



AI INVESTORS' FORUM | AI GETS PHYSICAL: THE NEXT INDUSTRIAL REVOLUTION

Xin Li 00:01

Good morning, everyone. We'll get started soon. In the last two or three days, there are many sessions about AI talking about how AI is transforming business, economics, and investment. And our session today, I think, is most tangible, that what happens when AI leaves the screen and actually enters cars, factories, devices, and everyday life in our home. I'm both excited and, as a lay person, a little bit worried because it's easy to imagine the benefits, but at the same time, it's easy to think about the nightmare scenario as well, because the physical world can be messy. Cars can crash, robots can break things, factories can have hallucinations. So, are we actually entering the age of physical AI, or are we still looking at very fancy demos? And the key question is what actually works today, and how are companies really making money? And, we have four panelists who perfectly fit to answer those questions. They are, starting from my right-hand side, Winston Cheng, the senior vice president and group CFO of Lenovo, and Brian Gu, vice chairman and president of XPENG, David Jiang, CEO of VITURE, and Alain Lam, the vice president and CFO of Xiaomi. I'll start with one recommendation. Which one physical AI device do you think is actually working, and also, has already crossed the line from impressive demo to genuinely scalable business? I'll start with Winston.

Winston Cheng 01:46

Well, I think we're on that journey today. But for Lenovo, we're both an enterprise and a consumer company. And currently, I think AI is at the early stage, and as you see today, clearly, people are building that capability today through the model training. So, we're really benefiting from the infrastructure side today, in terms of the model training. And then, of course, as data centers are building the capabilities for future demand, that through the devices will allow our users to enact and enable AI capabilities on their devices. So, people are building the infrastructure for training and inferencing, and so we're a huge beneficiary of that. We're preparing today, and I think we're a leader in AI PC in the world. But I think today, and it's really a natural course of evolution, that AI will just become a natural function on the devices. So, I think our Motorola phones today already have Windows, and we have partnerships with a lot of the global AI companies in terms of enabling that capability on our devices.

Xin Li 02:52

So, it's pretty much everything with the evolution. And Brian?

Brian Gu 02:56

Yeah, I would say, maybe I'll just use as example in autonomous driving, because there's actually two parts of the autonomous driving people talk about. One is the one that people use in the passenger car driving, which is the ADAS function. The other one is Level 4 autonomy. I think both has shown tremendous progress in the past decade. But I think that you will already start to see that the prevalence of having autonomous driving really dealing with complex driving scenarios in China or around the world, in your regular passenger cars. That's already become a very, very big trend. That's actually also powered by the advent of AI. Because, in 10 years, autonomous driving has morphed from a software problem to an AI-defined problem. Because 10 years ago, when obviously a lot of labs around the world, when they want to tackle autonomous driving, they try to solve for every possible driving scenario set encountered: writing software codes, how to deal with certain patterns. But that proved to be highly inefficient and not adequate, especially when you actually are involving very complex driving conditions in, for example, busy streets in China, in US, and around the world. The availability of AI changed that. You're actually now able to coach the autonomous driving system using the model training, using the data feeding, using the high sort of computing capability to allow the vehicle learn how to deal with those driving situations. That's what happened in the last few years. I think with that infrastructure, with that AI sort of technology really changed the ability for autonomous driving development. So today, for example, in China, our cars, when we sell the cars with the smart driving system, similar to the FSD people see outside of China, it's already more than, I would say that in terms of mileage people use, is more than 50, close to 60 percent of the miles people drive are using these systems now. So, I think that's one example how technology with the power of AI now is permeating into daily lives.

Xin Li 05:21

Hmm. That's very exciting. And then turn to David. I think the answer is obvious. You're wearing it.

