

Deal hint as Chau gets only three years in jail

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One of China's most successful rags-to-riches businessmen Chau Ching-ngai, once ranked among the mainland's 100 richest people by the United States' *Forbes* magazine, has been sentenced to a surprisingly light three years' jail for fraud.

The verdict announced yesterday followed a closed-door trial in Shanghai last month and the details of property developer Chau's case still remain shrouded in secrecy. It is known only that he was found guilty of stock market fraud and falsifying registered capital reports.

He was also fined the equivalent of about HK\$37.6 million.

But observers say that although Chau's fall from grace has been a big embarrassment to the mainland authorities, not least in Shanghai which is striving to present a clean image to foreign investors, the sentence is very light.

“It is quite remarkable that he has received such a light sentence, and it may suggest that there was some sort of plea bargain deal struck between him and the authorities,” **Peter Humphrey**, an independent risk consultant based in China, said. “He quite probably assisted the authorities.”

Chau may have helped the China Banking Regulatory Commission with their investigations into top-level corruption in mainland banking.

Chau - also known as Zhou Zhengyi - has been held in custody for just over a year since his arrest in connection with a two billion yuan (HK\$1.89 billion) loan he obtained from the Bank of China for his unlisted property company New Nongkai Global Investments. It coincided with the removal of the bank's Hong Kong chief executive, Liu Jinbao, to Beijing and his subsequent house arrest there. Liu was finally dismissed by the bank last February, but it is not known what has become of him.

Chau, 43, who started business life as a teenager in a wonton noodle shop and ended up being ranked No11 in *Forbes*' 100 richest mainlanders, was also majority shareholder of Hong Kong-listed Shanghai Land Holdings and Shanghai Merchants Holdings. Share trading in both companies has been suspended since Chau's arrest.

In 2002, *Forbes* estimated Chau's wealth at about US\$320 million.

Chau's lawyer, Tao Wuping, said in Shanghai he did not know yet whether his client would appeal against the sentence. He said: “His spirits are quite good but he is suffering from a sore back.”

Xinhua News Agency said two other defendants were also convicted, but it is not known if these are Chau's brother-in-law Mao Heping, a director of Shanghai Nongkai Development Group and nephew Zhou Weiyan, also a director.

The case has been barely mentioned in the official Shanghai media, but it has been followed by hundreds of residents who have accused Chau of engineering their eviction in order to obtain a 43,000-square-metre parcel of land cheaply for redevelopment.

Some residents have protested publicly to demand compensation, but a lawyer who assisted them was sentenced to three years' jail in October.

``How can a man who has done so much wrong only get three years? This is ridiculous," a spokesman for the residents in Shanghai said yesterday.

``The sentence is quite light, considering the money involved," the director of the Contemporary China Research Centre at the City University of Hong Kong, Joseph Cheng, said. He said people in similar cases had been sentenced to death. ``Many people will question whether the government is really that willing to fight corruption," he said.

Chau's business rise was meteoric. He graduated from the wonton noodle shop job to run his own string of restaurants before moving into real estate and eventually arriving in Hong Kong where he became part of the city's business and social elite.

Chau's wife, Sandy Mo, is one of four people under investigation by Hong Kong's Independent Commission Against Corruption on suspicion of manipulation of stock prices. Her case is due to go before a Hong Kong court on July 5.

The couple are also each being sued for HK\$35.7 million by Sun Hung Kai Investment Services, claiming recovery of an unpaid debt.

Analysts said that Chau most likely expanded and diversified too much and ran into financial difficulties as a result.

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