

Generally, billionaire businessmen in China have been rather outspoken in the media. The wealth and personalities of Alibaba's Ma Yun 马云 and Wanda Group's Wang Jianlin 王健林 have provided quite a contrast to a country seemingly run by a faceless army of technocrats. Nonetheless, there are other Chinese businessmen who prefer to keep a low profile, despite their wealth. Xie Zhikun 解直坤/解直锐 is one of these characters.

With an estimated personal net worth of around USD 1.1 billion<sup>1</sup>, Xie is by no means one of the richest people in China – but just like his unassuming persona in the public, Xie controls one of the most important financial vehicles in the country.

Xie, born in 1961, is known for being the founder and ultimate owner of Zhongzhi Group 中植集团, controls a vast sprawling empire with interests ranging from industrials, forestry, mining, to his most treasured industry – financial services. Zhongzhi Group's key entity is Zhongrong International Trust 中融国际信托, a Beijing-headquartered financial trust firm with assets under management recorded at the end of 2018 totaling over an enormous CNY 655 billion, or USD 95 billion<sup>2</sup>.

### *Zhongzhi Group and Zhongrong International Trust*

Xie started his “career” as assistant to the chief of the Wuying district (city of Yichun, Heilongjiang), to then become vice-president of the “zhengxie” 政协 of the same district, while his brother Xie Zhichun 解植春 was also climbing the provincial government's ladder (namely through the general affairs office). Xie then followed in the footsteps of many other first-generation businessmen in China who, during the early days of the reform era, snatched up a bunch of state-owned assets designated for privatization at firesale prices. Xie's point of entry was the timber business.

A native of Yichun in Heilongjiang, Xie's “private industry” career began, like many others, at a then state-owned entity (in the paper printing sector). In the 1990s, when the first wave of privatization reached its peak, Xie launched his own timber business and acquired many bankrupt state-owned factories in the region. At the time, poor regulation resulted in the flourishing of illegal logging activities, which then allowed Xie to make incredible profits by purchasing illegal timber at a discounted price and reselling the timber through legal channels.

Following the incorporation of the first Zhongzhi Group entity in 1995, Xie moved into the real estate business, again by exploiting the government's privatization efforts, he was able to acquire land at discounted prices. As Xie consolidated his gains, Zhongzhi Group, from 1997 on, began diversifying its interests, moving into mining and industrials, and in 2002, Xie made a move into the country's booming financial services industry. As such, Xi went from Yichun to Harbin, then moved on to Beijing and Shanghai.

During the same period, Xie became entangled in the infamous Wu Jiekai 吴杰凯 – mayor (1997-2000) and Party secretary of Yichun (2000-2003) – corruption scandal. Wu, who previously (before 1997) was the director of Yichun Forestry Administration bureau 伊春林业管理局局长 was there during the early days of Xie's consolidation in the region and provided him with substantial “help” and “support”<sup>3</sup>. In 2004, a cadre named Jiang Yanfu 姜彦福, then Party secretary of the local forest industry bureau, was put under investigation and expelled from the Party for corruption – Wu Jiekai was set to replace him. That said, Wu was also put under investigation for bribery around 2004 and subsequently “vanished” without a trace<sup>4</sup>. The case of Wu has since completely disappeared from the public interest.

Zhongrong International Trust was originally known as Harbin International Trust, a financing vehicle for the Harbin government. As with other sectors at the time, the Harbin government was looking to divest a part of its ownership in Harbin International Trust 哈尔滨国际信托. Xie acquired a controlling stake in the entity, and renamed the firm Zhongrong International Trust. In 2008, Zhongrong International Trust's headquarters was moved from Harbin to Beijing.

<sup>1</sup> <https://www.forbes.com/profile/xie-zhikun/#39e96bed5885>

<sup>2</sup> <http://www.zrite.com/aboutzr/gsnb/201904/P020190425371361698571.pdf>

<sup>3</sup> <https://finance.sina.cn/2018-01-29/detail-ifyqyesy3363468.d.html>

<sup>4</sup> [http://epaper.bjnews.com.cn/html/2018-01/29/content\\_710000.htm?div=0](http://epaper.bjnews.com.cn/html/2018-01/29/content_710000.htm?div=0)

What exactly does Zhongrong International Trust do? Apart from offering financial trust services, the company is one of China's largest shadow banking institutions. Shadow banking can be described as all those financial services that are outside the regulated channels of the wider financial sector. Shadow banking in China largely grew out of the poor policy planning – traditional channels of financing were largely unavailable to small and medium-sized enterprises – giving rise to non-regulated financing channels provided by any company that was willing to front the cash. As one can imagine, shadow banking creates systemic risks in a country's financial sector – namely, leverage is unregulated.

