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**The First Insurance Company”
Taken over
by the Government**



The Insurance Company”



In 1963, Guohua Insurance Company (國華人壽, hereinafter, the Insurance) was founded. In 1979, Mr. Weng Da-Ming (翁大銘) traded stocks to take over from Mr. Tan Yu (鄭周敏) of Asiaworld International Group (亞洲世界集團) and became the president of the Insurance. The Insurance, at its peak, had 200 billion NT dollars (i.e. 7 billion US dollars) assets, over 100 million insurance policy holders, thus ranked 8th in Taiwan. It was not listed but its trade price once ever reached 23 hundred NT dollars per thousand shares. Mr. Weng Yi-Ming (翁一銘), Mr. Weng Da-Ming's

younger brother, was once its president and owned 43% of its shares. After Mr. Weng Da-Ming took over, the Insurance was subsumed into the Hualon Conglomerate (華隆集團).

民國 94 年 4 月 15 日，臺北地檢署 92 年度偵字第 10304 號等案件，以偽造文書與背信罪起訴 16 人，認被告翁大銘等翁家四兄弟分別擔任華隆集團與國華人壽負責人或董事，卻使用幾無殘值的抵押品偽造鑑價報告提高價值，再向國華人壽違法超貸，共計超貸新台幣 50 億元 (1 億 6666 萬美元)，另用轉手買賣裕昌公司土地方式虛增土地價值超貸 20 億元 (6666 萬美元)。臺北地方法院以 94 年度重訴字第 36 號案件判決被告梁清雄有期徒刑 5 年，國華人壽放款部人員 2 年以下不等有期徒刑。本案主嫌翁大銘於判決前死亡，共有 5 名被告因死亡為不受理判決，2 名被告尚通緝中。本件偵查檢察官俞秀端，公訴檢察官張安箴。



Mr. Weng Ming-Chang
Photo from National Central Library

The Hualon Conglomerate”

Mr. Weng Ming-Chang (翁明昌), Mr. Weng Da-Ming's (翁大銘) father, was a famous entrepreneur. He was involved in founding Chiahsin Cement Corporation (嘉欣水泥公司) in 1964, and later became its general manager. He sequentially became the managing director of Yihsin Textile Company (義新紡織公司), the president of Walshin Lihua Wire and Cable Company (華新麗華電線電纜公司), the president of Rebar Group (力霸集團), the president of Hsinhsin Chemical Fiber Company (鑫新化學纖維公司), and

the managing director of Hualon Company (華隆公司). In 1967, he set up Chiahsin Flour Plant (嘉新麵粉廠). In 1973, he founded Chiahsin Livestock Corporation (嘉新畜產公司) and Yihsin International Trade Corporation (義新國際貿易公司) and became the president of both companies. All the companies above together formed the Yihsin Business Conglomerate (義新企業集團).



As to Hualon' s history, in 1955, China Artificial Fiber Company (中國人造纖維公司) was established in Miaoli County. In 1957, this company made the first artificial fiber in Taiwan. In 1967, Japanese entrepreneur invested in the company' s compound fiber department and established Hualon Textile Company (華隆紡織公司), which manufactured silk and cotton. In 1977, Mr. Wend Ming-Chang came forward and merged the five artificial fiber companies into one. The remaining company was Hualon Textile Company; whereas Nylon Company (耐隆公司) and Guohua Chemical Industry (國華化學公司) became Zhonghe branch, Xinxin Chemical Fiber became Yingge branch, and Baocheng Chemical Fiber (寶城化學纖維公司) became Dayuan Branch. This merger was unprecedented and successfully gathered resources

together to benefit from scale economy. Hualon Textile Company too was subordinated to Yihsin Business Conglomerate. Mr. Weng Ming-Chang' s business empire was then quite completed.

Nevertheless, Mr. Weng Ming-Chang suddenly passed away in 1977. His eldest son, Mr. Weng Da-Ming, was only 27 and had too short of time to take over his father' s empire. At the same time, his father' s business partner, Mr. Wang You-Zeng (王又曾) and Mr. Jiao Ting-Biao (焦廷標) took advantage of his vulnerability and took over the empire. Mr. Weng Da-Ming only kept Chiahsin Flour Plant with its property of 8000 pigs.



