



A RISK ANALYSIS OF THE CHINESE CORPORATE BENEFICIARIES OF THE U.S. PPP LOAN PROGRAM:

ACCESS TO LOANS AND CAPITAL MARKETS FUNDRAISING BY CHINESE COMPANIES THAT RAISE NATIONAL SECURITY- AND HUMAN RIGHTS-RELATED RISK FACTORS

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Executive Summary

The \$660 billion U.S. taxpayer-funded Payroll Protection Program (PPP) was enacted in March 2020 to provide aid to small American businesses during the economic crisis brought on by the COVID-19 pandemic. A June report by research consultancy Horizon Advisory, however, identified 125 PPP recipients that were owned (entirely or partially) by Chinese companies, 32 of which received loans exceeding \$1 million. These recipients also include companies involved in China's military-industrial complex and civil-military integration programs, and companies subject to Chinese state censorship rules and regulations.

The Horizon Advisory report sparked bipartisan outrage over the revelation that U.S. taxpayers have unwittingly helped to bail out Chinese-owned companies and, in the process, provided financial support to companies involved in Chinese influence operations and military R&D. Moreover, the finite nature of the PPP framework means that this taxpayer-funded support came at the expense of American-owned companies. It should be noted, however, that because PPP loans are intended to cover payroll costs, the loan proceeds received by U.S. subsidiaries of Chinese companies could have been applied to salaries owed to U.S.-based employees, including Americans.

That said, the majority of these Chinese-owned companies that both received PPP loans and have been identified as risky due to various state affiliations (see profiles below) are either publicly traded in the U.S. on the New York Stock Exchange (NYSE) or Nasdaq Stock Market, or publicly traded in Hong Kong or mainland China on the Hong Kong, Shanghai, and

Shenzhen Stock Exchanges. Since May 2018, major stock index providers Morgan Stanley Capital International (MSCI), FTSE Russell, S&P Dow Jones and others have been including hundreds of China A-shares (i.e., Chinese companies trading in Shanghai or Shenzhen) into major stock market indexes tracked by popular Exchange-Traded Funds (ETFs), which U.S. individual and institutional investors rely on to invest in emerging markets and internationally. As a result, these companies have already accessed capital from the United States – and likely have access to state-controlled funding from China to support their operations during the coronavirus pandemic.

This report highlights those companies that not only received PPP loans, but are also publicly traded. Moreover, certain of them are linked to China’s military-industrial complex either directly or indirectly. To understand the impact of this disheartening PPP procedural lapse, it means that there are several Chinese companies operating in the U.S. that are: 1) involved in advancing China's military build-up and global ambitions; and 2) being funded by American individuals and institutions through *both* this federal loan assistance program and the capital markets. The fundamental concern here is clear: Chinese companies diverting U.S. taxpayer dollars desperately needed by American small businesses for their own operations, and the lack of adequate oversight by U.S. officials.

	MSCI ACWI EX-US INDEX	iShares MSCI ACWI EX-US ETF (ACWX)	MSCI EM (Emerging Markets) Index	iShares MSCI EM ETF (EEM)	FTSE EM INDEX	Vanguard FTSE EM ETF (VWO)	S&P Emerging Market BMI Index	SPDR Portfolio Emerging Market ETF (SPEM)
AVIC	X	X	X	X	X	X	X	X
BGI Genomics					X	X		
Honghua Group							X	X
BOE Technology	X	X	X	X	X	X	X	X
Chang’An Automobile			X	X	X	X	X	X

High-Risk Chinese PPP Recipients and their Presence in Emerging Markets and International Indexes Commonly Used by U.S. Institutional and Individual Investors

Publicly Traded Chinese Companies that Received PPP Loans

These are the 22 U.S.-based subsidiaries of Chinese companies that received PPP loans from the U.S. government that are publicly traded. The entities that raise national security or human rights-related risk factors, whether directly or indirectly through their respective parent companies, are highlighted in red and profiled further below.