In any case, Zhongrong International Trust was effectively a shadow bank, albeit its methods were more sophisticated than most of the other firms in this area. Its main method of financing was to approach cash-strapped companies and offer them capital in exchange for a share pledge – that is, these companies would borrow against their own equity. If these companies repaid the loan, the share pledge would be dissolved. However, most of these firms were not able to pay, thereby allowing Zhongrong International Trust to acquire a stake.

This strategy has allowed Xie to amass interests across the entire Chinese economy. Xie's shadow can be seen in both listed and private firms alike<sup>5</sup>. However, as we will see later below, Zhongrong International Trust and the wider Zhongzhi Group were recently placed under regulatory scrutiny in what would become an ultimate test of Xie's political network and capital.

### *Xie's Political Network*

Xie himself is not a noteworthy political individual. While he has held superficial roles in the past, such as the ones previously listed, Xie's political capital is largely derived from two sources: his brother and his wife, Mao Amin 毛阿敏, an associate of Peng Liyuan 彭丽媛, the President's wife.

Xie's brother, Xie Zhichun 解植春, aside from being the former executive director and general manager of the Chinese sovereign wealth fund Central Huijin 中央汇金 (under China Investment Corp 中投公司), also worked for the provincial government of Heilongjiang back in the 1990s. According to some, Xie then became acquainted with Tian Fengshan 田凤山, Party secretary of Harbin from 1991 to 1994 and governor of Heilongjiang from 1995 to 2000. Tian, who became minister of natural resources in 1999 was taken down in 2003 for bribery<sup>6</sup>.

Xie Zhichun is a career financier, having held executive roles at China Everbright Group 光大集团 for nearly two decades, he reached the apex of China's financial mountain with his appointment at Central Huijin in 2014<sup>7</sup>. However, his tenure was cut short in 2015, when he suddenly amidst the company facing massive backlash for its actions during that year's stock market crash – Central Huijin was apparently divesting its stake in listed companies precisely when it was supposed to increase its stake<sup>8</sup>. While Xie Zhichun did not face any official scrutiny following his departure, the timing is highly suspect, not to mention that he has since not held any positions at state-owned firms and has taken up some academic positions – it is likely Xie Zhichun has been “banished” from the wider financial sector, especially from firms with influence<sup>9</sup>.

It is also worth noting that Xie, during his time at China Everbright Group, approved massive financing for Zhongzhi Group on multiple occasions – this apparently drew criticisms from people within China Everbright Group, but did not result in any outright investigations. Nonetheless, it is clear that he played an instrumental role in his brother's rise. Furthermore, what is especially interesting is that shortly after Xie Zhichun's departure from Central Huijin, problems began mounting on Xie Zhikun.

In 2017, an industry-wide investigation into shadow banking and overly leveraged firms brought Xie and Zhongzhi Group under the scrutiny of the Chinese financial regulators. With his brother out of the picture, Xie apparently fled to Hong Kong and hoped to wait out the regulatory storm there.

<sup>5</sup> <http://www.china50plus.com/wp-content/uploads/2018/01/4ffce04d92a4d6cb21c1494cdfed6dc1249.jpg>

<sup>6</sup> Along with his ally, Han Guizhi 韩桂芝, hence the name of the affair: “TianHan” 田韩. This affair will become the starting point for the fall of Sui Fengfu 隋凤富 – January 2013, Hang Xuejian 韩学键 – December 2014, and Gai Ruyin 盖如垠 – December 2015, which is also known as the “Suihangai” affair 隋韩盖.

<sup>7</sup> During his tenure there, he became acquainted with Li Guiping 刘桂平 – current governor of China Construction Bank, Ding Xuedong 丁学东 – deputy general secretary of the State Council and Han Zheng's *mishu*, to name just two.

<sup>8</sup> Central Huijin and many other state-owned financial firms are known as the “National Team” of the Chinese stock market. These firms acquire stakes in listed firms and help stabilize share prices in the event of a crash.

