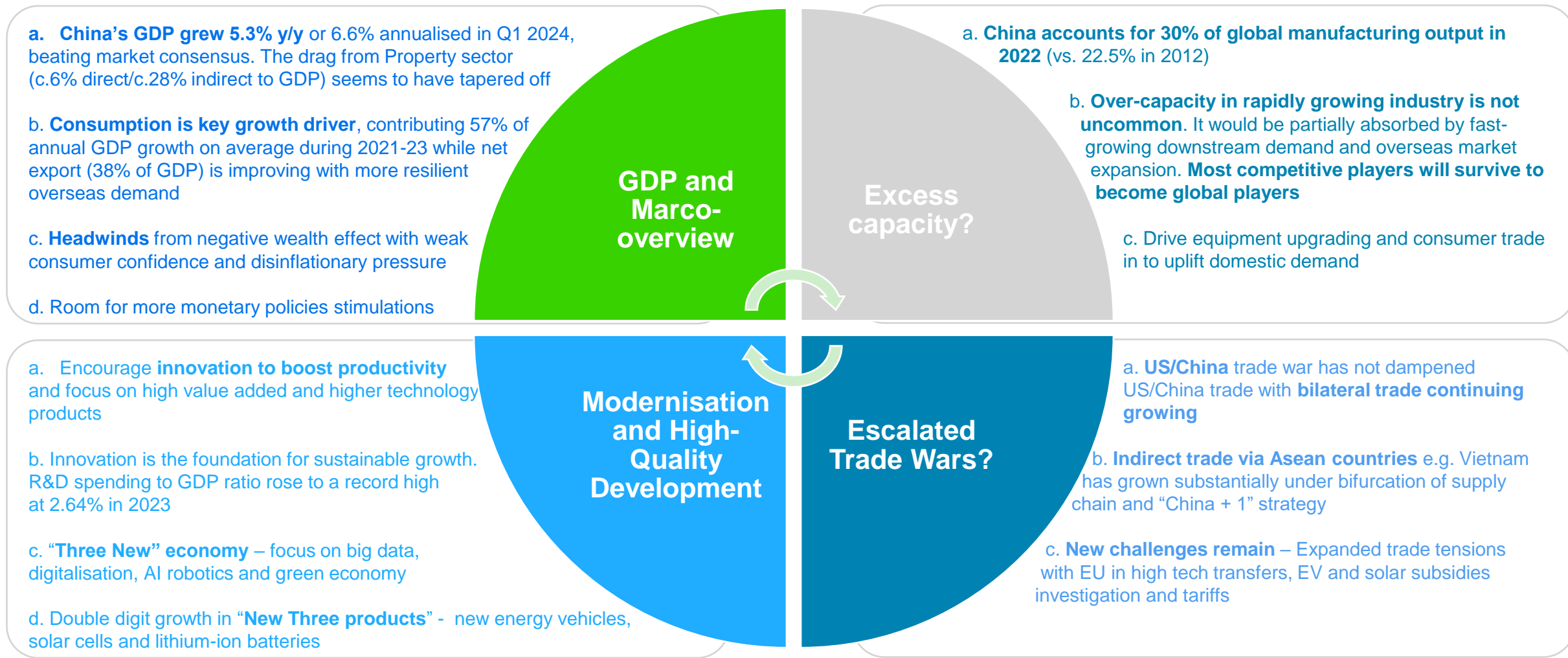


Geopolitics, Risks and CPM Strategies: View on China and Beyond

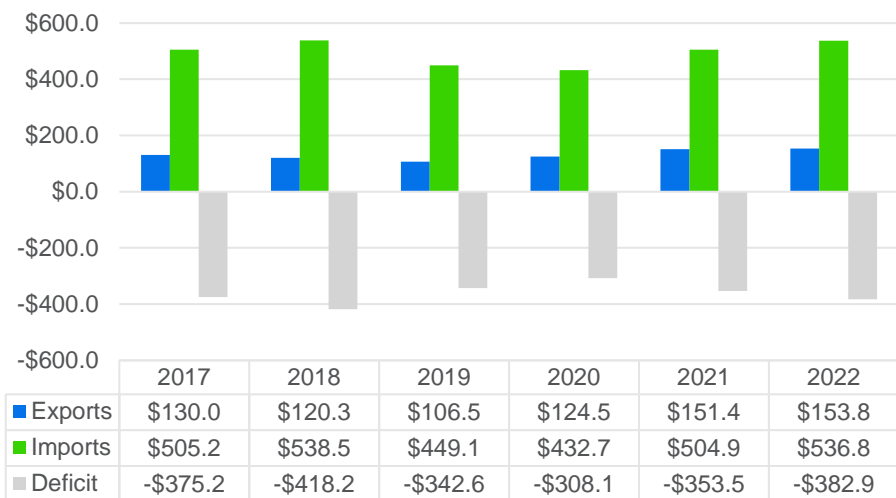


Key Observations

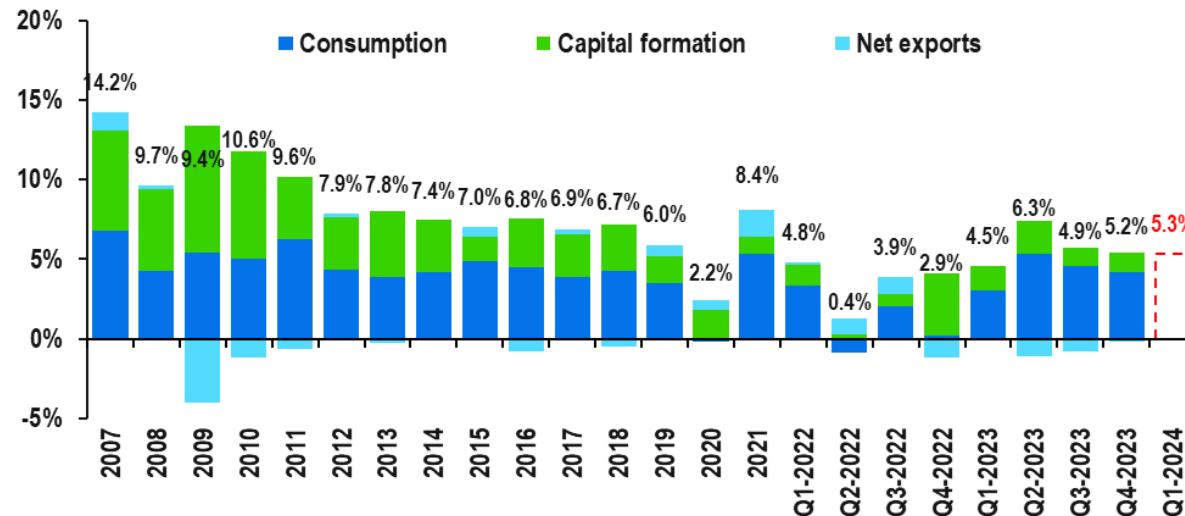


Boosting Consumption is the priority to drive GDP growth

US with China: Total Trade in Goods (\$billion)



China GDP growth, % y/y



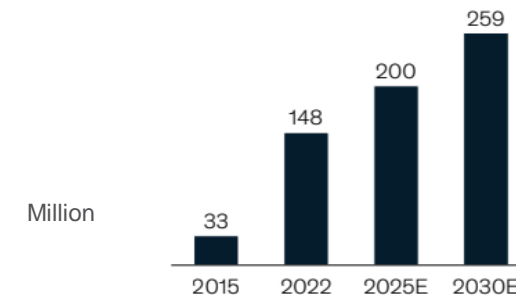
Trade Tariff?

