

CHINA'S PROTECTION RACKET

Analysis of PRC-owned or
-invested Entities Receiving
PPP Loans

by

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HORIZON ADVISORY

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Horizon Advisory brings a new approach and unparalleled sources and methods to understanding geopolitics. Horizon Advisory was formed with the mission of applying its key personnel's expertise in analyzing Chinese strategy and implications for critical security and economic challenges. Decision-makers across sectors – national security leaders, stakeholders from the private sector, US partners and allies – face uncertainty associated with geopolitical, technological, and economic changes activated or impacted by China. Beijing wields new type powers in ways and for effects that traditional analysis risks misunderstanding. Leveraging unprecedented primary sources, we apply updated strategic frameworks and novel analysis techniques to generate differentiated insights for clients including businesses and investors grappling with uncertainties.

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INTRODUCTION

The Chinese Communist Party (CCP) frames the global COVID-19 crisis as an opportunity to seize. Beijing has positioned to do so; to take advantage of the international disaster, buying depreciated assets, capturing market share in strategic domains, and projecting Chinese standards for emerging systems.¹ It draws on a playbook honed in the wake of the 2008 financial crisis, when the CCP capitalized on the resulting recession to accelerate its global strategy.²

In a report published in June, Horizon Advisory documented the post-2008 case, China's rhetoric around it, and the CCP's present ambitions. The report argued that Beijing was poised to reapply its 2008 playbook today.³ The report found evidence in both the 2008 example and in Beijing's recent rhetoric around the Trump administration's proposed infrastructure plan that the CCP ambition does not end at taking advantage of crises. Beijing also positions to benefit directly from US investment and relief measures.

The data on recipients of Paycheck Protection Program (PPP) loans released by the US Small Business Administration and Treasury Department on July 6 reveals that this is already coming to pass: US federal funds intended for COVID-19 recovery and emergency support of US small businesses are benefiting a host of companies owned or invested in by entities based in the People's Republic of China (PRC). This report summarizes findings from scrutiny of publicly available PPP loan data.⁴ Over 20,000 loans were reviewed as a part of this analysis.

- More than 125 companies owned or invested in, directly or indirectly, by PRC entities⁵ were identified as receiving emergency loans authorized by the Small Business Administration and Treasury Department under the PPP program. At the very least, these companies received over \$192 million in PPP loans. They could have received up to \$419 million.⁶
- At least 32 companies owned by PRC entities received over \$1 million in loans, for a total of between \$85 and \$180 million.

¹ Emily de La Bruyère and Nathan Picarsic, *Viral Moment: China's Post-COVID Planning*, Horizon Advisory, March 15, 2020, <https://www.horizonadvisory.org/news/coronavirus-series-report-launch-viral-moment-chinas-post-covid-planning>.

² Except that in today's case, Beijing's opportunity is even greater: It builds from a stronger position in the international system and, as the origin of COVID-19, China is poised to benefit from a first-mover advantage.

³ Emily de La Bruyère and Nathan Picarsic, *When the Iron is Hot: The CCP's Subversion of US Recovery Investment*, Horizon Advisory, May 2020, <https://www.horizonadvisory.org/ccpsubversionreport>.

⁴ Data derived from and accessible at <https://home.treasury.gov/news/press-releases/sm1052#:~:text=WASHINGTON%20E2%80%93%20The%20U.S.%20Small%20Business,loans%20that%20have%20been%20made>.

⁵ For the purposes of this analysis, identified companies are those with significant ownership stakes held by entities domiciled in the People's Republic of China (PRC). Excluded from analysis are examples where ownership could not clearly be traced to ultimate owners based in the PRC.

⁶ PPP loan figures were released in ranges (e.g., \$150,000-350,000, \$1-2 million).

These PRC entities span State-owned enterprises (SOEs); companies with ties to China's military and military-civil fusion programs; companies that the US government has identified as national security threats; companies complicit in China's genocide against the Uighur minority in Xinjiang; and media outlets owned by, or that take direction from, the CCP. They include:

- Eight entities affiliated with State-owned Chinese defense conglomerates that the US Department of Defense has determined to be linked to the People's Liberation Army (PLA);
- Two US-based semiconductor companies owned by PRC State-controlled capital vehicles; and
- Three media outlets – including one that is partially PRC State-owned – that are attendees of a regular summit for overseas Chinese media organized by a PRC State-owned media outlet.

The identified recipients linked to PRC-based ownership span critical and strategic industries including aerospace and defense; pharmaceuticals and medical technology; legacy and emerging automotive manufacturing; advanced manufacturing and manufacturing components (e.g., semiconductors, robotics); telecommunications; financial technology; entertainment; and media. PPP loans went to:

- At least 22 companies owned or invested in by PRC-based entities in the biopharmaceutical and medical technology industries. These include Dendreon, which is owned by China's Nanjing Xinbai, a State-invested company whose controlling shareholder is the Sanpower Group,⁷ a Chinese conglomerate with close ties to the CCP.⁸
- At least 24 PRC-owned or PRC-invested automotive companies, including the US research and development (R&D)-focused subsidiary of State-owned Chang'an Automobile, a parent entity that has been implicated in intellectual property theft from western auto brands.⁹
- At least 28 PRC-owned or PRC-invested information technology companies spanning fintech, telecommunications, social media, gaming, and the Industry of Things writ large.

This list of PRC-linked companies benefiting from PPP loans is not exhaustive. It does not, for example, cover ownership stakes or strategic partnerships not disclosed in public sources. And while this documentation is based on the most thorough such analysis published to date, it is bound to overlook ties between some PPP-recipient companies and the CCP.

⁷ Nick Taylor, Dendreon Extends Lease on Cell Therapy Plant to 2030, *Biopharma Reporter*, 21 May 2019; Nanjing Xinbai Annual Report, 2018.

⁸ Sanpower's chairman, Yuan Yafei, is a member of the National Committee of the Chinese People's Consultative Conference as well as the Standing Committee of the All-China Federation of Industry and Commerce. He is also a special supervisor of the Ministry of Public Security. (Founder Profile, Sanpowergroup) In 2016, Yuan was ranked China's 32nd richest individual. (2016 Hurun Report)

⁹ Jonathan Schmig, "Land Rover vs. Landwind: China's Copycat Cars Strike Again," *Law Inc.*, April 23, 2015.

PPP has proved a valuable salve for a portion of the US economy. The program has kept some US small businesses open, and also allowed many to hire, or re-hire, workers.¹⁰ However, the PPP program did not reach every small business that has been harmed by the COVID-19 crisis.¹¹ Many US small businesses that did not receive funding have closed up shop or permanently shrunk their work force.¹² In addition, the continuing crisis may lead many small businesses that were able to reopen to face new closures, from which they may never recover.

Meanwhile, subsidiaries and branches of Chinese State-owned, State-subsidized, and military-linked companies have benefited from PPP loans. Many of these firms, by virtue of their Chinese government support and connections to large PRC-based conglomerates, conceivably could access sources of capital from public or private markets to support their US operations. Their PPP participation saved US-based jobs, but likely at the expense of other US small businesses.

To date, Congress has not conducted any meaningful oversight over China's access to PPP loans. Nor has it restricted access to companies with military ties to Beijing, those that have been accused of IP theft and other predatory behaviors, or those that have been documented as national security risks.

These findings suggest that without appropriate policy guardrails and monitoring of US tax dollars intended for relief, recovery, and growth of the US economy there is a significant risk that funds will support foreign strategic rivals, namely China. This is not only true of PPP funds. It also applies to other emergency lending programs, 90-day tariff collection deferral, and expanded Section 301 product exclusions. This risk will also apply to the longer-term programs to follow as the US moves beyond immediate responses to COVID-19, including the infrastructure plans that President Trump and his challenger, former Vice President Joe Biden, have proposed during the 2020 presidential campaign.

