

Bin Yuan Capital All China Strategy - April 2025

Bin Yuan Opinion

The Ascent of China's Trendy Toy Economy

- From Contract Manufacturing to Cultural IP Platforms

In a normal weekend, visitors at Beijing POP MART City Park jostle through crowds. Enthusiastic crowds gather to watch the dance performances of classic IPs such as MOLLY, LABUBU and DIMOO, and line up to take photos with their favorite IP characters. Products such as blind boxes, which are popular in the park, sold out quickly. As a representative of China's trendy consumption economy, Pop Mart's theme park has become a focal point for Chinese young people and a landmark of Beijing's cultural tourism.

Picture 1. Pop Mart Beijing City Park; The world-renowned IP LABUBU of Pop Mart



Source: Pop Mart website

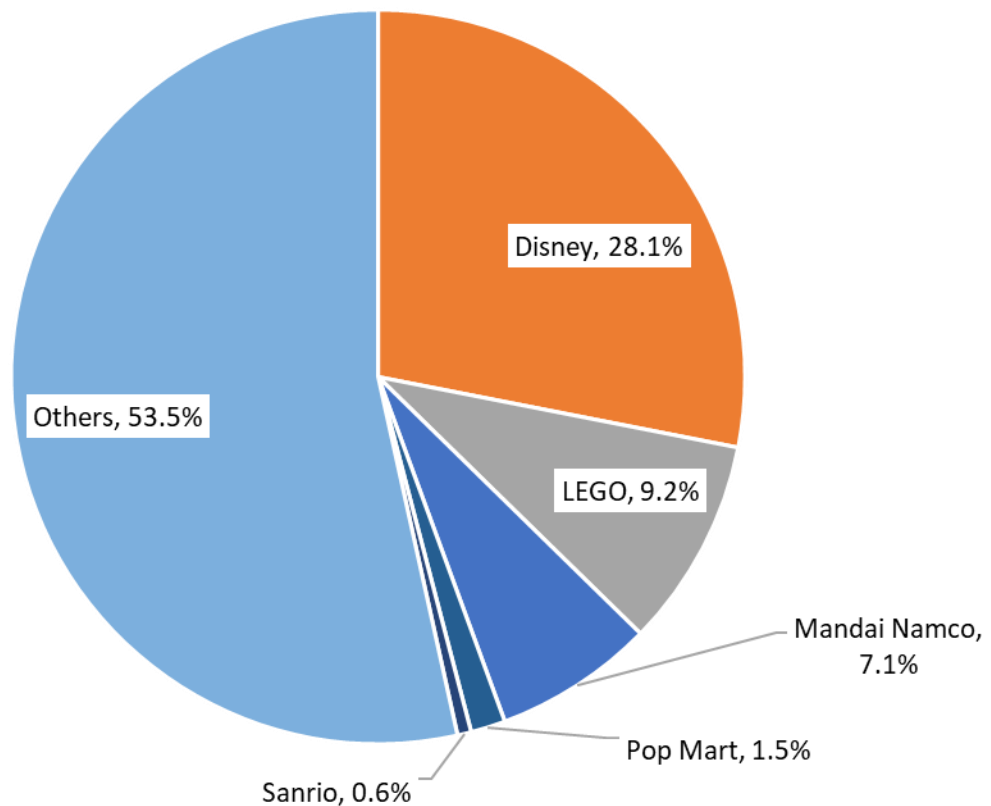
China's trendy toy sector reflects a deeper evolution: from low-end contract manufacturing to comprehensive cultural and creative ecosystems. Companies like Pop Mart are building integrated IP platforms that extend beyond toys into apparel, jewelry, and immersive experiences. At the core of this transformation is the ability to blend culturally resonant IP with scalable commercialization, facilitated by leveraging China's highly efficient manufacturing supply chain. We remain optimistic about the globalization prospects of China's trendy toy brands, which are uniquely positioned to tap into a growing "emotional economy" — an era where consumers seek identity, emotional connection, and cultural expression through products.

The Global Rise of the Trendy Toy Economy

The global toy industry is dominated by major players including Disney and Lego. Chinese trendy toy brands have become new standouts in the past few years. Much like Disney once capitalized on film and TV to build beloved global IPs, China's

trendy toy industry is now leveraging mobile social media and short-form video platforms (Tiktok, Red...etc.) to launch characters with worldwide appeal. These channels have dramatically lowered distribution barriers, enabling new entrants to gain traction quickly.