Photo from United Daily News

Mr. Weng Da-Ming

The revenged prince”

Mr. Weng Da-Ming (翁大銘) was born in 1950. He was the eldest son among 7 siblings. He once studied in the Department of Banking, National Chengchi University. In 1977, upon his father’ s sudden death, he lost most parts of his father’ s business. Thus he decided to take back what he should have inherited. In 1978, he set up Chinese Security Investment Company (中華證券投資公司) and started to manipulate stocks to accumulate wealth. In 1979, he traded stocks and took over the Insurance. At the same time, Hualon Textile Company

(華隆紡織公司) had internal disputes and suffered from business downgrading. He then purchased loads of Hualon Textile Company (華隆紡織公司) stocks starting 1980. Two years later, he finally took back Hualon Textile Company. This is the famous history called The Prince’ s revenge.



After he took over Hualon Textile Company (華隆紡織公司), he did make the company enjoyed surplus profit after two years' operation. Later, he intended to expand globally thereto invest a textile factory in Hong Kong in 1982, established a subsidiary company in Malaysia in 1989, set up a textile factory in North Ireland in 1994, invested in an artificial fiber factory in Vietnam in 1995, founded the Hualon Company in the Czech Republic in 1995, and invested in the Japanese Textile Company in 1997.

While he focused on outside expanding, labor disputes within Hualon Textile Company made him gloomily resign from president in 1989. His younger brother, Mr. Weng You-Ming (翁有銘), replaced him as president and manager.

In June 1989, Taiwan Stock Market roared to 10000 points for the first time in 27 years. To this point, the Hualon Conglomerate (華隆集團, hereinafter, the Conglomerate), including Hualon Textile Company, the Insurance, Taiwan Agriculture and Forest Company (臺灣農林公司), Hualon Microelectronic Industry (華隆微電子公司), and Guohwa Security (國華證券公司), was estimated to have 150 billion NT dollars (i.e. 3 billion US dollars) in value. The Conglomerate became the number one enterprise in Taiwan. Mr. Weng Da-Ming (翁大銘) did make a comeback to his father's business empire and achieved even more.



Mr. Weng Da-Ming

Photo from December 07, 1992 China Times

However, in 1990, when Mr. Weng Da-Ming (翁大銘) sold his stocks of the Insurance to Ms. Zhang Jia-Yi (張家宜), daughter of the Minister of the Ministry of Transportation and Communications, for 120 NT dollars per share, while the market price was over 1000 NT dollars per share, Prosecutor Xu A-Gui (許阿桂) started investigation in illegality. During investigation, the president of Hualon Textile Company, Mr. Weng You-Ming, was detained for about a month. For this matter, he fled to Malaysia after his release and never came back. Two months later, Mr. Weng Da-Ming and other defendants were indicted.

This case was the first domino that devastated the Conglomerate.

During the trial, Mr. Weng Da-Ming was once detained for contempt of the court. Under rage, he announced to run for the legislators' election just one month before the end of the election in 1992. After winning the election, Mr. Weng Da-Ming formed a "Hualon Group" in the Legislative Yuan with Mr. He Zhi-Hui, Ms. Wang Su-Yun, Mr. Yu Mu-Ming, and 20 other legislators. His political and business influence strengthened at the time. However, at this glorious time, he was again involved in illegal stock trading of Hosheng Company (厚生公司) in 1992.

This case was the second domino.

In 1994, another illegal stock trading involving Honfu Security Company (洪福證券公司) broke out. The illegal fund was connected with the Insurance and inflicted on its market price and value.

This was the third domino.

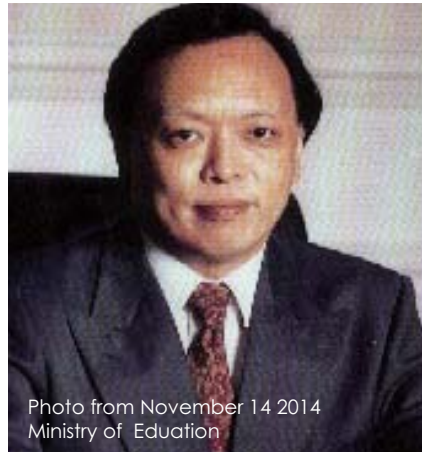
In fact, for too many years, the Insurance served as a private vault of Mr. Weng Da-Ming (翁大銘) to accommodate the fund demand from him, his family, his political and business connections, and the Conglomerate. After the abovementioned devastations, the Insurance swayed. Nevertheless, Mr. Weng Da-Ming still kept on squeezing money out of it by illegal loans as followed.



