

1 DONALD W. SEARLES (Cal. Bar No. 135705)
Email: searlesd@sec.gov
2 MEGAN M. BERGSTROM (Cal. Bar No. 228289)
Email: bergstromm@sec.gov

3 Attorneys for Plaintiff
4 Securities and Exchange Commission

5 Joseph G. Sansone, Chief (Market Abuse Unit)
New York Regional Office
6 200 Vesey Street, Suite 400
New York, New York 10281-1022

7 Michele Wein Layne, Regional Director
8 Amy J. Longo, Regional Trial Counsel
444 S. Flower Street, Suite 900
9 Los Angeles, California 90071
Telephone: (323) 965-3998
10 Facsimile: (213) 443-1904

11 **UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA**

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14
15 **SECURITIES AND EXCHANGE**
16 **COMMISSION,**

17 **Plaintiff,**

18 **vs.**

19 **ZHUOBIN HONG and CAIXIA**
20 **JIANG,**

21 **Defendants,**

22 **AND**

23 **ZHUOYAN HONG, and**
24 **HAOTAO JIANG,**

25 **Relief Defendants.**
26
27
28

Case No. 2:20-CV-04080

COMPLAINT

1 Plaintiff Securities and Exchange Commission (“SEC”) alleges:

2 **JURISDICTION AND VENUE**

3 1. The Court has jurisdiction over this action pursuant to Sections 21(d)(1),
4 21A, 21(e) and 27(a) of the Securities Exchange Act of 1934 (“Exchange Act”), 15
5 U.S.C. §§ 78u(d)(1), 78u-1, 78u(e) & 78aa(a).

6 2. Defendants have, directly and indirectly, made use of the means or
7 instrumentalities of interstate commerce, of the mails, or of the facilities of a national
8 securities exchange in connection with the transactions, acts, practices and courses of
9 business alleged in this complaint.

10 3. Venue is proper in this district pursuant to Section 27(a) of the Exchange
11 Act, 15 U.S.C. § 78aa(a), because certain of the transactions, acts, practices and
12 courses of conduct constituting violations of the federal securities laws occurred
13 within this district.

14 **SUMMARY**

15 4. This is an insider trading case involving illegal and highly profitable
16 trading by Zhuobin Hong (“Ben Hong”) and his wife Caixia Jiang in the securities of
17 Sagent Pharmaceuticals, Inc. (“Sagent”).

18 5. On July 11, 2016, Nichi-Iko Pharmaceutical Co., Ltd. (“Nichi-Iko”)
19 announced that it would acquire Sagent in an all-cash tender offer causing Sagent’s
20 stock price to increase by nearly 40%. Prior to this announcement, Ben Hong and
21 Caixia Jiang, directly and/or indirectly, obtained material nonpublic information
22 about Sagent’s pending acquisition from the chairman and majority shareholder of a
23 China-based pharmaceutical company (“Company A”), which competed with Nichi-
24 Iko in the bidding process and made multiple offers to acquire Sagent. During the
25 relevant time period, the chairman of Company A (“Company A Chairman” or “Mr.
26 A”) and his wife (“Mrs. A”) were friends and neighbors of Ben Hong and Caixia
27 Jiang. Ben Hong and/or Caixia Jiang received tips about the pending Sagent
28 acquisition from the Company A Chairman and/or his wife, Mrs. A.

1 6. Rather than trade in brokerage accounts in their own names, Ben Hong
2 and Caixia Jiang amassed large positions in Sagent stock, a stock that they had never
3 previously owned, by surreptitiously trading in Hong Kong-based trading accounts
4 held in the names of China-based relatives, relief defendants Zhuoyan Hong and
5 Haotao Jiang.

6 7. Other U.S.-based relatives—the sons of Ben Hong and Caixia Jiang—
7 also purchased Sagent stock, despite having never previously owned Sagent stock.

8 8. Brokerage accounts in the names of the relief defendants and Ben
9 Hong’s and Caixia Jiang’s sons began purchasing shares of Sagent stock in late 2015.

10 9. Between late 2015 and July 2016, defendants purchased, or caused to be
11 purchased, over 1.17 million shares of Sagent stock at a cost of over \$16.8 million.

12 10. On July 11, 2016, the Sagent acquisition was publicly announced,
13 causing Sagent’s stock price to increase that day by approximately 40%.

14 11. Immediately following that announcement, the defendants sold the
15 shares purchased through the relief defendants’ accounts for combined illegal insider
16 trading profits of more than \$8.5 million.

17 12. Through their conduct, defendants Ben Hong and Caixia Jiang violated
18 Sections 10(b) and 14(e) of the Exchange Act [15 U.S.C. § 78j(b) & § 78n(e)] and
19 Rules 10b-5 and 14e-3 thereunder [17 C.F.R. § 240.10b-5 & § 240.14e-3].

