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JULY 10 2015 - 9:30PM

# Hightrade's Peter Chang denied bail

JOANNE MCCARTHY

Local News

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□ Former Hightrade boss Li Zhang, second from left, left Australia in 2009 on the eve of a Federal Court hearing and has never returned.

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PETER Chang is the tax fraudster company director who didn't get away with it.

In a Sydney court in June Chang became the first, and only, senior executive of notorious construction group Hightrade to be convicted of tax fraud crimes after Hightrade left a trail of destruction through the Hunter for more than seven years.

He was refused bail and will be sentenced in late July. His co-accused left Australia years ago.

Chang's conviction for conspiracy to defraud the Commonwealth came a full decade after building subcontractors and suppliers in the Hunter, the Central Coast and Sydney first complained that they, and taxpayers, were being taken for a ride.

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□ Tiler Sam Kim lost \$700,000 after a Hightrade company wound up in 2009.

Hightrade's path of destruction through the Hunter from 2003 until 2010 included at least \$100million in lost taxes to the Commonwealth, building subcontractor and supplier losses in the tens of millions of dollars, substandard building work on major project sites, visa scams, a damning Cessnock Council investigation over its associations with the company, the resignation of a NSW Labor MP for failing to disclose benefits he received from Hightrade, union protests, Immigration Department raids, and strident criticism of Australian regulators for failing to act.

Hightrade's reign included widespread "phoenixing", where Hightrade companies – and there were more than 120 of them – closed one day with millions in debts, including to the Australian Tax Office, but rose again within weeks on the same sites and under different names, with new directors and no debts.

News of the conviction, five years after the Hightrade group had effectively left the Hunter region and closed up shop in Australia, prompted bemused and angry responses from businessmen who lost tens, and sometimes hundreds, of thousands of dollars after dealing with Hightrade companies.

Former Wallaby Mick Martin, who complained to the Australian Tax Office in 2006 after he lost hundreds of thousands of dollars when several Hightrade companies were wound up during construction of a Hunter resort, was still disgusted at the slow response of Australian regulators.

"I did the right thing and I'm still paying for what happened back then, and I'm only one story," Mr Martin said.

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“It’s taken 10 years to get some form of justice for what happened, and there’s only one of them been charged. All these small businesses obeyed the law and lost out, and these big businesses get away with it.

“We told them [regulators] what was going on and they still didn’t get it,” he said.

Peter Chang’s co-accused, Hightrade front man Li Zhang and executive Simon Chee-To Chan, were in the Sydney District Court in name only on June 10 when a jury found Chang guilty of being a tax fraud, after a 41-day trial.

Li Zhang and Simon Chee-To Chan are no longer in Australia, but appeared in an indictment as Chang’s co-conspirators “with the intention of dishonestly causing a loss to the Commonwealth”.

Li Zhang left Australia in 2009 on the eve of a Federal Court hearing between Hightrade and the Australian Tax Office over \$50million in disputed taxes and penalties.



□ Mick Martin says he is still disgusted at the slow response of regulators.

He hasn’t returned.

Chang, 44, was Hightrade finance adviser, and director or shareholder of 10 Hightrade companies including Merewether Wharf Pty Ltd – which was deregistered in April – and Sky Central Pty Ltd, the Hightrade company behind Charlestown’s Sky Central towers project that was taken out of Hightrade hands by the ANZ Bank in 2009 after years of controversy.

The jury in Chang's trial heard evidence about Hightrade's methods of doing business at a major residential and retail development site in Sydney's Chippendale between 2004 and 2006, while it was also building the Azura apartments in Newcastle and a resort at Pokolbin.

The group created fraudulent business activity statements, grossly inflated construction supplier costs involving its own companies, and failed to pay millions of dollars in tax when the companies were wound up. The Tax Office was listed as creditor to the tune of \$36million when Hightrade's Reica Pty Ltd went belly-up in 2006, \$11million to Pakshun, \$14million to Ferro, \$4.8million to Portberg Hurstville, \$3million to State Castle, \$3.7million to Cam & Cas, \$6.4million to ZYB Group, \$13.5million to Merewether Wharf, and \$44million to Micland Holding.

Tiler Sam Kim lost \$700,000 after Hightrade company Ferro Constructions was wound up in 2009, after Mr Kim supplied labour and supplies to Hightrade's Pokolbin resort, Charlestown's Sky Central project and a Newcastle wharf apartment complex.

