STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. Pursuant to section 194 of the Securities and Futures Ordinance (**SFO**), the Securities and Futures Commission (**SFC**) has:

   (a) publicly reprimanded and fined Impression Investment Limited (**Impression**)[1] HK$2 million; and

   (b) prohibited Mr Liu Shan (**Liu**)[2], a former director, responsible officer (**RO**) and manager-in-charge (**MIC**) of Impression[3], from re-entering the industry for eight months from 2 April 2026 to 1 December 2026.

2. The SFC found that between January 2016 and March 2021 (**Relevant Period**):

   (a) Liu and another staff member of Impression engaged in personal trading in a manner contrary to regulatory requirements when they were responsible for making investment decisions for funds managed by Impression; and

   (b) Impression failed to:

      (i) diligently supervise its staff to ensure compliance with its staff dealing policies and all applicable regulatory requirements; and

      (ii) maintain and enforce effective procedures and controls to monitor staff dealing activities and detect non-compliance or other irregularities.

3. The SFC considers that Impression's failures were attributable to Liu's neglect in discharging his duties as an RO and a member of the senior management of Impression during the Relevant Period.

4. The relevant regulatory requirements are set out in the **Appendix**.

Summary of Facts

A. Staff personal dealings

5. During the Relevant Period, Impression acted as the fund manager or investment advisor of 3 Cayman-incorporated funds: Fund A, Fund B and Fund C.

6. The SFC's investigation revealed that, during the Relevant Period, Liu, who was responsible for managing and making investment decisions for Fund A:

[1] Impression is licensed to carry on Type 9 (asset management) regulated activities under the SFO.

[2] Liu was accredited to Impression and approved to act as its RO from 30 April 2014 to 15 February 2024. Liu is currently not licensed by the SFC.

[3] Liu served as a director of Impression from 21 May 2013 to 29 February 2024. Further, he was Impression's MIC of the following core functions: (a) Overall Management Oversight from 30 April 2014 to 15 February 2024; (b) Compliance and Anti-money Laundering and Counter-terrorists Financing from 3 November 2017 to 11 January 2021; and (c) Finance and Accounting and Key Business Line from 3 November 2017 to 15 February 2024.

(a) conducted over 2,500 personal transactions without obtaining pre-trade approval from Impression's designated officer;

(b) executed 601 personal transactions on the same day as, or within 1 trade day before, trading in the same securities on behalf of Fund A;

(c) participated in 12 initial public offerings (**IPO**) through his personal trading account, subscribing for the same IPO shares as Fund A;

(d) failed to hold his personal investments for at least 30 days on 29 occasions; and

(e) traded in the same stock on the same day as Fund A in 220 instances, including 116 instances where he traded at more favourable prices than Fund A.[4]

7. Similarly, between May 2019 and March 2021, Mr X, then a licensed representative of Impression responsible for managing and making investment decisions for Fund B and Fund C:

(a) conducted 9 personal transactions without obtaining pre-trade approval from Impression's designated officer;

(b) executed 16 personal transactions on the same day as, or within 1 trading day before, trading in the same securities on behalf of Fund B and/or Fund C;

(c) sold personal stock investments within the 30-day holding period on 6 occasions; and

(d) traded in the same stock on the same day as Fund B and/or Fund C at more favourable prices on 4 occasions.

8. The conduct of Liu and Mr X, as described above, did not comply with the personal account dealing requirements set out in paragraphs 2.1.1(b), 2.1.1(b)(ii), 2.1.1(b)(vi) and 2.1.1(c) of the FMCC. Their actions also demonstrate a lack of diligence and a failure to identify, prevent or manage potential conflicts of interest arising from personal trades executed at more favourable prices than those obtained by the funds they managed, in breach of:

(a) GP 2, GP 6 and paragraph 10.1 of the Code of Conduct; and

(b) paragraph 1.5 of the 2018 FMCC.

B. Inadequate supervision and deficient controls over staff dealing activities

9. The SFC's investigation revealed systemic failures in Impression's supervision, management and compliance functions regarding staff dealing requirements during the Relevant Period:

(a) Impression failed to diligently supervise its staff to ensure compliance with its staff dealing policies and all applicable regulatory requirements.

