

Xi Jinping Millionaire Relations Reveal Elite Chinese Fortunes

By Bloomberg News

June 29, 2012 – Xi Jinping, the man in line to be China’s next president, warned officials on a 2004 anti-graft conference call: “Rein in your spouses, children, relatives, friends and staff, and vow not to use power for personal gain.”

As Xi climbed the Communist Party ranks, his extended family expanded their business interests to include minerals, real estate and mobile-phone equipment, according to public documents compiled by Bloomberg.

Those interests include investments in companies with total assets of \$376 million; an 18 percent indirect stake in a rare- earths company with \$1.73 billion in assets; and a \$20.2 million holding in a publicly traded technology company. The figures don’t account for liabilities and thus don’t reflect the family’s net worth.

No assets were traced to Xi, who turns 59 this month; his wife Peng Liyuan, 49, a famous People’s Liberation Army singer; or their daughter, the documents show. There is no indication Xi intervened to advance his relatives’ business transactions, or of any wrongdoing by Xi or his extended family.

While the investments are obscured from public view by multiple holding companies, government restrictions on access to company documents and in some cases online censorship, they are identified in thousands of pages of regulatory filings.

The trail also leads to a hillside villa overlooking the South China Sea in Hong Kong, with an estimated value of \$31.5 million. The doorbell ringer dangles from its wires, and neighbors say the house has been empty for years. The family owns at least six other Hong Kong properties with a combined estimated value of \$24.1 million.

Standing Committee

Xi has risen through the party over the past three decades, holding leadership positions in several



Xi Jinping, vice president of China, visits the China Shipping terminal at the Port of Los Angeles in Los Angeles, California, U.S., on Thursday, Feb. 16, 2012.

Source: Bloomberg

provinces and joining the ruling Politburo Standing Committee in 2007. Along the way, he built a reputation for clean government.

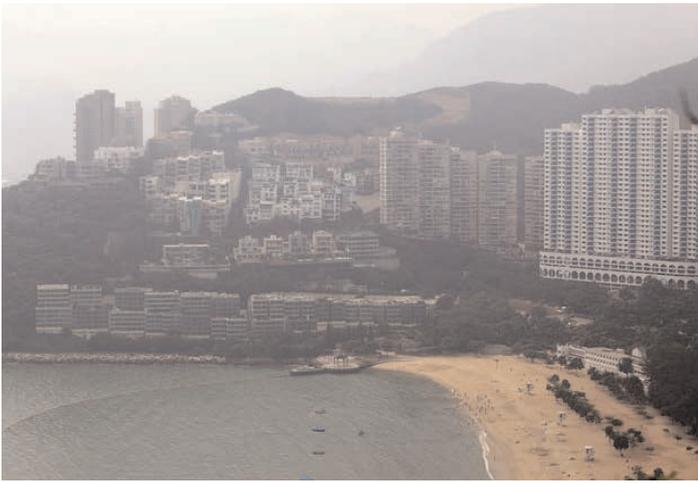
He led an anti-graft campaign in the rich coastal province of Zhejiang, where he issued the “rein in” warning to officials in 2004, according to a People’s Daily publication. In Shanghai, he was brought in as party chief after a 3.7 billion- yuan (\$582 million) scandal.

A 2009 cable from the U.S. Embassy in Beijing cited an acquaintance of Xi’s saying he wasn’t corrupt or driven by money. Xi was “repulsed by the all-encompassing commercialization of Chinese society, with its attendant nouveau riche, official corruption, loss of values, dignity, and self- respect,” the cable disclosed by Wikileaks said, citing the friend. Wikileaks publishes secret government documents online.

A U.S. government spokesman declined to comment on the document.

Carving Economy

Increasing resentment over China’s most



The Belleview Drive property is viewed along with other residential buildings in Repulse Bay, Hong Kong. Source: Bloomberg

powerful families carving up the spoils of economic growth poses a challenge for the Communist Party. The income gap in urban China has widened more than in any other country in Asia over the past 20 years, according to the International Monetary Fund.

“The average Chinese person gets angry when he hears about deals where people make hundreds of millions, or even billions of dollars, by trading on political influence,” said Barry Naughton, professor of Chinese economy at the University of California, San Diego, who wasn’t referring to the Xi family specifically.

Scrutiny of officials’ wealth is intensifying before a once-in-a-decade transition of power later this year, when Xi and the next generation of leaders are set to be promoted. The ouster in March of Bo Xilai as party chief of China’s biggest municipality in an alleged graft and murder scandal fueled public anger over cronyism and corruption. It also spurred demands that top officials disclose their wealth in editorials in two Chinese financial publications and from microbloggers. Bo’s family accumulated at least \$136 million in assets, Bloomberg News reported in April.

Revolutionary Leader

Xi and his siblings are the children of the late Xi Zhongxun, a revolutionary fighter who helped Mao Zedong win control of China in 1949 with a pledge to end centuries of inequality and abuse of power for personal gain. That makes them “princelings,” scions

of top officials and party figures whose lineages can help them wield influence in politics and business.

Most of the extended Xi family’s assets traced by Bloomberg were owned by Xi’s older sister, Qi Qiaoqiao, 63; her husband Deng Jiagui, 61; and Qi’s daughter Zhang Yannan, 33, according to public records compiled by Bloomberg.

Deng held an indirect 18 percent stake as recently as June 8 in Jiangxi Rare Earth & Rare Metals Tungsten Group Corp. Prices of the minerals used in wind turbines and U.S. smart bombs have surged as China tightened supply.

Yuanwei Group

Qi and Deng’s share of the assets of Shenzhen Yuanwei Investment Co., a real-estate and diversified holding company, totaled 1.83 billion yuan (\$288 million), a December 2011 filing shows. Other companies in the Yuanwei group wholly owned by the couple have combined assets of at least 539.3 million yuan (\$84.8 million).

A 3.17 million-yuan investment by Zhang in Beijing-based Hiconics Drive Technology Co. has increased 40-fold since 2009 to 128.4 million yuan (\$20.2 million) as of yesterday’s close in Shenzhen.

Deng, reached on his mobile phone, said he was retired. When asked about his wife, Zhang and their businesses across the country, he said: “It’s not convenient for me to talk to you about this too much.” Attempts to reach Qi and Zhang directly or through their companies by phone and fax, as well as visits to addresses found on filings, were unsuccessful.

New Postcom

Another brother-in-law of Xi Jinping, Wu Long, ran a telecommunications company named New Postcom Equipment Co. The company was owned as of May 28 by relatives three times removed from Wu – the family of his younger brother’s wife, according to public documents and an interview with one of the company’s registered owners.

New Postcom won hundreds of millions of yuan in contracts from state-owned China Mobile Communications Corp., the world’s biggest phone company by number of users, according to analysts at



The Belleview Drive property, bottom second right, is viewed along with other residential buildings in Repulse Bay, Hong Kong.

Source: Bloomberg

BDA China Ltd., a Beijing-based consulting firm that advises technology companies.

Dozens of people contacted over the past two months wouldn't comment about the Xi family on the record because of the sensitivity of the issue. Details from Web pages profiling one of Xi Jinping's nieces and her British husband were deleted after the two people were contacted.

The total assets of companies owned by the Xi family gives the breadth of their businesses and isn't an indication of profitability. Hong Kong property values were based on recent transactions involving comparable homes.

Identity Cards

Bloomberg's accounting included only assets, property and shareholdings in which there was documentation of ownership by a family member and an amount could be clearly assigned. Assets were traced using public and business records, interviews with acquaintances and Hong Kong and Chinese identity-card numbers.

In cases where family members use different names in mainland China and in Hong Kong, Bloomberg verified identities by speaking to people who had met them and through multiple company documents that show the same names together and shared addresses.

Bloomberg provided a list showing the Xi family's

holdings to China's Foreign Ministry. The government declined to comment.

In October 2000, Xi Zhongxun's family gathered on his 87th birthday for a photograph at a state guest house in Shenzhen, two years before the patriarch's death. The southern metropolis bordering Hong Kong is now one of China's richest, thanks in part to the elder Xi. He persuaded former leader Deng Xiaoping to pioneer China's experiment with open markets in what was a fishing village.

Family Photo

In the photo, Xi Zhongxun, dressed in a red sweater and holding a cane, is seated in an overstuffed armchair. To his left sits daughter Qi Qiaoqiao. On his right, a young grandson perches on doily-covered armrests next to the elder Xi's wife, Qi Xin. Lined up behind are Qiaoqiao's husband, Deng Jiagui; her brothers Xi Yuanping and presidential heir Xi Jinping; and sister Qi An'an alongside her husband Wu Long.

Xi Zhongxun worked to imbue his children with the revolutionary spirit, according to accounts in state media that portray him as a principled and moral leader. Family members have recounted in interviews how he dressed them in patched hand-me-downs.

He also made Qiaoqiao turn down her top-choice middle school in Beijing, which offered her a slot despite her falling half a point short of the required grade, according to a memorial book about him. Instead, she attended another school under her mother's family name, Qi, so classmates wouldn't know her background. Qiaoqiao and her sister An'an also sometimes use their father's family name, Xi.

Party School

In a speech on March 1 this year before about 2,200 cadres at the central party school in Beijing where members are trained, Xi Jinping said that some were joining because they believed it was a ticket to wealth. "It is more difficult, yet more vital than ever to keep the party pure," he said, according to a transcript of his speech in an official magazine.

His daughter, Xi Mingze, has avoided the spotlight. She studies at Harvard University in



The entrance to the Belleview Drive property is seen in Repulse Bay, Hong Kong. Source: Bloomberg

Cambridge, Massachusetts, under an assumed name.

Xi's elevation to replace Hu Jintao as China's top leader isn't yet formalized. He must be picked as the Communist Party's general secretary in a meeting later this year and then be selected by the country's legislature as president next March.

Deng Xiaoping

Disgruntlement over how members of the ruling elite translate political power into personal fortunes has existed since Deng Xiaoping's economic reforms began three decades ago, when he said some people could get rich first and help others get wealthy later.

The relatives of other top officials have forged business careers. Premier Wen Jiabao's son co-founded a private-equity company. The son of Wen's predecessor, Zhu Rongji, heads a Chinese investment bank.

"What I'm really concerned about is the alliance between the rich and powerful," said Wan Guanghua, principal economist at the Asian Development Bank. "It makes corruption and inequality self-reinforcing and persistent."

Public criticism is mounting against ostentatious displays of wealth by officials. Microbloggers tracking designer labels sported by cadres expressed disgust last year at a gold Rolex watch worn by a former

customs minister. They castigated the daughter of former Premier Li Peng for wearing a pink Emilio Pucci suit to the nation's annual legislative meeting this March. Some complained that the 12,000 yuan they said it cost would pay for warm clothes for 200 poor children.

'Unequal Access'

"People are angry because there's unequal access to money-making, and the rewards that get reaped appear to the populace to be undeserved," said Perry Link, a China scholar at the University of California, Riverside. "There's no question in the Chinese public mind that this is wrong."

Premier Wen told a meeting of China's State Council on March 26 that power must be exercised "under the sun" to combat corruption.

While officials in China must report their income and assets to authorities, as well as personal information about their immediate family, the disclosures aren't public.

The lack of transparency fuels a belief that the route to wealth depends on what Chinese call "guanxi," a catch-all word for the connections considered crucial for doing business in the country. It helps explain why princelings with no official posts wield influence. Or, as a Chinese proverb puts it: When a man gets power, even his chickens and dogs rise to heaven.

'Bigwig Relative'

"If you are a sibling of someone who is very important in China, automatically people will see you as a potential agent of influence and will treat you well in the hope of gaining guanxi with the bigwig relative," said Roderick MacFarquhar, a professor of government at Harvard who focuses on Chinese elite politics.

The link between political power and wealth isn't unique to China. Lyndon B. Johnson was so poor starting out in life that he borrowed \$75 to enroll in Southwest Texas State Teachers College in 1927, according to his presidential library. After almost three decades of elective office, he and his family had media and real-estate holdings worth \$14 million in

EXCERPTS FROM TIMELINE

Xi Jinping's Family History: From Revolutionary Roots to Future Chinese Leader

Xi Jinping and his siblings are the children of the late Xi Zhongxun, a revolutionary fighter who helped Mao Zedong win control of China in 1949 with a pledge to end centuries of inequality and corruption. Now in line to be China's next president, Xi Jinping has risen through the Communist Party with a reputation for clean government. Members of his extended family have expanded their business interests, including rare-earths mining, real estate and mobile-phone equipment. The holdings were traced using public and business records, interviews with acquaintances and Hong Kong and Chinese identity-card numbers. No assets were linked to Xi and his immediate family. There is no indication Xi intervened to advance his relatives' business transactions, or of any wrongdoing by Xi or his extended family.



Xi Jinping, left, hugs Zeng Qinghong, China's outgoing vice president, during a session of the National People's Congress (NPC) in Beijing, China, March 15, 2008. Source: Bloomberg

2008

Xi Jinping becomes vice president of China.

2008

Shanghai Wangchao Investment, majority owned by Deng Jiagui, pays 450 million yuan for a 30 percent stake in state-owned Jiangxi Rare Earth & Rare Metals Tungsten Group Corp.

2010

Xi Jinping becomes vice chairman of the Communist Party's Central Military Commission, cementing his path to be the country's next leader.



Xi Jinping greets well-wishers before his move to become Shanghai party chief, Hangzhou, Zhejiang province. Source: AFP/Getty Images

2007

Xi Jinping becomes Shanghai party chief to clean up a 3.7 billion-yuan corruption scandal that happened before he entered the post. He is later promoted to China's ruling 9-member Politburo Standing Committee.

