Foundering foundries

Thousands of Chinese companies have ploughed into the semiconductor sector but some see parallels with the Great Leap Forward as chipmakers go bust
Drawing on Nikita Khrushchev’s prediction in 1957 that the Soviet Union would overtake the United States as the leading industrial power within 15 years, Mao Zedong told counterparts in Moscow that China could overtake the UK in the same timeframe.

It formed the basis of one of the slogans of his Great Leap Forward campaign: “Surpassing Britain and catching up to America”.

The original idea was to boost steel production to exceed Britain’s in 15 years, before drawing level with the Americans in about 50 years.

But Mao became more ambitious as the movement developed, prompting his planners to make bolder projections. One of the revised plans suggested that the Chinese could surpass the British in steelmaking in just two years (by 1959, or the second year of the 2nd Five-Year Plan). It prompted a directive for the nation to go all-in on steel production, with villagers throwing their farming tools and even their cooking woks into clay-clad furnaces in their backyards.

Most of the steel that was made proved substandard and the campaign contributed to a disastrous famine that may have killed more than 30 million people (an official count of casualties has never been released; see WiC98).

The Chinese government will soon announce its 14th Five-Year Plan. Today’s policymakers stick more closely to economic reality than in Mao’s time. Yet some of the slogans from the Great Leap Forward era have returned to the newspaper headlines. That’s because China is grappling with another major challenge – this time in trying to reach parity with the US in key technology, primarily semiconductors.

In fact, there’s been a frenzy of activity as semiconductor firms set up across the country. But with news of a number of these businesses going bust there is also talk about how the Chinese will avoid the same mistakes of a “rash advance” – a term China’s Communist Party has used to describe much of the activity in the Great Leap Forward – in today’s semiconductor sector.

What is at the heart of the matter? Rather than steel, semiconductor chips are the latest focus for a self-sufficiency drive. The sense of urgency grew two years ago, with Washington’s sanctions on ZTE (see WiC406), which saw the Chinese telecom equipment firm crippled by its reliance on American chips.

ZTE stayed afloat after paying a $1
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billion fine to the US government. A personal phone call from Xi Jinping to his American counterpart Donald Trump then delivered a reprieve from the US president that John Bolton, the former National Security Advisor, described in his book as an act of “personal whim and impulse” (see WiC502).

Personal relations between the two men have frayed since then and repeated executive orders from Trump have blocked companies around the world from doing business with ZTE’s bigger rival Huawei, which admits that its world-leading smartphone business will be close to shutdown once its inventory of processing chips runs out.

The US sanctions also warn foundries such as Taiwan’s TSMC and even mainland China’s state-owned SMIC against supplying Huawei with any semiconductors made with the help of American parts or software – a prohibition that blocks access to the vast majority of the chip market.

In fact, SMIC faces similar threats to its own survival. Earlier this week the US government said it had imposed restrictions on exports to China’s biggest foundry after finding an “unacceptable risk” that SMIC’s chips could be used for military purposes. Suppliers to SMIC will now have to apply for export licenses on a case-by-case basis.

In the wake of what Beijing terms Washington’s “extreme pressure” there’s renewed determination to empower Chinese chipmakers as part of the “China’s heart” campaign (the Chinese word for ‘chip’ sounds similar to ‘heart’).

Along the same lines, there have been calls for “an entire country’s effort”, a government phrase which typically refers to a nationwide campaign to achieve collective goals. Previous instances run from the plan to win the most gold medals at the 2008 Olympics to the rather more important challenge of containing the Covid-19 outbreak earlier this year. But now the same banner is being applied to efforts to wean the country off its reliance on semiconductor imports, which topped $260 billion in 2017, or twice the amount that the Chinese spent on oil imports, according to government data.

**What’s the evidence of a Great Leap Forward in chipmaking?**

A chart showing the number of newly created semiconductor firms went viral last week. First posted by a social media blogger, it summarised data from Qixinbao, an information provider on corporate registrations, in claiming that 9,335 companies had reregistered their business focus as the “semiconductor industry” in the first eight months of the year.

There are now 1,230 firms from Zhejiang province that claim to be semiconductor firms, compared to less than 250 a year ago. The number in Shaanxi – best known as one of China’s biggest coal producing provinces – has jumped more than six times to 905. There are 2,401 such companies in Guangdong and 1,262 in Jiangsu.

Some of those making investments in chips are bigger tech names. The likes of electric vehicle maker BYD, home appliance producers Gree and Xiaomi and internet heavyweights including Alibaba, Tencent and Baidu have all announced plans to fund some form of activity in the semiconductor supply chain.

Whether these larger companies will be capable of making the leap is debatable (chipmaking giants in other countries have specialised in their craft rather than added it as an ancillary business). But the prospects look a lot worse for the thousands of smaller firms with aspirations in the sector, especially those with no obvious expertise.

Entry barriers to the industry are already notoriously high, with long lead times to production and significant capital requirements. Many of the newcomers look unconvincing as would-be semiconductor titans.

“Some of the companies not so long ago were wholesalers of construction materials or doing plastic surgery, candy production, taxation consulting and cultural communication. Now they have suddenly popped up in the semiconductor industry,” Tencent News warned this week.

Take Quanneng Advanced Integrated Circuits, which was set up in 2019 with backing from the Jinan city branch of Sasac (the SOE asset manager). It captured national attention last month, but only because netizens discovered that its four co-founders have the same names as Hong Kong’s four favourite popstars from the 1990s (a certain ‘Andy Lau’ is Quanneng’s co-founder and CEO, and ‘Aaron Kwok’ its vice president).

That alone made internet users question its credibility and Tencent News is similarly suspicious of companies that claim to be in semiconductors, but lack the skillset for success. “Since the ZTE saga in 2018, many observers have predicted that a large number of ‘semiconductor firms’ would pop up, forging new projects or repackaging failed ones, just to make a run for state subsidies,” it declared.

**The telling tale of Wuhan’s HSMC...**

China’s semiconductor sector has a history of fraudulent players. The much-hyped Hanxin (aka ‘heart of the Han [Chinese!]’) processor invented nearly two decades ago was later discovered to be a scam in which workers were sanding off the Motorola brand and replacing it with the Hanxin logo (see WiC406).

Astonishingly, the chipmaker
was still able to drain billions of yuan in state subsidies before being caught out.

The Chinese government is now prepared to splash out even more money to get the job done. Bloomberg reported last month that Beijing is likely to pledge as much as Rmb9.5 trillion ($1.4 trillion) in tech investment in the 14th Five-Year Plan, which is set to be presented later this month at the Communist Party’s Fifth Plenum. Hefty subsidies will be on offer to so-called ‘third-generation’ semiconductor firms.

