

## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. Pursuant to section 37CA of the Accounting and Financial Reporting Council Ordinance (Cap. 588) (**AFRCO**), the Accounting and Financial Reporting Council (**AFRC**) has imposed the following sanctions against Mr Wu Kam Shing (**Wu**):
  - 1.1. public reprimand;
  - 1.2. pecuniary penalty of **HK\$200,000**; and
  - 1.3. order that Wu pays the costs and expenses of, and incidental to, the AFRC's investigation, in the sum of **HK\$45,598.77**.
2. The disciplinary action was taken in relation to the professional irregularities committed by Wu under sections 3B(1)(c) and 3B(2)(c) of the AFRCO in that Wu, by committing insider dealing, failed to observe, maintain or otherwise apply the applicable Code of Ethics for Professional Accountants (Revised December 2016) (**COE**) at the relevant time of the misconduct, and was guilty of dishonourable conduct.
3. By committing the professional irregularities set out in paragraph 2 above, Wu is guilty of CPA misconduct under section 37AA(1)(a) of the AFRCO.

### Summary of Facts

#### A. Background

4. Wu is a former member of the Hong Kong Institute of Certified Public Accountants (**HKICPA**),<sup>1</sup> from 9 May 2000 until 29 June 2023, when he voluntarily surrendered his membership. Wu has never applied for a practising certificate.
5. At the material times, Wu was the Executive Deputy General Manager of Business Finance (**GM**) in the Wholesale and Cross-border Banking Group (**WBG**) at China CITIC Bank International Limited (**CITIC**).
6. On 31 March 2023, the Market Misconduct Tribunal (**MMT**) commenced proceedings against Wu (**MMT Proceedings**) for alleged insider dealing from March to November 2017 in relation to the shares of a former listed company, Bloomage BioTechnology Corporation Limited (**Bloomage**),<sup>2</sup> contrary to section 270 of the Securities and Futures Ordinance (Cap. 571) (**SFO**).
7. In the MMT Proceedings, Wu agreed with all issues of liability and appropriate penalties.
8. On 29 July 2024, the MMT issued its report. The MMT ordered, among other

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<sup>1</sup> Former HKICPA membership number: A17958.

<sup>2</sup> Ex-stock code: 963.

things, that the AFRC be recommended to take disciplinary action against Wu pursuant to section 257(1)(g) of the SFO.

B. Inside information

9. In or around March 2017, WBG started working on a loan transaction (**Loan**) to finance Grand Full Development Limited (**Company**) to make an offer to privatise Bloomage under a scheme of privatisation (**Scheme**). The Company was a related corporation of Bloomage pursuant to section 3(b)(ii) of Schedule 1 to the SFO, and Wu was a person connected with Bloomage within the meaning of section 247(1) of the SFO.
10. On 10 and 22 May 2017, meetings of the Credit Committee of CITIC were held to discuss the Loan. The Loan was approved at the meeting on 22 May 2017.
11. On 15 June 2017, trading in Bloomage shares was suspended pending the issue of an announcement containing price sensitive information.
12. On 19 June 2017, Bloomage and the Company issued a joint announcement regarding the Scheme (**Joint Announcement**).
13. 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.
14. According to the expert reports produced by the independent securities market expert of the Securities and Futures Commission (**SFC**), the following information constituted "inside information" within the meaning of section 245(2) of the SFO:
  - 14.1. the information that the Company had approached CITIC for the Loan to finance the Scheme; and
  - 14.2. the information that CITIC would, or that its bankers were proposing to, grant the Loan to finance the Scheme.(collectively, **Inside Information**)
15. In the MMT Proceedings, Wu agreed and accepted the contents of the expert reports.

C. Wu's knowledge of the Inside Information

16. Wu possessed the Inside Information because:
  - 16.1. he was the GM in WBG;
  - 16.2. he attended meetings within WBG where the Loan and the Scheme were mentioned; and
  - 16.3. he received, was copied on, and had access to emails and other documents of CITIC which mentioned the Company and the Loan.