Chart 1. Pattern of Global Toy Industry



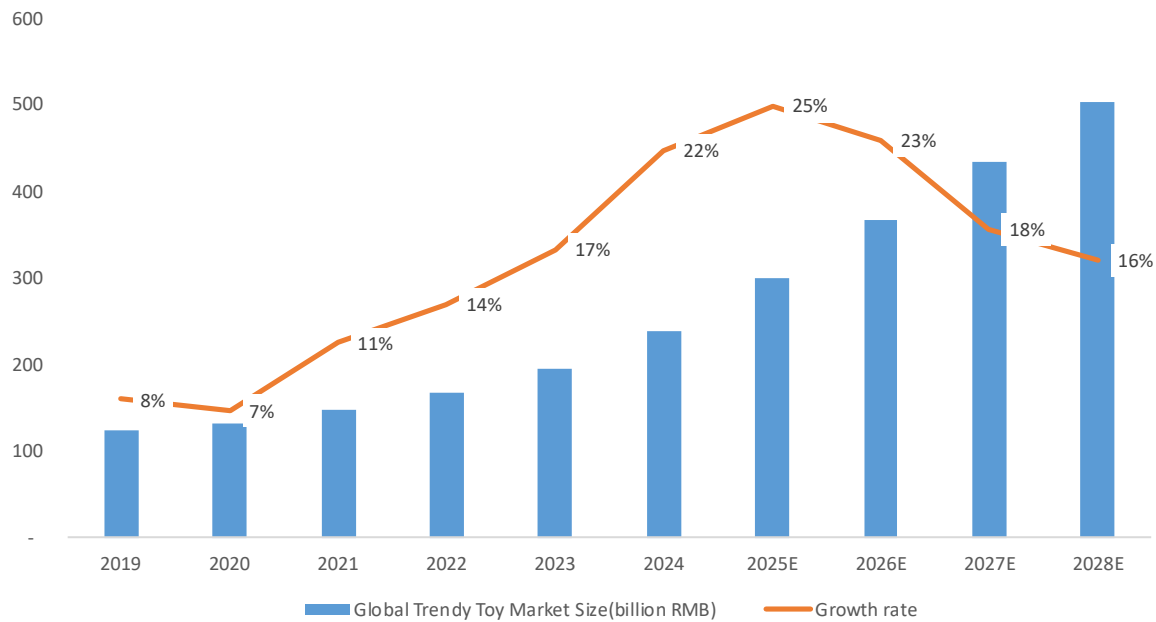
Source: Bin Yuan Capital

Unlike traditional toys, trendy toys serve a different purpose: they offer emotional release and identity expression, particularly among stressed and anxious adults. A large number of young people are no longer satisfied with the aesthetic routine prescribed by the previous generation. Characters like expressionless MOLLY or mischievous LABUBU have become symbols of individuality among young adults — displayed at home or featured in social media posts as lifestyle statements.

The trendy toy industry has grown rapidly: from RMB 124 billion in 2019 to RMB 240 billion in 2024, a CAGR of 17%. The penetration of trendy toys in the broader toy market rose from 15% to 22%. Pop Mart, as a category pioneer, is reaping the benefits with an expanding global fanbase and increasingly diversified IP offerings.

