



**Asia-Pacific
Economic Cooperation**

2018/ACT-NET/WKSP/005

Tracing Assets and Anti-Money Laundering

Submitted by: Independent Commission Against Corruption (Hong Kong)



**Training Workshop on Asset Recovery
Bangkok, Thailand
20-22 March 2018**

Tracing Assets and Anti-Money Laundering



天然乳品（新西蘭）控股有限公司
Natural Dairy (NZ) Holdings Limited

Presented by: Gary LEUNG, Chief Investigator

Hong Kong Independent Commission Against Corruption



Background of the Case

- First Information Report : 24 Dec 2009
- Allegation: **Two then Joint-Chairman** might have accepted advantages from a **New Zealand businesswoman**, for assisting the latter to sell 22 dairy farms to the listed company at inflated price.



Background of the Case

- In 2008, Crafars prepared to sell 22 dairy farms in New Zealand
- Valuation: NZ\$250M
- D1 (Joint-Chairman), D2 (NZ Businesswoman) & another New Zealander entered into a “Commission Sharing Agreement”



Dairy Farm Commission Agreement

Dated this 5 day of October 2008

Parties:

1.

British Virgin Islands

2.

Auckland City

3.

Auckland

All parties agree that all commission received through dairy farm purchases with CraFarm Group (incorporating Plateau Farms Ltd, Hillside Ltd, Tatarus Ltd, Nugea Farms Ltd, Feet View Farms Ltd, Windburn View Ltd) will be shared equally between the said three parties.

All commissions negotiated and paid by vendors and investors (if any) will be shared equally between the said three parties.

Commissions will be payable by the vendor and investors (if any) upon settlement of dairy farm purchases.

Commissions will be held by a nominated company trust account.

The said parties will only be able to claim commission upon submitting an invoice to the nominated company.

The Confidentiality Agreement between CraFarm Group and UBS Funds Management NZ Limited forms part of this agreement.

Witness

New Zealander

EXECUTED as an agreement on this 5 day of October 2008

SIGNED by
LATITUDE ASIA LIMITED (RVT)
by its director

SIGNED by

D2

D1

“All commissions negotiated and paid by vendors and investors (if any) will be shared equally between the said three parties”

Background of the Case

- On **18 May 2009**, UBNZ Trustee Limited entered into Sale & Purchase Agreement with Crafaris to buy the 22 dairy farms – NZ\$259 million
- On **22 May 2009**, Natural Dairy entered into a Sale & Purchase Agreement with UBNZ Trustee Limited – NZ\$500 million



CHINA JIN HUI MINING CORPORATION LIMITED
(Incorporated in Cayman Islands with limited liability)

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF CHINA JIN HUI MINING CORPORATION LIMITED (THE "COMPANY") HELD AT ROOM 1303, YORK HOUSE, THE LANDMARK, 15 QUEEN'S ROAD, CENTRAL, HONG KONG ON 22 MAY 2009 AT 2:30 P.M.

Present : As per attached attendance sheet

1. CHAIRMAN

[*] was elected as Chairman of the meeting (the "Meeting"), took the chair forthwith and acted as Chairman throughout.

2. NOTICE AND QUORUM

2.1 It was noted that due notice of the Meeting had been given to all the directors of the Company (the "Director(s)").

2.2 It was noted that a quorum was present and the Meeting could proceed to business. A quorum was present throughout the Meeting.

3. DECLARATION OF INTERESTS

3.1 It was noted that none of the Directors had any interest in the matters to be considered at the Meeting.

3.2 It was noted that none of the Directors present at the Meeting would be prohibited from voting and being counted towards the quorum in respect of the subject matters of the Meeting. The Meeting could therefore proceed to business.

