

| China Economy & Market

2024

Snapshot of China



People's Republic of China
中華人民共和國

Economy	<p>GDP: 18 Trillion USD in 2023¹</p> <ul style="list-style-type: none"> ▪ The World's Second Largest Economy ▪ The World's Largest Growth Contributor
Capital	Beijing
Land Area	9.6 million km ²
Population	1.41 billion ¹
GDP Per Capita	12,563 USD ¹
Language	Chinese 中文
Currency	Renminbi (RMB) A Managed Floating Exchange Rate Regime



Source: National Bureau of Statistics (NBS). (1) The compounded average growth rate of nominal GDP from 1978 to 2023.

China's Economy: World-renowned Achievement

With reform and opening-up (改革开放) starting from 1978, China has developed at a rapid pace.

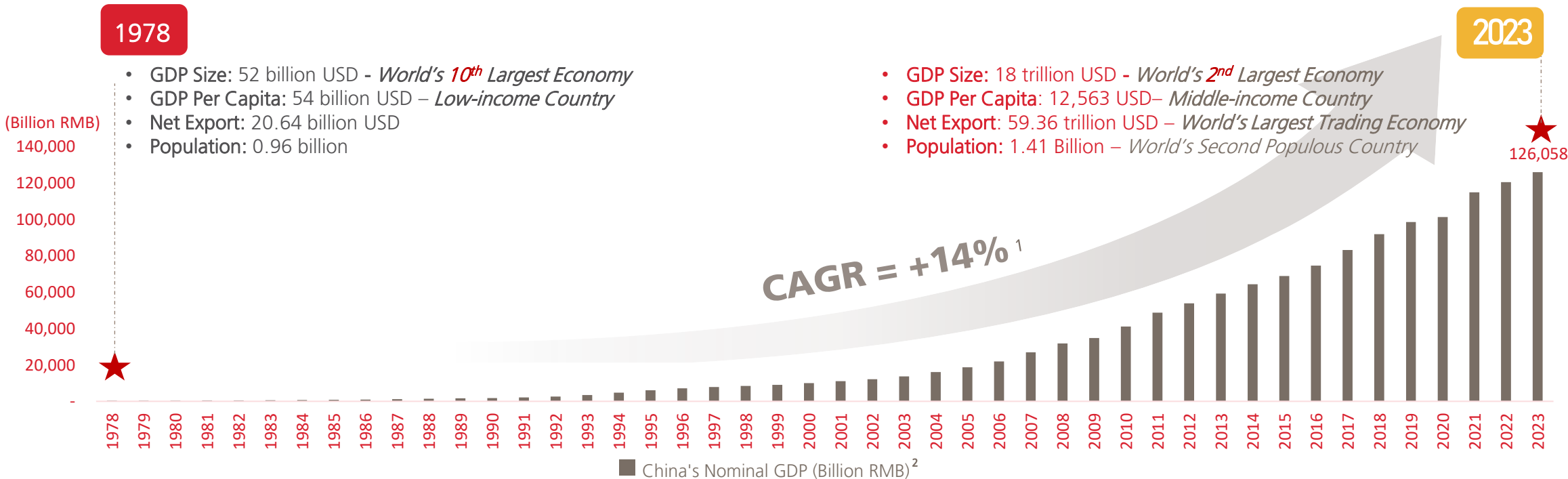


(The City Center of Shenzhen in 1978)

ShenZhen, China's NEOM, has developed from a small fishing village into a global economic powerhouse in just over 40 years



(The City Center of Shenzhen in 2020)

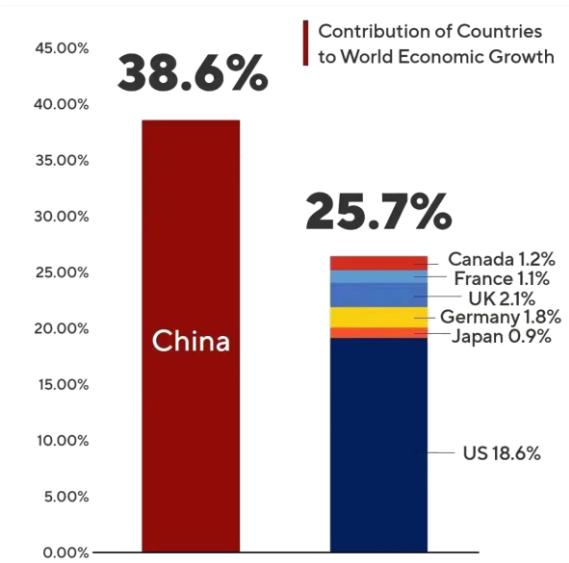


Source: National Bureau of Statistics (NBS). (1) The compounded average growth rate of nominal GDP from 1978 to 2023. (2) 1 Chinese Yuan (CNY) ~ 0.14 US Dollars (USD) as of 24/10/2024.

