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### for Society of Publisher in Asia Awards Consideration

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Illustration: Tim Meko

## Leaked Records Reveal Offshore Holdings of China's Elite

*Files shed light on nearly 22,000 tax haven clients from Hong Kong and mainland China.*

**By Marina Walker Guevara, Gerard Ryle, Alexa Olesen, Mar Cabra, Michael Hudson and Christoph Giesen**

January 21, 2014, 4:00 pm

<http://www.icij.org/offshore/leaked-records-reveal-offshore-holdings-chinas-elite>

Chinese version: <http://www.icij.org/project/zhong-guo-chi-jin-rong-jie-mi/ji-mi-wen-jian-pi-lu-zhong-guo-jing-ying-de-hai-wai-zi-chan>

Close relatives of China's top leaders have held secretive offshore companies in tax havens that helped shroud the Communist elite's wealth, a leaked cache of documents reveals.

The confidential files include details of a real estate company co-owned by current President Xi Jinping's brother-in-law and British Virgin Islands companies set up by former Premier Wen Jiabao's son and also by his son-in-law.

Nearly 22,000 offshore clients with addresses in mainland China and Hong Kong appear in the files obtained by the [International Consortium of Investigative Journalists](#). Among them are some of China's most powerful men and women —

including at least 15 of China's richest, members of the National People's Congress and executives from state-owned companies entangled in corruption scandals.

PricewaterhouseCoopers, UBS and other Western banks and accounting firms play a key role as middlemen in helping Chinese clients set up trusts and companies in the British Virgin Islands, Samoa and other offshore centers usually associated with hidden wealth, the records show. For instance, Swiss financial giant Credit Suisse helped Wen Jiabao's son create his BVI company while his father was leading the country.

The files come from two offshore firms — Singapore-based [Portcullis TrustNet](#) and BVI-based [Commonwealth Trust Limited](#) — that help clients create offshore companies, trusts and bank accounts. They are part of a [cache of 2.5 million leaked files](#) that ICIJ has sifted through with help from more than 50 reporting partners in Europe, North America, Asia and other regions.

Since last April, ICIJ's stories have triggered [official inquiries, high-profile resignations and policy changes](#) around the world.

Until now, the details on China and Hong Kong had not been disclosed.

The data illustrates the outsized dependency of the world's second largest economy on tiny islands thousands of miles away. As the country has moved from an insular communist system to a socialist/capitalist hybrid, China has become a leading market for offshore havens that peddle secrecy, tax shelters and streamlined international deal making.

Every corner of China's economy, from oil to green energy and from mining to arms trading, appears in the ICIJ data.

Chinese officials aren't required to disclose their assets publicly and until now citizens have remained largely in the dark about the parallel economy that can allow the powerful and well-connected to avoid taxes and keep their dealings secret. By some estimates, between \$1 trillion and \$4 trillion in untraced assets have left the country since 2000.



Xi Jinping and Wen Jiabao: relatives appear in ICIJ's data.

The growing onshore and offshore wealth of China's elites "may not be strictly illegal," but it is often tied to "conflict of interest and covert use of government power," said [Minxin Pei](#), a political scientist at Claremont McKenna College in California. "If there is real transparency, then the Chinese people will have a much better idea of how corrupt the system is [and] how much wealth has been amassed by government officials through illegal means."

Top-level corruption is a politically sensitive issue in China as the country's economy cools and its wealth gap continues to widen. The country's leadership has cracked down on journalists who have exposed the hidden wealth of top officials and their families as well as citizens who have demanded that government officials disclose their personal assets.

In November, a mainland Chinese news organization that was working with ICIJ to analyze the offshore data withdrew from the reporting partnership, explaining that authorities had warned it not to publish anything about the material.

ICIJ is keeping the identity of the news outlet confidential to protect journalists from government retaliation. Other partners in the investigation include the Hong Kong newspaper *Ming Pao*, the Taiwanese magazine *CommonWealth* and the German newspaper *Süddeutsche Zeitung*.

The ICIJ team spent months sifting through the files and the leaked lists of offshore users. In most cases, names were registered in Romanized form, not Chinese characters, making matching extremely difficult. Many offshore users had provided a passport as well as an address when they set up their companies, which made it possible to confirm identities in many but not all cases. Some suspected princelings and officials in the files could not be confirmed and have not been included in this story.

Along with the China and Hong Kong names, ICIJ's files also include the names of roughly 16,000 offshore clients from Taiwan. ICIJ will continue to publish stories with its partners in the next few days and will release the Greater China names on its [Offshore Leaks Database](#) on Jan. 23.

## Princelings Go Offshore

China's Politburo Standing Committee is the all-powerful group of seven (formerly nine) men who run the Communist Party and the country. The records obtained by ICIJ show that relatives of at least five current or former members of this small circle have incorporated companies in the Cook Islands or British Virgin Islands.

China's "red nobility" — elites tied by blood or marriage to the current leadership or Party elders — are also popularly known as "princelings." Ordinary Chinese have grown increasingly angry over their vast wealth and what many see as the hypocrisy of officials who tout "people-first" ideals but look the other way while their families peddle power and influence for personal gain.

The leaked offshore records include details of a BVI company [50 percent owned](#) by President Xi's brother-in-law Deng Jiagui. The husband of Xi's older sister, Deng is a [multimillionaire real estate developer](#) and an investor in metals used in cell phones and other electronics. The records show the other half of [Excellence Effort Property Development](#) was owned by yet another BVI company belonging to Li Wa and Li Xiaoping, property tycoons who made news in July by [winning a \\$2 billion bid](#) to purchase commercial real estate in Shenzhen.

Since taking over as the Communist Party's top official in 2012, Xi has sought to burnish his image with an aggressive anti-graft campaign, promising to go after official corruption involving both low-level "flies" and high-level "tigers." Yet he has [crushed a grassroots movement](#) that called for government officials to publicly declare their assets. Wen Jiabao, who stepped down as premier in 2013 after a decade-long tenure, also styled himself as a reformer, cultivating an image of grandfatherly concern for China's poor.



### The Red Nobility

				
<b>Deng Jiagui</b> Brother-in-law of President Xi Jinping	<b>Wen Yunsong</b> Son of former Premier Wen Jiabao	<b>Liu Chunhang</b> Son-in-law of former Premier Wen Jiabao	<b>Hu Yishi</b> First cousin once removed of former President Hu Jintao	<b>Li Xiaolin</b> Daughter of former Premier Li Peng
				
<b>Wu Jianchang</b> Son-in-law of paramount leader Deng Xiaoping	<b>Che Feng</b> Son-in-law of a former central bank governor	<b>Wang Zhi</b> Son of a former vice president	<b>Wang Jun</b> Son of a former vice president	<b>Fu Liang</b> Son of one of 'Eight Elders' of the Communist Party
				
<b>Yeh Shuen-ji</b> Nephew of one of PRC's founders	<b>Wang Jingjing</b> Grandaughter of a former vice president	<b>Su Zhijun</b> Grandson of one of best-known PLA commanders		


### The Wealthy

				
<b>Ma Huateng</b> Co-founder of Internet giant Tencent	<b>Yang Huiyan</b> China's richest woman	<b>Zhang Xin</b> Co-founder of property developer SOHO China	<b>Zhang Zhidong</b> Co-founder of Internet giant Tencent	<b>Shen Guojun</b> Chairman of Yintai Group
				
<b>Jia Yueting</b> Chairman of web video giant Leshi	<b>Huang Guangyu</b> Jailed founder of GOME appliances chain	<b>Du Juan</b> GOME executive and wife of founder	<b>Lu Zhiqiang</b> Chairman of Oceanwide	<b>Li Jinyuan</b> Chairman of Tiens Group
				
<b>Dai Zhikang</b> Founder of Zendai Investment Group	<b>Du Shuanghua</b> Chairman of Rizhao Holding Group	<b>Ma Jianrong</b> Chairman of Shenzhou International	<b>Wen Yibo</b> Founder of Sound Global	<b>Shi Zhengrong</b> Founder of solar-panel maker Suntech
				
<b>Zhou Zhengyi</b> Jailed Shanghai property developer				

Graphic: Chris Zubak-Skeels. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House.



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## Deng Jiagui

Brother-in-law of President Xi Jinping

**BIO**  
 Businessman whose star rose after marrying President Xi Jinping's older sister Qi Qiaojiao. Formerly in the tobacco trade in Yunnan province. Deng, Qi and their daughter Zhang Yannan own millions of dollars in luxury properties in Hong Kong, Shenzhen and Beijing. Patriarch Xi Zhongxun was a Communist revolutionary who ran the coastal province

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**RELATIONSHIPS**  
 brother-in-law




**Xi Jinping**

**OFFSHORES**  
 director and shareholder


- Excellence Effort Property Development Ltd. British Virgin Islands 2008

**RESPONSE**  
 Despite repeated attempts, Deng Jiagui could not be reached for comment.

Graphic: Chris Zubak-Skoes. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House.



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## Li Xiaolin

Daughter of former Premier Li Peng

**BIO**  
 Known as "China's power queen." Heads China Power International Development Limited, the Hong Kong-listed arm of one of China's state-owned power monopolies. Forbes named her one of the world's 50 most powerful businesswomen. Her father, former Premier Li Peng, despised for his role in the bloody June 1989 crackdown on

[MORE](#)

**RELATIONSHIPS**  
 father




**Li Peng**

**OFFSHORES**  
 director


- Tianwo Holdings Ltd. British Virgin Islands 2005
- Tianwo Development Ltd. British Virgin Islands 2005

**RESPONSE**  
 Li Xiaolin did not respond to ICIJ's repeated requests comment.

Graphic: Chris Zubak-Skoes. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House.



