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China tycoon held for possible embezzlement

Chairman of Tianfa Group and owner of listed Tianfa Petroleum Co. Ltd. not charged but detained on suspicion of stealing 1 billion yuan, report says.

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BEIJING (Reuters) -- A tycoon who heads China's largest private oil group has been detained on suspicion of embezzling 1 billion yuan (\$127.9 million) in private and government funds, media reported Tuesday.

Gong Jialong, chairman of the Tianfa Group, owner of listed Tianfa Petroleum Co. Ltd. and head of the two-year-old China Chamber of Commerce for Petroleum Industry, was detained Dec. 21, the Beijing News said.

No charges had been laid, the newspaper said.

Gong could not be reached on his mobile phone and company officials had no immediate comment.

The 52-year-old truck driver-turned-businessman from the central province of Hubei created China's first association of private oil distributors to help them voice their rights and gain a foothold in the country's rigidly state-dominated oil sector.

"Gong did a big good deed by creating the chamber. China's private oil sector needs such a platform," said Chen Wei, an oil veteran who has known Gong for years and describes him as presentable and eloquent.

About 18 months ago Gong also founded Greatwall United Petroleum Holding Co. Ltd., an oil group with a goal to bring together at least 50 independent firms to take on state-run energy giants such as PetroChina.

But the group has virtually fallen apart with the departure of key investors disillusioned with Gong's poor management and the firm's unrealistic goals to compete with powerful state firms, oil experts familiar with Greatwall's operations said.

Gong is strong in building relations with the government, industry sources said, having just obtained a licence to import refined fuel. Such licenses are difficult to obtain as the government blocks independents from breaking into the state-run sector.

Crackdown

Gong, who struck gold in trading liquefied petroleum gas in the mid 1990s, is not the first Chinese tycoon to get into trouble with the authorities.

Zhou Yiming, in his early thirties and the youngest entrant on Forbes magazine's 2005 list of China's richest 400, was jailed for

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life this year for fraud. Zhou was convicted of faking financial reports to borrow 380 million yuan from three banks and later acquired a 28 percent stake of a utility company.

In 2003, former flower magnate Yang Bin, once listed as China's second-richest man with an estimated fortune of \$900 million, was jailed 18 years for commercial crimes. Auto executive Yang Rong, who faced similar charges, fled in 2002.

In 2000, the flamboyant Mou Qizhong, once billed as China's richest man, was jailed for life for foreign exchange fraud. China is in the middle of a crackdown on corruption, which the ruling Communist Party says is so widespread it could threaten the party's credibility and even survival.

Hong Kong's Beijing-funded Ta Kung Pao daily said the China Securities Regulatory Commission requested Gong's detention.

Shares of Tianfa Petroleum, which deals in liquefied gas, chemicals and other oil products as well as agricultural products, have fallen about 27 percent since end-September even as larger rivals such as Sinopec Corp. have soared on high oil prices.

Sinopec shares have risen about 39 percent over the same period.

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