

## Court grants injunction to freeze assets of ex-GOME chairman and wife

7 Aug 2009

The High Court has granted an interim injunction to freeze assets of up to \$1,655,167,000 in relation to former chairman of GOME Electrical Appliances Holdings Ltd, Mr Wong Kwong Yu, his wife Ms Du Juan and two companies.

This follows an application by the Securities and Futures Commission (SFC) which commenced proceedings against the two, alleging securities fraud involving dealings in the shares of GOME (Note 1).

The amount of assets frozen is the largest that the SFC has ever applied to the court to freeze.

Wong and Du are alleged to have organised a share repurchase by GOME in January and February 2008 in order to use GOME's company funds to buy shares originally held by Wong so that Wong could use the proceeds of that share sale to repay a \$2.4 billion personal loan to a financial institution (Note 2).

The SFC alleges that the share repurchase had a negative impact on GOME's financial position and was not in the best interests of the company and its shareholders. The SFC alleges, however, that it provided the demand for GOME shares and stabilised its share price when Wong disposed of his shares, thereby enabling him to earn more from his share sale.

The SFC alleges that this transaction was a fraud or deception in a transaction involving securities and caused a loss of about \$1.6 billion to GOME and its shareholders.

The SFC is seeking orders that Wong, Du and two companies owned and controlled by them:

- restore the parties to any transaction, in particular GOME, to the position in which they were before the transaction was entered into; and/or
- pay damages to GOME.

The injunction serves to prevent the dissipation of assets pending the conclusion of the SFC's investigation and to ensure there are sufficient assets to satisfy any restoration or compensation orders, if orders are made against Wong, Du and the two companies.

The SFC is conducting further inquiries to identify these assets while investigations continue.

The order is an interim injunction obtained by the SFC ex parte. The defendants have not yet had a chance to reply to the SFC's allegations.

End

Notes:

1. The proceedings were commenced under section 213 of the Securities and Futures Ordinance. The original application made by the SFC on 4 August 2009 was made in chambers (not open to public) and could not be publicised. The next return date for the application is 8 September 2009.
2. Between 22 January 2008 and 5 February 2008, GOME bought back on-market an aggregate of 129.8 million of its shares worth approximately \$2.2 billion.