2007

Zhang Yannan, using the Cantonese name Cheung Yin-nam, buys two harbor-front apartments in Hong Kong. She also invests in Beijing-based technology company Hiconics.

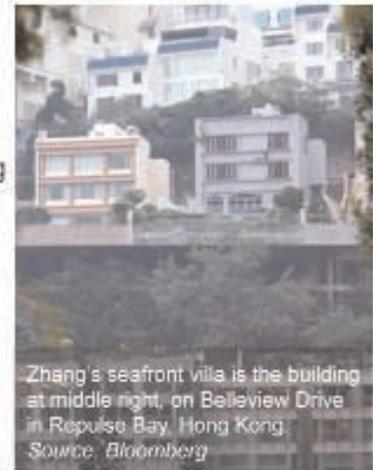
Deng Jiagui resigns as chairman of Shanghai Wangchao Investment but retains ownership.

To see the full graphic, visit this link:

<http://bloom.bg/TyhUTW>

2009

Zhang Yannan buys HK\$150 million seafront villa in Hong Kong's south side, as well as two more luxury apartments in the city.



Zhang's seafront villa is the building at middle right, on Belleview Drive in Repulse Bay, Hong Kong. Source: Bloomberg

2009

Shengzhen Yuanwei group signs agreement to participate in a development project in Caofeidian, Hebei.



Qi Qiaoqiao leads Tsinghua University EMBA students in a drum performance on Sept 18, 2010. Source: Imaginechina

1964, his first full year as president, according to an August 1964 article in Life Magazine.

Orville Schell, director of the Center on U.S.-China Relations at the Asia Society in New York, said the nexus of power and wealth can be found in any country. “But there is no country where this is more true than China,” he said. “There’s a huge passive advantage to just being in one of these family trees.”

Unfair to Xi

Yao Jianfu, a retired government researcher who has called for greater disclosure of assets by leaders, said it wouldn’t be right to tie Xi Jinping to the businesses of his family.

“If other members of the family are independent business representatives, I think it’s unfair to describe it as a family clan and count it as Xi Jinping’s,” Yao said in a telephone interview.

The lineage of Xi’s siblings hasn’t always been an advantage. Xi Zhongxun, the father, was purged by Mao in 1962. Like many other princelings, the children were scattered to the countryside during the Cultural Revolution. The 5-yuan payment Qiaoqiao received for working in a corps with 500 other youths in Inner Mongolia made her feel rich, she recalled in an interview on the website of Beijing-based Tsinghua University.

After Mao’s death in 1976, the family was rehabilitated and Xi’s sister Qiaoqiao pursued a career with the military and as a director with the People’s Armed Police. She resigned to care for her father, who had retired in 1990, Qiaoqiao said in the Tsinghua interview.

Property Purchase

A year later, she bought an apartment in what was then the British colony of Hong Kong for HK\$3 million (\$387,000) – at the time, equivalent to almost 900 times the average Chinese worker’s annual salary. She still owns the property, in the Pacific Palisades complex in Braemar Hill on Hong Kong island, land registry records show.

By 1997, Qi and Deng had recorded an investment of 15.3 million yuan in a company that later became Shenzhen Yuanwei Industries Co., a holding group, documents show. The assets of that company aren’t publicly available. However, one of its subsidiaries, Shenzhen Yuanwei Investment, had assets of 1.85 billion yuan (\$291 million) at the end of 2010. It is 99 percent owned by the couple, according to a December 2011 filing by a securities firm.

It was after her father’s death in 2002 that Qi said she decided to go into business, according to the Tsinghua interview. She graduated from Tsinghua’s executive master’s degree in business administration program in 2006 and founded its folk-drumming team. It plays in the style of Shaanxi province, where Xi Zhongxun was born.

Paper Trail

The names Qi Qiaoqiao, Deng Jiagui or Zhang Yannan appear on the filings of at least 25 companies over the past two decades in China and Hong Kong, either as shareholders, directors or legal representatives – a term that denotes the person responsible for a company, such as its chairman.

In some filings, Qi used the name Chai Lin-hing. The alias was linked to her because of biographical details in a Chinese company document that match those in two published interviews with Qi Qiaoqiao. Chai Lin-hing has owned multiple companies and a property in Hong Kong with Deng Jiagui.



Daniel Foa, founder of 51Sim, right, and Chinese actress Li Bingbing at the Sustainable Innovation Student Competition in Beijing, China, on Nov. 2, 2009. Source: Imaginechina

In 2005, Zhang Yannan started appearing on Hong Kong documents, when Qi and Deng transferred to her 99.98 percent of a property-holding company that owns one apartment, a unit in the Regent on the Park development with an estimated value of HK\$54 million (\$6.96 million).

Repulse Bay Villa

Land registry records show Zhang paid HK\$150 million (\$19 million) in 2009 for the villa on Bellevue Drive in Repulse Bay, one of Hong Kong's most exclusive neighborhoods. Property prices have since jumped about 60 percent in the area.

Her Hong Kong identity card number, written on one of the sale documents, matches that found on the company she owns with her mother and Deng Jiagui, Special Joy Investments Ltd. All three people share the same Hong Kong address in a May 12 filing.

Zhang owns four other luxury units in the Convention Plaza Apartments residential tower with panoramic harbor views adjoining the Grand Hyatt hotel.

Since its 1997 return by Britain to Chinese rule, Hong Kong has been governed autonomously, with its own legal and banking systems. About a third of all purchases of new luxury homes in the territory are by mainland Chinese buyers, according to Centaline Property Agency Ltd.

In mainland China, Qi and Deng's marquee project is a luxury housing complex called Guanyuan

near Beijing's financial district, boasting manicured gardens and a gray-brick exterior reminiscent of the city's historic courtyard homes. Financial details on the developer aren't available because of restrictions on company searches in Beijing.

Beijing Complex

To finance the development, the couple borrowed from friends and banks, and aimed to attract officials and executives at state-owned companies, they told *V Marketing China* magazine in a 2006 interview. Property prices in the capital rose 79 percent in the following four years, government data show.

The site's developer – 70 percent owned by Qi and Deng's Yuanwei Investment – acquired more than 10,000 square meters of land for 95.6 million yuan in 2004 to build Guanyuan, according to the Beijing Municipal Bureau of Land and Resources.

A 189-square-meter (2,034-square-foot) three-bedroom apartment in Guanyuan listed online in June for 15 million yuan. One square meter sells for 79,365 yuan – more than double China's annual per capita gross domestic product.

Public anger at soaring housing costs has made real estate an especially sensitive issue for leaders in China. Property prices were "far from a reasonable level," Premier Wen said in March.

'Playing Field'

The lack of a level playing field and unaffordable home prices mean "you can be cut out of the China dream," said Joseph Fewsmith, director of the Center for the Study of Asia at Boston University, who focuses on Chinese politics. "Is the rise of China going to last if you build it around these sorts of unequal opportunities?"

Those with the right connections are able to gain access to assets that are controlled by the government, according to Bo Zhiyue, a senior research fellow at the National University of Singapore's East Asian Institute.

"All they need is to get into the game one small step ahead of the others and they can make a huge gain," he said. Bo wasn't discussing the specific investments of Xi's family members.



A screen grab shows the website of New Postcom Equipment Co.
Source: www.newpostcom.com via Bloomberg

One of Deng's well-timed acquisitions was in a state-owned company with investments in rare-earth metals.

Rare Earths

Deng's Shanghai Wangchao Investment Co. bought a 30 percent stake in Jiangxi Rare Earth for 450 million yuan (\$71 million) in 2008, according to a bond prospectus.

Deng owned 60 percent of Shanghai Wangchao. A copy of Deng's Chinese identity card found in company registry documents matches one found in filings of a Yuanwei subsidiary. Yuanwei group-linked executives held the posts of vice chairman and chief financial officer in Jiangxi Rare Earth, the filings show.

The investment came as China, which has a near monopoly on production of the metals, was tightening control over production and exports, a policy that led to a more than fourfold surge in prices for some rare earths in 2011.

A woman who answered the phone at Jiangxi Rare Earth's head office in Nanchang said she was unable to provide financial information because the company wasn't listed on the stock exchange. She declined to discuss Shanghai Wangchao's investment, saying it was too sensitive.

Hiconics Drive

Qi Qiaoqiao's daughter Zhang made her 3.17

million-yuan investment in Hiconics in the three years before the Beijing-based manufacturer of electronic devices sold shares to the public in 2010. Hiconics founder Liu Jincheng was in the same executive MBA class as Qi Qiaoqiao, according to his profile on Tsinghua's website.

Wang Dong, the company's board secretary, didn't respond to faxed questions or phone calls seeking comment.

The business interests of Qi and Deng may be more extensive still: The names appear as the legal representative of at least 11 companies in Beijing and Shenzhen, cities where restrictions on access to filings make it difficult to determine ownership of companies or asset values.

Dalian Wanda

For example, Deng was the legal representative of a Beijing-based company that bought a 0.8 percent stake in one of China's biggest developers, Dalian Wanda Commercial Properties Co., for 30 million yuan in a 2009 private placement. Dalian Wanda Commercial had sales of 95.3 billion yuan (\$15 billion) last year.

Dalian Wanda Commercial "doesn't comment on private transactions," it said in an e-mailed statement.

Deng also served as legal representative of a company that won a government contract to help build a 1 billion-yuan (\$157 million) bridge in central China's Hubei province, according to an official website and corporate records.

Complex ownership structures are common in China, according to Victor Shih, a professor at Northwestern University in Evanston, Illinois, who studies the link between finance and politics in the country. Princlings engage people they trust, often members of their extended families, to open companies on their behalf that bid for contracts from state-owned enterprises, said Shih, who wasn't referring specifically to Xi's family.

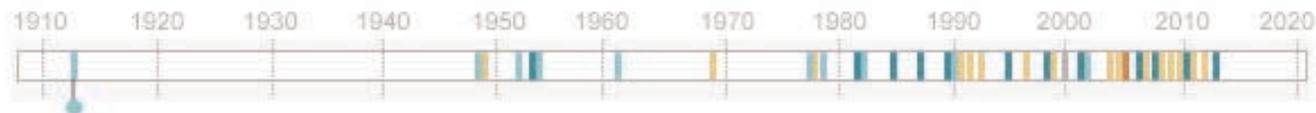
New Postcom

In the case of Xi Jinping's brother-in-law, Wu Long, he's identified as chairman of New Postcom in two reports on the website of the Guangzhou Development District, one in 2009 and the other a

Xi Jinping's Family History: From Revolutionary Roots to Future Chinese Leader

Explore the family history by clicking on the timeline or on the arrows below

■ Xi Zhongxun
 ■ Qi Qiaoqiao and family
 ■ Xi Jinping
 ■ Qi An'an and family



< **1913**
 Xi Zhongxun, a Communist Party revolutionary, is born in Shaanxi on October 15.
 > 1949



Excerpts from timeline

To see the full graphic, visit this link: <http://bloom.bg/TyhUTW>

Readers can explore this influential family's history over the past century.



Toy cars are molded and assembled for Sharpco Manufacturing in the Shenzhen Special Economic Zone. Oct. 10, 1982. Source: National Geographic/Getty Images

1979

Xi Zhongxun wins Deng Xiaoping's approval to experiment with market opening in Guangdong.



Xi Zhongxun in his office in July 1987. Source: Xinhua/Eyevine/Redux

1982

Xi Zhongxun becomes a member of the ruling Politburo in Beijing.

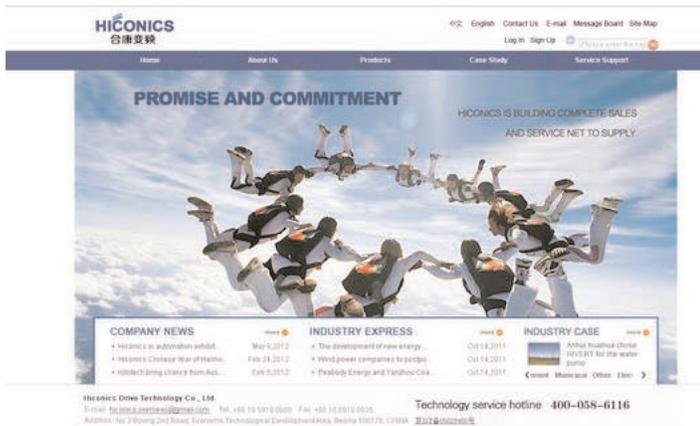
1982

The same year his father joins the Politburo, Xi Jinping becomes deputy secretary of a county in Hebei province.

1985

Xi Jinping becomes deputy mayor of Xiamen city, in Fujian Province.

Information compiled by Bloomberg News from official biographies, state newspaper articles, published family accounts and public records



A screen grab shows the website of Hiconics Drive Technology Co.
 Source: www.hiconics.com via Bloomberg

year later.

New Postcom doesn't provide a list of management on its website. Searches in Chinese on Baidu Inc.'s search engine using the name "Wu Long" and "New Postcom" trigger a warning, also in Chinese: "The search results may not be in accordance with relevant laws, regulations and policies, and cannot display."

New Postcom is owned by two people named Geng Minhua and Hua Feng, filings show. Their address in the company documents leads to the ninth floor of a decades-old concrete tower in Beijing where Geng's elderly mother lives. Tacked to the wall of her living room was the mobile-phone number of her daughter.

When contacted by phone June 6, Geng confirmed she owned New Postcom with her son Hua Feng – and that her daughter was married to Wu Ming, Wu Long's younger brother. Geng said Wu Long headed the company and she wasn't involved in the management.

