UOBKayHian

Country Daily | Greater China

Tuesday, 15 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	52421.2	(0.3)	(1.9)	(2.4)	9.1
S&P 500	7620.0	(0.5)	(1.3)	(2.1)	11.3
FTSE 100	10697.6	0.4	(1.2)	(0.5)	7.7
AS30	8923.9	0.0	(3.0)	(4.2)	(1.1)
CSI 300	4480.1	(0.7)	(2.1)	(4.0)	(3.2)
FSSTI	5718.0	0.4	(1.3)	(0.4)	23.1
HSCEI	8284.6	0.5	(1.7)	(0.7)	(7.1)
HSI	24917.6	0.5	(1.9)	(0.8)	(2.8)
JCI	6534.7	(0.1)	(1.3)	2.1	(24.4)
KLCI	1698.0	0.7	(1.0)	(1.7)	1.1
KOSPI	6684.4	(3.3)	(4.4)	(4.2)	58.6
Nikkei 225	63493.0	(0.8)	(4.4)	(7.6)	26.1
SET	1591.1	(0.8)	(1.7)	(1.1)	26.3
TWSE	45862.5	(0.7)	(3.1)	0.1	58.3
BDI	3445	(1.8)	(3.6)	20.3	83.5
CPO (RM/mt)	4594	(0.5)	(0.7)	1.1	16.8
Brent Crude (US$/bbl)	106	1.0	8.9	19.4	73.7

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep
Post-results NDR with Sunny Optical (2382 HK)	Taipei	22 Sep	23 Sep
NDR with Food Empire Holdings Ltd (FEH SP)	Malaysia	08 Oct	08 Oct

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Aug FDI YTD YoY CNY	China	11-17 Sep
Aug Retail Sales	China	15 Sep
Aug Industrial Production	China	15 Sep
Aug Fixed Assets Ex Rural	China	15 Sep
Aug Surveyed Jobless Rate	China	15 Sep
Aug Unemployment Rate 3Mths	Hong Kong	17 Sep
2Q BoP Current Account Balance	Hong Kong	17 Sep
2Q BoP Overall	Hong Kong	17 Sep
Aug CPI Composite	Hong Kong	23 Sep
Aug Trade Balance, Exports, Imports	Hong Kong	24 Sep

Top Stories

Economics | Money Supply Page 2 →

- Aug 26's M1 growth edged up to 4.1% yoy, in line with consensus, while M2 eased to 7.5% yoy. New bank loans turned positive at Rmb0.06t but missed the Rmb0.40t consensus. New TSF of Rmb1.66t was also below forecast as government bond issuance slowed. Outstanding bank loans growth fell to 4.9% yoy, a record low, while TSF growth eased to 7.2% yoy. With the recent push to accelerate FAI project implementation, new corporate loans could grow in the months ahead.

Sector Update | China Property Page 4 →

- High-frequency data for 1-13 Sep 26 show the split between Tier 1 and lower-tier cities widening again. New-home sales in the four Tier 1 cities rose 23% yoy but fell 12% and 28% in Tier 2 and Tier 3 cities respectively, leaving 19 major cities down 3% yoy. Second-hand transactions in three Tier 1 cities rose 13% yoy. Tier 1 inventory months kept falling, led by Shenzhen. Maintain UNDERWEIGHT on China's property sector.

Sector Update | Internet Page 7 →

- Key investor focus areas discussed during the marketing trip included: a) AI capex requirements, b) funding methodology, c) investment payback period, and d) open-source AI monetisation and the competitive landscape. We foresee AI/AI Cloud, online gaming and OTAs as poised for further re-rating, supported by stronger growth delivery and reduced regulatory pressures. Maintain MARKET WEIGHT. Top BUYs: Alibaba, NetEase, Z.ai and TCOM.

Technical Analysis

ANTA Sports | 2020 HK Page 10 →

- Support levels: HK$71.75/HK$69.95
- Resistance levels: HK$79.15/HK$83.65

Chery Automobile | 9973 HK Page 10 →

- Support levels: HK$24.50/HK$23.76
- Resistance levels: HK$27.68/HK$30.10

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.

Economics

Money Supply

August Loans Growth Falls Below 5%

- August's M1 growth edged up to 4.1% yoy (+0.1ppt mom), in line with Bloomberg's consensus estimate, while M2 growth eased to 7.5% yoy (-0.2ppt mom), slightly below consensus of 7.6% yoy and a third straight month of deceleration.
- New bank loans turned positive at Rmb0.06t from July's -Rmb0.34t but missed consensus of Rmb0.40t and were well below Aug 25's Rmb0.59t. New TSF of Rmb1.66t also fell short of the Rmb2.12t consensus, with new government bond issuance easing to Rmb1.01t (-Rmb0.31t mom).
- Outstanding bank loans growth fell to 4.9% yoy (-0.2ppt mom), dropping below 5% for the first time, while outstanding TSF growth eased to 7.2% yoy (-0.2ppt mom). With the recent push for faster FAI project implementation, new corporate loans may pick up in the coming months.

