Bin Yuan Capital All China Strategy - November 2024

Bin Yuan Opinion

Bin Yuan China Investor Trip 2024

In November, amidst a backdrop of a major policy shift and heightened investor attention, Bin Yuan held our 4th Annual Investor Tour. A group of international investors, representing pension funds, endowments and foundations and Family Offices from around the world, traveled with our PMs and analysts to visit 7 companies in 6 cities across China, seeking answers to the following questions:

1. is China too large and important to the global economy for foreign investors to ignore?

2. has China's underperforming economy and stock market turned the corner since early 2022 or is it close to commencing its recovery?

The trip explored investment opportunities in cities throughout China. This also helped determine that the potential alpha generation from investing in Chinese equities now justifies the geopolitical and macro-economic risks involved.

Picture 1: Map of Bin Yuan Investor Tour

The Bin Yuan tour was a busy but exciting week visiting six cities, covering Tier 1 (Shanghai), Tier 2 (Nanjing & Hefei), Tier 3 (Changzhou & Guiyang) and Tier 6 (Kaili). Our trip encompassed a broad spectrum of China, from the bustling metropolis of Shanghai to the less “developed” and understood regions, such as the vibrant cities of Guiyang and Kaili, traversing both the eastern and southwestern regions. We experienced the dynamism of modern urban life in first-tier cities and the unique charm of ethnic cultures in smaller cities and rural areas. While first-tier cities continue to lead the way in setting new consumer trends, lower-tier cities such as Kaili, with a GDP per capita only 25% of Shanghai’s and a disposable income per capita only 33% of Shanghai’s, highlight the complexity and diversity of China’s economic and social landscape (Table 1). This indicates that low-tier cities still have immense growth potential.

Table 1: Cities Economic Data Comparison

	(‘000 square kilometer)	(million people)	(USD Billion)	(USD thousand)	(USD thousand)	(mn)
City	Area	Population	GDP	GDP per capita	Disposable Income per capita	2023 Tourist arrivals
Shanghai	**6**	**25**	**665**	**27**	**12**	**326**
Jiangsu Province	**107**	**85**	**1,799**	**21**	**7.4**	**942**
Changzhou	4	5	143	27	9	103
Nanjing	7	10	245	26	10	217
Anhui Province	**140**	**61**	**662**	**11**	**4.9**	**848**
Hefei	11	10	179	18	7	139
Guizhou Province	**176**	**39**	**294**	**8**	**3.8**	**1,284**
Guiyang	8	6	73	11	5.1	147
Kaili	2	0.7	5	6	4.3	25
China	**9,579**	**1,410**	**17,900**	**13**	**5.5**	**4,890**

Picture 2: Shanghai Night

Picture 3: Xijiang Miao Village in Guizhou Province

Key Takeaways of the Trip:

- While the past few years have been difficult, sentiment has become more positive domestically.

- The main catalyst for an improved market is the change of direction by the government. The key factors driving this change include weak Q3 data, youth discontent, and the inability of local governments to pay salaries. We are convinced that the Government has changed direction and will support the private sector.

- The direction is more important than specific numbers – and further stimulus will be implemented as required. So far, the measures have focused on stabilizing the property market, restructuring local govt debt and trade in consumer policies. The next likely announcements will be in December and could include stimulus for consumers and new infrastructure investment.

- Consumption is up, shops were busy with queues outside well-established brands. Airports, planes, trains, restaurants, and hotels were all busy.

- First-tier cities keep leading in setting new consumer trends. While online shopping has become extremely efficient in China, offline retailers are innovating to offer a better experience by providing emotional value to customers.

- Low-tier cities and rural areas are the focus of policy stimulus aimed at reducing the income gap, and there are tremendous opportunities for lifestyle upgrades in those places.

- China excels in application innovation, and the technology is reshaping the consumption pattern. We have witnessed the electrification and intelligence trend of vehicles. A number of different EVs we tested were impressive with their build-quality, range, and entertainment/functionality/OS capabilities. While China is evidently in the lead, it brings a new perspective to the prospects of established car manufacturers. Other emerging new areas include the eVTOL (electrical vertical takeoff and landing) industry, and Ehang, which we visited, is a window to a potentially transforming and disruptive mode of transport.

- While the west retains technological leadership in many areas (e.g. semiconductors), the progress made by Chinese companies is impressive and it is not a question of if but when will Chinese companies catch up. The semiconductor equipment providers and Hengli (a provider of hydraulic components and electric & linear drive components) showcased the strong trend of import substitution. Companies we visited generate their revenue from the domestic market with plenty of growth potential still ahead. International business is seen as a diversifier as they become increasingly globally competitive.

- We visited third- and fifth-tier cities and witnessed significant infrastructure investment locally (roads, bridges, rails, airports), which creates intangible value for social mobility and economic growth potential.