More broadly, these findings show the degree to which Beijing has inserted itself into – and even subverted – the US private sector and key industrial segments. The data on over 650,000 publicly disclosed PPP recipients offers a lens into the US commercial landscape and the small enterprises that serve as sources of job growth for the US economy. The resulting picture is replete with Chinese-owned and -backed companies. It is also replete with US companies whose supply or manufacturing is entirely or almost entirely in China; that transfer US innovation, including security-relevant technology, to Chinese partners; and that prop up Beijing's authoritarian regime, whether through media partnerships or the sale of surveillance equipment. All are responses to natural commercial incentives. But those incentives are being accessed by the CCP for strategic benefit.

¹⁰ “PPP Small Business Aid Saved 2.3 Million Jobs, Study Estimates,” *Reuters*, July 22, 2020.

¹¹ Laura Entis, “The End of the American Dream,” *Vox*, July 22, 2020.

¹² For updated coverage of trends in unemployment data, see, for example: “About 30 Million Workers are Collecting Jobless Benefits,” *The New York Times*, July 23, 2020, <https://www.nytimes.com/live/2020/07/23/business/stock-market-today-coronavirus?action=click&module=Top%20Stories&pgtype=Homepage>.

The CCP's discourse around COVID-19 reveals a competitive orientation toward the crisis and toward the United States. US recovery investment today risks fueling that competitive ambition, as it did in 2008.¹³ But with targeted and directed investment and relief efforts, the United States could defend itself. The United States could foster not just recovery, but a competitive recovery.

¹³ Emily de La Bruyère and Nathan Picarsic, *When the Iron is Hot: The CCP's Subversion of US Recovery Investment*, Horizon Advisory, May 2020, <https://www.horizonadvisory.org/ccpsubversionreport>.

BACKGROUND: PRC-LINKED PPP RECIPIENTS

This report draws on identification, based on publicly available data, of more than 125 companies owned or invested in by PRC-based entities that received PPP loans. These include PRC State-owned and State-subsidized enterprises, companies with direct ties to China's military and military-civil fusion programs, and companies the US government has labeled security or economic threats. Some of the cases have already been identified, including in reporting in *Bloomberg*,¹⁴ *Axios*,¹⁵ *Reuters*,¹⁶ and The Project on Government Oversight (POGO).¹⁷ Those sources have documented that:

- **Continental Aerospace Technologies Inc.** received \$5-10 million and **Aviage Systems** received \$150,000-350,000. Both are owned¹⁸ by China's Aviation Industry Corp of China (AVIC), a State-owned defense conglomerate.¹⁹ DOD classified AVIC as a Chinese military company in June 2020.²⁰
- **BGI Americas Corporation** received \$350,000-1 million. BGI Americas Corporation is a subsidiary of China's BGI Group, a global gene-testing giant. BGI's leadership is closely connected to the Chinese state – and the company is in the process of building a gene bank in Xinjiang, where the CCP is allegedly conducting a slow-motion genocide campaign that likely leverages genetic testing against the Uighur minority.²¹ After *Axios* reported on the subject, BGI returned its PPP loan.²²

¹⁴ Shirley Zhao and Bruce Einhorn, "US Units of Chinese Companies Got US Bailout Funds," *Bloomberg* July 7, 2020.

¹⁵ Bethany Allen-Ebrahimian, "Chinese Biotech Giant's US Subsidiary Returns PPP Loan after Axios Story," *Axios*, July 20, 2020.

¹⁶ Sam Nussey, Karen Freifeld, Nathan Layne, "Exclusive: SoftBank-Backed CloudMinds Blocked From Exporting US Tech to China," *Reuters*, March 3, 2020.

¹⁷ Nick Schwellenback and David Szakonyi, "Millions in PPP Loans Went to Chinese State-Owned Companies," POGO, July 23, 2020.

¹⁸ Aviage Systems is a 50/50 joint venture between the General Electric Company and AVIC. ("Home," Aviage Systems, aviagesystems.com)

¹⁹ Shirley Zhao and Bruce Einhorn, "US Units of Chinese Companies Got US Bailout Funds," *Bloomberg*, July 7, 2020.

²⁰ Department of Defense, Qualifying Entities Prepared in Response to Section 1237 of the National Defense Authorization Act for Fiscal Year 1999, Released June 2020

²¹ Bethany Allen-Ebrahimian and Zach Dorman, "Chinese Coronavirus Test Maker Agreed to Build a Xinjiang Gene Bank," *Axios*, June 3, 2020.

²² Bethany Allen-Ebrahimian, "Chinese Biotech Giant's US Subsidiary Returns PPP Loan after Axios Story," *Axios*, July 20, 2020.

- **HNA Group North America LLC** and **HNA Training Center NY** each received \$350,000-1 million. Both are subsidiaries of China’s HNA Group, a Fortune Global 500 conglomerate involved in aviation, real estate, financial services, tourism, and other industries.²³ HNA Group is a part of China’s military-civil fusion program.²⁴
- **CloudMinds Technology Inc. received \$1-2 million of PPP loans.** CloudMinds, a cloud-based robotics company, is based in Irvine California but derives most of its revenue and hosts most of its workforce in China. It is backed by China’s Keytone Ventures.²⁵ The Department of Commerce placed multiple CloudMinds entities on a US “debarred list” – accusing them of “engaging in activities contrary to the national security or policy interested in the United States – in 2020.”²⁶
- **Mattson Technology Inc.**, a California-based semiconductor company, received \$2-5 million in PPP loans. Mattson is owned by Chinese State-invested Beijing E-Town International Industrial Investment and Development.²⁷ **Analogix Semiconductor , Inc.**, another California semiconductor company, received between \$350,000 and \$1 million. Analogix, too, is owned by a State-invested private equity firm: Beijing Shanhai Capital Management.²⁸

Those cases are just the tip of the iceberg.

²³ Shirley Zhao and Bruce Einhorn, “US Units of Chinese Companies Got US Bailout Funds,” *Bloomberg* July 7, 2020.

²⁴ For example, in 2019 a subsidiary of HNA Group signed a Military Civilian Fusion Strategic Framework Agreement with Lingyun Technology Group Co., Ltd in Wuhan. (海航技术与凌云集团签署战略合作框架协议 [HNA Technology and Lingyun Group Sign Strategic Cooperation Framework Agreement], HNA Technic News, October 16, 2019.)

²⁵ Jane Lanhee Lee, “SoftBank-Backed Startups Among Those Approved for US Paycheck Loan Program,” *Reuters*, July 6, 2020.

²⁶ Sam Nussey, Karen Freifeld, Nathan Layne, “Exclusive: SoftBank-Backed CloudMinds Blocked From Exporting US Tech to China,” *Reuters*, March 3, 2020.

²⁷ Nick Schwellenback and David Szakonyi, “Millions in PPP Loans Went to Chinese State-Owned Companies,” *POGO*, July 23, 2020.

²⁸ Nick Schwellenback and David Szakonyi, “Millions in PPP Loans Went to Chinese State-Owned Companies,” *POGO*, July 23, 2020.