Our View

- **M2 growth eased by 0.2ppt to 7.5% yoy in Aug 26,** slightly below Bloomberg's consensus forecast of 7.6% yoy and extending the deceleration to a third consecutive month. M1 money supply growth edged up to 4.1% yoy from 4.0% yoy in July, matching market expectation, while M0 growth moderated to 11.2% yoy (-0.4ppt mom). M1 has now held in a narrow 4.0-4.1% range for three months, a slight positive as it stabilised at a subdued level rather than beginning to recover.
- **Banks added Rmb0.06t in new loans in Aug 26,** returning to positive territory after July's Rmb0.34t net repayment but falling short of Bloomberg's consensus estimate of Rmb0.40t and the Rmb0.59t recorded in Aug 25. New household loans stayed negative at -Rmb0.20t (+Rmb0.26t mom), with both short-term and long-term borrowing still contracting for a second month. New corporate and government loans turned positive at Rmb0.22t (+Rmb0.32t mom), driven entirely by medium-to-long-term lending of Rmb0.32t (+Rmb0.55t mom) as short-term loans remained in negative territory at -Rmb0.16t.

Key Monetary Indicators

(yoy % chg)	Aug 26	Consensus	Jul 26	Jun 26
M0 Money Supply	11.2	-	11.6	11.8
M1 Money Supply	4.1	4.1	4.0	4.0
M2 Money Supply	7.5	7.6	7.7	8.0
Outstanding Bank Loans	4.9	-	5.1	5.2
Outstanding Total Social Financing	7.2	-	7.4	7.4
New Bank Loans (Rmbt)	0.06	0.40	-0.34	1.61
New Total Social Financing (Rmbt)	1.66	2.12	1.40	3.37

Source: Wind, PBOC, UOB Kay Hian

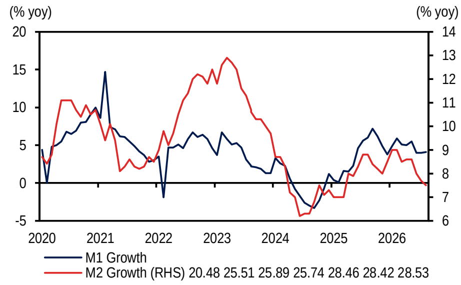
- **Aug 26's new TSF rose to Rmb1.66t from Jul 26's Rmb1.40t,** but missed Bloomberg's consensus of Rmb2.12t and was materially below Aug 25's Rmb2.57t. Renminbi loans within TSF recovered to Rmb0.06t (+Rmb0.65t mom) but contributed little, while new government bond issuance fell to Rmb1.01t (-Rmb0.31t mom), taking the growth rate down to 13.5% yoy (-0.6ppt mom). Corporate bond growth accelerated to 9.7% yoy (+0.5ppt mom) and equity issuance rose to 5.7% yoy (+0.2ppt mom), consistent with the continued shift towards non-bank channels. However, the shadow financing leg was uneven, with bank acceptances reversing to -5.1% yoy (-7.8ppt mom) and trust loan growth slowing to 1.9% yoy (-1.3ppt mom).

Analyst(s)

Tham Mun Hon, CFA
munhon.tham@uobkh.com
+852 2236 6799

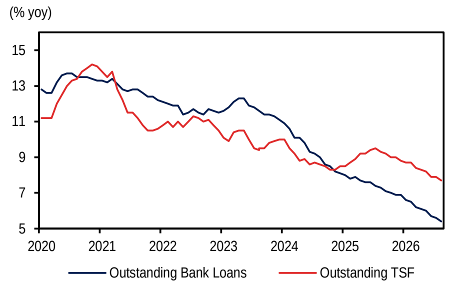
Claire Wang
claire.wang@uobkh.com
+852 2236 6761

