

01 Dec 2025 09:47:42 ET | 46 pages

# China Internet

## 1H26 Outlook: AI Competition, Productivity Gains to Be Key Themes

### CITI'S TAKE

China's internet sector has been the top performer YTD-2025 with a +36.5% return, outpacing SEA's +18.3%, India's +17.6%, Japan's +16.8%, US's +16.2%, Korea's +12.8%. By contrast KOSPI has risen +64%, HSI +29%, Nikkei +26%, S&P 500 +15.8%, Nifty +10.4%. On these returns, risk-off is being seen in China, Japan and the US amid year-end profit-taking and portfolio rebalancing. While the debate on AI valuations persists, we expect China's internet companies to trade at discounts to global peers due to geopolitical and AI supply-chain issues. But with AI adoption brisk, competition among China's AI players in 2026 could intensify – from AI cloud infra, to chatbots, to applications. Monetization is likely to trail user traffic growth and that of global peers. Our 1H26 Top Picks: 1) Tencent, BABA - core AI plays; 2) TCOM, NTES for resilient/stable earnings growth; 3) J&T - cross-border exposure; 4) Century Huatong among A shares.

**AI Cloud Infra, Chatbots and Agents** — The AI themes for China in 2026 are likely to be: 1) recurring revs growth of cloud infra/model stack/inference token usage (BABA, Baidu); 2) user traffic turf war between AI chatbots (Qwen, Doubao, Hunyuan) as key internet players (BABA, Bytedance, Tencent) rush to capture AI era traffic gateway for future ecosystem monetization; and 3) vertical players (Meituan, TCOM, Didi, etc), deploying their self-trained proprietary data AI agents to stay ahead of potential disruption and seeking to strengthen user engagement and monetization upside. We expect most internet companies will improve operating leverage through productivity gains from AI-assisted cost optimization, with some enjoying reacceleration of top-line growth thanks to effective AI agent deployment.

**China AI chatbots penetrating global markets** — Globally, ChatGPT leads by a wide margin, at 800m global MAUs (Nov 25), followed by Gemini at 335m. Dola (by Bytedance affiliate) and DeepSeek rank 4 & 5, after Perplexity at #3. Combining Dola (47m) + Doubao (197m), Bytedance's AI Chat is now ranked #3 globally with total MAUs of ~250m, a significant milestone that could draw more attention.

**Resilient leisure & entertainment wallet spend** — Fast adoption of AI assistant tools is likely to improve consumers' productivity both in and outside work environments, which should give them more time for leisure and entertainment. Demand for travel and online gaming should support stable and resilient earnings growth for OTA and gaming companies, which we believe provide good portfolio diversification to offset higher risk from any AI hype.

**Investment risks** — Geopolitical risks, AI supply-chain constraints, muted consumption sentiment in the absence of stimulus policies, merchant support measures weigh on profits, lock-in of consumer wallet share through membership investment, more intense competition in AI apps, and slowdown in capital return.

**3Q25 wrap & 4Q25 outlook** — Of the 44 internet companies in our universe that have reported 3Q25 results, 18/27 delivered revs/earnings beats, 20/9 reported in-line revs/earnings and 6/8 missed revs/earnings. In terms of 4Q guidance, 2/3/1 companies beat/flat-lined/missed on rev; on profits, 1 guidance beat, 1 missed.

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# 1H26 Outlook: AI Buzz & Productivity

## 3Q25 results wrap: more earnings beats

Of the 44 major internet companies in our universe that have reported 3Q25 results, 18 delivered revenue beats and 27 reported earnings beats; 20 reported in-line 3Q25 revenues and 9 in-line earnings; 6 missed on revenues and 8 missed on earnings. Of the companies that provided revenues guidance, 2/3/1 companies guided 4Q25 revenues that beat/in line/missed expectations. One provided profit guidance that beat expectations and one missed.

**Figure 1. 3Q25 results and 4Q25E guidance**

Company name	Reuters Ticker	3Q25 (A)		4Q25E guidance		Share price performance			
		Revenues	Earnings	Revenues	Earnings	1-Week	1-Month	3-Month	YTD
<b>Alicia Yap, CFA</b>									
Alibaba	BABA.N	Beat	Miss	N/A	N/A	2.9%	-12.6%	16.5%	85.5%
Tencent	0700.HK	Beat	Beat	N/A	N/A	0.2%	-5.2%	2.5%	46.6%
Baidu	BIDU.O	Beat	Beat	N/A	N/A	5.4%	-8.4%	22.7%	38.6%
Meituan	3690.HK	Miss	Miss	N/A	N/A	7.3%	2.5%	-0.2%	-32.4%
NetEase	NTES.O	Miss	Inline	N/A	N/A	3.3%	-4.8%	1.4%	54.7%
JD.com	JD.O	Beat	Beat	N/A	N/A	3.1%	-13.2%	-4.0%	-14.0%
PDD	PDD.O	Inline	Beat	N/A	N/A	2.5%	-15.9%	-3.4%	19.7%
Tencent Music Entertainment	TME.N	Beat	Beat	N/A	N/A	1.7%	-19.5%	-24.8%	62.6%
Vipshop Hldgs	VIPS.N	Beat	Beat	Inline	N/A	5.4%	7.3%	17.3%	45.8%
Baizun	BZUN.O	Inline	Miss	N/A	N/A	0.7%	-16.1%	-15.6%	5.1%
Weibo	WB.O	Inline	Beat	N/A	N/A	3.1%	-10.9%	-13.3%	4.1%
Sohu	SOHU.O	Beat	Beat	Beat	Miss	8.4%	2.1%	-4.1%	17.0%
DiDi Global	DIDIY.PK	Inline	Beat	N/A	N/A	0.8%	-18.3%	-8.5%	17.1%
Sea	SE.N	Beat	Inline	N/A	N/A	5.8%	-10.9%	-25.5%	31.0%
Grab	GRAB.O	Inline	Beat	Inline	Beat	11.2%	-9.9%	9.2%	15.5%
<b>Brian Gong</b>									
Kuaishou	1024.HK	Inline	Beat	N/A	N/A	5.9%	-10.7%	-10.0%	64.0%
Trip.com	TCOM.O	Inline	Beat	N/A	N/A	0.1%	-3.5%	-5.2%	1.8%
Tongcheng Travel	0780.HK	Inline	Beat	N/A	N/A	4.4%	2.5%	-0.1%	20.4%
Bilibili	BILI.O	Inline	Beat	N/A	N/A	7.7%	-16.9%	14.4%	46.9%
Joyy	YY.O	Beat	Beat	N/A	N/A	2.2%	4.3%	16.8%	50.8%
Kanzhun	BZ.O	Inline	Beat	Inline	N/A	8.1%	-1.7%	-6.4%	60.1%
Autobhome	ATHM.N	Inline	Inline	N/A	N/A	1.2%	-6.8%	-17.7%	-8.4%
Full Truck Alliance	YMM.N	Beat	Miss	Beat	N/A	9.5%	-10.8%	-13.0%	4.9%
JD Logistics	2618.HK	Beat	Inline	N/A	N/A	3.0%	-3.3%	-5.1%	-4.9%
SF Holdings	002352.SZ	Inline	Miss	N/A	N/A	-1.9%	-5.8%	-13.9%	-4.8%
STO Express	002468.SZ	Beat	Beat	N/A	N/A	2.3%	-7.8%	-17.5%	41.9%
YTO Express	600233.SS	Inline	Inline	N/A	N/A	1.4%	-2.7%	0.6%	20.2%
ZTO Express	ZTO.N	Miss	Beat	N/A	N/A	7.4%	8.3%	13.5%	5.6%
Kingsoft Cloud	KC.O	Inline	Beat	N/A	N/A	2.4%	-6.7%	-16.3%	17.8%
Kingsoft Office	688111.SS	Beat	Beat	N/A	N/A	1.8%	-7.8%	-6.9%	8.7%
<b>Vicky Wei, CFA</b>									
iQIYI	IQ.O	Inline	Inline	N/A	N/A	2.8%	-6.8%	-17.4%	9.0%
Mango Excellent Media	300413.SZ	Miss	Miss	N/A	N/A	0.8%	-10.2%	-0.6%	-3.6%
Damai Entertainment	1060.HK	Beat	Beat	N/A	N/A	8.5%	-6.3%	-23.3%	87.4%
Zhihu	ZH.N	Miss	Beat	N/A	N/A	-7.5%	-14.2%	-23.1%	4.2%
Focus Media	002027.SZ	Beat	Beat	N/A	N/A	-2.6%	-3.5%	-11.6%	4.6%
<b>Nelson Cheung</b>									
Huya	HUYA.N	Inline	Inline	N/A	N/A	8.0%	1.4%	-20.4%	59.4%
Douyu	DOYU.O	Inline	Beat	N/A	N/A	5.5%	4.4%	-7.6%	66.4%
So-Young	SY.O	Inline	Miss	N/A	N/A	-3.0%	2.4%	-23.2%	267.4%
Century Huatong	002602.SZ	Inline	Inline	N/A	N/A	8.8%	-1.3%	15.8%	250.0%
Giant Network	002558.SZ	Beat	Beat	N/A	N/A	14.3%	8.5%	30.2%	224.2%
G-Bits	603444.SS	Beat	Beat	N/A	N/A	1.6%	-14.8%	-6.5%	96.1%
Kingnet	002517.SZ	Inline	Inline	N/A	N/A	7.0%	-10.7%	-4.1%	64.0%
37 Interactive	002555.SZ	Miss	Beat	N/A	N/A	3.5%	-2.8%	4.5%	31.6%
Perfect World	002624.SZ	Beat	Miss	N/A	N/A	-3.8%	-19.4%	-14.9%	37.2%
# Beat	18	27	2	1					
# Inline	20	9	3	0					
# Miss	6	8	1	1					

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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

Compared to previous quarters, the 3Q25 result season concluded with more companies delivering profit beats and more companies delivering in-line revs, which we attribute to continued cost optimization efforts and possible AI-enhanced savings or productivity gains. Less exciting revs growth could be related to a muted macro, continued merchant support measures and higher mix of counter-revs subsidies. Into 4Q25, many subsectors face high base/tough comp levels for their top line while competition remains intense across multiple industry verticals that could weigh on profitability growth.

**Figure 2. Beat & miss summary – 3Q23 through 3Q25**

	3Q23		4Q23		1Q24		2Q24		3Q24		4Q24		1Q25		2Q25		3Q25	
	Revs	Profit																
# of beat	13	27	23	32	23	26	16	30	17	22	20	24	18	26	22	25	18	27
# of inline	19	2	12	4	10	4	14	4	12	5	12	10	14	5	12	11	20	9
# of miss	10	13	7	6	8	11	11	7	8	10	7	5	7	8	15	13	6	8

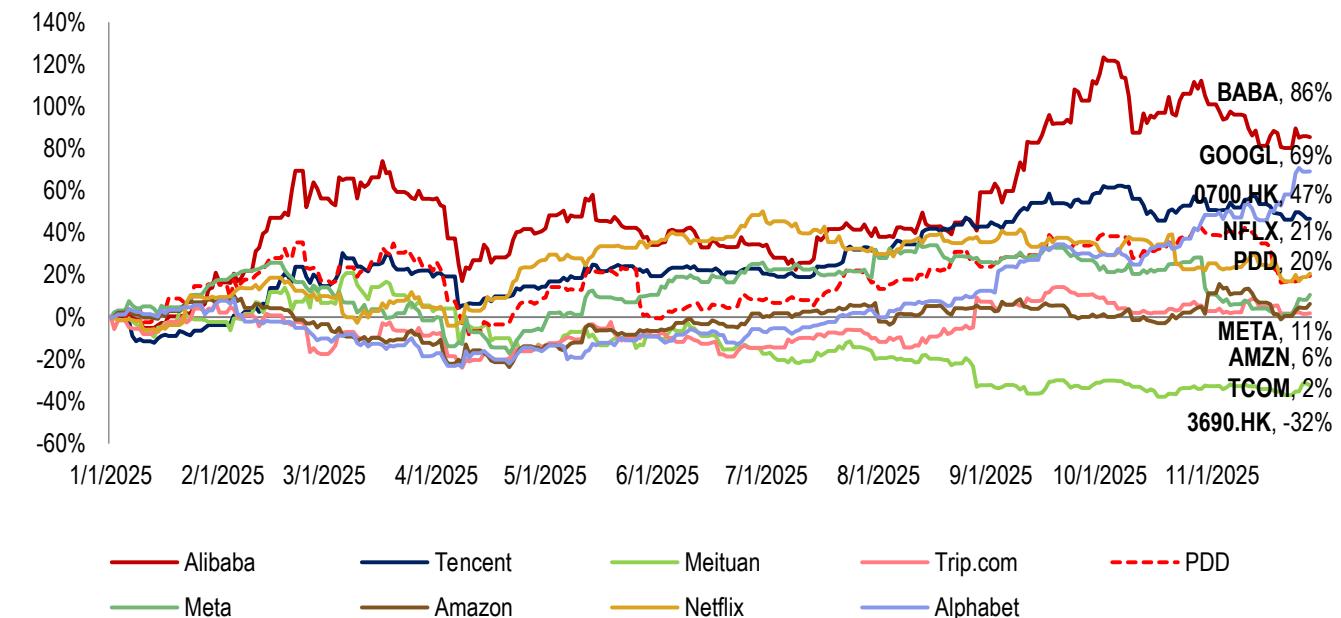
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Source: Citi Research

### YTD share price performances

Compared with our [2Q25 wrap](#), where China internet sectors outperformed US peers as of Sept 1, in this 3Q25 wrap, YTD (as of Nov 28), the overall China Internet sector continued to outperform US peers, with BABA leading with an 86% return as of Nov 28, followed by Tencent at 47%, PDD at 20%; Meituan underperformed its US peers at -32%. Alphabet has broken out in the past couple months and ranked the highest among US peers at a 69% return, followed by Netflix at 21%; Meta and Amazon have trailed with 11% and 6% returns.

