The China Rambler

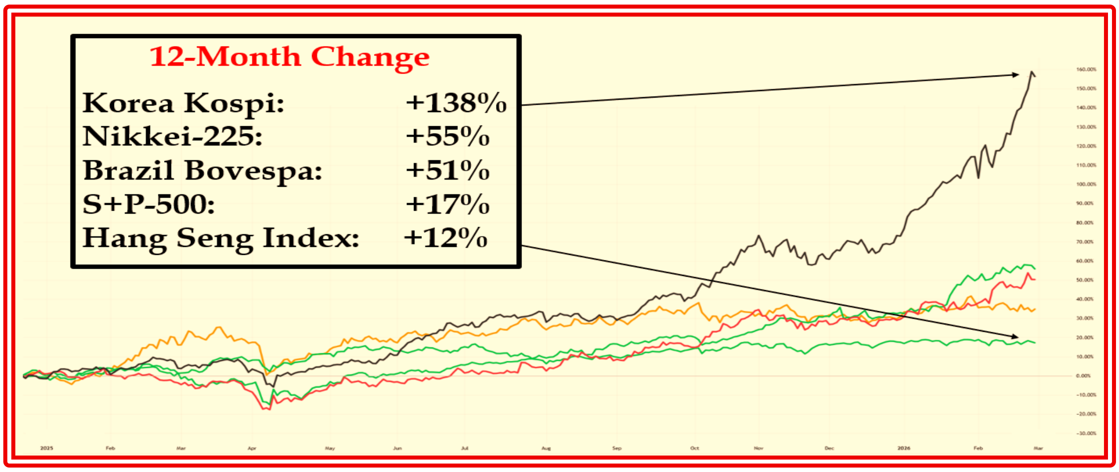
An Occasional Letter On Topics Of Interest To China Investors

Issue #17 *"Seek Truth From Facts"* **Mar. 2nd, 2026**

In this edition: China stocks; the cheaper alternative to U.S. markets, Chinamaxxing – more than just a TikTok meme, China's exporters' Nietzschean-progress, why Greentown Mgt. #09979 is a pass and why the HSI works once more as a China proxy.

It Remains An ABC World

Investors last month were reported to be losing faith in U.S. stock markets, or at least beginning to seek ways to hedge exposure; but with what? Melting crypto? Frothy commodities? Skinny-yield government or tight-spread corporate bonds? Most commentary I read focussed on possibilities in 'other' equity markets. Like? Ones that have gone up a lot seemed to be a recurrent suggestion. Like? Korea, Japan or Brazil perhaps?



Being in any of those markets would've been a better bet than the U.S. in the last 12-months; but what if you didn't place those bets? Advice to get involved at this stage is to recommend hot markets with high-to-history valuations. Videlicet: Japan, c. 19x. Korea, c. 20x and Brazil c. 13x (still all cheaper than the U.S. on c. 26x, https://worldperatio.com/).

In reviewing this long-the-winners advice I found none flagging: a) how China stocks were the laggards over the period and thus the more attractive or, b) on a PE of 11x the China market is one of the world's cheapest [FXI, based on the iShares large cap index].

The takeaway is clear. The hedge-the-U.S.-trade stops (unlikely), or it continues and cheap proxies on the world's second largest economy catch a bid. It's an **A**nything **B**ut **C**hina world presently but at some stage the levee will break and the pile-in will be dramatic. This is something you can, now comfortably and cheaply, position yourself in advance of.

"Chinamaxxing"

Yes, it's a thing, and explanatory articles appeared last month at BBC and Wall Street Journal websites (Beeb here, WSJ here). In brief, it started as a TikTok meme and involves non-Chinese folk wanting to be more er, 'Chinese'.

For a while, I've discussed with Chinese friends what I think is an inevitable-in-time development i.e. that Chinese popular culture breaks out and becomes 'cool'. Think Hello Kitty or Black Pink for other Asian trailblazers; but they can't see it. In the same way perhaps, Koreans couldn't imagine 15-years ago the whole 'K' phenomena (K-Beauty, K-Travel, K-Food and so endlessly on!). I contend China's next and when this happens it'll significantly alter, and for the better, perception.

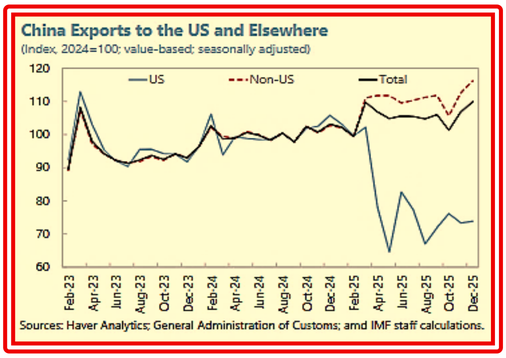
Whilst Western oldies continue to riff on irrelevant Cultural Revolution horror stories, Poorly Made In China anecdote and tired arc-of-history-bends-towards-democracy arguments, a new generation will be taking a fresh look.

