Billions Amassed in the Shadows
By the Family of China’s Premier

Many relatives of Wen Jiabao, including his son, daughter, younger brother and brother-in-law, have become extraordinarily wealthy during his leadership.

Wen Jiabao
PRIME MINISTER OF CHINA
Has said leaders should ensure that family members and friends “do not abuse government influence.”

Mother
Yang Zhiyun
Had investments in her name in Ping An Insurance once worth $120 million.

Brother
Wen Jiahong
Controls $200 million in assets, including waste treatment plants and recycling businesses.

Son
Wen Yunsong
Co-founded a major private equity firm called New Horizon Capital.

Daughter
Wen Ruchun
Holds shares of a Chinese diamond company.

Wife
Zhang Beili
Is an expert in gems and a force in the nation’s diamond trade.

Wife’s Brother
Zhang Jianming
Invested in diamond companies with his sister’s colleagues.

By DAVID BARBOZA

BEIJING

The mother of China’s prime minister was a schoolteacher in northern China. His father was ordered to tend pigs in one of Mao’s political campaigns. And during childhood, “my family was extremely poor,” the prime minister, Wen Jiabao, said in a speech last year.

But now 90, the prime minister’s mother, Yang Zhiyun, not only left poverty behind, she became outright rich, at least on paper, according to corporate and regulatory records. Just one investment in her name, in a large Chinese financial services company, had a value of $120 million five years ago, the records show.

The details of how Ms. Yang, a widow, accumulated such wealth are not known, or even if she was aware of the holdings in her name. But it happened after her son was elevated to China’s ruling elite, first in 1998 as vice prime
minister and then five years later as prime minister.

Many relatives of Wen Jiabao, including his son, daughter, younger brother and brother-in-law, have become extraordinarily wealthy during his leadership, an investigation by The New York Times shows. A review of corporate and regulatory records indicates that the prime minister’s relatives — some of whom, including his wife, have a knack for aggressive deal making — have controlled assets worth at least $2.7 billion.

In many cases, the names of the relatives have been hidden behind layers of partnerships and investment vehicles involving friends, work colleagues and business partners. Untangling their financial holdings provides an unusually detailed look at how politically connected people have profited from being at the intersection of government and business as state influence and private wealth converge in China’s fast-growing economy.

Unlike most new businesses in China, the family’s ventures sometimes received financial backing from state-owned companies, including China Mobile, one of the country’s biggest phone operators, the documents show. At other times, the ventures won support from some of Asia’s richest tycoons. The Times found that Mr. Wen’s relatives accumulated shares in banks, jewelers, tourist resorts, telecommunications companies and infrastructure projects, sometimes by using offshore entities.

The holdings include a villa development project in Beijing; a tire factory in northern China; a company that helped build some of Beijing’s Olympic stadiums, including the well-known “Bird’s Nest”; and Ping An Insurance, one of the world’s biggest financial services companies.

As prime minister in an economy that remains heavily state-driven, Mr. Wen, who is best known for his simple ways and common touch, more importantly has broad authority over the major industries where his relatives have made their fortunes. Chinese companies cannot list their shares on a stock exchange without approval from agencies overseen by Mr. Wen, for example. He also has the power to influence investments in strategic sectors like energy and telecommunications.

Because the Chinese government rarely makes its deliberations public, it is not known what role — if any — Mr. Wen, who is 70, has played in most policy or regulatory decisions. But in some cases, his relatives have sought to profit from opportunities made possible by those decisions.

The prime minister’s younger brother, for example, has a company that was awarded more than $30 million in government contracts and subsidies to handle wastewater treatment and medical waste disposal for some of China’s biggest cities, according to estimates based on government records. The contracts were announced after Mr. Wen ordered tougher regulations on medical waste disposal in 2003 after the SARS outbreak.

In 2004, after the State Council, a government body Mr. Wen presides over, exempted Ping An Insurance and other companies from rules that limited their scope, Ping An went on to raise $1.8 billion in an initial public offering of stock. Partnerships controlled by Mr. Wen’s relatives — along with their friends and colleagues — made a fortune by investing in the company before the public offering.

In 2007, the last year the stock holdings were disclosed in public documents, those partnerships held as much as $2.2 billion worth of Ping An stock, according to an accounting of the investments by The Times that was verified by outside auditors. Ping An’s overall market value is now nearly $60 billion.

Ping An said in a statement that the company did “not know the background of the entities behind our shareholders.” The statement said, “Ping An has no means to know the intentions behind shareholders when they buy and sell our shares.”

While Communist Party regulations call for top officials to disclose their wealth and that of their immediate family members, no law or regulation prohibits relatives of even the most senior officials from becoming deal-makers or major investors — a loophole that effectively allows them to trade on their family name. Some Chinese argue that permitting the families of Communist Party leaders to profit from the country’s long economic boom has been important to ensuring elite support for market-oriented reforms.

Even so, the business dealings of Mr. Wen’s relatives have sometimes been hidden in ways
Prime Minister Wen Jiabao, middle, delivered a toast last month at a government banquet. Top, a $150 million private school is being built in the Beijing suburbs. Bottom left, Mr. Wen with his family in the 1980s. Bottom right, the “Bird’s Nest” stadium for the Beijing Olympics.
that suggest the relatives are eager to avoid public scrutiny, the records filed with Chinese regulatory authorities show. Their ownership stakes are often veiled by an intricate web of holdings as many as five steps removed from the operating companies, according to the review.

In the case of Mr. Wen's mother, The Times calculated her stake in Ping An — valued at $120 million in 2007 — by examining public records and government-issued identity cards, and by following the ownership trail to three Chinese investment entities. The name recorded on his mother’s shares was Taihong, a holding company registered in Tianjin, the prime minister’s hometown.

The apparent efforts to conceal the wealth reflect the highly charged politics surrounding the country’s ruling elite, many of whom are also enormously wealthy but reluctant to draw attention to their riches. When Bloomberg News reported in June that the extended family of Vice President Xi Jinping, set to become China’s next president, had amassed hundreds of millions of dollars in assets, the Chinese government blocked access inside the country to the Bloomberg Web site.

“In the senior leadership, there’s no family that doesn’t have these problems,” said a former government colleague of Wen Jiabao who has known him for more than 20 years and who spoke on the condition of anonymity. “His enemies are intentionally trying to smear him by letting this leak out.”

The Times presented its findings to the Chinese government for comment. The Foreign Ministry declined to respond to questions about the investments, the prime minister or his relatives. Members of Mr. Wen's family also declined to comment or did not respond to requests for comment.

Duan Weihong, a wealthy businesswoman whose company, Taihong, was the investment vehicle for the Ping An shares held by the prime minister’s mother and other relatives, said the investments were actually her own. Ms. Duan, who comes from the prime minister’s hometown and is a close friend of his wife, said ownership of the shares was listed in the names of Mr. Wen’s relatives in an effort to conceal the size of Ms. Duan’s own holdings.

“When I invested in Ping An I didn’t want to be written about,” Ms. Duan said, “so I had my relatives find some other people to hold these shares for me.”

But it was an “accident,” she said, that her company chose the relatives of the prime minister as the listed shareholders — a process that required registering their official ID numbers and obtaining their signatures. Until presented with the names of the investors by The Times, she said, she had no idea that they had selected the relatives of Wen Jiabao.

The review of the corporate and regulatory records, which covers 1992 to 2012, found no holdings in Mr. Wen’s name. And it was not possible to determine from the documents whether he recused himself from any decisions that might have affected his relatives’ holdings, or whether they received preferential treatment on investments.

For much of his tenure, Wen Jiabao has been at the center of rumors and conjecture about efforts by his relatives to profit from his position. Yet until the review by The Times, there has been no detailed accounting of the family’s riches.

His wife, Zhang Beili, is one of the country’s leading authorities on jewelry and gemstones and is an accomplished businesswoman in her own right. By managing state diamond companies that were later privatized, The Times found, she helped her relatives parlay their minority stakes into a billion-dollar portfolio of insurance, technology and real estate ventures.

The couple’s only son sold a technology company he started to the family of Hong Kong’s richest man, Li Ka-shing, for $10 million, and used another investment vehicle to establish New Horizon Capital, now one of China’s biggest private equity firms, with partners like the government of Singapore, according to records and interviews with bankers.

The prime minister’s younger brother, Wen Jiahong, controls $200 million in assets, including wastewater treatment plants and recycling businesses, the records show.

As prime minister, Mr. Wen has staked out a position as a populist and a reformer, someone whom the state-run media has nicknamed “the People’s Premier” and “Grandpa Wen” because of his frequent outings to meet ordinary people, especially in moments of crisis like natural disasters.