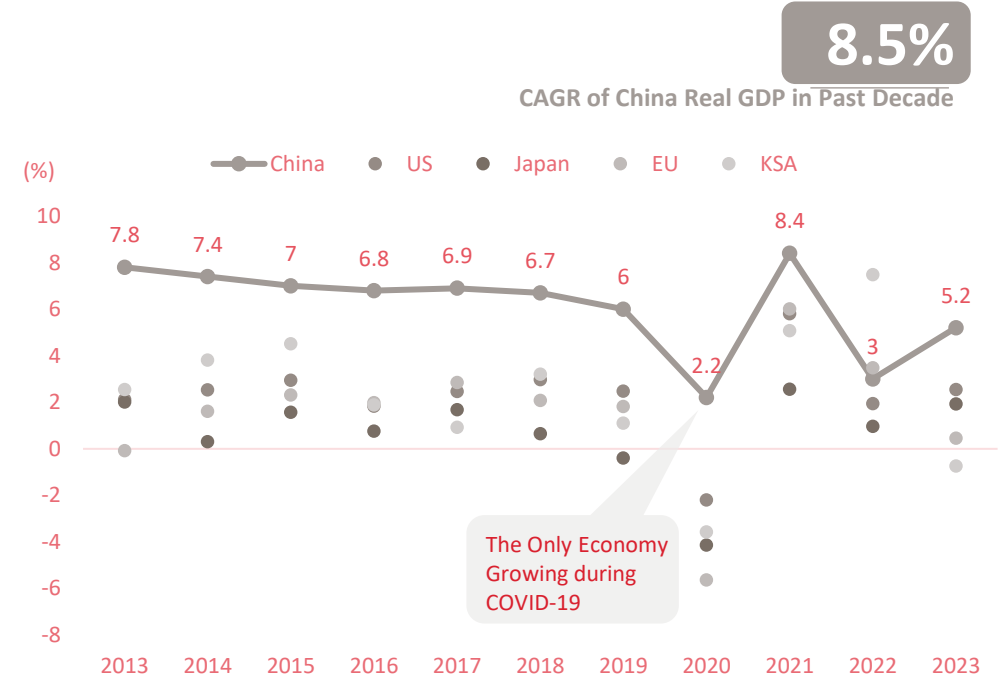
China: The World's Largest Growth Driver

- China has been the largest contributor of global growth for years, with the average contribution rate of ~30%.
- This trend is expected to continue in next 5 years, with its share (E21%) bigger than all G7 countries combined.¹

China Contributed More to World Economic Growth than G7 Combined (2013-2021)²



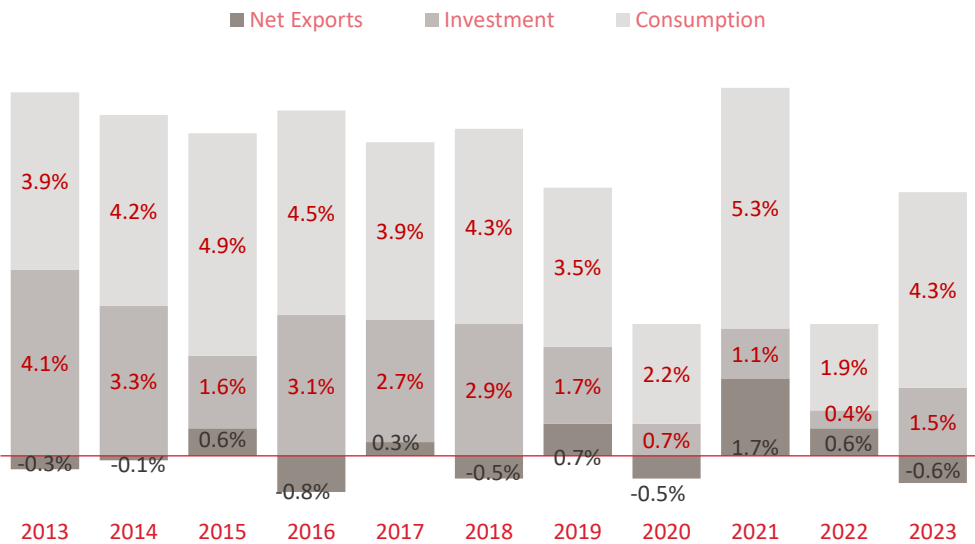
Real GDP Annual Growth (2013-2023)³



Source: (1) [Bloomberg](#). (2) World Bank. (3) National Bureau of Statistics (NBS), World Bank, KSA=The Kingdom of Saudi Arabia.