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## Ma Huateng


Co-founder of Internet giant Tencent

#3 on Hurun Rich List  
 US\$10.1 billion

**BIO**  
 Known in China as the Father of QQ, the country's most popular instant messenger. In 1998 he founded Tencent Inc. with his former classmate Zhang Zhidong. Today Tencent is one of China's most profitable online firms. Along with QQ, which has almost 800 million accounts, Tencent has launched the popular mobile app Wechat, which boasts 300 million

[MORE](#)

**RELATIONSHIPS**  
 business partner




**Zhang Zhidong**

**OFFSHORES**  
 director


- TCH Pi Ltd. British Virgin Islands 2007

**RESPONSE**  
 A spokeswoman for Ma said TCH Pi is a Tencent company that "has nothing to do with [Ma or Zhang] personally."

Graphic: Chris Zubak-Skoes. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House.



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## Du Juan


GOME executive and wife of founder

#39 on Hurun Rich List  
 US\$3.250 billion

**BIO**  
 Until a few years ago Du Juan and her husband Huang Guangyu headed China's richest family. They earned billions with their company, GOME Group, the largest consumer electronic retailer in China. In November 2008, authorities accused Huang of stock market manipulation. Du Juan was later convicted of related charges but was released from prison in

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**RELATIONSHIPS**  
 husband



**Huang Guangyu**


**OFFSHORES**  
 director (from 2002) and shareholder (2003)

- Gome Holdings Ltd. British Virgin Islands 2003
- Ever Castle International Ltd. British Virgin Islands 2006

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**RESPONSE**  
 Du Juan could not be reached for comment.

Graphic: Chris Zubak-Skoes. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House.



The ICIJ offshore files reveal that Wen's son Wen Yunsong set up a BVI-registered company, [Trend Gold Consultants](#), with help from the Hong Kong office of Credit Suisse in 2006. Wen Yunsong was the [lone director and shareholder of the firm](#), which appears to have been dissolved in 2008.

Bare-bones company structures are often created to open bank accounts in the offshore firm's name, helping obscure the relationship to the real account owner. It isn't immediately clear from the documents what Trend Gold Consultants was used for. A U.S.-educated venture capitalist, Wen Yunsong co-founded a China-focused private equity firm and in 2012 [became chairman](#) of China's Satellite Communications Co., a state-owned firm that aspires to be Asia's largest satellite operator.

ICIJ made repeated attempts to reach Wen Yunsong and other individuals named in this story. Only a few responded. Wen was among those who did not. Citing confidentiality rules, a Credit Suisse spokesman said the bank is "unable to comment on this matter."

The ICIJ files also shed light on the BVI's previously unreported role in a burgeoning scandal involving Wen Jiabao's daughter, Wen Ruchun, also known as Lily Chang. *The New York Times* [has reported](#) that JPMorgan Chase & Co. paid a firm that she ran, Fullmark Consultants, \$1.8 million in consulting fees. U.S. securities regulators are investigating the relationship as part of a probe into the bank's alleged use of princelings to increase its influence in China.

Fullmark Consultants appears to have been [set up](#) in a manner that obscured Wen Ruchun's relationship to the firm, the ICIJ files indicate. Her name does not show up in any of the incorporation documents in the ICIJ data, though a 'Lily Chang' is CC'd in one August, [2009 email correspondence](#) about the company. Her husband Liu Chunhang, a former Morgan Stanley finance guru, created Fullmark Consultants in the BVI in 2004 and was the sole director and shareholder of the firm until 2006, the same year he took a government job at the agency that regulates China's banking industry.

Liu transferred control of the company, the ICIJ files show, to a Wen family friend, Zhang Yuhong, a wealthy businesswoman and colleague of Wen Jiabao's brother. The *Times* reported that Zhang also helped control other Wen family assets including diamond and jewelry ventures.

The ICIJ files show that offshore provider [Portcullis TrustNet](#) billed UBS AG for a certificate of good standing for Fullmark Consultants in October 2005, indicating a business relationship between Fullmark and the Swiss bank. In response to ICIJ's questions, UBS issued a statement saying its "know-your-client" policies as well as procedures to deal with politically-sensitive clients are among "the strictest in the industry." Liu and Zhang did not respond to ICIJ's requests for comment.

A 2007 U.S. Department of State [cable](#) passed along a source's tip that Premier Wen was "disgusted with his family's activities," and that "Wen's wife and children all have a reputation as people who can 'get things done' for the right price." The cable, part of the Wikileaks document dump, reported that Wen's kin "did not necessarily take bribes, [but] they are amenable to receiving exorbitant 'consulting fees.' "

The records also include incorporations by relatives of Deng Xiaoping, former Premier Li Peng, and former President Hu Jintao.

China experts say that the growing wealth and business interests of the princelings, including offshore holdings, are a dangerous liability for the ruling Communist Party but that people in leadership positions are too involved to stop it.

“What’s the point of running the Communist Party if you can’t get a couple billion for your family?” said [Steve Dickinson](#), a China-based American lawyer who has investigated fraud cases involving BVI companies. “The issue is enormous and has tremendous significance for China, and the fact that everybody dances around it and doesn’t want to talk about it is understandable but scandalous.”

## **China Embraces Offshore**

The story of China’s involvement with the offshore world begins with paramount leader Deng Xiaoping’s deepening of economic reforms in the early 1990s.

Laws reorganizing China’s economy drove many Chinese offshore because they were written with state-owned enterprises in mind, not fledgling ventures like the entrepreneur trying to “market the latest iPhone app,” according to [Don Clarke](#), a China specialist at the George Washington University Law School in Washington, D.C.

Western bankers, accountants and investors wary of doing business on strictly Chinese terms also pushed the offshore model.

“It was us, the foreigners, that imposed this,” said Rocky Lee, head of the Greater China corporate law practice of Cadwalader, Wickersham & Taft. “It had to do with the foreign investors’ general discomfort with Chinese rules and regulations.”

Other factors — including tightened capital controls within China as a result of the 1990s Asian debt crisis — also nudged Chinese offshore. Many had flocked to Hong Kong, then still a British territory, to incorporate businesses. As the 1997 handover back to China approached, though, Hong Kong itself began to look risky and many companies sought more far-flung offshore destinations.

The British Virgin Islands became a favorite haven for Chinese wanting to move businesses and cash offshore.

China’s tax regime favored foreign investment, helping fuel the push to incorporate in the BVI and other offshore centers. Some Chinese manufacturers, for example, reduced their taxes by a maneuver known as “round-tripping” — setting up subsidiaries outside the country, then selling their products at low cost to the subsidiaries, allowing the parent companies to avoid taxes by showing little or no profits inside China. The offshore entities in turn resold the goods at profitable markup — then slipped the profits back to the parents as untaxed “foreign investment” from the BVI or Hong Kong.

Today [40 percent](#) of the BVI’s offshore business comes from China and other Asian nations, according to BVI authorities.

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***Every corner of China’s economy, from oil to green energy and from mining to arms trading, appears in the ICIJ data***

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Frank Savage, the BVI's governor from 1998 to 2002, says the islands helped cultivate the relationship by persuading Chinese authorities that they were a “well-regulated territory with a robust and sound legal system.”

Critics of the offshore system, though, see the BVI in a different light — as a “no-questions-asked” haven for shadowy dealings. Tax Justice Network, an advocacy group, says BVI offshore entities have been linked to “[scandal after scandal after scandal](#)” — the result of a corporate secrecy regime that creates an “effective carte blanche for BVI companies to hide and facilitate all manner of crimes and abuses.”

Among the important Chinese who went offshore in the late 1990s was Fu Liang, the son of Peng Zhen, one of the “Eight Elders” of the Communist Party and a top leader of the National People’s Congress in the 1980s.

Offshore Leaks records show Fu — who has invested in yachting clubs and golf courses on the mainland — controlled at least five offshore companies established in the BVI between 1997 and 2000. He used one of them, South Port Development Limited, to [acquire](#) a Philippines hotel in 2000.

TrustNet, the offshore services provider, helped Fu set up some of his offshore companies. By 2000, Trustnet was among the offshore services firms that were making an all-out drive to sign up clients from China, doing marketing meetings at the Shanghai offices of what were then known as the “Big 5” accounting firms: KPMG, Ernst & Young, Pricewaterhouse, Deloitte & Touche, and Arthur Andersen.

The audit firm now known as PricewaterhouseCoopers helped incorporate more than 400 offshore entities through TrustNet for clients from the mainland, Hong Kong and Taiwan, the ICIJ records show. Swiss banking giant UBS helped set up more than 1,000 offshore structures via TrustNet for clients from those three markets.

UBS Hong Kong helped [Yang Huiyan](#), China’s richest woman, with an estimated net worth of US\$ 8.3 billion, establish a BVI company in 2006. Yang, who inherited a real estate fortune from her father, did not respond to questions about her offshore company, [Joy House Enterprises Limited](#).

