

### CAN MR TAN GIOK SIE PAY HIS DEBTS ?

A high-ranking member of the Government of the People's Republic of China (PRC) appears to be in very deep financial trouble – and the repercussions of his troubles could, possibly, reach as high as the muck-a-mucks in Beijing, the Capital City of the PRC.

He is Mr Tan Giok Sie, a Justice of the Peace, a member of the National Committee of the Chinese People's Political Consultative Conference, and a Standing Member of the Beijing Committee of the Chinese People's Political Consultative Conference.

According to TARGET's usual reliable information, at least \$HK105 million is owed, directly or indirectly, by Mr Tan, who was the Chairman of the Po Leung Kuk for the 1995-1996 period.

The Bank of China, Hongkong Branch, has already sued Mr Tan, along with Wong Pak Ling, for more than \$HK85 million in respect of purported guarantees that Messrs Tan and Wong allegedly gave to The Bank of China as comfort for loans, purported to have been afforded to Mr Tan's private company, Fan In Trading Company Ltd.

The loans, afforded to Fan In Trading, go back to 1991, it is alleged.

Another PRC-Government bank, Sin Hua Bank Ltd, issued its claim against the duo of Messrs Tan and Wong in the middle of last month.

In this bank's claim, it was alleged that Fan In Forwarders Company Ltd, another company, thought to be beneficially owned by Mr Tan, owed it about \$HK2.49 million.

It was just last year that TARGET reported that The China and South Sea Bank Ltd, Hongkong Branch, another PRC Bank, sued the duo of Messrs Tan and Wong for about \$HK14.53 million, alleging that this amount of money was owed by them to the PRC bank.

Mr Tan first came to TARGET's attention as a Non-Executive Director of publicly listed First Sign International Holdings Ltd (Code: 933, Main Board, The Stock Exchange of Hongkong Ltd).

TARGET discovered that, on May 31, 1999, Mr Tan obtained a \$HK2-million loan from First Sign International, that loan for and on behalf of Fan In Trading.

At the time of the TARGET discovery, which was published in TARGET Intelligence Report, Volume One, Number 117 of October 15, 1999, this medium wrote:

*'But that is, still, not the end of the story because Page 45 of the 1999 Annual Report states that First Sign made a \$HK2-million loan to the private company: Fan In Trading Company Ltd.*

*'This company is, beneficially, controlled by a Non-Executive Director of First Sign: Mr Tan Giok Sie.*

*'The loan, executed on May 31, 1999, was said to have been guaranteed by Mr Tan and bore interest at Prime, flat; and, it was said to have been repaid by Year's end.*

*'One may ask the following questions about this loan, regardless of whether or not it has been repaid:*

1. *For what reason could not Fan In Trading Company Ltd have gone to its traditional bankers for the loan? And, if Fan In's bankers were not willing to lend this company money, for what reason should shareholders of First Sign have to take the risk?*
2. *For what reason would the lender of a high-risk, loan situation, such as must have been the case with regard to this loan, not have charged an appropriate interest rate, commensurate with the risk? Because, Prime, flat, is not even afforded to any of the HKSAR's banks' blue chip customers.*
3. *If, as has been stated, Non-Executive Director Tan Giok Sie is willing to guarantee the loan to his private company, then for what reason does he not take the risk, taking First Sign off the hook, so to speak?'*

It is, now, quite apparent that Mr Tan's company, Fan In Trading, was up to its neck in debt at the time that Non-Executive Director Tan made application to First Sign for the \$HK2-million loan in May 1999.

The Annual Report of First Sign, for the Financial Year, ended June 30, 2000, indicates that the Company had a Turnover of about \$HK153 million, on which the Contribution to the Operating Profit before Taxation from the 3 divisions of the Company – Garments Trading, Trading in Securities, Securities Broking – was about \$HK18.54 million.

In addition, it earned about \$HK47.34 million from interest on bank deposits and other securities.

However, the cost of doing business absorbed about \$HK88 million, about 57 percent of the Turnover.

At the end of the day, the Bottom Line was a Net Profit Attributable to shareholders of about \$HK20.56 million, against the 1999 Bottom Line of about \$HK48.89 million.

The calculation for the Profit Before Taxation included:

Provision for Bad and Doubtful Debts	\$HK8,017,000
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TARGET has no idea what caused a company, with a Turnover of just under \$HK153 million, a company that is trading in garments and securities and is involved in stockbroking activities, to suffer such a provision, which is equal to about 5 percent of the Turnover.

Finally, in spite of a drop in the 2000 Bottom Line, a drop which is equal to about 57 percent, compared with the comparable 1999 Year, the Executive Directors of First Sign rewarded themselves with emoluments, totalling about \$HK19.76 million.

This was an increase of about 18 percent over the total emoluments, paid out to the same number of Executive Directors in the 1999 Financial Year.

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