Zhou Enlai, in the wake of Nanchang mutiny debacle, escaped to Shanghai in November 1927 and established CCP Central's special work committee that oversaw the special action division [i.e., ‘zhongyang te ke’] for executing traitors and providing security. In a matter of two years, CCP Central's special work committee, other than setting up over a dozen businesses, infiltrated into police bureau of International Settlement and French Concession, Shanghai garrison command center, Shanghai municipal government, court houses, embassies and news agencies.

The most exemplary "red terror" acts orchestrated by Zhou Enlai included the execution of Heh Jiaxing and Hao Zhihua couple, the shooting-death of traitor Bai Xin and his wife, and the killing of Gu Shunzhang's whole family. On April 25th, 1928, Heh Jiaxing and Hao Zhihua, for betraying communist leader Luo Yinong, were hit in a hotel by Chen Geng after Yang Dengying validated the identities with settlement police superintendent. On November 11th, 1929, Chen Geng and seven red death squad hitters, consisting of Kuang Jijun and Xiang Xingnian, ambushed Bai Xin and Wang Ying in front of Fan Zhengbo's home before the couple was to depart Shanghai for asylum in Italy. When Gu Shunzhang was captured by SODID (Social Organization Department of KMT Central Executory Committee) agents and consequently surrendered to the government in April 1931, Zhou Enlai promptly ordered the whole family of Gu Shunzhang, including visitors, to be strangled and buried underneath cement floor of several detached houses in Shanghai’s settlement territory.

Gu Shunzhang left Shanghai on March 31st, 1931 for arranging underground tunnel so that Zhang Guotao and Chen Changhao could enter Hubei-Henan-Anhui Soviet enclave. After seeing Zhang Guotao and Chen Changhao board the bus for Macheng on April 8th 1931, Gu Shunzhang indulged himself in joining the magician shows in Wuhan. CCP traitor You Chongxin, sent to the downtown streets by Cai Mengting, recognized Gu Shunzhang from an advertising and subsequently caught Gu on the street. Gu Shunzhang immediately surrendered to KMT authorities. Before Cai Mengting sent Gu Shunzhang to Nanking, Cai Mengting transmitted six telegraphs to Xu Enceng for personal decoding. Unfortunately, Xu Enceng went to Shanghai with the sister of his mistress while CCP top mole Qian Zhuangfei deciphered the wires and immediately notified Shanghai’s CCP Central of Gu Shunzhang betrayal. (Xu Enceng, a returnee of US college, was hired by Chen brothers as a crony of Wuxing native town of Zhejiang Prov, while Qian Zhuangfei obtained the trust of
Xu Enceng as a crony of Huzhou native town of Zhejiang Province. Zhou Enlai personally made arrangement for Qian Zhuangfei, Li Kenong & Hu Di to be under the direct leadership of Chen Geng, i.e., 2nd section chief of CCP's special task division.

Qian Zhuangfei, after sending his daughter-in-law to Li Kenong’s place in Shanghai on the night of April 26th, personally, in the morning, went to Shanghai's CCP hideout where he met with Nie Rongzhen. CCP leader Zhou Enlai, being shocked by this news, made immediate arrangement for the 500 CCP staff in Shanghai to change localities. A special meeting was called, with participants including Zhou Enlai, Xiang Zhongfa, Lu Futan, Luo Dengxian, Chen Geng, Chen Yun, Li Qiang [Zeng Peihong] and Bo-gu [Qin Bangxian]. Chen Yun proposed the extermination of Gu Shunzhang and related family members who knew too much. Xiang Zhongfa opposed indiscriminate killing. Kang Sheng advocated massive scale killing. On the night, two cars arrived at 802 Weihaiwei Road and killed the wife and family of Gu Shunzhang, including several visitors among whom would be Si Li [i.e., the brother of Si Lie the 2nd Division Chief of KMT 26th Corps responsible for bloody crackdown on communists on Baoshan Road in Shanghai in April 1927 as well as setting free Zhou Enlai]. Bodies, totaling 30-40 persons, were recovered from 4-5 different localities after communist assassin Li Longzhang [Wang Shide] confessed after being caught in the process of killing CCP traitor You Chongxin in Wuhan. On Nov 19th 1931, Gu Shunzhang broadcast a bonus for catching Zhou Enlai in Shanghai's newspapers, while Mao Tse-tung issued a most-wanted order for Gu Shunzhang on Dec 1st inside of Jiangxi Soviet.