- **Continental Aerospace Technologies Inc. in Mobile, AL**
Several affiliates are listed on the Hong Kong Stock Exchange, including AviChina Industry & Technology Co., Ltd. (2357.HK)
- **GE AVIC Civil Avionics Systems Co., Ltd. (AviAge Systems) in Peoria, AZ**
Several affiliates are listed on the Hong Kong Stock Exchange, including AviChina Industry & Technology Co., Ltd. (2357.HK)
- **BGI Americas Corp. in Cambridge, MA**
Parent company BGI Genomics is listed on the Shenzhen Stock Exchange (300676.SZ)
- **HNA Group North America LLC in New York, NY**
Parent company HNG Group is listed on the Shenzhen Stock Exchange (000616.SZ)
- **HNA Training Center NY LLC in Palisades, NY**
Parent company HNG Group is listed on the Shenzhen Stock Exchange (000616.SZ)
- **Mattson Technology, Inc. in Fremont, CA**
Mattson Technology is listed on the Nasdaq Stock Market (NASDAQ: MTSN)
- **Nio USA Inc. in San Jose, CA**
Nio is listed on the New York Stock Exchange (NYSE: NIO)
- **RenRen US Holdco Inc. in Phoenix, AZ**
RenRen US is listed on the New York Stock Exchange (NYSE: RENN)
- **Wellman Advanced Materials LLC in Johnson, SC in Monroe, MI**
Parent company Shanghai Pret Composites is listed on the Shenzhen Stock Exchange (002324.SZ)
- **Zhongding North American Technology Center Inc. in Monroe, MI**
Affiliate Anhui Zhongding Sealing Parts Co., Ltd. is listed on the Shenzhen Stock Exchange (000887.SZ)
- **Honghua America LLC in Houston, TX**
Parent company Honghua Group is listed on the Hong Kong Stock Exchange (0196.HK)



- **Chang'an U.S. R&D Center in Plymouth, MI**
Parent company Chang'an Automobile is listed on the Shenzhen Stock Exchange (006256.SZ)
- **Enstrom Helicopter Corp. in Menominee, MI**
Parent company Chongqing Machinery and Equipment is listed on the Hong Kong Stock Exchange (2722.HK)
- **BWI North America, Inc. in Kettering, OH**
Affiliate BeijingWest Industries International is listed on the Hong Kong Stock Exchange (2339.HK)
- **Dare Auto Inc. in Plymouth, MI**
Parent company Fuxin Dare Automotive Parts is listed on the Shenzhen Stock Exchange (300473.SZ)
- **Promethean Inc. in Seattle, WA**
Parent company Netdragon Websoft is listed on the Hong Kong Stock Exchange (0777.HK)
- **Tongfang Global Inc. in Eastvale, CA**
Parent company Tsinghua Tongfang is listed on the Shanghai Stock Exchange (600100.SS)
- **HiSense USA Corp. in Suwanee, GA**
Affiliate HiSense Visual Technology is listed on the Shanghai Stock Exchange (600060.SS) and affiliate Hisense HA is listed on the Hong Kong Stock Exchange (0921.HK)
- **Hisense USA Multimedia R&D Center Inc. in Suwanee, GA**
Affiliate HiSense Visual Technology is listed on the Shanghai Stock Exchange (600060.SS) and affiliate Hisense HA is listed on the Hong Kong Stock Exchange (0921.HK)
- **Phoenix Paper Wickliffe LLC in Wickliffe, KY**
Parent company Shanying International Holdings. is listed on the Shanghai Stock Exchange (600567.SS)
- **SCG America Construction Inc. in Garden Grove, CA**
Parent Company Shanghai Construction Group Corp. is listed on the Shanghai Stock Exchange (600170.SS)
- **Phoenix Satellite Television (U.S.) Inc. in Irwindale, CA**
Affiliate Phoenix Media Investment Holdings is listed on the Hong Kong Stock Exchange (2008.HK) and affiliate Phoenix New Media is listed on the New York Stock Exchange (NYSE: FENG)



Risk Profiles of the Twelve Chinese Corporate PPP Recipients with National Security or Human Rights Records of Concern Residing in the U.S Capital Markets

