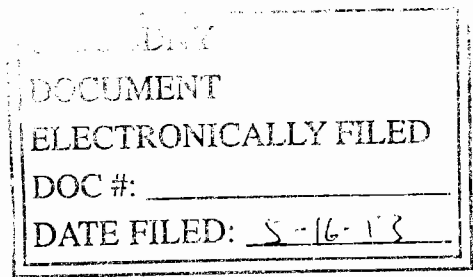


**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**



-----X
SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- :

WELL ADVANTAGE LIMITED, et al., :

Defendants. :
-----X

12 Civ. 5786 (RJS)

ECF Case

**FINAL JUDGMENT AS TO DEFENDANTS ZENG HUIYU, REN FENG,
CT PRIME ASSETS LTD., GIANT EAST INVESTMENTS LIMITED,
WONG CHI YU, WANG WEI AND WANG ZHI HUA**

WHEREAS the Securities and Exchange Commission (“Commission”) has filed its First Amended Complaint (“Complaint”) and Defendants Zeng Huiyu, Ren Feng, CT Prime Assets Ltd. (“CT Prime”), Giant East Investments Limited (“Giant East”), Wong Chi Yu, Wang Wei and Wang Zhi Hua (together, “Defendants”) have entered a general appearance;

WHEREAS Defendants consented to the Court’s jurisdiction over them and the subject matter of this action, consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction), waived findings of fact and conclusions of law, and waived any right to appeal from this Final Judgment;

WHEREAS the Commission submitted two letters (attached hereto), dated March 29, 2013 and May 7, 2013, concerning the fairness of its settlement with Defendants;

WHEREAS the Court held a hearing concerning the fairness of the settlement with Defendants on April 29, 2013; and

WHEREAS the Court, for the reasons stated on the record at the April 29 hearing, is satisfied that the settlement between the parties, as reflected in the terms of this Final Judgment, is fair, reasonable and adequately serves the public interest;

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendants Zeng Huiyu, Ren Feng and CT Prime and their agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Zeng Huiyu is liable for disgorgement of \$202,030.22, representing profits gained as a result of the conduct alleged in the Complaint, and a civil penalty in the amount of \$202,030.22, pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]. Zeng Huiyu shall satisfy this obligation

by relinquishing, effective immediately upon the entry of this Final Judgment, all legal and equitable right, title and interest in \$404,060.44 of the proceeds of Zeng Huiyu's sale of the stock of Nexen, Inc. ("Nexen") that she purchased for her account with GF Securities (Hong Kong) Brokerage Ltd. ("GF") between July 16 and 19, 2012. These trades were executed in a Pershing LLC ("Pershing") omnibus account in the name of Phillip Securities Pte Ltd. ("Phillip"), pursuant to GF's omnibus account arrangement with Phillip and were among the trades attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd. The total proceeds of the trades (referred to herein as the "Zeng Huiyu Frozen Funds" and consisting of \$576,808.88 in proceeds from the sale of Nexen stock on July 23, 2012, and approximately \$55,000 in proceeds from the exchange of 2,000 unsold shares of Nexen stock for cash in February 2013 in connection with Nexen's merger with CNOOC Ltd.), are currently held by Pershing and are subject to the Court's asset freeze Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33).

In satisfaction of Zeng Huiyu's disgorgement and penalty obligations, Pershing is hereby directed to transmit a total of \$404,060.44 of the Zeng Huiyu Frozen Funds to the Commission within 14 days after entry of this Final Judgment. Pershing may transmit this payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Pershing may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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6500 South MacArthur Boulevard
Oklahoma City, OK 73169

and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Zeng Huiyu as a defendant in this action; and specifying that payment is made pursuant to this Final Judgment. Pershing shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. The Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury.

Following the payment of Zeng Huiyu's disgorgement and penalty obligations by Pershing to the Commission as set forth above, all asset freeze obligations imposed by the Court's Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33) shall terminate as to the remaining Zeng Huiyu Frozen Funds and as to Zeng Huiyu immediately, without further order of the Court. The document preservation obligations imposed by the Court's Order of August 22, 2012 (Docket No. 33) shall remain in full force and effect until a further order of the Court.