One of the cities tasked with leading the charge is Wuhan, where the local government has pledged $24 billion (and counting) in a grandiose plan to create China’s ‘Optics Valley’ (see WiC322). However, the city’s reputation as China’s chipmaking capital took a major dent last month when news that HSMC, one of its ‘name card companies’, is going under.

HSMC was set up in 2017 as a joint venture between the Wuhan government and a Beijing-based firm called Guangliang Lantu Technology. There was talk of up to Rmb128 billion in investment. By the end of last year it had drawn down about Rmb15 billion in funding (mostly from the local government) and started building its HQ in a large industrial park in Wuhan. Reportedly it was targeting the production of processors more advanced than the 7nm category – know-how that has eluded the domestic foundries in mainland China (only TSMC and Samsung have mastered next generation 5nm fabs).

However, according to Caixin Weekly, the Wuhan government is already crying foul on HSMC’s construction plan, describing it as “a rotten-tail project” (a real estate term for a developer that fails to complete its work because of insufficient funds). Capital previously pledged by Guangliang Lantu does not seem to have arrived and a EUV (extreme ultraviolet lithography) machine owned by HSMC has been pledged as a collateral for bank loans. That’s a measure of how serious the situation is: EUVs have become rarer commodities in China since market leader ASML came under pressure from the Trump administration to stop exporting them to Chinese firms (see WiC512).

What are the lessons learned?

Outlook, the country’s oldest state-owned weekly magazine, reported this week that construction on 20 semiconductor projects started in the first half of this year, involving investment of more than Rmb60 billion. Yet it warned that the “sustainability of these projects is worrying”, given that six similar ventures, involving Rmb10 billion of investment each, ended up as “rotten-tails” in the past year. For instance, Chengdu Global Foundries and Shanxi Kuntong Semiconductor went bust. Other commentators are adamant that cases like HSMC are costs that will have to be incurred as China strives for a semiconductor sector of its own. They argue that catch-up with the US is inevitable too. The export embargo will actually speed up this process, they believe, despite making things more difficult in the near term.

All the same, newspapers like the Global Times want the government to play more of a role in directing the effort. “It is time to call for rational investment and top-down design by the government to avoid ‘expensive’ failures,” it advised.

In fact, the state has already invested billions in pursuing the policy goals of producing 70% of domestic chip needs by 2025, and reaching parity with international leading-edge technology in all segments of chipmaking by 2030. So far, most of the gains have been made in the areas of assembly, testing and packaging of electronics. Breakthroughs in four key parts of the supply chain – the automation that supports the chip design process; chip manufacturing; and the equipment that chipmakers need for production – have been more limited.

Chinese firms have made progress with foundries that make less sophisticated chips. But they are still largely reliant on foreign technology for the inputs into the production process – hence the concerns over SMIC’s future. And the consensus in the industry is that they are at least 10 years behind their rivals’ know-how. What’s more, each generation of leading-edge manufacturing has a lifespan of between two and four years before it is typically overtaken by newer technology, meaning that China’s challengers must jump a few generations at a time to catch up.
There was excitement and anxiety as China kicked off the eight-day National Day holidays on Thursday. The country’s railway operator is expected to handle 108 million passenger trips in a 11-day span. Following six months of epidemic control, the tourism industry is poised to have one of the busiest ever “golden weeks”, although there are concerns that the tourism boom could also stoke a rebound in Covid-19 cases.

Chinese Foreign Minister Wang Yi is expected to visit Japan early next month to meet his counterpart, the Japanese broadcaster NHK reported. A meeting with Japan’s new leader Suga Yoshihide is also being arranged. The moves followed a phone conversation between Suga and Chinese leader Xi Jinping last week. The latter had planned a state visit to Japan this year before disruptions wrought by the Covid-19 pandemic and escalating Sino-US tension altered his schedule.

The Vatican has denied a request from Mike Pompeo for an audience with Pope Francis, and accused the US secretary of state of trying to drag the Catholic Church into the crossfire of the China-US stand-off. Pompeo was in Rome this week to meet with Vatican officials and reiterated his denunciations of China’s record on religious freedom.

Debt-laden Longjiang Airlines, China’s smallest carrier with a fleet of just five aircraft, was sold for Rmb806 million ($119 million) in the country’s first ever private airline auction. The six year-old airline had amassed Rmb820 million ($120.2) in debts and the winning bidder, a Beijing-based investment consulting firm, could be backed by some of Longjiang’s creditors, CBN newspaper reported.

Baidu’s Smart Living Group, a unit that focuses on making smart devices and services such as the internet group’s AI-powered voice assistant, has been valued at $2.9 billion after a new round of financing from investors including IDG Capital and Citic Private Equity. Baidu said its smart speakers had a 16.7% global market share by the end of June, just behind Amazon and Google.

The Ministry of Agriculture and Rural Affairs has announced a development plan to promote “horse racing and relevant industries”. The document, jointly written with the Administration of Sport, again calls for the introduction of a “guessing lottery” for horse racing.

The transfer window of the Chinese Super League has closed with little fanfare. Following five years of megabuck spending on big-name stars, Sina Sports noted transfer activities have notably cooled following the China Football Association’s newly imposed €3 million ($3.5 million) cap on players’ annual post-tax salaries. Many big clubs like Evergrande made no new signings at all. Tianjin TEDA’s purchase of Brazilian centre forward Tiquinho from Portugese side Porto was the biggest deal in this window.
Until the 1990s observers from the West often mocked China’s so-called ‘old man politics’. That was when the so-called “Eight Immortals” – eight Communist Revolutionaries who took part in the Long March and helped found the People’s Republic – were still influencing Beijing’s decisionmaking.

However, when the Chinese watched how Donald Trump and Joe Biden faced off in their first presidential debate on Wednesday, local social media exploded with memes – this time poking fun at the American political system.

An image grabbed from the American cartoon show The Simpsons soon circulated showing the fictional newspaper headline “Old Man Yells at Old Man”. As one netizen asked on WeChat: “Two 70-something old men taking on each other. Are they really the best that American politics can come up with?”

The more patriotic elements of the Chinese press were quick to comment too. The two political leaders of the US obviously did not show an exemplary role to American people on how to engage in debates. Such chaos at the top of US politics reflects division, the anxiety of US society and the accelerating loss of the advantages of the US political system,” Hu Xijin, the editor of the Global Times, wrote on his Twitter account.

