced that the listing of Smartac shares will be cancelled with effect from 9 a.m. on 20 February 2023 as Smartac had failed to fulfil the resumption guidance (set by the SEHK) and resume trading in its shares by 30 September 2022.
2. At all material times:-
 - (1) As at 31 December 2018, China Ding Yi Feng Holdings Limited (Stock Code: 612) (**China DYF**; re-named as Ding Yi Feng Holdings Group International Limited since 5 July 2023) is a holder of 197,000,000 Smartac shares (being around 3.50% of the total shares available for trading at the time). The value of Smartac shares held by China DYF accounted for 21.68% of its gross assets;
 - (2) SUI was the Chairman and non-executive director of China DYF until 22 January 2020. SUI was also (and still is) a substantial shareholder of China DYF. His interest shortly before the Relevant Period (defined at paragraph 3 below) in the issued share capital of China DYF was about 28% (including a direct holding of 12% and a deemed interest of 16% as a result of his holdings in intermediate companies that were shareholders). His interest as of 31 December 2022 was around 24% (i.e. 347,612,800 China DYF shares, of which he directly held around 10%); and

(3) SUI was also the Director of two other companies, namely:-

- a. Hainan Qirisheng Enterprise Consulting Co., Limited (previously known as Shenzhen Ding Yi Feng Assets Management Co., Limited) (**Shenzhen DYF**). SUI was the holder of 29.39% of its shares as at 31 December 2017; and
- b. HK DYF (the 8th Specified Person). At the start of the Relevant Period i.e. on 31 October 2018 (see paragraph 3 below), HK DYF was also a substantial shareholder of Smartac, having held 262,574,471 shares (being around 5.44% of the total shares available for trading on the market then (i.e. 4,823,471,000 shares)).

B. SUSPICIOUS PRICE MOVEMENTS OF SMARTAC'S SHARE PRICE

3. The Commission's analysis of the trading in Smartac shares focused on the trading within an approximate 4½-month period between 31 October 2018 and 11 March 2019 (**Relevant Period**).
4. Trading in Smartac shares was relatively thin before 31 October 2018. In the period between 2 January 2018 and 30 October 2018, Smartac's share price hovered between around HKD0.101 and HKD0.133. From the 1st half year of 2018, Smartac had severe cash flow issues with bank balances of only around HKD595,000 as of August 2018. On 31 August 2018, it issued its interim financial results report for 2018, showing a loss of HKD11.945 million for the six months ended 30 June 2018, compared to a net profit of RMB26.168 million for the same period in 2017.
5. In light of the low trading volume and limited movement of Smartac's share price in the first three quarters of 2018, the remarkable shifts in its share price during the Relevant Period are highly uncharacteristic. The fluctuation of Smartac's share price can be categorized into two phases:-
 - (1) The first phase was during the period between 31 October 2018 and 31 December 2018, when the price rose significantly by 650% i.e. from HKD0.12 to HKD0.90;
 - (2) The second phase was during the remaining period between 2 January and 11 March 2019 (being the last trading day of the Relevant Period) i.e. when the price dropped to HKD0.385 (i.e. a 39% drop); and
 - (3) Despite the drop in share price by the end of the Relevant Period, the closing price of HKD0.385 on 11 March 2019 was still over 220% more than the share price immediately prior to 31 October 2018.

6. There were, however, barely any major corporate news and/or events during the Relevant Period, except for the following:-

(1) On or around 1 November 2018:-

- a. HK DYF disposed of 237,696,000 Smartac shares on the market, of which 128,752,000 shares were purchased by China IIFS. After having purchased Smartac shares on the market from other sellers, in total, China IIFS purchased 188,000,000 Smartac shares;
- b. China IIFS then sold 188,000,000 Smartac shares in an off-market transaction (**Off-Market Transaction**) to Hong Kong Toprich Investment Limited (**Toprich**); and
- c. The timing of HK DYF's off-loading of Smartac shares ultimately to Toprich coincided with the commencement of the Relevant Period.

(2) In an announcement made by Smartac on 26 November 2018, it stated that it had entered into an agreement (**Placing Agreement**) to place up to 812,500,000 new shares at HKD0.32 per share (**Placing**). In this regard:-

- a. The price of the new shares represented an approximate 18.99% discount to the last closing price of HKD0.395 (on the same day as the announcement), and approximately 3.03% discount to the average closing price of around HKD0.33 per share in the last five consecutive trading days prior to the date of the Placing Agreement; and
- b. On 12 December 2018, Smartac announced the completion of the Placing. The placees included 8 of the Account Holders. The names of the placees and the number of shares allotted to them are as follows:-

(a)	JI Wenlong:	124,708,000 shares
(b)	LUO Shensheng:	74,672,000 shares
(c)	SUN Wen:	142,352,000 shares
(d)	XIONG Li:	148,200,000 shares
(e)	YANG Xuemei:	78,000,000 shares
(f)	ZHANG Jun:	73,048,000 shares
(g)	ZHAO Xiaolu:	110,664,000 shares
(h)	ZHUANG Xiaoling:	60,856,000 shares