**Figure 3. YTD price performance of the ATM stocks, TCOM, PDD and the FANG stocks**



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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close, ATM = Alibaba, Tencent and Meituan, FANG = Facebook, Amazon, Netflix and Google

Comparing Tencent and Meta (Figure 4), Tencent started to break away from Meta in early August and Meta further underperformed in the last few months. In

contrast, while Tencent's performance caught up with Baba's (figure 5) in August and early Sept, it could not participate in the further rally of BABA shares post Sept following BABA's upbeat FY1Q26 print and optimistic outlook at the Apsara conference on IDC capacity expectations.

Both Baidu and Alphabet (Figure 6) underperformed their peers until Aug and then both started to rise, with Baidu breaking out in Sept following optimism about its Kunlun chip and Alphabet breaking away from Baidu and other US peers following the growing traction of its latest Gemini model.

Alibaba and Amazon (both are in ecommerce and cloud services) have had different share price performance paths, which we attribute mainly to the sentiment on AI, foundation model capability and acceleration of cloud revs growth for BABA.

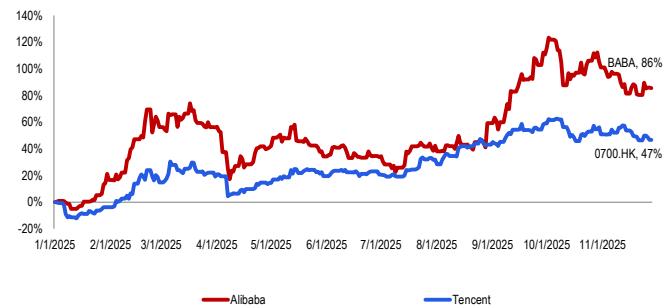
**Figure 4. YTD price performance of Tencent and Meta**



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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

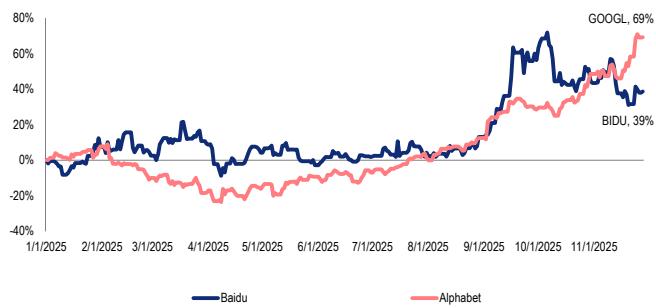
**Figure 5. YTD price performance of Tencent and Alibaba**



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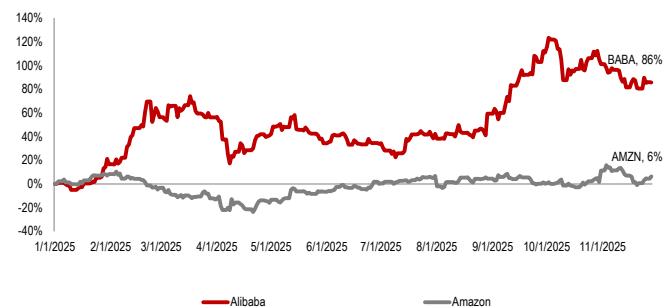
**Figure 6. YTD price performance of Baidu and Alphabet**



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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

**Figure 7. YTD price performance of Alibaba and Amazon**



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Source: Citi Research, data as of Nov 28, 2025, close

After outperforming Tencent from May to Oct, NetEase started to lose momentum likely due to sector rotation or year-end profit-taking (Figure 8).

In ecommerce, BABA leads (+86%) VIPS (+46%), PDD (+20%), JD (-14%) and Meituan (-32%), reflecting the food delivery competition and lack of fundamental catalysts (Figure 9).

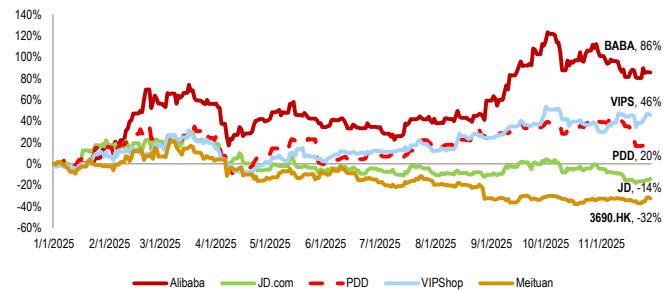
Comparing Meituan to TCOM and Meituan to Kuaishou, we note that the share price performance divergence for Meituan/TCOM started from June while the divergence for Meituan/Kuaishou started earlier, from Feb 2025.

**Figure 8. YTD price performance of Tencent and NetEase**



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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

**Figure 9. YTD price performance of ecommerce companies**



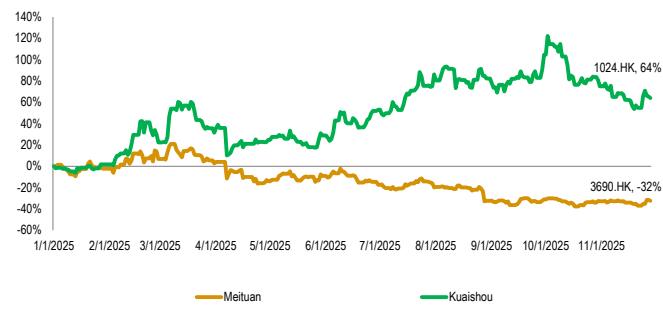
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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

**Figure 10. YTD price performance of Meituan and PDD**



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**Figure 11. YTD price performance of Meituan and Kuaishou**



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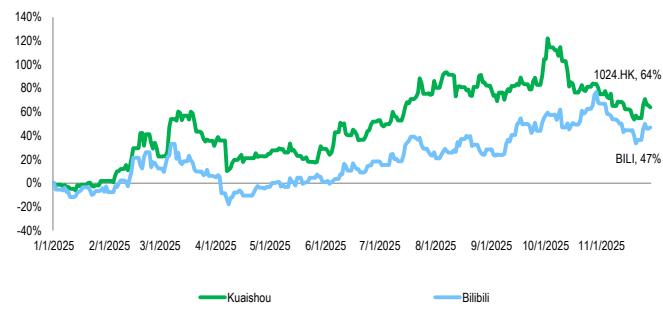
While both Meituan and TCOM have underperformed peers, TCOM saw a big divergence after its 2Q25 print (Figure 12). Kuaishou and Bili continue to trade in close correlation, with Bili further closing the gap with Kuaishou in the last two months (Figure 13).

**Figure 12. YTD price performance of Meituan and Trip.com**



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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

**Figure 13. YTD price performance of Kuaishou and Bilibili**



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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

Below are a few interesting share-price performance comparisons, including Baidu vs Kuaishou (figure 14), TME and Spotify (figure 15), Alibaba vs. Meituan (figure 16), Kanzhun vs. Full Track Alliance (figure 17), TCOM vs YMM (figure 18), and TME vs. NTES (figure 19).

**Figure 14. YTD price performance of Baidu and Kuaishou**



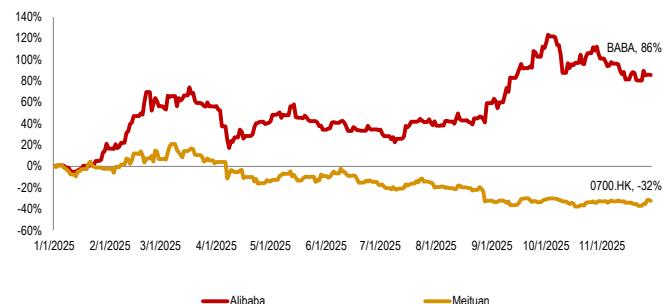
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**Figure 15. YTD price performance of TME and Spotify**



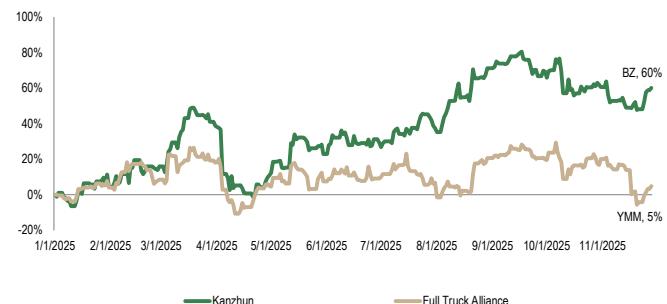
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**Figure 16. YTD price performance of Alibaba and Meituan**



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**Figure 17. YTD price performance of Kanzhun and Full Truck Alliance**



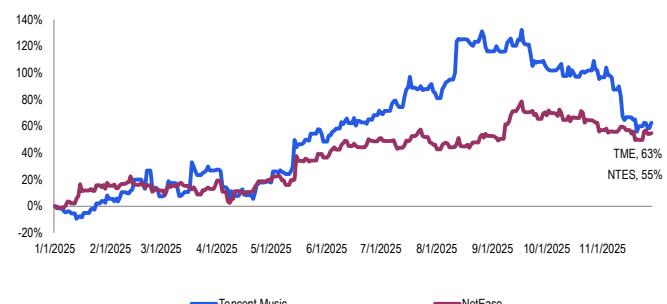
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**Figure 18. YTD price performance of Trip.com and Full Truck Alliance**



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**Figure 19. YTD price performance of Tencent Music and NetEase**



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Figure 20. Growth and profitability comparison of major internet companies, 2Q vs. 3Q25

Market cap (US\$ mn)	Tencent	Alibaba	FDD	NetEase	Meituan	Trip.com	JD	Baidu	Kuaishou	Tencent Music
Revenue yoy growth										
2Q25	14.5%	1.8%	7.1%	9.4%	11.7%	16.2%	22.4%	-3.6%	13.1%	17.9%
3Q25	15.4%	4.8%	9.0%	8.2%	2.0%	15.5%	14.9%	-7.1%	14.2%	20.6%
Adjusted profit yoy growth										
2Q25	10.0%	-12.4%	-5.0%	21.9%	-89.0%	0.5%	-48.9%	-35.2%	20.1%	33.0%
3Q25	18.0%	-71.3%	14.3%	26.7%	na	-1.8%	-56.0%	-35.9%	26.3%	27.7%
GPM %										
2Q25	56.9%	44.9%	55.9%	64.7%	33.1%	81.0%	15.9%	43.9%	55.7%	44.4%
3Q25	56.4%	39.2%	56.7%	64.1%	26.4%	81.7%	16.9%	41.2%	54.7%	43.5%
Adjusted OPM %										
2Q25	37.5%	15.7%	26.7%	35.9%	2.0%	31.4%	0.3%	13.6%	17.1%	38.1%
3Q25	37.6%	3.7%	25.0%	31.4%	-16.1%	33.4%	0.1%	7.1%	16.7%	35.7%
Adjusted NM %										
2Q25	34.2%	14.3%	31.5%	34.2%	1.6%	33.7%	2.1%	14.7%	16.0%	31.3%
3Q25	36.6%	4.2%	29.0%	33.5%	-16.8%	31.9%	1.9%	12.1%	14.0%	29.3%