David Jiang 05:27

Yeah. So, actually, I'm wearing the AR glasses. We just announced, but we haven't shipped the product yet. But we started the company out of 2021. There was no AI there. But we definitely see there are two trends like gonna drive this industry; the smart glasses industry. First is the supply chain, right? So, I still remember that why I come back to China, started VITURE at 2021, is because the Micro-OLED, the most important component for the AR glasses, has been firstly introduced—or produced—by Chinese manufacturers, which is really important, right? Because before that we can only buy the Sonys and Samsungs. And I still remember that a year ago in 2021, a pair of the Micro-OLED, the price is the \$240, and then we can't make any consumer product based on that price, right? But at 2021, the first Chinese company, called SeeYA, make the Chinese Micro-OLED, and a pair of them is \$100, right? And this year we announced our flagship product, which is only \$299, but it will still make a really good margin on that. Guess what? The Micro-OLED on that is even one-third of the \$100 there. So that's the price drop of the OLED supply chain. And then that can bring this product to reality. The second is the semiconductor, the process node, right? So, like this is a really good metaphor data for the desktop computer, which is around 20 kilograms, right? But for the laptop is two kilograms. And for the mobile phone is 200 grams. And for the glasses I'm wearing is 30 grams. So, we are getting to 20 grams. So, there's a 10 times reduction for the devices. So, we believe that in the future, smart glasses are gonna be one of the major consumer products for everyone, right? And the third is that when the AI come out, right? When the AI come out, we started to develop these kind of glasses, everyday-wear glasses, is because that the AI fundamentally changed the way how people interact with the computer. There are three waves. First wave is that we communicate with computer with a command line, with the keyboard. Second wave, the GUI, we use the mouse. And third is that we have the phone, right? The touchpad. And the last one for the AI era is that because AI can understand the context, so the glasses I'm wearing now just collect all the context happen in a day, and the AI and the computer can understand your need and can proactively help you to get the task done automatically. So, this is like a new way how human going to communicate with the computer, right? So, like within this month, there is at least seven other personal agents come out, right? A lot of you must know that, like Instinct and OpenAI ChatGPT bots, right? And the Grok bots. A lot of agents come out and all these agents gonna live in a new place, which is on the glasses. So, we are not building a glasses, we're building a platform for all the new personal agents.

Xin Li 09:02

Hmm, interesting. And some of those we'll come back to later in our questions. But let me turn to Alain now. Pick a device or product. I guess it will be difficult because Xiaomi produce so many things.

Alain Lam 09:12

Yeah, we do have a lot of different products, from smartphones to IoTs, home appliances, and in the last few years, in EVs. And we've always been looking at how to deploy AI across all the devices, across all the ecosystem. And as Brian said, I think one of the first applications for physical AI is actually in the EV business, in the car business, when you have autonomous driving, assisted driving, and the advent of AI with more data collected, and the system getting smarter. I'm sure that, in the near future, everyone will not be driving. I think the car will drive itself, and the fleet out there will be very, very safe. So that's one. I think the second thing I'll add is humanoid robots. Because I think we're not quite there yet, but every time I look at the development in humanoid robot is faster than I thought. The ability to deploy a robot in manufacturing scenario, in customer service scenario, I think has been advancing quite fast in the past few years. And the advance of physical AI, I think, is there for all to see, whether it is enhancing manufacturing efficiency, whether it's enhancing customer services and whatnot. So, I think that you'll see that more and more in our daily scenarios, that we have robots doing some of the job. Obviously, we're not quite there yet because the data, the model, as well as the completion rate is not quite there yet. But I'm pretty sure that with time, just like autonomous driving, you'll see a lot more robots in the manufacturing scenario, in the customer service scenario.

Xin Li 10:55

Hmm, interesting. And you mentioned humanoid robots, and I'll turn to Brian again. We were chatting that XPENG is actually making robots, and why a car maker get into that?