- New infrastructure investment growth will be accelerated as China moves towards a high-quality development mode. The shift to high value-added and green industries boosts a strong demand for smart grids and digitalization networks. Our visits to Nari (a smart grid solution provider that provides the systems and software for the electricity transmission grid) and to the main Huawei Data Centre (which provides the IT backbone of China) underlined how impressively the new infrastructure in China has been built and reinforces the core technological strength of China.

Picture 4: Longli River Bridge in Guizhou Province

Picture 5: Different generations of High-Speed Trains in Guiyang

Consumption:

This year's investor trip offered an opportunity for us to explore some bright spots of consumer trends and take a closer look at the consumption in lower-tier areas of the country. Overall consumer confidence has gradually recovered. When we took a tour in Shanghai at the weekend, the city was very busy and the restaurants, coffee shops and cafes were all full. Tea shops and coffee shops are everywhere, and domestic brands have increased their coffee market share. The visits to the showrooms and stores of Chinese EV and consumer electronics brands impressed the group with their fast upgrades and launch of new products. The weekend walks on Nanjing Road in Shanghai, one of the busiest shopping streets both in China and around the world, allowed us to see the trendy items among Chinese youngsters in two popular toy stores, the IP collection store of Miniso, and the global flagship store of Pop Mart. These two brands represent the latest trend of shopping for emotional value in the country, and they are gaining increasing popularity in overseas markets as well. Our visit to a newly opened shopping mall and dinner discussion with local experts (business owners and government officials) during the trip in Guiyang provided more insight into consumption in a typical lower-tier city of China.

The three key consumption findings from the trip are as below:

1. Thriving emotional consumption in high-tier cities

2. Great potential for lifestyle upgrades in low-tier areas

3. Technology-reshaped consumer products towards electrification and intelligence

1. Thriving emotional consumption:

A visit to two toy stores on Nanjing Road in Shanghai enabled us to see the trendy items that shape the new trend of shopping for emotional value among Chinese youngsters. The leading companies are not only performing well in China but also gaining acceptance in overseas markets for their IP products.

The fast penetration of e-commerce together with the increasingly efficient logistics network led to the prosperity of on-line consumption during the past decade. Yet in recent years after the pandemic, a revival of offline consumption has been observed. Besides the sustained enthusiasm for traveling, we also see innovative offline retailers becoming more attractive to consumers. Pop Mart opened its global flagship store on Shanghai Nanjing Road in 2022, and Miniso launched its IP collection store there this year. Even after two years, crowds of visitors continued to flock into and wander around aisles of sophisticated toys in the Pop Mart store. Young consumers waited in long queues outside to shop for their favorite character toys inside the IP land store of Miniso. These young consumers were generous on such small toys which offer a lot of emotional and social value. For some of these little items, there will also be investment value, as a mature market has already developed for consumers to trade for some “limited editions”. Such emotional consumption has become one of the bright spots amid China’s ongoing spending gloom.

Picture 6: Pop Mart store at Nanjing Road, Shanghai

Picture 7: Miniso Land on Nanjing Road, Shanghai

- **Pop Mart** – a rising force in pop culture and entertainment: The company focuses on IP (Intellectual Property) incubation & operations, designer toys & retail, theme parks & experiences, and digital entertainment. The company has 363 domestic stores and 92 overseas stores as of H1 this year. New store openings, increasing product categories, and an expanding IP portfolio is expected to back up future growth. The long-term overseas store count is expected to reach 500 with 40 new openings annually, especially in Southeast Asia, the U.S. and Europe. Besides its main product, designer toys, other categories also posted robust growth, with large lifestyle toys, plushie toys, and accessories contributing 42% of revenue. Currently, the top 6 IPs contribute 65% of Pop Mart’s revenue, and an IP pool of over 40 artist IPs is expected to provide potential for future IP operation and monetization.

