# China Business Weekly

10 August 2021

## FCCC/EUCBA ACTIVITIES

### Webinar: "Intellectual Property Systems: A comparison between the EU and China" August 18, 2021, 4:30 pm – 5:30 pm CST

**The Flanders-China Chamber of Commerce, the EU-China Business Association** and the **China IP SME Helpdesk,** with the support of Flanders Investment and Trade, are organizing a stimulating webinar on **"Intellectual Property Systems: A comparison between the EU and China".** This webinar will take place on **Wednesday, August 18 from 10:30 to 11:30 am CEST.**

There are significant differences between IP systems in the EU and China. During the webinar, **Mr Simon Cheetham**, Team Leader and IP Expert, China IP SME Helpdesk, will give an overview of the most important similarities and differences between the two systems, helping EU SMEs to better understand how they need to prepare before entering the Chinese market.

**Program:**

**10h30-10h35:** Introduction to the webinar by **Mr. Peter Sczigel**, China IP SME Helpdesk;

**10h35-10h40:** Presentation of the Flanders-China Chamber of Commerce / EU-China Business Association by **Ms. Gwenn Sonck**, Executive Director, FCCC/EUCBA;

**10h40-11h15:** Presentation on the Intellectual Property Systems: A comparison between the EU and China by **Mr. Simon Cheetham**, China IP SME Helpdesk;

**11h15-11h30:** Q&A session.

**Practical information:**

**Date:** 18 August 2021, 10h30 am – 11h30 am CEST

**Location:** Online

**Price members:** Free

**Price non-members:** Free

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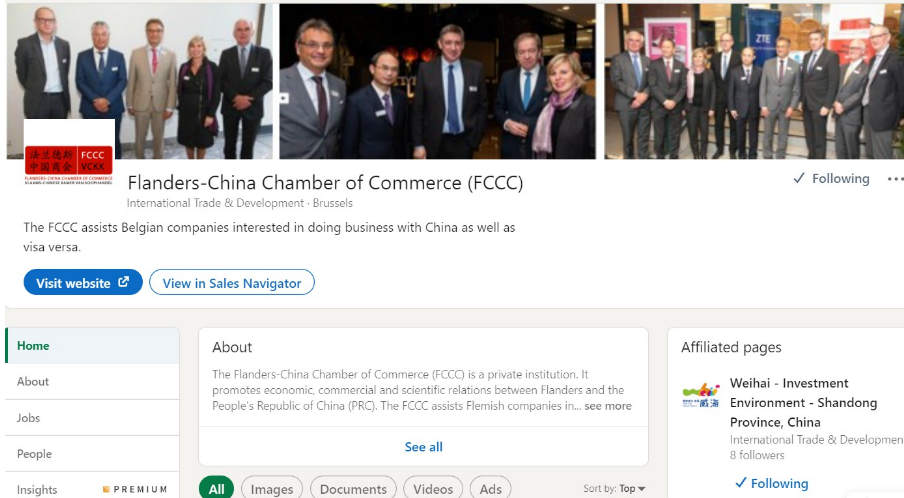


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# HEALTH

## More than 1,500 Covid-19 cases reported in latest outbreak

**China is experiencing the worst resurgence of Covid-19 – caused by the delta variant – since the outbreak in Wuhan in December 2019. More than 1,500 confirmed cases have been reported in the country.**

**Authorities in Nanjing said that around 44% of the confirmed Covid-19 cases in the city can be connected to staff at the Lukou international airport**. The spotlight is thereby again focused on Chinese ports and airports that have been at the frontline in battling imported infections. The cases at Nanjing airport involved cleaners and ground crew, while separately one new case was reported linked to the Shanghai Pudong International Airport. The first infections at Nanjing Lukou airport originated after staff cleaned the cabin of an Air China flight from Russia on July 10, but the first person tested positive only on July 20.

