CHINA OUTLOOK: MAKING SENSE OF THE NEW INVESTMENT NARRATIVE

Announcer 00:01

Please welcome the panel on “China Outlook: Making Sense of the New Investment Narrative,” moderated by Li Xin, Managing Editor and Managing Director, Caixin Global.

Li Xin 00:43

Thank you, good morning, dear guests. Thank you for coming to the morning China session, and we'll get started shortly.

Li Xin 00:53

Well, our session topic is called “China Outlook: Making Sense of the New Investment Narrative.” When people talk about investing in China, we often hear two different narratives. Some say China's economy is doing really well. It's doing so well that it's eating everybody's lunch. Look at solar, battery, EV, you name it. Others say struggling to find new growth engine after the property bubble burst. And some say—some point to China's choke points and chips. Others highlight China's lead in AI as well as green manufacturing. Some see China as rich. Other reminds us it's still developing and part of the Global South. These mixed views are partly a result of oversimplifying such a big and complex economy, and probably a paradox of a nation still in the middle of economic historical transition. So which story can tell us more about the future, which is closer to the truth, and what does it mean for global investors and some of you sitting here today. To help us unpack the outlook of China, we are very fortunate to be joined by a very distinguished panel. Mr. Guo Kai, Executive President and Senior Fellow of CF40 Institute, Charles Lee, the Founder and Chairman of Micro Connect, and Milind Pant, the Executive Fellow of Wall Street Journal Leadership Institute and former CEO of Amway and Allen Zhu, the Managing Partner of GSR Ventures. I will start first with the big picture, and start with Guo Kai. You are an economist, and you were a central banker as well as the Deputy General—Director General of the Monetary Policy Department of China's PBOC, and you were part of the Chinese delegation negotiated with the first Trump administration. But we'll save the geopolitical questions for later. They're too juicy. I have lots of questions, but we'll start with the Chinese economy. How do you think the Chinese economy is doing today? And from a policy perspective, what are the government's current investment priorities?

Guo Kai 03:03

Thank you. Thank you for the question, and thank you. It's my great honor to join this panel. If you really look big picture about Chinese economy, the first word (that) comes to my mind is really "resilience." You know, given what you mentioned about the burst of property bubble, given the very high tariff imposed on China by the US this year, actually, the economy is doing reasonably well. It seems to be on track to meet the 5% growth goal for the year. That being said, I think if you look more carefully at data in recent months is actually there was a noted slowdown in the past several months. There are a couple of reasons for that. One is actually the uncertainty due to the tariffs. You see the private sector actually slowing down their investment in many parts of the economy. There was also the waning effect of the fiscal stimulus launched later last year. The impact is become less over time. And the third impact is also this anti-involution campaign, I think, launched late June, July, you see those affected sectors, they're decreasing their investment, they're curbing their production. So, so overall, you see a slowing down but still resilient economy. In terms of investment priorities, I see is essentially three front. One is really what China called this new productive force. That's essentially Chinese to try to catching up the commanding heights of future technology, AI, chips, pharmaceuticals, robotics, you name it, everything. I think Chinese trying to get to the frontier of global technology. A second front is really about of economic security. Some in the West call its supply chain resilience. Essentially, we also want to secure all the critical supply chain and minerals for our own development and our industry. The third front is, I think it's, it's going to be more prominent over time, is really what I call consumption friendly investment. I think we have went through different phases of investment. I think the next frontier of investment is really try to help the welfare of people and to invest in the infrastructure of cities and invest in education, different type of facilities that would help people move into urban areas. So all in all, I think that's probably the picture I see. Thank you.

Li Xin 05:54

Thank you so tech, security, consumption, and we'll come back to some of the topics later. Let me turn to Charles. Charles have been a very famous investment banker and for many years, the Chief Executive of Hong Kong Stock Exchange. So, you know the global capital market, you know the conception of the world, basically the sentiment of the global investors. How do you see the narrative among the global investors on investing in China has evolved?

