Complete Guide to

Investing in China

DrWealth

The Complete Guide to Investing in China

The most populous country in the world and a rising global superpower, China's economy has grown exponentially over the last century and, barring any long-term implications from COVID-19, is poised to continue its growth trajectory over the next 10 to 20 years.

However, its stock market is still a question mark for many retail investors - and for good reason.

It may be because there's this unfamiliarity with foreign shares and companies.

Or it may be that there's a language barrier - as many (if not most) Chinese listed companies issue announcements or financial reports in Mandarin.

It may also be that we are still scarred by the multiple scandals regarding Chinese stocks. (Recall the many corporate governance and fraud issues with S-Chips back in 2009?)

Whatever your reason, the Chinese stock market is still a relatively undiscovered goldmine - and with their economy and stock markets starting to open up, I believe now is the best time to learn more about the Chinese market and its companies.

Ho Khinwai
Investment Analyst

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DrWealth

Why China?

2nd Largest Economy in the World

- Poised to surpass the US to become the largest economy in the world
- Growth by consumption (much more sustainable) than by trade
- One of the highest GDP growth rates at 9.5% historically

Opening Up of Capital Markets in China

- Foreign ownership restrictions gradually being lifted
- China is 2nd largest stock and bond market globally
- Shares starting to be included in global indices
- Many pricing inefficiencies due to a non-mature stock market

Rising Global Dominance of Chinese Companies

- Some of the popular and most valuable companies in the world include Haidilao, Alibaba, Xiaomi, Tencent, Baidu, Bytedance, Zoom
- Huge potential to capture multibaggers

Understanding China as a Potential Investor

The Lay of the Land

China is home to 1.4 billion people - making it the most populous country on the planet. This huge country in Asia is divided into 34 parts - with the majority of them being provinces.

While it is not as pertinent to know each province and city in detail, you should note that the coastal provinces (found on the East of China) are much more urbanized, wealthy, and population-dense as compared to the inner Western parts of China.

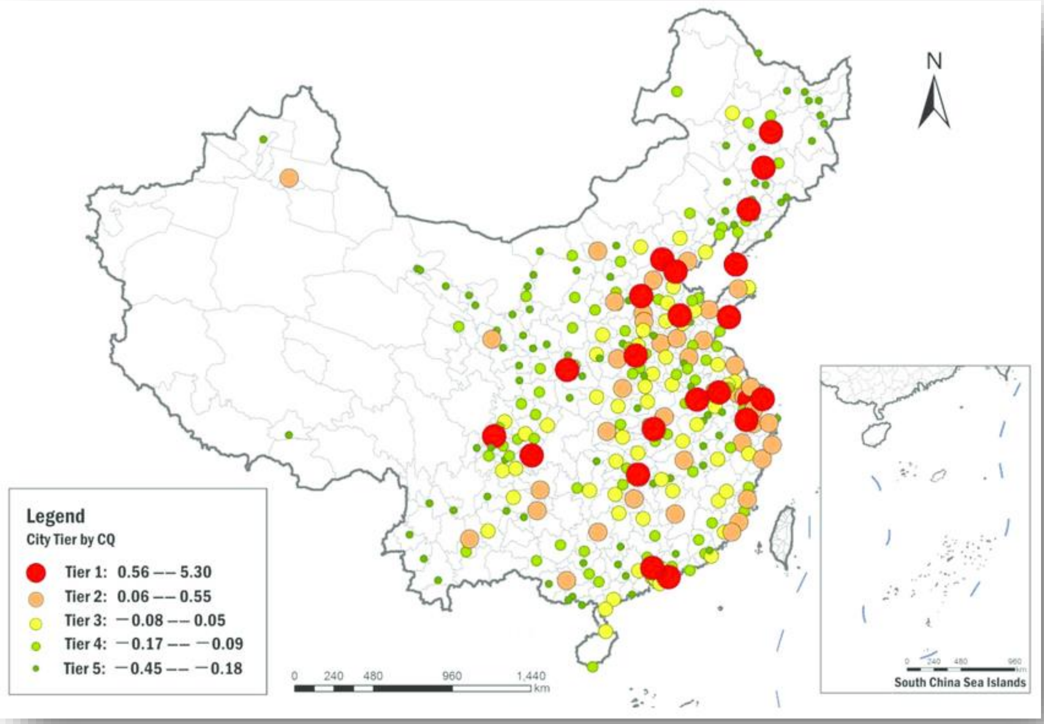


Figure 1. Spatial distribution pattern of Chinese prefectural-level cities by Culture Quotient (CQ) tiers. Source: Culture Sustainability: Culture Quotient (CQ) and Its Quantitative Empirical Application to Chinese Cities - Scientific Figure on ResearchGate.

Tier 1 cities (and provinces) are the most well-developed areas of China. Herein resides many consumers with a lot of spending power, and is home to many businesses and MNCs. You can expect to find cities like Shanghai (23.2 million people), Guangzhou and Beijing here.

Subsequent tiers are less well-developed and get increasingly rural.

As an investor, it is useful to note the demographics of the customers of the company you're analyzing. Are they differentiating their product mix and marketing in a Tier 1 or Tier 2 city versus in a Tier 4 city? Are their expansion plans into rural cities logical? Or should they have chosen a more urban city?

Knowing a bit of this will help you better evaluate whether growth plans of Chinese companies will be successful.