**To contain the spread of Covid-19, Jiangsu province has suspended 45,371 mahjong and poker lounges**, as about 64% of the 94 locally transmitted cases reported early last week in Yangzhou involved mahjong enthusiasts, and the rest were their close contacts. Most of the infected were seniors of 60 and above, and they have all been sent to Nanjing, the provincial capital, for treatment, including the "patient zero" who transmitted the virus from Nanjing to Yangzhou. That patient, a 64-year-old woman surnamed Mao, is under investigation for breaching epidemic prevention measures, leaving Nanjing when this was already banned.

**In Beijing, Party Secretary Cai Qi instructed the airport to increase the frequency of nucleic acid testing** and better regulate disinfection and airport and warehouse cleaning. Strict personal protection measures shall be implemented for foreign aviation ground service personnel, and cross-operation is not allowed. Ticket sales for transport between 23 medium- or high-risk areas where new Covid-19 infections were found and Beijing have been suspended. The areas include the hard-hit cities of Nanjing, Zhengzhou and Zhangjiajie. Some internet and foreign firms based in Beijing have restarted the practice of working from home, while for companies that require working at the office, virus prevention measures have been enhanced. **Beijing** locked down six residential communities in Haidian district after finding one positive case there. The capital city has **reported nine Covid-19 patients since July 28** that are related to the outbreak in

Nanjing. Authorities in Beijing will be required to inform the public about major emergencies no later than five hours after they are first known, according to the revised edition of Beijing's general contingency plan in the event of major emergencies, which was first implemented in 2004. The emergencies include natural disasters, major accidents, public health and social security incidents.

Wuhan, where the Covid-19 pandemic erupted in December 2019, conducted city-wide testing to prevent infections spreading. The city's subway has adopted stricter anti-epidemic rules, and all schools have been closed.

More than 30 officials in four provinces have been punished for their slack response in dealing with latest Covid-19 outbreaks across China, including Hu Wanjin, Vice Mayor of Nanjing, Fu Guirong, Party Secretary of the Zhengzhou Health Commission, district leaders, hospital management staff and officials from the airport and tourism sector.

The Civil Aviation Administration of China (CAAC) announced that **tougher protocols for the suspension of international flights will be introduced**. China currently handles about 230 international passenger flights a week, about 2% of the volume handled in 2019. There are about 3,700 international cargo flights every week, 2.5 times more than in 2019. More medical guidance will also be provided to ground service workers, including cabin cleaners, aircraft maintenance workers and porters. Workers who have had direct contact with international passengers and cargo are now required to be kept separate from those who work with domestic passengers and cargo. Airlines are offering a free ticket refund policy for domestic flights between August 4 and 31, and railways have also offered refunds.

As part of a nationwide campaign to stem new outbreaks of Covid-19, many major Chinese ports and airports have strengthened anti-virus measures, including quarantine requirements for workers, which has delayed commodity imports that are crucial to China's manufacturing. The Ministry of Transport issued guidelines for anti-epidemic measures for port and other frontline workers, including frequent testing and other strict preventive measures for those who handle imported goods.

In a written address to the first meeting of a forum on international cooperation on Covid-19 vaccines, **Chinese President Xi Jinping promised to provide 2 billion doses of vaccines to other countries this year** and to donate USD100 million to the COVAX facility. Developing countries are facing three main challenges: the low accessibility to vaccines, the declining efficacy of existing vaccines against mutations, and the competition between different producers on the international market,, Zha Daojiong, Professor of International Political Economy in the School of International Studies and Institute of South-South Cooperation and Development at Peking University, told the Global Times. To date, 82% of the world's Covid-19 vaccine doses were administered in high-income and upper-middle-income countries, and less than 1% in low-income countries. COVAX is struggling to meet this challenge, having distributed only 153 million doses out of 4.1 billion administered worldwide. Chinese vaccine producers have built production lines in the United Arab Emirates, Egypt, Indonesia, Turkey and Brazil, with total production capacity exceeding 200 million doses per year.

