And the winners are...

Top stock market regulator Yi Huiman launched Shanghai’s STAR Market a year ago – we look at which IPOs performed best
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But within a year, the project lost traction. Aside from the dotcom bubble’s implosion, the fundamental issue was the shortage of tech firms in Hong Kong itself and across the border.

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How much has the tech board raised?

In just 12 months, the STAR Market has made a quantum leap to become Asia’s second biggest growth market for technology companies, hosting 133 listings worth a total of Rmb2.8 trillion ($400 billion). The largest tech exchange was its Shenzhen cousin ChiNext, with a capitalisation of Rmb9.2 trillion. However, six times more firms are listed on that bourse, which was set up 11 years ago. (Hong Kong’s GEM board is languishing at a meagre $14.6 billion, with a daily turnover of less than $50 million last month.)

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companies that had long been shut out of the country’s main exchanges – owing to restrictive regulations – as well to frenetic trading activity. More often than not, companies that went public on the STAR Market were rewarded with big first-day share price “pops”. Tapping a total of Rmb150.7 billion from the primary market, firms listed on the board saw an average first-day spike of 163%, with their prices hitting 110 times their earnings at one point. At least eight companies jumped fivefold from the offering prices. The lofty valuations, critics warned, were out of touch with fundamentals.

Loose liquidity aside, the frenzy, which seems to have defied the coronavirus pandemic and mounting geopolitical risk, would not have been possible without more relaxed rules that were tailor-made for the new bourse.

Aside from streamlining the IPO application system, the board accepts companies that have yet to make a profit, or that possess weighted voting rights. Caps on valuations, limits on first-day market moves and the rationing of the number of IPOs were also dispensed with (new listings in more established stock markets in China cannot price their IPOs at more than 23 times earnings and face a 44% ceiling for first-day share price moves).

“The STAR Market has changed the listing criteria from sustainable profitability to sustainable operating ability, which allows companies with core technologies and a long cash-conversion cycle like us to successfully go public,” Qi Xiangdong, chairman and CEO of Qi An Xin, a cybersecurity firm, told Xinhua.

In the first half of this year the board helped Shanghai become the world’s second largest IPO hub, with STAR contributing 45% of the total funds raised in the city.

Enabling a wider range of companies to go public, the board has also minted 13 billionaires. Top of the rich list is Chen Tianshi from Cambricon Technologies (see WiC487). With a 38% interest in the Beijing-based artificial intelligence chipmaker, the 35 year-old founder, formerly a computer science professor at the Chinese Academy of Sciences, saw his net worth swell by Rmb42 billion as of July 22.

Second is Zhao Yan from Bloomage Biotechnology (see WiC470). Her 59% stake in the world’s largest maker of hyaluronic acid dermal fillers has added Rmb40 billion to her personal fortune, making her the 12th richest self-made woman in the world, according to the Hurun Research Institute.

As the STAR Market continues to shine – with average daily transaction volumes more than double their initial levels – Shenzhen’s ChiNext Board is also planning to adopt similar IPO and trading rules. Currently it is home to 833 companies.

**Which firms are the heavyweights?**

For much of the past year the biggest company listed on the STAR Market was Beijing Kingsoft Office, a spin-off from the software enterprise associated with Xiaomi’s boss Lei Jun (see WiC476). Worth around Rmb177 billion as of July 22, the creator of WPS Office, China’s answer to the Microsoft Office suite, has seen its market value multiply nearly nine times since its flotation last November. Its share price got an extra boost in February, thanks to MSCI’s decision to include it in two major indices. Sentiment on the stock was also buoyed by the coronavirus outbreak which forced more people to work from home.

However, more recently Kingsoft has been edged off the top spot by Semiconductor Manufacturing International Corp (better known as SMIC). Investor enthusiasm for China’s largest chip foundry pushed its market capitalisation to Rmb590 billion on its debut on the A-share market this month. It raised Rmb46.3 billion, the largest in China’s onshore market in a decade. The stock’s turnover was high too – in marked contrast to its American Depositary Receipts in New York which were only thinly traded in the prior 16 years (see WiC454).

Although SMIC is still far from mastering the know-how to produce the 7-nanometer chip that its Taiwanese rival TSMC has been manufacturing since 2018, investors seem sanguine that the
Shanghai-based foundry will eventually make the necessary jump thanks to government support.

Guosen Securities, a state-owned brokerage, believes SMIC’s valuation has the potential to surpass not only TSMC (which broached $400 billion this week) but also Kweichow Moutai, currently the most valuable A-share.

A preferred stock among foreign investors, baijiu distiller Moutai had a market value of Rmb2 trillion as of July 24.

Guosen Securities’ prediction for SMIC might look a stretch. However, it is not alone in forecasting that investors will reallocate more of their money from the ‘old economy’ stocks listed on Shanghai’s main bourse (such as banks and baijiu makers) to tech counters.

Which are the best market performers so far?
Among the companies listed on the STAR Market, 30% are involved in making high-tech equipment; 26% in software and information technology; 25% in telecommunication and electronics; and 16% in pharmaceuticals.

Firms in the semiconductor industry particularly stand out as some of the most highly traded and best performing. Take National Silicon Industry Group (NSIG). It was the first Chinese firm to mass produce 300-millimetre silicon wafers (the highest standard is 450mm) and has returned 1,054% since its share offering in April. That made it the biggest market winner year-to-date.

Founded in 2015, NSIG was established by the National Integrated Circuit Industry Investment Fund (see WiC271) in a bid to break foreign dominance in silicon wafer manufacturing. Despite supplying France’s Soitec and America’s Qorvo, its global market share remains only 2%. But surging orders from local chip makers, due partly to US export bans, are expected to help the company scale up. The consensus forecast is that NSIG will turn profitable this year, with full-year revenues of Rmb2.3 billion, more than eight times the figure from four years ago.

In terms of market turnover, microelectronic equipment maker AMEC, short for Advanced Micro-Fabrication Equipment China, and Montage Technology, a fabless memory interface developer, have been the second and third most traded stocks on the board, respectively, behind SMIC.

Backed by venture capital from the Shanghai government and Qualcomm, AMEC initially focused on making the etching machines used in wafer manufacturing. In 2017 it made a breakthrough in producing metal-organic chemical vapour deposition (MOCVD) equipment that is essential for making light emitting diode (LED) semiconductors. The following year the 16-year-old company broke the sales stranglehold of existing stalwarts such as Aixtron from Germany and Veeco from the US, and accounted for 41% of the global market.

Following a deal to build manufacturing facilities in Jiangxi province in 2018, AMEC has been on the receiving end of government subsidies. In the first four months of this year it was given a total of Rmb178 million, roughly the size of its net profit from 2019.

Montage Technology is another investor darling due to its leading position in the market for memory interface chips, with a 46% share. The company, in which Intel has a 9% stake, has been setting the standard for each generation of data buffers (a part of a physical memory storage unit that’s used to temporarily house data) since 2011, counting Samsung Electronics, SK Hynix and Micron among its key customers.

On its debut (which occurred on the STAR Market’s first trading day), Montage Technology’s share price closed 202% higher than its offering price. Since then its valuation has risen to Rmb93.5 billion, or 19 times
Talking Point

what it was worth when it was taken private from Nasdaq in 2014.

Outside of the semiconductor sector, QuantumCTek has made an impression by delivering the largest first-day jump of any Chinese initial public offering in history. Making a leap of 924% on its maiden trading day, its new shares were valued at 499 times trailing earnings.

