

## Press Release

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### **Chairman and executive director of listed company jailed for fraud over bogus accounting records**

The chairman and an executive director of publicly listed Global Trend Intelligent Technologies Limited (Global Trend), charged by the ICAC, were today (Thursday) sent to jail for their roles in a fraudulent scam to use false business and accounting records for auditing purpose.

Xu Peixin, 41, chairman of Global Trend, was sentenced to four years' imprisonment, while Cai Yajuan, 47, executive director of Global Trend, received a jail term of three and a half years.

The court also ordered that Xu and Cai be disqualified as a company director for five years and four years respectively.

The defendants were yesterday found guilty of one joint charge of conspiracy to use false instruments.

In sentencing, District Court Judge Barnes reprimanded the defendants for showing no remorse for their well-planned fraud.

The judge said the defendants had committed a serious offence by inflating the net profit of the listed company in the financial year of 2002 by almost four-fold to deceive shareholders and the public.

The judge added that deterrent sentences must be imposed, or a wrong message would be conveyed to members of the public who might think the court would tolerate such fraudulent scams.

The case arose from a corruption complaint in relation to the listing of the company. Subsequent ICAC inquiries revealed the defendants' roles in the fraudulent scam.

The court heard that in late 2002, Ernst & Young, auditor of Global Trend, was asked to prepare a Report of the Auditors for inclusion in the 2002 Annual Report of Global Trend.

Between December 2002 and April 2003, Xu and Cai conspired together and with their staff to use documents purporting to be accounting and business records of Global Trend, which they knew were false, for submission to Ernst & Young for auditing.

The court heard that based on the bogus documents, Ernst & Young presented in its Report of the Auditors that the turnover and the net profit attributable to shareholders of Global Trend in the financial year of 2002 amounted to more than \$212 million and over \$43 million respectively.

The prosecution was today represented by Wong Po-wing on a fiat, assisted by ICAC officer Brenda Wong.