



Supreme Prosecutors Office News Release

Released on: December 25, 2012
Released by: Special Investigation Division

The Special Investigation Division (“SID”) of the Supreme Prosecutors Office has been investigating alleged violations of the Anti-Corruption Act by former Minister of Finance Yen Ching-chang, on the basis of a complaint lodged by a member of the general public. The prosecutor has found no evidence of illegalities, and has accordingly concluded the investigations on December 21, 2012. The investigation report states the following:

1. The gist of the complaint was: The Pacific Construction Group (“PCG”) had sustained serious damage during Typhoon Nari. The general manager of Pacific Construction Co., Ltd. (“PCC”), that is the defendant Zhang Chi-ming, therefore had the defendant Li Heng-long refer him to former Deputy Secretary-General to the President, that is the defendant Chen Zhe-nan, who then instructed former Minister of Finance Yen Ching-chang to illegally provide a relief fund of tens of billion dollars, which seriously affected the national treasury. Subsequently the defendant Yen Ching-chang was assigned as a member of Taiwan’s delegation of representatives to the WTO, and during his term of office he spent \$500 million on the purchase of a castle in Europe; said \$500 million was clearly partial kickback for the aforementioned relief fund. The complainant therefore believed that the defendant Yen Ching-chang was guilty of dereliction of duties, acceptance of bribes, and corruption.
2. Investigations show that the PCG had incurred losses in September 2001 due to poor management, as well as business suspension of its Pacific Department Stores for several days during Typhoon Nari. The Group had indeed sought assistance from a consortium of banks, which temporarily relieved its financial difficulties, but could not completely resolve them. The Group was also troubled by a number of disputes arising from its business divisions and shareholding transfers. After reviewing and carefully studying indictments and judgments relating to the PCG, it was found that the defendant Li Heng-long did refer the defendant Zhang Chi-ming to visit defendant Chen Zhe-nan, then Deputy Secretary-General to the President, at the Presidential Office on October 8, 2001; on the same afternoon the defendant Chen Zhe-nan had accompanied Zhang Chi-ming on a visit to the Ministry of Finance to visit then Minister of Finance, the defendant Yen Ching-chang. Yen had agreed to assist him by holding a PCG relief meeting on the October 15. However, said relief meeting was to provide the PCG and the creditor banks with a “communication platform”, so that the creditor banks and PCG could undertake their own negotiations regarding the method and timing for repayment of PCG’s loan. These circumstances were clearly described in the testimonies by the defendants Zhang Chi-ming and Yen Ching-chang as witnesses, and according to the witness Li Yong-shan (then chairman of ICBC) and Zheng Ming-zhong (then deputy general manager of the Cooperative Bank) during investigations for the Taipei District Prosecutors Office cases 95-Year Zhen-Zi Nos. 12421 and 13917, and during the hearings for the Taipei District Court case 95-Year Zhu-Zhong-Su-Zi No. 3. The witness Zheng Ming-zhong had clearly testified that: the relief meeting was to enable the applicant to fully explain

to all attending financial institutions its financial situation and requested conditions; each bank would then submit the matter for consideration and approval by its board of executive directors, before notifying the largest bank creditor; if the aforementioned conditions were met, the applicant would be notified in writing and a copy would be sent to the Ministry of Finance for approval, as evidenced by the photocopy of ROC Bankers' Association Self-disciplinary Claims and Debts Negotiation and Agreement Procedure, as well as the indictments and judgments in the aforementioned cases, and the Taiwan High Court Judgment 97-Year Zhu-Shang-Yi-Zi No. 1 on file. The SID has also reviewed the files for the Taipei District Prosecutors Office case 98-Year Ta-Zi No. 5139. Based on the process described above, the issues of whether PCG would receive relief funding and under what conditions were still subject to negotiations between said Group and the creditor banks. The Ministry of Finance had no powers to intervene, and in any case the defendant Yen Ching-chang had left his office as Minister of Finance on February 1, 2002. As the aforementioned relief meeting did not completely resolve its problems, PCG subsequently requested the involvement of Lin Hua-de, the chairman of International Bills Co. to undertake step-by-step division of its business entities, conduct debt negotiations, discuss possibilities for extension of relief funding, and ultimately control by the Far Eastern Group. By then the defendant Yen Ching-chang was no longer the Minister of Finance and certainly could not be involved. It is therefore difficult to find the defendants guilty of corruption and other offenses, merely on the ground of the PCG having temporarily received relief funding from the creditor banks.

3. It was also found that the defendant Yen Ching-chang was a member of Taiwan's delegation permanently posted to the WTO from 2002 to 2005, and the delegation did purchase an official residence during this period. After requesting for relevant information from the Ministry of Foreign Affairs, it was found that in 2002 said Ministry had obtained the Executive Yuan's approval for purchase and refurbishing of a residence for the position of the head of the permanent WTO delegation. On November 21, 2003 the representative Yen Ching-chang had signed the purchase agreement for the residence, title being registered in the name of the registration. The purchase price was 7.2 million Swiss Francs (1.44 million Swiss Francs having been paid by check on July 22, 2003, with the final payment of 5.76 million Swiss Francs being paid by wire transfer on November 20, 2003); 300,000 Swiss Francs was then expended in purchase of various ancillary facilities, lighting, curtains and for refurbishing costs (paid by checks of 150,000 Swiss Francs each on October 14 and November 18, 2003); total costs were therefore around 7.5 million Swiss Francs, equivalent to US\$6,032,826.10. The related costs were paid from the Ministry of Foreign Affairs' constructions budget, as evidenced by the Ministry of Foreign Affairs Letter Wai-Tiao-2-Zi No. 10101127020 dated August 28, 2002, Letter Wai-Tiao-Fa-Zi No. 10125007680 dated September 19, 2002 with a photocopy of the property transaction agreement, a photocopy of the transaction contract, and a photocopy of the property registration record. It can be found that the defendant Yen Ching-chang had purchased the property using official funds in his role as a member of the permanent delegation to the WTO, for use as the residence of the head of the delegation; the purchase was not a private purchase. Furthermore, the actual cost of purchasing said residence (including refurbishing and purchase of other facilities and items) converted to around NT\$200 million. The allegation in the complaint that the defendant Yen Ching-chang spent NT\$500 million illegitimate funds in purchasing an European castle was clearly inconsistent with the facts.

4. Finally, after viewing the defendant Yen Ching-chang's public servant property declaration information for the years that he served as the Minister of Finance and during his posting as a member of Taiwan's delegation to the WTO, the SID has found no apparent irregularities, as evidenced by said declaration information on file. One cannot find him guilty of any illegal violation.
5. Based on the above, the complainant's unilateral accusations were inconsistent with the facts, and no positive facts or evidence of such alleged offenses could be found in respect of the defendant. The matter is therefore concluded as set out in syllabus above.