

Press Release

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Eight years' jail for company director in \$92m L/C fraud involving Guangnan

A company director was sentenced to eight years' imprisonment at the Court of First Instance today (Thursday) for cheating HK\$92 million in Letters of Credit (L/Cs) loans based on bogus commercial transactions involving Guangnan (Holdings) Limited (Guangnan).

Chan Ka-hung, 39, director of Connection Investments Limited (Connection), charged by the ICAC, was found guilty by a jury on four counts of conspiracy to defraud last night.

In sentencing, Mr Justice Tong said the case was a deliberate fraudulent scheme to defraud the banks concerned, and that a deterrent sentence was warranted.

So far, 23 persons, including Chan, have been charged for a series of alleged L/C scams in relation to Guangnan and its subsidiaries. Thirteen of them 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.

The court heard that between May 1 and December 31, 1998, Chan had conspired with staff members of Shun Wing Trading (Shun Wing) to dishonestly cause Guangnan to apply and utilise credit facilities in four L/Cs from Hang Seng Bank Limited, American Express Bank Limited, Societe Generale, and the Hongkong and Shanghai Banking Corporation Limited.

Shun Wing is Guangnan's subsidiary.

In order to support the L/C applications, they had submitted false documents to the banks, purported to evidence genuine underlying commercial transactions between Guangnan and Connection.

As a result, credit facilities totalling US\$11,814,000 (about HK\$92,149,200) were released to Connection by the banks under the L/Cs.

Chan reverted the L/C proceeds to Shun Wing after deducting 0.1 per cent as commissions.

The prosecution was today represented by Michael Poll on a fiat, assisted by ICAC officer Miranda Cheung.