NEW FINDINGS

This survey identifies more than 125 PPP recipients that are either directly or indirectly backed by PRC-based entities. Those include **32 companies that received PPP loans of more than \$1 million and that are owned by or have received significant investments from PRC sources.**

PPP Loan Recipients (>\$1 million) with Significant PRC Investment or Ownership

<i>Company Name</i>	<i>Loan Amount</i>	<i>Sector</i>	<i>State</i>
BWI Indiana Inc.	\$1-2 million	Automotive	IN
BWI North America Inc.	\$5-10 million	Automotive	OH
Byton North America Corporation	\$5-10 million	Automotive (electric and autonomous vehicles)	CA
Calient Technologies Inc.	\$1-2 million	Optical Switching technology	CA
Continental Aerospace Technologies Inc.	\$5-10 million	Aerospace/Defense	AL
Dejia LLC	\$5-10 million	Hotels	VA
Dendreon Pharmaceuticals LLC	\$5-10 million	Pharmaceuticals	CA
Digital Domain 3.0, Inc.	\$2-5 million	Entertainment	CA
Dystar LP	\$2-5 million	Chemicals	CA
Evenflo Company Inc.	\$5-10 million	Baby food/Baby products	OH
Enstrom Helicopter Corp.	\$1-2 million	Aerospace/Defense	MI
Gissing North America LLC	\$2-5 million	Automotive	MI
Hisense USA Corporation	\$2-5 million	Electronics and appliances	GA
HTI Cybernetics, Inc.	\$1-2 million	Industrial robotics	MI
iSoftStone	\$2-5 million	Information Network Technology	WA
J-Star Research Inc.	\$2-5 million	Pharmaceuticals and biotechnology	NJ
Keer America Corporation	\$2-5 million	Textiles	SC
Ledvance LLC	\$5-10 million	LED lighting	MA
Luminus Inc	\$1-2 million	LED lighting	CA
Mattson Technology Inc.	\$2-5 million	Semiconductors	CA
NGC Transmission Equipment (America), Inc.	\$1-2 million	Automotive	TX
Nio USA Inc.	\$5-10 million	Automotive (electric and autonomous vehicles)	CA
Phoenix Paper Wickliffe LLC	\$2-5 million	Paper products	KY
Promeathean Inc.	\$5-10 million	Gaming	WA
Renren U. S., Holdco, Inc	\$1-2 million	Information network technology	AZ
LA Sky Harbor LLC	\$1-2 million	Hotels	CA
Source Photonics USA Inc.	\$1-2 million	Information network technology	CA
Tianhai Electric North America, Inc.	\$1-2 million	Automotive	MI
Wellman Advanced Materials, LLC	\$2-5 million	Chemicals	CA
XLD Century LLC	\$5-10 million	Hotels	CA
Yapp USA Automotive Systems., Inc	\$5-10 million	Automotive	TN
Zhongding USA Cadillac	\$1-2 million	Automotive	MI

The sectors into which these 32 companies fall offer additional examples of PRC-owned, -controlled, or -invested companies receiving PPP loans. The **defense and aerospace, pharmaceutical and medical technology, automotive, advanced manufacturing, information technology, and media sectors** in particular stand out – both for their implications for US economic prosperity and national security and for the extent of PRC-linked companies’ presence.

These sectors reflect CCP strategic priorities: PRC players in them tend to benefit from preferential PRC government policies and financing, including as part of major industrial plans like Made in China 2025.²⁹

The identified sectors are also sources of valuable, security-relevant technology and information. They account for major sources of current and future employment growth. These are precisely the sectors the PPP program is designed to protect. These also reflect areas in which Beijing intentionally cements positions of supply chain dominance, thus securing the dependence of the US and broader global system:³⁰ COVID-19 has already brought such reliance, and its implications, to the fore in the pharmaceutical and medical domains.³¹ The imbalance applies, with equal severity, to critical manufacturing and industrial areas, ranging from semiconductors to raw materials to baby food.

And these sectors reflect areas in which new global standards are being set (e.g., electric and autonomous vehicles, financial technology, telecommunications, social media). Beijing aims to set those standards.³² Control over them promises industrial, economic, and broader geopolitical advantage.

Defense and Aerospace

In June, DOD publicly released a list of 20 PLA-associated companies. That list included AVIC, China Aerospace Science and Industry Corporation (CASIC), and China North Industries Group Corporation (Norinco Group).³³ At least six entities affiliated with AVIC, one with CASIC, and one with Norinco Group received PPP loans.

²⁹ Max Zenglein and Anna Holzmann, “Evolving Made in China 2025: China’s industrial policy in the quest for global tech leadership, MERICS,” July 2, 2019.

³⁰ “China’s Dominance of Many US Import Categories,” *Supply Chain Digest*, June 19, 2019, <http://www.scdigest.com/ontarget/19-06-19-12.php?cid=15591>.

³¹ Karen Sutter, “COVID-19: China Medical Supply Chains and Broader Trade Issues, Congressional Research Service, April 6 2020.

³² Arjun Kharpal, “Power is ‘up for grabs:’ Behind China’s plan to shape the future of next-generation tech,” *CNBC*, April 26, 2020.

³³ Department of Defense, Qualifying Entities Prepared in Response to Section 1237 of the National Defense Authorization Act for Fiscal Year 1999, Released June 2020.

Bloomberg reported on July 7 about AVIC-owned **Continental Aerospace Technologies Inc.** and AVIC-General Electric joint venture **Aviage Systems** receiving \$5-10 million and \$150,000-350,000 in PPP loans, respectively.³⁴

LA Sky Harbor, LLC (\$1-2 million), **Sky Harbor Fullerton, LLC** (\$350,000–1 million), **Sky Harbor Norcross, LLC** (\$350,000 – 1 million), and **Sky Harbor Southfield, LLC** (\$350,000–1 million) also received PPP loans. Those entities belong to Sky Harbor Management, whose major shareholder is AVIC International USA,³⁵ a US subsidiary of AVIC.³⁶

Honghua America LLC – primarily focused on drilling rigs and accessories and based near Houston, Texas – received a PPP loan of \$350,000–1 million. Honghua America’s parent group is the Honghua Group,³⁷ a subsidiary of CASIC.³⁸

Chang’an US Research and Development (R&D) Center received \$350,000-1 million. Chang’an US R&D is a subsidiary of PRC State-owned Chang’an Automobile, organized under Norinco Group.³⁹ Chang’an will be discussed in greater detail in the automotive section of this report.

The Enstrom Helicopter Corp. received \$1-2 million. Enstrom was acquired by Chongqing Helicopter Investment Corporation, a PRC State-owned company that collaborates with AVIC, in December 2012.⁴⁰ As the chairman of Chongqing Direct Investment said in a January 2013 press release about the acquisition: “We have been paying attention to Enstrom since the establishment of Chongqing Direct Investment in January 2011. From beginning to end, this project received direct help and guidance from the leaders of the State-owned Assets Supervision and Administration Commission of Chongqing Municipality and shareholder units.”⁴¹

³⁴ Shirley Zhao and Bruce Einhorn, “US Units of Chinese Companies Got US Bailout Funds,” *Bloomberg* July 7, 2020.

³⁵ AVIC International USA’s President, Xu Ming Zhang, is also Chairman of LA Sky Harbor. (“Our Team,” Sky Harbor Hotel. skyharborhotel.com/)

³⁶ “LA Sky Harbor LLC Acquires Doubletree by Hilton, ASAP Holdings,” October 30, 2013. See also Chad J. R. Ohlandt et al., Chinese investment in US Aviation, *The Rand Corporation*, 2017.

³⁷ HongHua America, LLC, LinkedIn.com, <https://www.linkedin.com/company/honghua-america/>

³⁸ Honghua Signs an Around US \$30 million Land Drilling Rig Contract with Kuwait Drilling Company, *PR Newswire*, November 27, 2018; “Honghua Group Limited, *Fitch Ratings*, June 15, 2020.

³⁹ Chang’an Automobile, 关于控股股东国有股权无偿划转的提示性公告 [Indicative Announcement on the Gratuitous Transfer of State-owned Equity of Controlling Shareholders], November 11, 2018.

⁴⁰ See, for example, 西部通航项目密集上马中航工业 32 亿建产业园 [West General Aviation Project is intensively launched to build a 3.2 billion industrial park by AVIC], *Military Web*, May 16, 2014.