M1 And M2 Growth



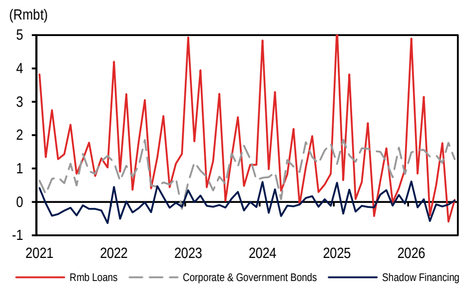
Source: PBOC, UOB Kay Hian

Outstanding Credit Growth



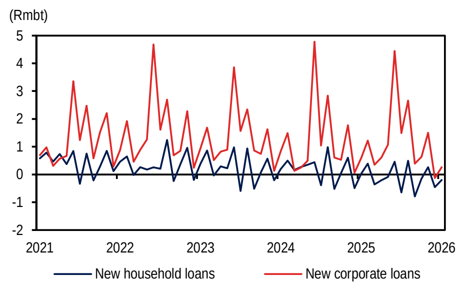
Source: PBOC, UOB Kay Hian

New TSF



Source: PBOC, UOB Kay Hian

New Bank Loans



Source: PBOC, UOB Kay Hian

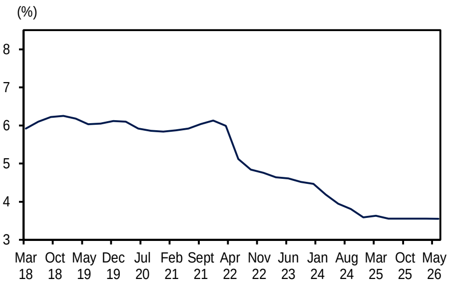
- **Outstanding bank loans growth fell to 4.9% yoy (-0.2ppt mom) in Aug 26,** the first reading below 5% since comparable records began, while outstanding TSF growth eased to 7.2% yoy (-0.2ppt mom). The slowing credit growth is reflective of the weak domestic demand, but could reverse in the coming months as the recent push for faster FAI project implementation may lift new corporate loans.

Outstanding TSF

(yoy % chg)	Aug 26	Jul 26	Jun 26	May 26
Renminbi Loans	5	5.2	5.3	5.5
Forex Loans	3.1	-1.7	-2.9	-4.3
Entrusted Loans	1.0	0.7	0.5	0.0
Trust Loans	1.9	3.2	4.0	7.1
Bank Acceptances	-5.1	2.7	-2.8	-6.2
Corporate Bond	9.7	9.2	8.9	8.4
Government Bond	13.5	14.1	14.2	15.1
Equity Issuance	5.7	5.5	5.0	4.7

Source: Wind, PBOC, UOB Kay Hian

Mortgage Loan



Source: PBOC, UOB Kay Hian

China Property

New Home Sales Accelerate In Tier 1 Cities In Early-Sep 26 But Weaken In Lower-tier Cities

Highlights

- New-home sales in 19 major cities fell 3% yoy in 1-13 Sep 26, but the composition was sharply split: the four Tier 1 cities rose 23% yoy while Tier 2 and Tier 3 cities fell 12% and 28% yoy respectively. Beijing/Shanghai/Guangzhou rose 28%/35%/12% yoy, leaving Shenzhen (-14% yoy) as the only Tier 1 city to decline. On a ytd basis (as of 13 September), 19 major cities fell 4% yoy, with Tier 1/2 cities changing by +4%/-8% yoy respectively.
- Second-hand transactions told the same story. In 1-13 Sep 26, average daily sales in three Tier 1 cities rose 13% yoy, still led by Shanghai at +26% yoy, while nine Tier 2 cities were broadly flat. On a ytd basis, Tier 1/2 cities changed by +10%/-4% yoy respectively. Meanwhile, second-hand home listing prices continued to trend downward.
- Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- **High-frequency data for 1-13 Sep 26 show the recovery broadening within Tier 1 cities.** New-home sales in the four Tier 1 cities rose 23% yoy and 10% mom, with Beijing and Guangzhou joining Shanghai in positive territory, while Tier 2 and Tier 3 cities fell 12% and 28% yoy respectively. The second-hand market had the same shape: three Tier 1 cities up 13% yoy against nine Tier 2 cities that were broadly flat. We read this as a mix shift towards the four Tier 1 cities rather than a national turn.
  - **a) New-home sales in 19 major cities fell 3% yoy in 1-13 Sep 26.** Average daily new-home sales in Tier 1/2 cities changed by +23%/-12% yoy respectively, against +16%/-11% yoy in 1-16 Aug 26 — Tier 1 momentum strengthened while Tier 2 weakened further, and Tier 3 cities dropped 28% yoy. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded yoy sales changes of +28%/+35%/+12%/-14% respectively, so Shenzhen was the only Tier 1 city to decline. Measured against the full month of Aug 26, Tier 1 cities rose 10% mom while Tier 2 and Tier 3 cities fell 14% and 12% mom respectively. On a ytd basis (as of 13 September), average daily new-home sales in 19 major cities declined 4% yoy, with Tier 1/2 cities changing by +4%/-8% yoy respectively; within Tier 1 cities, Beijing was flat while Shanghai/Guangzhou/Shenzhen rose 8%/3%/3% yoy respectively. The early-September pick-up has broadened from Shanghai to Beijing and Guangzhou, but it still stops at the Tier 1 boundary.

