

**09/06/01 Director gets 9 years' jail for \$112m L/C fraud involving Guangnan**

A company director was jailed for nine years at the Court of First Instance today (Saturday) for cheating banks out of \$112 million in connection with applications from Guangnan (Holdings) Limited (Guangnan) for Letters of Credit (L/Cs) facilities based on bogus commercial transactions.

Cheng Sui-wa, 47, director, shareholder and deputy general manager of Createx International Limited (Createx), was found guilty last night by a jury on 14 offences, including 11 counts of conspiracy to defraud and three counts of dealing with proceeds of an indictable offence.

Createx is the "window company" in Hong Kong of a Mainland-based consortium called Southern Industries and Trading General Corporation.

Madam Justice Clare-Marie Beeson said the custodial penalty was imposed since the fraudulent scheme committed by the defendant was very damaging to the integrity of Hong Kong's banking system, and had lasted for a long period of time.

When meting out the sentence, the judge added that she had taken into account various factors, including the defendant's clear records and no losses incurred to the banks, except an outstanding L/C loan owed to one of them.

So far, 27 persons have been charged for a series of alleged L/C scams in relation to Guangnan and its subsidiaries. Ten of them, including Cheng, were convicted and given prison terms ranging from two to nine years. The alleged L/C scams were worth about \$1.8 billion in total.

The court heard that Cheng had conspired with Tang Wai-na, deputy general manager of Asian Honour International Limited (Asian Honour), her late husband Yip Hiu-sui, Asian Honour's former employees Fan Yuk-shu, Ma Chi-hang, Tsang kei-yue and other persons to defraud seven banks.

Asian Honour is a subsidiary of Guangnan.

The banks included the Bank of East Asia Limited, the Sakura Bank Limited Hong Kong Branch, Rabobank Nederland Hong Kong Branch, ABN-AMRO Bank N.V., the Bank of Tokyo-Mitsubishi Limited Hong Kong Branch, Sin Hua Bank Limited Hong Kong Branch, and Nanyang Commercial Bank Limited.

Cheng had caused Guangnan to apply and utilise a total of 11 L/Cs from the banks with bogus documents, which purportedly showed that there were business transactions amongst Guangnan, Asian Honour, Createx and Fountain Datacom Company (Fountain Datacom). Fountain Datacom was a local trading company owned by Yip.

The bogus business transactions related to the sale and purchase of cold rolled sheet, usually used as a packing material for canned food, and telecommunications equipment.

The banks subsequently released credit facilities totalling about \$112 million to Createx and Fountain Datacom under the L/Cs.

Cheng reverted the credit proceeds to Asian Honour after deducting 0.1 per cent as commissions for Createx.

The defendant was further found guilty of three counts of dealing with \$16 million in total, knowing that the money represented proceeds of an indictable offence.

The offences took place between January 1, 1996 and March 31, 1999.

The prosecution was today represented by Peter Cahill on a fiat, assisted by ICAC officers Jovy Lee and Ada Lau.