UOBKayHian

Country Daily | Greater China

Thursday, 19 November 2026



Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	50198.2	(1.1)	(4.4)	(3.5)	4.4
S&P 500	7323.6	(0.2)	(3.9)	(4.4)	7.0
FTSE 100	10551.2	(1.3)	(2.6)	(3.0)	6.2
AS30	8858.0	(0.8)	(4.5)	(1.3)	(1.8)
CSI 300	3983.8	0.2	(2.3)	(4.6)	(14.0)
FSSTI	5054.9	(1.1)	(4.4)	(6.6)	8.8
HSCEI	7836.3	(0.9)	(4.1)	(3.6)	(12.1)
HSI	23294.8	(0.9)	(4.2)	(3.7)	(9.1)
JCI	5247.9	(1.1)	2.6	5.0	(39.3)
KLCI	1566.7	(0.5)	(1.8)	(1.8)	(6.7)
KOSPI	5067.4	2.0	(5.7)	(12.1)	20.2
Nikkei 225	59024.3	0.3	(3.6)	(9.1)	17.3
SET	1472.0	(0.2)	(2.0)	(6.3)	16.9
TWSE	40194.9	0.3	(9.2)	(14.2)	38.8
BDI	2914	0.7	(1.5)	16.0	55.2
CPO (RM/mt)	4179	(1.4)	4.9	(6.2)	6.2
Brent Crude (US$/bbl)	91	(1.8)	(1.4)	(16.8)	50.3

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Corporate Roadshow with NTT DC REIT (NTTDCR SP)	Bangkok	23 Nov	23 Nov
Corporate Roadshow with NTT DC REIT (NTTDCR SP)	Kuala Lumpur	25 Nov	25 Nov
Virtual Analyst Presentation by Jonathan Koh on S-REITs Results Wrap	Singapore	25 Nov	25 Nov
Regional 1H2027 Strategy Conference	Malaysia	02 Dec	02 Dec

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Oct CPI Composite	Hong Kong	20 Nov
Oct Trade Balance, Exports, Imports	Hong Kong	26 Nov
Oct Industrial Profits	China	27 Nov
Nov PMI (Composite, Manufacturing, Non-manufacturing)	China	30 Nov
Oct Money Supply (M1, M2, M3)	Hong Kong	30 Nov

Top Stories

Company Results | CSPC Pharmaceutical Group (1093 HK/**BUY**/HK$7.99/Target: HK$10.00)

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- CSPC's 9M26 results beat expectations, with revenue up 27.0% yoy to Rmb25.3b and underlying net profit surging 134.5% yoy to Rmb7.2b. In 3Q26, product sales grew 10.1% yoy, offsetting a 19.9% yoy fall in licence fee income. CSPC targets positive revenue growth in 2027, supported by continued innovative product launches and globalisation efforts. We foresee limited revenue growth visibility given the unpredictable timing of licensing income. Maintain BUY with a lower target price of HK$10.00 on limited 2027 growth visibility.

Company Results | Tencent Holdings (700 HK/**BUY**/HK$372.80/Target: HK$500.00)

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- Tencent's 3Q26 results came in slightly below expectations. Revenue rose 7.5% yoy to Rmb207.3b, 1.6% below both our estimate and consensus. Higher AI-related costs weighed on profitability, with gross profit missing both estimates and non-IFRS operating profit coming in 6.8% below our estimate. Non-IFRS net profit fell 5.7% yoy to Rmb66.5b, broadly in line with expectations. Higher capex and compute prepayments widened the free cash outflow, with Tencent shifting to net debt. Maintain BUY with a lower target price of HK$500.00.

Technical Analysis

Zijin Gold International | 2259 HK

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Support levels: HK$94.60/HK$83.40
Resistance levels: HK$120.50/HK$126.50

China Unicom Hong Kong | 762 HK

Page 8 →

Support levels: HK$5.32/HK$5.11
Resistance levels: HK$5.735/HK$6.085

Disclaimer: In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.