While it is unclear how much the prime minister knows about his family’s wealth, State De-
partment documents released by the WikiLeaks
organization in 2010 included a cable that sug-
ggested Mr. Wen was aware of his relatives’ busi-
ness dealings and unhappy about them.

“Wen is disgusted with his family’s activi-
ties, but is either unable or unwilling to curtail
them,” a Chinese-born executive working at an
American company in Shanghai told American
diplomats, according to the 2007 cable.

China’s ‘Diamond Queen’

It is no secret in China’s elite circles that the
prime minister’s wife, Zhang Beili, is rich, and
that she has helped control the nation’s jewelry
and gem trade. But her lucrative diamond busi-
nesses became an off-the-charts success only as
her husband moved into the country’s top lead-
ership ranks, the review of corporate and regu-
latory records by The Times found.

A geologist with an expertise in gemstones,
Ms. Zhang is largely unknown among ordinary
Chinese. She rarely travels with the prime min-
ister or appears with him, and there are few of-
official photographs of the couple together. And
while people who have worked with her say she
has a taste for jade and fine diamonds, they say
she usually dresses modestly, does not exude
glamour and prefers to wield influence behind
the scenes, much like the relatives of other se-
nior leaders.

The State Department documents released
by WikiLeaks included a suggestion that Mr.
Wen had once considered divorcing Ms. Zhang
because she had exploited their relationship
in her diamond trades. Taiwanese television
reported in 2007 that Ms. Zhang had bought a
pair of jade earrings worth about $275,000 at a
Beijing trade show, though the source — a Tai-
wanese trader — later backed off the claim and
Chinese government censors moved swiftly to
block coverage of the subject in China, accord-
ing to news reports at the time.

“She’s the most important person there,”
said Gaetano Cavalieri, president of the World
Jewelry Confederation in Switzerland. “She was
bridging relations between partners — Chinese
and foreign partners.”

As early as 1992, people who worked with
Ms. Zhang said, she had begun to blur the line
between government official and businesswom-
an. As head of the state-owned China Mineral
and Gem Corporation, she began investing the
state company’s money in start-ups. And by the
time her husband was named vice premier, in
1998, she was busy setting up business ventures
with friends and relatives.

The state company she ran invested in a
group of affiliated diamond companies, accord-
ing to public records. Many of them were run
by Ms. Zhang’s relatives — or colleagues who
had worked with her at the National Gemstone
Testing Center.

In 1993, for instance, the state company Ms.
Zhang ran helped found Beijing Diamond, a big
jewelry retailer. A year later, one of her younger
brothers, Zhang Jianming, and two of her gov-
ernment colleagues personally acquired 80 per-
cent of the company, according to shareholder
registers. Beijing Diamond invested in Shen-
zhen Diamond, which was controlled by her
brother-in-law, Wen Jiahong, the prime minis-
ter’s younger brother.

Among the successful undertakings was

While her husband was serving in China’s
main leadership compound, known as Zhong-
nanhai, Ms. Zhang was setting industry stan-
dards in the jewelry and gem trade. She helped
create the National Gemstone Testing Center in
Beijing, and the Shanghai Diamond Exchange,
two of the industry’s most powerful institutions.

In a country where the state has long domi-
nated the marketplace, jewelry regulators often
decided which companies could set up diamond-
processing factories, and which would gain entry
to the retail jewelry market. State regulators even
formulated rules that required diamond sellers to
buy certificates of authenticity for any diamond
sold in China, from the government-run testing
center in Beijing, which Ms. Zhang managed.

As a result, when executives from Cartier
or De Beers visited China with hopes of selling
diamonds and jewelry here, they often went to
visit Ms. Zhang, who became known as China’s
“diamond queen.”

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Sino-Diamond, a venture financed by the state-owned China Mineral and Gem Corporation, which she headed. The company had business ties with a state-owned company managed by another brother, Zhang Jiankun, who worked as an official in Jiaxing, Ms. Zhang’s hometown, in Zhejiang Province.

In the summer of 1999, after securing agreements to import diamonds from Russia and South Africa, Sino-Diamond went public, raising $50 million on the Shanghai Stock Exchange. The offering netted Ms. Zhang’s family about $8 million, according to corporate filings.

Although she was never listed as a shareholder, former colleagues and business partners say Ms. Zhang’s early diamond partnerships were the nucleus of a larger portfolio of companies she would later help her family and colleagues gain a stake in.

The Times found no indication that Wen Jiabao used his political clout to influence the diamond companies his relatives invested in. But former business partners said that the family’s success in diamonds, and beyond, was often bolstered with financial backing from wealthy businessmen who sought to curry favor with the prime minister’s family.

“After Wen became prime minister, his wife sold off some of her diamond investments and moved into new things,” said a Chinese executive who did business with the family. He asked not to be named because of fear of government retaliation. Corporate records show that beginning in the late 1990s, a series of rich businessmen took turns buying up large stakes in the diamond companies, often from relatives of Mr. Wen, and then helped them reinvest in other lucrative ventures, like real estate and finance.

According to corporate records and interviews, the businessmen often supplied accountants and office space to investment partnerships partly controlled by the relatives.

“When they formed companies,” said one businessman who set up a company with members of the Wen family, “Ms. Zhang stayed in the background. That’s how it worked.”

The Only Son

Late one evening early this year, the prime minister’s only son, Wen Yunsong, was in the cigar lounge at Xiu, an upscale bar and lounge at the Park Hyatt in Beijing. He was having cocktails as Beijing’s nouveau riche gathered around, clutching designer bags and wearing expensive business suits, according to two guests who were present.

In China, the children of senior leaders are widely believed to be in a class of their own. Known as “princelings,” they often hold Ivy League degrees, get V.I.P. treatment, and are even offered preferred pricing on shares in hot stock offerings.

They are also known as people who can get things done in China’s heavily regulated marketplace, where the state controls access. And in recent years, few princelings have been as bold as the younger Mr. Wen, who goes by the English name Winston and is about 40 years old.

A Times review of Winston Wen’s investments, and interviews with people who have known him for years, show that his deal-making has been extensive and lucrative, even by the standards of his princeling peers.

State-run giants like China Mobile have formed start-ups with him. In recent years, Winston Wen has been in talks with Hollywood studios about a financing deal.

Concerned that China does not have an elite boarding school for Chinese students, he recently hired the headmasters of Choate and Hotchkiss in Connecticut to oversee the creation of a $150 million private school now being built in the Beijing suburbs.

Winston Wen and his wife, moreover, have stakes in the technology industry and an electric company, as well as an indirect stake in Union Mobile Pay, the government-backed online payment platform — all while living in the prime minister’s residence, in central Beijing, according to corporate records and people familiar with the family’s investments.

“He’s not shy about using his influence to get things done,” said one venture capitalist who regularly meets with Winston Wen.

The younger Mr. Wen declined to comment. But in a telephone interview, his wife, Yang Xiaomeng, said her husband had been unfairly criticized for his business dealings.

“Everything that has been written about him has been wrong,” she said. “He’s really not doing that much business anymore.”

Winston Wen was educated in Beijing and then earned an engineering degree from the Beijing Institute of Technology. He went abroad
The Wen Family Empire

Beginning with diamonds in the 1990s, the relatives of Wen Jiabao amassed a fortune by forming a complex network of businesses that bought stakes in sectors as varied as real estate and telecommunications. Corporate records reviewed by The Times show that a close-knit group of about 20 relatives and friends made investments that were sometimes aided by Asia’s wealthiest tycoons. By far the biggest source of the wealth came from investments in Ping An Insurance, China’s biggest financial services company.

- **WEN JIABAO**
  - Prime Minister of China
  - Nicknamed Grandpa Wen
  - Because of his concern for the underprivileged, he has called for official corruption a threat to the ruling Communist Party.

- **ZHANG BEILI**
  - An expert in gems and a force in the nation’s diamond trade.
  - She met Wen Jiabao while both were working as government officials in Gansu Province.

- **ZHANG JIANRONG**
  - Invested in diamond companies with his sister’s colleagues.

- **WANG ZHENGLI**
  - Worked for a diamond company linked to Zhang Beili.
  - A shareholder in several Wen family-related companies, including Sheng Churui and Xuanda.

- **YPeter**
  - The former chief executive of the CCD Corporation, a Chinese technology company.
  - One of his company’s major shareholders was New World Development, which is controlled by the Hong Kong tycoon Cheng Yu-tung.

**The Family Tree**

- **WEN JIANHONG AND WIFE**
  - He controls energy, engineering and waste treatment companies; his wife held a major stake in Ping An.

- **WEN YUNSONG**
  - Holds engineering degrees, and an M.B.A. from Northwestern’s Kellogg School of Business.