Some will also visit and find the reality of China-2026. Cities of the future, infectious energy and friendly locals thrilled they've made the effort to come-see. The beloved tropes of the curmudgeons: open-prisons, po-faced bureaucrats and that 1984-ish surveillance hellscape will be harder to locate.

I'd recommend a visit begin in Hong Kong of course (the dim sum's on me), but Shanghai (right) would also work as a first stop to begin seeing, and feeling, what life in 2050 will be like.

Say Whaaat?!

Every so often you see a chart that makes you go 'Huh!'. Last month the IMF released their annual look at China, and their review was encouraging. They noted the strong economy in 2025 which grew ahead of their (and most others) expectation and part of the reason was the way in which China's export manufacturing complex has adjusted to U.S. tariffs.



'Adjusted' is hardly the word. Take a look at the chart and you see China's exporters have not only absorbed the loss of business from the U.S. but in addition have gotten on their bikes and found other markets to take up the slack. What doesn't kill you and all that.

The notion that a collateral benefit of tariffs might be the retarding of an important part of China's economic growth engine has turned out to be wrong. Tariffs, far from throwing a wrench into the gears of China's manufacturing ecosystem, have ended up greasing them. Say Whaaat?!

Stockwatch: Greentown Management Holdings #09979

Summary of a recent closer look

Basically: Market cap.: c. U$720m, PE: 6.5x, Yield: 9.3%, PB: 1.4x (all historic, see below for forecasts). Avg. daily TO (3m) U$1.7m. Business: China's largest project management company with over a 20% market share. A de facto SOE controlled by Greentown China (#03900) in turn controlled by China Communications Construction Group (#01800).

I have a no-IPO and no-listed-for-less-than-5-years rule. This was listed in July '20 (at H$2.50) so recently popped up on my free-for-interrogation list and looked interesting.

On closer inspection red flags appeared and multiplied. Like many it did suspiciously well around its listing and, like many (many!), lost momentum not long thereafter ❶.

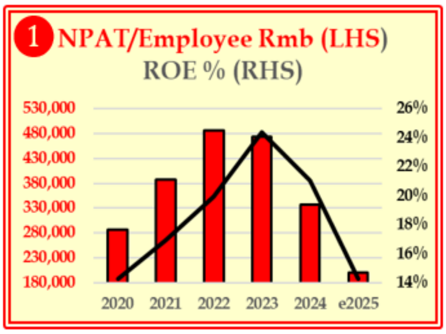
Managing construction projects as a pure service provider should, in theory, be a good business; but, if the underlying business sours there's an inevitable knock on.

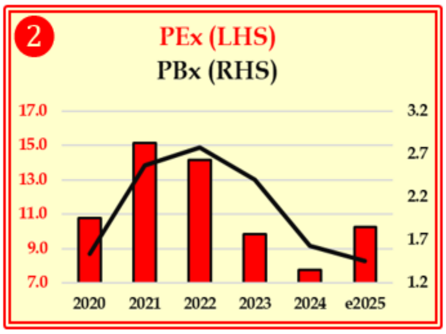
Despite the Annual Report bloat that's afflicted all HK listed companies (here 2020: 168-pages, 2024: 347-pages) they reveal less about themselves in 2026 than they did in 2020.

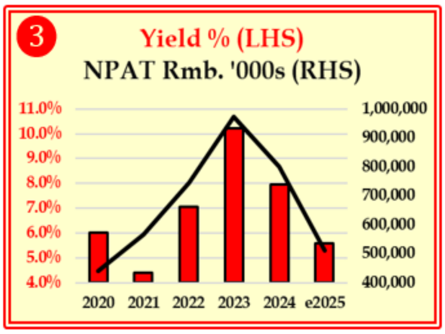
Not to like: It's too small to be of interest to others unless its business improves, and there's no indication that's on the near-term horizon. 1H25 was obviously difficult and their perfunctory explanation, absent contrition, was in no way helpful.

To like: The stock is cheap ❷. Their net cash balance will persist. Cash-hungry parents suggest a respectable dividend will also continue. They'll remain the biggest player in their space. They offer an inexpensive and geared play on China's property market recovery.

Would I buy them? Not for the time being. For the full year 2025 earnings will be down significantly, and the dividend and book value will also be reduced ❸. There are troubling governance issues: why were key managers replaced in 2024 and why was the H125 profit warning issued only 14-days ahead of the actual result? Moreover, where has an Rmb200m doubtful loan fingered in the H125 reporting come from, and how many more of these are there? Receivables also show discouraging trends. In summary this is too hard, too small and too troubled to make engagement worthwhile; for me at least.







[2025 forecasts represent a very un-rigorous doubling of aH125 numbers]

How's My Investing?

