

## Asian Financial Forum 2018

### Panel Discussion on China Opportunities

#### Synopsis

In transition to a more sustainable growth model centering on consumption and services, China's supply-side reforms and schemes like Internet Plus, Made in China 2025, and notably the Belt and Road Initiative are gaining steam. At the same time, China is moving towards innovation, largely supported by its mass-entrepreneurship drive. This panel offered insights into China's prospects as well as trade and investment opportunities for Chinese and overseas enterprises.

#### *Panel Chair*

- **Mr Ronnie C. Chan, GBM**  
Chairman, Hang Lung Properties Limited

#### *Speakers*

- **Mr Raymund Chao**  
Asia Pacific and Greater China Chairman, PwC
- **Mr Fang Fenglei**  
Founder and Chairman, Hopu Investment Management Co
- **Mr Neil Shen**  
Founding and Managing Partner, Sequoia China
- **Mr Zhang Yichen**  
Chairman and CEO, CITIC Capital Holdings Limited

Panel Chair Ronnie C. Chan promised this would be the “hottest” discussion at this year's Asian Financial Forum and started by recalling former US Secretary of State Henry Kissinger saying that China was the easiest country of all to work out – as it only ever works in its own best interests.

For those in the business world wanting learn about or establish themselves in mainland China, he said that Hong Kong is “home to the experts” and therefore the best place to start any “adventure into China”.

What followed – and took more than the allotted 75 minutes – was a lively debate between the host and panelists about the Chinese economy, where it may be headed and what opportunities it offers.

Zhang Yichen suggested that since internal consumption is driving China's economics at about 90 per cent, good, steady growth is expected to continue from 6.5-7 per cent as most economic experts predict.

Fang Fenglei responded that such predictions mean little to the Chinese Government. China is not going to sweat “over traditional measurements” of its economy, but will plot a new path by which to chart its success.

Neil Shen suggested that new economy industries are driving growth and future opportunities in China, while Zhang thought there might even be a slow-down at some stage because “export is no longer such an important drive engine”. While he acknowledged that consumption is growing fast, he doubts whether it can continue at its current rate, and thinks the Chinese Government wants to control this more rigorously in terms of the property market and property investment by placing investment limits in Tier 1 and 2 cities. “So there are doubts on whether prices will continue to grow at the same rate they have,” he said. “Lending and borrowing are out of control and debt rates are high in cities and regions.”

Raymund Chao brought up a recent PwC survey of CEOs, highlighting optimism in China with 81 per cent of the country’s CEOs confident that they can produce new products/services in 2018. 57 per cent said they would be directed at the domestic Chinese market, “so that will fuel further consumption.”

Zhang said he believed increased efficiency would be achieved by opening up markets previously held by state-owned enterprises to foreign and civilian investors – a “liberalization of the economy”.

Shen referred to China’s Open Door Policy of past decades as another driver of not only growth but also an entrepreneurial spirit which is vital to the nation’s continued rise, developing companies into leaders in their markets.

Fang then turned the subject to President Xi Jinping’s supply-side reform, saying that if supply were looked after then growth would follow, the caveat being that state approval needs to be streamlined, along with tax reform.

Chao agreed, saying quality comes first and efficiency is also important, and citing Internet Plus as an example of a successful innovation becoming integrated in society.

As the session neared its close, Chan asked whether the Chinese economy’s biggest threats would come from internal or external forces.

Zhang said external, and that China’s own problems can be solved by its leaders, whereas international factors such the changing mood and direction of US politics are beyond their control.

Fang called attention to the threat of inflation and local government debt. “One critical matter is regulation,” he said, before posing a question of his own: “The bigger problem

is how do we manage an open economy and bigger and bigger demand from people?  
How do we manage such a society?"

**ENDS**