20 13. The SEC seeks permanent injunctions, disgorgement with prejudgment
21 interest, and civil penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. §
22 78u-1] against defendants Ben Hong and Caixia Jiang based on their illegal insider
23 trading in Sagent stock. The SEC also seeks disgorgement of ill-gotten gains from
24 that illegal trading, along with prejudgment interest, from relief defendants Zhuoyan
25 Hong and Haotao Jiang. The SEC further seeks any other equitable relief the Court
26 may deem appropriate pursuant to Section 21(d)(5) of the Exchange Act [15 U.S.C. §
27 78u(d)(5)].
28

1 **THE DEFENDANTS**

2 14. Ben Hong, age 49, currently resides in China. Prior to approximately
3 July 2017, Hong resided in Cupertino, California and Laguna Niguel, California with
4 his wife, Caixia Jiang.

5 15. Caixia Jiang, age 45, currently resides in China. Prior to approximately
6 July 2017, Caixia Jiang resided in Cupertino, California, and Laguna Niguel,
7 California.

8 **RELIEF DEFENDANTS**

9 16. Zhuoyan Hong, age 54, resides in China. Zhuoyan Hong is Ben Hong's
10 brother. Prior to the trading activity at issue in this case, Zhuoyan Hong gave Ben
11 Hong trading authority over a brokerage account in his name at a U.S.-based
12 brokerage firm and used Ben Hong's Cupertino, California address as the mailing
13 address for the brokerage firm to send correspondence regarding the account. In or
14 around October 2015, a brokerage account in the name of Zhuoyan Hong was opened
15 at the Hong Kong branch of a China-based brokerage firm (the "Hong Account").

16 17. Haotao Jiang, age 35, resides in China. Haotao Jiang is a relative of
17 Caixia Jiang. Ben Hong identified Haotao Jiang as the manager of his purported
18 employer on a loan application for a house Ben Hong purchased in Laguna Niguel,
19 California in 2016. In or around December 2015, a brokerage account in the name of
20 Haotao Jiang was opened at the Hong Kong branch of a China-based brokerage firm
21 (the "Jiang Account").

22 **RELATED INDIVIDUALS AND ENTITIES**

23 18. Sagent, a pharmaceutical company, is a Delaware corporation
24 headquartered in Schaumburg, Illinois. Sagent was an SEC-reporting company until
25 the suspension of its reporting obligations under Section 13 and 15(d) of the
26 Exchange Act on September 9, 2016. Its common stock traded on the NASDAQ
27 Global Market under the symbol SGNT until Nichi-Iko completed its tender offer to
28 acquire Sagent on August 26, 2016.

1 19. Nichi-Iko is a pharmaceutical company with its principal place of
2 business in Tokyo, Japan. Nicki-Iko's stock is listed on the Tokyo Stock Exchange.

3 20. Company A is a China-based pharmaceutical company.

4 21. At all relevant times, Mr. A was the chairman and majority shareholder
5 of Company A.

6 22. In 2010, Mrs. A stated that she was employed as a finance supervisor at
7 Company A.

8 23. In 2015 and 2016, the defendants' sons held online brokerage accounts
9 at a U.S.-based brokerage firm.

10 **THE ALLEGATIONS**

11 **A. The Sagent Tender Offer**

12 24. In February 2014, Company A and Sagent entered into a yearlong
13 confidentiality agreement regarding a potential acquisition.

14 25. In the spring of 2015, Company A contacted Sagent to express
15 preliminary interest in a potential business combination. In April 2015, Company A
16 signed an amendment to the February 2014 confidentiality agreement.

17 26. In July 2015, the Company A Chairman signed an engagement letter
18 with an investment bank on behalf of Company A engaging the investment bank as
19 Company A's financial advisor in connection with the possible acquisition of Sagent.
20 The engagement letter referenced the investment bank's role in a possible tender
21 offer.

22 27. Between July and September 2015, Company A submitted multiple non-
23 binding expressions of interest to acquire Sagent.

24 28. In a communication with Company A's financial advisor in early
25 September 2015, a Company A representative specifically requested information
26 about the tender offer process.

27 29. At the end of September 2015, Sagent's board agreed to direct
28 management to engage in further discussions with Company A.

1 30. On October 7, 2015, representatives of Company A and Sagent,
2 including their financial advisors, met to conduct due diligence about a possible
3 acquisition.

4 31. On October 26, 2015, Sagent and Company A entered into a
5 confidentiality agreement that contained a standstill provision. The agreement
6 provided that Company A's representatives, which included directors, officers,
7 employees, agents or potential sources of financing for the transaction, would keep
8 information relating to the proposed acquisition confidential. The agreement also
9 specified that Company A would advise such representatives about restrictions
10 imposed on insider trading by the U.S. securities laws.

