China Business Weekly

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法兰德斯中国商会 FCCC VCKK
FLANDERS-CHINA CHAMBER OF COMMERCE
VLAAMS-CHINESE KAMER VAN KOOPHANDEL

FCCC/EUCBA ACTIVITIES

Webinar: Experiences and Future Prospects of Ageas in China
14 October 2021, 16h00 - 17h00

The Flanders-China Chamber of Commerce (FCCC) is organizing with the support of Flanders Investment & Trade an exclusive meeting with Mr. Filip Coremans, Managing Director Asia of Ageas and Vice-Chairman of the FCCC. During this meeting, Mr. Coremans will share the experiences and future prospects of Ageas in China.

This webinar will take place on **October 14**, 2021 at **16h.**

Program:

16h00-16h05: Introduction by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce;

16h05-16h45: Presentation on experiences in China by Mr. Filip Coremans, Managing Director Asia of Ageas & Vice-Chairman FCCC.

16h45-17h00: Q&A session

Practical information:

Date and time: October 14, 2021, 16h00-17h00

Location: Online

Price: Free

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Webinar: How to secure your Chinese contract while the borders are closed 26 October 2021, 10h00-11h00

The Flanders-China Chamber of Commerce (FCCC) – with the support of Flanders Investment & Trade – is organizing a webinar on China's reforms to promote the use of digital technology in contracts. Topics covered will include digital contracting, e-signatures/e-chops, and electronic evidence, as well as the development of judicial practice in response to these reforms. The webinar will also discuss debt recovery following breaches of contract. The featured speaker is Mr. Philippe Snel, Partner, Da Wo Law Firm.

This webinar will take place on **October 26**, 2021 at **10h00**.

Program:

10h00-10h05: Introduction by Ms. Gwenn Sonck, Executive Director, Flanders-China Chamber of Commerce;

10h05-10h50: Talk on China's reforms to enable digital solutions in contracts and debt recovery for breaches of contract by Mr. Philippe Snel, Partner, Da Wo Law Firm;

10h50-11h00: Q&A Session.

Practical information:

Date and time: October 26, 2021, 10h00-11h00

Location: Online

Price for members: Free

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ACTIVITIES SUPPORTED BY FCCC

Book Presentation: "Hoe de grootmachten de koers van de wereldpolitiek bepalen" by Prof. Sven Biscop – 12 October 2021, 19:30 – 21:30 – UGent, Campus UFO, Ghent

Description

Professor Sven Biscop will give a presentation on his new book **(in Dutch) "How the superpowers determine the course of world politics".** He will provide insights in how the course of world politics is determined by the interplay between the superpowers. The U.S. as the established power, Russia as the waning power, China as the emerging power and the EU as the doubting power, the power which does not know if it wants to be a power.

This presentation will provide – on an academic level – a nuanced analysis of the competition and cooperation between the superpowers using 10 key words, illustrated by historical and hyper actual examples.

Programme:

19:30: Presentation followed by networking & drink

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PAST EVENTS

China Dinner: Insights into setting up Volvo and Polestar factories in China 6 October 2021

After a long period of virtual events, the Flanders-China Chamber of Commerce – with the support of Flanders Investment and Trade – organized **an informal dinner on 6 October with Mr Koen Sonck**, who talked about his experience of setting up a Volvo factory in Chengdu, where he is now based, and a Polestar factory in Chongqing.

Ms Gwenn Sonck, Executive Director of the Flanders-China Chamber of Commerce, introduced the speaker.

Mr Kurt Vandeputte, Chairman of the Flanders-China Chamber of Commerce, moderated this first live event since the start of the Covid-19 pandemic, also sharing his views and concluding the event.

The speaker at this webinar, Mr Koen Sonck, is a master in electro-mechanic engineering from Ghent University. In the period from 1993 to 2010 he was subsequently Production Supervisor, Design & Test Engineer, Vehicle Evaluation Manager and Q superintendent at Volvo Cars Ghent. From 2010 to 2015 he was Plant Quality Director at Volvo Cars Chengdu (China), the first new Volvo Group car plant in 40 years. From 2015 to 2018 he was Global Quality Implementation Director & Senior Specialist Product Audit at Volvo Car Group (Sweden-Belgium-China-U.S.-India). From 2018 to 2022 he was Head of Quality & Deputy General Manager at Polestar Chengdu (China) and from 2021 until 2024 he is Head of Quality & New Model Launch and Deputy General Manager at Polestar Chongqing (China).

His duties at the Volvo Car and Polestar Greenfield plants include: Supporting the Volvo and Polestar manufacturing growth plan with leadership based on knowledge, experience and company culture. He is also part of a small core team of long-time company experts (ISE) building, starting-up and running the new Volvo and Polestar plants, and optimizing the general plant design towards the best in class and ideal plant concept. He also helped develop and implement the quality infrastructure, processes and systems to produce world class quality cars in a lean and efficient way, based on the EU model, but tweaked to eliminate overshoots and combine them with local strengths. He is also involved in recruiting, training and leading the plant quality organization, and secure the company's brand identity in the new plant and organizations.

The following cars were launched and produced successfully: S60L (2013); XC60 (2014); S60i (2015) (The first premium car build in China that was exported to U.S.); S60L hybrid (2015) (The first hybrid built in China); Lynk&co 01*, XC40*, S60 U.S. made and Polestar 1.

Mr Sonck's strong believes on how to grow and develop include: 1. Acquire first the basic skills; 2. Experience-based learning; 3. DIY at work and at home; 4. Be an expert in what you do; 5. Widen your area of expertise (do different jobs); 6. Become a trainer and coach; 7. Be innovative, be creative. In everything you do: create and accept, pass on no problems. The best quality is building right from the first time. Study and observe carefully: the difference is always in the details. In China it is mostly about methods and tools (machines).

