



ASIA SPOTLIGHT

A German and Chinese Friendship

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Welcome to the first edition of “Asia Spotlight”. Every single edition will discuss a different industry segment. H&A Global Investment Management, as the European Asset Management Hub within the Fosun Group, combines Direct Industry Insights by Fosun Industry Teams and Asia Financial Asset Management Expertise provided by Fosun Asset Management (FAM).

In this first edition we will take a closer look at Intellectual Manufacturing (IM) and analyze on the base of an Industry Case Study and a Financial Asset Management Study, what changes and opportunities IM entails.

Intelligent Manufacturing and its recent global Development

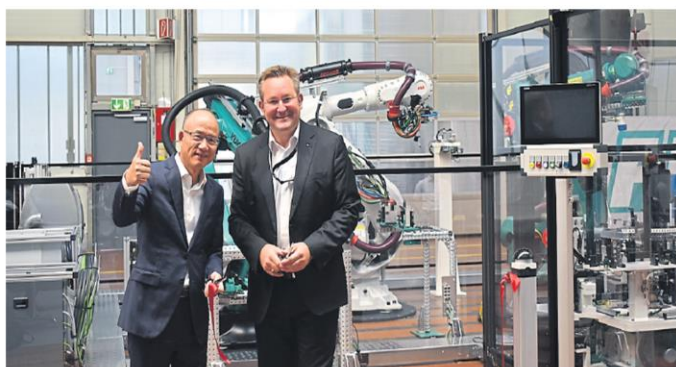
Intelligent Manufacturing is a cutting-edge manufacturing process that employs computer-integrated manufacturing, high levels of adaptivity, rapid design changes, digital information technology and more flexible technical workforce training.

Germany and China are both leading countries in the field of intelligent manufacturing, with ambitious goals to increase productivity and efficiency through the use of advanced technologies such as

automation and artificial intelligence.

In Germany, the government's Industry 4.0 initiative aims to create smart factories that can adapt to changing customer needs and optimize production processes. Meanwhile, China's "Made in China 2025" plan seeks to transform the country's manufacturing industry into a global leader by leveraging advanced technologies and innovation towards their respective goals.

Both countries recognize the potential benefits of intelligent manufacturing, including improved quality, reduced costs and increased competitiveness in the global market. As such, they are investing heavily in research and development, as well as fostering collaboration between academia, industry, and government.



Picture : Mr. Guo, Chairman of Fosun (left) and Mr. Pfurr, CEO of FFT (right) visiting the newly opened showroom at FFT



RECOGNIZING THE UPSIDE OF INTELLIGENT MANUFACTURING, FOSUN HAS BEEN CONSIDERING TO PARTICIPATE IN THIS DEVELOPMENT. CURRENTLY FOSUN IS ACTIVELY SCREENING THE MARKET FOR POTENTIAL OPPORTUNITIES WORLDWIDE. A FORMER PARTICIPATION IS FFT.

FFT

In 2019 Fosun decided to invest into FFT. The acquisition was aimed not only to strengthen Fosun's upstream supply chain in the field of intelligent manufacturing, but also to bring Fosun's strong global industrial resource network to FFT.

While more acting as a system integrator in the automotive field, FFT will expand its product portfolio by developing its own products in the future. Many of FFT's customers are currently in the stage of transformation and upgrading, and FFT will provide support for customers' new developments in the field of electric vehicles. At the same time, FFT will also work on the development of virtual reality and artificial intelligence.

As far as China is concerned: In July 2021, the Phase I factory of FFT Global Headquarters located in Jiading District, Shanghai, has been completed and delivered. Since then FFT has successfully developed its brand in the auto industry, and extended cooperation with well-known Chinese E-auto manufacturers such as XPeng, Li Auto, and BYD.

Intelligent Manufacturing

As Germany moves towards Industry 4.0, the integration of new technologies such as artificial intelligence (AI) and big data into the manufacturing process, is gaining more attention. As intelligent manufacturing proceeds to pave its way through various industries, it's significant to understand some benefits of intelligent manufacturing in order to understand the change it brings with it:

- **Improved Efficiency:** Intellectual manufacturing allows for the automation of repetitive tasks, freeing up workers to focus on more complex tasks. The use of predictive maintenance, for example, allows for early detection of faults in machines, reducing downtime and improving overall productivity.
- **Improved Quality:** The use of data analytics in intellectual manufacturing allows for real-time monitoring and analysis of the manufacturing process. This enables manufacturers to detect quality issues early on and make adjustments before the product is completed.
- **Reduced Costs:** The integration of new technologies into the manufacturing process has also led to reduced costs. The use of robotics, for example, reduces labor costs, while predictive maintenance reduces the cost of downtime.

We expect that the dynamic developments within the broader Intelligent Manufacturing space will create very attractive investment opportunities in the future.