11 32. Between November 21, 2015 and July 4, 2016, Company A submitted
12 multiple additional proposals to acquire Sagent.

13 33. The Company A Chairman signed two of these proposals, and three of
14 the proposals stated that the Company A Chairman would assist with providing
15 between \$288 and \$362 million of the financing for the proposed transaction.

16 34. The letters signed by the Company A Chairman were marked
17 confidential, stated that Company A did not intend to make the information contained
18 in them public, and requested that Sagent also maintain their confidentiality.

19 35. Nichi-Iko first expressed an interest in a potential acquisition of Sagent
20 in January 2016.

21 36. Between March and the execution of the acquisition agreement on July
22 10, 2016, Nichi-Iko and Sagent engaged in extensive discussions about a potential
23 acquisition by tender offer, which included due diligence meetings, meetings with
24 financial and legal advisors, and the exchange of acquisition proposals and draft
25 agreements.

26 37. In or around late May 2016, Sagent provided potential acquirers with a
27 draft acquisition agreement requesting the use of a tender offer structure.

28 38. Both Company A and Nichi-Iko continued discussions with Sagent and

1 exchanged draft acquisition agreements with Sagent over the next several months.
2 Nichi-Iko's draft acquisition agreement adopted Sagent's proposed tender offer
3 structure.

4 39. On July 7, 2016, Company A representatives proposed a meeting
5 between the Company A Chairman and Sagent representatives in New York to
6 discuss the transaction.

7 40. Sagent's board determined not to pursue a transaction with Company A
8 and on July 11, 2016 announced Nichi-Iko's all cash tender offer to acquire Sagent.

9 41. After the announcement, the price of Sagent's stock increased by \$6.15
10 per share, or nearly 40%, from the prior day's closing price of \$15.5 per share to
11 close at \$21.65 per share.

12 **B. Relationship Between Defendants and the Company A Chairman and**
13 **Mrs. A**

14 42. Both before and after the relevant events, Ben Hong and Caixia Jiang
15 were in frequent contact with the Company A Chairman and his wife, Mrs. A.

16 43. In 2010, Mrs. A represented that she was employed as a finance
17 supervisor at Company A.

18 44. Ben Hong and Caixia Jiang were both close, personal friends with the
19 Company A Chairman and his wife, Mrs. A.

20 45. Between July 2015 and July 2016, phone records reflect over 40 calls
21 between Ben Hong's cell phone and a phone number apparently used by the
22 Company A Chairman.

23 46. During this time, this telephone number was one of the most frequently
24 contacted numbers appearing in Ben Hong's phone records.

25 47. Phone records also reflect well over 100 calls between cell phones
26 registered to Mrs. A and Caixia Jiang between March 2015 and July 2016.

27 48. During this time, Caixia Jiang's phone number was one of the most
28 frequently contacted numbers appearing in Mrs. A's phone records.

1 49. In or around March 2016, Ben Hong and Caixia Jiang purchased a house
2 in Laguna Niguel, California and later moved from Cupertino, California where they
3 had been living to Laguna Niguel. The house they purchased was across the street
4 from Mr. and Mrs. A's house in Laguna Niguel, California.

5 50. Ben Hong and Caixia Jiang frequently socialized with Mr. and Mrs. A at
6 their residences in Laguna Niguel, California.

7 51. Ben Hong and/or Caixia Jiang also traveled with Mr. and/or Mrs. A.

8 52. On or about August 15, 2016, Caixia Jiang wrote a \$6,762 check to Mrs.
9 A with a note referencing "traveling fee."

10 **C. Defendants Establish the Nominee Trading Accounts in China**

11 53. In late October 2015 and early December 2015, Ben Hong and Caixia
12 Jiang arranged to open the Hong Account and the Jiang Account at the Hong Kong
13 branch of a China-based brokerage firm. The Hong Account was held in the name of
14 Zhuoyan Hong, Ben Hong's brother, and the Jiang Account was held in the name of
15 Haotao Jiang, Caixia Jiang's relative. Both Zhuoyan Hong and Haotao Jiang resided
16 in China at all times relevant to this Complaint.

17 54. On October 8, 2015, a few weeks before the opening of the Hong
18 Account, a cell phone used by Ben Hong had a 62-minute call with a cell phone
19 associated with the Company Chairman A.

20 55. By that date, Company A had retained a financial advisor, considered
21 acquisition of Sagent by tender offer, and made multiple expressions of interest to
22 acquire Sagent.

23 56. In addition, on October 7, 2015, the day before the 62-minute call,
24 Sagent's management team and financial advisors held a due diligence meeting with
25 Company A.