The embezzlement in a coat of Loan

Mr. Weng Da-Ming, Mr. Xiao Xin-Ming (蕭新民), Mr. Zhang Zhen-Song (張貞松), and Mr. Weng Yi-Ming (翁一銘) were presidents of the Insurance by sequence. After Mr. Weng Da-Ming and Mr. Xiao Xin-Ming stepped down from the president position, they were still directors of the Insurance and had factual influence on the company.

Starting from 1985, Mr. Weng Da-Ming employed five companies of the Conglomerate to loan 2 billion and 85 million NT dollars (i.e. 70 million US dollars) from the Insurance and were guaranteed by unlisted stocks of Yishin Company (義新公司). Mr. Weng Da-Ming and his youngest brother, Mr. Weng De-Ming (翁德銘), were jointly liable for the loan. However, the evaluation of the unlisted stock price was problematic and was only based on the trade between Mr. Song Zheng-Dong (宋政棟), the financial manager of the Insurance, and Yishin Company (義新公司). The trading parties had a conflict interest and the trading price was found unreasonably



Mr. Weng Yi-Ming

high. Nevertheless, the loan department of the Insurance deliberately ignored the suspicion but complied with President Weng's need. The loan was extended in 1995 but the guarantee was not reevaluated pursuant to its internal regulations. Yishin Company even withdrawn its corporate registration in 1997, in other words, the company was game over. Though acknowledging the fact, the loan department of the Insurance never asked anyone to return the money. Finally in 2001, the debt was announced as a non-performing loan.



Chiahhsing Livestock Corporation
Photo from Internet

Mr. Weng Da-Ming (翁大銘) cashed in 15 lands that belonged to Chiahhsing Livestock Corporation (嘉新畜產公司) in Zhonghe District of New Taipei County by trading it with Hualon Textile Company (華隆紡織公司) in 1985. Three years later, Mr. Weng Da-Ming employed the same method to cash in the land by trading them to the Insurance. Five months later, Mr. Weng Da-Ming again bought the land from the Insurance and paid 40 million NT dollars more.

Less than four years, Mr. Weng Da-Ming sold the land again back to the Insurance, but earned 1 billion and 365 million NT dollars (i.e. 45.5 million US dollars). Three years later, the Insurance sold them to Yuchang Company (裕昌公司) for 3 billion and 36 million NT dollars (i.e. 112 million US dollars).

Yuchang Company cooperated with Hwarui Company (華瑞公司, part of the Conglomerate) to build Zhonghe building, and got a loan from the Insurance guaranteed by the land. Mr. Weng Da-Ming used the same land to drastically escalate the value by trading them within the companies of the Conglomerate and cashed in money 12 times more than the original prices from the Insurance.

From 1997 to 1998, Mr. Weng Da-Ming was obviously in dire need of cash. He employed six companies within the Conglomerate to loan from the Insurance for 2 billion and 328 million NT dollars (i.e. 77.6 million US dollars). The guarantees Mr. Weng Da-Ming provided to the Insurance were real estates, which had been mortgaged to

other banks and were also over-evaluated by conspired estate assessors Mr. Zhang Shi-Ru (張世儒) and Mr. Hong Wen-Long (洪文龍). Moreover, the loaned money was not used for the purpose they proclaimed but used by Mr. Weng Da-Ming for himself, his family, and the Conglomerate. Not a penny was ever returned to the Insurance.

As the leader of the Conglomerate and the director of the Insurance, Mr. Weng Da-Ming was treacherous to embezzle money in the coat of loan and eventually crashed the Insurance and the Conglomerate.

The Investigation”



Mr. Weng Da-Ming
Photo from November 02, 2009 Liberty Times

In 1997, Hualon Textile Company (華隆紡織公司) stopped raising wages. In 1999, the company closed factories in Zhongli District and Zhonghe District and cancelled yearend bonus distribution. In 2001, the company's checks bounced and it was unable to pay up employees' salaries. In 2002, the company deducted its capital from 24.3 billion to 6.4 billion NT dollars. In 2003, the company's stock was off the market and was ordered by the court to seal its factories. To this point, the company literally stopped operating.

