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## SFC Reprimands Halsburg Asset Management Ltd and Suspends Hui Chiu Kit, Eddie for Misconduct in Selling Funds

15 Apr 2005

The SFC has reprimanded Halsburg Asset Management Ltd and suspended its major shareholder and managing director, Mr Hui Chiu Kit, Eddie for three years, effective from 15 April 2005 to 14 April 2008 for gross negligence in conducting due diligence on and serious misconduct in selling investment products (Note 1).

The discipline action stems from an inquiry in which the SFC found that Halsburg and Hui were grossly negligent in performing due diligence on the Alpha<sup>2</sup> Series Fund (ASF) managed by IC Mutual Ltd (ICM). Halsburg introduced the ASF to its clients between August 2001 and May 2002. Hui received commissions made in selling the ASF. Although at all times Hui was responsible for conducting due diligence, he was unaware that overseas regulators had published warnings about the Imperial Consolidated Group (IC Group), to which ICM belonged (Note 2). The SFC found that the information should have been readily available to Hui and he should have disclosed the facts of these warnings to his clients.

In early 2002, Hui became aware that ICM faced liquidity problems because of large redemption requests in relation to ICM. But Hui did not disclose this material and relevant information to his clients. By not disclosing unfavourable information to his clients when he sold the ASF, he placed himself in a conflict of interests. He was grossly negligent and his ability was seriously called into question.

Further, in mid 2002, the ASF was suspended and both ICM and the IC Group were liquidated. But Hui only informed the clients of these matters in late 2002, which was unreasonably late as he had known of its suspension since mid 2002.

Hui also introduced another investment product managed by Alpha Toronto Series Inc in June and August 2002 to several overseas intermediaries although he knew or should have known that the management of this product were closely related to the IC Group (Note 3).

The SFC concludes that Halsburg and Hui are guilty of serious misconduct and that their fitness and properness has been called into question. The SFC decided to revoke the licences of Halsburg and Hui. They appealed to the Securities and Futures Appeals Tribunal against the SFC's decision, which was withdrawn following negotiations. Hui agreed to accept the suspension, resign as a director of Halsburg and refrain from being involved in Halsburg's management and operations.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Investment advisers should be vigilant in performing due diligence on products that they promote. Clients rely on their advice when they invest and therefore investment advisers have a duty to act with due care, skill and diligence. They must always act in the best interest of their clients and avoid conflict of interests.

"Hui should have disclosed all material, relevant information, whether favourable or otherwise, to his clients, so that they had a choice as to what they should do about their investments. Hui's conduct was extremely serious and a serious penalty is warranted."

Ends

Notes:

1. Halsburg is a corporation licensed to carry on business in Type 4 (advising on securities) regulated activities. Hui is the sole responsible officer of Halsburg and licensed to carry on Type 4 regulated activities. Halsburg's licence prohibits Halsburg from handling clients' monies or assets whether directly, or indirectly through any associate. Halsburg can only engage in investment advisory activities in relation to unit trusts and mutual funds.

2. ICM was registered in Grenada and the ASF was an unauthorised fund. The New Zealand Securities Commission (<http://www.sec-com.govt.nz/>) and the Australian Securities & Investments

Commission (<http://www.asic.gov.au/asic/asic.nsf>) respectively issued two press releases on 3 May 1999 and 21 December 2000 concerning questionable marketing practices conducted by two related companies of the IC Group. These involved advertisements banned by the NZSC due to the promotion of funds to the public without a registered prospectus, and concerns by the ASIC of inadequate disclosure in a prospectus leading to the forced withdrawal of a share offer.

3. Neither the product was authorised by nor Alpha Toronto Series Inc registered with the SFC.

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