# The China Rambler

**An Occasional Letter On Topics Of Interest To China Investors**

**Issue #12** *"Seek Truth From Facts"* **October. 2nd, 2025**

**In this edition: are things really, really that great? Lessons from Tokyo 1989. Why Haidilao #06862 makes sense 30% lower. Why I remain unfazed about missing Alibaba #09988, and why I won't be returning to Italy anytime soon.**

## Blue Skies Smiling At Me, Nothing But Blue Skies Do I See..

With not a whole lot going on in China last month I returned to worrying about the rest of the world. The monster rally in U.S. dollar-denominated assets, begun plus or minus a bit after the global financial crisis in 2008, showed no sign of flagging and stormed on.


As with all bull-markets justifications for the moves have a robust self-evident quality. Gold continues up because interest rates are down, the carry cost is reduced, and inflation remains sticky.

Crypto's poster-child Bitcoin, and its new friends the stable-coins, will be in demand for as long as inflation remains the get-out-of-jail-free card for governments looking for sneaky ways to reduce deficits and banks continue to ask cheeky questions about customers' sources of funds.


Global stock markets (with the exception of China's) continue to be pulled along by the unstoppable locomotive of the S+P which is itself fuelled by profit growth that continues to surprise on the upside.


It just all, all of it, makes so much sense.

Oh, hold on I almost forgot, let's not ignore the future dividends from AI which will be of a magnitude presently incalculable.

# Party Like It's 1989

I worked in Japan from 1984 to 1990 and remember what irrational exuberance *really* looks like. There are few useful parallels with boom-time Japan and what's going on in dollar-denominated land today, but there are a couple of pertinent ones. Viz. By 1989 the average Japanese was convinced of two things: a) yen-related assets couldn't go down, there was too much liquidity and, b) Japan's success was due in part to factors uniquely Japanese; the people were, by their own and others reckoning, an exceptional tribe. Sound familiar?

Where the comparison with '80s Japan diverges starkly is with stock valuations. Japan's peaked at around 50x in 1989 and the S+P is still a long way below that. Moreover, take a look at the multiples of the world's largest companies below and see the earnings growth implicit to deflate those numbers to a perhaps-sustainable 15x. In all cases we get plausible targets, especially in the context of what's been achieved in recent years.

| Stock/ Index | EPS Last (U$, ex. HSI) | Stock Price (U$, ex. HSI) | P/E X | EPS Growth needed to get to 15x | 10-Year CAGR |
|---|---|---|---|---|---|
| Nvidia | 3.6 | 186 | 52 | 246% | 13.2% |
| Microsoft | 13.7 | 518 | 38 | 151% | 9.7% |
| Apple | 6.6 | 254 | 39 | 158% | 9.9% |
| Alphabet | 9.3 | 244 | 26 | 76% | 5.8% |
| Amazon | 6.6 | 220 | 33 | 122% | 8.3% |
| HSI | 2,131 | 26,856 | 13 | -16% | -1.7% |

Now I'm kind-of back to where I started. There's no reason, based on numbers above, to be concerned *per se* about valuations as an impediment to further stock price progress (and there's certainly no need to worry about China stocks' valuations).

But something just *isn't* right, with all of it. Gold doesn't have an intrinsic value. Crypto relies on trust in 'other fellows' rather than governments, and stock prices never grow forever into the sky. Finally, AI. Who-knows? But point me to a booster who isn't long the sector or taking other people's money to fund their vision(s) and I'd be more comfortable.

## The Lynchpin

The U.S. dollar holds all the wheels on this wagon, and as long as that's stable order will persist. Should it weaken, or fall sharply though, a cascade of related-asset price falls will result.


Before the next reckoning begins the dollar index could therefore be a useful coal-mine-canary. To remind and BTW gold-bugs, HODL-ers and all you this-time-it's-different-ers, there's *always* another reckoning ahead. The sun also sets.

# Stockwatch: Haidilao #06862

**Summary of a recent closer look**

**Basically:** (All historic) Market cap.: U$9.6bn, P/E: 14.5x, Yield: 6.7%, P/B: 6.7x. Avg. daily T/O (3m) U$51m. **Business: China's best known and largest hot-pot restaurant operator.**

Listed in 2018 at a price of H$17.80 investors formed a queue. Day-1 cornerstones included Hillhouse, Morgan Stanley and Greenwoods. At the time it was a unique proposition.

Into the listing and thereafter the company dashed for growth. A look at 1 below shows what happened next. Base effect and stirred-up competition are now the big problems.

Management placed stock in 2020 at H$33.20. Since then, there's been a bond issue (Jan. '21), a top-up placing (Nov. '21) and a spin-off of non-China businesses. All unnecessary, IMHO.

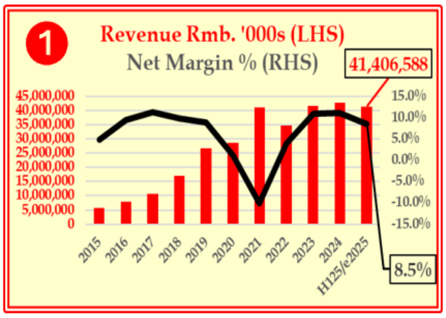
None of the INEDs seem to have a relevant connection. On top of the pointless financial fiddling about this hints at a weak governance culture. My target is set to partly reflects this.

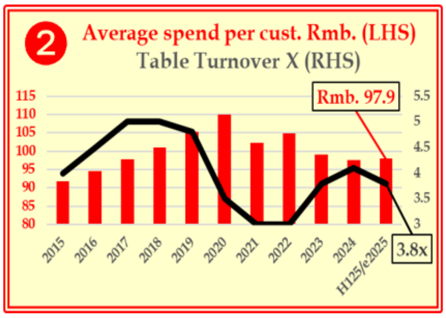
The company maintains a significant net cash position which suggests the near 100% dividend payout can be maintained and they have the resources to ride out a tough period.