Charles Li 06:19

Yeah, I think when we want to understand China, we need to really look back into the history and us also really look inside China, rather than just looking China economy as a whole, as to how it's going to go extern, externally. And I think if we go back to ask the question why China has succeeded so wildly, and are those reasons are still here, and are they still driving China today? So I think the reason China succeeded so widely over the last 30 some years that no other country has ever been able to pull, if you have to really put the credit to where, I think is really four big what I call allocation of losses. You know, we think China's economy. People think is a state-planned economy. So it's China government in the allocation of resources. That's not really what China. China is really about the ability to allocate losses. So the last four decades, it's really China is able to do four things that nobody else is able to do, and that full, big debt today need to be redeemed at some point. So the first one is we were able to essentially allocate losses to our rural population to say, Hey, you guys, all of you, your land can be aggregated for urbanization industrialization with the least compensation. So we were able to aggregate land into our urbanization and industrialization with a fraction of the cost that any other country would otherwise have to pay for the land owners. Number one. Number two, we allocated losses to our entire rural population to say, Well, you guys need to sacrifice. You can come into the city, build our modernization and urbanization, but at a fraction of wages that you otherwise will, should be able to win anywhere else. So 300 400 million migrant workers came into the city, build our modernization with a little fraction of what they otherwise should be entitled to. Three we were able to allocate huge losses to our environment. For 30 years, we were able to destroy our rivers and forests at will, and therefore we were able to modernize and urbanize and industrialize with the least environmental cost. And lastly, we were able to allocate a particular deprivation of rights for depositors that your money cannot be moved around at will. You have to put that into our banking system. So therefore we have the cheapest cost of capital in the world over the last 30 years. So with the cheapest cost of land, the cheapest cost of labor, the cheap, cheapest cost of environment, and cheapest cost of capital, and then with all the urban city mayors and everybody competing on that four dimensions, we Wall Street has nowhere to go. Over the last 30 years, money just gets sucked into China because you can never modernize and urbanize a huge economy like this, with that kind of a cost structure. So then what's the what's today? Where is the wealth? So we were here today. We are here today. So the key question to ask about China is, who has that wealth that was created over the last 30, 40, years? I don't think anybody has done any empirical study, but my hunch is that 50% of that is still within state's hands. This is essentially a pre-tax system that the state is able to pre-tax everything up front, so therefore, 50% still within the states, and 20% with the urban population of 20% and then maybe 10% somewhere, call that a Corruption Commission, or whatever, that belongs to a smaller fraction of the bureaucracy. So that's why we have to take corruption out of it. So 20% probably with the 80% of the population. But it's not entirely widely unequal, because 50% is still within the state. So the key question about China is, how this 50% is going to get, ever going to be redistributed? If that's going to be redistributed with corruption, you know where it's going to go, exactly the same ratio. So therefore corruption has to be out. And so we can focus on the 50%. So today, looking at that, essentially, you're looking at a country that has finally urbanized and, you know, industrialized with reasonably, you know, good, you know, in the wealth distribution, because 20% of the wealth is in 20% of the urban population, with a lot of unequalness in there, but not massively, because we have the 50%. So looking at China, we need to understand in the next 30 years is how this 50% is going to get redistributed. We're no longer caring as much about incremental growth. You know, it doesn't change too much anymore, because adding another, you know, few tables doesn't make a lot of people sitting down, because you have a lot of table back in the other room, which is the 50% that people are looking at that tables to say, what can you bring that table out so that we can all sit down? So how that 50% is going to go back to redeem that full original big debt, help our rural population? That's why all the infrastructure goes there. All the urban homes are becoming livable, because when people, migrant workers, left 30 years ago, they never meant to go back, but now they're going back. Everything is okay there. That's why we don't have urban ghettos. And then we have to spend money going back to the migrant workers to make sure they are able to have rental homes in the city that children can go to. They can have some medical guarantees. They can have some sort of a pension. With lot of money have to go back redistributed to fix the environment, which is happening. Nothing is being done, much to the capital market. So that's what we're really seeing today. So in the future, incremental growth--important, but not as important if you can figure out a much better way of fixing the redistribution of that 50% and with AI, with everything else, that 50% is going to be distributed into building a better China, hopefully that ultimately still go back and repay that big debt, the full big debt. And I think that paying that debt, paying off that debt, is the future of China, and we are on the way of doing it.