26 57. On information and belief, on or about October 9, 2015, Ben Hong flew
27 from the United States to Hong Kong.

28 58. While Ben Hong was visiting China, on or about October 19, 2015, the

1 Hong Account was opened.

2 59. On or about November 7, 2015, Ben Hong flew from Hong Kong to the
3 United States.

4 **D. Defendants' Purchases of Sagent Stock**

5 60. On November 9, 2015, cell phones associated with Caixia Jiang and
6 Mrs. A had a 36-minute phone call.

7 61. On November 11, 2015, an internet protocol address located in
8 Cupertino, California ("Cupertino IP Address 1"), the town where Ben Hong and
9 Caixia Jiang then lived, accessed the Hong Account, and began purchasing large
10 quantities of Sagent stock.

11 62. An IP address is a unique identifier for a computer or other device that
12 connects to a network like the Internet. Broker-dealers that permit customers to
13 access their accounts and place orders online generally track the IP addresses their
14 customers use to log into their brokerage accounts.

15 63. On November 11, 2015, the Hong Account spent more than \$890,000 to
16 purchase 56,502 shares of Sagent stock. This purchase accounted for over 18% of the
17 total trading volume in Sagent stock on that date.

18 64. Within minutes of the Hong Account purchasing Sagent stock,
19 brokerage accounts in the names of Ben Hong and Caixia Jiang's sons (the "Sons'
20 Accounts") purchased a total of 1,233 shares of Sagent stock. Each of the Sons'
21 Accounts sold existing stock holdings in order to purchase Sagent stock.

22 65. The November 11 orders to purchase Sagent stock in the Sons' Accounts
23 also came from Cupertino IP Address 1. One of the sons was attending college in
24 Illinois at the time of the trade.

25 66. Between November 12 and November 17, 2015, the Hong Account
26 spent more than \$2.7 million to purchase an additional 181,890 shares of Sagent
27 stock. On both November 12 and November 13, the purchases by the Hong Account
28 accounted for more than 20% of the total daily trading volume in Sagent stock.

1 67. On November 30, December 1, December 2, December 3, and
2 December 5, 2015, Ben Hong's cell phone had several lengthy calls with a telephone
3 number associated with the Company A Chairman.

4 68. Cell numbers associated with Caixia Jiang and Mrs. A had a 19-minute
5 phone call on December 1.

6 69. In late November or early December 2015, a bank account controlled by
7 Caixia Jiang issued \$10,000 checks to each of the defendants' sons. Within days,
8 these funds were deposited into the Sons' Accounts.

9 70. The Sons' Accounts used the funds provided by the Caixia Jiang-
10 controlled bank account to purchase a total of 1,160 additional Sagent shares on
11 December 1 and 2, 2015. Cupertino IP Address 1 accessed the Sons' Accounts or
12 was used to place the purchase orders in the Sons' Accounts on December 1 and 2.

13 71. On or about December 1, 2015, Haotao Jiang, Caixia Jiang's relative,
14 signed documents to open the Jiang Account. The brokerage firm approved the
15 opening of the account on or about December 7, 2015. The Jiang Account was
16 opened at the same Hong Kong brokerage firm branch as the Hong Account.

17 72. Cell numbers associated with Caixia Jiang and Mrs. A communicated on
18 December 7, 2015.

19 73. On December 9, 2015, just days after the Jiang Account was opened, the
20 account made its first securities trade ever, purchasing 16,918 shares of Sagent stock
21 for more than \$245,000. The order to purchase Sagent stock was placed from
22 Cupertino IP Address 1.

23 74. The Jiang Account purchased another 3,530 shares of Sagent stock on
24 December 10, 2015. The purchase orders again originated from Cupertino IP
25 Address 1.

26 75. On January 4 and 5, 2016, the Jiang Account spent more than \$300,000
27 to purchase an additional 19,465 shares of Sagent stock. The purchase orders came
28 from Cupertino IP Address 1.

1 76. On January 7 and January 8, 2016, cell numbers associated with Caixia
2 Jiang and Mrs. A communicated multiple times.

3 77. On January 13, 2016, the Jiang Account spent nearly \$280,000 to
4 purchase more than 18,000 additional shares of Sagent stock. Some of the purchase
5 orders came from Cupertino IP Address 1.

6 78. The same cell numbers associated with Caixia Jiang and Mrs. A
7 communicated multiple times on January 18, 2016.

8 79. The Jiang Account purchased more than 97,000 shares of Sagent stock
9 for over \$1.5 million between January 20 and January 25, 2016. The purchase orders
10 came from Cupertino IP Address 1.

