



WHY CHINA?

# 为何是中国?

过去 25 年来, 中国国内生产总值平均增长约 10%, 而每年人均收入/国内生产总值仍然是在全球范围中间水平内, 一直处于平均 8% 增长, 是全球最高的其中一个国家。

现在, 让我们把重点放在股市投资者最感兴趣的问题, 包括中国方面提供了什么, 以及或可提供什么。

首先, 让我们来看看更令人震惊的数据。在 1997/1998 年亚洲金融危机期间, 1997 年国内生产总值增长了 8.9%, 并在 1998 年及 1999 年分别增长 7.8% 和 7.1%; 那在被喻为比上一次更严峻时期, 中国又取得怎样的表现? 2007 年的国内生产总值已修订至 13%, 而 2008 年预计的速度在 9.8%。

## 中国今年肯定放缓

中国 2009 年的增长肯定会放缓, 主要受牵于全球的出口和消费的下降, 但增长仍为积极, 有专家们预测今年度的增长介于 6% 至 8%, 并于 2010 年以后情况有所改善。

中国是制造业中心, 世界许多货物。只要看看产品下面或标签, 特别是耐用消费品, 你很大机会看到一个“中国制造”的标签。这种情况并不是仅在亚洲或是马来西亚看来, 而在全球各个

范围内。

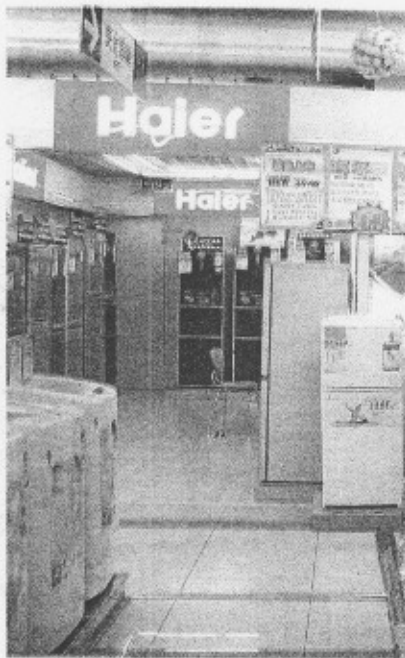
它几十年来建立了必要基础设施和引进教育的法律制度, 以及提供税务和奖励来鼓励国内外投资者。成本效益和训练有素的劳动力也带来帮助。

## 中国往高附加值发展

中国或有可能是劳动密集及低端产品的制造中心, 但这或可能改变未来。例如, 早在 2009 年, 国家发展和改革委员会指定的广东省以及香港和澳门为“重大创新中心”, 即到了 2020 年, 建立 100 所研发实验室以迈向中华式的硅谷。

中国充分意识到其低端制造业优势, 并试图将价值链往上移。藉以通过高端制造业和高附加值带来更高的增长, 从而获利。想象一下, 如果你机会, 会投资于这些公司呢?

除了联想与海尔这几个少数名字, 中国尚未研发全球公认的零售品牌, 虽缺乏全球性的品牌, 但这一点的不足却由其国内及边界庞大的众多的消费所抵销。它有很多的国产品牌, 以满足一个庞大而又壮大的中产阶级。如果人口每年增加一倍, 即意味着其每人消费品的年度支出从 500 美元到现有的 1000 美元, 对中国或中国公司的影响却是数 10 亿以计的。



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## 中国企业仍落后全球同行

尽管有显著增长, 许多中国企业仍然远远落后于它们的全球同行, 但问题是怎样吗? 细读中国公司的价值财富, 许多人可能对下列数字感到吃惊:

截至 2009 年 4 月中, 中国拥有全球两家最大市值的银行 (工商银行和建设银行)。

这些银行的市值甚至高于汇丰银行和所有其他发达国家市场的银行。中国石化, 中国的第二大石油和天

然气公司, 也是世界第二大公司, 仅次于埃克森美孚。

中国移动是世界第四大市值公司, 并也是全球最大的电信公司; 还有, 中国人寿被称为全球最大的保险公司。共有 6 家企业列在世界 50 家 (3 个在前十名内) 最有价值的公司排名中。