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Source: Company Reports and Citi Research Estimates, data as of Nov 28, 2025, close, Note: Alibaba financials in calendar year

Figure 21. Growth and profitability comparison of major internet companies, 2024 vs. 25/26E

Market cap (US\$ mn)	Tencent	Alibaba	FDD	NetEase	Meituan	Trip.com	JD	Baidu	Kuaishou	Tencent Music
Revenue yoy growth										
FY24	8.4%	5.9%	59.0%	1.8%	22.0%	19.7%	6.8%	-1.1%	11.8%	2.3%
FY25E	13.9%	4.7%	9.5%	7.9%	8.3%	16.1%	14.6%	-2.1%	11.9%	15.1%
FY26E	9.1%	9.6%	11.9%	7.1%	9.1%	13.5%	5.5%	4.5%	7.5%	13.2%
Adjusted profit yoy growth										
FY24	41.2%	-4.8%	80.2%	2.8%	88.2%	38.0%	35.9%	-6.1%	72.4%	30.7%
FY25E	17.9%	-24.9%	-6.7%	16.5%	na	5.4%	-37.4%	-27.8%	16.2%	21.1%
FY26E	12.5%	24.1%	22.1%	2.8%	na	11.9%	28.6%	3.8%	14.9%	10.4%
GPM %										
FY24	52.9%	38.8%	60.9%	62.5%	38.4%	81.3%	15.9%	50.3%	54.6%	42.3%
FY25E	56.3%	42.0%	56.8%	64.2%	31.3%	80.5%	15.9%	45.4%	55.1%	44.3%
FY26E	57.1%	44.2%	58.7%	64.5%	32.8%	80.6%	16.7%	46.6%	55.9%	44.1%
Adjusted OPM %										
FY24	36.0%	16.7%	30.0%	31.8%	13.4%	30.4%	3.8%	19.7%	13.9%	34.6%
FY25E	37.6%	11.8%	24.3%	34.8%	-4.5%	29.1%	1.0%	12.0%	16.2%	36.7%
FY26E	38.2%	13.4%	28.0%	34.5%	-3.5%	29.4%	2.2%	14.0%	17.3%	35.6%
Adjusted NM %										
FY24	33.7%	15.6%	31.1%	31.8%	13.0%	33.8%	4.1%	20.3%	14.0%	28.6%
FY25E	34.9%	11.2%	26.5%	34.4%	-4.6%	30.7%	2.3%	15.0%	14.5%	30.1%
FY26E	36.0%	12.7%	28.9%	33.0%	-3.5%	30.3%	2.7%	14.9%	15.5%	29.4%

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Source: Company Reports and Citi Research Estimates, data as of Nov 28, 2025, Note: Alibaba financials in calendar year

Figure 22. Valuation summary

Name	Current P/E	Peak valuation	Trough valuation	Note
Tencent	17.4x	51.3x	10.2x	Below average
Alibaba	19.2x	48.3x	7.6x	Below average
PDD	9.7x	19.6x	6.6x	Below avg since Dec 21
JD.com	8.3x	59.2x	5.2x	Below average
NetEase	15.9x	46.9x	1.6x	Above average
Baidu	14.0x	137.9x	7.0x	Below average
Vipshop	8.2x	51.9x	3.1x	Below average
TME	19.0x	79.6x	6.8x	Below average
Tongcheng	12.4x	46.5x	9.3x	Below average
Trip.com	16.1x	40.4x	8.6x	Above average since 2023
Kuaishou	11.8x	10340x	7.6x	Below average
Kanzhun	18.4x	158x	11.1x	Below average
Full Truck Alliance	16.1x	165x	10.7x	Below average
Name	Current P/S	Peak valuation	Trough valuation	Note
Meituan	1.6x	12.2x	1.2x	Below average

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Source: Citi Research, data powered by datacentral, current forward P/E price was based on Nov 28 2025 market close data

## 1H26 Top Picks

### Core AI plays

- **Tencent (0700.HK; Buy; TP HK\$751):** We retain our constructive view on Tencent as the company continues to demonstrate solid execution in driving steady/sustainable top- and bottom-line growth while pursuing its AI aspiration in the forefront of enterprise and user applications. Supply-chain constraints have not slowed Tencent's commitment to upgrading its foundation model architecture and developing agentic AI capabilities within Weixin, which we believe will yield notable investment return ahead. With solid grossing from a growing number of evergreen titles, upgraded ad platforms and AI cloud infrastructure, the growth trajectory across segments looks clear. Maintain Buy with a TP of HK\$751.
- **Alibaba (BABA.N/9988.HK; Buy; TP US\$225/HK\$223):** We maintain our Buy rating on BABA with SOTP of US\$225/HK\$223. We continue to view BABA as one of the best AI plays for China AI exposure. BABA looks well-positioned to capture the AI evolution that should translate to sustainable cloud revs growth with efficiency margins upside in coming years. Leveraging its strong AI capabilities including the Qwen model, multi-modal cloud infrastructure and strong traction across industry enterprises in China, we expect Ali Cloud revs to sustain high level of cloud revs growth in the coming quarters following decent reaccelerated growth in the past 6 quarters. We expect synergies between Shangou and marketplaces to bring more resilient CMR growth despite lapse of fee and higher base and decent EBITA rebound post the heavy investment stage.

### Sustainable earnings growth

- **Trip.com (TCOM: Buy; TP US\$86):** We remain positive on TCOM given resilient China travel demand and strong momentum for Trip.com. The recent recovery in the hotels industry presents tailwinds for domestic business, while outbound has shown decent trajectory despite a normalizing base. Trip.com is performing well thanks to strong enhancement in user engagement along with product and service upgrades. We remain optimistic over TCOM's margin trajectory ahead thanks to its more disciplined spending on both China and int'l businesses. Maintain Buy with a TP of US\$86.
- **NetEase (NTES: Buy; TP US\$161):** We like NetEase for its operation and execution track record developing and publishing high-quality, longevity games franchise titles. Not only is the company maintaining and achieving record grossing momentum of evergreen FWJ PC and FWJ Mobile, it is also consistently delivering growing evergreen franchises with increasing global success such as *Where Wind Meets* and *Sword of Justice*. Its renewed and deeper operation success of Blizzard titles further proves its localization and publishing strengths. Entering 2026, with steady and resilient grossing from flagship evergreen titles, together with upcoming release of *Ananta*, we believe NTES' gaming portfolio performance will further strengthen. Together with solid execution and stable shareholder return and what we think are undemanding valuations, we maintain Buy with a TP of US\$161.

### Play on Chinese companies going international

- **J&T Express (1519.HK; Buy; TP HK\$12):** J&T Express remains our Top Pick in the China logistics sector. With a stabilizing China earnings outlook, J&T Express is gaining strong momentum in SEA driven by solid performance of its key

customers and J&T's further wallet share gain thanks to its superior competitive edge vs. peers. We also see decent potential from new markets where J&T is enjoying rapid expansion of its Chinese customers and also penetrating into local ecommerce platforms. Maintain Buy with a TP of HK\$12.

## A-share preferred pick

■ **Century Huatong (002602.SZ; Buy; TP Rmb22):** We expect near-term catalysts to include upcoming 12-month buyback program at Rmb0.5-1bn, potential media ETF/index inclusion by mid-Dec and possible new flows from HK Stock Connect and margin trading. We also expect a solid and resilient performance of *Whiteout Survival* and *Kingshot* in 4Q25/1Q26. With new hires from Century Games mainly focusing on new game development, we expect Century Huatong will continue to actively invest in global strategy and casual game markets. Maintain Buy with TP Rmb22, based on 20x 2026E PE.

## Fund flow & investment sentiment

We expect AI themed names to feature in key portfolio allocation decisions. In addition to AI cloud infra and LLM, 2026 could mark the race among AI chatbots and agents to explore potential monetization upside. Gaming names possess both resilient earnings and AI amplification while travel/leisure/entertainment services could gain further traction in wallet spend share.

**Figure 23. Valuation comp of preferred picks (date as of Nov 28, 2025 close)**

Company Name	Reuters Ticker	Analyst	Price	Mkt Cap	Risk/Rating	Target Price	ETR %	P/E			P/S			EV/EBITDA			
								2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	
Tencent	0700.HK	Alicia Yap, CFA	HKD 611.50	5,592,089	718,237	751.00	23.6%	19.6	17.4	15.9	6.8	6.3	5.8	13.6	10.7	9.7	
Alibaba	BABA.N	Alicia Yap, CFA	USD 157.30	2,922,268	375,330	1	225.00	44.3%	21.5	18.7	15.1	2.6	2.3	2.1	12.8	10.3	8.1
NetEase	NTES.O	Alicia Yap, CFA	USD 138.05	680,585	87,413	1	161.00	18.3%	16.1	15.7	14.3	5.5	5.2	4.9	13.1	12.1	10.9
Trip.com	TCOM.O	Brian Gong	USD 69.92	355,813	45,700	1	86.00	23.4%	18.1	16.2	15.0	5.6	4.9	4.5	12.9	9.5	7.3
Century Huatong	002602.SZ	Nelson Cheung	CNY 17.99	147,052	18,887	1	22.00	22.3%	24.8	16.3	15.2	3.5	2.9	2.8	16.0	10.6	9.1
J&T Express	1519.HK	Brian Gong	HKD 9.58	85,242	10,948	1	12.00	25.3%	34.6	20.0	13.5	1.1	0.9	0.8	10.9	7.3	5.4

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Source: dataCentral, Citi Research, data as of Nov 28, 2025, close

# AI Cloud Infra, AI Assistant Chat & AI Agents

This year was an inflection year for China AI sentiment thanks to the “DeepSeek” moment in end-Jan. As noted back in our [4Q24 wrap](#), it triggered transformations including: reversal of investor sentiment toward the China market and valuations, especially for internet giants with AI plays like BABA and Tencent; and fast adoption of AI Assistant chatbots by a vast majority of consumers and deployment of LLM models across big and small enterprises across all industries and government departments. In addition, we also noticed a shift in capital allocation toward prioritizing investment in AI while shareholder returns for some companies slowed down. And investors had higher tolerance for core business performance as long as the AI story looked promising.

Fast forward to end-Nov/early Dec, as the market went through big volatility in early-April and the mega cross-investment projects by US tech giants into Open AI, etc., as well as optimistic IDC capacity comments made by Alibaba’s CEO during the Apsara Conference in Sept, the share price performance of AI names continued to outperform yet face volatility as investors look to locking in profits.

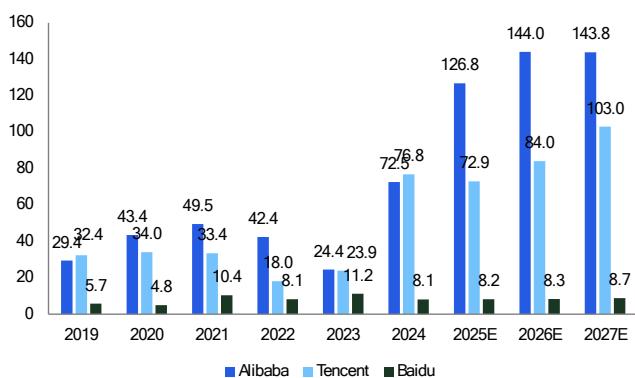
As we head into 2026, while the debate on whether we are in an AI valuation bubble or not rages on, we believe China internet stocks are likely to remain at discounts vs global peers amid geopolitical uncertainty and AI supply chain constraints. **That said, with the adoption speed brisk, we expect intense AI competition among China players across AI infrastructure, AI Assistant chatbots to AI applications in 2026, with monetization likely trailing user traffic growth and that of global peers.**

The AI themes for China in 2026 are likely to be: 1) recurring revs growth of cloud infra/model stack/inference token usage (BABA, Baidu); 2) user traffic turf war between AI chatbots (Qwen, Doubao, Hunyuan) as key internet players (BABA, Bytedance, Tencent) rush to capture AI era traffic gateway for future ecosystem monetization; and 3) vertical players (Meituan, TCOM, Didi, etc), deploying their self-trained proprietary data AI agents to stay ahead of potential disruption and seeking to strengthen user engagement and monetization upside. We expect most internet companies will improve operating leverage through productivity gains from AI-assisted cost optimization, with some enjoying reacceleration of top-line growth thanks to effective AI agent deployment.

