

**IN THE MATTER OF CHINA INVESTMENT FUND COMPANY LIMITED
(STOCK CODE: 612)**

**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 (Cap 571) (**Ordinance**) has or may have taken place in relation to the securities of China Investment Fund Company Limited (known as China Ding Yi Feng Holdings Limited before 18 May 2021, hereafter as **China DYF**) listed on the Stock Exchange of Hong Kong Limited (**SEHK**) (Stock Code: 612), 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**)
- (2) CHEN Daijun
- (3) CHI Xiaotong
- (4) HE Jiao Lian
- (5) HUANG Shuxian
- (6) JIANG Jinbo
- (7) LAN Chuhan
- (8) LIU Shuang
- (9) MO Jianyun
- (10) PENG Xuchu

- (11) PU Xiaoming
- (12) SUN Wen
- (13) WANG Lina
- (14) XIONG Li
- (15) XU Guixiang
- (16) YANG Lijuan
- (17) YANG Xuemei
- (18) YOU Zonglin
- (19) ZHANG Yueying
- (20) ZHAO Weifen
- (21) ZHAO Xiaolu

(from CHEN Daijun to ZHAO Xiaolu above, the **20 Account Holders**, or each being an **Account Holder**)

Statement of Institution of Proceedings

A. INTRODUCTION

1. At all material times, China DYF was and still is an investment-holding company listed under Chapter 21 of the Main Board Listing Rules of the SEHK (**Listing Rules**).
2. At all material times:
 - (1) 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 during the Relevant Period (defined in paragraph 9 below) in the issued share capital of China DYF was about 28.1% (including a direct holding of 12.09% and a deemed interest of 16.01% as a result of his holdings in intermediate companies that are shareholders). His interest as of 31 May 2023 is 22.26% (i.e. 347,612,800 China DYF shares, of which he directly holds 9.58%); and
 - (2) SUI was also the Chairman of two other companies, namely:

- a) Shenzhen Qirisheng Enterprise Consulting Co., Ltd (previously known as Shenzhen Ding Yi Feng Assets Management Co., Ltd) (**Shenzhen DYF**). SUI was the holder of 29.39% of Shenzhen DYF shares as at 28 December 2017; and
 - b) HK DYF Int'l Holding Group Limited (**HK DYF**).
3. In around August 2018, China DYF was considered to have satisfied, *inter alia*, specified trading/market requirements (including, but not limited to, turnover and/or market value requirements) for inclusion as a constituent of various Hang Seng indices compiled by the Hang Seng Indexes Company Limited (**HSI Company**), and formally traded as such starting 10 September 2018. One consequence of its inclusion into these various Hang Seng indices was that stock trading portfolios that track such indices would have to include China DYF shares in their portfolios as per China DYF's weighting in such indices, thereby substantially increasing the market demand for China DYF shares. In some circumstances it also allowed Mainland investors to directly trade in China DYF shares through the Shenzhen-Hong Kong Stock Connect scheme.
4. On 8 March 2019, the Commission directed the SEHK to suspend the trading of China DYF shares under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap 571V). When trading in China DYF shares resumed on 23 January 2020, the share price dropped from HKD23.08 (before suspension) to HKD2.10 upon resumption.

B. PARTICULAR CHARACTERISTICS OF CHAPTER 21 COMPANIES

5. At the material time, companies listed under Chapter 21 of the Listing Rules were essentially investment companies that do not take legal or effective management control of underlying investment that they hold, and in any event could not own or control more than 30% of the voting rights in any one company or body (see Rule 21.04 of the Listing Rules, sub-paragraph (3)(a)). As a result of the nature of Chapter 21 companies, their share price should normally have a strong correlation to their net asset value (**NAV**), subject to a reasonable degree of deviation. Chapter 21 companies were therefore required to make monthly public announcements of their NAV in order to keep the market properly informed.