这里有更令人振奋的数字, 即中国股票股市截至 2009 年 4 月 15 日为止, 不同期间的表现。

将隆综合指数及全球指

数与比中国相关指数的收益比较, 很显然, 在大多数数时间内, 该指数已经显示其卓越表现, 尽管有一个指数从高峰坠至超过 50% 的跌幅。

其中一个投资者在亚洲危机期间或在 2000 年科技泡沫或海湾战争期间投资中国股市, 其诱人的回报绝对惊人。

不幸的是, 中国股市在 2007 年也出现泡沫, 任何在高峰期进行的投资, 一旦出现大逆转, 所面对的亏损令人心痛, 但现在的情况却有所不同。

起涨 (%)	3个月	6个月	1年	5年	9年 (科技泡沫)	11年 (亚洲金融危机)	15.14年
上海指数	32.65	30.58	-11.74	73.71	59.11	126.50	709.23
深圳指数	45.02	68.40	-2.55	124.31	73.99	149.50	1251.55
摩根士丹利资本国际 指数中国 A TR 指数	37.53	45.35	-10.93	149.92	---	---	---
恒生国企指数	32.82	21.20	-15.88	90.06	455.84	200.98	244.63
综指	6.60	0.72	-23.11	11.09	2.74	48.41	-9.36
摩根士丹利全球指数	2.28	-5.55	-30.83	-14.42	-28.23	-5.84	100.49

来源: 原稿

根据用以衡量股市的资本比率, 中国公司正在交易接近历史最低水平的 20 倍的本益比 (PE) 的基础上。

相反, 在 2007 年泡沫高峰期, 这类公司的本益比达 50 倍。

一些基本健全并具有良好发展潜力公司, 售价远低于本益比水平。以下是一些例子:

## 健全良好发展潜力公司

## 售价远低于本益比

公司	本益比 (2008 年收益)
中国移动	10.60 倍
中华医学科技	8.31 倍
中国石化	10.32 倍
工商银行	11.94 倍
中国人民银行	9.58 倍
台湾半导体 (台湾上市)	13.21 倍

资料来源: 彭博 2009 年 4 月

那对于全球金融危机所带来影响又是如何的呢?

毫无疑问的是, 中国已受到当前经济的不利影响, 其出口显著下挫, 而制造领域也大量裁员。但与其他发达国家不同的是, 中国拥有高储蓄率及强硬的财务能力; 作为一个债权国以及并不是一个过受到负债累累的消费者影响的国家。这些积极因素应可看到中国恢复速度更快, 并也领导某个区域 (而不是世界) 摆脱目前的低迷。

以高达 2 兆美元的外汇及黄金储备, 中国在未来几年在刺激经济方面, 不会面对太大的困难。当局已迅速落实各项措施, 以防止经济进一步衰退。

## 削减出口税提供农业部援助

去年 11 月, 中国宣布总值约 5850 亿美元的刺激经济计划, 其中的 40% 将投资于基础设施项目和四分之一重建四川省地震灾区。15% 将用于技术 (重组现有行业去减低出口导向过重的趋势) 和环境工程项目, 另外 15% 用作教育和文化项目和 19% 为农村发展和社会福利。

刺激经济配套也会看到削减出口税和为农业部门提供援助。整体而言, 经济刺激计划有助建立一个经济基础, 或引导中国将出现甚至比以前更为强劲的趋势。初步数据显示美国经济的刺激是有一些积极的影响, 并在首季投资、消费开支和工业生产稳定上带来影响, 同时也制造了 2 万 5000 个就业机会。

直接从刺激经济配套下受惠的公司应表现良好, 对于那些没有敏感的经济周期的公司, 如电信, 食品和饮料, 炼油厂, 教育, 医疗, 铁路建筑公司等

等估计也一样表现稳健。

在某些方面, 中国也积极在全球寻找一些交易, 包括俄罗斯、委内瑞拉、澳洲和非洲国家, 特别寻求长期合理价格的石油和天然气供应以及其他必要的资源和商品。

与此耗资在劳财费力的七国集团 (G7) 会议上, 中国正在部署稳定其地位, 进一步巩固其工业和制造业未来的能源供应基地。同时也借住在处理与亚洲和新兴经济体的货物和服务贸易中, 以人民币作为美元的替代货币。

