



Panama Papers leak: Australian security company Wilson linked to Hong Kong corruption scandal

Four Corners By the National Reporting Team's Lisa Main with ICIJ

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Leaked documents have revealed that two brothers embroiled in a massive Hong Kong corruption scandal were ultimately in control of an Australian security company that earned roughly half a billion dollars in lucrative government contracts.

The two billionaire brothers, Thomas and Raymond Kwok, were charged with bribing a Hong Kong government official in July 2012 in a case that shook the Hong Kong establishment.

Soon after their arrest, the leaked documents, obtained by the ABC's Four Corners, show the brothers covertly remained directors of the offshore company that ultimately controls Wilson's operations in Australia — Wilson Offshore Group Holdings (BVI) Limited.

In a statement to the ABC, Wilson insisted the Kwok brothers were never directors of Wilson Security.

"Mr Thomas Kwok is not, nor at any stage has ever been, a director of, nor has he had any involvement in any Wilson company's operations in Australia," Wilson said.

In December 2014, Thomas Kwok was convicted of the bribery offences and sentenced to five years in prison.

His brother Raymond Kwok was acquitted of all charges.

According to Jason Sharman, professor at the Centre of Governance and Public Policy at Griffith University, the "common sense" definition is that the company listed as the ultimate holding company is "not only the legal owner but the entity in control," he said.

"You would expect that if you've got a company at the top of the chain that is in control of a lot of assets, people would really want to know who they are working for, who they are owned by and who they are being directed by," said Professor Sharman.

The revelations come via a massive leak of more than 11 million documents from a little known law firm based in Panama, Mossack Fonseca.

The data breach was leaked to German newspaper *Suddeutsche Zeitung* and shared with the International Consortium of Investigative Journalists, and other media partners including Four Corners.

The documents include emails, client accounts and financial records — and show the inner workings of Mossack Fonseca from 1977 to December 2015.

The documents also establish a working relationship between Wilson Australia and its offshore controlling entity.

Wilson's accountants PWC in Perth sent documents directly to Wilson Offshore Group Holdings (BVI) Limited in the British Virgin Islands (BVI), which were received by Mossack Fonseca, their registered agent located in the same British Virgin Islands.

Whilst legal, the revelations raise questions about probity and the lack of disclosure by the company that holds contracts with some of Australia's most sensitive government departments.

Since the arrest of the Kwok brothers in July 2012, Wilson Security secured a sub-contract to provide garrison services for Australia's offshore detention centres on Nauru and Manus Island as well as various other contracts with Defence, The Australian Tax Office and the Department of Prime Minister and Cabinet.

A secretive move to stay in control

The Kwok brothers maintained effective control as directors via a covert manoeuvre facilitated by Mossack Fonseca.

Two weeks after the brothers were charged, both Thomas and Raymond Kwok removed themselves as directors from Wilson Offshore Group Holdings (BVI) Limited but replaced themselves with two mysterious new directors that were companies, Winsome Sky and Harmony Core.

The leaked files show the directors of those mystery companies were in fact the Kwok brothers themselves.

Thomas Kwok signed on as the director of Winsome Sky on July 30, 2012, and on the same day Raymond signed on as the director of Harmony Core.

Professor Sharman said by helping to facilitate the manoeuvre, Mossack Fonseca placed itself in dangerous territory.

"Both Australia and the British Virgin Islands have a fit and proper test in place for company directors, if directors have been charged with serious financial offences I would think that passes the threshold for a risk factor," he said.

Wilson did not disclose offshore arrangements

Each Commonwealth government department is responsible for its own procurement process, which includes requirements for companies to act ethically and honestly.

Wilson holds the majority of its government contracts with the Department of Defence, which did not have a requirement for those tendering for contracts to declare if they had been convicted of bribery offences until December 2012.

Six months prior to Thomas Kwok's bribery conviction, in December 2014, Wilson Security was engaged in a tender process for a Defence contract.

In a statement to the ABC, the Department of Defence said "a negotiation process was entered into with Wilson Security Pty Ltd over the period January to June 2014. Wilson Security Pty Ltd did not disclose any bribery offence relating to its directors during this process".

It is true that neither Raymond or Thomas Kwok were listed as directors of Wilson Security Pty Ltd.

However, the documents show they effectively remained directors of the ultimate holding company — Wilson Offshore Group Holdings (BVI) Limited — the entity that ultimately controls Wilson's Australian operations.

A spokesperson for the Department of Immigration and Border Protections told the ABC in a statement the department follows "strict" Commonwealth Procurement rules.

Kwok brothers were VIP clients of Mossack Fonseca

According to the documents, the Kwok brothers were afforded special rates and special treatment by Mossack Fonseca.

Internal company notes state "this client has been one of the best in the last 10 years".

Wilson Offshore Group Holdings (BVI) Limited was originally registered in 1991 under a different name, Covert Investments.

Thomas and Raymond Kwok, as well as their older brother Walter, were early directors of Covert Investments before it changed its name to Wilson Offshore Group Holdings (BVI) Limited in 2004.

A few months prior to the arrest of Thomas and Raymond Kwok, a flurry of internal emails show the law firm's compliance department raising the alarm about incomplete due diligence.

Emails show a heated exchange between the Kwok brothers' Mossack Fonseca contact in Hong Kong, and his colleagues in compliance who were asking for identification documents for company directors and information about beneficial ownership — a due diligence requirement in the British Virgin Islands.

Eventually, the founding partner of Mossack Fonseca, 67-year-old German-born Jurgen Mossack intervened and agreed to "waive" the due diligence because the Kwok brothers were well known and their property empire was listed on the Hong Kong stock exchange.

"We would certainly not require due diligence on Microsoft, for instance," said Jurgen Mossack in an email.

A few months later, on July 13, 2012, the Independent Commission Against Corruption (ICAC) in Hong Kong charged Thomas and Raymond Kwok with bribing one of Hong Kong's highest-ranking officials.

In December 2014, Thomas Kwok was jailed for five years for bribing Hong Kong's second in charge, Rafael Hui Si-yan. Loyal Kwok company executive Thomas Chan was also jailed for six years for his role in the bribery scandal.

Mossack Fonseca liquidated Kwok company

Another revelation in the documents shows Mossack Fonseca assisted the Kwok Brothers to liquidate one of their BVI companies, Yorkshire Limited, after the brothers were charged.

That kind of behaviour, Professor Sharman said, sailed close to criminal conspiracy.

"If directors are charged with a serious offence that is something the law firm should have picked up on, then if the law firm goes on to help those individuals reorganise their finances and company structures then that's risky behaviour," he said.

ICAC in Hong Kong would not confirm or deny if Yorkshire was a subject in their investigation.

On September 22, 2012, Mossack Fonseca proceeded with the client's request to dissolve the company.

Last month, Mossack Fonseca was approached by the International Consortium of Investigative Journalists about some of the revelations in the leak.

In a statement, the firm said it conducts a "thorough due-diligence process" that often "exceeds all relevant local rules, regulations and standards to which we and others are bound".

You can watch 'The Secrets of the Super Rich' on Four Corners on ABC TV at 8.30pm tonight.

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