



## Hong Kong News Pipe down

New blood needed to keep a tradition alive



## Post Magazine

Celine boss Phoebe Philo is back. Can she live up to the hype?

## Sunday Sport

## Boat dream

Kai Tak eyed as hub for water sports



# Sunday Morning Post

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April 25, 2010

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Velvet-gloved Hunan media is moving west

## Xinjiang's iron-fisted party boss replaced

### Choi Chi-wuk

The Communist Party cadre who has ruled Xinjiang (新疆) with an iron fist for nearly 15 years is being replaced, months after the region's capital, Urumqi (乌鲁木齐), was rocked by deadly ethnic clashes.

Wang Lequan's (王乐泉) replacement as party secretary in the far-western region is a surprise - Zhang Chunxian (张春贤), the soft-spoken and media-savvy party boss of Hunan (湖南).

His appointment was announced yesterday in Urumqi by Vice-President Xi Jinping (习近平), a day after Xinjiang came up for discussion at a

This is a time of change in the region ... Zhang is likely to be milder and more open-minded

Jin Zhong, a Hong Kong-based political commentator



Zhang Chunxian Wang Lequan meeting of the party's Politburo chaired by President Hu Jintao (胡锦涛).

Xi described Zhang, 57, as having a liberal mind and a spirit of innovation, and indicated the central government considered him a safe pair of hands. He expressed the hope that all Xinjiang cadres could work with Zhang to "make the different ethnic groups happy".

Speculation had been rife that Beijing would remove Wang since September, when a series of mysterious stabbing attacks using syringes occurred in Urumqi, weeks after the riots that left 197 people, most of them Han Chinese, dead.

Protesters, most of them Han residents who had publicly expressed their anger two months earlier at the authorities' failure to stem the rioting by members of the region's Uygur minority, took to the streets chanting, "Down with Wang Lequan". They accused him of failing to stop the syringe attacks or protect their property. It is extremely rare for protesters to publicly call for the resignation of a senior official.

Beijing did not take any action following the protests to avoid being seen as bowing to public pressure. But Joseph Cheng Yu-sheng, a political scientist at the City University of Hong Kong, said Beijing was obviously unhappy with Wang, even though he had been appointed to another seemingly powerful post. Wang will move to Beijing to become deputy head of the party's top law enforcement body, the Central Political and Legislative Affairs Committee.

Cheng said: "Given the allegations of his corruption, especially his favour to enterprises from his home province of Shandong (山东), it is obvious that Wang is an unpopular leader who has also been widely seen as an authoritarian, applying high-pressure and heavy-handed tactics. The change of leadership is necessary to indicate a new approach."

Cheng said Zhang was "widely regarded as tacitful and soft-handed in handling grievances and protests". He said a high-level Xinjiang Work Forum next month was likely to outline a softer approach.

Jin Zhong (金钟), a Hong Kong-based political commentator, also thinks Zhang will be more moderate.

"This is undoubtedly a time of change in terms of policy in the region," said Jin. "One can hardly say the separatist and ethnic issues in Xinjiang will disappear overnight along with the reshuffle of its top leader, but ... one thing for sure is that Zhang is likely to be milder and more open-minded than Wang."

"After all, Wang was promoted to deputy chairman [of the Xinjiang government] in 1991, two years after the crackdown on student-led protesters [in Tiananmen Square] when the party was dominated by hardliners."



Lovers' lane. When word is out that twenty-somethings have hit the streets, images of protesting young people come to mind. But for Jann Wong Chun-wing, 27, and Joyce Chan Ching-ki, 28, yesterday's call was about love. The pair tied the knot after a four-year courtship in the bustling Great George Street pedestrian area in Causeway Bay. Shoppers witnessed the city's first street wedding.

Photo: David Wong

## He saw China's open door but it's closed to him

### Irene Jay Liu

In 1981, amid the Cold War, only a person of remarkable audacity, perhaps even hubris, would suggest that Communist China would one day "go capitalist".

Steven Cheung Ng-sheng (pictured), self-assured and daring, fit the bill perfectly. At the time, few agreed with the Hong Kong-born, US-educated academic's "wildly improbable" but prescient theory. Cheung was already a respected economist in the 1980s, but his stature grew with China's GDP as his outlandish theory became conventional wisdom.



But the man who first predicted China's opening door can himself no longer cross the threshold into the larger world. He's a fugitive, hiding in plain sight on the mainland, on the run from US authorities who indicted him for tax evasion and fraud in 2003. At 74, Cheung still defies the odds, but he's fighting for his reputation, his assets and his freedom. In academia and in life, Cheung has always pushed the boundaries, and as a fugitive, he's employed every legal strategy at his disposal to protect what he believes is his. Cheung's first six decades were

years of steady achievement. Born in 1935 in Hong Kong, he moved to the US in his twenties, and eventually became a US citizen. After earning a PhD in economics from the University of California, Los Angeles, Cheung was awarded a postdoctoral fellowship in political economy at the University of Chicago in 1967.

