03

LICENSE TO DEAL

Sometimes when I hear the loud roar of an engine, I am back in Macao climbing awkwardly into the sidecar of a motorcycle. The drivers wore uniforms and Ah Ma,[1] with three little ones, had been invited to afternoon tea with His Excellency, the Governor of Macao. Sister[2] and I sat in one vehicle and mother, Father, and fourth brother Wing Sum (J.S.) squeezed into a second one. It must have taken all of ten seconds to roar down our hill to the Praya Grande,[3] then along the water's edge to the Governor's Mansion.

Ansie Lee Sperry, *Running with the Tiger*, occasion circa 1918

Soon after Lee Hysan entered the opium business in Hong Kong, he applied for a gun license from the police, most likely out of consideration for personal safety. The gun license, issued on September 6, 1912 by the Captain Superintendent of Police, specified that Lee Hysan, manager of Seang Taik Hong at 33 Des Voeux Road West, was allowed to possess a Browning pistol and 100 rounds of ammunition.[4]

It was a politically tumultuous time in China: the Qing Dynasty had just collapsed, and, in the newborn Republic of China, policies were volatile. Meanwhile, in Hong Kong and Macao, selling and smoking opium were still legal, but their governments awarded licenses to only a very limited number of firms to trade opium, and those companies that wished to enter the trade had to bootlick the colonial authorities and attempt to win a bid for the license. Once awarded one, they were subjected to periodic taxation. However, the oligopoly meant that profits were enormous; competitions for the highly-coveted licenses were therefore fierce, and the overall industry became very dangerous. In addition, it was up to the licensed dealers to ensure the cities' constant supplies of opium — handling the international transfer of funds, shipping the goods, clearing customs, etc. were all part of the responsibility of the dealer and required proficiency in English. Lee Hysan was bilingual, so he did hold a certain advantage over other dealers, but in order to pool together the significant amount of money necessary to secure the license, he had to partner with other affluent businessmen, particularly his fellow Sze Yap villagers Ma Chee Lung and Ma Tsui Chiu.

Ma Chee Lung and Ma Tsui Chiu were both from Baisha, Taishan in Sze Yap and were in fact related to each other. Being also close business associates, they co-founded an old-style banking house in Guangzhou called the Ng Chow Money Shop, which was famous among the overseas Sze Yap people. Ma Tsui Chiu also owned a business called the Kung Yau Yuen Silk Firm which sold silk products, but he profited mainly off helping people remit money from North America and providing agency services such as arranging for Chinese laborers to work abroad, much like the business of a *kam shan chong* (Lee, 2014: 43–45). Kung Yau Yuen Silk Firm was situated at 249 Queen's Road Central (ibid.: 53), a stone's through from the Lees' Lai Cheong Loong at number 202. Therefore, the Mas and Lees must have known each other for a long time. Lee's subsequent partnership with the two Mas to found Yue Hing Company Ltd. after he joined the *nam pak hong* business could be seen as an act of extending and reinforcing his Sze Yap network.

❖ Early days of dealing opium ❖

When Yue Hing was established on April 26, 1912, it issued 2,000 shares at $100 per share. There were eight main shareholders, including the two Mas, Lee Hysan himself, as well as Gu Yanchen and Liang Jiansheng. Of the eight shareholders, Lee Hysan held only a minor 20 shares; in turn, he appeared to have come to an agreement with the two major investors — the Mas — that he would manage the company's daily operations. Thus — as shown in the court documents when Yue Hing was wound up in 1914 — Lee Hysan was the managing director responsible for dealing with company affairs, and Ma Chee Lung was the manager; the company's principal business was buying and selling raw opium and running other opium-related enterprises, and, right off the start, it stockpiled as many as 212 chests of opium.[5]

Yue Hing was a *kung pak hong* (公白行): a *kung pak hong* was a company that traded both raw and cooked opium. The first Cantonese character *kung* referred to black opium (*kung pan tou*, 公班土) that had already been cooked and processed. The second character *pak* referred to raw, uncooked opium known as *pak nai* or *pak tou* (literally "white soil", because the juice collected from opium poppy is milky white, but becomes dark brown once condensed) (Xia, 1989: 78–80).[6] The third character *hong* simply meant a firm or company. The price of cooked opium, after being processed, naturally exceeded that of raw opium, but most *kung pak hongs* in Hong Kong and Macao sold mainly raw opium, largely because they were able to import raw opium from India or Persia and transport it directly into the Chinese mainland for profit.[7]

