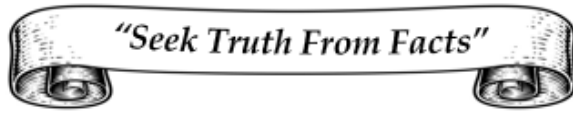


The China Rambler

An Occasional Letter On Topics Of Interest To China Investors

Issue #5.



Mar. 1st, 2025

In this edition: Mosaic Theory; making sense of February's fire-hydrant-flow news. Why I bought Bosideng, sold Giordano, topped up Hysan and am OK to have missed Alibaba.

Mosaic Theory

Spring Festival holiday box office hits record high, underscoring Chinese film market's vitality, resilience
The record-breaking numbers that ring from the holiday also saw a significant surge in attendance, with 49 million foreigners paying attention over the course of the extended week, setting new highs for both box office earnings and audience numbers.

NE ZHA 2 CRUSHED IT!

Travel, Spending Rise During Lunar New Year Holiday

Year	Number of Domestic Trips (million)	Total Domestic Spending (billion yuan)	Average Daily Spending per Trip (yuan)
2020	~100	~100	~100
2021	~150	~150	~150
2022	~200	~200	~200
2023	~250	~250	~250
2024	~300	~300	~300
2025	~350	~350	~350

Yearly Growth of China's Consumer Price Index (CPI) 2025

Year	Yearly Growth (%)
2020	-0.3
2021	0.1
2022	0.3
2023	0.3
2024	0.3
2025	0.5
2026	0.8
2027	0.4
2028	0.3
2029	0.3
2030	0.3
2031	0.5

Trump repeats his invitation to Xi to visit Washington
Around Half of China's Provinces Set Lower GDP Targets

SHAKIN' GOIN' ON
'It's possible, it's possible': Trump hints at new trade deal with China

WELCOME LACK OF EXUBERANCE

WANG YI'S LONDON VISIT OFFERS HOPES OF UK-CHINA RESET

China's BYD cuts entry price for smart EVs to below \$10,000

NATO is in disarray after the US announces that its security priorities lie elsewhere

Significant Leadership Changes at Vanke: Shenzhen State-Owned Assets Take Control of Several Core Positions

China's Central Bank Signals Policy Adjustments Amid Rising Global Risks

Jack's back..

New World Order?

China's credit, social financing hit record highs in January

"There are decades where nothing happens; and there are weeks where decades happen", Vladimir Ilyich Lenin.

What a month! The previous page offers snapshots of some of the key events.

In summary: China, deflation may be ending. Spring Festival consumption was encouraging, especially box-office receipts driven by Ne Zha 2 (of which more below). DeepSeek rocked the world. Many provincial governments set lower targets for 2025, which means they'll beat them. President Trump and team set to work with unprecedented brio, China related initiatives being, mostly, less bad than feared. China's Foreign Minister Mr. Wang Yi went to London and was received cordially. The follow-on European tour was also friendly and constructive. European leaders were told by U.S. Vice President Mr. J.D. Vance to get a grip(s). BYD introduced an autonomous EV for less than U\$10k. China's property developer worries may be over, Vanke (#02202) the largest troubled private operator was de-facto nationalized. A new-world order emerged, with China a central player. For the first time since 2018 President Xi invited business titans for a chat (or was it a lecture?). Credit in China expanded at a healthy clip in January and the Central Bank pledged to maintain abundant liquidity; and if all that seems like a hard to digest jumble, it's because it was.

Confusion on confusion. Confusing the picture was a powerful rally in AI related China stocks. Alibaba (#09988) for instance was up 44%. Although the China Inc. macro environment improved it's hard to say how much of that is now expressed in stock prices and how much of the gains are meme-y-speculative in nature? I believe AI, as far as many are concerned, may turn out to be a cost-burden than a revenue-benefit. A consolidation, as and when this view becomes more accepted, is therefore inevitable. But **the bottom line is, things improved both within China last month and in terms of external perception. So, stocks went up. Let's take the win.**

In one sense, following the news of late has become easier. Videlicet, all articles that begin 'This means..', 'It seems clear..' or 'We believe..' can be skipped. Nobody knows anything, we're in uncharted waters and thrilling times.

A word on [Ne Zha 2](#). This break-out movie became a real-time demonstration of China's domestic consumer power. The film took only 11-days to become the highest grossing single-territory movie ever (the previous record holder, Star Wars: The Force Awakens, took 165-days to do the same) and at the end of February the global box office take was >U\$1.9bn putting it at #7 in the [Top-50 list of all-time high movie grosses](#) (and the only non-U.S.-made entry). Furthermore, it surpassed Inside Out 2 during the month to become the highest grossing animated feature of all time.

Still think China can't innovate? With **TWO [Sputnik-moments](#)** in one month, DeepSeek in tech and Ne Zha 2 in culture, even curmudgeonly sceptics should be impressed.

Stockwatch: Bosideng #03998

Summary of a recent closer look

Basically: (All historic) Market cap.: U\$5.6bn, P/E: 12.4x, Yield: 6.6%, P/B: 2.8x. Avg. daily T/O (3m) 38m shares. **Business: down jackets and coats, lots and lots of them.**

Love the origin story. The owner, the son of a tailoring family, a while ago noticed down jackets were getting more popular. Today he's #61 on the [Forbes China rich list](#).

The company listed in 2007 and have been through some ugly twists and turns since. As the saying goes from a furnace you get steel, and I think that's an appropriate metaphor here.

Industry data show the market overall for down jackets has grown steadily and Bosideng's top line has risen uninterrupted from 2015. NPAT has followed the same trajectory.

They're the market leader in China and in terms of quality compare favourably with Canada Goose, ARC'TERYX and Moncler. ASPs have been successfully walked up in recent years.

