UOBKayHian

Country Daily | Greater China

Friday, 04 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53686.1	1.2	0.2	1.0	11.7
S&P 500	7747.7	1.1	0.2	1.9	13.2
FTSE 100	10831.5	0.7	(0.4)	(0.2)	9.1
AS30	9198.3	0.4	(0.5)	(1.2)	2.0
CSI 300	4552.6	0.1	(1.7)	(1.1)	(1.7)
FSSTI	5747.7	0.1	1.1	2.4	23.7
HSCEI	8385.2	(0.8)	(1.2)	(2.2)	(5.9)
HSI	25213.3	(0.4)	(1.4)	(3.1)	(1.6)
JCI	6667.9	1.1	2.2	5.5	(22.9)
KLCI	1715.1	0.4	(1.9)	(1.0)	2.1
KOSPI	6579.5	0.3	(4.8)	3.5	56.1
Nikkei 225	64214.5	(0.2)	(2.9)	0.4	27.6
SET	1576.9	0.1	(1.5)	(2.5)	25.2
TWSE	45857.7	(0.7)	(0.3)	5.8	58.3
BDI	3488	4.7	14.1	22.7	85.8
CPO (RM/mt)	4660	(0.2)	1.4	3.6	18.5
Brent Crude (US$/bbl)	96	(0.1)	6.5	14.0	57.0

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep
Post-results NDR with Sunny Optical (2382 HK)	Taipei	22 Sep	23 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Aug Foreign Reserves	China	07 Sep
Aug Foreign Reserves	Hong Kong	07 Sep
Aug Trade Balance, Exports, Imports	China	08 Sep
Aug Inflation (PPI, CPI)	China	09 Sep
Aug Money Supply (M2, M1, M0)	China	9-15 Sep
Aug FDI YTD YoY CNY	China	11-17 Sep
2Q Industrial Production YoY	Hong Kong	14 Sep
2Q PPI YoY	Hong Kong	14 Sep

Top Stories

Sector Update | Automobile Weekly Page 2 →

- BYD and Geely far outperformed peers in 2Q26 due to new models and exports. For 2H26, their earnings will be continuously driven by premiumisation, globalisation, and flattening lithium carbonate prices. 2Q26 results of auto parts companies diverged, with ADAS and AI plays outperforming conventional ones. The flattening of lithium carbonate prices reduces the upside for battery materials producers in 2H26. Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, and Minth. Top SELL: Li Auto.

Sector Update | Internet Page 5 →

- AI/AI cloud remained the bright spot in 2Q26, with Alibaba and Baidu delivering 45%/50% respective yoy growths in AI cloud, while Tencent reported healthy cloud growth on AI demand. E-commerce remained soft, with only selective signs of stabilisation. Gaming was resilient and largely macro-insensitive. Meanwhile, travel demand softened but the 2H outlook has improved from earlier fears. Maintain MARKET WEIGHT. Top BUYs: Alibaba, TCOM, NetEase and Z.ai.

Technical Analysis

WuXi Biologics | 2269 HK Page 9 →

- Support levels: HK$47.80/HK$44.40
- Resistance levels: HK$57.85/HK$63.95

Hansoh Pharmaceutical | 3692 HK Page 9 →

- Support levels: HK$33.42/HK$31.74
- Resistance levels: HK$40.12/HK$43.94

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.

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Sector – Update | Greater China

Friday, 04 September 2026

Automobile

Weekly: 2Q26 Results Review And 2H26 Outlook

Analyst(s)

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MARKET WEIGHT (Maintaned)

Highlights

- BYD and Geely far outperformed peers in 2Q26 due to new models and exports. For 2H26, their earnings will be continuously driven by premiumisation, globalisation, and flattening lithium carbonate prices.
- 2Q26 results of auto parts companies diverged, with ADAS and AI plays outperforming conventional ones. We prefer the former, eg Minth.
- Battery materials producers' 2Q26 earnings surged along with lithium prices, but the flattening of lithium carbonate prices reduces their upside in 2H26.
- Maintain MARKET WEIGHT. We are changing the order of our segmental preference to: OEMs > auto parts > battery > battery materials. Top BUYs: BYD, Geely, and Minth. Top SELL: Li Auto.

Analysis

- **Auto OEMs: Overseas sales and premiumisation drive growth amid domestic softness, cost hikes and renminbi appreciation; R&D in robotics/AI remains a drag on profitability.**
  - **BYD and Geely ride on premiumisation and globalisation.** BYD and Geely far outperformed peers, with adjusted net profit (stripping out forex loss and other one-off items) surging 141%/61% yoy respectively on ASP gain and margin expansion, as premium product sales scaled up and overseas sales as a proportion of total sales volume rose to 43%/38% in 2Q26 from 23%/13% in 2Q25. Looking ahead, BYD and Geely's earnings will further pick up in 2H26, with accelerating sales momentum, ASP hikes, and flattening lithium carbonate prices offsetting chip price hikes.
  - **The rest suffer from domestic sales declines and cost hikes.** Great Wall Motor's (GWM) adjusted net profit plunged 67% yoy; XPeng and Li Auto registered an adjusted net loss of Rmb1,237m and Rmb1,978m respectively, worse than expected. 3Q26 sales momentum and margins remain lukewarm, due to competition.

