

Press Release

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Former chairman of de-listed company jailed for \$94m L/C fraud

The former chairman of a de-listed company was today (Friday) sentenced to four and a half years' imprisonment at the District Court for his role in a \$94.6 million Letters of Credit (L/Cs) fraud based on bogus business transactions.

Lee Wing-kan, 50, former chairman of Yue Fung International Group Holding Limited (Yue Fung), was earlier found guilty of three counts of conspiracy to defraud.

In sentencing, Deputy Judge David Dufton said L/C frauds were very serious offences.

"In the practice of documentary credit the banks rely on the documents. Money is paid out, not upon an examination of the goods, but upon the documents themselves. Fundamental to the system is the truthfulness and accuracy of the documents," the judge said.

"The banks would not have made any payment under any of the L/Cs or loans had they known there were no underlying business transactions."

The case arose from a corruption complaint. Subsequent ICAC enquiries revealed the fraud offences.

The court heard that between December 1998 and January 2002, Lee conspired with other persons to defraud a number of banks by dishonestly causing Yue Fung to apply for 37 L/Cs and six import loans in favour of a number of companies.

In order to support the applications, they submitted false documents to the banks, purportedly evidencing genuine underlying transactions in relation to the purchase and resale of electronic parts between Yue Fung and those companies.

Investigations revealed that in fact, some of those companies were either set up purely for the arrangement of bogus transactions, or had no business dealings with Yue Fung.

As a result of the fraudulent scam, the banks released a total of over \$94.6 million to those companies under the L/Cs and import loans.

The court heard that the funds were subsequently reverted to Yue Fung.

The prosecution was today represented by Walter Lau, counsel on fiat, assisted by ICAC officer Keith Kwok.