**Tourism operators remain optimistic** about the long-term prospects despite the recent resurgence of Covid-19 cases. In the first six months of the year, the tourism market showed stable recovery, with the number of domestic trips increasing just over 100% year-on-year to more than 1.87 billion, around 61% of those taken in 2019 before the first Covid-19 outbreak. But Tuniu, an online travel agency, said its **July bookings in Beijing have fallen by 10% to 20% since the city reported confirmed Covid-19 cases on July 28**. A recent report by the World Tourism Alliance shows that the average prosperity index for China's tourism operations in the second half of the year is -30. While it is negative, it is the highest since the epidemic broke out. The index ranges from -150, very pessimistic, to +150, very optimistic. However, China's tourism sector remains under pressure. In the first half of the year, 1.9 billion domestic trips were made, up 100.8% year-on-year, but only 60.9% of the pre-pandemic level in 2019.

This overview is based on reports by the China Daily, Global Times, Shanghai Daily and South China Morning Post.

# FOREIGN TRADE

## Solid growth expected for China's foreign trade in second half

China's foreign trade will see challenges during the second half of the year, but is still expected to register solid growth, according to analysts and business leaders. Such challenges include recurring Covid-19 outbreaks, rising costs from disrupted logistics and surging commodity prices, they said. **China's foreign trade reached CNY21.34 trillion in the first seven months, up 24.5% year-on-year** and 22.3% from the same period in 2019, according to the General Administration of Customs (GAC). **Exports and imports jumped 24.5% and 24.4% from a year earlier, respectively.** "The reoccurring Covid-19 outbreaks, especially the rampant spread of the delta variant, together with surging commodity and sea freight prices, will have a negative impact on China's foreign trade," said Zhang Yansheng, Chief Researcher at the China Center for International Economic Exchanges. "But the good performance of China's foreign trade in the past seven months also indicates promising prospects in the coming months, considering that performance was achieved when China only adopted minimal economic stimulus measures," Zhang said.

Zhang added that challenges facing China's foreign trade mainly come from high commodity prices, disrupted logistics, increased shipping costs, order transfers from China as other countries resume production, and pressure on economic growth amid the country's pursuit to reach peak carbon emissions before 2030 and realize carbon neutrality before 2060. Researchers at Sinolink Securities said China's exports are supported by increasing global demand in high-tech sectors, such as information technology, high-end equipment and new energy. Liang Ming, Director of the Institute of International Trade affiliated with the Chinese Academy of International Trade and Economic Cooperation, said the resumption of production in other countries will drive up demand for higher value added goods from China, which has comparative advantages in producing intermediate products. Stephen Fung, President of Fung Group in China, believes China's exports and imports in the second half of the year are likely to hit new highs, based on rising overseas demand due to vaccine-driven recoveries and the attractiveness of China as a production base amid Covid-19 uncertainties.

Yet Li Kuiwen, Director of the General Administration of Customs' Statistics and Analysis Department, said **the growth rate of China's foreign trade is likely to slow during the second half of the year** due to the high comparative base in 2020. He also mentioned that high material costs and disruptions in maritime freight have compromised the profitability of foreign trade enterprises and dampened their willingness to accept new orders, the China Daily reports.

China's foreign trade has also been boosted by **an increase in cross-border e-commerce**. Last year, as many as 10,000 firms like exporters and importers embraced digitalization for the first time, helping boost foreign trade via cross-border e-commerce **by 31% to CNY1.69 trillion**. A large number of export-oriented firms in China have started to adopt digital solutions like big data, business-to-business (B2B) platforms and online exhibitions to attract overseas customers and boost sales.

# ENVIRONMENT

## More enterprises interested in carbon market

*Solar panels on a hillside in Hebei province*

**China's national carbon market is running smoothly since its launch on July 16**, attracting the attention of an increasing number of enterprises. The pricing for carbon quotas has been in line with expectations. However, **industry insiders call for the introduction of institutional investors** to facilitate overall transactions. According to the Shanghai Environment and Energy Exchange, the price for carbon quotas stood at CNY52.96 per ton at the closure on August 6, an increase of about 10% compared with the opening price of CNY48 on the first trading day. However, trading of carbon quota has been decreasing, with the total volume reaching approximately 6.14 million tons since its opening about 20 days ago, a stark contrast to the trading volume of 4.1 million tons on the first trading day. Carbon dioxide emissions linked to more than 2,000 power companies in the first trading group had been estimated to exceed 4 billion tons per year, making the market the world's largest in greenhouse gas emissions.

