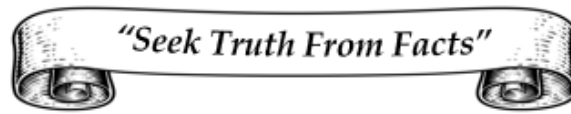


The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #18



Apr. 1st, 2026

In this edition: advantage Hong Kong, the Taiwan-invasion Chimera, China's wonderful banks, why Yadea #01585 is a buy at H\$11.70, bargain hunting amid March's turbulence and how right an analysis of gold by Warren Buffett in 2012 has turned out to be.

Advantage, Hong Kong

Fears that Hong Kong, post the promulgation of the National Security Law in 2020, would become an autocratic commie hell-hole (it didn't) persuaded some Hong Kongers to leave. The pandemic saw off more with a notable trend of non-Hong Konger professionals decamping to Singapore. Those who left for the UK have had a [mixed experience](#) and those who went to Singapore discovered, well, Singapore; but that exodus is over.

Greener grass was found not to be so and at the margin UK based Hong Kongers and Singapore-decampers are returning; I have firsthand experience of both. In addition, since 2022 it's estimated over 200,000 Chinese mainlanders have migrated into Hong Kong, many following the introduction of the [Top Talent Pass Scheme](#). Net, Hong Kong has swapped the glum for the keen. A real win-win; but wait, there's more...

On March 1st Dubai International Airport was hit with the first of a volley of missiles targeting the United Arab Emirates. This has ended the debate on whether Dubai could displace Hong Kong as a convenient Eastern locale for international finance. It can't, and on the same day Hong Kong became, unambiguously, Asia's financial capital. Welcome in.



The Taiwan 2027 Invasion Chimera

In response to the above I sense China perma-bears reaching for familiar Taiwan-invasion chestnuts. No official in China has mentioned 2027 in connection with Taiwan but it entered the hawk's lexicon some time ago thanks to the gentleman on the right, Admiral Philip Davidson. In March 2021 [speaking to a Senate Committee](#), he said Taiwan would be threatened (by China of course) "in the next six years".



2027 has since appeared in multiple discussions and, as it's only nine months away, we'd better be ready. Sentiment in Taiwan must be bleak and home prices through the floor. Not so. Granted, they're off the top but collapsing? No. Moreover, at the end of March the Taiwan stock market was c. 10% below its February all-time high, consistent with the beating many stock markets experienced over the same period [i.e. [S+P-500, -9%](#)]. So, not a lot of obvious panic there either.



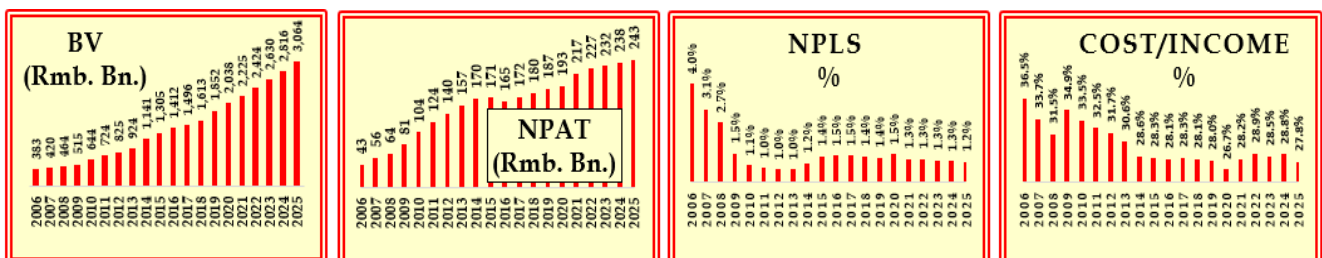
In fairness to the hawks the message has mutated from 'China WILL invade Taiwan in 2027' to 'by 2027 China will be CAPABLE of invading Taiwan'. Whatever. The bottom line is China-Cassandras are wrong again and here not just by a bit, spectacularly so. Invasion? No invasion? There's quite a difference.

Taiwan has nothing to fear, UNLESS it declares independence. This has been China's position, crystal clear and forever; it hasn't changed and won't. Invasion isn't a zero-chance event; but the lower odds (IMHO) of a by-force-take-over than being [struck by lightning](#) don't concern me much. Nor should they you if considering investing in the region.

Those Wonderful Chinese Banks

Chinese banks have been, and continue to be, superb investments. When I've put this to people the notion produces reflexive push-back along the lines of 'they make up numbers', 'there are problems buried out of sight', 'they're vulnerable to the next downturn' etcetera.