Volvo Car Group is part of the Zhejiang Geely Holding Group (ZGH), a global automotive group based in the city of Hangzhou in south-east China's Zhejiang province. The group was established in 1986 and launched its automotive business in 1997. ZGH consists of many well-known international automotive brands with global operations spanning the automotive value chain, from research, development and design to production, sales and servicing. Zhejiang Geely Holding Group is split into eleven divisions to maximize synergies and improve resource utilization.

Polestar – the guiding star – is an electric performance brand, determined to improve the society we live in. The focus is on uncompromised design and technology. Passion and emotion drive us, electricity and innovation drive our cars. Polestar's products are excellent, efficient and entertaining. In Polestar's future, there is no room for shortcuts, excuses or compromises. We are all in, dedicated on our ambition. Guiding our industry forward through pure, progressive, performance. At Polestar, the sky is the limit. **The Polestar 1** is a low-volume electric performance hybrid GT with a carbon fibre body, 609 hp, 1,000 Nm and an electric-only range of 124 km (WLTP) – the longest of any hybrid car in the world. The Polestar 2 electric performance fastback is the company's first fully electric, high-volume car. **The Polestar 2** model range includes three variants with a combination of long- and standard range batteries as large as 78 kWh, and dual- and single motor powertrains with as much as 300 kW / 408 hp and 660 Nm. In the future, **the Polestar 3** electric performance SUV will join the portfolio, as well as the production version of the Precept, which showcases the brand's future vision in terms of sustainability, digital technology and design.

Polestar is an independent Swedish premium electric performance car brand founded by Volvo Cars and Geely Holding in 2017. Polestar's main shareholders are Volvo Cars and Geely Holding. Polestar enjoys specific technological and engineering synergies with Volvo Cars and benefits from significant economies of scale as a result. The company is headquartered in Gothenburg, Sweden, and its vehicles are available and on the road in eighteen global markets across Europe and North America, and in China.

The Polestar 1 assembly plant in Chengdu has been built as the most efficient and environmentally responsible car factory in China. Reflecting the unique Polestar brand identity. Low-volume manufacturing, designed capacity 750 cars/year. 180 BC workers and 62 supporting WC, set up in a flat, agile organization where people take multiple roles. Integrated concept, 90,000 m^2 in total with 110,000 m^2 for future extensions. Includes experience center and special test track to enable test drivers and potential customers to evaluate the car to the extremes. The Polestar Chongqing plant is under construction.

The manufacturing fundamentals for building high quality cars in China are:

- Qualified people & teams, following
- Standardized work (with built in quality), building
- Right from me (not accept and pass problems), with the right level of
- Quality confirmation (on and offline) and
- Process validation

The concept of self control versus independent control: In a perfect world, self-controlling systems are sufficient to guarantee an OK product. In the real world, things do go wrong and people will compromise. In the real world, some level of independent control is needed. The independent control keeps the self control sharp and effective, it also helps to protect the customer as a secondary safety net. There needs to be a “healthy tension” between “self-control” and “independent control”. Healthy means also lean, no overshooting either way. The base is and must always be the self-controlling system.

Brand manufacturing DNA: Company Common systems and ways of working, optimized by benchmarking, continuous improvement, knowledge sharing, lessons learned; different plants cooperate and are part of a team with common DNA; no need to always reinvent the wheel.

Mr Koen Sonck's other insights about China include:

- I will make some generalizations, there are always exceptions
- The numbers do make a difference: bird nest versus bee hive, different rules apply
- Culture is 70% food, the other 30% is not what happened thousands of years ago, it is what was experienced by three generations: your own experiences, your parents' experiences and your grandparents' experiences
- These 70 years are the cultural reference frame and it is very different in China from Belgium
- Learn to see the red treads, the critical x's that drive behavior
- The illogical becomes “logical”. Knowing this is a tremendous asset, use it to your advantage
- The Chinese people are open for and used to change and have big energy. The society and people want to move forward. How to unleash this energy in your company?
- Salary gap, two-class society, availability of cheap labor and effect on society
- Lack of DIY culture, at work, at home, in life
- Standardized work is OK, but improvisation and out of the box thinking is difficult
- Location & talent market (good & bad)
- How to recruit and develop people
- It's not all about the money: company culture, work life balance
- To hop or not to hop
- Volvo and Polestar human centric company cultures are global and work everywhere
- Chinese-Chinese versus Chinese-Global companies
- Short time thinking: growing economy, meetings, traffic, building durability. This is normal
- If you want to start in China, get the right China expertise. China is different
- Need for manager experts in China, not just people managers. Different from Belgium

A Q&A session concluded the dinner.

Webinar: The PRC Personal Information Protection Law ("PIPL") – What does this mean for your business in China? – 6 October 2021

The Flanders-China Chamber of Commerce (FCCC) – with the support of Flanders Investment & Trade – organized a legal webinar focused on **the new PRC Personal Information Protection Law (PIPL) on October 6, 2021. Mr. Carl Li, Senior Partner at AllBright Law Offices**, discussed the impact of the new law on businesses operating in and with China.

Ms Gwenn Sonck. Executive Director, Flanders-China Chamber of Commerce, welcomed the participants to the webinar. The PIPL will become effective on November 1, 2021. It is the most important law in China regarding the protection of personal information and will impact almost every company in China. Mr Carl Li, Senior Partner at AllBright Law Offices, will discuss the impact of the new law on businesses operating in and with China. Every company will need to put in place compliance measures, either before or within a very limited time frame after the Personal Information Protection Law comes into force in order to ensure that they are not at risk of non-compliance. AllBright Law Offices is an important structural partner of the Flanders-China Chamber of Commerce. Mr Carl Li belongs to the top 15 China M&A lawyers for 2020 and to the Asia League of Business and he is also a recommended M&A lawyer in the Asia-Pacific 2020 Legal 500 rankings. Mr Li has 20 years intensive experience in providing legal services to foreign investors in China. His clients include Fortune 500 transnational corporations and European SMEs. He is also advising several FCCC member companies. Mr Li graduated from Renmin University Law School – the top 1 law school in China – and is also a graduate of the EMBA program at the China Europe International Business School which is also the top 1 business school in China. He was a visiting scholar at the University of Maryland in the U.S. and also trained at Harvard Law School. Mr Li became structural partner of the FCCC last year and we hope to welcome him in Belgium next year or the year after.