C. TRADING ACTIVITIES IN SMARTAC SHARES IN THE ACCOUNTS OF THE 2ND TO 31ST SPECIFIED PERSONS

Smartac shares held in the Accounts of the 2nd to 31st Specified Persons

7. During the Relevant Period, substantial amounts of Smartac shares were actively transacted via securities trading accounts held in the names of the Account Holders i.e. the 2nd to 31st Specified Persons (**Accounts**). The Account Holders had prior connections, in particular:-
- (1) 20 of these individuals were employees of Shenzhen DYF or companies related to Shenzhen DYF (**Shenzhen DYF Group**) (although some of their declarations in their securities account opening documentations did not disclose the connection; instead, they claimed they were unemployed, or employed by an unrelated entity); and 7 were shareholders of Shenzhen DYF;
 - (2) At the beginning of the Relevant Period, 8 Account Holders held a total of 277,846,471 Smartac shares, i.e. around 5.76% of the then available shares for trading, being 4,823,471,000 shares (with most of the shares (i.e. 262,574,471) held by HK DYF; and the rest held by CHEN Daijun, HUANG Shuxian, LIANG Wen Zhi, LI Zhan, MA Chun, PU Xiaoming, and YANG Xuemei). By 31 December 2018, the 30 Account Holders held a total of 2,026,762,471 shares in Smartac (being around 36% of the 5,636,971,000 Smartac shares available for trading on the market at the time);
 - (3) The effect of such accumulation of shares meant that the number of shares available for trading in the market (which were not held by the 30 Account Holders) was reduced, which in turn affected the function of price discovery i.e. there would be a lower likelihood of the correction of the share price as a result of trading by market participants other than the 30 Account Holders. In particular, when a larger proportion of the shares are held by investors with no propensity to sell (i.e. the 30 Account Holders), the smaller the pool of other market participants who may have an interest to sell, in light of the spike in the share price. The fewer the shares that are in the hands of other investors, the less likely for price discovery to take place to correct sharp upward movements in the share price; and
 - (4) By around 11 March 2019 (i.e. at the end of the Relevant Period), the number of Smartac shares held in the Accounts decreased to 1,268,458,471.

The relevant trading in Smartac shares and trading patterns during the Relevant Period

8. A total of 5,599,232,000¹ shares (37.0% of all traded volume during the Relevant Period) were traded through the Accounts during the Relevant Period. These trades were conducted on 80 out of 88 days of the Relevant Period, through 25,513 transactions.
9. In particular, from October to December 2018 (**Net Purchase Period**):
 - (1) From the beginning of the Relevant Period until 31 December 2018, 1,748,916,000 shares were purchased through the Accounts, bringing their total holding of Smartac shares to 2,026,762,471 as at 31 December 2018, i.e. being 36% of the shares available for trading;
 - (2) The average daily traded volume in the 20 to 60 days prior to the Relevant Period was in the range of 4.8 and 7.1 million shares per day;
 - (3) The average daily traded volume over the Relevant Period was 172 million shares, which were significantly larger than the average daily volume prior to the Relevant Period. During the Relevant Period, Smartac's share price fluctuated in a wide range, between HKD0.14 and HKD1.05 per share;
 - (4) The largest net purchase volume made through the Accounts occurred on 27 November 2018, i.e. with 40% of the total shares being traded that day (i.e. 243,328,000 shares, out of a total of 605,040,000 shares). This coincided with the day on which the Holder Group and the Nine Holders (both defined in paragraph 13(2) below) net purchased most shares. The second and third highest net purchases made through the Accounts occurred on 31 December 2018 (138,568,000 shares) and 28 November 2018 (115,072,000 shares) respectively;
 - (5) The Accounts held in the names of 25 of the 30 Account Holders were used to conduct trades during the last two minutes of the trading day (i.e. between 15:58:00 and 16:00:00); 17 of them traded a sizeable portion of their overall trading in this brief period prior to the close: on average, 14.4% of their purchases, and on average 8.7% of their sales. Of these 25 Accounts:-
 - a. In the Accounts held in the names of 4 of the Account Holders, more than 25% of the purchases were conducted during the last two minutes of the trading day (i.e. PU Xiaoming with 55.9%; LUO Shensheng with 34.3%; ZHANG Jun with 27.2%; and ZHUANG Xiaoling with 26.0%); and

¹ Whereas the Holder Group (defined in paragraph 13(2) below) traded an overall number of 4,632,016,000 shares and the Nine Holders (also defined in paragraph 13(2) below) traded an overall number of 2,514,160,000 shares, combining their activity would only require a single count of matched trades (see paragraph 13 below concerning matched trades). Thus the combined traded volume is 4,632,016,000 + 2,514,160,000 – 1,546,944,000 shares, i.e. 5,599,232,000 shares.