The Bank of China (#03988, a current holding) was the first of the majors to be listed in 2006 providing us with a 20-year track record. The period covers the GFC, a currency crisis in 2014, the pandemic and a multi-year property bust. Below is a closer look at key indicators. See the dodgy numbers, hidden problems or the existential vulnerability? To remind and in addition, steady dividends of real money have been paid throughout the entire period.



The book value (BV) accretion shows the bank going from strength to strength with NPAT gains fuelling that growth. NPLs may be understated, but double them (heck, triple them!) and they're not even close to scary. Finally, the cost/income ratio shows the difference between a bank run for customers' benefit rather than that of its managers. At the end of March, the sector remained priced as if on a precipice of calamity, which it wasn't. Here's to the next 20-years; I expect to remain a holder for most if not all of them.

Stockwatch: Yadea (雅迪) #01585 Group Holdings Limited

Summary of a recent closer look

Basically: Market cap.: c. U\$5.3bn, PE: 13.3x, Yield: 4.2%, PB: 4.0x. Avg. daily TO (3m) U\$14m. Business: China's largest electric scooter and bicycle maker. One of a duopoly (the other, AIMA (爱玛), #603529.SH) who control 24% and 18% of the market respectively. Founded by a still-at-the-helm husband-and-wife team in 2001, listed in 2016.

Their fortunes went through a step-change, up, in 2020 ❶ and their dominance increased. New industry regulation then wrangled a chaotic market and squeezed out smaller players.

Since listing they've maintained a strong balance sheet with a persistently high cash balance. This stood them in good stead in 2020 and the difficult pandemic conditions that followed.

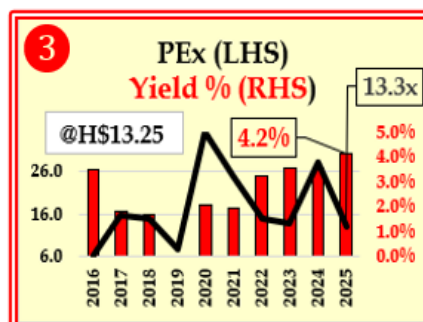
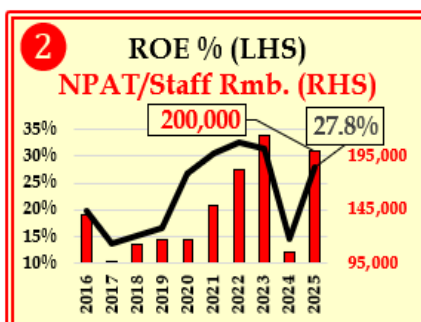
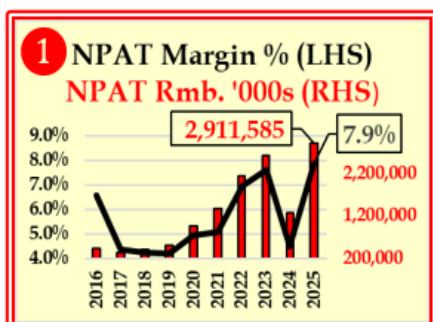
They're well run. Through good and bad times in the decade since listing the ROE ❷ has never dropped out of the teens. NPAT/staff at the end of 2025 was close to an all-time high.

They've established manufacturing plants in Indonesia and Vietnam and are working on facilities in Thailand and Mexico. This optionality isn't reflected in the current stock price.

Not to like: Despite industry rationalization there are still a raft of smaller players which will keep industry unit prices low. A number of battery fires (some serious and some theirs) attracted regulatory scrutiny again in 2024 impacting sales. Safety is an ever-present risk.

To like: Multiple moats, specifically; cost, distribution, legacy-brand, relationship with industry overseers and that balance sheet. Better yet, the stock appears to be largely off institutional radar-screens with cloudy prospects for '26 retarding its valuation. Excellent!

Would I buy them? I should like to. 2025 sales were boosted by a one-off of buyers cashing in on government consumption incentives and 2026 will be tougher; but this may explain why the valuation is currently depressed ❸. Prospects beyond 2026 look good. Inflation is ticking up and will be reflected in higher unit sales prices. Overseas businesses will begin to contribute. The dividend will follow the established 50% payout, and market dominance will persist. Using a blended PE and cash+PE approach I establish a FV range of H\$10.6~H\$15.0 and I'd be happy to buy at or below the first quartile or H\$11.70. If I get lucky I'll own a multi-year compounder with a steady stream of dividends for years ahead.



