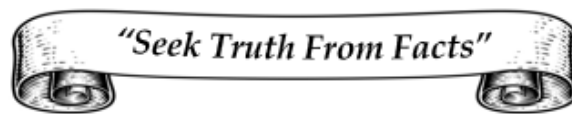


The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #19



Apr. 30th, 2026

In this edition: How China finds its way to a value-up program, the KMT goes all in, a less disliked China, why exports don't matter so much, another blow for food delivery companies, why I don't need Longfor #00960, Yadea #01585 in, Shanghai Electric #02727 and SunArt #06808 out, new-new-thing IPOs and the bliss of my own private Omaha.

Fixing The Consumption Conundrum - A Radical New Strategy

The most important policy development this year in China was highlighted in an [article](#) at the Caixin financial news website on April 3rd and concerns the consumption conundrum. To recap the problem; Chinese save too much and consume too little. If the economy is going to transition from its metal-bashing roots this has to change.

In the last couple of years direct stimulatory measures have been tried. Cash for clunkers, white goods trade-in vouchers and so on. These moves have been temporarily effective, but the bigger problem remains and a fresh approach is required. According to the Caixin report the government are working on a broader structural response aimed at growing the percentage of national income that accrues to households. At 60.6% presently this is about 5.5% below the global average. Where's the rest?

A lot's being corralled by the corporate sector that's receiving 24.7% of the pie, around 5.6% higher than the global average.

The 'solve for Y' in this regard is obvious. Corporates will have to share more which means their assets will have to produce more so that the government and minorities can receive more. If this initiative is successful (to be clear, firm-value extraction would be part of a bigger plan) a rise in firm values will be a collateral benefit.



Japanese and Korean stock markets have done well in part as investors have responded to attempts to increase firm value via 'value-up' programmes. China may, but for different reasons, be on the cusp of something similar. It'll be the same plan in some respects but different in terms of being part of a comprehensive effort to increase incomes of the citizenry as a whole. Cynics are welcome here to their reflexive scepticism; but I have no experience of Beijing committing to a strategy and failing to follow through.

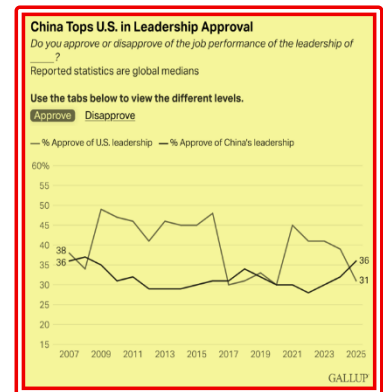
Taiwan – The KMT Goes All In

Taiwan will hold [local elections](#) later this year and the leader of the main opposition party, Ms. [Cheng Li Wun](#), was in China earlier this month. Ms. Cheng is taking her party in a new direction with an unequivocal tilt in favour of closer ties to the mainland. Voters in November will therefore be offered a clear choice; ride China's coattails and progress a more constructive dialogue or continue to pull China's tail on behalf of the U.S. and spend billions on a defence which in practice could never work. Fair voting can be expected; the results will be interesting.



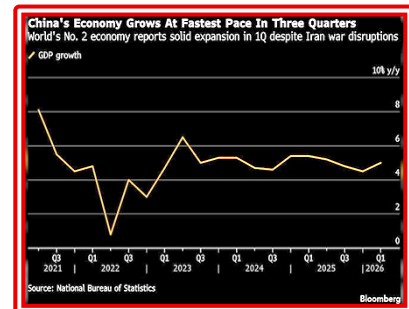
China – Less Disliked

A new [Gallup poll](#) showed China more 'approved' of, 36%, by the rest of the world (ROW) than the U.S., 31%. There was merriment in some camps about this, but a closer look revealed the more prosaic reality for both countries. It was the widest gap in China's favour in 20-years but neither country garnered ROW net approbation. Instead of 'China ahead of U.S. in global poll', a better headline would have been 'ROW dislikes China less than the U.S.'. Investors' long-standing China-insouciance appeared subsequently intact.