There, he embraced the Chicago school of economics, falling in with a cove of prominent economists and future Nobel laureates. Some thought Cheung, too, would one day be honoured as the first Chinese economist to win the coveted prize.

He took a post at the University of

The man who first predicted China's opening door can himself no longer cross the threshold into the larger world. He's a fugitive, hiding ... on the mainland

Washington in 1969, settled for more than a decade, built a consulting business, got married, raised two children, and eventually divorced. He moved back to Hong Kong as head of the University of Hong Kong's School of Economics and Finance in 1982. He married Linda Su Ching Ling, known in the US as Linda Su Cheung, who took over running his business in Washington.

In Hong Kong, Cheung was an academic celebrity, and a force in public policy. To this day, his economic works are mandatory reading for economic students in

CONTINUED ON PAGE 2

## Taxman joins queue at Tony Chan's door

### Vivian Kwok

The taxman has joined the growing line of creditors knocking on Tony Chan Chan-chuen's door, claiming the besieged fung shut master owes the Inland Revenue Department nearly HK\$350 million.

A writ submitted to the District Court yesterday claimed Chan owed profit taxes of HK\$115.6 million for 2005 to 2006, and HK\$231.2 million for 2006 and 2007.

While no details were revealed about what profits were being taxed, the figures correspond to the tax that would be likely to accrue to the three sums of money Chan received from former Chinachem chairman Nina Wang Kung Yu-sum before she died in April 2007.



After Wang's death, Chan was involved in an expensive High Court battle with the Chinachem Charitable Foundation over who was to inherit Wang's estimated HK\$100 billion fortune.

Both sides lodged separate writs claiming they were the sole beneficiary. During the High Court case, Wang's younger brother, Dr Kung Yan-sum, said his sister gave Chan three tranches of HK\$688 million (one paid in 2005 and the other two sums paid in 2006) for fung shut services to help her recover from cancer.

Chan, who claimed he was Wang's lover, said the money was a

CONTINUED ON PAGE 3

AP AUDEMARS PIGUET  
Le maître de l'horlogerie depuis 1875

April 25  
沙田馬場  
Sha Tin Racecourse

電機婦女會  
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## Inside News

### Agenda

**Detention gulag defies transparency call**  
Abnormal deaths in the Ministry of Public Security's mainland detention centres have sparked an intense debate over whether who should run them. The death of Yu Wenping (于文平) in March, one of 10 in the past 14 months, highlights the defiance of the ministry against calls for transparency. Full report Page 13

### Sport

**Shenzhen's star eyes HK team**  
Andy Nagelein (pictured), who has a Hong Kong mother and a German father, has made an instant impression with Shenzhen in the China Super League and his name is already being bandied around the Hong Kong Football Association. Full report Sport Page 2

### HK & Delta

**When a bar tip isn't a bar tip**  
Not only are unscrupulous bar and restaurant owners keeping the 10 per cent service charge rather than passing it on to their staff, many owners also use tips that customers add to their credit card payments to pay commission fees charged by card companies - a practice one bar director decries. Full report Page 2

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# He foresaw China's open door but it's closed to him

• CONTINUED FROM PAGE 1

Hong Kong. But it all began to unravel in 2003, when he became the target of win inquiries – the first for alleged tax evasion and fraud relating to income from a business in Hong Kong which was not declared in the US. Cheung's US citizenship makes him liable for tax on all income earned, anywhere in the world. He and his wife were indicted and ordered to appear in a US court, but they fled to the mainland.

He and his family were also investigated for selling fake Chinese antiques through a Washington state art gallery which they owned.

His legal trials were again spotlighted recently as a Hong Kong court dealt with a theft from an art gallery he owns in Central.

Attempts to reach Cheung for comment have been unsuccessful – e-mail messages to his publisher and his blog moderator have gone unanswered. A friend of Cheung declined to pass along an interview request.

For Cheung, investigations threatened his freedom as well as his reputation. He has fought back through the courts.

In February 2003, shortly after his indictment for tax evasion, Cheung launched a libel suit against the Chinese-language *Ming Pao* newspaper and its parent company for publishing an article that quoted a *Seattle Times* story about Cheung's ties to the sale of fake antiques. Cheung sought to gag the newspaper and unspecified financial damages.