⁴¹ 信息发布- 重庆直投收购美国恩斯特龙 [Chongqing Direct Investment Acquires Enstrom], *Xinhua News*, January 5, 2013.

Pharmaceutical & Medical Technology

PPP loans went to at least 22 PRC-linked companies in the biopharmaceutical or medical technology industries. These companies include subsidized PRC players with close connections to Beijing's State and military apparatus. **Dendreon Pharmaceuticals LLC** received between \$5 and \$10 million. Dendreon is owned by China's Nanjing Xinbai, a State-invested company, whose controlling shareholder is the Sanpower Group,⁴² a PRC technology conglomerate with tight ties to the CCP.⁴³ Sanpower is a part of China's military-civil fusion program.⁴⁴ In 2018, Nanjing Xinbai reported a balance of more than 13,000,000 RMB (approximately \$1,850,000 USD) in Chinese government subsidies.⁴⁵ Nanjing Xinbai also reported other cash received related to financing activities from the Sanpower Group, which itself benefits from State subsidies.⁴⁶ Sanpower and Nanjing Xinbai have recently struggled to meet debt repayment obligations.⁴⁷

Scieure Pharma Inc. received a PPP loan of between \$150,000 and \$350,000. Scieure Pharma is an R&D laboratory of Beijing Scieure Pharmaceutical Company,⁴⁸ a pharmaceutical champion that benefits from high-profile Chinese government science and technology funding programs, including the Twelfth Five Year Plan new drug creation major project and the Beijing High-Growth Enterprise Funding Innovation and Technology Special Project.⁴⁹ Writings from China's Ministry of Technology in 2013 outlined national ambitions to use international cooperation with G20 companies – and the technological expertise obtained therewith – to fuel China's "biopharmaceutical industry leapfrog."⁵⁰ Those writings cited Scieure's R&D center in the United States as a model.⁵¹

⁴² Nick Taylor, Dendreon Extends Lease on Cell Therapy Plant to 2030, *Biopharma Reporter*, 21 May 2019; Nanjing Xinbai Annual Report, 2018.

⁴³ Sanpower's chairman, Yuan Yafei, is a member of the National Committee of the Chinese People's Consultative Conference as well as the Standing Committee of the All-China Federation of Industry and Commerce. He is also a special supervisor of the Ministry of Public Security. (Founder Profile, Sanpowergroup) In 2016, Yuan was ranked China's 32nd richest individual. (2016 Hurun Report)

⁴⁴ Implementing the Military Civil Fusion Strategy [为贯彻国家军民融合发展战略], Sanpower Group News, May 7, 2018.

⁴⁵ Most of those projects related to stem cell technology and research. (Nanjing Xinbai Annual Report, 2018.)

⁴⁶ Sanpower reported millions of USD of Chinese government subsidies in its 2019 annual report. (Nanjing Xinbai Annual Report, 2018; Sanpower Group Annual Report, 2019).

⁴⁷ Zhu Liangtao and Timmy Shen, "Conglomerate Sanpower Runs into Trouble Repaying Its Debts," *Caixing Global*, July 3, 2019.

⁴⁸ About Us, Scieure. <http://www.scieure.com/en/>

⁴⁹ About Us, Scieure. <http://www.scieure.com/>

⁵⁰ Ministry of Science and Technology, 北京生物医药产业跨越发展工程（G20工程）国际化行动显实效 产业“走出去”步伐加快 [The Beijing Biomedical Industry Leapfrog Development Project (G20 Project) has shown substantial results in international action, and the industry's "going global" pace has accelerated], February 7, 2013.

⁵¹ Ministry of Science and Technology, 北京生物医药产业跨越发展工程（G20工程）国际化行动显实效 产业“走出去”步伐加快 [The Beijing Biomedical Industry Leapfrog Development Project (G20 Project) has shown substantial results in international action, and the industry's "going global" pace has accelerated], February 7, 2013.

Baebies Inc., a newborn screening and pediatric testing company, received between \$1 and \$2 million. Baebies’s latest fundraising round, a 2017 Series B, was anchored by BOE Technology Group Co., Ltd., or Jingdongfang. BOE Technology is a PRC electronics and Internet of Things commercial champion. It is State-invested: Its largest shareholder is owned by the Beijing municipal government.⁵² BOE Technology is also State-subsidized and categorized as a military-civil fusion company.⁵³ BOE Technology has been accused of leveraging forced Uighur labor.⁵⁴

Automotive

Beijing’s COVID-19 recovery investment has prioritized the Chinese automotive sector. Xin Guobin of China’s Ministry of Industry and Information Technology explained in a March 30 press conference that “the automobile industry has a decisive position in the national economy”⁵⁵ and that therefore the government would facilitate resumption of automobile production and encourage automobile purchases.⁵⁶ Xin reported that Beijing had coordinated shipments of both personal protective equipment and auto parts, including from abroad, to manufacturers. Beijing also expanded national policies and subsidies to incentivize automobile purchases while encouraging regional governments to follow suit.⁵⁷ A number of Chinese automotive companies that benefited from these policies received PPP loans.

At least 24 PRC or PRC-invested automotive companies, including companies owned or invested in by PRC SOES, received PPP loans. **BWI North America**, which received \$5-10 million, and **BWI Indiana Inc.**, which received \$1-2 million, are subsidiaries of BeijingWest Industries Co.⁵⁸ BeijingWest Industries Co. is majority State-owned.⁵⁹ **Yapp USA Automotive Systems, Inc.**, **Byton North America**, and **NIO USA Inc.** also received \$5-10 million apiece. **Yapp** is a

⁵² 京东方科技集团股份有限公司 2018 年度股东大会决议公告 [Announcement on the Resolutions of the 2018 Annual General Meeting of Shareholders of BOE Technology Group Co., Ltd.], China Securities Journal, April 27, 2019; BOE Technology Group Limited, *Nikkei Asian Review*, <https://asia.nikkei.com/Companies/BOE-Technology-Group-Co.->

Ltd#:~:text=A%20state%2Drun%20entity%20owned,a%20performance%2Dbased%20compensation%20system..

⁵³ See, for example, 京东方 A:关于子公司获得政府补助的公告 [BOE A: Announcement on Subsidiaries' Obtaining Government Subsidies], February 27, 2018; 京东方! 新材料与军民融合的故事 [BOE! The Story of New Materials and Military-Civilian Fusion], Sohu News, March 18, 2019.

⁵⁴ Anna Fifield, “Uighur Muslims Sent to Work in Chinese Factory that Supplies Nike, Report Finds,” *The Independent*, March 1, 2020.

⁵⁵ Xin Guobin, State Council Press Conference, March 30, 2020.

⁵⁶ Xin Guobin, State Council Press Conference, March 30, 2020.

⁵⁷ Xin Guobin, State Council Press Conference, March 30, 2020.

⁵⁸ “About Us,” BWI Group, bwigroup.com; BWI Group Cuts Ribbon on First US Production Facility in Central Indiana, *KSM Location Advisors*, July 29, 2019.

⁵⁹ Now in Chinese hands, MagneRide is riding high, BWI Group, December 3, 2017.

