

22/03/01 Former Guangnan director gets four years for profit inflation fraud

A former director of Guangnan (Holdings) Limited (Guangnan) was jailed for four years for conspiracy to defraud by inflating the profits of Guangnan and its subsidiaries.

The Court of First Instance also ordered Cen Ting-biao, 58, be disqualified as a director or liquidator of a company for 10 years.

Cen earlier pleaded guilty to two counts of conspiracy to defraud at the Eastern Court. The case was then committed to the Court of First Instance for sentencing today.

Mr Justice Ludgar-Mawson said it was a serious offence for the defendant, as a senior manager, to connive and induce his subordinates to participate in the fraudulent scheme, which had perpetuated for such a wide scale.

The judge reprimanded the defendant for jeopardizing Hong Kong's international reputation as a fair-trade economy.

The charges accused Cen of conspiracy to defraud by inflating the operating profits of Guangnan and its subsidiaries in 1996 and 1997.

The court heard that he had conspired with a number of persons to defraud the existing and potential shareholders and investors, creditors and auditors of Guangnan; the Stock Exchange of Hong Kong Limited, and the Securities and Futures Commission and their officers, servants or agents.

The defendant and the alleged co-conspirators had carried out the scam by inflating the volume of existing business transactions, and applying for Letters of Credit (L/Cs) supported by bogus business transactions and false documents.

The alleged co-conspirators named in the charges included the holding company's former chairman Sun Guan, former directors Huang Xiao-jiang, Du Nan-hai, Huang Bing-tong, Liang Zhen-quan, Li Xiao-jian, Zheng Han-hong, Liang Xiao-qian, former deputy finance controller Xie Ping, and former finance manageress Wang Hong.

As a result, the annual reports of Guangnan and its subsidiaries had posted profits of \$291,253,000 in 1996 and \$368,086,000 in 1997.

So far, 27 persons have been charged for a series of alleged L/C scams in relation to Guangnan and its subsidiaries. Eight of them, including Cen Ting-biao, were convicted and given prison terms ranging from two years to six years. The L/Cs involved were worth \$1.8 billion in total.

Meanwhile, warrants have been issued for the arrests of 23 persons who either absconded bail or left Hong Kong during the course of ICAC investigation in connection with a series of alleged fraud and bribery cases involving Guangnan.

The prosecution was today represented by Senior Assistant Director of Public Prosecutions Kevin Zervos, assisted by ICAC officer Miranda Cheung.