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Ex-chairman of listed company jailed for \$63m embezzlement and fraud

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The former chairman of a publicly listed company, charged by the ICAC, was today (Monday) sentenced to three years' imprisonment for his role in embezzling and deceiving corporate funds totalling over \$63 million from two listed companies.

Abba Chan Tat-chee, 64, former chairman of China Sciences Conservational Power Limited (China Sciences) and also former executive director of China Conservational Power Holdings Limited (China Conservational), was also ordered to be disqualified from being a company director for eight years.

In sentencing, Judge Stanley Chan Kwong-chi said the case involved a large amount of false documents to cover up the wrongdoings and misappropriation of corporate funds, which had jeopardised the interests of the two companies and their shareholders.

The judge also reprimanded that the root of Chan's crimes laid in greed and the pursuit of fame.

Having taken into account Chan's guilty plea and co-operation with the ICAC to testify against other co-defendants in the case, the jail term was reduced from the starting point of seven years, the judge added.

Chan had testified as a prosecution witness after pleading guilty in 2006 to six charges - three of conspiracy to defraud, one of conspiracy to steal, one of theft, and one of dealing with property known or believed to represent proceeds of an indictable offence.

Co-defendants Hon Ming-kong, 43, former chairman of China Conservational and also former executive director of China Sciences; Anthony Chow Ho-tung, 50, former executive director and financial controller of China Sciences; and Kan Lai Lai-kan, also known as Lai Kam-tung, 45, former employee of Sharpo Solutions Limited (Sharpo), were all remanded in the custody of the Correctional Services Department until tomorrow (July 12) for sentence.

The trio was earlier convicted of a total of 13 charges of conspiracy to defraud, conspiracy to steal, theft, and publishing a false statement.

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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