<https://www.bwigroup.com/general/now-in-chinese-hands-magride-is-riding-high/>; [BeijingWest Industries International Ltd., *Business Insider Markets Insider*, <https://markets.businessinsider.com/stocks/beijingwest-industries-international-2/company-profile>](https://www.businessinsider.com/stocks/beijingwest-industries-international-2/company-profile)

subsidiary of Yapp Automobile, majority owned by State-owned SDIC High-Tech Investment.⁶⁰ Byton is owned by the Nanjing Zhixing New Energy Technology Development Co., Ltd⁶¹ and NIO USA by the PRC-based Nio – both private companies invested in by State funds.⁶²

NGC Transmission Equipment (America), Inc., a subsidiary of Nanjing-based NGC Gears,⁶³ received \$1-2 million. So did **Tianhai Electric North America**, a subsidiary of Tianhai Auto Electronics Group,⁶⁴ a PRC entity that participates in China’s military-civil fusion program.⁶⁵ **HTI Cybernetics, Inc.**, a Michigan-based robotics supplier owned by the Chongqing Nanshang Investment (Group) Co received \$1-2 million, as well.⁶⁶ Shanghai-based **Zhongli Corporation**, also in the auto parts industry, received \$350,000-1 million, as did **Dare Auto, Inc.**, a subsidiary of the Fuxin Dare Automotive Parts Co⁶⁷ and **Leoch Battery Corporation**, a subsidiary of Leoch International Technology.⁶⁸ And six US subsidiaries of Ningguo-based **Zhongding Group** received PPP loans, for a total of at least \$2.7 million and up to \$6.7 million.

Chang’an US Research & Development Center, a subsidiary of PRC SOE Chang’an Automobile, stands out on this list of PPP recipients for its connections to the Chinese State and military apparatus. Chang’an US Research & Development Center received \$350,000-1 million in PPP loans. Its parent company is State-owned Chang’an Automobile, organized under Norinco Group.⁶⁹ DOD has determined that Norinco Group is a PLA-affiliated company.⁷⁰

⁶⁰ Du Juan, SDIC Plans Overseas Business Strategy, *China Daily*, January 23, 2013; “Wholly Owned Companies: SDIC High-Tech Investment Company,” SDIC.com

⁶¹ 拜腾（英文名：BYTON）是南京知行新能源技术开发有限公司（FMC）[BYTON (English name: BYTON) is a new energy vehicle brand under Nanjing Zhixing New Energy Technology Development Co., Ltd. (FMC).], XCAR, July 25, 2018.

⁶² Ownership and investment records accessed from databases of Suzhou Langdong Network Technology Co..

⁶³ “About Us,” NGC Gears, ngegears.com.

⁶⁴ Xia Lin, Feature: Chinese Company Taps Potential of Auto Industry in US Michigan, *Xinhua News*, December 5, 2019.

⁶⁵ See, for example, 北京中军融合信息技术研究院领导一行莅临天海集团参观考察 [Leaders of Beijing Zhongjun Fusion Information Technology Research Institute Visited Tianhai Group], Tianhai Group, August 18, 2015, an account of a planning meeting responsive to requirements from the 18th National Congress of the Communist Party of China to build MCF International Smart Parks between 2015 and 2015, “forming MCF technology two-way transfer and incubation platforms where military technology is converted to civilian technology, civilian technology is converted to military technology, and an international platform for the development of MCF technology.”

⁶⁶ Annalise Frank, Chinese-owned robotics supplier plans \$20.6 million expansion in Michigan, *Automotive News*, November 1, 2018.

⁶⁷ FZB Technology Rebrands as Dare Auto, Announces North America Expansion, *PR Newswire*, October 25, 2018.

⁶⁸ “Company,” Leoch Battery, leoch.us; “Contat Us,” Leoch Battery, leoch.com

⁶⁹ Chang’an Automobile, 关于控股股东国有股权无偿划转的提示性公告 [Indicative Announcement on the Gratuitous Transfer of State-owned Equity of Controlling Shareholders], November 11, 2018.

⁷⁰ Department of Defense, Qualifying Entities Prepared in Response to Section 1237 of the National Defense Authorization Act for Fiscal Year 1999 (PUBLIC LAW 105-261), June 12, 2020.

Chang'an also cooperates with Huawei – another company that DOD has deemed to be PLA-affiliated⁷¹ – in developing advanced vehicle technology. In January 2019, the two companies unveiled their joint innovation center at Chang'an's headquarters in Chongqing. That center is to focus on 5G car networking, Level-4 autopilot, and C-V2X, among other emerging technologies.⁷²

The Chinese State Administration of Science Technology and Industry for National Defense (SASTIND) publishes an annual list of “top ten news and top ten innovative figures in the national defense technology industry.”⁷³ Those lists have recognized Chang'an at least six times since 2003. They have highlighted joint ventures with foreign partners, through which Chang'an has acquired advanced technology. Such joint ventures may have come at the expense of Chang'an's foreign counterparts: In 2016, 15 years into Ford's joint venture with Chang'an, Jaguar Land Rover, which was previously owned by Ford, sued Chang'an-invested Jiangling Auto⁷⁴ for copyright infringement and unfair competition.⁷⁵

Chang'an's Michigan R&D Center, the entity that received PPP loans, explicitly prioritizes access to US technology: The center is part of Chang'an's “Five Countries and Seven Locations” R&D layout, a program designed to aggregate the best chassis and intelligent driving technologies R&D from Italy, the UK, Japan, and the US in China.⁷⁶ In 2016, Chang'an's Zhong Zhiwei said that the Michigan R&D Center was a “technological exploration for the future Chang'an, and all Chinese brand cars, to occupy the commanding heights of the world's automobile industry.”⁷⁷

Chang'an also supports Beijing's Made in China 2025 industrial plan. That plan identified intelligent connected cars as a focus area. Under the guidance of Made in China 2025, Chang'an launched a program to recruit and train individuals from China and abroad in developing intelligent, networked vehicles. The Deputy General Manager of Chang'an's American R&D Center spoke at the program launch.⁷⁸

⁷¹ Department of Defense, Qualifying Entities Prepared in Response to Section 1237 of the National Defense Authorization Act for Fiscal Year 1999 (PUBLIC LAW 105-261), June 12, 2020.

⁷² “Changan and Huawei Together Establish Innovation Center,” Changan USA, January 22, 2019.

⁷³ See, for example, 2015 年度国防科技工业十大新闻揭晓 [Top Ten News of National Defense Technology Industry in 2015 Announced], People's Liberation Army Daily, January 18, 2016.

⁷⁴ Jiangling Auto is a joint venture between Chang'an and Jiangling Motors. Jiangling Motors is also a Ford joint venture partner. (Tycho de Feijter, Jaguar Land Rover Sues China's Jiangling Auto Over Landwind X&, *Car News China*, June 6, 2016.)

⁷⁵ Tycho de Feijter, Jaguar Land Rover Sues China's Jiangling Auto Over Landwind X&, *Car News China*, June 6, 2016.

⁷⁶ “黑科技”诞生地 探秘长安汽车美国研发中心 [The birthplace of “black technology” explores Changan Automobile's American R&D Center], Sina Auto, May 13, 2016.

⁷⁷ “黑科技”诞生地 探秘长安汽车美国研发中心 [The birthplace of “black technology” explores Changan Automobile's American R&D Center], Sina Auto, May 13, 2016.

⁷⁸ 长安&重大开启智能网联人才培养计划, 助力《中国制造 2025》战略 [Changan & Significantly launches the talent training plan for intelligent network connection to help the “Made in China 2025” strategy], Sohu News, September 17, 2019.

In February 2020, Chang'an donated 10 million RMB (approximately \$1,425,000 USD) to the PRC's COVID relief efforts.⁷⁹ Assuming that money is fungible, the US PPP loan reimbursed a nontrivial share of that donation.