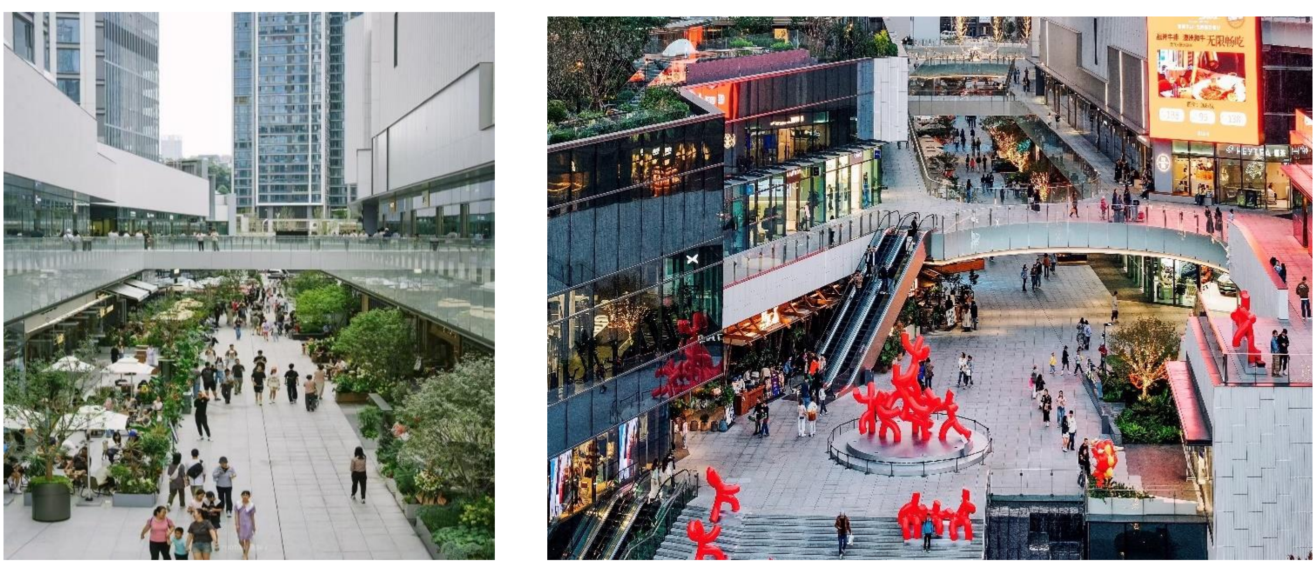
- **Miniso** – a China-based chain retailer of trendy and affordable lifestyle products. It collaborates with licensed brand partners like Sanrio, Disney, Minions, We Bare Bears, etc., to offer a wide range of quality products, including fashion, cosmetics, home goods, stationery, and more. It has been expanding its presence around the world, entering 112 countries and regions with 2,936 stores overseas and 4,250 stores in China as of Q3 2024. The brand has gained popularity for its high-quality products at affordable prices and its simple, yet fashionable store design. Rising ASPs, increasing repeat purchases and store re-visits are expected to drive future growth with an expanding customer base brought by an increasing global presence.

2. Great potential for lifestyle upgrade in low-tier areas

We observed less consumer pressure and more willingness to spend in Guiyang, a typical low-tier capital city in southwest region of China. The debt burden is lighter due to low household leverage and low housing prices. Household income, especially for those in rural areas, has been rising on robust tourism following efficient government promotion campaigns. The introduction of some large companies such as Foxconn, BYD, and CATL has added employment opportunities for young people. Although per capita income is just 93% of the country's average level, the per capital spending is 127% of the average.

A visit to a newly opened mall of China Resources Land in Guiyang and meeting with their leasing and operating professionals provided a window into the vibrant local consumption. We visited on a Thursday afternoon, and the hustle and bustle of the outdoor block on a workday verified the strong visit data with accumulated visitors of 11.6 million in the less than four months since opening. While the city has only 6.4 million people, the mall's occupancy rate has already reached 90%+ and is expected to climb to 95% by the end of this year. Supported by outstanding leasing and operations, sales reached RMB 752 mm within four months of opening, while the best of its peer malls posted sales of RMB 1 bn in the Jan-Oct period.

Picture 8: The Outdoor Block of the China Resources Land Mall



- **China Resources Land** – a top developer, manager and operator of urban properties in China. Half of the company's profit is from commercial properties, mainly shopping malls. It outperforms commercial property peers in operations with higher occupancy rates (96.5/97.3% in 2023/H1 24 vs the industry average of 90.9% in 2023), stable rental growth (annual growth of 3-5%), resilient retail sales (SSSG of 7.5% in H2 24 vs China retail sales growth of 3.7%) and improving operating margins. We expect CR Land will take market share in the commercial property market with better operations and a sufficient pipeline to back future growth (16/5/7/6 to be opened in 2024/2025/2026/2027). Weaker players have started to exit the market with 42, 21, and 17 shopping malls closed in China in 2022, 2023 and 2024 H1, respectively.

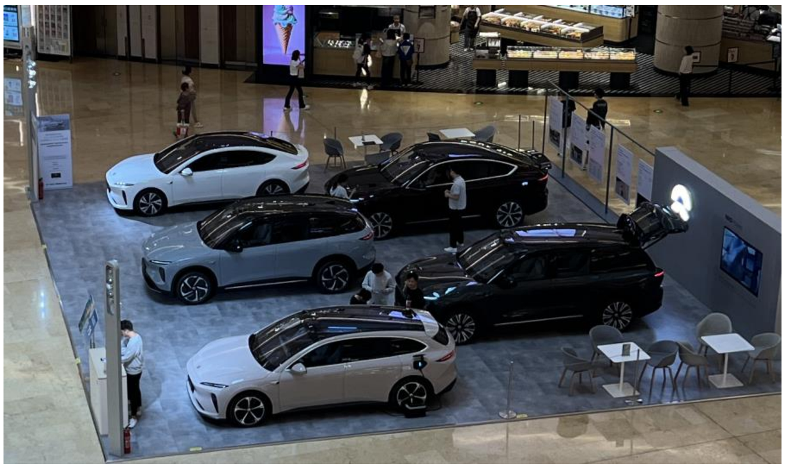
3. Technology-reshaped consumer products towards electrification and intelligence

