



# Supreme Prosecutors Office

## News Release

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With regards to allegations that funds advanced for the national security secret account "Project O" were misappropriated and transferred to the Taiwan Research Institute ("TRI Case"), the Special Investigation Division of the Supreme Prosecutors Office has concluded investigations in the case on June 30. The defendants – former President Lee Teng-hui and Liu Tai-Ying – are indicted as co-offenders for the offenses of misappropriation of public property and money laundering.

Summarized facts of the indicted offenses are as follows: In response to legal reforms in 1994, the former director of the National Security Bureau, Mr. Yin Zhong-Wen (deceased), had obtained the approval of former President Lee Teng-hui to consolidate the leftover funds from various earlier projects of the Bureau into the "Feng Tian Project" fund; interest accrued on the fund was available for utilization, but the principal could be drawn upon only with the approval of the President. When former President Lee visited a certain country in May 1994 during his presidency, he had agreed to donate US\$10.5 million to the ruling party of said country for the purpose of consolidating the friendship between the two countries. As the budget of the Ministry of Foreign Affairs did not have funds for the donation at the time, the former Minister of Foreign Affairs, Chien Fu, had coordinated with Yin Zhong-Wen – the director of the National Security Bureau at the time – to use the principal from the "Feng Tian Project" to advance NT\$282,043,860 (converted to US\$10.5 million; coded "Project O" for secrecy purposes). In order to make up for the advance to Project O from the Feng Tian Project, Yin Zhong-Wen applied for the approval of former President Lee each year to re-direct the remainder from budgeted funds of the National Security Bureau from 1995 to 1997 that were not paid back to the National Treasury, totalling NT\$192,635,000, to the Feng Tian Project fund. Therefore only a shortfall of NT\$89,408,860 remained in the Feng Tian Project fund.

Subsequently Liu Tai-Ying proposed to found the Taiwan Research Institute, in imitation of Japan's Nomura Research Institute. However, said Institute had a funding requirement of more than NT\$470 million during its preparatory stage. Former President Lee, in order to assist the TRI to raise the funds for purchase of premises as soon as possible, had consulted with Liu Tai-Ying and the former National Security Bureau director Yin Zhong-Wen in 1998 to recover the advance for Project O. The Ministry of Foreign Affairs fully reimbursed the US\$10.5 million in 1999; after making up the shortfall of NT\$89.4 million, Xu Bing-Qiang, the Chief Accounting Officer of the National Security Bureau, converted the remainder of US\$7,797,193 public funds into 7,500

travelers checks of US\$1,000 denomination and US\$297,193 in cash, and personally delivered them to Liu Tai-Ying. Liu Tai-Ying retained US\$150,000 travelers check and US\$297,193 cash for his personal use, and then laundered the remaining funds via the unknowing responsible person of the Ruentex Group, Yin Yen-Liang. Yin Yen-Liang then illegally transferred the funds to the TRI on the pretext of a "donation". Liu Tai-Ying then used the funds for purchases of stocks and funds, as well as paying costs incurred by the TRI in purchase of the premises, decorations, and personnel expenses.

The prosecutors of the SID have now concluded investigations of the defendants in the case, former President Lee Teng-hui and Liu Tai-Ying, and have indicted both as co-defendants for misappropriation of public property under Article 4, Paragraph 1, Subparagraph 1 of the Anti-Corruption Act and for money laundering under Article 11, Paragraph 1 of the Money Laundering Control Act. Liu Tai-Ying is also indicted for being an accessory to evasion of taxation under the Tax Collection Act, and forgery of documents under the Criminal Code. The Indictment stated that the defendant Lee Teng-hui, having been the head of the country and commander of all public officials, should have been an example to all public officials as well as members of the public; instead he had acted in complete disregard of the country's legal system, and had misappropriated and laundered leftover public funds of US\$7,797,193 reimbursed from Project 0 for personal use, and had continued to deny and produce excuses for his offenses without any sign of remorse. In consideration of his advance age and his contributions to the country, the prosecutors have sought the appropriate sentence. Yin Yen-Liang's suspected violation of the Tax Collection Act has been separately transferred to the Taipei District Prosecutors Office for further investigations and prosecution.