11 80. On January 25, 2016, the Hong Account sold 4,558 shares of the Sagent
12 stock it held. The sell order came from Cupertino IP Address 1. The Hong Account
13 received cash proceeds of approximately \$75,000 from the sales, which the account
14 then transferred to the Jiang Account. The Jiang Account used those funds to
15 purchase shares of Sagent stock.

16 81. Between January 26 and January 29, 2016, the Jiang Account spent more
17 than \$300,000 on the purchase of over 19,000 shares of Sagent stock. The orders to
18 purchase Sagent shares in the Jiang Account on January 26, 27, 28, and 29 were
19 initiated from Cupertino IP Address 1.

20 82. Between February 3 and February 17, 2016, there were approximately
21 10 calls between Ben Hong's cell phone and a telephone number associated with the
22 Company A Chairman.

23 83. In addition, between February 1 and February 29, 2016 there were
24 approximately 15 calls between cell numbers associated with Caixia Jiang and Mrs.
25 A.

26 84. On February 1-4, February 12-19, and February 23-24, 2016, the Jiang
27 Account spent more \$1.8 million to purchase over 129,000 shares of Sagent stock.
28 The orders to purchase the Sagent stock on February 1-4 and February 12-19 were

1 placed from Cupertino IP Address 1.

2 85. One of the Sons' Accounts also purchased a total of 200 shares of Sagent
3 stock on February 25 and March 1, 2016.

4 86. Caixia Jiang and Mrs. A continued to have phone contact through March
5 and April 2016. Between March 28 and April 5, 2016, there were four phone calls
6 between cell numbers associated with Caixia Jiang and Mrs. A.

7 87. Between March 29 and April 5, 2016, the Jiang Account spent more than
8 \$1.4 million to purchase over 123,000 shares of Sagent stock.

9 88. On April 21, 2016, the Hong Account sold 6,000 shares of Sagent stock
10 for cash proceeds of approximately \$76,000. The order to sell these shares was
11 placed from a Cupertino, California IP address that was also used to log into a bank
12 account of Ben Hong and Caixia Jiang between March 31 and April 26, 2016
13 ("Cupertino IP Address 2").

14 89. The Hong Account then transferred approximately \$75,000 to the Jiang
15 Account, which the Jiang Account used for the purchase of additional shares of
16 Sagent stock.

17 90. On April 26, 2016, the Jiang Account spent almost \$75,000 on the
18 purchase of 6,440 shares of Sagent stock.

19 91. The orders to purchase Sagent stock in the Jiang Account between
20 March 29 and April 26, 2016 were placed from Cupertino IP Address 2.

21 92. Between May 19 and June 1, 2016, there were approximately 5 calls
22 between phone numbers associated with Ben Hong and the Company A Chairman.

23 93. In addition, cell numbers associated with Caixia Jiang and Mrs. A
24 communicated approximately 29 times between May 27 and June 17, 2016.

25 94. On or about May 31, 2016, a Hong Kong-registered entity transferred a
26 total of \$1.7 million to the Hong Account and the Jiang Account. On or about May
27 31, 2016, that same Hong Kong-registered entity also transferred \$2 million to the
28 Company A Chairman.

1 95. On or about June 1, 2016, the same Hong Kong-registered entity
2 transferred an additional \$2.5 million to the Hong Account.

3 96. The Hong Account and the Jiang Account used the funds received from
4 the Hong Kong-registered entity to purchase additional shares of Sagent stock.

5 97. The Jiang Account purchased an additional 74,871 shares of Sagent
6 stock on May 31, 2016. The Hong Account and the Jiang Account also purchased a
7 total of 86,909 shares of Sagent stock on June 1, 2016. In addition, the Hong
8 Account purchased a total of 210,707 shares of Sagent stock on June 2, June 3, and
9 June 6, 2016.

10 98. On or about June 17, 2016, a bank account in the name of Ben Hong and
11 Caixia Jiang transferred \$2 million to a Hong Kong-based bank account of Haotao
12 Jiang. Those funds were then transferred to the Jiang Account and used to purchase
13 132,794 shares of Sagent stock on June 20, 2016.

14 99. The purchases in the Jiang Account on June 20, 2016 accounted for
15 more than 22% of the total volume of Sagent stock traded on that date.

16 100. The May and June 2016 trades in the Hong Account and the Jiang
17 Account were placed from an IP address registered to Caixia Jiang and located in
18 Laguna Niguel, California (“Laguna Niguel IP Address”), the town where Ben Hong
19 and Caixia Jiang purchased a home and began residing in or about May 2016. Ben
20 Hong and Caixia Jiang’s new home was across the street from Mr. and Mrs. A’s
21 home.

22 101. By the end of June 2016, the Hong Account held 522,990 shares of
23 Sagent stock. Between November 11, 2015 and the date of the acquisition
24 announcement Sagent stock accounted for nearly 100% of the holdings in the Hong
25 Account and it was the only stock purchased in the account during this time.