6. A recent observation¹ for 497 US-listed closed-end funds (i.e. investment companies) shows the following statistics on the premium or discount of their trading price to their NAV per share:
 - (1) 102 out of 497 traded at an average premium of 7.3% with the highest premium at 39.1%; and
 - (2) 395 out of 497 traded at an average discount of 8.1% with the highest discount at 33.8%.
7. At the material time, there were 24 investment companies listed on the SEHK under Chapter 21 of the Listing Rules, including China DYF, 3 of the investment companies had no transactions during the Relevant Period (defined in paragraph 9 below) or had negative NAV. An analysis of the trading statistics of the remaining 21 investment companies at the material time show that the share prices traded at between a highest premium of 1,082% and a highest discount of -82% to their respective NAV per share. One of the investment companies traded between a highest premium of 1082% and a lowest premium of 93% to its respective NAV per share.

C. SUSPICIOUS MOVEMENTS OF CHINA DYF'S SHARE PRICE

The excessive premia of the NAV per share

8. Between the close of market on 28 February 2018 and the close of market on 14 September 2018, China DYF's share price had risen from around HKD8.7 per share to around HKD15.82 per share (i.e. a 182% increase).
9. The Commission's analysis of the trading in China DYF shares focused on the trading within an approximate 6 ½ month period between 1 March 2018 and 14 September 2018 (**Relevant Period**).
10. During the Relevant Period, China DYF's share price continuously did not correlate to its NAV per share. Between March and September 2018, China DYF's share price traded at a premium of between 9,178% and 66,000% to its NAV per share:
 - (1) For the month ended March 2018, the month-end share price was HKD8.83, with a NAV per share at HKD0.09, i.e. premium of 9,811%;

¹ Data was sourced from CEFConnect.com as at 30 August 2019. CEFConnect.com provides data for the universe of closed-end funds. CEFConnect.com data are supplied by the service provider, Morningstar. For certain data points, Morningstar uses publicly-available sources such as the fund's annual or semi-annual report, public announcements, press releases or regulatory filings; in some cases, it may rely on direct feeds from the fund or fund sponsor.

- (2) For the month ended April 2018, the month-end share price was HKD8.26, with a NAV per share at HKD0.09, i.e. a premium of 9,178%;
 - (3) For the month ended May 2018, the month-end share price was HKD8.01, with a NAV per share at HKD0.08, i.e. a premium of 10,013%;
 - (4) For the month ended June 2018, the month-end share price was HKD8.08, with a NAV per share at HKD0.08, i.e. a premium of 10,100%;
 - (5) For the month ended July 2018, the month-end share price was HKD13.08, with a NAV per share at HKD0.04, i.e. a premium of 32,700%;
 - (6) For the month ended August 2018, the month-end share price was HKD13.20, with a NAV per share at HKD0.02, i.e. a premium of 66,000%; and
 - (7) For the month ended September 2018, the month-end share price was HKD19.58, with a NAV per share at HKD0.17, i.e. a premium of 11,518%.
11. Such magnitudes of premia over its NAV per share vastly exceed the premium at which the share price of investment companies typically traded and made no economic sense. In particular, in 2016 and in 2017, China DYF had losses (respectively, HKD0.11 and HKD0.13 per share) which exceeded the year-end NAV per share (respectively, HKD0.04 and HKD0.07).

The price-fluctuation of China DYF shares

12. The closing price of the China DYF share price increased from HKD8.83 (i.e. the closing price on 1 March 2018) to HKD15.82 (i.e. the closing price on 14 September 2018) at the end of the Relevant Period, representing a 179% increase.
13. In particular, the increase in China DYF's share price in the August and September 2018 period was likely impacted by, *inter alia*, China DYF's announcement on 13 August 2018 that it had been included as a constituent in various Hang Seng indices i.e. Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, Hang Seng Stock Connect Hong Kong SmallCap Index, Hang Seng SCHK Mainland China Companies Index, and Hang Seng SCHK ex-AH Companies Index (which formally commenced from 10 September 2018).
14. Not only were the changes in the closing price of China DYF's shares volatile, the intra-day price movements were also volatile. The daily difference between the lowest traded

price and the highest traded price over the Relevant Period was 4.3%. On a total of 6 days, the difference between the lowest traded price and the highest was over 10%. Four of those days occurred in mid-July i.e. on 10, 17, 18 and 19 July 2018.

