

Press Release

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Five years' jail for company director in \$53m L/C fraud involving Guangnan

A director of a trading company was today (Wednesday) sentenced to five years' imprisonment at the Court of First Instance for cheating four banks out of \$53 million in connection with applications from Guangnan (Holdings) Limited (Guangnan) for Letters of Credit (L/Cs) facilities based on bogus commercial transactions.

Li Pun-kun, 33, director of Pearly Gold (Holdings) Limited (Pearly Gold), today pleaded guilty to four counts of conspiracy to defraud. The other four counts of conspiracy to defraud were ordered to be left on court file.

In sentencing, Mr Deputy Justice Longley said a custodial sentence was imposed in view of the seriousness of the offences committed.

While accepting that no personal gain was found in the L/C fraud, the judge said the defendant had jeopardised the L/C system by defrauding the banks with false documents.

The judge added that he took seven-and-a-half years as the starting point of jail term, but reduced it to five years, taking into account the defendant's guilty plea and clear records.

The court heard that between March 1997 and October 1998, Li had conspired with other persons to dishonestly cause Guangnan to apply and utilise credit facilities in four L/Cs from Bayerische Vereinsbank AG, The Sanwa Bank Limited, Rabobank, and The Bank of Nova Scotia.

In order to support the L/C applications, they had submitted false documents to the banks, purportedly evidencing genuine underlying commercial transactions for gas and fuel oil between Guangnan and Pearly Gold.

As a result, the banks released more than \$53 million in total to Pearly Gold under four L/Cs.

Li reverted the L/C proceeds to Guangnan after deducting about \$55,000 as commissions for Pearly Gold.

So far, 23 persons, including Li, have been charged for a series of alleged L/C scams in relation to Guangnan and its subsidiaries. Fourteen 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 prosecution was today represented by Senior Assistant Director of Public Prosecutions Kevin Zervos, assisted by ICAC officer Alice Wong.