Industry insiders said that there is a noticeable wait-and-see attitude in the market. Currently, enterprises are assigned quotas for carbon emissions for free and therefore they need to buy only a small number of permits, making them less motivated to make transactions, Lin Boqiang, Director of the China Center for Energy Economics Research at Xiamen University, told the Global Times. Power enterprises may not be able to focus their attention on carbon trading during the summer electricity consumption peak, especially in the face of challenges created by high coal prices.

Meanwhile, as was seen during pilot operations, carbon trading may be delayed because enterprises' unfamiliarity with the processes and surplus emission allowances, Chen Zhibin, Senior Consultant from Sinocarbon Innovation & Investment Co, told the Global Times. “A decisive factor of carbon market trading is how many quotas companies are assigned. Given that the authorities still carry out assessment of these enterprises' power supply and workload in 2020 and how many carbon emission quotas they'll obtain in 2021, they couldn't go to the market,” Chen said. In a bid to boost market activity, experts said that policies for assigning carbon emission quotas and the introduction of more trading entities, including more institutional traders, are needed. “One way to attract more investors is to encourage the entry of state-owned capital, since the current low carbon trading volumes are not attractive enough to many institutional investors,” Lin said, noting that supervision should be strengthened accordingly to prevent potential risks.

Meanwhile, **experts have called for efforts to prevent speculation and excessive financialization of the national carbon trading market**. The fundamental objective of the program is to help reduce emissions. Zhang Xiliang, Director of the Institute for Energy, Environment and Economy of Tsinghua University, said that the country's carbon trading market will introduce more industries, including steel, petroleum and non-ferrous metals in the future, with overall coverage of carbon emissions expected to exceed 7 billion tons a year, or over 70% of the country's total carbon emissions. He said that the country's carbon prices will likely rise to USD8-10 per ton during the 14th Five Year Plan period (2021-25) and USD15 per ton between 2026-30, considering the growing cost in reducing emissions to achieve the goal of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060.

Relevant government agencies and industry associations are boosting efforts to determine the carbon emissions for key industries in advance of their introduction into the national carbon trading market. The Ministry of Ecology and Environment said on July 27 that authorities will conduct a pilot program in key industrial regions, including in Hebei, Jilin and Zhejiang provinces, to assess carbon emissions in industries from power to petrochemicals.

Peng Wensheng, Chief Economist at China International Capital Corp, projected that **green investment opportunities worth CNY140 trillion will be created in China over the next 40 years**. He suggested that the development of green finance should be facilitated in five areas, including setting up a universal Chinese green standard, formulating an obligatory green information disclosure mechanism, and improving incentive policies to boost the comprehensive development of the green financial market, the Global Times reports.


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# CHINA NEWS ROUND-UP

## Chinese listed companies report strong earnings growth

**Chinese listed companies have registered a strong rebound in corporate earnings in the first half of the year**, an indication that solid economic fundamentals will continue to attract global investors. A total of 1,064 of China's A-share companies have seen their first-half net profits surge by more than 50% from the same period of last year, accounting for 60% of the companies who reported first-half financial results. The benchmark Shanghai Composite Index rallied last week as the profit reports reinforced investors' confidence in China's economy, while jitters over stricter regulations on after-class tutoring and data security abated. The net profit growth of all A-share companies may reach as much as 40% year-on-year in the January-June period, analysts with Haitong Securities said. The more than 4,000 firms listed on the Shanghai and Shenzhen bourses are due to finish their first-half earnings reporting this month.

"Even if China is flexing its regulatory muscles and Covid-19 infection rates fluctuate, equities are not likely to suffer if the economic recovery continues," said Luca Paolini, Chief Strategist of Pictet Asset Management, a Swiss firm. According to Paolini, China's economic growth has gradually stabilized after a strong comeback from the dip caused by Covid-19, but is still expected to achieve a "very respectable" 10% expansion this year. "I don't think a withdrawal from Chinese stocks is warranted," he said.