4. DOCUMENTS TABLED

There were tabled before the Meeting the following documents:

- (1) a sale and purchase agreement (the "Agreement") dated 22 May 2009 entered into among the Company, UBNZ Trustee Limited as the vendor (the "Vendor"), and UBNZ Funds Management Limited as the warrantor (the "Warrantor") (a copy is attached hereto) whereby:
 - (a) the Vendor has agreed to dispose of and the Company has agreed to acquire or procure one of its subsidiaries (the "Purchaser") to acquire 2,000 shares of UBNZ Assets Holdings Limited (the "Target") (representing 20% of the entire issued share capital of the Target (the "Sale Shares") and all the rights, title and benefits and interests of the Vendor in the 20% of all obligations, liabilities and debts owing or incurred by the Target to the Vendor as at the date of completion of the Sale Shares (the "Debt"); and
 - (b) the Vendor has agreed to grant to the Purchaser the right to require the Vendor to sell to the Company or its nominee 8,000 shares of the Target (representing 80% of the entire issued share capital of the Target (the "Option Shares") and all the rights, title and benefits and interests of the Vendor in all obligations, liabilities and debt owing or incurred by the Target

to the Vendor (other than the Debt) as at the date of completion of the Option Shares (the "Outstanding Debt"),

(collectively the "Acquisition");

- (2) the form of a note certificate and its attachments ("Note A Certificate") to be issued in respect of the zero coupon notes in the aggregate amount of not more than the HK\$ equivalent of NZ\$215 million that may be issued by the Company in favour of the Vendor to satisfy as part of the Option Shares Consideration pursuant to the terms of the Agreement with the benefit of and subject to the conditions thereunder ("Note A");
- (3) the form of a note certificate and its attachments ("Note B Certificate") to be issued in respect of the zero coupon notes in the aggregate amount of not more than the HK\$ equivalent of NZ\$285 million that may be issued by the Company in favour of the Vendor to satisfy as part of the Sale Shares Consideration pursuant to the terms of the Agreement with the benefit of and subject to the conditions thereunder ("Note B");
- (4) the form of a deed of assignment in respect of the Debt or the Outstanding Debt (as the case may be) to be made among the Vendor, the Purchaser and the Company pursuant to the terms of the Agreement (the "Assignment"); and
- (5) a draft announcement (the "Announcement") to be issued by the Company in respect of the Acquisition pursuant to the Agreement.

5. ACQUISITION

5.1 The Chairman informed that the purpose of the Meeting was to consider and approve, and where applicable, confirm and ratify, among others, matters in relation to the Acquisition pursuant to the Agreement.

5.2 For consideration of the Directors, it was reported to the Meeting that:

- (1) on 22 May 2009, the Company, the Vendor and the Warrantor entered into the Agreement with respect to the Acquisition;
- (2) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Warrantor (and their respective ultimate beneficial owner(s)) are third parties independent of the Company and its connected persons;
- (3) the total consideration for the Sale Shares and the Debt ("Sale Shares Consideration") shall be the HK\$ equivalent of NZ\$100 million, which would be satisfied in the following manner and order:
 - (a) firstly, by net proceeds from the bank borrowing obtained or fund raising activities completed by the Company on or before the completion date of the Sale Shares; and
 - (b) any amount not satisfied pursuant to part (a) immediately above shall be satisfied, by the issue of Note B to be attached to the Note B Certificate;
- (4) the Sale Shares Consideration will be adjusted downwards in the following events:

Announcement & Circular

- 1st Announcement: 4 Jun 2009

“Each of UBTL, UBFM and the Target are third parties independent to the Company and its connected persons”

- Circular: 8 Sep 2009

“There was no existing or prior relationship or understanding between [D1] and [D2] with respect to the Acquisition such that the Acquisition shall become a connected transaction under Section 14A of the Listing Rules”

Falsification of Accounts

- Falsification of Accounts
- Deficit NZ\$31.5 million → Profit NZ\$18.5 million
- A Singaporean financial specialist engaged by D2