The One-Party Rule

Even though the Chinese government is known as the Communist Party of China (CPC) and has its roots in communism, modern China has much evolved in ideology and government control.

The incumbent president and General Secretary is Xi Jinping, who has been head of state since 2012. President Xi has been a pivotal figure in China's urbanization and economic growth - starting his presidency with the announcement of a large-scale project known as the Belt & Road Initiative (一带一路). His other notable directives include the "China Dream" as well as "Made in China 2025".

So why mention all this?

As an investor, it is critical that you understand how the CPC works and the thoughts of President Xi. Chinese companies are, in one way or another, controlled by the CPC and it makes sense to know the plans or initiatives the CPC has... as this could effectively foreshadow the level of growth or even survival of a company.

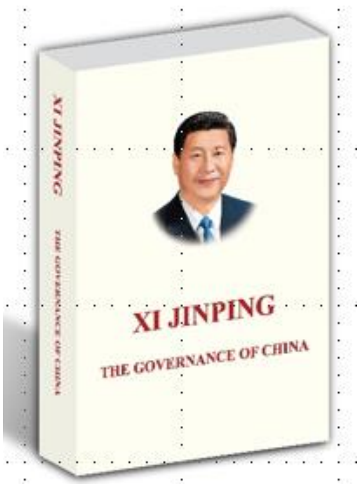
For instance, we at Dr Wealth has long identified that environmental protection has been one of CPC's key focuses over the last 5 years. Companies which were manufacturing goods harmful to the environment had subsequently been forced to convert their factories and operations to meet environmental standards.

Companies which were not financially strong in the first place had to take on unsustainable amounts of debt to sufficiently comply or be shut down.

Thus it is not entirely true that policy in China is "unpredictable".

Yes, policy may be hard-handed and surprising at times - but many times, you can trace it back to what the Chinese government is trying to achieve from their public official missives.

Alternatively, you may enjoy reading President Xi's thoughts on his "socialism with Chinese characteristics" form of governance in his book - The Governance of China.



In it, Xi highlights ideas that you can see were defining themes of CPC's policies. These include scientific innovation, having open and shared development, energy conservation and environmental protection, strengthening national security and so forth...

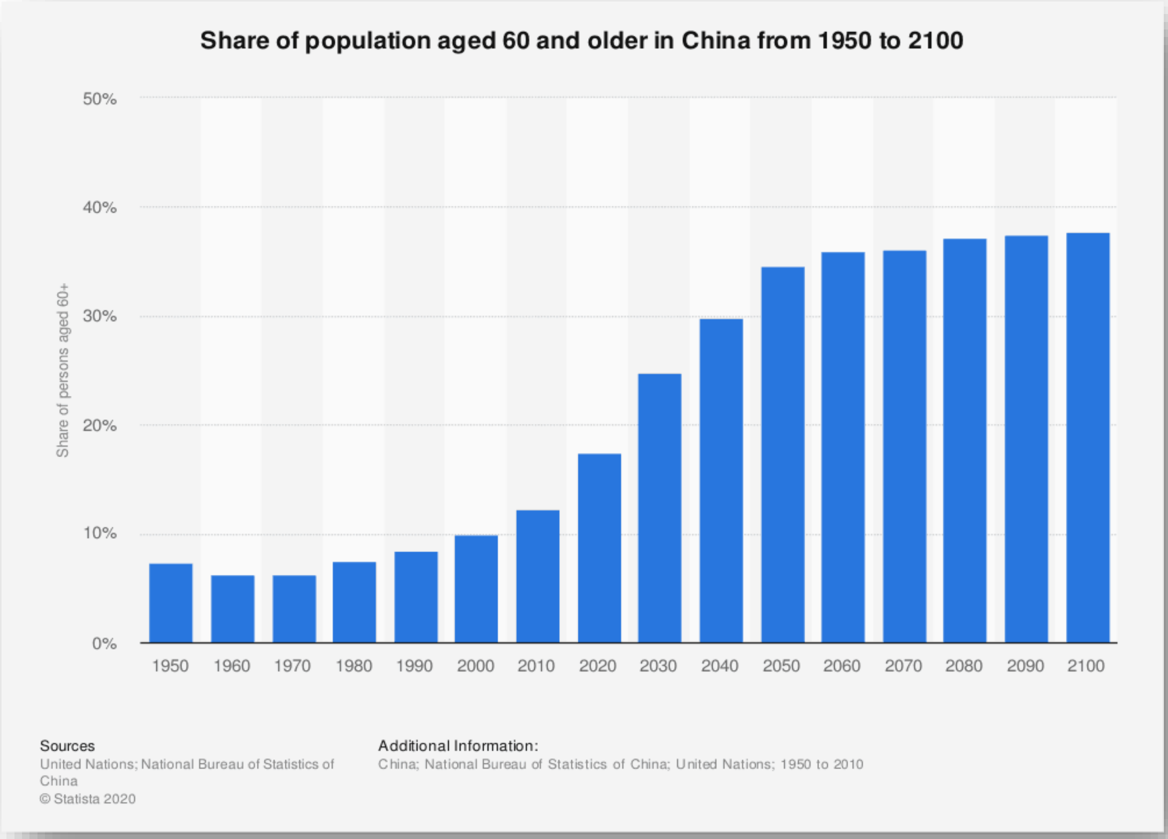
The People of China

The language of Chinese people is Mandarin (Putonghua). However, if you visit different parts of China, they may speak different Chinese dialects and engage in markedly different customs and cultures.