❖ **Continental Aerospace Technologies Inc. and Aviage Systems**

RECEIVED \$5019 MILLION AND \$150,000-350,000 IN PPP LOANS, RESPECTIVELY
AFFILIATE COMPANY, AVICHINA (2357:HK)

- 1) AviChina is the parent company of both Continental Aerospace Technologies and Aviage Systems. In June 2020, AVIC was included on a list released by the Pentagon of Chinese military-associated companies operating directly or indirectly in the United States.
- 2) AviChina is the “listing platform” for the Aviation Industry Corporation of China (AVIC) aircraft manufacturing business. AVIC and its subsidiaries develop and produce a range of aircraft (e.g., fighters, trainers, and helicopters), unmanned aircraft systems (UAS), and airborne weapons for the People’s Liberation Army Air Force (PLAAF), People’s Liberation Army Naval Air Force (PLANAF), and People’s Liberation Army Rocket Force (PLARF).
- 3) AVIC and its subsidiaries have been sanctioned on five separate occasions by the U.S. for weapons proliferation activities that played a key role in enabling Iran to develop its missile capabilities.
 - *August 1993*: Sanctioned for proliferating missile technology to Pakistan in violation of the Arms Export Control Act and the Export Administration Act.
 - *May 2002*: Sanctioned for transferring cruise missile components to Iran in violation of the 2000 Iran Nonproliferation Act.
 - *December 2004*: Sanctioned for transferring equipment or technology in violation of the Iran Nonproliferation Act.
 - *December 2005*: Sanctioned for transferring equipment or technology in violation of the Iran Nonproliferation Act.

- *December 2006:* Sanctioned by the U.S. for transferring equipment or technology in violation of the expanded Iran, North Korea, and Syria Nonproliferation Act.
- 4) AVIC has 26 publicly listed subsidiaries that trade on the Hong Kong, Shenzhen, and Shanghai Stock Exchanges. AviChina Industry & Technology Ltd. and AVIC International Holding Ltd. are both listed in Hong Kong under stock codes 02357 and 00232.

❖ **BGI Americas Corp.**

RECEIVED \$350,000-1 MILLION IN PPP LOANS
PARENT COMPANY, BGI GENOMICS (300676.SZ)

- 1) BGI Genomics was founded with the assistance of the Chinese Academy of Military Medical Sciences, China's National Center for Genome Information, and is thus inextricably linked to the Chinese government and military.
 - BGI Genomics has also collaborated extensively with controversial Chinese telecommunications company Huawei Technologies, which has faced persistent allegations of espionage and intellectual property theft.¹
- 2) In 2017, BGI Genomics opened an office in Urumqi, Xinjiang province, and is allegedly contributing to a Xinjiang gene bank.²³ There have been allegations that BGI Genomics has been involved with potentially forced gene collection.
- 3) BGI Genomics has also been involved in widespread coronavirus testing worldwide and often at a very low cost. There have been concerns raised by officials that a DNA database for research or genetics-based surveillance is being compiled.⁴ BGI has distributed over 10 million tests across 80 countries nationwide.⁵

¹ <https://www.rwradvisory.com/services/huawei-risk-tracker/>

² http://www.chinadaily.com.cn/m/xinjiang/urumqi_hightech/2017-04/19/content_29033345.htm

³ <https://www.defenseone.com/ideas/2019/08/chinas-military-pursuing-biotech/159167/>

⁴ https://www.linkedin.com/posts/national-counterintelligence-and-security-center_would-you-want-a-foreign-government-to-have-activity-6671769676093161472-Ytj1

⁵ <https://www.prnewswire.com/news-releases/bgi-group-helping-over-80-countries-for-timely-covid-19-detection-and-intervention-301043895.html>



❖ **HNA Group North America LLC and HNA Training Center NY LLC**

RECEIVED \$350,000-1 MILLION IN PPP LOANS

PARENT COMPANY, HNA GROUP (000616.SZ)