Three Growth Engines Work Together

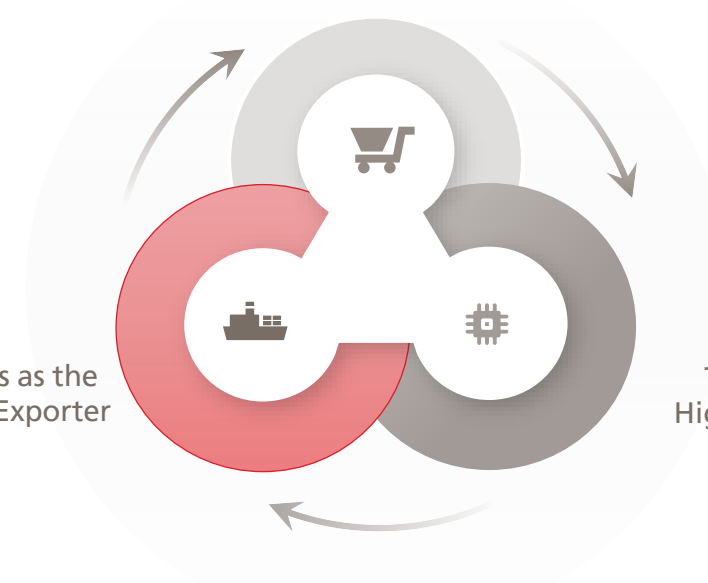
Distribution of China's Real GDP Growth¹



Consumption
China's total retail sales of consumer goods increased nearly tenfold in 2003-2023

Export
China Maintains as the World's Largest Exporter

Investment
The World's Largest High-speed rail network



Source: (1) World Bank, National Bureau of Statistics (NBS), World Bank, KSA=The Kingdom of Saudi Arabia, [Bloomberg](#).

Consumption: The Major Growth Contributor

In 2023, China has been world's second largest consumption market. The contribution of consumption to China's real GDP growth reached **82.5%** in 2023, making it the major growth engine of China's economy. ¹

Increased Urbanization

In the past 5 years, China's urbanization rate has increased from 60.2% to 65.2%. ²

Expanding Middle Class Group

China has world's **largest and most growing** middle-income group. The proportion of middle-income population is expected to grow from 35% in 2020 to 50% in 2030, reaching **650 million**. ³

