

SFC revokes licence of Zeng Huiyu and bans her for five years

7 May 2013

The Securities and Futures Commission (SFC) has revoked the licence of Ms Zeng Huiyu and prohibited her from re-entering the industry for five years from 8 May 2013 to 7 May 2018 (Note 1).

The SFC's action follows an investigation into trading by Zeng in the shares of Nexen Inc. (Nexen) on the New York Stock Exchange (NYSE) days before the public announcement by CNOOC Limited (CNOOC) on 23 July 2012 that CNOOC had entered into an agreement to acquire Nexen for approximately US\$15.1 billion (Announcement). Zeng's purchases were conducted for a personal account she held with GF Securities (Hong Kong) Brokerage Ltd where she was employed and for three clients accounts for which she had a discretionary authority (Notes 2 and 3).

On the day of the Announcement, the shares of Nexen on the NYSE closed at US\$25.90 compared to the previous day's closing price of US\$17.06, an increase of about 52 percent. Zeng immediately sold almost all the Nexen shares she had bought resulting in profits of around US\$202,000 (equivalent to around HK\$1,575,000) for her own account and around US\$1,244,000 (equivalent to around HK\$9,707,000) for her three client accounts.

Zeng's conduct resulted in insider dealing allegations against her in proceedings commenced by the US Securities and Exchange Commission (SEC) (Note 4).

These matters call into question Zeng's fitness and properness to be licensed by the SFC to carry on regulated activities in Hong Kong. Zeng has agreed to accept the SFC's disciplinary action in relation to these matters.

In deciding the penalty, the SFC has taken into account Zeng's clean disciplinary record and co-operation with the SFC.

The SFC wishes to acknowledge the assistance of the SEC.

End

Notes:

1. Zeng is a licensed representative under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activity and accredited to GF Securities (Hong Kong) Brokerage Ltd.
2. Nexen is a global energy company incorporated and domiciled in Canada and headquartered in Calgary, Canada. It is listed on the Toronto Stock Exchange and the NYSE under the symbol "NYX".
3. CNOOC is an energy company incorporated and headquartered in Hong Kong. It is listed on the Hong Kong Stock Exchange under the code "883" and on the NYSE under the symbol "CEO".
4. On 27 July 2012 and amended on 3 August 2012, the SEC filed a complaint against a number of defendants including "Certain Unknown Traders in the Securities of Nexen Inc. in an Account of Phillip Securities PTE Ltd" for illegal insider trading in Nexen shares prior to the Announcement. Zeng was later identified as one of these unknown traders. Zeng subsequently agreed to the SEC entering final judgment against her in which she agreed, without admission or denial of liability, to among other things, pay the SEC around US\$404,000 representing disgorgement of her trading profits in the Nexen shares and a penalty. Please see SEC press release dated 29 March 2013 on the SEC website.
5. A copy of the [Statement of Disciplinary Action](#) in relation to the matter is available on the SFC website.

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STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has revoked Zeng Huiyu's ("**Zeng**") licence and prohibited her from re-entering the industry for five years pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that Zeng's fitness and properness has been called into question as a result of her highly suspicious trading in the shares of Nexen Inc. ("**Nexen**"), a company listed on the New York Stock Exchange ("**NYSE**"), from 16 July to 19 July 2012.
3. Zeng accepts the SFC's disciplinary action without admitting liability.

Summary of Facts

4. On 23 July 2012 before the NYSE opened for trading, CNOOC Limited ("**CNOOC**") announced that it had entered into an agreement to acquire Nexen for US\$15.1 billion or US\$27.5 per share (the "Announcement"). The acquisition price of US\$27.5 per share represented a 61 percent premium over Nexen's closing price on 20 July 2012. Following the Announcement, the shares of Nexen closed at US\$25.90 compared to the previous day's closing price of US\$17.06, an increase of about 52 percent.
5. On 27 July 2012 and amended on 3 August 2012, the US Securities and Exchange Commission ("**SEC**") filed a complaint against a number of defendants including "Certain Unknown Traders in the Securities of Nexen in an Account of Phillip Securities PTE Ltd" for illegal insider trading in Nexen shares prior to the Announcement. Zeng was subsequently identified as one of the unknown traders¹.
6. Following the SEC's referral of the matter, the SFC found that from 16 to 19 July 2012, Zeng had purchased 25,000 Nexen shares for her personal account maintained with GF Securities (Hong Kong) Brokerage Ltd ("GF Securities") and another 135,000 Nexen shares for three client accounts over which she had a discretionary authority for around US\$2,660,000.
7. Zeng placed the trades to an omnibus account held in the name of Phillip Securities PTE Ltd ("Phillip Account"), a Singapore based brokerage firm, via GF Securities. Prior to July 2012, there was negligible trading in the shares of Nexen in the Phillip Account.
8. On 23 July 2012, Zeng sold almost all the Nexen shares she had bought for herself and her three discretionary client accounts. Zeng's sale of the Nexen

¹ Zeng agreed to the SEC entering final judgment against her, without admission or denial of liability in relation to the allegations in the Complaint. Zeng agreed, among other things, to pay a sum of around US\$404,000 to the SEC representing disgorgement of her trading profits in the Nexen shares and a penalty.

shares generated profits of around US\$202,000 for her own account and around US\$1,244,000 for her three client accounts.

9. In the circumstances, the SFC considers the timing, size and profitability of Zeng's trades in Nexen shares to be highly suspicious given her negligible trading in Nexen shares prior to July 2012. The SFC is of the view that Zeng traded Nexen shares while in possession of material, non-public information about CNOOC's proposed acquisition of Nexen.

Conclusion

10. Having considered all the circumstances, the SFC is of the opinion that Zeng's fitness and properness to remain licensed has been called into question.
11. In coming to the decision to take disciplinary action against Zeng, the SFC has decided that the sanction of revocation and prohibition is most appropriate and commensurate with the view of the SFC in relation to the matters in the Statement of Disciplinary Action.
12. In addition, the SFC has taken into account Zeng's clean disciplinary record and her co-operation in resolving this matter with the SFC.