17. In particular:

- 17.1. On 21 April 2017, Wu received an email from the Deputy Head of WBG, under subject heading "*WBG pipeline 21 B HKD*", which stated, among other things, 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.
- 17.2. On 8 May 2017, Wu attended a bi-weekly management meeting of WBG, where the relationship manager for the Company's loan application stated that one of the major deals to be submitted for approval soon was "*Project Chemical*", which was the project name of the Loan.
- 17.3. On 9 May 2017, Wu received the agenda for an upcoming Credit Committee meeting on 10 May 2017. The first item on the agenda was a new 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.
- 17.4. On 10 May 2017, 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 the Company from the China and Cross-border Banking unit in WBG to the Multinational and Cross-border Banking unit in WBG.
- 17.5. On 19 May 2017, Wu received the agenda for an upcoming Credit Committee meeting on 22 May 2017. The third item on the agenda was the loan application for "*Grand Full Development Ltd – Zhao Yan Group*" for HK\$3,922,000,000.
- 17.6. On 22 May 2017, the Credit Committee unanimously approved the Loan. Wu knew about the approval from his colleagues shortly thereafter.
- 17.7. On 5 June 2017, Wu attended a bi-weekly management meeting of WBG. The relationship manager for the Company's loan application stated that "*total facility of HK\$3.9B for Project Chemical*" had been approved.

D. Wu's dealings in Bloomage shares

18. At all material times, Wu had two securities accounts in his own name, and he controlled and had access to three securities accounts opened and maintained in his wife's name (collectively, **Accounts**).
19. Whilst in possession of the Inside Information, Wu dealt in Bloomage shares through the Accounts.
20. Wu started buying Bloomage shares on 22 May 2017, the day when the Credit Committee approved the Loan for the Scheme. Prior to that, neither Wu nor his wife had traded in Bloomage shares.

21. Between 22 May 2017 and 15 June 2017 (the day when trading in Bloomage shares was suspended pending the issue of an announcement containing price sensitive information), Wu purchased:
  - 21.1. 10,000 Bloomage shares through two securities accounts in his own name at an average price of HK\$13.17 per share and a total cost of HK\$131,700; and
  - 21.2. 1,265,000 Bloomage shares through three securities accounts in his wife's name at an average price of HK\$13.01 per share and a total cost of HK\$16.46 million.
22. In less than one month, Wu invested a total of HK\$16.6 million in Bloomage shares. Wu mobilised substantial funds from his family's assets for purchasing the Bloomage shares, including liquidating the other stocks in the stock portfolio in his or his wife's name. The investment represented:
  - 22.1. around six times the family's annual household income;
  - 22.2. two-thirds of the family's total assets; and
  - 22.3. almost the entirety of the stock portfolio in each of Wu's and his wife's names.
23. Following the resumption of the trading in Bloomage shares on 20 June 2017:<sup>3</sup>
  - 23.1. Wu sold all 10,000 Bloomage shares in his own accounts on 20 June 2017;
  - 23.2. Wu sold 1,007,500 Bloomage shares in the accounts in his wife's name between 20 June 2017 and 6 October 2017; and
  - 23.3. the remaining 257,500 Bloomage shares in the accounts in Wu's wife's name were cancelled pursuant to the Scheme on 3 November 2017.
24. As a result, Wu made a profit of HK\$2,971,604.43 by dealing in Bloomage shares.

E. The MMT's orders

25. The MMT found, and Wu agreed, that he had committed market misconduct by way of insider dealing within the meaning of sections 270(1)(a), (e) and (f) of the SFO.
26. As a result, the MMT made, among other things, the following orders:
  - 26.1. disgorgement order of HK\$2,971,604 representing the profit made as a result of Wu's insider dealing;<sup>4</sup>

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<sup>3</sup> Being one day after the issuance of the Joint Announcement by Bloomage and the Company on 19 June 2017.

<sup>4</sup> Pursuant to section 257(1)(d) of the SFO.

- 26.2. disqualification order for three years;<sup>5</sup>
- 26.3. cold shoulder order for three years;<sup>6</sup> and
- 26.4. costs orders in relation to the Government's and SFC's costs and expenses.<sup>7</sup>

## Summary of Findings

27. The AFRC found that Wu committed professional irregularities pursuant to sections 3B(1)(c) and 3B(2)(c) of the AFRCO by reason of Wu's insider dealing as found by the MMT.

### A. Professional irregularity pursuant to section 3B(1)(c) of the AFRCO

28. Section 3B(1)(c) of the AFRCO provides that a professional person commits a "professional irregularity" if the person "*fails to observe, maintain or otherwise apply a PAO professional standard*".

29. A "PAO professional standard" is defined in section 2 of the AFRCO to mean "*any statement of professional ethics, or standard of accounting, auditing or assurance practices, issued or specified, or deemed to have been issued or specified, under section 18A of [the then Professional Accountants Ordinance (Cap. 50)]*", which includes the COE applicable to Wu at the relevant time of the misconduct.