III.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants Ren Feng and CT Prime are liable, jointly and severally, for disgorgement of \$839,714.57, representing profits gained as a result of the conduct alleged in the Complaint, and a civil penalty in the amount of \$839,714.57, pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]. Ren Feng and CT Prime shall satisfy this obligation by relinquishing, effective immediately upon the entry of this Final Judgment, all legal and equitable right, title and interest in \$1,679,429.14 of the proceeds of their sale of the Nexen stock that they purchased for their accounts with GF between July 13 and 19, 2012. These trades were executed in a Pershing omnibus account in the name of Phillip, pursuant to GF's omnibus account arrangement with Phillip and were among the

trades attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd. The total proceeds of the trades (\$1,808,950.12, referred to herein as the “Ren Feng and CT Prime Frozen Funds”) are currently held by Pershing and are subject to the Court’s asset freeze Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33).

In satisfaction of Ren Feng’s and CT Prime’s disgorgement and penalty obligations, Pershing is hereby directed to transmit a total of \$1,679,429.14 of the Ren Feng and CT Prime Frozen Funds to the Commission within 14 days after entry of this Final Judgment. Pershing may transmit this payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Pershing may also pay by certified check, bank cashier’s check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Ren Feng and CT Prime as defendants in this action; and specifying that payment is made pursuant to this Final Judgment. Pershing shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission’s counsel in this action. The Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury.

Following the payment of Ren Feng’s and CT Prime’s disgorgement and penalty obligations by Pershing to the Commission as set forth above, all asset freeze obligations

imposed by the Court's Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33) shall terminate as to the remaining Ren Feng and CT Prime Frozen Funds and as to Ren Feng and CT Prime immediately, without further order of the Court. The document preservation obligations imposed by the Court's Order of August 22, 2012 (Docket No. 33) shall remain in full force and effect until a further order of the Court.

IV.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants Giant East and Wong Chi Yu are liable, jointly and severally, for disgorgement of \$641,057.94, representing profits gained as a result of the conduct alleged in the Complaint. Giant East and Wong Chi Yu shall satisfy this obligation by relinquishing, effective immediately upon the entry of this Final Judgment, all legal and equitable right, title and interest in \$641,057.94 of the proceeds of the sale of the Nexen stock that was purchased for Giant East's account with GF on July 17, 2012. These trades were executed in a Pershing omnibus account in the name of Phillip, pursuant to GF's omnibus account arrangement with Phillip and were among the trades attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd. The total proceeds of the trades (\$1,808,587.49, referred to herein as the "Giant East Frozen Funds") are currently held by Pershing and are subject to the Court's asset freeze Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33).

In satisfaction of Giant East's and Wong Chi Yu's disgorgement obligations, Pershing is hereby directed to transmit a total of \$641,057.94 of the Giant East Frozen Funds to the Commission within 14 days after entry of this Final Judgment. Pershing may transmit this payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire

instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Pershing may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Giant East and Wong Chi Yu as defendants in this action; and specifying that payment is made pursuant to this Final Judgment. Pershing shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. The Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury.

Following the payment of Giant East's and Wong Chi Yu's disgorgement obligations by Pershing to the Commission as set forth above, all asset freeze obligations imposed by the Court's Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33) shall terminate as to the remaining Giant East Frozen Funds and as to Giant East and Wong Chi Yu immediately, without further order of the Court. The document preservation obligations imposed by the Court's Order of August 22, 2012 (Docket No. 33) shall remain in full force and effect until a further order of the Court.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Wang Wei is liable for disgorgement of \$137,369.56, representing profits gained as a result of the conduct alleged in the Complaint. Wang Wei shall satisfy this obligation by relinquishing, effective

immediately upon the entry of this Final Judgment, all legal and equitable right, title and interest in \$137,369.56 of the proceeds of the sale of the Nexen stock that was purchased for Wang Wei's account with GF on July 17, 2012. These trades were executed in a Pershing omnibus account in the name of Phillip, pursuant to GF's omnibus account arrangement with Phillip and were among the trades attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd. The total proceeds of the trades (\$387,554.46, referred to herein as the "Wang Wei Frozen Funds") are currently held by Pershing and are subject to the Court's asset freeze Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33).

In satisfaction of Wang Wei's disgorgement obligations, Pershing is hereby directed to transmit a total of \$137,369.56 of the Wang Wei Frozen Funds to the Commission within 14 days after entry of this Final Judgment. Pershing may transmit this payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Pershing may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Wang Wei as defendant in this action; and specifying that payment is made pursuant to this Final Judgment. Pershing shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. The

Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury.