Founded in 2009 by Pan Jianwei (see WIC 465), a world renowned scientist in quantum communications, the Hefei-based company sells technology and equipment that prevents encrypted messages from being hacked – providing a failsafe method for distributing secretive digital keys among scattered parties. Not surprisingly, its technology has a high national security component.

As of the end of 2018, the total length of China’s quantum communications network had reached 7,000 kilometres of optical fibre; of which over 85% had adopted technology supplied by QuantumCTek. Its customers are mostly contractors in large-scale communication infrastructure buildouts – predominantly commissioned by local governments.

Between 2017 and 2019, the annual sales of QuantumCTek’s quantum key distribution machines were around 650 units (below its production capacity of 951). Prices having fallen by a quarter to less than Rmb300,000 per unit, notes Sina, a local news portal.

Which companies are poised to be the next stars?

Ant Group, the operator of China’s largest mobile payment services platform Alipay, is undoubtedly the standout candidate. Its planned dual listing in Hong Kong and on the STAR board could see the crown jewel of the sprawling Alibaba empire sell up to 10% of its shares in what might be the world’s biggest ever IPO.

In its last financing round in 2018 the fintech unicorn was valued at $150 billion. The rapid expansion of its business – which runs the gamut from micro lending, wealth management, insurance, credit scoring to B2B technology services – has reportedly pushed its worth to at least $200 billion in the private market.

For comparison, global payment processing giants Mastercard and Visa have market capitalisations of $307 billion and $419 billion respectively. E-wallet provider PayPal is valued at $207 billion.

In the last financial year Ant’s pretax profit was estimated at around Rmb28 billion, according to Shenwan Hongyuan, a Shanghai-based brokerage. That puts its compound annual growth rate since 2013 at 58%.

But Ant should not be valued as a pure play financial services firm says its CEO Hu Xiaoming, who is hoping to draw 80% of Ant’s revenue from selling technology services to businesses within five years, up from the current 50%. The shift will see Alipay evolve into a super-app hosting millions of mini-programs servicing merchants and consumers.

Another pillar of its profit growth is its blockchain solutions, which have been deployed in shipping and insurance claims processing and around 50 other areas. To promote wider adoption, Ant has launched a dedicated workstation (similar in size to a laptop) that it claims to be able to speed up blockchain transaction processes substantially.

Another factor: Ant’s extensive investments across the world. In the last five years it has invested in over 160 companies, including India’s Paytm and UK-based WorldFirst. Such determined dealmaking has a goal to bulk up Ant’s customer base to 2 billion from the current 1.3 billion globally.

What else is ahead?

The South China Morning Post believes Ant’s decision to list on STAR will jumpstart “a positive feedback loop of deeper secondary market trading that attracts still more companies”. Geely Auto, Great Wall Motor, CanSino Biologics (see WIC 492) and CSPC Pharmaceutical (see WIC 500) are some of the Hong Kong-listed firms that have already announced plans to raise new funds on the STAR board.

The so-called “A+H shares” capital structure should put mainland companies in an enviable position, where they can tap foreign institutional money from the H-share

Ant attack: Alibaba’s fintech arm poised for a STAR debut
market in Hong Kong, and simultaneously enjoy the relatively high valuations that onshore Chinese investors tend to give.

A case in point would be SMIC, whose Shanghai stock price was roughly triple that of its Hong Kong counterpart on its debut. The same is true for drugmaker Shanghai Junshi Biosciences.

Meanwhile the STAR 50 Index has so far returned 47.7% year-to-date. Launched on July 23, the new benchmark tracks the 50 largest companies on the board. However, because the STAR 50’s compilation methodology requires companies to have traded for at least six months it still excludes more recently listed giants like SMIC. These could boost the index later this year when they become eligible.

Somewhat belatedly the compiler of the Hang Seng Index also unveiled a tech benchmark five days later to keep tabs on the performance of the top 30 (out of 163) tech companies listed in Hong Kong. With Alibaba, Tencent, Meituan Dianping, Xiaomi and Sunny Optical carrying a combined weight of more than 40%, the index has climbed 30.6% this year through July 28. Chinese tech firms will be even more influential after the imminent listing of Ant. (Ride hailing firm Didi Chuxing is reportedly looking for a Hong Kong listing this year as well.)

As the STAR Market celebrated its first birthday, the lock-up period for many of the shares held by founding shareholders, venture capital funds or institutional investors also expired. That means 3.1 billion of additional shares – worth about Rmb188 billion – are set to join the free float. That has put some investors on edge as such a sudden influx could trigger a sharp sell-down. Companies on the STAR Market are now trading at close to 100 times trailing earnings on average, versus a multiple of just 34 for Nasdaq stocks, or 45 for the major tech stocks in Hong Kong.
Chinese Foreign Minister Wang Yi has been busy on the phone this week, including a conversation with his British counterpart Dominic Raab, Xinhua reported. Wang told Raab that China has always been “an opportunity rather than a threat” for the UK, following an increase in tensions between Beijing and London after the UK reversed course on allowing Huawei into its 5G network. The Chinese warned of retaliation but have so far refrained from taking action.

Shares in Qualcomm climbed more than 10% on Thursday after the US firm said it has resolved a patent dispute with Huawei. This will see the American chip designer collect catch-up payments of $1.8 billion from the Chinese telecom giant, as well as formalising future revenue streams.

Tesla’s sales in China climbed more than 100% on the year over the second quarter to $1.4 billion, according to an SEC filing. That means China now makes up 23% of Tesla’s total revenues. Meanwhile, Chinese EV maker Li Auto (known as Lixiang in China) is expected to raise up to $960 million in an initial public offering on Nasdaq, Bloomberg has reported. KE Holdings, a Chinese property platform known locally as Beike Zhaofang, is also planning to brave geopolitical tensions and raise $2 billion in the US.

A group of investors in TikTok’s parent company Bytedance led by fund houses Sequoia and General Atlantic have offered to take over the popular video app, valuing it at about $50 billion, Reuters reported.

Bytedance is considering a range of options for TikTok in the face of political pressure in a number of markets to ban the app, which is wildly popular with teenagers.

Tencent surpassed Facebook to become the world’s most valuable social media firm on Tuesday. A 45% share price rally this year sent Tencent’s market value to $670 billion on Tuesday, as compared with Facebook’s $658 billion.

Two of China’s biggest three internet firms have clashed over smartphone payment gateways. Meituan Dianping recently dropped Alipay (operated by Ant Group, in which Alibaba has a major shareholding) from its popular all-in-one app, creating consternation. Meituan boss Wang Xing responded in a social media post pointing out that Taobao, which is owned by Alibaba, doesn’t support Tencent’s payment app WeChat Pay. Meituan had previously blocked Alibaba’s payment platform briefly in 2016 and 2018.

Wanda Hotel, a unit of Chinese property conglomerate Wanda Group, announced a deal to sell its 90% stake in Chicago’s hotel-residential complex known as Vista Tower for $270 million. The Hong Kong-listed firm’s share price spiked more than 80% at one point on Thursday.

Taiwanese pop star Jay Chou held his first livestream on Chinese video-sharing app Kuaishou. He performed a magic trick in his debut with 68 million viewers tuning in at one point.