- b. In the Accounts held in the names of 2 of the Account Holders, more than 25% of the sales were conducted during the last two minutes of the trading day (i.e. XU Guixiang with 53.1%; and YANG Xuemei with 25.2%);
 - (6) A sizeable number of transactions were immediately executed (i.e. because the bid price placed was equal to or exceeded the best offer price in the market; or the offer price placed was equal to or below the best bid price in the market);
 - (7) The trading conducted through the Accounts had the largest impact on Smartac's share price in November and December 2018, i.e. respectively a positive uptick of HKD0.593 and HKD3.17. Much of the impact made in December 2018 was as a result of the trades conducted in the last two minutes of the trading day. The vast majority of these trades took place over 11 consecutive days, between 13 December and 31 December 2018 (inclusive);
 - (8) Smartac's share price rose by 775% between 31 October 2018 and 14 December 2018, reaching the highest closing price of HKD1.05 on 14 December 2018; and
 - (9) The majority of the purchases made by the Holder Group occurred in December 2018. In particular, Smartac's share price rose sharply in December 2018 (up to 52.5% from a close of HKD0.59 on 30 November 2018, to a close of HKD0.90 on 31 December 2018), which coincided with the large net purchases of the Holder Group.
10. From January to March 2019 (**Net Sale Period**), Smartac's share price decreased significantly:
- (1) Contrary to the Net Purchase Period, the Accounts were net sellers of Smartac shares in the latter months of the Relevant Period, particularly in March 2019;
 - (2) On 2 January 2019, Smartac's share price declined by 30% to close at HKD0.63. From 3 January until 4 March 2019, the share price remained relatively constant (compared to the period from 4 to 31 December 2018, when the share price rose from HKD0.76 to close at HKD0.90 on 31 December 2018 (an 18% increase)). At the end of the Relevant Period, Smartac's share price dropped by over 57% from a close of HKD0.91 on 6 March 2019, to close at HKD0.385 on 11 March 2019;
 - (3) The largest net sales volume made through the Accounts occurred on 8 March 2019, when 225,392,000 shares out of a total of 718,094,000 shares were traded that day, which accounted for 31% of the shares being traded that day. The second and third highest net sales made through the Accounts occurred on 4 March 2019 (151,144,000 shares) and 11 March 2019 (135,208,000 shares) respectively. Two out of these three days (i.e. 8 March and 11 March 2019) coincided with the two

days in which the Holder Group and the Nine Holders (both defined in paragraph 13(2) below) net sold most shares;

- (4) On 8 March 2019, the Commission issued a direction to the SEHK to suspend trading in the shares of China DYF, which was a substantial shareholder of Smartac (**Direction to Suspend**);
 - (5) By the end of the Relevant Period, Smartac's share price had dropped from the highest value of HKD1.05 on 14 December 2018, to HKD0.91 on 6 March 2019, to HKD0.88 on 7 March 2019, to HKD0.495 on 8 March 2019, and further to HKD0.385 on 11 March 2019;
 - (6) The Accounts' trading activities caused a significant negative impact of HKD1.264 on Smartac's share price during the period from 1 March to 11 March 2019; and
 - (7) The Holder Group sold a majority of their Smartac shares in March 2019, which coincided with the sharp decline in Smartac's share price in early March 2019 (down 50% from a close of HKD0.77 on 28 February 2019 to a close of HKD0.385 on 11 March 2019).
11. Overall, during the Relevant Period, Smartac shares had an average absolute daily move of 6.9%, which was significantly higher than the absolute average daily move of the Hang Seng index of 0.9%. Whereas, from January 2017 until the start of the Relevant Period, the average absolute daily move of Smartac's shares was lower at 2.0%, when the Hang Seng index had a similar average absolute daily move of 0.9% during the Relevant Period.
12. Combined, the Accounts' trading activities had a cumulative positive impact on the last traded price of Smartac shares of HKD2.076 over the Relevant Period. As the share price rose by HKD0.27 over the Relevant Period, this infers that the impact of the trading activity of all other market participants on the last traded price of Smartac shares was negative HKD1.806. In other words, the impact on the share price of the Accounts' orders was *significantly positive*, whilst the impact on the share price of the orders of all other market participants was *significantly negative*.

Matched trading

13. A notable portion of the trading volume included matched trades between the Accounts, i.e. where trades are executed as a result of the entering of buy and sell orders to trade at or nearly at the same time, for a very similar quantity and similar share price. When considering them combined, the matched trades between the Accounts had *no economic impact* on the Account Holders (i.e. the total traded shares and result are zero). In this regard:-

- (1) The Accounts combined traded a total of 1,546,944,000 shares in matched trades (single counted, which accounted for 10.2% of the total traded volume in Smartac shares on the market over the Relevant Period) between themselves. The Accounts combined conducted a net purchase (i.e. after taking into account all the purchases and sales) of 366,112,000 shares on the exchange (i.e. around 6.5% of their overall traded volume);
- (2) Of the traded total of 1,546,944,000 shares in matched trades, the Accounts held in the names of 9 of the Account Holders (specifically CHEN Jingfang, China IIFS, DUO Ya, FU Haiyan, LAN Chu Han, LI Lili, LI Xiaohua, MO Jian Yun, ZHAO Weifen; together, the **Nine Holders**) net purchased 399,544,000 Smartac shares from the Accounts held in the names of the remaining 21 Account Holders (**Holder Group**);
- (3) For the month of January 2019, the volume of the matched trades between all the Accounts combined amounted to 20% of the overall trading volume;
- (4) In relation to the matched trades, the largest net seller was through HK DYF's Accounts (169,392,000 shares) and the largest net purchaser was through China IIFS's Accounts (410,304,000 shares). As a result of the matched trading, the Accounts held in the names of both entities incurred the largest losses in the sum of HKD39,029,096 and HKD30,090,640 respectively; and
- (5) The Accounts held in the names of the Holder Group incurred losses arising from the matched trades in the sum of HKD587,000, whilst the Accounts held in the names of the Nine Holders made profits of the same amount.

