Global Corporate Structure of Chinese State-Owned Financial Institutions through Hong Kong

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Abstract

This article applies a new investigative technique called 'equity mapping' to the corporate structure of two big Chinese state-owned banks, Bank of China (BOC) and China Construction Bank (CCB), to advance our understanding of the way they use their Hong Kong subsidiaries and holding companies to support their global and domestic strategies. We show that Chinese state-owned banks typically set up a 'sandwich' structure of holding whereby a Hong Kong subsidiary holds a British Virgin Islands or Cayman subsidiary which, in turn, holds a publicly listed subsidiary in Hong Kong. The subsidiary holding company in Hong Kong serves as the bank's face to the world. Indeed, these subsidiaries often control subsidiaries in mainland China, and in that way, state-owned Chinese banks operate as foreign banks on the mainland. This structure can be used to avoid taxation in different regions despite restrictive mainland financial regulations. In addition to creating a formal structure that emulates the legal and corporate governance structure of Western banks and companies, these Chinese banks establish a dual pattern of ownership organizations through personal links and named trusted directors to build an informal structure with 'floating' subsidiaries in offshore financial centres.

Key Words

China, Hong Kong, Chinese State-Owned Banks, Offshore Financial Centres, Corporate Structure, Global Financial Network

Introduction

As a growing international power, China requires its financial institutions to support its global ambitions. The Chinese financial system is still largely a banking system, with banks providing about three-fifths of the total credit to the market economy (PBOC 2022), and is dominated by four state-owned banking groups, each a direct descendant of a planned-economy bank or banks: Bank of China (BOC), Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), and Agricultural Bank of China (ABC). Just like private capital, these leading Chinese banks set up overseas subsidiaries in Hong Kong and build an extensive global network of branches and subsidiaries through them (Cerutti *et al.* 2018; Meyer 2017). Since the early 2000s, the 'big four' banks have established joint-stock companies in Hong Kong, controlled by the Huijin Corporation, an organisation wholly owned by the Ministry of Finance (Yeung 2021). These joint-stock companies operate under Hong Kong's laws and regulations and, as such, are no different from other Hong Kong banks (Haberly and Wójcik 2015; Lai 2012; Meyer 2008; Pan *et al.* 2018). As China is Hong Kong Special Administrative Region's ultimate sovereign, a formal corporate structure can be established in Hong Kong without the mainland parent ceding control.

Hong Kong's role in supporting China's decades-long integration into the global financial system has lately come under scrutiny. Its free-market economy and low tax rate, complemented by minimal legal restrictions and a historical lack of a household registration system, has made it one of the most renowned offshore jurisdictions for non-resident business incorporations. Every year since 1978, capital flight from the People's Republic of China (PRC) has exceeded inward foreign direct investment (Wu and Tang 2000; Gunter 2004; Sharman 2012). Gunter (2017) estimated flight capital amounted to $3.2 trillion from 1984 to 2014, equivalent to about 80% of China's international reserves at the end of 2014 (Gunter 2017).

What role, if any, do the Hong Kong branches of Chinese state-owned banks play in facilitating tax avoidance or capital flight from China? Do they serve any other purposes? The simple answer is that we do not know. The increasingly sophistication of the Chinese financial system notwithstanding, there is still a great deal of opacity, particularly in the relationships between state-owned corporations and the offshore economy. In this article, we delve into the precise corporate organisation adopted by Chinese state-owned banks in Hong Kong. It is well known that modern banks and large multinational corporations use a multi-subsidiary arrangement and complex ownership structures of subsidiaries and affiliates to 'arbitrage' national rules, such as taxation (Fleischer 2010; Friedrich and Thiemann 2021; Palan *et al.* 2021; Panayi 2007), or to evade rules on capital flight (Nesvetailova 2015; Nesvetailova *et al.* 2021).

In theory, an analysis of the way group subsidiaries are linked to one another can provide important clues to the ultimate purpose of an investment or a corporate structure (Lewellen and Robinson 2013). This theory is increasingly put into practice as analysists attempt to map out the internal organisation of the subsidiaries of corporate groups and deduce their strategic purpose (Garcia-Bernardo *et al.* 2017; Lewellen and Robinson 2013; Reurink and Garcia-Bernardo 2021; UNCTAD 2016; Palan *et al.* 2021). We employed a technique of mapping subsidiaries' organisation based on the Orbis database called 'equity mapping' (EM) to show the way Chinese state-owned banks set up their subsidiaries' structure through Hong Kong (Palan *et al.* 2021). We compared those maps with reports produced by the respective banks on their overseas and domestic activities (we note that these reports are often not translated into a foreign language). We also interviewed several senior and middle-level bank staff, as well as Hong Kong corporate lawyers, to get their opinions on the purpose of the corporate structures revealed by our EMs.

Our analysis shows that Chinese state-owned banks set up far more complicated and convoluted ownership structures in Hong Kong than generally thought. First, as is commonly assumed, Chinese state-owned banks typically set up a 'sandwich' arrangement of holding whereby a mainland company controls a Hong Kong subsidiary. Yet deeper probing reveals the Hong Kong subsidiary holds, in turn, a British Virgin Islands or Cayman subsidiary which, in turn, holds a publicly listed joint-stock company in Hong Kong. The lower-level joint-stock company in Hong Kong serves as the bank's face to the world. Second, contrary to the theory that Hong Kong acts as a 'gateway' to the world, the lower-level Hong Kong joint-stock company is often used to set up many subsidiaries in the Chinese mainland market. In addition to those surprising patterns of holding, we discovered Chinese state-owned banks tend to establish strings of 'floating' subsidiaries in Hong Kong and beyond (often in other offshore financial centres (OFCs)), with no known equity ties to the parent or to the Hong Kong holding companies.

An extensive literature provides solid explanations of the motivation of private capital to use tax havens and secrecy jurisdictions. Simply stated, it does so to avoid taxation and/or financial, governance or operational regulations and/or detection of the ultimate beneficial owner of assets. This may explain why Chinese private capital so extensively uses OFCs. But why would a state-owned bank employ similar strategies? If taxation or a specific financial or prudential regulation is a problem, then the sovereign could presumably simply change the rules or, alternatively, exempt a state-owned bank from them. And what purpose do the floating companies serve? It seems more likely that state-owned companies, particularly those under authoritarian regimes, would prefer a tightly centralised control instead of spreading control through string or floating subsidiaries. Moreover, why are the floating companies registered in Hong Kong and not in other OFCs? In other words, what advantages do these highly complex and convoluted arrangements provide? To put it another way, who among the bank's stakeholders is benefitting?

Our analysis suggests the Chinese state-owned banks evolved this complicated arrangement in response to different and sometimes inconsistent sets of policies, interests, and constituencies across different regions. Chinese state-owned banks face a difficult challenge: they must find ways to operate in two separate legal systems, the Chinese and the international banking systems. While doing so, they must find ways to calibrate diverse political goals and respond to different political interests and constituencies inside and outside mainland China. We argue they have responded to diverse policy goals in ways that simultaneously advance those goals while at the same time creating (perhaps unwittingly) a degree of opacity that may, if so desired, be used for illicit purposes. We are not able to provide direct evidence of the role of the Chinese state-owned banks in Chinese capital flight, but we do provide evidence of considerable use of non-transparent and highly complicated organisational structures, those typically associated with capital flight and sometimes with tax avoidance (UNCTAD 2016).

Our main findings speak to the core of this special issue: the complex and sophisticated interplay between authoritarian regimes, offshore jurisdictions, and private capital can sometime weaken those regimes. In the following sections, we discuss the literature on offshore finance, the development of the Chinese financial market, and Chinese state-owned banks' practices in Hong Kong. We describe how we generated equity mapping for the two banks of interest, BOC and CCB, and how we analysed their organisational structures. Finally, we explore Chinese national strategy in the context of Hong Kong, Chinese state-owned banks, and the Chinese financial market and conclude by suggesting avenues for further research.

Authoritarianism, Offshore Financial Centres, and Power

In "The Gnomes of Zurich," one of the earliest scholarly studies of the offshore world, T.R. Fehrenbach argues the three large Swiss banks served as a conduit transferring a great amount of capital from capital-scarce developing countries to the capital-rich developed world (Fehrenbach 1966). For a long time, the offshore world was associated with bribery, illicit finance, and capital flight from authoritarian regimes (Cobham and Janský 2018, 2019; Palan *et al.* 2013). In early research on OFCs, developing countries are typically treated as passive bystanders in the fight against capital flight, relying heavily on policy initiatives developed by the OECD, the European Union and the United States.

More recently, a literature emerged questioning those assumptions. Mick Moore and colleagues demonstrate a link between state system, governance, and corruption in Africa. The use of OFCs provides African elites, they argue, access to international investment vehicles, reducing the incentive to reform the tax system at home and thus modernize the state (Moore *et al.* 2018; Toye and Moore 1998). Anastasia Nesvetailova explains how reliance on offshore financial networks helped Russia withstand international sanctions (Nesvetailova 2015). Alexandre Cooley and John Heathershaw show how central Asian elites take advantage of existing international business networks to transfer capital abroad while bolstering their position at home (Cooley and Heathershaw 2017). Ricardo Soares de Oliveira demonstrates that similar dynamics are operating in Africa (Soares De Oliveira 2021). The emerging picture suggests an offshore world is weakening the fiscal and monetary positions of developing countries but can be used to bolster the power of kleptocratic elites (Pitcher and de Oliveira 2022).

These observations apply to China as well. In this authoritarian one-party regime, market access depends on gaining permission from the Chinese government. The state is the main architect of market structures and decides which players gain access in the first place. State-owned enterprises are viewed as the agents that enable governments to connect with global financial network. The state 'cherry-picks' which firms obtain access to competitive resources. Yet unlike many smaller and less economically successful countries, in China, state-firm relations at national and supranational scales have created remarkable enabling conditions for the expansion of economic activities (Töpfer and Hall 2018; Smith 2015; Glassman 2011).

How did the Chinese regime manage to establish market-enabling institutions when most other authoritarian countries have failed? Many argue China's fragmented institutional structure permits a substantial degree of internal variety, competition, and experimentation (Zhang and Peck 2016). Chinese policymakers have broadly adopted a 'trial-and-error' approach and allowed a degree of decentralised innovation and accumulation of knowledge across multiple levels of government and market agents (Heilmann 2008). In contrast to the emphasis on path-dependency in early institutional theory (Hall and Soskice 2009), the literature on Chinese elite politics highlights, in particular, the role of policy entrepreneurs and regional party leaders' intervention in day-to-day policymaking (Bell and Feng 2009). The fragmented structure enables agents to establish alliances and exploit internal power rivalries within China's party-state, sometimes enabling policy entrepreneurs to tip the balance towards institutional reform (Mertha 2009).

