

Ex-senior executives of listed company jailed for bribery over \$15m subsidiary sale

25 August 2014

Two former senior executives of a listed company, charged by the ICAC, were today (Monday) sent to jail at the District Court for offering and accepting an advantage of 1.5 million shares of the company respectively in relation to the sale of one of its subsidiaries at \$15 million.

Luk Kin Peter Joseph, 43, former executive director of China Mining Resources Group Limited (CMRG), was jailed for two years. He was also ordered by Judge Mr Kevin Browne to be disqualified from being a company director for seven years.

Co-defendant Yu Oi-kee, 41, former financial controller-cum-company secretary of CMRG, was sentenced to 15 months' imprisonment. She was also disqualified from being a company director for five years.

In sentencing, the judge reprimanded the defendants for violating the listing rules, which aim at maintaining public confidence in the financial market. The bribery offences committed by Luk and Yu aggravated the violation of those listing rules.

Luk was earlier convicted of one count of offering an advantage to an agent, contrary to Section 9(2)(a) of the Prevention of Bribery Ordinance (POBO), while Yu was found guilty of one count of agent accepting an advantage, contrary to Section 9(1)(a) of the POBO.

Luk and Yu were further convicted of a joint charge of conspiracy for agents to use document with intent to deceive their principal, contrary to Section 9(3) of the POBO and Section 159A of the Crimes Ordinance.

The court heard that since March 1997, CMRG has been listed on the Stock Exchange of Hong Kong (SEHK).

Apart from its mining operation, CMRG also engaged in cord blood storage business through its indirect wholly owned subsidiary - Cell Therapy Technologies Centre Limited (CTTC). CMRG held the interest in CTTC through another subsidiary Biogrowth Assets Limited (BAL).

In June and July 2007, Luk and Yu stepped down as executive director and financial controller-cum-company secretary of CMRG respectively. Since then, the duo continued to be directors of CTTC and BAL to look after the cord blood storage business.

The court heard that at around that time, the possible disposal of CTTC to Luk was discussed. But Yu was told by a financial adviser that Luk's role in the disposal would constitute a connected transaction under the listing rules to which approval from independent shareholders of CMRG and advice from an independent financial adviser would be required. Subsequently, the disposal plan did not materialise.

Later in October 2008, the intended disposal of CTTC revived. On November 7, 2008, CMRG was informed by one of its executive directors that CTTC would be acquired by United Easy Investments Limited (UEIL), a purported independent third party, at \$15 million (the transaction).

The court heard that at around same time, Luk offered 1.5 million shares of CMRG to Yu as an inducement to or a reward for processing the transaction, and Yu accepted those shares for the same purpose. The then market value of those shares was \$330,000.

When the transaction was reported as non-connected and approved at a meeting of board of directors of CMRG on November 21, 2008, Luk and Yu, with intent to deceive BAL and/or CMRG, conspired together to use the minutes of a meeting of the board of directors of BAL, which contained

a false statement that they were not interested in the transaction.

In fact, UEIL was set up and held by an aunt of Luk by the arrangement of Yu, and most of the \$15 million consideration for acquiring CTTC was arranged by Luk, the court was told.

A hearing was fixed for September 22 this year to deal with the proceeds arising from the sale of shares received by Yu.

SEHK and CMRG had rendered full assistance to the ICAC during its investigation.

The prosecution was today represented by Public Prosecutor Florrie Chan, assisted by ICAC officer Michael Tsoi.

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