Li Xin 12:48

Very insightful. Thank you, Charles, for sharing us and also taking everybody beyond the headlines and to see, put the Chinese economy in the historical context. And the debt you mentioned is not just about equality and fairness. It's also the big opportunity that's lying ahead of the Chinese economy. Let me turn to Allen, and before I turn to Milind. You have a lot of eyes and ears on the ground. I mean, you're the investor, a savvy investor, especially on the early-stage tech companies. There's often talks about, or sometimes complaints from the Chinese entrepreneurs about, the economy is slowing and the consumption is weak, and company has to face the price war, and sometimes job cuts. And at the same time, the data looks pretty okay. So that was called that there's a temperature gap of what the data shows and what people feeling on the ground. Do you feel the gap?

Allen Zhu 13:48

Yeah, actually, I'm always telling our CEOs and our LPs, there's no point to look at the macro numbers. I think China still the second largest consumer market in the world, and there are so many opportunities, and just look at the Luckin Coffee doing so great, I think it even pushes the Starbucks to sell its China operations. [Inaudible] is making Labubu a global fashion, and if you go to MBS, you will see so many China brands, it makes the MBS not much different from any shopping malls in Shanghai or Beijing. I can also share with you another example of any tiny innovations can make a big success in China. As a private company in Henan, just mix the Longjing tea with beer and selling billions of dollars in China a year. So just some, such a small innovations called Longjing craft beer becomes fashion so popular in China this year. So I think China is so big. I said, no worry about the macro numbers, just focusing on you have the right product positioning and you have the right sales channels, you will be very successful.

Li Xin 14:54

Well, we'll come back to you on more questions about the tech side in addition to consumption, but we'll turn to another expert on the panel on consumption, Milind. You've been, you're an expert on Chinese consumption. You've been former CEO of Amway, president of Pizza Hut International, and President, a former president and COO of Yum! China. So you really know consumers. How do you raise the trajectory of Chinese consumer market, and are we seeing a recovery?

Milind Pant 15:25

Well, I think first one on a bigger picture, I think you captured it so well just now, I've lived in China, you know, I've been traveling to China thrice a year. I've worked in different companies that have a large presence in China. And one of the things that I've always had a contrarian view about, there's been this view about, in some sense, suppression of Chinese consumption, right? But my view always has been, and looking at the data itself, actually over a long period of time, over 20 years, last 20 years, the Chinese consumption has grown at a healthy clip. It's grown at 8% plus a year. It's among the fastest in the world. Now, investment grew faster than that, so the proportion consumption to the GDP has not grown but on its own. The consumption has grown very healthy over the last 20, 25, years, and my experience traveling to 30 of the 35 provinces, various tiers of cities, bears it out. But your question is more about now, what's happening now and going forward, right? So a couple of themes emerge. The first one is, and this comes from the fact that China is a continent-sized market like the US or Europe—it's a continent sized market. So there is no simple explanation of saying this is what's happening in China. But if there was to be one from a consumer point of view, the Chinese consumer remains cautious and smart. Now, demographically, it may be different. Different sectors may be different. You know, electric vehicles are growing high double digits. Retail sales are back to mid, single digits. Discretionary spending is still low. [Inaudible], it's a mixed picture on where the consumer is going, but be smart about it, healthcare spending in general is up. People are taking care of their lives, cure, or prevention. The second piece, and I think you talked about in terms of innovation, this massive competition, it's actually almost difficult to understand from someone's point of view who's not lived and worked in China. I'll take a category which is a very normal category. So not AI, not technology, not robotics, we'll take toothpaste. Across the world in the oral care category, the top five or 10 brands--you go to the US, Brazil, UK, Indi--the top five or 10 toothpaste brands, and most people know those brands have the dominant market share. In China, there are 2500 toothpaste brands, and those brands can be then bought from dozens of different channels. You can do it physical retail, buy from Douyin, you can go to jd.com, you can do it from TaoBao, so many places. So the consumer loyalty to which brand they buy and where they buy it from, is among the lowest in the world. That leads to a massive innovation agility, both in new products and marketing. So I think that's the second piece. The third one, which, you know, 10 years back when I was living in Shanghai and today, is very different, is that the Chinese brands across categories have become high quality and are innovating, and the Chinese consumers are preferring -- so, I mean, there's obviously the Guochao, but beyond that--there is now a preference, 80%, over 80% consumers prefer brands in China, which is very different from 10 years back. So, yes, there are, you know, at times in a slower consumption, faster consumption, different parts of the country, different categories, different sectors, but there are structural changes in how consumers are spending, how competition is evolving, and how brands are getting built. And I think you capture some of the brands and innovation in your examples too.