This is another key factor that may make or break Chinese companies' expansions into different cities. Thus, you can see that for a company to grow even within China itself... the outcomes may be very uncertain.

China's population is quickly aging - as with many other fully-developed nations.

You can see from the chart below that China is in the middle of an exponential curve in growth of the elderly population. It is also forecasted that China's percentage of elderly may even exceed that of US and UK by 2050.



China's birth rates have been declining with an average of 11.9% for the past 5 years. Contrast this with a 24.8% average just two decades ago!

Moreover, longer life expectancy also has exacerbated this problem - the median age a Chinese person can be expected to live is at 76.4 years (2017 figure). This is in line with the life expectancy of developed nations like US (78.6 years), but not as problematic as countries like South Korea (82.7 years) or Japan (84.2 years).

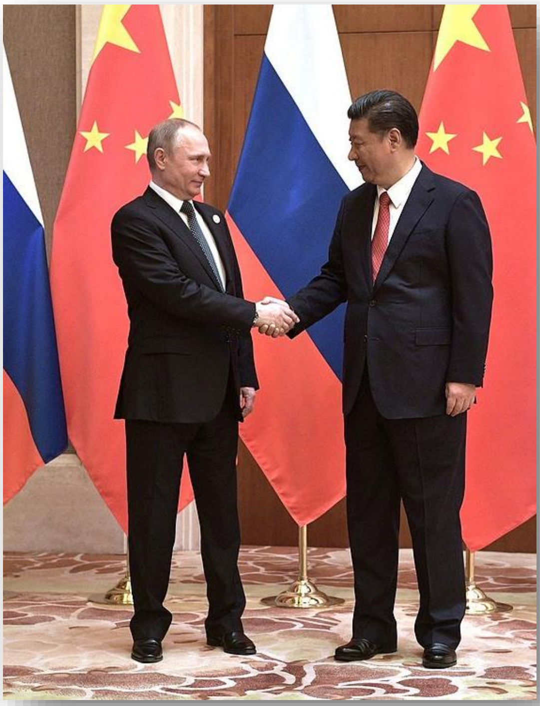
This presents both problems and opportunities for us investors looking into China. We fear that China's economic growth may be harder to sustain because of lesser productive workers in the economy. This will not become problematic within the next 10 years, but it is a risk if the CPC does not adjust policies for population growth and forecasts prove to be accurate.

On the other hand, there are opportunities investors may wish to seek - especially companies in the healthcare and medical space.

The Chinese Growth Story

It is important to understand how China has grown to become the global superpower it is today. Below, we have identified 3 key drivers that we think have contributed tremendous growth for China - and that we believe will continue doing so for the next decade or two:

Belt & Road Initiative (BRI)



BRI (一带一路) is a global infrastructure project aimed to help improve China's connectivity along key trade routes and improve its cooperation among countries.

BRI has undoubtedly generated enormous benefits for China (aside from its beneficiary countries). At this stage of development, domestic construction demand has been boosted as well as lending activity.

We think that once the new trade routes have been fully completed, China also stands to benefit from growth in exports, lower cost of imports, RMB appreciation, and larger investment flows.

As China's domestic growth slows, we believe BRI will become a huge contributor for its future growth.

Consumption Upgrades & A Rising Middle Class

I've done a good amount of analysis on Chinese companies now - and with most theses, growth is almost always attributed to these factors.

Since opening its economy 40 years ago, China has undergone rapid industrialization and urbanization - resulting in many Chinese getting higher-paying, higher-skilled jobs... and fast growth in household incomes among the middle class.

It is estimated that by 2022, most (54%) urban households would fall under the upper-middle class group - earning between US$16K - US$34K per year.

As such, we can see more people from the rural areas coming to live in urban cities like Shanghai and Shenzhen, and eventually migrating there.

And as disposable incomes grow, spending habits become more sophisticated. For instance, Chinese parents would be in a better position to focus on their kids' education and spend more on extra curricular activities like piano lessons or dance classes.

Such a phenomena is known as "consumption upgrades" in China. For the younger generation of Chinese consumers, retail spending has grown (and is expected to continue at more than 10% growth rate).

We are of the opinion that over the next 10-20 years, as the Chinese economy continues to shift to higher-value production and a services economy fueled by technology, more rural areas will have to be redeveloped to meet this growth. Many rural Chinese (over 40% of population) will start to enter the mass middle class and become key drivers of the economy in the future.

Liberalization of Financial and Capital Markets

We think this is the reason why it is time to look at China and Chinese stocks now.

China is home to the SECOND-largest bond and stock market in the world worth US$20 trillion - yet it is still almost entirely funded by domestic investors.

In the last 5 years, China has accelerated the opening of capital markets - with the most notable one (we think) being the 2016 A-share inclusion into global indices like the S&P DJIA, MSCI and the FTSE Russell.

With a larger global exposure, it has increased fund flows into China and makes markets (and stock valuations) more efficient.

Right now, China's stock market is *still* heavily dominated by retail investors (~90%). By investing in Chinese stocks which are under-looked and undervalued, and have good growth potential now... investors can still take advantage of market inefficiencies and earn a respectable alpha (excess returns) on their holdings as the market matures and gives them the proper valuations they deserve.