About the same time, the Cheungs sued a law firm, Mee Lee, Miu Li, for allegedly disclosing confidential financial information about the Cheungs to US authorities.

The celebrity scholar has a long record of using the courts to try to rebuff critics.

In 1994, Cheung won a libel suit against *Esquire* magazine for suggesting he failed to deliver lectures at the University of Hong Kong. A year later, Cheung threatened to sue the publishers of the *Hong Kong Economic Journal* for an article headlined "Old Cheung is really boisterous". In September 2009, Cheung sued University of Hong Kong professor Suen Wing-chun for defamation, accusing the professor of making defamatory remarks about his performance and relations with colleagues and students. Cheung al-

leged that his contract as the head of the school of economics and finance was not renewed because of Suen's remarks.

As the Cheungs litigated in Asia to try to preserve their reputations, they fought in the US to retain their assets.

When they failed to appear in court, US authorities quickly moved to seize their American assets, including nearly US\$1.5 million from Suen N.S. Cheung Inc. US authorities reached Cheung in the mainland.

In his mind, Steven believes that he's the first Chinese economist who should have won the Nobel Prize



Named associate of Steven Cheung Ng-cheung

ties grabbed the cash after a company officer attempted to wire US\$350,000 from the Cheung Inc. bank account to an account in Hong Kong three days after the Cheung indictment, according to court records.

This was Cheung's 1977-established consulting business, of which he was initially president and sole shareholder, but he sold the company to his daughter, son and wife in the 1990s. By 2003, the company owned several subsidiaries – a Chinese restaurant, an aeroplane parts firm, a property management company, and the controversial Washington state art gallery. The company also owned a waterfront property, two Sea Ray yachts, and the Mercedes E420, which were primarily used by the Cheung family, according to court records.

Because Cheung had only a small stake in the company in 2003, the company fought the asset seizure in court and ultimately recovered the US\$1.5 million, plus hundreds of thousands of dollars more in interest and fees. The case was finally closed six years later, in 2009. US authorities successfully seized US\$69,000 from Cheung's retirement account. Since 2003, Cheung has lived on the mainland, out of reach of extradition by US authorities but rarely out of the spotlight.

He writes columns for the *Hong Kong Economic Journal*, is often in-

terviewed for his take on economic policy and current events, and lives in an apartment in Shenzhen's upscale Futian district, according to a friend.

Despite his legal woes, Cheung has maintained his characteristic confidence, according to the *Chengqing Morning Post*. In a speech last autumn at Chengqing University, Cheung told students: "You can jump all the other economics' books except mine."

Over the years, the Cheungs have denied any wrongdoing, but could never prove their innocence because they fled to the mainland.

Recently, however, a Hong Kong court cast light on the Cheung tax evasion case. Judge Joseph Yau Chi-lap, commenting on the theft case involving Cheung's Central art gallery, confirmed Cheung's ownership of companies at the centre of the US case against him. The first time a Hong Kong official has affirmed details of the 2003 US indictment.

US officials remain tight-lipped. "Our standard practice is not to comment on ongoing law enforcement cases," Matthew Dolbow of the US consulate in Hong Kong said.

The United States can seize assets in Hong Kong, but gaining approval to seize Cheung's Hong Kong assets would be difficult because tax cases are treated differently from other criminal cases such as money laundering, a former prosecutor who worked on the Cheung tax evasion

investigation in the US said. Because they never showed up in court, the Cheungs have not been convicted of crimes. Instead, an accountant has been open to US authorities unless the Cheungs are charged with other crimes.

For example, the Cheungs had appeared in court in the US and had failed plea negotiations for Cheung in 2003. The associate said he receives calls from the US Marshals periodically.

There are still open arrest warrants for both the Cheungs. Interpol has issued a red notice on Linda Su Cheung, Steven's wife. Some countries use the red notice as a provisional warrant to detain a suspect for extradition. Hong Kong, however, does not.

The Interpol database did not list a red notice for Steven Cheung who faces much more serious charges. The US consulate declined to comment when asked why a red notice has not been issued for Cheung. The US Attorney's Office did not respond to a request for comment.

Cheung's case is inactive because he is in a country where he cannot be extradited, said Rick Ploof of the US Marshals. But "if he's travelling to Hong Kong, we can definitely work on getting him back for trial."

However, Hong Kong authorities must receive a request by an extradi-

tion partner before they will arrest a suspect. As long as he remains at large, Cheung's legacy as a groundbreaking economist will retain a heavy asterisk – alleged tax evader, the associate said.

In his mind, Steven believes that he's the first Chinese economist who should have won the Nobel Prize. In the Chinese community, they really did believe that he would win the Nobel prize. I think he would have been nominated."

