

NEWS AND ANALYSIS

China Seizes Tycoon's Assets

Xiao Jianhua was one of China's richest men. Then he disappeared. Now, three years later, Beijing has dismantled his flagship Tomorrow Group.

BY DAVID BARBOZA — JULY 17, 2020



Xiao Jianhua

Credit: Chinese University of Hong Kong

Three and a half years ago, in the wee hours of the night, the billionaire financier [Xiao Jianhua](#) was led out of the Four Seasons Hotel in Hong Kong [in a wheelchair, with a sheet draped over his head](#), and whisked across the border into China.

He has not been heard from since, and is believed to be detained by the Chinese government under a form of house arrest in Shanghai.

But in a dramatic move Friday, China seized control of his business empire, assets held by his flagship [Tomorrow Group](#), a sprawling and secretive financial conglomerate that consists of banks, brokerages, insurance and trust companies, publicly traded firms and investment vehicles that together were once worth more than \$100 billion, according to his former aides.

Xiao was one of the world's richest men — and one of the few businessmen to command a full suite of licenses to do business in China's highly regulated market for financial services. How that financial empire unravelled is still unclear.

In a [statement released Friday in Beijing](#), the [China Banking and Insurance Regulatory Commission](#) said that it had seized the group's insurers for violating laws and regulations. Those firms include: [Huaxia Life](#), Tianan Property and Casualty Co., Tianan Life Insurance, Yi'an Property and Casualty Insurance, New Times Trust and New China Trust



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Huaxia Life Insurance logo

Co. According to corporate filings and interviews with former employees, these insurance and trust companies are all owned by the Beijing-based Tomorrow Group, which was not mentioned in the regulatory statement.

In a separate [release issued on Friday](#), the [China Securities Regulatory Commission](#) said that it was taking over a group of securities firms, including New Times Securities, Guosheng Securities, and Guosheng Futures, citing corporate governance violations and efforts to conceal the true owners of the firms. These firms, one of which is publicly listed on the Shenzhen Stock Exchange, are also controlled by the Tomorrow Group, which was not named in the government's statement.

The regulators said they were moving partly to stabilize the firms, which held about \$140 billion in assets, and that the takeover would last for one year. The companies will be managed by a group of state-owned entities, including an affiliate of the Citic Group.

Early Saturday morning, Beijing time, the [Tomorrow Group posted a strongly worded statement](#) on its online account that was quickly deleted by Chinese censors. In it, the Group challenged the decision by regulators, and questioned the government's assessment of the risks. The company's statement, reproduced [here](#) , also denied that its affiliates were under duress and described the regulators findings in seizing the nine companies as "defamation."

The company's press release, [translated here into English](#) , also included a reference to the whereabouts of its founder, Xiao Jianhua, saying he was "returned" to China in early 2017, and that he had fully cooperated with the government's efforts to restructure the Tomorrow Group's holdings.

The decision to seize the assets marks another stage in Beijing's efforts to rein in financial services industry, and also some of the country's business tycoons. In recent years, a series of privately run but state financed Chinese firms like [Anbang Insurance](#), the [HNA Group](#) and the [oil giant CEFC](#) have been seized by the state after going on aggressive, debt-fueled global spending sprees or being accused of fraud or corruption.

The head of Anbang, which acquired the Waldorf-Astoria Hotel in New York, and the chairman of CEFC, were arrested separately several years ago on corruption charges, and since then many other private entrepreneurs have dropped out of the public spotlight.

Before its assets were taken by the authorities, the Tomorrow Group was complex holding company that held stakes in some of China's biggest financial services firms, including [Huaxia Life](#). According to the Hurun Rich List, at the time of his abduction Xiao was worth about \$5.8 billion.

Xiao, 48, studied at Peking University, in Beijing, and then quietly transformed a small computer reseller into a financial services empire, often aided by his ties to China's political elites — [including the family of Xi Jinping](#).

He also brokered huge financial deals. In late 2012, for instance, he worked behind the scenes with a Thai conglomerate, the Charoen Pokphand Group, to acquire a \$9 billion stake in the Chinese insurer Ping An. He also set up an investment vehicle that co-invested with Citigroup in the Guangdong Development Bank. Later, he donated tens of millions of dollars to Peking University, Tsinghua University and [set up fellowship programs at Harvard University](#).

But after Xi came to power in 2012, the government announced a sweeping crackdown on corruption, often targeted at powerful private entrepreneurs and firms that the authorities deemed a threat to the financial system or a risk to the political system.

In recent years, a growing number of private entrepreneurs in China have worried that they may come under scrutiny from the authorities because of their ties to government officials and their families. Xiao was born in China but became a Canadian citizen and, until he

vanished in January 2017, lived mostly in Hong Kong, in a book-filled apartment in the Four Seasons Hotel.

After his disappearance, [The Times reported that video footage captured by security cameras](#) in the hotel lobby showed that he was led out of the Four Seasons in a wheelchair, his head bobbing, a suggestion that he had been sedated. He was said, according to *The Times* report, to be accompanied by a group of unidentified men with a large suitcase. (While in Hong Kong, associates said he was usually protected by his own team of bodyguards.) Hong Kong police did not explain his disappearance, and Canada also has not explained the whereabouts of one of its wealthiest citizens.

At the time of his abduction, Beijing was pressing Hong Kong to push forward an extradition bill to make it easier for the Communist Party's investigators, who were sometimes resorting to kidnappings and extrajudicial actions to capture people in Hong Kong, according to this [Reuters report](#).

The Chinese Government has not publicly acknowledged the detention of Xiao nor has it publicly charged him with any crime.

Since his disappearance, former associates of Xiao say he has been held in Shanghai, under house arrest, and has been allowed to unwind some of the Tomorrow Group's assets, including his company's stakes in Harbin Bank and Industrial Bank. In January, the government seized one of his firm's biggest assets, [Baoshang Bank](#), which is based in Inner Mongolia, calling it a distressed asset. And just last week, firms with ties to him were placed on a [government list of 38 illegal shareholders](#) that the authorities determined must divest of their holdings in financial services firms. Several investors named were associated with Xiao and the Tomorrow Group.

What the government seized on Friday, former employees say, is virtually his entire Tomorrow Group empire.



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