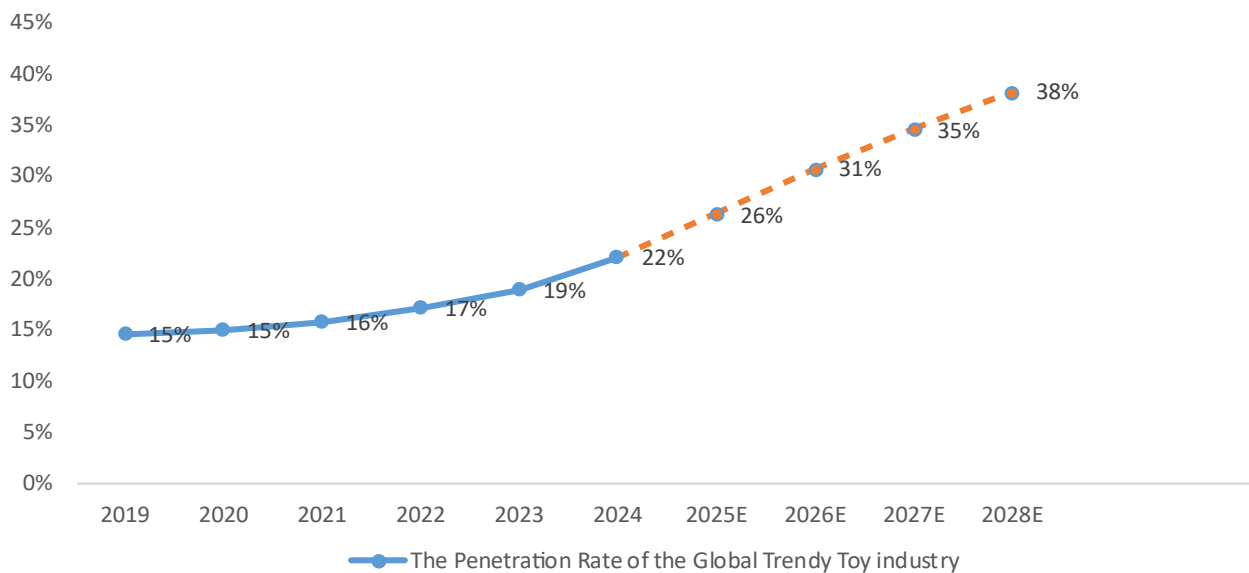


Chart 2. Global Trendy Toy Market Size Trends, 2019-2028



Source: Bin Yuan Capital

Chart 3. The Penetration Rate of the Global Trendy Toy industry is Rising Rapidly from 2019 to 2028



Source: Bin Yuan Capital

Pop Mart: Building a Global IP Powerhouse

Pop Mart has created an end-to-end trendy toy platform — from scouting global artists and incubating IPs, to manufacturing, branding, and direct-to-consumer retail. It has integrated both the cultural and commercial dimensions of trendy toy development.

- **IP Creation/Design and IP Portfolio Strength:** Pop Mart sources artist IPs globally, signing creators from various countries including China, Thailand, the U.S., and Europe. By 2024, Pop Mart had signed 73 artist IPs, with four super IPs — THE MONSTERS, MOLLY, SKULLPANDA, and CRYBABY — each generating over RMB 1 billion in revenue.
- **Brand & Cultural Positioning:** As the "star agent" of IP, the company continues to endow it with cultural and trend attributes and strengthen its universality in the world. At Milan Fashion Week 2024, Pop Mart debuted the LABUBU × PRONOUNCE collection — the only Chinese designer brand on the official schedule. The appearance alongside Gucci and Prada highlights how trendy toys are blurring boundaries with fashion and luxury retail. With the operation of trendy toy IPs at its core, the company will also achieve multi-category extension by developing urban theme parks, lego like building blocks, and jewelry accessories. It is set to release Labubu short films this summer, which are expected to further enhance consumer engagement and foster greater brand loyalty.

Picture 2. Labubu in Milan Fashion Week



Source: Pop Mart website

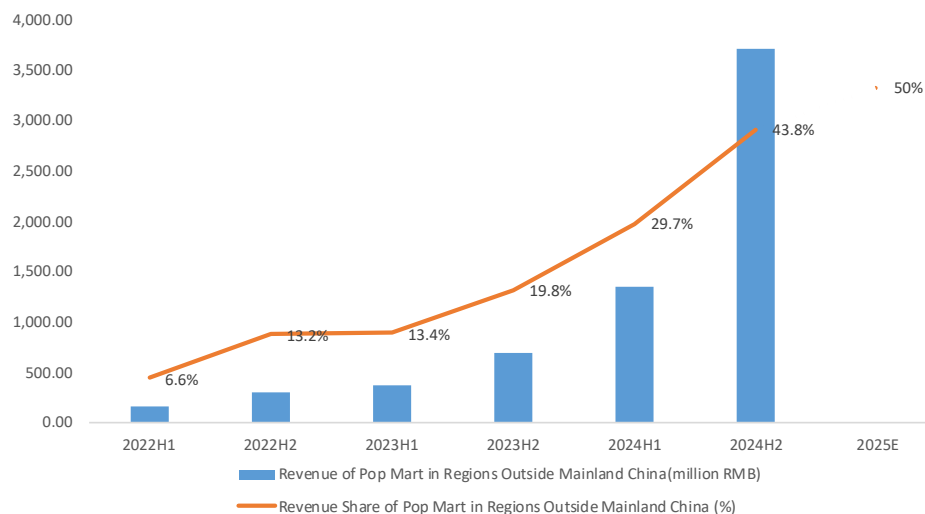
- **Manufacturing and Supply Chain Scale Up for Affordable Quality:** Underpinning Pop Mart's success is China's world-class manufacturing base, including basic materials, key equipment, core components and terminal products, which enables high-quality mass production at accessible prices. While independent artist toys can cost over RMB



800, Pop Mart's core products retail between RMB 69–199, allowing it to target a wider demographic without compromising product quality or design integrity.