If Chang'an has contributed to COVID-19 relief efforts in the PRC, another PPP recipient, Nio, has benefited from responsive Chinese government policy – as well as US government policy. **Nio USA Inc** received \$5-10 million in PPP loans. Its PRC parent, Nio, is one of Beijing's leading electric and intelligent vehicles companies. While private, Nio is backed by a series of State-linked investors.⁸⁰ Nio benefits from PRC government subsidies at both the production and the purchase side of its business.⁸¹ Beijing has increased those subsidies in response to COVID. In March 2020, faced with virus-induced declines in the domestic auto market, Beijing announced new energy vehicle purchase subsidies and extended sales tax exemptions for new energy vehicles by two years.⁸² These provisions excluded models priced at over 300,000 RMB (about \$43,000 USD) – which, according to Chinese media commentary, was chiefly a concern for Tesla. PRC media coverage noted that under Beijing's new subsidy policy, Nio “became the biggest winner.”⁸³

Nio's PPP benefit was not limited to the Nio USA loan. **Innovusion, Inc.** received \$1-2 million. Innovusion is a Lidar-focused start-up based in California and invested in by Nio Capital as well as Beijing-based Gaorang Capital, previously known as Banyan Capital.⁸⁴

A series of other PRC-invested vehicle companies – most of them engaged in emerging automotive technologies – also received PPP loans. **Canoo Inc.** and **Faraday Future Inc.** both received \$5-10 million. Electric vehicle startup Canoo is backed by Li Botan, son-in-law of retired CCP senior leader Jia Qinglin.⁸⁵ Faraday Future was founded by Chinese businessman Jia Yueting and backed by China's Evergrande Group, the PRC's second-largest property developer.⁸⁶

⁷⁹ Two million RMB of those funds were donated by Chang'an Ford. (支援新型冠状病毒疫情防控 长安汽车集团捐资 1000 万元 [Supporting the Prevention and Control of the New Coronavirus Epidemic Chang'an Automobile Group Donates 10 million yuan], *Sina Auto*, February 5, 2020.)

⁸⁰ Kirsten Korosec, “EV Startup Nio Secures \$1 billion Investment from China Entities,” *Tech Crunch*, April 29, 2020.

⁸¹ A 2019 report by China's *Sohu News* found that Nio depended on government subsidies: Its gross profit margin, discounting subsidies, in the first half of 2019 was as low as -25 percent. “While traditional auto companies rely on government subsidies, new automakers are inseparable from external capital,” concluded that report – pointing also to the financing that Nio obtained through fundraising in the United States. (新能源车企三大财务难题：造血能力不足/现金流吃紧应收账款普遍高企 [Three major Financial Problems for New Energy Car Companies: Insufficient Capacity, Tight Cash Flow, High Accounts Receivable], *Sohu News*, October 15, 2019.)

⁸² 2020 年补贴新政发布 [The new subsidy policy will be released in 2020], *Sina News*, April 26, 2020.

⁸³ 补贴新政落地！蔚来没有特殊待遇，却成为最大赢家 [The new subsidy policy has landed! NIO has no special treatment, but became the biggest winner], *China Youth Network*, April 30, 2020.

⁸⁴ Innovusion, *Crunchbase*, <https://www.crunchbase.com/organization/innovusion>

⁸⁵ Sean O'Kane, EV Startup Canoo's Mysterious Backers Named in New Harassment Lawsuit, *The Verge*, October 8, 2029. Jia declared bankruptcy in October 2019. He reportedly owed 3.6 billion USD in China. (Sean O'Kane, Faraday Future Founder Files for Chapter 11 Bankruptcy, *The Verge*, October 14, 2019.)

⁸⁶ Jonathan Shieber, Canoo, the Electric Vehicle Startup Formed from Faraday Future's Ashes, Seeks \$200 Million, *TechCrunch*, April 23, 2019; Faraday Future, *Crunchbase*, <https://www.crunchbase.com/organization/faraday-future#>

Electric and intelligent vehicles are a priority of the PRC's Made in China 2025 industrial plan and its nascent China Standards 2035 successor. So is the parallel field of renewable energy.⁸⁷ At least three PRC-owned solar energy companies received PPP loans: **Sunergy California, LLC**, a subsidiary of China Sunergy Energy Co., received \$350,000-1 million;⁸⁸ **ET Capital Solar Partners (USA), Inc.**, a subsidiary of China's ET Energy Company Limited, received \$150,000-350,000;⁸⁹ and Shanghai-headquartered **SPI Solar Inc.**, which focuses on both solar energy and bitcoin mining, received \$150,000-350,000.⁹⁰

Information Technology

At least 28 PRC-invested and PRC-owned information technology companies – spanning fintech, telecommunications, social media, gaming, and the Internet of Things writ large – benefited from PPP loans.⁹¹ Their number and scope belie the tussles over Huawei and TikTok that have developed simultaneously with the PPP program.

Promethean, an education technology company owned by the gaming-focused Netdragon Websoft Inc.,⁹² received between \$5 and \$10 million. **Renren U.S. Holdco, Inc.**, a US affiliate of the PRC-based social media giant, received between \$1 and \$2 million.⁹³ So did **Calient Technologies Inc.**, a California-headquartered leader in Optical Switching technology. Suzhou Chunxing Precision Mechanical Co., Ltd acquired a stake in Calient in 2017.⁹⁴ And **Neusoft America Inc.**, the US branch of the Shenyang-based offshore software outsourcing provider Neusoft, received between \$350,000 and \$1 million.⁹⁵ **Tongfang Global Inc.** – owned by

⁸⁷ Emily de La Bruyère and Nathan Picarsic, *China Standards 2035: Standardization Work in 2020*, Horizon Advisory, April 2020, <https://www.horizonadvisory.org/china-standards-2035-first-report>

⁸⁸ Sunergy California LLC, State of California Employment Training Panel, August 24, 2018.

<http://www.tracking.etp.ca.gov/>

⁸⁹ “Company Profile: ET Energy Company Limited,” ET Energy Company. <http://www.cccme.org.cn/>; Christian Roselund, ET Solar Inc. Files for Bankruptcy, *PV Magazine*, December 13, 2017.

⁹⁰ Ivan Shumkov, SPI Energy to Shed Chinese Business, *Renewables Now*, August 31, 2018.

⁹¹ The PPP recipients also include **Remark Holdings, Inc.**, which benefited from a loan of \$350,000–1 million USD. Remark is a US company. Its China-based subsidiary, KanKan AI, is developing social credit technology in China. (Remark Media Announces Name Change to Remark Holdings, *PR Newswire*, April 11, 2017.) Remark also reportedly contracts with Chinese State-owned entities to provide surveillance technology. (Tara Francis Chan, 7-Eleven is Bringing Facial Technology Pioneered in China to Stores in Thailand, *Business Insider*, March 16, 2018.)

⁹² Mihele Molnar, Chinese Gaming Company to Acquire Ed-Tech Provider Promethean, EdWeek Marketbrief, July 10, 2015.

⁹³ Subsidiaries of the Registrant, US Securities and Exchange Commission, sec.gov/archives.

⁹⁴ Calient Announces Acquisition by Suzhou Chunxing Precision Mechanical Co., Ltd, *Businesswire*, August 23, 2017. A series of transactions since have shifted that ownership stake between a number of different PRC-based entities.

⁹⁵ “About Neusoft,” Neusoft, Neusoft.com.

Tsinghua Tongfang Co., Ltd, whose largest shareholder is State-owned China National Nuclear Corporation⁹⁶– received \$150,000-350,000.⁹⁷

iSoftStone, Inc., owned by Beijing-headquartered iSoftStone,⁹⁸ received \$2-5 million.⁹⁹ iSoftStone’s website includes a list of top companies with which it cooperates. The list begins with Huawei. It also includes State-owned China National Offshore Oil Corporation (CNOOC), China Southern Power Grid, and China Telecom, among others.

