

SFC obtains \$10.7 million compensation order against former CEO of China Asean Resources

26 Sep 2012

The Court of First Instance today ordered Mr Li Wo Hing , the former chief executive officer of Medical China Limited, now known as China Asean Resources Limited (China Asean Resources), to pay \$10.7 million in compensation to the company resulting from his misconduct (Note 1 and 2).

Li was also disqualified from being a director or taking part in the management of any corporation without leave of the court for seven years.

This is the second compensation order the Securities and Futures Commission (SFC) obtained this year in legal proceedings brought before the Court of First Instance under section 214 of the Securities and Futures Ordinance (SFO) (Note 3 and 4).

As part of the proceedings, the Court also disqualified Mr James Li Nga Kuk , the former chairman of China Asean Resources, from being a director or taking part in the management of any corporation, without the leave of court, for four years.

The disqualification orders against them will take effect from 21 days after the date of the orders.

The SFC found that Li Wo Hing and James Li issued two cheques of China Asean Resources authorizing payments that were recorded as being paid to two US suppliers. However, the SFC found that the funds were transferred to Li Wo Hing and various persons related to him. These payments which totaled \$10.7 million were not made for any legitimate corporate purpose.

The Court accepted that the payments to Li Wo Hing amounted to misappropriation of the company's assets which caused unfair prejudice to the company and its shareholders.

The SFC also found that Li Wo Hing authorized an announcement in December 2004 concerning the sale of a Mainland subsidiary to an independent third party. However, the SFC discovered that the independent buyer was, in fact, funded by Li Wo Hing himself.

The SFC further found that James Li was involved in making a misleading announcement in February 2003 when he authorized an announcement asserting that China Asean Resources's distribution rights were intact when in fact a US supplier had terminated them in 2002.

The SFC's Executive Director of Enforcement, Mr Mark Steward, said: "The SFC will continue to pursue company directors whose misconduct jeopardises the value of listed companies and investors' prospects."

The Court ordered both Li Wo Sing and James Li to pay the costs of the SFC. Li Wo Hing was ordered to pay the costs of China Asean Resources.

End

Notes:

1. The company was known as Medical China Limited at the material times. It was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 31 December 2001.
2. The SFC commenced proceedings under section 214 of the SFO in June 2011. For details, please see SFC's press release dated [26 June 2012](#).
3. The SFC obtained the first compensation order under section 214 of the SFO in March 2012. For details, please see SFC's press release dated [7 March 2012](#).
4. Under section 214 of the SFO, the court may make orders disqualifying a person from being a company director or being involved, directly or indirectly, in the management of any corporation for up to 15 years, if the person is found to be wholly or partly responsible for the company's affairs having been conducted in a manner involving defalcation, fraud or other misconduct. The Court may also order a company to bring proceedings in its own name against any person specified in the order and may make any other order it considers appropriate.

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