

**06/12/00 Two to six years' jail for former Guangnan and subsidiary directors**

Three former company directors, charged by the ICAC in two separate cases in connection with multi-million dollar frauds involving Guangnan (Holdings) Limited (Guangnan) and its subsidiaries, were jailed for two to six years at the Court of First Instance today (Wednesday).

The court heard that the three defendants had respectively taken part in elaborate schemes to defraud the listed company and its subsidiaries through profit inflating and embezzlement.

Huang Xiao-jiang, 35, former director of Guangnan and its subsidiary Chaozhou Industries (Holdings) Limited (Chaozhou), was sentenced to six years' imprisonment.

Xie Ping, 35, former deputy financial controller of Guangnan and former director of Chaozhou; and Chen Li-bin, 38, former director of Chaozhou, was respectively jailed for four years and two years.

In sentencing, Mr Justice Luger-Mawson said the defendants, by grossly inflating the company's profits, had participated in a rotten scheme which was bound to collapse, as there was no substance behind the commercial transactions.

The judge reprimanded the defendants for having deceived the listed company's investors, shareholders as well as officers of the Hong Kong Stock Exchange and the Securities and Futures Commission, and in doing so, had damaged Hong Kong's excellent reputation as an international trade centre.

The judge said he accepted that the defendants were not ring leaders, and had taken into account their guilty pleas and clear records.

The defendants earlier pleaded guilty to a total of nine charges in two separate cases.

In the first case, Huang and Xie pleaded guilty to six counts of conspiracy to defraud.

They were said to have inflated the operating profits of Guangnan and its subsidiaries by \$346 million over a period of two-and-a-half years between 1996 and 1998, and have conspired with a number of persons to deceive members and creditors of Guangnan.

The alleged co-conspirators included the holding company's former chairman Sun Guan, former directors Cen Ting-biao, Du Nan-hai, Huang Bing-tong, Liang Zhen-quan, Li Xiao-jian, Zheng Han-hong, Guangnan's former finance manageress Wang Hong, and Ke Chun.

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.

Huang was also said to have defrauded the existing and potential shareholders, investors, creditors and auditors of Guangnan with bogus business deals and embezzlement of company funds.

The court heard that Huang had conspired with Sun Guan, Zheng Han-hong, Du Nan-hai, Wang Hong, Deng Guo-xin, Yang Wei, Qin Shen-xue and others to fraudulently divert company funds to a number of off-shore companies in 1997, defrauding Guangnan a total of \$165 million.

Co-defendant Cen Ting-biao, 58, former director of Guangnan, pleaded not guilty to three counts of conspiracy to defraud and three counts of conspiracy to publish a false statement. He will appear at Eastern Court tomorrow (Thursday) for mention.

In the second case, Huang, Xie and Chen Li-bin pleaded guilty to a total of three charges.

The court heard that Huang, Xie and Chen, who were authorised signatories of the bank accounts of Chaozhou, had