CSPC Pharmaceutical Group (1093 HK)

9M26: Results Beat; Targets Positive Revenue Growth In 2027

Highlights

- CSPC's 9M26 results beat expectations with revenue up 27.0% yoy to Rmb25.3b and underlying net profit surging 134.5% yoy to Rmb7.2b. In 3Q26, product sales grew 10.1% yoy, offsetting a 19.9% yoy fall in licence fee income.
- CSPC targets positive revenue growth in 2027, supported by continued innovative product launches and globalisation efforts. We foresee limited revenue growth visibility given the unpredictable timing of licensing income.
- Maintain BUY with a lower target price of HK$10.00 on limited 2027 growth visibility.

9M26 Results

Year to 31 Dec (Rmbm)	3Q25	3Q26	YoY%	9M25	9M26	YoY%
Revenue	6,618	6,665	0.7	19,891	25,260	27.0
- Finished drugs	5,203	5,588	7.4	15,450	21,648	40.1
Licence fee income	465	373	-19.9	1,540	6,268	307.0
Finished drugs - Others	4,737	5,215	10.1	13,910	15,381	10.6
- Bulk products	931	675	-27.5	3,006	2,336	-22.3
- Functional food and others	484	402	-16.8	1,435	1,276	-11.1
Gross profit	4,339	4,437	2.3	13,049	18,598	42.5
Selling expense	-1,748	-1,628	-6.9	-4,798	-4,919	2.5
Admin expense	-218	-231	5.9	-620	-719	15.9
R&D expense	-1,502	-1,614	7.4	-4,185	-4,643	10.9
Operating profit	1,222	1,237	1.3	4,374	8,783	100.8
Finance expense	-10	-7	-30.1	-32	-20	-35.8
Net profit to shareholders	964	982	1.9	3,511	7,076	101.5
Adjusted net profit	759	1,055	39.0	3,079	7,220	134.5
Adjusted EPS (diluted, Fen)	6.64	9.25	39.2	26.93	63.25	134.8
Ratios (%)	3Q25	3Q26	ppt chg yoy	9M25	9M26	ppt chg yoy
GP margin %	65.6	66.6	1.0	65.6	73.6	8.0
Selling expense %	26.4	24.4	-2.0	24.1	19.5	-4.6
Admin expense %	3.3	3.5	0.2	3.1	2.8	-0.3
R&D expense/Finished drug revenue	28.9	28.9	0.0	27.1	21.4	-5.6
OP margin %	18.5	18.6	0.1	22.0	34.8	12.8
Adjusted net profit margin%	11.5	15.8	4.4	15.5	28.6	13.1

Source: CSPC, UOB Kay Hian

Analysis

- **9M26 results beat.** CSPC Pharmaceutical Group's (CSPC) 9M26 revenue rose 27.0% yoy to Rmb25.3b and underlying net profit jumped 134.5% yoy to Rmb7.2b, ahead of our expectations. In 3Q26, revenue rose 0.7% yoy to Rmb6.7b and underlying net profit grew 39.0% yoy to Rmb1,055m.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	29,009	26,006	31,098	31,990	33,011
EBITDA	6,735	6,102	10,869	11,698	12,511
Operating profit	5,712	4,899	9,590	10,290	10,976
Net profit (rep./act.)	4,328	3,882	7,718	8,309	8,884
Net profit (adj.)	4,683	3,534	7,945	8,544	9,125
EPS (Fen)	39.9	30.9	69.6	74.8	79.9
PE (x)	17.0	21.9	9.8	9.1	8.5
P/B (x)	2.5	2.3	2.0	1.9	1.8
EV/EBITDA (x)	11.9	13.1	7.3	6.8	6.4
Dividend yield (%)	3.6	3.8	7.7	8.2	8.8
Net margin (%)	16.1	13.6	25.5	26.7	27.6
Net debt/(cash) to equity (%)	(17.1)	(17.4)	(32.0)	(37.2)	(40.0)
Interest cover (x)	154.2	158.1	402.6	433.2	463.4
ROE (%)	13.2	11.9	21.7	20.9	20.8
Consensus net profit	-	-	8,964	5,990	6,482
UOBKH/Consensus (x)	-	-	0.89	1.43	1.41

Source: CSPC, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$7.99
Target Price	HK$10.00
Upside	25.2%
Previous TP	HK$11.50