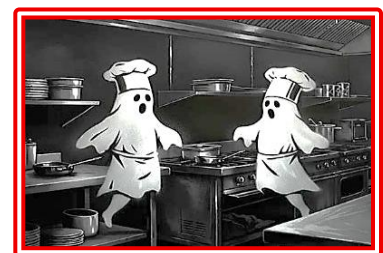
Q1 GDP +5% - A Nice Surprise

Quite a result in the context of global events over the period. A reminder also that China's prosperity is no longer solely a function of its export manufacturing complex. Whilst that'll remain an important growth driver the more important motor of developmental momentum has become domestic consumption. Prising wallets wider is therefore the new existential challenge; good news, there's a plan (as above).



Ghost Kitchens – Food Delivery Firms, In The Soup

'Ghost Kitchens' in China are unlicensed food processing establishments. The government levied fines of Rmb3.6bn (tiny compared to revenues) on a raft of operators for facilitating their use. Pinduodo PDD, with an Rmb1.5bn penalty, was hit hardest. Food delivery in China has been loss making for a while; post the latest crackdown losses can only grow.



Stockwatch: #00960 Longfor (龙湖) Group Holdings Limited

Summary of a recent closer look

Basically: Market cap.: c. U\$7.4bn, PE: 49x, Yield: 1.0%, PB: 0.3x. Avg. daily TO (3m) U\$19.2m. Business: based originally in Chongqing the company develops real estate nationwide and have in recent years built, and now operate, over 100 shopping malls.

This was one of several major private sector developers to emerge in the early noughties. The founder gave up day to day control in 2022 to a new (non-family) Chairman.

Finances have been run prudently forever. In 2016 they were the first non-SOE developer to get investment grade ratings from all three of Moody's, S+P and Fitch.

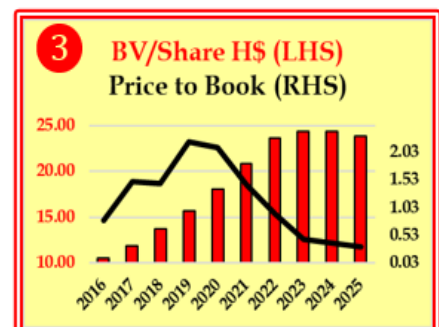
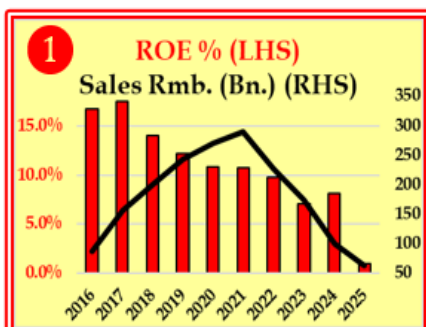
As far back as 2018 they were flagging a property market past its best days. Having correctly predicted the flood, they haven't been able to entirely avoid its consequences.

The pivot to shopping malls makes some defensive sense. Earnings though from this business are nowhere near as big as the historic returns achieved from property sales.

Not to like: They can't replicate past earnings ❶. The shopping mall pivot has been ongoing from way back; but in China commercial property comes with short leases so older properties must be coming up for renewals soon. Maintenance capex is also never ending.

To like: Finances appear to be under control ❷ although cash has come down a lot recently. They may be thrashing in the shallows, but they're not drowning. The land bank has been right-sized and doesn't represent a liability. Management are fully aware of the challenges.

Would I buy them? I don't need to. I've placed two good-sized bets on the China property market already. One with SOE king-of-the-hill developer China Overseas Land and Investment (#00688) and the other with the owner of the best commercial property portfolio in China, Hysan Development (#00014). That combined position has a P/B of c. 0.3x and a yield of c. 5%. Longfor cut their final dividend for 2025 to zero and whilst prudent makes estimating future yield impossible. The Book Value (BV) has also been falling ❸ and until that stops we can't use this metric as a safe ingress guide. Final minor niggles, they were late communicating problems in advance of '24 and '25 full year reporting which presents a trust issue I'd prefer not to be exposed to. Fine with the sector, cautiously optimistic even; but already happily lashed to quality vehicles at the same or better valuations.



