

Four jailed for conspiracy to defraud and dealing with crime proceeds over trading of derivative warrants

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Four persons, charged by the ICAC, were today (Wednesday) sentenced to various jail terms at the District Court for their respective roles in fraudulent trading of derivative warrants and dealing with over \$103 million in crime proceeds.

Raymond Ng Chun-to, 42, operator of Hong Kong Investor Company Limited (HKICL), received a total imprisonment of four years. Polly Sun Chor-fun, 35, staff member of HKICL, was jailed for two years; while Ng's associate, Leo Lam Sze-hang, 30, was sentenced to 28 months' imprisonment.

Another co-defendant Cheng Yuen-yi, 41, wife of Ng, was sentenced to three years' imprisonment.

In sentencing, Judge Douglas Yau Tak-hong said the case involved a sophisticated scheme with a cross-boundary element and a large scale of operation, which had taken the ICAC a long time to investigate.

He said custodial sentences had to be meted out to serve as a deterrent.

Ng was found guilty of four counts of conspiracy to defraud, and one of doing an act tending and with intent to pervert the course of public justice, contrary to Common Law; while Sun was convicted of one count of conspiracy to defraud. Lam earlier pleaded guilty to three counts of conspiracy to defraud.

Cheng was found guilty of 17 counts of dealing with property known or believed to represent the proceeds of an indictable offence, contrary to Section 25(1) of the Organised and Serious Crimes Ordinance (OSCO).

The case arose from a corruption complaint in relation to the trading of derivative warrants. Subsequent ICAC enquiries revealed the above conspiracy and OSCO offences.

The court heard that at the time of the offences, Calyon Financial Products (Guernsey) Limited, Citigroup Global Markets Holdings Incorporation, Standard Bank PLC and Dresdner Bank AG were derivative warrant issuers.

Respectively, the four issuers appointed CLSA Limited, Citigroup Global Markets Asia Limited, Standard Securities Asia Limited and Taifook Securities Company Limited as their Liquidity Providers (LPs).

The LPs have a function of providing liquidity of derivative warrants in the market by continuously quoting to investors bid and ask prices to ensure that there is a source of derivative warrants for trading.

The court heard that between September 2005 and May 2008, Ng, Sun and Lam conspired with other persons to defraud the above LPs, and such companies, firms and persons as might be induced to trade in tens of derivative warrants issued by the four issuers concerned.

To materialise their scam, Ng set up various bases in Hong Kong and on the Mainland.

Ng, Sun and Lam conspired to create a false or misleading appearance of active trading in the afore-mentioned derivative warrants daily through a number of dummy accounts operated by people associated with Ng from those bases.

The trio dishonestly caused traders based in Hong Kong of Calyon S.A., Citigroup Global Markets Asia Limited, Standard Bank Asia Limited and Dresdner Kleinwort Securities (Asia) Limited to render favourable prices to be quoted to people connected with Ng for the said derivative warrants.

Under this scam, secret profits were also alleged to have been offered to the said traders as their rewards for doing so.

The court further heard that Ng had approached an immunised witness and asked him not to co-operate with the ICAC and to give false and misleading information.

The court also heard that between May 2005 and July 2008, Cheng had dealt with over \$103.8 million in crime proceeds obtained from the above fraudulent trading of derivative warrants.

Out of the crime proceeds, over \$34.6 million was recovered from Cheng's safe deposit box at a bank, while the remaining \$69.2 million was deposited into her personal accounts, joint accounts with other family members, as well as accounts of four companies at six banks, the court was told.

The Securities and Futures Commission has rendered full assistance in the ICAC's investigation.

The prosecution was today represented by prosecuting counsel Joseph Tse, SC, assisted by ICAC officers Kevin Cho and Ada Lau.