1. FINANCIAL INFORMATION

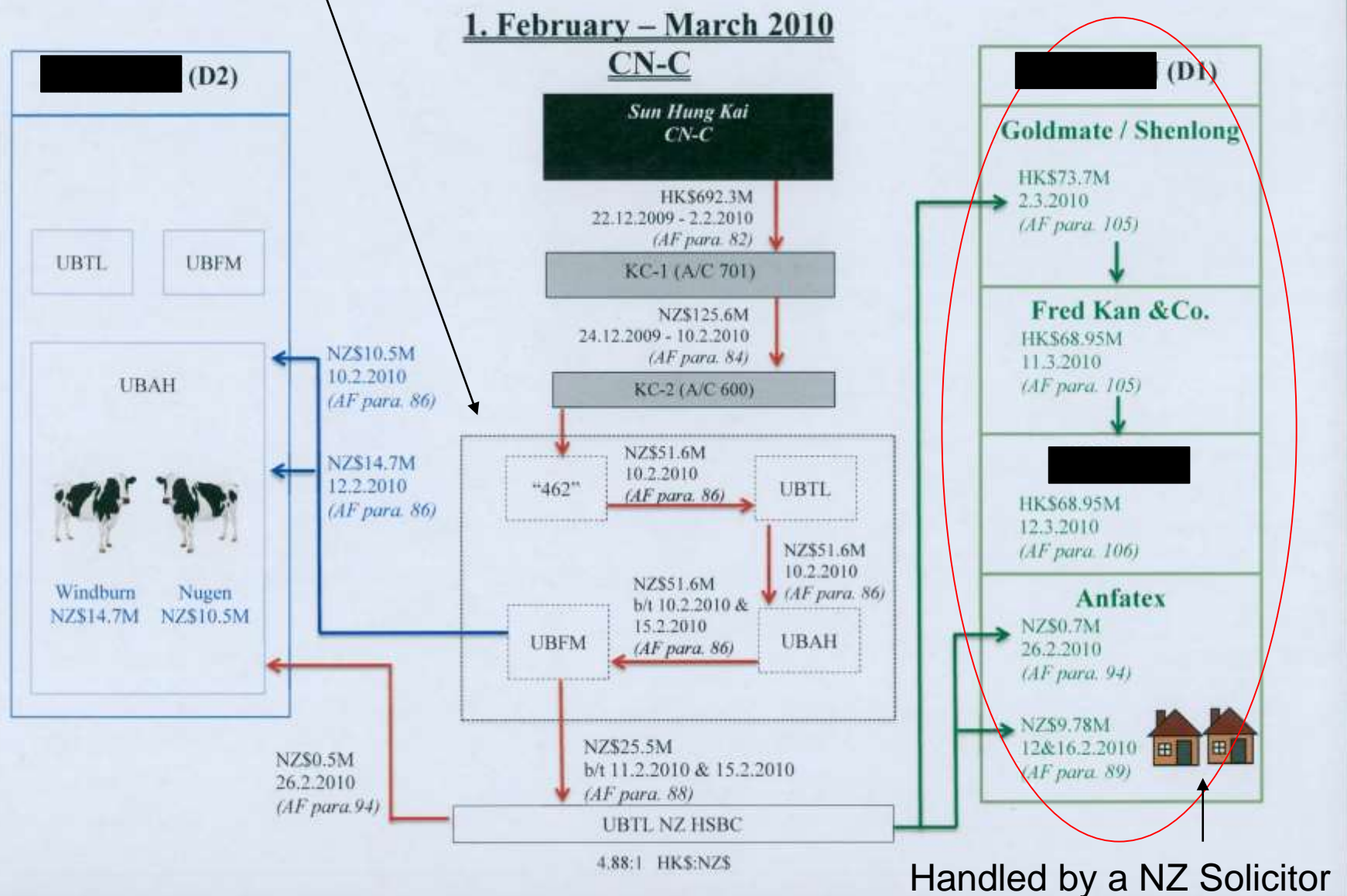
UNAUDITED COMBINED PROFIT AND LOSS STATEMENTS ATTRIBUTABLE TO THE TARGET ASSETS

	Years ended 31 May		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Revenue	95,361	186,124	179,516
Cost of sales	(77,472)	(131,084)	(86,996)
Gross profit	17,889	55,040	92,520
Other income	19,437	37,340	9,107
Gains (losses) arising from changes in fair value less estimated point-of-sale costs of livestock	(8,851)	93,624	1,674
Net income	28,475	186,004	103,301