The positive momentum in tech consumption was confirmed during a second visit to the showrooms and stores of Chinese EV and consumer electronics brands in shopping malls and streets in Shanghai. Chinese consumer electronics giants are rapidly stepping into the EV market, with Huawei launching over 7 new models in 2024 and Xiaomi unveiling its first EV, SU7, in March. Huawei and Xiaomi brought their EVs to their electronics retail spaces, demonstrating a novel aspect of China's evolving consumer landscape. Consumer experience has been improving rapidly with the launch of new models and upgrades of smart-driving functions. The showrooms and stores of various brands were almost all full of interested consumers, with both locals and foreigners attending the China International Import Expo. The EV penetration rate in China has increased from 31.6% in 2023 to 52.8% as of Oct 2024, driving up the auto localization to over 57% as of September 2024.

Picture 9 & 10: Huawei Store on Nanjing Road & Xiaomi Store on Sunday morning.

- **NIO** – a major EV player in China and the only one equipped with battery swap technology (Battery swap is more time-efficient compared to battery charge under the current technology). We visited NIO's global headquarters in Hefei, including the largest NIO House and their newest factory. NIO innovates with its BaaS model, enabling battery leasing and purchase without ownership. They have pioneered battery swap technology and have over 2600 charging stations in China. The battery swap is fully automatic, and it only takes 3-5 minutes to change the battery. This, along with a focus on premium vehicles and tech services, positions NIO to capture market share. NIO also cultivates a robust customer ecosystem through NIO House and NIO Day, enhancing community and loyalty. During the visit, we experienced the latest ES6 model which was impressive, with its dynamic power and smart software. We consider NIO a quintessential case study in China's EV industry, worthy of close monitoring. However, from an investment perspective, the company is grappling with high costs and profitability challenges. Moreover, the upcoming mid-to-low-end models face the uncertainty of stiffer competition from BYD and Tesla.

Picture 11: NIO’s EV Model in Shanghai store



Picture 12: NIO’s Battery Swap Station in Hefei

China excels in application innovation, and technology is reshaping consumption patterns. In line with the electrification and intelligence trends of vehicles, other new areas are emerging, such as the eVTOL industry. Ehang is a window to a potentially transformative and disruptive mode of transport.

- **Ehang** - the world’s leading urban air mobility (“UAM”) technology platform company. Ehang provides customers in various industries with unmanned aerial vehicle (“UAV”) systems and solutions: air mobility (including passenger transportation and logistics), smart city management, and aerial media solutions. Ehang obtained the world’s first type certificate, production certificate and standard airworthiness certificate for passenger-carrying pilotless eVTOL (electrical vertical takeoff and landing) aircraft, which helped it build its first-mover advantage.

  They can fly safely with only 8 of the 16 propellers working. The price is RMB 2.4m domestically or $410k per unit in the overseas market. Their global competition (Volocopter, Joby, Archer, Lilium, Vertical, EVE, etc.) are all piloted so it is more expensive to buy ($3m+) and operate.

  In 2024, "low altitude economy" was first included in the government work report. Putting in the infrastructure is critical, and many provinces/cities have prioritized the Low Altitude Economy with incentives. Currently, more than 100 cities have announced specific policies to encourage the application of the low altitude economy in urban travel, tourism, emergency rescue and other scenarios. We expect that by 2026, the total investment scale of China's low altitude economy will reach 1 trillion yuan, and the company forecasts a RMB 2 trillion market size by 2030. Ehang is expected to fully benefit from this. During our visit, the company’s CFO, Mr. Yang, introduced the operating center and gave us a demonstration of their EHS-216S aircraft in Luogang Park (located in Hefei City). On the day we visited they also announced a new solid-state battery with a 48-minute range. Based on the strong demand and on hand orders (more than 1000 units by the end of the 3rd quarter), we expect Ehang's revenue can maintain a CAGR of 55% over the next 3 years. Interestingly, Ehang was seen as the most promising company by our tour participants in the final poll.

Picture 13: Ehang's eVTOL model – EH216-S

Picture 14: eVTOL Demo at Ehang

Looking ahead, we anticipate that opportunities in consumption areas will continue to emerge: in offline consumption that offers emotional value and better experiences; among companies that are better adapted to changing sales channels, especially those with stronger control of channels in lower-tier regions; in sectors where local leaders are riding the localization trend with better products/services; and also in tech consumers that can benefit from the continuous innovation of electrification and intelligence.

