



Beneath the headlines: on the ground in China and Hong Kong

Notes from the road

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The first stop on our recent trip was Guangzhou. For one of China’s largest cities, it felt surprisingly relaxed. It’s not just about the skyline, but how much of life seems to happen outside of work. The streets at the riverside were alive, packed with people walking, dancing, and gathering in open-air restaurants with friends and family. The city’s famous ‘dai pai dong’ culture gives it an energy that feels social rather than commercial¹.

However, what really makes Guangzhou stand out is its role as a major city in China’s Guangdong-Hong Kong-Macau Greater Bay Area (GBA). The scale and efficiency of the city’s South Railway Station, the largest high-speed railway hub in South China, immediately impressed us and set the tone for our visit.

As one of China’s busiest railway stations, the station handled 21.8 million passengers during this year’s 40-day spring festival period², with trains departing every minute at peak times, comparable to London’s tube system yet operating without strain.

At a wider level, the GBA is a strategic initiative coordinating regional economic development across 88 million people and RMB15 trillion GDP (2024)³. The construction of this economic region aims to promote innovation-driven development by leveraging the comprehensive advantages of these cities, which have been known for strengths in financial services, manufacturing capability, innovation, and trading hubs. On top of high-level supportive government policy guidance, value creation highly depends on the robust infrastructure system.

It is clear that Guangzhou is all about connectivity – both on the ground and in terms of its regional development as part of the GBA.

¹ Open-air food stalls known for serving a variety of affordable and delicious local cuisine.

² Finance.sina.com.cn, as at 17 March 2026.

³ Overview (bayarea.gov.uk), as at December 2025.

Shanghai

Shanghai carried a completely different energy – a faster pace. Returning to a city we had visited several times in the past two years, we noticed increased crowds at the airport and more foreign tourists in central districts, than in previous January visits. On the streets and in shopping malls, it was clear that restaurants, cafes, milk tea stores, and pop-up exhibitions are driving traffic, with people often just hanging out, simply experiencing what was around them.

What really stood out was how shopping malls have reshuffled tenants and rearranged store locations to reflect the increasingly experience-driven consumption trend in the country. Retail stores are also embracing this trend by adjusting their store format to create space so that consumers can enjoy their shopping experience.

“This leisure focus explains why the entire ecosystem has been designed around “experience,” and it’s clearly where future opportunities lie for regional operators.”

This shift aligns with conversations we had with a leading hotel operator and online travel agent platform during the trip, who told us that in China, travel demand is now 70-80% leisure led. This contrasts sharply with the business travel-heavy mix in the US. This leisure focus explains why the entire ecosystem has been designed around “experience,” and it’s clearly where future opportunities lie for regional operators.

We spent the week meeting with management teams across a range of industries. In particular, we met with a number of prominent Chinese companies in the consumer, mining and technology sectors. We have increasingly been finding that the quality of businesses emerging from China deserves more attention.



Visiting a hotel operator’s headquarters.



A Mickey installation in a luxury eyewear store.



A busy afternoon at a café in Shanghai.

We are seeing entrepreneurial, well-run companies placing greater emphasis on shareholder returns and generating sustainable earnings growth, many with genuine competitive moats and more disciplined capital allocation. China is becoming a market where high-quality companies are increasingly emerging, and it is our view that bottom-up research can uncover compelling opportunities beneath top-down geopolitical and macro concerns.

A recurring theme during our trip was the growing visibility of China’s AI race. Advertisements for chatbot products and cloud services from companies like Alibaba and ByteDance appeared frequently in airports and transit hubs, positioned in high-traffic areas. Conversations with leading Chinese internet companies reinforced a consistent point: AI has become a core area of competition. It’s also a primary topic of interest among investors following this space.

Internet companies provided feedback that competition has moderated over the past decade across verticals and become healthier, particularly following recent antitrust investigations.

Two positives emerged: firstly, China's mature internet ecosystem has cultivated distinct consumer behaviours, shaping how AI disruption may differ from the West; secondly, competition has evolved from subsidy-driven technology and efficiency-driven models. ByteDance has emerged as the most disruptive player across verticals – e-commerce, food delivery, cloud services, and AI chatbots.