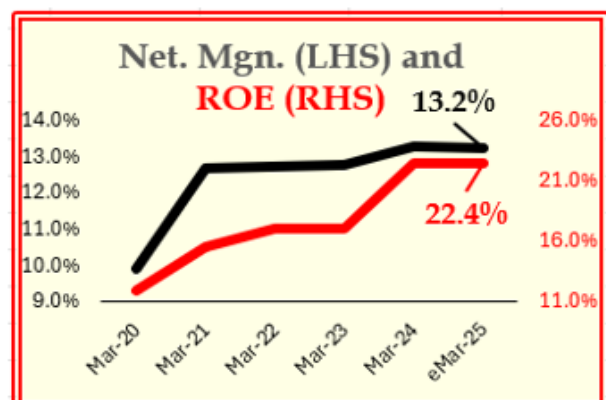
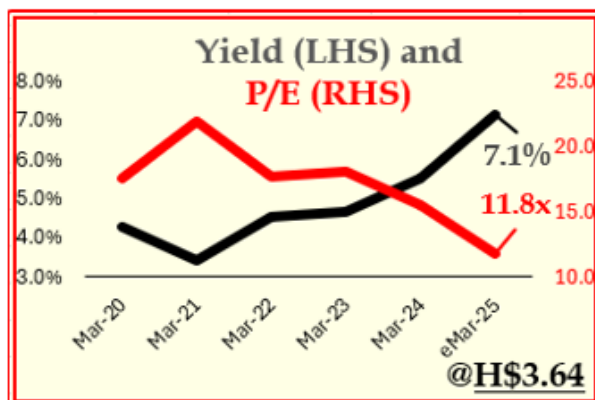
They were the victims of a [short-selling attack in 2019](#) but the report revealed, IMHO, problematic behaviour of the private versus public company sort. It did not reveal a fraud.

The Chairman sold a 4% stake last July and the stock dropped 10% immediately. So? He has other interests, and it wasn't a change of control. It's his prerogative.

Not to like: A CB issued in 2019 had no clear purpose (so, a hidden one?). Also 2019, a 100m share grant to a marketing company created bad optics. There's also a strange London store.

To like: Strong and continuous leadership with succession in the wings. Steady outlet number reduction in recent years. Fits well into the domestic-quality-consumption theme.

Would I buy them? I have. I'm worried the recent growth spurt isn't sustainable but believe the dividend is safe so have taken, for now, a yield approach. Assuming a slight dividend lift for FY25 to H\$0.26 I believe a range of 8%~5% or H\$3.25~H\$5.20 is fair. A 1:4 margin in that range comes out at H\$3.64, the price at which I was fortunate enough to acquire them.



How's My Investing?

Performance summary, review of recent trading etcetera

February Performance:	+1.7%
Performance Since Inception (Nov. '24):	+2.4%
Cash Percentage of Portfolio:	26%

Out with the old. I'd flagged a position earlier causing vexation and last month let it go. Giordano (#00709) issued a profit warning in line with earlier guidance but gave no hint how fortunes may change. More worrying, the company is now in the orbit of Hong Kong developer New World (#00017) which has a chequered corporate governance history and is cash-strapped. Giordano has surplus funds and is cash generative. You see my concern.

Capital from Giordano went into Hysan (#00014, an existing holding). At my ingress of H\$13.00 I believe I get a yield of 8%, a P/E of under 7x and **some of the best property assets in China at 20-cents on the dollar.** The company is growing, has a track-record of over a century of successful operation and remains modestly geared. Am I dreaming? Pinch me!

In with the new. Bosideng chimes with a theme I've been moving closer to for some time i.e. the emergence of domestic high-quality China brands. Holdings of China Lilang #01234, JNBY #03306 and to some extent Zoomlion #01157 are part of the same strategy (see also the aside on Ne Zha 2 above which provides colour on the same point).

Cash management. I locked away surplus cash on a 3-month deposit. From here the market goes up and the cash balance is proportionally reduced. Or the market goes sideways, and I pick up a handy 3.6%. Or the market goes down and I wait before sifting for bargains. A tumble ('when' not 'if' IMHO) will be a function of events elsewhere and thus protracted.

One stock, Alibaba #09988 which I don't and can never own, defined the month. If *you* owned it congratulations. My experience of missing thematic rallies suggests one of two things now happens: a) the meme fades, leaders drop back or, b) the meme persists, and the steady-Eddys that comprise more sober portfolios join the party. I'll be happy all-ways.



Alibaba: Another 38% up and the return since (HK) listing will be zero. Just saying.

Datawatch

Key Releases In The Last Month

Two 😐 Two 😊 No 😞 Some ?

Due to the distortion caused by the Spring Festival China aggregates many January and February numbers. This makes for a data-poor Feb., but we'll be back to normal next month with Jan.-Feb. series combined.

Trade ? : More in March.

Prices 😐 : Jan. CPI +0.5% (Dec. +0.1%), PPI -2.3% (Dec. -2.3%). That's the 28th month of YoY PPI declines. CPI a pleasant up-flip surprise.

Credit 😐 : Jan. M2 +7.0% (Dec. +7.3%), Total Social Financing +8.0% (Nov. +8.0%). Hard to read but surely not getting any worse.

Consumption ? : More in March.

Industrial Activity ? : More in March.

New Home Prices 😊 : Jan. -5.0% (Dec. -5.3%). The month-on-month series was unchanged, for the second time in a row. Encouraging.

Business Confidence 😊 : Feb. Manufacturing PMI rose to 50.2 (Jan. 49.1), a three-month high. Services PMI rose to 50.4 (Jan. 50.2).

That wraps it up for February. 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