Analyst(s)

Liu Jieqi
jieqi.liu@uobkh.com
+852 28261392

Damon Shen
damonshen@uobkh.com
+86 21 54047225 ext.820

UNDERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
China Property	UNDERWEIGHT (Maintained)
Property management	UNDERWEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
COLI	688HK	BUY	12.31	19.88
CR Mixc	1209 HK	BUY	38.32	55.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 14-Sep-26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2027E (%)	ROE 2026E (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	29.30	39.60	35.2%	12/25	8.0	8.9	8.0	4.4	4.7%	208,936.5	0.60
China Overseas Land	688 HK	BUY	12.31	19.88	61.5%	12/25	8.9	10.0	9.3	4.0	2.7%	134,731.5	0.29
Longfor Properties	960 HK	BUY	5.38	8.76	63.0%	12/25	4.4	N.A.	N.A.	0.2	-1.9%	38,148.5	0.20
Yuexiu Property	123 HK	BUY	3.06	4.50	47.3%	12/25	40.7	42.8	33.8	1.2	0.5%	12,297.6	0.19
CR Mixc Lifestyle	1209 HK	BUY	38.32	55.00	43.5%	12/25	19.0	17.1	15.4	6.5	26.6%	87,465.4	4.62
China Overseas Property Holdings	2669 HK	BUY	3.31	4.20	27.1%	12/25	6.8	7.6	7.7	5.6	18.5%	10,853.5	1.42

Source: Bloomberg, UOB Kay Hian

b) **Second-hand transactions in Tier 1 cities stayed positive,** with the gain still concentrated in Shanghai while Tier 2 cities stalled. During 1-13 Sep 26, average daily sales of second-hand homes in three Tier 1 cities rose 13% yoy while nine Tier 2 cities were broadly flat. Shanghai/Beijing/ Shenzhen changed by +26%/+4%/-6% yoy respectively, against +21%/-3%/0% yoy in 1-16 Aug 26. Against the full month of Aug 26, three Tier 1 cities grew 6% mom while nine Tier 2 cities dropped 2% mom. On a ytd basis (as of 13 September), three Tier 1 cities expanded 10% yoy while nine Tier 2 cities declined 4% yoy, with Shanghai/Beijing/Shenzhen up 15%/6%/2% yoy respectively. Tier 1 second-hand demand is still a Shanghai story, and we still see no sign of it spreading to Tier 2 cities.

c) **Overall price trends remained on a downtrend.** According to the ICE Index updated on 13 Sep 26, average listing prices of second-hand homes in 100 major cities fell 0.1% wow and 0.6% mom. Among the four Tier 1 cities, the listing price indices of Beijing/Shanghai/Guangzhou/ Shenzhen changed by -0.1%/+0.1%/-0.1%/-0.1% wow, -0.6%/+0.0%/-0.6%/-0.3% mom, and -3.7%/+1.4%/-3.9%/-1.9% ytd respectively.

d) **All four Tier 1 cities have continued to work down their inventory months, which peaked between Dec 25 and Mar 26.** As of 13 Sep 26, saleable GFA in Beijing/Shanghai/Guangzhou/Shenzhen changed by -22.2%/-2.6%/-12.5%/-37.5% yoy respectively, and inventory months have fallen 2.5/1.0/2.4/8.3 months ytd to 17.8/7.9/15.4/15.4 months. Shenzhen is doing the heavy lifting on both legs – its saleable pool is down more than a third yoy – while Shanghai's decline owes more to stronger new-home sales, and still carries the lowest inventory months of the four.

1-13 Sep 26 Daily New-Home Sales (GFA) Of Key Cities
(Cities with relatively better yoy performance are highlighted in orange)

GFA	---------------- T1 cities ----------------			-------------------------------- T2 cities --------------------------------						
(000 sqm)	BJ	SH	GZ	SZ	Wuhan	Qingdao	Suzhou	Fuzhou	Chengdu	Nanning
1-13 Sep 25	10	28	14	6	18	30	5	4	25	14
1-31 Aug 26	12	30	18	6	30	30	5	6	14	9
1-13 Sep 26	13	38	15	5	15	25	7	3	13	16
YoY	28%	35%	12%	-14%	-17%	-17%	39%	-17%	-45%	21%
MoM	8%	30%	-14%	-9%	-50%	-17%	47%	-45%	-5%	84%

Source: iFind, UOB Kay Hian

1-13 Sep 26 Daily Secondary-Home Transactions (In Units) Of 12 Cities
(Cities with relatively better yoy performance are highlighted in orange)