Hu’s Global Times has been taking swipes at the American political system for some time, particularly as Sino-US relations have soured. The ongoing US presidential election has offered plenty of opportunity for the nationalist newspaper to champion what it deems to be the Chinese system’s superiority.

“This debate was like the country: everybody’s talking. Nobody’s listening. Nothing is learned. It’s a mess. This is what most Americans feel after watching the first presidential debate,” an op-ed in the same newspaper suggested.

The China Daily noted the ugly tone of the encounter: “The debate seemed to reveal a genuine dislike between the two men, with no preten- tice of decorum.”

The People’s Daily took a more restrained approach, though the state mouthpiece did object to the way China was referred to by the candidates in the debate. Zhong Sheng, a pen name often used by the Party-run newspaper to express its views on foreign policy, warned: “The general election of the US is its internal affair. China has neither interfered in it nor has interest in it.”

Gu Su, a political scientist at Nanjing University, told the South China Morning Post: “Overall, it was messy and one of the worst presidential debates in many years. There’s no winner in this debate, as it failed to live up to the expectations of the people around the world with respect to the US as one of the most developed democracies.”

The website of Atlanta-based CNN’s ran its own article after the event, which it headlined: “In Trump-Biden debate chaos, China and other opponents of democracy are the big winners”. Its author James Griffiths wrote: “For decades, Beijing has criticised US-style democracy, holding up (very real) flaws in the American system as vindication for Chinese authoritarianism... On Tuesday, Trump helped to bolster that view, and in turn, further erode global confidence in US-style democracy.”

Huang Jing, a US specialist at the Beijing Language and Culture University’s Institute of International and Regional Studies concurred with this view but in a more qualified fashion. “It is a failure on the US’ part. Therefore it is a win for major US opponents, such as China and Russia,” he told the SCMP. “But on the other hand, it also demonstrated the inclusiveness of the US systems.”

It should be pointed out too that only those Chinese with a VPN were able to watch the US debate – doing so online – given that local TV networks couldn’t broadcast it.

Meanwhile Chinese political analysts have warned that Chinahawks in Washington are likely to remain in the ascendant, regardless of whether Trump or Biden wins the election.
Internet conglomerate LeEco and solar energy firm Hanergy are two of the more high-profile companies to run into financial distress in recent years. Before their cash crisis became crippling, both spent heavily on electric vehicle (EV) ventures. Hanergy even flaunted the prospect of a solar-powered car (see WiC333).

There was a certain business logic at the time. Barriers to entry in the sector were seen as insubstantial, with lots of companies declaring an interest. Investment was also welcomed by the government, which wants at least 60% of car sales to be electric by 2035. That raised hopes of policy support and state subsidies.

Perhaps that was a factor in why China Evergrande – the world’s most indebted property firm, according to Bloomberg – opted to bet big on EV as well. Two years ago it took a stake in LeEco’s struggling EV startup (see WiC416), although that partnership soon unravelled. It then secured a large plot of land from the Guangzhou government to start production on behalf of its new EV unit Evergrande New Energy. The same entity received about Rmb3.5 billion ($518 million) of investment from the likes of Tencent and Didi Chuxing in early August.

Getting some of China’s biggest internet firms on board was encouraging news, albeit in a fundraising that looked tiny compared to the parent group’s debt load of about $120 billion, or 4.5 times Evergrande’s market capitalisation in Hong Kong as of this week.

In fact, there have been questions about Evergrande’s financial well-being almost as far back as its initial IPO in 2009. The scepticism intensified last month on news of a new “three red line” test that prevents more leveraged property firms from raising more debt (see WiC510). And investors were spooked again last week when a document did the rounds on social media breaking down Evergrande’s debt load in more detail.

Reportedly, it was part of a petition sent by the company to the Guangdong provincial government pleading for its support for the Shenzhen listing of its main property development unit (no real estate firms have been given the go-ahead to IPO by mainland regulators for nearly seven years). In the event that it was unable to float its core business, Evergrande warned the local bureaucrats it would need to repay more than Rmb130 billion to investors that had provided a pre-IPO financing deal.

The underlying message, Hong Kong’s Ming Pao newspaper noted, was a warning that the repayment would chew up almost all of Evergrande’s available cash, triggering risks for the financial system as a whole.

News of the letter sent Evergrande’s bonds into freefall and the price of its shares in Hong Kong tumbled too. Banks were also reported to be blocking the company from drawing down on unused credit lines.

Evergrande responded quickly with a “Solemn Declaration” to the stock exchange in Hong Kong, insisting that the document was a malicious fabrication (“people with knowledge of the matter confirmed its authenticity,” Reuters countered).

As we reported last month, Evergrande has been championing its biggest-ever apartment sales push and it sent out a separate circular last week underlining that revenues have been robust. But speculation about its financial condition won’t help the sales effort, analysts have pointed out, because buyers could be reluctant to put down deposits on contracts for off-plan homes.

In the meantime Evergrande is pursuing other ways of raising cash, including a spin-off of its property management unit in Hong Kong likely to raise as much as $2 billion. There are reports that Evergrande New Energy – its electric vehicle business – might apply for a secondary listing on Shanghai’s STAR Market as well, although an IPO of its core unit holding most of its real estate assets would do most to stabilise its financial position.

At least there was better news for the property giant on Wednesday, when a group of its strategic investors extended the deadline on the repayment of their loan, giving it more time to find the cash. Evergrande’s shares immediately surged almost 14% as a result. ■
Promising speech
China says it will be carbon neutral by 2060

Chinese leader Xi Jinping must have guessed what was coming at last week’s United Nations summit.

Only a few minutes after US President Donald Trump had blasted the Chinese for “rampant pollution” – citing carbon emissions at “nearly twice” the levels of the United States – Xi grabbed back the headlines by announcing that China was committing to achieving carbon neutrality by 2060.

Few people expected the pledge, which was soon being described as a ploy to outflank the Trump administration on climate change (which gave notice that it would pull out of the Paris Climate Accord a year ago and will exit on November 5).

That’s true: the Chinese are trying to show solidarity with other nations that have promised carbon neutrality, as well as highlight how the Americans are now the outliers in the global warming debate.

China’s critics noted that Xi didn’t offer any details on how China would achieve the net-zero goal. They also query China’s green credentials in the here and now. Pollution has soared since the Covid-19 lockdown was lifted, with emissions from industrial sources soon surpassing pre-pandemic levels. Approvals for coal power plants have surged in the first half of this year as well – to the extent that China now has more coal-fired power in the pipeline than the total fleet of operating plants in the European Union.