Li Xin 19:45

Fascinating. Well, let's shift slightly from the China reality to the China story, and I will come back to Charles. You've been working with global investors for ages. How? Is their perception of the China story these days? And is there any thing that they misunderstood?

Charles Li 20:09

Well, that's very general, because a lot of people thinking of China very differently. They're people who cannot, you know, have enough of China. They're people sometimes hate China so much, so it's hard to speak. But if you think of China in that context that I just talked about, and I think, you know, the domestic China market, you know now, because of Stock Connect, everybody can invest into China, Chinese and investing out into Hong Kong. So Hong Kong is becoming a very big centralized market where anything about China, whether it's Chinese underlying or Chinese capital, is aggregating there. So you need to understand the Chinese capital perspective very well in order for you to participate in it because they are going to be defined a lot of ways, how things are I nvested. Domestic market, Asian market in China in my earlier example, earlier framing, it's, it's like a Three Gorges Dam, you know, it's a capital controlled market. When it's a capital controlled market, you know, when in there you feel like a big ocean, like, you know, you are in international market. But it is not. It's 1000 meters in altitude, which means that the interest spread there is massive. Everything is protected. By denying your depositors the freedom to move your money away, the social contract is such that you have to guarantee the safety. So guarantee the safety of the financial system in China simply means that the Chinese capital has no immunity, because it doesn't really know you can have a banking system with a 20% NPL and nobody's still wrong on the bank because everybody has such a blind faith and confidence in the system, protecting the financial system, so therefore that system itself is just not an investable market in in the sense that, because people don't believe in risk, because people even don't think the bank will fall, you know, with 20% NPL. So therefore, you know, investing inside China is something that need to really take full account of that environment. But coming out and looking at China today with that redistribution story, you need to really watch how that money is being invested. That is invested to pay debt, as I already talked about it, so anything in that direction, you can make a lot of money. This is not about helping the urban elite anymore. Is not about helping the people who are able to travel and buy, you know, LV bags anymore. This is about making sure that even in the countryside, in the rural countryside today, babies wear diapers. That might be something you think is very, you know, and take for granted issue, but when we grow up, we don't have diapers. We wash cloths and then, you know, line them up and dry. So now even the poorest, you know, rural families use diapers for their kids. So all of that is paying debt into the farmers, into their real into the infrastructure, and then into AI and in terms of consumers, we talked about it. I think China increasingly is going to, if you really want to invest in consumer, trying to bet which brand is going to be a spectacular success, this is equity story. Investment is really running out of space first in China, simply because when your investment is requiring another investor to like it better than you and then pay more than you paid, that entire investment paradigm is no longer working effectively in China. So consumer investing, cash flow investment is going to be the future that you are not really trying to bet whether this brand or this chain is going to be spectacularly listing giving you 100 times return. You're talking about investing in a period of a cash flow that you're comfortable and aggregating hundreds of thousands of cash flow and creating a stable alpha that ultimately is going to work, and that's only going to work in China, and that's the only thing that works for China's consumer into the future. You can still continue to bet, but the way to invest in the broadest consumer sector is to find a way to invest in cash flows.