Some have suggested that Cheung's mainland exile has isolated him intellectually from his scholarship. For years he has written weekly columns for the *Apple Daily* and *Next Magazine* in Hong Kong, earning HK\$20,000 apiece.

According to an executive close to *Next* and *Apple Daily* owner Jimmy Lai Cheung, Next stopped running his columns in June 2008 because he was too far removed from academia and the market, hampering his ability to analyse economic developments.

"What he wrote mostly about was how robust the Chicago school of economics was in the late 1980s, even though he had written about that a hundred times before," he said.

However, the associate who was involved in the plea negotiations said Cheung's views had evolved. "What he's been writing has changed quite a bit," he said. "It's been more practical. He's more to like about the Chinese economic system than he did before."

At a 2008 forum on China's economic future, Cheung repeatedly praised the Chinese system as well as his own history. His remarks were mocked by several bloggers, including prominent Chinese writer Xu Lai, who derisively rendered a summary of the forum "Steven Cheung: China's system is better than yours, another will likely continue to crop up to hurt us," their statement said.

On February 20, a federal judge issued arrest warrants for them but they had already fled to the mainland.

Five days later, Washington state filed criminal fraud charges against Cheung as owners of *Stentaurus Fine Arts*, a defunct Seattle store known to sell fake Asian antiques. The case was eventually settled – the gallery agreed to reimburse customers and pay US\$350,000 in fines and lawyers' fees and the Cheungs' names were removed from the case.

Additional reporting by Vivian Li, Irene Jay Liu

## Economist exits US leaving trail of unanswered questions

In a 1996 paper called the "simplest general equilibrium theory of corruption", economist Steven Cheung Ng-cheung argued that "the only effective way of getting rid of corruption is to get rid of the controls and regulations that give rise to corruption opportunities" because those very rules were created by politicians to facilitate corruption.

And in a subsequent paper, Cheung compared the taxation systems of Hong Kong and the US, concluding that even though the US taxation system was complicated, in reality the US tax rate was lower than Hong Kong's. "Assuming a person who earns

HK\$100,000 a month, (US\$12,900, could be classified in the higher middle class). I only took him one to two weeks to file the tax return in Hong Kong as not many receipts are required in Hong Kong, but in the US, only reading the personal income tax return form will give you headache and this whoever has monthly income of US\$2,900 will have to find an accountant to complete it," Cheung wrote in 1999.

The headache would surely come in 2003, when US authorities indicted Cheung and his wife Linda on charges of tax evasion and fraud. American authorities alleged that they owned and profited from a multimillion-dollar car park business in Hong Kong, but hid their stakes in the business through a web of corporations across the globe in-

Hefty penalties  
With 13 US tax evasion charges against him, Cheung faces up to 83 years in prison and a fine, in millions of US dollars, of

**\$4.75m**

an effort to avoid US taxes. The companies included West Coast International in Hong Kong and Central, based in the British Virgin Islands. According to a 2008 company tax filing in Hong Kong, West Coast International is owned by Cheung's wife and Central.

Cheung's wife holds one share, while Central owns 4,999,999 shares. In its 2003 indictment, US authorities said Cheung was the listed owner of Central. The company's name is formed from the names of Cheung's wife and two children, Gelle and Ronald.

With 13 tax evasion charges against him, Cheung faces up to 83 years in prison and US\$4.75 million in fines, if convicted. His wife was charged with one count of conspiracy, punishable by up to five years' jail and a US\$250,000 fine.

Shortly after the indictment in January 2003, the Cheungs sidestepped extradition from Hong Kong by saying they would fly to Seattle for trial. But just three days before the February 20 court day, they released a statement

saying they would not go. "We believe we will not be able to get a fair trial and that the US justice system is not fair. Another will likely continue to crop up to hurt us," their statement said.

On February 20, a federal judge issued arrest warrants for them but they had already fled to the mainland.

Five days later, Washington state filed criminal fraud charges against Cheung as owners of *Stentaurus Fine Arts*, a defunct Seattle store known to sell fake Asian antiques. The case was eventually settled – the gallery agreed to reimburse customers and pay US\$350,000 in fines and lawyers' fees and the Cheungs' names were removed from the case.