Segmental Rating

Segment	Rating
OEMs	OVERWEIGHT (Upgraded)
Auto parts	MARKET WEIGHT (Maintained)
Battery	MARKET WEIGHT (Downgraded)
Battery materials	UNDERWEIGHT (Downgraded)

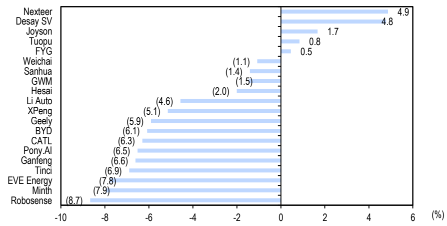
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
BYD	1211 HK	BUY	85.70	150.00
Geely	175 HK	BUY	17.22	29.00
Minth	425 HK	BUY	25.26	56.00
Li Auto	2015 HK	SELL	46.38	35.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 3 Sep 26 (lcy)	Target Price (lcy)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (Lcy m)	Price/ NAV ps (x)
BYD – H	1211 HK	BUY	85.70	150.00	75.0	12/25	20.8	15.0	12.1	0.7	15.3	315,667	2.4
Geely	175 HK	BUY	17.22	29.00	68.4	12/25	10.5	9.2	7.3	3.1	17.8	185,726	2.4
Great Wall Motor - H	2333 HK	HOLD	7.77	9.90	27.4	12/25	5.9	6.2	5.1	2.9	10.2	17,907	0.6
Li Auto	2015 HK	SELL	46.38	35.00	(24.5)	12/25	183.3	57.8	71.5	0.0	2.0	96,702	1.2
XPeng	9868 HK	BUY	42.80	60.00	40.2	12/25	Loss	135.9	16.4	0.0	1.7	67,086	2.3
Fuyao Glass - H	3606 HK	BUY	55.45	84.00	51.5	12/25	13.5	12.6	10.5	5.2	27.2	33,645	2.9
Huizhou Desay SV	002920 CH	BUY	90.32	135.00	49.5	12/25	22.0	21.9	18.6	1.5	24.8	53,904	3.1
Minth	425 HK	BUY	25.26	56.00	121.7	12/25	9.1	8.7	7.4	3.3	11.7	29,592	1.0
Nexteer	1316 HK	BUY	5.28	11.40	116.1	12/25	16.6	12.7	11.4	3.6	6.2	13,239	0.8
Ningbo Joyson	600699 CH	BUY	19.52	25.00	28.1	12/25	20.6	15.4	13.5	1.3	9.9	27,243	1.5
Ningbo Tuopu	601689 CH	BUY	47.83	64.00	33.8	12/25	30.9	27.4	23.9	0.0	11.7	83,121	3.4
Pony AI	PONY US	BUY	7.03	15.00	113.4	12/25	Loss	Loss	Loss	0.0	n.a.	2,484	0.3
Weichai Power - H	2338 HK	HOLD	31.26	31.00	(0.8)	12/25	39.4	20.5	19.3	2.9	10.7	60,739	2.4
Zhejiang Sanhua	002050 CH	BUY	36.30	43.00	18.5	12/25	37.9	32.4	28.0	1.2	14.2	135,453	4.4
Hesai	2525 HK	BUY	17.11	29.00	69.5	12/25	38.0	34.1	20.6	0.0	5.9	17,814	2.0
RoboSense	2498 HK	BUY	17.59	33.00	87.6	12/25	Loss	79.4	18.3	0.0	2.4	8,296	1.9
CATL	300750 CH	BUY	349.50	585.00	67.4	12/25	22.1	16.9	12.8	3.0	20.8	1,533,257	4.0
EVE Energy	300014 CH	BUY	51.15	85.00	66.2	12/25	25.7	13.5	10.3	1.9	6.8	111,164	2.1
Ganfeng Lithium - H	1772 HK	BUY	38.16	75.00	96.5	12/25	43.1	20.8	12.8	1.0	(1.2)	18,435	1.4
Tinci Materials	002709 CH	BUY	34.60	54.00	56.1	12/25	48.9	13.7	11.5	2.2	5.4	70,534	3.0

Source: Bloomberg, UOB Kay Hian

- **Renminbi appreciation was a major 2Q26 headwind.** Most OEMs suffered forex losses in 2Q26, obscuring underlying operations. Even after accounting for forex loss, BYD and Geely still posted 52% and 36% growth in adjusted net profit in 2Q26 respectively.
- **R&D in humanoid robotics and AI remains a drag on profitability.** XPeng's robot unit Dogotix raised US$0.9b at a US$6.3b valuation; BYD budgets over Rmb10b on its in-house humanoid project Rao-Shun-Yu; Li Auto allocates Rmb12b R&D with half for AI; Geely's plans to invest Rmb5b over three years. However, mass production remains distant with no clear business case, and meaningful commercial revenue is unlikely within a decade. BYD and Geely have bigger scale to absorb the additional R&D expense for robotics/AI, while XPeng and Li Auto see bigger pressure.