There were, however, a few pointers for a carbon-neutral plan in a roadmap published a few days later by Tsinghua University’s Institute of Energy, Environment and Economy, which works closely with the Ministry of Ecology and Environment in projecting long-term climate goals.

The outline is for a more gradual transition over the next 15 years, with a speeding-up after 2035, when emissions should have peaked. Another key component is a massive reduction in coal-fired power to the point at which coal is phased out completely by 2050, primarily in favour of wind and solar power.

That’s a gargantuan task: renewable energy capacity would have to increase by a factor of 15 to give the Chinese a chance of meeting their target. The contribution from nuclear power would have to quadruple as well and regulators will have to repurpose the electricity grid, which favours coal-fired power over renewable sources.

Millions of jobs will also be lost in closing down the worst-polluting industries. Even then, decarbonising the economy completely is impossible, so policymakers will need to promote new techniques for carbon capture and storage.

“We think China will actively increase the ‘removal of emissions’ through carbon sinks – either naturally (e.g. forestry and agricultural methods) or by man-made means (technologically). In this way the ‘net’ emissions account, that is ‘positive emissions’ less ‘removed emissions’, can be close to zero,” explains Chan Wai-Shin, head of HSBC’s Climate Change Centre.

In the short term, the first indications of how Beijing will cut back on carbon emissions should be laid out in the 14th Five-Year Plan, which will be published next March. Commentators are already predicting that there could be a cap on coal as no more than half of the primary energy mix by 2025.

Yet while we wait for more clarity on how the Chinese will deliver on the carbon-neutral goal it is surely significant that a country that generates 28% of the world’s carbon emissions is making a commitment like this. Joanna Lewis, associate professor of science, technology, and international affairs at Georgetown University, argues that Beijing achieves its environmental objectives as well, telling China Dialogue that “almost all of China’s climate and energy targets in recent years have been met or exceeded, so anything President Xi Jinping announces in such a public forum is not just symbolic.”

China’s pledge also puts the onus on other countries to do more to meet carbon-reduction goals themselves. Without a major effort from the Chinese, the world is unlikely to meet the Paris accord’s ambition of holding warming below 1.5 degrees Celsius, compared to preindustrial levels. But if Beijing can make breakthroughs in bringing its own, gigantic carbon footprint under greater control, there are fewer excuses for others that they cannot do the same.
Shale and renewables have transformed the outlook for the energy industry, postulates Pulitzer Prize winner Daniel Yergin in his latest outing, *The New Map: Energy, Climate and the Clash of Nations*. Published last month, the book still concludes that oil will keep its pre-eminent position as “the primary fuel that makes the world go round”.

That didn’t seem to be the case in April, when crude crashed in price at the height of the world’s Covid-19 shutdown. It is now back to $40 a barrel, but that is still a huge drop on its all-time peak at the $147 level in 2008 (and more recently at about $73 in 2018).

The experience prompted BP to state that 2020 could mark peak demand for oil, a decade earlier than it forecast from last year.

Regardless of the UK oil major’s bearish verdict China’s government has spent much of the year taking advantage of low prices to build up its strategic reserve. As we reported in WiC489, by the time it is expected to complete the third phase of its storage capacity build out later this year, China should reach the International Energy Association’s (IEA) recommendation that it holds 90 days of the previous year’s net oil imports in strategic reserve. Energy analysts believe the government will also prioritise a further doubling of the reserve as part of China’s 14th Five-Year Plan for 2021 to 2025.

However, Beijing’s other priority is securing a more stable oil supply of its own. The country’s offshore energy giant, CNOOC, has just taken an important step in this direction by mastering the extraction process for heavy oil. This type of crude is more viscous, and sometimes described as “black mud” because it is more difficult to extract. Heavy oil also accounts for about half of China’s proven reserves in the Bohai Sea (about 4.2 billion tonnes) with an estimated 19.9 billion tonnes available onshore too (3.55 billion tonnes proven).

This is an important national resource in the context of global heavy oil reserves, which stand around the 991 billion tonne mark – though only 126 billion tonnes of the total is thought to be recoverable because of technological limits.

CNOOC has been running pilot tests of heavy oil extraction in the Bohai Sea since 2008. Its new type of platform – which began operations last month – draws on technology adopted from onshore drilling and makes extraction costs much cheaper. A fifth the size and weight of existing platforms, it relies on seawater distillation systems and the injection of high temperatures via a thermal boiler to improve the fluidity of the oil during extraction.

To date, heavy oil production accounts for just 1% of the Bohai Sea’s annual output of 30 million tonnes. CNOOC wants to boost that to three million tonnes by 2025.

The company is also well placed to embark on an expansion cycle after a seven-year efficiency drive to reduce its production costs. It reported another improvement in production expenses in its first half results in August, with costs of $25.7 per barrel, compared to $29.78 at the end of 2019. Back in 2013, the figure stood at $45.02.

Some analysts believe that CNOOC could lead the world’s oil majors in production growth over the next few years if oil prices start to move back towards previous levels. But all three of China’s oil heavyweights have suffered from the implosion in the oil price this year, posting losses and cutting capital expenditures as lower demand for fuel torpedoed their revenues.

CNOOC’s shares are the worst-performing of the trio, losing over 40% since January, compared to a drop of about a third at PetroChina, and a quarter at Sinopec. Over the longer term, capex will recover at the Chinese oil giants, however, underpinned by the country’s determination to improve its energy self-sufficiency and because of the need to replenish its reserves.
Moving the dial

Two Chinese firms eye African payments profit

Chinese entrepreneurs that go to Africa to start a business – as long as they are unafraid of hardship, exhaustion and loneliness – will achieve great success. The chance of succeeding is very high,” proclaimed billionaire Zhou Yahui in a 2019 speech that encouraged more Chinese businesspeople to try their luck on the continent.

Following his own advice Zhou, 43, has focused his managerial attentions on Nigeria’s largest mobile payment company Opay and has relinquished his position as the chief executive of Beijing Kunlun, a gaming company he founded (it owned the dating app Grindr until it was forced to sell its stake by the US government in March).

Zhou (for a profile of the tycoon, see WiC325) has been chairman and chief executive of Opera, a Norwegian browser company, since Kunlun acquired it in 2016. Two years later Opera founded OPay, going on to raise $120 million in a Series B financing from Sequoia China, Meituan and Softbank Ventures last November. In April, OPay claimed to have five million monthly active customers, accounting for more than 60% of mobile money transactions in Nigeria.