Stock Data

Sector	Health Care
Bloomberg ticker	1093 HK
Shares issued (m)	11,522
Market cap (HK$m)	92,007
Market cap (US$m)	11,727
3-mth avg daily t'over (US$m)	103.6

Price Performance (%)

52-week high/low				HK$10.96/HK$6.53
1mth	3mth	6mth	1yr	YTD
(10.1)	(9.3)	5.3	3.3	(5.3)

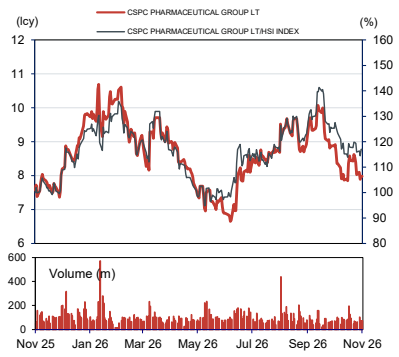
Major Shareholders (%)

Mr. Cai Dongchen	26.39

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	3.34
FY26 Net Cash/Share (Rmb)	1.06

Price Chart



Source: Bloomberg

Company Description

CSPC Pharmaceutical Group switched its core business focus from bulk medicine manufacturing to innovative drug manufacturing in 2012. It has become a leading pharmaceutical player in China.

- **Product sales grew 10.1% yoy in 3Q26.** Finished drug revenue rose 7.4% yoy to Rmb5.6b in 3Q26, with product sales rising 10.1% to Rmb5.2b but licence fee income dropping 19.9% to Rmb373m. Nervous system and digestion & metabolism sales grew 32.1% and 41.4%, while oncology, respiratory, and cardiovascular fell 22.5%, 15.4% and 14.7% respectively. For 9M26, finished drug revenue rose 40.1% to Rmb21.6b, with product sales up 10.6% to Rmb15.4b and licence fee income up 307.0% to Rmb6.3b.
- **Sales of bulk products remained weak.** Bulk product sales fell 27.5% yoy in 3Q26, with vitamin C and antibiotics down 25.5% and 30.9% respectively; both segments posted quarterly losses. For 9M26, CSPC attributed the 18.9% yoy decline in vitamin C sales to lower prices caused by new industry capacity, and the 27.3% yoy decline in antibiotics sales to intensified competition and impact from the 11th national VBP. The sales of functional food and others fell 16.8% yoy in 3Q26. Management indicated that prices of bulk medicine have fallen to low levels and is expecting a gradual recovery in sales.
- **Profit margin.** Gross margin rose 1.0ppt yoy to 66.6% in 3Q26. The company has continued to improve operating efficiency, having brought the selling expenses ratio down 2.0ppt yoy to 24.4%. R&D expenses rose 7.4% yoy to Rmb1.6b, accounting for 28.9% of finished drug revenue (30.9% excluding licence fee income). Adjusted net margin rose 4.4ppt yoy to 15.8% in 3Q26.
- **Out-licensing pipeline continues to expand.** CSPC recognised US$840m (Rmb5.74b) of the US$1.2b AstraZeneca upfront as licensing fee income in 9M26, plus a US$25m development milestone in Jul 26; the remaining US$360m (Rmb2.4b) may be recognised once it ceases to be refundable. In Jul 26, its second AstraZeneca deal covered siRNA drugs for renal diseases carrying US$30m upfront (received Aug 26) and up to US$540m development and US$1.2b sales milestones. In Aug 26, the two parties agreed to set up a biologic manufacturing JV in Shijiazhuang which 51% owned by CSPC. However, the timing of the licensing income is highly uncertain. Given the unpredictable licensing fee income, we forecast only 20% of the US$1.2b upfront as 2027 revenue and 10% in 2028.
- **Targets positive revenue growth in 2027.** Given the smooth progress in R&D, CSPC is expecting over 10 innovative products in its commercial portfolio to drive positive 2027 revenue growth. Ytd it has received approval in China for seven innovative drugs, had 10 NDAs accepted, and received five Breakthrough Therapy designations. SYS6010 (EGFR ADC) met its Phase III primary endpoint in EGFR-mutant NSCLC after EGFR-TKI failure in Aug 26, and JMT101 plus Osimertinib posted positive Phase III top-line results in first-line EGFR exon 20 insertion NSCLC in Sep 26. It has also received EU approval for Amphotericin B liposomal.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$10.00** to reflect the limited visibility in licensing income. The target price is based on: a) HK$5.19/share or 6x 2027F PE for existing drugs; and b) NAV-derived pipeline value of HK$4.80/share (WACC: 11.0%, terminal growth rate: 4%).

