

07/11/00 Three years' jail for fraudster in US\$54m Guangnan credit scam

A company director was sentenced to three years' imprisonment at the Court of First Instance today (Tuesday) for conspiring with a manager of the Guangnan (Holdings) Limited (Guangnan) to defraud a number of banks of US\$54 million in Letters of Credit (L/Cs) funds.

Leung Hiu-ling, 41, director of Cheun Thai International Development Limited (Cheun Thai), earlier pleaded guilty to 20 charges of conspiracy to defraud.

Leung was also charged with 10 counts of dealing with proceeds of an indictable offence under the Organized and Serious Crimes Ordinance. The court had ordered these charges be left on file.

In sentencing, Mr Justice Jackson said although he accepted that the defendant was assisting Li Ruihua, the alleged mastermind in the scam, the offences committed by the defendant were nonetheless serious.

The judge said he had taken into consideration the defendant's guilty plea.

The judge also said he believed the board of directors of Guangnan had full knowledge of the fraud.

The charges accused Leung of conspiring with another director and shareholder of Cheun Thai, Jiwatuwinan Witthaya (also known as Chan Kai-cheung), Assistant General Manager of Guangnan Li Ruihua and others to defraud a total of 16 banks by dishonestly :

- causing Guangnan to apply and utilize credit facilities, in the form of L/Cs, from the banks;
- submitting to Guangnan and the banks concerned false documents which purportedly evidenced genuine commercial transactions between Guangnan and Cheun Thai;
- causing the banks to release about US\$54,197,199 in total to Cheun Thai under such L/Cs.

The offences took place between April 1997 and December 1998.

The court heard that since April 1997, the defendant and Li had begun to prepare fictitious sales contracts which purportedly showed that Cheun Thai was to sell Thai rice to Guangnan or to its subsidiary Grade China Trading Limited (Grade China).

Based on these bogus transactions, Li had caused Guangnan to apply for a total of 20 L/Cs with 16 banks.

The court was told that between April 1997 and December 1998, the defendant submitted to such banks various false documents, including cargo receipts, commercial invoices and packing lists, to support the L/C applications.

The banks subsequently released a total of US\$54,197,199 to Cheun Thai's bank account.

The defendant, after keeping US\$88,958 as her reward, transferred the remaining funds to the bank accounts of Guangnan or that of Grade China.

As a result of the scams, Guangnan had to repay the banks 17 of the 20 L/Cs, while the banks still suffered bad debts totalling US\$5.7 million.

The court earlier issued warrants for the arrest of Chan Kai-cheung and Li Ruiha who had absconded bail.

The prosecution was today represented by Senior Assistant Director of Public Prosecutions Alain Sham, assisted by ICAC officer Joey Lee.