

26/04/01 Three years' jail for company director in credit fraud involving Guangnan.

One more company director charged in relation to credit frauds involving Guangnan (Holdings) Limited (Guangnan) was sent to jail for cheating a bank out of about seven million Hong Kong dollars in credit facilities.

Cheung King, 32, director of Long Spark (HK) Development Limited (Long Spark), who earlier pleaded guilty before District Court Judge Li, was today (Thursday) given a three-year jail term.

The judge remarked that a more lenient sentence would only encourage masterminds of such fraudulent scams to continue to manipulate their partners to break the law.

The judge also said the offence committed by the defendant was a serious breach of trust.

Twenty-seven people have been charged for a series of alleged Letters of Credit (L/C) scams, worth \$1.8 billion in total in relation to Guangnan and its subsidiaries. So far, nine of them, including Cheung King, were convicted and given prison terms ranging from two years to six years.

Meanwhile, warrants have been issued for the arrests of 23 persons in connection with the alleged fraud and bribery cases, who either absconded bail or left Hong Kong during the course of ICAC investigation.

Cheung King earlier pleaded guilty to one count of having conspired with Cai Chun-sheng, Lo Sioe-chien and others to defraud Societe Generale between June and August 1998, by dishonestly:

- causing Guangnan to apply and utilize credit facilities, in the form of L/Cs, from Societe Generale;
- submitting to the bank false documents which purportedly evidenced genuine commercial transactions between Guangnan and Long Spark; and
- causing the bank to release US\$891,000 in total to Long Spark under the said L/Cs.

Lo Sioe-chien and Cai Chun-sheng were respectively financial manager and director of Join Wing Limited (Join Wing), wholly owned subsidiary of Guangnan.

Before becoming a director of Long Spark in July 1997, the defendant had been a business manager of Join Wing.

The court heard that in July 1998, Cai instructed Lo to ask the defendant to assist in fabricating a business transaction on paper between Long Spark and Join Wing, via Guangnan.

The defendant agreed to the scam. She signed an invoice of Long Spark which purported to record the sale of 6,000 metric tons of gas oil to Join Wing at US\$891,000.

The court heard that the false document was submitted by Join Wing to Societe Generale to apply for a L/C in favour of Long Spark, while Guangnan was named as the applicant of the relevant L/C.

As a result, Societe Generale released to Long Spark a total of US\$891,000 in credit facilities, which the defendant subsequently remitted to Join Wing.

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