Jay Chou made a successful livestreaming debut

Vista Tower: Chicago property sold by Wanda

Photo: Reuters
Once upon a time the United States supported Chinese territorial claims in the South China Sea. The American military even gifted a fleet of vessels to the Chinese navy (then virtually shipless) to claim the Spratly Islands, which are now claimed in part by Brunei, Malaysia, the Philippines and Vietnam. The biggest of the islands was even renamed Taiping in honour of one of the warships that sailed there following Japan’s surrender after the Second World War.

But this was in 1946 when mainland China was still controlled by Chiang Kai-shek’s Kuomintang (KMT). The Taiwanese still control Taiping (also known as Itu Aba, the largest of the naturally occurring islets in the Spratlys), a legacy of the KMT fleeing to Taiwan in 1949.

That made it a flashpoint again two weeks ago when US Secretary of State Mike Pompeo declared that Chinese maritime ambitions – in this case, the People’s Republic of China – in the region were “completely unlawful”.

Pointedly, the statement came out on the fourth anniversary of a judgement from an international tribunal at The Hague that rejected Chinese claims to the Spratly archipelago. It was the first time that the US government had publicly endorsed the ruling, although the announcement from Washington was still a little awkward. Although the US government now supports the tribunal’s decision, America is not a signatory to UNCLOS – the Law of the Sea Convention that underpins the verdict (while China is a party to UNCLOS, Beijing refused to participate in the 2016 arbitration and rejected its decision outright).

The same ruling, which included the designation of the island of Taiping as a rock and not an island (and thus not entitled to a 200-nautical mile exclusive economic zone) angered some in Taiwan because it assigned the territory a status that eroded Taiwanese claims to the same jurisdictional reach.

So there was a furore when Taiwan’s government issued a statement apparently welcoming Pompeo’s comments on the tribunal earlier this month.

Ex-KMT leader and former president Ma Ying-jeou was the first to speak out, challenging his successor, Tsai Ing-wen of the Democratic Progressive Party, to defend Taiwan’s “sovereignty”.

“Is our foreign ministry also suggesting that Taiping is a rock but not an island? How would our soldiers defending Taiping Island feel in the face of such self-castration?” he asked. Ma also challenged President Tsai to visit Taiping – just as he had done himself in 2016, a few days before stepping down as the island’s leader (he brought back a bottle of fresh water as proof that the territory is self-sustaining).

As Taiwan’s United Daily News notes, Tsai’s administration has found itself in a more difficult position as tensions harden over claims to the disputed waters.

Chen Hu, the editor of World Military Affairs, a Beijing-based magazine run by a division of the army, even speculated earlier this month that the American military might seize Taiping (with its 1.2-kilometre runway) as a springboard, should it decide to launch attacks on other islands in the South China Sea under Beijing’s control. The Economist has also been warning of a growing risk of military conflict in the area, advising that “the last place the ministers want to be is in the middle of a clash between the South China Sea’s two big fish”.

Rodrigo Duterte, president of the Philippines, the nation which brought the case to The Hague in the first place, has taken that advice, declaring on Monday that he didn’t favour confronting Beijing over the South China Sea as it was “already in possession of the property”.

But Tsai’s approach has been less conciliatory, including angering Beijing this month with a $620 million purchase of an upgraded missile system from the US (see WiC505). That was another reminder that Taiwan remains the ‘most disputed’ island of all and could also trigger a ‘hot war’ (see page 20).
Past experience means America’s overseas diplomats must keep an eye on the emergency exits. The last-gasp airlift from the embassy roof in Saigon in 1975 is one of the most dramatic of their departures. Staff in Tehran didn’t get out in time four years later when students burst through the gates, taking a number of hostages.

The closure of the American consulate in Chengdu on Monday hardly bears comparison to those two crises. Indeed, the atmosphere in Chengdu was more cordial last week than in 1999, when crowds threw stones at the American embassy in Beijing after the inadvertent bombing of the Chinese embassy in Belgrade by the US military.

This time around the expulsion of the US officials was a tit-for-tat measure, made in response to the shutting down of the Chinese consulate in Houston this month.

State department officials allege that the consulate was a staging point for Chinese spies trying to steal information from universities in Texas, although the Chinese government rejected the accusations, lambasting the closure as an unprecedented breach of diplomatic etiquette.

The consulate in Chengdu was last in the spotlight in 2012 when it provided temporary refuge to Wang Lijun, a former police chief trying to defect after falling out with his boss Bo Xilai, a Communist Party supremo now doing jail time for abuse of power (see WiC138).

While Wang was inside the consulate the building was surrounded by police. Last weekend it was crowds circling the premises, waving Chinese flags and taking selfies as they waited for the consulate to close. State broadcaster CCTV even set up a livestream to monitor the scene, including a bout of booing from bystanders as a bus left the building, AFP reported.

That gave the proceedings something of a pantomime feel, matching events in Houston when Chinese diplomats were jeered as they left their mission for the last time.

Soon afterwards a group of men crow-barred their way inside the Houston premises, prompting another furious complaint from the Chinese foreign ministry.

Decent dramas need villains and there’s been a discernible change in how Mike Pompeo, the US Secretary of State, has been talking about the target of the American action, with 27 mentions of “Communist” China or its ruling Communist Party in one of his speeches last week.

“If we bend the knee now, our children’s children may be at the mercy of the Chinese Communist Party, whose actions are the primary challenge today in the free world,” he warned.

Chinese Foreign Minister Wang Yi led the fight back in comments to his counterpart at the German foreign ministry, in which he painted Pompeo and his colleagues as agent provocateurs.

“The current difficulties are com-
pletely created by the US side. Its purpose is to disrupt China’s development; it unscrupulously resorts to all means to this end,” Wang was reported as saying by his ministry’s website.

Away from the rhetoric there’s an argument that the two closures have been calibrated more carefully, with neither side wanting to trigger another escalation in events.

Houston ranks lower down the pecking order of the Chinese missions in the United States, while the Chinese chose Chengdu in response, rather than one of the larger American consulates in Guangzhou or Shanghai.

Shutting the US embassy in Beijing would have been a bombshell, and any order to close the consulate in Hong Kong would also have been political dynamite, following Beijing’s passing of a new national security law there this month (although a majority of readers polled by the Global Times still wanted the American consulate closed in Hong Kong, with many claiming that US officials have been interfering in local politics).

The question now is how the Sino-US mood might worsen in the weeks ahead. One possibility is that President Trump brings a formal end to the trade talks between the two governments, something that he signalled in mid-July with comments that he was “not interested” in engaging in a second round of negotiations.

Vice-Premier Liu He and US Trade Representative Robert Lighthizer are still expected to meet next month, although it’s hard to see how much progress can be made in the current context.

Perhaps more ominously, the Chinese military is currently running live-fire drills in the South China Sea at a time when the US air force has been flying more surveillance missions across the region.

Chinese Foreign Minister Wang Yi

Chinese netizens have been banging the war drums after coverage of the American missions on state television, with some calling for the aircraft to be shot down.

Another option that Washington is said to be considering is banning members of the Chinese Communist Party (and their families) from entering the United States.

Backers of the policy think that it would create huge inconvenience for senior members of the Chinese government and their relatives, as well as many of the country’s most successful businesspeople, which could pressure President Xi Jinping to adopt a more accommodative stance.

One of the estimates in the American media is that a travel block could apply to as many as 270 million Chinese (on the basis of about 92 million Party members, plus their spouses and children), although an obvious administrative challenge for a blockade would be identifying the people who can’t come into the country. After all, Party membership is not something that is easily verifiable by US border officials.

