

16/10/00 Company director admits US\$54m Guangnan credit fraud

A company director, charged by the ICAC, admitted at the Court of First Instance today (Monday) that she had conspired 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, 39, director of Cheun Thai International Development Limited (Cheun Thai), pleaded guilty to 20 charges of conspiracy to defraud before Mr Justice Jackson.

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

The judge adjourned the case to November 7, 2000 for sentence, and remanded the defendant in ICAC custody.

The charges accused Leung of conspiring with another director and shareholder of Cheun Thai, Jiwatuwinan Witthay; (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 L/Cs issuing 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 Ruihua.

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