Following the payment of Wang Wei's disgorgement obligations by Pershing to the Commission as set forth above, all asset freeze obligations imposed by the Court's Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33) shall terminate as to the remaining Wang Wei Frozen Funds and as to Wang Wei immediately, without further order of the Court. The document preservation obligations imposed by the Court's Order of August 22, 2012 (Docket No. 33) shall remain in full force and effect until a further order of the Court.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Wang Zhi Hua is liable for disgorgement of \$466,169.15, representing profits gained as a result of the conduct alleged in the Complaint. Wang Zhi Hua shall satisfy this obligation by relinquishing, effective immediately upon the entry of this Final Judgment, all legal and equitable right, title and interest in \$466,169.15 of the proceeds of the sale of the Nexen stock that was purchased for Wang Zhi Hua's account with GF on July 16, 2012. These trades were executed in a Pershing omnibus account in the name of Phillip, pursuant to GF's omnibus account arrangement with Phillip and were among the trades attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd. The total proceeds of the trades (\$1,291,848.20, referred to herein as the "Wang Zhi Hua Frozen Funds") are currently held by Pershing and are subject to the Court's asset freeze Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33).

In satisfaction of Wang Zhi Hua's disgorgement obligations, Pershing is hereby directed to transmit a total of \$466,169.15 of the Wang Zhi Hua Frozen Funds to the Commission within

14 days after entry of this Final Judgment. Pershing may transmit this payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request. Payment may also be made directly from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Pershing may also pay by certified check, bank cashier's check, or United States postal money order payable to the Securities and Exchange Commission, which shall be delivered or mailed to

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and shall be accompanied by a letter identifying the case title, civil action number, and name of this Court; Wang Zhi Hua as defendant in this action; and specifying that payment is made pursuant to this Final Judgment. Pershing shall simultaneously transmit photocopies of evidence of payment and case identifying information to the Commission's counsel in this action. The Commission shall send the funds paid pursuant to this Final Judgment to the United States Treasury.

Following the payment of Wang Zhi Hua's disgorgement obligations by Pershing to the Commission as set forth above, all asset freeze obligations imposed by the Court's Orders of July 27, 2012 (Docket No. 2) and August 22, 2012 (Docket No. 33) shall terminate as to the remaining Wang Zhi Hua Frozen Funds and as to Wang Zhi Hua immediately, without further order of the Court. The document preservation obligations imposed by the Court's Order of August 22, 2012 (Docket No. 33) shall remain in full force and effect until a further order of the Court.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Defendants' Consents are incorporated herein with the same force and effect as if fully set forth herein, and that Defendants shall comply with all of the undertakings and agreements set forth therein.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

IX.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

SO ORDERED.

Dated: May 16, 2013
New York, New York


RICHARD J. SULLIVAN
UNITED STATES DISTRICT JUDGE



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
NEW YORK REGIONAL OFFICE
3 WORLD FINANCIAL CENTER
NEW YORK, NY 10281-1022

SIMONA K. SUH
TELEPHONE: (212) 336-0103
Email: SUHS@SEC.GOV

March 29, 2013

Via Email

Hon. Richard J. Sullivan
United States District Judge
United States District Court for the
Southern District of New York
Thurgood Marshall United States Courthouse
40 Foley Square
New York, NY 10007

Re: SEC v. Well Advantage Limited, et. al., No. 12 Civ. 5786 (RJS)

Dear Judge Sullivan:

We represent the Plaintiff, Securities and Exchange Commission (“Commission”), in this action. Pursuant to this Court’s January 28, 2013 Order (DE 52), we write to update the Court on the status of the settlement negotiations that we reported in our previous submission, dated January 25, 2013, as well as on service and proposed deadlines to answer or otherwise respond to the Commission’s First Amended Complaint (“Complaint”) for those parties that had not been served by the time of our January 25 submission. We also write to inform the Court of certain parties’ requests for extensions of time to answer or otherwise respond to the Complaint, which we do not oppose.