How's My Investing?

Performance summary (to 29/4), review of recent trading etcetera

April — YTD, Performance:	+3.1% — +7.6%
Performance Since Inception (Nov. '24):	+34.5%
Cash Percentage of Portfolio:	14%

Dealing Like A Dervish

My preferred modus operandi is to do as little as possible, but this month price moves prompted buying *and* selling. New in was Yadea #01585 which I profiled in the [March note](#).

Shanghai Electric #02727 (a prime candidate for value-up intervention!) and SunArt Retail #06808 (about which I [enthused about recently](#), I know, my bad) were sold. The former has oodles of embedded value, but I've tired of the management's reluctance to winkle it out. The latter issued a profit warning which prompted a reassessment of the investment case. When this happens it's best to move right along; these situations rarely turn around quickly.

New-New-Thing IPOs – Perhaps Not The Answer

The Hang Seng Index is up less than 1% YTD, and 8.6% (1.7% CAGR) in the last five-years ([total returns](#)); this contrasts poorly with other global equity markets. The problem, mainly, has been the drag from old new-economy duffers, about whom hopes were once so high. A bunch of new-new-things are currently IPO-ing and hopes are high, again. Hmmm. Same old same old, but different?



My Own Private Omaha

Along with thirty-or-so thousand others, I went to Omaha, Nebraska a couple of years ago to listen to Mr. Warren Buffett. I had no preconceptions but on arrival and throughout my stay was struck by how isolated Omaha felt. Part of the Buffett legend is how somebody operating in such an unconnected environment can be such a successful investor.

It's a little over a year since I closed my institutional Fund and I can't adequately describe the pleasure of investing without formal reporting obligations. It's worth noting Mr. Buffett wisely keeps investors at bay with a single annual update. Now I get it.

We're decades beyond information being a reliable competitive advantage in investing and I thought time was the only one left: but to that I'm adding absence-of-distraction. Time AND peace and quiet are the hardest to obtain but most highly-desirous conditions for sound investing, IMHO. It's axiomatic few institutional investors get the former and virtually none have the latter. These days in my own private Omaha, Pok Fu Lam, Hong Kong, I'm enjoying both; and the 'time' of my life. No disrespect Mr. B, the food's also better.

Datawatch

Key Releases In The Last Month

Two 😞 Four 😞 Two 😊

Trade 😞 : Mar exports +2.5% (Jan.+Feb. +21.8%), imports +27.8% (Jan.+Feb. +19.8%). Good news on the home front, ROW a harder read.

Prices 😊 : Mar. CPI +1.0% (Feb. +1.3%), PPI +0.5% (Feb. -0.9%). Sixth monthly CPI rise; PPI, the first rise after 41-months of decline.

Credit 😞 : Mar. M2 +8.5% (Feb. +9.0%), Outstanding Loan Growth +5.7% (Feb. +6.0%). O/S loan growth another record low.

Consumption 😞 : Mar. retail sales +1.7% (Jan. +Feb. +2.8%). Below forecasts.

Industrial Activity 😊 : Mar. +5.7% (Jan. +Feb. +6.3%). A drop from the prior period, but that was unexpectedly high.

New Home Prices 😞 : Mar. -3.4% (Feb. -3.2%). This was the fifth month of accelerating declines. Check this out in more detail [here](#).

Business Confidence 😞 : Apr. Mfg. PMI 50.3, down from 50.4, non-mfg. 49.4, down from 50.1. head of expectations.

U.S. Consumer (Lack of) Confidence 😞 : Released April 24th this [latest reading](#) was a fresh low. Perhaps it's just 'noise', perhaps it's a harbinger? What it isn't is encouraging for global business partners attached to the dynamic, like China.



That wraps it up for April. 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