Zhang Daofan, a returnee with a French woman, had close relations with dual agent Yang Dengying [Bao Junfu]. Zhang Daofan colluded with Cai Mengjian in covering their ass on the pretext that it was Chen Lifu who made arrangement for Yang Dengying to work in Shanghai's KMT investigation section. Yang Dengying was released after a few months inside of KMT prison and later appointed a post in KMT government in Nanking, while Gu Shunzhang himself was put to death as a result of his antagonism against his KMT master. Yang Dengying's personal driver was Lian Desheng the CCP agent from special task force, and the vehicle itself was purchased by Gu Shunzhang as a gift. Yang Dengying, back in 1930, had asked British police in releasing CCP leader Ren Bishi. When communist defectors, like Huang Dihong, Dai Bingzhi & Chen Weinian, contacted KMT investigation section, they invariably fell into the hands of Yang Dengying and subsequently got executed by CCP. After communist takeover, in 1951, Yang Dengying, working as a cigarette vendor, was arrested as a reactionary and was spared death after exclaiming the name of Chen Geng. Yang Dengying ultimately died of persecutions in 1970 during the cultural revolution.

After Gu Shunzhang was captured by KMT and consequently surrendered to KMT in April
1931, CCP Central special task forces underwent a re-organization, with Chen Yun, Kang Sheng and Pan Hannian etc to lead a "CCP Central Special Task Committee" overseeing the activities of special task forces. Gu Shunzhang was a veteran CCP member who led the workers' uprising with Zhou Enlai in 1927, while Kang Sheng [i.e., Zhao Rong] enrolled in CCP in 1925 and later participated in the 1927 uprisings. CCP Central in hiding nevertheless, the red hit squad, reorganized by Pan Hannian after Gu Shunzhang’s defection, made its first Renji Hospital strike by killing Huang Guohua in the hospital bed, as well as a detective and an Indian guard from the settlement.

With confession from Gu Shunzhang, KMT pierced the cover of CCP leader Yun Daiying who was in custody at a Nanking prison. Yun Daiying was executed on April 29th at the prison. Per Tony Saich, “some 40 other high-ranking CCP members were caught along with 800 others at the local level”. Besides, Gu Shunzhang personally persuaded Lu Futan, Li Zhusheng, & Sheng Zhongliang into surrendering to KMT when they were caught in 1935. Gu Shunzhang proposed ‘spiritual fight’ rather than ‘bodily extermination’ as to communists, taught KMT agents in various training sessions, directly got involved in sabotaging CCP organizations in numerous cities, and wrote six books on espionage.

1931 was a year Chinese communist cells were repeatedly busted. Two months after Gu Shunzhang, KMT arrested CCP secretary Xiang Zhongfa. In July, Hu Zhangyuan, prior to a forced relocation to southern China, jumped ship over Luo Qiyuan’s sexual attempt at using his wife Chen Xiaomei as a mistress-secretary, which led to the arrest of Luo Qiyuan and Yang Paoan as well as the destruction of communist Red Flag Daily. In August, senior communists Guan Xiangying, Lin Boqu, Xie Juezai and Wu Yuzhang were arrested by settlement police, for which Zhou Enlai spent huge amount of bribery money to get them released.

In 1931, Comintern’s Far Eastern Bureau, which had a full house of notable agents such as Ignatiyi Rylskii (chief), Gerhart Eisler, George Hardy (in charge of Profintern), and Alex Massy (in charge of Communist Youth League, CYL or KIM), was hit by Dai Li's spies when Noulens [Yakov Rudnik] and his wife, under the cover as secretary general of the Pan-Pacific Trade Union, were arrested by the Shanghai Municipal Police. The Noulens, with real names Yakov Rudnik (1894-1963) and Tatyana Moiseenko (1891-1964) Jacob Rudnik and Tatiana Moiseenko, spherically acting as secretary for the Pan-Pacific Trade Union Secretariat, was an agent under Comintern’s international liaison department known as the Division for International Communications. Prior to Gu Shunzhang's arrest, Noulens had attempted to send some Soviet military advisers to the Red Army enclave, i.e., Gajlis, Malyshev, and Feldman. however, the three advisers failed to penetrate to the Soviet enclaves. To rescue the Noulens, Richard Sorge, the GRU resident agent (later known as NKVD codename "Ramsay" in Tokyo), immediately radioed Moscow for bribe funds to
secure the release of the Noulens. Russian Red Army’s intelligence service redundantly dispatched to China two agents, including Otto Braun. (The Noulens did not get released from prison till August 1937 as a result of Chiang Kai-shek refusal to exchange prisoners and hostages with USSR. The couple left China in July 1939.)

Nevertheless, CCP death squad continued to hit back against the government agents. Under the guidance of Ursula Ruth Kuczynski (known as Mrs. Rolf Hamburger), Li Shiyings hit squad, on May 6th, 1932 and in broad daylight, assassinated Cao Qingcheng, a staff from Shanghai police supervisory board and formerly a communist working for the Consolidated Trade Union of Shanghai. Before taking off for Moscow, Kuczynski donated defense funds to leftist lawyers Tang Hao, Shi Liang and Zhang Shizhao on behalf of assassins caught red-handed by French Concession police. In late 1932, Ou Yangxin, authorized by Pan Hannian to eliminate Huang Yonghua, had Kuang Huian (Gong Changlong) and his hit team kill Huang Yonghua (successor to Wang Bin and Cao Qingcheng) and Huang Yuansheng brothers inside of the elevator of East Asia Hotel.