## AI Cloud revs and capex

In China, Alibaba Cloud clearly leads the market with higher capex commitment and higher cloud revs size, and it is growing fast.

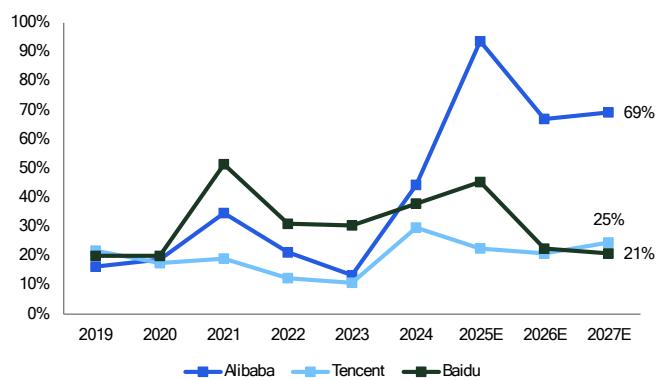
Figure 24. Capex by Alibaba, Tencent, Baidu (Rmb bn)



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Source: Company Reports and Citi Research Estimates, Note: capex spend of Alibaba in calendar year

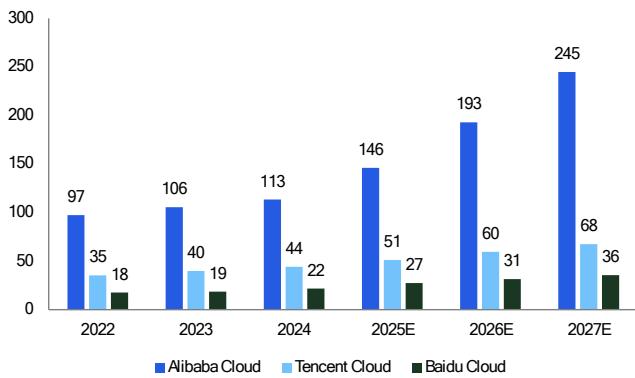
Figure 25. Capex of Alibaba, Tencent, Baidu as % of operating cash flow



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Source: Company Reports and Citi Research Estimates, Note: Alibaba financials in calendar year

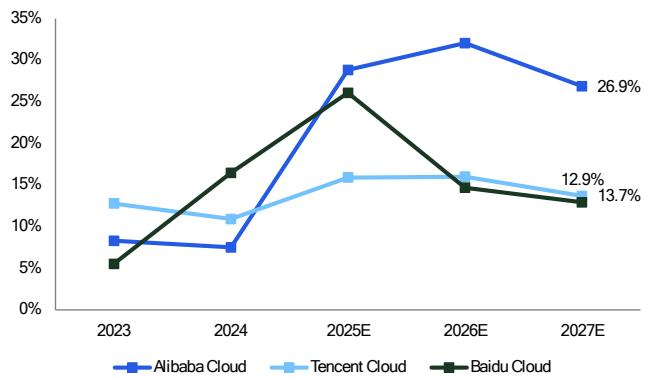
Figure 26. Cloud revs of Alibaba, Tencent, Baidu (Rmb bn)



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Source: Company Reports and Citi Research Estimates, Note: Alibaba cloud revenues in calendar year

Figure 27. Cloud revs yoy growth of Alibaba, Tencent, Baidu



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Source: Company Reports and Citi Research Estimates, Note: Alibaba cloud revenues in calendar year

■ **Alibaba Cloud:** During the Sep quarter, cloud revs +34% yoy (+29% yoy excluding Alibaba-consolidated subsidiaries) and AI-related product revenue achieved triple-digit yoy growth for the 9th consecutive quarter. Over the past 4 quarters, Ali has deployed ~Rmb120bn in capex toward AI and cloud infrastructure. Management noted that customer demand for cloud and AI services remains strong with its capacity still not enough to meet customer order volume growth, leading to stronger pent-up order demand for Alibaba Cloud. Management highlighted their Rmb380bn capex plan mainly designed for a 3-year time horizon, and Alibaba Cloud may further invest actively in capex and GPU supply chain to fulfill customer demand as soon as possible ([link](#)).

■ **Tencent Cloud:** In 3Q25, business services revs grew teens % yoy despite supply-chain constraints on sourcing GPUs, driven by cloud services and fees collected on Mini Shops ecommerce transactions. Management has highlighted notable YoY growth in revenues from cloud storage and data management products. During the quarter, Tencent has enhanced Hunyuan LLM's complex reasoning capabilities especially in coding, math and science. At the same time,

Tencent will continue to strengthen the synergies between Weixin and Yuanbao by launching multiple AI features on Weixin powered by Yuanbao. Mgmt believes it is possible that ultimately there will be an AI agent embedded within Weixin to help users to achieve multiple missions within the Weixin ecosystem ([link](#)).

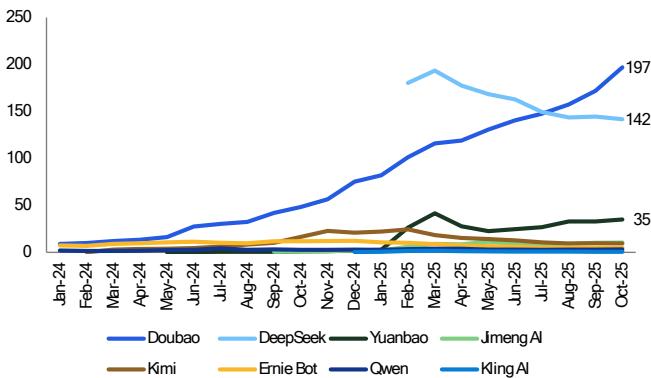
- **Baidu AI Cloud:** In 3Q25, AI cloud revs grew 21% yoy to Rmb6.2bn, including **AI cloud infrastructure** revenues reaching Rmb4.2bn, +33% yoy. Within AI cloud infrastructure, **subscription-based AI accelerator** infrastructure revenues grew 128% yoy, accelerating from around 50% last quarter. **AI applications revenues** amounted to Rmb2.6bn, including Baidu Wenku and Baidu Drive, where AI has enhanced the functionalities across these products. For **AI native marketing services**, which include agents and digital humans, revenues reached Rmb2.8bn representing a robust 262% yoy increase and contributing 18% of Baidu Core online marketing revenues, up from 4% a year ago. Adding altogether, revenue from **AI-powered business** grew over 50% yoy to roughly Rmb10bn in 3Q25. ([link](#)).

## More Intense Competition in AI Assistant Chatbots

As shown in Figures 28–31, it is clear that Doubao by ByteDance is leading the AI Assistant Chatbot in China with 197m MAUs and 54mn DAUs as of Oct, followed by DeepSeek at #2 and Tencent's Yuanbao at #3.

Prior to the revamp and rebranding of Qwen, BABA's Tongyi app captured a very small number of users. However, since repositioning with Qwen Chat powered by the latest Qwen Max 3 model and others on Nov 17<sup>th</sup>, BABA disclosed that Qwen app has been downloaded by >10m within a week since launch (figure 32–35), with DAU spiking and reaching 16.7m as Nov 21, per Quest Mobile.

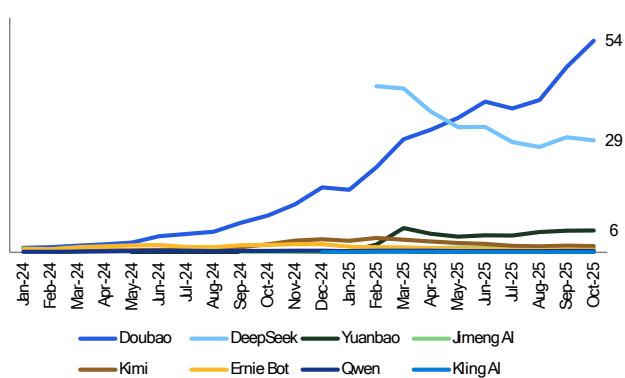
**Figure 28. China AIGC app MAU (mn)**



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Source: Questmobile, Citi Research

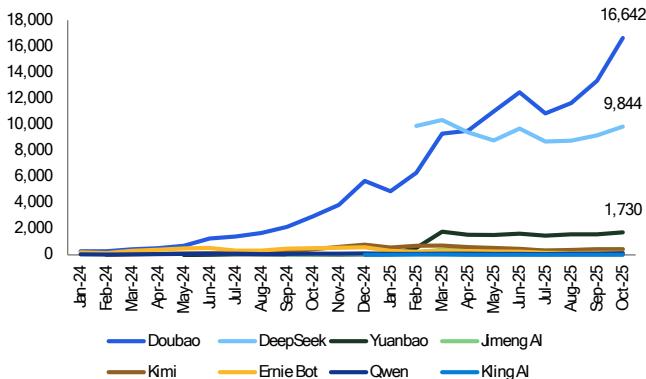
**Figure 29. China AIGC app DAU (mn)**



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Source: Questmobile, Citi Research

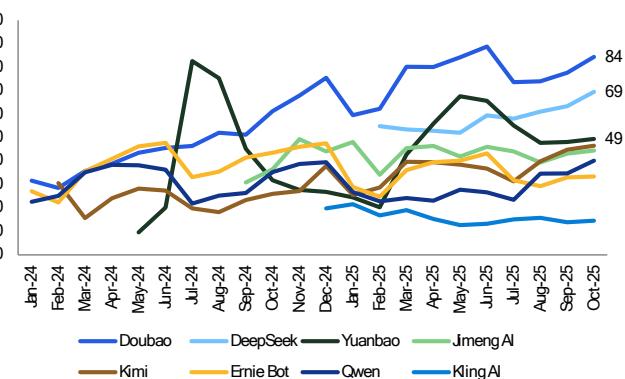
**Figure 30. China AIGC app total time spent (mn min)**



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Source: Questmobile, Citi Research

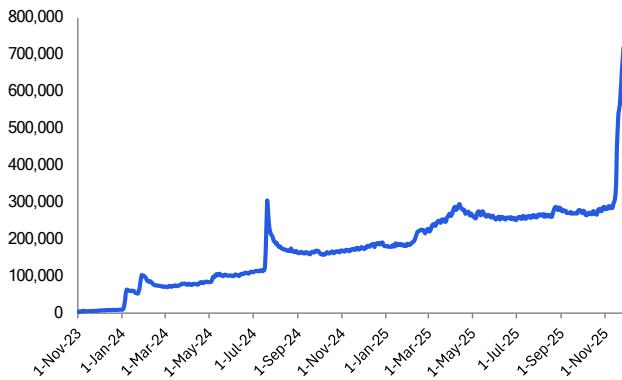
**Figure 31. China AIGC app average time spent (min)**



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Source: Questmobile, Citi Research

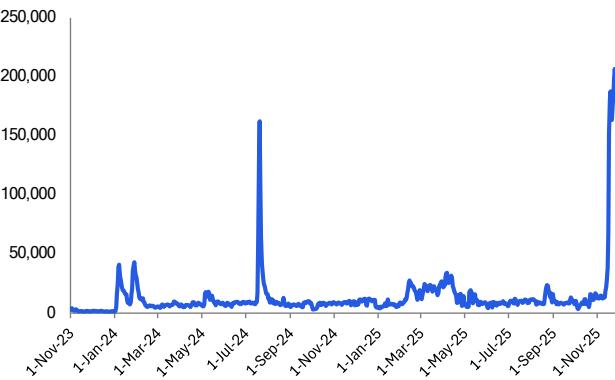
Figure 32. Qwen DAU trend on iOS in China



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Source: SensorTower, Citi Research

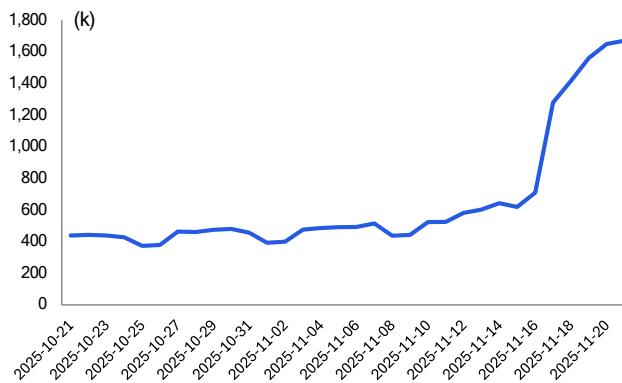
Figure 33. Qwen daily download trend on iOS in China



