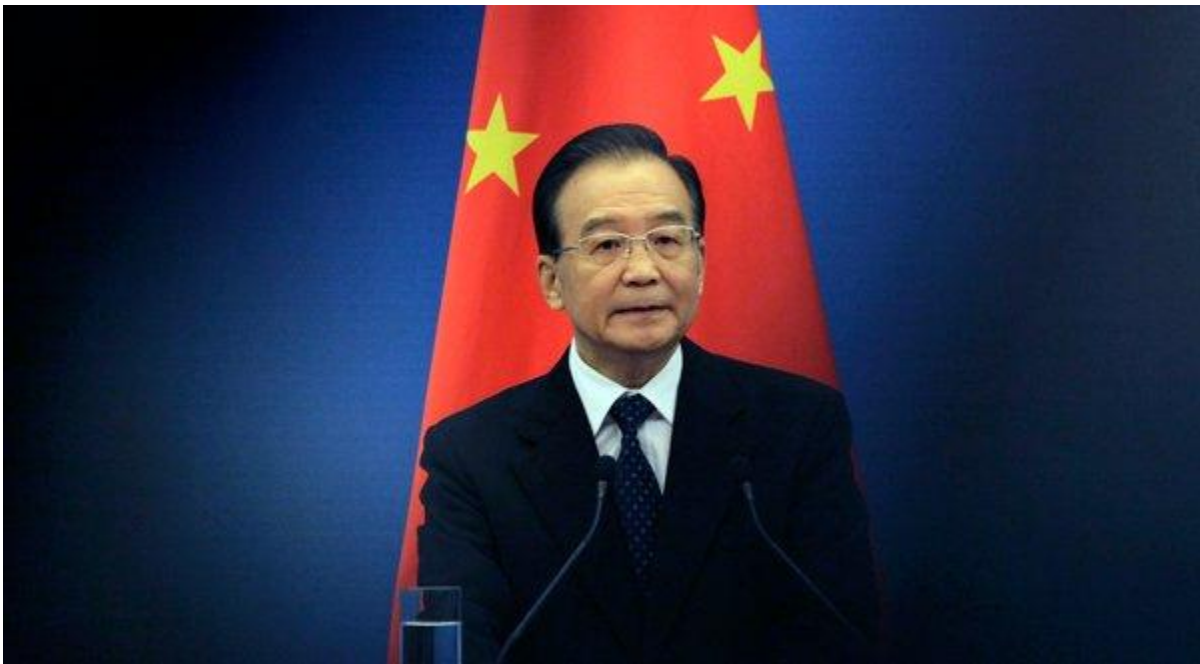


[From: http://www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china.html?pagewanted=1&r=1&nl=todaysheadlines&emc=edit_th_20121026 A Chinese language version of this article is at: <http://www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china-chinese-version.html?ref=dauidbarboza>]

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Billions in Hidden Riches for Family of Chinese Leader



[Chinese Prime Minister Wen Jiabao, whose family are now billionaire capitalists]

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 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 Department documents released by the WikiLeaks organization in 2010 included a cable that suggested Mr. Wen was aware of his relatives' business dealings and unhappy about them.

"Wen is disgusted with his family's activities, 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 businesses became an off-the-charts success only as her husband moved into the country's top leadership ranks, the review of corporate and regulatory 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 minister or appears with him, and there are few 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 senior 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 Taiwanese trader — later backed off the claim and Chinese government censors moved swiftly to block coverage of the subject in China, according to news reports at the time.

"Her business activities are known to everyone in the leadership," said one banker who worked with relatives of Wen Jiabao. The banker said it was not unusual for her office to call upon businesspeople. "And if you get that call, how can you say no?"

Zhang Beili first gained influence in the 1990s, while working as a regulator at the Ministry of Geology. At the time, China's jewelry market was still in its infancy.

While her husband was serving in China's main leadership compound, known as Zhongnanhai, Ms. Zhang was setting industry standards 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 dominated 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."

"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 businesswoman. 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, according 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 government colleagues personally acquired 80 percent of the company, according to shareholder registers. Beijing Diamond invested in Shenzhen Diamond, which was controlled by her brother-in-law, Wen Jiahong, the prime minister's younger brother.

Among the successful undertakings was 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 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 fourfold profit, according to SBI Holdings.

“Their 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 intertwined, 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.”

[China Blocks Web Access to Times After Article](#)

[About the censorship of the above article in China]



[Wen Jiabao, second from right, with his wife and children in the 1980s, when they were only capitalist roaders, and not yet billionaires themselves.]