

# **A BULL IN CHINA**

**Investing Profitably in the World's Greatest Market**

---

**Jim Rogers**



**R A N D O M   H O U S E**

---

ALSO BY JIM ROGERS

*Hot Commodities:  
How Anyone Can Invest Profitably  
in the World's Best Market*

*Adventure Capitalist:  
The Ultimate Road Trip*

*Investment Biker:  
Around the World with Jim Rogers*

---

A BULL  
IN CHINA

---

This book has been optimized for viewing  
at a monitor setting of 1024 x 768 pixels.

# A BULL IN CHINA

\*\*\*\*\*

INVESTING PROFITABLY  
IN THE WORLD'S  
GREATEST MARKET

JIM ROGERS



R A N D O M   H O U S E  
N E W   Y O R K

---

*A Bull in China* is a commonsense guide to personal finance.

In practical advice books, as in life, there are no guarantees, and readers are cautioned to rely on their own judgment about their individual circumstances and to act accordingly.

Copyright © 2007 by Beeland Interests, Inc.

All rights reserved.

Published in the United States by Random House, an imprint of The Random House Publishing Group, a division of Random House, Inc., New York.

RANDOM HOUSE and colophon are registered trademarks of Random House, Inc.

Library of Congress Cataloging-in-Publication Data  
Rogers, Jim

A bull in China: investing profitably in the world's greatest market / Jim Rogers.

p. cm.

eISBN: 978-1-58836-597-2

1. Investments—China. 2. Stock exchanges—China. 3. Stocks—China. 4. Securities—China. 5. Investments, Foreign—China. I. Title.

HG5782.R645 2007 332.67'30951—dc22 2007020932

Book design by Victoria Wong

[www.atrandom.com](http://www.atrandom.com)

v1.0

---

*For my Chinese-speaking daughter,  
Happy—my very best investment ever.*





---

Do not wish for quick results, nor look for small advantages.  
If you seek quick results, you will not reach the ultimate  
goal. If you are led astray by small advantages, you will  
never accomplish great things.

— CONFUCIUS

A revolution is not a dinner party.

— MAO ZEDONG



---

# CONTENTS

Introduction: Catching the China Ride	3
1. Investing: From Mao Caps to Small-Market Caps	15
2. Risk: The Perils of Success	37
3. Companies: Let a Thousand Brands Bloom	63
4. Energy: Not So Black	81
5. Transport: Paving the Way	103
6. Tourism: Up, Up, and Away	117
7. Agriculture: Have You Invested Yet?	141
8. Health, Education, Housing: Serve the Masses	167
9. Emerging China: The People's Republic of Tomorrow	187
<i>Appendix</i>	203
<i>Index</i>	207



---

A BULL  
IN CHINA



---

## Introduction: Catching the China Ride

Why invest in China?

After reading this book, I hope you'll agree that it still offers tremendous opportunities to the diligent investor in the century to come.

That's just what I said to myself way back in 1984, when I sought to become the first Westerner—maybe the first person ever—to ride a motorcycle across China. At the time, I'd earned enough as a co-founder of Quantum, a global investment fund, to sit in a Manhattan town house and count my dividends. But I've always been one of those adventuresome capitalists who would rather see, smell, and taste the real action than sit in a boardroom scanning graphs and charts.

Swapping my three-piece suit for a helmet and leathers, my ultimate aim was to make it around the world on my bike—while seeing as many changing societies and economies as I could put on my odometer. Getting to the Great Wall on my own set of wheels, and getting a read on one great big chunk of humanity, seemed the perfect escape from the pressures of Wall Street.

In the end, it took me more time and pit stops to get the many permits required by the Chinese than it took me to cross over three thousand miles from coastal Shanghai to the Karakoram Highway into

bordering Pakistan. I suspect that I probably obtained all those official papers because nobody had ever dared ask to do something that weird.