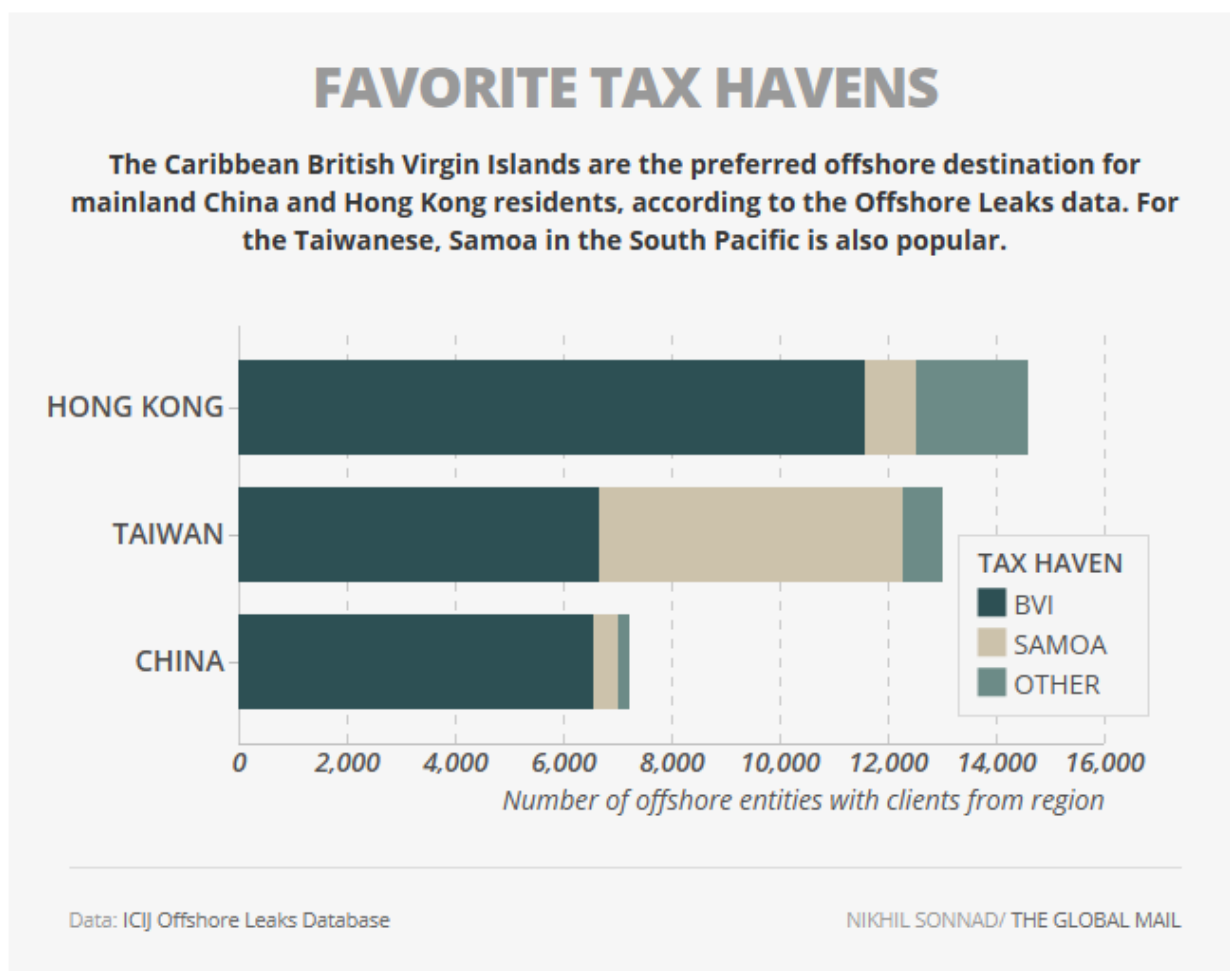
The following year the Swiss bank referred another Chinese real estate billionaire, Zhang Xin, to TrustNet. Zhang, founder of Soho China, a company that has reshaped much of the Beijing skyline, recently made headlines by buying a \$26 million Manhattan townhouse. Through a representative, Zhang declined to answer questions about her BVI company [Commune Investment Ltd.](#), a name similar to that of her exclusive boutique hotel outside Beijing, the Commune by the Great Wall.

[Li Jinyuan](#), a business tycoon and philanthropist with a net worth estimated at \$1.2 billion in 2011, was director of seven BVI companies that PricewaterhouseCoopers helped incorporate between 2004 and 2008. According to the ICIJ files, the BVI companies appear to be connected to his Tiens Group conglomerate, which has interests in biotechnology, tourism, e-commerce and real estate.

In a 2005 [marketing memo](#) marked “strictly private and confidential,” TrustNet staffers were encouraged to improve ties with Credit Suisse in Hong Kong. They courted Credit Suisse and UBS with wine and cheese sessions. On the mainland, where foreign banks

were restricted, they took a different tack: “In Shanghai, we will target international law firms and accounting firms,” the 2005 memo says.

The [marketing campaign](#) paid off. The number of companies TrustNet set up for clients in China, Hong Kong and Taiwan tripled from 1,500 to 4,800 between 2003 and 2007.



The TrustNet clients who incorporated companies during this period include two current delegates to the National People’s Congress, China’s legislature.

Wei Jianghong, who represents Anhui province in the legislature while serving as chairman of state-owned Tongling Nonferrous Metals, was a director of [Tong Guan Resources Holdings](#), a BVI company set up in 2006. Tongling used Tong Guan to invest \$10 million in a \$50 million copper processing project in Chile in 2007.

Another delegate with offshore holdings is Ma Huateng, the founder of China’s leading online chat company, Tencent. Ma is worth \$10 billion and is ranked [No. 5 on Forbes’ list](#) of billionaires in China. In 2007, he became director of [TCH Pi Limited](#) in the BVI with fellow Tencent founder Zhang Zhidong.

A spokeswoman for Ma said TCH Pi is a Tencent company that “has nothing to do with [Ma or Zhang] personally,” but the firm doesn’t show up in Tencent corporate filings, and its purpose isn’t clear.

## Profits and Corruption

Things have changed dramatically for China since it first dipped its toe into the offshore world. The country is wealthier and offshore centers serve increasingly as channels not only for capital that “round-trips” out of the country and back again, but also for overseas investment and accessing markets for metals, minerals and other resources.

Defenders of China’s offshore push say the offshore system has helped boost the country’s economy.

“I think we should face the reality, which is that Chinese capital is flowing out. I think it’s actually a beneficial thing,” said Mei Xinyu, a researcher at China’s Commerce Ministry. “Of course I support the idea that a company should incorporate in its host country. But if the host country can’t provide the right environment, then incorporating the company in an offshore center is actually a practical choice.”

With markets in China often hamstrung by red tape and government intervention, incorporating offshore can smooth the way to do business, said [William Vlcek](#), author of *Offshore Finance and Small States: Sovereignty, Size and Money*.

There’s also evidence, though, that many Chinese companies and individuals have used offshore entities to engage in illicit or illegal behavior.

In September Zhang Shuguang, a former high-level Chinese railway executive, pleaded guilty to criminal charges in the wake of allegations that he’d funneled \$2.8 billion into offshore accounts. An internal government report released by the Bank of China revealed that public officials — including executives at state-owned companies — had [embezzled more than \\$120 billion out of China](#) since the mid-1980s, some of it funneled through the BVI.

Portcullis TrustNet helped state-run shipping giant Cosco incorporate a BVI company in 2000. Among the numerous directors of Cosco Information Technology Limited were current Cosco Group chairman Ma Zehua and Song Jun, an executive who would stand trial in 2011 for embezzlement and bribery. After Cosco sent Song to help oversee a Qingdao subsidiary in 2001, he set up a fake BVI joint venture partner and used it to siphon millions from the building of Qingdao’s gleaming Cosco Plaza, prosecutors said. State news service Xinhua [said](#) he embezzled \$6 million, took \$1 million in bribes from a Taiwanese business partner and purchased 37 apartments in Beijing, Tianjin and Qingdao with his ill-gotten earnings. His trial was adjourned but no verdict was publicly announced.

China’s corruption-plagued oil industry — which recently has been the target of criminal investigations that have led to the suspension of key oil executives — is a big player in the offshore world. China’s three big state-owned oil companies, which are counted among the largest companies in the world, are linked to dozens of BVI firms that show up in the ICIJ data.

Former PetroChina executive Li Hualin, who was dismissed in August after coming under investigation for alleged “serious violations of discipline”, often a party shorthand for corruption, was the director of two BVI companies, the ICIJ files reveal.

While some of these offshore firms are disclosed in corporate filings, several others linked to individual executives — including Zhang Bowen of PetroChina’s natural gas distribution arm Kunlun Energy and Yang Hua of China National Offshore Oil Corporation — appear to operate in the dark, and their purpose is not clear. PetroChina and CNOOC did not respond to ICIJ’s repeated requests for comment.

Other scandal-tainted Chinese who have used the BVI to do business include Huang Guangyu, [once China’s richest man](#). The ICIJ records show that he and his wife Du Juan set up a maze of at least 31 BVI companies between 2001 and 2008 as they built the largest consumer electronics retail chain in China.

The husband, Huang, was sentenced to 14 years in prison in 2010 after Chinese courts convicted him of insider trading, bribery and stock price manipulation. Du Juan was convicted of related charges but was released from prison in 2010 after serving a brief time.

While Huang is in prison and many of his assets are frozen, his business empire survives through his offshore network of companies. In 2011, one of his BVI firms, Eagle Vantage Assets Management, made a bid for a retired British aircraft carrier that Huang wanted to turn into a luxury shopping mall (the Brits in the end decided to scrap the ship).