China's stock market is not what it used to be 20-30 years ago.

Back then, Chinese companies were involved in scandal after scandal. Misappropriation of assets, fraudulent accounting, taking advantage of minority shareholders, reverse mergers... they had it all.

However, we believe over the years China has cleaned up its act and introduced financial reforms with strict regulations on par with those of international bodies.

While we cannot guarantee there wouldn't be risk investing in China, we think the benefits of being IN China far outweighs any perceived risk associated with it. At Dr Wealth, we dedicate an entire segment in our due diligence to looking for such red flags unique to China, before presenting our case studies to our members.

Digital Transformation

China is quickly emerging as a tech giant, tapping on innovations like 5G, Blockchain and IoT (Internet of Things) a lot faster than most other nations.

This focus, plus a unitary-state structure, allows China to quickly adapt and essentially "leapfrog" the US in tech adoption.

For instance, China had been quick to transition from cash to mobile payments (through Alipay and WePay) when the technology was available, bypassing credit and debit cards.

In 2015, China announced a 'Made in China 2025' project that aimed to move the country from being "the world's factory"... to producing high-value products and services - especially in high-tech fields like pharmaceuticals, robotics and aerospace.

With MIC 2025, China is effectually developing EVEN MORE Chinese companies to become self-sustaining global powerhouses - besides the current BAT companies, Huawei, and a smattering of others.

According to the World IP Organization, China has filed the most number of patents overall for 2018 and 2019, almost triple that of the US at 2nd place!

New China powerhouses will emerge from this digital revolution - and this means investors have no lack of growth opportunities looking into China.

How to Invest in Chinese Shares?

Being exposed to stocks in a new market is scary...

...especially when it's a market where the language might be different, and they don't use the Roman characters many of us are familiar seeing.

I've been there before.

It took me at least one entire year before I *finally* dipped my toes in the US stock markets.

(It was a mental barrier I had to overcome, being familiar with and having invested ONLY in my local stock market as a Singaporean.)

Here, I want to help you make that jump significantly easier by helping you figure out the mechanics of how to ACTUALLY go about investing in Chinese stocks.

The Chinese Stock Market

There are only 2 domestic stock exchanges in China – **Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE)**.

Most Chinese stocks (65%) are listed on these exchanges.

Companies incorporated in China can issue 3 different classes of shares (A, B, H)...

...however most Chinese stocks (65%) are A-shares and quoted in the domestic currency, CNY.

B-shares are similar to A-shares. They are listed on SSE or SZSE, but quoted in a foreign currency (ie. USD or HKD). We won't be looking at these most of the time.

H-shares are Chinese companies listed on the Hong Kong Stock Exchange (HKEx) and are traded in Hong Kong dollars (HKD).

The Chinese stock market is not as developed as other mature stock markets like the US or the UK.

Hence, you should expect this market to be very volatile and speculative…

…as most (80-85%) of the stock market participants are retail investors or traders like you and me, rather than institutional investors.

That said, we should NOT be afraid of this volatility.

In fact - this presents us long-term investors with multiple opportunities as we can buy stocks at irrationally attractive prices and ride the Growth Dragon!

Let’s now get into the technicality of buying Chinese shares…

3 Ways to Invest in Individual Chinese Shares

Direct: Buying China A-shares (or B-shares)

Indirect: Buying China H-shares through Hong Kong

Buying Chinese ADRs on US Exchanges

Direct Buying A-Shares

To buy A-shares directly, you need to either:

1. check if your existing broker has a SZSE or SSE service opened for you to trade; or

2. open a domestic brokerage account in China or Hong Kong.

We suggest opening with a broker in Hong Kong as it is relatively easier, with the whole process worded in English.

With a Hong Kong broker, you are allowed to trade A-shares through their platform as a result of an initiative known as the Shenzhen-Shanghai-Hong Kong stock connect.

Note that for most brokerages, you will not hold the shares in your name - but in a **custodian account** managed by your broker.

Some of the more well-known brokers that provide custodial access to China are Interactive Brokers and Boom Securities (in Hong Kong). These two allow foreigners (including US citizens) to open accounts with relative ease.

Once you have broker access to Chinese markets...

...the first thing you'll notice is that China-listed stocks have stock symbols with 6 numbers.

SSE-A | Top 30 Volume | Sector | A-Z

Name	Symbol	Action	Last	Chg	Chg%
Zijin Mining Group Co Ltd	601899		3.960	+0.110	+2.86
Sanan Optoelectronics Co Ltd	600703		19.140	+1.740	+10.00
Xinhu Zhongbao Co Ltd	600208		3.870	-0.060	-1.53
Agricultural Bank of China Ltd	601288		3.610	-	-
Tsinghua Tongfang Co Ltd	600100		8.850	+0.270	+3.15
Jiangsu Etern	600105		4.900	+0.450	+10.11
Keda Group Co Ltd	600986		4.980	+0.250	+5.29

You'll also find that many companies will list their origin province / city / county first (ie. "Jiangsu" city followed by rest of company name "Etern").

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Chinese shares are traded like how you would any other stock.

For SSE, trading hours are 9.30am to 3pm (China Standard Time) with a 11.30am - 1pm lunch break.

For SZSE, trading hours are 9.30am to 3pm (China Standard Time) with a 12.30pm - 1pm lunch break.