Different Owners

New Postcom identified two different people – Hong Ying and Ma Wenbiao – as its owners in a six-page, June 27 statement and said the head of the company was a person named Liu Ran. The company didn't respond to repeated requests to explain the discrepancies. Wu Long and his wife, Qi An'an, couldn't be reached for comment.

New Postcom was an upstart company that benefited from state contracts. It specialized in the government-mandated home-grown 3G mobile-phone standard deployed by China Mobile. In 2007, it won a share of a tender to supply handsets, beating out more established competitors such as Motorola Inc., according to BDA China.

"They were an unknown that suddenly appeared," said Duncan Clark, chairman of BDA. "People were expecting Motorola to get a big part of that device contract, and then a no-name company just appeared at the top of the list."

In 2007, the domestic mobile standard was still being developed, and many of the bigger players were sitting on the sidelines, allowing New Postcom a bigger share of the market, the company said in the statement.

Xi Yuanping

William Moss, the Beijing-based spokesman of the Motorola Mobility unit that was split off from Motorola last year and purchased by Google Inc., declined to comment on details of any individual bids. China Mobile "has always insisted on the principle of open, fair, just and credible bidding" to select vendors, company spokesman Zhang Xuan said by e-mail.

Xi Jinping's younger brother, Xi Yuanping, is the founding chairman of an energy advisory body called the International Energy Conservation Environmental Protection Association. He doesn't play an active role in the organization, according to an employee who declined to be identified.

One of Xi's nieces has a higher profile. Hiu Ng, the daughter of Qi An'an and Wu Long, and her husband Daniel Foa, 35, last year were listed as speakers at a networking symposium in the Maldives on sustainable tourism with the likes of the U.K. billionaire Richard Branson and the actress Daryl Hannah.

Hudson Clean Energy

Ng recently began working with Hudson Clean Energy Partners LP, which manages a fund of more than \$1 billion in the U.S., to help identify

investments in China.

Details about the couple were removed from Internet profiles after Bloomberg reporters contacted them. Foa said by phone he couldn't comment about FairKlima Capital, a clean-energy fund they set up in 2007. Ng didn't respond to e-mails asking for an interview.

The two are no longer mentioned on the FairKlima website. A June 3 cache of the "Contact Us" webpage includes short biographies of Ng and Foa under the headline "Senior Management Team."

A reference on Ng's LinkedIn profile that said on June 8 that she worked at New Postcom has since been removed, along with her designation as "Vice Chair Hudson Clean Energy Partners China."

Neil Auerbach, the Teaneck, New Jersey-based private-equity firm's founder, said he was working with Ng because of her longstanding passion for sustainability.

"We are aware of her political connections, but her focus is on sustainable investing, and that's the purpose," he said in a June 13 interview. "We're delighted to be working with her."

– Editors: Neil Western, Ben Richardson, Peter Hirschberg



A screen grab from the website www.1921.org.cn shows Xi Zhongxun's family photograph taken in 2000. Front, from left: daughter Xi Qianping, wife Qi Xin, grandson Mingzheng, Xi Zhongxun, daughter Qi Qiaoqiao. Second row, from left: grandson Zannong, son-in-law Wu Long, daughter Qi An'an, son Xi Jinping, son Xi Yuanping, son-in-law Deng Jiagui, grandson Dongdong.

Source: www.1921.org.cn via Bloomberg

Immortals Beget China Capitalism From Citic to Godfather of Golf

By Bloomberg News

December 27, 2012 – Lying in a Beijing military hospital in 1990, General Wang Zhen told a visitor he felt betrayed. Decades after he risked his life fighting for an egalitarian utopia, the ideals he held as one of Communist China’s founding fathers were being undermined by the capitalist ways of his children – business leaders in finance, aviation and computers.

“Turtle eggs,” he said to the visiting well-wisher, using a slang term for bastards. “I don’t acknowledge them as my sons.”

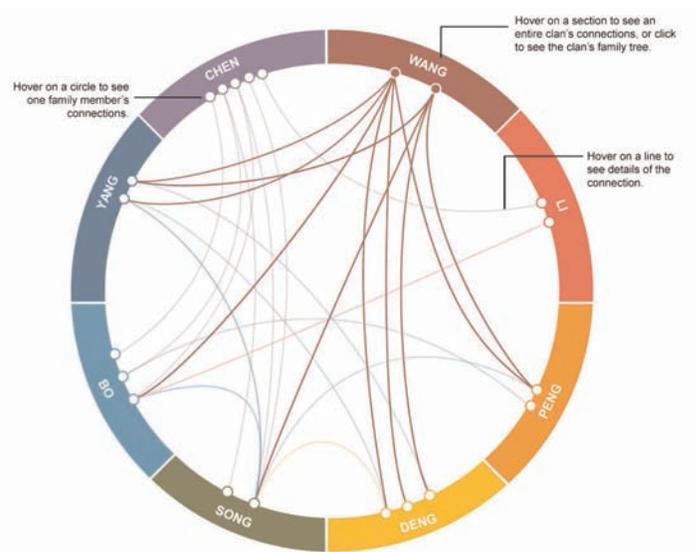
Two of the sons now are planning to turn a valley in northwestern China where their father once saved Mao Zedong’s army from starvation into a \$1.6 billion tourist attraction. The resort in Nanniwan would have a revolution-era theme and tourist-friendly versions of the cave homes in which cadres once sheltered from the cold.

One son behind the project, Wang Jun, helped build two of the country’s biggest state-owned empires: Citic Group Corp., the state-run investment behemoth that was the first company to sell bonds abroad since the revolution; and China Poly Group Corp., once an arm of the military, that sold weapons and drilled for oil in Africa.

Today, the 71-year-old Wang Jun is considered the godfather of golf in China. He’s also chairman of a Hong Kong-listed company that jointly controls a pawnshop operator and of a firm providing back-office technology services to Chinese police, customs and banks.

Swiss School

His Australia-educated daughter, Jingjing, gives her home address in business filings as a \$7 million Hong Kong apartment partly owned by Citic. Her daughter, 21-year-old Clare, details her life on social media, from the Swiss boarding school she attended to business-class airport lounges. Her “look of the day” posted on Aug. 24 featured pictures of a Lady



Dior handbag, gold-studded Valentino shoes and an Alexander McQueen bracelet. Those accessories would cost about \$5,000, more than half a year’s wages for the average Beijing worker.

The family’s wealth traces back to a gamble taken by General Wang and a group of battle-hardened revolutionaries, who are revered in China as the “Eight Immortals.” Backing Deng Xiaoping two years after Mao’s death in 1976, they wagered that opening China to the outside world would raise living standards, while avoiding social upheaval that would threaten the Communist Party’s grip on power.

New Class

In three decades, they and their successors lifted more than 600 million people out of poverty and created a home-owning middle class as China rose to become the world’s second-biggest economy. Chinese on average now eat six times more meat than they did in 1976, and 100 million people have traded in their bicycles for automobiles.

The Immortals also sowed the seeds of one of the biggest challenges to the Party’s authority. They



Deng Xiaoping, center row third left, Yang Shangkun, center row second left, and Wang Zhen (center row third right) pose for a photograph with naval officers of the South China Sea Fleet at an undisclosed location on Jan. 26, 1984. Source: AFP/Getty Images



Li Xiannian, then vice premier of China, second right, looks on as Zhou Enlai, then premier, third right, addresses workers in Siyang county, Jiangsu Province, China, on May 1, 1965. Source: AFP/Getty Images

entrusted some of the key assets of the state to their children, many of whom became wealthy. It was the beginning of a new elite class, now known as princelings. This is fueling public anger over unequal accumulation of wealth, unfair access to opportunity and exploitation of privilege – all at odds with the original aims of the communist revolution.

To reveal the scale and origins of this red aristocracy, Bloomberg News traced the fortunes of 103 people, the Immortals' direct descendants and their spouses. The result is a detailed look at one part of China's elite and how its members reaped benefits from the country's boom.

State Control

In the 1980s, they were chosen to run the new state conglomerates. In the 1990s, they tapped into real estate and the nation's growing hunger for coal and steel. Today the Immortals' grandchildren are players in private equity amid China's integration into the global economy.

Twenty-six of the heirs ran or held top positions in state-owned companies that dominate the economy, data compiled by Bloomberg News show. Three children alone – General Wang's son, Wang Jun;

Deng's son-in-law, He Ping; and Chen Yuan, the son of Mao's economic tsar – headed or still run state-owned companies with combined assets of about \$1.6 trillion in 2011. That is equivalent to more than a fifth of China's annual economic output.

The families benefited from their control of state companies, amassing private wealth as they embraced the market economy. Forty-three of the 103 ran their own business or became executives in private firms, according to Bloomberg data.

Wall Street

He Ping, who was chairman of Poly Group until 2010, held 22.9 million shares in the group's Hong Kong-listed real estate unit, Poly Property Group Co., as of April 29, 2008. Wang Xiaochao, the son-in-law of former President Yang Shangkun, another Immortal, owned about \$32 million worth of shares in another property unit listed in Shanghai, Poly Real Estate Group Co., as of the end of June. Wang Jun owns 20 percent of a golf venture that counts Citic, the company he previously ran, as one of its main clients.

The third generation – grandchildren of the Eight Immortals and their spouses, many of whom are in

their 30s and 40s – have parlayed family connections and overseas education into jobs in the private sector. At least 11 of the 31 members of that generation tracked by Bloomberg News ran their own businesses or held executive posts, most commonly in finance and technology.

Some were hired by Wall Street banks, including Citigroup Inc. and Morgan Stanley. At least six worked for private equity and venture capital firms, which sometimes recruit princelings with the intention of using their connections for winning business.

Resentment Rises

“The Chinese Communist Party, pretty much led by these eight people, established their legitimacy as rulers of China because they were stronger and tougher than the other guys,” said Barry Naughton, a professor of Chinese economy at the University of California, San Diego. “And now they’re losing it, because they haven’t been able to control their own greed and selfishness.”

China’s rich-poor divide is one of the widest in the world – 50 percent above a level analysts use to predict potential unrest, according to a Chinese central bank-backed survey published this month. Protests, riots and other disturbances, often linked to

local corruption and environmental degradation, doubled in five years to almost 500 a day in 2010.

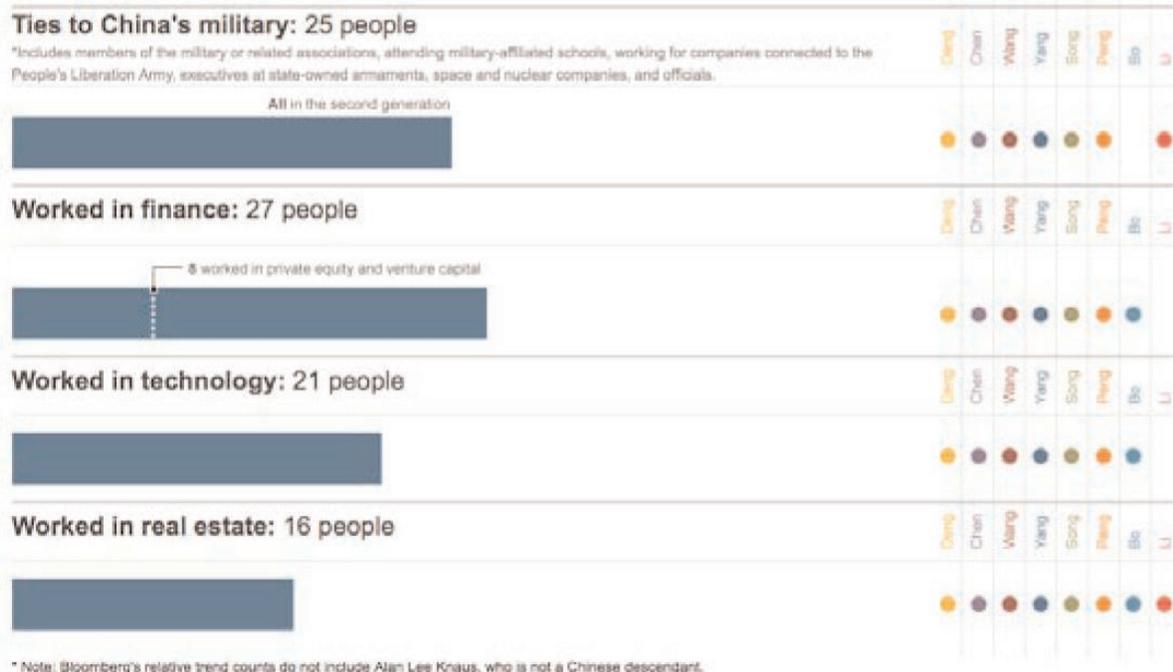
“Ordinary people in China are very aware of these princelings, and when they think about changing the country, they feel a sense of despair because of the power of such entrenched interest groups,” Naughton said.

Robber Barons

The lives of many of China’s 1.3 billion people have improved under state-controlled capitalism. Princelings such as Wang Jun have also played a central role in building the institutions that have underpinned these gains.

And some of China’s richest people didn’t need a famous bloodline to become wealthy. That includes self-made billionaires such as Liu Yonghao, chairman of animal-feed company New Hope Group Co., and Cheung Yan, one of China’s richest women as chairwoman of Nine Dragons Paper Holdings Ltd.

Also, it isn’t unusual for rapid economic change to be shared unequally. The robber barons of the 19th-century U.S. and the rise of Russia’s post-communist oligarchs are two other cases. In China, however, where leaders still espouse the ideals of Marx and Mao, there is resentment over unequal opportunity and the privilege of the elite.