He still owns more than 30 percent of Gome, his electronics retailer, via two companies in the BVI, Shining Crown Holdings and Shine Group.

## **Offshore’s Future**

As concerns grow about the wealth of corporate oligarchs, government officials and their families, some Chinese have braved the government’s anger by raising questions about corruption.

A grassroots group, the New Citizens Movement, uses the Internet and small demonstrations to press for greater transparency. “How can you fight corruption if you don’t even dare to disclose your personal assets?” the group’s founder, legal advocate and activist Xu Zhiyong, wrote last spring.

The government’s response has been swift. It has arrested Xu and detained more than 20 other members of the group, indicting some for “disturbing public order” or “illegal assembly,” charges frequently used to silence dissidents.

The government has also cracked down on foreign media that have focused attention on the gap between wealth and poverty in China. After *The New York Times* and Bloomberg News reported on the onshore assets of China’s princelings, the government blocked their websites and delayed approving visas for their journalists.

After years of inaction, the U.S., the U.K. and international organizations have begun pushing reforms that, they say, would reduce offshore abuses. China has been less aggressive in pressing for changes in the offshore system.

Big loopholes in tax laws have allowed Chinese individuals to operate with relative freedom offshore. They weren’t required to report their foreign holdings.



“Chinese policy makers didn’t envision individuals absconding with that much money,” Lee, the Beijing-based corporate lawyer, said.

Now mainland authorities are moving to get a handle on the flow of private wealth offshore. New rules that went into effect Jan. 1 require Chinese to report their overseas assets.

How aggressively China joins global efforts to reshape the offshore system may have a big impact on the current push for reform. Just as China has become an increasingly important player in the global economy, it has also become more important as a supplier of clients to the market for offshore accounts and companies.

A [2013 industry-sponsored poll](#) of 200-plus bankers and other offshore professionals found that “China-related demand” is the key driver in the offshore market’s growth. The chief of a BVI offshore services firm said in the survey: “China is the most important location for client origination for business in the next five years.”

*Contributors to this story: Margot Williams and David Donald.*

# China: Who Uses Offshore Tax Havens

By Chris Zubak-Skees with illustration by Jesús Pérez

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Among thousands of Chinese users of tax havens **revealed in the ICIJ files** are relatives of the country's top leaders and some of China's wealthiest men and women. Explore their links to power and to the offshore economy.

*Who's Who in China's Offshore Circles: Tap to see where the money goes*

**The Red Nobility**

<b>Deng Jiagui</b> Brother-in-law of President Xi Jinping	<b>Wen Yunsong</b> Son of former Premier Wen Jiabao	<b>Liu Chunhang</b> Son-in-law of former Premier Wen Jiabao	<b>Hu Yishi</b> First cousin once removed of former President Hu Jintao	<b>Li Xiaolin</b> Daughter of former Premier Li Peng
<b>Wu Jianchang</b> Son-in-law of paramount leader Deng Xiaoping	<b>Che Feng</b> Son-in-law of a former central bank governor	<b>Wang Zhi</b> Son of a former vice president	<b>Wang Jun</b> Son of a former vice president	<b>Fu Liang</b> Son of one of 'Eight Elders' of the Communist Party
<b>Yeh Shuen-ji</b> Nephew of one of PRC's founders	<b>Wang Jingjing</b> Granddaughter of a former vice president	<b>Su Zhijun</b> Grandson of one of best-known PLA commanders		


**The Wealthy**

<b>Ma Huateng</b> Co-founder of Internet giant Tencent	<b>Yang Huiyan</b> China's richest woman	<b>Zhang Xin</b> Co-founder of property developer SOHO China	<b>Zhang Zhidong</b> Co-founder of Internet giant Tencent	<b>Shen Guojun</b> Chairman of Yintai Group
<b>Jia Yueting</b> Chairman of web video giant Leishi	<b>Huang Guangyu</b> Jailed founder of GOME appliances chain	<b>Du Juan</b> GOME executive and wife of founder	<b>Lu Zhiqiang</b> Chairman of Oceanwide	<b>Li Jinyuan</b> Chairman of Tiens Group
<b>Dai Zhikang</b> Founder of Zendai Investment Group	<b>Du Shuanghua</b> Chairman of Rizhao Holding Group	<b>Ma Jianrong</b> Chairman of Shenzhou International	<b>Wen Yibo</b> Founder of Sound Global	<b>Shi Zhengrong</b> Founder of solar-panel maker Suntech
<b>Zhou Zhengyi</b> Jailed Shanghai property developer				

Graphic: Chris Zubak-Skees. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House.

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## Deng Jiagui

Brother-in-law of President Xi Jinping

**BIO**  
Businessman whose star rose after marrying President Xi Jinping's older sister Qi Qiaoqiao. Formerly in the tobacco trade in Yunnan province. Deng, Qi and their daughter Zhang Yannan own millions of dollars in luxury properties in Hong Kong, Shenzhen and Beijing. Patriarch Xi Zhongxun was a Communist revolutionary who ran the coastal province

[MORE](#)

**RELATIONSHIPS**  
brother-in-law



**Xi Jinping**


**OFFSHORES**  
director and shareholder

- Excellence Effort Property Development Ltd.  
British Virgin Islands  
2008

**RESPONSE**  
Despite repeated attempts, Deng Jiagui could not be reached for comment.

Graphic: Chris Zubak-Skees. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House. **ICIJ**

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## Li Xiaolin

Daughter of former Premier Li Peng

**BIO**  
Known as "China's power queen." Heads China Power International Development Limited, the Hong Kong-listed arm of one of China's state-owned power monopolies. Forbes named her one of the world's 50 most powerful businesswomen. Her father, former Premier Li Peng, despised for his role in the bloody June 1989 crackdown on

[MORE](#)

**RELATIONSHIPS**  
father



**Li Peng**


**OFFSHORES**  
director

- Tianwo Holdings Ltd.  
British Virgin Islands  
2005
- Tianwo Development Ltd.  
British Virgin Islands  
2005

**RESPONSE**  
Li Xiaolin did not respond to ICIJ's repeated requests comment.

Graphic: Chris Zubak-Skees. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House. **ICIJ**

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## Ma Huateng


Co-founder of Internet giant Tencent

#3 on Hurun Rich List  
US\$10.1 billion

**BIO**  
Known in China as the Father of QQ, the country's most popular instant messenger. In 1998 he founded Tencent Inc. with his former classmate Zhang Zhidong. Today Tencent is one of China's most profitable online firms. Along with QQ, which has almost 800 million accounts, Tencent has launched the popular mobile app Wechat, which boasts 300 million

[MORE](#)

**RELATIONSHIPS**  
business partner



**Zhang Zhidong**


**OFFSHORES**  
director

- TCH PI Ltd.  
British Virgin Islands  
2007

**RESPONSE**  
A spokeswoman for Ma said TCH PI is a Tencent company that "has nothing to do with [Ma or Zhang] personally."

Graphic: Chris Zubak-Skees. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House. **ICIJ**

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## Du Juan


GOME executive and wife of founder

#39 on Hurun Rich List  
US\$3,250 billion

**BIO**  
Until a few years ago Du Juan and her husband Huang Guangyu headed China's richest family. They earned billions with their company, GOME Group, the largest consumer electronic retailer in China. In November 2008, authorities accused Huang of stock market manipulation. Du Juan was later convicted of related charges but was released from prison in

[MORE](#)

**RELATIONSHIPS**  
husband



**Huang Guangyu**

**OFFSHORES**  
director (from 2002) and shareholder (2003)

- Gome Holdings Ltd.  
British Virgin Islands  
2003
- Ever Castle International Ltd.  
British Virgin Islands  
2006

[MORE](#)

**RESPONSE**  
Du Juan could not be reached for comment.

Graphic: Chris Zubak-Skees. Illustrations: Jesús Pérez. Photos: AP, Ming Pao, Angélica Rivera de Peña (CC BY-SA), World Economic Forum (CC BY-SA) and White House. **ICIJ**

## Supplemental Explainer

# How To Build A Complex, Controversial Interactive Graphic – In Six Different Languages

By Chris Zubak-Skees

April 16, 2014

<http://www.icij.org/resources/how-build-complex-controversial-interactive-graphic-six-different-languages>

It's easy to miss the complexity behind apparently simple things. Take the [interactive graphic](#) I helped build for the International Consortium of Investigative Journalists' [China Leaks](#) story. It's not an especially complex display, or so it seems. It shows who in China's elite had connections to offshore companies, and tries to explain why these people matter. But behind this simple display was months of concerted work by journalists in at least ten countries.

It began with research. In July of last year, reporters from around the world [began combing through a massive leaked data set](#), looking for connections to powerful Chinese figures. Two databases of offshore companies were carefully packaged into [virtualized computers](#), then shared with reporters in Hong Kong and Taiwan.

To communicate, ICIJ's partners used something of a private cloud, including a [web-based data search tool](#) and open source collaboration software, including a [Vanilla forum](#) and [OwnCloud](#) file sharing. Bit by bit, they pieced together profiles of the individuals they wanted to feature — among these, Wen Jiabao's son, Xi Jinping's brother-in-law and Li Peng's daughter.

Security was paramount, since the Chinese government routinely censors critical coverage and monitors the journalists who produce it. Connections were encrypted using Virtual Private Networks and the HTTPS protocol, and important information was kept out of emails, which could be easily tracked. Tor, a global system which obscures the origin of web traffic, was considered, but it is frequently blocked in China.