Li Xin 24:34

Allen, I see you nodding a lot. Do you agree that cash flow is the way to invest?

Allen Zhu 24:40

Yeah, I think definitely. Because even in private market, we are only looking at PE for consumers. That's why, for consumer companies, we are investing at single digit PE, likely below 10. And we arbitrage basically in the public market, can trade up to 30 to 50x PE in Hong Kong market, that's a multiple arbitrage. And as companies can still grow very nicely, half 50% to 100% a year on profits. So then I think it's pretty good returns for the private investor as well, because the consumer company is so cheap in private markets now.

Li Xin 25:11

But how about tech you mentioned very briefly the tech companies. We are (inaudible) when everybody talk about AI in China, what are the opportunities there?

Allen Zhu 25:20

AI is real, for sure, I think. But I'm telling our investors, I think still bet both consumer and AI. I think AI is still very early and evolving very, very fast. If you look at the early days of mobile internet, we have lots of actually early winners, and then very soon it will disappear, and the AI is 3x faster than mobile. So I think probably was the AI cycle is real, but some of the earlier winners may disappear. So that's why we only bet at a very low valuation for AI, and on the other side, we still bet on consumer companies based on PE numbers.

Li Xin 25:58

And one more question about AI, because there are concerns whether AI, there's a bubble forming in AI, whether the boom were turning to bust someday. Do you

Allen Zhu 26:10

I think it's very different from the dot com bubbles. I think is AI is definitely [inaudible]. I think a lot of usages and lot of actually organizations in both China and US, I think this week opening a launch of Sora video generation app, which is so popular and to definitely consume lot of tokens and a lot of GPUs, I think it's all the that's why people are so bullish about the CapEx investments, because the usage is getting a lot of usages, and so I think this is real.

Li Xin 26:45

And let me turn to Milind. As digital--also want to get your brain on the AI as well--as digital and AI is transforming the ecosystem. I mean, how, what opportunities you see emerging in China and the world that global investors shouldn't miss.

Milind Pant 27:03

Well, you know, if I, if I was just look at like, by the way, there are two ecosystems that are investing and have the capabilities and AI, there is the ecosystem in the US, and there is in China. There are really two, two big ones. But let me just step back from that question and kind of build on, even the first wave in China, the way, you know, I've seen it started e-commerce, right? Started with e-commerce and then from E commerce, it went down to the super apps. And now today, we all take it for granted. Then it went with the Super apps. I mean, WeChat was the first of them, and then the other super apps came. Then it moved on to social commerce, so live streaming, shopping. And then there are players that integrated that front end with the consumer, with the back end of supply chain, agile supply chain. So you got, you know, companies and business models like Shein, right, which are the two, put both of these come together. That's the first wave. The second wave was applying machine learning, even now, of course, Gen AI is the, is the, you know, is the buzzword. We've been applying machine learning to cars, to consumer durables. I remember when I, when I was in Guangzhou last year, you know, I was taken around an autonomous vehicle. And the only other place that I have traveled is in in San Francisco, in Waymo. So it was San Francisco and, and in Guangzhou, and I, I still recollect, you know, the city officials who were kind of showing it around, said, Milland, or, you know, Pant Milland, you know, you are in this autonomous vehicle today, but you come back a year later, and we'll be in this vertical takeoff and vertical landing aircraft, electric. So that's happened, and now it is about robotics, both at the industrial level, as well as how using the Large Language Model services all the applications that are being put into place. So for me, it's fascinating on what's happening in Silicon Valley on one hand, and what's happening in China on the other and the ability to learn from both. And, you know, I know this, this whole thing is, is, at times, positioned as one competing against the other or some kind of a conflict, but actually from both productivity as well as consumer experience, there's exciting work happening in the US and in China, and you know, it's just started.