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Source: SensorTower, Citi Research

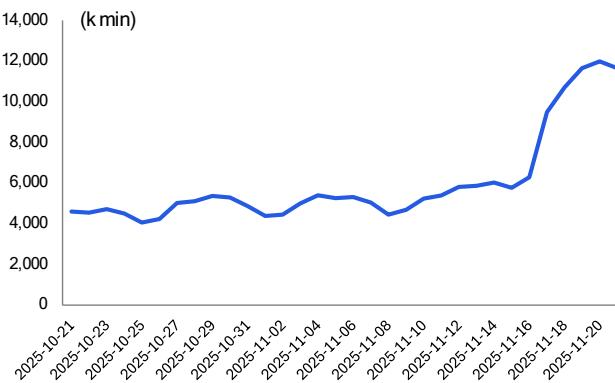
Figure 34. Qwen DAU from Oct to Nov



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Source: Quest Mobile, Citi Research

Figure 35. Qwen total time spend from Oct to Nov



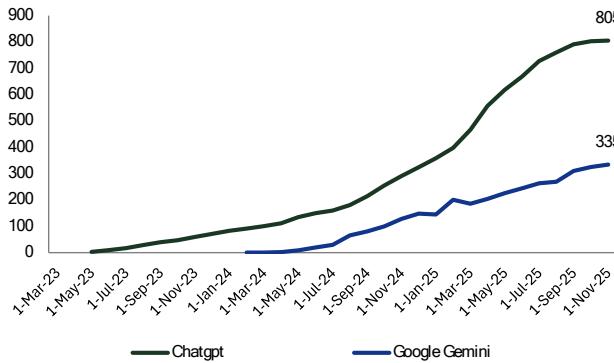
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Source: Quest Mobile, Citi Research

## ChatGPT leading with significant share globally

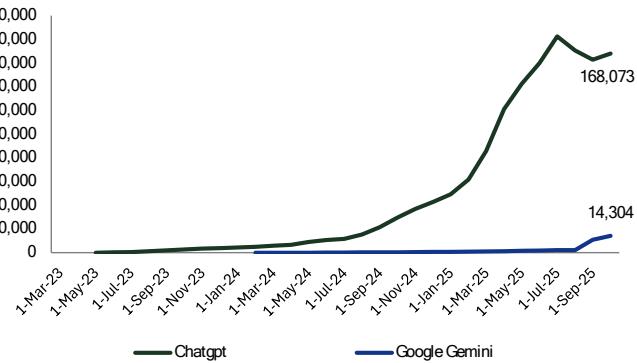
Globally, ChatGPT continues to grow strongly, reaching 800m global MAUs as of Nov 2025, significantly ahead of all other AI apps. That said, with continued improvements through newer versions of models, Google Gemini MAU has climbed robustly in recent months to reach 335m as of Nov 2025, up from 128m a year ago. Perplexity ranks # 3 with 50m MAUs, followed by Dola at 46.6m, DeepSeek 39mn, Grok 31.9mn, Microsoft Copilot 29,96mn and Meta Ai at 17.8mn and Claude at 10.6mn. In comparison, Alibaba's Qwen global stood at 1.48m as of Nov 2025.

**Figure 36. Global all-platform MAU of Chatgpt and Google Gemini (mn)**



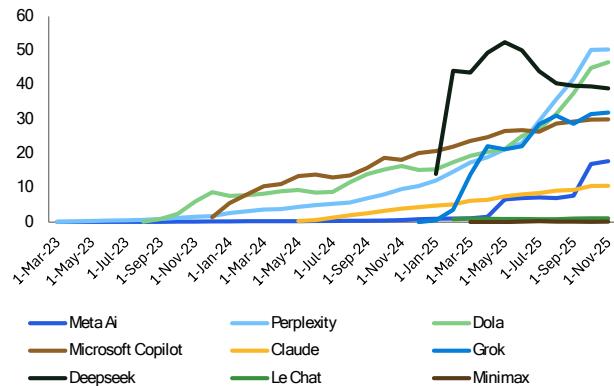
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Source: SensorTower, Citi Research

**Figure 37. Global all-platform total time spent of Chatgpt and Google Gemini (mn min)**



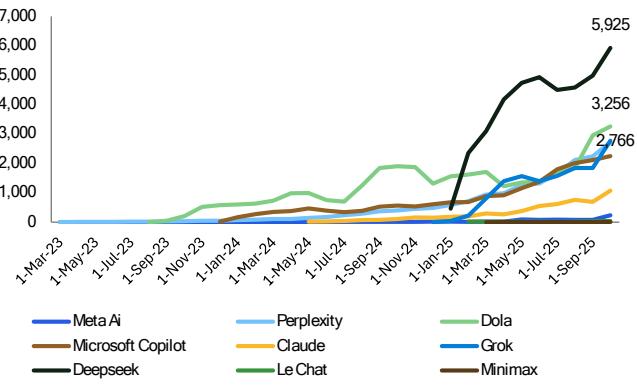
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Source: SensorTower, Citi Research

**Figure 38. Global all-platform MAU of other major AI apps (mn)**



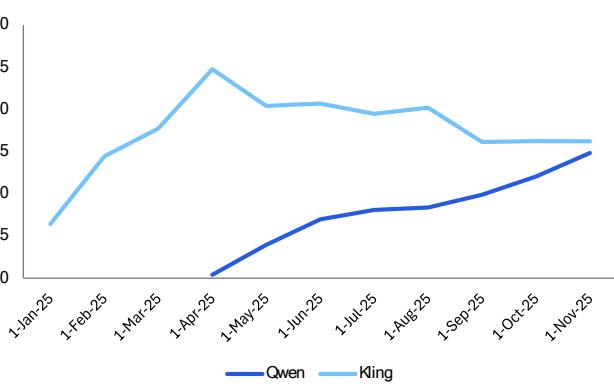
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Source: SensorTower, Citi Research

**Figure 39. Global all-platform total time spent of other major AI apps (mn min)**



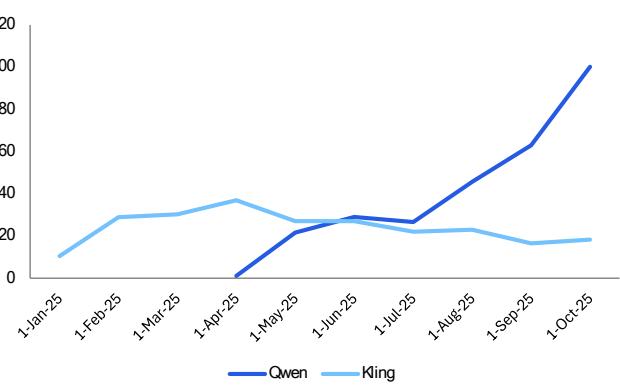
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Source: SensorTower, Citi Research

**Figure 40. Global all-platform MAU of Qwen and Kling (mn)**



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**Figure 41. Global all-platform total time spent of Qwen and Kling (mn min)**

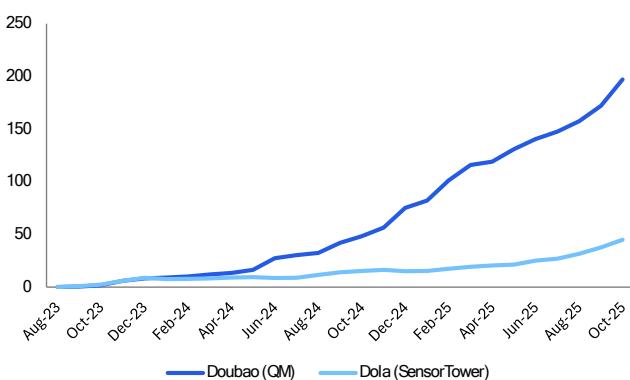


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Source: SensorTower, Citi Research

## China AI Assistant apps increase global penetration

Before BABA decided to push its revamped Qwen Chat to global markets, some of Chinese AI chats like the Doubao international version Dola (only recently renamed, previously called Cici (published by ByteDance affiliate) have been penetrating quite a number of countries, especially emerging markets like Latam countries and Southeast Asia. Dola's MAU has grown rapidly in the past few months to reach 46.6m in Nov 2025 (ranked #4), up from 16.38m a year ago. If Dola (46.6m) + Doubao (197m) are combined, Bytedance's AI Chat would have ranked as #3 with total MAU of ~250m globally, a significant milestone.

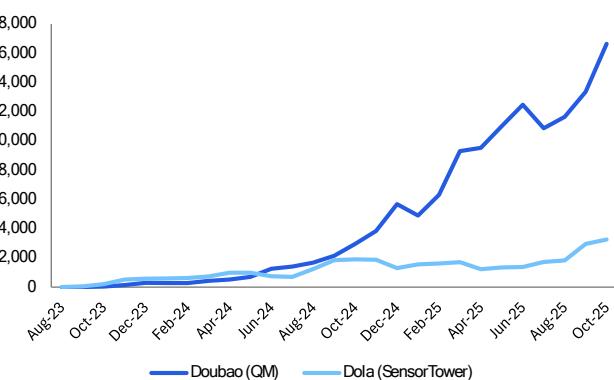
**Figure 42. MAU trend for Doubao in China and Dola globally (mn)**



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Source: Questmobile, SensorTower, Citi Research

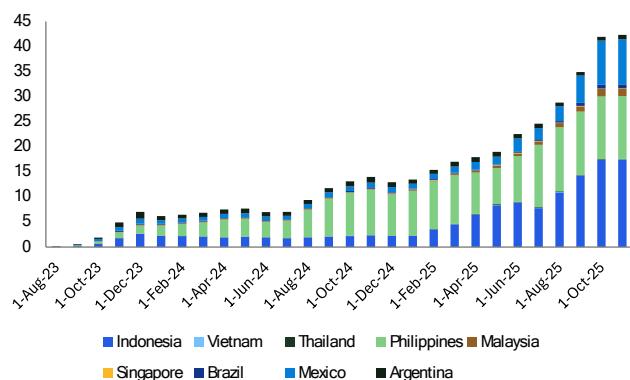
**Figure 43. Total time spent trend for Doubao in China and Dola globally (mn min)**



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Source: Questmobile, SensorTower, Citi Research

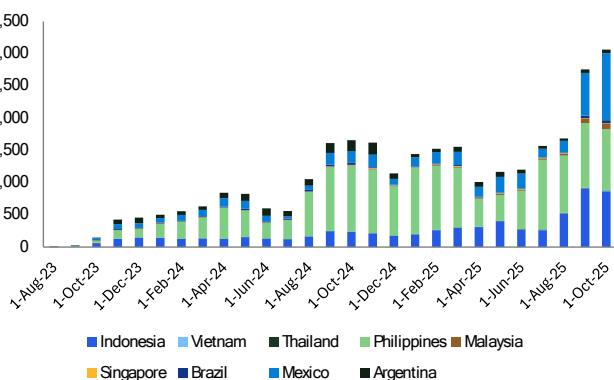
**Figure 44. Dola MAU split by major EM countries**



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Source: SensorTower, Citi Research

**Figure 45. Dola time spend split by major EM countries**



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Source: SensorTower, Citi Research

## Early adoption of AI agents on vertical apps

- TCOM:** OTAs are actively integrating AIGC technologies into their operation. Beside coding development and customer service, the key area of the adoption is on travel assistant for its users by leveraging capabilities from major LLMs. TCOM's TripGenie is now used in more than 200 countries and regions, with related users growing over 200% yoy in 1H25, supporting interaction of audio and image, travel planning, real-time translation and booking service to

enhance user engagement. Like TCOM, Tongcheng also rolled out its AI-driven travel planner DeepTrip in Mar 2025 to provide viable and personalized travel itineraries for users, attracting millions of users with a steadily increasing number of orders placed directly through the portal.

