

SFC obtains court orders for GOME to receive \$420 million compensation from founder and wife over breaches in share repurchase

7 May 2014

The Court of First Instance on 5 May 2014 granted orders sought by the Securities and Futures Commission (SFC) in its proceedings against the former Chairman of GOME Electrical Appliances Holding Limited (GOME), Mr Wong Kwong Yu and his wife, Ms Du Juan, a former director of GOME, for them to compensate GOME \$420 million and interest for their breaches of directors' duties in certain share repurchases GOME conducted between 22 January and 5 February 2008 (Share Repurchase).

The court ordered that:

- \$420 million Wong and Du paid into court for the purposes of compensating GOME be released to GOME together with any interest;
- the injunction to freeze assets of Wong up to the value of \$1,655 million in order to secure assets to meet any compensation order be discharged;
- the undertakings of Shinning Crown Holdings Inc (Shinning Crown) and Shine Group Ltd (Shine Group), two companies through which Wong held his shares in GOME, that 779 million GOME shares the two companies deposited with the court could be used to satisfy any liability of Du be released and those shares be returned to Shinning Crown and Shine Group; and
- money Wong and Du paid into court to meet the SFC's legal costs be released to the SFC.

The orders were made by the Hon Mr Justice Harris on the basis of a joint application by the SFC and Wong, Du and their two companies.

The court's orders follow a special general meeting of GOME on 17 April 2014 in which the independent shareholders passed resolutions to ratify the Share Repurchase and Wong's and Du's associated breaches of directors' duties; and the payment of compensation to GOME by Wong and Du in return for releasing Wong, Du and any others from all liabilities and claims arising from the Share Repurchase and breaches of duties (Notes 1 & 2).

Wong requisitioned the special general meeting, via Shinning Crown and Shine Group, as required under an agreement between the SFC and Wong and Du for the purpose of resolving proceedings the SFC commenced under section 213 of the Securities and Futures Ordinance (SFO) in relation to the Share Repurchase. Under the agreement, the SFC required Wong and Du to take a number of remedial steps for full and final resolution of the SFC's proceedings (Notes 3 & 4).

Once the money is paid to GOME and the SFC, the SFC will discontinue its proceedings and take no further action in this matter.

End

Notes:

1. For the purposes of resolving the SFC's proceedings and seeking ratification from the minority shareholders, Wong and Du agreed with the SFC that they have breached their directors' duties to GOME to act properly and in the best interests of GOME and to avoid making any unauthorized or improper gain at the expense of GOME.
2. To resolve these matters, Wong and Du agreed with the SFC to pay GOME an aggregate amount of \$420,608,765.75, representing the loss incurred by GOME and the gains, together with accrued interest, Wong received as a result of his sale of GOME shares to GOME during the Share Repurchase.
3. Please see the SFC's press releases dated [7 August 2009](#), [8 September 2009](#), [3 March 2011](#) and [11 March 2014](#).
4. The injunction against Shinning Crown and Shine Group was discharged on 8 September 2009 upon deposit with the court of share certificates representing 779,255,678 GOME shares, the value of which was approximately equivalent at the then share price to the value of assets frozen under the injunction. The injunction against Du was discharged on 2 March 2011.

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