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STRATEGY AT MARKET SPEED

Let the market write the next move



Haier

Zero Distance

17 years

the world's No.1 major-appliance brand by sales volume through 2025

1

Most large companies put layers between the people who understand customers and the people empowered to make decisions. Haier has spent two decades trying to remove those layers.

The model remains visible in its products today. In 2025, Haier's user-led three-drum washing machine exceeded 300,000 units sold, while the Leader brand behind it grew revenue 30%. It is one contemporary expression of a broader operating philosophy designed to bring customer signals closer to the people able to act on them.

That philosophy was formalised in 2005, when founder Zhang Ruimin introduced *RenDanHeYi*, a management model built around "Zero Distance" between employees and users. Instead of organising primarily through traditional hierarchy, Haier created autonomous microenterprises with authority to make decisions, hire talent, and share in the value they create. The principle is simple: people closest to users should have the power and incentive to respond as their needs change.

The model now operates at enormous scale. Haier has been the world's No.1 major-appliance brand by sales volume for 17 consecutive years through 2025. Haier Smart Home reported USD 45 billion in 2025 revenue and almost USD 3 billion in net profit.

Perhaps the more revealing test came from outside China.

After Haier acquired GE Appliances in 2016, its US-based leadership adapted Zero Distance to its own business and market, reorganising around microenterprises with closer ties to consumers and greater autonomy. GE Appliances says *RenDanHeYi* helped accelerate and scale an entrepreneurial mindset it had already begun developing, including through FirstBuild, rather than replacing what came before.

That distinction matters. It shows how a management model developed in China can be adapted by local leadership rather than mechanically transplanted. GE Appliances subsequently described 2016 - 2021 as the most successful five-year period in its history, while its team describes the operating model as an important enabler of faster movement from ideas to execution.

Zero Distance collapses the gap between market signal and organisational response. Strategy can move faster when the people hearing from customers are closer to the authority to act.



USD 45 billion

Haier Smart Home 2025 revenue

2x

GE Appliances reported doubling the size of its business following five years of investment

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STRATEGY AT MARKET SPEED

Let the market write the next move



Moonshot

When live demand becomes the operating system

USD 1 billion ARR

in August 2026, up from USD 300 million in June and USD 100 million in March

Most AI labs plan first and measure later: a roadmap sets the release calendar, and the market eventually determines whether the plan was right. In China, the order can invert. Chinese labs shipped more than 30 significant model releases in the 47 days before the 2026 Spring Festival. At that cadence, the market becomes part of the planning process.

Moonshot's key insight is not stronger models. It is to treat publication as instrumentation. Its K-series models ship under permissive MIT-style licences. Open weights do more than spread the brand: downloads, fine-tuning, and API calls make demand legible in real time.

The clearest test came with K3's release on 16 July 2026. Customer requests surged beyond forecast within 48 hours and the GPU fleet quickly saturated. Within days, Moonshot suspended new consumer subscriptions and redirected available compute to existing paying users, while reallocating entitlements between Kimi and Kimi Code. Rather than quietly throttle access or simply raise prices, Moonshot responded to the market signal by moving resources.

Live demand also informed what to stop. When DeepSeek took the consumer lead in early 2025, Moonshot cut consumer marketing and advertising, allowed consumer traffic to fall, and closed side projects, re-anchoring resources on foundational models, reinforcement learning, and agents. API demand moved from a supporting channel to the main business and now accounts for more than 70% of revenue.

The same logic extends to compute. Moonshot models are released under permissive licences with OpenAI-compatible endpoints, and the company is in talks with Microsoft, Amazon, and Google over hosting arrangements that could carry a revenue share of up to 30%. When compute constrains growth, capacity can therefore extend beyond Moonshot's own infrastructure.

The result is an organisation capable of reallocating on different clocks: hours for capacity, days for pricing, weeks for products, and months for architecture.

Peer labs in the U.S. have managed similar capacity pressures through pricing and access terms rather than resource reallocation. Anthropic, for example, moved Claude Enterprise toward usage-based billing in April 2026 as agent workloads grew, and restricted third-party agents' access to consumer subscriptions to preserve capacity for its own services. These are different responses to the same underlying challenge: balancing fast-growing demand against finite compute.

Moonshot's approach is to let demand speak first, and then to move. Behind Kimi is a strategy continuously informed by live demand, and an organisation built to act on it quickly.

3 days

from K3's launch to the suspension of new consumer subscriptions, after demand exceeded forecast and available GPU fleet saturated



20 days

after K2.5 launch – time it took cumulative revenue to surpass the whole of 2025; overseas revenue overtook domestic revenue for the first time



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STRATEGY AT MARKET SPEED

Let the market write the next move



SHEIN

A fashion platform built to outrun the speed of the market

Up to 10,000 new products in a day

and only 6% of inventory remaining in stock for more than 90 days

Fashion has traditionally been a forecasting business. Designers, buyers, and merchandisers commit to trends long before they arrive. Success depends heavily on predicting demand correctly. Failure leaves warehouses with much unsold inventory.

SHEIN reduces this risk through its Large-scale Automated Test and Reorder operation model. Rather than trying to predict what customers will buy, it minimises commitments until customers reveal their preferences.

The process begins with experimentation. New designs go to a partner factory for a first run of 100 to 200 pieces and are immediately exposed to the market. Styles that gain traction are reordered at volume within 5 days, while items that spark little response are immediately filtered out. SHEIN doesn't predict what will sell, because it never has to commit before it knows. Demand determines production rather than the other way around.

This model depends on tight alignment of the supplier base. SHEIN's first runs are absorbed by a dense cluster of some 7,500 closely aligned contract manufacturers concentrated around the Pearl River Delta. Once demand is validated, replenishment orders can be triggered automatically – allowing for successful products to move from experiment to mass production quickly. In 2025, this model was achieving a product inventory turnover of 36 days, compared with Inditex's 71 days and Uniqlo owner Fast Retailing's 114 days.

The result is a business designed around learning rather than forecasting. Small initial runs allow SHEIN to test a broad flow of new products while limiting its exposure to demand failing to materialise. Since 2023, the company has kept unsold inventory at low single digits, compared with an industry average of 30%. Customers continue to encounter thousands of new items as the system continuously tests demand, filters weaker propositions, and scales those that gain traction.

The approach has powered SHEIN's growth. From a small wedding-dress drop shipper to a fast-fashion juggernaut, SHEIN's revenue reached USD 42 billion in 2025. Yet the company's real innovation is not operational speed. SHEIN has built a system in which strategy is continuously informed by customer behaviour. Rather than relying primarily on forecasts made months in advance, SHEIN brings real market signals directly into decisions about what should be scaled, replenished or stopped.

33% growth rate

Revenue climbed from USD 10 billion in 2020 to USD 42 billion 2025, a 33% annual growth rate



USD 70 million

committed to supplier cluster development, with first Garment Manufacturing Innovation Centre opened in 2023

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STRATEGY AT MARKET SPEED

Let the market write the next move



Xiaomi

The car that keeps getting built

200,000

the number of YU7 orders in first three minutes



For more than a century, automakers have followed a similar cadence. Vehicles are researched, developed, engineered, tested, and launched. Once they leave the factory, significant improvements traditionally wait for the next model year.

Xiaomi operates on a different assumption: launch is not the end of development. It is the beginning of a continuous feedback cycle.

When the SU7 entered the market in 2024, Xiaomi immediately established a visible customer-feedback loop. Within weeks, owner questions and complaints were being addressed through public Q&A updates, with software fixes following. Within ninety days, the SU7 had already received three major over-the-air upgrades affecting areas from battery management to driver-assistance performance.

This approach did not originate in the automotive industry. It came from Xiaomi's roots in smartphones, where the company had spent more than a decade incorporating user feedback into frequent software releases. Rather than treating customers solely as recipients of finished products, Xiaomi brought them closer to the development process.