- **ZANG YUHONG**
  - Vice president at Hanyang Investment. Grew up in Tianjin. Helps control investment firms tied to the Wen family.

- **YU JIANMIN**

**Values**

- **$14 billion**
  - Hong Kong's second-richest man. Controls New World Development, with real estate, infrastructure and retail businesses, including the world's biggest jewelry store chain, Chow Tai Fook.

- **$1.4 billion**
  - Also known as Vincent Cheng. A reclusive philanthropist and business associate of the Hong Kong tycoon Cheng Yu-tung. Once controlled three investment vehicles with 300 million shares in Ping An.

- **$120 million**
  - Yang Zhiyun, a 90-year-old mother owned investments in Ping An Insurance worth $120 million.

- **$75 million**
  - Also known as Yang Xiu’an, the richest man in Hong Kong for much of the last decade, with a net worth of $22 billion. Together with his son, Richard Li, controls the Hong Kong conglomerate Hutchison Whampoa.

- **$1.3 billion**
  - One of China's wealthiest women and the founder of Taihong, the Great Ocean Group and Airport City Logistics. Her Kalfong Foundation gives to Harvard University and Beijing's Tsinghua University.

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- **$74 million**
  - Worked for a diamond company linked to Zhang Beili. A shareholder in several Wen family-related companies, including Sheng Churui and Xuanda.

- **$1 million**
  - Former government bureaucrat who invested in diamond companies backed by his sister, as well as real estate and highway infrastructure.

**Notes**

- Values of Ping An shares are figured as of January or October 2007 (latest records available), except where asterisked. Asterisked values are as of 2004. Shares attributed to Duan Weihong were owned through her mother. Those owned by Qu Naijie were through his company, Dalian Haichang. Those owned by Cheng Yu-tung and Zheng Jianyuan were through multiple investment vehicles.
and earned a master’s degree in engineering materials from the University of Windsor, in Canada, and an M.B.A. from the Kellogg School of Business at Northwestern University in Evanston, Ill., just outside Chicago.

When he returned to China in 2000, he helped set up three successful technology companies in five years, according to people familiar with those deals. Two of them were sold to Hong Kong businessmen, one to the family of Li Ka-shing, one of the wealthiest men in Asia.

Winston Wen’s earliest venture, an Internet data services provider called Unihub Global, was founded in 2000 with $2 million in start-up capital, according to Hong Kong and Beijing corporate filings. Financing came from a tight-knit group of relatives and his mother’s former colleagues from government and the diamond trade, as well as an associate of Cheng Yu-tung, patriarch of Hong Kong’s second-wealthiest family. The firm’s earliest customers were state-owned brokerage houses and Ping An, in which the Wen family has held a large financial stake.

He made an even bolder move in 2005, by pushing into private equity when he formed New Horizon Capital with a group of Chinese-born classmates from Northwestern. The firm quickly raised $100 million from investors, including SBI Holdings, a division of the Japanese group SoftBank, and Temasek, the Singapore government investment fund.

Under Mr. Wen, New Horizon established itself as a leading private equity firm, investing in biotech, solar, wind and construction equipment makers. Since it began operations, the firm has returned about $430 million to investors, a four-fold profit, according to SBI Holdings.

“Theyir first fund was dynamite,” said Kathleen Ng, editor of Asia Private Equity Review, an industry publication in Hong Kong. “And that allowed them to raise a lot more money.”

Today, New Horizon has more than $2.5 billion under management.

Some of Winston Wen’s deal-making, though, has attracted unwanted attention for the prime minister.

In 2010, when New Horizon acquired a 9 percent stake in a company called Sihuan Pharmaceuticals just two months before its public offering, the Hong Kong Stock Exchange said the late-stage investment violated its rules and forced the firm to return the stake. Still, New Horizon made a $46.5 million profit on the sale.

Soon after, New Horizon announced that Winston Wen had handed over day-to-day operations and taken up a position at the China Satellite Communications Corporation, a state-owned company that has ties to the Chinese space program. He has since been named chairman.

The Tycoons

In the late 1990s, Duan Weihong was managing an office building and several other properties in Tianjin, the prime minister’s hometown in northern China, through her property company, Taihong. She was in her 20s and had studied at the Nanjing University of Science and Technology.

Around 2002, Ms. Duan went into business with several relatives of Wen Jiabao, transforming her property company into an investment vehicle of the same name. The company helped make Ms. Duan very wealthy.

It is not known whether Ms. Duan, now 43, is related to the prime minister. In a series of interviews, she first said she did not know any members of the Wen family, but later described herself as a friend of the family and particularly close to Zhang Beili, the prime minister’s wife. As happened to a handful of other Chinese entrepreneurs, Ms. Duan’s fortunes soared as she teamed up with the relatives and their network of friends and colleagues, though she described her relationship with them involving the shares in Ping An as existing on paper only and having no financial component.

Ms. Duan and other wealthy businesspeople — among them, six billionaires from across China — have been instrumental in getting multimillion-dollar ventures off the ground and, at crucial times, helping members of the Wen family set up investment vehicles to profit from them, according to investment bankers who have worked with all parties.

Established in Tianjin, Taihong had spectacular returns. In 2002, the company paid about $65 million to acquire a 3 percent stake in Ping An before its initial public offering, according to corporate records and Ms. Duan’s graduate school thesis. Five years later, those shares were worth $3.7 billion.

The company’s Hong Kong affiliate, Great Ocean, also run by Ms. Duan, later formed a
joint venture with the Beijing government and acquired a huge tract of land adjacent to Capital International Airport. Today, the site is home to a sprawling cargo and logistics center. Last year, Great Ocean sold its 53 percent stake in the project to a Singapore company for nearly $400 million.

That deal and several other investments, in luxury hotels, Beijing villa developments and the Hong Kong-listed BBMG, one of China’s largest building materials companies, have been instrumental to Ms. Duan’s accumulation of riches, according to The Times’s review of corporate records.

The review also showed that over the past decade there have been nearly three dozen individual shareholders of Taihong, many of whom are either relatives of Wen Jiabao or former colleagues of his wife.

The other wealthy entrepreneurs who have worked with the prime minister’s relatives declined to comment for this article. Ms. Duan strongly denied having financial ties to the prime minister or his relatives and said she was only trying to avoid publicity by listing others as owning Ping An shares. “The money I invested in Ping An was completely my own,” said Ms. Duan, who has served as a member of the Ping An board of supervisors. “Everything I did was legal.”

Another wealthy partner of the Wen relatives has been Cheng Yu-tung, who controls the Hong Kong conglomerate New World Development and is one of the richest men in Asia, worth about $15 billion, according to Forbes.

In the 1990s, New World was seeking a foothold in mainland China for a sister company that specializes in high-end retail jewelry. The retail chain, Chow Tai Fook, opened its first store in China in 1998.

Mr. Cheng and his associates invested in a diamond venture backed by the relatives of Mr. Wen and co-invested with them in an array of corporate entities, including Sino-Life, National Trust and Ping An, according to records and interviews with some of those involved. Those investments by Mr. Cheng are now worth at least $5 billion, according to the corporate filings. Chow Tai Fook, the jewelry chain, has also flourished. Today, China accounts for 60 percent of the chain’s $4.2 billion in annual revenue.

Mr. Cheng, 87, could not be reached for comment. Calls to New World Development were not returned.

**Fallout for Premier**

In the winter of 2007, just before he began his second term as prime minister, Wen Jiabao called for new measures to fight corruption, particularly among high-ranking officials.

“Leaders at all levels of government should take the lead in the antigraft drive,” he told a gathering of high-level party members in Beijing. “They should strictly ensure that their family members, friends and close subordinates do not abuse government influence.”

The speech was consistent with the prime minister’s earlier drive to toughen disclosure rules for public servants, and to require senior officials to reveal their family assets.

Whether Mr. Wen has made such disclosures for his own family is unclear, since the Communist Party does not release such information. Even so, many of the holdings found by The Times would not need to be disclosed under the rules since they are not held in the name of the prime minister’s immediate family — his wife, son and daughter.

Eighty percent of the $2.7 billion in assets identified in The Times’s investigation and verified by the outside auditors were held by, among others, the prime minister’s mother, his younger brother, two brothers-in-law, a sister-in-law, daughter-in-law and the parents of his son’s wife, none of whom is subject to party disclosure rules. The total value of the relatives’ stake in Ping An is based on calculations by The Times that were confirmed by the auditors. The total includes shares held by the relatives that were sold between 2004 and 2006, and the value of the remaining shares in late 2007, the last time the holdings were publicly disclosed.

Legal experts said that determining the precise value of holdings in China could be difficult because there might be undisclosed side agreements about the true beneficiaries.