## Getting it together

Once the list was compiled, we faced the problem of illustrating these Chinese elite, many of whom were private figures not accustomed to a media spotlight and who did not appear in photos we could use. We trimmed the background on the photos we had, while ICIJ worked with illustrator [Jesús Pérez](#) in Santiago, Chile, to create portraits of the rest.

But getting the illustrations right was its own task. Partners and project managers exchanged rounds of feedback between Washington, Santiago, Madrid and Hong Kong. One concern was that the illustrations might show the Chinese elite in a way that might bias a reader against them. Pérez tweaked the illustrations to show them in a neutral light.

The final list contained a daunting amount of information, which could include a person's name, a short description, a position on a list of the richest Chinese, net worth, a long description of up to 100 words, relations to other power players, and between one



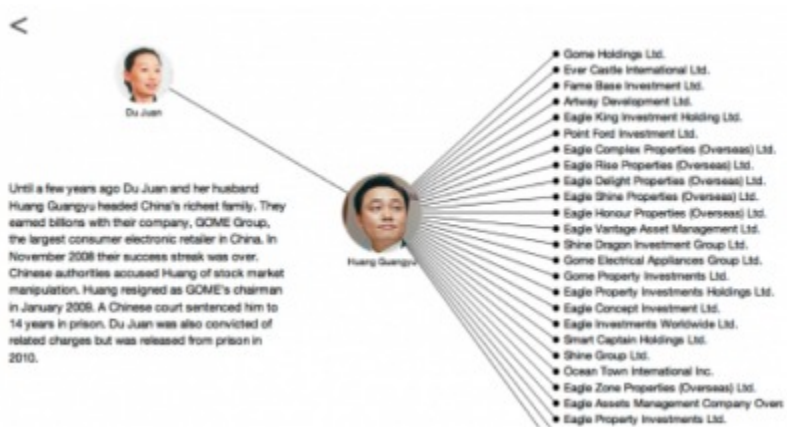
to 50 offshore companies that the person was linked to - with the name of the company, the relationship to the person and the date of incorporation.

Just organizing all this information in a structured way was a major undertaking, as was fact-checking it all.

Originally, many types of data were collated into just two Excel sheets. To create connections between people and company records without duplicating records for each, we created new sheets for each type of data and used the names of people and companies to link these together. This was not easy to communicate to a team that was still editing the spreadsheets, and sometimes resulted in a broken interactive. If we were to do this again, that would be a process we'd think through more carefully.

## Designing for infinite widths

On the graphic itself, my colleagues at ICIJ insisted that every piece of information be displayed, and indeed, all of it was important. But how could I fit it all into an interactive graphic that could be embedded in a story? And how was I going to re-work that display into the tight confines of an iPad or iPhone screen?



Initially, each profile featured a photo of that member of the elite in the center, with connections drawn to either side, but this didn't scale neatly or leave a natural spot to place text. After sketching designs on paper, and creating concepts in Adobe Illustrator, I opted instead for a structured design with neatly drawn connections between players along the left side — in the style of a schematic diagram. This meant that the interactive expanded and contracted to fit different screen sizes and page widths without the connections obscuring other information.

By the end of the project, I had written nearly 2,000 lines of JavaScript and CSS to draw the graphic, make it scalable and to provide interactivity.

Each level of information fit into a tier, and to divide the tiers I used shades of blue. I hoped the blue would evoke the overseas nature of the offshore world. This was not without controversy. One person commented that the blue was "too dense," which made the graphic "feel heavy." At a meeting shortly before launch, those involved asked, "Could you make it red?"

I replied that I wasn't sure, that black text and lines on a red background might be difficult to read. I tried a few shades of red, but remaking the design with a red background that worked seemed impossible in the time before launch.

Of course, most of our partners working with this material opted for web page designs featuring white background with red highlights, because the project was about China.

## Found in translation

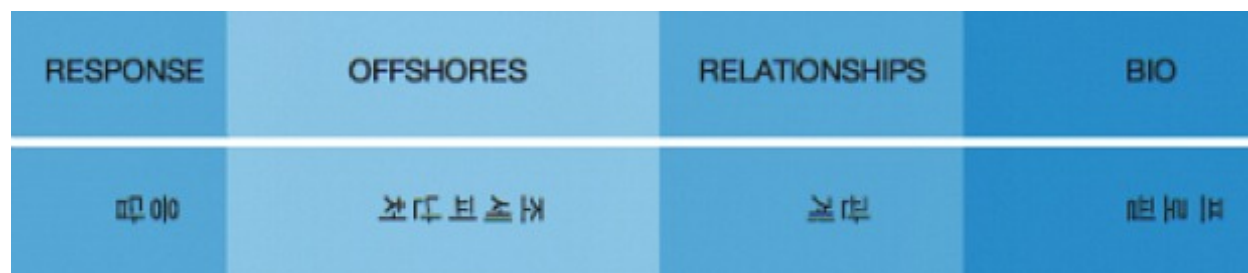
In order to distribute the interactive to ICIJ's global media partners, we had to translate it from English into five additional languages. Luckily, the interactive loaded most of the text it displayed from external spreadsheets, which could be opened by programs like to Microsoft Excel. To translate it, we copied those into Google Spreadsheets, which let us collaborate on these easily, then ICIJ's partners rewrote the English versions into Spanish, German, French, Korean and simplified Chinese.



The biggest challenge was keeping six different spreadsheets — one for each language — in sync with every change, and with testing every single update to ensure it worked and displayed well within the graphic's many sizes. Thankfully, ICIJ's Mar Cabra coordinated much of this. The translations written by ICIJ's partners were published on a preview version of the interactive, which was reviewed by that partner. This usually resulted in the translator making more tweaks. Rinse. Repeat.

In a translation effort of this size, I expected to make several language-specific modifications to the software, but by-and-large, the code worked without many. There was a time when this kind of translation would have been difficult, as coders struggled with a computer infrastructure built by and for English-speakers, but in 2014, with the right tools and design, much of it just works. This was thanks to the set of international characters that now come standard, the relative simplicity of the interactive and the way the software loaded data from external files.

One culture-specific change I didn't anticipate was how text labels along the left side of the app were rotated. In English and European languages, I rotated the whole label 45 degrees. But our Korean partners told us that in their language, this was not the most natural approach. Korean and Chinese languages were traditionally written vertically, from bottom to top. So I changed the code to render labels that way. I didn't know this when I started, but with media partners in ten countries looking over my work, I didn't have to.



By January 21, the interactive graphic and the story were ready for publication. Our work was splashed across partner sites seemingly everywhere, including [Le Monde](#) in France, [Le Matin](#) in Switzerland, [Le Soir](#) in Belgium, the [CBC](#) in Canada, [Süddeutsche](#) and [NDR](#) (public television) in Germany, [Trouw](#) in the Netherlands, the [Korea Center for Investigative Journalism](#) (KCIJ) in Korea and [El País](#) in Spain.

My favorite use was from KCIJ, which filmed a [28-minute mini-documentary](#) exploring the possible social and financial importance of the leak, and using the graphic heavily to introduce video segments and tell the story.

Most importantly, hundreds of thousands of readers from those countries and others, including China, were able to examine the international business interests of China's ruling class in unprecedented detail.



ICIJ's records show extensive links between offshore centers and China's big national oil companies including Sinopec. Photo: AP

## China's Scandal-Torn Oil Industry Embraces Tax Havens

*One man's legal battle against oil giant highlights role that offshore murk plays in China's economy.*

**By Alexa Olesen and Michael Hudson**

January 21, 2014, 4:00 pm

<http://www.icij.org/offshore/chinas-scandal-torn-oil-industry-embraces-tax-havens>

Chinese version: <http://www.icij.org/project/zhong-guo-chi-jin-rong-jie-mi/ji-mi-dang-biao-ming-zhong-guo-shi-you-tan-wu-huo-yu-bi-shui>

As China's go-go economy rose, Sun Tiangang played the offshore game like a master.

He set up dozens of companies, he says, in the Cayman Islands, Bermuda and the British Virgin Islands as he made a fortune in hotels, electronics, food packaging and, eventually, as an oil baron.

He liked the ease of doing business – and the tax savings and secrecy – that working through offshore refuges provided. A BVI company, Sun said, costs just a few hundred dollars to set up and “gives very strong cover” – allowing the real owner to stay behind scenes while front men and women serve as the official face of the company.



“If there’s a problem you can just close the company, walk away and deny you ever had anything to do with it,” Sun said in an interview. “Many people on the mainland do this sort of thing.”

But there came a time when Sun’s embrace of Caribbean havens and offshore secrecy backfired.

His offshore holdings, he claims, became one of the tools his enemies used to steal much of his business empire, erasing his stake in a multi-billion-dollar oil pipeline in Xinjiang in far western China and forcing him to turn to U.S. courts to seek justice.

Sun claims in a [lawsuit](#) in U.S. District Court in Los Angeles that the Chinese oil giant Sinopec colluded with Chinese police to illegally detain him for five years and, while he was in prison, connived with his employees to wrest away an offshore firm that controlled much of his oil empire.

Sinopec – the fourth-largest company in the world behind Royal Dutch Shell, Wal-Mart and Exxon Mobil— has filed a [motion to dismiss](#) the suit, scheduled to be heard in March. It argues that the proper jurisdiction for the case is China rather than the U.S. and that, even if events had happened as Sun alleged, they would not amount to the extortion, kidnapping and torture that he claims.