Though legal, the *kung pak hong* business was nonetheless laden with moral issues and was therefore stigmatized: first, smoking opium had profound, multigenerational impact on the health of the smokers and their families; second, opium was the culprit that caused disputes between China and Britain, culminating in the Opium War of 1839–1842 and resulting in China gradually relegating into a semi-colony of the great powers; third, opium smoking was quickly spreading across the world — by the late 19th century, not only was opium widespread in China, it had followed Chinese laborers to Southeast Asia, southeastern Australia, the west coast of the U.S. and even Peru.

In early 1913, less than a year after the establishment of Yue Hing, Lee Hysan became a director of Tung Wah Hospital.[8] He ranked seventh in the fifteen-member Board of Directors from early 1913 to early 1914,[9] and his new status as an opium dealer was confirmed through his declaration of association with Yue Hing (Tung Wah Group of Hospitals, 2000). In the early years, many directors of Tung Wah Hospital were

proprietors of *kung pak hongs*.[10] However, from 1916 onwards, *kung pak hong* owners were clearly embarrassed about the stigma around opium and consciously avoided identifying themselves as its dealers. On the Hospital's list of directors, they disguised themselves as *yinshang* (literally, wealthy businessmen), even though their opium business was not illegal (Xia, 1989: 83). Ma Chee Lung and Ma Tsui Chiu, who served as chairman of Tung Wah Hospital in 1924 and 1925 respectively, were both evasive about their opium dealing background.

Nevertheless, a global anti-opium movement had been gaining momentum since the start of the 20th century. In February 1909, the first International Opium Commission was held by the U.S. in Shanghai and was attended by representatives from thirteen countries.[11] In December 1911, twelve of those thirteen countries reconvened in the Hague, and in the following January they signed the 1912 Hague International Opium Convention to stipulate the manufacturing, sale and use of cooked opium, morphine, heroin,[12] cocaine and other derivatives be limited to medicinal and legitimate purposes only; the Convention came into effect on June 25, 1914. Among its first signatories were Great Britain and its overseas territories (i.e., including Hong Kong), Portugal (the suzerainty of Macao) and Persia (one of the opium-producing regions). However, the British also deliberately excluded from the Convention British India, the most important source of opium supply.[13]

In its dying years, the Qing court also attempted to eliminate opium consumption: In 1906 (32nd year of Guangxu), it issued an edict declaring its intention to prohibit opium throughout the entire country within ten years. In 1907, its Ministry of Foreign Affairs negotiated with the British minister and signed the Anglo-Chinese Opium Agreement consisting of six articles. It was agreed that, first and foremost, the 1908 amount of opium exported from India to China was to be fixed at 51,000 chests;[14] from then on it was to be reduced by a tenth each year, down to zero by the end of 1917. The fourth article of the Agreement pertained to Hong Kong — cooked opium made in Hong Kong was not to be exported to China; both sides also had the responsibility to not only prevent opium from being smuggled in, but also to declare and outlaw cooked opium from being transported across the border between Hong Kong and China (Yu, 1934: 120–121). Although the Agreement was supposed to last for ten years, it was initially enforced on a trial basis for three years. At the end of the trial period, in 1911, Britain had to verify that both the domestic production of opium in China and the number of Chinese smokers had decreased before continuing to adhere to the Agreement until the end of 1917.[15] On May 8, 1911, as China had shown a great deal of accomplishment in banning opium, the British updated and expanded the Agreement with China to ten articles. Of which, Article 3 stated that if a province had prohibited opium cultivation and no longer permitted opium from being imported from other

© Group photo of the Board of Directors of Tung Wah Hospital in 1913, fifth from the left is Lee Hysan

provinces, then Indian opium should not be imported into that province either. The article also specified that the two treaty ports of Guangzhou and Shanghai were to be last to ban Indian opium before a full prohibition came into effect (Yu, 1934: 121–122).