- **Established Presence in Both Domestic and Overseas Markets:** Popmart currently has over 500 retail stores and over 2300 vending machines in China. Leveraging China's robust supply chain and creative edge, Pop Mart is rapidly expanding abroad. In 2025, powered by the “Big Into Energy” Labubu series, Pop Mart's app reached No. 1 on the U.S. App Store (Shopping) and ranked No. 4 overall. By the end of 2024, it had opened 130 overseas stores, with a long-term goal of 500 locations. Overseas sales are expected to make up 50% of total revenue by 2025.

Chart 5. Revenue Share of Pop Mart in Regions Outside Mainland China



Source: Bin Yuan Capital

Picture 4. Pop Mart opened its Manchester store in the UK on March 8



Source: Pop Mart website



彬元资本

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Conclusion: A Global Consumer Brand in the Making

Pop Mart represents a new generation of Chinese companies: brand-driven, IP-centric, and globally competitive. It is not just exporting products — it is exporting culture. By combining global artistic talent, a deep emotional connection with consumers, and excellent supply chain execution, Pop Mart is redefining what "Made in China" means in the global marketplace.

Looking ahead, China's integration of cultural creativity and manufacturing scale positions it to lead the next phase of global consumer trends. This translates into a compelling long-term opportunity for investors. Pop Mart's net profit is projected to grow at a **CAGR of 29.2% from 2025–2028**, reaching **RMB 14 billion** by 2028. Based on the company's strong competitiveness and growth, the forward 2028E PE multiple of 30x, the stock price of Pop Mart is expected to have 90% upside potential by 2028.

Sincerely,

Ping and the Team

May 7, 2025



Bin Yuan on the Road

April 9, 2025



We visited leading fashion jewelry brand Chao Hong Ji in Southern China, to understand how the company post strong sales against increasing pressure in gold jewelry consumption.

During the visit, we learnt that the company founder is a master and collector of China jewelry with great passion. He established a Chinese jewelry museum in the company's headquarter building. Abundant collections in the museum provides continuous inspiration for product design and innovation that meet modern aesthetic needs. Also they've built an information system that enables a real-time data feed from all the stores county-wide. This system plays an important role in collecting customer feedback, product design and new product launches. Besides, continuous R&D in jewelry making process and technique also helps them making better products with less raw material, thus reducing costs.

" We posted over thirties same-store-growth in the first four months, and expect the good performance to last whole year. " – Company Secretary of Chao Hong Ji.

April 24, 2025



We visited the Yiwu International Trade City to examine the prosperity and trends of China's most representative trade hub amid the China-U.S. trade fractions.

Despite recent trade fractions, we observed that buyers from the Middle East, Southeast Asia, and Africa were highly enthusiastic. Demand was strong across various sectors, including toys, accessories, clothing, daily necessities, and electronic products, with a particular increase in inquiries for holiday decorations. Many merchants stated that they have mature local supply chains and continuous product innovation capabilities, and the volume of wholesale orders has been steadily increasing. We expect that the hub status and trade prosperity of Yiwu International Trade City will remain at a high level.

" Our products have obvious comparative advantages in terms of quality, price and service, and there is still great potential for development in emerging markets. " – The general manager Mr. Hu, of a brand targeting Southeast Asia.

April 30, 2025



We visited The 2025 Shanghai International Automotive Exhibition on April. The exhibition showcased the transformative trajectory of China's automotive industry, marked by accelerated innovation in electrification and intelligent technologies.

In the Expo, major automakers advanced L3 ADAS commercialization, with Zeekr and Huawei showcasing integrated hardware-software systems (multi-lidar, AI algorithms) enhancing safety and efficiency. BYD, Chery, and Geely introduced entry-level models (RMB 60,000–70,000) with advanced ADAS, broadening access to mainstream markets. BMW and Audi partnered with Chinese tech firms (e.g., BMW integrating Huawei's HarmonyOS), while GAC and Changan highlighted self-developed platforms for versatile domain control which showed the Global-Local Synergy.

