

SFC Takes Action Against Value Partners Limited and Cheah Cheng Hye

5 Oct 2000

The Securities and Futures Commission (SFC) announced today that it has publicly reprimanded Value Partners Limited (Value Partners), a registered securities dealer and investment adviser under the Securities Ordinance, and one of its dealing directors and investment adviser directors, Cheah Cheng Hye (Cheah).

The action stemmed from an investigation into Value Partners' dealing in 5 stocks on 28, 29 and 31 December 1998. It was found that on each of these days Value Partners had, near the close of trading, placed a number of buy orders which resulted in the market price of the stocks closing a level higher than they might otherwise have been. It was also found that during the days in question Cheah was the person responsible for investment decisions. The SFC found that, although unintentional Cheah should have known that trading in this manner had the potential to affect the closing prices of the stocks and could therefore have been prejudicial to the integrity of the market.

A number of inadequacies in Value Partners' internal procedures and breaches of various regulatory requirements were also discovered. These were found to be the result of lack of staff training and inadequate knowledge and understanding of the regulatory requirements on the part of Value Partners' senior management. Value Partners and Cheah, as the person with responsibility for these inadequacies, have therefore been publicly reprimanded.

In deciding on the reprimand, the SFC took into account that Value Partners has:

- fully co-operated with the SFC and taken immediate remedial action where possible;
- engaged a leading firm of accountants to review its business operations and internal controls;
- appointed a new Compliance Officer to be responsible for compliance matters;
- undertaken to fully implement all the recommendations of the SFC and the accountants.

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