“Complex corporate structures are not necessarily insidious,” said Curtis J. Milhaupt, a Columbia University Law School professor who has studied China’s corporate group structures. “But in a system like China’s, where corporate ownership and political power are closely in-
tertwined, shell companies magnify questions about who owns what and where the money came from.”

Among the investors in the Wen family ventures are longtime business associates, former colleagues and college classmates, including Yu Jianming, who attended Northwestern with Winston Wen, and Zhang Yuhong, a longtime colleague of Wen Jiahong, the prime minister’s younger brother. The associates did not return telephone calls seeking comment.

Revelations about the Wen family’s wealth could weaken him politically.

Next month, at the 18th Party Congress in Beijing, the Communist Party is expected to announce a new generation of leaders. But the selection process has already been marred by one of the worst political scandals in decades, the downfall of Bo Xilai, the Chongqing party boss, who was vying for a top position.

In Beijing, Wen Jiabao is expected to step down as prime minister in March at the end of his second term. Political analysts say that even after leaving office he could remain a strong backstage political force. But documents showing that his relatives amassed a fortune during his tenure could diminish his standing, the analysts said.

“This will affect whatever residual power Wen has,” said Minxin Pei, an expert on Chinese leadership and a professor of government at Claremont McKenna College in California.

The prime minister’s supporters say he has not personally benefited from his extended family’s business dealings, and may not even be knowledgeable about the extent of them.

Last March, the prime minister hinted that he was at least aware of the persistent rumors about his relatives. During a nationally televised news conference in Beijing, he insisted that he had “never pursued personal gain” in public office.

“I have the courage to face the people and to face history,” he said in an emotional session. “There are people who will appreciate what I have done, but there are also people who will criticize me. Ultimately, history will have the final say.”
Lobbying, a Windfall and a Leader’s Family

Chinese Insurer’s Regulatory Victory Proved a Boon to Premier’s Relatives

By DAVID BARBOZA

Shenzhen, China

The head of a financially troubled insurer was pushing Chinese officials to relax rules that required breaking up the company in the aftermath of the Asian financial crisis.

The survival of Ping An Insurance was at stake, officials were told in the fall of 1999. Direct appeals were made to the vice premier at the time, Wen Jiabao, as well as the then-head of China’s central bank — two powerful officials with oversight of the industry.

“I humbly request that the vice premier lead and coordinate the matter from a higher level,” Ma Mingzhe, chairman of Ping An, implored in a letter to Mr. Wen that was reviewed by The New York Times.

Ping An was not broken up.

The successful outcome of the lobbying effort would prove monumental.

Ping An went on to become one of China’s largest financial services companies, a $50 billion powerhouse now worth more than A.I.G., MetLife or Prudential. And behind the scenes, shares in Ping An that would be worth billions of dollars once the company rebounded were acquired by relatives of Mr. Wen.

The Times reported last month that the relatives of Mr. Wen, who became prime minister in 2003, had grown extraordinarily wealthy during his leadership, acquiring stakes in tourist resorts, banks, jewelers, telecommunications companies and other business ventures.

The greatest source of wealth, by far, The Times investigation has found, came from the shares in Ping An bought about eight months after the insurer was granted a waiver to the requirement that big financial companies be broken up.

Long before most investors could buy Ping An stock, Taihong, a company that would soon be controlled by Mr. Wen’s relatives, acquired a large stake in Ping An from state-owned entities that held shares in the insurer, regulatory and corporate records show. And by all appearances, Taihong got a sweet deal. The shares were bought in December 2002 for one-quarter of the price that another big investor — the British bank HSBC Holdings — paid for its shares just two months earlier, according to interviews and public filings.

By June 2004, the shares held by the Wen relatives had already quadrupled in value, even before the company was listed on the Hong Kong Stock Exchange. And by 2007, the initial $65 million investment made by Taihong would be worth $3.7 billion.

Corporate records show that the relatives’ stake of that investment most likely peaked at $2.2 billion in late 2007, the last year in which
Above left, Ma Mingzhe, the chairman and chief executive of Ping An, struck the gong at the Shanghai Stock Exchange as the company listed its stock there in 2007. Prime Minister Wen Jiabao’s relatives bought Ping An stock quietly through a series of investment vehicles. It is not clear whether the relatives still own shares in the company. Top, Ping An is now building a new 115-story office tower in Shenzhen.
Taihong’s shareholder records were publicly available. Because the company is no longer listed in Ping An’s public filings, it is unclear if the relatives continue to hold shares.

It is also not known whether Mr. Wen or the central bank chief at the time, Dai Xianglong, personally intervened on behalf of Ping An’s request for a waiver, or if Mr. Wen was even aware of the stakes held by his relatives.

But internal Ping An documents, government filings and interviews with bankers and former senior executives at Ping An indicate that both the vice premier’s office and the central bank were among the regulators involved in the Ping An waiver meetings and who had the authority to sign off on the waiver.

Only two large state-run financial institutions were granted similar waivers, filings show, while three of China’s big state-run insurance companies were forced to break up. Many of the country’s big banks complied with the breakup requirement — enforced after the financial crisis because of concerns about the stability of the financial system — by selling their assets in other institutions.

Ping An issued a statement to The Times saying the company strictly complies with rules and regulations, but does not know the backgrounds of all entities behind shareholders. The company also said “it is the legitimate right of shareholders to buy and sell shares between themselves.”

In Beijing, China’s foreign ministry did not return calls seeking comment for this article. Earlier, a Foreign Ministry spokesman sharply criticized the investigation by The Times into the finances of Mr. Wen’s relatives, saying it “smears China and has ulterior motives.”

After The Times reported last month on the family’s wealth, lawyers representing the family said the article contained unspecified errors and that the family reserved the right to take legal action.

In addition, the Chinese government blocked access to the English-language and Chinese-language Web sites of The Times in China — and continues to do so — saying the action was “in accordance with laws and rules.”

Neither Mr. Wen, who is expected to retire in March, nor Mr. Dai, who is now the head of the National Social Security Fund, could be reached for comment.

Western and Chinese bankers and lawyers involved in Ping An’s 2004 Hong Kong stock listing and a subsequent 2007 listing in Shanghai said they did not know that relatives of Mr. Wen had acquired large stakes in the company.

Executives at Morgan Stanley and Goldman Sachs, which once held sizable stakes in Ping An and served as lead underwriters for the Hong Kong public offering, also said they were never told of the holdings. At Ping An’s urging, the two investment banks had also appealed in 2000 to Mr. Wen and other regulators for the waiver from the breakup rule. The private equity divisions of the two investment banks sold their combined stakes to HSBC in 2005 for about $1 billion — a 14-fold increase on their initial investment.

Thousands of pages of publicly available corporate documents reviewed by The Times suggest that the Ping An stakes held by the prime minister’s relatives were concealed behind layers of obscure partnerships rather than being held directly in their names.

In an interview last month, Duan Weihong, a wealthy Wen family friend, said that the shares in Ping An actually belonged to her and that it was an accident that Mr. Wen’s relatives appeared in shareholding records. The process involved borrowing their government identity cards and obtaining their signatures.

China and Hong Kong have detailed regulations on the disclosure of corporate information deemed material to a publicly listed company’s operation, like the identities of large shareholders and details about whether companies controlling large stakes are related parties. But legal experts say enforcement is often lax, particularly inside China. There is also, they say, a culture of nominee shareholders — when one person holds shares on behalf of someone else — that is difficult for even the most seasoned lawyers and accountants to penetrate.

The Times found no indication such regulations or any law was broken, nor any evidence that Mr. Wen held shares in Ping An under his own name.

After reviewing questions from The Times, the Securities and Futures Commission of Hong Kong and the Hong Kong Stock Exchange declined to comment. The China Securities Regulatory Commission in Beijing did not respond to
**Rise of a Financial Giant**

The Ping An Insurance Company was founded in Shenzhen in 1988. At that time, the Chinese insurance market was dominated by a single state-owned giant, People’s Insurance.

1994 Morgan Stanley and Goldman Sachs each pay $35 million to acquire a stake in Ping An, the largest foreign investment in a Chinese financial institution.

1995 A new law orders insurance companies to choose between life and property insurance and to sell off other units.

1998 After the Asian financial crisis, regulators step up efforts to break up insurance companies and other financial institutions.

1999 Ping An executives campaign to prevent regulators from breaking up the company.

2000 Wen Jiabao’s son co-founds an I.T. company that later wins a lucrative Ping An contract.

Executives from Morgan Stanley and Goldman Sachs write a letter to Wen Jiabao arguing that breaking up Ping An would damage foreign investment.

An associate of Hong Kong billionaire Cheng Yu-tung begins acquiring large stakes in Ping An using investment vehicles that later co-invest in companies with the relatives of Wen Jiabao.