Xiaomi has extended that approach into vehicles. By May 2026, its owner Q&A programme had run more than 240 iterations, while vehicle software updates had settled into roughly monthly release cycles. Owners can also participate in early-access OTA programmes, testing new functionality before broader deployment.

The result is that Xiaomi's vehicles can continue evolving after purchase. Product improvements do not always have to wait for the next generation; customer feedback can influence products while they remain in market. This feedback loop is one element of a broader automotive model spanning vehicle development, manufacturing, sales, and software, but it illustrates particularly clearly how Xiaomi brings market signals back into product decisions.

The wider automotive business has scaled rapidly. Xiaomi delivered more than 800,000 vehicles in its first three years. The YU7 received 200,000 locked orders within three minutes of launch and nearly 290,000 within its first hour. By late 2025, Xiaomi's automotive business had achieved its first quarterly operating profit.

The lesson is not simply that Xiaomi updates software frequently. It is that it has brought a software-style feedback loop into automobile development. Launch creates another source of information, allowing market experience to continue shaping the product after it reaches customers.

150+ changes

in OTA 1.16 for SU7 and YU7 in May 2026



Q3 2025

first quarterly operating profit for Xiaomi Auto, with gross margin rising from 17.1% to 25.5% on 108,796 deliveries

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2

THE INDISPENSABLE LINK

Become the capability others build around



BYD

From building the battery to building the system

75-80%

of core vehicle components produced internally



BYD did not begin as a car company. Founded in 1995 as a rechargeable-battery manufacturer, it entered the automotive business in 2003 and subsequently built capabilities across many of the technologies that determine how an electric vehicle performs and what it costs.

That history shaped a distinctive strategy: build many of the critical technologies inside the company rather than assemble a vehicle primarily from externally sourced systems.

Today, BYD produces batteries, electric motors, power electronics, and automotive semiconductors alongside vehicles. Estimates vary, but external analysis puts the share of core vehicle components produced internally at around 75 - 80%. Research by Rhodium Group identifies vertical integration as a major structural source of cost advantage for Chinese EV manufacturers, highlighting BYD's in-house production as a driver of higher margins despite lower vehicle prices.

The advantage goes beyond supply security. When engineering across the battery, drivetrain, electronics, and vehicle happens within the same system, technologies can be optimised together. BYD's Blade Battery, for example, uses cell-to-pack architecture to reduce components and improve use of space, while its broader integration allows innovations to move across vehicle platforms rather than being negotiated separately with multiple suppliers.

Over time, capabilities originally built for BYD itself have also become products others want to use. Through FinDreams, BYD supplies batteries and other components externally. BYD was already the world's second-largest EV battery producer in 2025, with 194.8 GWh of installations and 16.4% global share. External battery supply has also grown, with reported customers including Xiaomi, XPeng, and NIO.

That combination of internal scale and external relevance is important. BYD is not indispensable because competitors have no alternatives. It becomes strategically valuable because capabilities developed at enormous scale inside its own products can increasingly strengthen the products and systems of others.

The model has supported extraordinary growth. In 2025, BYD sold 2.26 million battery-electric vehicles, surpassing Tesla's 1.64 million to lead global annual BEV sales for the first time. Total new-energy vehicle sales reached 4.6 million, while overseas vehicle sales passed one million.

The lesson is not to own every part of the value chain. It is to identify which capabilities matter disproportionately, build them deeply enough to strengthen your own business, and make them valuable enough that others increasingly choose to build with you.

16.4%

global EV-battery share in 2025, second worldwide



2.26 million BEVs

sold in 2025, versus Tesla's 1.64 million



1 million+ overseas

vehicles sold in 2025

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2

THE INDISPENSABLE LINK

Become the capability others build around



Mixue

The one-yuan ice cream beyond an entire supply-chain

1.4 billion

in the first nine months of 2024 - 1.1 billion cups of fresh lemonade and 1.4 billion cups of ice-cream



In ice cream, Mixue's breakthrough was not a new flavour or a premium store experience. It was a capability that no one else in the category had built, and that its franchisees now cannot run without: an integrated supply chain that makes extreme affordability repeatable. Its USD 15 cents cone, introduced in 2005, proved that mass-market pricing could hold at scale if the system behind it were redesigned. By taking procurement, production, warehousing, and distribution in-house, Mixue turned low prices into an operating capability rather than a promotion.

That capability is why others choose to build around it. In 2025, 97.6% of Mixue's USD 5 billion revenue came from goods and equipment sold to franchisees, and franchise fees contributed only 2.4%. Franchisees fund and run their own stores, but they buy the ingredients, packaging, and machinery from the same system, so every new outlet adds retail reach and factory throughput at the same time. Mixue does not need to own the storefronts; it needs only to remain the link they cannot readily replace.

The supply chain is the distinctive asset, and it is deliberately hard to replicate. Mixue produces all core ingredients across 5 production bases and operates 28 warehouses covering more than 300 Chinese cities within 12 hours. Aggregated demand, centralised production, and dense delivery routes lower unit costs, sustaining a flywheel of lower prices, higher volumes, and greater purchasing scale. Integration also protects the promise: when wholesale lemon prices nearly doubled to USD 2.25 dollars per kilogram, Mixue held its lemonade at USD 60 cents by absorbing the volatility inside the system. A low price here is the output of supply-chain control, not the mark of an inferior product.

Mixue reversed the classic American franchise playbook. McDonald's standardised restaurants and Coca-Cola standardised distribution, but Mixue standardised the entire value chain, turning stores into a demand engine for manufacturing. By early 2025, it had overtaken Starbucks and then McDonald's by outlet count to become the world's largest food and beverage chain by stores, scaling through affordability, standardisation, and distribution density.

Mixue's edge is the system behind the USD 15 cents cone: stores create recurring demand, scale lowers costs, low prices attract more customers and more franchisees, and the cycle reinforces itself. Competitors can copy the menu or match a discount for a season, but not the accumulated density, throughput, and coordination that franchisees have already wired their businesses into. Mixue did not simply optimise a supply chain - it became the link that the market builds around.

USD 19,000

A typical outlet sells about 662 drinks a day and takes in close to USD 19,000 a month; that volume is what keeps the factories running

8,292

Of the 19,780 franchisees on the books in September 2024, 8,292 ran more than one store, up from 3,585 in 2021

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2

THE INDISPENSABLE LINK

Become the capability others build around



Zhongji InnoLight

The interface AI cannot do without

USD 6.2 billion

H1 2026 revenue, up 182.5% year on year, the value the AI build-out routed through a single link in six months

AI data centres depend on thousands of servers working together. The faster those servers exchange data, the more effective the network is at training and running AI models. That makes the optical modules which convert electronic signals into light, and carry it between servers, the component around which the entire AI build-out is organised.

Demand is accelerating faster than the supply chain can respond. The four largest American cloud operators spent USD 165 billion on capital projects in Q2 2026 alone - up 86% year on year. Meanwhile, industry estimates for 2026 demand for next-generation 1.6T modules have doubled, from 10 million to 20 million. The market needs twice as many modules, but production cannot follow.

Zhongji InnoLight has built capabilities that are increasingly central to meeting this demand. Originally listed as a manufacturer of motor-winding equipment, InnoLight entered optical communications through a USD 420 million acquisition of Suzhou InnoLight in 2017 - a transaction that brought module design, packaging, and testing together inside one company.

Its position does not rest on ownership of every input. It rests on three capabilities that customers increasingly build around: the design that sets the speed of each network generation, the capacity required to supply it, and a component route less exposed to a critical shortage. With 1.6T modules, InnoLight has pursued silicon photonics rather than relying on the EML laser route used by its main competitors, which means that shortages of EML lasers now constrain those competitors more directly. InnoLight has also expanded production capacity, including at a plant in Thailand, and buys materials and equipment ahead of anticipated orders.

The commercial effect is visible. Silicon photonics has helped lift module gross margin from 33% in the first half of 2024 to 41.5% in Q2 2025. In the first half of 2026, overseas revenue rose 210% and accounted for more than 90% of total revenue.