The Chinese Communist Party (CCP) leaders recognised long ago the importance of politically relevant agents to 'manage' the process of liberalisation of Chinese capital markets while safeguarding state control (Schlichting 2008). Political elites in China rely on a combination of skilful framing and the strategic use of multi-level governance to advance, in turn, their own goals. Policy entrepreneurs invest resources to achieve favourable policy outcomes or to advance an idea they support (Kingdon 1995). They use rhetorical skills and strategic network positions in reform-orientated bureaucratic institutions to advance their sometimes parochial interests (Braun 2009). Firms, whether state-owned or not, can make themselves useful in this environment by supplying policy-relevant information to the central authorities.

Hong Kong: A Gateway between Mainland China and the Capitalist World?

These broad observations provide the context for the evolution of Chinese state-owned banking in Hong Kong. Hong Kong has served as a window to the world for Chinese capital since the early 20th century (Hall 2017). In the late 20th century and early 21st century, Hong Kong was considered Asia's leading financial centre (Enright *et al.* 2005; García-Herrero 2011; Meyer 2009; Overholt 2011). From 2001 to 2020, Hong Kong's annual interbank payments by currency rose from US$12 trillion to US$89 trillion (Hong Kong Monetary Authority 2021).

The principal users of Hong Kong in this context were Chinese state-owned national enterprises (Wójcik and Camilleri 2015). A substantial proportion of mainland China's foreign exchange purchases were funded by deposits held by the BOC in Hong Kong (Tobin 2016). This continued even during the turmoil of the Cultural Revolution and throughout the negotiations for the return of Hong Kong to Chinese sovereignty (Meyer 2016).

Following the decision in 1978 to switch to a growth strategy, Chinese state-owned banks substantially increased their international borrowing through Hong Kong to support economy reform in mainland China (Kueh and Howe 1984). The combination of top-down bureaucratic control and bottom-up policy entrepreneurialism encouraged a coalition for growth that was open to pursuing flexible policy and experimentation with Western methods of organisation and financial conduct (Mcnally 2013; McNally 2019). Importantly, the complex political set up (possibly learning from the failed transition in Russia) opposed the privatisation of state assets. Instead, from the second half of the 1990s, the Chinese central government encouraged state institutions to act like private investors. Chinese state-owned banks substantially increased their international borrowing through Hong Kong during the period (Kueh and Howe 1984).

China's accession to the World Trade Organization (WTO) in 2001 deepened its reform and led to unprecedented urban growth (Clark *et al.* 2015). In preparation for China's commitment to open its domestic financial market under WTO rules, the state granted Chinese financial institutions privileged access to the global capital market through Hong Kong to 'test' the salience of the reform programme in the controlled setting of Hong Kong (Töpfer 2017). As cash flow from state-owned banks was drying up due to non-performing loans and defaults following the 2008 financial crisis, the risk of an industry-wide banking crisis generated a sense of urgency among CCP leaders (Bell and Feng 2013). As pioneers in the internationalization of Chinese financial institutions, Chinese state-owned banks had developed expertise in finance.

The Chinese government sought to use this expertise to reform the Chinese domestic financial market. At the same time, the government allowed foreign branches of these banks to develop and invest in the mainland. The paradoxical result was that Hong Kong began to serve as the Chinese banks' gateway to the Chinese market.

The government encouraged banks to employ Western fund management practices to 'upgrade' the domestic financial sector (Robertson 2015). The experience gained in Hong Kong served as forerunner for subsequent changes in mainland China's financial sector. Smaller Chinese financial and business services, such as regional commercial banks, securities companies, and private financial companies, followed in the big banks' footsteps, performing a wide range of intermediary services, such as dealing and brokering, asset management, investment advisory, mergers and acquisitions, and corporate finance. As we go on to show, these decisions help explain the development of the complex holding structures adopted by Chinese banks in Hong Kong.

Hong Kong's role in supporting China's decades-long integration into the global financial system has lately come under scrutiny, leading, in turn, to questions about the precise role and functions of the Hong Kong-based joint-stock companies of the large Chinese state-owned banks and their related subsidiaries and affiliates. According to Cerutti and colleagues, two thirds of total Chinese bank lending to emerging market economies (EMEs) is channelled through OFCs and foreign affiliates of Chinese banks whose overseas headquarters are mainly located in Hong Kong (Cerutti *et al.* 2018).

A good deal of evidence also suggests China suffers from large-scale capital flight. Inappropriate exchange rates, political uncertainty, corruption, and capital controls are considered the main causes of this flight (Cheung *et al.* 2016; Osnos and Myers 2014; Lin and Schramm 2003; Kar and Freitas 2013). Capital flight is also motivated by the migration of Chinese middle and upper classes (Hewitt 2015).[1]

Some argue Chinese companies incorporate in Hong Kong primarily for tax avoidance purposes (Burns and McConvill 2011). We are not persuaded. China operates a world-wide system of taxation, and Chinese enterprises are taxed on income from all sources. Tax arbitrage accounts have difficulty explaining, therefore, why OFC-mediated flows have tended to increase when tax breaks were withdrawn after the announcement of the Enterprise Income Tax Law in March 2007 (Sharman 2012). There is no particular reason for state-owned banks to seek to avoid taxation (Qu *et al.* 2020; Richardson *et al.* 2016). In fact, as we go on to explain, state-owned banks have an incentive to pay tax to cater to and support the careers of the state officials who control these banks (Bradshaw *et al.* 2019; Cao *et al.* 2021). Considering this backdrop, tax avoidance does not seem to provide a plausible explanation for the explosive expansion of Chinese state-owned banks in Hong Kong. Indeed, many argue Hong Kong provides a degree of openness and transparency in the context of an otherwise opaque Chinese market (Haberly and Wójcik 2015; Meyer 2014).

Jason Sharman suggests transaction costs in Chinese domestic financial markets rather than criminal activities and tax arbitrage are driving capital flight. As an area of lax financial enforcement (Perez *et al.* 2012), Hong Kong serves, according to Jason Sharman, as a waystation to disguise the origin and destination of capital flight and thus facilitate round-tripping investment towards mainland China, thereby avoiding onerous financial regulations (Huang 2008; Sharman 2012).

One possible explanation for the extensive use of OFCs by Chinese state-owned banks is that as they simply emulate Western funds that commonly use OFCs, such as the Caymans Islands or British Virgin Islands, but also Hong Kong, as place of registration. An alternative explanation points to the role played by policy entrepreneurs in advancing parochial interests. The fragmented institutional structure of the state-enabled agents, as we argued above, establishes alliances that tend to exploit internal power rivalries within China's party-state and thus tip the balance towards institutional reform (Mertha 2009).

Paradoxically, the same fragmented system may have created opportunities exploited by individuals to use Hong Kong and other OFCs to launder money and perform other illicit financial activities. Similar dynamics were witnessed in India, where the liberalisation of the financial system was accompanied by a commensurate rise in round-tripping, capital flight, and tax avoidance (Kashyap 2021).

The upshot is that the literature on Chinese financial institutions' offshore corporate structures and real activities is thin, and its ability to unpack important constituting elements of an OFC remains limited. It is not entirely clear, for instance, whether Chinese state-owned banks are interested in Hong Kong as an 'offshore' financial centre, and if so, how and why. Considering the importance of Chinese state-owned banks within the Chinese financial system, it is simply not feasible for these banks to remain uninvolved in corruption, embezzlement, and capital flight from China.

Paying Attention to Corporate Techniques of Ownership and Control

At this point, we turn to an analysis of the corporate set up of Chinese banks in Hong Kong. A subsidiary of a global bank or a 'multinational corporation' is considered for all intents and purposes an independent legal person (this is known as entity theory) (Adriano 2015; Blumberg 1993; Hayes 1997; Micheler 2021; Robé 2011). As such, a subsidiary is subject to the rules and regulations of its licensing authority. The theory is that companies evolve their subsidiaries' structure in two ways. The first, as described by Katrina Lewellen and Leslie Robinson, is a 'default' position in a 'pure historical accident scenario' (Lewellen and Robinson 2013). In a pure historical accident scenario, firms set up a separate subsidiary in each country in which they operate, and over time, subsidiaries are added to (or eliminated from) the structure. The ownership links of new affiliates are random: any new affiliate can be owned directly by the parent or by any other affiliate in the group with equal probability. In the second, sometimes described as 'sham' or 'artificial' (Damgaard *et al.* 2019), ownership of subsidiaries and affiliates is manipulated in such way as to arbitrage national rules and create legal structures that avoid or evade rules (Fleischer 2010; Panayi 2007; Friedrich and Thiemann 2021). Techniques of arbitraging rules of taxation are perhaps the best known, but any rule can be avoided or evaded through such complex arrangements (Riles 2013; Ribstein and O'Hara 2009).

This theory is increasingly put into practice as analysists map the internal organisations of corporate groups and use this mapping to deduce the strategic purpose of the organisation (Garcia-Bernardo *et al.* 2017; Lewellen and Robinson 2013; Reurink and Garcia-Bernardo 2021; UNCTAD 2016).

On the surface, it appears as if Chinese state-owned banks followed the pure historical accident scenario. To access international markets and transact with other banks, the major Chinese state-owned banks each established a joint-stock company in Hong Kong to serve as headquarters of their foreign operations. In fact, all four large state-owned banks reported their establishment of joint-stock companies with dual listing, first on the Hong Kong Stock Exchange (HKEX) in 2005, and then on the Shanghai Stock Exchange (SSE) in 2010 (Table 1). The dates are important because they suggest all four banks followed instructions from the centre.

[Table 1]

Table 1 is based on our analysis of the initial public offering (IPO) prospectuses of the four Chinese state-owned banks. The table reveals an anomaly that sets these banks apart from a pure historical accident scenario model. These state-owned banks invariably set up entities in which the central government is the majority, but not the sole, shareholder. As Table 1 indicates, the picture is not as simple as commonly assumed. But there is more to these organisations. We asked whether their subsequent evolution was a pure accident or not, and if not, why not. To the best of our knowledge, there are no independent studies of the actual corporate structures created by Chinese state-owned banks in and through Honk Kong. Indeed, very little is known about the actual organisation of multinational enterprises (MNEs) in Hong Kong. Most of our interviewees, some of whom held high ranking positions in these banks, were unaware of our findings. None had a full picture of the way the banks are organised internationally.

We mapped out the subsidiary relationship set up by the four state-owned Chinese banks in Hong Kong. Given the complicated nature of the data, however, in what follows, we focus on our findings for only two of these, BOC and CCB.

In the first step, we began our mapping exercise by consulting the Orbis database. The Orbis database provides the most comprehensive lists of corporate entities in the world, including lists of subsidiaries and affiliates that Orbis' own algorithm connects to one another as members of the same corporate groups. Given the diversity in reporting requirements worldwide, not to mention language confusion in algorithm translation between English and Chinese, the Orbis data lack consistency with respect to Chinese companies. Furthermore, Orbis's financial records tend to lag behind equity information by about two years. With the rapid growth of the Chinese economy, some of the data in Orbis may reflect corporations that no longer exist.