=NZ\$18.5M

The unaudited combined profit and loss statements attributable to the Target Assets (the “**Unaudited Combined Profit and Loss Statements**”) for the three years ended 31 May 2007, 2008 and 2009 (the “**Reporting Periods**”) as set out above have been prepared based on the financial and other information provided by the management of the Vendor. The Unaudited Combined Profit and Loss Statements have been properly compiled and prepared by management of the Vendor from the underlying books and records of the Target Assets, using accounting policies which are materially consistent with those of the Group in all material respects. The reporting accountants have performed limited procedures of (i) enquired and discussed with the management of the Vendor in respect of the accounting policies adopted in preparing the Profit and Loss Statement; (ii) reviewed the Unaudited Combined Profit and Loss Statements; and (iii) ensured that the Unaudited Combined Profit and Loss Statements have been compiled and derived from the underlying books and records of the Target Assets. The management of the Vendor has emphasised that the Unaudited Combined Profit and Loss Statements do not purport to predict the future actual financial contributions to be derived from the Target Assets after completion of the Acquisition.

Ledger of a NZ Law Firm



Defendants were charged

- Between Oct 2011 – Oct 2012
- D1 (Joint-Chairman), D2 (New Zealand Businesswoman) & D3 (a Singaporean employed by D2 to falsify the accounts of the dairy farms) were charged with 2 x *“Conspiracy to defraud”* while D1 was additionally charged with 1 x *“Money Laundering”*

Preliminary Inquiry (2013 – 2014)

- On 14 Sep 2012, all defendants elected to have a P.I.
- Heard between Jan 2013 & Feb 2014
- 5 NZ Witnesses were unable to testify in HK
 - One of the parties to the Commission Sharing Agreement
 - A witness to the Commission Sharing Agreement
 - Then Accountant of the dairy farms
 - Solicitor acting for D1 (Property transaction)
 - Law firm acting for NDNZ & D2 (Fund flow)
- MLA Request was issued to NZ for obtaining evidence

New Zealand Hearing



Trial

- Preliminary Inquiry : 7 Jan 2013 – 13 Feb 2014 (79 days)
- 1st New Zealand Hearing : 30 Sep 2013 – 9 Oct 2013
- CFI Trial : 13 Oct 2015 – 26 Apr 2016 (122 days)
- 2nd New Zealand Hearing : 23 Nov 2015 – 26 Nov 2015
- Jury was retired for deliberation: 27 Apr 2016
- Verdict : 29 Apr 2016
- Sentence: 6 Jun 2016
 - D1: 7 years 9 months' imprisonment
 - D2: 8 years 3 months' imprisonment
 - D3: 5 years

May Wang guilty of fraud over failed Crafar farms acquisition

COLLECTIVE REVIEW

LAST UPDATED 14:11, APRIL 30 2014



LAWRENCE SUTHERLAND FOR NZ

May Wang, the businesswoman at the centre of a failed bid to buy the Crafar farms, has been found guilty of fraud charges in Hong Kong.

The failed bidders of Crafar farms have been found guilty of fraud in Hong Kong.

Hao May, formerly known as May Wang, 53, and two former senior executives of a listed company behind the bid, were found guilty of fraud over the acquisition of the 22 North Island dairy farms.

About 16 of the farms were eventually bought in 2012 by China's Shanghai Pengxin for a reported \$200 million.

On Friday a jury at Hong Kong's Independent Commission Against Corruption (ICAC) convicted the trio of conspiracy to defraud over the planned purchase and laundering more than over HK\$85 million.

An ICAC statement said Wang, 53, Keen Chen, 48, and Wenye Yee, 44, would be sentenced in May and it appreciated the assistance provided by the New Zealand Serious Fraud Office in the case.

The trio are not facing charges in New Zealand.