Mr Carl Li, Senior Partner at AllBright Law Offices, said the Personal Information Protection Law is very important and many foreign clients pay a lot of attention to this law and want to have more details and know how to comply with the law as it will impact their operations in China. In China the first legislation on data compliance dates from 2012, with the Data Security Law and Cybersecurity Law. But before, most of the laws and regulations were targeting internet companies and big companies. The PIPL however is different from other laws. There are also some privacy protections in the Chinese Civil Law. Every company will deal with personal information so almost every company in China will be involved. Also outside China, the GPDR provides China with long-arm jurisdiction. European companies having business in China deal with suppliers and customers in China, which might provide personal data that you process, so you are still under the jurisdiction of this law and need to comply with it.

There is still less than one month before the law becomes effective, but there is a transition period to take the necessary measures. We recommend that our clients do an assessment because companies' headquarters will have already taken measures to comply with the GDPR, which is similar to the PIPL. However, there are also some different points which are more stringent compared to the GDPR and punishments are much more serious, up to 5% of annual turnover.

1. **Important matters to ensure the compliance of personal information protection:** Make an assessment and review all your policies, not only HR policies, to determine what you need to do and the scope of compliance. Sometimes you need a third-party professional institution to make a security assessment and file a special report to the authorities. If you encounter hacking or illegal disclosures, you can be exempted from liability because you have taken all the measures required by law.

2. **Legislative background of the Personal Information Protection Law:** PIPL is the first law in China that specially

regulates the protection of personal information. Together with the Cybersecurity Law and the Data Security Law, it constitutes the framework of the Chinese data compliance system. But the PIPL involves most companies, even if you are just a manufacturing company in the B2B business, you still need to take some measures to comply with this law. Some implementing rules for the PIPL are still expected before or shortly after November 1.

3. **Definitions in the Personal Information Protection Law:** Personal information includes all kinds of information related to identified or identifiable natural persons, excluding information processed anonymously. If the information can be re-identified, it still falls under the law. If you are not a processor of personal information under the law you don't need to comply with many of the provisions. But if you deal with sensitive personal information (SPI), such as biometric identification or religious beliefs, you need to comply with additional obligations.

4. **Basic principles of the PIPL:** They are quite similar to the GDPR, such as the principles of lawfulness, necessity and good faith. You should not collect unnecessary or irrelevant information, such as information on the parents or children of employees, unless it is for the benefit of the employees. We need to comply with the principle of openness and transparency. Information should be accurate to avoid adverse impact on the employees. The company should take security measures to protect this information and to ensure that it will not be illegally disclosed.

5. **Main rules of the PIPL:** The most important rule for the processing of information is that you need the consent of the individual involved, not only from your employees but also suppliers and customers. In some cases you need additional consent for special events. Consent should be given by an individual in a voluntary and explicit manner under the condition of full knowledge. The individual is also entitled to withdraw consent. The processor of the information has the obligation to inform the individuals of the title or name and contact information of the personal information processor, the purpose and method of the processing, and the retention period. They also need to be informed of the method and procedure to exercise their rights to protect their personal information. The concepts of jointly and entrusted processing are similar to the GDPR. But according to the PIPL the joint processors will bear joint and several liability, which means that if either of the processors violates the law the others would also be liable, which is more serious compared to the GDPR. There are also detailed rules on transferring and providing personal information. If you want to disclose the information to the public, you should get a separate consent.

6. **Processing sensitive personal information:** for this there are some special obligations and rules. It is only allowed for a specific purpose and in case of sufficient necessity, and strict protection measures need to be taken. A special policy is required for collecting personal information of juveniles under the age of 14.

7. **Personal information processing in special scenarios and cross-border transfer:** international companies might need to transfer personal information to their headquarters, for example when Didi acquired Uber's Chinese business and Didi went public in the U.S. it also used the process of “automatic decision making”, which is not allowed under the PIPL. The company should ensure the transparency and fairness of decision making. Unreasonable discrimination is also not allowed. Cameras installed in public areas are only allowed for public security purposes. Many companies use image capture to supervise workers, which is generally not allowed and require employees' separate consent. Cross-border provision of personal information to databases abroad will be covered by draft implementing rules. A special procedure is required if you process mega data.

8. **Rights of individuals and obligations of processor:** Companies' employees, visitors, suppliers and customers have the right to know and to make decisions if their information is collected, including the rights to copy, transfer, correct and delete information. Processors should establish a convenient mechanism for accepting and handling applications from individuals to exercise their rights. They should not intentionally make the procedure too complicated. Processors should have a person in charge of personal information protection. The threshold for the quantity of personal information – half a million or a million sets – will be further specified. If you are not an internet company you will not need to comply with the obligations of an “important processor”.

9. **Punishment measures:** You will need to make corrections, receive a government warning or have illegal gains confiscated. The government could impose an administrative penalty up to CNY50 million or not more than 5% of turnover of the previous year, compared to 2% or 4% in the GDPR. This applies only to major violations, but we should be careful. For some industries such as automotive there are also special requirements, whereby suppliers might be in breach of contract if they do not comply with the PIPL. The liability of breaching the contract could be more serious than administrative punishments. A comprehensive review should be made, including your suppliers and customers.

Q&A: What is the transition period? Mr Carl Li: There is no legal transition period, but there will be some time for companies to take the necessary measures after the law comes into force on November 1. The period will be no longer than six months.

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MEMBERS' NEWS

New 8,000 m² logistics hub for Hongyuan Group at Brussels Airport

In Brucargo, Brussels Airport's logistics zone, the new logistics warehouse for the Hongyuan Group has been inaugurated. Hongyuan Group is a Chinese cross-border trade integrated service provider and has chosen Brussels Airport as the strategic location for their new European Headquarters. This long-term lease will not only expand the Hongyuan network but also strengthens Brussels Airport's connectivity to Asia. The collaboration as strategic partners has been sealed by the signing of a Memorandum of Understanding.