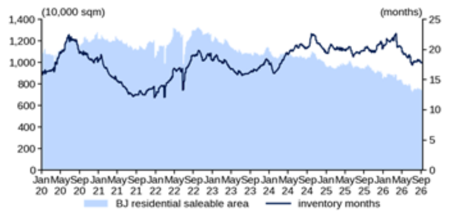
Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
1-13 Sep 25	633	503	202	149	225	143	137	105	109	76	653	244
1-31 Aug 26	746	503	175	145	260	159	171	97	135	82	576	238
1-13 Sep 26	801	524	190	153	254	132	192	102	129	79	551	241
YoY	26%	4%	-6%	3%	13%	-8%	40%	-3%	18%	3%	-16%	-1%
MoM	7%	4%	8%	6%	-2%	-17%	12%	5%	-4%	-5%	-4%	1%

Source: iFind, UOB Kay Hian

Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector.** We continue to prefer developers with low reliance on presale proceeds and strong Tier 1 exposure. Our top picks are COLI and CR Mixc.
- **COLI's Aug 26 contracted sales fell 12.8% yoy, but 8M26 sales remained up 10.1% yoy and Aug 26 land spending stayed heavy.** COLI recorded Aug 26 contracted sales of Rmb15.98b on a sales area of 511,600 sqm, down 12.8% yoy in value and 42.4% yoy in area, an implied ASP of Rmb31,241/sqm against Rmb20,630/sqm a year earlier. For 8M26, contracted sales reached Rmb165.45b (+10.1% yoy) on 5,565,000 sqm (-16.5% yoy), an implied ASP of Rmb29,731/sqm. On the land side, the group added five parcels in Beijing (two parcels), Hong Kong, Ningbo

Beijing's Inventory Months

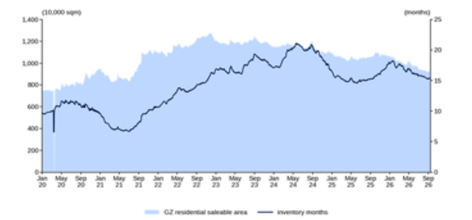


Source: UOB Kay Hian

Shanghai's Inventory Months

Source: UOB Kay Hian

Guangzhou's Inventory Months



Source: UOB Kay Hian

Shenzhen's Inventory Months

Source: UOB Kay Hian

and Shanghai in Aug 26, with attributable GFA of 972,586 sqm and attributable land premium of Rmb26.76b, accounting for 41% and 55% of the 8M26 totals, respectively. For 8M26, attributable GFA reached 2,380,520 sqm and attributable land premium Rmb48.36b. Mix rather than volume is carrying COLI's sales value, and August land spending was concentrated in Shanghai and Beijing.

- **Longfor's development sales kept shrinking while its recurring income continued to grow.** Aug 26 contracted sales were Rmb2.20b on 250,000 sqm, down 53.5% yoy in value, of which contracted sales attributable to shareholders were Rmb1.50b on 174,000 sqm. For 8M26, contracted sales totalled Rmb20.84b, down 54.4% yoy, on 2,239,000 sqm, and no land acquisition was disclosed for the month. Against that, 8M26 revenue excluding tax from property operations and property services reached Rmb18.18b, up 2.8% yoy, split between operating income of Rmb9.73b (+3.6% yoy) and service income of Rmb8.45b (+1.8% yoy). The investment case now rests on the recurring income platform rather than on development sales.
- **Yuexiu's Aug 26 sales edged up, but ASP remained under pressure.** Aug 26 contracted sales, including projects of JVs and associates, were Rmb5.60b, up 1.7% yoy, on GFA of 168,300 sqm, down 0.6% yoy. For 8M26, contracted sales were Rmb61.21b, down 16.2% yoy, while the corresponding GFA rose 12.4% yoy to 2,029,200 sqm – an implied ASP of Rmb30,163/sqm, 25% below the 8M25 level. No land was acquired in Aug 26; on 4 Sep 26, the company won two residential parcels in Tianhe district, Guangzhou for Rmb2.48b, equivalent to Rmb36,590/sqm of plot-ratio accountable GFA. Volume is holding up, but the shift towards lower-priced projects is what keeps earnings under pressure.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.

Internet

Feedback From Marketing Trip

Highlights

- **Key investor focus** areas discussed during the marketing trip include: a) AI capex requirements, b) funding methodology, c) investment payback period, and d) open-source AI monetisation and the competitive landscape.
- In our view, AI/AI Cloud, online gaming and OTAs are poised for further re-rating, supported by stronger growth delivery and eased regulatory overhangs.
- **Maintain MARKET WEIGHT.** Top BUYs: Alibaba, NetEase, Z.ai and TCOM.

