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**The
First Commercial Bank”
Taken Over By
The Government**



THE SOUTHERN KING ”



Mr. Wang Yu-Yun

Mr. Wang Yu-Yun (王 玉 雲) was born in a fishermen's family in 1925. He served as a policeman but later chose to step in politics and became Kaohsiung city counselor in 1958. He was elected as Kaohsiung provincial city mayor in both 1973 and 1977; later he was appointed by the late President Jiang Jing-Guo as the first major of Kaohsiung municipality city. After his term as mayor was up, he was appointed by the former President Lee Deng-Hui as honorable senior advisor of the Office of the President.

民國 89 年 6 月 14 日，臺北地檢署 89 年度偵字第 9120 號等案件，以違反商業會計法、業務侵占及背信罪起訴被告王玉雲等 6 人，認被告王玉雲身為中興銀行董事長、被告王宣仁身為中興銀行總經理、被告吳碧雲、李東興身為分行經理，違背職務違法貸款給台鳳集團負責人即被告黃宗宏。被告黃宗宏使用台鳳集團及人頭貸款人名義，2 年內違法超貸新台幣 70 餘億元（2 億 3333 萬美元）。後致中興銀行被接管，為史上第一家被接管的商業銀行。臺北地方法院以 89 年度訴字第 892 號判決被告王玉雲 7 年 4 月、黃宗宏 9 年、被告王宣仁 7 年、被告吳碧雲 4 年 6 月、被告李東興 3 年 6 月。本案偵查檢察官為王文德，公訴檢察官為黃立維、張安箴。



TAIWAN TIMES

Photo from
Solomon203, WIKI

Mr. Wang Yu-Yun (王玉雲) not only actively involved himself in politics, but also in business. He founded Ronghwa Cooper and Iron Industry Ltd. (榮華銅鐵公司) in 1956. Gradually, he and his family set up First Cooper and Iron Company (第一銅鐵公司), Taiwan Ship Dismantle Company (臺灣拆船公司), and Ruifa Steel Company (瑞發銅鐵公司). Later he renamed Ruifa Steel Company as Ronghwa Wire and Cable Ltd. (榮華電線電纜公司) in 1987 and listed to OTC market in Taiwan in 1988. In 1990s, he expanded the family business map to set up Huacheng Photo Electricity Company (華成光電公司), Lianming Stainless Steel Factory (聯銘不銹鋼廠), and Chung Shing Commercial Bank (中興銀行). Mr. Wang Yu-Yun became the president of the Bank; whereas his elder son, Mr. Wan Zhi-Xiong (王志雄) became the vice president. Mr. Wang Yu-Yun also ran Taiwan Times (臺灣時報), an influential newspaper in the southern Taiwan. By adding all the political and business segments of Mr. Wang Yu-Yun had together, he certainly was “the Southern King (南 霸 天)”, who had unrivalled influence in the southern Taiwan.



The Number One New Bank Chung Shing Commercial Bank



It was Chung Shing Commercial Bank's building

In 1992, the Ministry of Finance liberated bank licensing and 16 new banks joined the market. Chung Shing Commercial Bank (hereinafter, the Bank) was one of them. The Bank had 203 billion NT dollars (i.e. 6.8 billion US dollars) in assets, therefore ranked number 2 among 16 new banks. The Bank was one of the two banks that chose to set up its headquarter in Kaohsiung City; certainly because its founder was “the Southern King”.

The Bank later merged Tainan 2nd Credit Cooperation (臺南第二信用合作社) in 1998 and Taichung Credit Cooperation (臺中信用合作社) in 1999, increasing its assets by 15% and added 20 branches. After the merger, the Bank owned 47 branches and was ranked first among the 16 new banks.



Rather than being majorly owned by one single business group as the other new banks, the Bank was majorly owned by vast individual shareholders. Even the founder, “the Southern King”, owned only 10% stocks of the Bank’s shares. The next biggest shareholder was Taiwan International Securities Corporation (金鼎證券), and yet, it only owned 5% stocks. The Bank was listed in OTC market in Taiwan in 1995, but transferred to stock exchange market in 1998.