InnoLight demonstrates that a company need not own an entire value chain to become its indispensable link. By combining designs that support each new generation of network speed, the capacity required to supply them and a technology route less exposed to a critical shortage, InnoLight has become an important interface in the expansion of AI infrastructure.

USD 2 billion

H1 2026 net profit attributable to shareholders, up 242% year on year, more than the whole of 2025

22.2 million

optical modules of annual capacity in H1 2026, up 91% year on year, the capacity that buyers now plan their deployments around

35% of Nvidia's 2026 800G orders

2.7 million modules, a book worth over USD 4 billion, with Chinese suppliers taking 60%

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3

THE COMPANY BEYOND THE COMPANY

Grow beyond what you own



HarmonyOS

From operating system to operating ecosystem

3 years

from 2021 to 2024, 3 years from Android-based HarmonyOS to native HarmonyOS

The most powerful ecosystems do more than extend the reach of a company. They allow it to compete in industries it could never, and need not, build alone.

Huawei first demonstrated that logic in software. HarmonyOS created a common environment connecting Huawei devices with outside developers, applications, and hardware. By August 2026, HarmonyOS 6 had passed 80 million devices, while Huawei reported more than 100,000 native applications and over 400,000 apps available on HarmonyOS phones.

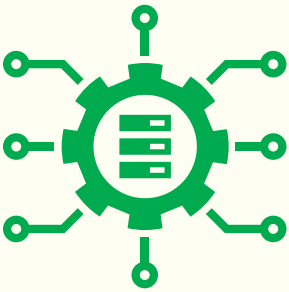
But the more revealing test of the model is no longer the smartphone. It is the car.

Through the Harmony Intelligent Mobility Alliance, or HIMA, Huawei has entered one of the world's most complex industries without becoming a conventional automaker. Instead, it works with established manufacturers across five vehicle brands: AITO with Seres, Luxeed with Chery, Stelato with BAIC, Maextro with JAC, and Shangjie with SAIC. The partners manufacture the vehicles, while Huawei contributes capabilities spanning HarmonyOS smart cockpits, driver-assistance systems, and other vehicle technologies. In the deeper HIMA partnerships, Huawei has also participated in areas such as product definition, design, marketing, retail, and customer experience.

The model has reached meaningful scale. HIMA surpassed 1.52 million cumulative vehicle deliveries in 53 months by August 2026. Meanwhile, Huawei's Intelligent Automotive Solution business generated USD 6.7 billion in revenue in 2025, up 72.1%, with more than 38 million intelligent automotive components shipped.

The ecosystem continues to evolve. In September 2026, Seres assumed greater responsibility for AITO's products, marketing, sales, and service, while AITO remained within HIMA and Huawei continued supporting it. The other four HIMA brands remained under the existing Huawei-led model.

The lesson is not simply that Huawei expanded from phones into cars. It is that ecosystems can become vehicles for entering industries no company needs to master alone. HarmonyOS built the digital foundation; HIMA extends that logic into the physical world, combining Huawei's technology with the manufacturing capabilities and expertise of partners. The company becomes larger than its own organisational boundaries.



5th

HIMA ranked fifth in sales with around 330,000 units and a 4.9% share of 2026 Jan-Aug NEV retail



USD 6.7 billion

Huawei's Intelligent Automotive Solution business generated USD 6.7 billion in revenue in 2025

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3

THE COMPANY BEYOND THE COMPANY

Grow beyond what you own



Siemens

When the factory becomes an innovation platform

1,700+

solutions available on the Xcelerator marketplace

For most industrial companies, competitive advantage comes from owning more technology than competitors. Siemens is increasingly pursuing a different model. Rather than developing every capability itself, it is positioning itself as the platform through which external innovations can reach industrial customers.

This reflects a growing challenge across industry. Technologies such as artificial intelligence, robotics, cloud computing, simulation, and industrial software are advancing too quickly for any single company to lead every domain simultaneously. Instead of trying to win every technology race, Siemens has focused on connecting technologies from many partners into a common industrial ecosystem.

At the centre of this strategy sits Siemens Xcelerator, an open digital-business platform that combines Siemens products with third-party technologies, applications, and services. By 2026, the platform had attracted more than 600 partners in China, including more than 100 AI companies and 50 robotics firms. Globally, more than 1,700 solutions were available through the Xcelerator marketplace.

The ecosystem allows Siemens to continuously incorporate innovations developed beyond its organisational boundaries. Z.ai partnered with Siemens to create industrial AI solutions, including a fluid-simulation model copilot using natural-language prompts. Alibaba Cloud joined the ecosystem to provide computer-aided engineering as Infrastructure-as-a-Service. Huayan Robotics integrated collaborative robots with Siemens technologies to develop automated 3D-inspection systems.

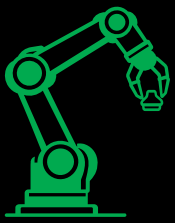
Siemens contributes something its partners cannot easily replicate: access to real industrial capability and environments. As of 2023, Siemens operated nearly 50 companies in China, 11 of which are certified national-level green factories; among them is its Chengdu facility – Siemens' first digital factory outside Germany – which grew production by 92% while cutting energy consumption and waste generation. Combined with Siemens' network of innovation centres, Siemens Digital Industries and Smart Infrastructure factories across China provide a real-world environment where emerging technologies can be tested, refined, and scaled.

The pattern is consistent across the ecosystem. Siemens does not need to own every technological breakthrough. Instead, it provides the architecture through which these innovations can be applied to industry.

The lesson is not that Siemens has built a large partner network. It is that Siemens is redefining the role of the industrial company itself. Rather than acting as the sole creator of innovation, it increasingly acts as the orchestrator of an ecosystem. In this model, competitive advantage comes not from owning every capability, but from becoming the platform where complementary capabilities come together and create value.

99%

Chengdu factory operates with >99% product quality, 75% automation rate, and annual output of >2 million SIMATIC units



5 core domains

industry, buildings, electrification, grids and transportation



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THE COMPANY BEYOND THE COMPANY

Grow beyond what you own



Toyota

Redrawing the boundaries of Toyota

3 China JVs

FAW Toyota, GAC Toyota, and BYD Toyota EV Technology feed the China R&D structure



For decades, multinational automakers entered China through joint ventures designed primarily to manufacture and sell vehicles for the local market. Toyota is now asking those structures to do something different: become part of how the company develops new capabilities.

In 2026, Toyota described its evolving strategy as "with China, for China." Toyota's ONE R&D structure brings together local development resources, while its China Chief Engineer system gives leaders closer to the Chinese market greater responsibility for product development. Toyota says the number of China Chief Engineers has expanded from four to seven, as its approach shifts from products being "adapted to China" toward being "defined by China."

But local authority is only half the story. Toyota is also changing who participates in developing a Toyota.

Its Intelligent Electro Mobility R&D Centre brings together engineering resources from FAW Toyota, GAC Toyota, and BYD Toyota EV Technology. Through BYD Toyota EV Technology, more than 100 engineers from Toyota, BYD, and FAW Toyota worked together on the bZ3.

That boundary is expanding further. Toyota's 2026 China strategy identifies collaboration with Chinese technology companies in areas including Intelligent Cockpits and Driver Assistance. It is jointly developing Driver Assistance technology with Momenta, while its strategic partnership with Pony.ai has produced a mass-production L4 autonomous bZ4X Robotaxi undergoing road testing ahead of planned commercial operations in Guangzhou, Shenzhen, and Beijing.

The significance is not simply that Toyota has Chinese partners. Multinationals have worked with local partners for decades. What is changing is where product authority sits and how capabilities are assembled. China-based engineers are gaining greater responsibility for defining products, while capabilities from Toyota's joint ventures and external technology partners increasingly become part of the development system itself.

For now, this model is explicitly focused on China. But it raises a larger strategic question for every multinational: can capabilities and organisational practices learned in one market eventually strengthen how the company competes elsewhere?