Indirect Buying H-Shares through Hong Kong

Some well-known Chinese companies have bypassed SSE and SZSE and chosen to list on the Hong Kong stock exchange.

For instance, Alibaba (HKSE: 9988) and Xiaomi (HKSE: 1810).

To complicate things further, there are also Chinese companies that may be listed BOTH on the Chinese exchanges as well as the Hong Kong ones - with slight price differences.

Like PetroChina and the Bank of China.

If you're looking to ONLY invest in Chinese stocks listed on the Hong Kong stock exchange, a wider range of brokers are available to you - including TD Ameritrade/Charles Schwab, Fidelity, and E*Trade.

However, we'd still strongly suggest opening a Hong Kong broker account (see above A-shares for broker recommendations) as many of our stock ideas will only be listed on the A-shares market.

Here's why (it comes from a Chinese proverb)...

肥水不流外人田。

This (roughly) translates to "benefits are kept within the family, and not given to outsiders".

The Chinese inherently believe that treasures that are coveted should be closely guarded.

It goes to reason that the best companies in China (especially those of national interest) are also geographically rooted within China - with the majority of its equity kept within the Chinese markets.

Buying Chinese ADRs on US Exchanges

Some Chinese companies may list on overseas exchanges - such as in the US or UK – as ADRs (American Depository Receipts) or GDRs (Global Depository Receipts).

Companies like Alibaba (NYSE: BABA) and NetEase (NASDAQ: NTES).

Granted, these Depository Receipts (DRs) allow overseas investors to invest in the Chinese market easily… however, they are **NOT stocks**.

This means that DR holders do not have the same rights as traditional shareholders and cannot vote in meetings.

I generally do not recommend investors to own an ADR or GDR as it introduces more risk and complexity to the whole equation.

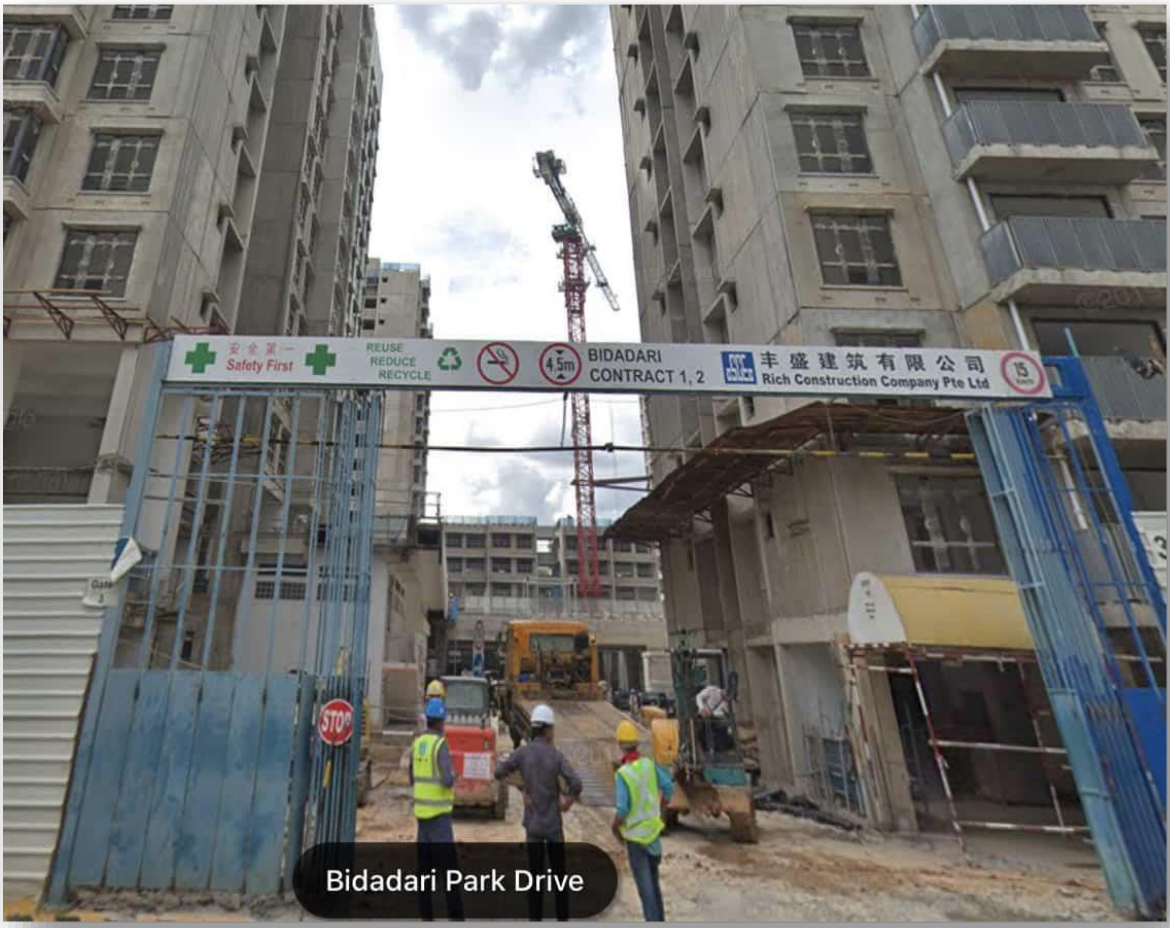
If you have the option, you should seek to directly own shares of the underlying company.

