

New China Perspectives



Welcome to the weekly issue of Morgan Creek's **New China Perspectives**. It is comprised of research from Morgan Creek's China-based investment team together with curated articles of interest. In addition to timely political and economic news covering greater China, Morgan Creek's China team seeks to provide in-depth perspectives on investing in the technology, consumer and healthcare sectors in the region. Our research leverages the "on the ground" insights of our team together with Morgan Creek's decades-long experience in covering the region. Our team are focused, thematic investors primarily covering the technology, consumer, and healthcare sectors and investing in private companies and early-stage managers with deep local expertise. To learn more about our team and investment offerings, please email chinateam@morgancreekcap.com.

Best Regards,

A handwritten signature in black ink that reads "Mark W. Yusko".

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND^[1]

This is the second part of a three-part series on China's anti-monopoly push. Last week, we discussed the potential monopolism by Internet platform companies and the draft Anti-Monopoly Guidelines issued by the Chinese government; this week, we will talk about some key takeaways of the guidelines.

The Anti-Monopoly Guidelines for the Platform Economy Sector (draft for comments) ("Platform Guidelines") consists of six chapters with 24 articles^[2]. The Platform Guidelines take into account the characteristics of the Internet platforms, namely the involvement of multiple parties, the complexity of business types and competition, abuse of dominant market positions, concentration of undertakings and other areas of concerns in the context of the platform economy, including:

- Clarifying the method for defining the relevant market. Under certain circumstances where it is difficult to accurately define the relevant market, anti-competitive conduct would be directly identified.
- Refining the regulation of monopoly agreements and abuse of dominance in light of the "winner take all" characteristics of the platform economy business model. For instance, the Platform Guidelines refined relevant rules regarding identifying some of the typical practices of abuse of dominance, such as unfair pricing, selling below cost, refusal to deal, exclusive dealing, tie-in sales, and imposing other unreasonable conditions. It also lists out so-called algorithm conspiracies, a frontier issue gaining attention globally, as a new form of monopoly agreement.

Types of Monopoly Agreements	New Form of Monopoly Agreements Involving Algorithms Conspiracy
Horizontal Monopoly Agreements	Using technical methods for communication of intention; Using data and algorithms to achieve concerted action.
Vertical Monopoly Agreements	Using technical methods in automated price setting; Using data and algorithms for direct or indirect price restriction; Using technical methods, data and algorithms for restricting other trading conditions and eliminating or restricting competition.

- Clarifying that a concentration involving Variable Interest Entity (“VIE”) structures will be subject to merger control review.

The VIE structure is widely utilized in the field of internet platforms; however, the issue of how to deal with the concentration of undertakings with VIE structures has presented major difficulties in practice and has been debated widely. The Platform Guidelines clarify this issue and clearly point out that an undertaking shall prudently assess whether its transactions involving a VIE structure may trigger a notification obligation.

CHINA NEWS SPOTLIGHT

ECONOMY

China's economy up by 2.3% in 2020, says NBS: China's economy grew by 2.3 percent in 2020, with major economic targets achieving better-than-expected results, the National Bureau of Statistics said on Monday. The country's annual GDP came in at 101.6 trillion yuan (\$15.66 trillion) in 2020, surpassing the 100 trillion yuan threshold, the NBS said. [Read more.](#)

China's international cooperation, by the numbers: China issued a white paper titled “China’s International Development Cooperation in the New Era” on January 10. Here are some highlights. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

Three U.S.-Listed Chinese Tech Firms to Seek Secondary Listings in Hong Kong: Three leading Chinese technology firms, Tencent Music Entertainment Group, online retailer Vipshop, and live-streaming platform Jooy, are currently seeking secondary listings in Hong Kong to raise over \$7 billion in total, according to four people familiar with the matter. [Read more.](#)

Kuaishou Passes HKEX Hearing, Plans to List in Hong Kong on Feb. 5: Viral Chinese short video sharing platform Kuaishou passed the listing hearing of the Hong Kong Exchanges and Clearing (HKEX) on the afternoon of Jan. 14, and the Tencent-backed company plans to publicly trade on HKEX on Feb. 5. [Read more.](#)

TECHNOLOGY & CONSUMER

Lenovo to Issue CDRs, Planning to List on STAR-Market, Shares Soar 15%: On Jan. 12, Chinese PC maker Lenovo Group Ltd. said that it is planning to issue Chinese Depositary Receipts (CDRs) – representing up to 10% of its total number of shares – to be listed on the tech-heavy Nasdaq-style Shanghai STAR Market. [Read more.](#)

JD.com Establishes Technology Unit as Fifth Subsidiary: Chinese e-commerce giant JD.com announced on Jan. 11 it is officially establishing JD Technology as an affiliate after integrating its cloud and AI business with JD Digital. Former JD Digital CEO Li Yayun will serve as the CEO of JD Technology. [Read more.](#)

HEALTHCARE

Doubling down on oncology, Sanofi buys into a new checkpoint inhibitor with a \$125M down payment: On its latest shopping trip through the immuno-oncology department, Sanofi picked up the rights to a checkpoint inhibitor from Biond Biologics’ pipeline, paying over \$1 billion to add the clinic-bound program to its growing cancer lineup. [Read more.](#)

EXCLUSIVE: Zai Lab’s Samantha Du scoops up China rights to an autoimmune drug with a hefty \$175M licensing deal — heavily fronted with cash and stock: Argenx \$ARGX has just scored a major licensing pact with Samantha Du’s Zai Lab, and it includes some of the largest numbers in cash and near-term milestones we’ve seen in the sector. [Read more.](#)

[1] The Bund is a historic waterfront area in central Shanghai, where Morgan Creek’s office is located. From the 1860s to the 1930s, it was the rich and powerful center of the foreign establishment in Shanghai, operating as a legally protected treaty port. The picture above is part of the historical waterfront.

[2] State Administration for Market Regulation.

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