Zhengxu Wang, a professor at the School of International Relations and Public Affairs at Fudan University, told the South China Morning Post last week that the impact of a ban is also being overstated, because most of the people in the targeted group have little reason to visit the US. All the same, a block on those that do need to travel would wreak further damage on the American economy, he warned, not just from businesspeople unable to visit but also because of another drop in the number of families sending their children to the US to study.

In the meantime there is a sense that the Chinese government is bidding its time until the end of the year, when they are counting on a change of personnel at the White House. But although a Joe Biden victory in the presidential election might allow for some kind of restart on some issues, there’s always the risk that campaigning season stirs up more anti-China sentiment too.

“There are no illusions about restoring relations back to the good old days, but a new president at least provides a chance to reset relations,” an unnamed Chinese official told Reuters last week. “After all, you can’t get a worse relationship than the current one.”

Interestingly, as vice-president Biden spent a couple of days with Xi Jinping in Chengdu in 2011 in a bid to get to know China’s then future leader better. They met five times and enjoyed an informal dinner (see WIC19). That, at least, means there is at least some personal history between the two men and perhaps the foundations of a future relationship.

That said, the wider context to Sino-US relations is now very different to back then. And the consulate’s closure means that a return visit to Chengdu looks pretty unlikely, even if Biden wins November’s election.
An important new relationship is crystallising in the electric vehicle (EV) sector, although few feel confident enough to hazard a guess about where it might end up. During Tesla’s second quarter earnings call last week, the company’s founder and CEO, Elon Musk, confirmed that it is starting volume production with a new battery supplier in China, Contemporary Amperex Technology (CATL).

The Chinese company is supplying its lithium ferro phosphate (LFP) batteries for the Model 3 cars Tesla makes in Shanghai. Musk said that this will allow existing suppliers LG Chem and Panasonic, to ramp up production of their rival lithium ion phosphate (L-ion) batteries for pipeline products such as Tesla’s new truck (the Semli), which require batteries with higher energy density.

Does this new relationship mean that CATL (see WIC499) will become to Tesla what TSMC (an R&D-led manufacturer) has been to Huawei? Certainly, a battery is as integral to an EV as a computer chip is to a smartphone.

Tesla is likely to score a lot of political points with the Chinese government by endorsing a domestic company as a key technology supplier. However, Musk has also predicted that Tesla’s own energy storage and battery business will be as large and as important as its auto one in the not too distant future. The latter’s huge potential is one reason why Tesla’s share price has shot up 5.2 times over the past year.

One of Tesla’s biggest advantages over other auto manufacturers is its vertical integration, which has positioned it at the technological cutting edge across the entire value chain, batteries included.

It intends to stay there. To this end, it purchased San Diego-based battery company Maxwell Technologies last year so it could get its hands on the latter’s dry electrode capabilities.

So would a better analogy of the relationship between Tesla and CATL be the one between TSMC and Intel? The US chip company is also vertically integrated, but it is now turning to TSMC for some of its advanced production needs after falling behind the Taiwanese firm in rolling out the latest manufacturing technology.

Tesla situation here differs too – but by diversifying its battery suppliers after formerly relying on Panasonic (then adding LG Chem) and now CATL, it is also demonstrating that it won’t be beholden to a single manufacturer.

It’s possible to stretch the chip analogy even further. Battery and chip production share many similarities, not least the fact that both industries are engaged in a process of constant and costly technological evolution.

The power and range of EVs, for example, depends on improving battery energy density (getting more energy per unit of space) in the same way that a chip’s power is determined by how many more transistors can be crammed onto it. What differentiates the two and complicates battery production is the unstable nature of the various chemical elements that make batteries work. A compromised battery is a fire risk, not a good look for a car.

Japan’s Toyota has spent the past decade trying to achieve break-
throughs in this area through solid-state technology – replacing flammable liquid electrolytes with solid non-flammable alternatives. Earlier this year, it partnered with Panasonic and has since developed a working prototype with potentially eight times more energy density then current batteries.

However, solid-state batteries are still viewed as a ‘potential’ rather than an actual technology. They have a tendency to warp after repeat charging and therefore have a short shelf life.

Battery producers face similar problems with nickel. Higher concentrations produce higher energy density but can lead to thermal runaway (overheating).

This has been exacerbated by the desire to reduce the amount of cobalt in L-ion batteries. Cobalt is more stable than nickel but it has sourcing issues (much of it is mined in the Democratic Republic of Congo; see WiC329) and cost concerns (it is a rarer mineral).

This is why the latest L-ion technological iteration, known as NCM811 or NCA811, have ratios of 80% nickel, 10% cobalt and then either 10% manganese (LG Chem) or 10% aluminium (Panasonic). The previous generation, known as NCM622/NCA622, had 60% nickel, then 20% cobalt and 20% manganese or aluminium.

Raw material costs are particularly important as they account for around half of a battery’s price tag. Half of that ratio again comes from the cathode (where the nickel, manganese and cobalt are deployed). Power is generated when lithium ions travel through a conductor (electrolytes) from an anode (the negative pole normally made from carbon) to a cathode (the positive pole) and back again.

LFP batteries have less energy density, but on the plus side, their production costs have dropped substantially over the past five years. The costs are now almost comparable to L-ion batteries (Rmb0.55 to Rmb0.6 per kilowatt hour vs Rmb0.5 to Rmb0.55). During the earnings call, Musk said their efficiency has also improved enough to install them in the Model 3.

CATL says it can now make a battery with an average life span of 16 years. This is double the current industry standard.

What is not clear is whether the two companies have developed the super-long-life battery together, as Reuters reported in mid-May, or separately, as Tesla also has a long-standing relationship with Canada’s Dalhousie University. All is likely to become clear during Tesla’s battery day in mid-September (postponed from the spring because of Covid-19).

In the meantime, CATL is forging ahead with an ambitious plan to launch more production capacity (52GWh) than it actually sold in output terms in 2019 (40.25GWh). The Shenzhen-listed company has just completed an Rmb19.7 billion ($2.81 billion) capital raising led by Hillhouse and Honda Motor.

Honda’s decision to buy 1% of CATL’s outstanding equity is part of a wider partnership between the two companies to co-develop battery technology. This fits with CATL’s strategy of working with many different auto companies, unlike local rival BYD, which until recently kept its battery business largely to itself.

This diversification is what has helped the Ningde-based company develop from a very low base just five years ago to become the country’s leading producer. Domestic partnerships with Chinese companies including BAIC (since 2016), SAIC (from 2017), Dongfeng (beginning 2018) have been followed more recently by tie-ups with foreign automakers including BMW and Volkswagen.

So far most of CATL’s output has found a domestic home, with overseas sales accounting for less than 5% of the total in 2019. The construction of its first overseas factory in Germany should change that proportion.

Reportedly CATL has also invested in a battery-as-a-service (BaaS) company being established by Tencent-backed EV start-up, NIO, – enabling batteries to be swapped out once they reach their shelf life. The idea is to separate the business of selling, installing and managing electric car batteries: just as fuel retailers are distinct from the manufacturers of combustion engine-based cars.

Last week CATL also set up an investment unit that will target downstream companies so it can expand its presence across the wider energy storage sector. As Sina Finance concluded, “the route to becoming a hegemon is by splashing the cash”.

At the moment CATL is a B2B company. But the way the energy storage business is evolving, it could well end up being just as much of a B2C one too.