To compensate, we used additional data from the disclosed information on the public market of BOC and its listed subsidiaries and the detailed lists of subsidiaries in CCB's financial consolidation; these became mandatory disclosures under the requirements of the China Banking Regulatory Commission (CBRC) in 2020 (CBRC 2020; SASAC 2020). In addition, we complemented our search by using data from Bloomberg and Chinese company datasets (e.g., Qichacha 企查查 and Tianyancha 天眼查), as well as Credit China website (信

用中国) and its sub-pages, National Enterprise Credit Information Publicity System (NECIPS, 国家企业信用信息公示系统), and WIND Financial Terminal.[2] We also used publicly disclosed information from IPO prospectuses, annual reports, and bond issuing information,[3] following the financial due diligence method.[4]

In the second step, we conducted in-depth qualitative interviews with stakeholders to supplement the database analysis to explore Chinese state-owned financial institutions' corporate structures through their daily operations. In-depth qualitative methods permit the investigation of micro-level factors. Based on snowball sampling, we selected personal interviews as the predominant form of inquiry. We carried out 14 online interviews in English or Mandarin with mid-level employees in Chinese state-owned financial institutions and also with clients, professional service firms, and regulators with experience working with Chinese state-owned financial institutions in Hong Kong. As some bankers and regulators may strategically downplay or hide political interference, we cross-checked their responses against local news sources, official documents, and interviews with other stakeholder groups. Based on the two-step data triangulation, we could map out the organisational structure of Chinese state-owned financial institutions, while considering changes in the timing, political environment, and scope of Chinese finance reform.

The rest of this article reports our findings for BOC and CCB. As we show, they both deviated considerably from a pure accident scenario, and they used very similar structures to achieve their aims.

Equity Mapping of Bank of China (BOC)

BOC has been China's sole foreign exchange bank since 1949 and was the first state-owned financial institution to operate in Hong Kong. With approximately 11,060 domestic branches and subsidiaries in mainland China and 550 branches and subsidiaries throughout the world by the end of 2021, the BOC Group is currently the second-largest state-owned Chinese bank (BOC 2022).

A preliminary analysis of BOC's reports suggests the group did not follow a simple gateway model of internationalisation with one Hong Kong subsidiary standing at the apex of BOC's international operations. Rather, from the outset, BOC set up four listed entities on SSE and HKEX (see Table 2): Bank of China Ltd. (BOC), Bank of China International (China) Co., Ltd. (BOCI China), Bank of China International (China) Co., Ltd. (BOCI China), and Bank of China Aviation Limited.

[Table 2]

Figure 1 presents an EM of BOC's foreign subsidiaries *circa* June 2021. This EM visualisation is based on currently available information on BOC's subsidiaries. The list of subsidiaries draws from the historical disclosure data in IPO prospectuses and bond issue information for BOC and its subsidiaries. BOC's more recent financial reports refer to a different set of subsidiaries. Hence, there are good reasons to believe our EM of BOC represents only a partial list of subsidiaries. BOC's ultimate owner, Bank of China Ltd., is represented by a red dot in the figure. Hong Kong subsidiaries are represented in blue and subsidiaries in other known OFCs in green.

[Figure 1]

The EM reveals BOC has established several investment platforms with multiple layers of ownership structures. The Beijing-based owner directly controls not one, but three gateway entities in Hong Kong; each of these gateway entities controls, in turn, a 'cluster' of corporate entities. One cluster is headed by Bank of China Ltd (SSE: 601988 and SEHK: 3988), a holding company with dual listing since 2006. This holding company and its related subsidiaries are responsible for BOC's China-based commercial banks, including investment banking, insurance, direct investments and investment management, fund management, and aircraft leasing. Given its inward orientation, we do not discuss this holding company and its related subsidiaries in detail. We focus instead on two other holding companies and their related cluster of subsidiaries in Hong Kong: Bank of China Hong Kong (Holdings) Ltd. (BOCHK), and Bank of China International (China) Co., Ltd. (BOCI China). Both are listed on HKEX or SSE and controlled by the BOC Group through investment platforms in Hong Kong (Figure 1). These two clusters provide vital clues to the way Chinese state-owned banks establish Hong Kong-based holding companies.

BOC's gateway subsidiary in Hong Kong is BOCHK. The subsidiary was incorporated as a holding company on 12 September 2001 and listed on HKEX in 2002. It combined 10 of the 12 Hong Kong banks that originally belonged to the BOC Group – these are represented by the blue dots in the BOCHK cluster.[5] One of BOCHK's predecessor banks became the third note-issuing bank in Hong Kong in 1994 (the other two were HSBC and Standard Chartered), a function that was passed on to BOCHK.[6]

Figure 2 further unpacks the way the BOC Group holds a controlling position in BOCHK (74% of its shares). Bank of China, Beijing, established a Hong Kong special purpose vehicle (SPV) called the BOC (Hong Kong) Group with 100% of shares held by Bank of China, Beijing. The BOC (Hong Kong) Group, in turn, set up an SPV in the British Virgin Islands: BOC (BVI). The BVI SPV holds 65.21% of the BOCHK shares, and Hua Chiao (Hong Kong),[7] a commercial bank with 93.64% held by Bank of China (Beijing), holds 13.05%.

[Figure 2]

This kind of sandwich arrangement whereby a mainland holding company sets up an HK-BVI-HK owning structure, rather than a simple gateway structure, seems to be the model adopted by other Chinese state-owned banks as well (see Figure 3). Since the two state-owned banks we examine in detail have a similar structure of ownership, the structure cannot be a pure historical accident scenario, but an arrangement that tells us something about the way Chinese state-owned banks take advantage of the interface of offshore and onshore. There is a logic, of course, to such arrangement. The controlled Chinese onshore company (or companies) (i.e. the lower cluster controlled by BOCHK) is treated in China as a wholly foreign-owned enterprise (WFOE) (Fang and Pan 2021). Because of a comprehensive double taxation agreement (CDTA) signed by mainland China and Hong Kong in 1998 and 2006 (State Administration of Taxation 2007),[8] the Hong Kong companies, in this case BOCHK, can be used as intermediaries to hold Chinese companies, thus reducing withholding tax charged on dividends from 10% to 5% (Ng 2013). The Bank of China Group takes advantage, in other words, of the Chinese-Hong Kong tax treaty to reduce taxes for its businesses in mainland China, and it does so with the help of this convoluted arrangement (Buckley *et al.* 2015). In effect, the Chinese state-owned bank creates a private structure on the mainland. Otherwise stated, Hong Kong serves not only as a gateway to the world but also as a gateway to China whereby Chinese state-owned banks can operate as if they were private companies arbitraging Chinese domestic rules. Furthermore, as the different entities are each treated as an independent legal person, the arrangement can distort financial statistics, creating the impression of a round-tripping effect.

[Figure 3]

We also observe multiple layers of BVI SPVs controlled by BOC, sandwiched as it were between two Hong Kong SPVs. The BVI entity or entities in the sandwich offer several advantages to the larger structure. The BVI has gone out of its way to attract Chinese capital, including allowing the use of Chinese characters to name a corporation (Russell 2010). According to the doctrine of *forum non-convenience*, Chinese courts have no jurisdiction over businesses in OFCs. Shareholders can eliminate their lock-up period and add leverage through the BVI. Shareholders, in this case, the BOC Group, can sign an option agreement with a counterparty through their BVI SPVs, using those shares as assets or collateral. BVI entities often serve as 'project companies' for Chinese banks to undertake specific businesses or hold assets. In one example, aircraft leasing entities, such as BOC Aviation Limited, tend to use OFCs almost exclusively to register their aircraft. In addition, China does not yet regulate variable interest entities (VIEs). Our surprising conclusion is that the BVI registration entity in this sandwich arrangement is employed by state-owned banks to avoid China's financial supervision on their international business!

This would explain the mainland-Hong Kong-BVI part of the structure. But as BVI companies cannot list on HKEX, the BVI subsidiary has set up a subsidiary in Hong Kong, completing the sandwich. In other words, the convoluted holding structure set up by the BOC Group through its holding of BOCHK alludes to three important functions of Hong Kong for Chinese capital: a gateway to the world, a tax-mitigating jurisdiction, and a facilitator of round-tripping domestic activities.

In addition to the complex shareholding structure with its parent company in Beijing, BOCHK, the subordinate holding company at the bottom of the convoluted structure, held approximately 180 branches and 44 subsidiaries by December 2021. One branch of BOCHK functions largely as a regional commercial bank whose main operations are centred on Southeast Asia. By the end of 2021, this regional commercial banking arm covered nine countries in Southeast Asia (Thailand, Malaysia, Vietnam, Philippines, Indonesia, Cambodia, Brunei, and Burma).[9] Another branch of BOCHK, which currently contains 35 subsidiaries, provides global financial services in capital markets, including insurance, trustee, credit card, and asset management markets, as well as others. These 35 subsidiaries are located mainly in BVI, Hong Kong, and mainland China. Most of this branch's Hong Kong-based subsidiaries are directly controlled by BOCHK and invest in business worldwide. BOCHK indirectly holds, in addition, 14 BVI entities, each declaring US $1 investment (Figure 4). These entities are mainly designed to work as multiple layers of SPVs in OFCs to take control of the target firms both inside and outside mainland China. According to stakeholder interviews, this kind of corporate structure can be used to shift profit, reduce tax, and especially to hide assets offshore to avoid the strict foreign currency control in China. Of course, no detailed explanations were forthcoming in our interviews as to the mechanisms of the state-owned financial institutions' offshore activities.

[Figure 4]

International Headquarters - BOCI

The second set of holding structures worth examining in detail is the global investment platform, BOC International Holding Ltd. (BOCI, hereafter) of the BOC Group. BOCI is not a publicly listed company but an important alternative controlling structure of a listed BOC holding company, BOCI China. The latter provides securities services for clients in mainland China. Established in Hong Kong in 1998 from China Development Finance Company (HK) Limited, BOCI is the wholly owned subsidiary of Bank of China Limited (Beijing). Over time, BOCI evolved into the global headquarters of the BOC Group's capital market business. From information available on BOCI's website, it appears that by the end of 2021, BOCI directly held 38 subsidiaries around the world, including subsidiaries in Singapore, the United Kingdom, the United States, mainland China, and elsewhere. BOCI's subsidiaries provide a full range of banking and financial services, including equity financing, advisory services, private banking, securities services, financial products, private equity, commodities, derivatives, and asset management (Figure 5).

[Figure 5]

BOCI China

BOCI, a non-listed Hong Kong holding company controlled from the mainland, established, in turn, a listed company, BOC International (China) CO., LTD (SSE: 601696, BOCI China, hereafter). BOCI China was established in 2002 in Shanghai and publicly listed on SSE on 26 February 2020. Despite the appellation 'international', the business territory of BOCI China is mostly mainland China. BOCI China is currently China's leading investment bank; its businesses cover most asset management sectors, including securities, funds, and futures. Investment banking is considered central to the economic and national security of China and therefore remains primarily state-owned. People's Bank of China (POC) and CSRC closely control the financing activities of financial institutions, and investments must be approved on a case-by-case basis (People's Bank of China 2020).