I. Background

This is an insider trading case involving certain foreign traders’ highly suspicious and highly profitable trading in the securities of Canadian energy company Nexen, Inc. (“Nexen”) in the days preceding the July 23, 2012 pre-market-open announcement that the Chinese company CNOOC Ltd. (“CNOOC”) had entered into a definitive agreement to acquire Nexen for approximately \$15.1 billion (the “Announcement”). The Commission filed this case against largely unknown parties only four days after the Announcement, on July 27, 2012, to prevent dissipation of the proceeds of the suspicious trading. On July 27 and August 6, 2012, on the Commission’s emergency *ex parte* applications, this Court entered orders freezing assets related to the trading at issue in the case. (DE 2, 15.) After all the defendants or beneficial owners of the frozen assets either consented to the continuation of the asset freeze or failed to challenge it, following a hearing on August 20, 2012, the Court granted the Commission’s application for an asset freeze pending final judgment. (DE 35.)

Hon. Richard J. Sullivan

March 29, 2013

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On November 7, 2012, pursuant to a settlement agreement between Defendant Well Advantage Limited (“Well Advantage”) and the Commission, the Court entered a final judgment against Well Advantage, permanently enjoining it from future violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder and ordering it to pay full disgorgement in the amount of \$7,122,633.52, as well as a civil monetary penalty of \$7,122,633.52. (DE 51.)

As we reported to the Court in our submissions of October 22, 2012 and January 25, 2013, some of the other investment managers and account owners involved in this case, through their U.S. counsel, agreed to provide information and documents to the Commission on a voluntary basis and/or opened settlement discussions with us. To allow for these informal processes to unfold, we did not object to these parties’ previous requests for extensions of time to answer or otherwise respond to the Complaint and also agreed to temporarily delay service of CSI Investment Management Limited (“CSIIM”) and CSI Capital Management Limited (“CSICM”). As set forth in Part II below, as a result of these informal processes, we have reached settlement agreements with seven parties and a settlement agreement in principle with one additional party.

II. Status of Settlement Negotiations

A. Proposed Settlement with Zeng Huiyu, Ren Feng, CT Prime Assets Ltd., Giant East Investments Limited, Wong Chi Yu, Wang Wei and Wang Zhi Hua

Hong Kong resident Zeng Huiyu is an account executive at GF Securities (Hong Kong) Brokerage Limited (“GF”), a Hong Kong based brokerage firm. Between July 16 and 19, 2012, she purchased a total of 23,000¹ shares of Nexen stock for her own account at GF, as well as a total of 135,000 shares for the discretionary accounts of GF customers Giant East Investments Limited (“Giant East”) (beneficially owned by Wong Chi Yu), Wang Wei and Wang Zhi Hua.² On the day of the Announcement, July 23, 2012, Zeng Huiyu sold all of those shares except 2,000 shares in her own account.

Between July 13 and 19, 2012, Zeng Huiyu’s husband Ren Feng purchased a total of 94,800 shares of Nexen stock for accounts in his own name and in the name of his private investment vehicle, CT Prime Assets Limited (“CT Prime”); 70,000 of those shares were purchased for Ren Feng’s and CT Prime’s accounts at GF, and 24,800 shares were purchased for CT Prime’s account at another brokerage firm. Ren Feng sold all 94,800 Nexen shares on the day of the Announcement.

¹ In our letter of January 25, 2013, we erroneously stated that she purchased only 21,000 shares.

² The trades in all the GF accounts referenced above were executed in the U.S. through a Pershing LLC (“Pershing”) omnibus account in the name of Phillip Securities Pte Ltd. (“Phillip”), a Singapore-based brokerage firm, pursuant to GF’s omnibus account arrangement with Phillip. Accordingly, in the Complaint, the trades were attributed to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd.

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March 29, 2013

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The Commission has reached settlement agreements with Zeng Huiyu, Ren Feng, CT Prime, Giant East, Wong Chi Yu, Wang Wei and Wang Zhi Hua (together, the "Settling Parties"). The proposed settlements contemplate permanent anti-fraud injunctions against Zeng Huiyu, Ren Feng, and CT Prime; disgorgement of all the profits gained as a result of Zeng Huiyu's and Ren Feng's July 2012 trading in Nexen stock, totaling approximately \$2.3 million; and one-time civil money penalties against Zeng Huiyu, Ren Feng, and CT Prime based on the profits that they reaped in their own accounts, totaling approximately \$1 million. All the disgorgement and penalty obligations under the proposed settlements would be satisfied out of the frozen funds. Under the terms of the settlements, the Settling Parties would neither admit nor deny the Commission's allegations.

