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Man admits stocks manipulation charge

SHANGHAI -- A man, who raised 4.8 billion yuan (\$704 million) from thousands of people to invest in the stock market, pleaded guilty to manipulating stock prices on Monday.

The Shanghai No 2 intermediate people's court will pass sentence on Zhu Yaoming, 52, at a later date.

Zhu is currently serving a 14-year jail term for fraud, bribery and illegally obtaining loans.

From January 1999 to June 2003, Zhu hired 22 people to open more than 6,000 accounts in more than 10 cities with the money he had raised.

He then proceeded to buy and sell shares on the stock market, manipulating their worth.

The Xinhua News Agency said Zhu manipulated the stocks of four listed companies. Last year, China Securities Regulatory Commission (CSRC) banned Zhu from trading.

Prosecutors so far have only managed to collect enough evidence to charge him with manipulating one of the four stocks, Hubei Biocause Pharmaceutical Co Ltd, which was heard on Monday.

Prosecutor Wu Weijun said Zhu had managed to obtain more than 52 percent of the company's shares.

"On March 6, 2001, trading between his accounts constituted nearly 80 percent of the day's turnover," Wu said.

He inflated the stock price of the pharmaceutical company from about 2 yuan to 12 yuan.

"He seriously influenced its the price and turnover," Wu said.

In June 2003, when stock prices began to fall, Zhu could not maintain his position. He was investigated and arrested.

In 2005, he was sentenced to nine years in prison by Shanghai No 2 intermediate people's court for loan fraud and bribery.

With eight companies registered in his name in Shanghai, Zhu obtained loans amounting to 115 million yuan from banks through the use of false documents.

He suffered a loss on the stock market and ended up owing more than 36 million yuan to the Bank of Shanghai.

He had also bribed employees of various companies listed on the stock exchange to get loans.

Last year, the Hubei higher people's court further sentenced Zhu to nine-and-a-half years in jail for illegally obtaining loans.

Zhu, a high school graduate, initially did well trading in treasury bills. He later switched to buying and selling rare postage stamps, and eventually to the stock market.

Liu Chunyan, a lawyer, said manipulating stock prices was once a common practice.

"But now it is not so prevalent because of the frequent crackdowns by the authorities," he said.