An IPO prospectus submitted to SSE in 2020 reveals BOCI China's shareholding structure (Figure 6). China's State Council Bank of China Limited is the largest shareholder of the company, with the remaining ownership directly or indirectly held by the State-Owned Asset Supervision and Administration Commission (SASAC) at different levels. SASAC works as a sovereign wealth fund manager to manage firms through capital market operations. Although an SASAC-corporatized firm is managed by a board of directors, the state, in its capacity as major shareholder, appoints members of the board.

[Figure 6]

As one of the major subsidiaries in the Bank of China Group, BOCI China undertakes business in the broader asset management industry. It provides clients with financial services in private equity investment, alternative investments, and futures through its wholly owned subsidiaries (BOC Capital Investment Holding Co., Ltd., BOCI International Investment Co., Ltd., and BOCI International Futures Limited). All these entities are categorized as foreign-invested enterprises in the Chinese business administration system, as their major shareholder, BOCI International Holdings Limited (BOCI), is a Hong Kong registered investment company (Figure 7).

[Figure 7]

As we saw above, BOCI China is held by a non-listed entity, BOCI (Hong Kong), and it, in turn, is controlled by the group's Beijing arm. Although BOCI China and its subsidiaries appear as Hong Kong-held entities, control is exercised both directly and indirectly from mainland China. Thus, the BOC Group is using an international headquarters in Hong Kong to control its mainland subsidiaries; BOCI China is not directly controlled by its global ultimate owner in Beijing. This arrangement is typical of the big four banks' way of operating in China.

The complex corporate structure adopted by the BOC Group, including the set-up of its Hong Kong holding companies, presents a paradox: a state-owned bank, tightly controlled from the mainland, goes out of its way to appear as a Hong Kong-based organisation that closely emulates the Western model of a publicly traded banking group. Furthermore, this state-owned bank adopts many of the techniques of tax and financial regulatory avoidance (i.e., avoidance of mainland China financial regulations) used by other Chinese groups. BOC even ensures its asset management services in mainland China are controlled through a Hong Kong holding company. It appears, therefore, that although it is state-owned, BOC is subject to competitive market forces, and its Hong Kong's holding companies perform vital tasks to ensure its ability to compete with the private sector both domestically and internationally.

Equity Mapping of China Construction Bank (CCB)

CCB is the largest state-owned commercial bank in China with dual listing on HKEX (SEHK: 939) and SSE (SSE: 601939). It currently has 14,510 branches and subsidiaries around the world. By the end of 2021, its market capitalisation reached US$ 175,302 million.[10] By mid-2021, the CCB Group had 425 subsidiaries listed on its consolidated accounts; of these, 179 are overseas entities (CCB 2021). The CCB Group's overseas subsidiaries are held directly or indirectly through three holding firms: CCB International (Holdings) Limited, CCB International Group Holdings Limited, and CCB Marine Corporation Limited. Figure 8 presents an equity mapping of the CCB Group in 2020. The global ultimate owner, China Construction Bank Ltd, is depicted in red, and subsidiaries located in Hong Kong are depicted in blue.

[Figure 8]

OFCs are heavily used by CCB. There are 160 overseas subsidiaries and entities located in OFCs (including Hong Kong), amounting to 37.6% of the total subsidiaries and affiliates of the CCB Group (Figure 9 and Table 3). Amongst the OFC subsidiaries and affiliates, 48.8% (78 in total) have no equity relationship to parent companies (we return to this below).

[Figure 9]

[Table 3]

CCB followed BOC's practice of setting up Hong Kong-based investment platforms to hold its mainland subsidiaries (Figure 10). These mainland subsidiaries are principally in the asset management industry. Figure 11 presents a detailed corporate organisational structure of the CCB Group. The first layer is CCB International (Holdings) Limited, a Hong Kong wholly owned subsidiary that controls venture capital and equity investment in mainland China. These mainland investment companies then invest outward from mainland China and set up multiple layers of Hong Kong-BVI structures. These structures are used, in turn, to invest back to Hong Kong and take control of subsidiaries in other countries worldwide (the UK in this case). Thus, both BOC and CCB are using Hong Kong holding companies to control both their foreign and domestic financial activities.

[Figure 10]

[Figure 11]

Asset management tasks in mainland China are largely performed through Hong Kong-held companies. Why Chinese state-owned financial institutions deploy such a round-about organisational structure is not entirely clear. However, the economic reform and open-up policy and the liberalisation of the securities sector in 2017 (State Council 2017, 2018, 2019a, 2019b), combined with further removal of restrictions on foreign shareholding in securities, funds, and futures companies, may have incentivized Chinese-owned banks to act as foreign-funded enterprises in the financial sector.

The Phenomenon of the Floating Subsidiaries

CCB's equity map shows that 132 of CCB's subsidiaries (approximately 31% of its subsidiaries) are floating (Figure 12). They are listed in CCB's consolidated accounts (in 2020) but do not have known equity ties to the parent or to any of the three Hong Kong holding companies. These floating subsidiaries are nonetheless accounted for, and their operational and financial actives are consolidated into the group's financial statements. Meanwhile, there is a large group of other floating subsidiaries in Hong Kong, represented in blue in Figure 12, with no equity relationship to one another or indeed to the global ultimate owner; in addition, a great many other floating entities in other jurisdictions have no equity relationship to the global ultimate owner.

[Figure 12]

Of these floating subsidiaries, CCB Marine Corporation Limited, with five Hong Kong-based subsidiaries, is known to be one of CCB's holding companies. Figure 12 also highlights 39 independent entities with no record of when they were established. These independent floating entities give little indication of their relationship to CCB in their Chinese or English names (these could differ because of intentional or non-intentional translation problems). There is very little information about the history and development of these subsidiaries – this is essentially an information blackout.

Figure 13 highlights a phenomenon similar to the floating subsidiaries in BOC, 'deemed' subsidiary companies. These entities are disclosed in the IPO prospectus of BOC Aviation in 2016. They are deemed subsidiary companies of BOC Aviation, as the group is exposed, or has rights, to variable returns from its involvement with these entities.

[Figure 13]

The floating subsidiaries remind us of the ownership structure of state-owned enterprises (SOEs) in China. In the case of SOEs, the Chinese state can decide which part of the group is spun off for an IPO and through which 'governing department' (主管部门) of the industry. Today, the state acts mostly, but not exclusively, as an 'institutional investor', through national and local asset management bureaus or agencies, to maintain a controlling share in publicly listed firms. The IPO firm becomes, as we argued above, a separate legal entity, but the rest of the group remains a state-owned enterprise. The state plays a significant role in the strategic decisions of the supposedly independent bank and maintains power as the partial residual claimant of firm profits. For the listed entities spun off from a state-owned bank, the shares in the subsidiary or the holding company are divided among institutional investors and free-floating shares. The institutional shares can be held by a wide variety of owners, including state governing departments (Guthrie *et al.* 2015).

In addition to this formal technique of ownership and control, CCP has long used its own personnel to leverage control in strategic firms. Government-controlled shares of the state-owned banks are greater than 51% of the total outstanding equity. This means the state appoints the board of directors, and CCP personnel run the enterprises. Individual directors are nominated in discussions among the Ministry of Finance, SASAC, and the Organisation Department of the CCP. Discussions take place behind closed doors and are inaccessible to other shareholders. In addition, the CCP Central Committee has the power to appoint financial regulators: PBOC, CSRC, China Insurance Regulatory Commission (CIRC), and the heads of top financial institutions (Chan 2009). Top managers of Chinese stated-owned financial institutions are appointed, therefore, directly by the CCP Organisation Department. Most have an independent powerbase within the party-state system, and some rank high enough in CCP to have a seat on the Central Committee.

This kind of controlling system allows enterprises to create an informal corporate structure in their daily operations. Companies and banks set up independent entities that are not formally linked through equity ownership to a parent yet act as part of the same group. The floating subsidiaries do not weaken central control but are established to complement the weak formal state governance outside mainland China. Yet the monitoring of the activities of, say the 132 CCB floating subsidiaries, all which are formally controlled by different individuals in the organization, may not be as tight as assumed. This kind of corporate structure could more easily be used for offshore activities like tax avoidance and capital flight, if certain powerful individuals in the organization so desire.

Conclusions

Our closer look at the organizational structure of Chinese-owned banks in Hong Kong has yielded a glimpse into the way these state enterprises operate at the interface of offshore and onshore and respond to various policy goals of their constituencies, while also creating areas of opacity that may facilitate tax leakages and capital flight. The complexity of Chinese state-owned financial institutions' organizational structure reflects the versatility of Hong Kong as a financial centre. As an international financial centre, Hong Kong provides a global financial market and varied financial services to promote Chinese state-owned banks' internationalization. In turn, the advanced experience of the financial market in Hong Kong promotes financial activities and financial reform. Yet the lax financial enforcement in Hong Kong and legal differences in mainland China enable enterprises, including state-owned banks, to establish a layered corporate structure through Hong Kong.

The combination of formal and informal ownership controlling systems downplays the role of agents' strategic choices, and these are important, as they provide bureaucratic entrepreneurs with a major tool they can use to isolate an enterprise from central authority. The Hong Kong-BVI/Cayman Island structure and the floating subsidiaries are able to retain earnings from Chinese banks' international business in OFCs in a way that makes it difficult for the central government to track. Bureaucrat entrepreneurs working for these banks can easily reinvest funds from their offshore capital pool in their international businesses. At times, these offshore capital pools can act as a foreign exchange reserve.

Ultimately, the complex corporate structure through Hong Kong enables Chinese state-owned financial institutions to achieve a dynamic equilibrium between operating as internationalized modern banks and as national enterprises under bureaucratic control.

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Notes

1. Since 1998, the Chinese state has attempted to stem the flight of capital by imposing stricter capital controls on the international transactions of Chinese banks and other financial intermediaries. But with the development of a sophisticated arm of Chinese banking abroad, with strong links to the domestic economy, bureaucratic influence and tougher capital controls seem to have only increased the incentive for capital flight, arguably changing the preferred route of capital flight but not substantially reducing the volume (Gunter 2017). Indeed, many suggest Hong Kong provides a degree of openness and transparency in the context of an otherwise opaque Chinese market (Haberly and Wójcik 2015; Meyer 2015).
2. Qichacha (企查查), and Tianyancha (天眼查) are the biggest and most popular websites with official licenses to use government data on enterprises. They aggregate data from ministries, state administrations, and industry associations and have over 50 billion pieces of credit information. On these platforms, natural persons and legal persons are consolidated and stored under a unified social credit code uniquely attributed to each (Krause and Fischer 2020).
3. Vague offshore structures are presented in several individual cases in their subsidiaries' bond issues (BOCI Asia Limited 2004), and they hide some subsidiaries held in OFCs.