Brian Gu 11:09

Well, I think that there are two ways to look at this. One is from the capabilities perspective. I think there's actually quite a bit of synergy shared between tech-focused EV manufacturer with humanoid robot manufacturing. And I define this because I don't think every OEM actually is suitable to do humanoid robots because I think a humanoid robot requires two aspects of expertise. One aspect, obviously, is to really building the intelligent sort of a robotic brain that can handle end-user scenarios. That requires companies that have the full-stack approach to building their own AI infrastructure, AI solutions powering, for example, autonomous driving. I would say, currently, not a lot of the OEM today is a full-stack technology player at that moment. But on the other hand, I would say the capabilities from really understanding advanced manufacturing, building a sophisticated supply chain, really understanding how high quality, low cost, as well as efficiency, come with the physical part of the development for humanoid robot. I think EV or the OEMs actually has certain advantages. So, from capabilities perspective, I would say the full-stack EV tech-focused player will be actually quite suitable for humanoid robot, surely because of the synergy involved. On the other hand, I think that there's advantage also in the deployment because a lot of the scenarios that we are developing our humanoid robot to do is actually try to deploy in our internal sort of service scenarios. For example, we anticipate to produce in a larger quantity and be deploying to our stores around the world as early as first half of next year. We also want to use our robots in offices, in our exhibitions, in our servicing functions. So, a lot of the internal roles, I think, could be used to train and collect data for our robots. So, I think the advantage of these highly correlated end scenario coupled with the capability from both the AI infrastructure capability as well as the physical manufacturing capability makes the EV manufacturer probably more suitable or actually has certain advantages of developing humanoid.

Xin Li 13:52

Mm-hmm. Very interesting. Let's turn to another car maker, Xiaomi. Xiaomi produce a lot of things. For those who—well, pretty much everyone knows that you have the phones, the appliances, wearables, cars, and now in Singapore, it's very hard to get a Xiaomi air purifier. I'm fighting for that. And, but Xiaomi homes are usually connected. Is that connection helpful for AI, or you just put AI in different individual devices—

Alain Lam 14:20

Yeah. Look—

Xin Li 14:20

—sufficient?

Alain Lam 14:22

—I did have a conversation with our country manager yesterday, urging him to get more supplies of air purifiers into Singapore. So hopefully, it will come soon. So, that's one. But look, I think that the way that we think about the ecosystem, how do we make all the devices interconnected and how do we provide services to users that enhance the efficiency of their daily life, is something that we all think about. That's why if you look at all of our devices, we have a common operating system, that runs across all the end devices. And we like to have these users actively connected to the internet. And that can help with a few problems. So, if you look at my air conditioners in China, which we introduced three years ago, right now, 80 percent of the air conditioners are connected to the internet. Okay. What does that mean? Does that mean that you can just control the internet from your phone? Not just, right? It means that you can update your software over the air, just like a smartphone. If you have a new software available, you don't need to change anything. You can do an OTA push, and then you can update the software. So, if there's a new cooling mode that I can offer to our users, I can update the software. It also means that, let's say if you are in the room, you like the temperature of the room to be 23 degrees. If your wife enters in the room, she wants it to be 24. If both of you are in the room, obviously the wife always wins, and the room temperature will be at 24. But it also means that as you get into the car, whoever's in the driving seat will... The temperature will adjust accordingly to her preference or to his preference. So, some of these scenarios can make life a lot easier to control the temperature. Let's say if you're driving home, instead of saying, "Hey, please turn on my rice cooker in 20 minutes," you can just tell the car, "I'm driving home." They will know that you're driving home. They will adjust the time when they switch on the rice cookers, conditioners, when they switch off the robot vacuum cleaner, when they switch on the AC. You don't need to tell them about where you are, what the time of estimation of arrival. They will adjust it accordingly to your map and your driving pattern. So those are the things that, what we call active intelligence, as opposed to just passive intelligence. They can make it smarter. You don't need to say a lot more. They would adjust it accordingly. I think those are the stuff that we're looking to applying these intelligence in real world and try to make your whole ecosystem more intelligent.

Xin Li 17:14

Hmm. That sounds a little bit like the keyword that David just mentioned about the context. I'll turn to David. Smart glasses have repeatedly been declared as the next computing platform, I have to say, repeatedly disappointed. What is different now? Just now you mentioned three waves of development, and phone was the third wave. When the time is right for smart glasses to really challenge the usage of the phone?