Over the short-term, it is likely to get a boost too from a new government initiative to promote EV ownership in rural markets, with an announcement last week that local governments would offer subsidies to promote the sales of 10 domestic EV companies.
After attending a much-feted internet conference in Wuzhen in December 2017, Apple’s CEO Tim Cook met two up-and-coming businesspeople.

One was Meituan Dianping’s founder Wang Xing, with whom Cook shared a few pan-fried buns and soup dumplings at Dahuchun, one of Shanghai’s favourite restaurants. Meituan went public in Hong Kong less than a year later and has displaced Baidu as the third most valuable Chinese internet firm (see WiC498).

Cook’s encounter with Wang captured a lot of the media attention. There was only a brief reference to his visit on the same day to a factory in Kunshan where Apple’s AirPods are made. Wang Laichun – the chairwoman of Luxshare – didn’t even warrant a mention.

The rise of this ‘other Wang’ over the past three years has been equally spectacular, however. The share price of Luxshare’s Shenzhen-listed unit has jumped more than 400% in the same period. As of this week, it was worth Rmb370 billion ($52 billion), as much as Taiwan-listed Hon Hai Precision, better known as Foxconn, which has long been Apple’s most important contract manufacturer.

Also going by the English name Grace, Wang is now one of the richest women in China, if not the world. Staying out of the spotlight in the past was probably part of her long-term plan. She was formerly a factory worker at Foxconn and she has never hidden the fact that she set out to copy her former employer’s business philosophies – including shunning the limelight in striving to become a reliable but low-profile supplier to the world’s most famous tech brand (see our Ask Mei column in WiC489 for our first mention of the Luxshare founder). Yet times are changing as her firm emerges as a major competitor to Foxconn. Wang is going to find it harder to stay out of the headlines.

Last week Luxshare announced the acquisition of two factories in China from its Taiwanese counterpart Wistron for Rmb3.3 billion. Taiwan’s Economic Times was one of a number of newspapers from the island to report that Foxconn’s boss Terry Gou was “shocked” by the deal, prompting a new instruction to his senior executives to draw up plans to fend off Luxshare’s challenge.

Luxshare has been encouraged “to challenge Foxconn” by Apple, Nikkei Asian Review reported in May. Luxshare has been in talks for more than a year to make a major investment in Catcher Technology, an iPhone and MacBook metal casing supplier from Taiwan, according to the Japanese news outlet. Apple wants Luxshare to finalise the deal as a way of cementing a “competitive [mainland] Chinese assembler” to counterbalance its Taiwanese suppliers, including Foxconn.

If completed, the investment in Catcher would give Luxshare more know-how in iPhone assembly and bring it a step closer towards becoming a more integrated manufacturer with operations across more of Apple’s supply chain – a position established only by Foxconn in the past.

Negotiations with Catcher broke down in June because its asking price was too high, Nikkei reported, but Luxshare managed to get some of what it wanted by turning to another Taiwanese firm in Wistron.

The deal has broken the Taiwanese manufacturers’ stranglehold on the assembly of iPhones – a state of affairs since the smartphone brand was launched in 2007, the Economic Times suggests. Tim Cook is playing the role of the “grandmaster” in managing Apple’s partnerships in the supply chain, the Taiwanese newspaper said. The emergence of a major mainland Chinese supplier (and a potential price war with Foxconn) will be “a situation that Apple is happy to see”.

According to Huxiu, a news portal, there were eight mainland Chinese-owned manufacturers in Apple’s supply chain back in 2012. The number had increased to 30 last year (plus 10 from Hong Kong), although 46 Taiwanese firms are still the most concentrated grouping.

Luxshare’s purchase of the Wistron assembly lines has also
Retail purchase

E-commerce giant buys shops

At a time when many malls are short of traffic, shops are closing and retailers are going bankrupt, JD.com surprised the e-commerce sector last week by completing the purchase of white goods retailer Five Star Appliance for Rmb1.5 billion ($208 million).

JD.com already owned 46% of Five Star, acquiring the remaining stake to broaden its offline sales channels. Earlier this year, the e-commerce giant bought $100 million worth of convertible bonds from Gome, one of China’s largest sellers of electronic goods and appliances. There have been other investments in mobile phone and accessories retailer D.Phone, as well as in Lenovo’s smart retail unit Lecoo.

JD.com and Five Star first linked up in April 2019, when the e-commerce giant purchased a stake in the Jiangsu-based retailer for Rmb1.3 billion. Founded in 1998, Five Star Appliance has more than 700 stores, although sales stalled again last year, dropping 4% compared with a year before to Rmb12.5 billion.

“Many of Five Star’s stores are concentrated in Jiangsu province, where consumer spending power is relatively high and the retail industry is well-developed. At the same time, it also has a presence in third- and fourth-tier markets. Coupled with JD.com’s strong buying power and logistics infrastructure, it can quickly expand in these places,” Chen Tao from Analysys, a market research firm, told Securities Daily.

The combination of the two retailers saw Five Star direct more than 500,000 of its customers to its e-commerce partner, while JD.com has contributed Rmb300 million in sales to the retail chain over the least year, the companies claim.

Proponents of the tie-up also argue that the physical experience of shopping, with face-to-face service, helps to spark spending on higher-end goods. “I have a friend who saw a cheap Xiaomi TV online so I introduced him to the store to have a look. After going to the store, he not only bought a TV but also a Casarte [a brand from Haier] refrigerator and a washing machine – products worth more than Rmb30,000,” Pan Yiqing, an analyst, told Leju Caijing.

JD.com has run a few experiments of its own in bricks-and-mortar retail. But the self-created stores have underperformed. “Although JD.com’s physical stores have been in business for many years, the actual effect hasn’t been satisfactory. A lot of consumers complain that their offline store brands are confusing and the management is messy,” commented the China Household Electrical Appliance Association.

JD.com’s swoop on Five Star is consistent with the wider trend of e-commerce firms expanding into offline markets. The strategy is based on providing an “omni-channel” experience for customers, as well as capitalising on the warehousing and logistical capacities of the more traditional retailers.

Last year Suning, backed by Alibaba, bought an 80% equity stake in Carrefour China, as well as 37 department stores from Dalian Wanda. Pinduoduo, another huge online sales platform, joined JD.com in subscribing for $200 million convertible bonds in Gome as well.

“Alibaba, JD.com, Tencent and Baidu have all been expanding their footprint offline. In the last two years, the e-commerce firms have mainly targeted consumer appliances and fast-moving consumer goods. Through further capital injections, the trend of increasing their influence in the offline market and fully integrating it with their online businesses has become even more obvious this year,” reckons Li Chengdong, an angel investor.

Others are more sceptical that the Five Star deal will bring significant growth for JD.com, however, following years of decline in its share of retail sales. “Only time will tell whether Five Star Appliance is a scrumptious cake or an unpredictable trap,” the China Household Electrical Appliance Association opined.
For thousands of years scholars have enjoyed the highest social status in China. The Confucian value system afforded them great respect, asking that they eschew money-making and focus instead on their studies in the hope that their knowledge would contribute to the wellbeing of society at large.

That's why it was a more dubious honour when Wu Yiling, founder of Yiling Pharmaceutical – a star performer in the A-share market because of a patented drug said to combat Covid-19 (see WiC493) – was dubbed by local media as the “richest academician” from the Chinese Academy of Sciences (CAS).