OPay’s latest funding will be deployed to expand its reach into Kenya, Ghana and South Africa. But the growth plan will pitch it directly against another Africa-focused fintech start-up called PalmPay, which also raised cash in a seed round last November, getting a $40 million investment from Shenzhen-based Transsion, the leader in African mobile phone sales (see WiC469). The latter’s dominance in the continent has been growing: Transsion’s market share reached 52.5% in 2019, up from 48.7% the previous year, according to IDC. The majority of its sales – under the Itel, Tecno and Infinix brands – are so-called ‘feature phones’, which lack the built-in functionality of smartphones but are much cheaper (usually costing $100 or less) and boast longer battery lives.

After taking pole position in feature phones, Transsion wants to establish more of a presence as a software provider too. In addition to its stake in PalmPay, it launched Boomplay with Chinese internet giant NetEase. Boomplay already boasts 100 million users, making it Africa’s largest music streaming service.

At present PalmPay’s functions are still fairly basic, largely limited to peer-to-peer money transfers, payment of utility bills and top-up for phone airtime.

But with the relative shortage of banking services in Nigeria, the functions have brought new convenience to the local market.

To foster a faster scale-up of its customer base, Transsion has pre-installed the PalmPay app on 20 million handsets it expects to sell this year. The brand has also been working overtime to court new users by offering 5% cashback on bill payments completed on the platform, as well as a 10% discount for customers who top up their phone plans with the app. PalmPay says it now has more than 100,000 active users in Nigeria.

Why are both these Chinese-linked brands duking it out in the Nigerian market? “Nigeria is one of the countries with the lowest penetration of bank coverage: 95% of transactions are made in cash, and about 60 million people [in a population of 200 million] have no bank accounts,” explains Huxiu, a news portal.

While Chinese interest in Africa is nothing new, the mobile payments battle comes at a time when companies are trying to build champions that might replicate the successes abroad that WeChat Pay and AliPay have had in China’s domestic market. An Africa-focused fintech could build a market position that provides the foundation for a future IPO or even prompt an acquisition by a bigger payments company, such as the soon-to-be-listed Ant Group.

Although OPay is the leading payments app in Nigeria, it hasn’t been as successful with its motorbike ride-hailing platform Oride or its food delivery arm OFood, both of which were shut down this summer. “The proportion of people with steady income is scarce and spending power is limited. In short, the market still needs to grow,” an industry insider told Huxiu. “[OPay] rolled out services in all kinds of sectors from travel to food delivery, grabbing market share from domestic players. That turns a lot of friends into foes.”
Who would bet against China’s ‘white horses’? Two of the best known are set for a gallop across foreign fields this autumn, prompting investors to retrain their binoculars on their sector: white goods.

China’s leading stocks are sometimes described as white horses (rather than American-style ‘blue chips’). And for one of them – Haier Smart Homes – the direction of its gallop is definitely taking it beyond the Chinese mainland. The Qingdao-based group is already under starter’s orders for a new listing on the Hong Kong Stock Exchange. It also seems likely to run a race with rival Midea to win Philips’ domestic appliances business, a former crown jewel of the Dutch firm.

White goods is a sector where Chinese brands have been growing their global market share without running into protectionist sentiment. As such, Haier and Midea are both leading contenders for the Philips’ brands, which will come up for auction in the next few months.

Philips has been shedding its non-core businesses to focus on healthcare. Analysts believe that its domestic appliance brands should fetch a valuation of €2.5 billion to €3 billion ($3 billion to $3.6 billion) based on €2.3 billion in 2019 sales.

The Dutch group has strong niches in coffee machines (LatteGo), irons (PerfectCare Steam Generator), vacuum cleaners (SpeedPro Acqua) and air purifiers (Airfryer). None of these items sell for as much as larger appliances like washing machines or fridges, but they are sold in large volumes and they would complement the product ranges on offer at Haier and Midea.

Both firms have made internationalisation a core strategy and Haier is close to deriving more than 50% of its sales from overseas – it was a single percentage point away during the first half of the year.

The growth comes from markets like the US, where Haier is putting market leader Whirlpool under pressure. The former’s US revenues rose 6.5% during the first half of the year, cementing its status in the number two spot. According to data from Euromonitor, Haier now has a 20% share of the US white goods market overall, up from 18.5% in 2017. Whirlpool dropped from 23% to 22% over the corresponding period.

In percentage gain terms, Haier has done even better in Europe where its market share has risen from 2.4% to 7.2%. However, this increase has come from a lower base and it still has some way to go before it catches up with market leader BSH Hausgeräte (a Siemens/Bosch joint venture) on 17.5%, and Whirlpool on 12.7%.

Haier’s international push has been largely M&A driven, led by its acquisitions of: New Zealand’s Fisher & Paykel for $663 million in 2012; America’s GE Home Appliances for $5.6 billion in 2016; and Italy’s Hoover Candy for $552 million in 2018.

It hasn’t been quite as effective in squeezing out higher levels of profitability from these acquisitions. Haier is now the world’s largest vendor of fridges, freezers, washing machines and wine coolers by retail sales but it reports much lower margins than its main domestic rivals Gree and Midea.

In 2019, Haier generated sales of Rmb200.8 billion ($29.45 billion) and net profits of Rmb8.2 billion.
with an EBITDA margin of 5.7%, according to S&P Global Market Intelligence data. Midea leads the trio on revenues of Rmb278 billion, with net profits of Rmb22.95 billion, equating to a margin of 10.6%. Gree’s sales are lower at Rmb198.2 billion but its EBITDA margin of 14.2% was better, delivering a net profit of Rmb24.96 billion last year.

Like Haier, Midea has built up its revenues by diversifying into new products through M&A. It purchased Electrolux’s home products division in the US in 2014 (vacuums and floor cleaners), followed by Toshiba’s lifestyle and products business for $461 million in 2016 (Japan and Southeast Asia-focused).

It added German robotics company KUKA for €4 billion the same year (providing a basis for factory automation and smart manufacturing).

Under the leadership of Fang Hongbo, overseas revenues accounted for 44.6% of the total in the first half of this year and the company is targeting 50% of its sales outside China by 2025.

A purchase of the Philips home appliances unit could help it to get there faster, further boosting the share of international headcount in its employment ranks too.

Back in 2017, Fang spoke of his pride that more than half of Midea’s senior executives are non-Chinese and spread across 19 different countries.

One question for analysts is whether Midea will follow Haier’s example and look for another stock-market listing – in addition to its existing one in Shenzhen.

Chinese companies have a tendency for herd behaviour when it comes to secondary listings. Where one leads, the others follow in hot pursuit. That makes it more plausible that Midea will conclude that a Hong Kong IPO could boost its standing among international in-

investors in tandem with its globalisation strategy.