- 1) HNA Group is a large Haikou-based conglomerate. Between 2016 and 2017, HNA Group spent more than \$40 billion on acquisitions across 6 continents and has been facing liquidity challenges ever since. As a result, the Chinese government announced earlier this year that it would begin taking ownership of the conglomerate.
- 2) One of the company's subsidiaries, HNA Technologies, is involved in Beijing's civil-military fusion initiative and has committed to several projects involving the transfer and application of civilian technology to military projects:
 - In 2019, HNA Technologies signed an agreement with Lingyun Technology Group Co. to cooperate on the construction of military aircraft.⁶
 - In August 2019, HNA Technologies signed an agreement with China Mobile Chengdu Research Institute to cooperate on artificial intelligence (AI) research with aviation applications.⁷

❖ **Mattson Technology, Inc.**

RECEIVED \$2-5 MILLION IN PPP LOANS

(NASDAQ: MTSN)

- 1) Mattson Technology develops semiconductor wafer processing equipment used in integrated circuit (IC) fabrication, which is considered a transferrable key technology with military applications.
- 2) The company is a subsidiary of state-owned Beijing E-town Capital, a major technology research and development company in Beijing. Beijing E-town Capital is responsible for the Beijing Economic-Technological Development Area, which

⁶ <http://en.hnatech.com/news/149.html>

⁷ <http://en.hnatech.com/news/125.html>

was chartered by the Chinese government in 1984 and is home to a Military and Civilian Industrial Park.⁸

❖ **Honghua America LLC**

RECEIVED \$350,000-1 MILLION IN PPP LOANS
PARENT COMPANY, HONGHUA GROUP (0196.HK)

- 1) Honghua America LLC is owned by Hong Kong-based oil and gas company Honghua Group, which is a subsidiary of the China Aerospace Science and Industry Corporation (CASIC). CASIC is a major state-owned technology and research corporation that focuses on defense technology, particularly aircraft, missiles, and ground equipment.
 - In August 2019, research institutes associated with CASIC were added to the Entity List by the U.S. Department of Commerce’s Bureau of Industry and Security (BIS).
 - In June 2020, CASIC was included on a list released by the Pentagon of Chinese military-affiliated companies.

❖ **Chang’an US R&D Center**

RECEIVED \$350,000-1 MILLION IN PPP LOANS
PARENT COMPANY, CHANG’AN AUTOMOBILE (006256.SZ)

- 1) Parent company Chang’An Automobile has been involved in significant collaborations with Huawei Technologies and is a subsidiary of major state-owned defense contractor China South Industries Group Corporation (CSGC), also known as China Ordnance Equipment Group Corporation.
 - Chang’An Automobile is a state-owned automaker and has participated in state civil-military fusion programs, as evidenced in its participation in the 2017 Beijing International Military-Civilian Integration Equipment Program.⁹

⁸ https://ec.europa.eu/regional_policy/sources/cooperate/international/pdf/china_training_cet2013.pdf

⁹ https://www.andexpo.com/photos_list-350-17847.html

- CSGC produces weapons and equipment for land forces, and specializes in military vehicles including automobiles, motorcycles, and components.

❖ **Enstrom Helicopter Corp.**

RECEIVED \$1-2 MILLION IN PPP LOANS

PARENT COMPANY, CHONGQING MACHINERY AND EQUIPMENT (2722:HK)

- 1) Enstrom Helicopter, which is based at the Menominee-Marinette Twin Country Airport in Michigan, was acquired by Chongqing Machinery and Equipment (CME), a state-owned holding corporation tasked with managing state assets, in December 2012 directly through Chongqing General Aviation Group. CME manages several industrial enterprises including Chongqing Military Industries Group.¹⁰
 - Chongqing Military Industries Group is the result of a military enterprise consolidation process and focuses primarily on military electronics, with applications for artillery, chemical defense, vehicles, ships, armor, and electronic countermeasures for all branches of the military. Its Chongqing Jian'an Instrument division has been designated a backbone enterprise by the PLA's (former) General Armament Department and is responsible for producing military anti-chemical nuclear monitoring equipment.
- 2) Enstrom Helicopter products are used by police, military, commercial, and private operators in the U.S., China, and many other countries.¹¹ Military flight training is a primary market.¹²
 - The 480B helicopter was originally developed for the U.S. Army. More recently, Chongqing General Aviation Group sold 480Bs to the police aviation offices of the Chinese Ministry of Public Security and various provincial and municipal-level public security departments.¹³

