

TAIWAN TAICHUNG DISTRICT PROSECUTORS OFFICE



Press Release

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Taichung District Prosecutors Office Concluded the Investigation into Case of Suspicious Money Laundering Involving ACE and Other Companies and Initiated the Public Prosecution

The Taichung District Prosecutors Office (“the Office”) investigated ACE Digital Innovations Co., Ltd. (also known as ACE Exchange, hereinafter referred to as "ACE") and its reinvested Fuhai Digital Innovation Co., Ltd. ("Fuhai") on suspicious money laundering and other cases. After the investigation by the prosecutors was completed, it was found that 7 persons, including the founder of ACE—defendant Pan, the chief strategy officer—defendant Zhan, the person actually in charge of Fuhai—defendant Xu as well as Fuhai’s registered nominal representative, system engineer, and compliance personnel who are defendants You, Yang, Liu and Lu, are suspected of violating the Organized Crime Prevention Act, Article 3 governing the offense of hosting or participating in an organized crime, violating the Criminal Code Article 339-4, Paragraph 1, Subparagraph 2 governing the crime of jointly defrauding and obtaining money by three or more people, and violating Money Laundering Control Act (“the Act”) , Article 2, Subparagraphs 1 and 2. The Office confirmed that the said suspects were guilty of money laundering and other crimes punishable in accordance with Article 14, Paragraph 1 of the Act, thereby initiated a public prosecution in the court.

As the findings of investigation revealed, the defendant Pan and the others used the "Alfred Wallet" APP created by Fuhai, sold "A+Card" virtual currency stored-value cards to engage in offline over-the-counter transactions of virtual currency, and cooperated with fake investment fraud gangs. The fraud gangs firstly created investment groups on Facebook,

LINE and other social media to promote investment fever, pretending that investing in virtual currencies could obtain considerable returns. People could purchase Tether from a specific currency dealer and then transfer it to the designated wallet address of their investment accounts. Taking advantage of the public's trust in physical store purchases, the fraud gangs designated the victims to go to the physical store of the dealer operating "Alfred Wallet" under Fuhai Company. The store staff assisted the victims in using the "A+Card"—virtual currency stored-value cards and storing Tether into the "Alfred Wallet". The defendant Pan and the others used the operation mode of the custodial wallet for "Alfred Wallet". The currency transfer was confidential and could not be publicly queried in the public ledger of the blockchain. They used the features of the system to assist illegal gangs in committing the crime of fraud and money laundering: By the system, they could directly change the users' wallet address from the backstage, and control and dispose of the amount of virtual currency in the users' wallets (could transfer the victims' virtual currency without authorization), but the judicial authorities could not obtain the KYC information of users of the Alfred wallet system, and could not trace illegal money flows. Later, as the victims successively requested to withdraw money, the members of the fraud gangs gave excuses or refused to respond, citing order errors, account problems, the need to pay taxes or deposits, illegal transactions resulting in account freezes, and the need to pay fines before withdrawing money, or even shut down the investment website system. The victims could no longer log in to the investment website, and then they realized that they had been deceived and that what they could do was to call the police to handle.

After the Office received the report, immediately Prosecutor Fu-Jun Zhang was assigned to direct the prosecutor investigators of the Serious Case Support Center of the Office, the Fraud Center of the Criminal Police Brigade of Taichung City Government Police Department, Taichung Investigation Branch of Investigation Bureau, Ministry of Justice, and the Special Police Fourth Headquarters of National Police Agency, Ministry of

the Interior as well as other units to actively investigate and handle the case. Meanwhile, five prosecutors from the Office including Jia-Ye Hong, Xie-Quan Lai, Lian Li, Yuan-Jun Tu and Min-Yan Dai were assigned to provide assistance in the investigation and handling. Currently, there are 162 victims found during the investigation, and the amount of fraud or money laundering is as high as NT\$342,362,377. The Office launched 7 waves of searches, and applied for detention and holding incommunicado of three defendants who are You, Zhan and Xu. The application has been approved. The prosecutors concluded the investigation, and initiated the public prosecution against the 7 defendants including Pan, the founder of ACE for their aggravated fraud, money laundering and other crimes, fully violating the Organized Crime Prevention Act. The Office claimed that the defendants hereto should be given a harsher sentence, requesting the court to take into account that the number of victims was as high as more than one hundred, that the victims' amount was as high as more than NT\$340 million, and that the malignant crime has seriously endangered the social and financial order. Furthermore, in response to the prosecutors' petition filed during the investigation for seizing the property of the 7 defendants with respect to their illegal gains, the court has seized the virtual currencies which may be converted to NT\$3.48 million approximately, the defendants' real estate with a current value of NT\$27.5 million approximately, deposits of NT\$140,000, and NT\$485,000 in cash. Along with the public prosecution, the prosecutors petitioned the court to declare the criminal proceeds of the 7 defendants to be confiscated.

The Office calls on the public to be more vigilant against such claims that high returns can be obtained by investing in virtual currencies on the Internet, so as to avoid being victimized by fraud. The Office will continue to strictly investigate and deal with illegal fraud cases to maintain social order and protect the safety of people's property.