The lesson is not simply to localise global innovation. It is to allow important markets to become sources of organisational learning, giving local teams the authority to define what should be built and to access to the capabilities inside and outside the company needed to build it.

11.3 million

Toyota's 2025 global vehicle sales



4 → 7

China Chief Engineers as Toyota expands locally led product development.

100+

Toyota engineers working alongside BYD and FAW Toyota teams on the bZ3.

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3

THE COMPANY BEYOND THE COMPANY

Grow beyond what you own



Volkswagen

Turning a supply network into a transformation network

80%

at least 80% of SVW's supplier base sits in Anting or are located the Greater Shanghai area



China's automotive market is changing rapidly. New Energy Vehicles (NEV) now represent a majority of passenger-car retail sales, while intelligent and assisted-driving technologies are changing consumer expectations of what a vehicle should offer.

For established automakers, responding requires new capabilities that do not sit within the traditional automotive enterprise.

SAIC Volkswagen recognised that it could not develop every new needed capability internally or quickly enough. Instead, it started using its established local network as a platform for transformation. Its "Tech X Ecosystem" brings together autonomous-driving software from Momenta, batteries from CATL, and cloud infrastructure from Alibaba and Baidu.

The relationship goes beyond conventional sourcing. Z-One Technology CEO Li Jun has described working with SAIC Volkswagen as operating in a circle rather than a chain: because intelligent vehicles are integrated systems, partners need to work from the perspective of the vehicle as a whole rather than simply supply individual components.

A 2024 agreement with Anting Town took that logic further by clustering suppliers in a dedicated NEV and intelligent-vehicle industrial park, bringing development capabilities into closer physical proximity.

Rather than replace its existing supplier base, SAIC Volkswagen has layered new technology partners on the capabilities it has accumulated over four decades in China. Established suppliers such as Fuyao Glass now sit alongside newer partners such as CATL and Momenta. At least 80% of the supplier base is located in Anting or in the Greater Shanghai area, reinforcing proximity between the company and the ecosystem around it.

Those capabilities can then be reused across vehicles rather than assembled anew for each programme. The AUDI E5 Sportback incorporated Momenta's ADAS and was named 2026 China Car of the Year. The VW ID.ERA 9X subsequently debuted Momenta's R7 World Model and achieved more than 10,000 deliveries in its first two months.

The bigger shift is therefore not simply from combustion engines to electric vehicles. A supplier network originally built to localise production in China is becoming a capability network for transformation.

The lesson is not to bring every emerging technology inside the company. It is to build relationships deep enough that external capabilities can become part of how the enterprise learns, develops, and scales.

18

SAIC Motor and Volkswagen extend joint venture agreement to 2040, with 18 new NEV models planned by 2030



54%

NEVs accounting for 54% of passenger-car retail sales in China



62.6%

share of new passenger vehicles equipped with L2+ assisted driving in January–July 2025

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4

THE ECONOMY INSIDE THE PLATFORM

Turn attention into an economy



Amap

From intent to destination

660 million users in 100 days

Amap became the No. 1 travel-services app among users born after 2000

Traditionally, choosing a restaurant or selecting a store requires consumers to move across several services: searching for options, checking reviews, booking or purchasing, paying, and opening a map for directions. Each handover breaks context and lets another platform capture the value. That split has a history, since maps typically earned their money by selling attention rather than by serving entire journeys. Trust in recommendation was not always on the menu.

Amap, owned by Alibaba, began with an advertising-led model similar to other digital maps. It sold recommendations about where to go to advertisers, with advertising accounting for about 65% of revenue. But the model did not capture value from the visit or transaction that followed.

Amap's breakthrough was twofold. The first was 'behaviour-based trust'. Its Street Scan Ranking made recommendations from observed user actions – how far people travelled, whether they returned, and whether they made a detour – rather than from paid placement or from reviews that can be manipulated. Launched in September 2025 with an explicit promise never to commercialise the ranking, it turned navigation behaviour into evidence of genuine preference, so that users were in effect voting with their feet. In doing so, Amap rebuilt a credible system for offline consumption decisions and became information infrastructure that users could trust rather than a commercial ranking list.

The second was to fold the whole journey into a single environment - discovery, validation, purchasing, and navigation. Amap's advantage lies in its ability to determine 'location intent' precisely: search engines know what users are considering, social apps know what interests them, and maps know where they are preparing to go. Location intent is therefore a commercial signal that is both immediate and close to an actual visit, and it also enables closed-loop fulfilment. Once a destination is chosen, consumers can buy and redeem group-buying offers and launch the route without leaving the app, so a destination decision converts into a visit inside the same environment.

At launch, Amap reported 7 million restaurant locations, 120 million daily service searches, and 13 million destination navigations. The ranking drew 40 million users on its first day, a sign of how large a pool of high-intent consumers and merchants can be connected through a map. In the AI era, Amap intends to use agents to plan and execute journeys.

The result is that location is no longer a navigation signal alone. It has become a trustworthy transaction and fulfilment layer, which opens revenue beyond advertising, including aggregator commissions and traffic referrals into Alibaba's wider digital economy, while matching merchants with consumers who are close to purchase. The map no longer stops at telling users where to go. It can help take them there and support the transaction within the same environment.

70 million

daily users of the ranking, against roughly 31 million for Dianping, with nearly 860,000 merchants signing up on their own initiatives



300%

traffic growth for listed small merchants, with local catering orders up 150%



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4

THE ECONOMY INSIDE THE PLATFORM

Turn attention into an economy



WeChat

When conversation becomes commerce

125%

growth in WeChat Store orders in 2024, with gross merchandise volume reaching 1.9 times 2023 level

In digital economies, customer journeys typically move across multiple destinations. Products are discovered on social media, purchased through digital marketplaces, paid for through financial networks, and supported through separate apps. Every handoff adds friction.

By bringing more of these steps into a single environment, WeChat reduces those handoffs. What began as a messaging platform has evolved into an integrated ecosystem where discovery, transaction, payment and service can occur within the same relationship network.

An important development came through Mini Programs. Rather than building every service itself, WeChat allows businesses to operate inside the platform while drawing on its identity, social, and payment functionality. A hospital manages appointments. A retailer sells products. A transport provider takes bookings. The services belong to the businesses, but the customer remains within WeChat.

Commerce can also begin with relationships rather than search. Products can be recommended by friends, shared in group chats, gifted through conversations or discovered during livestreams. Payments occur through WeChat Pay, while services and repeat purchases can take place in the same environment.

The recently introduced "Blue Packet" gifting feature illustrates this functionality. Users can send products directly to friends through chats in the same way they send messages or transfer money. During Spring Festival 2026, gifting drove more than 40% of transactions among selected WeChat Store products. In 2024, WeChat Store gross merchandise volume reached 1.9 times its 2023 level, while orders increased 125%.

Mini Programs also extend beyond China. Uber's Mini Program serves Chinese travellers across 20 international tourism markets and accounts for 90% of Uber's new users there. Companies including FlixBus, Lufthansa, SWISS, Eurostar, Adidas, Nike, and Estée Lauder have also developed customer experiences through WeChat.

Tencent is deploying an AI Assistant that can call Mini Programs to book appointments, order products, and access services on behalf of users. The interface may change, but the underlying architecture remains consistent.

The lesson is not that WeChat has built a better marketplace. Its model shows how activities traditionally distributed across messaging, discovery, payments, commerce, and services can operate within the same digital environment. Businesses can participate directly within the customer relationship rather than requiring users to move between separate platforms.

90%

Uber's share of new users in the 20 tourism markets covered by its WeChat Mini Program, with no app download or foreign card required



65%

growth in Mini Program transaction value over Spring Festival 2026, with Malaysia up more than 140% and daily visits from users with foreign credit cards doubling

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5

A NATION OF EARLY ADOPTERS

Where the new finds its first believers



Chi Forest

The appetite for what's next

95%

company-reported accuracy in identifying products likely to succeed



New tastes need consumers willing to try them. In China, Chi Forest has been able to draw on consumers willing not only to buy unfamiliar drinks, but to propose, taste, compare, and validate new ideas before they reach wider distribution.