Sinopec did not respond to repeated requests for comment on the case.

The merits of Sun’s claims are still being fought over in court. But the story of his adventures and misadventures in the offshore world shines new light on the murky role that tax havens such as the British Virgin Islands play in China’s marketplace. It also illustrates the offshore world’s links to the proliferation of corruption cases in the oil business and other industries inside the world’s second-largest economic superpower.

Doing business through offshore centers has become standard procedure among Chinese companies and entrepreneurs. Offshore havens in turn also come up frequently in corruption cases involving Chinese businesses.

An [internal government report](#) released by the Bank of China revealed that employees of state-owned companies and other public officials had spirited more than \$120 billion away from China since the mid-1990s. A sizeable portion of the money went through the British Virgin Islands and other offshore hideaways, the report said.

Secret records uncovered by the International Consortium of Investigative Journalists show that China’s oil industry, which has been shaken by a series of corruption scandals, is no stranger to tax havens.

The records, obtained by ICIJ as part its [“Offshore Leaks”](#) investigation, show extensive links between offshore centers and China’s three big national oil companies: China Petroleum and Chemical Corp., or Sinopec; China National Petroleum Corporation, or PetroChina; and China National Offshore Oil Company, or CNOOC. The oil companies and their executives set up dozens of companies in the British Virgin Islands, Cook Islands and other offshore jurisdictions between 1995 and 2008, the records show.

Some of the offshore companies have been disclosed in the annual reports of the listed arms of the three oil giants. But many do not appear to have been publicly reported. It’s

not clear whether they were reported internally to the Chinese government, a requirement for state-owned firms.

There is no evidence that the oil companies or their executives were engaged in illegal conduct, but the secrecy of the offshore world makes it unclear what the offshore firms were used for. It is also unclear in some cases whether the overseas entities controlled by oil executives were established on behalf of their employers or as personal holdings.

The companies did not respond to questions from ICIJ.

The offshore records obtained by ICIJ also include offshore holdings linked to Sun Tiangang's legal claims against Sinopec. The records indicate that while Sun was in jail, the wife of one of his employees changed the name of a key offshore company involved in the oil pipeline deal.

Sun's lawsuit alleges that the employee and his wife, top Sinopec officials, and several Chinese law enforcement officials, "devised a scheme to effectively crush Mr. Sun's business empire."

## **Border Crossing**

It was August 2005 and Sun Tiangang had no idea his life was about to be derailed. He was making a routine dash across from Hong Kong, where he lived, to his company's office in nearby Shenzhen.

Police stopped him just past the border. He claims that all the items in his possession that day – a cream-colored Mercedes-Benz, about \$40,000 in cash earmarked for employee salaries, two mobile phones, a leather belt, shoes and clothes – were confiscated by uniformed Chinese police, never to be seen again.

Two days later, still in the dark about the allegations against him, Sun says he was escorted by six officers on a commercial flight to Changchun in China's far northeast. He sat in the back row, his legs shackled as other passengers craned their necks to look at him.

Sun remained in a provincial jail for the next five years as prosecutors tried and failed twice to convict him of bribery and embezzlement, according to his lawsuit.



Oil executive Sun Tiangang is suing Sinopec.  
Photo: Michal Czerwonka

Although Sun's lawsuit claims that his employees sold off and divvied up a large portion of his assets, including the pipeline company and his home in Hong Kong, Sun appears to have salvaged some of his fortune. He arrived for a recent interview at the office of his lawyer in Pasadena, Calif., in a white Mercedes-Benz. Public records show that he spent \$250,000 in the first nine months of 2013 lobbying the U.S. government to press China on human rights.

An energetic businessman with a soft handshake and an infectious laugh, Sun's first job was as a tap water tester in northeast China's frigid Shenyang, where he grew up, his salary maxing out at around \$5 a month. Hungry for profit and challenge, he went to work as a liaison for a Japanese company, then quickly scaled up again, investing in the Luohu Hotel in Shenzhen.

"I did whatever came along. I was 'crossing the river by feeling for stones,'" said Sun, citing a phrase that describes finding one's way by trial and error.

It was natural for Sun to use offshore companies as his empire grew. China was booming but the mainland's corporate tax structure, strict capital controls and other factors made incorporating offshore appealing to many up-and-coming millionaires. The offshore business route came with more flexible ownership structures, ease of international capital exchange and the ability to list on an overseas stock exchange.

For Sun, using offshore companies also gave him room to wheel and deal. When he engineered what is known as a "reverse merger" to list his oil pipeline joint venture in 2001, he didn't have to worry about too much regulatory scrutiny.

He simply folded the Xinjiang pipeline's controlling shareholder, a company set up in the BVI, into PNF Food Holdings Limited, which was listed on the Hong Kong stock exchange. Sun had recently taken a 60 percent stake in PNF. Then he changed PNF's name to GeoMaxima (HK) Holdings Limited and spun off the food business.

"This way is very easy, very convenient," Sun says. "On the other hand, if you want to list a Hong Kong-registered company, you'll end up with a very, very thorough audit."

At the time, BVI companies couldn't list directly in Hong Kong. Neither could mainland-registered companies unless they had Beijing's approval, which was extremely difficult to get.

Sun said GeoMaxima's lawyers and accountants "devised this maneuver so we could get around the legal hurdles."

The Xinjiang venture was Sun's biggest gamble and his biggest win. But maintaining success as an independent player in China's state-dominated oil and gas industry was about to prove impossible.

## **Secret Power**

The oil industry in China is an exclusive and secretive world where money and politics are closely entwined.

Both Sinopec and PetroChina ranked in the top five on the Fortune 2013 list of biggest companies in the world. CNOOC, which focuses on undersea drilling, is China's third largest national oil company.

Their monopoly hold over billions in assets has given oil and gas a reputation as one of the most corrupt of China's state-dominated sectors.

In 2009 Chen Tonghai, the chairman of Sinopec when Sun was first trying to sue the company over the pipeline dispute, was given a suspended death sentence for taking more than \$28 million in bribes.

Many senior government leaders have come up through the oil business and maintain close ties to it. Former national security czar Zhou Yongkang spent 30 years in the oil industry before becoming one of the nine members of the Politburo Standing Committee, the top policy-making body in China, in 2007.

Retired since last year from the Politburo, Zhou is often referred to as the “Dick Cheney” of China due to his influence in the domestic oil industry. A widening corruption crackdown launched last year has targeted many of Zhou’s colleagues and protégés from his days at CNPC, the parent of Hong Kong-listed PetroChina Co.

At least five executives from PetroChina have been dismissed, including former vice president Li Hualin, who once served as Zhou’s private secretary. The company’s former chairman, Jiang Jiemin, who last year took a post overseeing the agency in charge of state assets, has also been removed from his government position. The heads of at least two PetroChina affiliates have been detained for questioning.

The investigation of PetroChina still appears to be in its early stages, and no information has come out yet about whether offshore entities are involved in the alleged corruption.

However, havens such as the British Virgin Islands have played a role in previously-documented corruption in state-owned sectors. The report the Bank of China released in 2011 said top executives at publicly-traded companies and state-owned enterprises were moving into the British Virgin Islands and other havens by, for example, creating fake invoices for goods that were never purchased.

The report said corrupt executives were getting increasingly sophisticated in their use of offshore financial centers.

“Previously, these type of offshore companies were generally set up by corporate management together with a foreign partner, but now many mainland enterprises or managers already have their own ‘handbag companies,’” or shell companies, the report said.

### **The BVI Connection**

The British Virgin Islands – a thinly populated archipelago 8,400 miles from Beijing – are a favorite destination for Chinese who want to set up offshore companies. Forty percent of the BVI’s offshore business comes from China and other Asian nations, according to BVI authorities.



The British Virgin Islands are a top offshore destination for the Chinese. Photo: Alex Shprintsen

“When a businessman in China needs an offshore company, he just says ‘I want a BVI,’” says Martin Kenney, a BVI lawyer who specializes in untangling bankruptcy and fraud cases involving offshore entities.

Among the Chinese oil executives with British Virgin Islands companies listed among ICIJ's data is Zhang Bowen, who took over as chairman of CNPC subsidiary Kunlun Energy Limited in December. Zhang was the only director and shareholder of [Adept Act Enterprises Limited](#), which was active between 2006 and 2008.

Yang Hua, chief executive of CNOOC, owned [Garland International Trading Company Limited](#), a BVI entity that similarly listed only him as director and shareholder. Yang's colleague Fang Zhi, vice president of CNOOC International, was the director and shareholder of Xin Yue Lianping Company Limited and Xin Yue (BVI) Company Limited.

Kunlun Energy and PetroChina did not respond to a request for comment about Zhang's records in the ICIJ database. CNOOC did not reply to queries about Yang and Fang.

Meanwhile, two of the smaller affiliated companies linked to the PetroChina corruption investigation have offshore companies that show up in the secret records ICIJ obtained. Hong Kong-listed Wison Engineering Services, a PetroChina supplier, suspended its share trading in September and announced that Chinese authorities had seized some of its books and records and frozen some of its bank accounts as part of the probe. The company said its chairman and founder Hua Bangsong was cooperating with authorities. ICIJ records show Hua incorporated three Wison-related companies in the BVI in 2003 with help from Commonwealth Trust Limited, a BVI-based offshore services provider.