Mr. Huang Zong-Hong



THE YOUNGEST BILLIONAIRE

Mr. Huang Zong-Hong (黃宗宏) was born in 1956. His father Mr. Huang Chen-Jing (黃成金) and his uncle Mr. Xie Cheng-Yuan (謝成源) purchased Taiwan Pineapple Ltd. (台鳳公司), thus Mr. Xie Cheng-Yuan (謝成源) became the first president of the company. Taking advantage of the prosperous development of fruits export business, Taiwan Pineapple Ltd.

reached a record high export of 140 million NT dollars (i.e. 4.7 million US dollars.) in 1959. As a matter of fact, the company enjoyed its peak benefits in 1950s, which laid a solid foundation for its future development and for Mr. Huang Zong-Hong's ambition. In 1982, the company was renamed as Typhoon Inc. (hereinafter, the Company).

In 1984, Mr. Huang Zong-Hong graduated from business department, Waseda University of Japan. After he returned to Taiwan, he took over the family business and became the general manager of the Company. To free the Company from traditional business frame, Mr. Huang Zong-Hong actively involved the Company in diversified business fields; such as construction, public amusement, real estate, finance, automobile industry, and art. Mr. Huang Zong-Hong also put his business knowledge to good use and manipulated stocks by cross holding. The Company's stock price thus escalated from 40 NT dollars to 260 NT dollars per share in 1998. The company's total value therefore reached 152 billion NT dollars (i.e. 51 billion US Dollars) and made itself one of the top 10 listed companies in Taiwan. At the same time, Mr. Huang Zong-Hong became the youngest billionaire in Taiwan rated by Forbes Inc. in 1998. That year, he was only 37. The water floats the boat may also sink the boat. An empire based on money game soon proved to be a fantasy.



Taiwan Pineapple Ltd. previous site

The 100-year company —Typhone Inc.

In 1913, Japanese businessman founded Taiwan Pineapple Company (臺灣鳳梨株式會社) for pineapple trade. In 1922, Japanese entrepreneur Okamura Shotaro (岡村庄太郎) set up a can factory named Tokyo Can Manufacture Company, Kaohsiung branch.

In 1935, pineapple canned market shrunk, therefore the two companies above merged as Taiwan Contract Pineapple Company (台灣合同鳳梨株式會社) to stabilize the supply of pineapples. In 1945, Taiwan Contract Pineapple Company was renamed as Da Feng Xin Nong Company (大鳳興農株式會社).

Two years later, Agriculture and Forest Department of Taiwan Provincial Government took over all agricultural business companies and set up Taiwan Provincial Agriculture and Forest Ltd. (台灣農林公司).

This new company was comprised of four branches including tea, pineapple, aquatic products, and animal husbandry. In 1955, the pineapple branch was separated and independently formed Taiwan Pineapple Ltd. (台鳳公司). The company was later sold to Mr. Huang Chen-Jing (黃成金) and Mr. Xie Cheng-Yuan (謝成源).



A.D. 1960s Taiwan Pineapple Company
Photos from Liberty Times



A.D. 1960s Taiwan Pineapple Company

Photos from

Liberty Times - Right
Apple Daily - Left

Pineapple business reached a peak in 1970s with total plant area of 17 thousand hectares and with 4.1 million boxes of canned pineapple export. Pineapple alone created 430 million US dollars (i.e. 12.9 billion NT dollars) economic scale in Taiwan. The company had 6 canned factories and almost 20 thousand employees. The factories operated 24 hours a day; and 30 % of the production lines were automatic operating lines.

In 1990s, pineapple business lost its charm in Taiwan due to global competition. However, benefit from its long history, the company held plenty of lands. Mr. Huang Zong-Hong (黄宗宏), the then president, actively transformed the business model by investing in land development and real estate sales. Moreover, the company imported beef and automobiles, and invested in high-tech businesses, amusements, and arts. In 1999, the company contracted with Volkswagen Automobile Company in Germany and obtained franchise in Taiwan. The company looked very promising at the point.

However, in 2000, owing to stock manipulation and illegal loan by Mr. Huang Zong-Hong, the company's stock prices collapsed and became full-cash delivery stock. A 100-year company held its last breathes after all these ups and downs.