Chen Xiaodan, granddaughter of Chen Yun, at a debutante ball in Paris in November, 2006. Photographer: Julian Andrews

China's new leader, Xi Jinping, 59, is himself a princeling, as a descendant of a revolutionary fighter and vice premier. So are three other members of the newly installed seven-member ruling Politburo Standing Committee.

Princeling Peers

Xi's extended family amassed a fortune, including investments in companies with total assets of \$376 million and Hong Kong real estate worth \$55.6 million, Bloomberg News reported June 29. Bloomberg's website has been blocked in China since the publication of the story.

Even some of the Immortals' descendants say they are concerned about what they call the greed of their princeling peers.

"My generation and the next generation made no contribution to China's revolution, independence and liberation," said Song Kehuang, 67, a businessman whose Immortal father, Song Renqiong, oversaw China's northeastern provinces after the revolution in 1949. "Now, some people use their parents' positions to scoop up hundreds of millions of yuan. Of course the public is angry. Their anger is justified."

Bo's Downfall

In addition, people are angry about corruption

among public officials, who are seen as taking advantage of their positions. At least 10 local government officials "have fallen" in corruption and sex scandals since Xi took office last month, the official Xinhua News Agency reported Dec. 13.

High-level corruption snapped into focus this year when Bo Xilai – son of Immortal Bo Yibo and a member of China's ruling Politburo – was ousted from the Communist Party and accused of taking bribes, after his wife was found guilty of murdering a British businessman. Unless corruption is stamped out, "it will ultimately and inevitably lead the party and the nation to perish!" Xi said last month, according to the People's Daily, a Communist Party newspaper.

The foreign ministry in Beijing didn't respond to questions sent by fax asking how the government plans to deal with the influence of the princelings and whether their actions are fueling public resentment.

"When the top is corrupt, this is how it will be all the way down," said Dai Qing, an environmentalist who grew up with many of the princelings in Beijing after being adopted by a famous general. "We don't have a free press. There's no independent supervision to prevent it."

Offshore Havens

State controls over the media and Internet limit what is written about the families, cloaking their business dealings from the view of ordinary Chinese. What can be found in public documents often remains obscured by the use of multiple names in Mandarin, Cantonese and English.

To document these identities and business interests, Bloomberg News scoured thousands of pages of corporate documents, property records and official websites, and conducted dozens of interviews – from a golf course in southern China to the Deng family compound in Beijing to a suburban home in Ann Arbor, Michigan.

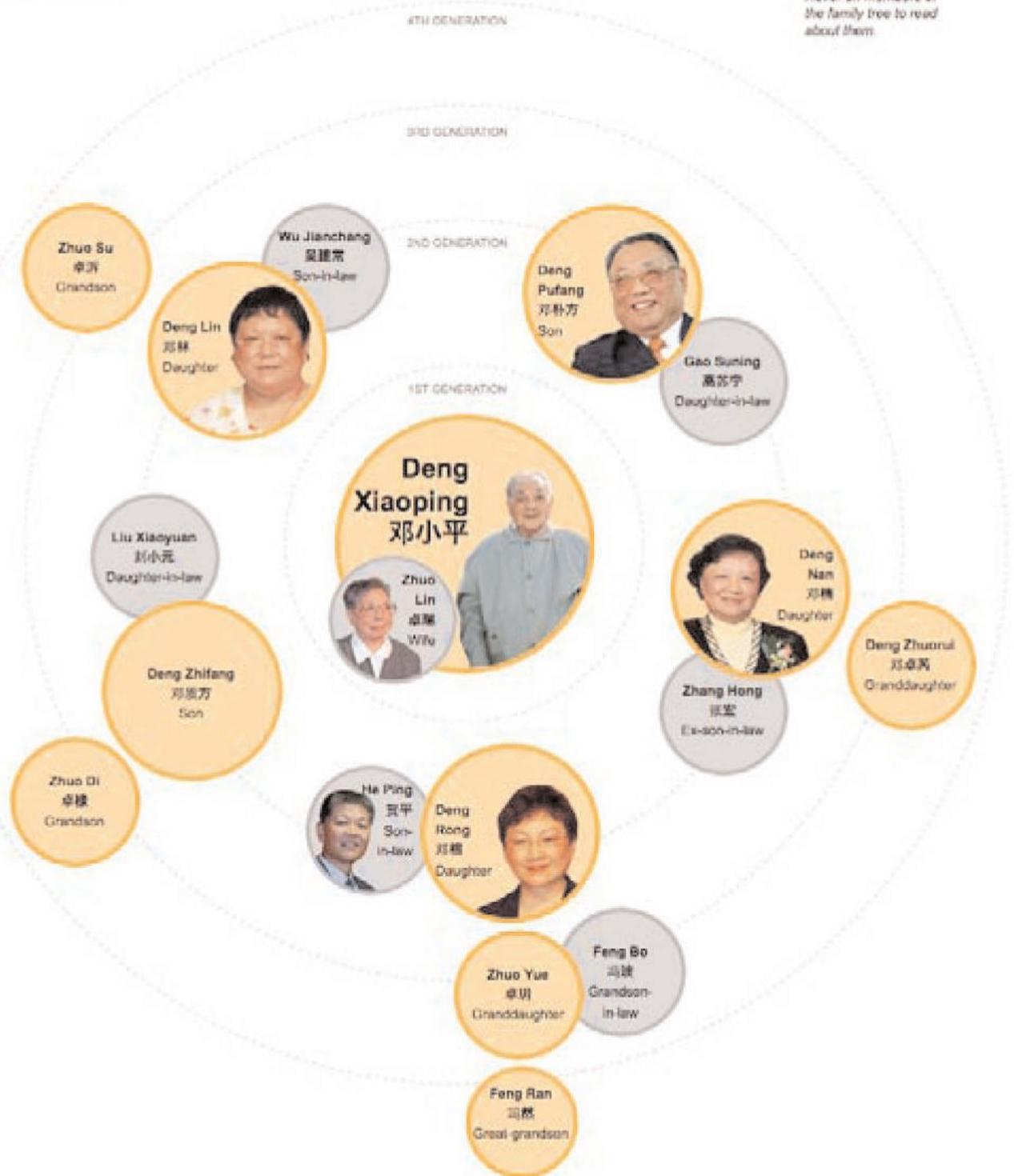
At least 18 of the Immortals' descendants own or run entities linked to companies registered offshore, including the British Virgin Islands and the Cayman Islands, as well as Liberia and other jurisdictions that offer secrecy, the reporting showed.

The Deng family

Deng Xiaoping emerged as leader after Mao's death, overseeing China's economic opening. Deng famously wore a 10-gallon hat at a rodeo during a 1979 U.S. visit. Son Zhifang soon followed to America, earning a physics Ph.D. at the University of Rochester. Grandson Zhuo Di, a bridge player, used to work with U.S. law firm White & Case. Another grandson, Zhuo Su, is chairman of a company invested in an Australian iron ore miner.

← [Back to patriarchs](#)

Hover on members of the family tree to read about them.



U.S. Attraction

While the Immortals vilified the “bourgeois individualism” of capitalist nations, almost half of their heirs lived, studied or worked abroad, some in Australia, England and France. The princelings were among the first to travel and study overseas, giving them an advantage not available to ordinary Chinese.

The U.S., which established diplomatic ties with Communist China in 1979, was the top destination: At least 23 of the Immortals’ descendants and their spouses studied there, including three at Harvard University and four at Stanford University, according to the Bloomberg data. At least 18 worked for U.S. entities, including American International Group Inc. and the law firm White & Case LLP, which hired one of Deng’s grandsons. Twelve owned property in the U.S.

There is no accepted measure for the degree of control the princelings exert on the economy. Academics who study China estimate that wealth and influence is concentrated in the hands of as few as 14 and as many as several hundred families.

Family Control

“There were four families under Chiang Kai-shek; now we have 44,” said Roderick MacFarquhar, a Harvard historian who studies elite Chinese politics, referring to the Nationalist leader who lost to Mao. “To change the system will demand some traumatic national experience, when people say, ‘enough is enough.’”

The people generally known as the Eight Immortals are now all dead, though all but three lived into their 90s. Their stature in China is on a par with that of George Washington and Thomas Jefferson in the U.S. They are:

- Deng;
- General Wang, who fed Mao’s troops;
- Chen Yun, who took charge of the economy when Mao assumed power in 1949;
- Li Xiannian, who was instrumental in the plot that ended the Cultural Revolution;
- Peng Zhen, who helped rebuild China’s legal system in the 1980s;
- Song Renqiong, the Party personnel chief who



Bo Xilai, back left, then China's Minister of Commerce, stands with Deng Pufang, foreground, and Deng Nan, right, children of Deng Xiaoping, during a memorial ceremony for Bo's father Bo Yibo in Beijing on Jan. 17, 2007.

Photographer: Alexander F. Yuan/AP Photo

oversaw the rehabilitation of purged cadres after the Cultural Revolution;

- President Yang, who backed Deng's order to carry out the 1989 Tiananmen Square crackdown;
- Bo Yibo, a former vice premier and the last of the Immortals to die, at 98, in 2007.

They emerged from the Cultural Revolution after Mao's death in 1976, during which many of them had been in internal exile, to find an economy in ruins. Gross domestic product in 1978 was \$165 a person, compared with \$22,462 in the U.S. With Japan, South Korea, Taiwan and Hong Kong booming, the Immortals were surrounded by capitalist success stories.

The victorious Communists had executed landlords after 1949. Farms had become People's Communes. Factories belonged to the state.

The Immortals turned that on its head in the 1980s: Farmers could lease land. Private enterprise – at first on a small scale, later bigger – was tolerated, then encouraged. Deng took the gamble that in order to stoke growth, some “flies and mosquitoes” could be tolerated, said Ezra Vogel, an emeritus professor at Harvard, in Cambridge, Massachusetts, who wrote a 2011 biography of Deng.



Chen Yuan, chairman of China Development Bank Corp. and son of Chen Yun, speaks with reporters in Beijing on June 6, 2012.

Photographer: Nelson Ching/Bloomberg

'More Trustworthy'

"We should allow some regions and enterprises and some workers and peasants to earn more and enjoy more benefits sooner than others," Deng told a gathering of the party's top leaders in Beijing in December 1978, according to a collection of his speeches. "If the standard of living of some people is raised first, this will inevitably be an impressive example to their 'neighbors.'"

Chen Yun, the architect of China's planned economy, wanted to keep control of the state in the hands of Party veterans and their families, and Deng agreed, according to Vogel.

"He really did feel that because these people had more party connections, they were likely to be more trustworthy," Vogel said. "These people would be absolutely committed to the Party and they should be relied on in a pinch."

Sprawling Empire

Within months, Wang Jun, the general's son, was made head of business operations at the newly formed Citic, known then as China International Trust & Investment Corp. The group, founded by Rong Yiren, was set up to attract overseas investment at a time when the country's foreign exchange reserves were \$840 million. He turned it into a sprawling empire to drive China's growth. Citic now

runs China's biggest listed securities firm, backs a Beijing soccer team and develops luxury real estate projects. China's reserves today stand at \$3.3 trillion.

In an interview at the CTS Tycoon golf club in southern China's Shenzhen, Wang Jun said the country today fulfills the hopes of his father's generation.

"The Communist Party wanted all the people to be rich so their lives could be better," Wang Jun said Nov. 30, as he smoked a cigarette and sipped tea in the clubhouse at the Dongfeng Nissan Cup. "During the revolution, if they were full after eating and they had enough clothes to stay warm, they were very satisfied.

"But now people's desires just keep getting greater and greater," he said.

Team China

Out on the course, Wang Jun surveyed the players from a vantage point above one of the greens, a colleague holding an umbrella over his head to shield him from the rain. The captain of Team China at the tournament, he was ranked by Golf Inc. magazine this year as the 16th most influential in the sport globally — higher than Tiger Woods.

Wang said he started playing golf in 1986 because a Japanese bank that had invested in Beijing's second golf course gave him an honorary membership.

"China was opening up and wanted foreign investors to come," he said. "If a city didn't have a golf course, they wouldn't come."

Citic became a leading sponsor of golf in China and even went into the design and management of courses. In 2008, Wang Jun became chairman of Shenzhen Forward Sports Management Ltd., a joint venture set up by a subsidiary of Citic five years earlier, according to a corporate filing. He acquired a 20 percent stake in the venture from Citic.

Revolutionary Fold

Wang Jun didn't respond to an e-mail addressed to him and sent to Forward Group with further questions, including whether his father had ever expressed disapproval over his business dealings. The 1990 visitor to Wang Zhen's hospital bedside when he



A screen grab shows the Weibo page of Wang Jixiang, also known as Clare, great-granddaughter of Wang Zhen, with pictures of shoes, handbags and jewelry.

Source: Sina Corp

was recovering from a broken leg said the general explained he was upset because his children had strayed from the revolutionary fold. The well-wisher asked not to be named for fear of retribution.

The general's other two sons, Wang Zhi and Wang Bing, didn't respond to questions sent to Forward Group, which is linked to their golf team.

Citic didn't respond to telephone calls and to questions sent by fax asking about its business relationship with Wang Jun.

The descendants or spouses of six of the Eight Immortals have worked at Citic or its units, Bloomberg found. The late President Yang's daughter, Yang Li, was honorary chairman of a company partly owned by Citic. She gave her address in corporate filings as a Hong Kong apartment owned by another Citic unit. Peng Zhen's son, Fu Liang, is on the board of a Citic-owned television broadcaster and property developer.

Attempts to reach Yang and Fu through their respective Citic units were unsuccessful.