David Jiang 17:41

Yeah. So, it's a miserable history of the XR industry. Because I started my career at Google. I designed for Google Glass interaction design, but I learned a lot from that experience. But I'll say, like, the glasses—I can see in this room, half of the audience here, you wear glasses, right? So, I think the glasses is already a form factor people can accept. The problem is that it's always a technology-driven product. It's not a humanity-driven product. So right now, we are just trying to design glasses, just like how people are going to convert the phone to a smartphone and the watch to a smartwatch, and then we just convert or upgrade your glasses to smart glasses without sacrifice any of the weight, form factor, and also the appearance. Because, like, my glasses look good. So, this is really important for people to accept glasses. And more importantly, you can get glasses covered by your insurance. So that's really important. And also, because of the AI, you can find a use for the glasses right now. Because before AI, you have to interact with a lot of apps. But right now, if you have an agent, more and more of the task is going to be

manipulated by the agent itself, and less and less you're going to use all the other apps there. So, there's only one funnel you're going to go to—is your agent. And how you're going to communicate with your agent is not through the GUI. It's through the conversation, the natural conversation. So gradually, your interaction is going to migrate from all the apps to the personal agent, natural language communication, and then you're going to have a demand or a desire to communicate without a phone. And then we believe that the glasses will never replace a phone, but you're going to have more time spent on the glasses, and you're going to spend less time on the phone. Just like the phone didn't replace computer. You still need a computer, but you need a phone, and then you need glasses in the future. But our goal is not to have people spend more time with the glasses. It's to release more creativity, your free time, to focus on the present, to focus on your family, focus on your life, focus on the sunshine, focus on more physical things instead of head down to look at the screens and do a lot of tasks you don't know what you are doing. Because a day—there are so many hours that after a day, you think, "Okay, what I did today?" A lot of useless tasks going to be done, 80 percent of them are going to be done by AI automatically, and then you immediately unleash 80 percent of your time to focus on something more important for yourself.

Xin Li 21:02

I'm sure the two phone makers, Xiaomi and Lenovo, might have different opinion, but we'll save that for later. Let's switch from consumer to enterprise and turn to Winston. When enterprise deal with physical AI, where do they put their money on? Are they making money for the enterprises, or are they just experimenting?

Winston Cheng 21:21

Yeah. I think the topic today is clearly the AI bubble, and then whether people are actually, there's so much trillions of dollars being spent to build infrastructure for the AI, and therefore, where are peoples going to get the return? And I think enterprises are all spending, consumers are going to spend, everyone's positioned for this wallet share. And the biggest topic would be ROI. So, ROI from that spend is absolutely imperative and critical for the enterprise. So, I think that is where, in the last quarter, there's all this talk about AI job displacement. But actually, in the last year, the biggest beneficiaries have been the consulting firms. There's been a lot of talk about consulting firms being displaced, consultants being displaced, but their business is actually booming. Because every enterprise needs people to help them with a lot of the process transformation, other things, to drive that ultimate return. And with respect to the AI bubble that people keep talking, but AI will increase the productivity and also drive up those that actually improve. In fact, last night at dinner organized by the Milken Institute here—is really to talk about sectors that will be able to adopt AI. So, this is where the wallet spend today that people are building that infrastructure to have the enterprises then spend and adopt AI, and those that adopt AI well will have better margins and be able to drive better returns. So, I think that after the great build-out, there's going to be great adoption. So that's the trend that I see. And our infrastructure business is already one of the top—we're number one in x86 servers, and also increasing very fast in the GPU server space. And we have a global wallet share from that perspective, really helping hyperscalers and NCPs really deploy and build out that infrastructure. And we see demand really going around in terms of all over the world. So, I think from that perspective, I think the only thing we hear is shortage—

Xin Li 23:21

Hmm.

Winston Cheng 23:21

—in terms of that supply. And in fact, one of the greatest comments that I hear recently is really around—I won't quote this individual, but very famous individual in terms of deploying AI—and they think that their investment should drive 5 percent of global GDP in the future. And so, I think that investment has really identified wallet share going forward as well. So, I think from that perspective, I only see that enterprise demand will be significant for AI. Everyone's talking about it, we're talking about it, and Lenovo actually spends a trillion tokens a month, right? One trillion tokens a month, and I think we're barely scratching the surface on that, and we're probably already one of

the top 15 percent or so companies globally in terms of that generation of tokens. But I think we're just getting started.

Xin Li 24:04

Very exciting. And coming back to the consumer, because just now Winston said where the enterprise will put the wallet on. But coming back to the consumer on the personal wallet, I turn back to David again. You tell us the reasons that people should use glasses. But for the consumer hardware, what actually kill most products? Is that insufficient AI capacity, or is that battery life? Is that worry about privacy, or which are the areas that the consumer hardware producer should try to avoid?