THE LOAN”



Wang Yu-Yun and his sons

Photos from

Liberty Times - Left
Apple Daily News - Right

In 1997, Tian-Mu Branch of the Bank was newly established. Branch manager Mrs. Wu Bi-Yun (吳碧雲) was eager to increase business achievement. She was then introduced by Mr. Hu Jin-Ming (胡錦明), the supervisor of the Company, to Mr. Huang Zong-Hong (黃宗宏). Since Huang also needed fund to manipulate stocks, the two of them matched up right away. From April 1997 to October 1998, Tian-Mu branch loaned the Company, the Company's affiliated companies, Huang, and Huang's family, totally up to 5.4 billion and 70 million NT dollars (i.e. 182 million US dollars), guaranteed by the company's stocks or land.

Pursuant to Article 33-3 of the Banking Act and regulatory order of the Ministry of Finance, a bank may loan to the same person, the same concerned party or the same affiliate within the limit of 40% of last year's net value after annual accounting of the bank. In 1998, the 40% of net value of the Bank was 6.6 billion and 15.31 million NT dollars (i.e. 220 million US dollars). Obviously, therefore, the amount of the loan to the Company and Huang had way exceeded the limit.

Nevertheless, the nightmare had not ended yet. The Company's stock prices crumbled and Huang desperately needed more funds to dump into the stock market. Unfortunately, the over-loaned Bank had stuck its feet in deep mud and had nowhere to retreat but to loan even more money to Huang in the limp hope to get out of the mud.

Since December 1998, Mr. Wang Yu-Yun (王玉雲) directed general manager, Mr. Wang Xuan-Ren (王宣仁), to instruct Mrs. Wu Bi-Yun (吳碧雲) of Tian-Mu Branch and Mr. Lee Dong-Xing (李東興) of Lu-Zhou Branch to accommodate Huang's need to fast loan, even without guarantee. In addition, to bypass the loan limit to a group of relative persons, Huang used nominal accounts to take out loans.

Till April 2000, the nominal account loans had exceeded 7 billion and 38 million NT dollars (i.e. 234.6 million US dollars).

THE BREAKOUT ”

In March 2000, just after the Presidential Election, a whistleblower letter sent to the Ministry of Finance and revealed that general manager Mr. Wang Xuan-Ren (王宣仁) of the Bank lent out loans to nominal accounts for loads of money. Minister Qiu Zheng-Xiong (邱正雄) instructed Financial Examination Bureau to initiate a targeted examination to the Bank. At the beginning of April, examiner discovered Tian-Mu Branch had suspiciously lent out a loan in March for 350 million NT dollars (i.e. 12 million US dollars) to the Company. Later, Lu-Zhou Branch was found with the same illegality.



Mr. Wang Xuan-Ren

On April 25, the Ministry of Finance appointed the Central Deposit Insurance Corporation (hereinafter, the CDIC) to station into the Bank assisting detailed examination. On April 26, the Bank called for the interim meeting of the board of directors and decided to punish managers of the two branches. General manager Mr. Wang Xuan-Ren resigned instantly.



On April 27, Mr. Wang Yu-Yun (王玉雲) explained in a public press conference that only two loans of 800 million NT dollars (i.e. 270 thousand US dollars) granted without consent of the board of directors. These actions were directed by Mr. Wang Xuan-Ren, and Wang had resigned. The Southern King' s confession didn' t win public' s trust. Within three days, the Bank faced a bank run for 17 billion NT dollars (i.e. 600 million US dollars). On April 28, the CDIC supervised the Bank and unveiled the 80 billion NT dollars (i.e. 270 million US dollars) non-performing loan bomb.