D. TRADING ACTIVITIES IN CHINA DYF SHARES IN THE ACCOUNTS OF THE 2ND TO 21ST SPECIFIED PERSONS

Majority of China DYF shares held in the accounts or names of 26 individuals

15. During the Relevant Period, substantial amounts of China DYF shares were actively transacted via securities trading accounts held in the names of 20 Account Holders i.e. the 2nd to 21st Specified Persons (**Accounts**), via the internet.
16. Although the suspicious trading activities were primarily recorded in the Accounts held in the names of the 20 Account Holders, they were amongst a wider group of 26 individuals who were already holding China DYF shares immediately before the Relevant Period. These individuals had prior connections with Shenzhen DYF and/or its family of companies (**26 Individuals**). In particular:
 - (1) 17 of these individuals were employees of such entities (contrary to some of their declarations in their securities account opening documentations in which they claimed they were unemployed, or employed by an unrelated entity), and 7 were shareholders of Shenzhen DYF;
 - (2) Immediately before the commencement of the Relevant Period (i.e. per the position held at 28 February 2018):
 - a) The Accounts of the 20 Account Holders held a total of 532,055,205 China DYF shares (many of whom each held millions of shares, ranging from 4.38 million (held in the name of LAN Chuhan) to 57.2 million (held in the name of SUN Wen)), and the Accounts of the other 5 individuals held a total of 164,985,200 China DYF shares (together, **25 Account Holders**). Altogether, the 25 Account Holders held 697,040,405 China DYF shares (around 57.24% of all China DYF issued shares at the time);
 - b) SUI himself held 347,612,800 China DYF shares (i.e. around 28.55% of all China DYF issued shares at the time). SUI's ownership was via his stake of 29.39% in Shenzhen DYF, which subsequently held a stake of 74.55% in HK DYF, and which owned 198,030,400 China DYF shares; and
 - c) in light of sub-paragraphs (2)(a) and (2)(b) above, the 26 Individuals were (directly and indirectly) interested in a total of 1,044,653,205 China DYF

shares (which was equal to 85.79% of all China DYF issued shares at the time).

The relevant trading in China DYF shares and trading patterns during the Relevant Period

17. The Accounts were used to trade in a total of 281,208,000 China DYF shares during the Relevant Period, out of which:

- (1) 142,584,000 shares were purchased and 138,624,000 shares were sold, leaving a net position of 3,960,000 shares (i.e. merely 1.4% of the gross traded figure); and
- (2) 222,688,000 were matched trades (i.e. 79%), conducted between the Accounts held by the 20 Account Holders. These orders were made at substantially the same time (often within seconds) and of substantially the same size and price, which is indicative of matched trading, a form of market manipulation. In particular:
 - a) Out of a total of 9,988 executed trades where one of the 20 Account Holders was the purchaser, 7,416 (i.e. 74%) were purchases where another of the 20 Account Holders was the seller;
 - b) Out of a total of 9,465 executed trades where one of the 20 Account Holders was the seller, 7,416 (i.e. 78%) were sales where another of the 20 Account Holders was the purchaser;
 - c) Out of a total of 142,584,000 shares purchased by the 20 Account Holders, 111,344,000 (i.e. 78%) were purchases where one of the 20 Account Holders was also the counterparty;
 - d) Out of a total of 138,624,000 shares sold by the 20 Account Holders, 111,344,000 (i.e. 80%) were sales where one of the 20 Account Holders was also the counterparty;
 - e) Out of a total of 243,080,053 shares² traded during the Relevant Period, 111,344,000 (i.e. 46%) were matched trades conducted between the Accounts held by the 20 Account Holders;

² The 243,080,053 figure is as reported by SEHK. However, the *gross* traded volume of shares by the Account Holders during the Relevant Period was 281,208,000 shares (i.e. higher than the figure reported by SEHK). This is because the *gross* traded volume of shares includes all the purchases and all the sales by the 20 Account Holders, which would include the 111,344,000 shares which were traded with one of the 20 Account Holders (both on the

