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Domestic Anron ”
Embezzlement Case



Seven family business groups and PEWC



Photo from June 15, 2006 Apple Daily

Mr. Sun Fa-Min

It all started with a whistleblower's letter on June 5, 2003, in which reported the fact that properties belonging to Pacific Electric Wire and Cable Co. Ltd. (太平洋電線電纜公司, hereinafter, PEWC) were embezzled. Prosecutor Zhu YingXiang (朱應翔) thus step by step unveiled the shocking domestic Anron case.

The Father of China Cable business, Mr. Sun FaMin (孫法民), set up Yongguang Electric Wire Factory (永光電線廠) in Tianjin City of Mainland China in 1933. In 1948, the factory moved to Taiwan. Two

years later, Mr. Sun FaMin invited Mr. Lee YuTian (李玉田), Mr. Jiao TingBiao (焦廷標), Mr. Lee HongWen (李鴻文), Mr. Zhen YiChou (鄭乙丑), Mr. Tong YaDong (仝迺東), and Mr. Yuan JingYao (苑景堯) to jointly form the Pacific Electric Wire Factory (太平洋電線製造廠).

民國93年11月15日，臺北地檢署92年度偵字第13991號等案件認被告胡洪九、仝玉潔、仝清筠、孫道存、繆竹怡、黃靜琳等6人，均為太平洋電線電纜股份有限公司從事業務之人，為自己利益掏空公司近200億元（66億6666萬美元），而以背信、偽造文書、偽造有價證券、洗錢等罪嫌起訴上開6人。臺北地方法院以93年度矚重訴字第2號判處主嫌即被告胡洪九18年有期徒刑、被告仝清筠6年有期徒刑、被告孫道存4年有期徒刑。本案偵查檢察官朱應翔、公訴檢察官周懷廉、鄭深元、林勤綱。



Pacific Sogo Department Store

Photo from September, 2009 Fred Hsu, Wiki

In 1958, the Pacific Electric Wire Factory (太平洋電線製造廠) was reorganized as PEWC (太平洋電線電纜公司). In the following years, the business continued to expand. Mr. Sun FaMin (孫法民) and his business partners consequently founded Pacific Trunk Cargo Transportation Company (太平洋汽車貨運公司), Walshin Lihua Wire and Cable Company (華新麗華電線電纜公司), Pacific Construction Company (太平洋建設公司), Pacific Real Estate (太平洋房屋), Pacific Sogo Department Store (太平洋崇光百貨公司), Ellis Electric Co. Ltd. (亞力電機公司), ZhongXiao Water and Electricity Company (忠孝水電公司), BaoCheng Investment Company (寶澄投資公司), Pacific Leasing Corporation (太平洋租賃公司), and Pacific Laser and Photo Electricity Company (太平洋雷射光電公司). The PEWC Conglomerate was thus quite completed.

PEWC was the first and the biggest cable company in Taiwan at the time. It

had cooperated with foreign companies in the US, Japan, and Germany to acquire up-to-date techniques. Its overseas branches were in Singapore, Thailand, and Malaysia. In 1963, PEWC became a listed company in Taiwan.

In 1986, Mr. Sun FaMin (孫法民) retired and stepped down from the president position of PEWC, but still remained on the board of directors. Mr. Sun FaMin intentionally trained up his eldest son, Mr. Sun DaoCun (孫道存), and arranged for him to become general manager of PEWC and yielded Presidency to Mr. Tong YuJie (全玉潔), son of Mr. Tong YaDong (全迺東). In the same year, the founding families split up. Mr. Jiao TingBiao (焦廷標) took Walshin Lihua Wire and Cable Company (華新麗華電線電纜公司) and separated from the PEWC Conglomerate. Later, it became the Walshin Lihua Conglomerate (華新麗華集團), including Winbond Electron-



Taiwan Mobile Company

Photo from September 29, 2013 Solomon203 Wiki

ics Corporation (華邦電子公司), Walshin Technology Corporation (華新科技公司), and Hannstar Display Corporation (瀚宇彩晶公司). Mr. Zhang MingQiang (章民強), the professional manager of Pacific Construction Company (太平洋建設公司), took the Construction Company and Pacific Real Estate (太平洋房屋), Pacific Sogo Department Store (太平洋崇光百貨公司) and separated from the PEWC Conglomerate. The remaining six families continued to jointly run the Conglomerate.