Performance summary, review of recent trading etcetera

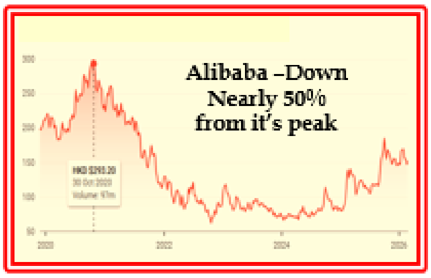
February — YTD, Performance:	**+2.5% — +12.9%**
Performance Since Inception (Nov. '24):	**+41.1%**
Cash Percentage of Portfolio:	**18%**

The Hang Seng Index (HSI) – Investible Again

Warren Buffet for years advised casual investors in U.S. stocks to buy a no-load S+P Index ETF and keep the balance of savings in cash, and for a long time that was good advice due to the way the S+P-500 is constituted (less so currently due to industry concentration).

In recent years though it would have been bad advice to recommend a Hang Seng Index based strategy for those looking for an easy China-long. That's because the Index inducted a raft of highly valued companies in 2020. Since then, it's been a soggy ride as valuations of those inductees have been slowly revised down.

The poster-child for this process is Alibaba. Shortly after its listing in 2019 its stock price went vertical and shortly after that Hang Seng Index compilers added it to the Index. This, and the other additions around the same time have ended up blighting the Index for nearly half a decade; but I believe a repricing to sensible levels is done.



HSI Largest Component Weightings And Historic Earnings Multiples

Code	Name	Weight	PEx
00005	HSBC	9.4%	15.2
09988	Alibaba	8.3%	19.3
00700	Tencent	7.5%	23.3
01299	AIA	5.6%	18.1
00939	CCB	4.5%	5.7
01810	Xiaomi	3.8%	34.4
01398	ICBC	3.5%	6.2
03690	Meituan	3.2%	13.1
00388	HKEX	3.1%	30.0
00941	C. Mobile	2.9%	11.6
	Total/Avg.	51.8%	17.7

Back To Reality

The sample average PE* in the table on the left is distorted by PEs for Xiaomi and HKEX. The HKEX number is historic, and the 'real' number may turn out in '26 to be lower. Xiaomi? Perhaps not ***all*** overvaluations have fully corrected?! A look at other components show reasonable to plain-cheap numbers throughout. Moreover, unlike the S+P-500, which is dominated by one industry, the HSI offers what Mr. Buffet was originally highlighting i.e. an index with a broad mix of big companies, new and old.

Passive investment involving the HSI for the last 5+-years has been a disappointment due to a valuation problem that's mostly resolved itself; investors can therefore use the Index again to base China-exposure strategies on as it's more fairly priced now, and better composed, than it has been in the recent past.

[* I noted an 11x market multiple earlier but that's for a broad group of China stocks. The 'true' forward multiple of the HSI is somewhere in the low teens. The official word from the compiler is here.]

Datawatch

Key Releases In The Last Month

One 😟 Two 😐 One 😊 Four ❓

[Due to the distortion caused by the Spring Festival China aggregates many Jan. and Feb. numbers so some are missing this month. They'll be back next with the combined readings.]

Trade ❓ : Jan. +Feb. aggregate data next month.

Prices 😐 : Jan. CPI +0.2% (Dec. +0.8%), PPI -1.4% (Dec. -1.9%). Fourth monthly CPI rise; but PPI was the 40th consecutive month of contraction.

Credit 😐 : Jan. M2 +9.0% (Dec. +8.5%), Total Social Financing +8.2% (Dec. +8.3%). O/S loan Δ, +6.1% (Dec. +6.4%). O/S loan Δ a new low.

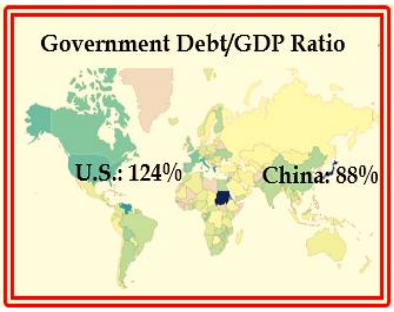
Consumption ❓ : Jan. +Feb. aggregate data next month.

Industrial Activity ❓ : Jan. +Feb. aggregate data next month.

New Home Prices 😟 : Jan. -3.1% (Dec. -2.7%). This is getting worse: https://tradingeconomics.com/china/housing-index.

Business Confidence ❓ : Another holiday casualty. For Feb. we'd normally get this at month-end. This time it'll be out March 4th.

China Govt. Debt/GDP 😊 : Not hearing much about debt problems in China these days. That's because it isn't, and never really was, an issue. Corporate balance sheets are robust, bank property exposure is under control and local governments have been reigned in. You didn't know?



That wraps it up for February. What's here isn't advice or recommendation, it's what I've been up to, how I'm looking at the world and a small piece of the market puzzle which, combined with yours, I hope may be of some use.

"He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me". Thomas Jefferson.

Good Luck with ***your*** investing. Feedback please to me at nial@nialgooding.com