Additional reporting by Vivian Li, Irene Jay Liu

## Weather

### HONG KONG FORECAST

Today dry and mainly cloudy, sunny intervals during the day.  
20 24

Tomorrow mainly cloudy, sunny intervals during the day, rain later.  
20 26

Tuesday mainly cloudy, a few rain patches at first.  
19 23

Wednesday sunny intervals.  
20 25

Thursday cloudy with a few rain patches.  
20 24

ASIA TODAY  
Dalian Cloudy 8 12  
Guilin Rain 15 21  
Guangyuan Showers 11 16  
Hefei Rain 11 15  
Jinan Thunder 13 19  
Lanzhou Cloudy 5 18  
Nanchang Showers 20 28  
Nanjing Thunder 11 17  
Nanning Rain 18 24  
Shijiazhuang Thunder 11 15  
Taiyuan Rain 8 15  
Wulumuqi Rain 11 15  
Wenzhou Rain 7 12  
Xi'an Cloudy 15 24  
Xining Cloudy 1 11  
Yinchuan Cloudy 8 12  
Zhengzhou Showers 11 19

GENERAL SITUATION (OVERVIEW)  
A fresh to strong easterly airstream affected the coast of southeastern China. Locally, it was mainly cloudy this morning. Clouds thinned out during the day and the weather became dry with sunny periods. A replenishment of the northeast monsoon is expected to bring rainy weather to the South China coastal areas early next week.

POLLUTION TODAY'S FORECAST  
Forecast Air Level: MIN MAX  
General Station Medium to High 45 70  
Roadside Station High 65 85

POLLUTION YESTERDAY  
General Stations Air Level: MIN MAX  
Central/Western Medium 32 56  
Eastern Medium 30 53  
Kwai Chung Medium 39 58  
Kwun Tong Medium 35 58  
Sha Tin Medium 22 77  
Shan Shui Po Medium 40 54  
Tai Po Medium 24 53  
Tap Mun Medium 23 78  
Tsun Wan Medium 38 53  
Tung Chung Medium 27 68  
Yuen Long Medium 31 57

ROADSIDE STATIONS Air Level: MIN MAX  
Causeway Bay High 62 84  
Central/Western High 84 101  
Mong Kok High 64 95

APRIL POLLUTION INDEX WWW.EPD.GOV.HK

PEARL RIVER DELTA REGIONAL AIR QUALITY MAP

GRADE REGIONAL AIR QUALITY CONTROL  
I Pollutant concentrations are well within the air quality standards.  
II Pollutant concentrations are generally within the air quality standards.  
III Coverage of standard pollutants are sparse or exceeding air quality standards.  
IV Air quality standards are generally exceeded.  
V All air quality standards are significantly exceeded.

TIDES MOON & SUN  
Low 0.6m 00:32 Moonrise 15:38  
High 1.9m 02:25 Moonset 05:33  
Low 1.0m 12:35 Sunrise 05:47  
High 1.7m 19:46 Sunset 18:47

Tomorrow mainly cloudy, sunny intervals during the day, rain later.  
20 26

Tuesday mainly cloudy, a few rain patches at first.  
19 23

Wednesday sunny intervals.  
20 25

Thursday cloudy with a few rain patches.  
20 24

ASIA-PACIFIC  
Adelaide few showers 12 22  
Auckland few showers 15 25  
Bangalore few showers 22 34  
Beijing few showers 20 29  
Brunei few showers 25 34  
Cairo few showers 20 29  
Canberra few showers 25 32  
Darwin fine 26 34  
Delhi fine 18 28  
Dhaka thunder 25 31  
Hobart mainly fine 9 17  
Jakarta fine 23 28  
Islamabad fine 18 36  
Kuala Lumpur fine 25 34  
Karachi fine 25 35  
London fine 29 30  
Melbourne fine 12 19  
Perth fine 14 24  
Sydney fine 24 30  
Taipei fine 14 20  
Wellington few showers 15 21

EUROPE  
Amsterdam mainly fine 8 22  
Athens mainly fine 13 21  
Barcelona fine 13 21  
Bern fine 1 20  
Berlin fine 1 20  
Brussels mainly fine 11 22  
Budapest mainly fine 9 22  
Copenhagen showers 8 17  
Dubai showers 9 22  
Frankfurt showers 9 22  
Geneva mainly fine 11 20  
Helsinki mainly fine 10 18  
London few showers 18 24  
Madrid fine 10 24  
Moscow mainly fine 9 23  
Munich fine 9 23  
Oslo mainly fine 9 23  
Paris showers 9 19  
Prague mainly fine 8 22  
Rome mainly fine 6 22  
Stockholm fine 8 22  
Vienna fine 6 22  
Zurich few showers 8 24

MIDDLE EAST & AFRICA  
Abu Dhabi cloudy 28 34  
Amman mainly fine 23 29  
Antananarivo mainly fine 17 27  
Beirut mainly fine 17 27  
Brazzaville mainly fine 10 24  
Cape Town fine 17 27  
Casablanca fine 22 32  
Doha rain 26 33  
Durban rain 26 33  
Jeddah rain 21 35  
Lima few showers 8 13  
Kuwait fine 19 34  
Riyadh fine 25 32  
Tel Aviv mainly fine 15 27