Wu’s success will have inspired other scientists in the State Council’s leading research institute to commercialise more of their R&D results more quickly. But the same trend has just laid waste to a key CAS research unit in Hefei, a growing hub for tech start-up and venture capital investment.

The Institute of Nuclear Safety Technology (INEST) almost imploded last month when 90 scientists and researchers resigned on the same day. The reasons for their sudden departure were not immediately clear. INEST told local newspapers that the exodus was part of “normal staff turnover” and that some of its employees had been “poached” by a private sector company. But the scale of the exodus hints at something out of ordinary.

About 200 people work at INEST and 80% of them have PhDs. The institute was set up in 2011 after a tsunami triggered a meltdown at Japan’s Fukushima plant. Leading nuclear scientist Wu Yican was appointed to head the unit, with a key research focus on the development of “mini” nuclear reactors.

A report by the People’s Daily in 2016 claimed that CAS had achieved a “technological breakthrough” that could lead to the creation of nuclear power generators the size of cargo containers. Relying on a lead-based compound as coolant, these mini reactors could avoid nuclear disasters of Fukushima’s scale, the newspaper speculated (and possibly power China’s next generation of aircraft carriers, it has been claimed).

Wu is a demanding boss who insists on monthly reports of how many hours his staff have worked in overtime, Caijing magazine says. A keen volleyball fan, he also organises regular training where it is an unspoken rule that everyone needs to take part.

So the departing staff were fleeing a tyrannical boss? Possibly not, it seems, because Caijing says that the leaving group were poached by a private sector firm called Frontier Development of Science (FDS), which is closely linked to their former boss.

FDS specialises in the commercial application of nuclear technology. CBN, a newspaper, reports that both FDS and INEST have described Wu as their research director and both have embarked on similar research. It is not clear if CAS or INEST has a stake in FDS. But the media speculation is that a plan to speed up the commercialisation of INEST’s R&D work – including a potential listing on Shanghai’s STAR bourse (see page 1) – is the major reason for 90 of the scientists resigning at the same time.

The resignations have rattled some of Beijing’s senior leaders. A statement published by the State Council last week suggested that Vice Premier Liu He (head of the team tasked with negotiating a truce in the tariff war with Washington) has sent a special team to Hefei to investigate. That announcement also made INEST’s predicament public and the institute quickly became one of the most searched terms on Baidu and Sina Weibo.

A role at CAS was once a dream job for aspiring scientists but researchers are trading in the job security at the state-owned academy for better financial prospects in the private sector, the South China Morning Post said. “Authorities must examine whether scientists are being given a fair deal,” the newspaper added in an editorial.
Back to black
Another boom in coal-fired power plants in China

Coal has no place in Covid-19 recovery plans. So said UN secretary-general Antonio Guterres at an energy summit recently. But has that message reached the Chinese, who account for half the world’s coal demand?

In 2019 coal consumption in China rose 1% to 3.8 billion metric tonnes, according to consulting firm Enerdata.

Over the past decade demand was up 15%, compared to a 50% decline in the United States over the same period. US consumption was down to 0.5 billion metric tonnes in 2019, a 12% reduction on 2018. Europe registered an even more impressive 15% decline in the same year.

There has, however, been an improvement in China’s energy mix, with coal-fired power dropping from 72% of the total in 2009 to 58% a decade later, following heavy investment in renewables. Yet there are concerns the government will turn back to dirtier power in a bid to pump prime an economy ravaged by Covid-19.

The government released a draft law in April that proposes to give renewable energy providers preferential access to the national grid. But the same piece of legislation doesn’t cover China’s energy exports. A report by the Global Energy Monitor and Centre for Research on Energy and Clear Air says that Beijing’s Belt and Road Initiative (BRI) is going to be a major polluter, for instance.

“Where new coal plants are still pursued globally, they’re most often backed by Chinese financiers, exposing the country to overcapacity risks elsewhere in the world in addition to massive overcapacity at home,” the report concluded.

Back in China the government is working through approvals for more than 40GW of new coal capacity made over the first half of this year. It has already approved more new coal-based power plants this year than in the whole of 2018 and 2019 combined.

Most of the new projects are being fuelled by the activities of local government, funded by stimulus spending. The problem is that the new capacity is unlikely to be retired for years. Some policymakers in Beijing are clearly concerned, with six ministries endorsing a statement last month calling for clean energy to be prioritised. But there were no proposals on how to rein in the surge of approvals for coal-fired power.

Proponents of the new plants counter that they are cleaner and more efficient than their predecessors, allowing the shutting down of older and dirtier capacity. This consolidation process is supposed to offset some of the impact of the construction plan.

Something similar is happening among the miners: last month Shandong’s two largest coal firms said they would be merging to create the country’s second largest producer.

Additionally China Energy Magazine has reported that another three state-owned coal groups – Yangquan Coal, Shanxi Jincheng and Lu’An Mining – are combining in Shanxi province as well.

When Covid-19 was at its height in China there was a substantial reduction in energy demand, which translated almost immediately into clearer skies above most cities (see WiC485). Campaigners hoped that it might be a seminal moment in steering the country towards a greener future but others predicted that there would be a reckoning once the government tried to get the economy firing again.

United Nations boss Guterres made the same point in comments to Tsinghua University in the last week of July. The recovery from the pandemic was a “make-or-break moment” for the planet, he insisted. China’s actions would determine whether the world achieves global warming targets laid out in the Paris climate accord too.

“As an economic superpower, the way in which China restores growth will have a major impact on whether we can keep 1.5C within reach,” he warned.

“There is no such thing as clean coal,” he added. “It is deeply concerning that new coal power plants are still being planned and financed, even though renewables offer three times more jobs, and are now cheaper than coal in most countries.”

Photo: Reuters
Martian chronicles

China launches its first planetary probe to look for water on Mars

Turns out you can’t just launch a Mars mission at any old time. There is a brief window of opportunity every 26 months when the Red Planet aligns with Earth, vastly reducing the distance between the celestial bodies.

This window is the reason that three Mars launches have been scheduled for late July: the UAE’s Hope probe (launched July 20), China’s Tianwen-1 (launched July 23) and America’s Perseverance (launched yesterday).

The Tianwen-1 is China’s second attempt at a Mars mission – in 2011 it launched the Yinghuo-1 orbiter in conjunction with a Russian spacecraft. Unfortunately, the burners on the Russian craft did not activate at the crucial moment, causing the two vehicles to fall back to earth.

This time China used its own rocket, and the Tianwen-1 rover has its own delivery system designed to get it all the way to the Red Planet, including the so-called ‘seven minutes of terror’ – the infamously difficult journey from the top of the planet’s thin atmosphere (where temperatures reach 870 degrees centigrade) to its windswept surface.

A total of 44 Mars exploration missions have been launched since 1960s, Xinhua noted, but only about half have succeeded. The success rate for landing is even lower, and only the United States has succeeded in a soft landing on Mars, leading many scientists to dub the planet “the space graveyard”.

Therefore, if China succeeds in getting its first rover onto Mars intact it will be a huge achievement.

Tianwen-1 mission takes off

“Mars exploration is one of the important symbols of a space power. The successful implementation of China’s first Mars exploration mission will put China in the advanced ranks of international space exploration,” the Beijing Evening News quoted Zhao Xiaojin, a Party official with responsibility for space exploration as saying.

The Tianwen-1, whose name is taken from the title of a 2,200 year-old Chinese poem meaning ‘questions to heaven’, is expected to reach Mars in February next year. After entering orbit, it will then spend another two to three months surveying suitable sites for landing.

