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[Archive](#)

Duo guilty of fraud over HK\$53m property transaction

4 October 2012

A former chairman of a listed company and an owner of a consultancy company, charged by the ICAC, were today (Thursday) convicted at the District Court of conspiring to defraud the listed company in a HK\$53 million property transaction and handling HK\$12 million in crime proceeds.

Theodore Cheng Chee-tock, 63, former chairman of listed CY Foundation Group Limited (CY Foundation); and Philip Yu, 42, owner of Havaleigh International Limited, were found guilty of a joint charge of conspiracy to defraud, contrary to Common Law and Section 159C(6) of the Crimes Ordinance.

Yu alone was also convicted of two counts of dealing with property known or believed to represent proceeds of an indictable offence, contrary to Section 25(1) of the Organised and Serious Crimes Ordinance.

Judge Stanley Chan Kwong-chi adjourned the case until October 30 this year for sentence, pending background reports. Cheng and Yu were granted cash bail of HK\$2 million and HK\$1 million respectively, and ordered not to leave Hong Kong.

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

The court heard that at the material times, Cheng, apart from being the chairman of CY Foundation, was also the chairman of Sino Strategic International Limited (SSI), a listed company in Australia. He held a substantial interest in SSI.

In May 2006, SSI acquired a property in Wan Chai for HK\$42.2 million. Since March 2007, CY Foundation had started to rent the property as its offices.

Three months later, the property was sold to Mansion Gains Holding Limited (Mansion Gains), a British Virgin Islands (BVI) company, for HK\$46.5 million.

In September 2007, Beauford Limited (Beauford), another BVI company, acquired the property from Mansion Gains for HK\$53.5 million.

One month later, CY Foundation issued an announcement that it had entered into an agreement with Beauford to acquire the property for HK\$53.5 million, and that Beauford and its ultimate beneficial owners were independent third parties.

The court heard that Cheng and Yu falsely concealed from CY Foundation that Cheng was a beneficiary or had a financial interest in the property.

They also falsely represented to CY Foundation that acquisition of the property by CY Foundation did not constitute a connected transaction for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

As a result, CY Foundation was induced to complete the purchase of the property.

In October and December 2007, Yu respectively dealt with HK\$10.7 million and over HK\$2 million being part of the crime proceeds in relation to the property transaction, the court was told.

The prosecution was today represented by Senior Counsel Nicholas Cooney and Public Prosecutor Jessie Sham, assisted by ICAC officer Desmond Lee.

[Back to Index](#)

[+ back](#)

[+ top](#)