- f) Of the 7,416 sales and purchases (i.e. the matched trades) during the Relevant Period as identified in sub-paragraphs (a) and (b) above, 5,180 of them (i.e. 69.85%) were conducted through the Accounts held by 6 Account Holders, i.e. CHI Xiaotong, HUANG Shuxian, PU Xiaoming, WANG Lina, XU Guixiang and ZHAO Xiaolu (Six). The 5,180 matched trades involved the sum of around HKD634.8 million; and
- g) The Accounts of the Six had used the same IP address for both the sale side and the buy side of a transaction. Of 95 identified IP addresses (shared by 2 or more of the Account Holders), 83 were used by the Six to conduct the 5,180 matched trades. They were conducted through the Six's securities accounts maintained through 6 brokerages, namely GF Securities (HK) Brokerage Ltd, Orient Securities (Hong Kong) Ltd, SBI China Capital Financial Services Ltd, Futu Securities International (Hong Kong) Limited, BOCI Securities Limited and HSBC Securities Brokers (Asia) Limited.

18. When analysed collectively, a vast proportion of the trading in the Accounts during the Relevant Period did not result in a change of economic position in China DYF shares, but compromised the integrity of the market by creating a significant increase in the overall trading volume and an appearance that China DYF shares were actively traded. This is one important and positive metric that investors or prospective investors will take into account when assessing the market liquidity of China DYF shares.
19. Despite the vast volume of China DYF shares traded during the Relevant Period, the total number of shares bought and sold were almost the same (see paragraph 17(1) above – a net change of 3,960,000 shares only). The repetition of the pattern of purchases and sales of China DYF shares conducted through the Accounts had the effect of generating sizeable traded volume without significant accumulation or reduction in their positions.

The order insertion patterns conducted in the names of the 20 Account Holders

20. In order for the purchase order and the sell order entered by the Account Holders to match in executed quantity, the insertion price is important: due to the time-price priority, should a sell order be entered at an offer price equal to the best offered price in the book, that order already present in the book would take precedence over the newly inserted order. In such a case, the purchase order entered by one of the 20 Account Holders would first be executed against that existing order (from the third party), before it could potentially be executed against the sell order entered by one of the 20 Account Holders.

purchase, and on the sell side, of a trade). In such instance, SEHK will count that trade *once*, whereas in gross traded volume this trade would be counted twice.

21. With respect to the trades where both the buyer and the seller were one of the 20 Account Holders, they therefore tended to have the following order insertion pattern:
- (1) In a majority of the sell orders, an offer was entered at a price increment (a tick) *below* the best offered price in the market;
 - (2) Shortly thereafter, a purchase order was entered with a bid price equal to or exceeding the offered price of the sell order just entered into the order book; and
 - (3) Given the aforementioned order insertion pattern, in most instances, both the purchase order and the sell order executed against each other. In 6,554 instances the quantity purchased by the Account(s) of one of the 20 Account Holders matched the quantity sold by the Account(s) of another member of the 20 Account Holders in the same transaction.
22. Over the Relevant Period, the orders which resulted in trades in which the Accounts were both purchasing and selling shares of China DYF had a significant impact on the nominal price of China DYF shares. The overall impact of the orders and trades in which the Accounts were both purchasing and selling shares of China DYF (besides adding 111,344,000 shares) led to an overall positive impact of HKD56.84 on the nominal price of China DYF shares.
23. The pattern described above was visible in general throughout the trading days during the Relevant Period. The first hour of the day was active (about 6 trades per 15 minutes); trading would then slow down and then increase to on average one trade every minute for the last 15 minutes of the day. In the last 3 minutes of the trading day, an average of 12 trades were conducted (i.e. 4 per minute).
24. The overall impact of the trades conducted through the Accounts of the 20 Account Holders resulted in a net cumulative change of HKD58.90 to the nominal price (the price disseminated to the market during the continuous trading period) of China DYF shares during the Relevant Period. There was a cumulative positive impact of HKD108.86 for purchase orders executed above the then prevailing nominal price, and a negative impact of HKD49.96 for sell orders executed below the then prevailing nominal price. This price impact on China DYF shares also differed in terms of time:
- (1) The price impact of the trades were relatively larger at the start of the trading day. An opening price serves as guidance for investors or potential investors who would take into account the opening price in their trading decisions, and the existence of such a price early in the trading day is also an indication of market liquidity.