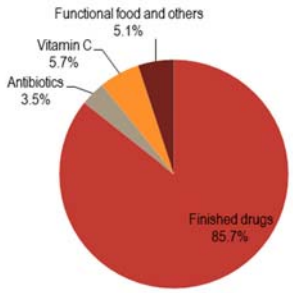
Earnings Revision/Risk

- **Earnings revision.** We maintain our 2026 revenue growth estimate unchanged at 19.6% yoy, but lift 2026 adjusted net profit growth from 108.8% yoy to 124.8% yoy on the higher-than-expected margin expansion.
- **Risks:** a) Policy risks: eg VBP programmes, anti-corruption campaign and other policies; b) intensifying market competition; c) risks in new product R&D and market approval; and d) risks in business collaborations etc.

Share Price Catalyst

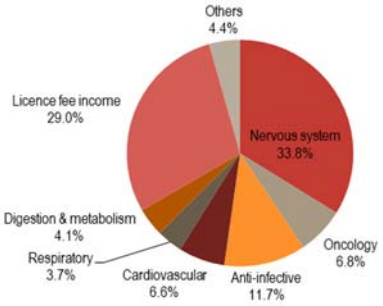
- a) Strong R&D performance and continuous business development efforts.
- b) New product launches to generate revenue streams.

Segmental Revenue (9M26)



Source: CSPC, UOB Kay Hian

Finished Drug Revenue – By Therapeutic Area (9M26)



Source: CSPC, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	26,006	31,098	31,990	33,011
EBITDA	6,102	10,869	11,698	12,511
Deprec. & amort.	1,202	1,279	1,408	1,536
EBIT	4,899	9,590	10,290	10,976
Associate contributions	(52)	(10)	(10)	(10)
Net interest income/(expense)	(39)	(27)	(27)	(27)
Pre-tax profit	4,808	9,553	10,253	10,939
Tax	(932)	(1,429)	(1,534)	(1,636)
Minorities	6	(406)	(410)	(419)
Net profit	3,882	7,718	8,309	8,884
Net profit (adj.)	3,534	7,945	8,544	9,125

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	12,153	12,855	13,428	13,874
Other LT assets	12,294	12,294	12,294	12,294
Cash/ST investment	6,090	12,492	15,785	17,872
Other current assets	16,161	13,770	13,987	14,239
Total assets	46,698	51,411	55,495	58,279
ST debt	329	329	329	329
Other current liabilities	9,849	9,306	9,409	9,536
LT debt	-	-	-	-
Other LT liabilities	1,970	1,970	1,970	1,970
Shareholders' equity	33,178	38,028	41,599	43,838
Minority interest	1,372	1,778	2,188	2,607
Total liabilities & equity	46,698	51,411	55,495	58,279

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	6,471	11,288	10,050	10,750
Pre-tax profit	4,808	9,553	10,253	10,939
Tax	(932)	(1,429)	(1,534)	(1,636)
Deprec. & amort.	1,202	1,279	1,408	1,536
Working capital changes	1,301	1,848	(114)	(125)
Non-cash items	-	-	-	-
Other operating cashflows	91	37	37	37
Investing	(4,813)	(1,991)	(1,991)	(1,991)
Capex (growth)	(1,981)	(1,981)	(1,981)	(1,981)
Proceeds from sale of assets	-	-	-	-
Others	(2,832)	(10)	(10)	(10)
Financing	(1,485)	(2,895)	(4,766)	(6,671)
Dividend payments	(2,722)	(2,868)	(4,739)	(6,644)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	(63)	-	-	-
Others/interest paid	1,300	(27)	(27)	(27)
Net cash inflow (outflow)	172	6,402	3,293	2,087
Beginning cash & cash equivalent	5,917	6,090	12,492	15,785
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	6,090	12,492	15,785	17,872

