

16/08/00 Former Guangnan directors charged in alleged profit inflating scam

The ICAC today (Wednesday) charged two former directors and a former deputy finance controller of the Guangnan (Holdings) Limited (Guangnan) with conspiracy to defraud and to publish false statement.

The defendants will appear at Eastern Court tomorrow (Thursday) at 2.30 pm on seven charges.

Huang Xiao-jiang and Cen Ting-biao, former directors of Guangnan, and Xie Ping, the holding company's former deputy finance controller, were accused of having conspired with others to inflate the profit accounts of Guangnan and its subsidiaries by about \$307 million in its profits reports over a period of two-and-a-half year between 1996 and 1998.

The three were alleged to have conspired with the holding company's former chairman Sun Guan, former directors Di Nan-hai, Zheng Han-hong, Huang Bing-tong, Liang Zhen-quan, Li Xiao-jian and Guangnan's former finance manageress Wang Hong, and other unknown persons, to publish false statements with intent to deceive members and creditors of Guangnan.

As a result, the annual reports of Guangnan and its subsidiaries had posted profits of \$ 291,253,000 in 1996, \$368,086,000 in 1997 and \$161,559,000 for the first six months of 1998 respectively.

The reported profits were alleged to have been inflated by \$74 million in 1996, \$168 million in 1997 and \$65 million in the first six months of 1998.

The charges also alleged the defendants to have conspired to defraud Guangnan, its existing and potential shareholders, creditors and auditors and the Stock Exchange of Hong Kong by way of misrepresentations and fraudulent Letters of Credit.

Huang Xiao-jiang was further charged with one count of offering advantage under Section 9 of the Prevention of Bribery Ordinance. It is alleged that Huang had, in August 1994, offered Fan Yuk-shu the post of business manager in Asia Honour International Limited as a reward for Fan to fabricate commercial documents in support of Letters of Credit applications.

Huang was also accused of having conspired with others to fraudulently divert company funds to a number of off-shore companies in 1997, defrauding Guangnan in the region of \$300 million.

Two of the defendants, Huang Xiao-jiang and Xie Ping, had already been charged earlier for conspiracy to defraud and false accounting in a separate case. They are now in the custody of the Correctional Services Department pending trial in November.

Today's charges were laid against the three defendants in the wake of operation "Falcon", commenced from Sunday and during which a total of nine persons were arrested.

Two of the arrestees in operation "Falcon" had already been charged and appeared in Eastern Court yesterday (Tuesday) on two counts of conspiracy to defraud over the applications of L/C s supported by false documents. The two will also appear again in Eastern Court tomorrow (Thursday) at 2.30pm.

Meanwhile, two of the arrestees have been released on ICAC bail, while the remaining detained for further enquiries.