Specifically, Zeng Huiyu consents to a final judgment permanently enjoining her from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and ordering her to pay disgorgement in the amount of \$202,030.22 and a civil penalty of \$202,030.22. Ren Feng and CT Prime consent to a final judgment permanently enjoining them from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and ordering them, jointly and severally, to pay disgorgement in the amount of \$839,714.57 and a civil penalty of \$839,714.57. Giant East and Wong Chi Yu consent to a final judgment ordering them, jointly and severally, to pay disgorgement in the amount of \$641,057.94. Wang Wei consents to a final judgment ordering him to pay disgorgement in the amount of \$137,369.56. Wang Zhi Hua consents to a final judgment ordering her to pay disgorgement in the amount of \$466,169.15.

We have enclosed the proposed Final Judgment and the Settling Parties' Consents herewith and respectfully request that the Court enter the Final Judgment. In light of the proposed settlement, we do not object to the Settling Parties' request that the Court adjourn without date their current deadline of April 5, 2013 to answer or otherwise respond to the Complaint.

B. Settlement Negotiations with Choo Eng Hong and Stephen Wang Sang Wong

Singapore resident Choo Eng Hong purchased 19,000 Nexen shares for her account at Phillip during the last two trading days before the Announcement, July 19 and 20, 2012; she sold all those shares between July 23 (the day of the Announcement) and July 26. The trades were executed through Phillip's omnibus account with Pershing and were attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd.

We have reached a settlement agreement in principle with Choo Eng Hong. Before this settlement agreement can be finalized and presented to the Court, however, it must be reviewed and approved by certain offices and divisions within the Commission and by the Commission itself. This process is currently underway, and we expect that it will be complete by the end of April 2013.

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As we reported to the Court in our January 25, 2013 submission, we had preliminary settlement discussions with counsel for Stephen Wang Sang Wong (“Wong”), a discretionary account customer of China Shenghai Investment Management Limited (“China Shenghai”). Since the filing of this action, Wong, through his counsel Troutman Sanders LLP, has voluntarily provided us with certain relevant information. Following our January 25, 2013 submission, we have had additional conversations and exchanges with counsel for Wong. Despite the efforts of both sides, we have not been able to reach an agreement with Wong. As discussed below, we are continuing to receive from China Shenghai voluntary productions of documents that are relevant to the Commission’s claims against Wong. Since part of the assessment of claims against Wong is dependent on the information received from China Shenghai, we do not oppose Wong’s request for an extension of his time to answer or otherwise respond to the Complaint until June 25, 2013.

III. Status as to Other Parties

Other than the Settling Parties, Choo Eng Hong and Wong, discussed in Part II above, the remaining investment managers and account owners involved in this case are (a) China Shenghai, (b) seven additional China Shenghai discretionary account customers, and (c) CSIIM and CSICM.

A. China Shenghai

China Shenghai is a Hong Kong based asset management firm. Between July 12 and 19, 2012, it purchased a total of 429,210 Nexen shares for eight discretionary customer accounts held at GF and Citibank. It sold all those shares on the day of the Announcement, July 23, 2012, for total realized profit of approximately \$4 million. The trades for the seven GF accounts were executed through the Phillip omnibus account with Pershing and attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Phillip Securities Pte Ltd. The trades in the Citibank account were executed through a Citigroup omnibus account in the name of Citibank NA A/C HK 4 and attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of Citibank NA A/C HK 4.

Since the filing on this action, China Shenghai, through its counsel Baker & McKenzie LLP, has voluntarily been providing us with certain relevant information and voluminous documents, some of which are written in Chinese. We received one such production on March 11, 2013, and we are expecting additional productions to be received by the end of April 2013. China Shenghai believes that the April productions will be its final voluntary productions. Accordingly, China Shenghai has requested that its current answer deadline of April 5, 2013 be extended until June 25, 2013. We do not oppose this request.

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B. China Shenghai's Discretionary Account Customers

In addition to Wong, whose status is discussed above, the seven other China Shenghai discretionary account customers are: Gao Mei ("Gao"), a China Shenghai employee and Hong Kong resident; Zheng Rong, an individual residing in Hong Kong; Sparky International Trade Co. Ltd. and Classictime Investments Limited ("Classictime"), two Hong Kong based entities; Feng Hai Yan and Zhang Jing Wei, two individuals residing in China; and Biggain Holdings Ltd., a China-based entity beneficially owned by Zhao Tao, a Singapore citizen.