Hongyuan Group, a logistics service provider based in Beijing, has been operating at Brussels Airport since October 2020, chartering flights with multiple airlines. Hongyuan and Brussels Airport have now signed a Memorandum of Understanding (MoU) as strategic partners to further develop Brussels Airport as Hongyuan's main gateway for general cargo and to develop e-commerce flows between China and Europe on the one hand and between Europe, the Americas and Africa on the other hand.

Hongyuan has seen a rapid growth in its air cargo operations in Europe, and with the successful development of the "Air Silk Road" between China and Belgium, it became necessary to expand their infrastructure and find a new strategic location, which it found at Brussels Airport. Hongyuan is the first Chinese logistic player deploying a European logistical footprint at Brussels Airport to take their logistical services to a higher level. Hongyuan and Brussels Airport have concluded a long-term lease agreement for a warehouse that will serve as their European headquarters and will enable them to expand their operations in Europe.

"After the successful start-up of their operations at Brussels Airport in the past year, we are pleased to welcome Hongyuan Group in their new warehouse at our airport and to anchor our partnership with this Memorandum of Understanding. Being part of the Hongyuan network strengthens our role as the gateway to Europe for their Chinese and European clients. We are looking forward to a fruitful and long-term collaboration.", says **Arnaud Feist, CEO of Brussels Airport.**

"We chose Brussels Airport as our new European headquarters as it is truly the strategic gateway to Europe. Now we can increase our operations, together with our partners at Brussels Airport. We have the ambition to become a key partner in the world of logistics around Brussels Airport. In the future, we want to gradually open additional international freight routes such as Europe, America and Southeast Asia and increase export business to China.", said **Cling Guo, Director of Hongyuan Group Europe.**

The 8,000 m² warehouse, owned by Brussels Airport, has first line access and is fully renewed to accommodate general cargo flows offering high end services for Hongyuan's customers in China and Europe. There is an integrated IT-platform to enable on the spot traceability. Hongyuan can now intensify its activities and in 2022 it will also have its own airline. This upscaling of its operations at Brussels Airport also creates additional jobs, Hongyuan already has 40 employees working at Brussels Airport and in the short term there will be up to 60 additional vacancies (direct and indirect).

About Brussels Airport

Brussels Airport is one of the largest airports in Europe, handling 646,550 tons of freight (figure 2020) and 26,4 million passengers (figure 2019) annually. Brussels Airport links the European capital with 236 passenger and cargo destinations worldwide that are served by 74 different airlines. (figures 2019). Brussels Airport is the second most important center of economic growth in Belgium providing direct and indirect employment for 64,000 people and is operated by Brussels Airport Company. The shareholders are the Belgian State (25%) and a consortium of private investors (75%). Follow us @brusselsairport on Twitter or on www.facebook.com/brusselsairport

About Hongyuan Group

The Hongyuan Group, established in 2001 in Beijing, is a cross-border trade integrated service provider. The company has nearly 50 subsidiaries and over 1,000 employees. In 2021, the company operated 1,500 flights in Belgium and delivered 150,000 tons of cargo.

HEALTH

Massive testing takes place after week-long holiday; booster shots rolled out

After the end of the seven-day National Day holiday, nucleic acid testing took place on a massive scale across China as some employers and school authorities required holiday goers receive testing before returning to work or school. People could receive a nucleic acid test by simply scanning a QR code and paying a fee of CNY60 to CNY80. Medical staff in Beijing said more people were coming to receive tests in the later days of the holiday but the waiting time was short – 15 minutes at most – and the testing was done in seconds. Xi'an in Shaanxi province requires every passenger who traveled to or from the city to have a negative test done within 48 hours. Guangzhou, which is hosting the Canton Fair this week, beefed up anti-epidemic measures by requiring people who enter or go out of the city to submit a negative test. But apart from these two cities, testing is not mandatory in most regions. To facilitate and encourage residents to receive tests, Shenzhen provided free tests in 85 testing venues to people who returned the city, while some testing centers in Shanghai offered 24-hour non-stop service. Deng Zhongping, Deputy General Manager of testing kit manufacturer Sansure Biotech in Changsha, Hunan province, told the Global Times that since the beginning of the year, the company has been working overtime to ensure supplies, which could be adjusted anytime based on market demand. China recorded 515 million domestic passenger trips in the past National Day holiday amid epidemic resurgences in Fujian province and Harbin city, which is 70.1% of the number of trips made during the same period before the Covid-19 epidemic.

Some local governments in China have begun offering Covid-19 booster shots to people over 18 who have already been vaccinated in order to improve immunity. The Guangxi Zhuang autonomous region said that booster shots will be made available across the region for adults who have been fully vaccinated for at least six months. Key groups will be prioritized during the initial stage, including people at higher risk of contracting the disease, such as workers in the cold chain, customs, transportation and health services sectors, as well as those who plan to travel abroad. In addition, essential workers in the public services sector, such as police officers, community workers, elderly care and sanitation staff, will also be given priority to receive an extra dose. It added that four types of vaccines will be used for booster shots: the two Sinopharm inactivated vaccines, one created by the group's Beijing Institute of Biological Products and the other by its Wuhan Institute of Biological Products, one inactivated vaccine made by Sinovac Biotech, and an adenovirus vector vaccine from CanSino Biologics. People intending to get an additional shot will be given the same vaccine made by the same company. If supplies of a particular vaccine run short, other vaccines of the same type but from a different company can be used as an alternative. Guangxi has already fully vaccinated nearly 34.5 million people, or about 85% of residents above 12 years old.

Since mid-September, Tianjin and several cities in the provinces of Fujian, Hainan, Guangdong, Anhui, Hubei and Heilongjiang have announced the rolling out of booster shots for targeted groups. Sanya in Hainan province began offering booster shots last week. Wang Huaqing, Chief Expert at the Chinese Center for Disease Control and Prevention, said clinical trial results released by vaccine developers have shown a rapid rebound in the amount of neutralizing antibodies in humans following a booster shot.