The order insertion patterns conducted in the Accounts: three sub-periods of dominant activity in the final minutes of each trading day

14. There are essentially three periods in which the Accounts were predominantly active within the Relevant Period, i.e. during the periods: (i) between 12 November and 26 November 2018 (for 11 trading days); (ii) between 13 December and 31 December 2018 (11 trading days); and (iii) on 26 and 27 February 2019 and 5, 6 and 7 March 2019.
15. For the first 11-day period, i.e. between 12 and 26 November 2018, the Accounts were used predominantly to *sell* shares in the last two minutes of the trading day. Despite the impact of the trades conducted in the Accounts on the share price being positive HKD0.38 (i.e. raising the share price by HKD0.38) throughout the trading day, the trades conducted in the Accounts in the last two minutes of the trading day had a negative impact of HKD0.435 on the share price (i.e. decreasing the share price by HKD0.435), which resulted in an overall negative impact of HKD0.055 on the share price during this period.

16. This isolated incident of aggressive selling of shares resulted in the downward push of the share price (during the Net Purchase Period) which took place immediately before the Placing which was announced on 26 November 2018. In any issue or placement of shares of a company which is already listed on the SEHK, reference tends to be made to the placement price in terms of either a premium or discount to the (average) closing price of the preceding period. Therefore, the trading activity in the last two minutes of the trading day, which had the effect of depressing the average closing price in the period prior to the Placing, likely negatively impacted the determination of the Placing price at HKD0.32 per share (a discount of 18.99% to the closing price of HKD0.395 on 26 November 2018). Accordingly, over this 11-day period, the orders and trades of the 30 Account Holders had the effect of depressing the closing price of Smartac's shares, as well as "prepping back up" the share price on the subsequent trading day (until the pattern repeated into the close).
17. With respect to the second 11-day period, i.e. between 13 December and 31 December 2018, the pattern of order insertion through the Accounts was aggressive. The purchase orders were placed with a bid price equal to, or in excess of, the best offer price in the order book. In this regard, there are two particularly active periods:-
- (1) Out of 8,983 trades executed during the Relevant Period, where the price of the purchase order was equal to or in excess of the best offer in the order book, 3,169 purchase orders were entered during the 11-day period in December 2018;
 - (2) Out of 1,249 trades executed during the Relevant Period, where the price of the purchase order was equal to or in excess of the best offer in the order book *in the last two minutes* of the trading day, 901 purchases orders were entered (in the last two minutes of the trading day) during the 11-day period in December 2018; and
 - (3) In particular, on 31 December 2018, the Accounts traded 66% of the day's overall trading volume in the last 10 minutes of the trading day. The total volume of shares traded through the Accounts in the last 10 minutes of the trading day was 76% of *the daily volume*. Put simply, the trading activity in the Accounts dominated the last 10 minutes of trading, participating in almost 88% of the traded volume over the last 10 minutes of trading on 31 December 2018.
18. For the third period, i.e. on 26 and 27 February 2019 and 5, 6 and 7 March 2019, trading through the Accounts was particularly active towards the end of the trading day. In particular, the Accounts' trades had the effect of raising the last traded price by HKD0.10 on 5 March 2019 (out of which the increase of HKD0.06 occurred in the last two minutes of the trading day), and HKD0.14 on 6 March 2019 (out of which the increase of HKD0.08 occurred in the last two minutes of the trading day). On 6 March 2019, the trading activity in the Accounts combined, traded a total of 90,008,000 shares (single counted for matched trades), amounting to 34.4% of the total volume of 261,120,000 shares.

19. The third period of aggressive trading, which had the effect of raising Smartac's share price, took place shortly before a significant volume of shares were disposed of through the Accounts, particularly on 4 March 2019, 8 March 2019, and 11 March 2019. On these three days, the Accounts net sold a total of 511,744,000 shares. In this regard:-
- (1) Between 4 March and 11 March 2019, the trading activities in the Accounts recorded a combined sale of 512,408,000 Smartac shares, of which a total of 225,392,000 Smartac shares were sold on 8 March 2019, being the same day as the Commission issued the Direction to Suspend trading in the shares of China DYF;
 - (2) The impact of the sale of Smartac shares conducted through the Accounts on 4 March, 8 March and 11 March 2019 on Smartac's share price was negative at HKD0.54, HKD0.74, and HKD0.124 respectively; and
 - (3) On 4 March 2019, the purchase of Smartac shares by other market participants offset the negative impact of the sale of Smartac shares conducted through the Accounts (as the share price of Smartac increased by 8.6% that day, from HKD0.70 to HKD0.76). However, the sale of Smartac shares conducted through the Accounts on 8 March and 11 March 2019 led to a sharp decline in Smartac's share price, i.e. down 43.8% and 22.2% respectively. Unlike the trading activities in the Accounts which took place in the last two minutes of the trading days in the abovementioned three periods, the trades on 4, 8 and 11 March 2019 did not take place at the very close of each trading day.
20. Outside of these three main periods during which the trading activities in the Accounts took place in the last two minutes of each trading day, there were other aggressive patterns of trading in the Accounts throughout the trading day on 27 and 28 November 2019, and on 4, 8, and 11 March 2019.