THE AMERICAS  
Atlanta showers 20 26  
Bogota rain 11 18  
Buenos Aires rain 10 12  
Brasilia fine 16 29  
Buenos Aires fine 16 29  
Calgary showers 19 29  
Chicago rain 17 20  
Dallas rain 11 17  
Detroit fine 15 30  
Houston fine 16 30  
Las Vegas fine 16 30  
Los Angeles fine 12 24  
London fine 10 30  
Miami mainly fine 25 31  
Montreal rain 9 17  
New York cloudy 9 16  
Ottawa rain 10 22  
Rio De Janeiro few showers 22 30  
Sao Paulo rain 10 22  
Santiago fine 3 17  
Toronto rain 14 16  
Vancouver rain 6 19  
Washington DC rain 11 26

TEMPERATURES MIN MAX  
Chok Lap Kok 20.3 25.8  
Cheung Chau 18.5 23.2  
Hong Kong Park 19.5 25.2  
King's Park 18.9 23.3  
Lau Fau Shan 18.4 25.4  
Sai Kung 19.4 22.2  
Sha Tin 19.5 24.3  
Ta Kwai Ling 18.5 25.4  
Wong Chuk Hang 19.5 23.7

HONG KONG OBSERVATORY  
Grass 19.6 24.8  
Humidity (%) 40.3  
Sunshine (Hours) 8.1  
Rainfall (mm) 0.01

ISOBAR CHART

FRONTS

AS AT 09H YESTERDAY

DATA SOURCE  
SMC/M Hong Kong Observatory  
EPD www.epd.gov.hk

## Why bar staff may sniff at your credit card tips

John Carney

Hong Kong's most widespread rip-off is worse than you thought.

Not only are unscrupulous bar and restaurant owners keeping the 10 per cent service charge rather than passing it on to their staff, in many establishments owners are using the tips that customers add to their credit card payments to pay commission.

Credit card companies charge businesses a commission for accepting their cards. If a customer folds his bill using a credit card, the card company charges the establishment up to 4 per cent on the final bill.

But instead of paying the 4 per cent out of their own pockets, some bar or restaurant owners pay it out of the service charges or tips that are supposed to go to staff.

Toby Cooper, director of the Globe Bar in Central, is a staunch advocate of leaving tipping at the customer's discretion and then sharing out the tips among staff. He condemned the act of paying credit card commissions with staff tips.

"On every credit card the merchant pays between 2 and 4 per cent commission," he said. "But what a lot of companies do is that they take this 2 to 4 per cent commission out of the tips. Then whatever tips are left are divided among the staff."

"Basically the credit card commission is not paid by the company – it also comes out of the staff's tips. It's a joke, but it's done here all the time – which is ludicrous."

Some bars and restaurants in Central take 10 per cent of all the credit card tips and put it towards the Mandatory Provident Fund contributions that must make for staff. This is not illegal.

Since the *Sunday Morning Post's* report last week about the common practice of pocketing the service charge among market bars and restaurants, the industry has emerged.

Ronald Pineda, manager of Al Denite in Wan Chai, is one who is determined to do something about it.

"I've spoken to managers and staff in other restaurants and we feel it's time that our voice was heard," he said. "That all this is taking place is a disgrace and we are really sick of it. All we want is to be treated fairly."

Pineda said the salaries of many staff were very low and that they depended on the tips to get by.

Some companies say they are struggling to make ends meet and have no option but to keep the charge, while successful businesses see it as a way of improving profits.

"We intend to fight for our rights and bring this to the attention of the government," Pineda said. Cooper added: "There were plenty of issues with it in Britain, where employees got sacked because staff were telling customers not to leave tips on their credit card because they didn't get their money."

There was one winner of last night's \$8,894,105 first prize in the Mark Six lottery. The numbers were 5, 12, 16, 29, 39 and the extra 11. Three tickets won the second prize of \$432,675. Third prize paid \$33,935.

## 4%

The percentage of the final bill that businesses must pay credit card companies is up to

4%

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## 4%

The percentage of the final bill that businesses must pay credit card companies is up to

4%

Some companies say they are struggling to make ends meet and have no option but to keep the charge, while successful businesses see it as a way of improving profits.

"We intend to fight for our rights and bring this to the attention of the government," Pineda said. Cooper added: "There were plenty of issues with it in Britain, where employees got sacked because staff were telling customers not to leave tips on their credit card because they didn't get their money."

