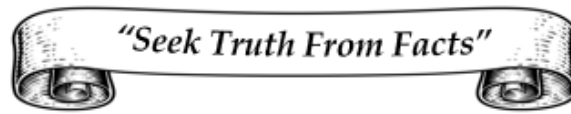


The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #13



Nov. 3rd, 2025

In this edition: in the U.S. in October, did a coal-mine-canary fall from its perch? How China's looking up. Why Qingdao Port #06198 is a buy, lower, and why a single deal in Hong Kong's office market last month represents the start of a positive multi-year trend.

US Based Markets: Maybe Something, Maybe Nothing

The United States is a fantasy-land where unprofitable companies have multi-billion-dollar valuations. Where fools and money have been parted, without injury (so far) via one of the biggest shell-games in the history of finance, the crypto complex, and where a government tarnishes its reputation, daily, for responsible financial stewardship without simultaneously debasing its currency. It's all too good to be true; and we know what happens next, surely, when things are too good to be true.

The edifice trembled briefly last month in response to a couple of corporate bankruptcies (First Brands, Tricolor) and concerns that some were facing related losses (Jeffries JEF in particular). Others just had a bit of their own bad luck (Zions Bank ZION, Western Alliance WAL).

However, a look at the [latest report](#) from the U.S. banking watchdog, the FDIC, shows no stress in the system, and I believe that's an accurate assessment.

We see no problems in the *banking* system because there *are no problems* in *that* system. They're in the private-markets-complex which makes them very scary. When these problems surface (timing and magnitude only are moot) governments will: a) be uninformed, b) have no necessity to respond and, c) be under no obligation, moral or otherwise, to help investors. What'll be brushed off at first as a fat-cat-Wall-Street problem will, I've no doubt, become a Main-Street everyman issue soon thereafter.

I could be wrong; but to be presently uninsured against the possibility of such events would be, IMHO, incautious.



Whilst China Presents A More Agreeable Landscape

There was no single release last month that told me things are improving. Instead, it was the steady drip of data points, macro, micro and company specific that all pointed in the same direction. I've collected some of the more notable below. After a squint, I'm sure you'll agree; China's beginning to do a little better than just OK.

<p>LVMH flags China luxury recovery LVMH's sales in the region that includes China rose 2% last quarter, after dropping by 9% in the first half. ... The group is seeing encouraging demand in the country, [CFO] Cecile Cabanis, told analysts on a call Tuesday. Bloomberg, 15/10/2025</p>	<p>The Taiwan Strait became narrower BEIJING -- Xi Jinping, general secretary of the Communist Party of China Central Committee, on Sunday congratulated Cheng Li-wun on being elected chairperson of the Chinese Kuomintang (KMT) party. Xinhua, 20/10/2025</p>
<p>Another high(ish)-end-consumer read Nicolas Hieronimus, CEO of [L'Oreal].., estimated that the China beauty market grew about 3% in the [Third] quarter, its first increase in two years, as consumer confidence slightly improved. Reuters, 21/10/2025</p>	<p>Holiday travel improved Compared with September, 2024, the passenger throughput of [Hainan] Meilan Airport [#00357] increased by 15%, the growth rate of flight volume was 14.8%, the growth rate of cargo throughput was 21.7%. Company Sept. Newsletter, 15/10/2025.</p>
<p>A mid-market trend too, apparel-ently Retail sales (in terms of retail value) of LILANZ [#01234] products for the third quarter of 2025 recorded low double-digit increase as compared to the same period in 2024. Company Q3 update, 15/10/2025.</p>	<p>A word from China's largest leasing co. Profit... for the first three quarters... increased year-on-year... Net interest margins improved both on a year-on-year and quarter-on-quarter basis, while funding costs declined further... Far East Horizon #03360, company Q3 update, 21/10/2025</p>
<p>China Q3 GDP growth [China's GDP] expanded 4.8%. [In] September... exceeding economists' forecast. The growth.. laid a "solid foundation" for.. the full-year [Target] of around 5%, the National Bureau of Statistics said in a Monday statement. Bloomberg, 20/10/2025</p>	<p>Five More Years! [Next 5-Yr. Plan approved]. [New] 5-year plan puts focus on high-tech and consumers... China's top leaders... [Hope] to boost the country's... advanced technologies and spur stronger domestic demand over the next five years. ABC News, 24/10/2025</p>
<p>Big news (elaboration later) Alibaba, Ant buy top 13 floors of One Causeway Bay in vote of confidence for Hong Kong.. Alibaba and Ant bought 301,555 Sqft. [28k Sqm] of space... in the 24-storey building, with parking space for 50 vehicles and signage rights. SCMP, 17/10/2025</p>	<p>Xi-Trump meeting. Let's call it a draw After months of threats...and uncertainty, the world breathed a... sigh of relief on Thursday after a meeting between... Donald Trump and... Xi Jinping teased at least temporary relief on a host of bilateral trade irritants. SCMP, 30/10/2025</p>
<p>HK's residential market perked up Hong Kong's super-luxury property market is staging a powerful comeback, with a buying spree by wealthy individuals...driving sales... to more than HK\$10 billion (\$1.29 billion) in the past four months. Caixin, 30/10/2025</p>	<p>China banks' profitability, on the mend Bank of China Ltd. posted modest profit growth in the first three quarters of 2025, marking a turnaround driven by a stronger third quarter and a stabilizing net interest margin – an early sign that the worst may be over... Caixin, 29/10/2025</p>