The process begins before products reach the shelf. At its annual "Creation Camp 2044," young people pitch concepts and hundreds of consumers evaluate unreleased drinks, spanning sparkling water, Chinese wellness drinks, prebiotic sodas, and other emerging categories. Consumers are not simply responding to finished products; they participate in generating and filtering ideas.

Chi Forest has taken that experimentation into the market. By the end of 2023, it had approximately 22,000 smart vending cabinets across 15 cities. Only around one-fifth of the products carried were its own; the remainder included products bought from the market and from direct competitors. Placing its unfamiliar products alongside established alternatives allowed actual purchasing behaviour to provide a valuable signal of consumer interest.

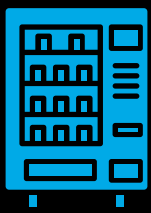
In 2024, Chi Forest tested more than 30 new products through the cabinets. Test cycles reportedly took one-sixth the time of other channels, while the company reported 95% accuracy in identifying products likely to succeed.

This approach does not mean that every experiment becomes a success. Since 2025, Chi Forest has reduced the pace of new-product launches, extended development cycles and narrowed some non-core activity. The shift itself underscores why early adoption matters: a willing market generates signals not only about what to scale, but also about where to focus.

Early consumer validation was instrumental in driving growth across several categories. In 2025, Chi Forest's vitamin water, iced tea, and electrolyte water businesses grew 128%, 56%, and 34%, respectively, while overall performance increased 26% year on year.

The advantage lies in having consumers willing to encounter unfamiliar ideas early, and at sufficient scale to generate meaningful signals. In that environment, adoption becomes part of innovation itself: consumers help reveal what deserves another iteration, greater focus or wider scale.

22,000



smart vending cabinets across 15 cities by end-2023

30+

products tested through vending cabinets in 2024

128%
56%
34%

2025 growth in vitamin water, iced tea, and electrolyte water

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5

A NATION OF EARLY ADOPTERS

Where the new finds its first believers



L'Oréal

When the market joins the lab

#1

L'Oréal maintains its position as the #1 beauty company in China

Beauty companies traditionally first research consumer preferences and then develop products that meet them. In China, L'Oréal has built a system that brings consumers much closer to innovation – so close in fact, that the behaviour of Chinese consumers has started to shape the products L'Oréal sells globally.

China is L'Oréal's second-largest market – but its strategic importance vastly exceeds its size. With access to many millions of knowledgeable, demanding, and beauty-savvy Chinese consumers, L'Oréal knows that success depends less on importing French beauty standards than on leveraging how Chinese consumers define, or redefine, beauty.

The L'Oréal Research & Innovation Centre in Shanghai is the cornerstone of this strategy. Established in 2005, the Shanghai R&I Centre hosts more than 400 researchers. Over the past 20 years, they have engaged more than 100,000 consumers in product testing each year and brought to market more than 300 new formulas. L'Oréal in China no longer just adapts global products – its focus is first and foremost on local innovation.

Today, almost two-thirds of the products L'Oréal sells in China are developed and manufactured in China. Fragrances are a case in point. Strong perfumes were once a niche category in China. L'Oréal was able to detect early on the unmistakable signs of young Chinese consumers' changing olfactory habits and launch new fragrance lines for its YSL and Aesop brands. L'Oréal took a similar approach to revamping existing products. The August 2025 upgrade of the L'Oréal Paris Collagen "Honey Pot" cream was built around a jasmine "scent architecture" specifically calibrated to Chinese olfactory preferences.

L'Oréal's model reverses the traditional flow of multinational innovation. Trends in Chinese consumer behaviour drive product innovation locally – and, increasingly, globally. A case in point is SkinCeuticals P-Tiox – a peptide serum that was fully developed by L'Oréal's China R&I team. When it reached premium stores in Europe and America, P-Tiox drove double-digit growth for SkinCeuticals. Similar China-born innovations – from L'Oréal Paris Hyaluronic Acid Haircare line to L'Oréal AirLight Pro Dryer – are delighting beauty-savvy consumers in more than 20 international markets.

Multinational companies should certainly localise their products for the China market. But the lesson learned from L'Oréal is that the Chinese consumer base offers a vast, sophisticated, and fast-changing testbed where multinational companies can innovate, test, and adapt new products and solutions as part of a global innovation strategy.

300 exclusive new formulas

L'Oréal Research & Innovation centre in Shanghai studies Chinese skin and hair biology and translates local insights into local products accounting for 64% of total China sales

94 patents in 2025

Pushing Chinese trends and innovations out into the world and into global products

USD 69 billion

China's cosmetics retail sales reached USD 69 billion in 2025, up 5% year on year, outperforming overall consumer-goods retail growth

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5

A NATION OF EARLY ADOPTERS

Where the new finds its first believers



Ping An

Underwriting Adoption

85%

adoption of AI-generated treatment recommendations in AI-MDT Pro, as reported in April 2026

Healthcare AI has no shortage of promising models. The harder challenge is getting them out of the laboratory and into real clinical environments, where doctors and patients can test how they perform in practice.

Ping An has unusual access to that environment. Its activities span insurance, healthcare services, and medical institutions – enabling technology to encounter real-world healthcare use.

Its Medical LLM 3.5 is a case in point. The model is trained using healthcare-service data from PKU Healthcare and Ping An Health – spanning screening, disease management, treatment, and rehabilitation. Its AI-MDT Pro system uses the model to support multidisciplinary tumour consultations across PKU Healthcare and Ping An Health institutions. Reported internal data as of April 2026 show doctors adopting 85% of AI-generated treatment recommendations. For breast cancer cases, agreement between the AI and senior specialists exceeds 92.5%. The tumour-focused Ping An Medical LLM 3.6 passed certification by the China Academy of Information and Communications Technology in August 2026.

Real-world healthcare experience also feeds back into development. Ping An says its Medical LLM uses healthcare-service data drawn from across the patient journey, while its development approach incorporates clinical scenarios involving incomplete information, evolving conditions, and diagnostic uncertainty.

This creates a feedback loop between adoption and development. In April 2026, Medical LLM 3.5 scored 57.27 on HealthBench Hard, compared with Baichuan at 44.4, Meta at 42.8, and OpenAI at 42.0. Across the broader Group, Ping An reported average daily AI consumption exceeding 120 billion tokens in June 2026.

For Ping An, real-world adoption therefore becomes an input into the next round of innovation. Access to willing users and real operating environments creates opportunities to learn from technology in use, helping reveal what should be refined and what may be ready to scale.



92.5%

agreement between AI and senior specialists for breast cancer cases, as reported in April 2026

57.27

Medical LLM 3.5 HealthBench Hard score in April 2026, first amongst comparable models

120 billion+ tokens/day

Ping An Group AI consumption in June 2026

252 million

retail customers as of 31 March 2026

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5

A NATION OF EARLY ADOPTERS

Where the new finds its first believers



Yum China

When millions become your test market

More than 16,000 restaurants

Yum China operates more than 16,000 restaurants in roughly 2,400 cities and towns

Most companies treat innovation as a high-risk activity. New products are carefully researched, extensively tested, and gradually rolled out. In China, companies often operate under a different assumption: launch early, learn quickly, and let consumers decide.

Yum China illustrates this dynamic well. Operating over 16,000 restaurants across 2,400 cities and towns, the company has spent nearly four decades adapting global brands to one of the world's most receptive consumer markets. The key to success is not just Yum China's ability to predict consumer demand. It is Chinese consumers' willingness to experiment at scale with new products, services, and business models.

This extraordinary willingness to adopt allows Yum China to continuously test new ideas. KFC's menu in China bears little resemblance to its U.S. counterpart – introducing localized products such as congee breakfasts or the Old Beijing Chicken Roll. Some become long-term successes. Others disappear quickly. The Old Beijing Chicken Roll, launched in 2003, remains a bestseller more than two decades later, while the French-style flatbread introduced in 2009 failed to gain traction and was withdrawn after a limited run. The market decides.