My long ride was hardly a stroll through a teahouse. Roads turned to sand, or got washed out by floods. The detour signs weren't the sort I knew how to follow. Rocks bent my wheels, but spare parts were scarce and, at that time, so were decent Chinese restaurants—though the banquets were tasty when I found them. After too much riding gave me a stiff neck, a small-town doctor made me one of the first Western guinea pigs in China to get stuck with acupuncture needles. I was stopped by traffic cops more times than the Road Runner, had to weave safely past a nation of first-generation drivers, and once ran out of gas right in front of a top secret military base. Asking for a spare liter from the People's Liberation Army was tough, but they eventually did their bit to help me get down the road. However, I turned speechless at a fledgling disco in a small-town park when a polite young Chinese man asked me to be his partner for a fox-trot. Back then, few people were trotting out their business English, and the locals weren't sure what to make of a sandy-haired "foreign devil" from Alabama with no banjo on my knee but plenty of Gobi Desert dust on my face.

But I had such a blast that I crossed China again twice more, in 1990 by motorcycle, and nine years later in a customized Mercedes car as part of an epic three-year trip that covered 152,000 miles to celebrate the millennium. Each time I returned to Chinese soil, I felt like I was coming to an entirely new country. I eventually saw how all my assumptions about the fast-changing People's Republic had been plain wrong. I figured that the Chinese and I were complete opposites: the brash individualist tasting the freedom of the open road and championing unrestrained markets, versus group-minded, state-controlled, godless Communists.

That last one got put to rest on one of the very first nights of one journey. Checking into a hotel in the Muslim Far West, I saw a banner strung across the lobby that read, HOUSE OF GOD. Besides, I knew that if the people who ran China were giving an unrepentant Yankee



trader like me the chance to run loose, something fundamental had to be changing.

I wish I could say that I was out there scouting for start-ups or great penny stocks. But I did tell anyone who would listen that these folks just might be presiding over one thriving economy within twenty years. In 1978, China's supreme leader, Deng Xiaoping, had restarted traditions of commerce suppressed for decades by wars, civil strife, and Communist dogma. So my cruises afforded me a terrific ground-level view of the "capitalist road" China was starting down. China's stock markets weren't open for business as yet, but real markets—the kinds where people buy a fish or a yard of silk—showed me how peasants were already tasting the fruits of deregulation and free enterprise. The way the price of watermelons kept fluctuating before reaching the proper level of supply and demand, and the way sellers haggled over them, made me wish I could have bought myself some melon futures.

Suddenly, the Chinese were forging their own careers and charting how to pursue a better life for their children. The amazing potential and entrepreneurial spirit of a billion people had been unleashed. I never got over the excitement of hearing a new restaurant owner speak proudly of meeting his payrolls, or returning to find a farmer's savings invested in his own carpet factory, watching kids who earned money from pool tables on the side of the open road moving on to bigger enterprises, or seeing one acquisitive peasant become "the orchard king" after buying up every plot of apples in his region. And making it all more exciting was the way people everywhere were reconnecting with traditions that for centuries had helped China lead the world's trade, science, and innovation.

I can't claim all my forays made me a true "China hand." Maybe just a China foot. Nor was I ever one of those goo-goo-eyed believers made giddy by the prospect of a billion-plus paying customers. As recently as 2004, when Chinese stock prices were still in the doldrums, weighed down by state-held shares and excess regulation, I spoke so pessimistically about investing that a national TV program out of Beijing censored my remarks.

Still, a conviction I acquired by the seat of my pants—and confirmed over time with hard, cold numbers—has led me to invite you to hop aboard an even more profitable journey. There will surely be rough patches on that journey, but I am convinced that those who ride them out will see real long-term gains. Actually, those rough patches will provide the most buying opportunities for investors—so the rougher, the better.

You could say that this book has been twenty-three years and over fifteen thousand miles in the making. So I hope you will use it as your road map to investment earnings in China. As one Chinese proverb says, “If you wish to know the way ahead, ask those who have traveled it.”

When I first glimpsed the skylines of Chinese cities, they were drab and empty, dotted with a few Soviet-style spires. By 1990, they were clogged with construction cranes (Shanghai alone had a majority of those in use around the globe). These days, you don’t see so many because the foundations of a modern powerhouse have already been laid. Now the world gets the fun of seeing what’s going to rise upon them. And finally, after years of stutter steps, the same thing is happening with China’s stock markets.