- In 2022, both U.S. exports to China and imports from China continue to **grow for a third year in a row**. U.S. export totalled \$153.8 billion, an increase of 1.6% (\$2.4 billion) from 2021; U.S. imports from China totalled \$536.8 billion, an increase of 6.3% (\$31.8 billion); and the **trade deficit with China was \$382.9 billion, an increase of 8.3% of (\$29.4 billion)**.

Boosting Consumption

- China continues pivoting towards **consumption-driven** growth model
- State Council announced Action Plan for large scale equipment renewal and consumer goods replacement in April 2024.
- Upper-middle and high-income households may reach 200 million by 2025 and 260 million by 2030.**

Number of upper-middle and high income households (>160,000 RMB annual household income)

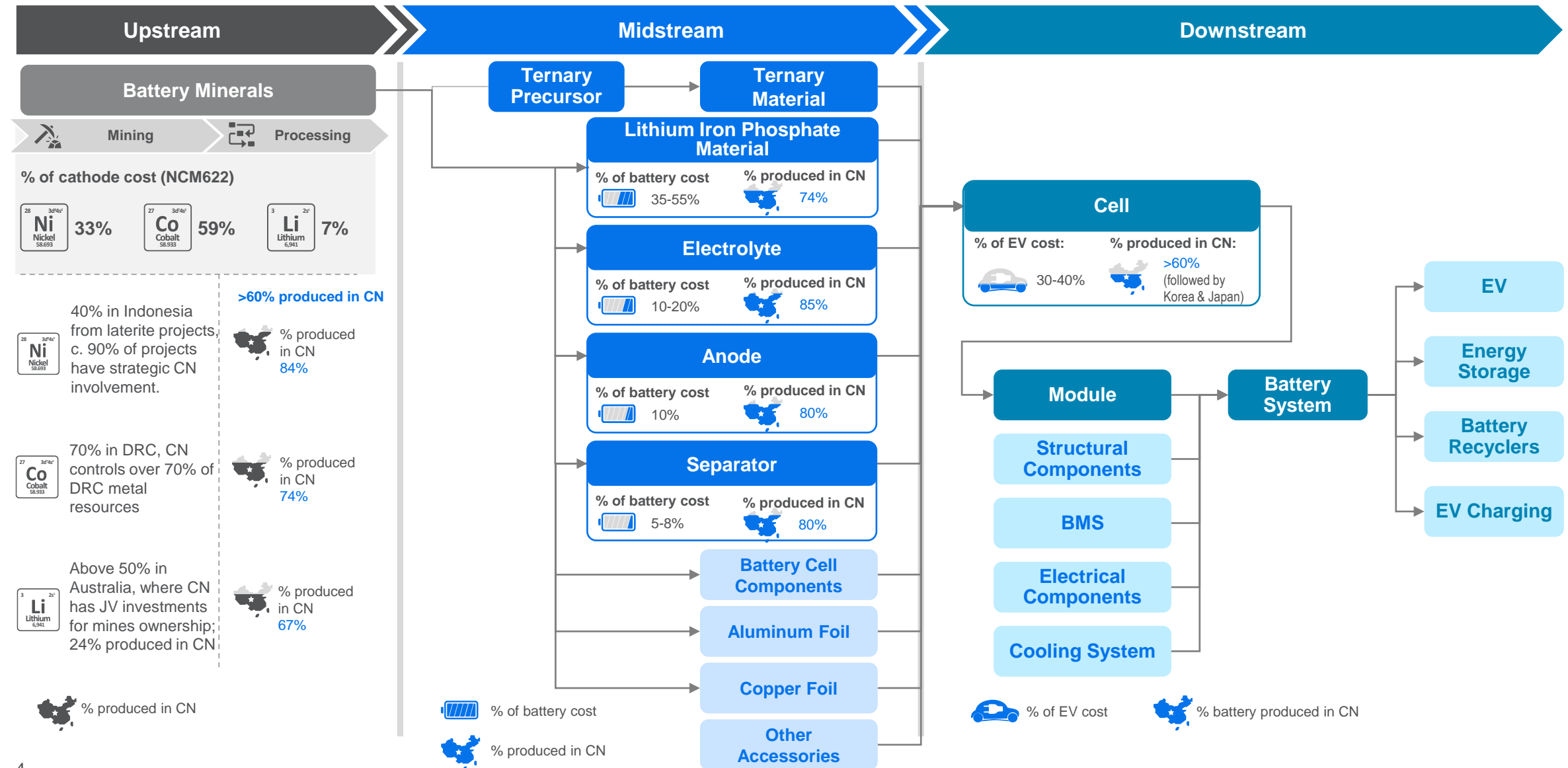


Upper-middle and high income households as % of all urban households



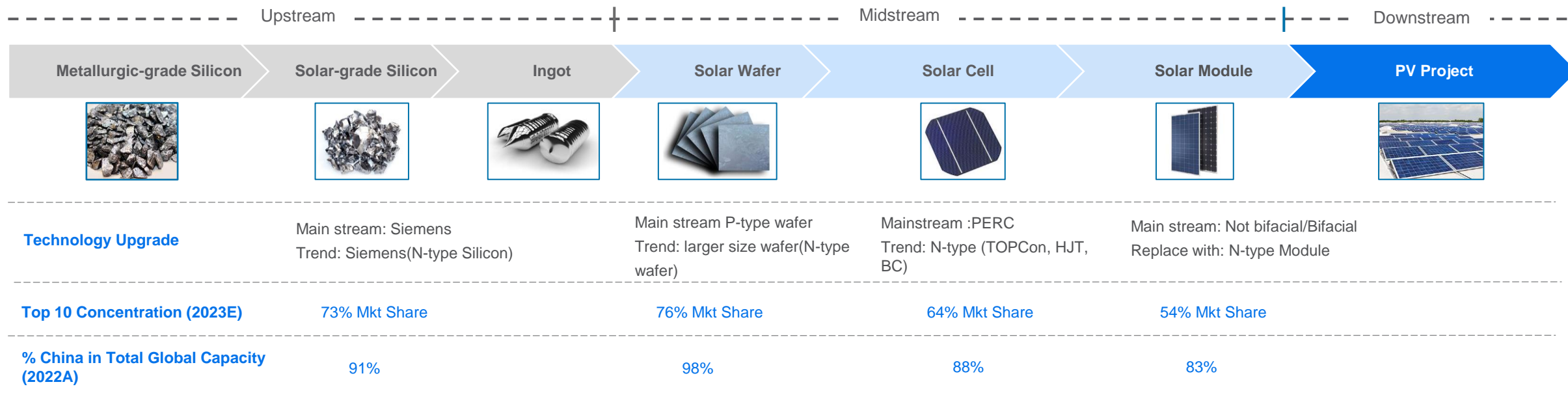
China holds a commanding position in the EV battery value chain...

It will be both costly and timely to exclude Chinese components in pursuit of a clean energy vehicles strategy



...as well as the Solar value chain

China is already focusing on capex on the next technology upgrade



- **China** was the largest solar market with **58%** of the new PV installations globally in 2023, **EU** and **US** followed with **15%** and **9%** respectively. US PV installation is expected to grow fastest at **CAGR of 46%** from FY23-25, driven by local supporting policies such as IRA.
- China dominates the entire value chain, with Chinese manufacturers represent **over 80% capacity**
- China has more than **540k** solar players in total; industry is **highly concentrated** with top 10 manufactures taking **55%-73%** of market share in all key sectors.
- Structural overcapacity is driven by technology upgrades: **over 87%** of cell capacity announced in China will use next-generation **N-type** technology, which will be in tight supply.
- Leading players are **vertically integrated**, to secure upstream supply and maintain market dominance, e.g. Tongwei, Longi, Trina, Jinko, JA Solar, CSI, etc.



