

Five jailed for conspiracy to defraud and laundering crime proceeds**17.03.10**

A former chairman and a former executive director of a listed company and three others, charged by the ICAC, were today (Wednesday) sentenced at the District Court for conspiracy to defraud shareholders of the company and the Stock Exchange of Hong Kong (SEHK) in relation to a bogus joint venture in a gas pipeline project in Chongqing and laundering crime proceeds.

Wayland Tsang Wai-lun, 51, former chairman of listed Grand Field Group Holdings Limited (Grand Field), received a jail term of 32 months, while his wife Nancy Kwok Wai-man, 48, former executive director of Grand Field, was sentenced to 30 months' imprisonment.

Co-defendants Charles Cheng Kai-ming, 62, George Li Kwok-cheung, 49, both executive directors of publicly listed Upbest Group Limited (Upbest Group), were jailed for nine months and 12 months respectively, while David Wong Wai-kwong, 52, former independent non-executive director of Upbest Group, was sentenced to six months' imprisonment.

Tsang and Kwok were earlier found guilty of two counts of conspiracy to defraud. The couple, together with Cheng, Li and Wong, were also convicted of one count of conspiracy to deal with property known or believed to represent proceeds of an indictable offence, contrary to Section 159A of the Crimes Ordinance and Section 25(1) of the Organised and Serious Crimes Ordinance.

In sentencing, Judge Albert Wong Sung-hau remarked that the offences committed by the defendants had tarnished the image of Hong Kong as an international financial centre, and impaired the confidence of those investing in the stock market.

Commenting on the money laundering offence committed by the defendants, the judge said it was the first time such a case was brought to court. In view of the seriousness of the offence and the lack of special circumstances, suspended sentences were not appropriate, the judge said.

The case arose from a corruption complaint. Subsequent ICAC enquiries revealed the above offences.

The court heard that in April 2002, the couple initiated a fraudulent scam by first instructing an accountant to form a company called Sino Richest Limited (Sino Richest). Tsang arranged for two British Virgin Islands-registered companies - Logistic China Enterprises Limited (Logistic China) and Worldgate Developments Limited - to become shareholders of Sino Richest together with the accountant.

Tsang and Kwok then caused Sino Richest to team up with a Mainland firm to form a joint venture, purportedly to invest in a gas pipeline project in Chongqing. In fact, they never intended to inject capital into the Chongqing joint venture.

In June 2002, Grand Field announced that it would buy 75% of Sino Richest at \$63 million by issuing 315 million consideration shares.

To complete the fraudulent scam, Tsang and Kwok further caused the SEHK and the shareholders of Grand Field to approve the issue and allotment of the 315 million consideration shares to the three shareholders of Sino Richest.

The court heard that upon receipt of a complaint alleging foul play, the SEHK raised queries on the genuineness of the project. Tsang and Kwok then devised another scam to ward off the SEHK's queries.

With the assistance of Cheng, Li and Wong, the couple decided to use Logistic China to buy back Grand Field's 75% of Sino Richest at \$32 million.

As the financial adviser of Grand Field, Upbest Finance Company Limited (Upbest Finance), a subsidiary of Upbest Group, was to provide a bridging loan purportedly to show that Logistic China had paid the \$32 million to Grand Field.

However, the money, after routing through a convoluted channel including bank

accounts of Logistic China, Tsang and various off-shore companies, eventually reverted back to Upbest Finance on the same day.

Tsang and Kwok then falsely represented to the SEHK that Grand Field had sold its interest in the Chongqing joint venture for a consideration of \$32 million, and provided a deposit slip of \$32 million to the SEHK as a proof of payment received from the buyer. In fact, the purported sale of Sino Richest was false, the court was told.

The prosecution was today represented by Acting Senior Public Prosecutor Sheroy Tam, assisted by ICAC officers Ringo Yung and Irene Lau.