Wang Qian, Asia-Pacific Chief Economist at the U.S.-based Vanguard Investment Strategy Group, said China is expected to achieve full-year GDP growth of between 8.5% and 9%, as macro policy moderately loosens in order to boost the recovery in demand. The country's quarter-on-quarter economic growth may even accelerate later this year as consumption steadily recovers amid accelerated vaccination and a stabilized labor market, export growth remains resilient, and the recovery in manufacturing and infrastructure investment offsets a softening property sector, she said.

**BlackRock**, the world's biggest asset manager, **sees opportunities emerging in China's cyclical stocks** that are set to benefit from more relaxed monetary and fiscal policies. The profit growth in cyclical sectors has beaten others in the first half of the year. During the period, for instance, companies from the chemicals sector which have released their earnings guidelines reported a surge in net profits of 2,199% year-on-year, according to a Guosen Securities report. The semiconductor-heavy STAR Market in Shanghai also saw an explosive growth in corporate earnings. STAR-listed firms which have released their earnings guidelines saw their profit growth increase to 241.3% year-on-year in the first half, up from 158.3% in the first quarter, the report said. It is advisable for investors to focus on semiconductors and other sectors with strong policy tailwinds in the short term, including new energy and electronic vehicles, said Meng Lei, A-share Strategist at UBS Securities, as reported by the China Daily.

## U.S. companies in China remain profitable and optimistic

**U.S. companies in China remain profitable and optimistic about their growth prospects**, despite trade tensions and the pandemic, according to a survey conducted by **the U.S.-China Business Council** in June among 107 U.S. firms operating in China. The survey found that 95% of respondents said they made a profit last year, up from 91% the previous year. The companies' long-term confidence in the China market seemed not to have been dented by the strained relations between the two countries, as evidenced partly by the finding that **83% of surveyed companies had not moved any parts of their supply chains out of China in the past year**. Of those that did so out, only 2% moved one or more segments to the United States. In the previous survey, 4% of those who were planning to take operations out of the China market intended to return to the U.S. "That a relatively small number of companies shifted supply chains shows the strength of China's supply-chain ecosystems and the difficulty of relocating," the survey's report noted, although it cautioned that this may not be the case indefinitely.

Already, 64% of the companies saw revenue growth in 2020, and 70% of surveyed companies expect their revenue to increase in 2021, bouncing back to pre-Covid-19 and trade tension levels. It also reported that 78% of companies view China's growth prospects as better than other emerging markets. In line with their strong performance and expected growth prospects, only 6% are curtailing investment, while 43% of those surveyed plan to increase commitments in China over the next year, compared with a quarter of companies that committed to do so in 2020.

Nevertheless, for the fourth consecutive year, companies say **their top challenge is the rocky relationship between Washington and Beijing**. Trade tensions have resulted in reputational damage to U.S. firms, lost sales, shifts in suppliers and heightened scrutiny from regulators in both the U.S. and China. "Even though we've seen a change in administration in the United States and the beginnings of an economic recovery, many of the underlying drivers of U.S.-China frictions remain unchanged," USCBC President Craig Allen said at a virtual event introducing the survey. "Candid engagement between the two countries is a good start to reestablishing stability, but we need more of it," he said. Competition with Chinese companies, travel restrictions and data flows also ranked among the top challenges for the companies this year, the China Daily reports.

## Shanghai to improve tax system

**Shanghai plans to build a smart tax ecosystem by the end of 2025**, and improve its tax law enforcement, service and supervision. The city on July 30 released an implementation plan for deepening tax reform. It proposed 28 tasks in six major areas: digital upgrading and intelligent transformation, tax law enforcement, intelligent services, tax supervision, tax co-governance and organizational

support. By 2022, the city plans to further deepen and expand the trials of a dynamic "credit+risk" monitoring system and test better tax-paying services, as well as make further achievements in cloud-based smart tax services.