High-end Technology and Manufacturing:

Through 2024, we have witnessed the emergence of more companies with global competitiveness in China. Import substitution remains the most important investment theme for China, both currently and for the foreseeable future, occurring in various technology and high-end manufacturing sectors. Technological advancements are leading companies toward the development of higher value-added products, while geopolitical uncertainties are also compelling China to seek domestic alternatives. The two semiconductor equipment companies we visited have witnessed extremely rapid growth, and we anticipate that this trend will continue and also extend to other domains such as machinery tools. The growth in new infrastructure investment should be expedited as China transitions to a high-quality development mode. The shift towards high value-added and green industries has stimulated strong demand for smart grids and digitalization networks. Our visits to NARI (a smart grid solution provider that offers systems and software for the electricity transmission grid), and to the main Huawei Data Centre that provides the IT backbone of China, highlights how impressively the infrastructure in China has been developed and reinforces the core technological strength of China. The vigorous economic and innovative activities unfolding are very impressive.

The two key findings of high-end technology and manufacturing from the trip are as below:

1. Accelerated import substitution trend and increasing global competitive companies

2. Rapid new infrastructure growth in smart grid and data center

- **AMEC** – the No.1 domestic player in advanced etching equipment manufacturing. AMEC was founded by Dr. Gerald Zheyao Yin in 2004, when he leveraged his leadership experience, semiconductor R&D experience, and accumulated network overseas to build a solid and comprehensive team at AMEC. The core management team and R&D team have extensive experience in global semiconductor equipment manufacturing, and they have maintained high standards of management and R&D which should ensure a high level of competitiveness in the sector. Its excellent products and services have helped to expand its market share from 0.8% in 2019 to 9% in 2023, making it the fastest-growing etching equipment manufacturer in China.

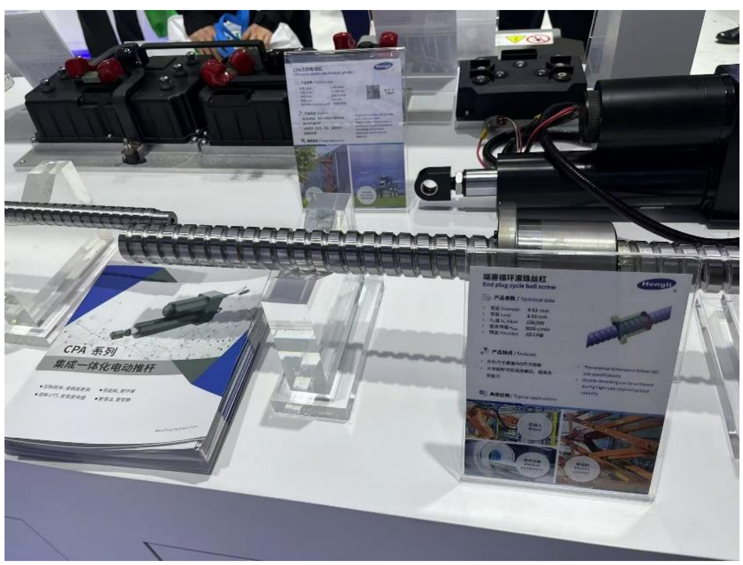
  Our tour of AMEC's assembly facility showcased the journey from components to finished products, indicating the high complexity and technology intensity of manufacturing semiconductor equipment, which sets high barrier for others to participate. In a cleanroom setting, technicians are doing two shifts to meet massive demand from customers. AMEC's management assured us that over 95% of components are now sourced domestically, ensuring a stable supply chain. As one of the leaders of semiconductor etching equipment vendor in China, AMEC is actively and continuously engaged in the R&D of more advanced etching equipment as well as expanding its business into thin film deposition equipment and metrology equipment to explore new growth drivers.

  Picture 15 & 16: AMEC's Etching Equipment Product model – Primo Twin-Star and AMEC Show Room

- **Piotech** – The domestic leader in the thin film deposition semiconductor equipment sector with products covering wafer bonding equipment as well: We visited Piotech's production base in Lingang, Shanghai and met general manager Dr. Chen, who has 7 years R&D experience in the thin film deposition process and equipment business in world leading semiconductor equipment companies such as Lam Research. Piotech's main product PECVD has reached an advanced international level in technical indicators and is widely used in downstream wafer fabs. In 2023, Piotech had a 5% market share in the thin film deposition equipment market, and we expect it to have 12% of the total domestic market by 2027. Dr. Chen told us that the demand for advanced thin film deposition equipment is urgent, especially for the memory industry, and Piotech is investing massively, with a R&D/Sales ratio of more than 20% annually, in developing more advanced thin film deposition equipment as well as wafer bonding equipment to ensure its technological edge and to meet the strong demand from high-end chip production. As China's top player in the thin film deposition area, we expect Piotech to be the major beneficiary of the trend of downstream fab expansion and import substitution.

