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Vongroup CEO acquitted of disclosing false or misleading information inducing transactions

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The District Court today acquitted Mr David Vong Tat-leong (Vong), chief executive officer of Vongroup Ltd (Vongroup), of two charges that he disclosed false or misleading information inducing the sale or purchase of securities or to maintain or increase the price of Vongroup shares (Notes 1 and 2).

The Court heard that, on 15 May 2007, Vongroup issued an announcement to the Stock Exchange of Hong Kong Limited and a press release disclosing that Vongroup Holdings Ltd (Vongroup Holdings), a company wholly owned by Vong through which he held 72% of the issued share capital of Vongroup, was selling a 9.9% stake in Vongroup to ABN AMRO Bank NV (ABN AMRO).

On the following day, Vongroup's share price rose 31.25% and its turnover increased 791%.

However, the Securities and Futures Commission (SFC) alleged that the announcement and the press release were false or misleading because they omitted any reference to two other agreements between Vongroup Holdings and ABN AMRO.

One of the agreements permitted ABN AMRO to sell the shares back to Vongroup Holdings at the same price at any time within three years while the other required the proceeds of ABN AMRO's investment in Vongroup to be held in a separate escrow account until either ABN AMRO sold the shares to an independent third party or the put option expired.

The SFC alleged that these omissions made the announcement and the press release false or misleading because they failed to disclose that ABN AMRO's investment in Vongroup was effectively risk free.

The Court acquitted Vong after finding that there was insufficient evidence to prove that Vong was involved in the announcement or the press release. The Court also considered there was reason to contend that the two other agreements were immaterial and irrelevant to the announcement and the press release.

The charges were laid following an SFC investigation and the case was prosecuted by the Department of Justice. It was the first criminal prosecution under section 298 of the SFO (Note 3).

The SFC will ask the Department of Justice to review the decision and to consider an appeal.

End

Notes:

1. Vongroup was listed on 9 October 2001. Vongroup's principal businesses include consumer finance, smart-card financial services and restaurants. Before the announcement on 15 May 2007, Vong held approximately 72% of the issued share capital of Vongroup.
2. Under section 298 of the SFO, it is an offence to disclose or circulate information that is likely to induce the sale or purchase of shares or to maintain, increase the price of securities if the information is false or misleading as to a material fact or the omission of a material fact and the person knows or is reckless as to whether the information is false or misleading. The maximum penalty is a fine of \$10 million and imprisonment of 10 years.
3. Please see press releases on [23 April 2009](#) and [14 July 2009](#).

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