Arms Industry

In 1983, Wang Jun plunged into the arms industry, turning China's army-run weapons factories into commercial enterprises. He was among the founders of Poly along with Deng's son-in-law He Ping, a major general in the People's Liberation Army. The company earned hundreds of millions of dollars

selling weapons to Iran, Burma and Pakistan, according to a report published by the Strategic Studies Institute of the U.S. Army War College.

It expanded to run coal mines, an auction house and a joint venture with Ferrari SpA, and to build roads in Sudan and villas for expatriates in Beijing, according to the company's website. It also has a travel television channel and a chain of movie theaters.

At least three relatives of the Immortals worked at Poly. Former President Yang's son-in-law, Wang Xiaochao, is a top executive.

Chinese Windows

Poly Group didn't respond to a fax sent to their Beijing headquarters seeking an interview with He Ping and Wang Xiaochao. Three calls to Wang Xiaochao's secretary went unanswered. A woman who answered the phone at the Beijing headquarters said He Ping had retired and could not be reached.

"The entire country was in business – the Party, the military, the courts, the prosecutor's office, the police," said Yang Dali, a professor of politics at the University of Chicago who has written books on China's economy and politics. "Insiders could get rich very quickly."

Wang Zhi, General Wang's third son, used 300,000 yuan (\$48,112) from his employer, the Ministry of Electronics, to build personal computers. He later partnered with Bill Gates to develop a Chinese version of Windows software.

Tax Evasion

"It's no surprise those with connections got the best stuff in the '80s," said Fraser Howie, co-author of "Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise." "The problem is that 20 years on, they're still getting the best access because the playing field has not been leveled."

Tax evasion and profiteering were so endemic at state-owned companies by 1988 that five of the biggest were investigated by the government and later fined for those offenses, the People's Daily reported in August the following year. They included Citic and China Kanghua Development Corp., a business that

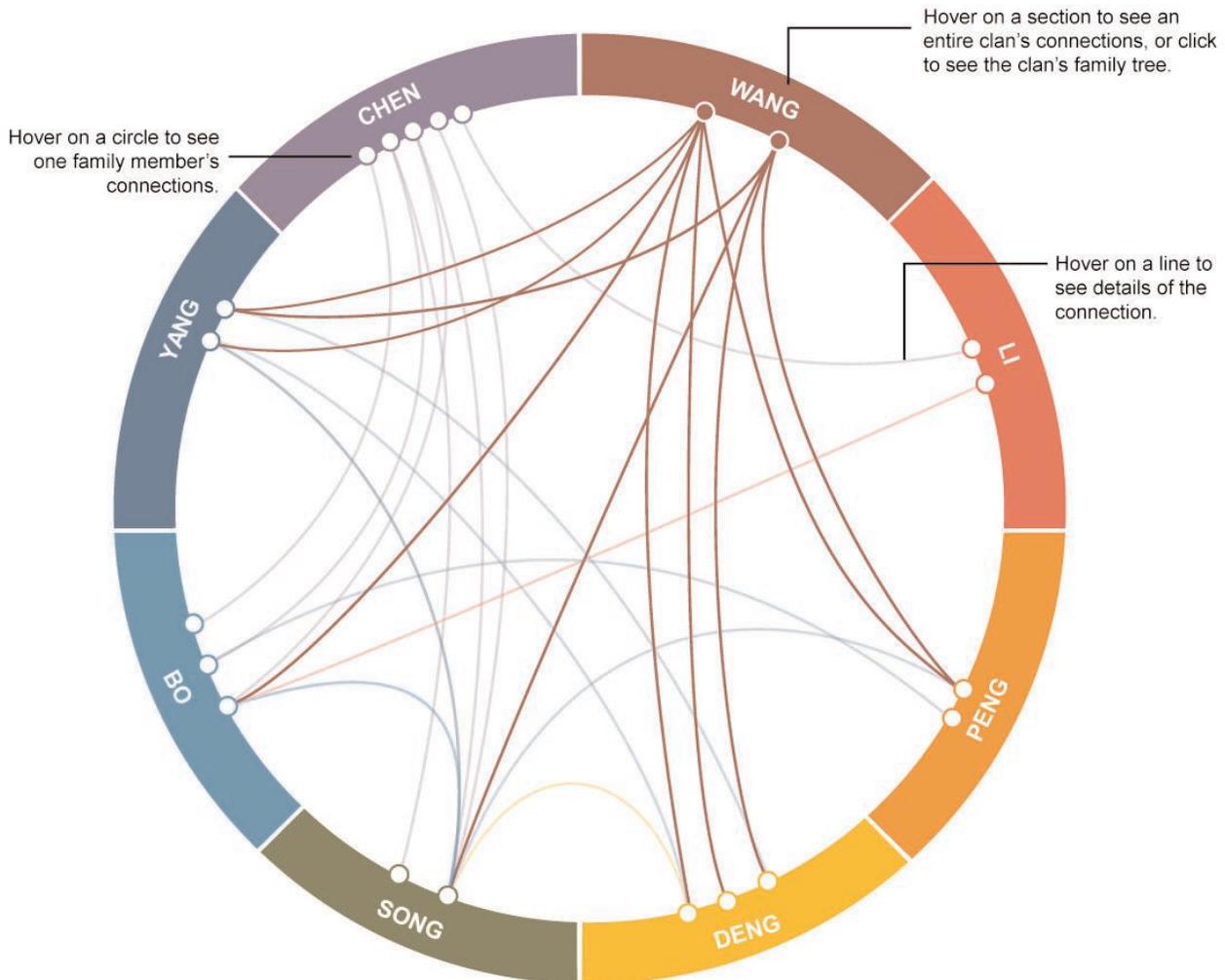
Mapping China's Red Nobility

Bloomberg News mapped the families of Communist China's "Eight Immortals" to reveal the origins of princelings, an elite class that has been able to amass wealth and influence, and exploit opportunities unavailable to most Chinese. Bloomberg tracked 103 people – descendants including children, grandchildren and great grandchildren, and their respective spouses. The Immortals, now all dead, are revered in communist lore as revolutionary fighters who led China's economic opening after Mao Zedong's death. The identities and business dealings of these families are often cloaked in secrecy because of state censorship and complex corporate webs. To document them, Bloomberg scoured thousands of pages of corporate filings, property records, official websites and archives, and conducted dozens of interviews from China to the United States, where many were educated and have at times made their homes. To read the related stories click [here](#) and [here](#).

 CONNECTIONS |  PATRIARCHS |  FAMILY TREES |  RELATIVE TRENDS

Immortal together

Like any aristocracy, the families of the Eight Immortals often intertwine. Connections found by Bloomberg News include business dealings, employers in common, ties to the same private or state-owned companies and diplomatic organizations, and even an intermarriage.



Sources: Hong Kong corporate and stock exchange filings; Chinese corporate filings with the State Administration for Industry and Commerce and stock exchange filings; interviews; Chinese official news media reports; school alumni records.

had dozens of subsidiaries and was founded by the charity run by Deng Xiaoping's son, Pufang, now 68.

Unrest was growing among students and workers angry at the privilege and rising wealth of the princelings. The economic changes pioneered by Deng had revitalized China's countryside. In the cities, people's work units still provided everything from housing to medical care and schooling. Inflation was running at 18.8 percent in 1988, eroding incomes. The resentment even reached into the U.S. Embassy in Beijing.

Coveted Visa

On the eve of the Tiananmen Square protests, Immortal Chen Yun's son, Chen Yuan, then a deputy governor at China's central bank and now the chairman of China's biggest policy bank, used White House connections to help win his son a coveted visa and a place at a prestigious private boarding school in the U.S. at a time when most Chinese people weren't allowed to leave the country.

Chen's contact, Douglas Paal, the Asia specialist on President George H.W. Bush's National Security Council, said he would help and contacted then Ambassador James Lilley, now deceased. Paal said he was surprised at the reaction. Doing this favor would spark anger among the embassy's Chinese employees, Lilley told him.

Tiananmen Square

"I discovered just how much the staff within the embassy, especially the Chinese, hated seeing princelings getting benefits," said Paal, now vice president for studies at the Carnegie Endowment for International Peace in Washington.

Public anger exploded in the spring of 1989. Students took to the streets and burst onto Tiananmen Square. While observers watching on TV outside China mainly saw the marches as a call for democracy, the privileged children of top cadres were also a target, according to Yang, the University of Chicago professor. The protesters even dared challenge Deng's son, Pufang, who had been crippled during the Cultural Revolution, by distributing leaflets alleging tax dodges and smuggling by his

companies, according to accounts including a collection of speeches and other writings published by Princeton University Press.

It was the biggest threat to the Immortals' plans for China since they had bet on an economic overhaul a decade earlier.

Deng summoned some of his fellow Immortals to his home in late May. Facing the possible ruin of everything they'd built, Deng and the other revolutionary veterans turned to the army to restore order. Tanks rolled into central Beijing and the pro-democracy movement was violently crushed on June 4.

The suppression effectively extinguished public campaigns against corruption, said Bao Tong, a senior party official who was arrested days before the crackdown on charges of being a counter-revolutionary and spent seven years in prison.

Moutai, Cigarettes

"It covered up, tolerated, turned a blind eye to corruption and encouraged it," Bao said in a Dec. 11 telephone interview from his home in Beijing.

Corruption today is far worse than it was in the 1980s, said Bao.

"A bottle of Moutai, two cartons of Chunghwa cigarettes – corruption was no more than that at the beginning," said Bao, 80. "Now an enterprise worth 10 billion yuan can be purchased with 1 billion. This would have been appalling to people back then."

China's leaders did address some of the protesters' grievances. Citic was audited and fined. Kanghua Development was dismantled. The party issued a directive barring the children of high-level cadres from doing business.

Princelings Rebound

The ban didn't hold the Immortals' children back for long. Opportunities for the princelings surged in the 1990s after Deng kick-started another wave of economic changes. They jumped into booming industries including commodities and real estate as new factories and expanding cities transformed China's landscape.

Two of Deng's children – Deng Rong, 62, and her brother, Deng Zhifang – were among the first to enter

The Eight Immortals

Below are the Eight Immortals, founding fathers of Communist China who later emerged from the chaos of Mao Zedong's Cultural Revolution to orchestrate the opening of China to the world in 1978. Click on an immortal to explore his family tree and see what happened to the next generations.



Deng Xiaoping 邓小平

Paramount leader after Mao's death and architect of the economic liberalization that lifted China out of poverty. The opening created opportunities for princelings to enrich themselves.



Bo Yibo 薄一波

Communist China's first finance minister, he later served four terms as vice premier. He was purged during the Cultural Revolution and came back to help Deng Xiaoping reshape the economy.



Chen Yun 陈云

One of the earliest members of the Communist Party, his influence rivaled Deng Xiaoping's. He ran economic policy in the 1960s and is famous for his description of China's economic reform as being like a bird in a cage.



Song Renqiong 宋任穷

Communist Party war hero in charge of northeastern provinces and space technology industries. His power peaked in the 1980s, when he became one of the elders that ruled the country.



Peng Zhen 彭真

Beijing party chief purged at the beginning of the Cultural Revolution, he returned to the Politburo in 1979 and became National People's Congress chairman in 1983. Peng oversaw drafting of laws that accompanied China's economic opening up.



Wang Zhen 王震

A war hero credited with saving communist troops from starvation in Nanniwan, he later led the People's Liberation Army to conquer Xinjiang. He led the military after the Cultural Revolution and became vice president in 1988.



Li Xiannian 李先念

President from 1983 to 1988, he helped orchestrate the arrest of the so-called "Gang of Four," led by Mao Zedong's wife, blamed for the Cultural Revolution. An architect of China's economic policy, he ordered his family to stay out of business, according to state media interviews with his children.



Yang Shangkun 杨尚昆

China's president from 1988 to 1993. He was promoted to first vice chairman of the Central Military Commission after the Tiananmen Square crackdown, while his brother, another general, also rose up the ranks. A close ally of Deng Xiaoping, Yang Shangkun lost military power after 1992.

PHOTOS Deng: AFP/Getty Images; Bo: EyePress; Chen: AFP/Getty Images; Song: Family photo via Miller Song; Peng: AP Photo/Neal Ulevich; Wang: AFP/Getty Images; Li: Keystone/Getty Images; Yang: AFP/Getty Images

Sources: Hong Kong corporate and stock exchange filings; Chinese corporate filings with the State Administration for Industry and Commerce and stock exchange filings; interviews; Chinese official news media reports; school alumni records.

real estate, even before new rules in 1998 commercialized the mainland's mass housing market. Two years after Deng Rong accompanied her father on his famous 1992 tour of southern China to showcase the success of emerging export center Shenzhen, she was in Hong Kong to promote a new development she headed in Shenzhen.

Some apartments in the 32-story complex were priced at about \$240,000 each, according to a front-page story in the South China Morning Post.

Corporate records show that by the late 1990s half of the company was owned by two people with the same names as Deng Rong's sister-in-law, Liu Xiaoyuan, and the granddaughter of Wang Zhen, Wang Jingjing.

Deng Rong and Deng Zhifang didn't respond to questions sent by fax to their respective offices in Beijing. Liu couldn't be reached for comment through one of the companies with which she's associated. Wang Jingjing didn't respond to questions couriered

to her office in the Chinese capital and a reporter who visited on two occasions was told she wasn't there.