2002 Regulators approve Ping An’s proposal to avoid a split-up.

British bank HSBC pays $600 million for a 10 percent stake in Ping An.

Investment vehicles controlled by associates of Cheng Yu-tung buy a large stake from the China Merchants Group.

A company that would later be partly controlled by the relatives of Wen Jiabao acquires a Ping An stake.

2004 Ping An raises $1.8 billion in Hong Kong public stock offering.

2007 Ping An sells stock in Shanghai, raising $5 billion.

Two investment vehicles partly controlled by the mother of Wen Jiabao show her holding a stake in Ping An worth $120 million.

2012 Ping An, today a hugely successful conglomerate, is building a 115-story headquarters in Shenzhen.

**Ping An’s Close Call**

Ma Mingzhe, the Ping An chairman and chief executive, was a high school graduate who got his start as an aide to Yuan Geng, a pioneering figure in some of China’s earliest economic reforms and an early leader of Ping An.

Impressed with Mr. Ma’s intellect, Mr. Yuan put him in charge of human resources at a state-managed industrial park, and eventually at a new insurance firm, Ping An, which took root in Shenzhen, a coastal boomtown.

Mr. Ma’s timing was opportune. China was just beginning to restructure its state-led economy. The government began dismantling the iron rice bowl system, which had guaranteed pensions, social insurance and living quarters to Communist Party cadres.

Although Ping An was founded as a state entity, it was one of the first Chinese insurance companies to experiment with Western man-

inquiries.

HSBC, today Ping An’s largest shareholder with about 15.5 percent of its stock, declined to comment. The company announced last week that it is considering selling its stake in Ping An as part of a broad effort to raise capital.

Ping An today is a hugely successful conglomerate with revenue of $40 billion last year and about 500,000 insurance agents across China. It is China’s only fully integrated financial institution, with the second largest insurer, a trust company and brokerage house.

In late 2010, Ping An added more firepower, announcing a $4 billion deal that has since given it control of the Shenzhen Development Bank, one of China’s midsize commercial banks. Ping An is now building a new headquarters here in Shenzhen, a spectacular 115-story office tower that was designed by the New York architectural firm Kohn Pedersen Fox.
agement systems, including the use of actuaries and back-office operations, as well as foreign shareholders.

Mr. Ma helped manage the tiny company when it was founded in 1988. Several years later, he was looking for big-name shareholders from the United States.

In 1994, the private equity divisions of Morgan Stanley and Goldman Sachs each paid about $35 million to acquire 7.5 percent interests in Ping An. At the time, they were the largest foreign investments ever made in a Chinese financial institution.

Much of the company’s early success was attributed to Mr. Ma, a hard-charging executive who was admired for his management and political skills — and for taking risks.

“He had all the qualities of a great entrepreneur,” says Yan Feng, who helped run Ping An’s Shanghai office in the 1990s. “He was a quick learner, knew how to adapt to new situations and was really determined. He’d do whatever it takes to get what he wants.”

But the company’s growth drive ran into trouble in the late 1990s, when China’s economy weakened after the 1997 Asian financial crisis.

The bloated state sector began to collapse, and by 1998, some of the nation’s biggest banks were nearly insolvent.

Ping An’s hard-won fortunes were also evaporating. Like most big Chinese insurers, Ping An had won new clients with investment products that guaranteed big returns over long periods based on the high interest rates banks offered for deposits during a time of inflation. When interest rates plummeted in the mid-1990s, losses piled up.

In 1999, senior executives at Ping An began to acknowledge that the company could soon be insolvent. As a joint-stockholding company, Ping An had big institutional investors, mostly state companies. But many of them refused to come to the company’s aid by purchasing additional shares, which would have provided needed capital.

“They weren’t sure Ping An would survive,” said one former Ping An executive who spoke on the condition of anonymity.

There was also mounting pressure from the government. Worried about systemic risks to the financial system, regulators in Beijing stepped up their enforcement of laws that required financial institutions to limit the scope of their business activities.

Banks were told to sell their stakes in brokerage houses or trust companies; and insurance companies had to choose to operate in life or property insurance, but not both.

After China’s new insurance regulatory agency was established in 1998, it began pressing Ping An to shed its trust and securities business, and to split its life and property insurance divisions into separate companies.

At a news conference in November 1999, Ma Yongwei, then the chairman of the China Insurance Regulatory Commission, said the agency had already drawn up plans to split up Ping An and other insurers.

“The separation plans have been submitted to the State Council for approval,” Ma Yongwei told the media, adding that they would “deepen reform of the insurance system.”

Pushing Back the Regulators

With his company about to be broken up, Ma Mingzhe, also known as Peter Ma, fired off letters to leaders in Beijing, dictated memos reminding himself to “buy golf clubs” for high-ranking officials, and kept detailed charts outlining the lobbying responsibilities of each top executive at Ping An, according to a copy of those records verified by former Ping An executives.

Mr. Ma focused much of his personal energy on China’s highest government administrative body, the State Council, a 38-member group whose senior leaders were Prime Minister Zhu Rongji and Wen Jiabao, then vice premier. The company also sought the support of Dai Xianglong, the nation’s central bank chief, who also had oversight over the insurance industry.

Mr. Wen was in a unique position. He was head of China’s powerful Central Financial Work Commission, which had been established in 1998 to oversee the country’s banking, securities and insurance regulators, as well as China’s biggest financial institutions.

When Mr. Ma met regulators, he told them his company was facing insolvency and asked them to help shore up the company’s balance sheet by approving a Hong Kong stock offering, according to transcripts of Ping An meetings and interviews with participants.

“There, Ping An’s life insurance is in a loss, and property insurance and the trust company
A Company’s Hidden Shareholders: Friends and Family of Wen Jiabao

In October 2004, the investment company Taihong was one of the largest shareholders of insurance giant Ping An, holding 135 million shares. Taihong was itself owned by a series of other investment companies, which were in turn owned by others. Many of these owners were connected with China’s prime minister, Wen Jiabao. Records show that Wen family members, and friends and colleagues of the prime minister’s wife effectively controlled at least 88 percent of the shares owned by Taihong.

In October 2004, 135 million shares of Ping An Insurance were owned by Taihong, an investment vehicle owned by:

- **Share of ownership**: 25%
  - **Owner**: FUANDE
  - **Owned by**: Zhong Zhuangli

- **Share of ownership**: 20%
  - **Owner**: SHENGCHURUI
  - **Owned by**: Liu Dongsheng

- **Share of ownership**: 12%
  - **Owner**: TIANJIN SHUI HEPING
  - **Owned by**: HONGRI

- **Share of ownership**: 10%
  - **Owner**: HEBIN TAIHONG
  - **Owned by**: BEIJING TAIHONG

- **Share of ownership**: 10%
  - **Owner**: HESHENG
  - **Owned by**: KANG SHENGYUAN

- **Share of ownership**: 10%
  - **Owner**: DONGFANG SHENGYUAN
  - **Owned by**: HEBIN TAIHONG

- **Share of ownership**: 70%
  - **Owner**: Wang He Lan
  - **Owned by**: Wang He Lan

- **Share of ownership**: 30%
  - **Owner**: Zhang Yuhong
  - **Owned by**: Zhang Yuhong

- **Share of ownership**: 17%
  - **Owner**: Duan Wei Hong
  - **Owned by**: Duan Wei Hong

- **Share of ownership**: 43%
  - **Owner**: Zhang Jianhong
  - **Owned by**: Zhang Jianhong

- **Share of ownership**: 40%
  - **Owner**: Chen Hengmei
  - **Owned by**: Chen Hengmei

**Hu Kun** is a former Ping An employee who served as staff assistant to Ma Mingze, the company chairman. Many of these owners were connected with China’s prime minister, Wen Jiabao. Records show that Wen family members, and friends and colleagues of the prime minister’s wife effectively controlled at least 88 percent of the shares owned by Taihong.

**Feng Zhixi**
- Wife of Wen Jiabao’s brother
- 33.7 million

**Wang Zhongli**
- Colleague of Wen Jiabao’s wife
- 7.5 million

Two relatives obtained stakes in Ping An through Hongru, beginning in 2005. By 2007, Yang Zhiyun, left, the prime minister’s mother, held $120 million worth of Ping An stock; and Yang Quanmei, the father-in-law of the prime minister’s son, held $113 million.
have thin margins,” Mr. Ma wrote in the Sept. 29, 1999, letter to Mr. Wen. The contents were confirmed by two former top Ping An executives.

Rather than an out-and-out breakup, Mr. Ma offered a middle road. After seeking advice of other investors, Mr. Ma proposed the formation of a holding company that would effectively separate life insurance from property but keep them under one corporate umbrella, along with the securities and trust division.