General Manager, Mr. Sun DaoCun, actively expanded PEWC to the telecommunications and high technology field. Starting from 1990, PEWC bid the fixed-line licenses in Thailand and Hong Kong, bid the CT2 license and GSM license in Taiwan, and founded Pacific Telecommunication Company (太平洋電信公司, later became Taiwan Mobile Company, 台灣大哥大公司). In 1997, PEWC integrated over-

seas subsidiaries and founded Asia Pacific Wire and Cable Company registered in Bermuda and listed in Nasdaq of the US. PEWC also invested in Taiwan High Speed Rail Company (台灣高鐵公司) and Taiwan Fixed Network Company (台灣固網公司).

Under Mr. Sun DaiCun's management, PEWC became a 40 billion NT dollars (i.e. 1.3 billion US dollars) company in 2000. Its capital scale multiplied by 80 times compared to when it was founded. The market value of PEWC was estimated to be over 100 billion NT dollars (i.e. 33 billion US dollars). PEWC became the number one cable company in Taiwan.

However, under the glamour of being a Cable Empire, scoundrels sneaked behind.

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The Chief Financial Officer

Mr. Hu HongJiu (胡 洪 九) had graduated from the Department of Physics at National Cheng Kung University; and got his master' s degree in computer science from UCLA in the US. He started to work in PEWC in 1978 as an entry level employee. He was gradually promoted by Mr. Sun FaMin (孫 法 民) and became Director, Vice General Manager, and Chief Financial Officer of PEWC. He shouldered responsibilities in overseas investment and finance management since 1980. In 1992, He even represented PEWC in being President of Mosel Vitelic Inc. (茂 矽 電 子 股 份 有 限 公 司), a PEWC-invested company. In other words, he was definitely trusted and evaluated as an important member of the Conglomerate, despite the fact that he was not an heir to the founding families.

However, Mr. Hu HongJiu seemed not appreciate the responsibility and position he had in PEWC. As a matter of fact, he had a bigger plan about how to utilize his ability and position to sweep money out of the conglomerate.



Mr. Hu Hong-Jiu

The President ”

Mr. Tong QingYun (仝清筠), son of Mr. Tong YuJie (仝玉潔), started to work in PEWC in 1991 as a special assistant to the General Manager. He was promoted as Vice President and General Manager in 2000. Three years later, he took presidency. About the same time, the embezzlement broke out. Mr. Tong QingYun tried to separate profitable business portion without the consent from other founding families. Therefore, the other founding families compelled Tong' s family to step down from the leading management position and Mr. Lee ChaoQun (李超群), son of Mr. Lee HongWen (李鴻文), took presidency in December 2003. Mr. Tong QingYun and Mr. Tong YuJie stayed on the board of directors.



Mr. Tong Qing-Yun

The Vice President”

Mr. Sun DaoCun (孫道存) was the eldest son of Mr. Sun FaMin (孫法民). He began his studies in the Department of English and later transferred to the Department of International Trade, both at Tamkang University. To train him as a successful heir, Mr. Sun FaMin intentionally arranged for him to learn in the Conglomerate by working in the business department and the marketing department. Mr. Sun FaMin also arranged for Mr. Hu HongJiu (胡洪九) to assist Mr. Sun DaoCun when Mr. Sun DaoCun became general manager of the Conglomerate. Unfortunately, a capable and trusted employee eventually overrode the heir's kingdom.

To cement a better political and business relationship, Mr. Sun FaMin deliberately paved the way for his son. He arranged his son to be the godfather of Ms. Lee KunYi, granddaughter of the former ROC President Lee Denghui¹. With the arrangements in place, Mr. Sun DaoCun had good connection with politicians of the ruling party, KMT (國民黨). Mr. Sun DaoCun also became acquainted with KMT's chairman Mr. Wu BoXiong, and former Governor Mr. Song ChuYu. Sun's political estate was certainly a help to his business and the expansion of the Conglomerate.

¹ see "Profile" by Lin ShangZuo, China Times, Sep. 22, 2009

Mr. Sun DaoCun was a generous person and was accommodating to founding families. Under other founding families' requests, PEWC invested in various businesses, ranging from satellites to coffee shops. Although the cable business of PEWC was profitable, the other investment businesses were neither familiar to him nor rewarding. The over-investment problem later contributed to PEWC' s devastation.