Government Entrepreneurs

"After Deng's southern inspection tour, many state-owned enterprises, government offices, police and military began to develop service industries like hotels, tourism, and housing," said Ding Xueliang, a professor at the Hong Kong University of Science and Technology who studied how a provincial police department set up a real-estate firm with billions of yuan in state assets in the 1990s. He said he stopped his research after officials warned him he might be killed. "When you come to the level of leaders' children or relatives of the most senior leaders you are basically at the core. You cannot investigate."

The growth of markets turned more bureaucrats into free-market capitalists as government agencies launched companies to list on the mainland's newly created stock markets. There was also a wave of listings over the border in Hong Kong.

Rare Earths

Deng's son-in-law Wu Jianchang, who was a senior executive in a state-owned metals company, in 1993 became chairman of a subsidiary that was listed in Hong Kong.

He went on to become a vice minister of metallurgy and headed the China Iron and Steel Association, while also becoming honorary chairman of Oslo-listed Jinhui Shipping & Transportation and a director of Jiangxi Copper in Hong Kong, among other public companies.

Companies run by Wu and a firm run by another of Deng's sons-in-law, Zhang Hong, teamed up to buy up one of the key producers of material for rare-earth magnets from General Motors Co. The purchase of Magnequench and the subsequent closing of its U.S. manufacturing helped China fulfill Deng's aim of dominating the market for the minerals, now used in U.S. smart bombs, wind turbines and hybrid cars.

"The evidence is unambiguously clear: The descendants and the immediate families of those Eight Immortals have derived enormous wealth, enormous power and enormous privilege from the

market reforms of the state-owned enterprises in the 1990s and into the 2000s," said Glenn Maguire, former chief Asia economist at Societe Generale SA in Hong Kong.

Father's Footsteps

Only two of the grandchildren's generation took state jobs as most went straight into private business. China's entry into the World Trade Organization in 2001 sparked a decade of growth averaging 10.6 percent a year that the princelings could tap into.

Deng's 38-year-old grandson, Zhuo Su, followed his father, Wu Jianchang, into the metals business. He headed a company that bought a stake in an Australian iron-ore business.

Zhuo Su is chairman of Yijian Investment, according to his business card and corporate records in China and Hong Kong linking him to the company. Yijian held 1.6 million shares, or 0.83 percent of Golden West Resources, as part of a deal struck in 2008, the Australian company's 2012 annual report shows.

The princelings also used their overseas educations and connections back home to get into finance and deal making. At least 12 of the 31 grandchildren and their spouses worked in finance, including six in private equity or venture capital, according to the Bloomberg data.

Prestigious Schools

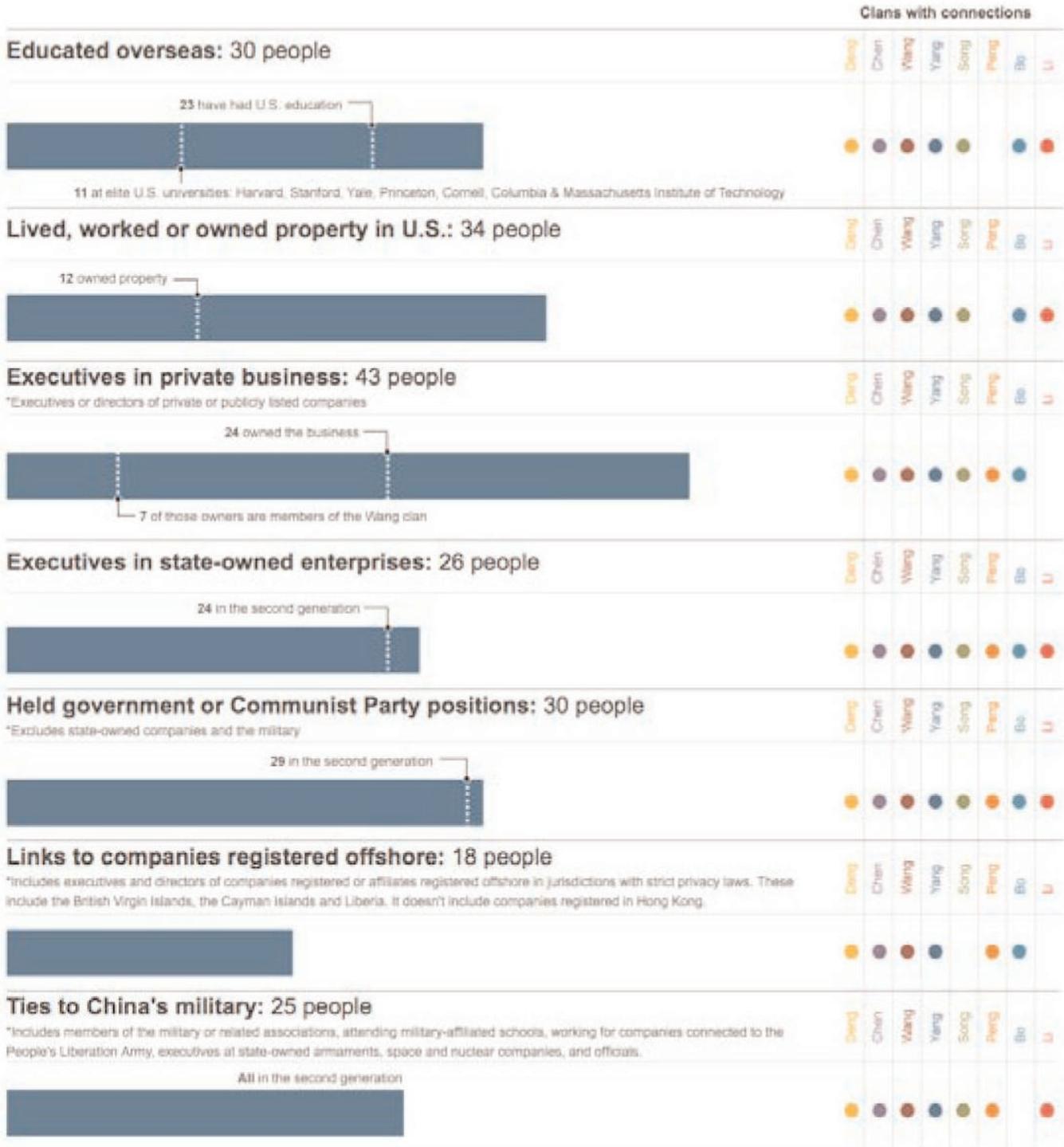
As Chen Yuan's children were growing into adults, he oversaw the expansion of the state-owned bank he has run since 1998, China Development Bank Corp. It has assets of more than \$1 trillion.

After attending Concord Academy in Massachusetts, his son, Chen Xiaoxin, also known as Charles, went on to Cornell University, and later to Stanford for a master's degree in business administration. He has worked at Citigroup in Hong Kong and at Abax Global Capital Ltd., a private equity company.

His sister, Chen Xiaodan, also known as Sabrina, attended Tabor Academy in Massachusetts, where annual tuition today for boarding students is about \$50,000. She then went to Duke University in North

Measuring privilege

Tracking the fortunes of 103 people – the Immortals' descendants and their spouses* – Bloomberg News shows how they reaped benefits from China's boom. They parlayed state jobs and connections into private careers, and were able to work, study and buy property overseas.



Carolina, and finally Harvard for her MBA, graduating earlier this year, according to school records.

Sabrina Chen

She has worked at Morgan Stanley in New York. This year Permira Advisers LLP, a European private equity firm, hired her in Hong Kong. Permira last year signed a partnership with China Development Bank, run by her father. The companies agreed to pursue investment opportunities in China and support Chinese firms as they look to expand in Europe.

Sabrina Chen's employment doesn't present a conflict of interest, and if a conflict were to emerge, the company would manage it in the best interests of its investors, a London-based Permira spokeswoman said in an e-mail. Sabrina didn't return calls to her office.

China Development Bank hasn't yet conducted any business with Permira, and because Sabrina Chen has "been there for just a month, she couldn't have been engaged in any activities that are a conflict of interest," the bank said in a Dec. 14 fax.

At least one investor found that not knowing the identities of Immortals' family members could be trouble.

'Missing Something'

Yemi Oshodi, then a managing director at Wallachbeth Capital LLC in New York, urged his clients to bet against a proposed 2011 buyout of Harbin Electric Inc. The buyout was set to be mostly financed by a \$400 million loan from China Development Bank.

Oshodi said he believed that the bank wouldn't ultimately come through with the funds because the price being offered for the U.S.-listed Chinese electric-motor manufacturer was too high. Harbin Electric's share price had plunged more than 50 percent in one day in June 2011, under attack from short sellers who questioned the accuracy of its financial statements.

"I just couldn't believe that a bank was going to give an unsecured loan," Oshodi said. "I just thought to myself, I'm obviously missing something. There's no way this bank is going to go through with this loan."

Then the deal went through.

What Oshodi didn't know was that there was a family connection. The deal was in part financed by Abax, the private equity company where Chen Xiaoxin was a director of several entities involved in the transaction.

Conflict Denied

If he had known about the family connection between Abax and the bank, he would have bet the other way, Oshodi said. The link "absolutely should have been" disclosed, he said.

Donald Yang, a managing partner at Abax, declined to comment. China Development Bank said in a faxed reply to questions that Chen Xiaoxin has left Abax and was never involved in any business that constituted a conflict of interest. Harbin Electric didn't respond to questions sent by e-mail.

Xiaoxin, 39, didn't respond to a message left at his Beijing apartment, two blocks north of China Development Bank's headquarters. The U.S. Securities and Exchange Commission in Washington had no comment.

It's important to appreciate the power of family connections, said author Howie, formerly Singapore-based managing director of CLSA Asia-Pacific Markets.

"The reforms have not made the market anonymous," he said. "They've made it more important to know who you are dealing with."

Offshore Investments

The wealth and connections of China's new aristocracy are often hidden in offshore locations with strict privacy rules.

Ye Jingzi, the granddaughter of a legendary PLA marshal and wife of General Wang Zhen's grandson, brought the Miss World beauty pageant to China and organized car races in the streets of Shanghai.

Less known is that Ye, 37, is chairman of Liaoning Starpower Engine Co., a company that plans to build car engines in northeast China with technology provided by Malaysian state-owned oil giant Petroliam Nasional Bhd. Starpower's only investor is registered in the British Virgin Islands, according to

company filings. Attempts to reach Ye Jingzi were unsuccessful. Petronas didn't answer e-mailed questions.

The lifestyle of some members of the third generation tracks that of the global affluent class – people who were their schoolmates in Swiss, British and U.S. boarding schools.

Sabrina Chen made headlines when she appeared at a debutante ball in Paris in 2006, dancing alongside a Belgian princess and an Italian countess, according to the event's website.

'Capitalist Environment'

"Now with the children growing up in an essentially capitalist environment, they're even further from a classless society and any sort of utopian dreams," said Sidney Rittenberg, 91, Mao's former translator. He lived with the Immortals when they were still rebels fighting for control of the country.

Another member of the third generation, Zhuo Yue, the 33-year-old daughter of Deng Rong, is focusing on charity.

Last month she helped organize a conference on philanthropy in Beijing. Dignitaries were shuttled in white BMW sedans with the words "BMW VIP Service" stenciled on the door. Swiss-made Hublot watches priced at \$16,000 were on sale in the lobby outside the conference hall. Warren Buffett's son, Peter, and former British Prime Minister Tony Blair were among the guests.

Ground Breaking

Seven hundred kilometers to the southwest of Beijing in Nanniwan, where according to government websites General Wang's sons plan the resort, villagers have missed out on China's economic boom. Some still live in unheated one-room cement homes. By contrast, modern high-rises sprout from the hilly terrain 40 minutes to the north, in the city of Yan'an, where seven decades ago the Immortals helped Mao build the rebel force that overthrew China's Nationalist rulers.

Two years ago, villagers crowded around the Wang

brothers when they broke ground on the 265-square-kilometer project, next to a museum commemorating General Wang's 359th brigade. His troops survived on "wild herbs and grass roots," according to a 1982 account by a Yan'an veteran.

"We have always remembered the deep friendship of the people of Nanniwan," Wang Jun said at the ceremony, according to a government website. "We have the responsibility to make a contribution to its economic development."

That pledge had given villagers hope. Now, they wonder if the project will go ahead and create new jobs and modern homes.

"Nanniwan is famous, but it hasn't brought much to the locals," said Hui Yanjun, who earns the equivalent of \$400 a month administering pensions. "In the past, all workers were the same. Whether you were a foot soldier or a leader, you all ate and lived together. Now it's different."

Jackie Chan

While Hui waits for changes in his life, the general's great-granddaughter, Clare Wang, broadcasts on social media websites the changes in hers: cramming late at night on a design project for her architecture course at a Sydney university; vacationing at a hot springs resort in Japan; a new scarf for her 21st birthday; her royal-blue hair dye.

She posted a picture in February of herself with movie star Jackie Chan at what she described as an exhibition of her paintings. Clare declined to be interviewed when reached by telephone. She said in an e-mail that she respects her great-grandfather, without answering further questions.

On Dec. 6 she wrote a post about her manicured fingernails. The same day, Shenzhen Blossom Investment, a company that held part of her mother Jingjing's online payment firm, listed a new chairman, according to corporate filings.

The new boss? A person with the name Wang Jixiang. Clare's name in Chinese.

—Editors: Neil Western, Peter Hirschberg, Ben Richardson

Chinese in Ann Arbor Voted Obama in Elite Family of Mao's Rulers

By Bloomberg News

Dec. 27 (Bloomberg) – The middle-aged Chinese woman who answers the door apologizes for the wait as she stands in the entryway, sporting leopard-print slippers. She's been exercising, she says. Two tiny dogs, fuzzy like the slippers, yap at her feet.