The same pattern extends beyond food. In 2014, Yum China began building its own digital ordering and membership ecosystem, anticipating that consumers would embrace mobile ordering, loyalty programs, and digital engagement ahead of many international markets. Chinese consumers responded rapidly. By 2025, KFC and Pizza Hut had accumulated 590 million loyalty members, growing 13% year on year. Digital orders accounted for approximately 95% of restaurant sales, while member purchases contributed 61% of system sales. By the second quarter of 2026, delivery represented more than half of revenue at both KFC and Pizza Hut.

The result is a business that can test, learn, and scale at speed. Yum China's second-quarter 2026 revenue exceeded USD 3.1 billion, while same-store transactions continued growing for a tenth consecutive quarter.

The lesson is not that Yum China has a better innovation process. It is that China offers something many markets do not: hundreds of millions of consumers willing to try new products, new channels, and new experiences. In such an environment, the market itself becomes a powerful accelerator of innovation, turning early adoption into a competitive advantage.



95% of restaurant sales

In Q3 2025, digital orders carried about 95% of restaurant sales and member purchases reached 57% of system sales

2 years (KFC) / 2–3 years (Pizza Hut)

New-store investment payback period

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6

INNOVATION DENSITY

Where everything innovation needs is within reach



DeepSeek

When constraints become a competitive advantage

USD 294 thousand

R1's training cost, the number that stunned the field

By late 2024, one of the hardest problems in artificial intelligence was reasoning: enabling models to think through a problem step by step rather than simply predict the next token. The dominant industry strategy was scale. Larger models, larger datasets, larger teams, and larger computing clusters were widely assumed to be prerequisites for frontier performance, and training runs for leading models were estimated at anywhere from USD 10 million to USD 100 million or more.

Chinese AI labs faced an additional constraint. Export controls had restricted access to many of the advanced chips that powered that scaling model, and conventional wisdom held that frontier performance required frontier resources. DeepSeek took a different route: rather than buying its way around the constraint, it compressed the distance between the people, the compute, and the problem.

Established in 2023 as a dedicated research lab, DeepSeek concentrated on a narrow objective, solving reasoning. Instead of assembling thousands of researchers and pursuing several priorities at once, it built a team of fewer than 140 researchers, reportedly averaging 28 years old, and kept research, engineering, and infrastructure inside the same boundary. The strategy was not to outspend rivals, but to put everything needed to make progress within reach of the people making it.

The breakthrough came through a fundamentally different approach to training. Instead of relying heavily on human-annotated reasoning examples, DeepSeek used reinforcement learning to let models discover reasoning behaviours themselves. During training, researchers observed what became known internally as the model's 'aha moment', the point at which it began checking and refining its own reasoning process. A choice of that kind depends on how short the loop is between whoever designs the experiment and whoever reads the result.

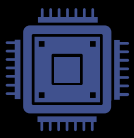
The result surprised the industry. By early 2025, the open-weight DeepSeek R1 model was widely reported to perform at levels comparable to leading proprietary reasoning models at significantly lower training cost. But the more revealing outcome was the cadence that followed. DeepSeek extended the approach through successive releases, including DeepSeek-V4 with a one-million-token context window and DeepSeek Harness, an open-weight agent framework that accumulated more than 200,000 GitHub stars.

For years, the industry's competitive logic suggested that AI leadership would belong mainly to the organisations with the largest budgets and computing infrastructure. DeepSeek demonstrated a second route. Density, rather than headcount, sets the pace of discovery: when talent, compute, and feedback sit within reach of one another, each result becomes the input to the next experiment rather than the end of a project.

The lesson is not that DeepSeek built a cheaper model. It is that it challenged one of the field's most important assumptions. In an industry racing to become larger, DeepSeek showed how putting the capabilities needed to innovate within reach of one another can be the faster path forward.

USD 22 cents

V4-Flash input price per million tokens at off-peak rates, per DeepSeek's official pricing



73%

decrease in long-context inference cost in DeepSeek-V4 (April 2026) vs. V3.2, with native support for Huawei Ascend and Cambricon chips

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6

INNOVATION DENSITY

Where everything innovation needs is within reach



XtalPi

When AI enters the laboratory

3x faster

XtalPi's Kodexia™, the world's first closed-loop siRNA Platform combining Generative AI with First-Principles Modelling, demonstrates a nearly threefold increase in molecular design efficiency compared to conventional workflows

Most scientific research still follows a sequential process. Scientists generate hypotheses, conduct experiments, analyse results, and decide what to test next. Discovery depends on how quickly this cycle can be repeated.

Founded by MIT-trained physicists, XtalPi redesigns the cycle by combining artificial intelligence, automated laboratories, and robotics into a closed-loop discovery system. XtalPi integrates AI directly into the scientific process, allowing models to propose experiments, robotic systems to execute them, and the resulting data to feed the next round of discovery.

XtalPi has carried this approach to scale. The company has developed more than 200 scientific AI models and operates over 200 robotic workstations across more than 10,000 square metres of automated laboratory space. XtalPi's products show potential in accelerating research processes. Its research platform generates roughly 50,000 reaction-yield records and 300,000 process data points every month. Multi-agent systems now manage tens of thousands of experiments each week without direct human initiation.

What makes the model distinctive is that every experiment makes the system smarter. Results generated in the laboratory become new training data for the AI models, while improvements in the AI help design better experiments. Research therefore becomes a continuous learning loop rather than a series of isolated projects. For example, its AI-powered discovery platform and Cryo-EM technology helped identify important cancer targets including SMARCA2. The same toolset subsequently supported structural research involving SARM1.

The impact is increasingly visible commercially. XtalPi has served more than 300 biotechnology and pharmaceutical companies and research institutions worldwide. Its client base covers 16 of the world's 20 largest companies in the industry. In November 2025, one of its platforms was licensed to Eli Lilly for bispecific antibody design in an agreement worth up to USD 345 million.

The lesson is not simply applying AI to science. XtalPi has integrated AI, robotics, and experimentation into a single discovery engine. Rather than making individual scientists more productive, it is rethinking how scientific knowledge itself is created. Innovation density emerges not from conducting more research, but from reinventing the research process.

300+
granted patents,

100+
partners across pharma, biotech, chemicals & materials, 10,000+ m² lab area

66%
In H1 2026, R&D investment reached USD 55 million, a 66% growth

70%
Over 70% of employees are R&D staff



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7

REGULATION IN BETA

Where the rules learn from the real world



AstraZeneca

When waiting becomes experimentation

520+ international drugs and medical devices

introduced for first use in China through Lecheng; 28 reached accelerated national approval through real-world data pathway

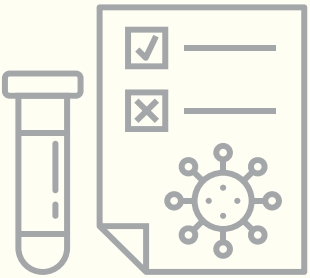
For certain drugs and medical devices, the period between overseas availability and regulatory approval in China can delay access for patients with urgent, unmet needs. China's Hainan Bo'ao Lecheng International Medical Tourism Pilot Zone offers another pathway: selected treatments can be used in a controlled, real-world environment while the formal national regulatory process continues.

Approved by China's State Council in 2013, Lecheng allows selected overseas medicines and medical devices to be imported and used before receiving full approval from the National Medical Products Administration.

AstraZeneca is a key participant in this model. At the Third China International Import Expo in November 2020, the company signed a strategic agreement with Lecheng's administration to pilot innovative oncology medicines. In 2022, its cancer treatment Enhertu was approved for use in Lecheng. That same year, AstraZeneca signed an agreement with Hainan First Chengmei Medical Industry Group to build a global innovative-drug service project in the Zone, expanding patient access to new treatments and supporting their use within the pilot environment.