这表明中国正在寻求减少对美国经济增长的依赖。而事实是, 中国与美国经济脱钩的想法, 已经打破及超越目前的危机, 这场危机的确可能推动中国在未来进一步与美国经济脱钩。

假以时日, 我们可能会看到一个取代美元作为全球标准的贸易货币, 可能会是人民币, 但这却另当别论。

## Why China

China is a 5000 year old civilization with a history replete with leading edge innovations, a vast cultural/religious/education tradition, palatial and political intrigue, large social movements and upheavals, and even bearing the status as an economic superpower to name a few key areas - in short an extremely colourful history. It has arguably at various points in time rivaled the great civilizations of the world for example, ancient Egypt and late-era Mesopotamia in ancient times and, for centuries had far superior scientific knowledge and wealth compared to groups of countries now considered as developed.

From the Han to the Soong dynasty spanning many centuries, even a millennia, China was one of if not the world's superpower in terms of its wealth and economy, cultural significance and technical innovation. However, as in all aspects of life, good things come in cycles and so do the bad. For the last three to four centuries up to recently, China fell into a very long term civilizational decline and had been the whipping boy of various Western and regional colonial powers and post WWII went through several decades of iron-fisted rule leading to some of the greatest stories of human strife in history.

Things have changed - providence seems to be with the Chinese nation again. At least in economic terms, the Chinese nation is on an ascent and at a very rapid pace, granted they started from a low base. Many of the largest cities in China have their skylines filled with the most modern looking skyscrapers; where there used to be run down huts, you will now see beautiful villas and watching the recent Beijing Olympic Games you would have seen the myriad of modern architectural marvels across China.

All this really began in the late 1970s, 1978 to be exact, where led by the far sighted leader Deng Xiaoping, with the blessings of the Party leadership of course, China undertook quite revolutionary economic reforms gradually shifting from a collectivized state controlled economy to one that is more market based with producers able to enjoy some of the surpluses of their labour rather than having to work solely for the state. It is argued the shift was out of pressing needs of the time rather than a pre-planned one as the earlier experiments with statist/Communist projects had been abject failures in improving the lives of the people and to keep on par with the global economy.

Reforms started with the liberalization of the agricultural sector and smaller scale industries, ceasing state control over these and allowing for some private ownership and some free market pricing of goods. By the late 1980s the economy was effectively a mixed centrally plan and market based one, even allowing for a little foreign direct investments (FDI) via joint ventures. The private sector was allowed to compete with state enterprises and especially the high technology, infrastructure, transportation and communications sectors were encouraged. The 1990s saw increased liberalization of the economy where many special economic zones (SEZ) were created to attract FDI (one of the earliest and most successful SEZ, Shenzhen started in the early 1980s, has inspired dozens of countries to set up their own SEZ). A key reform in the latter part of the 1990s was the privatization and merger of many state enterprises and the closure of the unprofitable ones. Contrast this to the situation in the U.S. today! The new millennium sees China introducing even more market based reforms and also a more holistic approach to building a nation with policies to reduce the income gap and unemployment, improving education, medical services and social security and, environmental protection.

Here are some facts to amaze you:

	<b>Then</b>	<b>Now</b>
Population of Greater China (PRChina, HK, Taiwan)	575 million (1950)	1,400 million (2009)
China Nominal GDP US\$	10 billion* (1952) (*based on April 2009 exchange rate)	4,400 billion (2008) – Third Largest in the World
China Poverty Rate	53% (1981)	8-10% (2004)
Higher Education Graduates (ex postgrad)	165,000 (1978)	3.1 million (2005)
China Private sector composition of GDP	Negligible/nil (1970)	60-65% (2008)
Greater China Current Account Balance US\$	30 billion (1997)	415 billion (2009)
Greater China Forex Reserves & Gold US\$	150-200 billion (1997)	2,500 billion (2009) (~1,950 billion for China)
China Foreign Direct Investments (FDI) US\$	5 billion, 20% wholly foreign owned enterprises (1990)	92 billion, >60% wholly foreign owned enterprises (2008)
China number of supermarkets	1 (1980)	> 70,000 (2005)

For the last 25 years, China's GDP has grown on average about 10% per annum and while per capita income/GDP is still in the middle levels on a global scale, growth has been at an average of 8% during the period – some of the highest in the world. Astounding for a large nation and even more so when you consider that a huge part, at least two thirds of China, to the west specifically, is still pretty much a region of mountainous land and very rough terrain.