If all goes to plan it will then spend 90 Mars days (one Mars day is equivalent to one day and 37 minutes on Earth) exploring the planet’s surface using an orbiter satellite and a rover. The six-wheeled rover will deploy ground-penetrating radar to study Mars’ internal structure and look for pockets of water, according to state media.

In order to land safely on Mars the rover will have to reduce its speed from 20,000 kilometres an hour as it enters the planet’s atmosphere to almost zero as it makes contact with the surface. To do this it will need to deploy reverse boosters and a parachute. It will also have to hover over the planet’s surface to find a flat site for landing.

China has emerged as an ambitious and competent space power in recent years, with the country landing a rover on the far side of the moon in January 2019 – a first in human history (see WiC436).

It is also building a manned-space station – the core model of which is scheduled to be launched later this year.

To celebrate Tianwen’s successful launch CCTV scheduled a 10-part mini documentary Hello Mars detailing the technical challenges the scientists have had to overcome.

The Beijing News pointed out that Tianwen-1 was launched on time despite the coronavirus outbreak earlier this year.

“At a time when the US is provoking troubles and suppressing China’s science and technology, the launch is a vivid portrayal of China’s aerospace spirit, and a powerful symbol of economic and social recovery,” the newspaper added.
Women are taking over Chinese television this summer. *Sisters Who Make Waves*, which debuted on Mango TV, the online streaming platform owned by Hunan Satellite TV, has taken top billing, with critics delighting in a format that embraces older women (see WiC500). But another drama about three women in their thirties has also been making waves. *Nothing But 30*, which is broadcast on Dragon Satellite TV and streams on Tencent Video, centres on the lives of three women in Shanghai as they navigate the different challenges they face in their relationships, families and careers.

Perhaps the most talked about character on the show is Gu Jia (played by actress Tong Yao). She is a stay-at-home mother and her husband is a wealthy chief executive of a fireworks production company. But the plot makes it clear that Gu, smart and savvy, is the real reason behind his success. She also won’t take no for an answer: when her son is rejected by one of the most coveted international schools in Shanghai, she befriends the wife of a school trustee in the hope of getting him a place.

Another character is Wang Manni (Jiang Shuying), an ambitious migrant worker. As a sales executive with a luxury fashion brand, she has to deal with office infighting, as well as discontent from her parents, who constantly nag her to return to her hometown and settle down.

The third woman on the show is Zhong Xiaojin (Mao Xiao tong). She also works and is married too but she and her husband have little in common, with each living their own lives (she is a cat-lover and he is obsessed with fish). One day Zhong finds that she is pregnant. Her husband, who had a traumatic childhood, is adamant about not keeping the child. What will she do?

The female ensemble has generated a lot of buzz on social media, often from viewers who say the stories have tapped into the contemporary life of many women in China.

“The series has become hugely popular because it tackles a lot of cruel realities that women in their 30s encounter. For instance, how do you choose between family and career? Does a child’s education always have to be a move onward and upward? How do marriage and love coexist? Do we love fiercely or do we settle for a peaceful life? The plot really addresses these questions,” reasons Jieman, a news portal.

“I have watched the show since the beginning and it has brought many emotions to me – that is, it is really hard to be a woman: we work hard every day and we don’t complain; when we don’t speak up we are bullied; and those of us who have a little bit of money have to watch out for other women who want to steal our husbands,” one viewer claimed.

Another gushed: “After watching the show, I suddenly felt that being 30 is not only about getting married, having children or having a career. Even if you are 30 and you are single and your career is not where you want it to be, so what?”

Zhang Xiaobo, the director, said age is less important in his view than attitude. “In my mind, 30 is just a number and the ‘so what’ is the real drama. In this contemporary drama I didn’t want to deliberately create too much anxiety or be overly sensational. But I wanted to portray reality and characters that are colourful, that could touch our audiences and prompt some introspection,” he told Jieman.

The show has still faced criticism for its portrayal of some of Shanghai’s more crass consumerism. In one of the most widely circulated
Red Star: Yamy

Who is she?
Yamy, whose real name is Guo Ying, found fame when she appeared on the reality show Produce 101 on Tencent Video. With her versatile rapping and dance background, the 28 year-old Guangdong-native was voted onto the 11-member pop band Rocket Girls. But just two years after its formation the group announced in late June that they had parted ways.

Why is she in the news?
Last week, Yamy wrote an emotional weibo post detailing the emotional abuse she claims to have endured from Xu Mingchao, chief executive of JC Universe Entertainment, her talent manager.

“Since Produce 101, I’ve had netizens calling me ugly and old,” the former leader of the girl band wrote. “As an artist, I know that I can’t escape criticism… But the self-confidence that I painstakingly built up crumbled three months ago. Xu Mingchao, the boss whom I trusted and relied on the most, asked all the staff to talk bad about me during a meeting.”

She went on to post a voice recording which included Xu criticising her looks. In the clip Xu could be heard saying, “Tell me. Do you think Yamy is pretty?... She’s really ugly. This is the truth. What else is there to say? She’s so ugly. She’s really, really ugly. She’s so ugly, and that’s the truth. Is there anyone who doesn’t acknowledge this?”

He went on to make fun of her fashion choices. “Yamy thinks she’s stylish but do you think she’s fashionable? Every time she shows up in the office she dresses like a hedgehog… She was never stylish,” he mocks.

According to Yamy, it is not the first time Xu has verbally abused her. “You’re the boss and I’m just one of your staff. Perhaps I won’t be able to earn [a speck of] the money that you’ve made in my lifetime, but that doesn’t mean that my job is worth less than yours. You might not think I’m beautiful, but that doesn’t mean you can trample all over my dignity,” she wrote.

An ugly exchange
After a torrent of criticism, Xu published an open letter to Yamy on social media. But instead of saying sorry he accused her of using the voice recording as ammunition in a bid to cancel her contract with his agency. “If your only motive is just to break the contract, there is really no need for this big publicity stunt,” he wrote, adding that he would not apologise to the pop star.

Interestingly, there were supporters of Xu’s position, who claimed that, as a manager, he has the right to critique his artist. “When we talk about Yamy we are not talking about her as a person but Yamy as a product. For a lot of these ‘traffic stars’ [i.e. young celebrities that generate a lot of traffic on social media], image, strength and even personality are all attributes of a product that the company creates,” one netizen argued.

Others pointed out that Xu’s comments exemplify the kind of everyday sexism that many women in China endure. “Being judged for their physical appearance is something almost all women have experienced when growing up. Some men feel like they have the power to critique – and to demean – women’s appearances based on their own aesthetic and taste. In fact, a lot of men deliberately trample [on women] to maintain their male privilege and superiority,” commented Jiemian.

As the row continued to worsen this week Xu threatened to take Yamy to court if she insists on breaking her management contract.

Insiders said the fracas did not bode well for the young star’s future: “A lot of celebrities have broken up with their management companies in the past but they have all had to pay an enormous amount of money for terminating their contracts or risk being ‘frozen’ [i.e. seeing their jobs cancelled]. That can ruin the career of someone who just got their start in the business. Perhaps, as Yamy has predicted, she will be relegated to the role of a backup dancer again,” warned Tencent Entertainment.