- **Auto parts and technology: Flat revenue made margin the key factor, while overseas mix and the new end-markets drove the results.**
  - **Flat revenue made margin the whole story.** Domestic demand gave the segment almost nothing: revenue grew 7.0% yoy at Desay SV, was flat at Fuyao and fell 9.5% at Joyson. The beats came from below the top-line: Nexteer on a 1.0ppt gain in adjusted EBITDA margin and a lower tax rate, Minth on a 0.4ppt gross margin gain, and Desay SV on a 14.9%/37.6% yoy cut in research and selling expenses. The misses were top-line and cost-driven: Fuyao missed on revenue despite a 1.7ppt yoy gross margin gain, Joyson on both revenue and margin, and Tuopu was the worst of all, with EBIT margin down 2.4ppt yoy to 9.1% on underused new capacity. The cost side was common to all of them, with chip, electronic component and energy prices rising during the quarter, and only names with pricing power or vertical integration maintained their gross margin.
  - **Growth came from overseas and new end-markets, not from Chinese cars.** Desay SV's overseas revenue rose 56% yoy on a 31.3% gross margin against a 2% domestic decline at 17.6%, and that split repeats across the segment. The second engine is non-automotive demand — data centre power at Weichai, liquid cooling at Sanhua, and robotics and data centre parts at Minth and Joyson. This is why the two upgrades – Weichai's 3%/16%/23% and Nexteer's 21%/23%/22% (EPS upgrades for 2026/27/28 respectively) – both sit outside the passenger-car cycle.
  - **LiDAR is the exception: Volume is doubling but price is falling faster.** Hesai and RoboSense grew shipments by 78% yoy and 146% yoy respectively, but blended ASP fell 34% and 50%, so revenue grew only 22% and 23%. Both missed, and margin separates them - Hesai at 40.1% vs RoboSense at 21.9%. Hence, we cut Hesai's 2026-28 net profit forecasts by 27%/17%/12%, while RoboSense's 2026 forecast is amended from a Rmb91m profit into a Rmb286m loss. Pony AI shows the same shape in autonomy and cockpits, compounding revenue fast without any profit yet.
  - **2H26: Orderbooks, not the vehicle market, drive the recovery.** Every name is guiding on backlog rather than demand: Weichai expects over 4,000 data centre diesel gensets in 2026 and over 2,000 gas gensets in 2027, Nexteer reaffirmed US$6b of full-year bookings, Desay SV is looking at over Rmb22b of annualised new orders, Joyson is expecting a 7% yoy revenue growth on a Rmb44.9b intake, and Sanhua with liquid-cooling volume production with orders above capacity. Margin should recover on utilisation: Fuyao's US plant will restart in 3Q26 and Tuopu expects Mexican utilisation to rise from 70% to above 85%, adding an estimated 0.8ppt.
  - **Chip costs: a partial offset to parts' volume growth.** ADAS suppliers – Desay SV, Joyson, and Tuopu – benefit from rising content per vehicle, but they are most exposed due to their reliance on high-end chips.

- **Battery (CATL and EVE): Both were in line, both grew on energy storage rather than vehicles, and both suffered gross margin erosion.**
  - **Energy storage, not electric vehicles, brought the growth.** CATL's 1H26 storage revenue jumped 88% yoy at a 24.0% gross margin, above the 20.6% earned on power batteries. EVE Energy's storage shipments of 44.46GWh accounted for 55% of the total. Both CATL and EVE raised

August Sales By OEM

('000 units)	Aug 26	yoy %	mom %	8M26	yoy %	2026F	Yoy %
BYD	440.3	17.8	5.0	2,668.0	(6.8)	5,000	8.6
- Domestic	250.8	(14.3)	5.1	1,505.8	(32.7)	3,000	(15.6)
- Overseas	189.5	134.4	4.9	1,162.3	85.7	2,000	91.2
Geely	270.1	8.0	8.0	1,943.3	2.4	3,450	14.1
- EV	175.9	19.4	9.8	1,135.5	13.3	2,220	31.5
- ICE	94.3	(8.3)	4.8	807.8	(9.7)	1,230	(8.0)
- Domestic	160.1	(25.2)	11.6	1,252.3	(23.8)	2,250	(13.6)
- Overseas	110.1	205.2	3.2	691.0	171.8	1,200	186.5
GWM	113.4	(1.9)	4.9	805.4	2.0	1,400	5.8
- EV	40.7	8.5	17.5	225.3	(3.1)	400	(0.9)
- ICE	72.7	(6.9)	(1.0)	580.1	4.1	1,000	8.7
- Domestic	50.9	(27.7)	10.5	389.4	(23.0)	650	(20.5)
- Overseas	62.5	38.4	0.8	416.0	46.5	750	48.2
XPeng	39.1	3.7	2.8	243.1	(10.5)	480	11.8
Li Auto	37.7	32.1	23.7	261.6	(0.6)	420	3.4

