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WAIC 2026 – Full-stack AI Deployment Accelerates Across Agents, Embodied Intelligence and Smart Terminals

Highlights

- WAIC 2026 was held in Shanghai under the theme "Intelligent Partners, Creating the Future Together". The event featured over 1,100 exhibitors, approximately 3,000 exhibits, more than 300 global product launches and over 300 robots, covering the full AI stack from chips, computing infrastructure and foundation models to agents, embodied AI and smart devices. This year's focus shifted towards full-stack AI deployment and real-world commercialisation. Maintain MARKET WEIGHT.

WHAT'S NEW

- **We believe WAIC 2026 signals that China's AI industry is entering a new phase,** with competition shifting beyond model scaling toward efficiency, AI agents, embodied AI and AI infrastructure.
  a) **LLMs.** Competition is moving from parameter scaling to memory efficiency, token utilisation and inference optimisation, with AI agents emerging as the primary commercialization vehicle for foundation models.
  b) **Embodied AI.** The industry is evolving from Vision-Language-Action (VLA) models toward World Models, enabling robots to better understand, predict and interact with physical environments.
  c) **AI infrastructure.** Competition is shifting from individual chips to training-inference integrated AI accelerators and super-node clusters. Scale-up networking remains the fastest-evolving AIDC technology, while CPO is a long-term opportunity despite yield and engineering challenges.
  d) **Next AI frontier shifts toward AI-driven research and physical AI commercialisation.** Discussions increasingly focused on AI evolving from a productivity tool to a **research partner**, capable of accelerating scientific discovery and potentially designing next-generation model architectures. At the same time, **embodied AI** is shifting its focus from demonstration prototypes to real-world commercial deployment, emphasising scalable industrial and service applications.
  d) **Long-term bottlenecks.** China's AI competitiveness will increasingly depend on **advanced chips, compute infrastructure, proprietary data and ecosystem collaboration,** with long-term value shifting beyond model performance.

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Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
Alibaba	9988 HK	BUY	116.80	190.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 20 July 26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2026F (x)	PE 2027F (x)	PE 2028F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (LC$m)	Price/ NAV ps (x)
Alibaba	9988 HK	BUY	116.80	190.00	63	Mar-26	19.1	13.3	10.2	0.96	8.80	2,235,982	2.0
Baidu	9888 HK	BUY	109.10	178.00	63	Dec-25	14.8	13.0	10.5	0.00	5.25	296,700	0.9
Tencent	700 HK	BUY	478.20	680.00	42	Dec-25	13.7	12.5	11.4	1.30	19.27	4,344,404	2.8
JD.com	9618 HK	BUY	120.40	156.00	30	Dec-25	9.6	7.3	6.2	3.13	12.36	328,070	1.2
Kingsoft	3888 HK	BUY	24.52	32.00	31	Dec-25	17.7	19.9	15.1	0.83	5.75	33,882	0.9

Source: Bloomberg, UOB Kay Hian

- **China's LLM competition has evolved from cost efficiency (DeepSeek) to frontier intelligence (Zhipu GLM) and now pricing power, led by Moonshot's Kimi K3.** Launched on 17 July, the 2.8T-parameter Kimi K3 sets a new benchmark in coding and agentic AI, with pricing of US$2.3 per 1M blended tokens, above Qwen3.7 Max (US$1.4), GLM-5.2 (US$0.9), MiniMax M3 (US$0.22) and DeepSeek V4 Pro (US$0.18). Looking into 2H26, we expect competition to centre on coding, AI agents and proprietary data flywheels, with 2–5T-parameter model launches from Zhipu, Alibaba and MiniMax. While lower-end API pricing (US$0.1–0.2 per 1m tokens) is likely to remain under pressure, we believe pricing power, cost efficiency and financial strength will increasingly differentiate long-term winners. Beyond foundation models, agent platforms and video generation remain the most attractive monetisation opportunities.