Organizers of the 130th China Import and Export Fair and Guangdong provincial departments are sparing no efforts to ensure the fair to be held from October 15 to 19 in Guangzhou, will be safe. More than 7,500 companies will display their latest technologies and products in a more than 400,000-square-meter exhibition area, and an additional 26,000 firms will exhibit theirs online. **To ensure a coronavirus-free event**, all passengers arriving in Guangzhou from abroad will be quarantined for three weeks at designated venues. All domestic participants and visitors to the fair who come from or have visited a medium- or high-risk area within 14 days must show a negative Covid-19 test obtained no more than 48 hours before entering the exhibition halls, and they must report their health status and itinerary to local health departments, neighnorhood committees and hotels within 12 hours of

their arrival. Free nucleic acid tests are available for people who have been granted certificates to enter the fair.

The potential of the SARS-CoV-2 virus to infect more animal hosts is not over, warned Gao Fu, Director of the Chinese Center for Disease Control and Prevention (China CDC), as he called for large-scale screening of global wildlife, especially the most susceptible species. Chinese virologists and epidemiologists emphasized the necessity of conducting origins-tracing work in multiple places across the world. Several types of mammals could be a reservoir for SARS-CoV-2 apart from humans, which could lead to spill back to humans, according to an article on the English-language website China CDC Weekly.

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

STOCK MARKETS

Beijing bourse first choice listing venue for innovative SMEs

Innovative SMEs are expected to choose the newly set-up Beijing Stock Exchange (BSE) for listings, the China Daily reports. Tong Honglei, Chairman of a Beijing-based smart archive provider, was pleasantly surprised when he heard of China's decision to set up a stock exchange to improve financial services for small and medium-sized enterprises like his business. "I was excited to hear the country was establishing the Beijing Stock Exchange," said Tong, Chairman of the Beijing Roit Intelligent Technology Co, which provides digital archive search solutions as well as services that enable automatic location and fetching of physical materials."The Beijing bourse is undoubtedly the first-choice listing venue for innovative SMEs like Roit," Tong added. "It will help us access capital in an easier, faster and more cost-efficient way. "The new bourse is expected to shorten the time it will take for Roit to get listed from three or four years to about two years, Tong said. It will also halve the financial costs of doing so, to more than CNY10 million."

President Xi Jinping announced on September 2 that China will set up a stock exchange in Beijing and build it into a major base for serving innovative SMEs. It will bring the total number of national stock exchanges to three in the Chinese mainland, including those in Shanghai and Shenzhen. Officials, experts and business leaders said setting up the Beijing bourse marks a major milestone for China in perfecting its multi-layered capital market while also supporting innovative SMEs and deepening the new "dual-circulation" development paradigm, the cornerstone of the country's latest five-year plan.

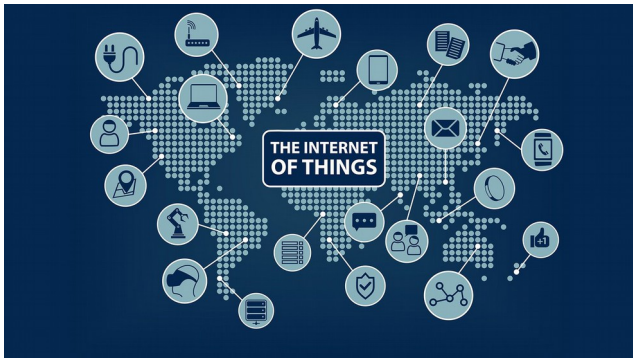
Xiao Chunan, Executive Director of China Renaissance Securities' Investment Banking Department, said he has included the BSE as a new listing option for his corporate clients who are under pre-IPO tutoring. "This is not only about adding one more listing option. It means that SMEs can consider filing an IPO earlier than before, thanks to the Beijing bourse's easing of listing requirements," Xiao said. "Many of them no longer need so many rounds of pre-IPO financing as before. Instead, they are considering obtaining finance after getting listed, which will be much easier than as an unlisted company." The BSE already released key rules including listing and investment thresholds, and has run two technical tests to get market players ready for its trading commencement. The bourse is yet to specify the date of market opening. Listing requirements and trading rules of the Beijing bourse are friendlier to SMEs than those of its Shanghai and Shenzhen peers. For example, the BSE requires a minimum valuation of CNY200 million for applicants to be listed, much lower than the CNY1 billion minimum valuation threshold of the STAR Market and the ChiNext board.

Experts said the new bourse will not only make it easier for SMEs to float shares, but also facilitate the financing of smaller firms yet to become qualified for IPOs, especially those traded on the new third board, officially known as the National Equities Exchange and Quotations (NEEQ). It is a national equity trading system that debuted in 2013 but was not an exchange market. It has suffered from lukewarm liquidity, firms exiting, and relatively poor financing. The Beijing bourse was founded based on the NEEQ Select, the highest tier of the new third board, which means all of the 66 NEEQ Select-traded companies will become BSE-listed firms. Share prices of the 66 firms surged by an average of 39.01% in the week following China's announcement to set up the exchange, according to Essence Securities. Additional companies to be listed will come from those previously traded on the Innovation tier, the NEEQ's second-highest tier, for 12 consecutive months. They must also meet BSE's listing requirements. Companies on the Innovation tier in turn come from qualified ones on the NEEQ's lowest tier, the Base tier.

The BSE completed its second technical test on October 9 with 98 securities firms, 10 information providers and eight fund companies participating in the test run, which mainly dealt with investor suitability, scope of authority, performance disclosure and trading channels. The exchange's first technical test took place on September 25.