EV OEM Industry Dynamics – “China + 1” strategy

China is the market leader with ambitious globalisation plan

Key Players in the EV Industry

Global Top 10 EV Makers by Shipment in 1-11M 2023 (k units)

| | |
|-------------------|-------|
| BYD (CN) | 2,556 |
| TESLA (US) | 1,603 |
| VW (EU) | 884 |
| GEELY/ VOLVO (CN) | 800 |
| SAIC (CN) | 739 |
| STELLANTIS (EU) | 531 |
| HYUNDAI/ KIA (KR) | 514 |
| GAC (CN) | 471 |
| BMW (EU) | 459 |
| CHANGAN (CN) | 418 |

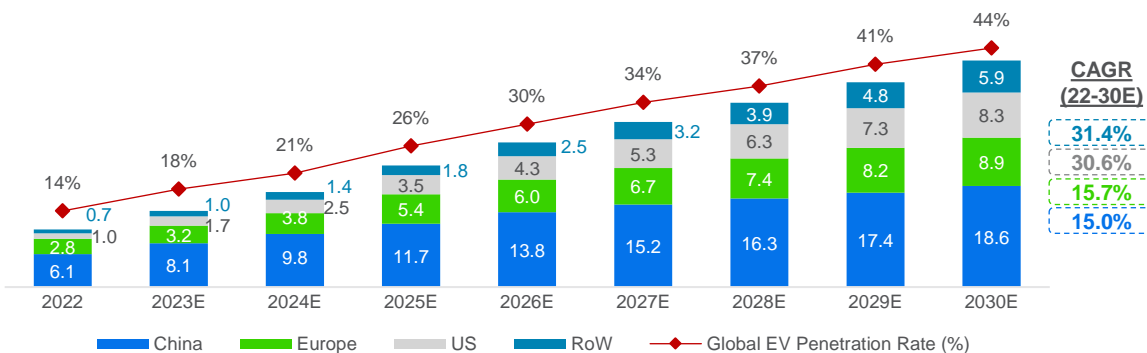
Other Key EV players in Asia (k units)

| | |
|--------------------|-----|
| TOYOTA/ LEXUS (JP) | 208 |
| TATA (IND) | 64 |

Sources: SNE Research <Annual Cumulative Global EV Deliveries (BEV+PHEV, incl. Commercial)> , OEMs websites

- Top 10 EV makers accounted **over 70% of global EV sales.**
- China had **5 seats among global Top 10**, representing nearly 40% of global sales.
- More than half of Tesla EVs are produced in China**

Global EV Market Landscape



6 Sources: BNEF, Annual reports, company websites

China EV Competitive Advantages

- China has **high electrification rate** (40% in 2023)
- Strong cost-efficiency** is achieved through China's comprehensive EV supply chain
 - e.g., Tesla Model 3 enjoys lowest production costs of USD32k per unit in China, vs. USD44k in US and USD45k in EU.
- Auto intelligence system**, which China EV makers have built up with support from leading technology companies, will be the key for success in the next phase of competition
- International OEMs are **seeking Chinese cooperation for both EV and autonomous driving**
 - e.g., Audi & SAIC JV, VW USD700mn investment in Xpeng and EUR2.4bn investment in Horizon Robotics, Stellantis USD1.6bn investment in Leapmotor, etc.

China EV Players Globalization Strategy

- Chinese players to seek local partners in SEA and could leverage SEA production to sell into Africa and US. And continue to attract investment from MENA into Chinese EV players

| Southeast Asia | | | Europe | | |
|------------------|--------|-----------------|-------------|--------|-----------------|
| Company | Region | Annual Capacity | Company | Region | Annual Capacity |
| BYD | | 150k | SAIC | | Announced plan |
| Great Wall Motor | | 120k | GEELY Geely | | 250k |
| SAIC | | 100k | BYD | | 200k |
| GAC Group | | 50k | CHERY Chery | | Announced plan |
| Hozon | | 20k | | | |
| 长安汽车 Changan | | 100k | | | |



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