China's not the place we should be looking to for hidden distress in a poorly regulated private equity/credit apparatus or frothy asset values on the cusp of violent correction.

On the contrary, past problems are receding in the rear-view mirror whilst the road ahead presents a more attractive prospect than it's done for a while.

Again, I could be wrong; but to be uninsured against the possibility of sentiment improving further, and thus China-stock prices heading higher would, also IMHO, be remiss.

Stockwatch: Qingdao Port #06198

Summary of a recent closer look

Basically: (All historic) Market cap.: U\$1.0bn, P/E: 8.3x, Yield: 4.8%, P/B: 1.0x. Avg. daily T/O (3m) U\$2.4m. **Business: de-facto monopoly operator of China's 4th busiest port.**

Listed in 2014 at H\$3.76. They were confident enough then of their ongoing profitability to state a dividend policy of a 40% NPAT payout. It remains the same today.

Four major capitalization events since listing. January 2017 COSCO were invited to take a 20% stake (at H\$6.46) diluting others. Then, a placing in May 2017 (at H\$4.32), then..

..an A-share issue in January 2019 at Rmb4.61 (roughly H\$5.12) involving further dilution. Finally, another asset acquisition and stock issuance deal [announced](#) last July.

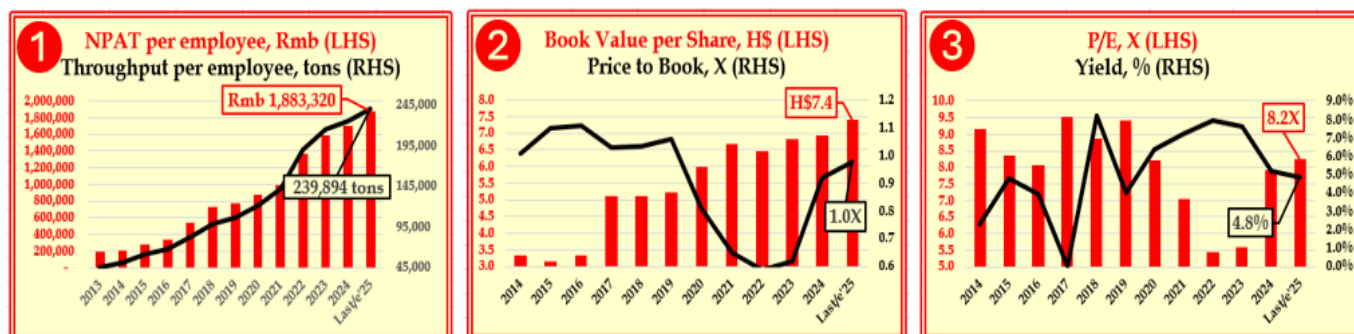
As a result, the share count has risen 36% from 2016 and we must assume more of the same in the future. What's going on here (I suspect) is a quid pro quo for guaranteed profitability.

They are, manifestly ①, a very well-run operation despite being 'gifted' their steady returns. The re-gifting though results in the more plural ownership noted above.

Not to like: It's small and will remain so. Profitability will be stable but the large, and growing cash pile may be used for other 'strategic' acquisitions. Holders will get their ongoing 40% payout and probably book-value accretion benefits ②: but that's all, forever.

To like: The underlying business is sound. The cargo mix has changed favourably in recent years such that bulk iron ore and coal are now less than 10% of their total flow. The track record *is* impressive and as a proxy on China's trade growth this'd be as good as any.

Would I buy them? Yes. I profiled Hong Kong's MTRC (#00066) not long ago and this is a similar proposition. Government owned with reliable profits but an ongoing public-service requirement retarding upside. So, yield is the way to go ③. With MTRC I said I'd accept 5.5% but I'll need more here to compensate, say 6.5%, for the size of the company and the opacity of the regulatory environment. Assuming a 6% lift to last year's DPS of H\$0.33 (H1 NPAT rose 7.2%) for an e'25 estimate we have a dividend of H\$0.35 in prospect. At a price therefore of H\$5.40, or 24% below last month's close, I'd be happy to add it to my holdings.