IT & TELECOM

Chinese smartphone vendors' next focus: the Internet of Things



With advances in 5G and artificial intelligence, Chinese smartphone vendors are increasingly focussing on the next battlefield, the Internet of Things (IoT), where everything from refrigerators to automobiles and lamps can be connected to the internet. Consumer IoT not only adds convenience to consumers' homes and daily tasks, it helps them stay connected on the move, offering companies an opportunity to better tap a multibillion dollar market. The global consumer IoT market is forecast to grow from USD97.5 billion last year to an estimated USD168.34 billion by 2025, registering a compound annual growth rate of 17.48% during this period, according to market research company Market Data Forecast. Chinese companies are moving quickly to establish a beachhead in the sector by using their smartphone user bases and experience in integrating hardware and software.

For example, Xiaomi Corp, which outperformed Apple to become the second-largest smartphone vendor by shipments in the second quarter of this year, is stepping up development of its AIoT ecosystem. The company, which is based in Beijing, said last month it had officially registered its electric vehicle (EV) business with a registered capital of CNY10 billion. This move is part of **Xiaomi's broader plan to spend up to USD10 billion over the next decade on the EV business**. Varun Mishra, Analyst at market research company Counterpoint Research, said that at first glance, the automobile sector may seem an unlikely business for Xiaomi to enter. However, this is not the case thanks to two broad trends in this sector – electrification and digitization. Cars of the future will be more connected, generate a wealth of data for analysis, and have greater processing power and more engagement with the user, similar to smartphones and other connected devices. This is what Xiaomi will focus on, Mishra said. Over the years, Xiaomi has built an ecosystem with smart devices, smart homes and smart white goods. It is also looking to provide this digital ecosystem experience through cars, Mishra added. He said Xiaomi aims to have control of the software – and thus streams of user data – on which it can build revenue models. "Thanks to its smartphone and IoT business, Xiaomi has strong know-how of integrating software with hardware, building revenue models on top of this. It has a strong brand name with a large user base, which also gives it an advantage," Mishra said. Xiaomi said more than 374 million IoT devices, excluding the company's smartphones and personal computers, have been connected to its AIoT platform by the end of June. More important, over 7.4 million users have five or more IoT devices connected to Xiaomi's platform, and its smart home app now has 56.5 million monthly active users. In the second quarter of this year, Xiaomi also overtook Apple to become the top-shipping wearable band vendor.

Xiaomi's domestic rivals Huawei Technologies, Oppo, Vivo and Realme are also moving in the same direction. Chen Mingyong, CEO of Oppo, said the company has been working hard to enrich its IoT product portfolio with smart televisions, smartwatches, earbuds and other products. "**Oppo will continue forging ahead and strive to become the explorer and leader in the era of integration of all things.** We will win the battle of transforming from a pure mobile phone company into an ecological technology company," Chen said. Oppo's IoT ecosystem covers the key categories of smart devices and four specific scenarios – personal, family, travel and office.

Vivo announced its IoT strategy in 2018 with the launch of its first connected platform, Jovi IoT, aiming to take on the smart home market by enabling users to control their devices with its voice assistant. Realme, a fast-growing Chinese smartphone vendor, unveiled its first laptop in August after it had sold more than 100 million smartphones worldwide. The launch was part of the company's latest push to build a robust IoT ecosystem. Xu Qi, Vice President of Realme, said: "The company has accumulated a sizable fan base in the past three years, which has provided us with a turning point from making a quantitative change to a qualitative change. We are now accelerating work on building an artificial intelligence-enabled IoT ecosystem, with notebooks being an important part of that." Xiang Ligang, Director General of the Information Consumption Alliance, a telecom industry association, said consumer IoT is the next battlefield for smartphone giants.

Huawei Technologies is also stepping up development of its IoT business, which includes smartwatches, PCs, TVs, earbuds and other consumer electronic devices. The company's self-developed operating system, HarmonyOS, is designed for the IoT era, and can deliver a smooth experience across different devices. In the middle of last month, Huawei announced that more than 100 million users had upgraded their smartphones' operating system to HarmonyOS 2. Huawei said more than 300 partners, including home appliance maker Midea, artificial intelligence company iFlytek and cookware company Supor, have embraced HarmonyOS. Xiang Jiangxu, Vice President and CTO of Midea IoT, said earlier, "HarmonyOS will cover almost all categories of our products – some 200

varieties – within this year." HarmonyOS will help build an efficient link between Midea's products and the smart IoT system, Xiang said, adding that more home appliances equipped with HarmonyOS will soon be available, the China Daily reports.

CHINA NEWS ROUND-UP

Consumer spending up during National Day holiday week

Chinese consumers' spending boomed during the seven-day National Day holiday in the first week of October, driven by huge demand for catering services and entertainment businesses, pushing forward the recent economic growth momentum. In the "Golden Week", NetsUnion Clearing Corp, China's national online payment clearinghouse, which operates under the supervision of the central bank, reported an increase in the number of online payments compared with the same period of last year. During the holiday, NetsUnion recorded total transactions of CNY7.6 trillion, and average daily payments were up by 20% year-on-year. The peak was recorded on October 1, with a daily payment volume of CNY1.23 trillion. Consumption of catering services rose fast, with the average daily online transactions increasing by 46.57% from a year earlier, NetsUnion reported. Online spending on movies and theme parks increased by more than 60% year-on-year.

China UnionPay, the nation's largest bank card processor, also reported a rise in payments during the holiday. From October 1 to 6, total transactions through UnionPay's platform reached CNY2.31 trillion, and the average daily transaction was up by 32% compared with a year earlier. Economists expected retail sales growth to rise slightly from September to October, as the recent wave of Covid-19 infections in the country has been controlled. Dominik Peschel, head of the economics unit of the Asian Development Bank Resident Mission in China, said: "We would expect household demand to recover further gradually, and this should also help the services sector. We would also see some pent-up demand because it has been difficult to travel and have a vacation for some time. We think that people will travel more and demand for services will rise once the Covid-19 situation is fully under control and the restrictions have been lifted."

