

**17/08/00 Nine face court for alleged scam involving Guangnan and subsidiaries**

Nine people, charged by the ICAC in connection with an alleged profit inflating scam and alleged credit fraud involving Guangnan (Holdings) Limited (Guangnan) and its subsidiaries, appeared in Eastern Court today (Thursday) in three separate cases.

In the first case, former directors of Guangnan Huang Xiao-jiang, 35 and Cen Ting-biao, 58, and the holding company's former deputy finance controller Xie Ping, 35, faced a total of 14 charges of conspiracy to publish false statements conspiracy to defraud and bribery.

Three of the charges accused the defendants 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 years between 1996 and 1998.

They were alleged to have conspired with the holding company's former chairman Sun Guan, former directors Du Nan hai, Zheng Han-hong, Huang Bing-tong, Liang Zhen-quan, Li Xiao-jian, Liang Xiao-qian 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 remaining three charges alleged the defendants of having 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 six counts of conspiracy to defraud Guangnan with bogus business deals and embezzlement of company funds.

It was alleged that Huang had conspired with Zheng Han-hong, Du Nan-hai, Wang Hong, Deng Guo-xin, Qin Shan-xue Yang Wei and others to fraudulently divert company funds to a number of off-shore companies in 1997, defrauding Guangnan about \$390 million.

The court was told that Deng, Qin and Yang were said to have control over the relevant off-shore companies.

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

In the second case, two men and two women were charged by the ICAC with a total of 12 counts of conspiracy to defraud various banks over the applications of L/Cs in 1998.

The defendants were Tsoz Chak-fai, 43, employed by Guangnanyuen Overseas Trading Co., Cheung King, 32, director of Long Spark (HK) Development Ltd., Lam Nim-kin, 52, secretary of Highdone Co. Ltd. and Chan Ka-hung, 38, director of Connection Investments Ltd.

They were accused of having conspired with Wu Qiuqiong, Cai Chun-sheng, Lo Sioe-chien, Li Min and Li Luen-ping and others to submit false documents to a number of banks for L/C applications, falsely representing that business transactions with