At the same time, Taipei District Prosecutors Office began to investigate in the companies' related loans. At the beginning of December of 2003, Prosecutor Yu Xiu-Duan (余秀端) directed Taipei City Branch of the Investigation Bureau of the Ministry of Justice to raid the Insurance and loan related companies. The accounting books and loan related materials were confiscated. Prosecutor Yu further subpoenaed witnesses and suspects to sort out the details.

Prosecutor Yu discovered that the Conglomerate was owned by four brothers of Weng' s family, Mr. Weng Da-Ming (翁大銘), Mr. Weng Yi-Ming (翁一銘), Mr. Weng You-Ming (翁有銘), and Mr. Weng De-Ming (翁德銘). They cross-held stocks of companies of the Conglomerate and controlled the board of directors of the Insurance and Hualon Textile Company. They used garbage assets, which were over-mortgaged and over-evaluated, to get loans from the Insurance. Since the Insurance was controlled by the Weng' s family, employees in the loan department couldn' t really perform their impartial function to scrutinize the loan applications. Eventually, Weng' s family embezzled 7 billion NT dollars (i.e. 233 million US dollars) from the Insurance. Prosecutor Yu indicted 16 defendants including the abovementioned 4 brothers, directors and managers of the Insurance and Hualon Textile Company, and loan department employees of the Insurance in June, 2005. Director Mr. Xiao



Shin-Ming (蕭新民) and ex-president Mr. Zhang Zhen-Song (張貞松) of the Insurance were indicted. Director Mr. Weng De-Ming and general manager Mr. Liang Qing-Xiong (梁清雄) of Hualon Textile Company (華隆紡織公司) were indicted. Prosecutor Yu accused them for breach of trust and forgery under the Criminal Law.

The extraordinary deferred Trial

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Mr. Liang Qing-Xiong

Photo from November 27, 2013 Apple Daily

The Taipei District Court received the case on June 21, 2005 and assigned it to the designated judge on the same day. Pursuant to the Criminal Procedure Law, the designated judge shall conduct pretrial proceedings to confirm prosecutor's indictment, defendants' arguments, and the evidence needed investigated in trial dates. However, this designated judge only summoned 13 pretrial hearings from June 21, 2005 to September 3, 2012. Within the long-preparing seven years, Mr. Ye

Zong-Xian (葉宗憲), Mr. Weng Yi-Ming (翁一銘), Mr. Chen Dong-Chen (陳東城), and Mr. Xiao Shin-Ming (蕭新民) passed away while waiting for trial. The designated judge also issued want warrants for Mr. Weng You-Ming (翁有銘) and Mr. Weng De-Ming (翁德銘) on September 27, 2007; and for Mr. Zhang Zhen-Song (張貞松) on July 25, 2011. Nevertheless, the case never went on trial during the pending seven years.



On September 3, 2012, a new designated judge was promoted to Taiwan High Court. The new judge was determined to finish the case. Therefore, he intensively scheduled 28 pretrial proceedings and 25 trial dates which subpoenaed 18 witnesses.

In the trial, five employees in the loan department of the Insurance and one assets assessor Mr. Zhang Shi-Ru (張世儒) pleaded guilty; whereas the main defendants, Mr. Weng Da-Ming (翁大銘) and Mr. Liang Qing-Xiong (梁清雄), pleaded not guilty. Defense counsel of Mr. Weng Da-Ming even utilized scorched earth policy by

arguing the admissibility of investigation statements made by Mrs. Huang Shou-Mei (黃壽美), the manager of loan department of the Insurance. The court intensively held 25 pretrial hearings in three months to examine all the recording tapes of investigation procedure of Mrs. Huang Shou-Mei. Although defendants tried their best to delay the trial, the court closed the case on January 8, 2015, and scheduled to announce the judgment on May 8, 2015.

