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Three more jailed for \$65m embezzlement and fraud

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The former chairman of a publicly listed company and two other persons, charged by the ICAC, were today (Tuesday) sent to jail at the District Court for their roles in embezzling and deceiving corporate funds totalling over \$65 million from two listed companies following the sentencing of a co-defendant yesterday.

Hon Ming-kong, 43, former chairman of China Conservational Power Holdings Limited (China Conservational) and also former executive director of China Sciences Conservational Power Limited (China Sciences), and Anthony Chow Hingtung, 50, former executive director and financial controller of China Sciences, were each sentenced to six years' imprisonment. The duo was also ordered to be banned from acting as company directors for 10 years.

Kan Lai Lai-kan, also known as Lai Kam-tung, 45, former employee of Sharpo Solutions Limited (Sharpo), was jailed for three years and nine months.

In sentencing, Judge Stanley Chan Kwong-chi said Hon and Chow were masterminds who orchestrated the misappropriation and fraud scams, while Lai assisted in executing them.

The judge also reprimanded them for committing the offences which were just the tip of an iceberg.

While the defendants used a large amount of false documents in the scams, their fraudulent acts had undermined the financial system of Hong Kong and put the integrity of listed companies at risk, the judge added.

Hon, Chow and Lai were earlier found guilty of a total of 13 charges of conspiracy to defraud, conspiracy to steal, theft and publishing a false statement.

Co-defendant Abba Chan Tat-chee, 64, former chairman of China Sciences and also former executive director of China Conservational, was yesterday jailed for three years after having pleaded guilty to six charges and testified for the prosecution against the trio. Chan was also ordered to be disqualified from being a company director for eight years.

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

The court heard that at the time of the offences, China Sciences and China Conservational were listed companies. Sharpo and Abba China Holdings Limited (Abba China) were subsidiaries of China Sciences.

In April 2004, Chan caused over \$11 million being part of the sale proceeds of Henan joint venture due to China Sciences to be remitted to a company in Hong Kong controlled by him, and intended to use it for his own purposes.

Since May 2004, Chan, Hon, Chow and Lai, on various occasions, had embezzled a total of \$8.6 million from China Sciences by falsely representing that the funds were used to purchase mobile phones and computer goods for Sharpo, and to purport to be a loan or a fund transfer to Sharpo, the court heard.

Three months later, Chan, on behalf of Abba China, signed a letter of intent to acquire part of the shares in a Beijing company. Abba China agreed to pay \$10 million as a deposit, but the fund was transferred from China Sciences to various bank accounts of Chan to meet his personal liabilities.

Hon and Chow embezzled \$3 million from China Sciences by falsely representing that the fund was a loan to a friend of theirs. Using the same pretence, Chow alone stole \$2.4 million from China Sciences. To cover up the embezzlement of corporate funds, Chan, Hon and Chow discussed about how to obtain funds before China Sciences published its annual report in April 2005, the court heard.

Chan, Hon and Chow caused a total of \$51 million drawn on the bank accounts of China Sciences or China Conservational by falsely representing that China Sciences granted a short-term loan to a Guilin joint venture and acquired a waste incineration project in Meizhou, and that China Conservational lent loans to Lai. The funds were then transferred back to China Sciences to cover up the previous embezzlements.

In April 2005, China Sciences published an annual report signed by Hon and Chow, which recorded false information that the trade and other receivables amounted to over \$107 million, the court was told.

The prosecution was today represented by prosecuting counsel John Dunn, assisted by ICAC officer Wendy Tse.

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