Let us now focus on a matter of greatest interest to equity investors – namely what does China have to offer and what is potentially in store. First, let us look at yet more astounding data. During the Asian Financial Crisis of 1997/1998, what was the Chinese GDP growth 3%, -5%? In 1997 the GDP grew by 8.9% and 7.8% and 7.1% respectively in 1998 and 1999! What about during this current crisis which is far worse than the aforementioned? 2007's GDP has been revised to 13% while 2008 is expected at a rate of 9.8%. 2009 will definitely be slower owing to the global plunge in exports and consumption, but still positive, and the experts are forecasting anything between 6% to 8% with some improvement in 2010 and beyond. Such growth rates are nothing to sneeze at, again we emphasize for such a large nation.

China is the manufacturing hub of the world for many goods. Just look at the underside or labels of products, especially durable goods that you consume. Chances are high you will see a “Manufactured in China” label. Clothes, household appliances, toys, books, foodstuff, collectibles you name it – many are manufactured in or sourced from China. This situation is not unique to Asia/Malaysia but globally. It has for decades put in place the necessary infrastructure and introduced business friendly legal systems as well as offering tax and financial incentives to both domestic and foreign investors. The cost effective and well trained labour also helps. To be completely honest, China has likely been the manufacturing hub largely with respect to labour intensive lower end goods but this is likely to change going forward. For example, early in 2009, the National Development and Reform Commission designated Guangdong province as well as Hong Kong and Macau as “significant innovation centres” where by 2020, one hundred R&D labs are targeted to be created to cater to the high technology sector – a Chinese version of the Silicon valley if you like. China is fully aware of its lower end manufacturing tag and is intent on moving up the value chain. Higher end manufacturing and higher value added usually leads to higher growth and thus profits. Shanghai is also growing significantly as an IT and high technology hub. And before you know it, luxury high-end goods will start coming out of China as well...a good example that many may not know is that in the exclusive but small arena of high-end audio equipment, recent equipment reviews on components such as high-end amplifiers and CD players which are manufactured and/or assembled in China have garnered fantastic recommendations, and from well established U.S. or U.K. audiophile publications to boot!...and this was a topic considered taboo from audiophiles just a few years back. Imagine the potential if you had the opportunity to invest in these companies today?

Apart from a few names such as Lenovo and Haier, China has yet to develop well recognized global retail brand names but this lack of global brand is mitigated by sheer numbers of consumers and potential consumers within its borders. It has many of its homegrown brands to cater to a large and growing middle class of a hundred million and growing, not to mention the urban affluent. Should the population double its annual spending on consumer goods from just \$500 per person now to \$1,000, the impact on Chinese or China based companies would be in the hundreds of billions if not trillions. Note the average person in the world’s 7<sup>th</sup> largest economy, Italy, spends over \$10,000 on consumer goods per year. The young generation of Chinese accustomed to much ‘better’ lifestyles is showing less inclination to hoard money as did their parents and are expected to raise consumer spending.

Phenomenal growth notwithstanding, we would expect many Chinese companies to be still far behind their global counterparts – but is that so? In terms of value or worth of Chinese companies, many may be very surprised to read of the following numbers:

As at mid April 2009, China has the world’s two largest banks (Industrial & Commercial Bank of China and China Construction Bank) by market value. These banks are valued in the equity markets even higher than HSBC Bank and all the other developed markets’ banks. In PetroChina, China has the second largest oil & gas company and also the world’s second largest company, behind Exxon Mobile. China Mobile is the world’s fourth largest company by market value and the world’s largest telecommunications company. It does not end there, China Life Insurance Co also has claim to be one of the largest insurers in the world now. All in, there are 6 Chinese companies in the list of the world’s 50 (3 in the top 10) most valuable companies as measured by market capitalisation.

Here are yet more exciting numbers, the performance of various China equity indices over various time periods to 15 April 2009.