The new monitoring system has effectively cut the time for paying tax, simplified the procedures of examination and approval, and greatly improved the experience and efficiency of taxpayers in dealing with tax affairs. **The city also aims to** basically establish new systems of tax law enforcement, tax and fee services, and tax supervision by 2023, and **enhance the efficiency of tax collection and management**. By the end of 2025, Shanghai expects to have completed building a smart tax ecosystem, and improved its capacity in all aspects of tax law enforcement, service and supervision. The tax reform will also serve the integrated development of the Yangtze River Delta, said the Shanghai's Development and Reform Commission. The tax authorities of Shanghai and some other areas in the Delta have set up special pages on their online administration platforms, supporting one-stop tax services across the Delta region. More innovations will be made to facilitate enterprises' cross-provincial tax affairs, the Shanghai Daily reports.

## China's digital economy grows the fastest in the world

**The market size of China's digital economy surged 9.6% year-on-year last year**, the fastest worldwide, as the country bets big on the digital economy to drive its economic growth amid the Covid-19 pandemic, industry experts and officials said. According to a white paper by the China Academy of Information and Communications Technology, a government think tank, the market size of the digital economy for 47 countries and regions reached USD32.6 trillion in 2020, with a year-on-year growth of 3%. The value of China's digital economy **reached USD5.4 trillion** last year in terms of market size, which ranked second worldwide behind the United States. Germany, Japan and the United Kingdom rounded out the top five. Despite the fragile global economic recovery, the digital economy has played an important role in driving the economic recovery and sustainable economic development for economies around the world, the report said. For the 47 economies surveyed, the digital economy accounted for 43.7% of their gross domestic product (GDP) on average. According to Hu Jianbo, Chief Engineer of CAICT, up to 80% of the country's digital economy development involves the digitalization of various industries with manufacturing being a main sector.

However, Hu said that more efforts are needed for China to first build a new type of digital infrastructure, like electricity, water and transportation. "The new type of digital infrastructure includes network facilities like data centers and intelligent computing power facilities, as well as assessing and maximizing the value of data from artificial intelligence facilities," he added. To develop the digital economy, Huang Wei, Academician at the Chinese Academy of Sciences (CAS), said that developing independent bottleneck technologies like flexible electronics should be a priority. "Flexible electronics represent a core technology in the intelligent era. In this sector, the country has gained some momentum in key basic technologies and has good potential to gain the lead globally," Huang said.

Liu Yulin, Deputy Director of Information and Communications Technology Development at the Ministry of Industry and Information Technology (MIIT), said that super-fast **5G technology will be another new engine of the digital economy over the next few years**. As of the end of June, more than 961,000 5G base stations had been built in China, covering all cities at the prefecture level or above. The number of 5G mobile accounts has reached 365 million, accounting for more than 80% of connections globally, Liu said. The digital economy is a focus of the 14th Five Year Plan (2021-25). According to a report published by global consultancy McKinsey & Co, large gaps exist between a handful of leading countries and the rest of the world. The report ranked 139 countries on the basis of inflows and outflows of goods, services, finance, people and data. Singapore led the rankings, followed by the Netherlands, the U.S. and Germany. China has grown more connected, reaching seventh place globally. Liu said China has accumulated a huge amount of data and data streams in a group of areas, including cross-border e-commerce and super-fast 5G development. These are valuable foundations for the development of the digital economy, the China Daily reports.

## Hainan Free Trade Port to benefit from negative list for trade in services

**The Hainan Free Trade Port (FTP) will benefit a great deal from the exclusive negative list for trade in services** as it will create more growth opportunities in several areas, including professional services, transportation, finance and education, officials and experts said. The negative list is China's first such FTP-specific document related to trade in services, and will encourage **the Hainan FTP to build itself into a strong international services hub**, they said. The negative list is scheduled to take effect on August 26. The Hainan FTP-specific negative list specifies 70 special management measures in 11 categories, including shipping, retail, logistics, finance and education, for overseas service providers. Typically, a negative list specifies the prohibited economic activities, thereby implying that activities not listed are deemed to be allowed. For areas not included in the list, global and domestic service providers will have a level playing field and enjoy equal market access at the port, the Ministry of Commerce (MOFCOM) said.