Photo from June 26, 2015 Liberty Times

Mr. Sun Dao-Cun

The Embezzlement”

Entrusted by the founding families, Mr. Hu HongJiu (胡洪九) began started his manipulation to steal money from PEWC. He set up PEWC affiliated companies in Hong Kong, BVI, and Bermuda, including Central Pacific Enterprises Limited (中俊公司, hereinafter CPE), All Dragon International Ltd., Blinco Enterprise Ltd., Patagonia, Moon View Company, CPL Holding Ltd. (中豐行), and so on. All 146 affiliated companies were used to take out loans from banks guaranteed by PEWC. However, none of the companies were ever disclosed in PEWC financial report. Mr. Hu HongJiu forged all documents and signatures of Mr. Sun DaoCun (孫道存) and Mr. Tong YuJie (仝玉潔).

From 2003 to 2009, Mr. Hu HongJiu took out loans of 17 billion 183 million

and 916 thousand NT dollars (i.e. 572 million and 792 thousand US dollars.). All of the money was laundered to Hu's paper companies and some of them used to purchase Marina Square Hong Kong (香港海怡廣場), and Win Win International Holdings Limited (榮榮國際集團有限公司, later renamed as PacMos Technology Holdings Limited (弘茂科技控股有限公司).

Mr. Hu HongJiu even took advantage of his duty in embezzling 61 million and 500 thousand US dollars (i.e. 1.8 billion and 45 million NT dollars) when PEWC sold out Conrad Hong Kong (港麗酒店). Hu later laundered the money through his paper companies.



Mr. Hu Hong-Jiu

Photo from October 02, 2005 TVBS

Mr. Hu HongJiu (胡洪九) used CPE (中俊公司) as PEWC overseas financial center but liquidated it after he finished stealing. PEWC ended up bearing compensation

liability to CPE's creditors of 251 million US dollars (i.e. 7 billion and 530 million NT dollars).



Tomson Golf Club
Photo from January 28, 2015 GOLFPUNK2005

Mr. Tong QingYun (全 清 筠), after Hu left his position on August 13, 1999, discovered Hu' s wrongdoings. Nevertheless, Mr. Tong QingYun feared a full disclosure would incriminate his father Mr. Tong YuJie (全 玉 潔) since his father was the president when the embezzlement happened, and also feared that the banks would withdraw

the bank loans which would result in PEWC' s bankruptcy. Mr. Tong QingYun therefore chose to continue forging documents to cover up PEWC' s overseas losses. Furthermore, maybe influenced by the theory of broken window, Mr. Tong QingYun also started to steal money from PEWC.

He took advantage when PEWC sold stocks to Tomson Golf Ltd. (湯臣上海浦東高爾夫球公司) and embezzled 1 million and 860 thousand US dollars (i.e. 55.8 million NT dollars) from PEWC.

In addition, Mr. Tong QingYun undertook non-arm's-length transaction with companies controlled by Mr. Lian TaiSheng and damaged PEWC's interest. In total, Mr. Tong QingYun embezzled 764 million and 676 thousand NT dollars (i.e. 25 million and 490 thousand US dollars).

Mr. Miao ZhuYi (繆竹怡), the assigned president of Pacific Laser and Photo Electricity Company (太平洋雷射光電公司), forged transactions between Pacific Laser and Photo Electricity Company and companies under his own control, and benefited from selling lands owned by Pacific Laser and Photo Electricity Company. In total, Mr. Miao ZhuYi embezzled 1.5 billion 54 million and 858 thousand NT dollars (i.e. 51 million and 829 thousand US dollars).

In this chaos, even a secretary of the General Manager joined in the stealing. Ms. Huang JingLin (黃靜琳), secretary of General Manager of PEWC, used a paper consultant company to sign ghost consultant contracts and received consultant fees from PEWC for 387 thousand NT dollars (i.e. 12.6 thousand US dollars).

Mr. Sun DaoCun (孫道存), Mr. Tong YuJie, Mr. Tong QingYun and Mr. Hu HongJiu (胡洪九) had a secret meeting before Hu's leave. At the time, the four of them already fully understood the embezzlement but chose to cover it up. Mr. Sun DaoCun, Mr. Tong YuJie, Mr. Tong QingYun continued to conceal the important losses of PEWC and forged necessary documents to cover the wrongdoings.

A simple tiny choice one makes acts like the flapping of a butterfly's wings that ends up as a storm later.