Despite what determination to ban opium was shown, it was too late for the Qing court. Revolution broke out on October 10, 1911 and quickly spread across the country. On New Year's Day, 1912, Sun Yat-sen was inaugurated as the provisional president of the Republic of China in Nanjing, and he issued a strict ban on opium (Yu, 1934: 152). However, Sun's presidency was short-lived, and the ban achieved very little. On March 10, 1912, Yuan Shikai, who had a hand in forcing the last Qing emperor to abdicate, was sworn in in Beijing as the second provisional president of the Republic.[16] This was just one month before Lee Hysan and his associates established Yue Hing.

Although Yuan continued the anti-opium policy of the late Qing, political turbulence in the early Republican years prevented its full implementation. On March 20, 1913, the Kuomintang's candidate for premier Song Jiaoren was assassinated in Shanghai, and Yuan was accused of masterminding the act. In response, Sun Yat-sen launched another coup in July but failed to overthrow Yuan. At the end of 1915, Yuan reintroduced monarchy to China and installed himself as emperor, which led to the National Protection War. In March 1916, facing widespread opposition even from his closest supporters in the Beiyang Army, Yuan formally reverted the country back to a republic, but soon died of illness in June that same year,[17] leaving behind a significantly weakened central government and a fragmented political landscape. Yuan's successor, Li Yuanhong, was powerless to stop the country from being torn apart by warlords. To quickly raise funds for their armies, many of these warlords connived at or even encouraged the cultivation of opium poppies within their territories, from which they intended to levy tax; the opium ban therefore fell into obscurity (ibid.: 177). In July 1917, Sun Yat-sen formed a military government in Guangzhou to counter the Beiyang government in Beijing. With the country ripped apart by warlords and two governments locked in a stalemate for legitimacy, early Republican China was dominated by a series of political and economic turmoils, which must have impacted Lee Hysan's opium business even though his dealer licenses were issued by Hong Kong and Macao.

Nevertheless, despite failing to effectively ban the smoking and selling of opium, the Republican government's missions to prohibit opium cultivation and importation were somewhat successful. According to Article 3 of the 1911 (updated) Anglo-Chinese Opium Agreement, by the end of 1917, the cultivation of opium poppy had been legally banned throughout China, so Britain was obligated to stop exporting Indian opium to China from 1918 onwards (ibid.: 163). However, following Yuan's 1916 death, as opium consumption returned, its cultivation and smuggling surged. The situation was

described by Yu Ende in his book *Evolution of China's Anti-Opium Laws*:

> *Thus in the sixth year of the Republic of China (1917), despite China's complete ban on opium cultivation and compliance with the Anglo-Chinese Opium Agreement, opium poppies soon resurfaced, and opium smuggling became rampant. As the cities of Dalian, Jiaozhou, Qingdao, Macao and Hong Kong still practiced opium monopoly, they enabled the flow of opium to various parts of China again. This resurgence was primarily due to power struggles among the warlords. (Yu, 1934: 177)*

The presence of the foreign powers' leased territories, concessions[18] and colonies of Hong Kong and Macao along China's coast made it especially difficult for the Chinese government to carry out any anti-opium campaign. For example, by 1913, Shanghai still had an opium stock of around 13,000 to 14,000 chests, and the number of opium shops in the Shanghai Concessions had increased substantially; in 1914, 13,213 chests of opium were scheduled to be shipped into China, which the Chinese National Anti-Opium Society tried to halt but failed (Yu, 1934: 164).

Yue Hing's establishment, as subsequent court documents would show, was indeed linked to the opportunity that presented itself during these turbulent times — the regime change in China, the strict ban on opium that Sun Yat-sen declared, and the ongoing political volatility all caused the price of opium to plummet at first, but within two months when Yuan succeeded Sun as provisional president, there was little clarity on China's opium policy, and Lee Hysan and his partners took a chance on opium prices rebounding; they founded Yue Hing as a speculative venture and quickly hoarded opium. As they anticipated, the price of opium in Hong Kong did begin to rebound, reaching $2,800 per chest in early 1913, and, by mid-1914, had soared to $10,000 per chest. It is not difficult to imagine how the 212 chests of opium, which Yue Hing stockpiled right at the beginning using its $200,000 of capital (bought at $943 per chest at most) expanded in value and brought huge profits to the company.[19]