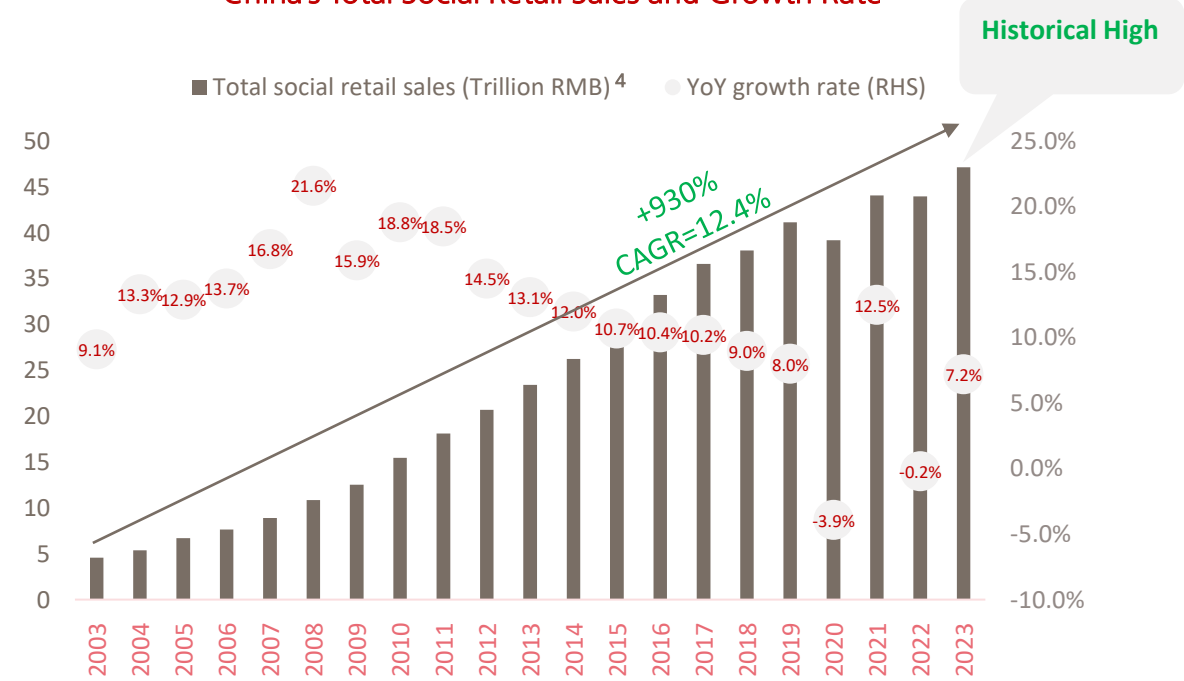
Increasing disposable income

The per capita disposable income surged by **512%** from 1,192 USD in 2003 to 7,288 USD in 2023. The spending power has become stronger and stronger.

Innovative Technology Adoption and Operation Model

Green consumption, digital consumption and healthcare consumption have emerged. China has been **No.1** in the world in production and sales of new energy vehicles for **9** consecutive years. China remains world's largest online retail market for **11** consecutive year. ²

China's total retail sales of consumer goods increased nearly tenfold in 2003-2023
China's Total Social Retail Sales and Growth Rate¹

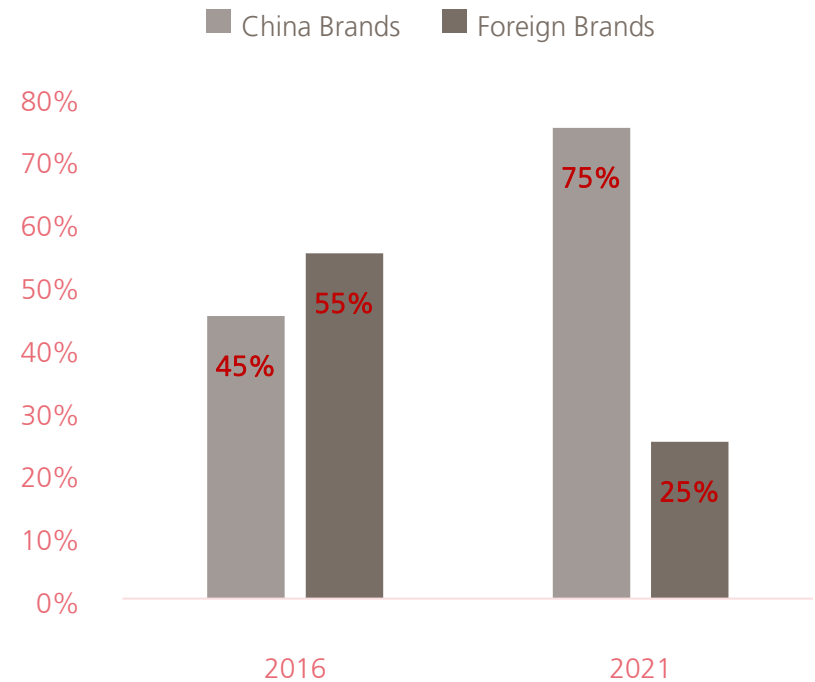


















Source: (1) [China Government](#). (2) National Bureau of Statistics (NBS). (3) Development Research Centre of the State Council. (4) 1 Chinese Yuan (CNY) ~ 0.14 US Dollars (USD) as of 24/10/2024.

Consumption: China Domestic Brands Mushroom

The increasing GDP, huge consumer group, increasing household income and rising adoption of innovative technology and operation model have incubated lots of domestic brands.

Domestic Brand Attention Across the Board, Three Times the "Foreign Brands" ¹



	Sportswear	 
	Beverage	
	Home Appliance	 
	Consumer Electronics	 
	Electric Vehicles	
	Toy	 

Source: (1) Baidu 2021 "Guochao" Proud Search Big Data Report, May 2021. The examples here are all constituents of MSCI HK China Connect Select Index

Export: "Made in China" Sweep the Globe

China, with approximately 17% of the world's population, creates one-third of the world's manufacturing value added. As "The World's Factory", China's manufacturing industry ranks first in the world for 14 consecutive years.¹

Why China can be "The World's Factory"?



Unparalleled supply chain advantage

China has the most complete industrial system in the world, and the output of more than 40% of the 500 major industrial products ranks first in the world.¹



Demographic advantage

Huge population and high education coverage equip China with enough skilled and hardworking workers, and the labor costs are competitive.