[4] There were also 104 instances where trades conducted for Fund A were executed at more favourable prices compared to Liu's personal trades.

(b) Although Impression had written staff dealing policies in place, they were neither implemented nor enforced prior to 2021.

(c) There was a complete absence of effective procedures and controls to monitor staff dealing activities and to detect any non-compliance or other irregularities.

(d) Key personnel responsible for management and compliance—including its responsible officers and compliance officers tasked with monitoring staff personal trades—lacked adequate knowledge or understanding of the relevant rules and regulations governing staff dealing.

(e) The compliance officer designated to monitor staff personal trades and ensure compliance from January 2016 to December 2020 failed to discharge her responsibilities. She did not carry out any approval or monitoring procedures on staff personal trades as required by Impression's internal policies.

10. Impression's failures constitute breaches of:

(a) GP 2, GP 3, and paragraphs 4.2, 4.3 and 12.2(b)(vi) of the Code of Conduct;

(b) paragraphs 1.2(c), 1.6.1, 1.6.3 and 2.1.2 of the 2014 FMCC;

(c) paragraphs 1.2(c), 1.5, 1.8.1, 1.8.3, 2.1.2 and 2.1.4 of the 2018 FMCC; and

(d) section V.4 of the Internal Control Guidelines.

11. Impression's failures were attributable to Liu's neglect in discharging his duty as an RO and a member of the senior management of Impression. Specifically, as a director, RO, and MIC of Overall Management Oversight and Compliance functions of Impression, Liu failed to:

(a) diligently supervise Impression's compliance staff; and

(b) ensure the maintenance of appropriate standards of conduct by Impression and its compliance with all relevant legal and regulatory requirements, in breach of GP 9 of the Code of Conduct and paragraphs 1.5(a) and 1.6(a) of the 2014 FMCC and 2018 FMCC respectively.

Conclusion

12. Having considered all the circumstances, the SFC is of the view that Impression and Liu are guilty of misconduct and that Liu's fitness and properness to carry on regulated activities has been called into question.

13. In deciding the disciplinary sanction set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including:

(a) Impression's failures enabled Liu and Mr X to conduct personal trades in the same stock on the same day as the funds they managed and at more favourable prices in some instances, which could undermine investor trust and public confidence in the market;

(b) Impression has implemented regular post-trade monitoring of staff personal trades since 2021 as a remedial measure;

(c) there is no evidence that the personal trades conducted by Liu and Mr X were intended to benefit themselves at the expense of the relevant funds; and

(d) Impression and Liu's cooperation with the SFC in resolving the SFC's concerns.

Appendix

Relevant regulatory requirements

*Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**)*

1. General Principle (**GP**) 2 of the Code of Conduct requires a licensed person to act with due skill, care and diligence, in the best interests of its clients and the integrity of the market in conducting its business activities.

2. GP 3 of the Code of Conduct requires a licensed person to have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.

3. GP 6 of the Code of Conduct provides that a licensed person should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its clients are fairly treated.

4. GP 9 of the Code of Conduct provides that the senior management of a licensed person should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the firm.

5. Paragraph 4.2 of the Code of Conduct requires a licensed person to ensure that it has adequate resources to supervise diligently and does supervise diligently persons employed or appointed by it to conduct business on its behalf.

6. Paragraph 4.3 of the Code of Conduct provides that a licensed person should have internal control procedures and operational capabilities which can be reasonably expected to protect its operations and its clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

7. Paragraph 10.1 of the Code of Conduct stipulates that, where a licensed person has a material interest in a transaction with or for a client or a relationship which gives rise to an actual or potential conflict of interest in relation to the transaction, it should neither advise, nor deal in relation to the transaction unless it has disclosed that material interest or conflict to the client and has taken all reasonable steps to ensure fair treatment of the client.

8. Paragraph 12.2(b)(vi) of the Code of Conduct provides that transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the licensed person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the licensed person of these transactions or orders is not prejudicial to the interests of the licensed person's other clients.