- (2) The largest positive impact on the nominal price occurred at the very end of the trading day. Over the Relevant Period, between 15:45:00 and 16:00:00 the total positive impact was HKD19.01. Out of this impact, HKD16.29 occurred during the last 3 minutes of the trading day.
25. In general, during the Relevant Period, the Accounts of the 20 Account Holders inserted (modified or cancelled) orders in the last 3 minutes of the trading day on 112 days. Over these 112 days, on a total of 84 days, the orders and trades made through the Accounts had the effect of raising the nominal price of China DYF shares. In total, 398 orders sent in the last 3 minutes of the trading day had a positive impact on the nominal price.
26. One aspect of aggressive trading at the very end of the trading day is the lack of reaction from other market participants, as other market participants have limited time to respond when price movements occur at the end of the day. This prevents price discovery from taking place.
27. The aggressive purchase orders conducted through the Accounts also had an effect of widening the bid-ask spread of China DYF shares. When the bid-ask spread is multiple price increments (i.e. ticks) wide, other market participants who would subsequently enter purchase and sell orders into the market have a relatively wide range of price-levels at which they could price their orders. Their decision on order insertion could therefore have been impacted by the aggressive purchase orders placed through the Accounts of the Account Holders.

Profitability of the trading activity conducted through the Accounts

28. The intra-day trading activities of the Accounts had the effect of increasing the nominal price of China DYF shares, but did not generate material trading profit for them. The increase in the price of China DYF shares, however, allowed the 26 Individuals (see paragraph 16 above, including SUI and the 20 Account Holders) who held significant amounts of China DYF shares at the beginning of the Relevant Period, as well as shares accumulated during the Relevant Period (a relatively limited amount), to benefit from the increase in China DYF's share price. The total trading result of the Accounts from the beginning to the end of the Relevant Period can be split into the following categories:
 - (1) HKD490,320 was generated by the trading within each trading day. This amount reflected the result of the trades done in one trading day when compared to the closing price of that trading day;
 - (2) HKD89,660,400 resulting from the price change on each trading day over the number of shares accumulated by the Accounts since the start of the Relevant

Period. This amount reflects the result of the position held at the start of the day when compared to the closing price of that trading day; and

- (3) HKD3,878,383,780, being the combined profit resulting from the position held as at 28 February 2018 and the trading profit during the Relevant Period.

E. SOURCE OF FUNDS USED TO CONDUCT THE MARKET MISCONDUCT

29. There were substantial funding connections between SUI and the Account Holders relating to the funds or shares used to trade in China DYF shares in the Accounts.

30. With respect to the major funding sources for the Accounts held in the names of the 20 Account Holders, they are presently identified as including, but not limited to, the following. Of these Account Holders, the funding sources for four of the Six (excluding XU Guixiang and ZHAO Xiaolu), or the funding provided by two of the Six (i.e. PU Xiaoming, and/or XU Guixiang), have also been identified:

- (1) CHI Xiaotong's Accounts (being one of the Six), funded by (i) HKD8 million from SUI on 19 May 2017; and (ii) 35 million share deposits from FU Haiyan, a shareholder who acquired China DYF shares through placement, in July 2017;
- (2) HUANG Shuxian's Accounts (being one of the Six), funded by (i) 15.29 million share deposits from PU Xiaoming (being one of the Six) in August 2017; (ii) around HKD11 million from Tsui Cheung Hiu (**TSUI**), a general manager of HK DYF, on 23 May 2017; and (iii) HKD8 million from PU Xiaoming in June and July 2017;
- (3) JIANG Jinbo's Accounts, funded by 32 million shares from PU Xiaoming (being one of the Six) in August 2017;
- (4) PENG Xuchu's Account, funded by TSUI in the amount of around HKD3.2 million in April 2017;
- (5) PU Xiaoming's Accounts (being one of the Six), funded by (i) SUI in the amount of HKD7.5 million in June 2017; (ii) ZHAO Weifen 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 sum of HKD3.6 million in March 2018;
- (6) SUN Wen's Account, funded by TSUI in the amount of around HKD3.5 million on 19 April 2017;