David Jiang 24:37

Yeah, I think all of them, right? So that's so hard to create a new category of the consumer products, right? If you look back a decade, or 10 years, you can see there are so many emerged new products, but they just fade out after a few years. So, there's very few of the products that are gonna be left to really be beneficial for our daily lives. So, I think there's several tiers of the product needs for the users. The first tier is that the people don't know what is the use of the product. And the second is that it's good-to-have, and the top is must-have. So only the must-haves are going to become the mainstream of the product. So, a lot of cars and computers and mobile phones, and all those are must-haves. So, for smart glasses, people can't distinguish is it a good-to-have or a must-have. But after you use for a while, because of the personal assistant of the AI, you're going to feel you must have this thing. So, I think that AI is the most important driving force for the smart glasses. And the rest of the piece, they're also very important. The privacy. So, here that I say my glasses can all day record, that's scary. Because everyone here speaks, I record everything. No. It's not the truth—I only record myself because we have the bone-conducting microphone there. Only record myself—I don't record anyone else here. But if I'm in the meeting room, I can turn it on on the glasses, and the glasses now record everyone. But you can see here is a light, and people going to be scared, okay, here's a light. Don't record me. And so, I can turn it off. So, the privacy is really important, and also, we don't have the camera here. I would say the camera is almost dead. Yeah, so like in Europe, in US, there's almost all the buildings, they're not allowed for the camera-based glasses getting to the building, including all the governments, the cinema and the gym, and a lot of professional buildings. And the guards there are going to say, "Okay, you're wearing the Meta Ray-Ban, the camera glasses, you're not allowed to get in." But if it is a prescription glasses, where you can find a second pair of the prescription glasses there, right? So, it's really hard. So that's why Meta just announced non-camera-based glasses just last month, right? So, we think that privacy is still navigating its path, but after the privacy, everyone has a consensus on the privacy, the smart glasses are going to surge and go up, and everyone can adopt this new technology.

Xin Li 27:43

Mm-hmm. Just to add an anecdote to that. When we met David at the speaker preparation room, everybody asking the question, "Is the glass on?"

David Jiang 27:51

Yeah.

Xin Li 27:54

So, turn back to one keyword that was frequently mentioned: the supply chain. So, AI can make a lot of improvements, but AI can also make mistakes. If AI makes mistakes in the supply chain, whose responsibility will that be? I mean physical AI. I'll turn to Alain first.

Alain Lam 28:13

Yeah, look, we do manufacture a lot of devices every year, from across all the different categories. And so, we have our own factories. We're also working with a lot of other OEMs to manufacture the products for us. But at the end of the day—whether it is in the AI era or not in the AI era—ultimately, we have to bear the responsibility for the quality, right? If something goes wrong with our devices, users who buy the devices will tend to go to us. They won't go to my OEM partners. They won't go to the factory owners. So, we need to be responsible, right? I mean, since day one when we start to manufacture and sell these products, right? So, we need to make sure that the quality control is there, whether with or without AI. So, I think that ultimately is a pretty simple answer. I think we need to—obviously, in this AI era, there's a lot of things changing. The whole manufacturing process may be changed because of AI. We are now using a lot more AI inspection of the parts that we make, right? We don't use humans. We take pictures of each of these pieces, and we inspect more. But I think it's good because it actually allows us to inspect every part that we produce as opposed to just sampling in the past, right? And so that's always—I think that will ultimately enhance the whole efficiency plus enhance the overall quality control of the system. Now, maybe sometimes it will go wrong, maybe they will have something wrong, but it's ultimately—the onus is on us to make sure that every part that we manufacture, every device that we manufacture is safe for the users.

Xin Li 29:58

Mm-hmm. That's a producer's responsibility. And Winston?