[For e25 I'm doubling aH125. For eBV, I'm using aH125. Last/e25 at Rmb1=H\$1.09]

How's My Investing?

Performance summary, review of recent trading etcetera

October Performance:	+0.9%
Performance Since Inception (Nov. '24):	+21.9%
Cash Percentage of Portfolio:	24%

Hong Kong: Incoming!

A while ago I was talking to the representative of a mainland financial entity in their new office in Hong Kong's Kowloon East. 'You've got quite a bit of space, what's the plan?' I asked. 'We now think Hong Kong is safe and we're prepared to grow our business here; and my wife's no longer afraid of relocating' was the on-so-many-levels-telling reply.

Since then I've taken up my exposure to Hong Kong real estate, from zero, and noted in the [February Rambler](#) I'd cranked the knob further, up to 11. This preamble leads me into the Alibaba/Ant property deal flagged above which I believe is highly significant. What those companies are confirming is that Hong Kong, not New York, not London and not Singapore is where they're going to manage their international businesses henceforth.

And why not? It's a short trip to the head office, the tax system is benign, any party will sign a contract under Hong Kong law, the internet works (it doesn't for most in China), international staff will be happy to relocate, key local staff (and their hitherto nervous spouses) will be happy to come, the bankers are just around the corner, schools are world class, entertainment options are better than any city in mainland China, the food scene is the best in Asia (sorry Tokyo, and it's cheaper) and (ex-housing) the cost of living is cheap.

Why is this a big deal? Two reasons: first, Alibaba and Ant wouldn't have gone ahead with such a move without the nod of high-ups in Beijing. Second, where Baba and Ant lead literally hundreds of other mainland-based entities with substantial overseas operations [will follow](#); and the implications go beyond the need for extra space.



My preferred vehicle for participation. Back to 0.5x book, it doubles. Meantime, with a 6.7% yield.

Incoming professionals will need cars, home help, school places, nail-buffers and cigar-divans. On a professional level there'll be more local deal-doing, that's more work for the legal and financial professions and there'll be more people coming to meet them. That's more hotel rooms occupied, more air traffic, and the potential for a lot more Meeting, Incentive, Conference and Exhibition (MICE) business. Another too-good-to-be-true story?

Maybe, but the difference here is you can participate via stocks at depressed valuations with assets priced at multi-year lows. Valuation protected downside, in-plain-sight upside catalysts. This is the kind of risk I'm always keen to own; and in this case, dialled to 11.



Datawatch

Key Releases In The Last Month

Three 😞 Two 😞 Three 😊

Trade 😊: Sep. exports +8.3% (Aug. +4.4%), imports +7.4% (Aug. +1.3%). Headline numbers and momentum both big surprises.

Prices 😞: Sep. CPI -0.3% (Aug. -0.4%), PPI -2.3% (Aug. -2.9%). Deflation continues. Not a bad thing, if you have a job or savings.

Credit 😞: Sep. M2 +8.4% (Aug. +8.8%), Total Social Financing +8.7% (Aug. +8.8%). No surge, no pump-priming.

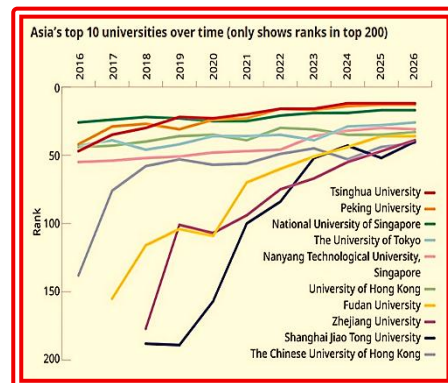
Consumption 😞: Sep. Retail Sales +3.0% (Aug. +3.4%). A limp reading but better than forecast.

Industrial Activity 😊: Sep. Industrial Output +6.5% (Aug. +5.2%). A nice blip in a somewhat erratic series, let's hope it turns into a trend.

New Home Prices 😞: Sep. -2.2% (Aug. -2.5%). For the big trend see the series here <https://tradingeconomics.com/china/housing-index>.

Business Confidence 😞: October Manufacturing PMI fell to 49.0 (Sep. 49.8). Non-Mfg. PMI rose, to 50.1 (Sep. 50.0). Disappointing.

Advantage, Asia/China 😊: [The Times Higher Education survey](#) of top ranked universities was published in October. 21% of the Chinese ones moved up, 5 are now in the top 40 and 18 achieved their highest score ever. Hong Kong had a record six spots in the top 100. The U.S. is still all-mighty but their 102 tally in the top 500 was the lowest ever.



That wraps it up for October. 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