Economists with Bank of China (BOC) said China's consumption still faces uncertainties caused by repeat cases of Covid-19 and is restricted by household income in the fourth quarter, but they also see favorable factors stimulating consumption recovery. "We are unlikely to see another Covid-19 outbreak that will affect consumption and entertainment nationwide. This is helpful for the recovery of several types of consumption, including tourism, lodging, catering, movies and exhibitions," said the **BOC economists**. Backed by favorable policies, small and micro enterprises will hopefully maintain a positive momentum of recovery, which will help sustain a gradual recovery of employment and household income, the economists said. They **expected that China's consumption will grow by around 12.5% year-on-year in 2021**, and the two-year average consumption growth will reach about 3.5%, the China Daily reports.

The Caixin China General Services Purchasing Managers' Index came in at 53.4 in September, up from 46.7 in August, driven by a solid rise in sales and output.

Food delivery platform Meituan fined CNY3.44 billion for monopolistic practices

Chinese food delivery platform Meituan was fined CNY3.44 billion, or 3% of its 2020 domestic revenue, for monopolist practices by China's top market regulator, the State Administration for Market Regulation (SAMR). The company was also ordered to immediately stop illegal activities and refund CNY1.29 billion of deposits for exclusive cooperation to contracted vendors. An administrative instruction urged the platform to rectify its commission charges, and ensure that the legal rights of small- and medium-sized vendors and food delivery personnel are protected. The company was required to submit compliance reports to the SAMR for three consecutive years.

China's market watchdog in April began an antitrust probe into Tencent-backed Meituan based on the country's anti-monopoly law. The investigation found it had abused its dominant market position since 2018, forcing vendors to sign exclusive cooperation agreements by implementing discriminatory rates and postponing the opening of online stores. Meituan also charged exclusive cooperation deposits and punished vendors who did not use its payment services. Such moves eliminated and restricted market competition, hindered the free flow of market resources and hurt the legal rights of vendors and consumers, the SAMR said. Meituan said it would **stop forcing vendors to use its platform exclusively, a practice which is known as "choosing one from two."**

The penalty on Meituan marks the second-biggest fine in the Chinese platform economy since Alibaba was fined a record USD2.8 billion antitrust fine in April by regulators for exclusionary practices. The amount was about 4% of the company's domestic sales in 2019. Under China's anti-monopoly law, Chinese regulators could fine companies

between 1% and 10% of their revenue in the previous year if they engage in monopolistic practices. Market observers said that the 3% fine is "relatively mild," showing that the Chinese regulator is not resorting to a "one-size-fits-all" approach." Chinese companies were slapped with an average 3.67% fine on their revenue in the previous year in anti-monopoly probes between April 2012 and June 2020.

In April, the SAMR summoned 34 internet firms, including Alibaba, Tencent, Baidu, JD.com, Meituan and Pinduodo, urging them to rectify the practice of "choosing one from two." Fang Xingdong, Founder of Beijing-based technology think tank ChinaLabs, told the Global Times that Meituan's case had less social impact and therefore the fine was lower than the one imposed on Alibaba. "The case of Meituan also carries a special weight as it shows the Chinese government's concern for workers and delivery riders. Technologies are supposed to improve their livelihood, rather than to take advantage of and exploit them," Wang added.

Negative list for market access to be further shortened

China will continue to shorten the negative list for market access this year, as part of the country's ongoing efforts to optimize its business environment and introduce greater opening-up, according to analysts. The government's intensified efforts to revise the nationwide negative list show the authorities' determination to expand market access and build an efficient, fair and unified domestic market, they said, which will also help inject new impetus into the economy and foster high-quality development in the long run. The National Development and Reform Commission (NDRC) unveiled the latest draft version of the negative list for market access on October 8. The draft list for 2021 indicates areas where investment is prohibited or restricted, while all other areas are presumed to be open. It now comprises 117 items, compared with 123 in the 2020 version.

The NDRC posted the full text of the draft negative list online to seek public opinion from October 8 to 14. Pang Chaoran, Researcher at the Chinese Academy of International Trade and Economic Cooperation, said the draft is part of the country's ongoing efforts to continuously deepen reforms and expand opening-up. Pang said a unified negative list for market access in all regions will help China build a high-standard market system that is open and competitive, providing a driving force for high-quality development. "More efforts are also needed to continuously implement the commitment to "one list for the whole country" and relax market access in fields such as services and consumption," he said.

China revised the negative list for market access for three consecutive years in 2018, 2019 and 2020, and the number of items on the list has been reduced by nearly one-fifth. "Continuously shortening the nationwide negative list is key to fostering high-quality development over the long run," said Cui Weijie, Deputy Director of the Chinese Academy of International Trade and Economic Cooperation.

Leading executives of multinational companies have also expressed their confidence in China's market, while speaking highly of the country's continued efforts to improve the business environment. Samson Khaou, Executive Vice President of Dassault Systèmes Asia-Pacific, said the French industrial software company has been dedicated to the China market over the past decade and will expand its investment in China over the next five years. Silver Fern Farms, New Zealand's leading processor, marketer and exporter of meat products, is also looking to continuously increase its investment in China. "Seeing the Chinese market's rising growth potential and local people's growing need for red meat, we're confident about our future growth in the China market," Alex Wang, Silver Fern Farms' Manager for China said, as reported by the China Daily.

Housing market cooled down during Golden Week

Housing companies placed high expectations on the National Day holiday week from October 1 to 7, also known as the Golden Week. A variety of discounts, lottery promotions, loans with favorable terms and other preferential measures were offered in sales offices across the country to boost purchase volumes. However, **the overall market turnover in most cities was the lowest in many years during the seven-day holiday**, data from Centaline Property showed. Analysts said that the industry is expected to pick up in the fourth quarter, tapping into pent up demand. The current cooling down is mainly due to the effectiveness of financial regulations, or the three "red lines" as outlined by China's top market regulator, aiming to avoid excessive financing, as well as tightened property purchasing policies China has implemented to guarantee stable and sound development of the real estate sector, which is gradually facing saturation.