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	65.6	72.2	72.6	73.0
Pre-tax margin	18.5	30.7	32.1	33.1
Net margin	14.9	24.8	26.0	26.9
ROA	8.5	15.7	15.5	15.6
ROE	11.9	21.7	20.9	20.8
Growth				
Turnover	(10.4)	19.6	2.9	3.2
Gross profit	(16.0)	31.5	3.4	3.8
Pre-tax profit	(13.8)	98.7	7.3	6.7
Net profit	(10.3)	98.8	7.7	6.9
Net profit (adj.)	(24.5)	124.8	7.5	6.8
EPS	(22.5)	124.9	7.5	6.8
Leverage				
Debt to total capital	1.0	0.9	0.8	0.7
Debt to equity	1.0	0.9	0.8	0.7
Net debt/(cash) to equity	(17.4)	(32.0)	(37.2)	(40.0)
Interest cover	158.1	402.6	433.2	463.4

Tencent Holdings (700 HK)

3Q26: Higher AI Costs Result In Operating Profit Miss and Weigh on FCF

Highlights

- Tencent's 3Q26 results came in slightly below expectations. Revenue rose 7.5% yoy to Rmb207.3b, 1.6% below both our estimate and consensus. Higher AI-related costs weighed on profitability, with gross profit missing both estimates and non-IFRS operating profit coming in 6.8% below our estimate. Non-IFRS net profit fell 5.7% yoy to Rmb66.5b, broadly in line with expectations. Higher capex and compute prepayments widened the free cash outflow, with Tencent shifting to net debt.
- Maintain BUY with a lower target price of HK$500.00.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25A	2Q26A	3Q26A	UOBKHE	QoQ	YoY	Variance	Cons	Variance
Revenue	192,869	204,785	207,336	210,773	1.2%	7.5%	-1.6%	210,530	-1.5%
Social networking	32,260	32,514	31,826	33,779	-2.1%	-1.3%	-5.8%		
Online games	63,600	65,900	66,500	67,830	0.9%	4.6%	-2.0%		
Marketing Services	36,242	43,565	43,049	42,669	-1.2%	18.8%	0.9%		
Fintech and Cloud	58,174	60,286	63,655	63,383	5.6%	9.4%	0.4%		
Gross profit	108,798	118,433	115,911	120,491	-2.1%	6.5%	-3.8%	119,887	-3.3%
Non-IFRS Operating profit	72,570	75,636	68,073	73,064	-10.0%	-6.2%	-6.8%		
Non-IFRS net income	70,551	68,415	66,519	66,987	-2.8%	-5.7%	-0.7%	66,501	0.0%
Non-IFRS diluted EPS (RMB)	7.58	7.43	7.23	7.35	-2.8%	-4.6%	-1.7%	7.30	-1.0%
GPM	56.4%	57.8%	55.9%	57.2%	-1.9 ppts	-0.5 ppts	-1.3 ppts	56.9%	-1.0 ppts
Non-IFRS OPM	37.6%	36.9%	32.8%	34.7%	-4.1 ppts	-4.8 ppts	-1.8 ppts		
Non-IFRS NPM	36.6%	33.4%	32.1%	31.8%	-1.3 ppts	-4.5 ppts	0.3 ppts	31.6%	0.5 ppts