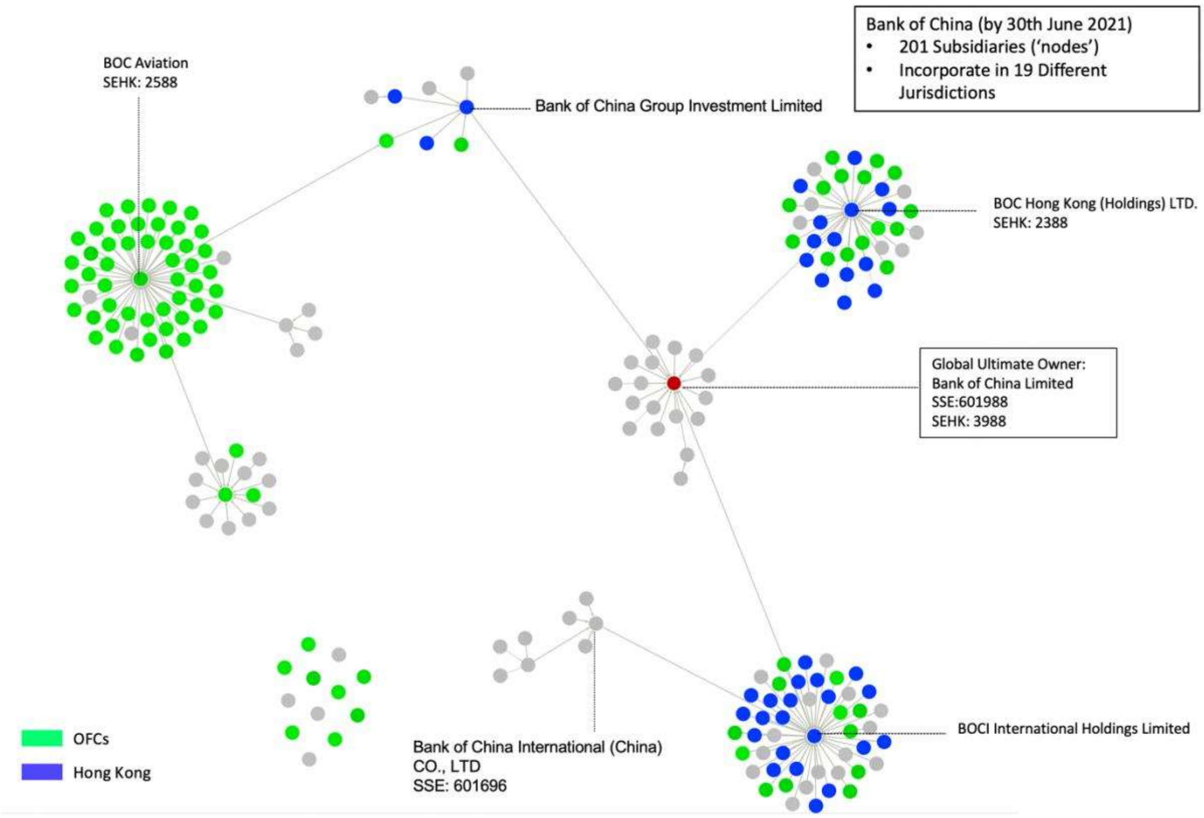
4. There are different disclosure rules in different exchange markets; thus, Chinese listed financial institutions present their corporate structures with different degrees of detail. Simplified ownership structures are withheld intentionally in their IPO prospectuses and annual reports (e.g., (BOC 2002); (BOC 2022). Vague offshore structures are presented in several individual cases in their subsidiaries' bond issues (BOCI Asia Limited 2004), and they hide some subsidiaries held in OFCs.
5. The 10 banks include Bank of China Hong Kong Branch and the Hong Kong branches of the seven banks incorporated in mainland China (Kwangtung Provincial Bank, Sin Hua Bank Limited, China & South Sea Bank Limited, Kincheng Banking Corporation, China State Bank Limited, National Commercial Bank Limited, and Yien Yieh Commercial Bank Limited), as well as two locally incorporated banks, Hua Chiao Commercial Bank Limited and Po Sang Bank Limited.
6. The government, through Hong Kong Monetary Authority (HKMA), has authorised three commercial banks to issue banknotes in Hong Kong: Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, and Standard Chartered Bank (Hong Kong) Limited. This authorisation is accompanied by a set of terms and conditions agreed upon by the government and these three note-issuing banks. Banknotes are issued by the note-issuing banks or redeemed against payment to or from the Exchange Fund in US dollars, at a specified rate of US $1 to HK $7.80 under the linked exchange rate system. Banknotes issued by the note-issuing banks are printed in Hong Kong by Hong Kong Note Printing Limited (HKNPL).
7. Hua Chiao's businesses, assets, and liabilities were transferred to BOCHK as part of a restructuring and merger. As a result, this entity no longer conducts banking business.
8. On 11 February 1998, Hong Kong and China signed the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the

Avoidance of Double Taxation on Income (a Limited Arrangement) to allocate the right to tax between the two jurisdictions on a reasonable basis to avoid double taxation of income. On 21 August 2006, both parties signed a more comprehensive arrangement titled Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (a Comprehensive Arrangement). The latter arrangement broadened the coverage of income by adding income from immovable property, associated enterprises, dividends, interest, royalties, capital gains, pensions, government services etc.

9. This refers to the nine Southeast Asian entities: BOC Thailand, BOC Malaysia, Ho Chi Minh City Branch, Manila Branch, Jakarta Branch, Phnom Penh Branch, Vientiane Branch, Brunei Branch, and Yangon Branch. (BOCHK 2022)
10. In 2004, CCB was separated into China Construction Bank Corporation and Jianyin. According to the separation procedure under PRC Company Law and the separation proposal approved by CBRC on 8 June 2004, CCB released its separation announcement on 10, 11, and 12 June 2004. Following the final approval by CBRC on 14 September 2004, Huijin, Jianyin, and CCB entered into a separation agreement on 15 September 2004, completed on 17 September 2004. After the separation of CCB, China Construction Bank Corporation was listed on HKSE in October 2005 (stock code: 939) and SSE in September 2007 (stock code: 601939).
11. Offshore Financial Centres: Luxembourg, Dublin (Ireland), Singapore, Cayman Island, and British Virgin Islands.

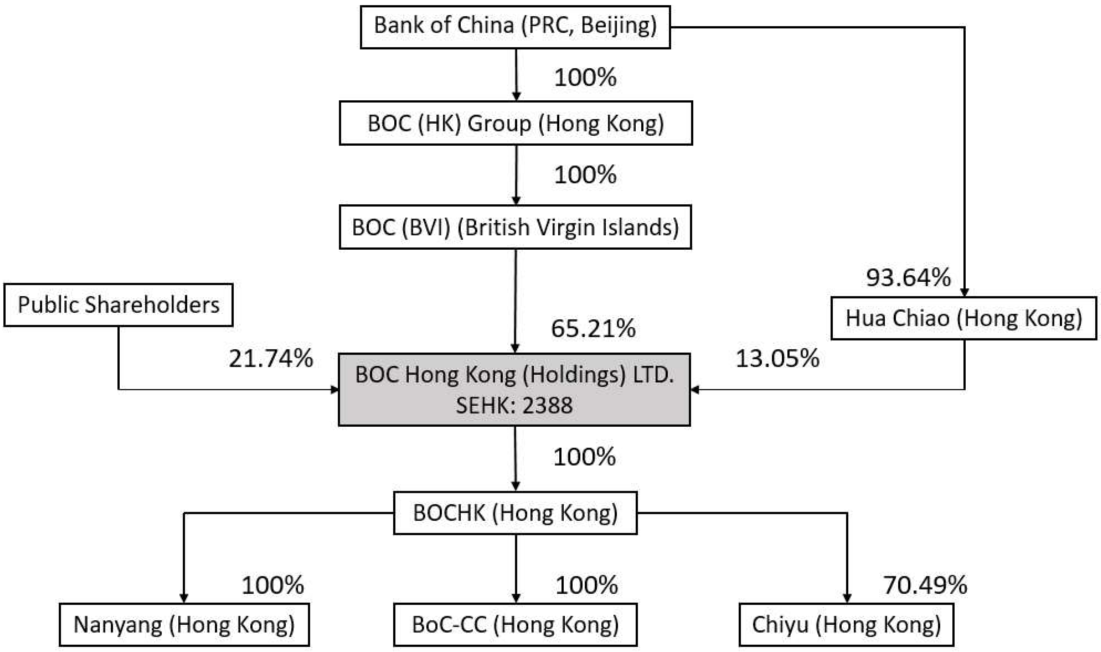
Figures

Figure 1: Equity Map of BOC, 2021 based on Best Available Information on BOC's Subsidiaries and Affiliates,



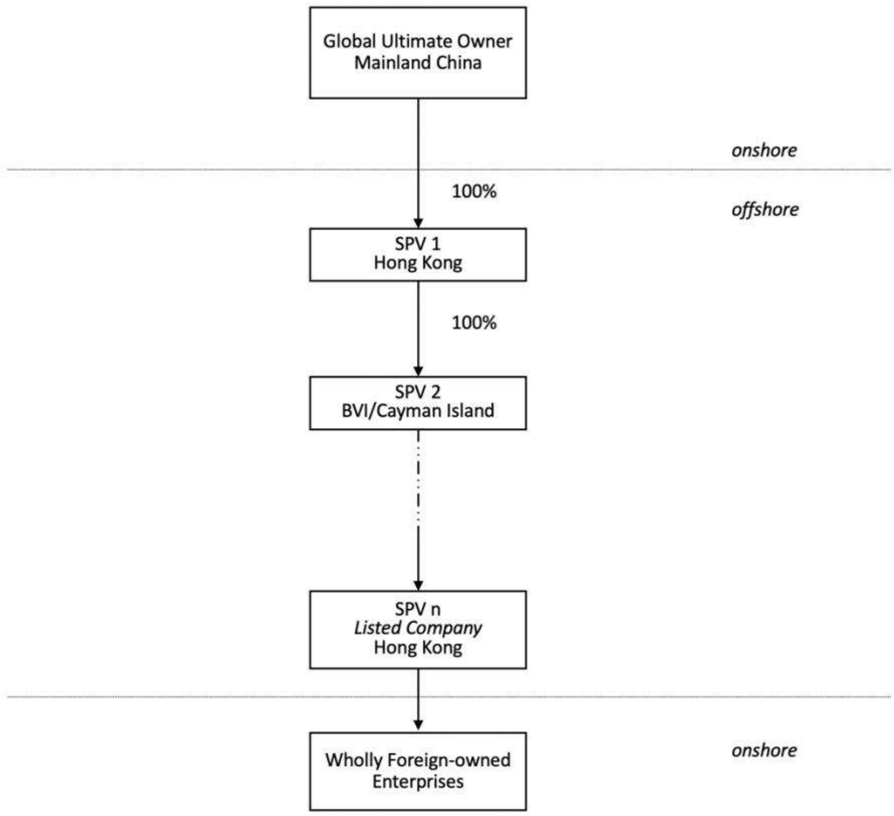
Source: Publicly disclosed information of BOC's four listed companies