#### *Principle of integrity under the COE*

30. The AFRC found that Wu breached the principle of integrity under sections 100.5(a) (Fundamental Principles), 110.1 (Integrity), 300.6 (Professional Accountants in Business) and 340.3 (Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making) of the COE.

31. The principle of integrity is one of the fundamental principles that all professional accountants including professional accountants in business (**PAIB**)<sup>8</sup> must comply with. The principle of integrity (a) imposes an obligation on Wu to be "*straightforward and honest in all professional and business relationships*" and (b) implies "*fair dealing and truthfulness*".

32. Wu abused his position by trading Bloomage shares using confidential Inside Information obtained from his role at CITIC for his personal gain. Wu's behaviour is dishonest and damaged his integrity and the reputation of the accounting profession. Such conduct is also incompatible with the notion of fair dealing.

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<sup>5</sup> Pursuant to section 257(1)(a) of the SFO.

<sup>6</sup> Pursuant to section 257(1)(b) of the SFO.

<sup>7</sup> Pursuant to sections 257(1)(e) and 257(1)(f)(i)-(iii) of the SFO.

<sup>8</sup> PAIB is defined in the COE as "[a] professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities."

33. Accordingly, Wu has breached the fundamental principle of integrity under the COE, and therefore committed a professional irregularity under section 3B(1)(c) of the AFRCO.

*Principle of professional behavior under the COE*

34. The AFRC found that Wu breached the principle of professional behavior under sections 100.5(e) (Fundamental Principles) and 150.1 (Professional Behavior) of the COE.
35. The SFO is one of the “*relevant laws and regulations*” that Wu must comply with. The MMT’s finding that Wu breached section 270 of the SFO means he had failed to comply with the “*relevant laws and regulations*”.
36. Furthermore, Wu’s conduct has damaged the credibility and reputation of the accounting profession. Insider trading by professional accountants negatively impacts the profession’s reputation due to its dishonest nature. Wu should have known his conduct could discredit the profession.
37. Accordingly, Wu has breached the principle of professional behavior under the COE, and therefore committed a professional irregularity under section 3B(1)(c) of the AFRCO.

**B. Dishonourable conduct pursuant to section 3B(2)(c) of the AFRCO**

38. Section 3B(2)(c) of the AFRCO provides that where a professional person is a CPA, the person commits a professional irregularity if the person “*is guilty of dishonourable conduct*”<sup>9</sup>.
39. Since the MMT has sanctioned Wu for insider dealing, his action can reasonably be regarded as bringing or likely to bring discredit on himself, the HKICPA and/or the accountancy profession as a whole.
40. Accordingly, Wu is guilty of dishonourable conduct under section 3B(2)(c) of the AFRCO, thereby committing a professional irregularity.

**Conclusion**

41. Having considered all relevant circumstances, the AFRC found that, by committing insider dealing, Wu has committed professional irregularities under sections 3B(1)(c) and 3B(2)(c) of the AFRCO, and is therefore guilty of CPA misconduct pursuant to section 37AA(1)(a) of the AFRCO.
42. In deciding the sanctions set out in paragraph 1 above, the AFRC has had regard to its Sanctions Policy for Professional Persons and Guidelines for Exercising the Power to Impose a Pecuniary Penalty for Professional Persons, and has taken

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<sup>9</sup> “Dishonourable conduct” is defined in section 3B(5) of the AFRCO as: “(a) *in relation to a certified public accountant—means an act or omission of the accountant, whether or not done or made in the course of carrying out professional work or as a certified public accountant, that would reasonably be regarded as bringing or likely to bring discredit on the accountant, the HKICPA or the accountancy profession [...].*”

into account all relevant circumstances, including:

- 42.1. The nature and seriousness of the conduct – the serious and dishonest nature of insider dealing, breaching the fundamental principles of integrity and professional behavior, and the need to send a strong deterrent message to the profession that market misconduct including insider dealing is unacceptable;
- 42.2. The frequency and duration of the conduct – the repeated nature of Wu's insider dealing, spanning across around six months between May and November 2017, and involving multiple trades using five securities accounts belonging to himself as well as his wife; and
- 42.3. The impact of the conduct – the damage to the interest of the investing public as well as the integrity of financial markets and public and investor confidence in the markets.