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The Investigation

After receiving the whistleblower's letter on June 9, 2003, Prosecutor Zhu YingXiang (朱應翔) started to investigate in PEWC's overseas companies and investments, and the inward and outward remittance records in the Central Bank. Prosecutor Zhu first found out there were fake investment and money flows. However, this speculation needed to be confirmed by the analysis of PEWC's accounting books. Since PEWC was a listed company, Prosecutor Zhu cautiously waited for the ripe time to raid. On April 28, 2004, PEWC was off listed and Prosecutor Zhu immediately directed investigators from Investigation Bureau of the Ministry of Justice to raid PEWC and related companies. The raid confiscated over 130 boxes of evidences and took two trunks to transport all evidences back to the Financial Crime Prevention Center of Taiwan High Prosecutors Office. At the same time, Prosecutor issued restraining orders for Mr. Sun DaoCun (孫道存), Mr. Tong QingYun (仝清筠), and Mr. Lee DaCheng (李大程), prohibiting them to leave the country.



Hu Hong-Jiu was detained , photo from July 03, 2005 TVBS

Prosecutor Zhu located accountants Mr. Zhou QiPing (周齊平) and Ms. Lee JiaHui (李嘉惠), who were responsible for auditing PEWC' s financial reports since 1998. They agreed to be state witnesses and to help out interpreting evidences confiscated from PEWC. In the following three months, Prosecutor Zhu and the accountants relentlessly worked through the evidences and discovered a secret certificate deposit number, “1502**” , indicating overseas certificate deposit. Prosecutor Zhu had a hunch that this was the password for overseas money laundering.

Prosecutor Zhu then investigated in overseas certificate deposit of PEWC from 1991 to 2003. The documents showed that money was wired to various foreign banks, even including paper banks established in Vanuatu. Why on earth would a listed company in Taiwan risk having business with paper banks in a small island far away in the Pacific Ocean? This must be the devil detail that would unveil the embezzlement. Without surprise, every certificate deposit had the PEWC Chief Financial Officer, Mr. Hu HongJiu's (胡洪九) signature on it. With these evidences, Prosecutor Zhu subpoenaed Mr. Hu HongJiu again. Hu rushed back from abroad and walked into the prosecutors office with confidence. However, Hu felt agitated when Prosecutor Zhu asked about certificate deposits. Even worse, Prosecutor Zhu

issued a restraining order to leave country for Hu. Hu was stunned and realized there were something different.

With the assistance from two other secret witnesses who once helped Hu process documents, Prosecutor Zhu had more breakthroughs in Hu's money laundering activities. Prosecutor Zhu also secretly flew to Hong Kong to gather more evidences regarding Hu's 146 paper companies.

On November 8, 2004, Prosecutor Zhu decided to subpoenaed Hu once again to confront him with the evidences gathered. In the investigation room, Hu, for the first time, lost his calm and grace in front of iron evidences. Prosecutor Zhu motioned to detain Hu to the court and was approved by the court.

The indictment ”

On November 15, 2004, Prosecutor Zhu indicted 6 defendants for breach of trust, forgery, and embezzlement of the Criminal Law and for violation of Money Laundering Control Act, Business Entity Accounting Act, and Securities and Exchange Act. Prosecutor Zhu, considering the damages defendants caused and malice of their wrongdoings, especially asked the court to sentence Mr. Hu HongJiu to 20 year' incarceration, Mr. Tong QingYun (全清筠) to 7 years' incarceration, Ms. Huang JingLin (黃靜琳) to 4 year' s incarceration, and Mr. Miao ZhuYi (繆竹怡) to 10 years' incarceration.



Photo from March 29, 2016 Liberty Times

The Trial”

In the court house, the tribunal first confirmed that the Taiwan Court had jurisdiction over this case, although a major part of the wrongdoings happened in Hong Kong. In addition, many of photocopied evidences from Hong Kong were admissible, despite the fact that they were out of court statements.

Mr. Hu HongJiu (胡洪九) argued that he had reported everything to Mr. Tong YuJie (仝玉潔) and Mr. Sun DaoCun (孫道存). Since Mr. Sun DaoCun denied the argument and Mr. Tong YuJie passed away during trial, the Court didn't buy Hu's story.

Mr. Sun DaoCun then argued that Mr. Hu HongJiu was the only person who was responsible for overseas financial management and that he never gave any instruction to Hu.

Mr. Miao ZhuYi (繆竹怡) denied that he had knowingly forged documents but argued that he had received instructions from Mr. Tong QingYun (仝清筠). Mr. Tong QingYun argued that he had no actual control over PEWC and had no idea regarding Hu's wrongdoings. Ms. Huang JingLin (黃靜琳) denied all charges and insisted that contracted consultant services had been provided to PEWC.