The value of the model lies particularly in the real-world evidence generated through controlled clinical use. Patients can gain earlier access to selected treatments, while companies, clinicians, and regulators gather evidence about how those treatments perform in practice. That evidence can then contribute to regulatory assessment and, where appropriate, broader approval. By the first half of 2026, 28 products had reached accelerated national approval through Lecheng's real-world-data pathway, including four drugs subsequently included in the national reimbursement list.

Lecheng illustrates Regulation in Beta because access, evidence generation and regulatory learning can occur in parallel. The pilot environment creates a structured setting in which clinicians, patients, companies and regulators can learn from real-world use while the national regulatory process continues.



1.6 working days

the average approval time for a licensed drug or a medical device inside the Pilot Zone



200,000+ patient visits

for using licensed drugs and devices from inception to October 2025 – including 96,000 in the first ten months of 2025

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7

REGULATION IN BETA

Where the rules learn from the real world



Baidu Apollo Go

Let the road write the rules

330 million km

330 million km cumulative safe mileage, with no major casualty accident

Most governments regulate emerging technologies by limiting deployment until risks are understood. China's Autonomous Vehicle (AV) industry has followed a different path: use controlled deployment to generate the evidence needed for regulation. Baidu Apollo Go is the prime example.

Autonomous driving does indeed present a difficult challenge for regulators. The technology affects public safety, transportation systems, liability frameworks, insurance models, and city infrastructure. Many questions cannot be fully answered in laboratories or simulation environments. They require observation in the real world. Rather than waiting for a complete regulatory framework to emerge, Chinese cities increasingly use pilot zones and regulatory sandboxes to test autonomous driving technologies under real operating conditions. The most notable example is Baidu's Apollo Go robotaxi service in Wuhan, which is part of a broader city-scale experimentation effort.

For Baidu, the objective is to validate autonomous driving technology. For regulators, the objective is broader: to understand how autonomous vehicles interact with traffic systems, passengers, infrastructure, and public services before establishing long-term rules.

The process unfolded in stages. Geographical boundaries were gradually expanded. Operating hours were extended. Safety drivers were progressively removed. Different regulatory requirements were tested and adjusted as evidence accumulated. Each phase generated operational data that informed the next policy decision.

The result was learning at a scale impossible to replicate in a traditional pilot programme. Instead of evaluating autonomous driving through isolated demonstrations, regulators could observe millions of kilometres of real-world operation and continuously refine standards based on actual outcomes rather than hypothetical scenarios.

The significance extends beyond autonomous vehicles. The same regulatory approach has appeared across multiple emerging sectors in China, from low-altitude aviation to vehicle-to-grid energy systems. Rather than treating regulation as a static framework created before innovation occurs, policymakers increasingly use controlled experimentation to generate the information required to design better rules.

The lesson is not that Baidu developed an effective robotaxi service. It is that China has developed a mechanism for learning about new technologies through deployment itself. In this model, regulation is not simply an approval process. It becomes an active participant in innovation, evolving alongside the technology it seeks to govern.



330 million km

330 million km cumulative safe mileage, with no major casualty accident

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7

REGULATION IN BETA

Where the rules learn from the real world



State Grid

When infrastructure becomes the experiment

50 million kW

target aggregated adjustable charging capacity by 2030, up from 10 million kW in 2025

Electric vehicles are typically viewed as consumers of electricity. Through Vehicle-to-Grid (V2G) technology, they can also return electricity to the grid – potentially helping balance supply and demand. By 2025, China had almost 44 million New-Energy Vehicles (NEV) on its roads, creating a large potential network of mobile energy-storage assets. State Grid, the state-owned enterprise that operates the world's largest power grid, took on the challenge to act as the central platform builder and large-scale aggregator for V2G in China – transforming scattered NEV batteries into grid resources.

Making that network work requires more than V2G technology itself. Utilities, automakers, charging operators, battery manufacturers, and consumers need compatible systems and workable rules for how electricity moves between vehicles and the grid. The challenge is one of integration and market design: establish how multiple participants can operate together before the market is fully formed. State Grid contributes infrastructure and data platforms and serves as the overall aggregator bringing in companies such as NIO, BYD, XPeng, and CATL to supply vehicles, batteries, and charging technologies.

At the end of 2023, China's National Development and Reform Commission launched a national V2G pilot programme, calling for at least five demonstration cities and 50 bidirectional-charging projects by the end of 2025. The pilot programme allows questions of interoperability to be tested across the whole system rather than within any single location or company. In March 2025, State Grid Shanghai conducted China's first full-chain V2G verification exercise, testing 19 vehicle models from ten automakers against 13 charging systems from nine manufacturers. Passenger cars, buses, and heavy trucks participated in the same coordinated exercise, with the results informing the development of national technical standards.

The experimentation also informed expansion. Following the testing programme, regulators announced a nationwide phase involving nine cities and 30 pilot projects, using early experience as part of the foundation for wider deployment.

V2G shows Regulation in Beta operating as a mechanism for system integration. Pilots give regulators and market participants a way to test how technologies, standards, and participants fit together before a mature market model exists. As evidence accumulates, both the infrastructure and the framework around it can evolve.

180,000+ charging piles

State Grid's charging network across 273 cities in 26 provinces



19 vehicle models

/ 10 automakers / 13 charging systems / 9 manufacturers – participants in the March 2025 full-chain verification exercise

9 cities

/ 30 projects – subsequent nationwide V2G pilot phase

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7

REGULATION IN BETA

Where the rules learn from the real world



Unitree

Let the robots out of the lab

130+ robots

across 30+ vocational scenarios at Hangzhou's national embodied-AI pilot base

Robots create a dilemma for regulators: rules governing safety, accountability, and deployment are difficult to establish before machines have accumulated meaningful real-world experience. But that experience is difficult to generate if robots cannot leave the laboratory. Unitree, a leading Hangzhou-based robotics manufacturer, is participating in government-supported testing environments designed to bring the two processes closer together.

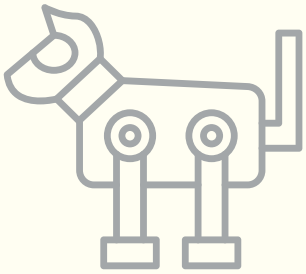
Hangzhou Binjiang High-Tech Zone, Unitree's home base, provides an environment in which technology testing can inform regulatory development. The National AI Application Pilot Base for Embodied Intelligence was established with Unitree as a key industry participant. The Pilot Base now puts more than 130 robots to work across 30+ vocational scenarios, from power-line inspection and fruit picking to underground operations.

Those environments can extend beyond the Pilot Base. In Shanxi, one of China's major coal-producing provinces, cooperation between Hangzhou Binjiang and Shanxi led Unitree and the Pilot Base to develop specialised mining robots with local partners. Field testing exposes requirements that are difficult to reproduce in a laboratory: mines can present explosion risks, high temperatures, and uneven terrain. Unitree's B2-Ex reflects adaptation to these more demanding conditions, with greater weight than the standard B2 and explosion-proof LIDAR fitted as standard.

The resulting development-regulatory cycle is straightforward: deploy, observe, adapt, regulate, deploy again. Real-world testing can simultaneously reveal how robots need to change and provide regulators with evidence about the safeguards real deployment requires.

Hangzhou's embodied-intelligence regulation, the first local law of its kind in China, took effect on 1 May 2026. Unitree participated in legislative consultations, and its proposal for robot coding management was incorporated into the regulatory process. The regulation includes coding traceability and a sandbox-supervision mechanism with graded, scenario-based classification.

This is regulation learning alongside innovation. Controlled environments allow emerging technologies to encounter real-world conditions while giving policymakers evidence with which to refine the rules governing their deployment.