Analysis

- **Positioning remains selective.** Investors focused on AI/LLM monetisation, capex returns and durable China exposure. They remain constructive on Alibaba and Tencent, but largely as a relative trade as Asian semiconductors remained the preferred earnings-momentum exposure, rather than a strategic sector reallocation. We would turn more positive on the broader sector only if earnings upgrades and fund flows broaden beyond Alibaba and Tencent.
- **What is the capex outlook for hyperscalers?** We estimate FY27/2026 capex of Rmb225b/Rmb200b/Rmb55b for Alibaba/Tencent/Baidu, vs latest-quarter spending of Rmb67.7b/Rmb59.3b/Rmb11.5b. Alibaba remains the most aggressive, having deployed around Rmb190b of its Rmb380b three-year AI plan. Tencent continues to front-load compute and storage investment, while Baidu expects capex to moderate in 3Q-4Q26 after heavy 2Q26 server and chip purchases. High capex will pressure near-term free cash flow (FCF), but improving utilisation should support returns over time.
- **How sustainable is AI capex funding?** Alibaba has the largest structural gap, with Rmb135b normalised operating cash flow vs Rmb225b FY27 capex, partly offset by its HK$80b placement and Rmb330b listed investment portfolio. Tencent is best funded, with annualised 1H26 operating cash flow of Rmb310b comfortably covering Rmb200b capex, plus further asset-recycling optionality. Baidu has weaker internal funding, with 2Q26 operating cash flow of Rmb3.4b vs Rmb11.4b capex, implying greater reliance on debt, leasing and subsidiary financing, although Rmb100b adjusted liquidity provides several years of runway.

Analyst(s)

Julia Pan

juliapan@uobkh.com

+86 21 5404 7225 ext 808

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	107.50	188.00
Netease	9999 HK	BUY	182.60	252.00
Z.ai	2513 HK	BUY	793.00	1,830.00
Trip.com	9961 HK	BUY	305.60	506.00

Source: Bloomberg, UOB Kay Hian

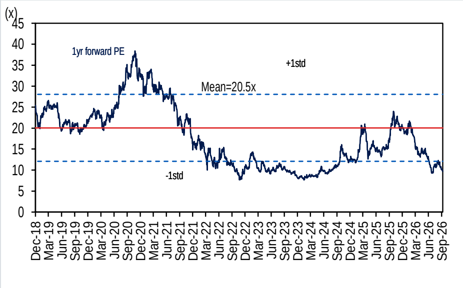
Peer Comparison

Company	Ticker	Rec*	Price 11 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	107.50	188.00	75	Mar-26	18.91	18.24	13.22	0.98	7.98	2,137,636	n.a.
JD.com Inc	9618 HK	BUY	106.50	148.00	39	Dec-25	10.73	8.39	6.61	3.98	12.30	290,920	n.a.
Pinduoduo	PDD US	BUY	77.84	115.00	48	Dec-25	7.10	7.58	6.32	0.00	20.82	110,797	1.47
Tencent	700 HK	BUY	429.20	608.00	42	Dec-25	13.46	12.50	11.83	1.42	18.66	3,907,077	2.49
NetEase	9999 HK	BUY	182.60	252.00	38	Dec-25	13.26	12.61	10.89	2.66	22.77	584,548	n.a.
Tencent Music	1698 HK	BUY	30.96	53.00	71	Dec-25	8.52	8.61	7.96	2.15	11.17	102,883	n.a.
Baidu	9888 HK	BUY	89.20	136.00	52	Dec-25	12.12	15.82	13.08	0.00	4.20	243,834	n.a.
Meituan	3690 HK	HOLD	75.20	76.00	1	Dec-25	n.a.	n.a.	16.60	0.00	-1.44	464,396	2.57
Kuaishou	1024 HK	HOLD	31.24	35.00	12	Dec-25	5.81	13.19	12.33	1.12	8.29	135,175	1.34
KE Holdings	2423 HK	BUY	44.44	60.00	35	Dec-25	n.a.	n.a.	n.a.	1.90	10.04	153,152	n.a.
Trip.com Group	9961 HK	BUY	305.60	508.00	66	Dec-25	6.00	11.39	9.68	0.20	7.20	192,438	0.96
Tongcheng Travel	780 HK	BUY	10.55	18.00	71	Dec-25	6.46	6.11	5.48	3.12	12.97	24,838	0.83
Kingsoft	3888 HK	BUY	24.32	35.00	44	Dec-25	20.61	14.44	18.49	0.56	6.83	33,426	0.91
DIDI GLOBAL	DIDIY US	BUY	3.46	6.40	85	Dec-25	n.a.	n.a.	n.a.	0.00	-1.46	15,596	n.a.
MINIMAX	100 HK	BUY	268.80	470.00	75	Dec-25	n.a.	n.a.	n.a.	0.00	12.02	93,874	-21.55
Z.ai	2513 HK	BUY	793.00	1,830.00	131	Dec-25	n.a.	n.a.	n.a.	0.00	-0.56	369,239	20.51
IFLYTEK	002230 CH	HOLD	39.15	39.00	0	Dec-25	n.a.	n.a.	n.a.	0.32	4.97	94,041	n.a.