26 102. By the end of June 2016, the Jiang Account held 644,003 shares of
27 Sagent stock. Between December 2015 and the date of the acquisition
28 announcement, Sagent stock accounted for 100% of the holdings in the account and

1 Sagent was the only stock purchased in the account during this time.

2 103. Almost all of the orders to purchase Sagent stock in the Hong Account
3 and the Jiang Account were placed from IP addresses located in Cupertino and
4 Laguna Niguel, California. Neither Zhuoyan Hong nor Haotao Jiang, the purported
5 owners of these Hong Kong brokerage accounts, travelled to the U.S. during the time
6 of the Sagent trading in their accounts.

7 104. Between November 11, 2015 and the date of the acquisition
8 announcement, Sagent stock accounted for 100% of the holdings in the Sons'
9 Accounts and Sagent was the only stock purchased in their accounts during this time.

10 **E. Defendants and Relief Defendants Profit from the Illegal Trades**

11 105. On July 11, 2016, Nichi-Iko announced that it would acquire Sagent in
12 an all-cash tender offer. That day, Sagent's stock price closed at \$21.65, which was a
13 \$6.15, or nearly a 40%, increase from the prior day's closing price.

14 106. On July 11, 2016, the date of the acquisition announcement, cell phones
15 used by Ben Hong and Caixia Jiang contacted Mrs. A multiple times.

16 107. That same morning, the Hong Account, the Jiang Account, and the Sons'
17 Accounts sold all of their Sagent shares for a profit of approximately \$8.5 million.

18 108. The Hong Account made approximately \$3.76 million from the sale of
19 the Sagent shares.

20 109. The Jiang Account made approximately \$4.74 million from the sale of
21 the Sagent shares.

22 110. The Sons' Accounts made approximately \$15,600 from the sale of the
23 Sagent shares.

24 111. All of the Sagent transactions in the Hong Account and the Jiang
25 Account cleared through a U.S.-based broker-dealer.

26 112. The orders to sell the Sagent shares held in the Hong Account and the
27 Jiang Account came from the Laguna Niguel IP Address.

28 113. About one week after the acquisition announcement and defendants' sale

1 of Sagent stock, the Jiang Account transferred some of the trading proceeds to a bank
2 account in Haotao Jiang's name. On or about July 19, 2016, this Haotao Jiang bank
3 account transferred more than \$2 million of the trading proceeds to a U.S. bank
4 account in the name of Ben Hong and Caixia Jiang as a purported "loan payment."

5 114. On or about July 20, 2016, the defendants used this money to pay down
6 the mortgage on the Laguna Niguel, California home that they had purchased earlier
7 that year.

8 115. On or about July 19, 2016, at the direction of Ben Hong and/or Caixia
9 Jiang, the same Haotao Jiang bank account that transferred funds to the defendants
10 also transferred \$1 million of the trading proceeds to a friend of Ben Hong and Caixia
11 Jiang ("Friend A").

12 116. Friend A, who told at least one person that this was a "loan" from Ben
13 Hong, used the funds to purchase a home in Laguna Niguel in or around September
14 2016.

15 **F. Defendants Traded on the Basis of Inside Information**

16 117. Defendants Ben Hong and Caixia Jiang both had a preexisting close
17 friendship with Mr. and Mrs. A.

18 118. Mr. A, by virtue of his position as chairman and majority shareholder of
19 Company A, and his direct involvement in discussions for Company A to acquire
20 Sagent, was aware of and entrusted with material nonpublic information about the
21 Sagent acquisition. On information and belief, Mrs. A was also aware of material
22 nonpublic information about the Sagent acquisition.

23 119. Mr. A and/or Mrs. A disclosed material nonpublic information about the
24 Sagent acquisition to defendants in breach of their duties of trust and confidence. Mr.
25 A and/or Mrs. A received a personal benefit from their tips to Ben Hong and/or
26 Caixia Jiang, including but not limited to the benefit of providing a gift of
27 confidential information to close friends and/or actual or anticipated pecuniary
28 benefits. Mr. A and/or Mrs. A expected that the disclosed information would be used

1 in securities trading.

2 120. At the time of the trades at issue, defendants Ben Hong and Caixia Jiang
3 knew, consciously avoided knowing, or were reckless in not knowing that the
4 information disclosed to them by Mr. A and/or Mrs. A was material and nonpublic,
5 and knew, should have known, consciously avoided knowing, or were reckless in not
6 knowing both that the information they received from Mr. A and/or Mrs. A was
7 disclosed to defendants in breach of a duty or relationship of trust and confidence and
8 for personal benefit. Defendants traded and/or caused trading in Sagent securities in
9 the Hong Account, the Jiang Account, and the Sons' Accounts on the basis of this
10 information.