Profitability of the trading activity that took place through the Accounts

Holder Group

21. For the Accounts in the Holder Group, the trading during the Relevant Period incurred a net loss of HKD59,303,500. As 8 Account Holders held a total of 277,846,471 Smartac shares at the start of the Relevant Period (see paragraph 7(2) above), the position result² amounted to a profit of HKD73,629,315 (**Position Result**). This meant that the total of

² A "position result" is where, for example, at the start of the Relevant Period, an Account Holder (such as Li Zhan) is described as having held 2,016,000 shares in Smartac with a value of HKD241,920 at the closing price of HKD0.12 on 30 October 2018. By the end of the Relevant Period, such shares would be worth HKD0.385 each for a value of HKD776,160. Therefore, the result on the position held at the start of the Relevant Period is HKD534,240 (i.e. HKD776,160 – HKD241,920).

the trading result *and* Position Result of the Holder Group over the Relevant Period was HKD14,325,815.

22. If the Placing (which resulted in a profit of HKD52,812,500) is **not** taken into account, the trading activity in the Accounts of the Holder Group would have resulted in a greater net loss of HKD112,116,000. Together with the Position Result, this would have led to a net loss of HKD38,486,685.

The Nine Holders

23. For the Accounts of the Nine Holders, the trading during the Relevant Period generated a net profit of HKD68,141,656. If the Off-Market Transaction is **not** taken into account (which itself generated a loss of HKD42,300,000), the trading activity in the Accounts of the Nine Holders would have resulted in a *greater net profit of HKD110,441,656*.

All Account Holders

24. If both the Placing and the Off-Market Transaction are taken into account, and the Position Result is also included, all the Accounts (i.e. the 30 Account Holders) would have generated a net profit HKD82,467,471. Focusing only on the trading result, and without taking into account the Placing (which resulted in a profit of HKD52,812,500) and the Off-Market Transaction (which resulted in a loss of HKD42,300,000), the trading activity in the Accounts would have resulted in a net loss of HKD1,674,344. When the Position Result (i.e. HKD73,629,315) is considered together with this trading result (excluding the Placing and the Off-Market Transaction), there would have been a lower net profit of HKD71,954,971.
25. The trading activity through the Accounts had (or likely had) the effect of (i) reducing Smartac's share price shortly before the Placing; and/or (ii) pushing the share price upwards (which, by the end of the Relevant Period, was over 220% more than the price at the commencement thereof), and/or maintaining the price at a certain level before the sell-off at the end of the Relevant Period; and/or (iii) increasing the trading volume in the Smartac shares; and/or (iv) enabling the Accounts to dispose of Smartac shares at falsely inflated prices, particularly towards the end of the Relevant Period.
26. Further, any increase in Smartac's share price would contribute significantly to an investment gain by China DYF as it was a 3.50% shareholder as at 31 December 2018. In particular, China DYF had recorded a profit of HKD128 million in 2018, compared to a loss of HKD155 million as at the end of 2017. The increase in profit was mainly due to the increase in Smartac's share price.
27. Whereas, in circumstances where the Placing and Off-Market Transaction are *disregarded*, the Accounts held in the names of 21 Account Holders made significant

gains from the trading activities conducted through the Accounts during the Relevant Period.

28. Further to the above, if the results of the trading activities conducted through the Accounts are calculated as at 28 February 2019 (i.e. which omits the transactions and price changes which occurred in March 2019), the outcome would be quite different, as the profits earned through the Accounts would have been significantly higher. In this regard:-

- (1) Excluding the Placing and the Off-Market Transaction, the trading activity conducted through the Accounts resulted in a purchase of 3,035,056,000 shares at an average price of HKD0.614, and a sale of 2,114,736,000 shares at an average price of HKD0.666;
- (2) Based on the closing price of HKD0.77 on 28 February 2019, the trades under subparagraph (1) above would yield (i) a positive trading result of HKD253,008,912; and (ii) a positive Position Result of HKD180,600,206;
- (3) The total result (*excluding* the Placing and the Off-Market Transaction) would be HKD433,609,118;
- (4) Whereas, by reference to the closing price of HKD0.77 on 28 February 2019, and including the Placing and the Off-Market Transaction, (i) the purchase in the Placing of 812,500,000 Smartac shares at HKD0.32 would result in a profit of HKD0.45 per share, corresponding to a profit of HKD365,625,000; and (ii) the Off-Market Transaction of the sale of 188,000,000 Smartac shares at HKD0.16 would result in a loss of HKD0.61 per share, corresponding to a loss of HKD114,680,000; and
- (5) The total result of the trading activities conducted through the Accounts (*including* the Placing and the Off-Market Transaction) as at 28 February 2019 would have been a profit of HKD684,554,118.

29. If the analysis in paragraph 28 above is conducted using Smartac's closing price of HKD0.88 on 7 March 2019 i.e. before the Direction to Suspend on 8 March 2019 (see paragraph 10(4) above), it would yield an even higher profit as follows:-

- (1) Excluding the Placing and the Off-Market Transaction, the trading activity conducted through the Accounts resulted in a purchase of 3,714,632,000 shares at an average price of HKD0.623 and a sale of 2,987,920,000 shares at an average price of HKD0.664;