“After Rocket Girls disbanded, all the girls now have to rely on the resources of their management company to stay in the business. Yamy’s termination of the contract at this time means she will lose the opportunity for her career development. From this perspective, Yamy has already fallen behind the other members of Rocket Girls significantly. If the lawsuit drags on, after a year and a half, who is going to remember her?” another entertainment critic warned.
videos online, Gu is seen carrying a limited-edition Chanel shoulder bag to a social gathering where the rest of the wealthy wives show up with Hermès Birkin bags. Gu later discovers that she has been cropped out of the group photos that the housewives have posted on social media. So to impress them, she works her connections and tracks down a more vintage brand of Hermès bag so that she is accepted by the group at the next gathering.

As Gu’s husband asks incredulously, “What kind of bag is more expensive than a car?”

Still, the popularity of Nothing But 30 adds to the suggestion that audiences are becoming more discerning in their choice of female-led TV series. “Fans are no longer satisfied with female characters that are ‘simple, silly and sweet’ as portrayed in regular TV dramas. Instead, they want to see characters that are not only mature, but also financially and emotionally independent,” concluded Yiyu Guancha, a news site specialising in the entertainment industry.

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With the shutdown of the Chinese consulate in Houston and the tit-for-tat closing of the US consulate in Chengdu, Sino-American hostility seems to be reaching a hysterical point. What may come next? If Chinese social media is any indicator, a military conflict, or a ‘hot war’, between the two superpowers is one of the more likely scenarios.

In the past week I have seen a noticeable increase of war-related discussions on WeChat and Sina Weibo. On Tuesday, a friend posted the Chinese version of the 2016 report War with China: Thinking Through the Unthinkable by the RAND Corporation, a US think tank. He commented that whether we like it or not, the possibility is no longer as unthinkable as it seemed just a few weeks ago and that we should all be prepared for war. While few people believe that all-out confrontation is likely, many think that some kind of low-to-medium-level military conflict is possible, especially in the South China Sea.

Hu Xijin, editor of the Global Times, a nationalistic newspaper, is one of the most vocal voices. “Even though most Americans may not want to go to war, their rampant populism and their displeasure at China’s rapid development may be exploited by Trump to deflect blame for his failures,” he warned in a video posted on weibo. “In this situation, Americans may prefer to side with their own man than with rationality.”

Hu added that the Chinese should give up hopes that the American government will alter its attitude towards China even if the Democrats win the White House in November’s election: “China needs to be ready for more extreme and riskier provocations from America. Hurry up and make more nuclear weapons which can serve as a deterrent to those mad Americans,” he urged.

His post received close to 100,000 likes and 15,500 comments overwhelmingly supportive of his views.

There are opponents of this kind of view. One popular article carried the headline I’m not Weak but I Prefer Peace between China and America. Its author Ouyang Qian, a writer and boxer, ridiculed warmongering friends who “can’t even sustain a few punches in the ring yet they are calling for war with America”, and he called nationalistic voices like Hu Xijin “exquisitely self-serving” as people who will never go to the battlefield, only offering verbal barbs. He also blamed so-called “wolf warriors” for the deterioration in Sino-US relations and reminded readers that China’s economic success in recent decades was largely due to the “reform and open” policies that brought the country into the global market. “Peace should be the guiding principle, because every Chinese life is precious and everybody has family and friends. Focusing on economic development and eradicating poverty should be our top priority,” he urged.

As a globalist who has family and friends in both China and America, I hope that cooler heads will prevail and that all the talk of war will just be talk and never become reality.

A native Chinese who grew up in northeastern China, Mei attained an elite university in Beijing in the late 1980s and graduate school in the US in the early 1990s. Over two decades she has worked in the US, Hong Kong and mainland China, both in the media and with two global investment banks, where she has honed her bicultural perspective. If you’d like to ask her a question, send her an email at askmei@weekinchina.com
Peking duck

Protection of pets in focus as bird is stolen

Pure white plumage, round head and a small but fat shape – call ducks with their adorable appearance are becoming rising stars in China’s pet market,” China Daily informed its readers last year. A shop in Guangzhou was even making a living from customers wanting to spend time with them, the newspaper added.

But for many other Chinese, ducks are still best understood as something that goes into the oven, it seems.

The nation now reports some 90 million registered pets, with many more unregistered ones. Pet ownership has exploded in recent years with the Ministry of Agriculture finally reclassifying dogs as ‘companion animals’ rather than ‘livestock’ earlier this year. Dogs have also been dropped from the list of 31 animals permitted to be raised for human consumption (see WiC491).

However, pet ownership is still a relatively new phenomenon and the Chinese people can classify the same animal or bird in very different ways – as a recent case from Hebei illustrates.

A duck, which was raised as a pet by the friend of well known actress, was stolen this month by a passerby and slaughtered for its meat. According to media reports it was a costly domesticated call duck – and the incident sparked discussion when celebrity Wang Luodan revealed her friend’s dismay at the pet’s loss online. The prevailing view on social media was that the person who nabbed it was a thief for taking another person’s property. However, the belief was also widespread that rural folk could never comprehend the idea of keeping a duck as a pet and so the thief could not be held responsible for any further emotional distress her actions may have caused. “Different social circles have different understanding,” wrote the Shandong Daily, adding that it would be difficult for “a farmer woman at the grass-roots level” to imagine someone spending thousands of renminbi to keep a duck as a pet.

At the other end of the spectrum are the people who love their pets so much that they are buying insurance to cover the veterinary expenses in case they fall seriously ill. Alipay now wants to expand that market by launching its own range of dog and cat insurance. And to prevent fraud each policy will be linked to its holder by the unique nose print of the animal concerned.

Alipay says its nose recognition technology has a 99% accuracy rate. But creating the nose-print record has been a challenge, the head of its insurance division, Wang Feng, explained to the Global Times. “First getting a clear image of the pet is difficult because they don’t cooperate well with humans; second, animal’s facial features are different from humans, which means we find them harder to identify and compare. And we don’t have a lot of photos of pets’ noses, so its harder to build an algorithm,” he said. Less than 1% of pets are covered by insurance, compared to 25% in the UK, for instance.
Herd immunity: Peppa Pig gets a clean as a cinema in Beijing readies to reopen, having been shut during the worst of the coronavirus outbreak

Politics and the pandemic

“The comments are untrue and unacceptable and without any foundation, for that matter”

Tedros Adhanom Ghebreyesus on the claims made by US Secretary of State Mike Pompeo to UK politicians that the World Health Organisation head was “bought” by China. Tedros said he was focused “on saving lives” and that he wouldn’t be distracted by the allegations.

In Numbers

$130 billion
Purchases that China needs to make in the remainder of the year to honour a trade agreement signed with the US in January, Bloomberg calculates. China has only met 23% of the target in the first half, despite a recent increase in buying.

5,111
The length in kilometres of the China-Russia East Gas Pipeline, according to PipeChina, a company created in December to take over the pipeline assets of the big three state-owned oil producers including CNPC and Sinopec. Construction has already started on the southern portion of the crossborder link, which is expected to be completed by 2025, delivering 18.9 billion cubic metres of natural gas to the Yangtze River Delta region.

Rmb100 billion ($14.3 billion)
The fundraising target of another bailout fund for state-owned enterprises, Sasac has announced. Intended to help SOEs avoid bond defaults, it is being established by China Reform Holdings and 31 other centrally-controlled SOEs.

19.5%
The proportion of their time online that Chinese internet users spent watching short videos in June, estimates QuestMobile, a local research firm. Tencent commanded 39.5% of the total time spent online, with Bytedance second on 15.3%.