

15/08/00 Nine netted over suspected \$400 million credit fraud scam involving Guangnan and subsidiaries

The ICAC has arrested nine people in an operation commenced on Sunday (August 13) for alleged corruption, credit fraud and embezzlement offences in connection with the Guangnan (Holdings) Limited and its subsidiaries.

The six men and three women were netted in operation "Falcon", which was mounted as part of on-going investigation into alleged illicit activities involving the holding company and its subsidiaries.

The arrestees are alleged to have defrauded in the region of \$400 million through false accounting and over the applications of Letters of Credit (L/Cs) with bogus business transactions.

The arrestees, aged between 32 and 57, included four Mainlanders.

Two of the male arrestees were arrested over the past two days while leaving Hong Kong for the Mainland.

The ICAC has commenced investigations into suspected corruption, fraud and embezzlement involving Guangnan and its subsidiaries since 1998.

Investigations revealed that the arrestees had allegedly conspired with others to fabricate business records to apply for L/Cs from a number of banks.

They were said to have posed as fictitious contractual parties in business transactions with Guangnan, thereby inducing the banks to grant L/C applications.

Investigations revealed that between 1996 and 1998, over 20 L/Cs were allegedly granted to Guangnan's subsidiaries as a result of the fraudulent scheme.

ICAC investigators are also probing into allegations that some senior management members of Guangnan might have involved in illicit activities that had resulted in inflated profit reports for the group of companies.

The ICAC had earlier charged a former Guangnan director Huang Xiao-jiang, and a director of Chaozhou Industries (Holdings) Xie Ping for conspiracy to defraud and false accounting.

Huang and Xie, who are now in the custody of the Correctional Services Department, are to face trial in November.

Meanwhile, a couple arrested in operation "Falcon" were today charged by the ICAC and appeared in Eastern Court this afternoon.

Zhao Shan-ning, 55, proprietor of Tak Ming Trading Company (Tak Ming), and his wife Chow Kit-ming, 52, faced two counts of conspiracy to defraud over the applications of L/Cs supported by false documents.

The court was told the two were alleged to have conspired with Huang Bing-tong and others to defraud Asia Commercial Bank Limited, between May and September 1998, by falsely representing that commercial transactions between Tak Ming and New Anrong Company Limited were genuine.

New Anrong Company is a subsidiary of Guangnan.

As a result, the bank had released credit facilities totalling US\$4,473,000 to Tak Ming.

No pleas were taken today. Magistrate Mr Ian Candy adjourned the case to Thursday (August 17) and remanded the defendants in the custody of the Correctional Services Department.

ICAC inquiries are continuing.