And what of Gree? Shares of the Shenzhen-listed firm have underperformed those of Midea and Haier this year. Investors are cautious about its dependence on sales of air-conditioners, wanting to see evidence that it can diversify into a wider range of goods.

Relying on sales of a core product for too much profitability opens Gree up to pressure from more diversified rivals, if they decide to undercut it on price.

And this is exactly what Midea has been trying with Gree.

The Chinese press has also been making great play of the fact that Midea is now outselling Gree in air-conditioners, although the figures are skewed by the fact that Midea’s numbers include sales of heaters and ventilators.

Nevertheless, when the two companies released their first-half results at the end of August, Midea was shown to have surpassed Gree in the segment for the first time with revenues of Rmb64 billion versus Gree’s Rmb41.33 billion.

Part of Gree’s problem is that it has been much slower to embrace e-commerce as a sales channel than Midea. That was a particular weakness during the Covid-19 outbreak, which was much more of a drag on sales at bricks-and-mortar stores. Midea’s online channels weren’t quite as hard hit, supporting its surge in aircon sales.

Midea’s former e-commerce general manager, Wu Haiquan, told 36kr that the company had its boss thank for outpacing its local rival. “Midea is open to e-commerce because Fan keenly embraces new technologies,” he applauded.

Gree’s boss Dong Mingzhu has tried to make up lost ground by getting personally involved in the online sales effort, even hosting the company’s livestreaming sessions on Douyin and Kuaishou during the second quarter (see WiC501).

Gree is also shaking up its distribution network by cutting primary distributors’ mark-up rates, shedding secondary salespeople and pushing customers to buy direct through channels such as Dong’s WeChat store, which she launched in the fourth quarter of 2019.

Earlier this year, Dong said that Gree wanted more direct oversight of its sales effort and that distributors would also be expected to take more of a role in installation and servicing of its goods.

Dong and Fang both became CEOs of their companies in 2012 and have very different public profiles. Gree’s Dong is typically front-and-centre in the media, while Fang avoids the spotlight, despite starting his career at Midea as editor of its internal company magazine.

Fang did cause slight consternation in early September when he sold 20 million shares, raising Rmb3.66 billion. The following day another 26.8 million shares appeared on the market from undisclosed Midea executives.

Investors tend to regard such investments as a signal that a stock has peaked. Year-to-date, Midea’s shares are up 20.8%.
The startling crash in the oil price earlier this year was a boon for the world’s supertankers. As a floating means of storing surplus crude, the ships came to the rescue of traders waiting out what has been described as the biggest oil glut in history. Tanker lease rates soared, offering a rare chance at lucrative returns amid a decimated sector.

If data is to the digital age what oil has been to the industrial economy, an analogy can be made between internet data centres (IDCs) and the supertankers. The prospects for the leading IDCs look appealing, especially in China.

Fitted with uninterruptible power supply and round-the-clock temperature control, IDCs are now the vaults in which companies deposit vast amounts of information. Despite the lack of glamour IDCs are the fulcrum of the digital economy, supporting cloud computing operations and on-demand business applications of all kinds.

The deluge of data being processed and stored around the world – and which is set to increase dramatically with the rise of 5G, the Internet of Things, the reach of artificial intelligence and the wide range of applications powering smart cities – has Frost & Sullivan, a research firm, predicting that the capacity at hyperscale data centres will reach 11,811 megawatts (MW) globally by 2024. That’s an annual increase of 15% from 2019 and China’s data centres will grow faster at almost double the global rate.

The Chinese are expected to account for more than a quarter of the world’s IDC capacity within five years. China’s IDC market had already reached Rmb156 billion ($22.88 billion) in sales last year, up 27% on 2018, estimated IDC Quan, a Beijing-based consultancy. Income will more than double to Rmb320 billion by 2022, it forecasts.

One company set to benefit is ChinData Group, the third of the Chinese data centre firms to go public in the United States. Under Bain Capital’s stewardship, it was created in late 2018 via a merger of the data centre division of Wangsu Science and Technology, a Shenzhen-listed content delivery network, and Bridge, a Bain portfolio company that offered data centre services in India and Southeast Asia.

Pricing its newly offered shares on Nasdaq at $13.5 apiece – at the top-end of the range – ChinData raised $540 million on a valuation of over $4.9 billion on Tuesday. South Korean conglomerate SK Holding, Dutch pension fund APG and two Chinese property majors (Country Garden and Shimao) were anchor investors in its pre-IPO placement, with Bain owning 57% prior to the listing.

The valuation at IPO is all the more noteworthy considering that the majority of ChinData’s assets were acquired for $146 million from Wangsu in January 2019. The price tag saw the Shenzhen bourse question whether Wangsu’s assets were being unfairly valued in a connected transaction (ChinData’s CEO Jing Ju, also its fifth largest shareholder, was previously general manager of Wangsu, and its fourth largest shareholder Liu Chengyan is currently Wangsu’s chairman.)

Defenders of ChinData’s rapid rise in value over the past 21 months point to the sevenfold increase in sales last year to Rmb853 million ($121 million), two-thirds of which came from business with Bytedance, owner of the viral video app TikTok (which is known as Douyin in the China market).

In the period, ChinData’s server capacity more than doubled to 193...
MW across six hyperscale data centres in China and one in Malaysia, making it the largest carrier-neutral provider in Asia-Pacific’s emerging markets with a 21.5% share.

In the first half of this year, Bytedance became even more significant as a client, accounting for 86% of revenue.

About half of China’s data centre market is commanded by the three state-owned telecoms carriers: China Mobile, China Unicom and China Telecom.

Carrier-neutral platforms like ChinData, however, appeal to downstream players – mainly cloud services and digital solutions providers – because their product offerings tend to be less standardised, meaning they can support more customised offerings.

These dynamics help to explain the similarly rapid growth of GDS Holdings, China’s biggest carrier-neutral data centre firm. A preferred vendor to AliCloud since 2017, the Shanghai-based company saw its revenues jump 2.6 times to Rmb4.1 billion in the two years to 2019. Like ChinData it is yet to break even. But the GDS share price has increased more than eightfold since listing on Nasdaq in late 2016.

Another rival 21Vianet Group, backed by Blackstone, has enjoyed a bull run since the beginning of the year, returning 200% as of Wednesday.

Already in high demand before Covid-19 struck, data centres proved their worth during the crisis, as long periods of lockdowns forced consumers and businesses to become more digitally reliant.

Further impetus for the sector has come from the central government, which identified data centres as one of seven types of “new infrastructure” slated for favourable policies (see WiC488).