One of the those BVI companies, Wison Group Holding Limited, is identified in annual reports as the ultimate holding company of Hua's Hong Kong-listed Wison Engineering Services. The purpose of the other two was not immediately clear.

In a statement emailed to ICIJ this month, Wison Engineering said it had nothing to add beyond what was already in its annual reports and other disclosure documents.

Also implicated is Zhongxu Investment Co. Ltd, a firm that manages gas stations for CNPC. Zhongxu head Wu Bing was detained in August as part of the investigation. The Chinese magazine *Caixin* reported that the shareholders of Zhongxu's Beijing arm included retired military officer Zhao Ming. Zhao appears in the ICIJ records, having incorporated Eagle Energy (International) Limited in the BVI in 2007 though it's not clear what the company was used for.

A letter delivered to Zhao's last-known address was returned unopened.

## **Sun's Battle**

On the Xinjiang project, Sun was partnering with a new state-owned oil venture, China National Star Petroleum Corporation. National Star had secured government permission to drill for oil in Xinjiang's Tahe Oilfield. Sun was brought in to build and run the pipeline, a risky venture as the field was then considered a dud. Competitor CNPC had given up on it after six years with no success.

"That place was tough, nothing but desert all around," says Sun. "The only reason I got the opportunity was because you had to gnaw the bone to get anything out of it."



Still, in its first year of operation, the pipeline made some \$7 million in profit, according to the lawsuit Sun filed in U.S. federal court in Los Angeles.

In 2001, Sun set up the BVI company to help structure the pipeline listing he hoped would make him an even bigger player in the oil business. Sun wanted GeoMaxima to eventually acquire the BVI company but Hong Kong stock exchange rules prevented him from owning both, so he says he put the BVI company in the name of an associate.

Meanwhile, Sinopec took over National Star and became his new business partner in the Xinjiang project. Trouble soon followed. Though Sun's company had a 20-year contract to serve as the exclusive pipeline for the Tahe field, Sinopec wouldn't honor the deal, his lawsuit says. It says Sinopec built its own pipeline and began diverting oil away from Sun's.

Sun filed a lawsuit, first in Hong Kong and then in Beijing. During negotiations at Sinopec headquarters, Sun says, a lawyer for the oil giant pointed at Sun's nose and said: "You better think this through clearly. You're going to take a Chinese Communist Party enterprise to a Chinese Communist Party court.... Can you possibly win?"

A few months later, in August 2005, Sun was detained at the Shenzhen border, the lawsuit says.

Within months of his detention, the GeoMaxima board announced that it was withdrawing the lawsuit filed in Beijing against Sinopec. Over the next few years, he says, his assets were divvied up by his former employees. His Los Angeles lawsuit claims they forged documents to sell his real estate and auction off other assets.

The offshore company that held a majority stake in Sun's listed pipeline firm was relatively easy to raid. It was held by an associate – though Sun recently claimed that he couldn't remember who the proxy was. He said he was certain, however, that prior to his detention, it wasn't Xing Xiaojing, the wife of one of Sun's employee Zhang Yuping. Records obtained by ICIJ show Xing did at some point become director and shareholder of the company though the paperwork provides two conflicting dates for the appointments: February 26, 2001 and August 31, 2005. The files also show that Xing changed the BVI company's name to Hong Chang China Limited in 2007.

Though records show Hong Chang China Limited is still active, Sun has no access to it.

The charges eventually lodged against Sun in a 2007 indictment were contract fraud, false capital contributions, embezzlement and bribery, but the indictment was later withdrawn.

A second indictment accusing him of embezzlement and bribery went to trial in 2009 but was adjourned without an immediate verdict. Such back-to-back failed cases are unusual in the Chinese justice system but it's not clear why prosecutors were unable to secure a conviction.

Sun was released from the detention center in late 2010 while his case was still in limbo – six weeks after his company's vice manager for China, Shi Linhua, died of a cerebral hemorrhage in a detention center near to where Sun was being held.

Sun spent another two years in “soft detention” – round-the-clock surveillance in a rented Beijing apartment with no phone, restricted visits from his wife and only occasional outings allowed, always with authorities escorting him. The second indictment was formally dropped and Sun became a free man in March 2012.

Meanwhile, Sun’s efforts to track down the woman who took over what he says was his BVI company, Xing, have failed. Records show that she owns a \$1.8 million apartment on the 20th floor of a luxury high rise in Hong Kong with views of the ferries crisscrossing Belcher Bay.

No one was home when a reporter recently came to visit and neighbors said they weren’t sure who lived there. A letter left in the mailbox did not get a reply.

# “Chinaleaks” stories censored in mainland China

By Michael Hudson, Marina Walker Guevara and Alexa Olesen

January 22, 2014, 1:45 pm

<http://www.icij.org/blog/2014/01/chinaleaks-stories-censored-mainland-china>

Chinese authorities moved aggressively on Tuesday and Wednesday to block online access to news reports exposing the [secrecy-cloaked offshore holdings](#) of China’s political and financial elites.

[Download a PDF of the investigation in Chinese here](#)

Internet censors prevented readers in China from seeing investigative stories by the International Consortium of Investigative Journalists and several of its publishing partners, including Spain’s *El País*, *Le Monde*, *Süddeutsche Zeitung* in Germany, the Canadian Broadcasting Corp., and the U.K. and U.S. editions of *The Guardian*, according to reports from news organizations and analytics by GreatFire.org, which monitors web censorship in China.

China routinely censors online domestic content and blocks foreign social networking websites such as Twitter and Facebook, but the broad news blackout targeting so many international media outlets was unusual in its scope. Individual sites have been targeted in the past, including *The New York Times* and Bloomberg, which separately saw their sites blocked after releasing reports on elite wealth in China.

In Beijing, a spokesman for the Ministry of Foreign Affairs Qin Gang dismissed the story calling it “hardly convincing” and said it raises “suspicions over the motives behind it.”

ICIJ’s story was released in China early Wednesday and coincided with the trial of prominent Chinese legal advocate Xu Zhiyong, a campaigner for greater financial transparency. Xu could face up to five years in jail for activities linked to his campaign to get officials to publicly disclose their financial assets. In a symbolic protest against the



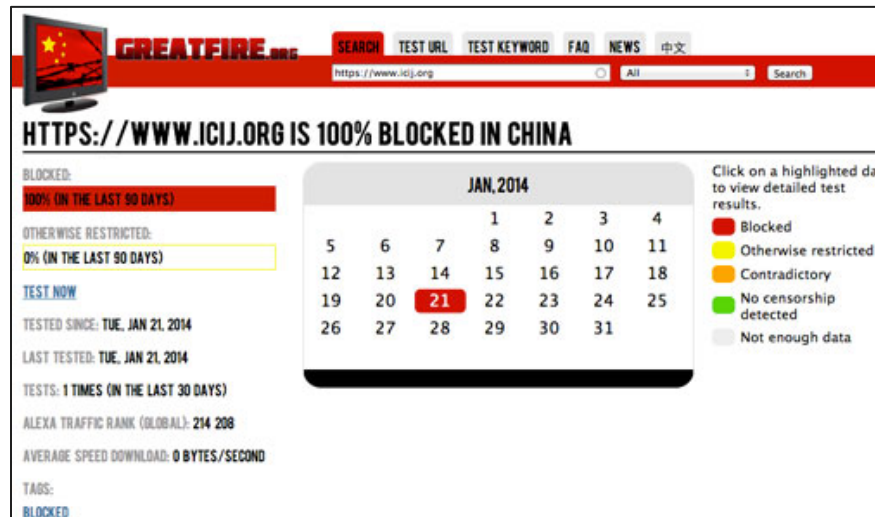
Authorities block online access to ICIJ's exposé of Chinese elite's offshore holdings

proceedings, Xu and his attorneys refused to speak during the trial, *the Washington Post* reported.

The ICIJ stories are part of its continuing **“Offshore Leaks” probe**. They identify offshore companies controlled by many of China’s most powerful men and women – including relatives of the Communist Party’s top leaders, at least 15 of the country’s richest citizens, members of the National People’s Congress, and executives from state-owned companies tarred by corruption scandals.

The reporting draws on previously secret records relating to nearly 22,000 offshore clients with addresses in mainland China and Hong Kong.

A check of [www.ICIJ.org](http://www.ICIJ.org) on the censoring monitoring website GreatFire.org at 3:42 a.m. Washington, D.C., time – 4:42 p.m. Beijing time – indicated that some Internet users in China could access the site, but 100 percent of them were blocked from reading ICIJ’s story about the **offshore wealth of powerful Chinese**. GreatFire.org



also showed that 100 percent of mainland Internet users were blocked from reading a blog post about **how the consortium conducted its six-month China investigation**.

*The Guardian* reported that its website “appeared to be partially blocked” in China on Wednesday. “Repeated attempts to access the story from China failed without a virtual private network (VPN),” **the paper said**. “Some attempts to reach *The Guardian*’s front page failed and access to other, unrelated stories was intermittent.”

ICIJ shared highlights of the Chinese version of the story and linked to the online pieces on Weibo, a Twitter-like Chinese social media website. But the ICIJ account was disabled within a few hours of the story’s release and could not be accessed again on Wednesday.

Outside the mainland, the story is getting considerable media attention, with follow-up coverage from the Associated Press, Fox News, the *Financial Times*, Agence France-Presse, Australia’s *Sydney Morning Herald* and other outlets.