- (7) WANG Lina's Account (being one of the Six), funded by (i) CHEN Daijun in the amount of HKD4.5 million in March 2018; and (ii) PU Xiaoming (being one of the Six), in the amount of HKD21 million between May and July 2017;
 - (8) XIONG Li's Account, funded by share deposits or transfers from (i) WANG Lina (being one of the Six), in the amount of 27 million shares in November 2017; and (ii) PU Xiaoming (being one of the Six), in the amount of 11.68 million shares in November 2017;
 - (9) YANG Xuemei's Accounts, funded by XU Guixiang (being one of the Six) in the sum of around HKD3.15 million in April 2017; and
 - (10) ZHANG Yueying's Account, funded by (i) TSUI in the sum of around HKD3.2 million on 19 April 2017; (ii) share deposits or transfers from ZHAO Weifen in the amount of 2.44 million shares on 27 March 2017; and (iii) share deposits or transfers from YANG Lijuan in the amount of 14.312 million shares on 28 March 2017.
31. There are two further key aspects arising from the funding sources and connections described above. TSUI had transferred a total sum of HKD9.9 million to PENG Xuchu, SUN Wen, and ZHANG Yueying in April 2017, and a further sum of HKD11 million to HUANG Shuxian in May 2017. It is inherently likely that these 4 recipient Account Holders are at least acquainted, if not connected.
 32. Furthermore, 5 of the share deposits or transfers identified above are not supported by any record of fund transfers representing the consideration for making share deposits / transfers.

F. OTHER CONNECTIONS BETWEEN THE SPECIFIED PERSONS

The sharing of similar computer IP addresses

33. Besides LIU Shuang and XIONG Li, it would appear at least 18 Account Holders shared a total of 95 computer IP addresses³ in Mainland China through which relevant transactions were conducted, suggesting the orders were entered from identical locations or within close proximity. In particular, each IP address had been used to place orders

³ An IP address can be considered as the address used for sending data packets over existing networks, such as the internet. It is similar to the mailing address in our physical world (known as destination IP address) that someone can use to send a letter (network packet) to. As IP addresses are used for communication between machines within the network, within the same network segment, IP addresses cannot be duplicated. A single IP address could not be assigned to more than one machine.

in the Accounts of two or more of such Account Holders to trade in China DYF shares during the Relevant Period. These Account Holders include:

- (1) CHEN Daijun;
- (2) CHI Xiaotong;
- (3) HE Jiao Lian;
- (4) HUANG Shuxian;
- (5) JIANG Jinbo;
- (6) LAN Chuhan;
- (7) MO Jianyun;
- (8) PENG Xuchu;
- (9) PU Xiaoming;
- (10) SUN Wen;
- (11) WANG Lina;
- (12) XU Guixiang;
- (13) YANG Lijuan;
- (14) YANG Xuemei;
- (15) YOU Zonglin;
- (16) ZHANG Yueying;
- (17) ZHAO Weifen; and
- (18) ZHAO Xiaolu.

Connections between the Specified Persons

Employment or shareholding connections

34. Furthermore, amongst 25 of the 26 Individuals (i.e. those other than SUI), many are connected to Shenzhen DYF or its “family” of companies by reason of their employment or shareholding.
35. In particular, of the 20 Account Holders, 14 were employees of Shenzhen DYF or its “family” of companies:
- (1) CHEN Daijun;
 - (2) CHI Xiaotong;
 - (3) HUANG Shuxian;
 - (4) JIANG Jinbo;
 - (5) LIU Shuang;
 - (6) PENG Xuchu;
 - (7) PU Xiaoming;
 - (8) SUN Wen;
 - (9) WANG Lina;
 - (10) XIONG Li;
 - (11) XU Guixiang;
 - (12) YANG Xuemei;
 - (13) ZHANG Yueying; and
 - (14) ZHAO Xiaolu.
36. There were also similarities in the particulars provided by the Account Holders in their account opening documents at the relevant banks and brokerage firms. CHEN Daijun, LIU Shuang, SUI, XU Guixiang (i.e. one of the Six) and YANG Xuemei gave the same office address of Shenzhen DYF as their correspondence and/or permanent address. Whereas, PENG Xuchu and PU Xiaoming shared the same e-mail address (3206474703@qq.com); and PU Xiaoming and XU Guixiang also shared the same e-mail address (491719872@qq.com).