- (2) Based on the closing price of HKD0.88 on 7 March 2019, the trades under subparagraph (1) above would yield (i) a positive trading result of HKD308,666,512; and (ii) a positive Position Result of HKD211,163,318;
 - (3) The total result (*excluding* the Placing and the Off-Market Transaction) would be HKD519,829,830;
 - (4) Whereas, by reference to the closing price of HKD0.88 on 7 March 2019, and including the Placing and the Off-Market Transaction, (i) the purchase in the Placing of 812,500,000 Smartac shares at HKD0.32 would result in a profit of HKD0.56 per share, corresponding to a profit of HKD455,000,000; and (ii) the Off-Market Transaction of the sale of 188,000,000 Smartac shares at HKD0.16 would result in a loss of HKD0.72 per share, corresponding to a loss of HKD135,360,000; and
 - (5) The total result of the trading activities conducted through the Accounts (*including* the Placing and the Off-Market Transaction), as at 7 March 2019 would have been a profit of HKD839,469,830.
30. The Accounts held in the names of all Account Holders had purchased a total of 1,351,212,000 Smartac shares as at the close of 7 March 2019 (including the Placing and the Off-Market Transaction). In addition to the initial holding of 277,846,471 Smartac shares, the Account Holders held a total of 1,629,058,471 Smartac shares as at 7 March 2019. The decline in Smartac's share price (following the announcement of the Direction to Suspend on 8 March 2019), from a close of HKD0.88 on 7 March 2019 to a close of HKD0.495 on 8 March 2019, would have reduced the total value of the Account Holders' shares to HKD627,187,511.
 31. However, as the Account Holders net sold 225,392,000 shares on 8 March 2019 for an average price of HKD0.572 (compared to the closing price of HKD0.495 on 8 March 2019), it resulted in a positive result from their sales of HKD17,462,320.
 32. Therefore, at the end of 8 March 2019, the net profit of the Account Holders had declined to HKD229,744,639 (being the sum of the total result of HKD839,469,830 (on 7 March 2019), minus HKD627,187,511 (due to the drop in the share price), plus HKD17,462,320 (from their net sale of shares that day)). The price of Smartac shares continued to decline on 11 March 2019, from HKD0.495 to HKD0.385. Therefore, at the end of 11 March 2019, the net profit of the Account Holders had further declined.

D. SOURCE OF FUNDS USED TO CONDUCT THE MARKET MISCONDUCT

33. There were substantial funding connections between SUI (whether directly or indirectly, and/or by parties closely associated to SUI) and the Account Holders in relation to the funds and/or shares used to trade in the Accounts.

34. The first category pertains to funding connections between SUI (via China DYF) and China IIFS. During the Relevant Period, SUN Wen (i.e. an Account Holder) was a director of China IIFS.
35. In particular, China IIFS purchased a significant amount of Smartac shares between November 2018 and December 2018, which appear to have been funded by China DYF indirectly (through Toprich, China DYF's 100% indirectly owned subsidiary). Such funds appear to have been transferred back to China DYF by China IIFS from the proceeds of sale of Smartac shares in December 2018, January 2019 and April 2019. In this regard:-
 - (1) China DYF transferred a sum of HKD470 million to Toprich (its 100% indirectly owned subsidiary), which was then remitted to China IIFS (of which SUN Wen was a director at the time), during the period between 30 October 2018 and 25 February 2019;
 - (2) China IIFS then remitted around HKD290 million back to Toprich during the period between 24 December 2018 to 24 April 2019; and
 - (3) Toprich then remitted HKD320 million back to China DYF between January and April 2019.
36. Secondly, four Account Holders (specifically ZHANG Jun, XIONG Li, ZHUANG Xiaoling, and LUO Shensheng) transferred funds of approximately HKD97 million to China IIFS during April to May 2019. In May 2019, China IIFS transferred a total sum of approximately HKD179 million to Toprich.
37. ZHANG Jun and LUO Shensheng also transferred funds of around HKD2 million to other Account Holders, namely, CHEN Daijun and ZHAO Xiaolu, during December 2018 and January 2019.
38. With respect to the major funding sources for the Accounts held in the names of the Account Holders, they are presently identified as including, but not limited to, the following (in particular, some Accounts of the Holder Group were funded by the Accounts of the Nine Holders):-
 - (1) HUANG Shuxian's Accounts was funded by (i) share deposits / transfers from PU Xiaoming in the amount of 15.29 million China DYF shares in August 2017; (ii) around HKD11 million from Tsui Cheung Hiu (TSUI, a general manager of HK DYF) on 23 May 2017; and (iii) HKD6 million from PU Xiaoming in June and July 2017;

- (2) JIANG Jinbo's Accounts was funded by share deposits / transfers from PU Xiaoming in the amount of 32 million China DYF shares in August 2017;
- (3) PU Xiaoming's Accounts was funded by (i) SUI in the amount of HKD7.5 million in June 2017; (ii) ZHAO Weifen (one of the Nine Holders) in the amounts of around HKD5.47 million and HKD3 million in November and December 2017 respectively; and (iii) SUN Wen (through a company controlled by him) in the amount of HKD3.6 million in March 2018;
- (4) SUN Wen's Account was funded by TSUI in the amount of around HKD3.5 million on 19 April 2017;
- (5) WANG Lina's Account was funded by (i) CHEN Daijun in the amount of HKD4.5 million in March 2018; and (ii) PU Xiaoming, in the amount of HKD21 million between May and July 2017;
- (6) XIONG Li's Account was funded by share deposits / transfers from (i) WANG Lina in the amount of 27 million China DYF shares in November 2017; and (ii) PU Xiaoming in the amount of 11.68 million China DYF shares in October 2017;
- (7) YANG Xuemei's Accounts was funded by XU Guixiang in the amount of around HKD3.15 million in April 2017;
- (8) ZHANG Yue Ying's Account was funded by (i) TSUI in the amount of around HKD3.2 million on 19 April 2017; and (ii) share deposits / transfers from ZHAO Weifen (one of the Nine Holders) in the amount of 2.44 million China DYF shares on 27 March 2017;
- (9) ZHANG Jun's Account was funded by share deposits / transfers from (i) WANG Lina in the amount of 28 million China DYF shares in November 2017; and (ii) PU Xiaoming in the amount of 11.72 million China DYF shares in November 2017;
- (10) Chen Daijun's Account was funded by ZHAO Weifen in the amount of HKD190,000 on 21 November 2017;
- (11) ZHUANG Xiaoling's Account was funded by ZHAO Weifen in the amount of HKD5 million on 18 February 2019;
- (12) ZHAO Xiaolu's Account was funded by ZHAO Weifen in the amount of HKD5 million on 18 February 2019; and
- (13) LI Zhan's Account was funded by CHEN Daijun in the amount of around HKD1.5 million in February and April 2017.

