

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@morgancreekap.com.

Best Regards,

Handwritten signature of Mark W. Yusko

Mark W. Yusko
CEO & CIO

NOTES FROM THE BUND^[1]

This is the last part of a three-part series on China's anti-monopoly push. Last week we discussed some key takeaways of the Anti-Monopoly Guidelines issued by the Chinese government. This week we will discuss a couple of cases that took place after their issuance.

The issuance of the Anti-Monopoly Guidelines for the Platform Economy Sector ("Platform Guidelines") is expected to provide greater clarity related to regulatory enforcement in the platform economy and will hopefully usher in a fresh wave of innovation in the sector as extreme anti-competitive behavior starts to abate.

Recently, China's market regulator has, in line with the Platform Guidelines, fined e-commerce giant Alibaba, e-book site China Literature and logistics player Hive Box RMB500,000 (~\$76,450)^[2] each for not reporting M&A deals to the relevant authorities. The decisions were made after investigations into the three deals, specifically Alibaba's purchase of Intime Retail, China Literature acquisition of New Classics Media, and Hive Box acquiring a subsidiary of China Post. All three deals "failed to *ipso jure* declare" the prospective monopolistic status upon the acquisition. The fines are clearly negligible amounts for these internet giants, but the authorities are showing their seriousness by enforcing this nascent regulation and drawing a line in the sand.

In late December 2020, the State Administration for Market Regulation officially launched an anti-monopoly probe into Alibaba Group for alleged monopolistic conduct, including implementing an "exclusive dealing agreement"^[3]. The issue mainly refers to the company's practice of forcing merchants to choose either Alibaba's platform or its rivals' to sell their products. Alibaba's policy potentially crowds out its competitors and the Chinese authorities' investigation showed their resolve to strengthen antitrust practices.

While this strengthened antitrust supervision over the platform economy sector will undoubtedly cause some disruption and uncertainty in the short term as market participants adjust to the new regulations, we do not believe it is the intention of the regulators to stifle the growth of internet giants. Rather, the intention is to safeguard all players within the ecosystem (including the interests of small and medium-sized businesses that bank on these internet platforms), to ensure that the distribution of resources is undistorted, and that public interests are unharmed overall. In the long term, we believe these measures will provide a foundation for sustainable growth of China's various industries.

CHINA NEWS SPOTLIGHT

ECONOMY

Five key Chinese economy phrases in 2021: The Chinese economy showed strong resilience and a robust rebound amid COVID-19. It not only made China the only major economy worldwide with positive growth in 2020 but also injected impetus into the global economic recovery. [Read more.](#)

China topped the world in FDI in 2020: China was the world's largest recipient of foreign direct investment (FDI) in 2020, as flows rose by 4 percent to \$163 billion, followed by the United States, a report by the United Nations Conference on Trade and Development (UNCTAD) showed Sunday. [Read more.](#)

PRIVATE EQUITY & VENTURE CAPITAL

SoftBank leads new funding round for US\$2 billion fitness app Keep as more people exercise at home: SoftBank Group Corp.'s Vision Fund led a US\$360 million funding round in the start-up behind China's most popular workout app Keep, as coronavirus-driven gym closures prompt more users to exercise in their homes. [Read more.](#)

Tencent in Talks With Banks for a \$6 Billion Loan: Tencent is in talks with banks for a \$6 billion loan, which would be the biggest dollar loan syndicated in Asia for a Chinese firm since 2019, Bloomberg reported, citing people familiar with the matter. [Read more.](#)

TECHNOLOGY & CONSUMER

Shenzhen Launches Third Round of Digital Currency Pilot Testing, Issuing 20M E-Yuan: On Jan. 20, the third round of digital currency pilot testing, part of larger scheme to introduce the E-Yuan in mainland China, was launched in Shenzhen. As part of the project, a total of 20 million digital yuan will be issued to residents of the local Longhua District. [Read more.](#)

Could Baidu and Geely's Tie-up Challenge Tesla's Dominance in China? It's official: China's largest search engine and China's largest private automaker are joining forces. Last Monday, Baidu announced a strategic partnership with Geely aimed at manufacturing electric vehicles (EV). [Read more.](#)

HEALTHCARE

Thermo Fisher buys Henogen for nearly \$880 million in gene therapy expansion: Thermo Fisher Scientific Inc said on Friday it completed its 725 million euros (\$879.72 million) acquisition of Belgium-based Henogen SA that will help strengthen the medical device maker's position in the fast-growing field of gene therapy manufacturing. [Read more.](#)

Nasdaq rings in its first biotech IPOs of 2021: a CAR-T specialist from China, a cancer portfolio play, and a SPAC: There was once a time when stellar CAR-T data from China would come — in a sense — out of nowhere and be greeted with surprise, or even outright skepticism. It wasn't that long ago, but those days are now gone. [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] China Daily.

[3] Xinhua News.

Important Disclosures

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