Source: The companies, UOB Kay Hian

Quarterly Sales By OEM

	1Q26	2Q26	yoy %	qoq %	3Q26	yoy %	qoq %
BYD	700.5	1,108.0	(3.2)	58.2	1,354.0	21.5	22.2
- Domestic	379.3	637.0	(28.2)	67.9	789.5	(10.4)	23.9
- Overseas	321.1	471.1	82.5	46.7	564.5	142.5	19.8
Geely	709.4	713.6	1.2	0.6	850.4	11.7	19.2
- Domestic	506.3	442.4	(27.6)	(12.6)	513.6	(20.9)	16.1
- Overseas	203.0	271.2	188.0	33.6	336.8	200.6	24.2
GWM	269.1	314.8	0.6	17.0	356.5	0.6	17.0
- Domestic	139.0	153.5	(25.6)	10.4	156.9	(27.7)	2.3
- Overseas	130.1	161.3	51.1	24.0	199.5	46.2	23.7
XPeng	62.7	103.3	0.1	64.8	118.0	1.7	14.2
Li Auto	95.1	98.3	(11.5)	3.4	97.5	4.6	(0.8)

Note: The 3Q26 sales numbers of BYD, Geely and GWM are our estimates; while those of XPeng and Li Auto and the mid-points of the two companies' guided range of 115,000-121,000 units and 95,000-100,000 units respectively.
Source: The companies, UOB Kay Hian

volume on the back of it: We lift CATL's 2026-28 estimates by 10%/7%/0% to 1,000/1,230/1,450GWh respectively and EVE's 2026 electric-vehicle shipments to 75GWh.

- **Lithium costs eroded the gross margin for both CATL and EVE; opex decided the net margin.** CATL's 2Q26 gross margin fell 2.4ppt yoy, taking gross profit per GWh down 8% and net profit per GWh down 12%; we cut its 2026-28 net profit by 1%/7%/12% respectively. EVE's gross margin fell 2.9ppt yoy to 14.5%, but a 4.1ppt yoy fall in its SG&A/revenue ratio lifted EBIT margin 3.2ppt to 8.7%. We raise its 2026-28 net profit by 5%/6%/10% respectively. Both faced the same cost pressure, yet we revised their earnings estimates in opposite directions.
- **2H26: Margins bottom while volume continues to rise.** CATL's metal-linkage pricing passes raw material costs through to customers with a lag, so the squeeze is one of timing rather than level, and full-year volume could reach 1,000GWh against capacity already running at full saturation. EVE brings 628Ah storage and 46-series cylindrical cells into mass production and adds BMW overseas.

- **Battery materials: Price, not volume, drove both beats, but our lithium price outlook has now been lowered.**
  - **Both beat on ASP while volume merely met expectations.** Ganfeng Lithium's revenue more than tripled 'yoy as lithium ASP rose 140% yoy, and Tinci Materials revenue grew 127% yoy on a 41% rise in electrolyte volume and a sharp ASP gain. Neither raised volume - Ganfeng holds 230,000/270,000/320,000 tonnes and Tinci has 1.39m/1.67m/2.00m tonnes. The earnings best was almost entirely driven by prices, not by volume.
  - **The profit is being captured upstream as the pass-through is incomplete.** Ganfeng's gross margin rose 23.0ppt yoy to 32.7% and its 1H26 net profit reached 57% of our full-year estimate; hence, we raised 2026 net profit by 23%. Tinci's gross margin fell 9.3ppt qoq to 29.3%, against our 37.0% assumption, because lithium hexafluorophosphate costs exceeded the prices it could charge. Hence, we cut 2026-28 net profit by 4%/10%/10% respectively. As a resource owner, Ganfeng reaps the benefit of rising lithium prices, while the converter Tinci absorbs the cost hike.
  - **2H26: This is where our 1Q26 call has changed.** In the 1Q26 results wrap-up, we expected lithium carbonate prices to exceed Rmb200,000 per tonne from 2027. Ganfeng's management now guides for a balanced market in 2027; hence, we have reduced its 2027-28 ASP to Rmb142,000 per tonne, expect ASP to be flat in 2026, and increased its target price from HK$120.00 to HK$75.00. With price capped, earnings depend on cost: Ganfeng's self-sufficiency should rise to 70% by 2028, and Tinci's ASP should stabilise as lithium hexafluorophosphate prices recover from their 2Q26 lows. That is the reason for ranking battery materials last.

