
Enforcement Actions

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10 August 2006

Administrators Appointed for Wing Yip Company Ltd

Mr John James Toohey and Mr Rainier Hok Chung Lam, both of PricewaterhouseCoopers, have today been appointed by the Court to administer the property of Wing Yip Company Limited and property it holds on behalf of clients.

The SFC applied for the appointment of administrators under section 213 of the Securities and Futures Ordinance.

This action follows a restriction notice that was issued by the SFC against Wing Yip on 7 August 2006. The restriction notice prohibited Wing Yip from carrying on all of the activities for which it is licensed, disposing of or dealing with any assets held by it or held on behalf of its clients, and assisting, counselling or procuring another person to dispose of or deal with any such property.

The administrators have been appointed principally to protect the interests of Wing Yip's clients. The Court has granted the administrators wide powers including the power to investigate Wing Yip's affairs, to verify clients' claims and to return client assets.

The application for appointment

The SFC's decisions to issue a restriction notice against Wing Yip, and subsequently to make application to the Court to appoint administrators, arose out of an inspection that it commenced at the offices of Wing Yip on 4 August 2006. During the course of the SFC's inspection, it has become apparent that:

- (a) securities belonging to clients of Wing Yip may have been misappropriated and disposed of without client authority;
- (b) the proceeds of sale may have been improperly transferred to the personal bank account of a person associated with Wing Yip; and
- (c) falsified statements may have been sent to clients to conceal the

misappropriation.

At the time of the issuance of the restriction notice, the shortfall in Wing Yip's client securities appeared to the SFC to be approximately \$4.3 million. As a result of the SFC's continuing inquiry, the shortfall now appears to be approximately \$10.3 million. There also appears to have been misappropriation of client money amounting to approximately \$360,000. As the SFC's inquiries continue, there may be some further variation in these figures (Note 1).

In view of the serious nature of these apparent breaches, the SFC does not consider it to be in the public interest or in the interest of the investing public to permit Wing Yip and its management to verify clients' positions and handle the return of client assets. The SFC considers there to be a need for independent and experienced professional accountants to administer the affairs of Wing Yip, verify clients' positions and return securities in a prompt and orderly manner.

The order appointing the administrators is an interim order and the matter will come back to the Court for another hearing on 18 August 2006, at which time Wing Yip will have the opportunity to oppose the continuation of the order and to present evidence and arguments.

Wing Yip clients

The administrators will send a circular to Wing Yip's clients by next Monday, 14 August 2006, to explain the circumstances of the company and to request them to submit their claims.

Clients may contact the administrators on their hotline: (852) 2289 2522 during office hours (8.30am – 5.30pm, Monday to Friday), or in writing directed to the office of PricewaterhouseCoopers, 20th Floor, Prince's Building, 10 Chater Road, Hong Kong.

SFC's inquiries into the conduct of Wing Yip and its management will continue.

The SFC and the administrators will make further announcements when appropriate.

Ends

Notes:

1. In situations in which the SFC considers it necessary to issue a restriction notice, the SFC always moves immediately to do so in reliance on the first reliable

evidence in its possession, so as to ensure, as far as possible, the preservation of the assets of the licensed corporation and its clients. In this case, as in the two other recent cases involving Whole Win Securities Limited and Tiffit Securities (Hong Kong) Limited, this has meant that the extent of suspected client losses has changed sharply in the days immediately following the restriction notice being issued as the SFC's on-going inquiries have further clarified the situation.

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