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Headline: He saw China's open door but it's closed to him

Byline: Irene Jay Liu

In 1981, amid the cold war, only a person of remarkable audacity, perhaps even hubris, would suggest that communist China would one day "go capitalist".

Steven Cheung Ng-sheong (pictured), self-assured and daring, fitted the bill perfectly. At the time, few agreed with the Hong Kong-born, US-educated academic's theory. Some called it wildly improbable. Cheung was already a respected economist in the 1980s, but his stature grew with China's GDP as his outlandish theory became conventional wisdom.

But the man who first predicted China's opening door can himself no longer cross the threshold into the larger world. He's a fugitive, hiding in plain sight on the mainland, on the run from US authorities who indicted him for tax evasion and fraud in 2003. At 74, Cheung still defies the odds, but he's fighting for his reputation, his assets and his freedom. In academia and in life, Cheung has always pushed the boundaries, and as a fugitive, he's employed every legal strategy at his disposal to protect what he believes is his.

Cheung's first six decades were years of steady achievement. Born in 1935 in Hong Kong, he moved to the US in his twenties, and eventually became a US citizen. After earning a PhD in economics from the University of California, Los Angeles, Cheung was awarded a postdoctoral fellowship in political economy at the University of Chicago in 1967.

There, he embraced the Chicago school of economics, falling in with a cadre of prominent economists and future Nobel laureates. Some thought Cheung, too, would one day be honoured as the first Chinese economist to win the coveted prize.

He took a post at the University of Washington in 1969, settled for more than a decade, built a consulting business, got married, raised two children, and eventually divorced. He moved back to Hong Kong as head of the University of Hong Kong's school of economics and finance in 1982. He married Linda Su Ching Ling, known in the US as Linda Su Cheung, who took over running his business in Washington.

In Hong Kong, Cheung was an academic celebrity, and a force in public policy. To this day, his economics works are mandatory reading for economics students in Hong Kong. But it all began to unravel in 2003, when he became the target of twin inquiries - the first for alleged tax evasion and fraud relating to income from a business in Hong Kong which was not declared in the US. Cheung's US citizenship makes him liable for tax on all income earned, anywhere in the world. He and his wife were indicted and ordered to appear in a US court, but they fled to the mainland.

He and his family were also investigated for selling fake Chinese antiques through a Washington state art gallery which they owned.

His legal travails were again spotlighted recently as a Hong Kong court dealt with a theft from an art gallery he owns in Central.

Attempts to reach Cheung for comment have been unsuccessful - e-mail messages to his publisher and his blog moderator have gone unanswered. A friend of Cheung declined to pass along an interview request.

For Cheung, investigations threatened his freedom as well as his reputation. He has fought back through the courts.

In February 2003, shortly after his indictment for tax evasion, Cheung launched a libel suit against the Chinese-language Ming Pao newspaper and its parent company for publishing an article that quoted a Seattle Times story about Cheung's ties to the sale of fake antiquities. Cheung sought to gag the newspaper and unspecified financial damages.

About the same time, the Cheungs sued a lawyer, Muriel Tsang Miu I, for allegedly disclosing confidential financial information about the Cheungs to US authorities.

The celebrity scholar has a long record of using the courts to try to rebuff critics.

In 1994, Cheung won a libel suit against Eastweek magazine for suggesting he failed to deliver lectures at the University of Hong Kong. A year later, Cheung threatened to sue the publishers of the Hong Kong Economic Journal for an article headlined "Old Cheung is really boisterous". In September 2000, Cheung sued University of Hong Kong professor Suen Wing-chuen for defamation, accusing the professor of making defamatory remarks about his performance and relations with colleagues and students. Cheung alleged that his contract as the head of the school of economics and finance was not renewed because of Suen's remarks.

As the Cheungs litigated in Asia to try to preserve their reputations, they fought in the US to retain their assets.

When they failed to appear in court, US authorities quickly moved to seize their American assets, including nearly US\$1.5 million from Steven N.S. Cheung Inc. US authorities grabbed the cash after a company officer attempted to wire US\$350,000 from the Cheung Inc bank account to an account in Hong Kong three days after the Cheungs' indictment, according to court records.

This was Cheung's 1977-established consulting business, of which he was initially president and sole shareholder, but he sold the company to his daughter, son and wife in the 1990s. By 2003, the company owned several subsidiaries - a Chinese restaurant, an aeroplane parts firm, a property management company, and the controversial Washington state art gallery. The company also owned a waterfront property, two Sea Ray yachts, and a Mercedes E420, which were primarily used by the Cheung family, according to court records.