FFT Group

is a global leader in providing turn-key solutions for body-in-white (BIW) production, final assembly lines, and robotics integration for cost-effective and flexible production mainly for the automotive industry. Headquartered in Fulda, Germany, FFT operates as a strategic OEM and Tier 1 turn-key solutions partner, with a wide geographical footprint and longstanding customer relationships.

Within the Chinese market, we have witnessed a robust surge in both investment and development activities pertaining to the domain of IM

China Industry 4.0: Made in China 2025

In the age of Industry 4.0, leading nations have initiated national-level strategies to stay competitive. USA introduced the Advanced Manufacturing Partnership 2.0 (AMP 2.0), China announced "Made in China 2025" in 2015, and Japan commenced a "robot revolution" strategy.

Despite China's global lead in manufacturing output value, it significantly trails behind technological powerhouses such as the United States, Germany, and Japan in technology competitiveness. The majority of Chinese manufacturing enterprises predominantly rely on equipment imports from these technologically advanced nations to establish their production lines (Wübbecke et al. 2016).

We believe the "Made in China 2025" strategy necessitates collaboration between domestic and international enterprises. While domestic substitution has been achieved in numerous basic software and hardware domains, key areas like essential components and software remain reliant on imports. For instance, in the realm of CNC machine tools, high-end programmable logic controller (PLC) market share is largely dominated by foreign corporations like Siemens, Mitsubishi, Omron, and Schneider (Gu et al. 2019). Consequently, the manufacturing upgrade propelled by "Made in China 2025" presents novel opportunities for both domestic and foreign industrial enterprises.

Domestic firms can leverage China's abundant engineering talent pool to attain domestic substitution in foundational sectors and progressively expand along the value chain, bridging the technological gap with international leaders. Concurrently, overseas front-runners can profit from their technical barriers in key technology areas, functioning as catalysts for the "Made in China 2025" initiative.

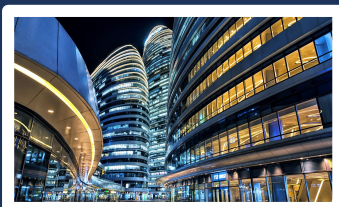
As a result, certain companies have emerged as successful players in the industrial landscape, capturing attention and interest for the IM Industry

Shenzhen Inovance Technology

With an Operating Income Margin of 15,67% Shenzhen Inovance Technology Co., Ltd., is a leading manufacturer and the 2nd largest developer of automation control products in China.

Shenzhen Inovance Technology Co., Ltd. holds a prominent position as a manufacturer and developer of automation control products within the Chinese market. Their extensive product portfolio encompasses low frequency converters, servo drives, and programmable logic controllers (PLCs). With a decade of notable achievements in the realm of industrial automation control and drive technology, Inovance has garnered significant recognition.

According to data provided by the Qianzhan Industry Research Institute, China's inverter product market achieved a substantial size of 36.69 billion yuan (\$5.66 billion) in 2019. Furthermore, projections indicate a projected compound annual growth rate (CAGR) of 4.82% for the market from 2020 to 2026.



Inovance still lags behind the international giants in terms of industrial value chain development, particularly in the field of industrial software.

According to Deloitte's Industry 4.0 report, the digital industrial transformation market is expected to reach \$4.5 trillion by 2025. Siemens has become the second largest software company in Europe, after SAP, and one of the world's top ten software suppliers by acquiring UGS, Innotec, LMS, CD-Adapco, Camstar, Mentor and many other industrial software companies. Schneider Electric has also merged with Aveva, and acquired the EDA software company IGE+XAO, and INVENSYS.

The trend of global industrial automation companies integrating from hardware to software, and from front-end to back-end is becoming increasingly clear.

Digitalization is an important direction for the industry's future development.

Conclusion

In conclusion, intelligent manufacturing is a progressive manufacturing process that offers numerous benefits, such as increased productivity, flexibility, and reduced costs.

Both Germany and China are at the forefront of this field, with their respective initiatives - Industry 4.0 and Made in China 2025 - aimed at promoting the integration of advanced technologies and innovation to transform their manufacturing industries. The FFT Group, a global leader in providing turn-key solutions for body-in-white production, is one such example of how the integration of intelligent manufacturing can lead to better and more efficient production processes.

Companies like Shenzhen Inovance Technology have made significant strides in industrial automation control and drive technology. As these technologies continue to advance, it is important to understand its benefits and how it impacts various industries.

A good and comprehensive understanding of these dynamics should be beneficial to identifying attractive investment themes within the broader industrial sector.

INOVANCE
汇川技术

Collaboration with Europe:

Power Automation was originally a German CNC (Computer numerical control machine tools) company founded over 25 years ago in 1993 and acquired in 2018 by Inovance. But the Power Automation brand, and the R&D knowhow that lies behind it, lives on in Inovance's product range today. Power Automation – a proven German technology with a Europe-wide customer base – is an open PC-based CNC system.





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