11 **G. Defendants Traded on the Basis of Inside Information about a Tender**
12 **Offer**

13 121. Sagent was the issuer of the securities sought or to be sought by a tender
14 offer. Sagent was a publicly-owned corporation whose shares were traded on a
15 national securities exchange.

16 122. Ben Hong and Caixia Jiang had material information relating to such
17 tender offer.

18 123. Ben Hong and Caixia Jiang knew, consciously avoided knowing, or
19 were reckless in not knowing that this information was nonpublic, and that they had
20 acquired it, directly or indirectly, from an officer, director, partner, employee, or
21 other person acting on behalf of Sagent or an offering person.

22 124. Ben Hong and Caixia Jiang purchased or caused to be purchased
23 securities of Sagent after a substantial step or steps had been taken to commence a
24 tender offer for the shares of Sagent and before the tender offer had been publicly
25 disclosed. During the time of the defendants' trading in Sagent securities, Company
26 A and/or Nichi-Iko were engaged in acquisition discussions with Sagent, which
27 included signing confidentiality agreements, retaining and consulting with financial
28 and legal advisors, arranging for financing, conducting due diligence meetings

1 between the companies, exchanging acquisition proposals that included pricing terms,
2 and exchanging draft acquisition agreements.

3 **H. Defendants' and Others' Assertions of Their Fifth Amendment**

4 **Privilege Against Self-Incrimination**

5 125. Defendant Ben Hong was subpoenaed to testify in the Commission's
6 investigation. During his testimony in December 2019, Ben Hong asserted his Fifth
7 Amendment privilege against self-incrimination as to each and every question asked
8 of him, including all questions concerning: (a) his knowledge about the Sagent
9 acquisition; (b) the close relationship between his family and Mr. and Mrs. A; (c) his
10 receiving tips of material, nonpublic information about the Sagent acquisition; and (d)
11 his trading in Sagent on the basis of those tips.

12 126. Defendant Caixia Jiang was subpoenaed to testify in the Commission's
13 investigation. During her testimony in December 2019, Caixia Jiang asserted her
14 Fifth Amendment privilege against self-incrimination as to each and every question
15 asked of her, including all questions concerning: (a) her knowledge about the Sagent
16 acquisition; (b) the close relationship between her family and Mr. and Mrs. A; (c) her
17 receiving tips of material, nonpublic information about the Sagent acquisition; and (d)
18 her trading in Sagent on the basis of those tips.

19 127. After receiving subpoenas for documents and investigative testimony,
20 defendants' sons left the U.S. for China and later asserted their Fifth Amendment
21 privilege against self-incrimination in investigative testimony in Hong Kong and in
22 response to document requests contained in the subpoenas concerning their trading in
23 Sagent securities.

24 128. Mrs. A was subpoenaed to testify in the Commission's investigation.
25 During her testimony in August 2019, Mrs. A asserted her Fifth Amendment
26 privilege against self-incrimination as to each and every question asked of her,
27 including all questions concerning: (a) her knowledge about the Sagent acquisition;
28 (b) the close relationship between her family and defendants Ben Hong and Caixia

1 Jiang; and (c) her providing tips of material, nonpublic information about the Sagent
2 acquisition to defendants Ben Hong and Caixia Jiang.

3 129. Mr. A was asked to voluntarily provide information during the course of
4 the Commission's investigation, but refused to cooperate.

5 **I.**

6 **FIRST CLAIM FOR RELIEF**

7 **Fraud in Connection with the Purchase and Sale of Securities**

8 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5**

9 **(against Defendants Ben Hong and Caixia Jiang)**

10 130. The SEC realleges and incorporates by reference paragraphs 1 through
11 129 above.

12 131. As set forth above, defendants Ben Hong and Caixia Jiang traded Sagent
13 securities on the basis of material, nonpublic information about Sagent. Defendants
14 knew, consciously avoided knowing, or were reckless in not knowing that this
15 information was material and nonpublic. Defendants obtained this material
16 nonpublic information from their close friends, the Company A Chairman and/or his
17 wife, Mrs. A. Defendants knew, should have known, consciously avoided knowing,
18 or were reckless in not knowing both that the information they received from Mr. A
19 and/or Mrs. A was disclosed to defendants in breach of a duty or relationship of trust
20 and confidence and for personal benefit.

21 132. By engaging in the conduct described above, defendants Ben Hong and
22 Caixia Jiang directly or indirectly, in connection with the purchase or sale of a
23 security, by the use of means or instrumentalities of interstate commerce, of the
24 mails, or of the facilities of a national securities exchange: (a) employed devices,
25 schemes, or artifices to defraud; (b) made untrue statements of a material fact or
26 omitted to state a material fact necessary in order to make the statements made, in the
27 light of the circumstances under which they were made, not misleading; and/or (c)
28 engaged in acts, practices, or courses of business which operated or would operate as

1 a fraud or deceit upon other persons.