37. Separately, the employment information of 9 of the Account Holders were found 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”, seized from China DYF’s office in Hong Kong. Names matching 2 of the Account Holders were found in the directory headed “鼎益丰集团内部通讯录”. The directories list out such Account Holders’ roles and respective departments within the Ding Yi Feng Group.
38. Whereas, 5 of the 20 Account Holders were shareholders of Shenzhen DYF before the Relevant Period, including CHEN Daijun, JIANG Jinbo, LIU Shuang, PU Xiaoming, and XU Guixiang.

G. EFFECT OF THE RELEVANT TRADING BEHAVIOUR

39. The increase in the trading activities and nominal prices of China DYF shares benefited the positions held by the Specified Persons in China DYF shares.
40. Furthermore, the trades conducted through the Accounts could have impacted the other market participants’ decision-making process which, in turn, would further affect the nominal price and the disseminated traded volume. In particular, the bid and offer prices of orders inserted by other market participants may have skewed higher in light of the widened bid ask spread and the elevated nominal and last traded price.
41. As a significant portion of China DYF shares traded through the Accounts was the result of matched trades (nearly half i.e. 46% of the total number of China DYF shares traded during the Relevant Period), this had the effect of inflating the daily volume statistics of China DYF shares, and created the false impression of larger market liquidity.
42. The trading activities of the Accounts also assisted China DYF shares to meet specified trading/market requirements for inclusion as a constituent of various indices compiled by index companies, including, *inter alia*, the HSI Company Limited and MSCI Inc., thereby materially increasing the demand for China DYF shares.
43. Had the China DYF shares not been suspended by the Commission on 8 March 2019, China DYF would have been further included as a constituent for the Hang Seng Index LargeCap and MidCap Index on 11 March 2019. In such circumstances, China DYF would have also been eligible for southbound trading via the Shanghai-Hong Kong Stock Connect scheme (in addition to the Shenzhen-Hong Kong Stock Connect scheme). As one criterium for such eligibility was a minimum market capitalization of HKD5 billion, the elevated share price of China DYF would have been a factor in fulfilling such criterium, and which would have further increased the number of investors in Mainland China being able to buy China DYF shares.

44. The combined trading conducted through the Accounts during the Relevant Period had, or was likely to have, the effect of creating a false or misleading appearance:
- (1) of active trading in China DYF shares; and/or
 - (2) with respect to the market for, or the price for dealings in, China DYF shares.
45. The combined trading conducted through the Accounts during the Relevant Period were carried out for the sole or primary purpose(s) of increasing and/or maintaining the nominal price of China DYF shares, and/or of creating an appearance of active trading in the shares of China DYF.
46. Further and/or alternatively, the combined trading conducted through the Accounts during the Relevant Period (in particular, the significant amount of matched trading described in paragraph 17 above) required coordination between the person(s) responsible for placing the orders through those Accounts, and/or did not have any rational economic justification. In particular, the short response times and mostly similar or identical volumes and prices of the purchase orders and sell orders involved infers a degree of coordination between the 20 Account Holders involved. 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, China DYF shares.
47. By reason of the aforesaid, the Specified Persons engaged or may have engaged in market misconduct, contrary to section 274(1) of the Ordinance.
48. 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, stabilizing, or causing fluctuations in, the prices of China DYF shares, contrary to section 275(1)(b) of the Ordinance.

49. Further and/or alternatively, the combined trading conducted through the Accounts during the Relevant Period:
- (1) increased or were likely to have increased, and/or maintained/stabilized, the price of China DYF shares;
 - (2) were conducted with the intention of inducing other persons to trade, or refrain from trading, in China DYF shares; and
 - (3) contrary to section 278(1) of the Ordinance.
50. 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.
51. 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 16th day of August 2023.

Securities and Futures Commission