- **Hengli** – the leading hydraulic components manufacturer in China. We visited Hengli's ball screw production workshop. Ball screws have immense potential for import substitution, and Hengli is one of the most competitive domestic players in this field. Hengli's technician informed us that their ball screws are now being supplied to domestic machine tool manufacturers, and they are actively preparing to supply the humanoid robot industry. Hengli has a domestic market share of 21% in construction machinery industry and 9% in overall hydraulic industry, which means there is huge room for localization of hydraulic systems. Apart from the domestic market, Hengli started to take overseas market share with customers such as Caterpillar. Overseas revenue contribution increased from 18% in 2019 to 22% in 2024. As for product coverage, Hengli is expanding from its existing cylinders, valve & pumps, motors to new parts such as electric cylinders and ball screws, which have huge import substitution opportunities as well as new applications like robotics.

  Picture 17: Hengli's Product – Ball Screws for Machinery Tools and Humanoid Robot



- **NARI** – the leader in China's power grid industry providing grid automation software and devices. Backed by SGCC (the State Grid Corporate of China), NARI serves as the innovation center and industrial platform of the power grid system in China, with more than 20 years of experiences in R&D and manufacturing. Our visit to NARI's central control room provided firsthand experience of their control systems in action, monitoring and dispatching the power grid.

They showed us their weather and power prediction systems which use AI and have a 95% prediction-success ratio. Nari has 50% market share domestically. Moreover, discussions with management revealed NARI's success in overseas markets, exemplified by a recent 200-million-yuan UHV (ultra-high voltage) order from Saudi Arabia. They think they are No. 1 globally in terms of technology and have won large contracts in ASEAN & LATAM as well. Domestic grid expansion and international business growth should drive double-digit growth for NARI over the next three years. NARI is the major beneficiary of the rapid development of China's power system, especially the development of UHV. A high bid-winning rate in UHV DC converter valves from 2014-2023 demonstrates NARI's strong market position. From 2014 to 2023, NARI's bid winning in UHV DC projects primarily involved DC converter valves and their control and protection systems. The company achieved complete bids in two lines and a 50% bid share in nine lines, with market shares of 50%/74.5% for DC converter valves/control and protection systems, maintaining a core position in the industry. They saw 18% order growth Q1-3. We expect NARI's corresponding businesses to achieve stable revenue growth in line with the uptrend of the UHV industry in 2024-2030.

- We visited **Huawei's Data Center** in Gui'an New Area, Guizhou province. The computing power of data centers in Gui'an accounted for 13.3% of China's total computing power by the end of 2023. The Huawei data center that we visited covers 1,520 acres and can hold more than 1 million servers. It has several obvious features:

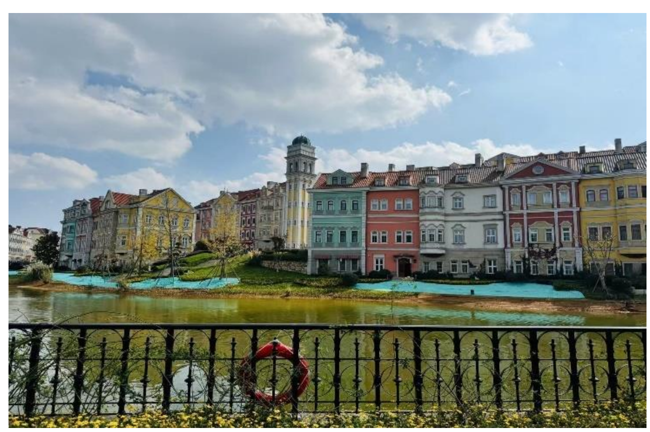
1). With a PUE (Power Usage Effectiveness) of 1.12, it uses water from a lake for natural cooling and the heat is recovered for use during winter.

2). Strong computing power: providing high-tech services such as cloud computing, data storage, software development, and network security to customers in 170 countries worldwide.

3). It's part of the "East Data and West Computing" project, aiding national goals and boosting local and national big data industry growth. As the hardware foundation for the development of AI, we expect the market size of data centers can keep a CAGR of 26% from 2020 to 2030. According to our value chain analysis, Huawei is the main player in the data computing industry. Its self-developed core components such as GPUs/CPUs, switches, cooling systems, etc. can help it keep a strong competitiveness. We believe some local suppliers or downstream AI application developers in Huawei's supply chain will benefit in AI era.

Picture 18: Nari's Smart Grid System

Picture 19: Huawei Data Center



Tour Conclusion

Our investors had a thoroughly enjoyable visit to China. They were deeply impressed by the cleanliness of all the cities we visited and the excellent construction of China's infrastructure, especially in lower-tier cities and rural areas. The companies we visited were world-class, focusing on becoming the best local suppliers to a large domestic market and having export growth potential to countries that wish to do business with China, particularly those in the Middle East, Latin America, and Southeast Asia.