For nearly three decades, China has been the fastest-growing country in the world. With a rate of savings and investment exceeding 35 percent among its 1.3 billion people, and foreign reserves that already top the planet, it is set to become the most important country in mankind’s future.

I’ll go a step further: just as the nineteenth century belonged to England and the twentieth century to America, so the twenty-first century will be China’s turn to set the agenda and rule the roost. Before I get into a single stock listing, the very best advice of any kind that I can give you is to teach your children or your grandchildren Chinese. It is going to be the most important language of their lifetimes.

Looking at China today, I see a whole lot of room for upward growth in Chinese industry, including power and energy, tourism and media, agriculture, infrastructure, high-tech—and I’ll highlight those that could turn out to be the most “recession-proof.” For those will-

ing to put aside old prejudices and put in the time, the future AT&T's, Microsofts, and General Motors are waiting to be discovered. No wonder I'm a bull when it comes to this China shop.

In what follows, I'll explain in detail the mechanics of purchasing shares in China's ever-increasing legion of listed companies. I'll run through the handiest means to pick up the best bargains in Shanghai, Shenzhen, Hong Kong, or even New York, right from your corner broker. On the surface, China's numerous exchanges and multilayered regulations can appear daunting. So I'll try to make clear China's initially confusing A-shares and B-shares, and I'll recite the ABC's of secondary tools such as ADR's (American Depositary Receipts, a common way for foreign companies to access U.S. markets that makes it easier for Americans to invest in China). I'll dot the *i*'s when assessing the country's quickening procession of seemingly irresistible IPO's (initial public offerings). Above all, I want to reduce the intimidation factor, and make sure that, when it comes to your money, nothing gets lost in translation.

Along the way, I'll offer my analysis of China's economy and outline the dynamics that drive earnings and innovation. I'm going to run down the significant government policies that affect domestic industries and global markets—as laid out in the latest Five-Year Plan, which is put out by China's rulers and is the basic blueprint for the country. And I intend to show both individual and institutional investors the way to benefit from emerging trends only China-watchers can glimpse. Where it matters, I'll analyze the World Trade Organization (WTO) framework that China entered into in 2001. In many cases, the changes in regulation, the reduction of tariffs, and the promises of greater market access for foreign firms are just beginning to shape competition in fields like banking, media, and telecommunications. In 2001, some hard-liners warned that lowering many trade barriers would harm the domestic economy—but it seems liberalized rules for imports and exports have only opened up more business for both sides and have spurred innovation within China's more stodgy industries.

In handy easy-to-clip "Sino Files," I'll introduce some of the exciting new enterprises that are rising along with the new China. I'll offer

listing codes, basic reads on profit/revenue trends, and the relevant background for each enterprise. Some companies are already well-established industry leaders; others are just feeling their way into emerging markets. Many are showing dazzling fundamentals; most still have a long way to go. All are meant to be examples rather than specific picks or recommendations. Foreign companies that benefit significantly from China's expansion will be cited as well, but they won't be my main thrust. I'd rather familiarize you with the potential value of enterprises whose names you've never heard and may find hard to pronounce. Almost all show bottom lines that are easy to add up.

I'll likewise look at what the future may hold by scanning China's history, recent and ancient, for clues about China's goals and the country's methods for reaching them. But I will not shirk from taking a hard look at potential pitfalls, whether they involve geopolitical tensions or environmental threats.

This book isn't meant as some throwaway guide to yesterday's sure bets. I won't be revealing which stocks I hold personally, not just because I consider that a conflict of interest but because the world already has enough blind followers. Instead of offering you the whens and wheres that should be up to each individual investor, I'll give you the hows and whys that will help you share in China's amazing growth trajectory.

In my previous book, *Hot Commodities*, I showed how numbers that didn't reflect real supply-and-demand guaranteed a long-term two-decade bull market in a whole class of investments most people ignore. Commodities also happen to be a great way to profit from China's expansion, since the country's growing demand for everything from copper and nickel to soybeans and oil will be driving world prices for years to come. Owning a piece of the things that China's hot economy simply can't do without guarantees less need to worry about governments, management, or pension funds. And if you own commodities, the Chinese will always pay you on time.