Figure 2: BOCHK Shareholding Structure, December 2002



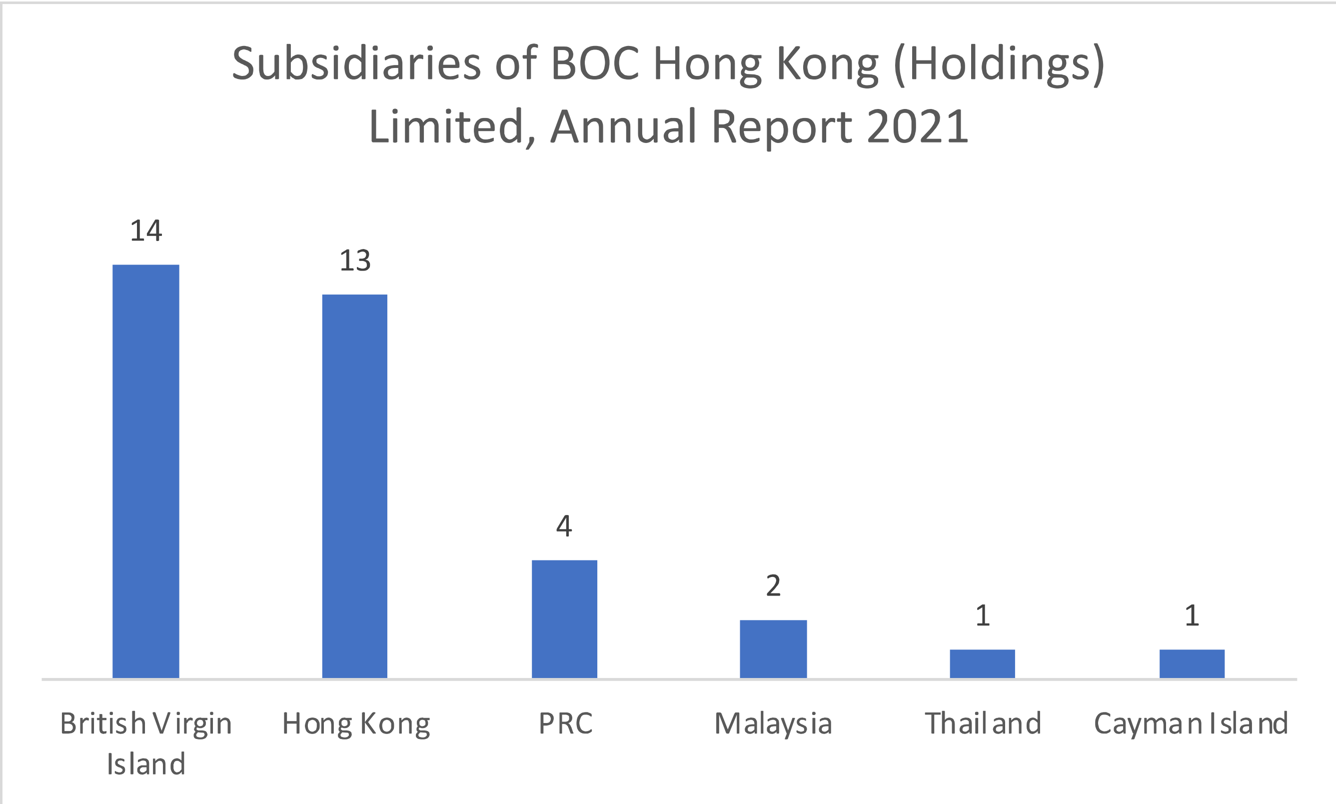
Source: BOCHK IPO Prospectus 2002 (Bank of China Hong Kong 2002)

Figure 3: Corporate Organisational Structure of Overseas Listings of Chinese Enterprises



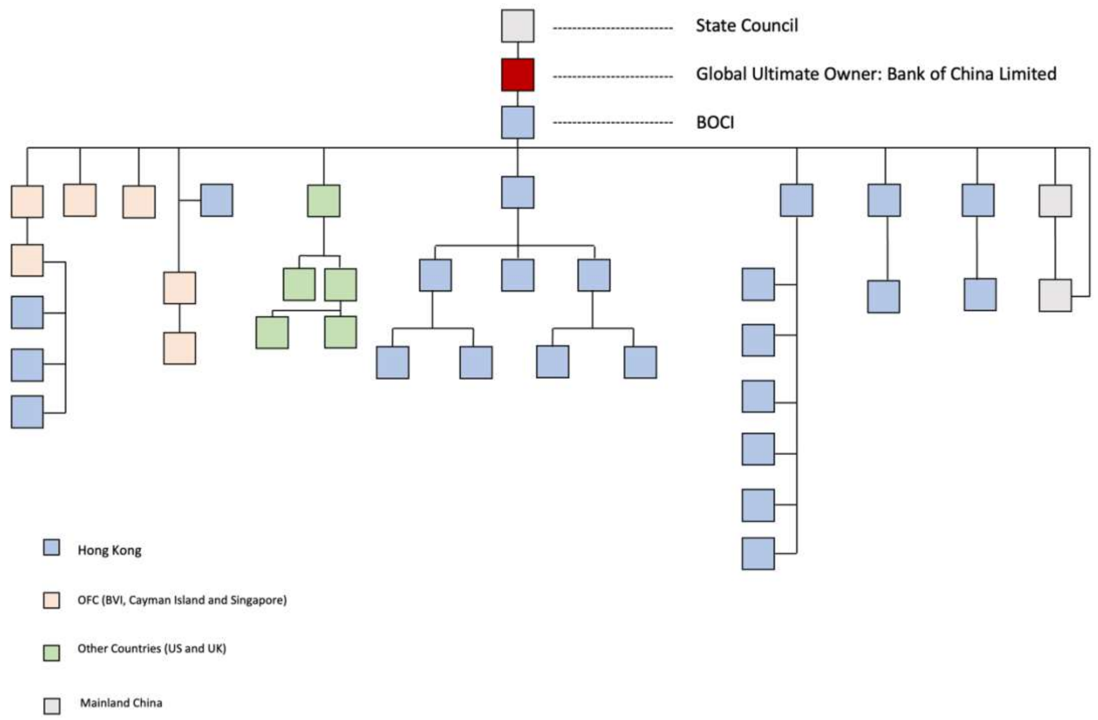
Source: Authors

Figure 4: Subsidiaries of BOC Hong Kong (Holdings) Limited, 2020



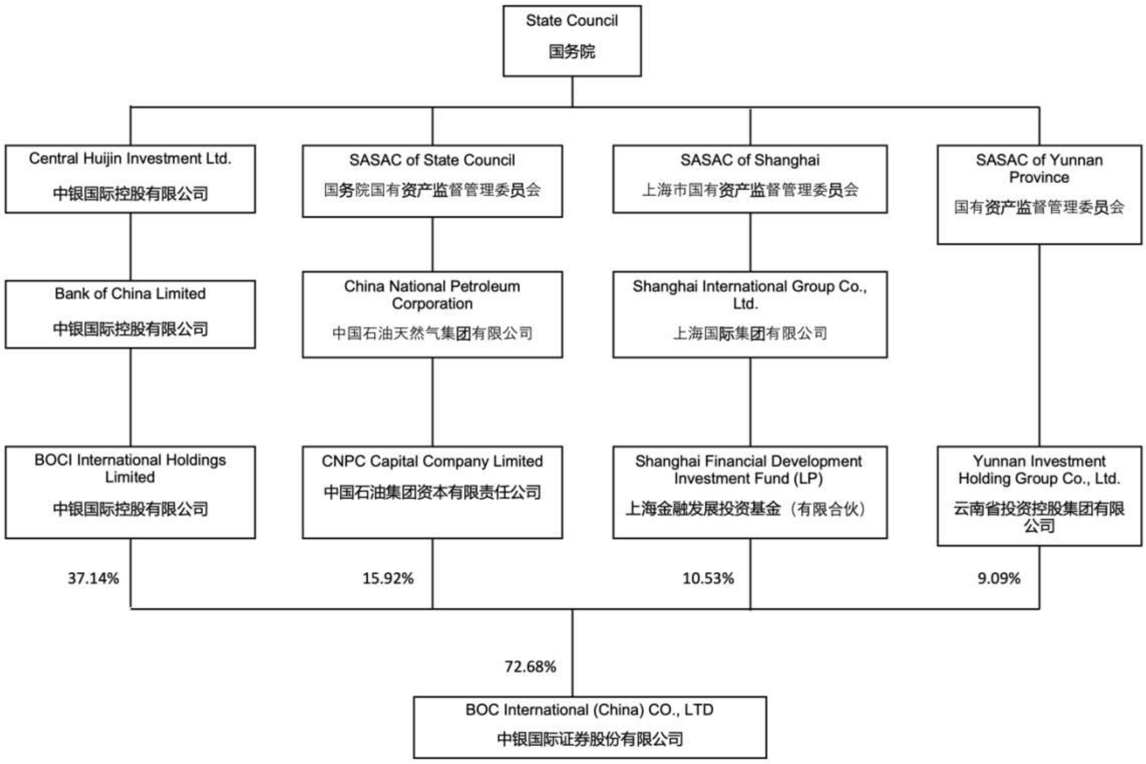
Source: BOCHK Annual Report 2021 (2022)

Figure 5: Organisational Structure of BOC International Holdings Limited (BOCI)