The potential negativity arising from the new Trump administration, such as increased tariffs on US imports from China and other trade issues, seem likely to be counterbalanced by targeted Government stimulus policies, which should help the Chinese economy to recover and resume good, stable growth. The Central Government has both the willingness and the fiscal capacity to stimulate the economy. **China offers tremendous opportunities in consumption innovation in high-tier cities, lifestyle upgrades in low-tier cities, import substitution, electrification and intelligence trends in both consumer and industrial products.** China's equity valuations are low, most foreign investors remain skeptical, and liquidity remains on the sidelines. We expect a return to fundamentals, and we should see better economic and stock market performance during the year ahead.

Some investors came away from the tour with the view that China is too large and important to the global economy for foreign investors to ignore and its underperforming economy and stock market have either hit bottom and commenced a long-term growth phase or is close to this happening.

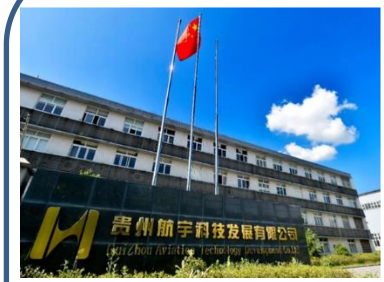
Foreign investors need to visit China as part of their global and local research to meet companies, visit cities, see the infrastructure, and form their own views rather than relying on news or reports prepared by someone from outside China. That is precisely what our flagship annual investor trip provides to our investors. We hope you will join our tour in 2025.

Sincerely,

Ping and the Team

December 6, 2024

Bin Yuan on the Road



November 14, 2024

We visited GATD, a high-end forging component supplier, in Guiyang, Guizhou to fact check the company's competitiveness.

We visited the company's factory and spoke with its CEO, Mr. Zhang. According to Zhang, GATD has accumulated a lot of technology in material and manufacturing processes which have helped it improve its production efficiency and reduce its cost. Besides, the demand from downstream customers in aviation and energy is strong while the capacity is limited, and GATD's bargaining power is becoming stronger which makes its business more profitable. The company's market share is increasing gradually because of its strong competitiveness on manufacturing processes.

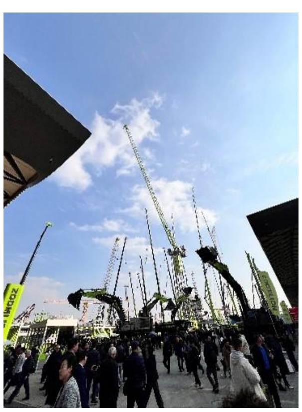
" GATD's objective is to become a leading component forging enterprise in the global aviation industry." – Chairman, Mr. Zhang

November 5, 2024

We visited the headquarter of Miniso (a chain retailer of trendy and affordable lifestyle products) in Guangzhou, Guangdong to understand the company's long-term strategy.

The company's Investor Relation Director Ms. Hu accompanied us on a brief tour of their office. They have a strong product development and market planning team, which enables it to launch 100 new SKUs every week to maintain their strong competitiveness. Also, the company is planning to increase the proportion of IP products to improve the average selling price and profitability. We expect that as the demand for IP products increases, the company's sales in both domestic and international markets will continue to grow in the future.

" MINISO's mission is to become the world's leading IP design retail group." –IRD, Miss. Hu



November 29, 2024

We attended the 2024 Bauma China exhibition in Shanghai to gain insights into the supply and demand dynamics and competitive landscape of the construction machinery industry.