"As a driver of Hainan's economy, the services sector accounts for more than 60% of the province's GDP. It also contributed more than 95% to Hainan's economic growth in 2020," said Yuan Yuan, Deputy Director General of the Ministry's Department of Pilot Free Trade Zones and Free Trade Ports. In addition to widening market access for trade in services and paving the way for higher-level opening-up in professional, transportation and financial services, among others, the negative list will result in more open policies for ocean shipping and air transportation, as it looks to build the free trade port into a new international air and sea transit base, she said. "Such a comprehensive

policy measure is not required by any bilateral or multilateral free trade agreements; yet, China proactively took the initiative because it's the right direction to take."

The negative list, she elaborated, removes restrictions in the areas of commercial services like legal services and market research, and will boost Hainan's appeal as an investment destination. It also lifts limits on more than 10 vocational exams for foreigners to push for greater financial opening and free flow of talent. Cui Weijie, Vice President of the Beijing-based Chinese Academy of International Trade and Economic Cooperation, said the negative list will boost the growth and quality of the Hainan FTP by conducting stress tests for wider opening-up in the country as well as building an open economy at a higher level.

The first list of categories that are off-limits for foreign investment was released in 2013 for the China (Shanghai) Pilot Free Trade Zone, and was later extended for use across the country. In the context of cross-border trade in services, China's accession to the World Trade Organization (WTO) and the free trade deals the country had signed all adopted a positive list. Despite Covid-related uncertainties disrupting the world's economy and trade since 2020, China's vast and lucrative domestic market and higher-level opening-up have been boosting global businesses' confidence in its economy and complete industry chain. Foreign direct investment (FDI) in the Chinese mainland surged 28.7% year-on-year to a record high of CNY607.84 billion in the first half of this year, the China Daily reports.

## Domestic M&A deals reach all-time high

**There were 6,177 merger and acquisition deals in China in the first half of this year**, an all-time high and up 11% from the level at the end of the second half of last year, but their value dropped 29% to USD312.1 billion, a new report from global accounting firm PwC stated. The volume of domestic strategic M&As rose by 41%, while private equity deals and venture capital investments were also strong, the report stated. In the first half, there were 45 mega-deals whose value exceeded USD1 billion each, down from 55 such deals in the second half of 2020. All these deals were aligned with key domestic economic projects like industrial upgrading, dual circulation and environmental, social and governance (ESG) investments. Roger Liu, leader of PwC's private equity in the Chinese mainland and Hong Kong, said the steady recovery of the Chinese domestic economy and rapid rebound from the Covid-19 pandemic drove domestic strategic M&A volumes to their highest levels since the first half of 2018. "Cross-border inbound activities, in contrast, were adversely affected by Covid-related travel restrictions. In terms of deal volume, the increase, particularly in the first quarter, was driven mainly by industrial upgrades, technology and consumer sectors," Liu said.

The second quarter of this year saw some slowing in M&A volume due to caution caused by market uncertainties. The first-half decline in the value of M&A deals was due to fewer mega-deals sponsored by state-owned enterprises and the private sector, Liu said. PE activity remained strong but fell from the record levels reached in the second half of 2020. Technology, consumer and industrial sectors continued to attract the most capital overall, the report stated.

PE-backed IPO activity continued to be very robust in the first half, with the technology-focused STAR Market of the Shanghai Stock Exchange remaining very active. Liu noted that many companies continue to review their operating models and strategies and will need capital to reconfigure their businesses. "The PE industry is well placed to respond to the demand for equity capital, the overall liquidity is still high and we expect activity levels to remain strong in the second half of 2021." Outbound M&A remained in the doldrums as state-owned enterprises tended to refocus their attention back on the domestic market, the report stated. "The effects of the Covid-19 pandemic and other uncertainties around trade and geopolitical relations will continue to have an impact on both domestic and cross-border M&A activity in the second half," said Chris Chan, leader of PwC's financial services deals in the Chinese mainland and Hong Kong. "We expect some small decline in the second half compared to the first half of 2021, albeit both domestic strategic and PE/VC activity will likely remain robust overall," Chan said, as reported by the China Daily.

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