❖ Purchasing land to build houses ❖

Within two years, Lee Hysan had profited handsomely from the highly volatile opium trade, and in 1914, as he understood the importance of diversifying his investments, he began buying up real estate properties as well as that piece of land where Dai Uk was to be built. Another reason that prompted him to buy properties was a lawsuit that he had been embroiled in since March 1914 — he needed to allow for the possibility of

losing the case, and take precautions accordingly to protect his assets, both for himself and for his family. Moreover, the outbreak of the First World War in Europe in July 1914 was impacting Hong Kong's economy, which, while it represented financial woes for many, presented a good opportunity for property investors with spare cash at their disposal. Furthermore, since the 1911 Revolution, political turmoil and social unrest in Guangdong had driven many affluent families to flee to Hong Kong. Unlike previous waves of population influx into Hong Kong, which were mainly composed of single male workers, this current wave comprised whole families who brought their wealth with them (Sinn, 2017: 198) and resulted in a growth of Hong Kong's population by 37% between 1911 and 1921 (Ting, 2017: 132). This population boom induced an urgent demand for housing and caused rent to skyrocket, creating a favorable situation for property investors. Nevertheless, for Lee Hysan, he did not have enough financial fundamentals back in 1914; it was only in 1919, following the expansion of his opium business, that he began to buy up large amounts of properties and shares in public companies.

A list of properties owned by Wong Lan Fong, dated January 1, 1931, showed that the land where Dai Uk was to be built, and the three-storey building of Lai Cheong Loong, were both purchased on June 30, 1914. They were located at 32 (later changed to 74) Kennedy Road and 202 Queen's Road Central, respectively. Lee Hysan initially bought 32 Kennedy Road under his name, and it was probably the first property that he owned.[20] The land, as well as Dai Uk, was inherited by Wong Lan Fong only after Lee Hysan's assassination in 1928; 202 Queen's Road Central on the other hand, was always under Wong's name.[21] On June 30, 1914, through the law firm Wilkinson & Grist,[22] Wong "fully authorized" her husband to handle her assets on her behalf.[23] In the years that followed, Lee Hysan purchased more properties and shares in public companies under Wong's name.

Wong Lan Fong listed nineteen matters in detail for her power of attorney authorizing Lee Hysan to manage all her assets.[24] On March 29, 1920, she signed a supplementary document adding Lee Hysan as her legal agent,[25] enabling him to manage her rental properties and financial securities.[26] Many years later, Vivienne Poy also mentioned that Lee Hysan would buy properties under Wong's name, an indication that he had complete trust in her:

> *Rebuilding the family business after the war was a slow process. To start with, many of the property records had been lost. Father [R. C. Lee]'s first secretary after the war, Violet Kong […], used to follow Father to the Land Registry Office to look for the original records. Father's Eighth Uncle (a cousin of Grandfather [Lee Hysan]) worked there and was able to help. However, the work was complicated by the fact*

◎ Lee Hysan with Wong Lan Fong and their children at the dining room of Dai Uk (from left: Amy Lee, Joyce Lee, Lee Jung Sen, Wong Lan Fong, Lee Hysan, Lee Ming Hop, Lee Wing Kit and Dione Lee)

> *that the properties had been registered under different names by Grandfather when he purchased them. Some were in Grandmother's name, others under the names of Lee Hysan Estate Company or Lee Cheuk Yu Tong, the latter being the collective name representing all of Grandfather's descendants. (2006: 171)*

As mentioned, Lee Hysan lived with his family first on the second floor of 75 Bonham Strand West, then on the second floor at 204 Queen's Road Central. However, between 1894 and 1923, as the bubonic plague raged on and sanitary conditions were poor, Lee Hysan moved his family to Macao (in 1910) to protect especially the children from the epidemic, while he alone remained in Hong Kong. Thus for a period of time, he had to commute between Hong Kong and Macao to juggle family and business matters (Sperry, 2009: 9, 14; Poy, 2006: 64). In 1914, he purchased the land at 32 Kennedy Road, Wan Chai, and spent more than four years carefully planning and building Dai Uk. During that time, he lived temporarily at the nearby 17A Kennedy Road.[27]