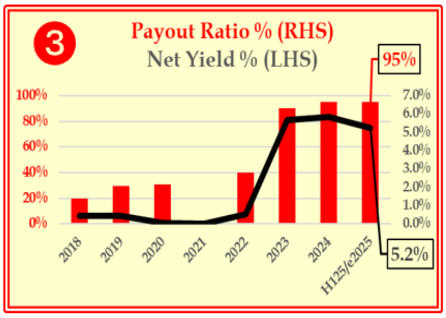
**Not to like:** Since listing competition has exploded. In part I expect due to their success. This has limited their ability to not only grow organically but also squeeze more juice out of their existing sites 2. The space is gladiatorial, and likely to remain so indefinitely.

**To like:** They have net cash and solid cash-flow. They're sharing with investors, and this should continue 3. They're probably the most accomplished team competing in the cage-fight that's the hot-pot business in China at the moment, and I'd bet they'll be one of the last standing.

**Would I buy them?** Yes, but, only with a bigger margin of safety than the current share price offers (H$13.42 last). If I could pick up a decent yield whilst they continue the grind their business is likely to be for the next, say, 3-years I'd be interested. What's a decent yield? I think a fair range would be 8%~5% and to get 1:4 downside/upside I'd need 7.4%. Doubling H125s interim dividend of H$0.338 (a conservative assumption) I see a full year in prospect of H$0.676 and to get 7.4% out of that I'd need a share price of H$9.15 or around 32% lower than the September close.




[For full year 2025 forecasts I'm doubling H1 which is a bit harsh as H2 tends to be better. However, at the interim stage they provided no hint that this year's H2 would contain any sort of up-flip]

# How's My Investing?

**Performance summary, review of recent trading etcetera**

| | |
|---|---|
| **September Performance:** | **+1.2%** |
| **Performance Since Inception (Nov. '24):** | **+20.8%** |
| **Cash Percentage of Portfolio:** | **24%** |

## Ramblin' Man

September took me to Turkey and Italy. Turkey for a get together in Istanbul, The New Silk Road Forum, and Italy (among other locales) to Venice. As I live in one of the world's most vibrant trading centres it's thought provoking to visit cities whose once-blazing torches of wealth, culture and power have been extinguished.

I'm not an historian but as I very simply understand it the Ottoman Empire collapsed after multi-decade poor management and Venice was doomed from the day, in 1488, when the Portuguese sailor Bartolomeu Dias first circumnavigated Africa leading, eventually, to a re-mapping of world trading routes.

The lessons for Hong Kong and China are clear. For China, run a good show, and keep running a good show. For Hong Kong, circumstances beyond your control may upend your advantage. The good news is China *is* running a good show and Hong Kong's position as China's de facto financial centre seems to be going from strength to strength. Far from having to worry about faded glory, in both cases, I'm confident the best is yet to come.


I had an OK month, but the HSI and HSCEI had better ones on account of the 50+% surge in the stock price of Alibaba #09988. A move propelled by anticipation of *their* glorious AI-driven-tomorrow. Well, who knows (II)? Maybe. From its low in 2022 of around H$62 to its September close of H$177 it's up around 185%, quite the comeback. Holders who paid H$178 in 2019 to participate in the Hong Kong IPO, or the frothier prices that followed, must be pleased. They're closer than they've been for a long time to a zero return.

To return to Italy. I hadn't been for a few years on account of their expensive, crummy hotels and poor service culture. I found things recently in no way improved. Add to the value-for-money proposition persistent petty rip-offs, trains cancelled due to rain [?] or industrial action, poor infrastructure (Milan's central train station has one W.C. which charges €1.20 a 'go' but as their machines give no change this is, in fact, a €2.00 experience), I won't be back for a while. The contrast with 'Old Europe' and 'New China' has never been starker. To understand how hopeless Europe is, you have to visit. To understand how awesome China is, I'd advise the same. There, it's great value-for-money, trains run on time, service is superb, and you'll find the station-facilities in abundance and free 😌.

# Datawatch

### Key Releases In The Last Month

## Three 🙁 Three 😐 Two 😊

**Trade** 😊: Aug. exports +5.0% (July +7.2%), imports +4.8% (July +4.1%). Exports, meh. Imports surely reflect domestic momentum.

**Prices** 🙁: August CPI -0.4% (July, +0.0%), PPI -2.9% (July -3.6%). We seemed to be escaping deflation, but once again it seems we're not.

**Credit** 😐: August M2 +8.8% (July +8.8%), Total Social Financing +8.8% (June +9.0%). No sign of a lending surge. It that good or bad?

**Consumption** 🙁: August Retail Sales +3.4% (July +3.7%). Not a lot of animal-spirits evident in this series.

**Industrial Activity** 🙁: August Industrial Output +5.2% (July +5.7%). Suggests the economy is chugging but not barrelling along.

**New Home Prices** 😐: August -2.5% (July -2.8%). Grind up from the trough intact https://tradingeconomics.com/china/housing-index.

**Business Confidence** 😐: September Manufacturing PMI rose to 49.8 (Aug., 49.4). Non-Mfg. PMI dipped, to 50 (Aug. 50.3). A mixed bag.

**August Forex Reserves** 😊: At over U$3.3trn they were the highest since 2016. Only recently the fall below U$3trn was being touted as a sign of impending calamity for the Rmb., the banking system and the government.


That wraps it up for September. 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.