Chinese Jeweller Kingold Probed for Historic Fake Gold Bar Fraud
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The Nasdaq-listed Kingold reportedly secured $2.8 billion in loans collateralized by 83 tons of gold bars that were apparently just gilded copper.

Wuhan-based Kingold borrowed the 20 billion yuan from at least 14 Chinese financial institutions over the past five years backed by gold and insurance policies, according to a «Caixin» report (behind paywall). Amongst its largest lenders were China Minsheng Trust, Dongguan Trust and the recently bailed out Heng Feng Bank which was also the only lender amongst the top nine that did not have an insurance policy for the loan, the report showed.

16 billion yuan ($2.3 billion) of outstanding loans are being backed by 83 tons of allegedly fake gold bars.

Copper Moment
The revelations occurred in late 2019 when Dongguan Trust – the tenth-largest lender to Kingold and also not an insurance policy buyer – attempted to liquidate collateral to cover defaulted debts only to discover the gold bars were actually gilded copper alloy.

Minsheng Trust subsequently obtained a court order to test collateral before Kingold’s debts were due only to find that its collateral was also copper alloy.

Kingold strongly denied any wrongdoing over the allegations which are currently being investigated by authorities.

Jia Zihong

Kingold chairman Jia Zihong, 59, reportedly served in the military in Wuhan and Guangzhou and once managed gold mines owned by the People’s Liberation Army. According to one unnamed source cited by «Caixin», Jia’s lack of gold and his copper reserve was known within the Hubei province but was not made public to avoid offending him.

«We knew for years that he doesn't have much gold ? all he has is copper,» the source said, adding that Jia was an imposing figure that was «bold, reckless and eloquent».

«Almost none of Hubei’s local trust companies and banks has been involved in [Kingold’s] financing.»

U.S. Risk

The Kingold scandal follows closely on the heels of the Luckin Coffee accounting fraud which involved $310 million of inflated sales figures. Concurrently, the U.S. is pushing for stricter accounting standards for companies listed in the country while Nasdaq is also looking to tighten its listing standards.

Kingold is one of the largest gold jewelry manufacturers in China and the 83 tons of allegedly fake bars represent 22 percent of the country’s annual gold production. And at 20 billion yuan, the scandal if true would top a 2016 gold fraud involving 19 billion yuan in loan where, in one case, a melted gold bar was found to have black tungsten plate in the middle.