When it comes to AI disruption, we found that internet companies and AI developers appear to see things quite differently. Internet companies prefer to build their own closed ecosystems, keeping transactions within their platforms and partnering with players like travel sites for inventory. They are focused on developing their own in-house AI models to fit seamlessly into their existing services. AI developers have a different view. These companies see AI as the next big growth opportunity now that the internet boom has slowed. They argue that chatbots are mainly good for driving traffic, but they are easy to switch between, so it is hard for internet companies to make money from them. AI developers also believe that more widespread AI adoption will drive organisational changes and significant efficiency gains across all levels of companies.

Another interesting development is the humanoid robotics opportunity. We met two companies that focused on key “body” components – one specialising in arms and the other in hands – each leveraging distinct, existing capabilities as their competitive edge.

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Cobots (collaborative robots) differ from traditional industrial arms by being smaller, more flexible, and designed to work alongside humans on dynamic manufacturing tasks. The cobot market is growing steadily with penetration still in the high single digits, suggesting significant expansion potential. Chinese players account for over 50% of the global market⁴. Leading cobot manufacturers' proven robotic arm capabilities – already deployed across multiple scenarios – position them well to translate this expertise into humanoid robot applications.

The other company applies brain-inspired intelligence to intelligent bionic hands with strong execution. Its systems achieve multi-degree-of-freedom control via non-invasive brain computer interfaces, positioning it well for broader humanoid robot applications. The broader brain-inspired intelligence market is sizeable, with major applications in healthcare and consumer tech, but high barriers to entry due to medical accuracy requirements.

⁴ Daiwa Research, as at May 2026.



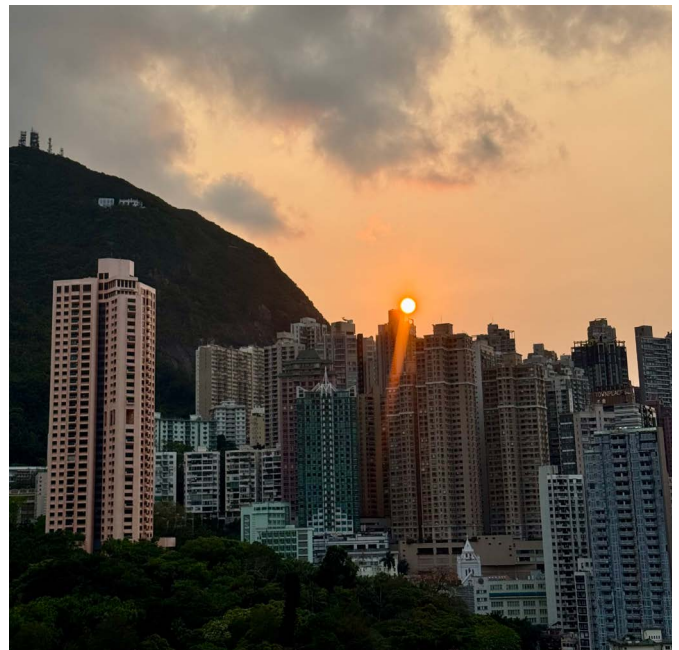
The AI race is on the rise in China.

This represents a relatively unique play in the humanoid robotics value chain, with few comparable competitors.

Together, these examples underscore China's leading position in humanoid robotics, not in commoditised components, but in high-barrier, value-added body components where technical differentiation is most defensible.

Hong Kong

In keeping with the theme of competency that we first noticed in Guangzhou, our 90-minute door-to-door journey to Hong Kong was pleasant. The train was clean, punctual and efficient. Sitting there watching the landscape shift from city to city, we could feel how enhanced connectivity has reshaped the GBA region, making the broader vision of integration feel more visible and real.



Hong Kong, the skyscraper capital of the world.

We finished our research trip at a large investment conference in Hong Kong. For the better part of three years, the city endured some of the strictest Covid restrictions anywhere in the world: borders were controlled, hotel quarantines stretched to three weeks at their peak, restaurants closed at 6pm, and the expat community hollowed out as families relocated to Singapore or London rather than endure another round of isolation. The vibrancy that had always defined Hong Kong was muted in a way that felt almost unrecognisable.

Fast forward to today, and the transformation is striking. Walking through the city, it became clear to us that Hong Kong is back in many ways: property prices have started rebounding after the market bottomed out in 2023, transaction volumes are surging versus a year ago, and colleagues in our Hong Kong office confirmed what the streets were telling us – the city is coming back to life.

The trip also gave us an opportunity to spend time with our Hong Kong colleagues in person, catching up and exchanging views on markets and discussing the themes we are each seeing from across the EM universe, where Asia continues to represent the majority of our opportunity set.



Hong Kong's glittering skyline never fails to impress.

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