Policymakers’ expectations are twofold. First, they want the industry’s growth to generate new clusters of economic activity – buoying business creation and boosting the post-coronavirus economy.

Second, they see the sector as crucial to the government’s goal of fostering industrial data as an asset class (with a view to bolstering advanced manufacturing), as revealed by a directive from the Ministry of Industry and Information Technology in May.

The policy roadmap and the surges in Covid-stimulated demand have turbocharged investor interest in the sector.

Gaw Capital, a Hong Kong-based real estate investment firm, closed its first data centre financing vehicle in September after raising $1.3 billion in equity. The fund, which has the Abu Dhabi Investment Authority as its largest backer, was launched following the creation of a joint venture with Centrin, a data centre operator from Beijing, last November. Its seed project is a 6,400-rack facility in the city of Kunshan, with Tencent Cloud as one of the anchor customers.

Warburg Pincus is focusing on similar opportunities through its Singapore-based Princeton Digital Group and local joint venture D&J China. The portfolio of the New York private equity firm’s latest $500 million push into the Asia-Pacific region features a 40 MW data centre under construction in Shanghai and various satellite facilities in the cities of Nanjing, Nantong and Wuxi in Jiangsu province.

The growing interest in Chinese data centres from US asset managers may strike some as counterintuitive, amid the context of an ever-worsening tech conflict between Beijing and Washington. But the strong fundamentals fuelling the sector seem to outweigh the geopolitical risks – at the moment, at least.

Investors in ChinData will also have assessed its overwhelming reliance on Bytedance as a customer, especially at a time when TikTok is under Washington’s threat of a forced sale.

Such a major dependence on a single company is a risk, ChinData admitted in its IPO prospectus, although their deal covers services in China, where Bytedance operates the Douyin app. ■

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Week in China
US healthcare giant Johnson & Johnson did not start out making baby oil or medical prescriptions. Its founders built the century-old enterprise on antiseptic surgical supplies. Early products such as absorbent cotton and gauze dressings were considered some of the biggest surgical care breakthroughs in the 1880s, laying the foundation for its success in maternity and baby-oriented goods that are still its hallmark today.

Johnson & Johnson’s experience seems to have offered Winner Medical its playbook too. Based in Shenzhen, it has grown from a medical supply outfit of no more than five people into a personal care product platform worth nearly Rm b54 billion ($7.9 billion).

Much of that valuation was derived from a recent flotation on ChiNext, where Winner’s shares soared 70% on debut on September 17, making it the fifth largest medical listing on the newly revamped growth board (see WiC509).

Investor enthusiasm for the company had much to do with the substantial windfall it is reaping from the Covid-19 pandemic. In the first half, sales of its surgical masks and hazmat suits jumped 29 times on the year to over Rmb2 billion, while those of its wound care products also tripled. The company’s overall revenue was up 99% to Rmb4.2 billion, helping its bottom line more than quadruple to above Rmb1 billion.

In an interview with Guangzhou Daily, CEO and founder Li Jianquan revealed that Winner’s mask making capacity – scaled up to 10 million units per day since May – was powered by 130 machines, versus just two dozen at the beginning of the year. The company’s goods are now available at 40,000 retail pharmacies across China and in more than 70 countries including Japan and the US.

However, surgical masks are no longer Winner’s main focus. Having developed the now patented cotton spunlace nonwoven fabric in 2005, Winner then shifted its focus to selling that material for usage in a wide range of personal care products such as sanitary napkins and cosmetic masks.

Initially, Winner supplied the fabric to other hygiene goods manufacturers such as Hong Kong-listed Hengan International and New York-listed Kimberly-Clarke.

In 2009, it began to retail its own consumer goods under the brand PurCotton.

With its offerings expanded to include apparel and bedding items, PurCotton is now a household name in China with 240 points of sale across the nation’s major cities. It also has 20 million members in its loyalty programme.

Last year the company generated 67% of its revenue from selling personal care products. E-commerce sales, in particular, were the biggest contributor, growing 25% on the year to Rmb1.7 billion. (About 6.5% of sales still came from supplying cotton spunlace nonwoven fabric to third parties.)

Raising Rmb3.7 billion from the initial public offering, Winner plans to spend Rmb973 million on expanding its physical store network (adding up to 96 self-operated outlets within three years) and on e-commerce infrastructure. It will also build a new surgical dressing factory in Hubei province.

It is not the first time that Winner has gone public. Back in 2005, the company was listed on the over the counter OTCBB bourse in the US, before transferring to NYSE American, an exchange for growing companies, in 2009. Poor liquidity and a subdued valuation, however, saw Winner seek a relisting in its home market. The plan was initially thwarted by a series of administrative fines levied on the company (for environmental, taxation, social security and customs reasons), as well as accounting errors.

This time around, the share-sale has turned Winner’s 63 year-old founder Li into one of China’s wealthiest men. The 66.5% stake he holds has added Rmb36 billion to his paper worth. ■
Society and Culture

Critics’ choice
Chinese drama taps ‘Scandinavian noir’ to earn stellar rating on Douban

Set a crime against a bleak or snowy backdrop. Introduce police detectives with miserable family lives, who look like they never get a good night’s sleep. Mix in a backstory about a government cover-up. And there can only be one possibility: you are watching a Scandinavian noir drama.

Nordic thrillers have become a global phenomenon – and a drama in China that takes a similar approach has become a major favourite with the critics.

Video streaming platform iQiyi’s The Long Night, adapted from a novel by popular crime fiction writer Chen Zijin, follows a man who lugs a large suitcase into a subway station. When the security officers ask him to put it through X-ray screening, he tells them there is a bomb in the suitcase. But once the police arrive, what they find in his luggage is a corpse.

The story goes back and forth between present and past, eventually revealing that the body was planted in the suitcase in a bid to bring attention to a cover-up of another murder a decade earlier.

The Long Night is tense and dark (literally, because most of the scenes are filmed at night). Like many Scandinavian thrillers, the lead investigator – played by actor Liao Fan – is an oddball: he is terrifyingly smart but difficult to work with (and he has no life outside of his job, regularly sleeping at the police station). Actress Zhao Yuanyuan also has a supporting role in the series.

On Douban, the TV and film review site, The Long Night has an extremely strong rating of 9.1 out of 10, rendering it the best-rated show in the country this year, surpassing The Bad Kids, another iQiyi original drama also adapted from a Chen Zijin novel (see WiC502).

The two dramas are both part of iQiyi’s Mist Theatre, a series dedicated to shorter crime thrillers (12 instalments, compared to typical Chinese TV dramas that often stretch to 50 episodes a season).

