

Listed company's former chairman sentenced for fraud over company acquisition

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The former chairman and executive director of a listed company, charged by the ICAC, was today (Wednesday) sentenced to two years' imprisonment, suspended for two years, at the District Court for fraud in relation to the acquisition of a company.

Ho Chin-hou, 71, former chairman and executive director of Extrawell Pharmaceutical Holdings Limited (Extrawell), earlier pleaded guilty to one count of fraud, while four other charges against him were left on court file.

In sentencing, Deputy Judge Garry Tallentire said the starting point of three years was reduced to a suspended sentence, taking into account the defendant's old age, ill health and guilty plea.

The case arose from a corruption complaint. Subsequent ICAC enquiries revealed the fraud offence.

The court heard that Extrawell manufactured and sold pharmaceutical products in the Mainland. Fosse Bio-Engineering Development Limited (FBE) was a local company engaged in the research and development of oral insulin enteric-coated soft capsules.

In late 2000, the defendant negotiated with a director of FBE the intended acquisition of 51% shares in the company by Extrawell for about \$39 million. The defendant later aborted the acquisition.

The court heard that in early 2001, the defendant negotiated the acquisition with FBE on behalf of another company - Smart Ascent Limited (SAL), resulting in a sale and purchase agreement between FBE and SAL for the same consideration of about \$39 million.

On March 4, 2004, Extrawell (BVI) Ltd., a subsidiary of Extrawell, entered into a sale and purchase agreement with SAL to acquire 51% in SAL for a consideration of about \$73 million.

According to the agreement, about \$71.6 million and \$1.4 million would be made payable to two persons, who each owned 50% of SAL, for them to transfer a total of 51% of the shares in SAL to the subsidiary.

The court heard that the defendant, however, failed to disclose to the management of Extrawell that the two persons were his daughter-in-law and son-in-law, and that SAL was controlled by him.

With intent to defraud, the defendant induced Extrawell to acquire the 51% shares in SAL, which resulted in benefit to the defendant, his daughter-in-law and son-in-law or a substantial risk of prejudice to Extrawell, the court was told.

The prosecution was today represented by prosecuting counsel Bernard Chung and Kelly Shui, assisted by ICAC officer Magdalen Tsai.