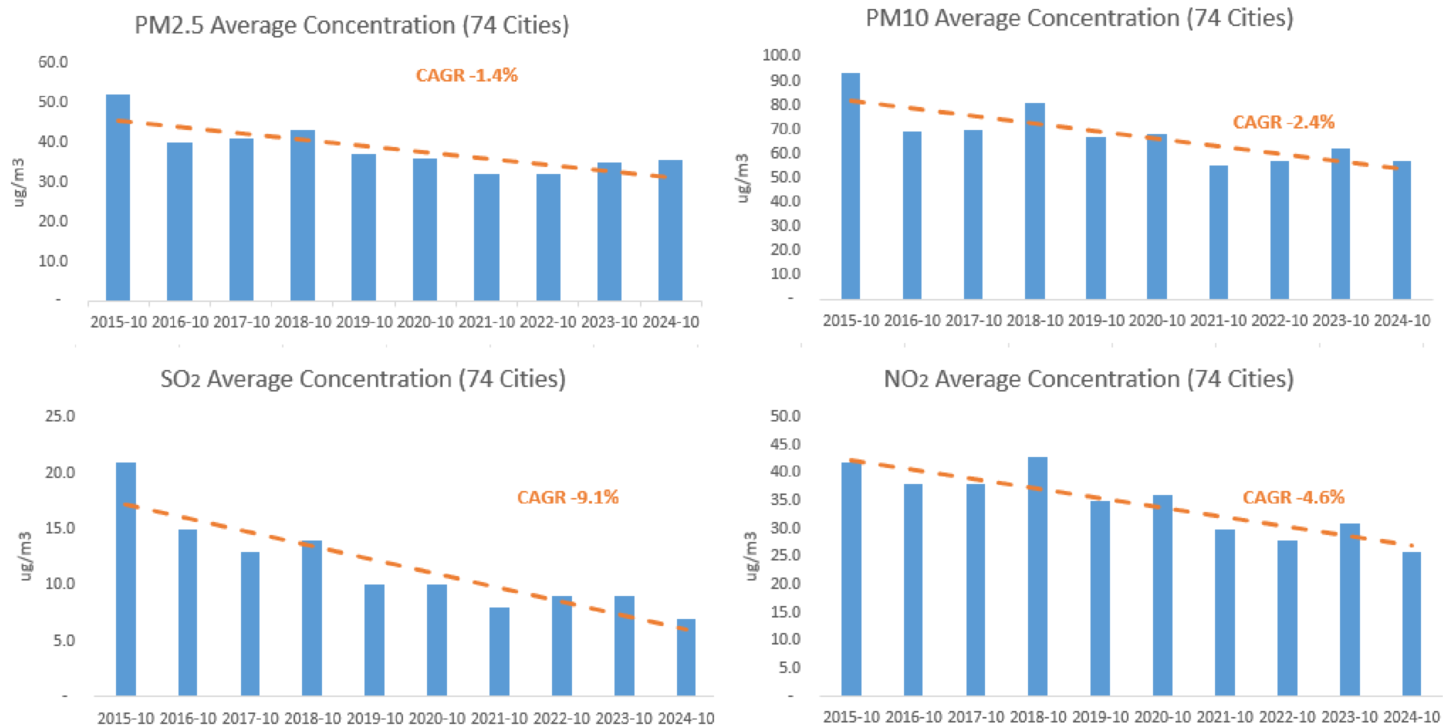
The exhibition showcased a wide range of exhibitors, from upstream component suppliers, like Hengli Hydraulic, to downstream manufacturers, such as Caterpillar and Sany. The component segment was highly competitive, with Hengli standing out for its product quality and pricing. A growing trend towards electrification was evident in mining trucks and excavators, as many manufacturers reporting increasing customer demand for electric and energy-efficient solutions. The exhibition attracted a larger audience than previous years, with a notable increase in foreign visitors, suggesting a cyclical recovery in the industry.

" Electrification is becoming a dominant trend in the construction machinery industry." – Sales from XCMG

Bin Yuan Environment Tracking

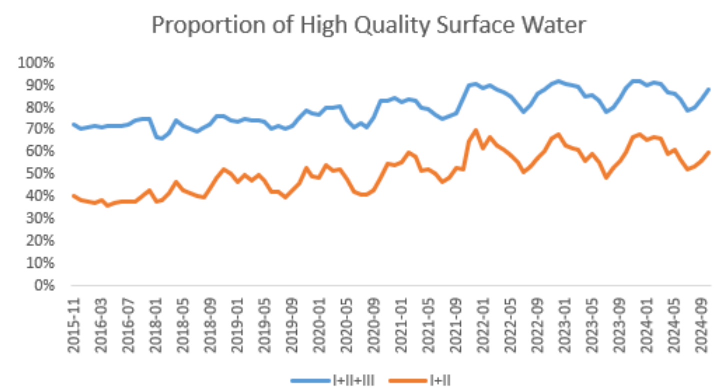
This tracking includes monthly air and water quality data, both showed steady improving trend in the last 5 years. Air pollution concentration dropped due to reduced coal combustion, increased proportion of new energy vehicles, and tightened emission control measures. Water quality improved mainly from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

China air pollutant concentration data June 2016-2024



**PM2.5, PM10 and SO_2 are mainly from fossil fuel combustion, and NO_2 is mainly from vehicle emissions.*

The proportion of high-quality water in China data June 2016-2024



**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.*

**Source: Ministry of Ecological Environment in China.*

Disclaimer

The information, materials and whatsoever releases, views or opinions (together the "Information") contained herein are strictly for information and general circulation only and do not have regard to the specific objectives, financial situation and particular needs of any specific person. The Information does not constitute either an offer to sell or a solicitation of an offer to buy any interest in any fund and strategy associated with Bin Yuan Capital.

The information contained herein is subject to revision and completion. The historical performance information included herein may not be indicative of the performance of future results. Nothing contained herein should be relied upon by prospective investors as a promise or representation as to the future performance.

This document is strictly for information and illustrative purposes only and should not be considered to be an offer, or solicitation of an offer, to buy or sell any securities or funds or to enter into any investment agreements.

Bin Yuan Capital shall not be liable or responsible to you or any other party for any direct, indirect, consequential or incidental damages, losses, expenses or costs whatsoever arising in connection with your access to this newsletter, or reliance on any Information, regardless of the form of action.

According to the SFC climate-related disclosure requirement, please find our disclosure of Management and Disclosure of Climate-related Risks by Fund Managers.