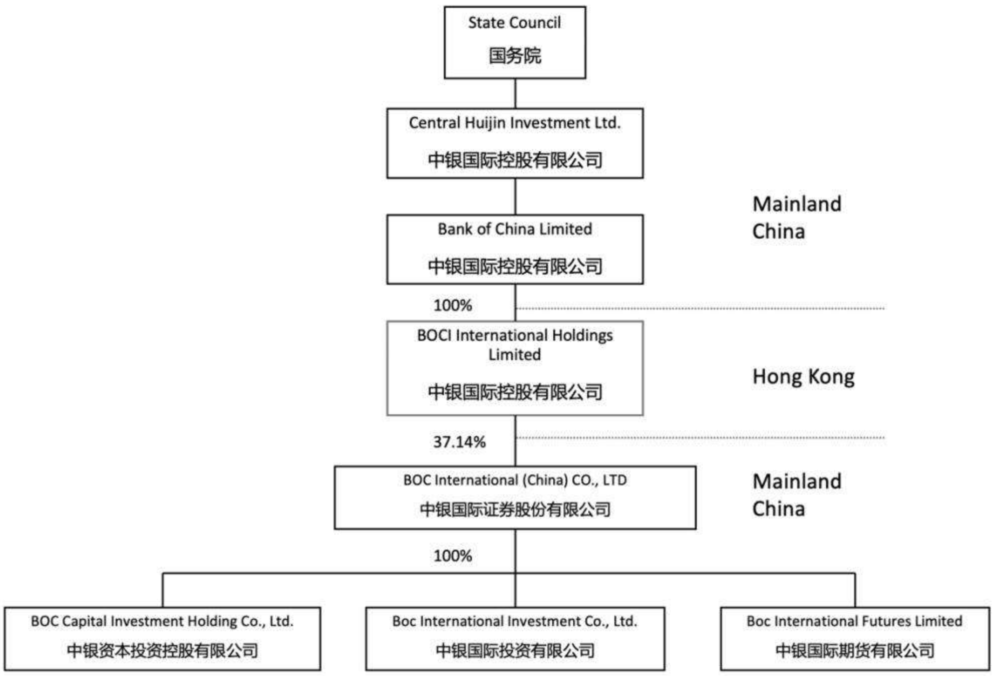
Source: BOCI Asia Limited Retail Note Programme (BOCI Asia Limited 2004)

Figure 6: Shareholding Structure of Four Major Shareholders of BOC International (China)



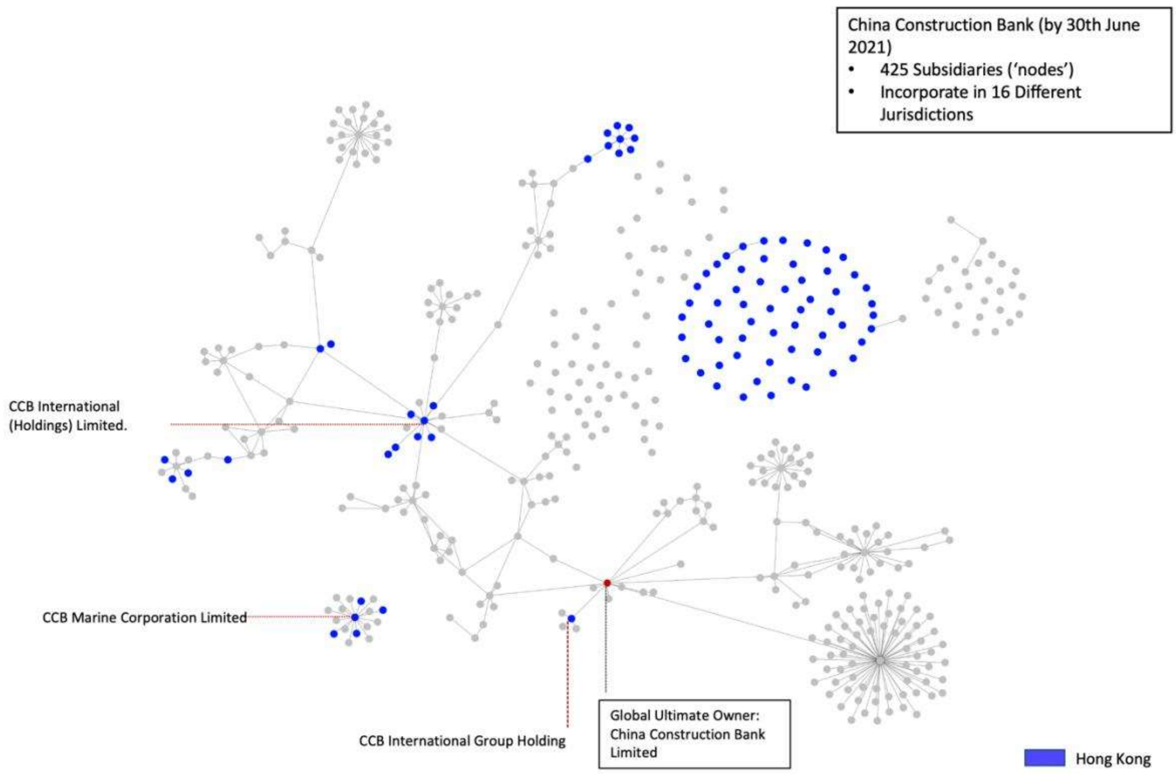
Source: 2020 IPO Prospectus of BOC International (China) CO., LTD

Figure 7: Shareholding Structure of BOC International (China) and Its Wholly Owned Subsidiaries



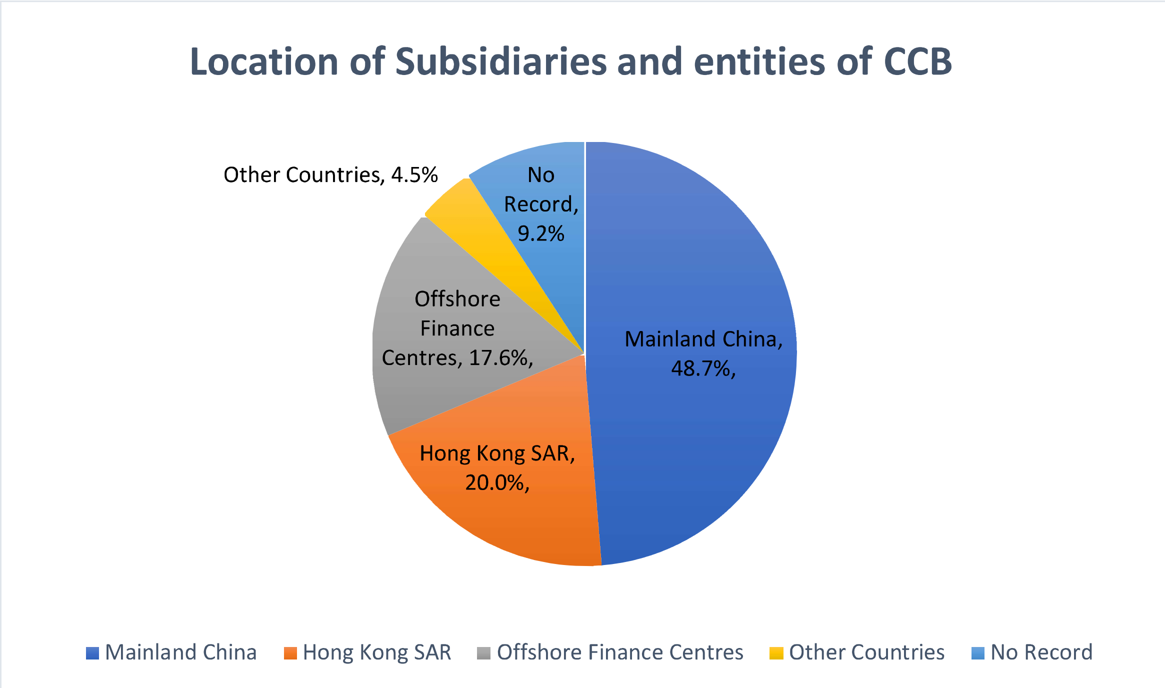
Source: 2020 IPO Prospectus of BOC International (China) CO., LTD

Figure 8: Subsidiaries and Affiliates in Hong Kong, Equity Map of CCB, 2021



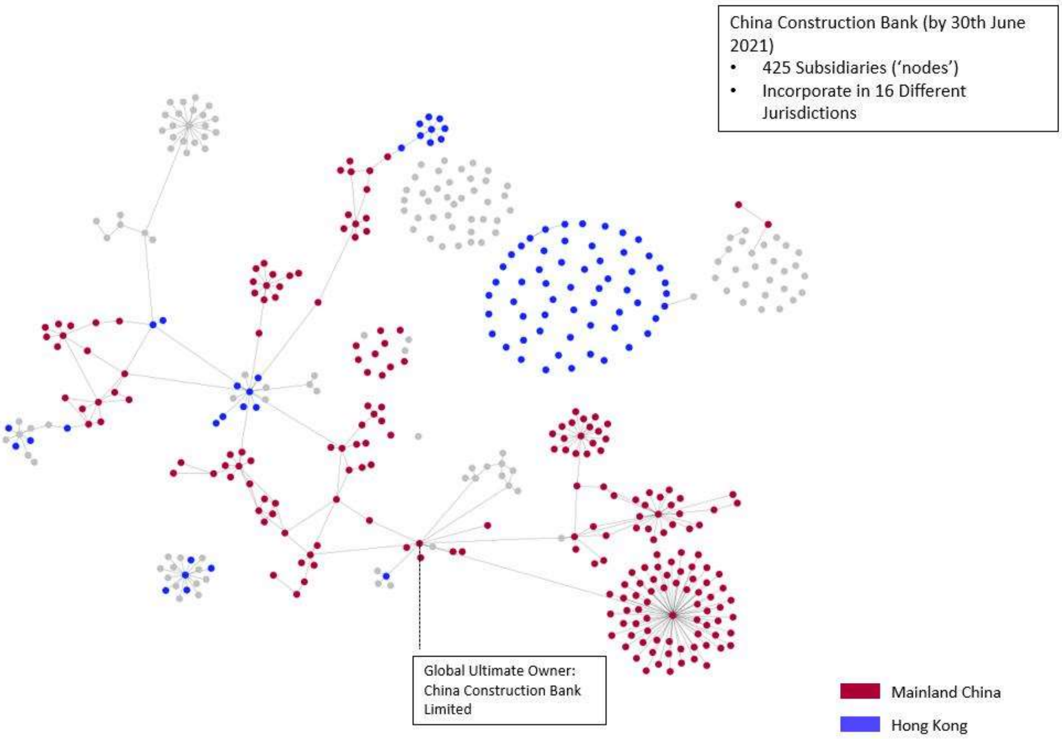
Source: List of Consolidated Institutions of China Construction Bank by 30 June 2021(CCB 2021)

Figure 9: Location of Subsidiaries and Entities of CCB [11]