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** We are changing the order of our segmental preference to: OEMs > auto parts > battery > battery materials, based on: a) the accelerating sales growth of the leading OEMs; b) their structural profitability improvement from moving upmarket and going overseas; c) the emergence of new growth engines for auto parts companies, eg ADAS, AI, and robotics; and d) the flattening lithium carbonate prices which benefit OEMs at the expense of battery materials producers.
- **Top BUYs: BYD, Geely, and Minth. Top SELL: Li Auto.**

Sector Catalyst/Risk

- Catalysts: A recovery in domestic auto sales; sustained export growth; data centre and liquid-cooling orders; 3Q26 results.
- Risks: Fluctuations in lithium carbonate prices; input cost inflation that cannot be fully passed through to customers; renminbi appreciation; a slower robotics ramp-up.

2Q26 Earnings Vs Estimates and Upgrade/Downgrade

Company	Miss/ Beat	----------EPS chg--------			--Target price--	
		2026F	2027F	2028F	Old	New
OEMs						
BYD	Beat	5	14	15	135.00	150.00
Geely	Beat	5	7	9	27.00	29.00
GWM	Miss	-	-	-	12.00	9.90
XPeng	Miss	(60)	(46)	(13)	90.00	60.00
Li Auto	Miss	n.a.	n.a.	n.a.	40.00	35.00
Battery						
CATL	In line	(1)	(7)	(12)	640.00	585.00
EVE	In line	5	6	10	83.50	85.00
Battery materials						
Ganfeng	Beat	23	(1)	(11)	120.00	75.00
Tinci	Miss	(4)	(10)	(10)	75.00	54.00
Auto parts						
Desay SV	Beat	4	(4)	(8)	150.00	135.00
Fuyao	Miss	(3)	(2)	(4)	100.00	84.00
Hesai	Miss	(27)	(17)	(12)	33.00	29.00
Joyson	Miss	(14)	(16)	(17)	43.00	25.00
Minth	Beat	6	7	7	56.00	56.00
Nexteer	Beat	21	23	22	8.30	11.40
Pateo	In line	(103)	(77)	(21)	350.00	350.00
Pony AI	Miss	(11)	(7)	(35)	16.00	15.00
RoboSense	Miss	n.a.	(62)	(30)	50.00	33.00
Sanhua	In line	(5)	-	-	57.00	43.00
Tuopu	Miss	(17)	(10)	(6)	100.00	64.00
Weichai	In line	3	16	23	35.00	31.00

Source: The companies, UOB Kay Hian

Internet

2Q26 Results Recap: AI Cloud Accelerates; E-Commerce Still Soft; Gaming Resilient

Highlights

- AI/AI cloud remained the bright spot in 2Q26, with Alibaba and Baidu delivering 45%/50% respective yoy growths in AI cloud, while Tencent reported healthy cloud growth on AI demand. E-commerce remained soft, with only selective signs of stabilisation. Gaming was resilient and largely macro-insensitive. Meanwhile, travel demand softened but the 2H outlook has improved from earlier fears.
- Maintain MARKET WEIGHT. Top BUYs: Alibaba, TCOM, NetEase and Z.ai.

Analysis

- **E-commerce remains subdued; 3Q26 may improve sequentially, but we stay cautious.** Alibaba/JD/PDD/Kuaishou reported respective core commerce/monetisation growths of +1.0%/-4.7%/+3.5%/+4.4% yoy in 2Q26. Profit trends were mixed: non-GAAP/non-IFRS net profit changed -38%/+21%/-13%/-30% yoy, respectively. Alibaba's like-for-like customer management revenue (CMR) returned to slight growth and management expects to see a recovery in e-commerce EBITA and narrower quick-commerce losses. JD expects retail revenue to return to growth at 3-3.3% yoy in 3Q26 as the electronics subsidy base normalises. PDD's domestic monetisation improved but overseas regulations remain a drag. Kuaishou guided for 3Q26 group revenue to decline 7.5% yoy. We therefore expect a modest sequential improvement in 3Q26, but remain cautious given weak discretionary demand and uneven merchant economics.

  Overall, we expect CMR and broader e-commerce monetisation to remain subdued, with persistent macro headwinds and weak discretionary demand limiting the pace of recovery despite some sequential improvement in 3Q26.