Also on the list of PPP recipients is **Source Photonics USA Inc.**, which manufactures and sells optical communications products. Source Photonics received \$1-2 million. It was acquired by a private equity consortium led by RedView Capital in 2016.¹⁰⁰ RedView was founded by Yu Jianming, ranked as one of the PRC’s richest individuals in 2019.¹⁰¹ Source Photonics has since partnered with Huawei in developing and showcasing products for 5G telecommunications.¹⁰²

Among the information technology companies invested in by PRC entities that received PPP loans are **Happy Money, Inc.** a Tencent-invested fintech company that claimed \$2-5 million in loans;¹⁰³ **Taulia Inc.**, another fintech company, invested in by State-owned Ping’an Insurance, that received \$2-5 million;¹⁰⁴ and **Ayla Networks Inc.**, an Internet of Things platform company invested in by a consortium of Chinese companies including Shanghai-based Linear Venture and Shenzhen-based Sunsea, that received \$1-2 million.¹⁰⁵ **Novumind Inc.**, a deep learning and artificial intelligence company in Santa Clara, received between \$350,000 and \$1 million. Novumind is invested in by Beijing-based Hongtai Capital Holdings, CBC Capital, and ZhenFund.¹⁰⁶ Novumind participates in the Chinese government’s supercomputer project in Chengdu.¹⁰⁷

Citcon USA LLC, a Silicon Valley-based mobile payment company, received \$150,000-350,000 in PPP loans. Citcon is invested in by Beijing-based ZhenFund and Hong Kong-based Cyber

⁹⁶ “About Us,” Tongfang Global, tongfang-global.com; “Tong Fang Global Inc.,” Dun and Bradstreet; “CNNC teams up with Tsinghua University on school-enterprise reform,” CNNC, April 4, 2019, http://en.cnncc.com.cn/2019-04/04/c_352548.htm.

⁹⁷ For additional connections, see also Kate O’Keefe, Drew Hinshaw, and Daniel Michaels, US Presses Europe to Uproot Chinese Security Screening Company, *The Wall Street Journal*, June 28, 2020.

⁹⁸ “Our Approach,” iSoftStone, isofstoneinc.com

⁹⁹ “Who We Are,” iSoftStone, <http://www.isofstone.com/>

¹⁰⁰ Source Photonics USA, *Crunchbase*, <https://www.crunchbase.com/organization/source-photonics>

¹⁰¹ 2019 年胡润百富榜 [2019 Hurun Report], Hurun, hurun.net

¹⁰² See for example, Source Photonics Partners with Huawei in Showcasing Leading Edge PAM4-Based Optical Technologies, Source Photonics, September 25, 2018.

¹⁰³ Happy Money, *Crunchbase*, <https://www.crunchbase.com/organization/happymoney>

¹⁰⁴ Taulia, *Crunchbase*, <https://www.crunchbase.com/organization/taulia>

¹⁰⁵ Ayla Networks, *Crunchbase*, <https://www.crunchbase.com/organization/ayla-networks>

¹⁰⁶ Novumind, *Crunchbase*, <https://www.crunchbase.com/organization/novumind-ltd>

¹⁰⁷ Novumind AI Software Powers Medial Supercomputer, Novumind, July 9, 2018, <https://www.novumind.com>

Wisdom.¹⁰⁸ It specializes in connecting US and global companies and consumers to Chinese mobile payment platforms, namely AliPay and WeChat.¹⁰⁹

Also appearing on the list of PPP recipients is **CloudMinds Technology Inc**, which received \$1-2 million. CloudMinds, a cloud-based robotics and AI company, is based in Irvine, California. The entity that received a PPP loan is a subsidiary of CloudMinds Inc, which derives significant revenue from and hosts a portion of its workforce in the PRC.¹¹⁰ CloudMinds Technology Inc. is backed by Beijing-based Keytone Ventures.¹¹¹ In March, the Department of Commerce blocked CloudMinds entities from exporting US technology to Beijing.¹¹²



On the device side of information technology, **1More Inc.** received between \$150,000 and \$350,000. Located in Shenzhen and San Diego, 1More bills itself as “China’s answer to Apple’s Beats.”¹¹³ 1More began as an audio device company but targets the integration between those devices and information networks – and has developed products accordingly in collaboration with Tencent’s WeChat. 1More is backed by the Beijing-headquartered Xiaomi mobile phone manufacturer.¹¹⁴

¹⁰⁸ CITCON Series B, *Crunchbase*, https://www.crunchbase.com/funding_round/citcon-2-series-b--96b7a480#section-overview

¹⁰⁹ John Stewart, Citcon Extends Its Reach for China-Based Wallets Via Tulip, a Tech Provider for Luxury Brands, *Digital Transactions*, May 21, 2020.

¹¹⁰ Jane Lanhee Lee, SoftBank-Backed Startups Among Those Approved for US Paycheck Loan Program, *Reuters*, July 6, 2020. For additional details on the CloudMinds variable interest entity structure and affiliates, see: <https://www.sec.gov/Archives/edgar/data/1770540/000104746919004155/a2239025zf-1.htm>.

¹¹¹ Jane Lanhee Lee, SoftBank-Backed Startups Among Those Approved for US Paycheck Loan Program, *Reuters*, July 6, 2020.

¹¹² Sam Nussey, Karen Freifield, Nathan Layne, Exclusive: SoftBank-backed CloudMinds blocked from exporting U.S. Tech to China, *Reuters*, March 3, 2020.

¹¹³ 1More: China’s Answer to Beats, 1More Blog, August 26, 2015.

¹¹⁴ 1More: China’s Answer to Beats, 1More Blog, August 26, 2015.

Advanced Manufacturing

As the PRC's Made in China 2025 industrial plan and hints of its emerging China Standards 2035 project make clear, Beijing pursues its ambitions in information technology based on inroads in manufacturing and advanced manufacturing. Those inroads are apparent in the PPP data, where at least 39 PRC-owned or PRC-invested companies received PPP loans.

These companies span legacy areas. Three US subsidiaries of China's State-owned electronics and appliances giant Hisense Group – **Hisense USA Corporation** (\$2-5 million), **Hisense Broadband Inc.** (\$250,000-1), and **Hisense USA Multimedia R&D Center** (\$150,000-350,000) – received loans. **Phoenix Paper Wickliffe LLC** received \$2–5 million. So did **Dystar LP**. Phoenix Paper is owned by Shanying International, one of the PRC's biggest containerboard producers.¹¹⁵ Dystar LP is a subsidiary of the DyStar Group, jointly owned by PRC-based Zhejiang Longsheng Group and Kiri Industries Limited.¹¹⁶

The legacy PRC State-owned construction giant Shanghai Construction Group's **SCG America Construction Inc.**, received between \$150,000 and \$350,000.¹¹⁷ **Fuling Plastic USA**, a plastics and tableware company under the Zhejiang Province-based Fuling Global, received \$350,000-1 million.¹¹⁸ **Drake Manufacturing LLC**, a bearing manufacturer in Ohio, received \$350,000-1 million. Drake was purchased in 2017 by Drake Manufacturing Acquisition LLC, a subsidiary of CW North America Inc., whose parent company is Ningbo-based Cixing Group Co.¹¹⁹

In a more advanced field, at least two PRC State-controlled semiconductor companies feature on the list of PPP recipients. **Mattson Technology Inc.** received \$2-5 million in PPP loans. Mattson is owned by PRC State-controlled Beijing E-Town International Industrial Investment and Development.¹²⁰ **Analogix Semiconductor, Inc.**, received between \$350,000 and \$1 million. Analogix, too, is owned by a State-controlled private equity firm: Beijing Shanhai Capital Management.¹²¹

A number of PRC materials companies also benefited from PPP loans: **Wellman Advanced Materials, LLC**, a Shanghai PRET Composites company, received \$2-5 million.¹²² **Sun Fiber**,

¹¹⁵ Shanying International Renames Kentucky Paper Mill as Phoenix Paper Wickliffe, *Midland Paper*, December 21, 2018.

¹¹⁶ "About Us," DyStar Group, dystar.com.