Considering that the current inventory is relatively high and the real estate regulatory policy has become stricter, demand is being suppressed. Affected by the centralized management of real estate loans by banks, the payment cycle of real estate enterprises is longer, thus putting the real estate sector under short-term pressure, according to a research report by China Lianhe Credit Rating Co. The surface area of commercial housing sold in key cities decreased by 33% during the Golden Week compared with the same period in 2020. Transaction volume in first-tier cities was basically flat year-on-year, while the second-tier, the third-tier and fourth-tier cities were down more than 40% on a yearly basis. "In the first half of the year, we secretly opened sales of some of the properties in popular areas, in view of the huge crowds that would gather at sales offices. Now, some real estate developers are selling properties quietly because they want to slash prices," a real estate agent surnamed Xu based in Beijing, told the Global Times. She further revealed that half a year ago, buyers had to pay a deposit, usually CNY10,000, that is not refundable to hold a property, with good units typically fought over by multiple buyers.

There is no need to be overly pessimistic for the current real estate market, as the recent credit policy caused an inflection point, Yan Yuejin, Research Director at Shanghai-based E-house China R&D Institute, said. "Although the move to lower interest rates is not obvious at

present, banks are expected to increase quotas in the fourth quarter, which is clearly helping to support trading volumes. At the same time, due to certain policies in the third quarter, demand is obviously weaker and the wait-and-see mood has become prevalent. With the arrival of the fourth quarter, housing demand across all areas will likely be released, which will also help to clear inventory for developers and agents," said Yan, as reported by the Global Times.

The real estate market is near saturation in China. By September, second-hand housing stock waiting to be sold totaled more than 3 million dwellings, according to a report from the E-house China R&D Institute. Over the next two years, the construction area of newly built commercial housing will reach 3.77 billion square meters. Assuming 100 sq m per unit, there will be 40 million unsold apartments in China in the next two years.

Huawei, East-West Intermodal Logistics and Vodafone to build Europe's first smart railway hub

Chinese telecommunications equipment supplier Huawei has signed a cooperation agreement with Hungary's East-West Intermodal Logistics and British telecommunications operator Vodafone to build Europe's first smart railway hub with by a 5G private network from Huawei. As other countries hesitate to use Huawei equipment under pressure from the U.S., the agreement could enable Hungary to lead the way in 5G industrial solutions ahead of other countries. The project, which covers an area of 85 hectares in Fenyeslitke, will become Europe's largest intelligent multi-modal railway hub and Europe's first railway port to use a 5G private network for internal communication and networking of technical equipment. 5G technology will be used to remotely control fully automatic gantry cranes for intelligent loading and unloading. It will be able to handle 1 million standard containers per year after completion in the first quarter of next year.

Cai Lingyu, CEO of Huawei's Hungary subsidiary, said at the signing ceremony that this is the first time that Huawei has used its world-leading 5G technology to empower the traditional railway logistics industry in Europe and realize remote control of gantry cranes through 5G technology. With 5G technology's high transmission speed and low latency, company staff can complete their work remotely by sitting in the central control room with the help of high-definition video. "The use of 5G in railways or ports might still be a new practice in Europe, but is already been widely used in various scenarios in China. Therefore, the Chinese tech giant is the ideal partner for the Hungarian railway hub to achieve an intelligent transformation," Xiang Ligang, Director General of the Beijing-based Information Consumption Alliance, told the Global Times. Xiang said he expected more European countries to follow suit. Huawei recently increased recruitments from Europe and the U.S. At the end of September, Founder and CEO Ren Zhengfei publicly stated that he would specifically look to recruit "outstanding talent" from all over the world, including French mathematician Laurent Lafforgue, the winner of the Fields Medal in mathematics, and a former BBC news executive, the Global Times reports.

Mortgage rates cut in several Chinese cities

Mortgage rates have been cut in several Chinese cities in an effort to safeguard the healthy development of the real estate market and protect homebuyers' lawful rights. Some commercial banks in Guangdong province's Guangzhou and Foshan initiated the cuts in mortgage rates and sped up the processing of first time loan applications. The People's Bank of China (PBOC) issued a statement on the real estate market after a quarterly meeting of its Monetary Policy Committee on September 27. Experts said the central bank's comments on the property market were intended to enhance market confidence and stabilize overall market prospects. "Entering the fourth quarter, in order to accelerate capital recovery, property developers are stepping up efforts to increase sales, in contrast to the passive sentiment of home buyers amid sizable market adjustment," said Cao Jingjing, Research Director with the China Index Academy.

To realize the healthy development of the property market, the central government has sent signals on maintaining stabilization, and the effect of policies will depend on measures taken by local governments and financial institutions, including financial support for property developers in a stable condition, added Cao. "After all, the fundamental settlement of the property market is a long-term task, which cannot be achieved in the short term. Maintaining market stability requires support for rational demand," said Li Yujia, Chief Analyst at the Guangdong Provincial Residential Policy Research Center. According to Li, the central bank's comments suggested that the most stringent mortgage measures related to home purchases have come to an end, and rational demand in the home market would be protected with more fine-tuning in terms of related financial policies. "**Some financial policies** have impacted the reasonable demand of homebuyers, **caused a slump in home transactions and led to a drop in the price of second-hand properties**. The market may experience violent price fluctuations, going against the nation's aim of stabilization and the goal of achieving common prosperity." Property loans can be a very important financial tool for wealth redistribution, said Zhou Xiaochuan, former Governor of the People's Bank of China (PBOC), while attending a chief economists forum at Fudan University on September 25.

Yan Yuejin, Director of the Shanghai-based E-house China Research and Development Institution, said the lawful rights of property purchasers include the smooth completion of regular credit approval procedures after signing home purchase contracts, as well as the handover of properties to purchasers in due time. While maintaining the healthy and stable development of the property market, protecting home purchasers' interests should also be regarded as the foremost task, so the central bank's statement shows the government's resolve in protecting homebuyers, said Chen Jie, Professor specializing in property research at Shanghai Jiao Tong University, the China Daily reports.

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