Although we have not yet received formal proof of service under the Hague Convention, we understand from Classictime's counsel that Classictime was served on or about March 6, 2013. We met with Classictime's counsel two days ago, on March 27, 2013, and Classictime at that time also provided us, on a voluntary basis, certain relevant documents and agreed to provide additional information and documents. Because we are currently awaiting these materials, and because we are continuing to receive China Shenghai's voluntary productions of documents relevant to the Commission's claims against Classictime, we do not oppose Classictime's request for an extension of its time to answer or otherwise respond to the Complaint until June 25, 2013.

Earlier today, counsel for Gao (who also represents China Shenghai) informed us that Gao was served pursuant to the Hague Convention on or about March 28, 2013. We have not yet received formal proof of service. Accordingly, Gao's current answer deadline is on or about April 18, 2013. Because we are continuing to receive China Shenghai's voluntary productions of documents relevant to the Commission's claims against Gao, we do not oppose Gao's request for an extension of time to answer or otherwise respond to the Complaint until June 25, 2013.

With respect to the remaining five China Shenghai customers (Zheng Rong, Sparky International Trade Co. Ltd., Feng Hai Yan, Zhang Jing Wei and Biggain Holdings Ltd.), service requests pursuant to the Hague Convention as to each of these customers were sent to Hong Kong and Chinese authorities on October 1, 2012, and October 5, 2012, respectively. To date, we have not yet received notice that service on any one of these customers has been effected. Accordingly, as set forth below, we respectfully submit that setting an answer deadline as to these customers is premature.

C. CSIIM and CSICM

CSIIM, a Hong Kong based asset management firm, is a joint venture between large Chinese financial institution CITIC Securities International Company Limited ("CSI") and a company controlled by China Shenghai's principal. On July 17 and 18, 2012, CSIIM purchased a total of 250,000 Nexen shares for an account in the name of CSICM, a CSI affiliate. CSIIM sold all those shares on the day of the Announcement for realized profits of approximately \$2.3 million. These trades were attributed in the Complaint to Defendants Certain Unknown Traders in the Securities of Nexen, Inc. in an Account of CSI Capital Management Limited.

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March 29, 2013

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Since the filing on this action, CSIIM and CSICM, through their counsel Sullivan & Cromwell LLP, have voluntarily been providing us with certain relevant information and voluminous documents, some of which are written in Chinese. Most recently, we received a production of such materials on March 25, 2013. Our review of these materials is currently ongoing. At the request of CSIIM and CSICM's counsel, we have delayed taking steps towards serving these entities with the summons and the Complaint. In agreeing to this request, we have relied on CSIIM and CSICM's counsel's representation to us that they will work with us in good faith to resolve all service issues as to CSIIM and CSICM without resorting to motion practice or to the Hague Convention process. As set forth below, because CSIIM and CSICM have not yet been served, we respectfully submit that setting an answer deadline for these entities is premature.

IV. Proposed Deadlines for Answering or Otherwise Responding to the Complaint

In light of the proposed settlements submitted herewith, we do not object to the Settling Parties' (Zeng Huiyu, Ren Feng, CT Prime, Giant East, Wong Chi Yu, Wang Wei and Wang Zhi Hua) request that the Court adjourn without date the Settling Parties' current deadline of April 5, 2013 to answer or otherwise respond to the Complaint. The Court previously granted the Settling Parties two requests for an extension of time to answer or otherwise respond to the Complaint. Their original answer deadline was November 26, 2012.

For the reasons set forth above, we also do not object to the requests of China Shenghai and its customers Wong, Classictime and Gao that their deadlines to answer or otherwise respond to the Complaint be extended until June 25, 2013. Wong's and Classictime's current answer deadline is April 5, 2013, and Gao's current answer deadline is April 18, 2013. This is a third extension request by China Shenghai and Wong, a second request by Classictime, and a first request by Gao. China Shenghai's and Wong's original answer deadline was November 26, 2012, and Classictime's original answer deadline was March 27, 2013. In response to Classictime's first request to extend its answer deadline until June 25, 2013, the Court extended that deadline until April 5, 2013.