¹¹⁷ "Home," SGC America. www.scgamerica.com

¹¹⁸ "Learn More About Fuling," Fuling USA. www.fulingusa.com

¹¹⁹ Virginia Shank, Laid-off Workers Return Under New Owners at Drake, *Tribune Chronicle*, August 24, 2017.

¹²⁰ Nick Schwellenback and David Szakonyi, Millions in PPP Loans Went to Chinese State-Owned Companies, *Pogo*, July 23, 2020.

¹²¹ Nick Schwellenback and David Szakonyi, Millions in PPP Loans Went to Chinese State-Owned Companies, *POGO*, July 23, 2020.

¹²² "Home," Wellman America. www.wellmanam.com/

LLC, a wholly owned subsidiary of Cixi Jiangnan Chemical Fiber Co., Ltd, received \$1-2 million.¹²³

And **Kingfa Science and Technology USA, Inc.** received \$350,000-1 million. A high performance plastics company, Kingfa is a subsidiary of Guangzhou-based Kingfa Science and Technology.¹²⁴ Kingfa is recognized as a National High-Tech and National Innovative Enterprise in the PRC, a status that comes with a host of preferential policies, subsidies, and cooperative projects with the Chinese government.¹²⁵ In 2017, Kingfa reported that its government grants accounted for at least 9.99 percent of its net profit.¹²⁶ Kingfa's Guangdong Kingfa Technology Co., was among the key players producing and exporting masks to the United States: A contract signed on May 17 with a US buyer made Guangdong Kingfa a profit of \$975 million USD – expected to account for half of Kingfa Technology's net profit in 2019.¹²⁷

Media

Every two years since 2001, PRC State-owned *China News Service*¹²⁸ has hosted “The World Chinese Media Forum” in China. This meeting is dubbed the “top summit” of overseas Chinese media.¹²⁹ The last meeting, held in 2019, was attended by more than 400 overseas media representatives. The summit involves guided visits around China, interviews with PRC officials, and discussion, much of it responsive to a set theme. Past themes have included “The Belt and Road Initiative and the New Development of Chinese Media to Integrating the World,” and “Witnessing the Times: Chinese Media's ‘China Story.’”¹³⁰

Among the 2019 attendees were representatives from Phoenix Satellite TV Holdings Limited, a partially PRC State-owned, Hong Kong-headquartered media group, **Multicultural Radio**

¹²³ “About,” Sun Fiber LLC. www.sunfiberllc.com/about.html

¹²⁴ “Kingfa Sci. & Tech. (USA), Inc., Kingfa, www.kingfa.com.cn/

¹²⁵ “Kingfa Technology Co., Ltd,” National Household Appliance Technology Standard Innovation Base of Qingdao [国家家用电器技术标准创新基地], <https://hope.haier.com/>

¹²⁶ 金发科技股份有限公司关于获得政府补助的公告 [Announcement of Kingfa Technology Co., Ltd. on Obtaining Government Subsidies], March 30, 2019.

¹²⁷ 海外口罩需求持续上升 金发科技签 10 亿美元订单 [Overseas mask demand continues to rise, Kingfa Technology signs \$1 billion order], Securities Times, May 18, 2020.

¹²⁸ In June 2020, the US State Department designated China News Service as a “foreign mission” of the PRC. See the announcement here: <https://www.state.gov/designation-of-additional-chinese-media-entities-as-foreign-missions/>.

¹²⁹ 背景资料：世界华文传媒论坛[Background Information: World Media Summit], *China News*. At the sixth convening, those present published a “Chongqing Declaration” on overseas Chinese media in the international narrative system. They declared that “the global Chinese media are working together” to build a new international discourse and that “Chinese-language media across the five continents are not only an indispensable part of local multiculturalism, but also inseparable from the rare development opportunities of Chinese culture.” (世界华文传媒论坛发表《重庆宣言》[World Chinese Media Forum publishes “Chongqing Declaration”], *China News*, September 18, 2011.)

¹³⁰ 世界华文传媒论坛：一路耕耘一路收获 [World Chinese Media Forum: Hard work all the way to harvest], *China News Network*, October 9, 2019.

Broadcasting Inc., (MRBI), a New York-based media group, and **EDI Media Inc.**, based in California. The US subsidiary of Phoenix Satellite TV Holdings Limited, **Phoenix Satellite Television (US) Inc.**¹³¹ and EDI Media Inc. each received \$350,000-1 million in PPP loans. MRBI received \$1-2 million.¹³² Phoenix Satellite TV Holdings is partially owned by the Chinese State.¹³³ Its CEO, Liu Changle, is a standing member of the National Committee of the China People’s Political Consultative Conference.¹³⁴

World Journal also received PPP loans – through **World Journal, LLC**, **World Journal SF, LLC**, and **World Journal LA, LLC**,¹³⁵ which all received \$350,000-1 million apiece. *World Journal* is a daily Chinese-language newspaper that is independently operated and affiliated with a Taiwanese newspaper.¹³⁶ In 2001, a *Jamestown Foundation* report identified it as one of four major overseas Chinese-language newspapers in the United States and raised concerns about its interactions with the Chinese Communist Party through Chinese consulates in the United States.¹³⁷

¹³¹ “Phoenix Satellite Television (U.S.) Inc., Hong Kong Association of Southern California, hkasc.org.

¹³² No public documentation has been found indicating that either MRBI or EDI is not a US company. They were not considered PRC-owned or invested for the purposes of this report.

¹³³ Annual Report, 2018; Jerry Dunleavy, “FCC Orders China-owned Phoenix TV to Cease US-Mexico Broadcasts within 48 Hours,” *Washington Examiner*, June 22, 2020.

¹³⁴ 中国人民政治协商会议第十三届全国委员会主席、副主席、秘书长、常务委员名单 [List of Chairman, Vice-Chairman, Secretary-General and Standing Committee of the 13th National Committee of the Chinese People’s Political Consultative Conference], *Xinhua News*, March 14, 2018.

¹³⁵ Those three entities reflect *World Journal*’s New York headquarters, Los Angeles Region Offices, and San Francisco Region Offices. (“Contact Us,” *World Journal*, worldjournal.com)

¹³⁶ Mei Duzhe, How China’s Government is Attempting to Control Chinese Media in America, *The Jamestown Foundation*, November 21, 2000.

¹³⁷ Mei Duzhe, How China’s Government is Attempting to Control Chinese Media in America, *The Jamestown Foundation*, November 21, 2000.

CONCLUSION

The CCP treats COVID-19 recovery as a competitive interaction; an opportunity to accelerate a global strategy intended to undermine US economic prosperity, national security, and information freedom. This competitive approach runs directly counter to – and is positioned to take advantage of – traditional US, and multilateral, instincts for crisis relief. The extent and nature of PRC-owned, -invested, and -connected entities among the PPP loan recipients indicate that without appropriate policy guardrails, US tax dollars intended for relief, recovery, and growth of the US economy – and small businesses in particular – risk supporting foreign competitors, namely China. In the process, they may support an agenda that runs contrary to US economic and security interests.

The PPP program is just one example. Similar vulnerabilities are likely to characterize other immediate COVID-19 investment and relief efforts. These vulnerabilities will also characterize longer-term US infrastructure and manufacturing investment plans, like those proposed by both President Trump and former Vice President Biden. Authoritative Chinese sources have already indicated their intentions to take advantage of equivalent plans. Corresponding positioning is likely to grow more ambitious and more direct as China grows increasingly aggressive in both the security and the economic domains. US leaders will have to rethink the vulnerabilities of and protections afforded investments, and work actively to protect them from manipulation and subversion. COVID-19 has created a national, and global, crisis. But with that crisis comes a chance to examine, and invest in, US industry. China is competing. The United States can, too.

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