8 specialized fire-and-rescue robot
models in Unitree's emergency line

700+ robotics companies
in Hangzhou – with the city's embodied-intelligence industry cluster valued at USD 16 billion in 2025

Embodied-intelligence regulation
took effect in Hangzhou on 1 May 2026 – including sandbox supervision and coding traceability

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8

THE INDUSTRIAL ADVANTAGE

Where the foundations for scale run deep



Envision

From renewable power to reliable energy

1st

the world's first zero-carbon industrial park, commissioned at Ordos in April 2022, which became the template for the group's park model at Chifeng and elsewhere

Wind and sunlight are free, sustainable resources, but neither arrives according to industrial demand. Mainland China added a record 126GW of wind in 2025 - the first market ever to pass 100GW in a year - as global additions reached 169GW. The constraint has shifted from generating electricity to absorbing and scheduling it, and green hydrogen poses the same problem: industry needs continuous energy even when renewables fluctuate.

Founded in Jiangyin in 2007, Envision started as a wind-turbine manufacturer and progressively built capabilities across a much broader renewable-energy stack. It was the first turbine maker ever past 100GW of cumulative capacity – now 103GW – and has led global turbine orders for four years running. Its 20.9GW of 2025 commissioning ranked second worldwide, nearly a quarter of it outside mainland China.

From its wind-turbine foothold, Envision expanded sideways into solar, storage, hydrogen, ammonia, and methanol, and downwards into gearboxes and bearings, and now runs 14 gigafactories across six countries. Integration runs deepest in storage, where Envision builds every layer – cells, PCS, BMS, EMS, SCADA, and trading – under its own EnOS system. In 2025 it completed a 12.8GWh cluster across six Inner Mongolia sites, anchored by the 4GWh Jingyi Chaganhada station, the world's largest single storage station.

At Chifeng, in Inner Mongolia, Envision extended that model from electrons to molecules: a green hydrogen-to-ammonia complex pairs a 2GW, 100%-renewable power system with AI-driven dispatch and chemical production. The first 320,000-tonne phase of the 1.52 million-tonne project is in operation, targeting 1.5 million tonnes a year by 2028, and the first cargo shipped overseas in March 2026.

Industrial depth of this kind is not an end in itself. It is what makes scale repeatable. Bringing generation, storage, chemistry and scheduling software together changes the proposition from individual pieces of hardware toward energy reliability. The same layers of cells, converters and controls can be deployed at subsequent sites without rebuilding the industrial capabilities behind them.

Wind and sunlight cannot be owned, nor can the weather that delivers them. The most valuable capability is the integrated industrial stack that converts intermittent energy into electricity a grid can trust, and into molecules industry can store, transport, and use. The resource is free; reliability is manufactured.

40GWh

storage cell supply agreements signed with more than ten integrators in 2025, while Envision AESC operates 13 battery gigafactories and became the industry's first mass-producer of 300Ah-plus storage cells

7.2GWh

the volume of storage China General Nuclear put out for competitive bids in 2026 with Envision Energy winning the first lot

54.2%

14 day settlement revenue of 250MW/500MWh Yancheng project in excess of local average – from use of Envision's in-house cells, PCS, BMS, EMS, SCADA, and trading platform

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THE INDUSTRIAL ADVANTAGE

Where the foundations for scale run deep



Luxshare

Turning complexity into capability

USD 610 million

total consideration for the initial 50.1% stake in Leoni

Luxshare Precision built its scale in consumer electronics, but the deeper advantage is what the company learned while building at that scale, and how those capabilities are now being reapplied elsewhere.

Consumer electronics demands the ability to industrialise complex products repeatedly. Luxshare describes capabilities that extend from product definition and industrial design through process development, high-yield mass production, and lifecycle services. Across more than 110 production facilities and 16 R&D centres, this has produced accumulated expertise in engineering, automation, production processes, and operating at scale.

None of that is specific to consumer electronics. Luxshare has carried those capabilities into communications and data centres, and into automotive electronics, which alongside consumer electronics now form its three core businesses. The product changes, but an underlying industrial challenge remains: integrating increasingly complex components and technologies into reliable systems, then manufacturing those systems efficiently and repeatedly at scale.

Automotive shows the model moving into a particularly demanding environment. A typical vehicle can contain several kilometres of electrical wiring comprising hundreds to thousands of components. Wiring-harness production remains one of the least automated stages of vehicle manufacturing, and is precisely the kind of problem that yield engineering and vertical integration are built to solve.

In 2025, Luxshare acquired 50.1% of Leoni – bringing together Leoni's automotive wiring expertise and global customer relationships with Luxshare's electronics and manufacturing capabilities. Leoni identified opportunities from combining the two product portfolios with joint development, vertical integration, and production capabilities. Luxshare raised its stake to 74.9% in April 2026 – giving it room to drive integration without negotiating every step.

The ambition extends beyond producing individual components. In July 2025, Luxshare presented automotive technologies spanning high- and low-voltage connections, wiring harnesses, ADAS, smart cockpits, and intelligent chassis. The company described its approach as moving 'from critical components to full systems'.

What makes this a platform rather than a set of adjacent bets is reuse. The same process library, automation know-how, and yield discipline built for handsets and wearables shorten the learning curve in a wiring-harness plant, and the same supplier relationships carry across into connectors and chassis modules. Each new market therefore starts from an accumulated base rather than from scratch, which is what turns industrial depth into scale.

That progression captures the Industrial Advantage. Manufacturing at scale does not just produce products. It accumulates engineering knowledge, production capabilities, and systems expertise that become the foundation for the next product, customer, or industry.

The experience of solving complex industrial problems can become a capability in its own right, one that can be redeployed, combined and scaled into new markets.

USD 6 billion

Leoni's 2023 revenue at the point of acquisition, after several challenging restructurings and years of losses

26 countries

Leoni's production footprint, giving Luxshare local capacity across Europe, North Africa, and the Americas

Deloitte.

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THE INDUSTRIAL ADVANTAGE

Where the foundations for scale run deep



Qingshan Energy

From resource in the ground to industry at scale

USD 61 billion

Qingshan's 2024 group sales, 14th among China's private enterprises

At first sight, owning nickel looks like a meaningful natural-resource advantage. In practice, ore captures only the first and most volatile layer of the value chain. Indonesia has prohibited the export of unprocessed nickel since 2020 and increasingly manages production through quotas, so miners are exposed both to fluctuating commodity prices and to government-determined volumes. The stronger position belongs to operators that convert ore into industrial materials.

Qingshan Energy has built exactly that position by integrating resources, energy, logistics, and processing. The group operates more than 10 million tonnes of stainless crude-steel capacity and 300,000 tonnes of nickel-equivalent ferronickel capacity. Its new-energy chain extends from nickel and cobalt mining through hydrometallurgy, precursor production, cathode materials, and battery applications.

The Indonesia Morowali Industrial Park shows the model at its clearest. Rather than exporting ore for others to process, the park connects mining, smelting, stainless-steel production, and rolling with captive power, coke plants, and port infrastructure. The Oracle Nickel Project adds four rotary-kiln electric-furnace lines and a 380MW power plant. Alongside it, the Huayue Project produces mixed hydroxide precipitate, an intermediate used in ternary battery materials.

What the park really provides is a platform. Power, port capacity, coke, smelting, and site services are built once and then shared, so each additional process arrives as a module on top of an existing base rather than as a greenfield project. That is what turns industrial depth into scale: the second and third conversion chains cost less to build, connect, and operate than the first, and the group can enter a new materials market without recreating the infrastructure beneath it.

These production processes therefore leverage the same resource base to serve different industrial markets. Ferronickel feeds stainless steel, while mixed hydroxide precipitate enters the battery-material chain. Value is captured through multiple conversion stages rather than surrendered at the mine gate.

The strategic asset is therefore not nickel in the ground. It is the accumulated system of plants, energy infrastructure, ports, processes, and operating knowledge that turns nickel into materials multiple industries can use. Resources are the starting point, but conversion capacity determines how much value can be retained across the industrial system, while the depth of that capacity influences how far and how quickly the group can scale.

260-270 million tonnes

Indonesia's 2026 nickel ore quota, cut from 379 million tonnes

36,000 tonnes

Annual ferronickel capacity per RKEF line at Oracle Nickel

60,000 tonnes

Huayue's annual nickel capacity, alongside 7,800 tonnes of cobalt