*Fund Manager Code of Conduct (**FMCC**)*[5]

Personal account dealing

9. Paragraph 2.1.1(b) of the FMCC requires relevant persons[6] to obtain prior written permission for personal account dealing from the compliance officer or other persons designated by senior management.

10. Paragraph 2.1.1(b)(ii) of the FMCC stipulates that relevant persons may not buy or sell an investment for their personal account within 1 trading day before (if the relevant person is aware of a forthcoming client transaction) or after trading in that investment on behalf of a client. Subject to rules being set down by the senior management, this restriction need not be applied where fund orders have been fully executed and any conflicts of interest have been removed.

11. Paragraph 2.1.1(b)(vi) of the FMCC provides that relevant persons should be prohibited from participating in initial public offerings available to funds managed by the fund manager.

12. Paragraph 2.1.1(c) of the FMCC requires relevant persons to hold all personal investments for at least 30 days, unless prior written approval of the compliance officer or other persons designated by senior management is given for an earlier disposal.

13. Paragraph 2.1.4 of the 2014 FMCC provides that a fund manager who is a relevant person should comply with the provisions set out in paragraph 2.1.1.

Internal controls and other requirements

14. Paragraph 1.2(c) of the FMCC requires a fund manager to maintain satisfactory internal controls and written compliance procedures which address all applicable legal and regulatory requirements.

15. Paragraph 1.5(a) of the 2014 FMCC and paragraph 1.6(a) of the 2018 FMCC provide that the senior management of a fund manager should be principally responsible for compliance by the fund manager with all relevant legal and regulatory requirements, as well as the nurturing of a good compliance culture within the fund manager.

16. Paragraph 1.5 of the 2018 FMCC provides that a fund manager should maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to identify, prevent, manage and monitor any actual or potential conflicts of interest. Where an actual or potential conflict arises, the conflict should be managed and minimised by appropriate safeguards and measures to ensure fair treatment of fund investors, and any material interest or conflict should properly be disclosed to fund investors.

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[5] Two versions of the FMCC were applicable during the Relevant Period, including the version issued in January 2014 (**2014 FMCC**) and the version issued in November 2018 (**2018 FMCC**). The 2014 FMCC and 2018 FMCC are collectively referred to as the **FMCC**.

[6] Under the FMCC, "relevant persons" means any employees or directors of a Fund Manager or persons accredited to a fund manager for conducting regulated activities who in their regular functions or duties make or participate in investment decisions, or obtain information, prior to buying or selling investments on behalf of a client; whose functions relate to the making of any recommendations with respect to such buying or selling; or any persons over whom they exercise control and influence.

17. Paragraph 1.6.1 of the 2014 FMCC and paragraph 1.8.1 of the 2018 FMCC provide that a fund manager should (i) maintain an effective compliance function, including a designated compliance officer, to ensure compliance with its internal policies, procedures, and all applicable legal and regulatory requirements, including the FMCC; and (ii) ensure that the compliance function possesses the technical competence and experience necessary for the performance of its functions.

18. Paragraph 1.6.3 of the 2014 FMCC requires the designated compliance officer of a fund manager to maintain sufficiently detailed compliance procedures to give senior management reasonable assurance that the corporation complies with all applicable requirements at all times.

19. Paragraph 1.8.3 of the 2018 FMCC requires a fund manager to maintain sufficiently detailed compliance procedures to enable its senior management to comply with all applicable requirements at all times.

20. Paragraph 2.1.2 of the FMCC provides that a fund manager should maintain appropriate procedures to ensure personal transactions of relevant persons are properly approved and there is an adequate audit trail of such approval and the transaction.

21. Paragraph 2.1.4 of the 2018 FMCC provides that a fund manager should maintain appropriate procedures to ensure compliance with the requirements set out in paragraph 2.1.1 by all its relevant persons.

*Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission (**Internal Control Guidelines**)*

22. Section V.4 of the Internal Control Guidelines provides that staff performing the compliance function, in conjunction with management, should establish, maintain and enforce effective compliance procedures. These procedures should cover, among others, internal control matters and compliance with the relevant staff dealing requirements.