Winston Cheng 30:01

Yeah, I think today the biggest advantage and also debate globally, and the need is an organized and efficient supply chain. So, at Lenovo, we've been for the past decade really building our supply chain closer to the demand. So today we're able to source globally, but also build and deliver globally as well in every continent. So today, we can do PCs, smartphones, tablets, desktops, edge computers to supercomputers, all within the major continents around the world. And we just recently built a factory in Riyadh as well. So, from that perspective, really expanding a new geography. We use our own internally developed AI called iChain to actually drive our supply chain efficiency, and therefore, that lowers the cost for us and drive better margins. But also, in terms of today, where people want—I mean, Jensen Huang really talks about that, compute today is revenue. And so, people want that speed to revenue. And so, Lenovo was able to provide that by driving the supply chain efficiency, and then really from the perspective of making sure that the cost and the time to enable that revenue is actually critical to our customers. So, I think that using AI to drive that has been a critical part of our success.

Xin Li 31:21

Hmm. Let me turn to Brian. Also, on the cost of it and how to prevent the mistake. In software, if you make a mistake, you just upgrade, maybe send out an apology. But for a car maker, you cannot do that. It can be fatal. And how close are we to the level of reliability required for truly autonomous systems, and how expensive is the last stretch moving from 99 percent sure to 99.99999 percent?

Brian Gu 31:53

Well, I think it's a very good question. I think just to follow up on the previous topic, I want to just comment on, I think given the focus on supply chain for the physical AI stack, and also, the avoidance of traditional problems people have when they have suppliers that are using software and hardware compatibility, you'll start to see more companies developing full-stack approach to their own development. For example, we started using our own AI mobility chips about a year ago to replace NVIDIA chips. So now our chip, our software, our model, our data training are all united under one roof. So, it's actually—it's something I think you'll see, I'm sure maybe Xiaomi and others are also thinking about the same approach because that's probably the only way to address the historical problem when you had suppliers that give you software, give you certain parts of hardware, and that creates a lot of the efficiency but also risk. Goes back to the question you have, how do you improve from the, I would say, the autonomous driving capability to a full autonomy? I think that is actually, I would say, probably the hardest question to solve in the mobility space. As I mentioned earlier, we already now exhibit very high degree of driving assist

capability. Eventually, the car can navigate 99 percent of the time without human takeover. But that extra 1 percent is actually very critical. To jump from the Level 2+ to a Level 4 autonomy, which removes the steering wheel and become a fully autonomous, you need to make sure that the data training, as well as the hardware redundancy, is actually multiple, I would say, magnitudes above the normal passenger car. So that's something that we are working on. For example, we are testing Robotaxi currently, which is a Level 4 autonomy in Guangzhou. It requires redundancy, which is a lot more than what passenger car is required to have. But also, on top of it, the data training and also the training model is skewed towards safety a lot more than efficiency, because obviously you can actually feed the parameters to train the model to enable that. And I think that's what's happening today. If you actually go to Silicon Valley and try Waymo, and probably a lot of you here. One thing that's very obvious is that it handles safety very well. They rarely get into accidents, but it does not handle efficiency. One of the problems I always have riding a Waymo is that it gets stuck in a busy traffic all the time because the way the model was trained to handle that 1 percent. I think that this only can be solved by collecting more high-quality real-world data, as well as increasing the model capability by both the cloud training with larger and larger parameters of inputs, as well as making sure the vehicle on board, on edge, can handle these scenarios once they're distilled and put into the vehicle. So that process, I think, will go on in the next two to three years. You see large-scale testing by Waymo, Tesla, and some of the Chinese Level 4 companies, Pony, WeRide. We intend to probably launch a global testing pilot as well next year. So, I think that phase will, I would say, take place in the next two to three years. That, ultimately, will lead to the Level 4 autonomy that we expect.

Xin Li 35:50

Hmm. Very exciting. We have a few minutes left. There are a lot of investors at Milken Summit. We want to give them guidance where they should put their money. So far, the AI investment has been concentrating on infrastructure, like Winston mentioned, chips, cloud, data centers. If they want to invest in physical AI, where they should put the money into? Hardware, software, platform data, or services? Anyone want to take this?