But in this book, I want to outline a far broader range of choices for sharing in China's future. As I did for the commodities market, I

want to point folks toward another market at the start of a very long upward ride—no matter the obstacles encountered along the way.

Just in case you are wondering, my confidence isn't based on nostalgia for my road trips. Unless you've taken monastic vows or spent the last decade under a rock, you are probably aware that China's opening to the world has led to the greatest economic boom since England's Industrial Revolution.

A Chinese friend who lived through all this commented, "The country has zoomed up from practically the financial bottom. In 1980, right before the dawn of the economic reform, China's GDP per capita weighted in purchasing power parity was a mere US\$410, compared to US\$12,230 at the time in the U.S. While the world economy enjoyed decades-long growth after World War II, we Chinese were in total isolation; doors closed while they attempted a socialist utopia. No private ownership, as everything belonged to the state. No free enterprise, as everything was centrally controlled. No competition, as food, clothes, even cooking oil, were allocated, usually barely enough for survival. No service industry, as you should always serve the people, not have yourself served. Changing jobs, professions, employers, or initiating anything new was impossible since your status was fixed from the moment you were born. No capital markets, as capital was branded a source of evil. That's why no other leap in our lifetimes can be as astounding as this one."

With a growth rate averaging 9 percent since the start of the 1980s, the value of the Chinese economy has pretty much doubled each decade, and shows few signs of stopping.

If projections hold, China will surpass the United States as the world's largest economy within twenty to thirty years. On top of that, China attracted nearly US\$70 billion in direct foreign investment during 2006, which, combined with its trade surplus, has brought Beijing's foreign-currency reserves above US\$1.3 trillion (now the largest in the world). In one astounding decade, China's manufacturing base for durable goods increased one hundredfold.

But all those heavy numbers are just a starting point. Sleek office towers and assembly lines rising from rice paddies don't mean as

much as China's immeasurable advances in civil conduct, internationalized awareness, and opportunities for achievement. In urban areas, the traditional greeting "Have you eaten today?" has been replaced by "Have you surfed the Net today?" Chinese executives, engineers, artists, athletes, and designers are already leading the world into "the Chinese century."

Right now, the place reminds me a whole lot of America in the late 1800s, when the United States emerged onto the world stage after civil war and political turmoil. That was the era of the so-called robber barons, with booming new cities like Chicago, and the invention of defining technologies like the telephone and the lightbulb along with major international companies like Standard Oil. It was a time of unbridled expansion and enterprise and the formation of key industries. Then, too, there were plenty of concerns to scare off investors: assassinations of presidents, race riots, labor unrest and civil strife, few human rights, several economic depressions, corrupt government and business practices. That is right where China is today: a Wild East comparable to that Wild West. Imagine how uncertain America's future appeared to the world in 1908; China seems just as chaotic and fraught with challenges today. But looking at the direction in American investments from 1908 to 2007 gives me a lot of confidence in the China of 2008. In 1907, in fact, the U.S. economy collapsed and the naysayers were jubilant. But even those who bought at the top back then came out way, way ahead.

Jumping on the bandwagon—especially one this big—has never been my style. It's when I've moved away from the crowd that I've usually made my best investments. At the time of this writing, Chinese stocks are up since the bear-market bottom in 2005. While a bubble may loom in certain sectors and we may even see a dramatic correction, we need to prepare ourselves for long-term opportunities, of which there will be many.

Do you want to share in the growth of burgeoning Beijing-based corporations? Profit from the increased purchasing power of the biggest middle class the world has ever seen? Participate in China's enormous potential for consumer goods, or maybe solid industrial exports? Or would you like to have a stake in Chinese efforts to develop

cities and real estate? Or lend a hand in the creation of the first great Chinese wine? Do you want to trade in currency when that's an option? Maybe you want to invest in a Chinese commodities company to benefit from both demand and supply, or an agricultural company that's being boosted by new government supports. The possibilities are as limitless as the country itself.

Now is the time to engage China and all things Chinese. Go there if you can, or if you've already climbed the Great Wall, go back again to see the great changes. Even at home, you could take a class in tai chi and then learn about Chinese medicine. Read some of the many good books about life in contemporary China. See their movies. The point is to develop a clear sense of how Chinese people view the world and lead their lives. Try to figure out how China's consumers will spend *their* hard-earned cash and where they might put it to make it grow.