While it was "good news" to hear of Chang's conviction, Mr Kim said he "never recovered" from the loss.

### **HOW JUSTICE WAS SERVED AFTER 10 YEARS**

**2003 – 2005** Hightrade starts two apartment projects in Newcastle, a Pokolbin resort and Sky Central twin towers project at Charlestown.

**2004** – Cessnock Council supports Hightrade private university project after China visit by senior council representatives.

**2006** – Building subcontractors take legal action over unpaid bills at the Newcastle apartment sites, Pokolbin and Charlestown sites. Hightrade companies wound up owing millions of dollars to creditors including the Australian Tax Office. New Hightrade companies resume work at sites.

**December 2006** – Hunter MP Joel Fitzgibbon raises concerns about Hightrade in federal parliament.

**2008** – Cessnock Council receives mystery \$400,000 payment after a Hightrade company collapse leaves the council a creditor. Department of Local Government launches investigation.

**2009** – Federal Court judge blasts Hightrade and the Australian Tax Office after the ATO agreed to withdraw and dismiss proceedings against Hightrade in pursuit of \$50million in taxes and penalties. The ATO said it was "looking at other options to

secure the debt". Li Zhang is no longer in Australia.

**2009** – Construction union boss Andrew Ferguson attacks the federal Labor government for failing to stop the “carnage” caused by Hightrade in the Hunter.

**2009** – Australian Tax Office and Australian Federal Police raid five Hightrade sites and seize documents and computers.

**2009** – Herald reveals Hightrade visa concerns; Immigration Department raids Hightrade sites and announces it will deport more than 20 illegal workers to China.

**2009** – Herald reveals Hightrade’s Labor links. NSW MP Henry Tsang resigns after Herald reveals undeclared gifts and benefits from Hightrade.

**2009** – ANZ takes over Charlestown Sky Central site.

**2010** – NAB takes over Pokolbin resort site.

**2013** – Australian Securities and Investments Commission announces former Hightrade company director Con Cockinos is barred from being a company director for three years.

**2015** – Hightrade company director Peter Chang becomes the first, and only, Hightrade executive to be charged with tax fraud crimes. Refused bail after found guilty. Li Zhang and Simon Chan named as co-accused.

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JULY 10 2015 - 7:00PM

# Greens slam connections

JOANNE MCCARTHY

Local News



Labor Party "was far too close to Hightrade": John Kaye. Picture: James Alcock

THE Labor Party “was far too close to Hightrade”, said NSW Greens MP John Kaye this week.

The Newcastle Herald documented how the Hightrade group benefited from access to Labor politicians at local, state and federal government levels, and used contacts to gain credibility

It is not suggested, however, that those Labor politicians, former politicians or contacts had any involvement in Hightrade's business activities or operations.

NSW Labor MP and parliamentary secretary Henry Tsang resigned in 2009 after the Herald revealed the undeclared gifts and benefits he received from Hightrade over a number of years.

Mr Kaye, who repeatedly challenged the then NSW Labor government in Parliament in 2009 over Mr Tsang's undeclared benefits, said the conviction of Peter Chang raised serious questions about the party's relationships with Hightrade.

Labor MP and the then federal parliamentary secretary for multicultural affairs, Laurie Ferguson, conceded in 2009 that it was embarrassing to be linked to Hightrade after he wrote letters of support for the company, and sought a review of an Immigration Department decision, following an approach by Hightrade head Li Zhang at a Labor Party event in 2007.

Mr Ferguson said he was unaware of critical Herald reports detailing Hightrade company collapses and non-payment of subcontractors in the Hunter.

Mr Ferguson said he believed Hightrade had "a lot of institutional support in the Hunter".

In 2009, former prime minister Paul Keating's office confirmed he had been in "some active arrangement" with Hightrade involving projects the company had in China, which included him attending a conference in China at the group's expense in 2006.

The arrangement ended "some years ago", his office said.

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*Newcastle Herald*

JUNE 21 2010 - 12:48PM

## **Tax office chases Hightrade for \$130m**

JOANNE MCCARTHY

Local News

THE Australian Tax Office is funding NSW Supreme Court action today to try to claw back more than \$130 million lost after rogue Chinese construction group Hightrade swept through the Hunter.