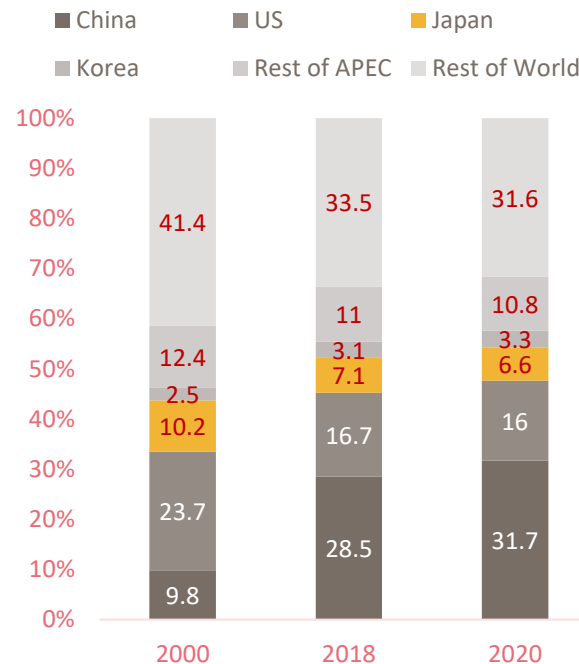
Extensive infrastructure

Developed and world-leading infrastructure guaranteed the electricity, transportation, etc.



Large-scale production capabilities

China's share of global manufacturing value added tripled from 10% in 2000 to 32% in 2020²



China Maintains as World's Largest Exporter

China's trade in goods has ranked 1st in the world for 7 consecutive years, despite geopolitical risks and reshaping global trade structures in recent years.

Global Shares Up

China's share of world exports has trended up in past decades, from the explosive growth in globalization, to the resilient growth in trade conflict.