I'm such a believer in China's long-term prospects that I brought in a Chinese nanny to rear my daughter, Happy, born in 2003 and already a happy Mandarin speaker. As I've counseled before and will counsel again: get out of the dollar, teach your children Chinese, and buy commodities.

Then call on your homegrown experience and discerning eye to find emerging Chinese brands with competitive advantage. Suppose you are an auto mechanic. You probably know an enormous amount about cars and engines, and the relative value of certain models or design breakthroughs. So I would suggest examining China's auto industry to find something you believe in. If you're a hairdresser, you might have a feel for fashion brands or cosmetics. Just remember: you know a whole lot more about these things than any Wall Street brokers.

To guide your own route to riches in China, you've got to use your own passion and initiative. Maybe you'll spot the next Chinese "red chip" with decades of upside to come. Do the math and don't treat China any differently from anyplace else. Be skeptical and stay with what you know. The success stories in life are people who figure out what they know, stay with it, and watch it very carefully. Only you can know the way to become your own bull in China.

Let me emphasize: this is not a catalog of hot tips or even of recom-

mentations. Rather, it is my survey of business happenings in China. The companies discussed may or may not be successful. They are just some of the most intriguing starting points I know to get you going on your own homework. By following your instincts and knowing the numbers, you will probably discover Chinese enterprises and industries not even hinted at here.

When my generation was growing up, our parents warned us that China was the place where you would end up if you kept digging a hole in the sand. It was the opposite end of the earth. There are a lot of “experts” out there who still make a living frightening people about a country that was, in recent memory, our ideological enemy. Investors should be cautious, but fear of the unknown and the foreign should not hold people back. Now is not the time to stick our heads in the sand.

Since I began planning my first China cruise, the world has moved quicker than any Harley-Davidson. Communist slogans are as old hat as Mao caps. Even in Vietnam, booms have replaced battles. India, too, has emerged from Indira Gandhi’s “emergency” to cast off its isolation. In less than half my lifetime, three billion Asians have become part of the world economy. In terms of finance, the center has moved even more dramatically. In 2002, twenty-three of the world’s twenty-five largest IPO’s were on Wall Street. In 2006, it was down to just one.

Sometimes embracing the obvious requires the most difficult change in mind-set. People have been staring at China’s indicators for years. But few outside the country have really been willing to accept an objective, long-term view—or been able to shed the comfort they get from looking at world geography in a fixed way (with the United States at the center). At the very least, investors can achieve diversification and much-needed protection from future U.S. weakness, just as I have done by putting my own funds in twenty-eight foreign markets. Maybe it’s all about heeding the wisdom of Confucius, who warned twenty-five hundred years ago, “If a man takes no thought about what is distant, he will find sorrow near at hand.”

Just as I did with the commodities market, I’m challenging all of us to take a hard look and see what’s in front of our noses. And China



- [\*\*read The Highly Selective Dictionary for the Extraordinarily Literate\*\*](#)
- [download The Genius of Opposites: How Introverts and Extroverts Achieve Extraordinary Results Together](#)
- [download online Controverses \(3e  dition\)](#)
- [\*\*read online POP: How Graphic Design Shapes Popular Culture\*\*](#)
- [Group Theory and Quantum Mechanics.pdf](#)
- [download online Travesty](#)
  
- <http://drmurphreesnewsletters.com/library/CISM-Certified-Information-Security-Manager-Certification-Exam-Preparation-Course-in-a-Book-for-Passing-the-CIS>
- <http://www.satilik-kopek.com/library/The-Genius-of-Opposites--How-Introverts-and-Extroverts-Achieve-Extraordinary-Results-Together.pdf>
- <http://thewun.org/?library/Martin-Heidegger.pdf>
- <http://thewun.org/?library/POP--How-Graphic-Design-Shapes-Popular-Culture.pdf>
- <http://nautickim.es/books/The-Jazz-Theory-Book.pdf>
- <http://redbuffalodesign.com/ebooks/12-Stupid-Mistakes-People-Make-with-Their-Money.pdf>