Source: Tencent, UOB Kay Hian

Analysis

- **International weakness weighed on gaming growth**. Online games revenue grew 4.6% yoy to Rmb66.5b, 2% below our estimate as international weakness partly offset solid domestic growth. Domestic games revenue rose 11% yoy to Rmb47.6b, led by evergreen titles including Honour of Kings, Delta Force and VALORANT MOBILE. International games revenue fell 9% yoy to Rmb18.9b, or 4% in constant currency, against a high base in 3Q25. Tencent expects a more normal cadence of premium game releases in 2027.
- **Advertising growth remained strong as margins narrowed.** Marketing services revenue rose 18.8% yoy to Rmb43.0b, broadly in line with our estimate. Growth was supported by improved AI-driven ad recommendations and wider use of Weixin's closed-loop marketing tools. Segment gross margin fell to 52% from 57% in 3Q25, reflecting higher AI-related operating costs and Mini Dramas content costs.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	660,257	751,766	821,926	902,999	987,416
EBITDA	221,456	258,027	271,745	289,648	324,321
Operating profit	208,099	241,562	253,629	270,932	305,005
Net profit (rep./act.)	194,073	224,842	209,302	227,735	251,373
Net profit (adj.)	222,703	259,626	242,948	266,184	293,198
EPS	2,350.7	2,790.9	2,653.9	2,901.9	3,190.0
PE	13.5	11.3	11.9	10.9	9.9
P/B	3.0	2.5	2.4	2.0	1.8
EV/EBITDA	13.1	11.2	10.6	10.0	8.9
Dividend yield	1.4	1.6	1.6	1.7	1.9
Net margin	29.4	29.9	25.5	25.2	25.5
Net debt/(cash) to equity	(13.3)	(11.6)	(6.3)	21.4	24.6
ROE	21.8	21.1	17.7	17.5	16.8
Consensus net profit	-	-	262,862.3	273,392.7	299,014.0
UOBKH/Consensus (x)	-	-	0.92	0.97	0.98

Source: Tencent, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	HK$372.80
Target Price	HK$500.00
Upside	34.1%
Previous TP	HK$537.00

Stock Data

Sector	Communication Services
Bloomberg ticker	700 HK
Shares issued (m)	9,092.6
Market cap (US$m)	3,389,737.9
Market cap (US$m)	432,028.4
3-mth avg daily t'over (US$m)	1,156.3

Price Performance (%)

52-week high/low				HK$641.00/HK$370.00
1mth	3mth	6mth	1yr	YTD
(10.8)	(15.7)	(17.0)	(41.4)	(37.8)

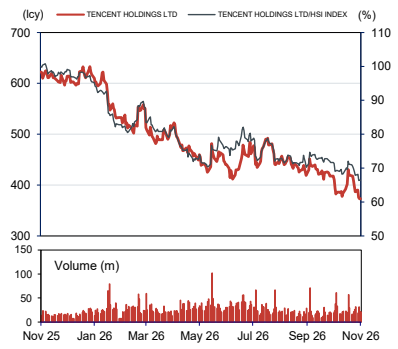
Major Shareholders (%)

Naspers	23.26

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	134.66
FY26 Net Cash/ Share (Rmb)	8.44

Price Chart



Source: Bloomberg

Company Description

The company is one of the largest comprehensive internet service providers.

- **FinTech and business services revenue grew 9% yoy to Rmb63.7b,** broadly in line with our Rmb63.4b estimate. Cloud revenue growth accelerated to 35% yoy, driven by growing demand for WorkBuddy, increased compute allocation to model-as-a-service (MaaS) and GPU rental, and continued international expansion. FinTech growth was supported by higher revenue from consumer lending and wealth management.
- **AI product investment ramps up.** Losses from new AI products widened to about Rmb15b (vs Rmb10.5b in 2Q), reflecting investments in Hy, Yuanbao, CodeBuddy, WorkBuddy and Xiaowei. Encouragingly, Hy4 ranked first among Chinese models on Agent Arena at launch, while WorkBuddy exceeded 10mn DAU and 100t daily tokens, highlighting improving AI adoption. Tencent expanded Xiaowei's integration with Weixin Mini Programs and Mini Shops to enable transactions. Management expects efficient inference and domestic chips to support cloud growth. Tighter access to advanced chips may extend the near-term model development cycle.
- **Higher AI costs weighed on margins.** Gross margin fell 0.5ppt yoy to 55.9%. VAS gross margin rose to 64% from 61% on a higher contribution from internally developed games, while marketing services gross margin fell to 52% from 57% due to higher AI operating costs and Mini Dramas content costs. Non-IFRS operating profit declined 6.2% yoy to Rmb68.1b. Excluding new AI products, it rose 8% yoy to Rmb83.3b. G&A expenses rose 29% yoy to Rmb44.1b, mainly due to higher R&D spending on Hy models, Weixin AI and other AI initiatives. Selling and marketing expenses rose 6% yoy to Rmb12.1b, mainly due to increased promotion of AI-native products.
- **Record AI investment pressures FCF, pushing the company into a net debt position.** Capex increased to Rmb81.4b in 3Q26 (vs Rmb52.8b in 2Q26), while FCF outflow widened to Rmb69.1b (vs Rmb13.8b), driven by higher capex and Rmb86b in compute prepayments. Excluding prepayments, FCF remained positive at Rmb16.9b. Tencent shifted to Rmb13.7b net debt from a Rmb58.2b net cash position in 2Q26.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$500.00,** based on our 2027 SOTP valuation. We adopt lower multiples to reflect elevated AI infrastructure capex, near-term FCF pressure and higher-than-expected marketing spend. Our target price implies 16x 2027F PE, while Tencent currently trades at 13x 2026F and 12x 2027F PE, around 1SD below its historical mean of 24x.