Analyst(s)

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
E-commerce	MARKET WEIGHT (Maintained)
Online Game	OVERWEIGHT (Maintained)
OTA	OVERWEIGHT (Maintained)
AI	OVERWEIGHT (Maintained)
Online Property Vertical	MARKET WEIGHT (Maintained)
Local Life Service	UNDERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
Alibaba	9988 HK	BUY	109.90	188.00
Tencent	700 HK	BUY	438.20	608.00
Z.ai	2513 HK	BUY	1,117.00	1,830.00
Trip.com	9961 HK	BUY	343.80	508.00
NetEase	9999 HK	BUY	186.80	252.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 2 Sep 26 (lcy)	Target Price (lcy)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (lcy m)	Price/ NAV ps (x)
Alibaba	9988 HK	BUY	109.90	188.00	71	Mar-26	19.3	18.5	13.1	0.96	7.98	2,185,360	1.6
JD.com Inc	9618 HK	BUY	108.60	148.00	36	Dec-25	10.9	8.6	6.8	3.65	12.30	296,656	n.a.
Pinduoduo	PDD US	BUY	83.17	115.00	38	Dec-25	7.6	8.1	6.8	-	21.08	118,384	1.6
Tencent	700 HK	BUY	438.20	608.00	39	Dec-25	13.7	12.8	12.1	1.39	18.68	3,989,001	2.5
NetEase	9999 HK	BUY	186.80	252.00	35	Dec-25	13.6	12.9	11.2	2.59	22.77	597,994	3.1
Tencent Music	1698 HK	BUY	32.78	53.00	62	Dec-25	9.0	9.1	8.5	2.02	11.17	108,931	n.a.
Baidu	9888 HK	BUY	92.35	136.00	43	Dec-25	12.6	16.2	13.3	-	4.23	250,591	n.a.
Meituan	3690 HK	HOLD	78.75	76.00	(3)	Dec-25	n.a.	n.a.	18.7	-	(1.78)	486,319	2.7
Kuaishou	1024 HK	HOLD	33.64	35.00	4	Dec-25	6.3	14.5	13.5	1.11	8.29	145,559	1.4
KE Holdings	2423 HK	BUY	46.68	60.00	29	Dec-25	n.a.	n.a.	n.a.	1.80	10.04	160,872	n.a.
Trip.com Group	9961 HK	BUY	343.80	508.00	48	Dec-25	6.7	12.6	10.8	0.18	7.36	216,493	1.1
Tongcheng Travel	780 HK	BUY	11.78	18.00	53	Dec-25	7.2	6.8	6.1	2.79	13.03	27,734	0.9
Minimax	100 HK	BUY	342.60	470.00	37	Dec-25	n.a.	n.a.	n.a.	-	8.6	119,648	-48.3
Z AI	2513 HK	BUY	1,117.00	1.830.00	64	Dec-25	n.a.	n.a.	n.a.	-	0.9	520,101	40.1
New Oriental Education	EDU US	BUY	59.15	85.00	44	May-26	18.5	14.9	12.5	2.79	13.5	9,413	2.2
TAL Education	TAL US	BUY	12.13	18.40	52	Feb-26	21.0	10.0	9.4	-	9.0	6,728	1.5
Kingsoft	3888 HK	BUY	24.44	35.00	43	Dec-25	20.7	14.9	17.9	0.55	6.83	33,591	0.9
Iflytec	002230 CH	HOLD	39.42	39.00	-1	Dec-25	n.a.	n.a.	n.a.	0.32	n.a	94,690	n.a
DIDI GLOBAL	DIDIY US	BUY	3.65	6.40	75	Dec-25	n.a.	n.a.	n.a.	-	(1.46)	16,452	n.a.

Source: Bloomberg, UOB Kay Hian

- **Gaming remains resilient and relatively insulated from macro weakness.** Tencent's online game revenue grew 8% yoy in 2Q26, with domestic games up 17% and international games rising 4% in constant currency terms. NetEase's online game revenue rose 10% yoy, while game gross margin expanded 5.9ppt to 76.1%. By contrast, Kingsoft's online game revenue declined 15% yoy to Rmb810.4m in 2Q26, mainly due to lifecycle changes in certain existing titles and intense industry competition. Existing titles and deferred revenue, which grew 11% and 14% yoy in 2Q26 for Tencent and NetEase respectively, provide solid earnings visibility, while AI-enabled content production should further improve development efficiency.

  Despite a mixed new-title pipeline at NetEase and softness with Kingsoft games, we remain constructive on the sector, supported by a favourable approval backdrop, with 1,362 games approved ytd vs 1,772 for the full year 2025. Resilient contribution from evergreen titles should also provide a stable earnings base, while we continue to forecast healthy growth for Tencent and NetEase.

- **AI cloud growth accelerated and capex stepped up materially.** Alibaba's AI cloud & compute revenue grew 45% yoy in the June quarter, with external cloud also up 45% and management expecting over 50% growth in the September quarter. Baidu AI cloud Infrastructure revenue increased 50% yoy to Rmb7.3b and GPU public-cloud revenue surged 283% yoy; management expects AI cloud infrastructure growth to re-accelerate above 60% in 3Q26. Tencent does not separately disclose cloud revenue, but said cloud growth remained healthy on AI demand, international expansion and pricing. 2Q capex reached Rmb67.7b/Rmb59.3b/Rmb11.5b for Alibaba/Tencent/Baidu, respectively. The investment cycle is pressuring near-term FCF, but stronger utilisation, proprietary chips and higher-margin AI services should improve compute economics over time.