Li Xin 29:48

That's exciting. And I'll turn back to Guo Kai. So we hear a lot of opportunities for investment. Do you as economist, do you see money moving back to China? and also compared to the domestic capital support, how do you compare the international capital?

Guo Kai 30:07

Yeah, starting from this year, especially after deep seek moment, I think it becomes very apparent that capitals from Middle East, from Europe and from Asia, are increasingly looking at China's capital market and opportunities that they are coming back slowly. I think the only missing part, actually, is from US. I think the US capital is not yet, I guess they have a lot of concerns about coming back to China for now. But, you know, I would slightly disagree with Charles a little bit. You know, China has always been a (inaudible), China has very tight capital controls, for sure, but China has been a capital action exporter for for more than 20 years in the sense that, but in the past, it's always invested by PBOC. So upon till 2014 really, there were a lot of capital inflows. Eventually China net capital outflows are also intermediate through PBOC. I mean, in recent years, I think you see the domestic capital, they are primarily invested in domestic market, but a lot of them also been channeled through ODIs and private sector players that they are, they are going to Southeast Asia, going to Europe, going to Middle East. So I guess going forward, the private capital in China have a high savings rate globally, Chinese saves a lot. So the capital market will primarily be supported by, supported by, by domestic capital. That's the majority of capital come from. But, but, you know, I would think given, given that now, most, most investors, don't want to put their eggs in one basket, I would see many would allocate more of their capital into China related assets so that they can get exposure to China. I think that's, that's, that's going to be a trend going forward, not not like past two, three years, that this some thought China is uninvestable. I think that, that term has completely gone for now.

Li Xin 32:23

And if we talk about money get into China, we can not ignore the question of how to get money out of China. So the exit question, Charles, I will turn that to you, especially given your experience leading the Hong Kong Stock Exchange, is it easy to move, to exit from China investment?

Charles Li 32:42

Well, I think, I think China needs to, I think for the foreseeable future, that we can see as the investor horizon, I don't see China meaningfully changing its capital control system, because going back to my framing, original framing, until and unless that 50% is properly redistributed, I don't think there is going to be any meaningful efforts trying to find a way. Because the Chinese, a lot of the private capital, even some of the state capitals, wanted to go out, and there are a lot of opportunities, but that redistribution need to take place first, and that's first and foremost. So I don't really see China changing that particular political structure anytime soon, until it sees confidence, because that full debt needs to be redeemed. It's not a debt you can incur infinitely, because you are allocating loss to a generation of our popular rural population, and we need to make sure that their second half of their life, that need to be properly compensated. If you compensate equitably and fairly for that, then the system has no real legitimacy issue, because you're simply, unlike in the West, you couldn't really make allocations of losses, you know. You know you have to build a super speed train from Chicago to New York, but you can't find land to do it, because you couldn't really negotiate and be able to find the most efficient land that benefit everybody, and then be able to compensate the people you have to force to move. Today, if China is able to compensate equitably and fairly, then you're simply saying, "well, you guys 30 years of loss, and now your 30 years, we're going to compensate it properly". So I think that's need to happen that way. But this redistribution in the overall context of the AI revolution, I think you know the world need to watch over China, because China is going to, in so many ways, have such a strong advantage because of the availability of this 50%. Because in AI, we're really talking about three levels, like a pyramid. At the top is AI, changing our mental, humans' mental activities. In the middle is AI, is changing our physical activities. And at the bottom is the global energy level that supports this AI new age revolution, because the energy consumption of new, new generation AI is going to be so massive that we are not really thinking about it other than China, and China is doing it also on green, whether that's solar, whether that's wind, whether that's nuclear. And that foundation, I don't, I thought most of the countries already lost the ability to build infrastructure, investing in that future on that scale, and that scale require massive national efforts and international efforts, because we're not, you know, we're not going to stay here, unless we have the bottom. And then all the real AI value to humans ultimately is going to be in the hardware, is ultimately going to be in the robotics. You know, you know, we really wanted our daily lives, not just our labors and not our elites life, entertainments and everything else, becoming AI-enabled. We're talking about our labors, our mid part of the population be liberated from hard labor. So therefore the chips and the AI ultimately need to be in manufacturing. And that, again, China is going to be ahead, and that massive redistribution, a huge portion of the capital will go there, and then private capital will follow. It is the top. Obviously, the US is leading at the very tip of the big models, and the application hopefully China will follow. But that, again, is solving your entertainment needs and your softer needs. Those are not really, at the end of the day going to be really life changing, as much as what is going to happen in the middle. And unless you have the bottom, the middle is not going to be there. And unless you have the bottom in the middle, the you know the top is not going to really make any meaningful difference in life.