Lee Hysan's extant correspondence suggests that construction for Dai Uk finished in early 1919, and he moved in right away, while most of his family members were still in Macao. On January 20, 1919, Lee Hysan wrote to the manager of the Hongkong Electric Company to inform him that the alterations to the lighting in Dai Uk had been completed, and asked the company to send men to test and inspect the wiring as soon as possible "so that lights can be connected". On February 28, 1919, the government Building Authority issued a warning letter concerning the discharge of sullage water from Dai Uk into government roadway. Lee Hysan promptly replied on March 4, clarifying that it was not a discharge but an overflow of sullage water resulting from his house servants "washing the verandah, open yards and right of way" of Dai Uk. Since it took time to finish the house's interior, furnish it, apply for electricity supply and test the wiring, the Lee family had to wait until 1920 to move from Avenida do Conselheiro Ferreira de Almeida in Macao into their 22,450-square-foot mansion in Hong Kong (Sperry, 2009: 23).

The completion of Dai Uk in 1919, no doubt, was of great significance to Lee Hysan, as it signified the rise of the Lee family in Hong Kong, but back in 1914 when he bought that piece of land to build Dai Uk, he could not have tasted a thorough sense of accomplishment, as he was entangled in an onerous, make-or-break lawsuit.

❖ First opium lawsuit ❖

The lawsuit — described in the media as the "million-dollar opium case" or "big opium case" — began in March 1914 and drew great public attention in Hong Kong and overseas: a minor shareholder of Yue Hing filed a petition with the court against Lee Hysan and Ma Chee Lung (both main shareholders of Yue Hing) accusing them of financial irregularities, deceiving other shareholders by fabricating transactions, failing to convene a shareholders' meeting, and failing to submit an annual report as stipulated under the Companies Ordinance. He requested that the court order the company to be wound up. Lee and Ma opposed, counter-arguing that the plaintiff was making false accusations. The two sides disagreed with each other,[28] and the case was slated for a hearing by Chief Justice William R. Davies.[29]

The first round of the case was heard on April 22, 1914,[30] and after 29 days of hearing in total, the verdict was delivered on April 1, 1915. The focus of the hearing was on the fabrication of transactions, leaving off minutiae such as whether the company had held a shareholders' meeting or submitted its annual report. The plaintiff cited four transactions to show that the defendants' kept sloppy accounts while they oversaw company business. Two of the four transactions were insignificant; the third transaction, called the "Lee Wa Lung [Firm] transaction", was related to the fourth transaction called the "Po Yuen Firm transaction", which involved the most money, and this section focuses on this latter transaction.[31]

The Po Yuen Firm transaction, concerning 100 chests of opium[32] estimated to be worth as much as $1.25 million,[33] was called the reason that this case was labeled the "million-dollar opium case" by newspapers. According to the trial records, on April 22, 1913, Lee Hysan made on behalf of Yue Hing an agreement with the Lee Wa Lung Firm to sell 100 chests of opium to Lee Wa Lung, and Lee Wa Lung was to pay an advance of $100,000. The parties agreed to complete the transaction within three months; otherwise, it would be void. Lee Wa Lung eventually failed to complete the purchase. Therefore, on August 27, 1913, Lee Hysan sold this batch of opium to one Sing Fat Yuen, an opium company. The catch here was that Sing Fat Yuen was owned by the Lee family, and, as Lee Hysan later testified in court, on December 2, 1913, Sing Fat Yuen resold these 100 chests of opium to the Po Yuen Firm, which was owned by Ma Chee Lung's family.[34] Since Lee Hysan and Ma Chee Lung were the managing director and the manager of Yue Hing, respectively, it was only natural that these latter transactions should raise suspicions that deceptions were at play.[35]

The book *Opium King: Lee Hysan* by Zheng and Wong analyzes this long case between Yue Hing and Lee Wa Lung in detail, but the gist is that, after both the plaintiff and defendants presented various exhibits and called witnesses to testify, the plaintiff's two main witnesses — especially Gu Yanchen, who was a director of Yue Hing — were severely reprimanded by Judge Davies for their inconsistent, even conflicting