39. There are further key aspects observed from the funding sources and connections described above:
- (1) TSUI had transferred a total sum of HKD6.7 million to SUN Wen, and ZHANG Yue Ying in April 2017, and a further sum of HKD11 million to HUANG Shuxian in May 2017;
 - (2) PU Xiaoming had transferred / deposited shares to the following Account Holders:
 - a. 15.29 million China DYF shares to HUANG Shuxian in August 2017;
 - b. 32 million China DYF shares to JIANG Jinbo in August 2017;
 - c. 11.68 million China DYF shares to XIONG Li in October 2017; and
 - d. 11.72 million China DYF shares to ZHANG Jun in November 2017;
 - (3) PU Xiaoming had also transferred a sum of HKD6 million to HUANG Shuxian in June and July 2017, and a sum of HKD21 million to WANG Lina between May and July 2017;
 - (4) WANG Lina had transferred / deposited shares to the following Account Holders:
 - a. 28 million China DYF shares to Zhang Jun in November 2017; and
 - b. 27 million China DYF shares to XIONG Li in November 2017;
 - (5) ZHAO Weifen had transferred a sum of around HKD190,000 to CHEN Daijun in November 2017; a sum of HKD8.47 million to PU Xiaoming in November and December 2017; and a sum of HKD5 million to each of ZHUANG Xiaoling and ZHAO Xiaolu in February 2019; and
 - (6) ZHAO Weifen had also transferred / deposited 2.44 million China DYF shares to ZHANG Yue Ying in March 2017.
40. It is inherently likely that these Account Holders are at least acquainted, if not connected, given the transfer of large sums of monies and shares, of which 4 of the share deposits / transfers identified above are not supported by any record of fund transfers representing the consideration for making the share deposits / transfers.

E. OTHER CONNECTIONS BETWEEN THE SPECIFIED PERSONS

The sharing of common computer Internet Protocol (IP) addresses

41. Trades conducted through the Accounts were done exclusively online, and some of the Accounts shared common IP addresses with other Accounts, which suggests that the trade orders were entered from the same “**small region**” (e.g. building, or streets, or multiple

streets). The only Accounts which/who did not use a shared IP address are the accounts of China IIFS, LI Xiaohua, MO Jian Yun, and ZHUANG Xiaoling.

42. This is despite the fact that in the Account Holders' securities account opening documentation, not all of them reside in the same region in the Mainland. The most commonly shared geographical area is Guangdong, where 23 Account Holders declared that they reside: CHEN Daijun, CHEN Jingfang, DENG Haiming, DUO Ya, FU Haiyan, HUANG Shuxian, JIANG Jinbo, JI Wenlong, LAN Chu Han, LI Lili, LI Zhan, LIANG Wen Zhi, LUO Shensheng, LIU Shuang, MA Chun, MO Jian Yun, SUN Wen, XU Guixiang, YANG Xuemei, ZHANG Jun, ZHAO Weifen, ZHAO Xiaolu, and ZHUANG Xiaoling (**Guangdong Parties**).
43. Yet, unless most of the Account Holders were coincidentally in the same small region as the Guangdong Parties, there is little reason to justify the sharing of IP addresses. Importantly, SUI himself had declared in account opening documentation that he is also situated in Guangdong.
44. However, a close review of top three shared IP addresses (i.e. 113.99.124.35, 113.99.125.194, and 218.18.41.139) shows that such addresses were shared not only by certain Accounts of the Guangdong Parties, but at least also by WANG Lina (declared situated and/or resident in Shenyang), and ZHANG Yue Ying (declared situated and/or resident in Hubei).
45. Other than the top three shared IP addresses, there are also other Account Holders not based in Guangdong/Shenzhen who nevertheless shared IP addresses with some of the Guangdong Parties, such as PU Xiaoming (declared situated and/or resident in Sichuan), and XIONG Li (declared situated and/or resident in Hubei). In the circumstances, it is unlikely the Account Holders would gather together in a similar geographical location to conduct trades during the Relevant Period.
46. Furthermore, unique MAC addresses were also shared across several Accounts, particularly those held in the names of CHEN Jingfang, DUO Ya, HUANG Shuxian, LI Lili, SUN Wen, XU Guixiang, and YANG Xuemei (all declared situated and/or resident in Shenzhen/Guangdong), PU Xiaoming (declared situated and/or resident in Sichuan) and ZHANG Yue Ying (declared situated and/or resident in Hubei) (in total, 9 Account Holders).
47. In the circumstances, where certain Accounts shared the same IP or MAC addresses, trades were likely placed by an individual or a group of individuals located in the same office, region or location where the same network router was being used within a region or location; and/or that such individual or a group of individuals might have been using the same device or a number of devices located behind the same router.