Because Cheung had only a small stake in the company in 2003, the company fought the asset seizure in court and ultimately recovered the US\$1.5 million, plus hundreds of thousands of dollars more in interest and fees. The case was finally closed six years later, in 2009. US authorities successfully seized US\$69,000 from Cheung's retirement account. Since 2003, Cheung has lived on the mainland, out of reach of extradition by US authorities but rarely out of the spotlight.

He writes columns for the Hong Kong Economic Journal, is often interviewed for his take on economic policy and current events, and lives in an apartment in Shenzhen's upscale Futian district, according to a friend.

Despite his legal woes, Cheung has maintained his characteristic confidence, according to the Chongqing Morning Post. In a speech last autumn at Chongqing University, Cheung told students: "You can burn all other economics books except mine."

Over the years, the Cheungs have denied any wrongdoing, but could never prove their innocence because they fled to the mainland.

Recently, however, a Hong Kong court cast light on the Cheung tax evasion case. Judge Joseph Yau Chi-lap, commenting on the theft case involving Cheung's Central art gallery, confirmed Cheung's ownership of companies at the centre of the US case against him, the first time a Hong Kong official has

affirmed details of the 2003 US indictment.

US officials remain tight-lipped. "Our standard practice is not to comment on ongoing law enforcement cases," Matthew Dolbow of the US consulate in Hong Kong said.

The United States can seize assets in Hong Kong, but gaining approval to seize Cheung's Hong Kong assets would be difficult because tax cases are treated differently from other criminal cases such as money laundering, a former prosecutor who worked on the Cheung tax evasion investigation in the US said. Because they never showed up in court, the Cheungs have not been convicted of a crime, and there are few avenues open to US authorities unless the Cheungs are charged with other crimes.

If, for example, the Cheungs had appeared in court in the US and then jumped bail, US officials could make a stronger case to seize their Hong Kong assets, the prosecutor said. "One might infer that's why they never showed up," the prosecutor said. "It has worked to their benefit."

There are still open arrest warrants for both the Cheungs. Interpol has issued a red notice on Linda Su Cheung, Steven's wife. Some countries use the red notice as a provisional warrant to detain a suspect for extradition. Hong Kong, however, does not.

The Interpol database did not list a red notice for Steven Cheung, who faces much more serious charges. The US consulate declined to comment when asked why a red notice has not been issued for Cheung. The US Attorney's Office did not respond to a request for comment.

Cheung's case is inactive because he is in a country where he cannot be extradited, said Rick Ploof of the US Marshals. But "if he's travelling to Hong Kong, we can definitely work on getting him picked up", Ploof said.

However, Hong Kong authorities must receive a request by an extradition partner before they will arrest a suspect. As long as he remains at large, Cheung's legacy as a groundbreaking economist will retain a heavy asterix - alleged tax evader, fugitive.

The door is still open for him to cut a plea deal with the US, according to an associate who was involved in failed plea negotiations for Cheung in 2003. The associate said he receives calls from the US Marshals periodically asking whether Cheung is ready to cut a deal. Cheung isn't keen to turn himself in, "because that would require him to admit he was wrong", the associate said.

"In his mind, Steven believes that he's the first Chinese economist who should have won the Nobel Prize. In the Chinese community, they really did believe that he would win the Nobel prize. I think he would have been nominated."

Some have suggested that Cheung's mainland exile has isolated him intellectually, affecting his scholarship. For years he has written weekly columns for the Apple Daily and Next Magazine in Hong Kong, earning HK\$20,000 apiece.

According to an executive close to Next and Apple Daily owner Jimmy Lai Chee-ying, Next stopped running his columns in June 2008 because he was too far removed from academia and the market, hampering his ability to analyse economic developments.

"What he wrote mostly about was how robust the Chicago school of economics was in the late 1960s, even though he had written about that a hundred times before," he said.

However, the associate who was involved in failed plea negotiations said Cheung's views had evolved. "What he's been writing has changed quite a bit," he said. "It's been more pro-China. He finds more to like about the Chinese economic system than he did before."

At a 2008 forum on China's economic future, Cheung reportedly praised the Chinese system as the best in human history. His remarks were mocked by several bloggers, including prominent Chinese writer Xu Lai, who derisively renamed a summary of the forum "Steven Cheung: China's system, #1 under heaven", in his satirical ProState in Flames blog.

The Cheung associate lamented the change he's seen in the professor. More than once, he mentioned a bizarre press conference Cheung called in 2003, where he decried the investigations against him.

"He stood up there in the Conrad Hotel press conference, saying: 'I know everything there is to know about antiques, I can spot a fake with the naked eye.' And the journalists were just laughing at him. It was so sad."

Additional reporting by Vivian Li, Vivian Kwok and Austin Chiu

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