

**16/07/01 Two company directors jailed for \$18m L/C fraud involving Guangnan**

Two company directors were sent to jail at District Court today (Monday) for cheating two banks out of \$18 million in connection with applications from Guangnan (Holdings) Limited (Guangnan) for Letters of Credit (L/Cs) facilities based on bogus commercial transactions.

William Yao, 38, director of Po Shing Industrial Company (Po Shing), received a prison term of three and a half years, while Joseph Ma Shiu-hung, 42, director of Sunlex Limited (Sunlex), was jailed for two and a half years.

Po Shing and Sunlex were local trading companies, which signed false contracts with Asian Honour International Limited (Asian Honour), a subsidiary of Guangnan, to facilitate the L/C fraud.

Yao and Ma were today found guilty of a total of six offences - three counts of conspiracy to defraud and three counts of conspiracy to deal with proceeds of an indictable offence.

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

Judge Li Wai-chi said immediate custodial sentences were warranted, since the offences committed by the defendants were serious.

The court heard that Yao and Ma had conspired with Chen Li-wen, Fan Yuk-shu and other persons to defraud Banque Worms Hong Kong Branch and DG Bank Deutsche Genossenschaftsbank.

They had caused Guangnan to apply and utilise three L/Cs from the banks with bogus documents, which purportedly showed that there were commercial transactions amongst Guangnan, Po Shing and Sunlex.

The bogus business transactions related to the sale and purchase of vehicle parts.

The banks subsequently released credit facilities totalling more than \$18 million to Po Shing and Sunlex.

Yao and Ma reverted the credit proceeds to Asian Honour after deducting 0.2 per cent as rewards.

The defendants had also conspired with Tin Lo and Shih Nen-shun to deal with over \$18 million in total, knowing that the money represented proceeds of an indictable offence.

The offences took place between August 1, 1996 and February 28, 1997.

The prosecution was today represented by Senior Government Counsel Liu Yuen-ming, assisted by ICAC officer Alice Wong.