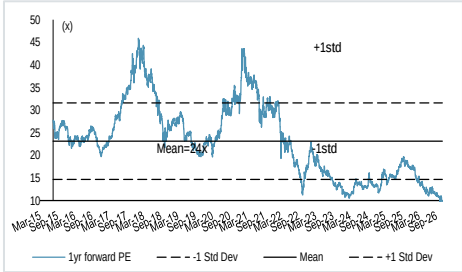
Earnings Revision/Risk

- We leave our 2026 revenue estimate largely unchanged and lower our non-IFRS net profit forecast for 2026/2027 by 4%/3% respectively. This implies yoy revenue growth of 9.3%/9.9% and earnings growth of -6.4%/10% in 2026/27 respectively, with net margins of 30%/29%.
- **Key risks:** a) Increasing disruption from AI-generated content; b) intensifying competition; c) regulatory risks; d) slowing game revenue growth; e) and elevated capex requirements.

Share Price Catalyst

- a) AI-driven revenue and efficiency gains, b) stronger WeChat Video Accounts advertising, c) game licence approvals, and d) Hunyuan ecosystem expansion.

12-Month Forward PE Band



Source: Bloomberg UOB Kay Hian

SOTP-Based Valuation

(Rmbm)	2027F revenue (Rmbm)	2027F non-GAAP earnings (Rmbm)	Valuation 2027 (x)	Value (Icy b)	Tencent holding (%)	Est. fair value to Tencent (Rmbb)	Fair value to Tencent (US$b)	Fair value/ share (HK$)
Online game (PC + Mobile game)	284,342	100,717	15x PE	1,511	100	1,511	224	179
Social networking (QQ + Wexin VAS)	132,762	47,026	12x PE	564	100	564	84	67
Online ads	199,099	56,758	18x PE	1,022	100	1,022	151	121
Payment	193,628	30,981	12x PE	372	100	372	55	44
Cloud	93,168		5x PS	466	100	466	69	55
Total EV	902,999	235,481	13x PE	3,097	100	3,097	290	466
Investees	% owned		Rmb/sh.			Valuatio		
Total (15% discount)						523	79	64
2027F Net cash per share (HK$)								30
Target price (HK$)								500

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	751,766.0	821,925.6	902,998.7	987,415.6
EBITDA	258,027.0	271,745.1	289,648.1	324,321.0
Deprec. & amort.	16,465.0	18,116.0	18,716.0	19,316.0
EBIT	241,562.0	253,629.1	270,932.1	305,005.0
Total other non-operating income	27,077.0	17,003.0	18,703.3	20,573.6
Associate contributions	23,740.0	2,309.0	6,917.0	6,917.0
Net interest income/(expense)	(15,130.0)	(12,303.4)	(12,303.4)	(12,303.4)
Pre-tax profit	277,249.0	260,637.7	284,249.0	320,192.3
Tax	(47,448.0)	(46,554.6)	(51,733.3)	(64,038.5)
Minorities	(4,959.0)	(4,781.0)	(4,781.0)	(4,781.0)
Net profit	224,842.0	209,302.1	227,734.7	251,372.8
Net profit (adj.)	259,626.0	242,947.9	266,183.6	293,198.4