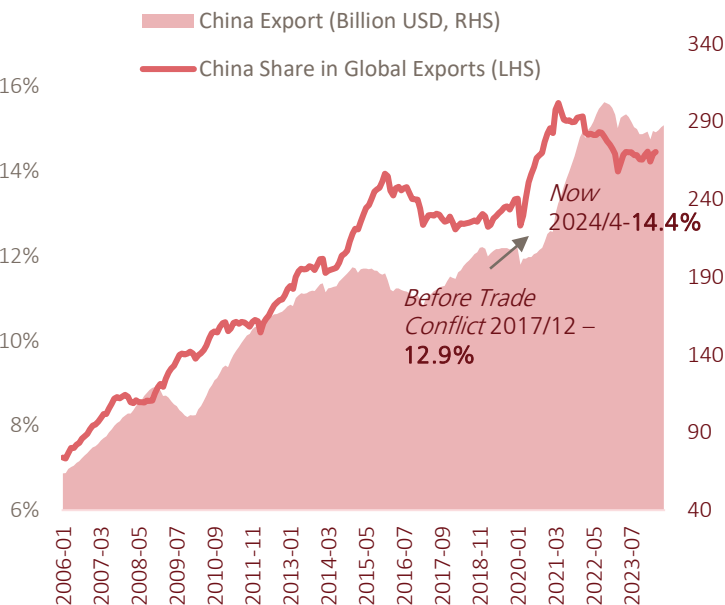
Value Chain Upgrade

China replaced Japan as the world's No. 1 auto exporter in 2023

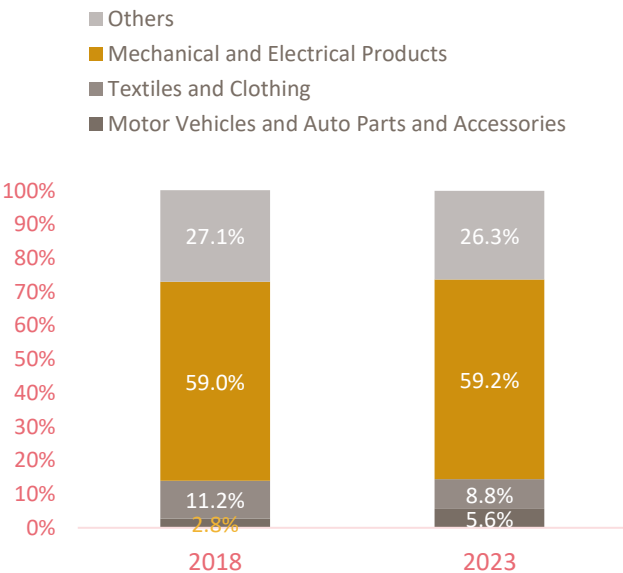
Diversification and Resilience

Geographical diversification of Chinese export destinations

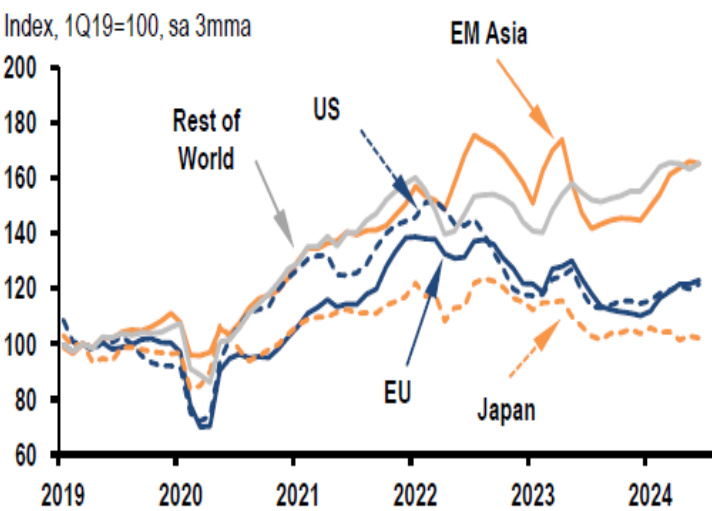
China's Global Export Share Has Remained Elevated ¹



China's Export Breakdown by Product ¹



Exports breakdown by destination ²

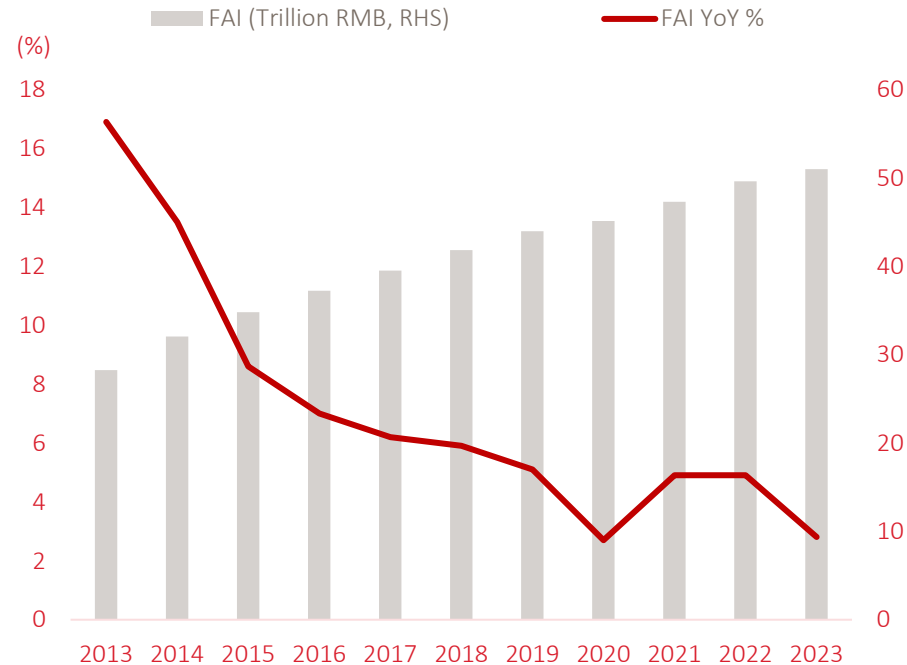


Source: (1) National Bureau of Statistics (NBS). 12 month moving average. (2) China Customs, WTO, JP Morgan.

Investment: An Important Engine

Investment played an important role in China's rapid development during the past years. The large-scale capital investment brought new machinery, better technology, and fast-growing infrastructure network to help raise output.

Fixed Asset Investment (FAI) Size and Growth ¹



Example: China's Developed Infrastructure Network in Complex Geographical Terrain



Before 1988:

China did not have any highway.

By the end of 2022:

China's highway length reached 177,000 kilometers, ranking 1st in the world.

By the end of 2023:

China's railway length reached 159,000 kilometers, including 45,000 kilometers of high-speed railways, continuing to rank 1st in the world. ²

Will the Trend Continue?

A Rising Debate.....

Q: China undoubtedly has created the growth miracle in the past decades, attracting capital inflow around the world. With the double-digit growth rate fading away in China, people who look for growth are wondering: Who will be the next China?