Essentials

- **Baidu expands its AI ecosystem across agents, autonomous driving and AI infrastructure.** At WAIC 2026, Baidu Dazi was named a "Treasure of Exhibition," while GenFlow 4.0 reached 100m MAUs and its no-code platform Miaoda surpassed 35m users with 3.5m commercially deployable applications, highlighting growing enterprise AI adoption. Baidu also upgraded Office Agent, Netdisk and enterprise productivity tools. In autonomous driving, Apollo Go expanded internationally through a partnership in Kazakhstan, following deployments across 27 cities and more than 22m cumulative rides as of May 2026. On the infrastructure side, Kunlunxin's Tianchi 256 improved throughput by 25% and inference efficiency by 50%, while the new Tianchi 512 supports trillion-parameter model training. We view Baidu's strategy as leveraging its full-stack capabilities across AI agents, autonomous mobility and computing infrastructure to strengthen long-term AI commercialisation.
- **Alibaba strengthens its full-stack AI infrastructure and enterprise agent platform.** At WAIC 2026, Alibaba's Zhenwu M890 AI chip and Panjiu AL128 supernode server were named "Treasures of Exhibition," underscoring Alibaba's leadership in AI infrastructure. The M890 delivers 3x the performance of its predecessor, while the AL128 integrates 128 M890 chips to power large-scale model training and inference for Qwen, DeepSeek and Kimi on Alibaba Cloud. On the software side, Alibaba launched Agent Native Cloud, providing an end-to-end enterprise Agent platform spanning infrastructure, orchestration, governance and deployment. New offerings including Meoo Team and Wuying Agentic Computer further expand enterprise AI adoption by enabling secure multi-Agent collaboration, AI-native workflows and 24/7 cloud-based productivity. We view these launches as reinforcing Alibaba's strategy of integrating proprietary AI infrastructure with enterprise software to accelerate AI cloud monetisation.
- **Tencent expands its AI ecosystem from agents to embodied AI.** Tencent unveiled three embodied foundation models - Hy-Embodied-VLM-1.0, Hy-Embodied-RxBrain-1.0 and Hy-Embodied-VLA-0.5 - covering perception, reasoning and robot control, alongside the Apexio embodied agent and TairosAgent framework. The company also upgraded its Tairos embodied AI platform and showcased its next-generation Xiaoliu robot, highlighting applications in rehabilitation, healthcare and human-robot interaction. On the application side, Tencent expanded its AI agent ecosystem with the global launch of ADP 4.0, adding support for LINE, Telegram, Google Workspace and multiple international LLMs, while introducing the standalone WorkBuddy app and AI Navigator+ for enterprise productivity. We view Tencent's strategy as extending AI from digital agents toward real-world applications, leveraging its full-stack capabilities across models, platforms and enterprise software.
- **MiniMax highlights M3-led model-to-application ecosystem and previews next-generation multimodal model H3.** MiniMax showcased its flagship MiniMax M3 model, multimodal capabilities and AI-native products at

Baidu's Kunlunxin AI Supernode

Source: WAIC, UOB Kay Hian

Alibaba Zhenwu M890 × Panjiu AL128 Supernode

Source: WAIC, UOB Kay Hian

MiniMax Booth at WAIC 2026

Source: WAIC, UOB Kay Hian

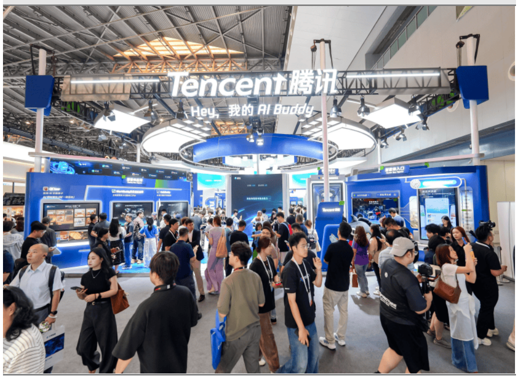
WAIC 2026, highlighting M3's strengths in long-context processing, coding and Agentic tasks. It also previewed H3, which was labelled "Coming Soon" and had not yet been officially launched. Unlike models built around separate image, video or audio generation and editing tasks, H3 is designed to jointly process multimodal context comprising text, images, video and audio, enabling a more unified understanding of creative intent and more natural, coherent outputs. MiniMax also demonstrated how M3 and its broader model and Agent capabilities can be deployed across real-world applications through partnerships spanning robotic dogs, AI glasses, smart earphones, NAS devices, financial services and film and television content. The showcase reflected MiniMax's progress in translating its underlying model capabilities into AI-native products, industry solutions and a broader open-source and global ecosystem.

- **StepFun showcases STEPX Neo AI smartphone and wins WAIC 2026 "Treasure of Exhibition".** STEPX Neo is an AI smartphone integrating models, software and hardware, with the built-in Amoo personal Agent providing memory, decision-making, execution and security capabilities. Live demonstrations showed Amoo planning flights and hotels through Trip.com while avoiding calendar conflicts, and connecting users to Alipay services through interactive information cards. STEPX has also formed ecosystem partnerships with Trip.com, Alipay, Didi and Meituan to support travel, local services and other daily-use scenarios. The WAIC showcase further featured the Step foundation-model portfolio, AI applications and automotive super-Agent solutions, highlighting StepFun's broader model-to-device ecosystem and its push toward practical, end-to-end personal AI services.
- **Kingsoft Office named WAIC 2026 "AI Office Productivity Partner".** Kingsoft Office participated in WAIC 2026 as the conference's AI Office Productivity Partner, showcasing two newly launched AI office agents - Lingxi Professional for individual users and WPS Comate for organisations. Lingxi Professional is designed to complete office tasks and deliver usable outputs, while WPS Comate provides enterprises with a unified AI entry point that integrates models into organisational data, knowledge and business workflows. The partnership highlights Kingsoft Office's role in advancing AI-native productivity and enterprise AI adoption.
- **JD.com showcases a full-stack JoyAI model ecosystem extending AI into the physical world.** At WAIC 2026, JD.com systematically presented its JoyAI model portfolio for the first time, spanning speech, image, video, real-time interaction, world models and embodied intelligence. It also open-sourced the industry's largest human-perspective dataset, introduced the first JoyInside "AI Home" and enabled visitors to experience first-person data collection through JoyEgoCam. JD launched JoyAI-Talker, a real-time voice-interaction model supporting low-latency dialogue, emotional understanding, memory and tool use, alongside JoyAI-Video-Edit, which enables real-time video preview and editing. Together with five other foundation models released this year, the showcase highlights JD's efforts to connect models and data with real-world perception, decision-making and action across industrial applications.
- **Baichuan showcases Baichuan-M4's clinical deployment in oncology and paediatrics.** At WAIC 2026, Baichuan Intelligence presented the first real-world clinical validation of Baichuan-M4 in specialist medical settings. The company is jointly developing an oncology AI solution with the National Cancer Center and the Cancer Hospital of the Chinese Academy of Medical Sciences, as well as an AI paediatrician with the National Center for Children's Health and Beijing Children's Hospital. Co-developed with a Tsinghua University research team, M4 offers low-hallucination, evidence-based reasoning, deeper patient questioning and long-term memory for doctors and individual users. On HealthBench, M4 recorded an overall score of 68.6, more than 10 points ahead of GPT-5.5, while leading the Hard subset