- **Meituan:** Meituan is advancing its AI strategy by building capabilities in three core areas: self-developed large language models, AI productization, and AI infrastructure. The company has launched its open-source "Long Cat" series of self-trained LLMs, which have received positive feedback and are now deeply integrated into its applications to drive innovation. For merchants, Meituan has upgraded AI tools like "Shangqitong" for product planning and site selection, and "Smart Shopkeeper" with new modules for AI reception, operational analysis, and review responses. For consumers, the company is testing both a standalone AI assistant, "Xiaomei," and an integrated assistant, "Ask Xiaotuan," within the Meituan app, which can handle the entire service process from search and price comparison to order generation across all local service categories. Internally, Meituan is also developing AI programming tools to boost employee efficiency.
- **Didi:** Didi has an AI Lab focus on machine learning, natural language processing, computer vision, voice recognition, operations research and statistical studies and has been focusing on investing in AI and self-driving technology. On Sept 25, 2025, Didi started to perform open beta testing of its AI Travel Assistant "Xiao Di" which is embedded in the Didi dispatch system which uses intelligent understanding of user needs to provide them with customized car service plans. While in early stage, we believe that through its large volume of data and user traffic, applying AI tools will ensure Didi's app stays relevant and provide personalized experience to its users.

#### Timeline of AI model launches and product upgrades

Figure 46. AliCloud Qwen major milestones and achievements YTD

Date	Event	Milestones
9-Jan-25	Product launch	Launch of Wanxiang 2.1 video generation model
29-Jan-25	Product launch	Launch of <a href="#">Qwen2.5-Max</a>
9-Feb-25	Model integration	Bailian integrated with <a href="#">DeepSeek-V3</a> , <a href="#">DeepSeek-R1</a>
25-Feb-25	Product launch	Launch of reasoning model <a href="#">QwQ</a>
25-Feb-25	Open source	Open-sourced Wanxiang 2.1
6-Mar-25	Open source	Open-sourced QwQ-32B
27-Mar-25	Open source	Open-sourced Qwen2.5-Omni-7B
15-Apr-25	Product launch	AI open-source community ModelScope launch MCP stores to support Alipay, MiniMax
18-Apr-25	Open source	Open-sourced Wanxiang 2.1-FL2V-14B
29-Apr-25	Open source	Open-sourced Qwen3.0's 8 hybrid reasoning models
23-May-25	Product launch	Launch of Cloud Shield for AI security products by AliCloud
30-May-25	Product launch	Launch of Tongyi Lingma AI agent IDE for coding development
23-Jun-25	Product launch	Launch of PAI-TurboX as autonomous driving training and reasoning framework
7-Jul-25	Open source	Open-sourced WebSailor, a network and browse agent
23-Jul-25	Open source	Open-sourced Qwen3-Coder, an AI coding large model
28-Jul-25	Open source	Open-sourced Wan2.2
26-Aug-25	Open source	Open-sourced Wan2.2-S2V
18-Sep-25	Open source	Open-sourced DeepResearch, an in-depth research agent model
19-Sep-25	Open source	Open-sourced Wan2.2-Animate
24-Sep-25	Product launch	Launch of <a href="#">Qwen3-Max</a> , <a href="#">Qwen3-VL</a> and <a href="#">Qwen3-Next</a>
17-Nov-25	Product launch	Launch of <a href="#">Qwen</a> app as to-C AI assistant
27-Nov-25	Product launch	Launch of <a href="#">Quark AI Glasses</a> with G1 and S1 models available

Figure 47. Tencent Cloud Hunyuan major milestones and achievements YTD

Date	Event	Milestones
21-Jan-25	Open source	Open-sourced Hunyuan 3D-2.0
2-Feb-25	Model integration	Tencent Cloud integrated with <a href="#">DeepSeek-R1</a> and its model series
11-Feb-25	Model integration	QQ Music integrated <a href="#">DeepSeek-R1</a>
13-Feb-25	Model integration	Tencent Yuanbao integrated <a href="#">DeepSeek-R1 671B</a>
16-Feb-25	Model integration	WeChat's Weixin Search and QQ Browser integrated <a href="#">DeepSeek-R1</a>
17-Feb-25	Model integration	Tencent Docs integrated <a href="#">DeepSeek-R1</a>
19-Feb-25	Model integration	Huya, Peacekeeper Elite integrated <a href="#">DeepSeek</a>
27-Feb-25	Product launch	Launch of <a href="#">Hunyuan Turbo S</a> , a quick think model
6-Mar-25	Open source	Open-sourced Hunyuan graphics-to-video model
13-Mar-25	Model integration	Integration between Tencent Yuanbao and Tencent Docs
21-Mar-25	Product launch	Launch of <a href="#">Hunyuan T1 official version</a> , an in-depth reasoning model
9-Apr-25	Product launch	Launch of <a href="#">AI development module</a>
23-Apr-25	Product launch	Launch of <a href="#">Hunyuan 3D-2.5</a>
24-Apr-25	Product launch	Launch of <a href="#">CodeBuddy 3.1</a> together with <a href="#">Craft</a> software development agent
16-May-25	Product launch	Launch of <a href="#">Hunyuan Image 2.0</a> as real-time graphic generative large model
19-May-25	Product launch	Launch of <a href="#">QBot</a> in QQ Browser as new-generation AI browser
28-May-25	Product launch	Launch of <a href="#">CloudBase AI Toolkit</a> as backend coding services
29-May-25	Model integration	Integration of Tencent Yuanbao with DeepSeek-R1-0528
14-Jun-25	Open source	Open-sourced Hunyuan 3D-2.1
20-Jun-25	Product launch	Launch of <a href="#">AI Builder</a> as full-chain AI application development platform
27-Jun-25	Open source	Open-sourced Hunyuan MoE model A13B
27-Jul-25	Product launch	Launch of <a href="#">Hunyuan 3D World Model</a>
4-Aug-25	Open source	Open-sourced Hunyuan 7B/4B/1.8B/0.5B
2-Sep-25	Open source	Open-sourced YouTu-Agent, an agent framework developed by YouTu Lab
9-Sep-25	Product launch	Launch of <a href="#">CodeBuddy Code</a> as AI CLI tool
11-Sep-25	Open source	Open-sourced YouTu-GraphRAG, a graphical search augmented generative framework
24-Sep-25	Product launch	Upgrade of <a href="#">EdgeOne Pages</a> as edge full-chain development platform
14-Oct-25	Open source	Open-sourced YouTu-Embedding, an enterprise-level generic text model
23-Oct-25	Product launch	Upgrade of <a href="#">ima 2.0</a> as personal knowledge base with agent capabilities
21-Nov-25	Open source	Open-sourced Hunyuan-Video1.5 based on diffusion transformer structure
26-Nov-25	Product launch	Launch of <a href="#">Hunyuan 3D Global</a> targeting overseas users

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Source: Company Reports, Citi Research

Figure 48. Baidu AI Cloud Ernie major milestones and achievements YTD

Date	Event	Milestones
Feb-25	Product launch	Launch of <a href="#">in-depth search</a> on Ernie Bot
16-Mar-25	Product launch	Launch of <a href="#">Ernie 4.5</a> and <a href="#">Ernie X1</a>
24-Mar-25	Product launch	Launch of <a href="#">Miaoda</a> , a generative application development platform
2-Apr-25	Product launch	Launch of <a href="#">Ernie X1</a> on Qianfan
25-Apr-25	Product launch	Launch of <a href="#">Ernie 4.5 Turbo</a> , <a href="#">Ernie X1 Turbo</a> , <a href="#">Xin Xiang</a> as multi-agent collaboration app
28-May-25	Model integration	Integration of Qianfan with DeepSeek-R1-0528
12-Jun-25	Model integration	Integration of Qianfan with Baidu AI Search
30-Jun-25	Open source	Open-sourced Ernie 4.5
2-Jul-25	Product launch	Launch of <a href="#">MuseSteamer 1.0</a> as advanced AI image to video generation
21-Aug-25	Product launch	Launch of <a href="#">MuseSteamer 2.0</a> as advanced AI image to video generation
9-Sep-25	Product launch	Launch of <a href="#">Ernie X1.1</a> on Qianfan
22-Sep-25	Open source	Open-sourced Qianfan-VL
16-Oct-25	Product launch	Upgrade of <a href="#">Baidu Qianfan</a> with agent-oriented approach for enterprise customers
13-Nov-25	Product launch	Launch of <a href="#">Ernie 5.0</a>

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Source: Company Reports, Citi Research

## Video Generation Model - Kling sees successful global penetration

After the development of a new generation of video models in 2024, roll-outs by various domestic and int'l players in 2025 have not only intensified competition for the industry but have also pushed technology development and stimulated the adoption of video generation models by a wider group of users. The technology enhancement this year mainly involves better video effects and physical world simulation, audio-video synchronization, longer videos generated and easier editing tools.

Google released the Voe3 model in May 2025, which enhances visual fidelity, offers creators greater control and integrates audio directly into video generation. OpenAI's Sora2 rolled out in Sep 2025 has attracted strong response from consumer users for its strong physical world aroused simulation, native audio-video synchronization and innovative features like Cameo and Remix. Bytedance's latest versions of Seedance has caught up with leading players in terms of technology, and Kuaishou has persistently upgraded its Kling model for drama and film quality videos generation with user friendly editing tools. Minimax's Hailuo is also a major player in video generation models. Beside Bytedance, Kuaishou and Minimax, domestic leading internet players like BABA, Tencent and Baidu have also rolled out video generation models.

**Strategy of Kuaishou's Kling:** Kuaishou's mgmt sees many more video generation models rolled out by peers now vs. 2 years ago but mainly views Seedance from ByteDance and Veo3 from Google as direct competitors in terms of accumulation of video data and technologies. The strategic focus ahead for Kling is 1) to generate videos with effects at film and drama level, 2) persistently upgrade its prompt tools to make it easier for users to generate videos, and 3) further push and explore monetization opportunities.

## Gaming an AI beneficiary with Resilient Earnings

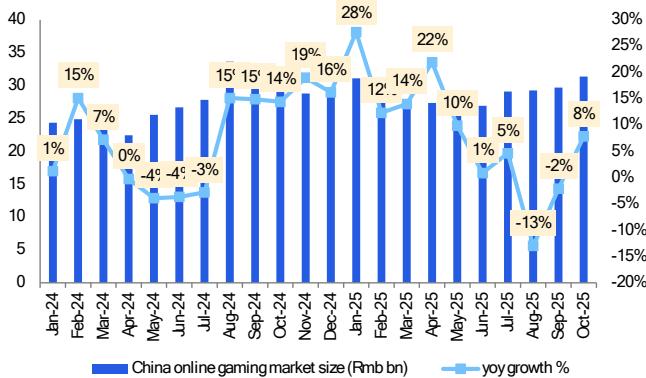
As AI Assistant tools support users' productivity improvement at work and personal lives, users might have more time to spare for leisure and entertainment activities. We believe the gaming industry will likely see benefits from AI adoption.

Despite a relatively stable China online gamer base at 679m in 1H25, per CNG data, monthly ARPU of China gamers continued to rebound meaningfully since 2022 to reach Rmb41 in 1H25, +13.3% yoy. We believe such growth was driven by a normalized regulatory environment, resilient new game supplies and continued differentiation by top-tier and second-tier online gaming players through genre segmentation and slowdown of new game launches to focus on evergreen title operations and boost hit rate.

We also believe the online gaming sector would remain as the frontier for AIGC application in terms of productivity and efficiency gains in art design, content generation and further boost creativity such as AI NPC, AI companion and AI live-streaming features. Together with rich cash positions, generous shareholder returns and steady margin profiles, we believe the online gaming sector will likely generate a decent earnings profile entering 2026E with ample opportunities for further differentiation in the domestic market and huge TAM tapping into the overseas gamer base. Below are recent AI developments by major China game companies:

- **Tencent:** According to *Peacekeeper Elite* official account dated Nov 26 ([link](#)), *Peacekeeper Elite* has officially kicked off a new testing on AI gameplay by introducing industry's first AI pet companion supporting real-time voice recognition to provide more immersive interactive and diversified gameplay.
- **NetEase:** Reported by GameMatrix dated Nov 26 ([link](#)), *Where Winds Meet* recent debut in overseas market on Steam, PlayStation and Epic on Nov 14, with concurrent players surpassing 250K on Steam in the second weekend, representing the top performing Chinese-developed game on Steam by concurrent players. In addition to high quality content and graphics designs, overseas gamers were also attracted to AI NPCs in which the article quoted that some gamers took hours talking to AI NPCs to learn about game background and Chinese culture. This article further suggested that this may further change the perception of overseas gamers in adopting AI gameplay and AI content generation in game title.
- **Century Huatong:** According to an offline investor meeting hosted by Century Huatong on Nov 25 ([link](#)), management leveraged AI tools to improve production efficiency including 2D art design, map design, music design and promotions video by 60-80%. The company also launched automated beta process through its proprietary PhraseTest platform to shorten game development time and beta cycle.
- **Kingnet:** Kingnet also accelerated its AI commercialization progress through AI game development platform Soon, which targets small game developers and AI companion app EVE, both of which will start to monetize in 1Q26E.