How to Become Confident Investing in A-Shares?

China is Everywhere

If you're living in Singapore, realize that Chinese companies are EVERYWHERE. You just got to look closely!

For instance, Alvin noticed his new flat was built by China Construction (Rich Construction is its subsidiary).



You would also see many tunnelling and MRT projects have more Chinese companies involved, vying for market share from Singapore, Korean and Japanese companies.

You have companies like Shanghai Tunnel Engineering...

Land Transport Authority
We Keep Your World Moving

Who We Are | Upcoming Projects | Getting Around | Industry & Innovations

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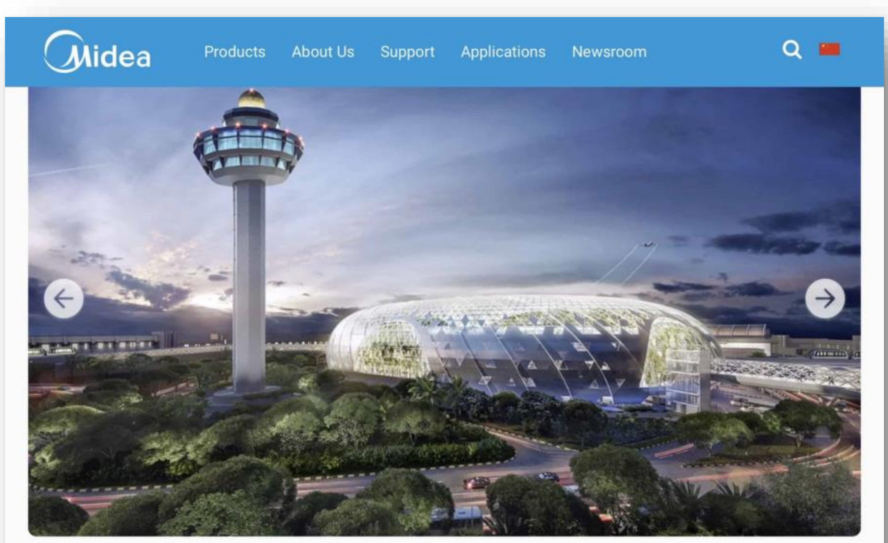
LTA Awards Civil Contracts to Construct Five Stations for the Jurong Region Line

News Releases 10 Sep 2019 Jurong Region Line (JRL)

1 The Land Transport Authority (LTA) awarded two civil contracts for the construction works of five Jurong Region Line (JRL) stations and their associated viaducts. Shanghai Tunnel Engineering Co (Singapore) Pte Ltd won the contract to design and construct Choa Chu Kang, Choa Chu Kang West and Tengah stations with a 4.3-km viaduct at a contract value of ~$465.2 million. Eng Lee Engineering Pte Ltd - Wai Fong Construction Pte Ltd Joint Venture won the contract to design and construct Hong Kah and Corporation stations with a 3.4-km viaduct at a contract value of $274.3 million.

Even Jewel and Terminal 1 uses air conditioning from Chinese home appliance company, Midea!



Singapore Changi International Airport is a member of the Star Alliance and the main airline hub of Singapore airlines. It has always been the No.1 airport in the world for the past three years, and the No.1 Terminal has been in operation for 35 years. Midea CAC provided VRF and water-cooled packaged units in the renovated project.

So, there is little excuse to not invest because we are unfamiliar with Chinese companies. It just takes a little more observation and reading to get comfortable with them!

Chinese Companies Are Not As Dangerous As They Once Were

The scandals regarding corporate mis-governance of Chinese companies back in 2000 has left a deep mistrust of Chinese companies for many investors.

Back then, there were many cases of misappropriation of assets, fraudulent accounting, taking advantage of minority shareholders, reverse mergers...

However, it has been 20 years on - and we believe China has cleaned up much of its act and introduced financial reforms with strict regulations on par with those of international bodies.

For instance, Chinese companies have been complying with China GAAP since 2007, and its reporting structure very similar to US GAAP. Over the years, China GAAP has been converging closer to the international reporting standard (IFRS) and is last reported to be 90% similar to IFRS.

This gives us a lot of confidence that China's capital markets is becoming increasingly transparent for retail investors like us.

But don't take our word for it - the revered Charlie Munger has been investing in China for over 15 years and he said this in a recent Forbes interview,