¹⁰ <http://www.cme-cq.com/aspx/english/gyjd.aspx?classid=1>; <http://www.cme-cq.com/aspx/default/product2.aspx?classid=30>

¹¹ <https://enstromhelicopter.com/markets/military/>

¹² <https://www.ainonline.com/aviation-news/business-aviation/2019-02-27/enstrom-expects-stronger-2019-sales-outside-us>

¹³ <https://kknews.cc/zh-my/military/lxng84g.html>

❖ **Tongfang Global Inc.**

RECEIVED \$150,000-\$350,000 IN PPP LOANS

PARENT COMPANY, TSINGHUA TONGFANG GLOBAL (600100.SS)

- 1) Tongfang Global Inc. is a California-based subsidiary of Beijing-based Tongfang Global, which is majority-owned by China National Nuclear Corp. (CNNC).
- 2) Tsinghua Tongfang has participated in Chinese civil-military fusion programs and states on its website that it is significantly involved in civil-military fusion research.¹⁴
- 3) CNNC has significant control over nuclear research and development in China and began deploying floating nuclear power plants on Beijing's illegal, militarized islands in the South China Sea in 2017.¹⁵
 - China National Nuclear Corp. has also worked extensively on Iran's nuclear program.
 - In June 2020, CNNC was included on a list released by the Pentagon of Chinese military-affiliated companies.

❖ **Phoenix Satellite Television (U.S.) Inc.**

RECEIVED \$350,000-\$1 MILLION IN PPP LOANS

AFFILIATE COMPANY, PHOENIX MEDIA INVESTMENT HOLDINGS (2008.HK)

AFFILIATE COMPANY, PHOENIX NEW MEDIA (NYSE: FENG)

- 1) The company is a subsidiary of China state media conglomerate, Phoenix Media Investment Holdings Ltd., which complies with laws regarding media censorship and state-moderated broadcasting. The CEO and founder of Phoenix Media, Liu Changle, was previously a PLA officer and instructor.
- 2) In June 2020, the U.S. Federal Communications Commission (FCC) ordered a radio broadcasting station in Mexico to cease rebroadcasting Phoenix Radio in Southern

¹⁴ http://webcache.googleusercontent.com/search?q=cache:sEphE0Hd_w4J:www.njtongfang.com/common/wz.aspx%3Fnodeid%3D28%26page%3DContentPage%26contentid%3D232+&cd=1&hl=en&ct=clnk&gl=us

¹⁵ <https://asiatimes.com/2019/03/ocean-going-nuclear-plants-for-south-china-sea/>



California (the Phoenix TV radio station used a tower in Mexico to broadcast into CA).¹⁶ Senator Ted Cruz (R-TX) described Phoenix TV as "a puppet of the Chinese Communist Party that broadcasts propaganda across the United States."¹⁷

❖ **RenRen US Holdco, Inc.**

RECEIVED \$1-2 MILLION IN PPP LOANS
PARENT COMPANY, RENREN INC. (NYSE: RENN)

- 1) RenRen US Holdco'S parent company RenRen Inc., formerly known as Xiaonei Network, is a Chinese social networking platform that serves a similar purpose as Facebook and operates in compliance with Chinese censorship and media laws and regulations.
 - According to various sources, RenRen employs strict censorship and blog posts using sensitive keywords like Tiananmen Square Massacre or Falun Gong, or political topics, are manually censored by site administrators.¹⁸

¹⁶ <https://www.scmp.com/news/china/diplomacy/article/3090791/why-us-worried-about-chinese-language-radio-station-california>

¹⁷ <https://www.reuters.com/article/us-usa-china-radio-idUSKBN23T366>

¹⁸ [https://www.reuters.com/article/us-markets-stocks-ipos/could-renren-be-vulnerable-in-a-chinese-crackdown-idUSTRE74606V20110507;](https://www.reuters.com/article/us-markets-stocks-ipos/could-renren-be-vulnerable-in-a-chinese-crackdown-idUSTRE74606V20110507)