Source: Bloomberg, UOB Kay Hian

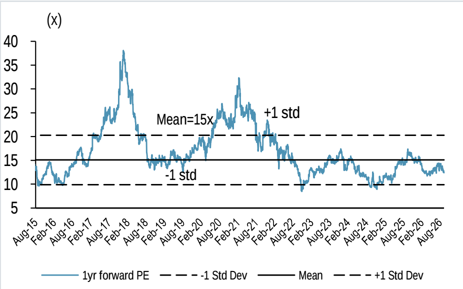
- **What is the payback period for AI investment?** Alibaba provides the clearest visibility on AI infrastructure returns, with management highlighting a roughly three-year payback period, supported by its 40% share of China AI cloud and full-stack IaaS/PaaS/MaaS offering. We estimate a two- to three-year payback period, with mature infrastructure ROIC and after-tax project IRR of 15-20%. Cloud remains the key monetisation engine, with rising utilisation, expanding MaaS revenue and improving cloud margins supporting better compute economics over time. Despite elevated near-term capex and FCF pressure, we believe the underlying return profile remains attractive.
- **Can Alibaba achieve its 20% AI Cloud gross margin target, and why is margin lower that of than US CSPs?** We do not expect Alibaba to reach 20% gross margin in FY27, but see it as achievable over the longer term as utilisation improves, scale benefits emerge and proprietary chips lower compute costs. Structurally, Alibaba's margin should remain below that of US cloud service providers (CSP) peers, mainly due to lower cloud and AI pricing in China. Lower pricing is a contributor, but the larger issue is lower revenue yield per unit of infrastructure, reflecting more intense competition, lower utilisation and a less favourable service mix.
- **What is the outlook for T-Head?** T-Head's prior-generation AI chips had cumulatively shipped over 560,000 units as of Apr 26, serving over 400 customers across more than 20 industries. The chips, together with the T-Head SAIL software stack, have been extensively validated in real-world production environments at Alibaba Cloud and leading enterprise customers, handling large-scale traffic, complex workloads and stringent SLA requirements. In Aug 26, management said its latest-generation chips had begun deployment on Alibaba AI Cloud as Supernodes, marking the start of the next production ramp and supporting broader adoption across Alibaba's AI infrastructure.
- **How do open-weight models monetise amid rising competition?** We believe open-weight models can still monetise through API usage, enterprise deployment and revenue-sharing arrangements with CSPs, where cloud platforms hosting the models share part of the related inference revenue with AI labs. Competition is intensifying in commoditised Flash/Lite models, as leading SOTA models can move down the capability curve more easily, while lower-tier models face greater difficulty reaching frontier performance.
- **Will declining LLM token prices trigger an industry-wide price war?** We do not expect a broad-based price war among frontier models, which should retain pricing power through performance differentiation. Recent US price cuts partly reflect the narrowing performance gap and lower pricing of leading Chinese models. As US frontier models remain priced at a premium, we believe leading Chinese SOTA models retain room to monetise without aggressive price cuts. Pricing pressure should be more pronounced among commoditised models with limited differentiation and weaker pricing power.
- **Will LLM companies continue to raise capital through placements?** We think further placements are highly likely given the high compute and R&D intensity of frontier model development. MiniMax and Z.ai both raised capital in July soon after their IPOs in January, largely to fund AI infrastructure and next-generation models. Z.ai's additional September placement further underscores ongoing funding needs as both companies scale capacity and prepare larger frontier models for year-end launches.
- **Could potential IPOs of DeepSeek, Kimi and Anthropic create a liquidity vacuum for listed LLM names?** We see some near-term liquidity risk as new listings compete for investor capital, but also potential valuation upside for existing LLM names. Anthropic is valued at around 2026 20x annualised revenue run rate (ARR) vs 18x for Z.ai, suggesting a successful IPO could provide a higher valuation benchmark and drive sector re-rating. Liquidity remains a concern, although near-term selling pressure should be partly contained by shareholder lock-ups extending into next year.
- **When to reconsider Tencent?** Tencent remains more of a medium-term accumulation story than a near-term AI trade. We are positive on its distribution advantage, but its AI strategy appears less mature than Alibaba's, with earlier efforts focused more on application-layer products such as

Alibaba 12-Month Forward PE Band



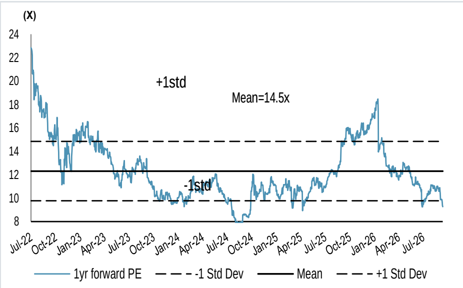
Source; Bloomberg, UOB Kay Hian

Netease 12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

TCOM 12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

WorkBuddy and CodeBuddy and only more recently shifting towards frontier proprietary models. The key missing piece is clearer monetisation and return visibility. We would turn more constructive once Tencent discloses stronger AI KPIs, including cloud growth, Hunyuan-related ARR or usage, and adoption or monetisation metrics for WorkBuddy/CodeBuddy. For now, AI returns remain difficult to assess, while capex and opex could pressure free cash flow and buybacks. We remain positive on Tencent, but would like to see clear AI monetisation without materially weakening shareholder returns.