- **Domestic AI infrastructure remains strategically important.** Alibaba has deployed Rmb190b of its Rmb380b three-year AI capex plan, while we have raised our 2026 capex estimate to Rmb200b in view of Tencent's extended capex cycle and continued AI infrastructure investment. Baidu front-loaded server, chip and raw-material purchases in 2Q26 and expects 3Q/4Q reported capex to moderate, with more leasing and financing structures. We expect domestic chips such as T-Head and Kunlunxin to become more important as hyperscalers scale inference workloads and manage supply constraints and unit costs.

- **OTA: Overall outlook was better than feared.** Tongcheng's results were broadly in line while Trip.com has yet to report its 2Q26 results. Tongcheng's 2Q26 revenue/core OTA revenue grew 6.8%/8.4% yoy respectively, while adjusted net profit rose 9.8% yoy. 3Q26 revenue is guided to grow 3-8% yoy, reflecting softer accommodation room nights and transportation demand, but the impact of high fuel prices has started to ease and international hotel room nights should remain >40% yoy. Management is monitoring whether travel demand deferred from the summer period could shift to the Mid-Autumn/National Day holiday window, which would support 4Q demand.

  Trip.com has not yet reported its 2Q26 results, with management previously guiding for 3-8% yoy net revenue growth, including 8-13% yoy growth in accommodation revenue and a 0-5% yoy decline in transportation revenue amid regulatory adjustments and airfare pressure. With the regulatory overhang now removed, we remain constructive on its medium-term outbound travel exposure, supported by easing fuel cost pressure and the upcoming Mid-Autumn/National Day holiday period.

- **Online advertising remained bifurcated, with AI helping leaders but macro pressure persisting**. Tencent's marketing services revenue grew to +22% yoy, supported by AI-driven recommendations, AIM+ and Weixin closed-loop marketing. Kuaishou's online marketing revenue grew 4.4% yoy, below prior guidance, while Baidu online marketing revenue fell 19% yoy as legacy search advertising stayed weak. PDD's online marketing revenue improved to +3.5% yoy. We expect AI-driven targeting and closed-loop conversion to support structurally stronger platforms, but near-term ad growth remains constrained by weak consumption and merchant profitability.

- **Online music remained resilient despite competitive and AI risks.** TME's 2Q26 revenue rose 5.8% yoy and music-related services revenue grew 11.0%, while non-GAAP net profit increased 4.4% to Rmb2.7b and beat expectations. SVIP expansion and Ximalaya consolidation support monetisation, although competition and AI-generated content remain medium-term risks.
- **Mobility profitability improved.** DiDi's 2Q26 revenue grew 10.8% yoy and adjusted net profit returned to Rmb284m, ahead of expectations. China mobility remained solid while international mobility revenue grew 50% yoy. We expect 3Q26 revenue growth of about 11%, with overseas expansion and better operating leverage supporting earnings despite continued investment in autonomous driving and international markets.
- **AI commercialisation accelerated, while high R&D investment continued to pressure profitability.** Z.ai and MiniMax delivered robust 1H26 revenue growths of 400%/283% yoy respectively, driven by rapid expansion in cloud-based deployment at Z.ai and B-end/Open Platform services at MiniMax. Commercialisation momentum also strengthened, with ARR reaching US$1.6b/US$0.8b by end-August and year-end targets of US$2.4b/US$1.0b, respectively. R&D investment remained elevated at both companies as model iteration and infrastructure investment continued, keeping near-term profitability under pressure, while Z.ai also saw margin dilution from its rapid cloud mix shift. We believe further commercialisation will depend on Z.ai sustaining pricing power alongside token growth, while MiniMax’s upside lies in broader monetisation of its multimodal capabilities.

  iFlytek recorded comparatively more moderate growth, with AI-related businesses expanding but partly offset by softness in traditional segments and continued high R&D spending.
- **China education names delivered resilient latest results,** with healthy K-12 learning demand and improving operating leverage supporting the earnings outlook. TAL’s 1QFY27 results were above expectations, led by a sharp improvement in learning-services profitability and cost efficiency, although part of the margin upside reflected favourable learning-tablet revenue recognition. New Oriental’s 4QFY26 revenue was slightly ahead while profit was softer, but FY27 revenue guidance was better than expected and further margin expansion is expected as EDU core enters the next phase of cost optimisation. Shareholder returns also remain supportive across both names.