Senior Hightrade advisers will be questioned at a public examination of liquidated Hightrade company State Castle, the first of a number of ATO-funded court actions expected in the next few months.

But Hightrade head Li Zhang will not be questioned about alleged "phoenix" operations, where companies are liquidated and "reborn" as different entities to avoid financial obligations, involving 40 of his 100 companies after he left Australia early last year to live in Hong Kong and develop a golf resort in China.

The last of his companies, Portberg Hurstville, was wound up two weeks ago and Hightrade's former flagship project, Hunter Valley Resort at Pokolbin, will be up for sale in the next week as the National Bank tries to recover loans worth tens of millions of dollars it made to the company.

By early next month liquidators of up to 10 Hightrade companies will get their first access to documents seized in ATO and Federal Police raids of five Hightrade premises in April last year, and frozen until March when the company withdrew Federal Court action.

Although Hunter businesses lost millions of dollars in Hightrade company collapses from 2006 to 2009, the tax office remains the biggest loser in the debacle.

ATO losses in Hightrade company collapses include \$11 million to Pakshun, \$14 million to Ferro, \$4.8 million to Portberg Hurstville, \$3 million to State Castle, \$3.7 million to Cam & Cas, \$6.4 million to ZYB Group, \$13.5 million to Merewether Wharf, \$36 million to Reica and \$44 million to Micland Holding.

Richard Brien, a senior manager working for NSW Supreme Court-appointed liquidator Steve Nichols who is responsible for the winding up of six Hightrade companies including State Castle, Portberg Hurstville, Merewether Wharf and Micland Holding, said the ATO was "obviously not done" with Hightrade.

"I think they're pretty angry, quite frankly, at what's happened," Mr Brien said.

Hightrade remained the major focus of the ATO's serious non-compliance unit based in Brisbane, which is investigating a possible criminal tax fraud case against the company.

The ATO has indicated it will fund public examinations of Portberg Hurstville and Micland Holding. The Portberg Hurstville court case could recover money from unsold units at Hightrade's last Australian development project at Hurstville.

Possible investigations include units allegedly sold in the names of people who probably don't exist and owners who sold to Hightrade companies but did not get paid.

"It's an extraordinary state of affairs," Mr Brien said.

An examination of Micland Holding, a Hightrade development company involved with the Pokolbin resort project, would include an investigation of possible GST fraud.

Mr Brien said it was impossible to say how long various liquidator and ATO investigations of Hightrade would run and where they would lead.

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A LAKE Macquarie building sub-contractor who lost more than \$200,000 after doing work for Resort Hunter Valley in 2006 is furious about this week's Federal Court action involving the company. "It stinks," Mr Michael Martin said. In a Sydney Federal Court hearing on Monday, the Australian Taxation Office told of its attempts to recover almost \$50 million in taxes and penalties from property development company Hightrade and its subsidiary Resort Hunter Valley. Justice Lindsay Foster was told both companies might have to be wound up and that "a number of transactions" involving company assets appeared to have occurred "with a view to making it difficult" for the ATO to recover the money owed to it. The very next day the ATO applied, with the support of both companies, to dismiss the case, drawing a stinging criticism from Justice Foster who called on the tax office to explain its reversal. Mr Martin said he had complained to both the ATO and the Australian Securities and Investments Commission in early 2007 about Hightrade and Resort Hunter Valley but had been disappointed by their response. "Small businesses rely on the laws of the land when they enter into contracts with companies, and we rely on authorities to take action when bigger companies don't respect contracts and don't pay." You only have to look at the history of these companies in the Hunter to know how they operate. "The ATO and ASIC have known for at least a couple of years since I first complained, but what have they done about it?" Mr Martin complained to the Commonwealth Ombudsman in May 2007 about ASIC's response to his complaint about Hightrade's operations in the Hunter. The Ombudsman's office noted that ASIC had "finite resources, which it is entitled to apply in the manner that it considers will best meet its regulatory objectives". Mr Martin said he was forced to accept \$150,000 from Resort Hunter Valley in settlement of a \$350,000 debt, despite having a security of payments determination in his favour, due to the liquidation of a number of Hightrade companies in late 2006. "It was basically that or nothing," he said.

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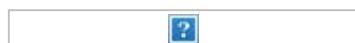
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