2 133. By engaging in the conduct described above, defendants Ben Hong and
3 Caixia Jiang, directly or indirectly, violated, and unless restrained and enjoined will
4 continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)], and Rule
5 10b-5 thereunder [17 C.F.R. § 240.10b-5].

6 **II.**

7 **SECOND CLAIM FOR RELIEF**

8 **Fraud With Respect to Tender Offer**

9 **Violation of Section 14(e) of the Exchange Act and Rule 14e-3**

10 **(against Defendants Ben Hong and Caixia Jiang)**

11 134. The SEC realleges and incorporates by reference paragraphs 1 through
12 129 above.

13 135. By engaging in the conduct described above, defendants Ben Hong and
14 Caixia Jiang purchased or sold or caused to be purchased or sold Sagent securities
15 while in possession of material information relating to a tender offer for Sagent.

16 136. Defendants knew, consciously avoided knowing, or were reckless in
17 not knowing that this information was nonpublic, and that they had acquired it,
18 directly or indirectly, from the offering person, the issuer of the securities sought or to
19 be sought by such tender offer, and/or any officer, director, partner, employee, or
20 other person acting on behalf of either the offering person or the issuer.

21 137. Defendants purchased or sold or caused to be purchased or sold
22 securities of Sagent, the issuer of the securities sought or to be sought in a tender
23 offer. Defendants traded Sagent securities after a substantial step or steps had been
24 taken to commence a tender offer for the shares of Sagent and before the tender offer
25 had been publicly disclosed.

26 138. By engaging in the conduct described above, defendants Ben Hong and
27 Caixia Jiang, and each of them, directly or indirectly, violated Section 14(e) of the
28 Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 thereunder [17 C.F.R. § 240.14e-

1 3], and unless restrained and enjoined will continue to violate them.

2 **III.**

3 **THIRD CLAIM FOR RELIEF**

4 **Unjust Enrichment**

5 **(against Relief Defendants Zhuoyan Hong and Haotao Jiang)**

6 139. The SEC realleges and incorporates by reference paragraphs 1 through
7 129 above.

8 140. As alleged above relief defendants Zhuoyan Hong and Haotao Jiang,
9 and each of them, received ill-gotten gains from defendants' illegal trading in Sagent
10 stock.

11 141. Relief defendants Zhuoyan Hong and Haotao Jiang each obtained the
12 ill-gotten gains described above as part of the securities law violations alleged above,
13 under circumstances in which it is not just, equitable, or conscionable for them to
14 retain the funds. Relief defendants Zhuoyan Hong and Haotao Jiang each do not
15 have a legitimate claim to these gains.

16 **PRAYER FOR RELIEF**

17 WHEREFORE, the SEC respectfully requests that the Court:

18 **I.**

19 Issue findings of fact and conclusions of law that defendants committed the
20 alleged violations.

21 **II.**

22 Issue judgments, in forms consistent with Rule 65(d) of the Federal Rules of
23 Civil Procedure, permanently enjoining defendants, and their officers, agents,
24 servants, employees and attorneys, and those persons in active concert or
25 participation with any of them, who receive actual notice of the judgment by personal
26 service or otherwise, and each of them, from violating Sections 10(b) and 14(e) of the
27 Exchange Act [15 U.S.C. § 78j(b) and § 78n(e)] and Rules 10b-5 and 14e-3
28 thereunder [17 C.F.R. § 240.10b-5 and § 240.14e-3].

1 **III.**

2 Order defendants to disgorge all gains received from their illegal conduct,
3 together with prejudgment interest thereon.

4 **IV.**

5 Order relief defendants to disgorge all trading profits and other ill-gotten gains
6 to which they do not have a legitimate claim, which they received as a result of the
7 conduct alleged in this Complaint, together with prejudgment interest thereon.

8 **V.**

9 Order defendants to pay civil penalties under Section 21A of the Exchange Act
10 [15 U.S.C. § 78u-1].

11 **VI.**

12 Retain jurisdiction of this action in accordance with the principles of equity and
13 the Federal Rules of Civil Procedure in order to implement and carry out the terms of
14 all orders and decrees that may be entered, or to entertain any suitable application or
15 motion for additional relief within the jurisdiction of this Court.

16 **VII.**

17 Grant such other and further relief as this Court may determine to be just and
18 necessary.

19 Dated: May 4, 2020

20 */s/ Donald W. Searles*

21 DONALD W. SEARLES

22 MEGAN M. BERGSTOM

23 Attorneys for Plaintiff

24 Securities and Exchange Commission