Valuation/Recommendation

- **Alibaba (9988 HK).** Maintain BUY with a target price of HK$188.00 (US$192.00). Cloud acceleration is the key near-term catalyst, although elevated AI capex and FCF remain the main debate.
- **Tencent (700 HK).** Maintain BUY with a target price of HK$608.00. We remain constructive on resilient gaming, accelerating AI-driven advertising and cloud monetisation, while monitoring elevated capex.
- **TCOM (9961 HK).** Maintain BUY with a target price of HK$508.00. Trip.com has yet to report its 2Q26 results; we continue to favour its structural outbound travel exposure and expect deferred travel demand to support 4Q26 results.
- **NetEase (9999 HK).** Maintain BUY with a target price of HK$252.00. Existing games remain resilient and strong margins/deferred revenue provide earnings visibility despite a mixed new-game pipeline.
- **Z.ai (2513 HK).** Maintain BUY with target price of HK$1,830.00. Accelerating ARR and rapid expansion in B-end customers support strong commercialisation momentum, although elevated R&D spending remains a near-term profitability drag.

Sector Catalyst/Risk

- **Catalysts:** a) faster AI cloud monetisation and improving compute economics, b) a sequential recovery in e-commerce demand and lower local-commerce losses, c) sustained game engagement/new launches, and d) recovery in travel demand into 4Q26**.**
- **Risks include:** a) weaker-than-expected consumption, b) higher AI capex and prolonged FCF pressure, c) intensifying e-commerce/AI competition, d) game pipeline delays, and e) renewed geopolitical or fuel-price pressure on travel.

2Q26 China Internet Sector Results Review

	Share Price change	-------- Beat/Miss ---------		------------------------------ 2Q26					----------------------------------- 3Q26F				
	since results release	2Q26	3Q26F	- Revenue growth (%) -		- Non-GAAP net profit (Rmbb) -			-- Revenue growth (%) --		-- Non-GAAP net profit (Rmb b) --		
	(%)	Beat/Miss	Raise/Cut	Actual	Consensus	Actual	yoy (%)	Consensus	UOBKH	Consensus	UOBKH	yoy (%)	Consensus
Alibaba	-13%	Miss	Cut	9%	9%	20.7	-38	25.3	11%	9%	22.1	114	24.0
Tencent	-5%	In-line	Cut	11%	10%	68.4	9	68.2	10%	10%	69.8	-1	70.3
JD	-12%	Beat	In-line	-3%	-4%	8.9	21	7.9	3%	6%	9.0	56	9.0
PDD	-7%	Miss	Cut	8%	11%	28.5	13	28.0	11%	11%	27.7	-12	28.2
Meituan	2%	Beat	Raise	14%	10%	2.5	69	0.3	17%	12%	1.4	1	1.0
Baidu	-9%	Miss	Cut	-4%	-2%	2.6	-46	3.2	1%	0%	1.9	-50	3.8
Beike	3%	Beat	Raise	-6%	-7%	3.2	75	2.4	-11%	-3%	1.9	51	1.9
NetEase	-3%	Beat	Raise	8%	6%	7.7	-19	10.2	8%	8%	10.3	9	10.3
Kuaishou	-11%	In-line	Miss/Cut	1%	1%	3.9	-30	3.9	-7%	4%	0.8	-85	4.2
Tongcheng	-10%	In-line	Cut	7%	6%	0.9	10	0.8	5%	8%	1.1	5	1.2
Kingsoft	-4%	Beat	Raise	9%	7%	0.5	39	0.3	3%	9%	0.4	38	0.3
DIDI	5%	Beat	Cut	11%	10%	0.3	-91	-0.3	11%	10%	-0.6	-141	-0.4
iflytech	-1%	Miss	Cut	2%	27%	0.2	56	0.7	23%	29%	0.4	1	0.2
Z.ai	-7%	In-line	Cut	400%	610%	-2.0	-12	-2.7	n.a	n.a	n.a	n.a	n.a
TME	-15%	Beat	Raise	6%	4%	2.7	4	2.5	9%	9%	2.8	14	2.5
Alibaba	-13%	Miss	Cut	9%	9%	20.7	-38	25.3	11%	9%	22.1	114	24.0
Tencent	-5%	In-line	Cut	11%	10%	68.4	9	68.2	10%	10%	69.8	-1	70.3

Source: Respective companies, UOB Kay Hian

Technical Analysis

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WuXi Biologics (2269 HK)

Last price:	HK$50.70
Support levels:	HK$47.80/HK$44.40
Resistance levels:	HK$57.85/HK$63.95

The price maintained its position above the resistance-turned-support zone, keeping the uptrend intact. Technical momentum reinforces this constructive outlook, as the RSI is above its neutral 50-midline. As long as buyers continue to defend this key support, path-of-least-resistance dynamics favour a sustained upward trajectory toward higher price targets.

Average timeframe: Around two weeks.

Hansoh Pharmaceutical (3692 HK)

Last price:	HK$35.96
Support levels:	HK$33.42/HK$31.74
Resistance levels:	HK$40.12/HK$43.94

The price successfully defended the big gap support zone, demonstrating strong demand-side momentum retention. The RSI operates securely above its neutral 50-midline. A decisive penetration above the immediate overhead swing peak at HK$36.94 will clear any remaining resistance, opening the path for a sustained upward expansion toward higher primary target levels.

Average timeframe: Around two weeks.

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