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## Dispatch from China

The Andrews have now arrived at their final destination - Shanghai, and are working from the VSA office there. They report that they feel totally at home as the weather is overcast, cold and it's raining. Do we have any sympathy for them? - No!

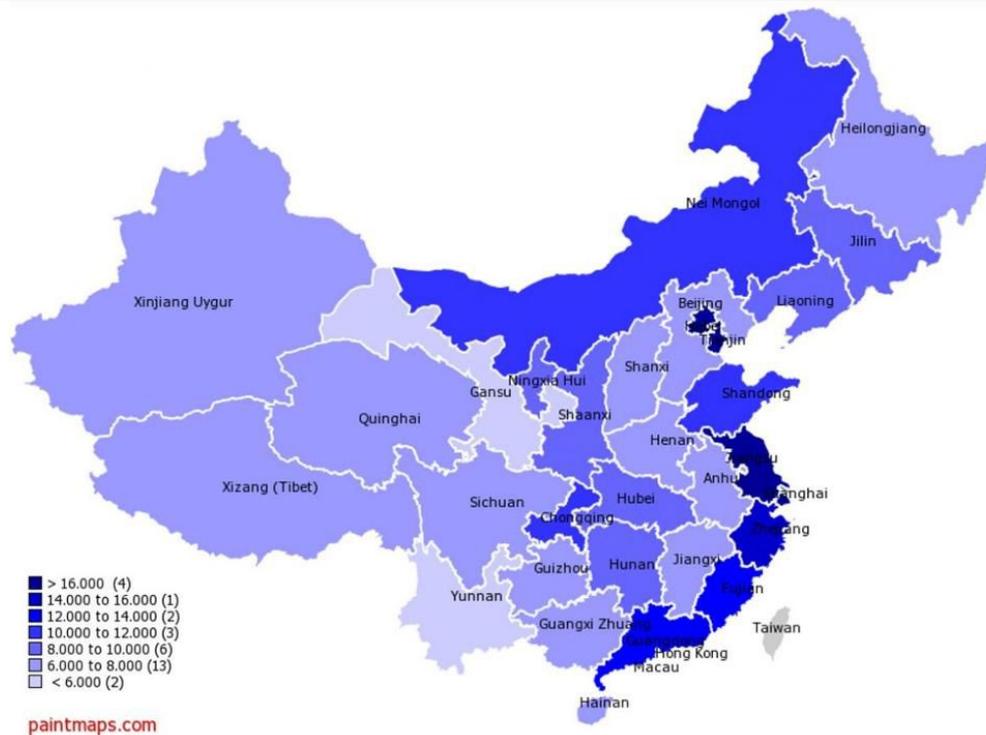
Before they left Hong Kong they reported that Hong Kong seems to have become the Crypto/Blockchain capital of the world and that everyone in HK is getting involved. It is also being done in a very formalised manner with proper legal structures etc. There are even formal poster adverts around warning members of the public not to get involved unless they understand what they are doing. The feeling is also that because Japan is also heavily involved in this area, they may be the first country to regulate crypto currencies.

China isn't keen on Crypto currencies but is investing huge amounts of capital into Artificial Intelligence. In many ways Blockchain and AI are linked as Blockchain of course is computers making the decisions and in many ways Blockchain is AI. AI is the future but to try and find ways to get investment exposure to it isn't easy although there are new investment funds being set up to have exposure to this area.

Electric Vehicles and driverless cars are not really AI but they are the other major part of the way the world is changing and China is definitely a leader again in this area. Dongfeng MotorCorp has just announced that it will mass produce self-driving cars by 2020, which is only 2 years away! Get ready in the West to learn the new brands coming from China like Dongfeng and BYD.

Dongfeng is based in Hubei province which although not a coastal province is still a relatively rich province. The wealthiest provinces are nearly all on the east coast with Jiangsu province which is bordered with Shanghai being probably the wealthiest. The wealth differential between provinces is a major issue for China and the Government has recently started a policy to try and even wealth out around the Country and to reduce the differential which is still huge in certain areas. The North East of China is an area that is causing much concern. Historically it was the centre for heavy industry but as China changes it is falling back in many ways similar to Detroit in the USA. This area though was heavily dominated by State Owned Enterprises, many of which are now struggling to deliver growth expectations. The region also has a much older population and a much more collectivist tradition stemming from older communist times in China.

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But Shanghai remains the “business centre” of China and Beijing is really the “political centre” and for western companies wanting investment or to do business in China they are much better off going to Shanghai than to Beijing, which is something many companies don’t appreciate.

There is also much misunderstanding of how to get investment from China with people struggling to move money out of China and Chinese companies being blamed. This is actually wrong and not really the fault of Chinese companies. But western advisers often have not approached the funding correctly or given their clients the right advice. VSA Shanghai does not have this problem and is funding Western Companies with Chinese money. The main reasons for this are :

- Having a local knowledge of who can, and who cannot, make western investments;
- Understanding what investments are allowed, and what aren’t;
- Capability of ensuring that any application to the government for approval is accepted;
- Knowledge of the different accounts in China, and the difference between capital accounts and current accounts;
- Knowing how to move money from China to Hong Kong and the use of the quota system (and thence to the West);

Finally we hear that, as we all return from our skiing holidays, we should be aware that China has decided that skiing must become a national sport and wants to raise the number of Chinese skiers; from the current 12 million to 300 million by 2022! How long before all the ski resorts in the alps have queues of Chinese and signs in Chinese? Skiing will never be the same again! In fairness China does now claim to have 703 ski resorts but very few would rival an alpine ski resort. Chongli which is about 4-hour drive from Beijing probably could rival a European ski resort and this is where the 2022 Winter Olympics will be held.

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