<sup>9</sup> His recent return to academia and speech at Tsinghua (2015) regarding the Belt and Road and the path to the Chinese Dream might be perceived as an apology sent to the Central authorities. That said, Xie remains out of the purview.

It soon became apparent that the financial regulators would not let Xie off that easily. After all, Zhongzhi Group had its tentacles in so many firms that made it a structural risk: the regulators needed Xie to divest and deleverage, but an outright seizure could shock the market, leading to unforeseen consequences. Xie, at this point, decided to plead with officials in the central government – hoping that his name would still carry some weight, but it was to no avail. A cornered Xie decided to play his trump card – his wife, Mao Amin.

#### *Mao Amin*

Mao is a popular singer in China with a notable connection – Chinese First Lady Peng Liyuan. The two both gained their initial fame in 1986 at a national youth singers contest and proceeded to perform together at the 1988 Spring Festival Gala<sup>10</sup>. Mao and Peng also served together in the Party’s Military Commission Political Department Song and Dance Troupe.

As Xie failed to secure a truce between him and China’s financial regulators, it was ultimately his line to the president – by way of his wife – that saved him from an ending like Anbang’s Wu Xiaohui 吴小晖. Peng was able to broker a compromise between Xie and the authorities, whereby Xie would be relieved from the regulatory probe upon divesting various assets as dictated by the authorities. It was a deal that Xie could not pass up, as his other political allies were falling to the anti-corruption campaign.

#### *Xie’s Diminishing Political Clout*

Two recent events have cemented Xie’s political fate. In 2018, Xie made an attempt to divest his stake in Zhongrong Trust. The proposed buyer of Xie’s stake was Jingwei Textile 经纬纺织机械股份有限公司, the Shenzhen Stock Exchange-listed subsidiary of the PRC state-owned conglomerate China Hi-Tech Group 中国恒天集团. Jingwei Textile and Zhongrong International Trust go way back – in 2010, Jingwei Textile purchased a stake in Zhongrong International Trust from Zhongzhi Group, becoming the largest shareholder in Zhongrong International Trust. It was the personal relationship between Xie and China Hi-Tech Group’s chairman Zhang Jie 张杰 that allowed for the acquisition to take place. Xie Zhichun had introduced Zhang to his brother back in 2009.

In late 2018, Zhang was detained and investigated by the Central Commission for Discipline Inspection on charges that he was providing illegal financing for various companies. Zhang’s detention resulted in the proposed sale of Xie’s stake in Zhongrong International Trust falling through. In July this year, Zhang was given an 11-year sentence for bribery.

In addition to the loss of his longtime ally, Xie also recently admitted – on paper – to giving bribes. At the 2018 trial of Liu Lizhi 刘立志, a former deputy general manager of the state-owned power company Datang International 大唐国际, Xie testified that he gave Liu a total of CNY 1.35 million, or USD 203,000, between 2011 and 2012 in order to entice Liu to give more business to Zhongzhi Group. Liu was sentenced to three and a half years in prison for taking bribes from various individuals, including Xie<sup>11</sup>.

Xie was, of course, not punished for this, as it is customary in China for only the bribe-taker to be sentenced. While this is not a direct indication of Xie’s diminishing political clout, it does show that the authorities now have on record some of Xie’s misdeeds, and his cooperation with authorities also shows – to a certain extent – that he is now more willing to “play ball” and remain in the authorities’ good graces.

In the end, the writing on the wall for Xie is not favorable. While he has managed to avoid a fate like that of Wu Xiaohui, Xie’s declining political capital means he is destined to, at the very best, fade into obscurity.

<sup>10</sup> Furthermore, Mao has been the subject of two tax-related cases (tax evasion). The first one dates back to 1989, when she declared CNY 40 000 of her CNY 60 000 performance salary; and the second instance dates back to 1996, when she was actually sentenced for tax evasion. Mao attempted suicide during both instances: [http://news.ifeng.com/society/2/200808/0804\\_344\\_692984.shtml](http://news.ifeng.com/society/2/200808/0804_344_692984.shtml)

<sup>11</sup> <http://wenshu.court.gov.cn/website/wenshu/181107ANFZ0BXSK4/index.html?docId=03b7eab5ec49483db828a968010e207e>