The company, he said, would re-establish itself as the Ping An Group, according to Ping An documents reviewed by The Times. He then began looking for allies to promote his proposal.

In January 2000, with Mr. Ma’s backing, executives from Morgan Stanley and Goldman Sachs wrote a joint letter to Mr. Wen arguing that a breakup would “violate China’s policy to encourage and protect foreign investment,” according to a copy of the letter reviewed by The Times. The letter’s authenticity was verified by former executives at the two investment banks.

The American investment banks warned that “as a listed company in the U.S., we could be required to disclose our losses relating to the investment in Ping An, which would not be helpful for the image of China’s policy of reform and opening to the outside.”

The letter came after months of aggressive lobbying on the part of Ping An executives and the two American banks to persuade other high-ranking officials in Beijing, including the central bank and the insurance regulator, to hold Ping An together, according to corporate documents reviewed by The Times.

Mr. Ma, who is 56 and still runs Ping An, declined to comment for this article. Interviews with four senior executives who worked with Mr. Ma and Mr. Hu at the corporate headquarters in Shenzhen during the same period corroborate Mr. Hu’s recollections and the content of the documents reviewed by The Times concerning Ping An’s lobbying efforts and meetings with the relatives of Mr. Wen.

In addition, Li Chunyan, who ran the Beijing office, confirmed in a telephone interview that during that period he had brought Ms. Zhang to meet the Ping An chairman, Mr. Ma.

The documents and interviews shed no light on whether those meetings played a role in the decision by government regulators to abandon plans to split up Ping An. But in April 2002, the nation’s top regulators delivered their verdict. With approval of the State Council and insurance regulators, Ping An began the process of transforming itself into a financial conglomerate.

Together, analysts say, the licenses were worth a fortune in China’s tightly regulated marketplace.

“Before 2002, Ping An had not simply survived the downturn, its prospects had begun to look bright. The company’s restructuring bolstered revenue and profits. In October of that year, one of the world’s biggest banks, HSBC,
agreed to pay $600 million to acquire a 10 percent stake in the company from Ping An. Just over a year later, regulators approved the company’s application to list and sell shares on the Hong Kong Stock Exchange.

While Ping An was preparing for its listing in Hong Kong, a group of investors with close ties to senior officials in Beijing, including Wen Jiabao, were quietly accumulating large blocks of Ping An stock.

**Buying Into Ping An**

On Dec. 26, 2002, Ping An filings show, a company run by Duan Weihong, a Wen family friend from the prime minister’s hometown, acquired Ping An stock through a company called Taihong. Soon after, the relatives of Mr. Wen and colleagues of his wife took control of that investment vehicle, the records show.

According to documents Ping An filed ahead of its Hong Kong listing, Taihong acquired 77.7 million shares of Ping An from the China Ocean Shipping Company, a global shipping giant known as Cosco, and 2.2 million more shares from Cosco’s Dalian subsidiary. A two-for-one stock split doubled the number of shares Taihong owned. So in June 2004, just before Ping An’s Hong Kong offering, Taihong held 159.8 million shares, or about 3.2 percent of Ping An’s stock, according to public filings.

In an interview, Ms. Duan said she had paid about 40 cents a share at current exchange rates, or a total of $65 million, to acquire the shares.

The price seems to have been a huge and unusual discount, analysts say, since HSBC had two months earlier acquired its 10 percent stake for about $1.60 a share, according to public filings.

Cosco did not return calls seeking comment.

For Taihong, it was a blockbuster purchase. By 2007, when the price of Ping An’s stock peaked, the 159 million shares were valued at $3.7 billion — though by 2007 Taihong had already significantly reduced its stake, according to public filings.

While Taihong was the shareholder of record, the beneficiaries of the Ping An deal were cloaked behind more than a dozen investment vehicles controlled by the relatives of Mr. Wen, including two brothers-in-law, a sister-in-law, as well as several longtime colleagues and business partners of his wife, Zhang Beili, according to corporate and regulatory documents. All of

Hu Kun is a former Ping An employee who served as staff assistant to Ma Mingzhe, the company chairman.
them were listed, along with Ms. Duan, as the owners of Taihong.

And by 2007, the prime minister’s mother, who is now 91, was listed on public documents as holding $120 million worth of Ping An stock through a pair of investment companies linked to Taihong.

Ms. Duan, who says she got to know the prime minister’s family in 2000, said that she bought the Ping An shares for her own personal account. The Wen relatives only appear in the Taihong shareholding records, she said, because her company borrowed the government-issued identity cards of other people — mistakenly, she said, from relatives of the prime minister — to help mask her own Ping An stake from the public.

“In the end,” Ms. Duan said, “I received 100 percent of the returns.”

The Fallout

In 2001, China issued new regulations that put restrictions on trading in listed shares by Communist Party members and their families.

For instance, the rules barred party officials in charge of a state-owned company from using their parents, children — or even their children’s spouse’s relatives — to trade stocks of a listed state-owned company.

The Times found no indication that Mr. Wen shared inside information with family members.

But there are many unanswered questions about the relatives’ holdings, analysts consulted by The Times said, like who might have known about the relatives’ purchases and whether anyone had a legal obligation to disclose that information.

Executives at Morgan Stanley and Goldman Sachs say they were unaware of the share purchases and were not involved in the transactions.

The companies also said that a typical I.P.O. process is unlikely to uncover the ultimate identity of shareholders who are hiding behind layers of investment vehicles using unrecognizable names.

According to regulations in Hong Kong and China, publicly listed companies and their professional partners who help sell shares to the public are legally obligated to disclose the identities of only those shareholders controlling a stake larger than 5 percent. The Times found that at its peak, Taihong, the investment vehicle tied to the Wen family, never held more than a 3.2 percent stake.

Another question that remains unanswered is how Taihong was able to buy shares of Ping An at a price that appears to have been highly discounted. By late 2002, Ping An had already become a hot I.P.O. prospect following a big investment by HSBC.

The answers to some of the questions, legal experts say, may turn on who was involved in brokering the deal that led to the relatives’ acquiring shares in Ping An in the period before the company’s public offering in 2004, and whether the deal-makers were seeking to gain favors from the regulators.

“The key questions are: why were these people chosen, and on what terms did they get the shares?” said Jerome A. Cohen, a professor at New York University Law School and an expert on China’s legal system. “Obviously, everyone would like to get in before a hot I.P.O.”
Chinese Regulator’s Relatives Profited From Stake in Insurer

By DAVID BARBOZA

RELATIVES of a top Chinese regulator profited enormously from the purchase of shares in a once-struggling insurance company that is now one of China’s biggest financial powerhouses, according to interviews and a review of regulatory filings.

The regulator, Dai Xianglong, was the head of China’s central bank and also had oversight of the insurance industry in 2002, when a company his relatives helped control bought a big stake in Ping An Insurance that years later came to be worth billions of dollars. The insurer was drawing new investors ahead of a public stock offering after averting insolvency a few years earlier.

With growing attention on the wealth amassed by families of the politically powerful in China, the investments of Mr. Dai’s relatives illustrate that the riches extend beyond the families of the political elites to the families of regulators with control of the country’s most important business and financial levers. Mr. Dai, an economist, has since left his post with the central bank and now manages the country’s $150 billion social security fund, one of the world’s biggest investment funds.

How much the relatives made in the deal is not known, but analysts say the activity raises further doubts about whether the capital markets are sufficiently regulated in China.

Nicholas C. Howson, an expert in Chinese securities law at the University of Michigan Law School, said: “While not per se illegal or even evidence of corruption, these transactions feed into a problematic perception that is widespread in the P.R.C.: the relatives of China’s highest officials are given privileged access to pre-I.P.O. properties.” He was using the abbreviation for China’s official name, the People’s Republic of China.

The company that bought the Ping An stake was controlled by a group of investment firms, including two set up by Mr. Dai’s son-in-law, Che Feng, as well as other firms associated with Mr. Che’s relatives and business associates, the regulatory filings show.

The company, Dinghe Venture Capital, got the shares for an extremely good price, the records show, paying a small fraction of what a large British bank had paid per share just two months earlier. The company paid $55 million for its Ping An shares on Dec. 26, 2002. By 2007, the last time the value of the investment was made public, the shares were worth $3.1 billion.

In its investigation, The New York Times found no indication that Mr. Dai had been aware of his relatives’ activities, or that any law had been broken. But the relatives appeared to have made a fortune by investing in financial services companies over which Mr. Dai had regulatory authority.

In another instance, in November 2002, Dinghe acquired a big stake in Haitong Securities, a brokerage firm that also fell under Mr. Dai’s jurisdiction, according to the brokerage firm’s Shanghai prospectus.