They were found guilty of two counts of conspiracy to defraud, while Chen alone was convicted of one count of dealing with property known or reasonably believed to represent proceeds of an indictable offence.

The court heard China Jin Hui Mining Corporation Limited (CJHM) was listed on the Main Board of the Stock Exchange of Hong Kong (SEHK) and engaged in the trading of iron ore. CJHM was renamed to Natural Dairy (NZ) Holdings on October 14, 2009.

Chen joined CJHM as executive director and joint chairman on May 7, 2009, while Yee was its vice-president.

Apart from being the owner and operator of UBNZ Trustee Limited (UBTL) Wang also owned beneficial interests in its affiliated companies – UBNZ Assets Holdings Limited (UBAH) and UBNZ Funds Management Limited (UBFM).

Between May 7 and September 8, 2009, Chen, Hao and Yee conspired together to defraud the SEHK.

They concealed that Chen had an interest in the acquisition, in that Chen and Hao were parties to an agreement signed between them and Latitude Asia Limited to share the commission arising from the sale and purchase of dairy farms owned by the Crafar Farms Group in New Zealand.

The court was told they also falsely represented that the gross profit of the properties and fixed assets relating to dairy farms owned by the Crafar Farms Group for the year ended May 31, 2009 was approximately HK\$92.52m; and concealed or failed to disclose their true financial position.

As a result, SEHK was caused to allow CJHM to publish an announcement and a circular in relation to the acquisition which contained the false representations.

The court heard that between May 7, 2009 and July 19, 2010, Chen, Hao and Yee conspired together to defraud CJHM and its existing shareholders by using similar fraudulent means.

They caused CJHM and its existing shareholders to approve the agreement for the acquisition, and caused CJHM to issue and release convertible notes and an optional bond for the payment of the acquisition.



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Business reporter for the NZ Herald

May Wang found guilty of fraud charges



May Wang has been found guilty of fraud charges in Hong Kong. Photo / Nick Frost

Failed Crafar farms bidder May Wang has been found guilty of fraud charges in Hong Kong over attempts to buy the North Island properties.

Wang, 53, and her two co-accused were convicted by a jury on Friday. Hong Kong's Independent Commission Against Corruption (ICAC) said in a statement.

The trio will be sentenced in May and are not facing any charges in New Zealand.

Wang, also known as May Hao, was found guilty of two charges of conspiracy to defraud, according to the ICAC.

Wenye Yee and Jack Chen were found guilty of the same charges while Chen was also convicted of an additional count of dealing with property known to be the proceeds of crime.

Wang is best known in this country as a failed purchaser of 22 North Island dairy farms, known as the Crafar Farms.

Sixteen of these farms were eventually bought in 2012 by China's Shanghai Pengxin for a sum thought to be about \$200 million.

According to prosecutors, Wang and Chen induced Hong Kong-listed firm Natural Dairy to acquire the Crafar Farms from one of her companies.

This company, according to prosecutors, did not own the farms but would purchase them with Natural Dairy's money in the name of another of Wang's firms, UBNZ Assets Holdings. Natural Dairy would, in turn, own UBNZ Assets Holdings and therefore the dairy farms.

Although the Crafar Farms were on the brink of bankruptcy, Wang and Yee falsified accounts so they appeared to be in substantial profit.

The trio failed to declare that Chen and Wang had an agreement to share the commission arising from the sale and purchase of the farms.

Unaware of this relationship, and ignorant of the true state of the farm's finances, prosecutors say Natural Dairy approved the acquisition and in 2010 raised HK\$955 million (NZ\$166 million) to finance it.

Funds to buy the farms were allegedly transferred into a trust account of Auckland law firm Knight Coldcutt, which also had done work for companies associated with Wang.

Four of the 22 farms were purchased for \$25.5 million in February 2010 and in May a deposit was paid for the remainder of them, pending Overseas Investment Office (OIO) approval of the transaction.

But later that year Wang was declared bankrupt in New Zealand and then arrested with Chen in Hong Kong. A week later, the OIO refused to grant permission for the purchase of the remaining farms.

Thank You