*Time* magazine called ICIJ’s planned Jan. 23 release of a searchable database with all of the nearly 22,000 names **“an early Chinese New Year gift”** for “anyone with an interest in the intersection of power and money in the People’s Republic.”



ICIJ's Weibo page was closed down shortly after publication of our report, displaying the message: "Sorry your account isn't acting normally. You can't currently sign in."

## Government Intimidation

High-level corruption and a massive wealth gap are sensitive issues inside China. The country's Communist leadership has repeatedly sought to punish journalists who have exposed the hidden assets of top officials and their families.

In November, a mainland Chinese news outlet that had begun helping ICIJ sift through the offshore data pulled out of the reporting partnership, explaining that it had been instructed by the government to back off the story. ICIJ is keeping the identity of the news organization confidential to shield journalists from retaliation.

In reaction to the ICIJ teams' China stories, Clark Gascoigne, a spokesperson for Global Financial Integrity, a Washington, D.C.-based watchdog group, told Hong Kong's *South China Morning Post* that "rising inequality is perhaps the most notable impact of offshore tax haven secrecy on China. As the rich get richer through tax evasion and by using the world's shadow financial system to shelter and multiply their illicit wealth, the middle class, the working class and the nation's poor suffer."

Since it began exposing the contents of secret tax haven files in late 2012 and early 2013, ICIJ's Offshore Leaks probe has sparked official investigations, policy changes and high-profile resignations in several countries, and has been credited by the European Union's top tax official with being "the most significant trigger" behind Europe's new effort to combat offshore tax dodging.

In the latest phase of the investigation, ICIJ analyzed documents relating to mainland China, Hong Kong and Taiwan in partnership with journalists from *Ming Pao* newspaper (Hong Kong), *Commonwealth Magazine* (Taiwan) and *Süddeutsche Zeitung* (Germany).



Along with the *The Guardian*, the CBC and *El País*, publishing partners for “Chinaleaks” stories include *Le Monde* (France), NDR (Germany), CBC (Canada), *Le Soir* (Belgium), *L’Espresso* (Italy), *Le Matin Dimanche and SonntagsZeitung* (Switzerland), *Trouw* (The Netherlands), the *Asahi Shimbun* (Japan), *Newstapa* (South Korea), The *Global Mail* (Australia) and the Philippine Center for Investigative Journalism.

# How we did Offshore Leaks China

*A multinational team of journalists spent months combing through secret tax haven records revealing offshore holdings of China's rich and powerful.*

**By Marina Walker Guevara**

January 21, 2014, 10:00 pm

<http://www.icij.org/blog/2014/01/how-we-did-offshore-leaks-china>

The small group of journalists gathering in Hong Kong on a rainy summer morning had arrived from all over: Beijing, Taipei, New York, Madrid, Washington, Berkeley and Munich.

A veteran Chinese journalist greeted the group and talked about the “historic” nature of the meeting: journalists from Greater China coming together to work on a highly sensitive investigation alongside colleagues from Europe and the U.S.

The meeting kicked off a six-month probe into the [offshore holdings of China's elite](#) that the International Consortium of Investigative Journalists begins publishing today with [media partners from around the world](#). Along the way, the journalists faced cultural and linguistic barriers, government intimidation and the daunting task of sifting through thousands of secret financial records.

The Greater China files are the largest segment of the 2.5 million leaked offshore records ICIJ obtained and has analyzed with more than 50 media organizations since 2012. The documents reveal the real owners and the dealings of more than 100,000 companies in 10 offshore jurisdictions.



Image: Shutterstock

The stories previously published in the “Offshore Leaks” series have had [impact across the globe](#), triggering inquiries, resignations and policy changes in several countries.

Due to the complexity and language challenges posed by the China, Hong Kong and Taiwan records, ICIJ set aside files related to those jurisdictions for a later installment in the series.

With China continuing to step up media censorship, security quickly became one of the China project's biggest priorities. At the end of the Hong Kong meeting all project members returned to their newsrooms equipped with encryption for email communications. An encrypted online forum was used to swap findings and tips safely.

Even within the forum, certain top officials were referred to using only previously agreed code names.

The other challenge was the data itself. How to separate the extraordinary from the routine and find the public interest inside a maze of more than 37,000 offshore company holders? A first step was to build as many lists as possible of public figures: Politburo members, military commanders, mayors of large cities, billionaires listed in *Forbes* and *Hurun's* rankings of the mega-wealthy and so-called princelings (relatives of the current leadership or former Communist Party elders).

Through painstaking database work, a reporter in Spain cross-referenced the lists of notable Chinese against the names of offshore clients listed within ICIJ's Offshore Leaks data. The added difficulty was that in most cases, names in the offshore files were registered in Romanized form, not Chinese characters. This made making exact matches extremely hard, because Romanized spellings from Chinese characters tend to vary widely: Wang might be spelled Wong, Zhang could be Cheung, and Ye might be spelled Yeh. Addresses and ID numbers helped confirmed many identities but many others names were dropped because the reporting team could not be 100 percent sure that the person was a correct match.

A picture slowly began to emerge: **China's elites were aggressively using offshore havens to hold assets, list companies in the world's stock exchanges, buy and sell real estate and conduct their business away from Beijing's red tape and capital controls.**

Among the offshore holders were at least 15 of China's richest men and women, high-level executives at state-owned companies and relatives of some of China's top current and former leaders.

## **Government Intimidation**

Then the reporting entered a new phase. Team members worked across several countries in Europe, Asia and the Americas to try to put these findings into context. Beyond the leaked files, the reporters combed hundreds of public records, including corporate filings, property records, financial disclosures, and documents produced by lawsuits and regulatory and criminal investigations.

The small team juggled their extensive research, reporting and editing with hours on email, phone and Skype, working in multiple time zones and coordinating interviews in English and Mandarin.

As with any cross-cultural team scattered around the world, good communication was a challenge at times. Also, editors in different countries had different views as to how much time their reporters should devote to work on the project versus their daily reporting obligations.

Disturbing news arrived in November in the form of a short, encrypted message from an editor in Beijing. The note said that the reporters had been warned by government officials to discontinue their work in the offshore project. They had to pull out immediately from the reporting partnership.

The intimidation of ICIJ's partners came in the midst of a fresh government crackdown on Internet criticism, particularly allegations of corruption. According to the Committee to Protect Journalists, China [imprisoned 32 reporters, editors and bloggers](#) in 2013, earning the country the third spot after Turkey and Iran in the ranking of the world's top jailers of journalists.

At ICIJ headquarters in Washington, DC, the project leaders made a decision to keep the identities of the mainland Chinese reporters confidential to protect them from further government retaliation.

Meanwhile, the rest of the team pressed ahead, sending letters to all government officials, wealthy individuals and others named in the stories. Their response in most cases was to not respond, a standard practice in China.

On January 23 ICIJ will release the more than 37,000 names from China, Hong Kong and Taiwan on its [Offshore Leaks Database](#), where online users will be able to explore the offshore networks of each person.

**It is the first time that such a large amount of secret information about Chinese dealings in tax havens will be made available to the public.**

The [Offshore Leaks database](#) was first published in June 2013 but details about China, Hong Kong and Taiwan clients were withheld until the reporting was finished. The 37,000 offshore clients for Greater China is a conservative number because many names in the Offshore Leaks database are not linked to a particular address.

ICIJ expects the public to explore the database and [help ICIJ reporters](#) find new leads and new connections as the story of China's elite's relationship with tax havens continues to unravel in the coming months.

## **China Leaks Project Team**

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**ICIJ Director:** [Gerard Ryle](#)

**Project Manager:** [Marina Walker Guevara](#)

**ICIJ Senior Editor:** [Michael Hudson](#)

**Data Journalism Manager:** [Mar Cabra](#)

**Contributing Editor:** Tom Stites

**Senior Writer:** [Alexa Olesen](#)

**Interactive Graphic:** Chris Zubak-Skees

**Web Applications Developers:** [Rigoberto Carvajal](#) and [Matthew Caruana Galizia](#)

**Fact Checker:** Peter Newbatt Smith

## **China Leaks Reporters**

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**Manson Chum (Hong Kong)**

**Vivian Lu (Hong Kong)**

**Joseph Wat (Hong Kong)**

**Yishan Chen (Taiwan)**

**Christoph Giesen (Germany)**

## **China Leaks Media Partners**

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**Commonwealth Magazine  
(Taiwan)**

**Ming Pao (Hong Kong)**

**Süddeutsche Zeitung (Germany)**

**NDR (Germany)**

**The Guardian (UK)**

**Le Monde (France)**

**El Pais (Spain)**

**Trouw (Netherlands)**

**Newstapa (Korea)**

**Asahi Shimbun (Japan)**

**Le Soir (Belgium)**

**The Global Mail (Australia, now  
defunct)**



# People's Republic of Offshore

## Contact

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Gerard Ryle leads the ICIJ's headquarters staff in Washington, D.C., as well as overseeing the consortium's more than 160 member journalists in more than 60 countries. Before joining as the ICIJ's first non-American director in September 2011, Ryle spent 26 years working as a reporter, investigative reporter and editor in Australia and Ireland, including two decades at *The Sydney Morning Herald* and *The Age* newspapers. He uncovered some of the biggest stories in Australian journalism, winning that country's highest journalism award four times. He is a former deputy editor of *The Canberra Times* and a former Knight-Wallace Journalism Fellow at the University of Michigan. He is the author of a critically acclaimed book, *Firepower*, and has contributed to two other books on journalism, published in the U.S. and Australia.