Li Xin 37:20

Very insightful. Well, we'll shift slightly from China to the region, and part of the trends we witnessed in the last couple of years is the supply chain reallocation. And my question is, do you see that as permanent shift or is temporary, maybe I'll turn to Milind first, and then Guo Kai, please.

Milind Pant 37:47

There is, you know, again, if we like, just go to how this where we are, right? It started off with importing from China. That was the first stage. Then it went to manufacturing in China. Then it went to companies saying, Okay, this is a huge consumer market. Let's invest and look at the consumption in China. Then came covid and geopolitics, and came China for China, which is the context of your question, I think, near shoring, friend shoring, reshoring. That is, is a part of corporate strategies across companies, and that trend will continue. How that, which countries benefit from it, and for which sectors, they will compete, and they'll have to, frankly, compete with China on reliability and on cost. But that's that strain, in some sense, left the station, and that will increasingly happen, and also Chinese companies invest in the region to facilitate that taking place.

Li Xin 39:02

Well, while they are welcoming some of the Chinese translating their know how and factories and goods to the countries, we also hear a lot of fear of China flooding their market was the cheap Chinese goods and now increasing the better quality goods. So how do we reconcile? Especially, I mean, for the green industry, the Chinese competition drive down the price, which is a reality. And Guo Kai, how do you what do you see?

Guo Kai 39:32

Yeah, yep, I see many drivers. We look at data more carefully about China's relocation of supply chains from China to elsewhere. One is really about taking advantage of cheap labor in Southeast Asia. So that's a lot of investment going to Vietnam, going to Malaysia, other places. Two is really to avoid tariffs from US and Europe and other places. That's also driving, also Mexico, actually, you know, a lot of Chinese investment in Mexico actually, is try, try to avoid us tariffs. A third is really what multinationals are doing. They are they are taking this China plus one strategy. So they are moving their supply chain somewhere outside China to to make sure that they have alternative supply chains other than China. Regarding regarding this green tech, I think, mean, you get the mood that many countries are complaining about China cheap Chinese goods. I think that's for sure. It's mostly because of the Chinese stuff coming too fast and too massively, and the local population, also society, have difficulty adjust to that. I think, I think the only, the only way to deal with this is China has to be really mindful of China's impact on other countries. They need to go a little bit slower. They need to go more local. They need to be mindful of the local sensations that may not necessarily favor, always favor efficiency, so that you can, you can, like what Japan did, like 30, 40, years ago. You build up gradually, you mingle with local communities, so that you get more acceptance from local, local economy and local political elite. I guess that's the only way to go, go forward.