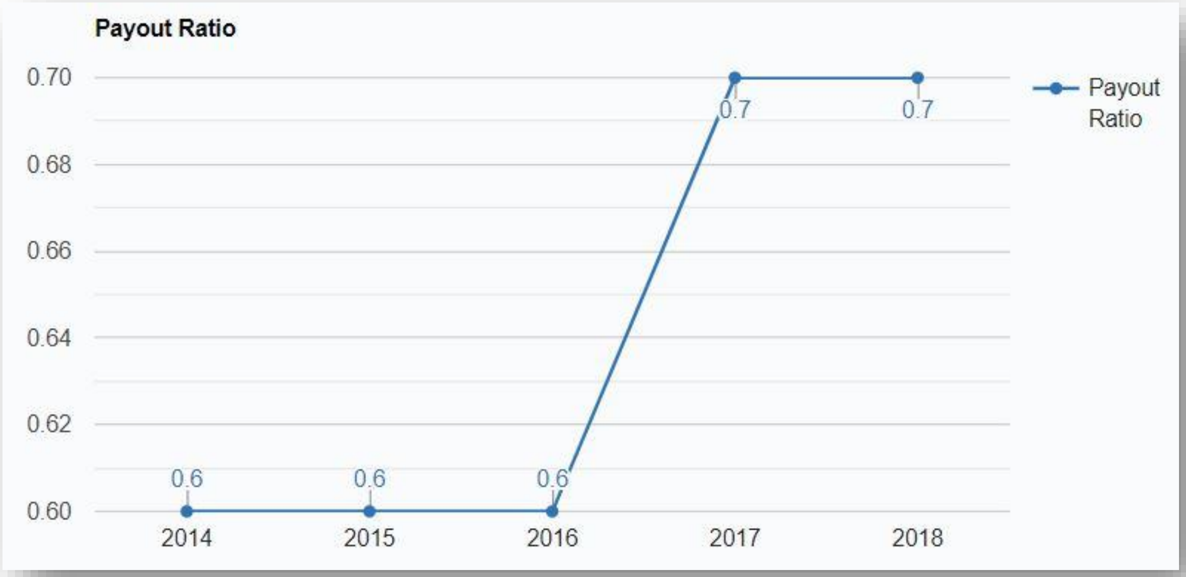
"the strongest companies in the world are not in America... I think Chinese companies are stronger than ours and are growing faster."

Charlie Munger
Chairman of Daily Journal Corp
Vice-Chairman of Berkshire Hathaway

That said, we don't want to blindly believe what Chinese companies (or what any public company) report on their financial statements.

So at Dr Wealth, we think it is important to do extra due diligence to check for any possible red flags with these companies in our analyses and case studies to members.

For instance, we check for things like the amount of dividends they have been paying out. Profits can easily be manipulated by companies - but when dividends are given (and if they distribute a sizeable >50% of profits as dividends), it signals that they have indeed generated enough cash on their hands.



Dividends are not the only things we look at. We also have our own set of proprietary checks that look for accounting irregularities and potential fraud.

Sometimes those are not enough. As retail investors - we do not have specialized tools or insider information and have to solely rely on the primary materials the company provides us (ie. Annual Reports, MD&A).

Thus, we cannot definitively know if top-line reporting items like revenues are being artificially inflated, or if income is actually coming from non-core operations or related-party transactions.

This is why we also rely on looking at short seller reports from companies like Bonitas and Muddy Waters.

No system of checks can guarantee that we eliminate 100% of fraudulent companies. However, they should provide us with enough information to avoid investing in things like Hyflux or the most recent exposé of Luckin Coffee.

Reliable Investing Resources for Chinese Companies

If you are investing in a Chinese company for the first time, you may not know where to look for certain pieces of information ie. Annual Report or company news.

Over the years, we have found Sina Finance to be very useful in terms of our research. Another great site is AAstocks.

These sites provide a plethora of information (financial statements, ratio analysis, research, corporate announcements, stock-related news, etc.) on Chinese and Hong Kong stocks, but are only displayed in Chinese...

...however, if you're using Google Chrome, the page will automatically be translated to your commonly used language.

It doesn't translate super accurately... and it doesn't translate to proper (or coherent) English sentences.

But if you can get the *gist* of what the text is trying to say... that's good enough.

Oh, by the way - you can also use Google Translate if the company has published its Annual Reports or company announcements in Mandarin!

二、财务报表

合并资产负债表

2018 年 12 月 31 日

编制单位：贵州茅台酒股份有限公司

单位:元　币种:人民币

项目	附注	期末余额	期初余额
流动资产：			
货币资金	1	112,074,791,420.06	87,868,869,913.34
结算备付金			
拆出资金			
以公允价值计量且其变动计入当期损益的金融资产			
衍生金融资产			
应收票据及应收账款	2	563,739,710.00	1,221,706,039.00

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Simply copy and paste the text into Google Translate and let Google work its magic...

For our members, to simplify this process even further, we've created a guidebook that lists the most of the important Chinese terms they need to recognize as an investor to see if the Chinese company is doing well financially and operationally.

Approach China differently (Stop using an "American" lens to look at China)

Investors in Chinese stocks started feeling the heat in 2020 when Alibaba was targeted. Soon, Chinese companies in various sectors were being targeted by their own government – from Education to Gaming, and even Media. Investors' patience and trust are waning. They are feeling betrayed by the Chinese government and many are thinking if they should give up on Chinese stocks to avoid the regulatory risks altogether.

It is normal to have such strong emotions, especially if your money is involved. We are humans, not robots. But it is such strong emotions that tend to cloud our judgement and objectivity. Most investors are probably thinking of giving up on Chinese stocks now because it is the most '*soothing*' action to take – just like how we crave comfort food when we are sad.

Humans avoid pain and since Chinese stocks are now inflicting pain, we seek to avoid.

It is not easy to evaluate your Chinese stocks objectively at the moment but you have to try. Ask if the reasons you bought these stocks still hold? Are these enterprises going to worth more than what they are today? Are their potential limited because of policy changes and if yes by how much?

How to approach the Chinese markets through its volatility?

The biggest lesson we can learn from the current clampdowns is that we have to **approach Chinese stocks differently** – China's political system and cultural values are different from the Americans', which we have grown very used to.

