

Shanghai tycoon Zhou jailed for three years

By Ben Blanchard and Godwin Chellam

SHANGHAI, June 1 (Reuters) - A once high-flying Shanghai property tycoon was jailed for three years on Tuesday for stock market fraud and falsifying documents, Xinhua news agency said, in a case that trained the spotlight on official corruption.

The sentence was surprisingly light and might signal that snack-shop owner turned property mogul Zhou Zhengyi had helped authorities with investigations, a risk analyst said.

The trial of Zhou, once ranked China's 11th richest man, was shrouded in secrecy. Shanghai's media has maintained a stony silence on the case.

It was not clear if Zhou had faced the death penalty, which has been handed down in some recent corruption cases, but there had been speculation among analysts he would get that punishment.

A representative of Shanghai people involved in a dispute with Zhou said the sentence was "ridiculous".

Zhou was detained in May 2003 after an investigation was launched into two billion yuan (\$242 million) in loans obtained from Bank of China, the nation's premier foreign exchange lender.

Zhou's lawyer, Tao Wuping, confirmed the sentence to Reuters, adding the former mogul was suffering from back problems.

"His spirits are quite good but he is suffering from a sore back," he said. "I don't know whether he wants to appeal."

Experts say the case has tarnished the city's image as a haven for foreign investment, while drawing unwanted attention to a financial system dogged by poor risk controls, nationwide.

Zhou is in a Shanghai detention centre and had remained in the city throughout a scandal that had also ensnared prominent bankers and incensed city residents accusing him of colluding with city cadres to obtain prime real estate for free.

"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," said **Peter Humphrey**, an independent risk consultant based in China.

"He quite probably assisted the authorities with certain investigative matters," he said.

OTHER SUITS BREWING

The property tycoon is also embroiled in a dispute with thousands of Shanghai people evicted from their homes who accuse him of unfairly winning a 43,000-square-metre parcel of land for free.

Some of the residents have taken to the streets to demand compensation, while a lawyer who had been assisting them was sentenced to three years' jail in October.

Their protests prompted officials from China's richest city to go back over years of records of land transactions.

People familiar with the case said nothing had been resolved.

"We can't believe it. How can a man who has done so much wrong only get three years? This is ridiculous!" said a spokesman for the residents, on condition of anonymity.

He said they had been expecting the death sentence.

Zhou, once a fixture among Hong Kong's celebrity set, is one of several moguls to have fallen under scrutiny in a spate of scandals that have implicated high-flyers who amassed fortunes in the 1990s.

Sino-Dutch flower magnate Yang Bin, once ranked China's second-richest man with an estimated fortune of \$900 million, was jailed for 18 years for commercial crimes last year.

Auto executive Yang Rong, facing similar charges, has fled the country.