Photos from

Apple Daily - Left
Public Television Service - Right

” THE INVESTIGATION

中華民國九十五年六月一日 星期四 聯合報 焦點 A2

王玉雲：中央賤賣土地 我有證據

【本報記者張文攝】「中央地政司長王玉雲，在處理中央地產時，有不法情事，我有證據。」王玉雲日前在立法院質詢地政司長王玉雲時，指責地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事。王玉雲在立法院質詢地政司長王玉雲時，指責地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事。王玉雲在立法院質詢地政司長王玉雲時，指責地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事。



本報資料照片／記者郭維德攝影
 ●中興銀前董事長王玉雲昨晚說與空軍時
 門口是說：「說盡人微言輕，那個人是誰
 或？」
 記者劉學文／攝影

台鳳調錢 中興銀延後關金庫

【本報記者張文攝】中興銀行前董事長王玉雲，昨晚在立法院質詢地政司長王玉雲時，指責地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事。王玉雲在立法院質詢地政司長王玉雲時，指責地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事。王玉雲在立法院質詢地政司長王玉雲時，指責地政司在處理中央地產時，有不法情事，並指地政司在處理中央地產時，有不法情事。

Synchronized with financial examination, criminal investigation was quietly ongoing. Taipei city office of the Investigation Bureau of the Ministry of Justice (hereinafter, the MJIB) discovered the Company and Huang used over 100 nominal accounts to loan from the Bank without providing any guarantee. On April 29, Prosecutor issued six search warrants to raid suspects' residences and offices and confiscated loans of related materials. Prosecutor also subpoenaed employees of the Bank and suspects to articulate the detail of loans. Judging from the loan materials and witnesses' testimonies, Mr. Huang Zong-Hong (黃宗宏) conspired with Mr. Wang Yu-Yun (王玉雲), Mr. Wang Xuan-Ren (王宣仁), Mrs. Wu Bi-Yun (吳碧雲), Mr. Lee Dong-Xing (李東興) of the two branches to excessively loan out to the Company, Huang, and Huang's nominal accounts. Most of the loan without sufficient guarantees thus became non-performing loans later. Sometimes to accommodate Huang's need, the Bank even granted loans without applica-tion.

Even worse, days before March 20, the financial manager Mr. Chen Ming-Yi (陳明義) of the Company informed Huang that after the presidential election, Huang would have to deposit 600 million NT dollars (i.e. 20 million US dollars) to the Bank to avoid checks from bouncing. Huang therefore went to Kaohsiung City to ask Mr. Wang Yu-Yun to assist solving the problem. Wang, on the same boat with Huang, had no choice but to agree. On March 20, Huang went to the Bank and told Mr. Wang Xuan-Ren that he needed 350 million NT dollars (i.e. 12 million US dollars) to overcome the difficulty. Mr. Wang Xuan-Ren then urgently talked to managing directors Mr. Wang Qing-Lian (王清連), Mr. Zhang Ping-Zhao (張平沼), Mr. Lee Xi-Lu (李錫祿), and branch managers Mrs. Wu Bi-Yun and Mr. Lee Dong-Xing. The managing directors all disagreed to a speedy loan. However, Mr. Wang Xuan-Ren and Mr. Wang Yu-Yun bluntly disregarded the opposing opinions and directed Mrs.

Wu Bi-Yun to loan out 350 million NT dollars (i.e. 12 million US dollars) to Huang' s nominal accounts. At 6 o' clock in the evening, without finishing loan application procedures, Mrs. Wu Bi-Yun granted the loan. Since banks had all closed at this late hour and Tian-Mu Branch had not enough cash, Mr. Wang Xuan-Ren instructed Mrs. Wu Bi-Yun to seek help from four other branches of the Bank. Under General Manager Wang' s instruction, the vaults of five branches illegally delayed its closing time and squeezed out 90 million NT dollars (i.e. 3 million dollars) for Huang. The remaining 260 million (i.e. 9 million US dollars) loan was granted by issuing five checks of Bank of Taiwan and handed to Huang at 8 o' clock that night.

Mr. Huang Zong-Hong, Mr. Wang Yu-Yun and their accomplice probably the very first group of people in bank history to delay the closing time of bank vaults just to remove money from them.