Taipei District Court, after near 6 year' s trial period, sentenced Mr. Hu HongJiu (胡 洪 九) to 18 year' incarceration plus 1 billion NT dollars fine, Mr. Tong QingYun to 6 years' incarceration, Mr. Sun DaoCun to 4 year' incarceration, Ms. Huang JingLin to 18 months incarceration, and Mr. Miao ZhuYi to 3 years and 2 months incarceration, on July 30, 2010.

The case was appealed to Taiwan High Court. After another 6 year' s trial, Taiwan High Court reversed in part and sentenced Mr. Hu HongJiu to 14 years and 6 months incarceration plus 1 billion NT dollars fine, Mr. Tong QingYun

to 23 months incarceration, Mr. Sun DaoCun to 3 year' incarceration, Ms. Huang JingLin to 20 months incarceration, on March 29, 2016.

Since the trial proceedings had exceeded 8 years, pursuant to the Criminal Speedy Trial Act, all defendants were entitled to enjoy a deduction in their sentencing.

The Case is still pending.

The consequences”

PEWC suffered 20 billion NT dollars (i.e.0.7 billion US dollars) loss and had to reduce its capital from 41.7 to 18 billion NT dollars in 2009. PEWC therefore filed a civil lawsuit against all defendants in the criminal case for damage compensation. The Taipei District Court Civil Division found Mr. Hu HongJiu (胡洪九) and Mr. Sun DaoCun (孫道存) to be jointly liable to compensate PEWC’s loss plus interest, both of which amounted to 15 billion NT dollars (i.e.0.5 billion US dollars). This court decision made a record high on compensation amount in any embezzlement case.

PEWC also filed a civil lawsuit in Hong

Kong to acquire properties embezzled by Mr. Hu HongJiu. Hong Kong Summary Court ruled in 2008 for PEWC. The case was appealed to Hong Kong Commercial Court. After 4 year’ trial, the Commercial Court found PEWC was entitled to properties Hu had hidden, including Marina Square Hong Kong (香港海怡廣場) and 40% of PacMos Technology Holdings Limited (弘茂科技控股有限公司) stocks. These properties are estimated up to 9.4 billion NT dollars (i.e. 0.3 billion US dollars).

This is unprecedented for an embezzlement case to be able to recover from overseas properties.



Marina Square Hong Kong
Photo from April 23, 2014 Apple Daily

The Independent Director”

The independent director was first seen in The Investment Company Act of 1940 in the US. Pursuant to the Act, the board of directors shall have no less than 40% independent directors for internal control. After Watergate incident in the US, SEC of the US promulgated a new law requiring companies to set up audit committees comprised by independent directors. Independent directors gradually became an important element in the Principles of Corporate Governance.

In Taiwan, influenced by this shocking embezzlement case, the Financial Supervisory Commission announced the “Regulations Governing Appoint-

ment of Independent Directors and Compliance Matters for Public Companies” in 2006, under the allegation of Article 14-2 of the Security Law. Pursuant to the regulation, a listed company shall have independent directors in the board of directors no less than 20% of directors. Independent directors shall have professional knowledge and shall not have any relation with the listed company.

PEWC installed its independent directors in 2009 in an attempt to mend the fence after the sheep were lost.



Independent Director

Photo from April 14, 2016 United Daily News

The Anron Case”

Commentators often compare this case to the US Anron case.

Anron Corporation was once the biggest company providing electricity, natural gas, and telecommunication services worldwide and was listed in NASDAQ. Its revenue was up to 101 billion US dollars in 2000. Before it went bankrupt in 2001, it had incorporated 21 thousand employees. It was also selected by Forbes as the most innovative company in the US for six consecutive years.

However, executive directors and management level officers used overseas affiliated companies to evade tax and put the money into their own pockets so that they may afford their luxurious lifestyles. Thus, when the company started to lose profit, they forged accounting documents and financial reports to conceal the loss. In the meantime, as they promised company's prosperity to the public and encouraged investment, they secretly sold their company stocks to naïve shareholders to trade in for cash. Within months, company stock prices slumped from 90 to 42 US dollars per share. Three



Anron

Photo from July 09, 2009
Anders Lagerås , Wiki



山門開覺路入歡喜地交進十住安

山谷偶無學佛化人妙法皆足跡

寺留淨土印結法苑

慈雲法雨神靈庇
南國不搖菩提柯帶轉
如佇翠指對霞看谷來

身獨為深結南山名尚無
靈風吹如勢奮力所成



Lungshan Temple , Taipei
Photo from Harry Huang