Winston Cheng 36:17

I think there's no debate as to, in terms of the trajectory of AI development. So, I think it's really phased in terms of that period and what is evaluation of each segment at any given time, right? I think that's where—and also, the clear revenue opportunities at the time. I think there's some debate over whether foundational models are a commodity, right, or what is the true long-term pricing. Of course, you have the Chinese models now being much more cost-efficient from that perspective. And so, what is the adoption from that is also something that guides the investment community, which then drives the entire supply chain. But I think what the world needs today is compute. So, whatever model of application and usage moving forward, we all know one thing: everyone's going to adopt AI, both consumers and enterprise. So, I think that's agreed. I don't think there's a debate in this world about that. So, the question is then compute, and I think that's why today, I think, the server and storage business is such a fundamental part of that infrastructure and, therefore, data centers as part of that. I think there's a lot of debate that people talk about in terms of maybe potentially overbuild, but I think the numbers are staggering in terms of what the potential use is. We're not even talking about the consumer side, but just enterprise side. There could be a benefit of more than \$40 trillion. Right? So, the TAM—the world's never seen such a large TAM in terms of what AI is going after—and that's why people are spending trillions of dollars today to build that infrastructure to capture that market opportunity.

Xin Li 37:52

We have two minutes left. I have a long question list, but we'll have to because the organizer told us we have the closing panel in the main ballroom. So, we'll try to finish on time. The last question to everyone is: please name one physical AI technology that you think is overhyped today or underestimated. So, next year, when we come back to the Milken Asia Summit, you can tell everyone, "I told you so." We'll start from Alain, maybe.

Alain Lam 38:23

Well, look, there's always a lot of debate about overhyped AI devices, but every year, you've seen tremendous improvement. So, I don't really think that we can make a prediction of what's overhyped. I think time will tell. I think on the underhyped side, I'll just highlight that, obviously, David and Xiaomi, we are producing a lot of different devices that want to take a lot more of your measurements, wants to take everything that is possible, and then we want to analyze this and then contextualize it, and then helps everyday life of the users getting better. But ultimately, I still think that, as David said as well, which I agree with, there's still a place for smartphones. Maybe you don't use it as much, but it's going to remain as the key computing unit for all of your data. Because if you make glasses, you can't make it 40 grams, 50 grams, and then it gets too heavy, power consumption is too much. And so, you always need to carry something that is close to you that will do a lot of your compute. You can't do everything on the cloud as well. So, in a way that, if you think about the server business that Lenovo is running, they're obviously running it very efficiently. But imagine you put a GPU on the phone. The phone will burn in those seconds. Imagine you put a GPU in your glasses, the glasses will not be working. So ultimately, the form factor that you carry around that would do a lot of your compute based on all the devices you carry, most likely will be the cell phone—

Xin Li 40:03

It will always be with you

Alain Lam 40:04

—in the next five to 10 years.

Xin Li 40:05

Yeah. And then David?

David Jiang 40:07

Yeah, I would say the overhyped product is the feature-based smart glasses, right? Like a lot of people think, "Oh, wow, if I have a camera or a display," a lot of things. But I think the underestimated product is the specialized glasses. That glasses you wear, and no one can tell it's smart glasses. I think that's the future. Yeah.

Xin Li 40:33

All right. Very interesting. Brian?

Brian Gu 40:35

I think I'll just use the title of the panel, Physical AI. I think there's so much talk about AI, especially on the large language model side, but people didn't recognize the limitation. Because it's still when AI is needed to drive physical changes, is actually there's quite a bit of limitation. I think that what people talk less about is the capability of physical that's required to make the physical AI work. So, I think I would not say it's overhyped or underhyped, but I think there'll be too much talk about the capability of large language model-related AI. I think there will be limitation, and there's less appreciation of the physical capability that's required to make it work.

Xin Li 41:24

The physical building blocks. And Winston, you have the last word.

Winston Cheng 41:26

Yeah, I think people are really trying to displace the core device set, but I agree with Alain, right? Because I think the screen-based devices will still be a core part of the AI portfolio. And then there's also peripheral ones that will

collect data. So, I think that's really a portfolio set of devices that will build trust, and personalization with the customer is critical in the AI world.

Xin Li 41:49

I knew the phone makers will come back. But so, thank you very much for joining us for this session. Like we said, there's the closing panel on investment in the main ballroom, so make sure you go to that as well. Please join me in thanking our panelists for the wonderful sharing.

[Applause]

Thank you.

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