” If you are looking for growth, the answer is very simple. **The next China is China**

By Joe Ngai, Managing partner of Mckinsey & Company in Greater China, Feb 2023

” If you think about innovation, you have to think about China. **The next China is China.**

By Mark Greeven, CEO of IMD (International Institute for Management Development) China, Mar 2024

” The next “China” is still China!

By Chinese President Xi at the Asia-Pacific Economic Cooperation CEO Summit 2023

China is set for a High-quality Growth Era

China is moving away from an economy that relies heavily on investment and low-cost manufacturing to one that prioritizes high-quality growth.

China's development used to be:

- Investment-driven
- Export-driven
- Relying on low-cost manufacturing

High-speed Growth

This new approach emphasizes:

- Domestic consumption
- Greater self-sufficiency
- Production of high-end manufacturing
- Promotion of greener growth

High-quality Growth

China's Equity Market: Too Big to Ignore

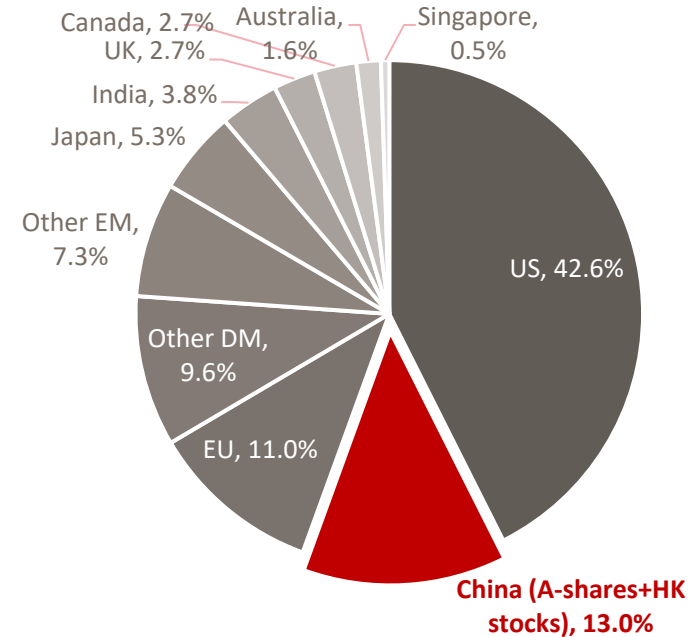
Along with the rapid development rate of economy, China's equity market has grown into **world's largest emerging market**, and **second largest equity market**, after the US.

14.9 Trillion USD

The Total Market Cap of China Equity Market in 2023

+7.8%

The 10-year CAGR of China Equity Market Size



Three Major Stock Exchanges in China








Onshore Market: A-shares

Offshore Market: Hong Kong Stocks



Compared to A-share market, Hong Kong stock market is featured in:

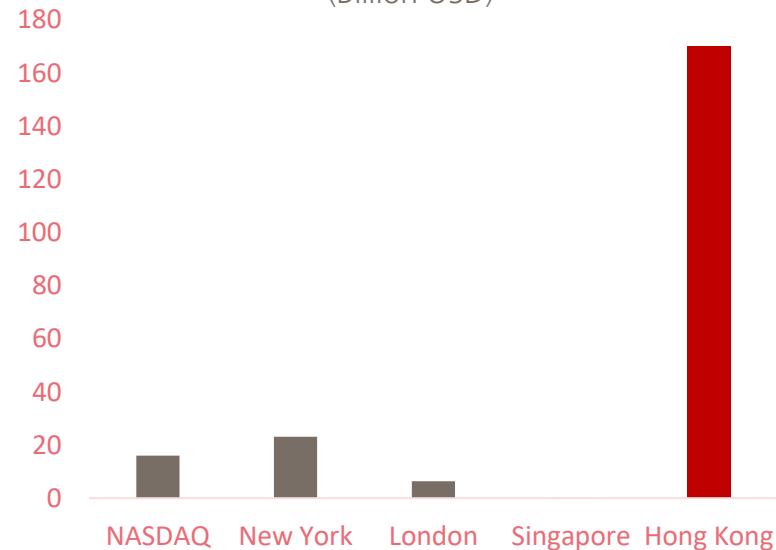
-  **Free flow of capital**
Onshore market has foreign exchange control
-  **Limited FX risk**
HKD, the trading currency in HK stock market, is pegged to USD
-  **Chinese Companies with Global Aspirations**
HK is the #1 choice for Chinese leading companies to go overseas and raise funds.
-  **Institutional investors-driven**
HK stock market is developed and mature
-  **International investor base**
HK stocks can be traded freely by foreign investors, while only qualified investors can trade A-shares.