JD.com JoyAI Humanoid Robot Showcase

Source: WAIC, UOB Kay Hian

Tencent AI Ecosystem Showcase at WAIC 2026



Source: WAIC, UOB Kay Hian

StepFun STEPX Neo AI Smartphone at WAIC 2026

Source: WAIC, UOB Kay Hian

Baidu AI Cloud Intelligent-Computing Infrastructure

Source: WAIC, UOB Kay Hian

by 15.9 points. Its reported factual hallucination rate was 3.3%, supporting its potential for high-stakes clinical applications.

- D**omestic AI infrastructure becomes increasingly strategic.** Competition is shifting from individual chips to super-node computing systems and integrated AI infrastructure. Chinese vendors continue to advance domestic compute ecosystems, strengthening the foundation for large-scale AI deployment amid ongoing export restrictions. WAIC 2026 reinforced that AI is moving beyond parameter scaling and technology demonstrations toward commercial deployment, enterprise monetisation and domestic infrastructure. It confirms that China's AI industry is entering a new phase where embodied AI drives physical-world adoption, AI Agents accelerate enterprise workflows, and domestic AI infrastructure underpins long-term commercialization.

Valuation/Recommendation

- **Alibaba (9988 HK).** Maintain BUY with an unchanged target price of HK$190.00 (US$194.00). Alibaba is trading at 16x FY27F PE, against 43% EPS three-year CAGR over FY27-30. We are bullish on Alibaba, supported by its strong cloud revenue momentum, an increasingly competitive AI model ecosystem and improving Cloud Intelligence margins in 1QFY27. Its integrated capabilities across cloud infrastructure, proprietary AI models and in-house hardware further strengthen its positioning to capture rising enterprise AI demand.
- **Tencent (700 HK).** Maintain BUY with a target price of HK$680.00. Our target price implies 17.4x 2027F PE. The company currently trades at 13x 2027F PE. We believe Tencent remains one of the best-positioned beneficiaries of agentic AI, supported by improving LLM performance following the restructuring of its AI team earlier this year, steady progress in integrating AI capabilities across WeChat and WeChat Pay, and the continued expansion of its broader AI application ecosystem.
- **Baidu (9888 HK).** Maintain BUY with a target price of HK$178.00 (US$206.00). Our target price implies 22.8x 2026F PE. The company is currently trading at 14x 2027F PE. We expect GPU Cloud to sustain triple-digit yoy growth in 2Q26F, supporting sequential cloud margin improvement, while the proposed Kunlunxin spin-off remains on track.
- **JD.com (9618 HK).** Maintain BUY with a target price of HK$156.00 (US$40.00). Our target price implies 10x 2027F PE. The company is currently trading at 7.7x 2027F PE. We expect a stronger recovery in 2H26 as subsidy-related base effects ease, although the outlook remains dependent on JD's ability to narrow food-delivery losses.
- **Kingsoft (3888 HK).** Maintain BUY with a target price of HK$32.00 Our target price implies 18.2x 20267 PE. The company is currently trading at 14x 2027F PE. We remain positive on Kingsoft Office's AI positioning, supported by deep WPS integration and expanding use cases, with monetisation the next key catalyst.

Sector Catalyst/Risk

- **Catalysts:** a) Faster enterprise adoption of AI Agents and Agent-native cloud services; b) broader AI integration across office, retail, payments and consumer applications; c) commercialisation of embodied AI and smart terminals; d) continued progress in proprietary chips, supernodes and cloud infrastructure; and e) stronger ecosystem partnerships accelerating real-world AI deployment.
- **Risks:** a) Regulatory risks (security and privacy concerns), b) heavy capex and R&D costs, and c) limited access to high-performance GPU chips due to geopolitical risks.