How's My Investing?

Performance summary, review of recent trading etcetera

March — YTD, Performance:	-7.6% — +4.4%
Performance Since Inception (Nov. '24):	+30.5%
Cash Percentage of Portfolio:	11%

Bargain Hunting In March

With the benefit of 2025 reporting and 2026 guidance I topped up on some fat-yielders and added a newcomer to the portfolio.

Additions, with net month end yields: **China Lilang, #01234 8.5%**, **Golden Throat, #06896 9.2%** and **Sun Art Retail, #06808 10.8%**. The world is vexed, surely, but I don't think the fortunes of a domestic gentlemen's outfitters, a throat pastil colossus or one of China's largest supermarket operators will be much affected by ongoing Middle-Eastern ructions.

The newbie is **Haier Smarthome #06690**. I profiled this in the [November '25 Rambler](#) and it's a departure from my normal modus operandi. Usually, I'm looking for good companies at great prices, but this is a great company snagged at a great price (10x earnings, net. yield of 5%). Let's see where the benefit of quality at a rock-bottom price takes us.

A couple of mutts were tagged for eviction, however last month wasn't a sellers' market. I'd like more of a cash balance though, and soon, than I closed the month with.

On Gold - Advantage, Mr. Buffett

The best argument for why gold is always likely to be a poor long-term investment was penned by Warren Buffett in his 2011 [Letter to Shareholders](#) (sent Q1 2012, p. 18~19).

Since the beginning of 2012 to the end of last month gold had risen from c. U\$1,700/ounce to c. U\$4,600/ounce, a gain of 170% or a CAGR over the period of c. 7.2%. Berkshire Hathaway's stock over the same period had gone up from c. U\$118,000 to c. U\$713,000, a gain of 500% or a CAGR of 13.4%.

Some gold fans, and many of crypto 'assets' think they've discovered a dark-truth i.e. that the supply of money increases over time and therefore devalues (it does); but money supply MUST rise in a growing economy to facilitate the economy's efficient working. This is the normal, healthy and steady state of affairs. There's no dark apparatus or conspiracy at work.

The reason gold and other non-yielding assets do worse than stocks in the long run is explained in the Letter. Without an internal compounding engine, they'll only keep up with money growth, plus or minus. So yes, they'll go up, some. But they won't do nearly as well as a basket of well-chosen businesses, as has just been convincingly demonstrated. Advantage Mr. Buffet? Game, set and match more like.

Datawatch

Key Releases In The Last Month

One 😞 Two 😞 Six [!] 😊

Trade 😊 : Jan. +Feb. combined, exports +21.8% (Dec. +6.6%), imports +19.8% (Dec. +5.7%). Blistering! With a shift away from the U.S., again.

Prices 😊 : Feb. CPI +1.3% (Jan. +0.2%), PPI -0.9% (Jan. -1.4%). Fifth monthly CPI rise; PPI still falling, but the rate of decline is decreasing.

Credit 😞 : Feb. M2 +9.0% (Jan. +9.0%), TSF +8.2% (Jan. +8.2%). O/S loan growth +6.0% (Jan. +6.1%). O/S loan growth another record low.

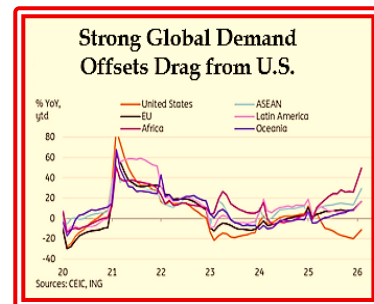
Consumption 😊 : Jan. +Feb. aggregate retail sales +2.8% (Dec. +0.9%). ME problems may temper this good news later in the year.

Industrial Activity 😊 : Jan. +Feb. +6.3% (Dec. +5.2%). Big beat to the consensus forecasts for a 5% lift. 2026 harbinger or one off? We'll see.

New Home Prices 😞 : Feb. -3.2% (Jan. -3.1%). This was the fourth month of accelerating declines. Check out the trend in more detail [here](#).

Business Confidence 😊 : Mar. Mfg. PMI 50.4, up from 49.0, non-mfg. 50.1, up from 49.5. Great numbers, and both ahead of expectations.

Exports 😊 : **BOOM!** China's exporters are finding new markets. The jump in the latest numbers was partly due to rising sales to Africa. It's a hard market and margins may be finer than elsewhere, but adapt or perish right? China's exporters, in fact, are doing better than just adapting, they're reinventing themselves.



That wraps it up for March. 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