At the closing argument, Prosecutor Mrs. Chang An-Chen (張安箴) condemned the main defendants, especially the Weng's family, for ignoring interest of the shareholders of the Insurance and the Conglomerate, disobeying the principal of Corporate Governance, indulging their greed harvested from public fund, and for finally crashing the Insurance. Prosecutor Chang therefore asked the court to sentence Mr. Weng Da-Ming (翁大銘) to 12 years' incarceration, Mr. Liang Qing-Xiong (梁清雄) to 10 years' incarceration, and Mr. Hong Wen-Long (洪文龍) to 2 years' incarceration. Other defendants who pleaded guilty should be sentenced based on their wrongdoings and attitude after committing crimes.

On March 6, 2015, just two months before sentencing, Mr. Weng Da-Ming was found dead in sauna chamber at home.

Had his deferred strategy work or not? This may only be answered by God.

On May 8, 2015, the district court sentenced Mr. Liang Qing-Xiong to 5 years' incarceration, Mrs. Huang Shou-Mei (黃壽美) and her colleagues in the loan department to 1.6 to 2 years' incarceration, Mr. Zhang Shi-Ru (張世儒) to 10 month incarceration, and Mr. Hong Wen-Long to 1 year incarceration. The court dismissed the case against Mr. Weng Da-Ming, Mr. Weng Yi-Ming (翁一銘), Mr. Ye Zong-Xian (葉宗憲), and Mr. Xiao Shin-Ming (蕭新民) due to their death before sentencing. Mr. Weng You-Ming (翁有銘), Mr. Weng De-Ming (翁德銘) and Mr. Zhang Zhen-Song (張貞松) are still on the court's wanted list as of today.

The case is now pending in Taiwan High Court.

The Consequences”

As Hualon Textile Company (華隆紡織公司) fallen, the Insurance shared the same fate to be withdrawn from public listing in 2003. With too much non-performing loan, the financial status of the Insurance was deteriorating.

However, it never rains but pours.

In 2006, the President of the Insurance, Mr. Weng Yi-Ming, passed away. His too-young-to-be-experienced daughter, Ms. Weng Shi-Chia inherited the president position. Unable to rescue the Insurance, she soon resigned and the former president of the Control Yuan, Mr. Chen Lu-An took over the position in 2008. At the time the net value of the Insurance was minus 18.5 billion NT dollars (i.e. minus 0.6 billion US dollars)¹. Mr. Chen aggressively invested in the stock market with an intention to leverage profit for the Insurance. Unfortunately, the global financial crisis in 2008 crumbled stock markets around the world and worsened the debt of the Insurance.



Photo from
April 24, 2008 Apple Daily

Ms. Weng Shi-Chia

¹ See http://www.wealth.com.tw/article_in.aspx?nid=537

On August 4, 2009, the Financial Supervisory Commission announced to take over the Insurance. At this time, the net value of the Insurance was minus 57.9 billion NT dollars (i.e. minus 1.93 billion US dollars). The Insurance was the first insurance company ever taken over by the government in 40 years.

In 2012, Transglobe Life Insurance Company (全球人壽保險公司) bid for the Insurance and won. Until then, the net value of the Insurance was minus 75.3 billion NT dollars (i.e. minus 2.51 billion US dollars). The Taiwan Insurance Guarantee Fund had to pay 88 billion and 368 million NT dollars (i.e. 2 billion and 946 million US dollars) to the bidder.

Weng' s family business empire ended up to be taxpayers' nightmare. And yet, no one from the Weng' s family was punished for whatever was deserved.



Photo from February 22, 2016 Apple Daily

Transglobe Life Insurance Company



QUOTE FROM PROSECUTOR

Yu Xiu-Duan

When I investigated this case, the most difficult breakthrough was to prove the evaluation reports made by some defendants were incorrect and improper. At the time, we didn't have expert examiners on real estate evaluation; therefore, I had to go through real estate information and even on-site check to satisfy my burden of proof. Now, with the assistance from expert examiners on real estate evaluation, I believed it would be a lot easier for prosecutors to prove the illegality. I also felt struggled when deciding to indict employees in the financial company, for I could sympathize their vulnerability when receiving illegal loan orders from the boss. However, I overcame my sympathy to indict them to show the society an example. At last, I never read newspapers when I investigated a crime to avoid unnecessary influence from the press.



行天宮

天也可協
人可成
威震八

廟心象
萬寶
綿常
史節
顯靈

恭奉義
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Hsing Tian Kong , Taipei
Photo from Sweet Dumpling Studio