By 2007, just after Haitong’s public listing in Shanghai, those shares were worth about $1 billion, according to public filings. Later, between 2007 and 2010, Mr. Dai’s wife, Ke Yongzhen, was chairwoman on Haitong’s board of supervisors.

A spokesman for Mr. Dai and the National Social Security Fund did not return phone calls seeking comment. A spokeswoman for Mr. Che, the son-in-law, denied by e-mail that he had
ever held a stake in Ping An. The spokeswoman said another businessman had bought the Ping An shares and then, facing financial difficulties, sold them to a group that included Mr. Che’s friends and relatives, but not Mr. Che.

The businessman “could not afford what he has created, so he had to sell his shares all at once,” the spokeswoman, Jenny Lau, wrote in an e-mail.

The corporate records reviewed by The Times, however, show that Mr. Che, his relatives and longtime business associates set up a complex web of companies that effectively gave him and the others control of Dinghe Venture Capital, which made the investments in Ping An and Haitong Securities. The records show that one of the companies later nominated Mr. Che to serve on the Ping An board of supervisors. His term ran from 2006 to 2009.

The Times reported last month that another investment company had also bought shares in Ping An Insurance at an unusually low price on the same day in 2002 as Dinghe Venture Capital. That company, Tianjin Taihong, was later partly controlled by relatives of Prime Minister Wen Jiabao, then serving as vice premier with oversight of China’s financial institutions. In late 2007, the shares Taihong bought in Ping An were valued at $3.7 billion.

The investments by Dinghe and Taihong are significant in part because by late 2002, Beijing regulators had granted Ping An an unusual waiver to rules that would have forced the insurer to sell off some divisions. Throughout the late 1990s, the company was fighting rules that would have required a breakup, a move that Ping An executives worried could lead to bankruptcy.

It is unclear whether Mr. Wen or Mr. Dai intervened on behalf of Ping An, but in April 2002 the company was allowed to reorganize and retain its brokerage and trust division. Two years later, Ping An sold shares to the public for the first time in Hong Kong. In 2007, after a second stock listing in Shanghai, the value of the company’s shares skyrocketed. Today, Ping An is
one of the world’s biggest financial institutions, worth an estimated $65 billion.

The decision to grant the waiver came after Ping An executives and the insurer’s bankers had aggressively lobbied regulators, including Mr. Dai.

The Times reviewed copies of letters written to Mr. Dai. In one, Ma Mingzhe, the chairman of Ping An, pleaded with Mr. Dai to approve an overseas stock offering in 1998, saying, “It would be rather difficult to raise such a huge amount of money in the domestic market.”

The regulatory filings show that Dinghe, the company partly controlled by Mr. Dai’s relatives, got an extremely good deal on the shares of Ping An it had bought. In December 2002, Dinghe bought 66.5 million shares from Cosco, a Chinese state-owned shipping giant, paying about 40 cents a share, after adjusting for a later stock split, according to public filings and a report in a state-run newspaper. It was the same price paid by Taihong, the company affiliated with the relatives of Mr. Wen.

The price was much lower than what the British bank HSBC paid for a 10 percent stake in Ping An in October of that year. HSBC paid what at today’s exchange rates would be $1.60 a share.

It is unclear why Cosco would have sold Ping An shares at such a substantial discount. Cosco did not return calls seeking comment. A spokeswoman for Ping An also did not return calls.

Mr. Dai, 68, has had a long career as a government regulator and an executive at state-owned companies. He held high-level positions at the Agricultural Bank of China, China Pacific Insurance and, in the early 1990s, at the Bank of Communications, where he oversaw Haitong Securities, the bank’s brokerage division.

In 1995, he was appointed head of China’s central bank, one of the nation’s most powerful financial posts. He stepped down in December 2002 to become mayor of Tianjin. Then, in 2008, he became head of the National Council for Social Security Fund. During much of his career, he developed close ties with senior Chinese leaders, including Mr. Wen, who served with him on the powerful Central Financial Work Commission. The commission oversaw China’s banking, securities and insurance regulators, and the biggest financial institutions.

Big financial services companies also sought Mr. Dai’s aid in navigating the state’s tight regulatory environment. For instance, Ping An’s longtime chairman, Mr. Ma, kept a telephone directory with Mr. Dai’s name, as well as the name of his wife and son-in-law, according to records.

Dai Xianglong, who has had a long career as a regulator, now heads the council overseeing China’s social security fund.
reviewed by The Times and an interview with a former staff assistant to Mr. Ma.

In addition, Li Chunyan, who once ran Ping An’s Beijing office, said last month in a telephone interview that he had set up meetings between Mr. Ma and relatives of Mr. Dai, including his son-in-law, Mr. Che.

“I wouldn’t say I introduced them, but I brought them,” he said, declining to give details. “I’m just a small potato, you know.” He added, “I’m very familiar with the family of Mr. Dai.”

Later, at the National Council for Social Security Fund, Mr. Dai began overseeing a huge fund that has acquired stakes in Haitong and Ping An. Last September, the government-controlled social security fund said it would allocate $3.6 billion to a group of 16 Chinese private equity funds, including New Horizon Capital, a fund whose founders include Wen Yunsong, the only son of the prime minister.
China ‘Princelings’ Using Family Ties to Gain Riches

Leaders’ Relatives Take Key Business Posts — Spoils System Poses Risk to Party

By DAVID BARBOZA and SHARON LaFRANIERE

THE Hollywood studio DreamWorks Animation recently announced a bold move to crack China’s tightly protected film industry: a $330 million deal to create a Shanghai animation studio that might one day rival the California shops that turn out hits like “Kung Fu Panda” and “The Incredibles.”

What DreamWorks did not showcase, however, was one of its newest — and most important — Chinese partners: Jiang Mianheng, the 61-year-old son of Jiang Zemin, the former Communist Party leader and the most powerful political kingmaker of China’s last two decades.

The younger Mr. Jiang’s coups have included ventures with Microsoft and Nokia and oversight of a clutch of state-backed investment vehicles that have major interests in telecommunications, semiconductors and construction projects.

That a dealmaker like Mr. Jiang would be included in an undertaking like that of DreamWorks is almost a given in today’s China. Analysts say this is how the Communist Party shares the spoils, allowing the relatives of senior leaders to cash in on one of the biggest economic booms in history.

As the scandal over Bo Xilai continues to reverberate, the authorities here are eager to paint Mr. Bo, a fallen leader who was one of 25 members of China’s ruling Politburo, as a rogue operator who abused his power, even as his family members accumulated a substantial fortune.

But evidence is mounting that the relatives of other current and former senior officials have also amassed vast wealth, often playing central roles in businesses closely entwined with the state, including those involved in finance, energy, domestic security, telecommunications and entertainment. Many of these so-called princelings also serve as middlemen to a host of global companies and wealthy tycoons eager to do business in China.

“Whenever there is something profitable that emerges in the economy, they’ll be at the front of the queue,” said Minxin Pei, an expert on China’s leadership and professor of government at Claremont McKenna College in California. “They’ve gotten into private equity, state-owned enterprises, natural resources — you name it.”

For example, Wen Yunsong, the son of Prime Minister Wen Jiabao, heads a state-owned company that boasts that it will soon be Asia’s largest satellite communications operator. President Hu Jintao’s son, Hu Haifeng, once managed a state-controlled firm that held a monopoly on security scanners used in China’s airports, shipping ports and subway stations. And in 2006, Feng Shaodong, the son-in-law of Wu Bangguo, the party’s second-ranking official, helped Merrill Lynch win a deal to arrange the $22 billion public listing of the giant state-run bank I.C.B.C., in what became the world’s largest initial public stock offering.

Much of the income earned by families of
Power and Profit

Family members of many high-ranking officials have profited enormously from China’s economic boom, often through businesses tied to the state. Below, some top Party leaders, and important relatives.

WEN JIABAO
Prime minister

Jiang Mianheng
Son
Partly controls Shanghai Alliance Investments, a state-backed company that invested in a Microsoft joint venture and in China Netcom, as well as a recent DreamWorks deal.

Jiang Zemin
Former president

Wen Yunsong
Son
Mr. Wen’s son, also known as Winston Wen, is the chairman of the state-owned China Satellite Communications Corporation and the co-founder of New Horizon, a big private equity firm.

Zhang Beili
Wife
According to a U.S. State Department cable, she controls part of the precious gems market.

Li Xiaolin
Daughter
Chairwoman and chief executive of China Power International, the flagship of one of China’s big five power generating companies.

Li Xiaopeng
Son
Former chairman of a state-controlled power company until 2008; now vice governor of Shanxi Province.