THE INDICTMENT



Mr. Wang Xuan-Ren



Mr. Huang Zong-Hong



Mr. Wang Yu-Yun





After three months of intensive investigation, Prosecutor Wang Wen-De (王 文 德) indicted six defendants including Mr. Wang Yu-Yun (王 玉 雲), Mr. Huang Zong-Hong (黃宗宏), Mr. Wang Xuan-Ren (王宣仁), Mrs. Wu Bi-Yun (吳碧雲), Mr. Lee Dong-Xing (李東興), and Mr. Chen Ming-Yi (陳明義) for breach of trust. Mr. Huang Zong-Hong and Mr. Chen Ming-Yi also committed business embezzlement and in violation of Business Entity Accounting Act by forging untrue accounting certificate to company's account book.

Prosecutor Wang denounced defendants knowingly took out illegal loans, damaged the rights of stockholders of the Bank, caused financial storm, and devastated social economic orders. Prosecutor thereby asked the court to sentence Mr. Wang Yu-Yun to 7 years and 2 months incarceration, Mr. Wang Xuan-Ren to 6 years and 8 months incarceration, Mrs. Wu Bi-Yun and Mr. Lee Dong-Xing to 6 and 5 years' incarceration respectively, Mr. Huang Zong-Hong to 10 years' incarceration, Mr. Chen Ming-Yi to 7 years' incarnation.

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THE TRIAL



In the court house, Mr. Wang Yu-Yun (王 玉 雲) argued that he granted Mr. Wang Xuan-Ren (王 宣 仁) full authorization for the loan business and that his employees sneaked illegality behind his back. Mr. Wang Xuan-Ren, on the contrary, argued that as a general manager, he only had authorization of 20 million NT dollars loan. He merely followed the orders from the president of the Bank, Mr. Wang Yu-Yun. Mrs. Wu Bi-Yun (吳 碧 雲) confessed to acquire business achievement so she loosened loan procedure to Mr. Huang Zong-Hong (黃 宗 宏). Mr. Lee Dong-Xing (李 東 興) admitted that he only followed the instructions from Mr. Wang Xuan-Ren. Mr. Huang Zong-Hong argued that he had no intention to fraud loan from the Bank and if not for the unusual drop in the Company’ s stock prices, the company would have been able to pay back.

The odd thing was that Mr. Wang Yu-Yun only held 10 % of the Bank's stocks. However, professional managers like Wang, Wu and Lee chose to abandon their professional responsibilities and judgments and listened only to just this person. The choices they made actually changed the fate of the Bank.

At the closing argument, “the Southern King” Wang Yu-Yun agitatedly argued in tears that he exhausted his fortune to establish a bank representing the southern Taiwan but now the society treated him like a rat. Only half of his statement was true. The Bank did represent the southern Taiwan; but he was who exhausted the Bank's fortune. The district court finally found defendants guilty as charged on January 27, 2004.

Mr. Wang Yu-Yun was sentenced to 7 years and 4 months incarceration. Mr. Wang Xuan-Ren was sentenced to 7 years' incarceration. Mr. Huang Zong-Hong was sentenced to 9 years' incarceration with a 300 million NT dollars fine. Mrs. Wu Bi-Yun and Mr. Chen Ming-Yi (陳明義) were sentenced to 4 years' incarceration. Mr. Lee Dong-Xing (李東興) was sentenced to 3 years and 6 months incarceration.

Prosecutor and defendants all appealed to Taiwan High Court.

In the High Court, defendants had no novel argument. The Taiwan High Court eventually found defendants guilty as charged on April 26, 2007.

For a final and unappeasable judgment, Mr. Wang Yu-Yun (王 玉 雲) was sentenced to 7 years' incarceration. Mr. Wang Xuan-Ren (王 宣 仁) was sentenced to 6 years and 8 months incarceration. Mr. Huang Zong-Hong (黃宗宏) was sentenced to 8 years and 6 months incarceration with 300 million NT dollars fine. Mrs. Wu Bi-Yun (吳 碧 雲) and Mr. Chen Ming-Yi (陳明義) were sentenced to 4 years' incarceration. Mr. Lee Dong-Xing (李東興) was sentenced to 3 years' incarceration.