The remaining parties to this case (Choo Eng Hong; China Shenghai customers Zheng Rong, Sparky International Trade Co. Ltd., Feng Hai Yan, Zhang Jing Wei, and Biggain Holdings Ltd.; and CSIIM and CSICM) have not yet been served. Accordingly, we respectfully submit that setting an answer deadline for them is premature.

Hon. Richard J. Sullivan

March 29, 2013

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Prior to submitting this letter to the Court, we provided a draft to all the counsel listed on the attached service list; we have been informed that they have no objections to the content of this letter. Yesterday, we also emailed a draft of this letter to each of the unrepresented parties listed on the attached service list for whom we have email address information. We have received no responses.

We enclose herewith copies of the Settling Parties' Consents; a proposed Final Judgment as to the Settling Parties; and a proposed Order as to future deadlines. We have also submitted the Consents and proposed Final Judgment and the proposed Order to the Court's Orders and Judgments Clerk's email box.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Simona K. Suh', with a long horizontal flourish extending to the right.

Simona K. Suh

Enclosures

Cc (w/encl.): See attached Service List

SEC v. Well Advantage Limited, et al., 12 Civ. 5786 (RJS)
Service List

<u>Recipient</u>	<u>Method of Service</u>	<u>Address</u>
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SIMONA K. SUH
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May 7, 2013

Via Email

Hon. Richard J. Sullivan
United States District Judge
United States District Court for the
Southern District of New York
Thurgood Marshall United States Courthouse
40 Foley Square
New York, NY 10007

Re: SEC v. Well Advantage Limited, et. al., No. 12 Civ. 5786 (RJS)

Dear Judge Sullivan:

We represent the Plaintiff, Securities and Exchange Commission (“Commission”), in this action. We write to: (i) bring to the Court’s attention certain additional information that may be relevant to the Court’s consideration of the proposed settlements between the Commission and Zeng Huiyu (“Zeng”), Ren Feng (“Ren”), CT Prime Assets Limited (“CT Prime”), Giant East Investments Limited (“Giant East”), Wong Chi Yu, Wang Wei and Wang Zhi Hua (together, the “Settling Parties”); and (ii) explain in greater detail why the proposed settlements are fair, reasonable, and adequate and should be approved.

The Proposed Settlements

The Settling Parties are Zeng, a former account executive at a Hong Kong brokerage firm; her husband Ren, a Hong Kong businessman; Ren’s private investment vehicle CT Prime; and a group of Zeng’s discretionary account customers, Giant East, Wong Chi Yu, Wang Wei and Wang Zhi Hua. Under the proposed settlements, each of the Settling Parties has agreed to disgorge 100% of the profits they realized as a result of purchases of the stock of Nexen, Inc. in the days preceding the July 23, 2012 market-moving announcement of Nexen’s acquisition by China-based CNOOC Ltd. In addition, Zeng, Ren and CT Prime have agreed to pay civil penalties totaling \$1,041,744.79 (an amount equal to the amount of their disgorgement) and to be permanently enjoined from future violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder. Together, Zeng, Ren and CT Prime have consented to pay more than \$2 million in disgorgement and penalties. No penalties or injunctions are proposed as to the remaining Settling Parties – Giant East, Wong Chi Yu, Wang Wei and Wang Zhi Hua – because these Settling Parties did not participate in Zeng’s decision to purchase Nexen stock for their accounts.

Hon. Richard J. Sullivan

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The Proposed Settlements Should Be Approved

The Commission respectfully seeks approval of the proposed settlements. The Second Circuit has recognized a “strong federal policy favoring the approval and enforcement of consent decrees.” SEC v. Wang, 944 F.2d 80, 85 (2d Cir. 1991) (quoting SEC v. Randolph, 736 F.2d 525, 529 (9th Cir.1984) (“Unless a consent decree is unfair, inadequate, or unreasonable, it ought to be approved.”)); see also SEC v. Citigroup Global Markets Inc., 673 F.3d 158, 164 (2d Cir. 2012) (granting the Commission’s request for stay of litigation pending review of District Court’s rejection of proposed settlement and noting that “the scope of a court’s authority to second-guess an agency’s discretionary and policy-based decision to settle is at best minimal”).

