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Retail tycoon embroiled in irregularities

The China Securities Regulatory Commission (CSRC) said on Friday that a probe into Huang Guangyu, chairman of Gome Electrical Appliances Holding Ltd, was mainly because of his alleged irregularities in asset restructuring and swaps in two listed companies.



A pedestrian walks past a Gome store in Beijing. [Agencies]

The CSRC said it launched probes into some tradings by Shanghai-listed Sanlian Commerce and Shenzhen-listed Zhongguancun on March 28, 2008 and April 28 respectively and found Beijing Pengrun Real Estate Development, controlled by Huang, was involved in irregularities in asset restructuring and swaps in these two listed companies.

Beijing-based Caijing magazine reported on Monday that Huang was detained by police for allegedly manipulating shares of Shandong Jintai Group Co, a drugmaker controlled by his brother, Huang Junqin.

CSRC has forwarded the case to Beijing police. Gome is registered in Bermuda and listed in Hong Kong and CSRC said it will offer assistance to the Hong Kong regulators if necessary.

Hurun Inc ranked Huang Guangyu the country's richest man on Oct 7, with a fortune of \$6.3 billion.

The unfolding of the alleged irregularities could overshadow business for the country's top home appliance retailer, whose trading in Hong Kong has been suspended since Monday.

Gome confirmed in a statement to the Hong Kong stock exchange yesterday that it was informed by the Beijing Municipal Public Security Bureau that Huang is under investigation "in connection with a certain suspected economic crime".

Zhou Yafei, group chief financial officer, was also being investigated in connection to Huang's case.

Gome appointed CEO Chen Xiao, who was "unconnected" to the probe, to replace Huang as acting chairman on Friday.

The probe might open the door for Gome's rival Suning. Gome had in recent years been expanding its dominance in the country's electronic retailing sector, sometimes by acquiring smaller rivals.

Gome's profit for the first nine months of this year surged more than 110 percent from a year earlier to 1.64 billion yuan, on the back of 36.4 billion yuan worth of sales.

Gome said its major suppliers including Haier have committed their support to the retailer, but a report on www.cnstock.com said at least one bank has started reviewing its lending to Gome.

Gome's lenders include Bank of China, China Construction Bank, China Merchants Bank, China Citic Bank and Industrial Bank.

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