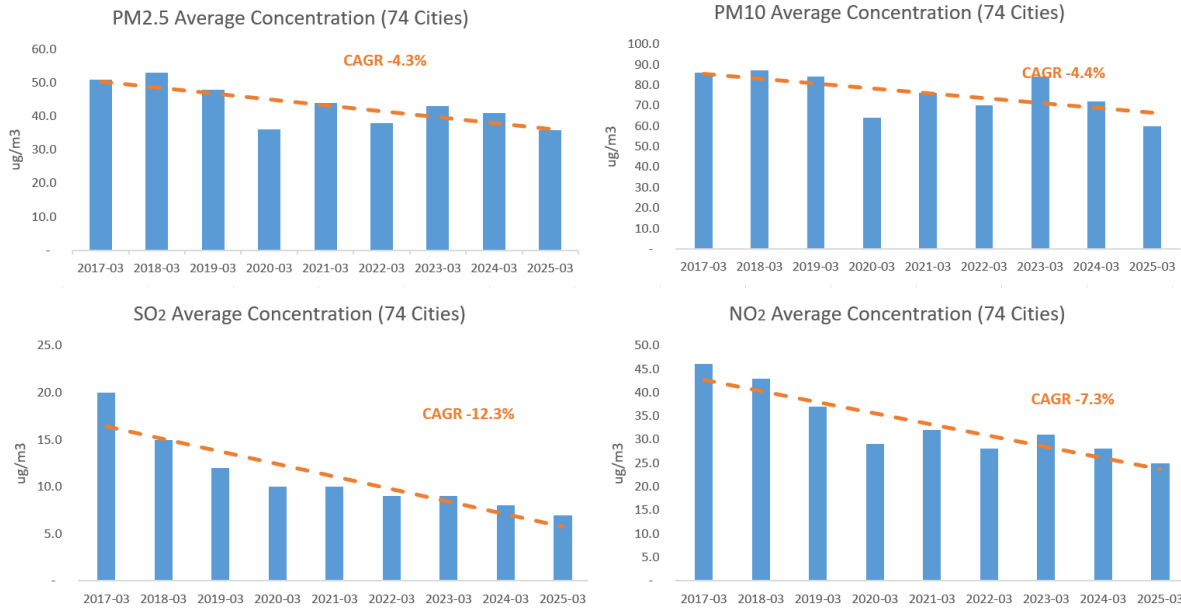
" ADAS will become the core competitive advantage for Chinese automakers in the coming years, intelligent yet safe autonomous driving features are emerging as top priorities for car buyers. " –BYD's East China Sales Director.



Bin Yuan Environment Tracking

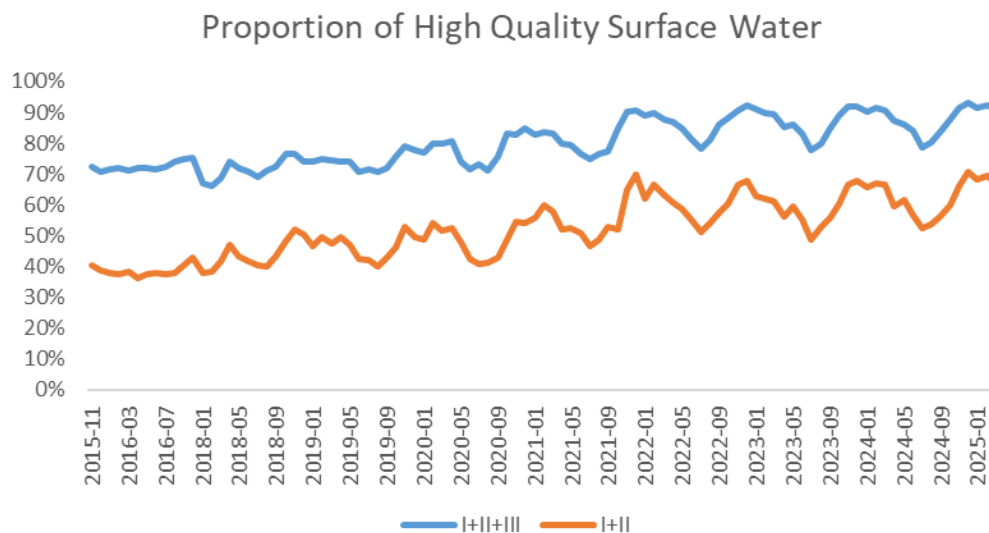
This tracking includes monthly air and water quality data, both showed steady improving trend in the last 5 years. Air pollution concentration dropped due to reduced coal combustion, increased proportion of new energy vehicles, and tightened emission control measures. Water quality improved mainly from the strengthened control of wastewater emissions since 2017.

China air pollutant concentration data June 2017-2025



*PM2.5, PM10 and SO₂ are mainly from fossil fuel combustion, and NO₂ is mainly from vehicle emissions.

The proportion of high-quality water in China data June 2016-2025



*Water quality in China breaks down to 5 levels, with level I being the best and level V being the worst. Level I+II represents water that can be used for drinking purpose. Level I+II+III represents water that can directly contact human body.



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