Li Xin 41:23

And I'll turn to Allen. And I mean, this round of Chinese going global is not just about the Chinese schools going global, but also Chinese entrepreneurs bringing entrepreneurship, bringing the know how, and set up the companies in Singapore, elsewhere, and not as a Chinese company, but as a global company, so how would you see that trend, and whether that will have any opportunities for the global investors?

Allen Zhu 41:47

I think the new generation of the Chinese entrepreneurs are much actually more brave and also ready to go global. Some of the AI companies are targeting global market from day one and this time, nothing is different. In China before, you can just export all goods to the global market, but now, this time, is more service. AI enabled services targeting global market. And we see a lot of companies doing very successfully here. And also I want to share with more comments on what is the liquidity. I think this time, even the company, the Chinese entrepreneurs, they set up here, coming in Singapore, in Tokyo, I think end of the day they invest, global investors still view them as a Chinese companies, as Chinese entrepreneurs. So I think not, not meaningful to actually to be fake global company. And for any companies, Chinese founders, even you set up here probably will appear in Hong Kong. Hong Kong tops global IPO market first half of this year. And I think Chinese government has the right strategy to have all the best Chinese companies listed in Hong Kong. And I think that's probably the future. Hong Kong's really generating liquidities for Chinese companies and China investors, even two years ago, one of my peer investors joking to his CEOs. Anyone, any of the CEOs there to argue, Hong Kong, I will break his leg, because at that time, Hong Kong has very poor liquidity and had a very poor multiples. But this time is different. So now he's joking, even if you break my leg, I will push my CEOs to IPO in Hong Kong. And as the liquidity here today, I think is still generated by, 50% of the liquidity is generated by the south-bound capital from mainland. I think the international capital is exposure to Hong Kong is still very not much. I think the US stock market definitely not, not cheap, and there's so much concentrating on Mag-Seven for global investors. If you look at look for alternatives, Hong Kong is the best alternative, and China asset is still relatively cheap compared to the US peers.

Li Xin 43:53

Well, we have one minute left, and in the last 40 minutes, I think we covered a lot of grounds. But before we finish, I'm gonna have one question for each one of you and ask you to give me one number. I will start with Guo Kai. Will China keep the 5% GDP this year? Yes or no?

Guo Kai 44:10

Yes.

Li Xin 44:11

And if you pick a number for next year, what would be it?

Guo Kai 44:14

Five again? Yes, that's not very creative. The second I'll go, I'll skip Charles for now, I'll go to Milind. Is China nice to have, or must have for global investors?

Milind Pant 44:28

China is is must have for all investors to learn and understand and watch, even if they're not playing in it directly, because China will come for your investments in other markets.

Li Xin 44:43

And number what's a smart allocation in terms of percentage for a global for their global portfolio should go into China?

Milind Pant 44:54

I don't have a good answer on that.

Li Xin 45:00

Alright, well, Allen, and if you have to choose today, will you bet on Chinese equities, bonds or startups?

Guo Kai 45:10

Oh, I just invest in China's startups, right? So my personal assets are saying a long Hang Seng TECH Index. That's the future of China.

Li Xin 45:18

And if give us an not a number, but a range, what's the likely return? Were you expecting five years?

Guo Kai 45:26

You mean?

Li Xin 45:27

Bet on Chinese startups.

Guo Kai 45:30

Yeah, our our investors are looking for two digits returns on our funds. So (inaudible).

Li Xin 45:40

And the last question is for Charles. Well, I think the answer is pretty obvious. If you have 10 seconds with China's policy makers to give your suggestion, what will be one suggestion in terms of the policy that you give them,

Charles Li 45:56

Say it again so that I can have more time.

Li Xin 46:02

Give 10 seconds elevator pitch to China's policy maker, what smart policy did you adopt?

Charles Li 46:11

I have nothing to offer to you. You have your hands full.

Li Xin 46:18

Very well. Well. Thank you so much for joining us, and please join me in thanking our distinguished panelists.

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