However, Mr. Wang Yu-Yun never served his time in jail. Right after the final decision made by the High Court, he had made up his mind to flee. The Taipei District Prosecutors Office issued a restraint order for him to leave Taiwan and subpoenaed him to report to the office on May 4 to jail. He motioned to oppose the execution order issued by the Prosecutors Office and the Supreme Court agreed with him thereto revoked the order. Taipei Prosecutors Office then reissued the execution order and asked Kaohsiung District Prosecutors Office to execute Wang' s term, since he lived in Kaohsiung. However, policemen from the police stations and investigators from the MJIB couldn' t locate Mr. Wang Yu-Yun after receiving the order.

Some said he had hired a speedboat to send him to Mainland China and stayed there till he died. According to his son, Mr. Wan Zhi-Xiong (王志雄), The Southern King died with ill in Beijing in 2007.

Mr. Wang Xuan-Ren too fled to the Mainland China in 2007 after the final sentencing. However, he was caught in Shanghai City the next year by China Public Security and was sent back to Taiwan. He served his time in jail till his probation in April, 2013.

Mr. Huang Zong-Hong tried to flee as well. On November 1, 2007, he attempted to flee through BaDouZi fishing harbor in Keelung. However, his attempt was unsuccessful and was caught by policemen of Shilin Branch of Taipei City Police Department. He was sent to jail that night and served his time till his probation in April, 2013. To execute his 300 million NT dollars fine, Taipei District Prosecutors Office confiscated his antiques and partial parts of Rocket "Titian 2" from NASA of the United States. The former was evaluated for 100 million NT dollars and the latter was evaluated for 200 million NT dollars.

” THE CONSEQUENCES

Other from criminal liability, the ruined bank still needed loads of work.

After Central Deposit Insurance Corporation (中央存款保險公司, hereinafter, The CDIC) stationed in the Bank, the non-performing loans problem floated to the surface. The CDIC discovered there were up to 80 billion NT dollars (i.e. 3 billion US dollars) non-performing loans to 42 industries and their related persons. Among them, 50 billion NT dollars (i.e. 2 billion US dollars) non-performing loan were unable to pay back loan and interest. On the contrary, the Bank needed to pay interest of 100 billion NT dollars (i.e. 3.3 billion US dollars) deposit, employees' salaries, managing costs, and so on. The total estimated debt was 140 billion NT dollars (i.e. 5 billion US dollars.); and more debt occurred every month as long as the Bank operated.

The Ministry of Finance finally took over the Bank on October, 25, 2001. The Bank was the first private commercial bank taken over by the government.

The CDIC announced a public bid for the Bank on December 27, 2001.

On February 5, 2002, the first bid started. Although International Business and Financial Corporation, Shin Kong Life Insurance Company (新光人壽保險公司), and Barings Bank had ever shown their interests to bid but were scarred off by the 30 billion NT dollars cash shortage.

On May 11, 2002, Resolution Trust Corporation (hereinafter, the RTC) asked government based banks like the Land Bank (土地銀行), the Bank of Taiwan (臺灣銀行), and Bank of Communications (交通銀行) to step in. Cybernaut Investment Company also showed interest before the bid. However, the accumulated 40 billion NT dollars cash shortage still scared the investors.

On July 19, 2002, the CDIC proposed for a new way of bid as to make the RTC to pay 59 billion NT dollars (i.e. 2 billion US dollars) and added 10 branches to the new owners. At this time, Merrill Lynch, Lehman Brothers Holdings, Cybernaut, and the China Trust Holdings (中國信託金控) were inquired. No new luck came out this time.