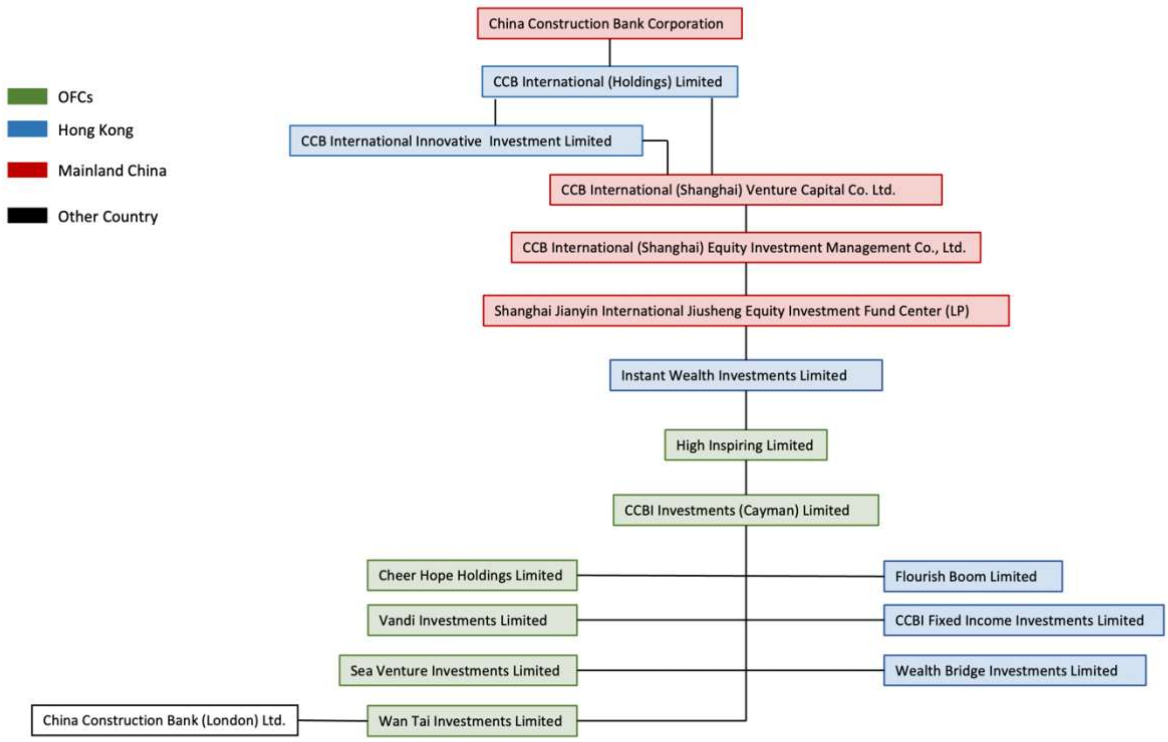
Source: List of Consolidated Institutions of China Construction Bank by 30 June 2021(CCB 2021)

Figure 10: Mainland-Hong Kong-OFC-Hong Kong-UK Structure, Equity Map of CCB, 2021



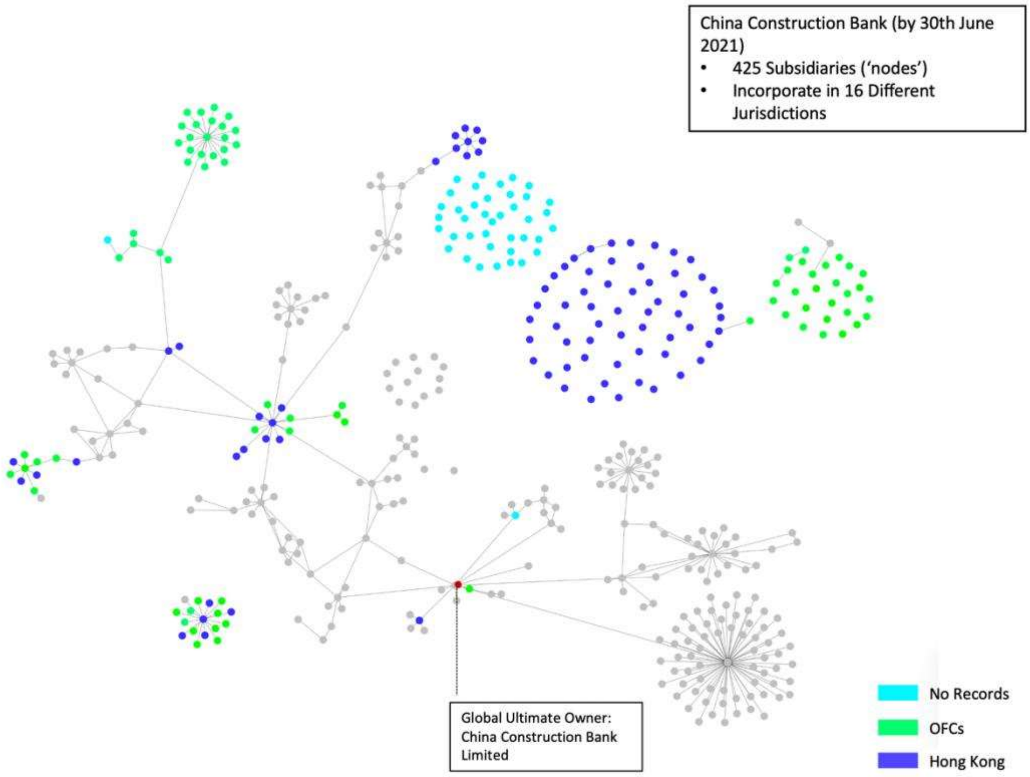
Source: List of Consolidated Institutions of China Construction Bank by 30 June 2021(CCB 2021)

Figure 11: Detailed Mainland-Hong Kong-OFC-Hong Kong-UK Structure in CCB's Equity Mapping



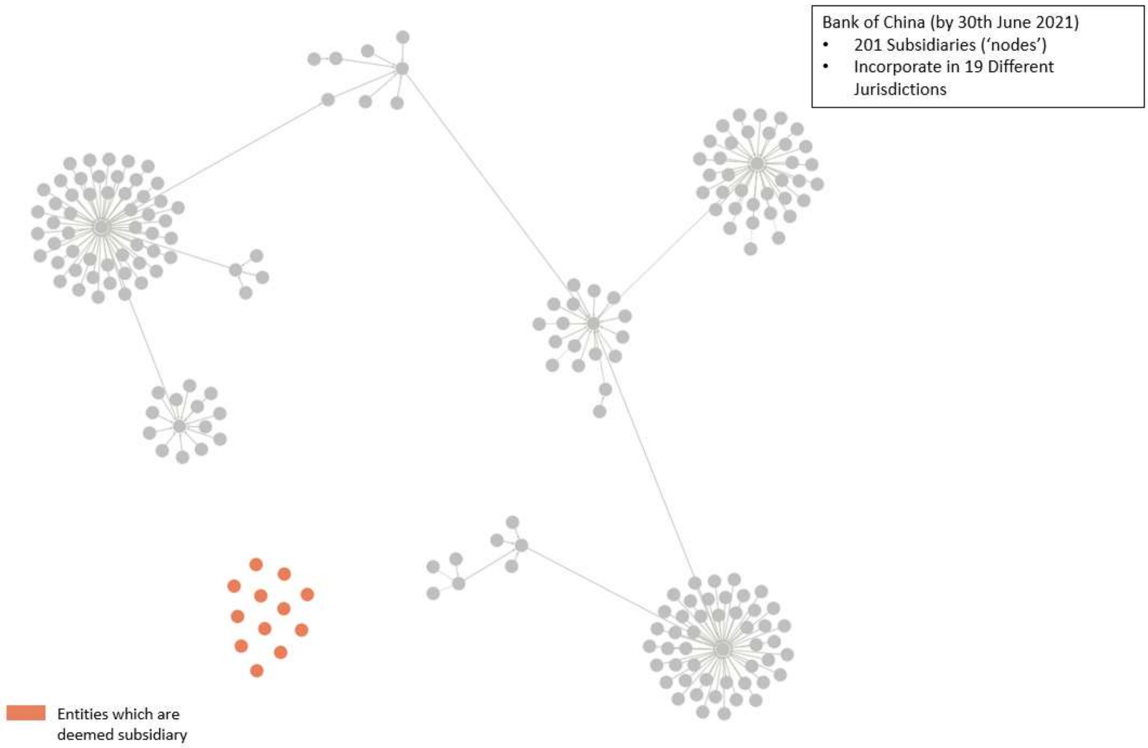
Source: List of Consolidated Institutions of China Construction Bank by 30 June 2021 (CCB 2021)

Figure 12: Floating Subsidiaries and Affiliates in OFCs, Equity Map of CCB 2021



Source: List of Consolidated Institutions of China Construction Bank by 30 June 2021 (CCB 2021)

Figure 13: 'Deemed' Subsidiary in BOC Group, Equity Map of BOC 2021



Source: Publicly Disclosed Information from Four Listed Companies in BOC Group

Tables

Table 1: 'Big Four' Chinese State-Owned Banks' Initial Public Offerings

Name	**Central Government Shareholding**	**Establishment**	**Dual Listing**	
			HKEX	**SSE**
Bank of China (BOC)	64.63%	1972	2006	2006
Industrial and Commercial Bank of China (ICBC)	69.59%	1984	2006	2006
China Construction Bank (CCB)	57.31%	1954	2005	2007
Agricultural Bank of China (ABC)	75.69%	1951	2010	2010

Source: IPO Prospectus (BOC 2006; ICBC 2006; CCB 2005; ABC 2010)

Table 2: Bank of China Group's Principal Holding Companies

Name	**Location**	**Year of Listing**	**Listing**	**Main Business**
Bank of China Ltd. (BOC)	Beijing	2006	SSE:601988 SEHK: 3988	Commercial banking
Bank of China International (China) Co., Ltd. (BOCI China)	Shanghai	2020	SSE: 601696	Investment banking in mainland China
Bank of China Hong Kong (Holdings) Ltd. (BOCHK)	Hong Kong	2002	SEHK: 2388	Commercial banking and investment in Southeast Asia
Bank of China Aviation Limited	Singapore	2016	SEHK: 2588	Commercial aircraft sales and leasing

Source: Hong Kong Stock Exchange (HKEX) and Shanghai Stock Exchange (SSE)

Table 3: Affiliates of China Construction Bank (CCB)

	Mainland China	**Oversea**			**Total**
		Hong Kong	**Offshore Finance Centres**	**Other Countries**	
Single Location	2	53	20	4	79
Independent	9	2	3	0	14
Equity Controlled	196	30	52	15	293
Total	207	85	75	19	386

Source: List of Consolidated Institutions of China Construction Bank by 30 June 2021(CCB 2021)

Abbreviations

ABC: Agricultural Bank of China

BOC: Bank of China

BOCHK: Bank of China Hong Kong (Holdings) Ltd.

BOCI China: Bank of China International (China) Co., Ltd.

BVI: British Virgin Islands

CBRC: China Banking Regulatory Commission

CCB: China Construction Bank

CDTA: Comprehensive Double Taxation Agreement

CIRC: China Insurance Regulatory Commission

CSRC: China Securities Regulatory Commission

EME: Emerging Market Economies

HKEX: Hong Kong Stock Exchange

HSBC: Hong Kong and Shang Hai Banking Corporation

ICBC: Industrial and Commercial Bank of China

IPO: Initial Public Offering

NDRC: National Development and Reform Commission

NECIPS: National Enterprise Credit Information Publicity System

NPL: Non-performing Loan

OFC: Offshore Financial Centre

PBOC: People's Bank of China

SASAC: State-Owned Asset Supervision and Administration Commission

SOE: State-owned Enterprises

SPV: Special Purpose Vehicle

SSE: Shanghai Stock Exchange

VIE: Variable Interest Entity

WFOE: Wholly Foreign-owned Enterprise

WTO: World Trade Organisation

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