

# DANIEL'S TOUR OF CHINA

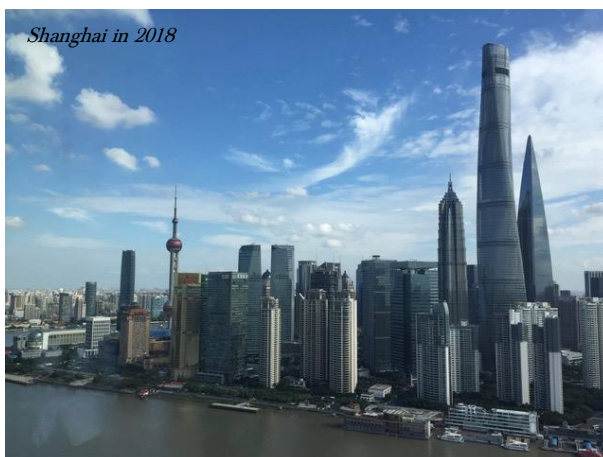
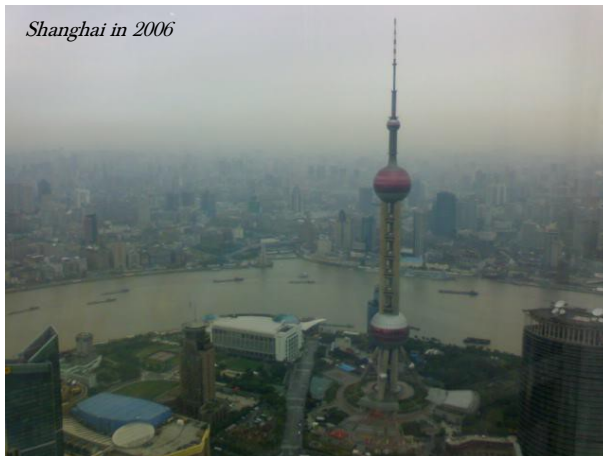
September 2018



## 6. THE ENVIRONMENT

I had visited Shanghai before in 2006 and what struck me back then was how poor the air quality was and that the sky was full of smog.

This year, every city we visited had a blue sky and almost every meeting included comments about the company's or government's plans to reduce pollution. The photos below show the contrast of Shanghai from 2006 to today - they were both taken in September so there are no seasonal differences.



Metal and gas production sites have been moved to more rural areas, to seek to reduce pollutants in urban areas. For example, Yingde Gas, the largest gas producer in the world (yet no one had heard of them) is a privately owned company but had to pay the cost of relocation of some of its plants last year to meet government policy.

### AGENDA

#### 24<sup>th</sup> September - Hong Kong

- Head of Moody's China
- Moody's Asia Property
- Kaisa Group Holdings (Property Developer)
- BNP Paribas top ranked China strategist
- Agile Group (Property Developer)
- Gleneagles Hospital (Private Hospital)
- Head of Moody's South East Asia
- Deutsche Chief Economist
- Deutsche Asia Chief Economist

#### 25<sup>th</sup> September - Shenzhen

- Shenzhen Investment Holdings (State Owned Property Developer)
- Shenzhen Investment Holdings' new science park
- Huawei headquarters and innovation centre (technology company)
- SF Holdings distribution centre (logistics company)

#### 26<sup>th</sup> September - Shanghai

- Fosun International (conglomerate)
- Greenland Holding Group (State Owned Property company)
- Shui On Properties (Property Developer)
- Xintiandi - new mixed use retail/dining centre developed by Shui On
- Yingde Gas (industrial gas producer, owned by private equity)

#### 27<sup>th</sup> September - Beijing

- Metallurgical Group (State Owned Steel producer)
- Aluminium Corporation of China (State Owned Aluminium producer)
- Orient Advisers (State Owned Asset Management Co.)

#### 28<sup>th</sup> September - Beijing

- Bank of China (State Owned Bank)
- Lenovo campus and technology centre

## Winter shutdowns

The steel and aluminium companies we met talked of investing in technology and more efficient plants in order to meet strict anti-pollution targets. A drastic measure is the winter shutdown, which means production between April and September has to meet the year-round demands of the population and industry. As they are running at full capacity, there is limited ability to stockpile.

*“This demonstrates the determination of the government to place the living standards of the population above the profits of corporations, even those that are state-owned.”*

Despite Hong Kong being the most developed place we went, it is behind the rest of China when it comes to the environment. The taxis were all very old cars, probably still using 4 star petrol and running 4 or 5 appliances (phones, meter, fan) off one cigarette lighter. The river taxi was the oldest, noisiest and smokiest boat I have been on which can't have been good for the river.

## Electric cars

Just over the border in Shenzhen, the taxis were all BYD's, China's largest electric car maker, and there were more Teslas than I have seen in any other city – even in the US.

I didn't see any signs of renewable energy generation but we know China is the biggest producer of solar panels in the world so it would be surprising if they didn't use them for themselves. From the evidence of this trip, it seems as though China is taking the environment very seriously.

---

This financial promotion is issued by Hawksmoor Fund Managers which is a trading name of Hawksmoor Investment Management (“Hawksmoor”). Hawksmoor is authorised and regulated by the Financial Conduct Authority. Hawksmoor's registered office is 2nd Floor Stratus House, Emperor Way, Exeter Business Park, Exeter, Devon EX1 3QS. Company Number: 6307442. This document does not constitute an offer or invitation to any person, nor should its content be interpreted as investment or tax advice for which you should consult your financial adviser and/or accountant. The information and opinions it contains have been compiled or arrived at from sources believed to be reliable at the time and are given in good faith, but no representation is made as to their accuracy, completeness or correctness. Any opinion expressed in this document, whether in general or both on the performance of individual securities and in a wider economic context, represents the views of Hawksmoor at the time of preparation. They are subject to change. Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested. Images: Source Daniel Lockyer. HA2965.

---