- **What is our outlook for Trip.com following the regulatory fine?** We are turning constructive, as the company has adjusted its practices since April and the July fine removes a key overhang. We remain positive on overseas growth, normalising airfares and the upcoming 10.1 Golden Week season. While the removal of exclusivity could increase competition, we expect user stickiness to remain resilient given the low-frequency nature of travel and Trip.com's one-stop cross-selling platform. Air-ticket distribution remains subject to airline authorisation and China Air Transport Association-related requirements, providing some barriers to entry.
- **Outlook for Meituan.** Investors saw scope for a tactical recovery, but not yet a clean long-term holding, given continued uncertainty around delivery profitability and competitor subsidies. Meituan offers greater long-term upside but with higher competitive and margin uncertainty.

Valuation/Recommendation

- Our top picks in descending order of preference: Alibaba > NetEase > Z.ai > TCOM.
  - **Maintain BUY on Alibaba (9988 HK)** with a target price of HK$188.00 (US$192.00) as we raise our cloud revenue growth to 50% yoy in 2QFY27. We remain optimistic on Alibaba Cloud's accelerating revenue growth and further margin improvement, supported by stronger AI demand, operating leverage and continued cloud adoption. Alibaba is trading at 18.3x FY27F PE, on the back of a 41% EPS CAGR from FY27-30.
  - **Maintain BUY on NetEase (9999 HK)** with a target price of HK$252.00 which implies 18x 2026F PE. We expect NetEase's game pipeline to remain solid, with Ananta and Sea of Remnants slated for launch in 2H26 or 1Q27, while strong deferred revenue should provide good visibility on near-term game growth. The company is currently trading at 13.3x 2026F PE, below the historical mean of 15x.
  - **Maintain BUY on Z.ai (2513 HK)** with a target price of HK$1,830.00 which implies 11.8x 2027F EV/Sales. We prefer Z.AI, given its focus on high-value use cases such as coding and stronger monetisation, with ARR doubling from Rmb1b in July to Rmb2b in August. With its new 1GW data centre completed, we expect ARR growth to further accelerate as compute constraints ease.
  - **Maintain BUY on TCOM (9961 HK)** with a target price of HK$508.00 (US$65.00) which implies 18.5x 2026F PE, in line with global peers. We remain optimistic on Trip.com's 2H26 outlook, supported by the Golden Week holiday season and continued strong international and outbound travel expansion, while the clearing of regulatory overhang should further support a potential re-rating.

Sector Catalyst/Risk

- **Catalysts:** a) Re-accelerating AI Cloud growth with improving margins; b) proprietary chip deployment to ease compute bottlenecks and reduce reliance on foreign GPUs; c) larger-parameter model upgrades to narrow the gap with US frontier models; d) healthy game pipeline to support resilient online game growth; and e) 2H26 travel recovery, supported by Golden Week holiday demand.
- **Risks:** a) Heavy AI capex with slower-than-expected monetisation, b) failure to deliver SOTA models amid rapid industry iteration, c) persistent macro headwinds weighing on consumption and travel demand, and d) slower game pipeline or weaker-than-expected performance of new titles.

Technical Analysis

Analyst(s)

Greater China Research Team
research-hk@uobkh.com

Tham Mun Hon, CFA
munhon.tham@uobkh.com
+852 2236 6799

ANTA Sports (2020 HK)

Last price:	HK$73.65
Support levels:	HK$71.75/HK$69.95
Resistance levels:	HK$79.15/HK$83.65

Price managed to hold above its previous low support zone, keeping the market anchored within its broader range-bound framework. The RSI is turning upward and approaching its neutral 50-midline, signalling an early momentum recovery. As long as price holds above this support, we can expect a technical rebound towards the previous price high resistance ceiling to complete the range rotation, with a confirmed breakout opening the path for further upside expansion.

Average timeframe: Around two weeks.

Chery Automobile (9973 HK)

Last price:	HK$25.72
Support levels:	HK$24.50/HK$23.76
Resistance levels:	HK$27.68/HK$30.10

Price managed to hold above its previous low support zone, keeping the broader market anchored above a critical demand floor. The RSI has turned bullish and continues to expand upward, confirming an active re-establishment of buyer control. As long as price holds above this support, path-of-least-resistance dynamics heavily favour a sustained upward trajectory towards higher expansion targets.

Average timeframe: Around two weeks.