	<b>3 Months %</b>	<b>6 Months %</b>	<b>1 Year %</b>	<b>5 Years %</b>	<b>9 Years (Tech Bust) %</b>	<b>11 Years (Asian Crisis) %</b>	<b>13 ¼ Years %</b>
Shanghai SE Composite Index	32.65	30.58	-11.74	73.71	59.11	126.50	709.23
Shenzhen SE Composite Index	45.02	68.40	-2.55	124.31	73.99	149.50	1,251.55
MSCI China A TR Index	37.53	45.35	-10.93	149.92	N/A	N/A	N/A
Hang Seng China Enterprises Index	32.82	21.20	-15.88	90.06	455.84	200.98	244.63
KLCI	6.60	0.72	-23.11	11.09	2.74	48.41	-9.36
MSCI World Index	2.28	-5.55	-30.83	-14.42	-28.23	-5.84	100.49

Source: Lipper Hindsight

Comparing the returns of the China/China-related indices with that of the local index (KLCI) and the world index, it is clear that in most of the time periods, the Chinese indices have shown superior returns, in spite of an over 50% plunge from their peak in late 2007. If one had invested in China equities during the Asian Crisis or the 2000 Tech bust or post the Gulf War II in 2004, attractive returns would have been the result. Unfortunately, there was a bubble in China equities in 2007, as happens from time to time, and anyone invested at the peak would have lost plenty but the situation now is very different. Based on an equity ratio used to measure equities, China companies are trading at closer to historically low levels of 20X price to earnings (PE) ratio, based on the Shanghai Composite Index. Contrast this to an almost 50X PE ratio at the bubble peak in October 2007. Some fundamentally sound companies with good growth potential are selling at far lower PE ratios than the above average. The following are some examples:

<b>Company</b>	<b>PE (2008 earnings)</b>
China Mobile	10.60X
China Medical Tech	8.31X
PetroChina	10.32X
Industrial & Commercial Bank of China	11.94X
Bank of China	9.58X
Taiwan Semiconductor (Taiwan listed)	13.21X

Source: Bloomberg April 2009

What about the impact of the global economic crisis?

There is no question China has been adversely impacted by the current crisis and has seen significant drop in its exports as well as large job losses in various manufacturing hubs. However, what differentiates China from certain developed countries is its high savings rate, possession of significant financial reserves as well as being a creditor nation and having an economy that is not reliant largely on spending by heavily indebted consumers. These positive factors should see China recovering faster than most and possibly leading the region (not the world) out of the current slump.

With almost US\$2 trillion in foreign exchange reserves and gold in the kitty, China should have little trouble in stimulating its economy for the next few years. The authorities had speedily put in place various measures to help stem the economic decline. Last November, a US\$585 billion stimulus package was announced and likely 40% will be invested in infrastructure projects and a quarter to rebuild the earthquake hit Sichuan province. 15% will be spent on technology advancement (reform of existing industries to de-emphasise export oriented sectors) and environmental engineering projects, another 15% on education and cultural projects and 19% on rural development and social welfare. The package will also see cuts in export taxes and provide aid to the agriculture sector. In summary, a stimulus package that builds an economic base from which the country would emerge even stronger than before. Preliminary economic numbers suggest the stimulus is having some positive effect, with investment, consumer spending and industrial output stabilizing. Over 2.5 million jobs were also created in first quarter of 2009.

Companies that will benefit directly from the stimulus packages should perform well, in addition to those that are not overly sensitive to the economic cycle such as telecommunications, food and beverage, oil refineries, education, healthcare, railroad construction companies to name a few.

China has also been literally roaming the globe looking for some sweet deals with many nations including Russia, Venezuela, Australia and African nations - especially for long-term access to reasonably priced supplies of oil & gas and other essential resources and commodities. Rather than spending money bailing out failed bankers ala many in the G7, China is deploying its finances and efforts in further cementing future supplies for its industrial and manufacturing base. And who has been making deals with various Asian and emerging economies for the trade in goods and services in an alternate currency to the USD, well China of course. This would indicate China is looking at relying less on the U.S. for its growth. Ironically, while the idea of China decoupling from the U.S. has been debunked by the current crisis, the crisis may indeed compel China to decouple from the U.S. economy going forward. We may in time also see a gradual shift from the USD as the global standard of trade to perhaps include the Yuan, but that is another story.



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