

# Business crime: former chairman of HK company convicted of conspiracy to defraud shareholders

A former chairman and a former executive director of publicly listed Grand Field Group Holdings Limited (Grand Field), charged by Hong Kong's Independent Commission Against Corruption, have been convicted at the District Court of 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, Mainland China and of money laundering in relation to the proceeds.

The court heard that in April 2002, Wayland TSANG Wai-Lun, 51, former chairman of Grand Field; and his wife Nancy KWOK Wai-Man, 48, initiated a fraudulent scam by instructing an accountant to form a company called Sino Richest Limited (Sino Richest). Tsang arranged for two British Virgins Island-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 to buy 75% of Sino Richest at HKD63 million by issuing 315 million consideration shares.

To complete the fraudulent scam, Tsang and Kwok further caused the (Stock Exchange of Hong Kong) 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 HKD32 million. Upbest Finance was to provide a bridging loan purportedly to show that Logistic China had paid the HKD32 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 HKD32 million, and provided a deposit slip of HKD32 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.

Tsang and Kwok were found guilty of two counts of conspiracy to defraud.

Tsang and Kwok, together with co-defendants Charles Cheng Kai-ming, 62, George Li Kwok-cheung, 49, both executive directors of publicly listed Upbest Group Limited (Upbest Group); and David Wong Wai-kwong, 52, former independent non-executive director of Upbest Group, were also convicted of one count of conspiracy to deal with property known or believed to represent proceeds of an indictable offence.

Upbest Finance Company Limited (Upbest Finance), a subsidiary of Upbest Group, was the financial adviser of Grand Field.

Judge Albert Wong Sung-hau remanded Tsang and Kwok in the custody of the Correctional Services Department. Cheng was granted cash bail of HKD1.2 million with a surety of HKD50,000, while Li and Wong were each granted bail of HKD200,000 in cash and HKD50,000 in surety.

The judge adjourned the case until March 15 for mitigation by Cheng, Li and Wong and sentence on all defendants.