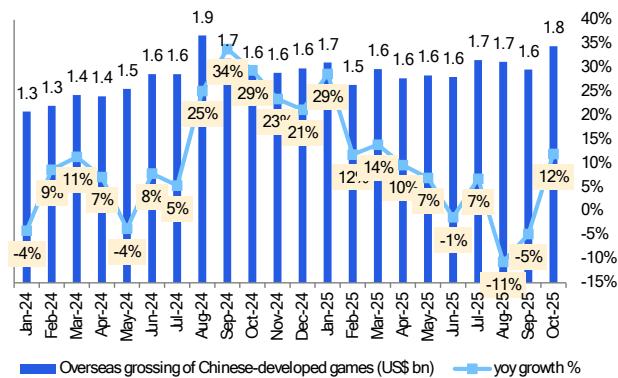
**Figure 49. China online gaming market size**



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Source: CNG, Citi Research

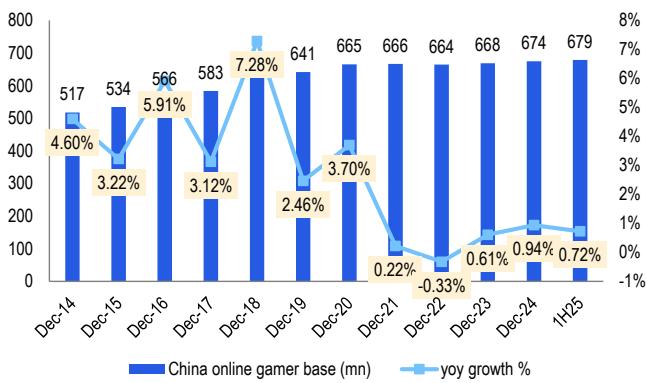
**Figure 50. Overseas grossing of Chinese-developed games**



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Source: CNG, Citi Research

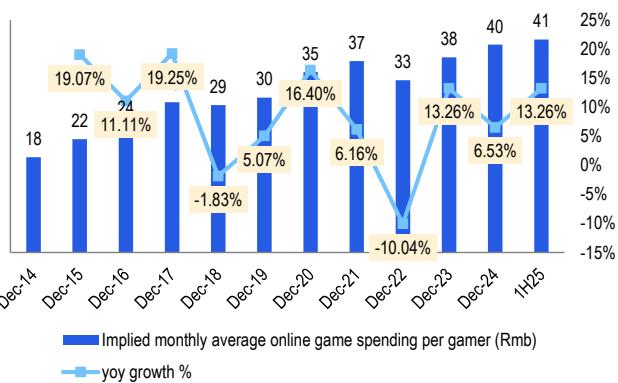
**Figure 51. China online gamer base**



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Source: CNG, Citi Research

**Figure 52. Implied monthly ARPU per gamer in China**



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Source: CNG, Citi Research

Figure 53. Growth and profitability comparison for China online gaming companies

Top Players		A-Share Gaming					Other H-Share Gaming			
	Tencent Gaming	NetEase Gaming	Century Huatong	Giant Network	Kingnet	37 Interactive	G-Bits	Perfect World	XD	IGG
Market cap (US\$ mn)	158,012	71,679	18,887	11,250	6,740	6,435	4,370	3,885	4,491	563
Revenue growth	10.0%	6.1%	70.3%	0.0%	19.2%	5.4%	-11.7%	-28.5%	47.9%	8.9%
FY24E	20.7%	12.9%	68.8%	79.0%	10.3%	-5.3%	63.1%	28.3%	26.2%	-2.5%
FY25E	7.5%	7.4%	23.1%	46.2%	23.6%	2.3%	2.6%	8.4%	7.4%	5.4%
Profit growth	na	na	131.5%	31.2%	11.4%	-0.9%	-16.0%	na	na	na
FY24E	na	na	344.9%	41.9%	27.6%	15.8%	87.6%	na	80.9%	-8.1%
FY25E	na	na	52.6%	83.7%	45.4%	11.7%	11.7%	72.1%	5.3%	55.8%
GPM %	56.9%	68.7%	65.6%	86.2%	81.3%	78.4%	87.9%	57.5%	69.4%	80.4%
FY24E	60.1%	69.3%	69.7%	89.3%	83.1%	76.6%	93.5%	60.0%	71.9%	83.0%
FY25E	60.3%	69.8%	70.5%	90.0%	83.6%	77.7%	93.6%	63.9%	69.7%	83.0%
SG&A %	5.0%	13.4%	34.2%	34.4%	33.9%	55.7%	26.5%	15.6%	27.9%	49.0%
FY24E	5.3%	13.3%	38.7%	35.4%	30.4%	49.3%	32.1%	10.1%	24.9%	51.4%
FY25E	4.9%	13.0%	36.0%	26.0%	26.1%	47.7%	30.0%	9.8%	25.5%	46.5%
R&D %	17.1%	16.6%	7.4%	23.7%	11.7%	3.7%	20.5%	34.6%	18.3%	13.7%
FY24E	18.2%	15.6%	7.0%	20.1%	11.9%	4.1%	14.1%	25.2%	17.4%	14.4%
FY25E	19.0%	16.1%	6.9%	18.5%	10.2%	4.0%	14.4%	23.7%	16.6%	14.0%
OPM %	36.0%	31.8%	12.7%	49.6%	32.7%	16.8%	34.7%	-20.3%	18.3%	12.1%
FY24E	37.6%	34.8%	17.4%	41.8%	39.3%	21.2%	40.5%	18.7%	25.8%	11.8%
FY25E	38.2%	34.5%	20.8%	51.2%	46.4%	23.5%	42.0%	26.2%	24.0%	17.3%
NM %	33.7%	31.8%	5.4%	48.8%	31.8%	15.6%	25.6%	-23.1%	17.5%	10.6%
FY24E	34.9%	34.4%	14.1%	38.7%	36.8%	19.1%	29.4%	14.2%	25.1%	10.0%
FY25E	36.0%	33.0%	17.5%	48.6%	43.3%	20.9%	32.0%	22.6%	24.6%	14.7%
Dividend yield %	0.6%	1.9%	0.0%	0.7%	0.9%	4.9%	2.3%	1.6%	0.6%	3.9%
FY24E	0.8%	1.7%	0.0%	1.0%	1.3%	5.6%	4.3%	1.5%	0.5%	5.3%
FY25E	0.9%	1.7%	0.0%	1.8%	1.9%	6.3%	4.8%	2.5%	0.5%	5.9%

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Source: Company Reports, dataCentral, Citi Research, data as of Nov 28, 2025, close

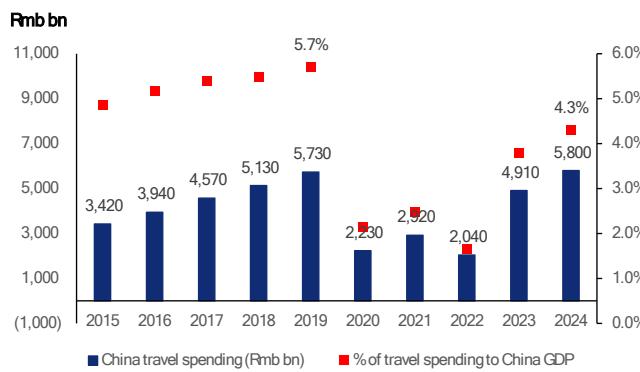
## Travel Demand Recurring, Growing Wallet Spend

Besides gaming as an entertainment choice, we believe improving productivity gains from AI will also lead to growing demand for leisure activity like traveling.

### Resilient China travel demand

Before COVID, China travel spending and volume showed robust trajectory, resulting in a persistently rising ratio for travel spending to total GDP which reached 5.7% in 2019 from 4.9% in 2015. COVID disrupted the travel industry during 2020 to 2022. Post COVID, travel demand quickly recovered and surpassed the pre-COVID level in 2024, but the ratio of travel spending to total GDP at 4.3% was still below 2019 level, implying decent potential for further recovery ahead. Into 2025, China travel demand remained resilient mainly driven by volume growth despite some pressures on pricing. Recently we have observed ADR recovery for hotel industry, probably indicating stabilizing pricing pressures.

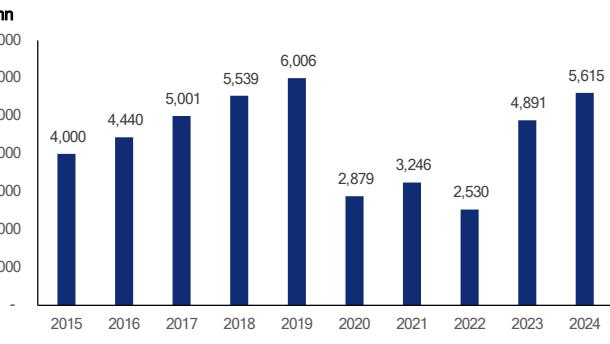
Figure 54. China travel spending and its ratio to total GDP



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Source: Citi Research, Ministry of Culture and Tourism, NBS

Figure 55. China number of tourists



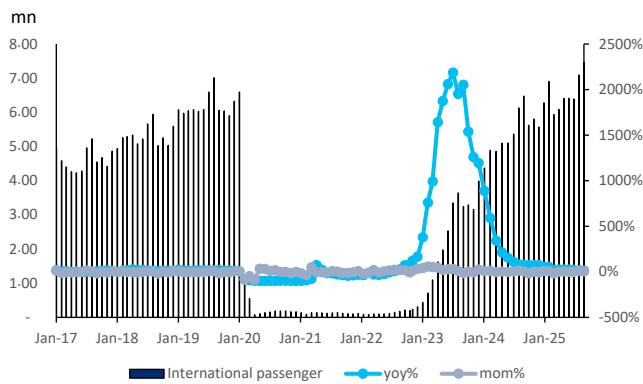
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Source: Citi Research, Ministry of Culture and Tourism

### Outbound travel

China's Int'l flights passenger volume (including HK, Macau & Taiwan) already recovered to pre-COVID levels in 3Q25, and the growth momentum has remained decent despite a normalizing base. We expect a more normalized growth rate for the industry volume ahead but still see decent room of more Chinese citizens to travel abroad gradually, considering 1) only >160m Chinese owned effective passports in mid-2025 vs. its total population of 1.4bn, 2) gradual shift of household spending more toward experience consumption, and 3) more friendly visa policies for Chinese citizens.