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	176,942.0	284,691.0	506,975.7	691,463.8
Other LT assets	1,266,584.0	1,353,882.0	1,472,478.5	1,603,542.5
Cash/ST investment	384,819.0	456,067.0	80,846.2	(13,419.6)
Other current assets	210,641.0	252,077.0	276,616.8	303,900.2
Total assets	2,038,986.0	2,346,717.0	2,336,917.1	2,585,486.8
ST debt	42,618.0	88,722.0	88,722.0	88,722.0
Other current liabilities	370,133.0	454,694.0	260,572.7	305,729.9
LT debt	208,369.0	291,379.0	291,379.0	291,379.0
Other LT liabilities	176,801.0	213,978.0	213,978.0	213,978.0
Shareholders' equity	1,154,152.0	1,211,581.0	1,395,902.4	1,599,314.7
Minority interest	86,913.0	86,363.0	86,363.0	86,363.0
Total liabilities & equity	2,038,986.0	2,346,717.0	2,336,917.1	2,585,486.6

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	303,052.0	258,239.7	270,377.1	276,259.3
Profit fo the year	277,249.0	260,637.7	284,249.0	320,192.3
Tax	(47,448.0)	(46,554.6)	(51,733.3)	(64,038.5)
Deprec. & amort.	16,465.0	18,116.0	18,716.0	19,316.0
Associates	(23,740.0)	(2,309.0)	(6,917.0)	(6,917.0)
Working capital changes	(17,182.0)	43,125.0	36,229.9	17,873.9
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	97,708.0	(14,775.4)	(10,167.4)	(10,167.4)
Investing	(83,762.0)	(337,662.1)	(359,596.9)	(334,867.9)
Capex (growth)	(79,198.0)	(238,358.4)	(234,779.7)	(197,483.1)
Investment	0.0	0.0	0.0	0.0
Others	(4,564.0)	(99,303.7)	(124,817.2)	(137,384.8)
Financing	(136,165.0)	66,794.2	(31,306.8)	(35,657.2)
Dividend payments	(43,580.2)	(50,748.2)	(47,541.9)	(52,088.9)
Proceeds from borrowings	15,130.0	12,303.4	12,303.4	12,303.4
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(107,714.8)	105,239.0	3,931.7	4,128.3
Net cash inflow (outflow)	83,125.0	(12,628.2)	(120,526.6)	(94,265.8)
Beginning cash & cash equivalent	132,519.0	214,001.0	201,372.8	80,846.2
Changes due to forex impact	(1,643.0)	0.0	0.0	0.0
Ending cash & cash equivalent	214,001.0	201,372.8	80,846.2	(13,419.6)

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	34.3	33.1	32.1	32.8
Pre-tax margin	36.9	31.7	31.5	32.4
Net margin	29.9	25.5	25.2	25.5
ROA	11.8	9.5	9.7	10.2
ROE	21.1	17.7	17.5	16.8
Growth				
Turnover	13.9	9.3	9.9	9.3
EBITDA	16.5	5.3	6.6	12.0
Pre-tax profit	14.8	(6.0)	9.1	12.6
Net profit	15.9	(6.9)	8.8	10.4
Net profit (adj.)	16.6	(6.4)	9.6	10.1
EPS	18.7	(4.9)	9.3	9.9
Leverage				
Debt to total capital	16.8	22.7	20.4	18.4
Debt to equity	21.7	31.4	27.2	23.8
Net debt/(cash) to equity	(11.6)	(6.3)	21.4	24.6

Technical Analysis

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Zijin Gold International (2259 HK)

Last price:	HK$109.80
Support levels:	HK$94.60/HK$83.40
Resistance levels:	HK$120.50/HK$126.50

The price violated its previous low support zone during recent downward testing. The RSI sits firmly in bearish territory and continues to fall. If the price remains capped below the support-turned-resistance ceiling, we see continued downward progression toward deeper structural lows.

Average timeframe: Around two weeks.



China Unicom Hong Kong (0762 HK)

Last price:	HK$5.43
Support levels:	HK$5.32/HK$5.11
Resistance levels:	HK$5.735/HK$6.085

The price formed a bullish engulfing candlestick pattern during recent pullback testing, signalling the potential formation of a higher low. The RSI is rising steadily toward its neutral 50 level. If the price remains supported above the bullish engulfing pattern low on intraday dips, we see continued upward progression toward higher overhead resistance targets.

Average timeframe: Around two weeks.

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