Hu Jintao
China’s president

Li Peng
Former prime minister

Wu Bangguo
China’s top legislator

Hu Haifeng
Son
Served as party secretary to Tsinghua Holdings, an umbrella company, from late 2008 to 2009. Before that, he was president of a state-controlled firm that made scanners to detect contraband or dangerous materials.

Alvin Jiang
Grandson
Announced plans to raise $1 billion for his investment fund, Boyu Capital, which was formed with a former executive from TPG, the American private equity giant.

The New York Times
senior leaders may be entirely legal. But it is all but impossible to distinguish between legitimate and ill-gotten gains because there is no public disclosure of the wealth of officials and their relatives. Conflict-of-interest laws are weak or nonexistent. And the business dealings of the political elite are heavily censored in the state-controlled news media.

The spoils system, for all the efforts to keep a lid on it, poses a fundamental challenge to the legitimacy of the Communist Party. As the state’s business has become increasingly intertwined with a class of families sometimes called the Red Nobility, analysts say the potential exists for a backlash against an increasingly entrenched elite. They also point to the risk that national policies may be subverted by leaders and former leaders, many of whom exert influence long after their retirement, acting to protect their own interests.

Chinese officials and their relatives rarely discuss such a delicate issue publicly. The New York Times made repeated attempts to reach public officials and their relatives for this article, often through their companies. None of those reached agreed to comment on the record.

DreamWorks and Microsoft declined to comment about their relationship with Mr. Jiang.

A secret United States State Department cable from 2009, released two years ago by the WikiLeaks project, cited reports that China’s ruling elite had carved up the country’s economic pie. At the same time, many companies openly boast that their ties to the political elite give them a competitive advantage in China’s highly regulated marketplace.

A Chinese sportswear company called Xidelong, for example, proudly informed some potential investors that one of its shareholders was the son of Wen Jiabao, according to one of the investors. (A private equity firm, New Horizon, that the son, Wen Yunsong helped found invested in the company in 2009, according to Xidelong’s Web site.) “There are so many ways to partner with the families of those in power,” said one finance executive who has worked with the relatives of senior leaders. “Just make them part of your deal; it’s perfectly legal.”

Worried about the appearance of impropriety and growing public disgust with official corruption, the Communist Party has repeatedly revised its ethics codes and tightened financial disclosure rules. In its latest iteration, the party in 2010 required all officials to report the jobs, whereabouts and investments of their spouses and children, as well as their own incomes. But the disclosure reports remain secret; proposals to make them public have been shelved repeatedly by the party-controlled legislature.

The party is unlikely to move more aggressively because families of high-ranking past and current officials are now deeply embedded in the economic fabric of the nation. Over the past two decades, business and politics have become so tightly intertwined, they say, that the Communist Party has effectively institutionalized an entire ecosystem of crony capitalism. “They don’t want to bring this into the open,” said Roderick MacFarquhar, a China specialist at Harvard University. “It would be a tsunami.”

Critics charge that powerful vested interests are now strong enough to block reforms that could benefit the larger populace. Changes in banking and financial services, for instance, could affect the interests of the family of Zhu Rongji, China’s prime minister from 1998 to 2003 and one of the architects of China’s economic system. His son, Levin Zhu, joined China International Capital Corporation, one of the country’s biggest investment banks, in 1998 and has served as its chief executive for the past decade.

Efforts to open the power sector to competition, for example, could affect the interests of relatives of Li Peng, a former prime minister. Li Xiaolin, his daughter, is the chairwoman and chief executive of China Power International, the flagship of one of the big five power generating companies in China. Her brother, Li Xiaopeng, was formerly the head of another big power company and is now a public official.

“This is one of the most difficult challenges China faces,” said Mr. Pei, an authority on China’s leadership. “Whenever they want to implement reform, their children might say, ‘Dad, what about my business?’”

There are also growing concerns that a culture of nepotism and privilege nurtured at the top of the system has flowed downward, perme-
ating bureaucracies at every level of government in China. “After a while you realize, wow, there are actually a lot of princelings out there,” said Victor Shih, a China scholar at Northwestern University near Chicago, using the label commonly slapped on descendants of party leaders. “You’ve got the children of current officials, the children of previous officials, the children of local officials, central officials, military officers, police officials. We’re talking about hundreds of thousands of people out there — all trying to use their connections to make money.”

To shore up confidence in the government’s ability to tackle the problem, high-ranking leaders regularly inveigh against greedy officials caught with their hand in the till. In 2008, for instance, a former Shanghai Party secretary, Chen Liangyu, was sentenced to 18 years in prison for bribery and abuse of power. One of his crimes was pressing businessmen to funnel benefits to his close relatives, including a land deal that netted his brother, Chen Liangjun, a $20 million profit.

But exposés in the foreign press — like the report in 2010 that Zeng Wei, the son of China’s former vice president Zeng Qinghong, bought a $32 million mansion in Sydney, Australia — are ignored by the Chinese-language news media and blocked by Internet censors.

Allegations of bribery and corruption against the nation’s top leaders typically follow — rather than precede — a fall from political grace. Mr. Bo’s downfall this spring, for instance, came after his former police chief in Chongqing told American diplomats that Mr. Bo’s wife, Gu Kailai, had ordered the murder of Neil Heywood, a British businessman, in a dispute over the family’s business interests.

Evidence has surfaced of at least $160 million in assets held by close relatives of Bo Xilai, and the authorities are investigating whether other assets held by the family may have been secretly and illegally moved offshore.

Wen Jiabao, the prime minister, responded by demanding a more forceful crackdown on corruption. Without naming Mr. Bo by name, People’s Daily, the official Communist Party newspaper, denounced fortune seekers who stain the party’s purity by smuggling ill-gotten gains out of the country.

Some scholars argue that the party is now hostage to its own unholy alliances. Cheng Li, an expert on Chinese politics with the Brookings Institution in Washington, said it would be difficult for the Chinese government to push through major political reforms aimed at extricating powerful political families from business without giving immunity to those now in power.

And with no independent judiciary in China, he said, party leaders would essentially be charged with investigating themselves. “The party has said anticorruption efforts are a life-and-death issue,” Mr. Li said. “But if they want to clean house, it may be fatal.”

Chinese tycoons have also been quietly welcomed into the families of senior leaders, often through secret partnerships in which the sons, daughters, spouses and close relatives act as middlemen or co-investors in real estate projects or other deals that need government approval or backing, according to investors who have been involved in such transactions.

Moreover, China’s leading political families, often through intermediaries, hold secret shares in dozens of companies, including many that are publicly listed in Hong Kong, Shanghai and elsewhere, according to interviews with bankers and investment advisers. Lately, the progeny of the political elite have retooled the spoils system for a new era, moving into high-finance ventures like private equity funds, where the potential returns dwarf the benefits from serving as a middleman to government contracts or holding an executive post at a state monopoly.

Jeffrey Zeng, the son of the former Politburo member Zeng Peiyan, is a managing partner at Kaixin Investments, a venture-capital firm set up with two state-owned entities, China Development Bank and Citic Capital. Liu Lefei, the son of another Politburo member, Liu Yunshan, helps operate the $4.8 billion Citic Private Equity Fund, one of the biggest state-managed funds. Last year, Alvin Jiang, the grandson of former president Jiang Zemin, the former Communist Party leader and president, helped establish Boyu Capital, a private equity firm that is on its way to raising at least $1 billion.

Most recently, with the Communist Party promising to overhaul the nation’s media and cultural industries, the relatives of China’s political elite are at the head of the crowd scrambling for footholds in a new frontier.

The February announcement of the deal
between DreamWorks and three Chinese partners, including Shanghai Alliance Investment, was timed to coincide with the high-profile visit to the United States of Xi Jinping, China’s vice president and presumptive next president. The news release did not mention that Shanghai Alliance is partly controlled by Jiang Zemin’s son Jiang Mianheng. A person who answered the telephone at the Shanghai Alliance office here declined to comment.

Zeng Qinghuai, the brother of Zeng Qinghong, China’s former vice president, is also in the film business. He served as a consultant for the patriotic epic “Beginning of the Great Revival.” The film exemplified the hand-in-glove relationship between business and politics. It was shown on nearly 90,000 movie screens across the country. Government offices and schools were ordered to buy tickets in bulk. The media was banned from criticizing it. It became one of last year’s top-grossing films.

Scholars describe the film industry as the new playground for princelings. Zhang Xiaojin, director of the Center of Political Development at Tsinghua University, said, “There are cases where propaganda department officials specifically ask their children to make films which they then approve.”

Zhao Xiao, an economist at the University of Science and Technology in Beijing, said, “They are everywhere, as long as the industry is profitable.”