Here, the proposed consent judgment outlines settlements that are fair, adequate, and reasonable, and should be approved. As referenced above, under the proposed settlements, Zeng, Ren, and CT Prime have consented to pay penalties equal to their ill-gotten gains. These penalty amounts are within the range of penalties that the Commission could obtain in litigation under Section 21A(a)(2) of the Exchange Act. See 15 U.S.C. § 78u-1(a)(2) (providing that the amount of penalty in an insider trading case “shall not exceed three times the profit gained or loss avoided as a result of [the] unlawful purchase, sale, or communication”). While the proposed civil penalty amount is not the *maximum* that the Commission could obtain after a successful trial, the approximately \$1 million in civil penalties contemplated by the proposed settlements is sufficient to send a strong deterrent message.

The proposed settlements thus enable the Commission to obtain appropriate relief without expending additional resources associated with litigation. The Commission’s approach with respect to Zeng, Ren, and CT Prime is consistent with other settlements in which the Commission has agreed to settle insider trading claims with the imposition of penalties equal to the amount of disgorgement. In this action, the SEC entered into a settlement with defendant Well Advantage Limited, in which Well Advantage agreed to disgorge \$7.1 million in profits and to pay a \$7.1 million penalty. (DE 51.) In the past few years, the Commission has settled many other insider trading cases by obtaining a penalty equal to the disgorgement amount. See, e.g., SEC v. Mityas, 12-CV-01281 (CBA) (E.D.N.Y.) (DE 7, entered Apr. 6, 2012); SEC v. Bankosky, 12-CV-1012 (HB) (S.D.N.Y.) (DE 5, entered Mar. 15, 2012); SEC v. Feinblatt, et al., 11-CV-00170 (JSR) (S.D.N.Y.) (DE 56, entered June 8, 2011, consent judgment as to Shammara Hussain, & DE 66, entered July 11, 2011, consent judgment as to Jeffrey Yokuty).

Finally, even if the Court ultimately entered a larger monetary judgment against Zeng, Ren and CT Prime, the Commission would likely face obstacles in attempting to enforce that judgment abroad, including the possibility that a foreign court may view civil penalties as penal in nature and thus unenforceable. See, e.g., Lawrence Collins, Professor Lowenfeld and the Enforcement of Foreign Public Law, 42 N.Y.U. J. Int’l L. & Pol. 125, 125-29 (2009) (discussing the “almost universal principle” that the courts of a sovereign state will not enforce a “penal, revenue or other public law” of a foreign state and the application of this principle to the Exchange Act). Thus, the Commission may not be able to collect any funds beyond those that are currently in the United States and subject to the asset freeze imposed by the Court. These frozen funds equal \$631,808.88 for Zeng and \$1,808,950.12 for Ren and CT Prime together.

Hon. Richard J. Sullivan

May 7, 2013

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The proposed settlements would exhaust most of the frozen funds: after the payment of Zeng's, Ren's and CT Prime's disgorgement and penalty obligations under the proposed settlements, only approximately \$227,748.44 would be released to Zeng, and only approximately \$129,520.98 would be released to Ren and CT Prime together.

The Hong Kong Securities and Futures Commission Action Against Zeng

As discussed at this Court's April 29, 2013 hearing, the Commission is not seeking suspensions, bars or other administrative relief against any of the Settling Parties because none of them are associated with a broker-dealer or investment adviser in the United States. As an account executive at a Hong Kong brokerage firm, Zeng is regulated by the Hong Kong Securities and Futures Commission ("SFC"). Earlier today, the SFC announced a settled disciplinary action against Zeng based on the same conduct that is the subject of this case. The SFC revoked Zeng's license and banned her from re-entering the securities industry for five years. A copy of the SFC press release announcing its action is attached to this letter.

For the reasons set forth above, as well as for the reasons stated during the hearing that was held before the Court on April 29, 2013, the Commission respectfully requests that the Court approve the proposed settlements and enter the proposed Final Judgment as to the Settling Parties that we previously submitted to the Court.

Respectfully submitted,



Simona K. Suh
Charles D. Riely

Enclosure

Cc (w/encl.): See attached Service List

SEC v. Well Advantage Limited, et al., 12 Civ. 5786 (RJS)**Service List**

<u>Recipient</u>	<u>Method of Service</u>	<u>Address</u>
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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.

Page last updated : 7 May 2013