1 – Vastly different political structure

Firstly, **China is a central planning government and almost everything is shaped by the top**. This is unlike the U.S. where if some politicians are unhappy want to change things, they need to go through a lot of bureaucracy. They have to get it passed at the Congress and government lawsuits are not sure win cases because of a separate judicial system. Just take Facebook's case where the judge said that 48 U.S. states had no case against it.

In the U.S., even the President has no power to change the law by himself.

China is the direct opposite.

The Politburo dictates everything. They can change the policies anytime they like. They are the legislation, executive and judiciary rolled into one.

This absolute power also means that they will not allow any private businesses or leaders to be more powerful than the government. Such prominent individuals are fine as long as they follow the government orders and pledge loyalty.

Also**, China government's clampdowns are not new**. China has been doing this all the time, just that less people cared in the past. More investors have observed the rise of China and want to bet on her future now, hence any big impact on the current stock prices are keenly felt. For example, clampdown on peer-2-peer lending as well as the pharmaceutical industry two-invoice policy change in 2017 were less talked about because not many foreign investors were vested.

So, get used to it.

Follow the government words carefully if you want to invest in China. The clues can lie in their 5-year plan and other initiatives such as Belt Road Initiative, Made In China 2025, Greater Bay Area and more.

2 – Balancing social organisation and economic growth

Secondly, **China is a communist country**. But the Soviet Union showed that pure communism wasn't sustainable and hence Deng Xiaoping experimented with the market economy in the late 70s. That move was pivotal to China's wealth today and it is now ironic that the rich-poor gap in communist China is wider than of capitalistic U.S. (0.47 vs 0.41 Gini coefficient).

China knows that having billionaires is a result of the market economy and the government wants the wealth too because it makes her powerful on the world stage. **But the great wealth of individuals should not be publicly celebrated in a communist country**. Any loud-mouthed proud and rich individual will be silenced one way or another.

This is unlike the U.S. where wealth is celebrated. Greed is good. Anyone can live the American dream.

Having such a social organisation means that Chinese policies would tend to protect the man on the street. One example is the policy that monopolies are not acceptable. Why? Because monopolies would eventually have the ability to raise prices and make obscene profits, harming consumers and the man on the street.

Although we also have heard of antitrust movements in the U.S., they are fangless because of point number 1 – political bureaucracy. They are not effective in breaking up the U.S. big tech and these companies just get more powerful over time. Hence, it is better to avoid investing in monopolies in China whereas U.S. monopolies will do just fine.

3 – Guided by Confucianism principles

Thirdly, China is largely shaped by Confucianism for thousands of years**. The Chinese believe in a law-abiding society and the preservation of social harmony**. Authorities are meant to be obeyed and not defied.

Confucianism also plays an important role in academics and imperial examinations were held to identify smart individuals to become government officials. This is still true today in China (and to a large extent in Singapore too) with their Gaokao.

It is no surprise that Chinese parents are so kiasu about their child's education. They are merely chasing the reward and it becomes a race of who can study harder. Singapore has this problem as well, but the competition in China is probably 10 times intense, due to their population size. And companies driven by the market economy will take advantage of this and charge an arm and a leg for tuition.

This is why the Chinese government has to intervene.

Xi Jinping believes in Confucianism and wants to shape Chinese society following those virtues more closely. Maybe it is time for investors to read the sacred texts to understand Confucianism – *four books and five classics*.

China has potential but needs a new perspective

I still believe in the potential of a wealthier China and that investors can be rewarded handsomely in the long run. All these short term changes would make China's growth more sustainable.

However, investors cannot use a U.S. playbook (*which most of the investment literature are about*) and apply it to China – I have illustrated the distinct differences between the two countries.

We need to understand China in order to know what to invest in and what to avoid.

The Shortcut to Investing in Chinese Stocks

As mentioned, investing in a new market is always difficult at the start.

The learning curve is steep, and there are a lot of nuances when analyzing Chinese companies. This is why we created this guide - to help you navigate this exciting new market a little easier.

The good news is, investing in China today is not as difficult or as risky as 10 or 20 years ago.


Kweichow Moutai Co., Ltd.
SHA: 600519
2,313.00 CNY −7.85 (0.34%)
5 Feb, 3:00 pm GMT+8 · Disclaimer
1 day
5 days
1 month
6 months
YTD
1 year
5 years
Max
750.18 CNY 19 Jan 2018
308%
2,500
2,000
1,500
1,000
500
0
2017
2018
2019
2020
2021


Tencent Holdings Ltd
HKG: 0700
733.00 HKD −2.50 (0.34%)
5 Feb, 4:08 pm GMT+8 · Disclaimer
1 day
5 days
1 month
6 months
YTD
1 year
5 years
Max
442.20 HKD 12 Jan 2018
169%
800
600
400
200
0
2017
2018
2019
2020
2021

If you want to learn how we analyze Chinese companies...

We share how we pick Chinese growth stocks with strong fundamentals and growth potential which would allow them to stay relevant even amidst the regulations being made by the Chinese government, Join us at the next live webinar (it's free, for now), you can find the latest schedule and grab a ticket here.

About Dr Wealth

We are an investor-centric platform providing investor education and portfolio management tools. We have conducted classes and workshops for close to 4,000 attendees in the past few years.

The topics include value investing, dividends, REITs, bonds, angel investing, and other personal finance matters. These lessons were delivered from the perspective of a Do-It-Yourself investor.

Learn more here: Who is Dr Wealth?