Fans of The Long Night applaud everything from the “outstanding” screenplay to the quality of the directing. “The acting is superb. The story is tightly written while also remaining loyal to the original novel. That is no easy feat,” an admirer wrote on Douban.

“The series has all the elements that are critical to making an outstanding show: a great screenplay, an excellent director and explosive...
acting. All three are indispensable,” praised Blue Whale Media, a news site.

Despite the critical acclaim, *The Long Night* hasn’t generated the same levels of interest on social media as *The Bad Kids*. On Douban, only 100,000 viewers marked themselves as having watched the show, while 770,000 did so for the earlier series. Weibo posts about *The Long Night* have been viewed one billion times, but the *The Bad Kids* generated 5.5 billion views.

“The first few episodes of *The Bad Kids* were so explosive that they quickly generated a lot of buzz for the show on social media,” one commentator on Douban wrote. “However, *The Long Night* started off a lot slower. The backstory doesn’t even emerge until the third and fourth episode. Audiences are impatient; a lot of them don’t make it to the end. Those that did say that it is a great series, but regular audiences don’t go to Douban or Zhihu [a knowledge sharing platform]. If there’s no buzz on social media, people stop tuning in.”

Short-video apps like Douyin and Kuaishou are grabbing higher proportions of screentime – and increasingly they are credited with being able to make or break a new show. The most eyecatching scenes tend to get widespread attention on the platforms, for instance. How-ever, as *The Long Night* has learned, not all content is suitable for the short-video sites.

“I know after watching the first episode that the series is not going to be hot. Compared with *In the Name of the People* [another crime series in 2017, see WIC362], *The Long Night* isn’t topical. And the plot is too complicated. Nobody can explain the background in two sentences. If it is that hard to explain, then how can people talk about it online?” a critic on Nvren.com wrote. “*The Bad Kids*, on the other hand, is a story about children so a lot of parents will tune in. Actor Qin Hao’s one-liners, too, make it easier to go viral on social media.”

The need to make a splash on social media is clearly changing the way that some TV series are produced as well. “Content makers now have to think about how to market their material on short-video sites when they are still conceptualising the series. They need to create plots that do well on short-video by triggering discussion or empathy more easily. After all, you need controversy to generate traffic and you need traffic for a show to go viral. That is China’s unwritten law of internet content,” Blue Whale Media explained.

Despite the positive reception from most of the TV critics, *The Long Night* hasn’t been able to make the transition into the wider world of social media, it seems.

In fact, the only time that the crime drama became a trending topic on weibo was when netizens started to complain about the frequency of product promotion on the show. Here, the series was rather groundbreaking too. Lu Dan, a producer for the series, told the media: “We do have a lot of product placements. In the past, advertisers were reluctant to advertise in crime thrillers. But we found that they are getting more receptive to the genre and we were happy that many of them came knocking. However, we were still very critical with our choices. We made sure that the rhythm of the show is not interrupted as a result.”

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Some people see them as a form of art or self-expression.

For others they are marker of lower socio-economic status or even criminality.

The Chinese government is unequivocal where it sits in this debate: tattoos are ‘unhealthy’, a ‘Western import’, ‘unfilial’ and potentially ‘subversive’.

Thus, even as China produces some of the world’s most innovative tattoo artists, celebrities and athletes are being told to cover up their inkings in compliance with strict social “positivity” rules.

The latest example of the campaign against tattoos comes from the city of Lanzhou in northwestern Gansu province, where taxi drivers with visible inkings have been ordered to get them removed or risk losing their jobs.

“Large tattoos may cause psychological discomfort for women and children and are not suitable for taxi operators,” the Lanzhou government’s order explained.

The drivers were advised to cover up offending skin in the short-term, and opt for tattoo removal as a long-term solution.

In March 2018, Chinese football players were ordered to cover up their body art with flesh colored bandages or risk being benched.

Around the same time China’s film and TV regulator issued a notice banning the booking of actors and musicians with body art.

Yet even as various authorities wage war on skin ink, the popularity of tattoos seems to be growing in China – especially among the under 35s, and particularly among urban women. The country is also home to an estimated 200,000 tattoo artists, some of the best of whom originally trained as calligraphers and inkwash painters at China’s finest art schools.

Their creations are light, fluid and distinctively Chinese. And while the government tries to portray tattooing as a Western import, the Chinese do have an indigenous tradition of inking going back centuries. In the Song Dynasty people used to have verse from classical poetry tattooed on their bodies and the military general Yue Fei was said to have had the words “serve the country with the utmost loyalty” inscribed on his back by his mother, for example.

The idea that tattoos equate with criminality stems from the practice of branding criminals in imperial China. Additionally, underworld gangs like the triads and Japan’s yakuza have traditionally used tattooing to signal membership.

On a cultural level some Chinese see tattooing as unfilial because it implies harming the skin ‘given’ by your parents. And although surveys suggest that local attitudes to tattoos have changed dramatically in the last 10 years – hence the rise in middle-class women getting discreet inkings – many still distrust men with larger tattoo designs.

In a poll by China News Service, 33% of respondents said they would not take a taxi if the driver was displaying visible body art. Perhaps the Gansu government has a point...
Crowds in Tiananmen Square on National Day to mark the 71st anniversary of the founding of the People’s Republic of China

Still ticking

“TikTok has proffered unrebutted evidence that uncertainty in TikTok’s future availability has already driven content creators and fans to other platforms”

From the ruling by Justice Carl Nichols of the US District Court in Washington, who granted an injunction on Sunday against the Trump administration’s download ban on the Chinese app in a victory for its owner Bytedance.

In Numbers

$100 billion
Assets set to be under management at Ping An Insurance’s offshore investment arm in three to five years, Bloomberg reported. Launching its first UCITS umbrella fund in Europe this month, the unit is shifting its focus to bringing international clients into China, from helping Ping An’s onshore clients invest globally.

$4.1 billion
Potential value of China’s contract drug research services market in 2024, growing at a compound average annual rate of 18.2% from $1.8 billion last year, noted the South China Morning Post. Drug developers looking to break into the world’s second largest pharmaceutical market are increasingly using outsourcing partners to conduct preclinical laboratory tests and clinical trials.

10%
Expected cut in the purchase price of a Tesla Model 3 sedan in China to Rmb249,900 ($36,800), thanks to the cheaper, cobalt-free lithium iron phosphate battery to be supplied by Ningde-based Contemporary Amperex Technology (CATL) as well as thanks to government subsidies.

Rmb895.55
Average pre-booking price of a domestic flight for Golden Week (which started yesterday on National Day) the lowest in five years, according to Qunar.