The brick home has a well-tended lawn, a few shrubs dividing it from the neighbors. It's a generous property, almost indistinguishable from the rest in this suburban development in Ann Arbor, Michigan.

Song Zhaozhao has a practical haircut and a quiet demeanor. A nurse at the University of Michigan's hospital, she earns about \$82,000 a year. She shares the house with her American husband, Alan, who used to work for Ford Motor Co.

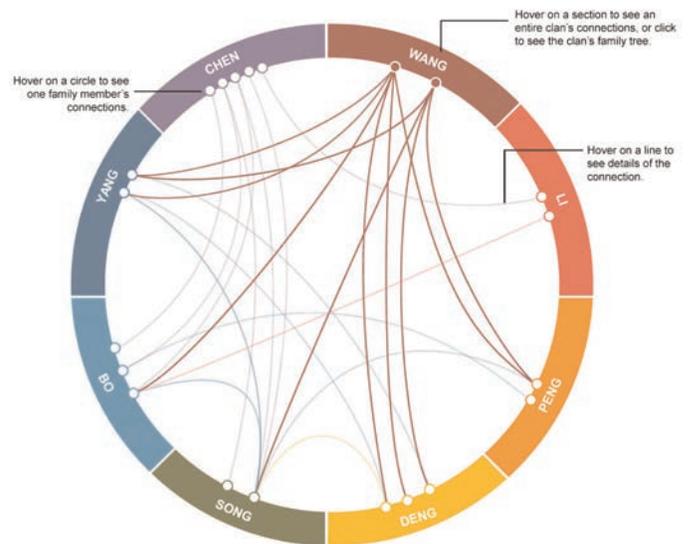
Despite the trappings of middle-class America, she is anything but ordinary: She and her siblings are the closest thing China has to aristocracy.

Their father fought together with Mao Zedong in the Chinese revolution and was a top official until he fell from favor in 1968. Zhaozhao spent her teenage years with her parents in internal exile, sharing a mud-brick house on a labor farm in northern China. After Mao's death in 1976, General Song Renqiong returned to the nation's leadership, and is considered one of the "Eight Immortals" of the Communist Party who revived the shattered economy and society.

U.S. Citizens

At least five of the general's eight children have lived in the U.S., with three daughters becoming citizens and a son obtaining his green card. Their family is the most extreme example of the pull that the U.S. – "beautiful country" in Chinese – has on the Immortals' descendants. The fortunes, family ties and business interests of 103 people, the Immortals' direct descendants and their spouses, were mapped by Bloomberg News in a survey published today.

The siblings found opportunity in the U.S., not just to educate their children and themselves, they say,



but to start businesses and leave behind the chaos and trauma of the Cultural Revolution. In the country held up as the antithesis of China's ideals, they could lead anonymous and simple lives that adhered, ironically, more closely to the values of public service and egalitarianism espoused by their Communist parents. Their choices in many cases contrast with those of some other Immortal families, who pursued lives of privilege after Ivy-League educations and Wall Street training.

Zhaozhao's eldest brother, Song Kehuang, who spends time in the U.S. twice a year at his family home in Irvine, California, says he regrets the fact that the wealth and power of the princeling class made some of his counterparts forget their roots.

Patched Pants

"Chairman Mao's strictness made sure there were basically no special privileges," he says of his Beijing school days in the 1950s and 1960s. "Back then we compared the patches on our pants. The more patches we had, the more honorable we felt."

As China's Communist Party was anointing new

leaders last month in a once-in-a-decade transition decided behind closed doors, Zhaozhao says she voted for U.S. President Barack Obama for a second time.

The youngest Song child, she is clearly uncomfortable that a reporter has come to find her in Ann Arbor. She relents enough to spend a few minutes answering questions. She says their father didn't tell them what to do.

"He let us make our own decisions," Zhaozhao says. "He wanted us to choose our own life."

'Clever Rabbit'

For families that lived at the pinnacle of the turbulent politics of Communist China's beginnings, experiencing imprisonment, banishment and humiliation during the 1966-1976 Cultural Revolution, the U.S. offered an insurance policy, says Joseph Fewsmith, a professor at Boston University who studies China's political elite.

About a third of the Immortals' 103 descendants and their spouses lived, worked or studied in the U.S., attending elite Massachusetts prep schools and Ivy League universities and learning skills at the likes of Morgan Stanley in New York, the Bloomberg study showed.

"The clever rabbit has three holes," Fewsmith says, quoting a Chinese proverb. "They can diversify their assets, get an education and ensure themselves an exit strategy if anything goes wrong."

Things went badly wrong for the Songs during the Cultural Revolution, a decade when most of the Immortals were imprisoned or sent to remote parts of the country where they couldn't pose a threat to Mao's power.

Zhaozhao was 11 when the Cultural Revolution began. Her brother, Kehuang, was later denounced as a counter-revolutionary and hounded by classmates at Tsinghua University in Beijing.

No Trust

"I totally hated it," Zhenzhen, a middle sister who lives in San Francisco, says in a telephone interview, taking the call while riding her bike. "Everybody was a liar – you just couldn't trust anybody. You say

something and people turn around and report it."

Their older sister, Binbin, became one of the most recognizable faces of the Red Guards – the troops of students who worshipped Mao – after pinning the group's armband on Mao himself at a Tiananmen Square rally in August 1966. She earned a nickname from the chairman: Yaowu, meaning "be militant."

That month, Red Guards at her elite girls' school killed a teacher, with some accounts holding Binbin responsible.

Addressing History

Binbin left China a few years after the Cultural Revolution was over, settling in the Boston area with her husband, a U.S. citizen, as graduate students. After receiving a Ph.D. from the Massachusetts Institute of Technology in Cambridge, she went to work for the Commonwealth of Massachusetts in the air assessment branch of its Department of Environmental Protection, according to school and state records.

She sent her son, Jin Yan, to Phillips Academy Andover, a prestigious school whose motto is Non Sibi, or Not for Self. He then went on to Stanford University.

Little else speaks of wealth. She receives a pension from Massachusetts of a little more than \$18,000 a year, according to the Boston Herald's "Your tax dollars at work" database of records released under the state's public records law.

After more than 30 years in the U.S., Binbin, now 65, returned to China in the past decade, and has begun to address her history. In an essay published this year, she defended herself, saying she tried to stop the attack on her teacher.

"I now realize that this collective disregard for life is an important reason for the tragedy," she wrote. "I hope that our nation, our country, will never again go through such turmoil and tragedy."

San Francisco

Binbin didn't respond to an interview request made through her Beijing-based technology company, Copia, which she took over following the death of her U.S.-born Chinese husband in 2011.



Song Renqiong, one of the "Eight Immortals" of the Communist Party, seated right, with members of his family, back row from left: Song Kehuang, Cao Xiaochun holding Miller Song, Song Jingbo, Song Zhaozhao, Song Qin, and Song Binbin, far right, holding Jin Yan; front row from left: Zhong Yuelin, Huang Haitao, and Huang Haixin, seen here in Beijing, c. 1980.

Source: Family Photo via Miller Song

Zhenzhen, who lives on one of San Francisco's famously steep streets near Golden Gate Park, was determined to go abroad.

As a teenager in China, she says she worked to catch up on her education. She didn't get a high-school degree because of the Cultural Revolution, when she was sent to be a farm worker in the southeast. She still managed to graduate from college in the coastal city of Fuzhou. She went on to graduate school in Beijing, studying computers and how to process satellite images.

It was in Fuzhou that she had met her husband, Chen Fang, the son of Chen Yun, China's top economic official in the early 1980s. Like aristocrats in Europe, two of the country's leading families were joined by marriage. It didn't last.

Once in the U.S., Zhenzhen decided she wanted to stay.

'Good Karma'

"I just wanted to be truly who I am, I don't need to watch what I can say and what I cannot say," she says.

"I went through that in the Cultural Revolution."

She has spent much of the past 20 years in the San Francisco Bay area, moving from the technology sector to private equity and working at companies including American International Group Inc. Now she's creating a startup in e-commerce that's focused on online payments.

She lives with an American she met at a dance and has studied Buddhism. "I believe in good karma," she says.

Their brother, Song Kehuang, a Chinese Communist Party member, owns the \$950,000 home in Irvine with his wife and son Miller, who are both American citizens. Kehuang holds a green card, conferring permanent residency in the U.S., he says in a telephone interview from southern China's Guangdong province.

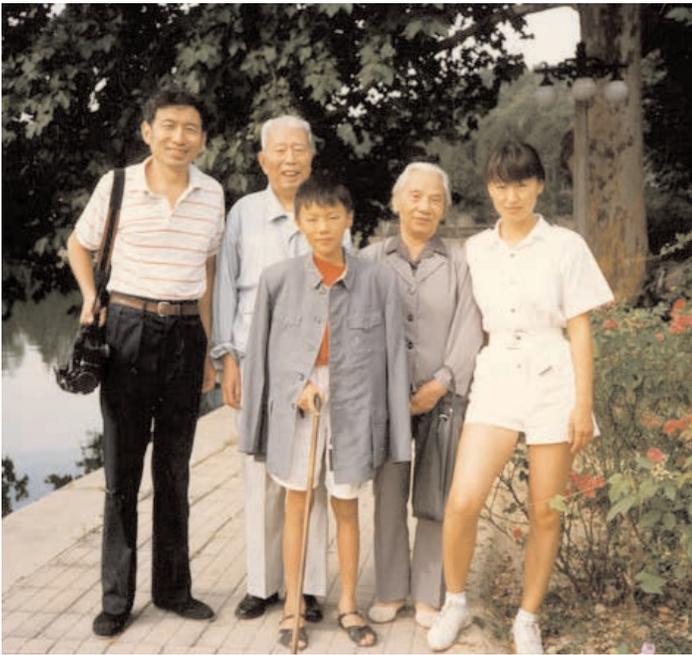
Kehuang, 67, went to Beijing's elite No. 4 High School with Chen Yuan, another son of Chen Yun who's now chairman of China Development Bank Corp. Kehuang says their father, who died in 2005, instilled in the family a mindset that they should never flaunt their family background.

Be Guarded

Some members of the Song family did stay in China, moving up the ranks of state-owned enterprises and setting up private companies. Song Qin, the oldest sister, ran a dairy company in northeastern China, the area their father once oversaw. She couldn't be reached for comment. Kehuang himself heads a real-estate investment company that listed on its website China Development Bank and China Poly Group – once run by relatives of Immortals Deng Xiaoping and Wang Zhen – as partners.

The family patriarch, Song Renqiong, taught his offspring to be guarded about their connections and privilege, according to grandson Miller Song, 33.

His grandfather was "very strict" about not using his name for personal gain, and Miller was taught as a child in China never to tell others about his family background, he says, in order to avoid special treatment. If his grandfather gave him a ride to school, Miller says he got out a few blocks away, so the other children wouldn't see the car.



Song Renqiong, second left, with son Song Kehuang, left, grand-son Miller Song, center, wife Zhong Yuelin, second right, and daughter-in-law Cao Xiaochun, in Beijing, c. 1990.

Source: Family Photo via Miller Song

Two Cultures

Only his closest childhood friends knew his link to China's revolutionary legacy, according to Miller – though anyone who recognizes his grandfather would notice a photograph of him under the title “heroes” on Miller’s MySpace page.

Miller Song says he first came to the U.S. for a year when he was 12, and returned at 15 to complete high school and college in California.

“It’s very common for Chinese parents to send their kids overseas for school because they believe that the U.S. offers better education,” he said in an e-mail.

He started a U.S. company, PatchTogether Inc., making plastic statuettes and custom T-shirts, with \$10,000 borrowed from his parents. He says he lives mostly in China, to be closer to family and friends and to the factories that make PatchTogether’s products.

“I am not very Americanized as some of the kids that went in their earlier age and at the same time, I am not very Chinese either,” he said in the e-mail. “I think I am pretty even, 50-50 between the two cultures.”

Paris Debutante

Though the Song family moved out of the walled Zhongnanhai compound in central Beijing that has served as home to the leaders of the People’s Republic starting with Chairman Mao, they remain part of a community. Families that grew up together include the descendants of Chen Yun, Kehuang and Miller say.

Chen Yun’s son, Chen Yuan, sent both of his children to study in the U.S. beginning in high school. His daughter, Chen Xiaodan, also known as Sabrina, works at a private equity firm in Hong Kong. She was a debutante at the 2006 Bal des Debutantes in Paris, wearing a plum Oscar de la Renta gown. Count Edouard du Monceau de Bergendal from Belgium was her partner at the dance, according to the ball’s website.

When Zhaozhao answers the door in Ann Arbor, she’s wearing pajamas and a maroon fleece vest.

After the Cultural Revolution, she studied nursing and worked in China, she says, before following Zhenzhen to Ann Arbor. There, her sister urged her to study economics. “I didn’t like it,” she says, and so she went back to nursing.

Infrequent Visits

Since her parents passed away, her visits to China are infrequent – discouraged by the long plane ride, she adds. She likes the diversity and culture in Ann Arbor, and doesn’t know if she’ll ever move back to China.

In fact, she resists talking about China. She voted for Obama because she saw the economy and the housing market rebounding in Ann Arbor, and because he ended the war in Iraq. But ask about Chinese politics and she evades the question.

“I was taught by my family never use their power or connections to do things for ourselves,” she says. “We’re just living in life as every other person.”

–Editors: Melissa Pozsgay, Ben Richardson, Neil Western

China Murder Suspect's Sisters Ran \$126 Million Business Empire

By Bloomberg News

April 14, 2012 – The sisters of Gu Kailai, who is suspected of murdering a U.K. citizen and is the wife of disgraced Chinese official Bo Xilai, controlled a web of businesses from Beijing to Hong Kong to the Caribbean worth at least \$126 million, regulatory and corporate filings show.