Connections between the Specified Persons

48. Firstly, the Smartac Placees had all opened their securities accounts at Zhongtai International Securities Limited (**Zhongtai**) and signed the account opening documentation on 9 November 2018, shortly before the announcement of the Placing on 26 November 2018.
49. Secondly, as described at paragraph 7 above, 20 of the Account Holders were employees of Shenzhen DYF or companies related to Shenzhen DYF (although some of their declarations in their securities account opening documentations did not disclose this; instead, they claimed they were unemployed, or employed by an unrelated entity); and 7 were shareholders of Shenzhen DYF.
50. There were also similarities in the particulars provided by the Account Holders in their account opening documentation at the relevant banks and brokerage firms, with shared common e-mail addresses, contact numbers and/or employers. In particular, two of the Nine Holders i.e. DUO Ya, and LI Lili, gave the same address (廣東省深圳市福田區香梅路天然居一區 F3001) as their office address and home address in their account opening documentations.
51. Separately, names matching the names of 16 Account Holders are set out in two undated telephone directories entitled “鼎益丰集团内部通讯录” and “鼎益丰集团通讯录”, found in HK DYF’s office in Hong Kong. The directories list out such Account Holders’ roles and respective departments within the Shenzhen DYF Group.

F. EFFECT OF THE RELEVANT TRADING BEHAVIOUR

52. Given the value of the Smartac shares held by China DYF accounted for 21.68% of its gross assets as at 31 December 2018, a manipulated increase in the price of Smartac shares (especially during November to December 2018) would mean that China DYF’s investment in Smartac shares has a corresponding appreciation.
53. The increase in profit recorded by China DYF in 2018 (in the sum of HKD128 million) was mainly due to the increase in Smartac’s share price from early November 2018. Of China DYF’s investments in four listed equity securities in Hong Kong, Smartac dominated with HKD136,989,114 profit out of a total of HKD137,592,174 gain, which is negated by China DYF’s losses of around HKD9.3 million arising from its investments in listed equity securities in the Mainland.
54. The Holder Group’s net purchase of Smartac shares pushed up the turnover in the shares from 188 million in October 2018, (before those Accounts were used to actively trade (i.e. both buy and sell) in the shares), to as high as 4,908 million shares in November 2018 and to 4,043 million shares in December 2018.

55. The increase in Smartac's share price and turnover during the Relevant Period was likely created by way of the combined trading conducted through the Accounts, which had (or was likely to have) the effect of creating a false or misleading appearance of active trading in Smartac shares and/or with respect to the market for, or the price for dealing in, Smartac shares. In particular, the three sub-periods of dominant trading activity (as described in paragraphs 14 to 20 above) conducted through the Accounts during the Relevant Period likely had the effect of (i) reducing the price of Smartac shares just prior to the Placing (as an isolated incident of aggressive selling of shares during the Net Purchase Period); and/or (ii) window dressing China DYF's annual investment performance in late 2018 (in line with the other trading activity during the Net Purchase Period); and/or (iii) increasing the trading volume in the Smartac shares; and/or (iv) enabling the Accounts to dispose of the Smartac shares at falsely inflated prices, particularly towards the end of the Relevant Period.
56. Such combined trading was carried out for the sole or primary purpose(s) of increasing, reducing, maintaining or causing fluctuations in the price of Smartac shares, and/or of creating an appearance of active trading in the shares of Smartac.
57. Further and/or alternatively, the combined trading conducted through the Accounts during the Relevant Period required coordination between the person(s) responsible for placing the orders through those Accounts, and/or did not have any rational economic justification, and/or did not involve any change in beneficial ownership. Such transactions are regarded under section 274(5) of the Ordinance as having been conducted with the intention that, or were reckless as to whether, they had, or were likely to have, the effect of creating a false or misleading appearance of active trading or with respect to the market for, or the price for dealings in, Smartac shares.
58. By reason of the aforesaid, the Specified Persons engaged or may have engaged in market misconduct contrary to section 274(1) of the Ordinance.
59. Further and/or alternatively, by reason of the matters described in the paragraphs above, the Specified Persons entered into and/or carried out, directly or indirectly, a series of fictitious or artificial transactions or devices, with the intention that, or being reckless as to whether, they have the effect of maintaining, increasing, reducing, stabilizing, or causing fluctuations in, the price of Smartac shares, contrary to section 275(1)(b) of the Ordinance.
60. Further and/or alternatively, the combined trading conducted through the Accounts during the Relevant Period:-
- (1) Increased, reduced, maintained or stabilized (or were likely to have increased, reduced, maintained or stabilized) the price of Smartac shares; and

- (2) were conducted with the intention of inducing other persons to trade, or refrain from trading in Smartac shares, contrary to section 278(1) of the Ordinance.
61. By reason of the aforesaid, the Specified Persons engaged or may have engaged in market misconduct, contrary to sections 274(1)(a) and 274(1)(b), as well as 275(1)(b) and/or 278(1) of the Ordinance.
62. Further or alternatively, the Specified Persons assisted or connived in the perpetration of market misconduct with the knowledge that such conduct constituted or might have constituted market misconduct, contrary to section 252(4) of the Ordinance.

Dated this 2nd day of September 2024.

Securities and Futures Commission