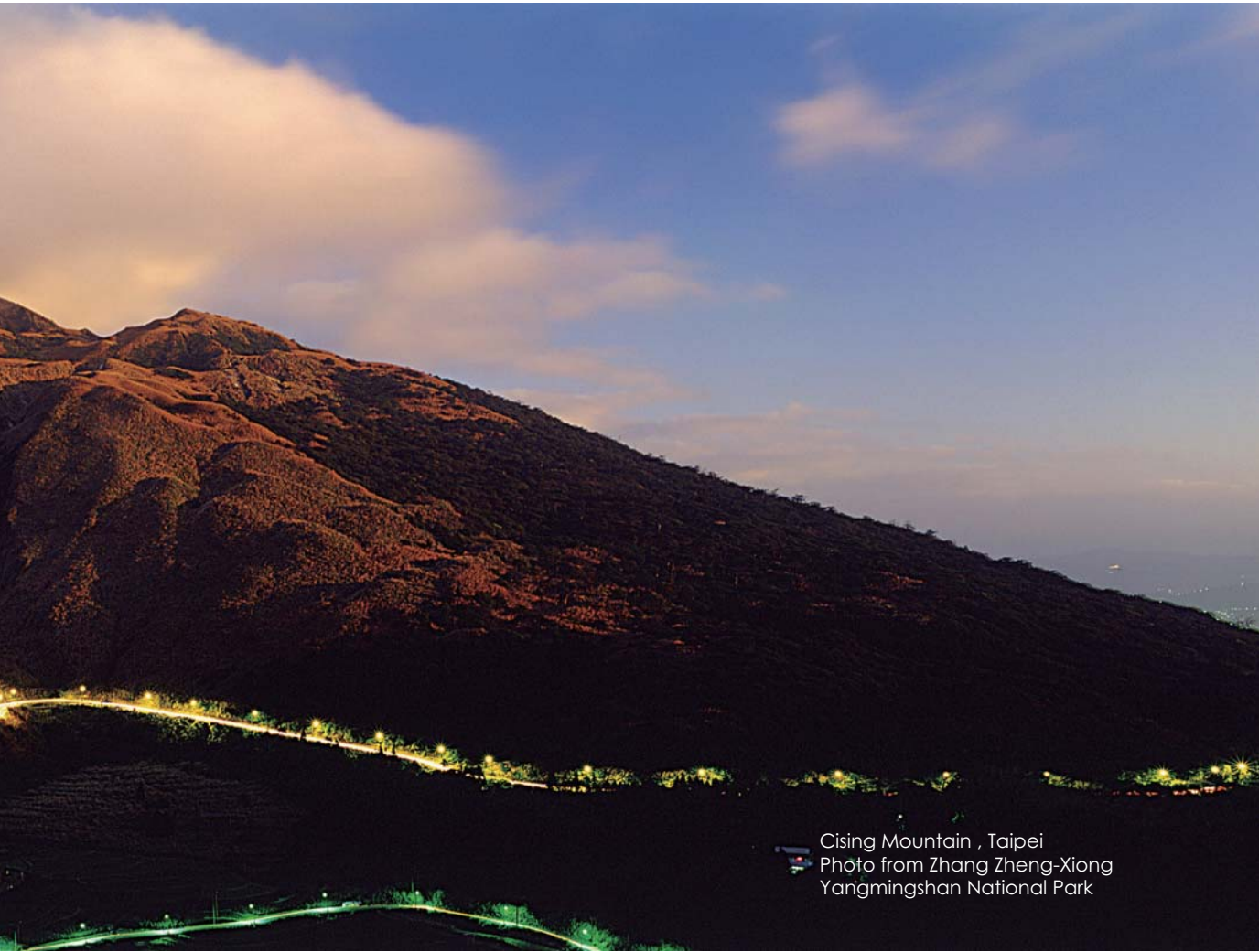
On July 28, 2002, the debt of the Bank had reached 85 billion NT dollars (i.e. 3 billion US dollars). The CDIC therefore decided to separate non-performing loans and the assets to bid. Price-waterhouseCoopers helped to bid the non-performing loans and got 20 % cash back.

On December 9, 2004, Union Bank (聯邦銀行) of Taiwan bid for 7.1 billion and 8 million NT dollars and won. The RTC still had to pay 57 billion NT dollars (i.e. 1.9 billion US dollars) to the debt sinkhole of the Bank.

The Bank had made 4 records: the highest redemption money the government ever paid, the longest taken-over time for bank, the most bidding times, and the maximum take-over teams.

The Southern King's bank dream and the youngest billionaire's ambition eventually cost taxpayers 57 billion NT dollars (i.e. 1.9 billion US dollars).





Cising Mountain , Taipei
Photo from Zhang Zheng-Xiong
Yangmingshan National Park