Gu Kailai, 53, was the youngest of five sisters of a People's Liberation Army general, according to a Chinese-language website affiliated with the Communist Youth League. She rose from a butcher's assistant during the 1966-1976 Cultural Revolution to become a lawyer who argued cases in the U.S.

Now China says she is suspected of murdering businessman Neil Heywood in November, and her husband this week was suspended from the Communist Party's elite Politburo.

Her sisters focused on business rather than politics. Gu Wangjiang, 64, the oldest, is a Hong Kong national who owns \$114 million in shares of an eastern China printing company, according to a Shenzhen exchange filing tracked by Bloomberg.

Wangjiang and her sister, Gu Wangning, serve as directors of several other companies, including some that Hong Kong company registry records trace to the British Virgin Islands. They also have made millions selling Hong Kong real estate. Another sister, Gu Zhengxie, 62, was a top official at one of the country's biggest state-owned companies.

Their wealth – and the fact they put some assets offshore where ownership is harder to trace – illustrate how the politically connected thrive in China, a country where Bo himself last month warned of the dangers of a rising wealth gap. While many of the country's top leaders, including President Hu Jintao and Premier Wen Jiabao, have children who are top executives, the Gu sisters have left a paper trail that details some of their activities.

Old Networks

“Networks have always been of prime importance in China dating back to imperial times,” said Jonathan Fenby, author of the forthcoming book “Tiger Head, Snake Tails: China Today.”

“Economic growth has spawned a web of people connected to the centers of power who have profited, and who often choose to move their wealth to places where they feel it is safer given the risk of political reversals of fortune, as seen in the defenestration of Bo Xilai,” he said in an e-mail.

Gu Wangjiang is chairman of publicly traded Tungkong Security Printing Co., a Jinan, Shandong-based company, according to data compiled by Bloomberg. It in turn controls a chain of other companies across China linked to her Hong Kong holding company, Hongkong Hitoro Holdings Ltd., according to a September 2010 share prospectus that also says Wangjiang is a Hong Kong national. Hitoro's Chinese characters mean “lots of happiness coming.”

Tungkong Shares

Hitoro's 37,827,385 shares in Tungkong, which also counts government bureaus and state-owned companies as customers, were worth 720.2 million yuan (\$114.3 million) as of the close of trading in Shenzhen yesterday.

Efforts to reach Wangjiang and Wangning were unsuccessful. A man answering the phone at Tungkong's Jinan headquarters said Gu Wangjiang wasn't there. During a visit yesterday to the 37th floor offices of the sisters' companies in the Hong Kong offices of Hitoro and Hangang Worldwide, a man who declined to be identified said the sisters were not there.

Boris Chan, listed on Hitoro's corporate filings as an official of the company, declined to comment when reached by telephone. A faxed request for an

interview went unanswered.

In 1992, Hitoro purchased a luxury 16th-floor apartment in Parkview Crescent, a Hong Kong complex, for HK\$13.3 million (\$1.7 million). Gu Wangjiang sold it for HK\$88 million early last year, land registry documents show.

Island Postal Boxes

The buyer was Topwell Rich Ltd., a Hong Kong company owned by British Virgin Islands-based Ampere Management Ltd., the land registry records show. Hitoro's controlling shareholder, Infomatic Resources Ltd., shares the same post office box address in the offshore jurisdiction, according to a Nov. 21 filing with the company registry.

So does the owner of Hangang Worldwide Ltd., a Hong Kong-based company affiliated with a Chinese steelmaker for which Gu Wangning also acts as a director, a Feb. 8 filing shows.

That's not unusual: P.O. boxes in jurisdictions such as the Cayman Islands and British Virgin Islands can serve as the address for thousands of companies. While the majority of tax haven-based companies are set up for legitimate reasons, offshore jurisdictions have been linked to multiple frauds and corruption cases, including the \$1.7 billion scam at Japan's Olympus Corp. that was unearthed last year.

Nine Companies?

Gu Wangjiang, known as Kuk Mong Kong in Hong Kong, has held directorships of at least nine companies in the former British territory over the course of more than two decades, also including Panama-registered Sitoro Shipping Enterprises Co. and a venture with Malaysian billionaire Vincent Tan's Berjaya Group Bhd., Hong Kong registry and bond documents show.

Hitoro also invested in an \$85-million industrial park in the eastern China coastal city of Rizhao in a joint venture with Iscocab N.V., a subsidiary of German steelmaker ThyssenKrupp AG. Tungkong's 2010 prospectus puts the value of its investment at \$47.6 million. That investment is part of the underlying assets of Tungkong, the printing company.

Through Hitoro, Wangjiang and Wangning, who retained her Chinese citizenship, owned Beijing Jiahua Investment Consulting Co. An Internet search shows the address in room 1430 of a building southwest of Tiananmen Square. The room numbers on the fourth floor of the budget hotel stop at 1423, a visit shows.

While the extent of the wealth of China's political elite is unknown, "the few figures available suggest the amounts are often staggering," said Kenneth Lieberthal, director of the John L. Thornton China Center at the Brookings Institution in Washington. "It comes from the state being involved pervasively in the economy."

Generated by Families

"The wealth is generally not money they themselves have," he said of Chinese government leaders. "It is money their families generate. The families of various members of the Politburo have very large assets."

Gu Zhengxie, the second-oldest sister, became a Communist Party member and rose to become the deputy party secretary of Beijing-based China National Machinery Industry Corp., a centrally administered state-owned company with assets of 139.2 billion yuan as of March, 2011, according to its latest bond prospectus. The conglomerate makes everything from power grids to tractors.

The final sister, Gu Dan, is married to Li Xiaoxue, until last year the top discipline official at the China Securities Regulatory Commission, according to a report on the official website of Zuoquan county in Shanxi, the home province of both the Gu and Li families.

—With: Michael Forsythe, Natasha Khan and Ben Richardson, with assistance from Daryl Loo and Yidi Zhao in Beijing, Michael Wei and Wenxin Fan in Shanghai, Vinicy Chan in Hong Kong, Andres R. Martinez in Johannesburg, David Lerman in Washington and Stefan Nicola in Berlin

China's Billionaire Lawmakers Make U.S. Peers Look Like Paupers

By Bloomberg News

February 27, 2012 – The richest 70 members of China's legislature added more to their wealth last year than the combined net worth of all 535 members of the U.S. Congress, the president and his Cabinet, and the nine Supreme Court justices.

The net worth of the 70 richest delegates in China's National People's Congress, which opens its annual session on March 5, rose to 565.8 billion yuan (\$89.8 billion) in 2011, a gain of \$11.5 billion from 2010, according to figures from the Hurun Report, which tracks the country's wealthy. That compares to the \$7.5 billion net worth of all 660 top officials in the three branches of the U.S. government.

The income gain by NPC members reflects the imbalances in economic growth in China, where per capita annual income in 2010 was \$2,425, less than in Belarus and a fraction of the \$37,527 in the U.S. The disparity points to the challenges that China's new generation of leaders, to be named this year, faces in countering a rise in social unrest fueled by illegal land grabs and corruption.

"It is extraordinary to see this degree of a marriage of wealth and politics," said Kenneth Lieberthal, director of the John L. Thornton China Center at Washington's Brookings Institution. "It certainly lends vivid texture to the widespread complaints in China about an extreme inequality of wealth in the country now."

Most Powerful

The National People's Congress, whose annual meeting will run for a week and a half, is legally the highest governmental body in China. While the legislature, with about 3,000 members, is often derided as a rubberstamp parliament, its members are some of China's most powerful politicians and executives, wielding power in their home provinces and weighing in on proposals such as whether to impose a nationwide property tax.



Attendees of the National People's Congress listen to Wen Jiabao, China's prime minister, speak during the opening at the Great Hall of the People in Beijing, China, on Saturday, March 5, 2011.

Photographer: Nelson Ching/Bloomberg

"The NPC is not exactly what you would call a center of power, but being on it certainly gets you deeply engaged in the political system," Lieberthal said.

Hurun, a Shanghai-based publisher of magazines targeted at the Chinese luxury consumer, uses publicly available information such as corporate filings to compile its annual list of the richest people in China. It then cross-checks that data with the government's list of NPC members.

Zong Qinghou, chairman of beverage-maker Hangzhou Wahaha Group and China's second-richest person, with a family fortune of 68 billion yuan, is a member. So is Wu Yajun, chairwoman of Beijing-based Longfor Properties Co. She has family wealth of 42 billion yuan, according to the Hurun Report.

Jiang's Pushing

Former President Jiang Zemin pushed for the inclusion of wealthy private entrepreneurs into the Communist Party a decade ago. Now they have



Zong Qinghou, chairman of beverage-maker Hangzhou Wahaha Group and China's second-richest person, with a family fortune of 68 billion yuan, is a member of China's National People's Congress.
Photographer: Nelson Ching/Bloomberg

regular access to top party leaders who are also NPC members.

The third-richest person in the NPC, auto-parts magnate Lu Guanqiu, traveled with Vice President Xi Jinping to the U.S. during his official visit this month, attending a meeting with Vice President Joseph Biden and Treasury Secretary Timothy F. Geithner in Washington on Feb. 14.

"The rich in China have strong incentive to become 'within system' due to the relative weakness in the rule of law and of property rights," Victor Shih, a professor at Evanston, Illinois-based Northwestern University who studies Chinese politics and finance, wrote in an e-mail. Being a member of the NPC "means that one's commercial or political rival cannot easily throw one in jail or confiscate one's property."

Richest Woman

Wu, who is China's richest woman, doesn't give media interviews, her spokeswoman said. Lu wasn't available for an interview, his spokesman said. Zong wouldn't comment on the makeup of the NPC because that's a matter determined by the central government, Wahaha spokesman Shan Qining said in a phone interview.

Many of the NPC's richest members, including Longfor's Wu, are executives in real estate, a sector that has spurred protests and contributed to the rising wealth gap between city dwellers and farmers.

A land grab by a property developer in Wukan, a fishing town in southern China's Guangdong province, sparked protests in December that resulted in the expulsion of its Communist Party leaders. Premier Wen Jiabao has pledged to crack down on such land grabs and work to ease wealth disparities.

China's top political leaders, including President Hu Jintao and Wen, don't disclose their personal finances or those of their families.

Chinese private executives such as Zong and Lu have built their fortunes on the back of economic growth that has averaged 10.1 percent in the last 30 years. The U.S. economy expanded by 1.6 percent in the last three months of 2011.

Out Of Poverty

Regular Chinese have also benefited from the growth of China's economy, which surpassed Japan as the world's second biggest in 2010. Since introducing free-market policies, China has lifted 300 million of its 1.3 billion citizens out of poverty, according to the United Nations.

Annual growth of per capita GDP in China was 9.8 percent at the end of 2010. Per capita GDP has more than doubled since 2000, according to the World Bank.

The wealth gap between legislatures holds with statistically comparable samples. The richest 2 percent of the NPC – 60 people – had an average wealth of \$1.44 billion per person. The richest 2 percent of Congress – 11 members – had an average wealth of \$323 million.

The U.S. figures come from a downloadable database on the website of the Washington-based Center for Responsive Politics. The U.S. figures are inflated because the database includes members of Congress who were retired or defeated in the 2010 elections as well as their replacements.

Issa's Wealth

The wealth of members of Congress did increase at a higher rate than that of their Chinese peers in the most recent disclosures as U.S. equity markets outperformed China's. The average wealth of the richest 2 percent of Congress rose 22 percent in 2010



Auto-parts magnate, Wanxiang Qianchao Co. Ltd. Chairman Lu Guanqiu, the third-richest person in China's National People's Congress, traveled with Vice President Xi Jinping to the U.S. during his official visit this month, attending a meeting with Vice President Joseph Biden and Treasury Secretary Timothy F. Geithner in Washington.

Photographer: Lucas Schifres/Bloomberg

from 2009. The Standard and Poor's 500 Index rose 12.8 percent in 2010.

The wealth of the top 2 percent of NPC delegates rose 13 percent in the 2011 Hurun list following a 14.3 percent fall in the Shanghai Stock Exchange Composite Index in 2010 and a further 21.7 percent drop last year. Hong Kong's Hang Seng dropped 20 percent in 2011 and the Shenzhen Composite fell 33 percent in the same period.

The wealthiest member of the U.S. Congress is Representative Darrell Issa, the California

Republican who had a maximum wealth of \$700.9 million in 2010, according to the center. If he were in China's NPC, he would be ranked 40th. Per capita income in China is about one-sixth the U.S. level when adjusted for differences in purchasing power.

'Cozy Relationship'

Financial disclosure forms ask lawmakers and other top U.S. officials to list the value of their individual assets in ranges, such as \$1,001 to \$15,000 or \$1,000,001 to \$5,000,000. Bloomberg News used the maximum range of wealth on the U.S. disclosures to compare with the Chinese NPC.

Rupert Hoogewerf, chairman and chief researcher for the Hurun Report, estimates that for every Chinese billionaire the company discovers for its list, there is another one it misses, meaning the gap between the wealth of China's NPC and the U.S. Congress may be greater still.

"The prevalence of billionaires in the NPC shows the cozy relationship between the wealthy and the Communist Party," said Bruce Jacobs, a professor of Asian languages and studies at Monash University in Melbourne, Australia. "In all levels of the system there seem to be local officials in cahoots with entrepreneurs, enriching themselves, and this has led to a lot of the demonstrations."

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