Source: World Federation of Exchanges. Note: Market capitalization of listed domestic companies. EU = European Union, DM = developed markets, EM = emerging markets, other DM/other EM exclude countries listed in the chart.

Connecting China and the World

Hong Kong is the Primary Choice for Chinese Companies to Seek for Global Capital

IPO funds Raised for Mainland Chinese Companies (Billion USD) ²



Stock Connect Allows Chinese Companies listed in Hong Kong enjoy dual liquidity from both onshore investors and international investors ¹

Stock Connect is a unique collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges. Not only the international investors can trade HK stocks freely, but also the lots of Chinese investors in onshore market, who before did not have easy access to offshore market, can invest in the Stock Connect eligible securities easily.

#1 Choice for Chinese Companies with Global Aspirations

#1 Choice for Global Companies to Access China



Source: (1) HKEX. (2) Dealogic.

Home of the New Economy Companies

With a focus on new economy innovation, Hong Kong stock market gathered more innovative Chinese companies than onshore market.

- Many **high growth technology Chinese companies** have chosen to launch their IPOs or secondary listings in Hong Kong.
- Many **healthcare companies** benefiting from the global industry expansion and Chinese rising demand have gone public in Hong Kong.

Strong Growth Momentum in New Economy Company Fundraising

299

Companies Listed

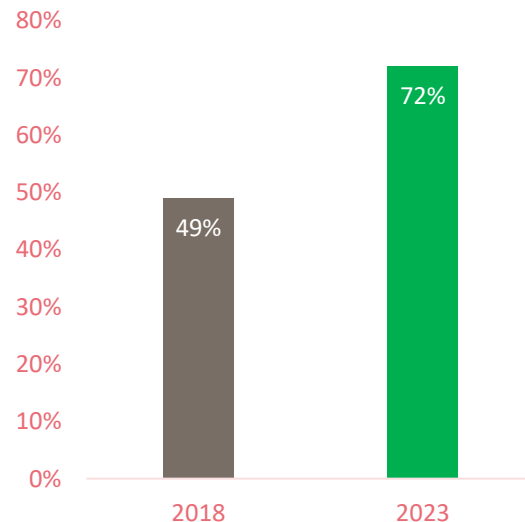
USD122bn

IPO Fund Raised

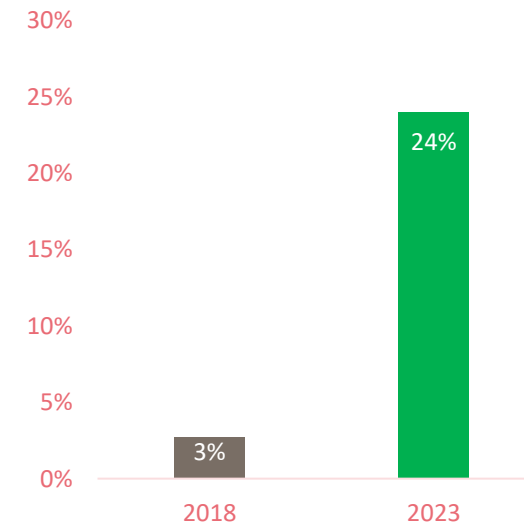
65%

IPO Funds Raised Contributed by
New Economy

Total Funds Raised Contribution ¹




Total Market Cap Contribution ²



An Open and International Market to Participate in China's Growth

HKEX Hong Kong Exchanges
香港交易所 and Clearing Limited

 **7th**
Largest exchange in the world ¹

 **2nd**
World's second-most valuable exchange brand in 2023, only after US CME Group¹

 **2,300**
Listed companies, as of July 2024




 **US\$3.97 trillion**
Market capitalization, as of July 2024

 **73**
New Listings in 2023

 **US\$13 billion**
Average daily turnover in 2023

 **Top 3 IPO Market Globally for 7 consecutive years**
The World's Largest IPO Fundraising Venue in 2009-2012, 2015¹

Compared to A-share market, Hong Kong stock market is featured in:

-  **Free flow of capital**
Onshore market has foreign exchange control
-  **Institutional investors-driven**
HK stock market is developed and mature with institutional investors making up the most turnover, while A-share market is more volatile with retail investors-driven.
-  **Larger international investor base**
HK stocks can be traded freely by foreign investors, while A-shares only open access to qualified investors or through certain channels.

Thank You