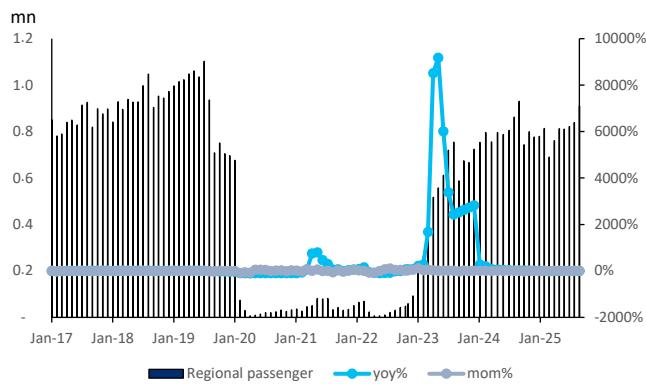
**Figure 56. Total passengers carried by China airlines mn – international**



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Source: Citi Research, Ministry of Transport

**Figure 57. Total passengers carried by China airlines mn – regional**

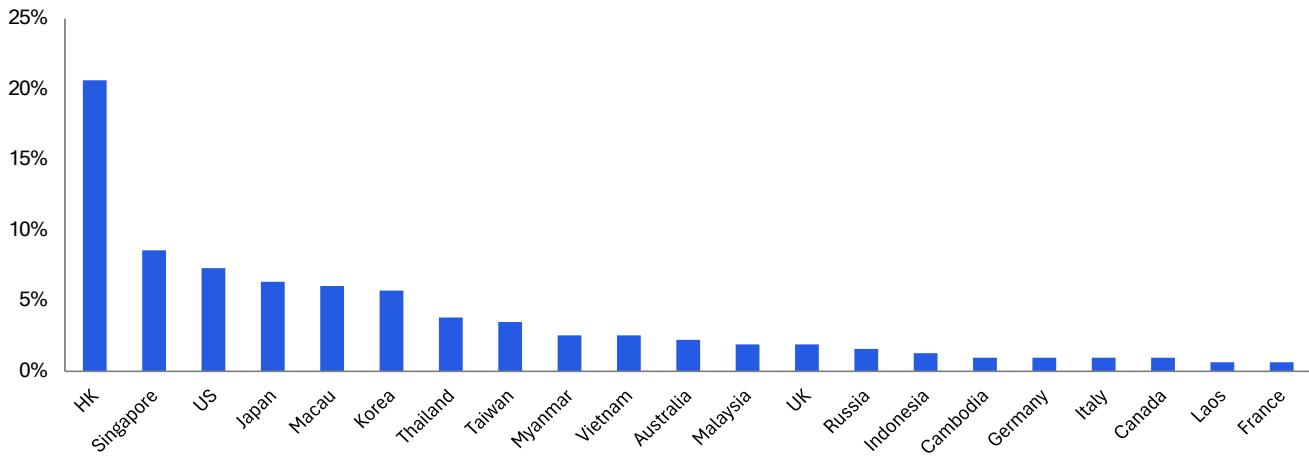


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Source: Citi Research, Ministry of Transport

In terms of destinations, per China Tourism Academy in 11M24 HK, Macau & Taiwan combined attracted >30% of total Chinese outbound travelers; Thailand, Myanmar & Vietnam combined attracted >10%, similar to Japan & Korea combined. Per CEIC data, in 10M25, the travel recovery vs. 2019 outperformed in HK, Macau, Japan, Korea, Vietnam, Singapore and Malaysia outperformed other regions. China's recent travel warning for Japan might lead to travelers switching to other destinations like Korea and SEA, but we see the outbound momentum as intact because 1) it is a seasonal low period, 2) travelers have sufficient time to switch to other destinations with similar distances to Japan and where visa requirements might be easier vs. Japan, and 3) not all bookings will be canceled.

**Figure 58. Ranking of outbound destinations by Chinese travelers in Jan–Nov 2024**



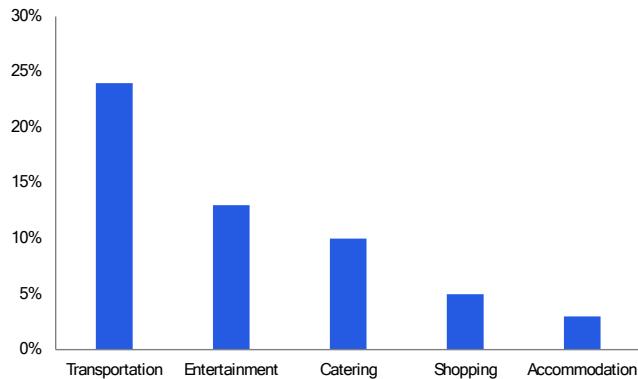
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Source: China Tourism Academy Report, Citi Research

Per a report by Mastercard and Ctrip, the consumption patterns of Chinese outbound tourists are undergoing a shift from traditional shopping and accommodation toward experience-oriented activities. The data reveals that expenditure on transportation has seen the highest growth, indicating a preference for convenient and diverse travel options. Spending on entertainment and dining follows closely, highlighting a greater emphasis on immersive local experiences and cultural activities. This shift is further evidenced by increased per-capita spending at destinations, suggesting longer stays amid deeper cultural immersion. In

contrast, growth in spending on shopping has slowed, implying that tourists are becoming more value-conscious.

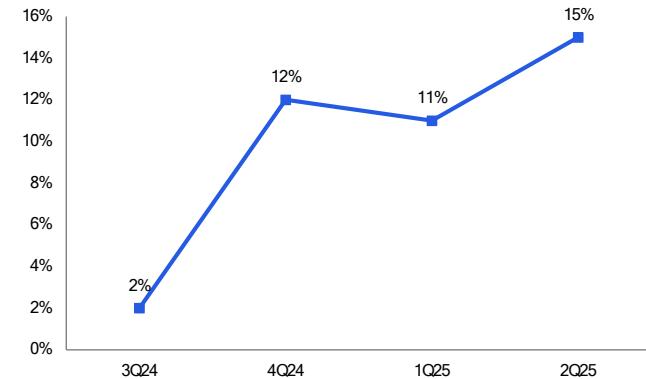
**Figure 59. yoy growth % of major scenarios of China outbound tourism (3Q24-2Q25)**



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Source: Mastercard, Citi Research

**Figure 60. yoy growth % on local consumption on Trip.com (3Q24-2Q25)**



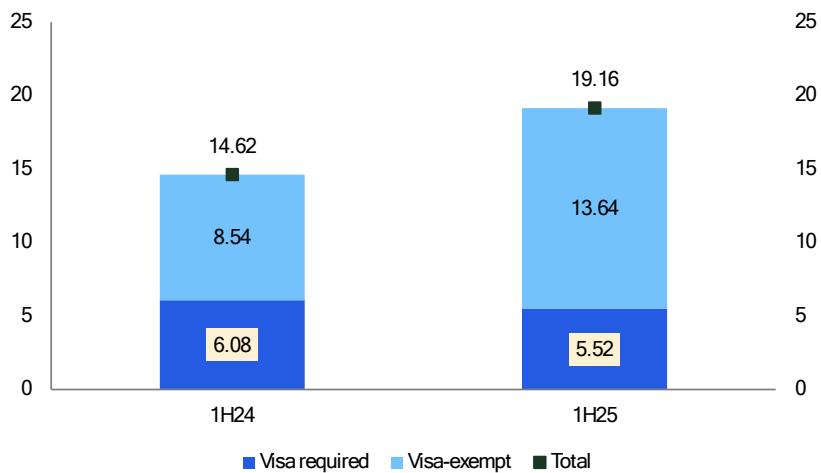
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Source: Company Reports, Citi Research

## Inbound travel demand growing rapidly

China's visa facilitation policies have yielded decent results, driving a substantial increase in foreign arrivals. In 1H25, a total of 136.4mn foreign visitors entered China under various visa-waiver schemes, marking 53.9% yoy growth and accounting for 71.2% of all foreigners' arrivals, per China's immigration. Major gateway cities like Beijing and Shanghai experienced robust growth. Beyond visa liberalization, China has enhanced the overall visitor experience by improving payment options, expanding tax-refund services, and providing multi-language services. These measures have effectively boosted inbound tourism spending.

**Figure 61. No. of foreign inbound visitors (mn)**



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Source: Company Reports, Citi Research

Per TCOM's booking data, the top source countries for inbound tourism to China in 1H25 were South Korea, Malaysia, Japan, the US, Thailand, Singapore, Russia, and Canada. Among these countries, the number of inbound tourists from S. Korea

held the top position yoy. All those source destinations in the list are covered by China's visa-free policy, proving China's visa-free policies effectively facilitating its inbound travel.

**Figure 62. Top 10 countries by number of inbound travelers to China in 1H25**

Origin of inbound travellers	Korea	Malaysia	Japan	US	Thailand	Singapore	Russia	Canada
<b>Ranking in 1H25</b>	1	2	3	4	5	6	7	8
<b>Ranking change vs. 2024</b>	-	+1	+1	-2	+1	-1	New	-1

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Source: Company Reports, Citi Research

Per TCOM's data, a clear trend towards longer and more immersive travel experiences is evident among foreigners visiting China, which is particularly the case for older tourist demographics. Per the data, 29% of young travelers aged 18-24 stayed for 4-7 days and 16% stayed for over a week in 1H25, while extended stays over 7 days are chosen by 27/20% for tourists aged above 60 and 50-59. The proportion of visitors engaging in short 1-3 day trips decreased across all age groups in 1H25 vs. 2024, implying inbound visitors seeking deeper cultural and experimental engagement.

**Figure 63. Number of days inbound travelers have stayed split by different age groups**

	18-24		25-34		35-49		50-59		60+	
	2024	1H25	2024	1H25	2024	1H25	2024	1H25	2024	1H25
<b>1-3 days</b>	56%	55%	55%	53%	54%	51%	50%	47%	42%	40%
<b>4-7 days</b>	27%	29%	30%	32%	30%	32%	31%	33%	33%	34%
<b>More than 7 days</b>	17%	16%	15%	15%	16%	16%	19%	20%	26%	27%

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Source: Company Reports, Citi Research

## Highlights Across Sub-Sectors

### Online advertising: AI effect growing

In 3Q25, 1) various advertising companies including Weibo and Focus Media noted advertising revenue growth from e-commerce players due to step-up in competition in quick commerce, while Tencent noted increases in all categories during the quarter; 2) AI capabilities have supported ad eCPM and helped advertising efficiency, as noted by Tencent, Kuaishou, Weibo, etc.; 3) Players like Weibo and Focus Media remain positive on e-commerce advertiser spending in 4Q25E due to continued competition in quick commerce, and entering 2026E, key events including Winter Olympics in Feb 2026 and World Cup in Jun 2026 are expected to contribute to advertising budgets.

Figure 64. Advertising revenue table

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
Alibaba CMR revs	63,574	81,088	71,667	100,790	71,077	89,252	78,927
<sup>yoY</sup>	5%	2%	4%	9%	12%	10%	10%
PDD online marketing service revs	42,456	49,116	49,351	57,011	48,722	55,703	53,348
<sup>yoY</sup>	56%	29%	24%	17%	15%	13%	8%
Tencent online ad revs	26,506	29,871	29,993	35,004	31,853	35,762	36,242
<sup>yoY</sup>	26%	19%	17%	17%	20%	20%	21%
Kuaishou	13,064	17,515	17,634	20,620	17,977	19,765	20,102
<sup>yoY</sup>	27%	22%	20%	13%	38%	13%	14%
Baidu online marketing revs	18,490	20,625	20,108	19,340	17,306	17,485	16,566
<sup>yoY</sup>	3%	-2%	-6%	-7%	-6%	-15%	-18%
-Baidu core ad	17,000	19,200	18,830	17,900	16,000	16,200	15,300
<sup>yoY</sup>	3%	-2%	-4%	-7%	-6%	-15%	-18%
Meituan marketing revs	10,391	12,360	13,539	12,951	11,947	13,650	14,327
<sup>yoY</sup>	34%	20%	18%	18%	15%	10%	6%
Weibo online ad revs (US\$mn)	339	375	399	386	339	383	375
<sup>yoY</sup>	-5%	-3%	2%	-4%	0%	2%	-6%
Bilibili online ad revs	1,669	2,037	2,094	2,389	1,998	2,449	2,570
<sup>yoY</sup>	31%	30%	28%	24%	20%	20%	23%
iQiyi online ad revs	1,482	1,461	1,337	1,434	1,328	1,272	1,241
<sup>yoY</sup>	6%	-2%	-20%	-13%	-10%	-13%	-7%
Zhihu online marketing services	331	344	257	316	197	223	189
<sup>yoY</sup>	-16%	-17%	-33%	-32%	-40%	-35%	-26%
Sohu ad revs (US\$mn)	16.1	19.9	18.7	18.9	16.1	15.6	13.6
<sup>yoY</sup>	-29%	-17%	-15%	-7%	0%	-21%	-27%
Focus Media total revs	2,730	3,238	3,294	3,001	2,858	3,255	3,494
<sup>yoY</sup>	6%	10%	4%	-7%	5%	1%	6%

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Source: Citi Research, Company Reports

**Figure 65. Advertising company comments on AI and trends in 3Q25**

Companies	Comments
Tencent	Overall revenues of marketing services grew by 21% yoy, underpinned by ad spending growth in all major categories, with impressions grew yoy due to engagement enhancement and increased ad load across Video Accounts, Mini Programs and Weixin Search. During the quarter, eCPM increased yoy due to upgraded adtech foundation model which captured more close-looped marketing demand.
Baidu	Regarding ad growth outlook, management believe despite softer consumption spending right now, a modest sentiment improvement may result in a gradual tailwind from demand side. From supply perspective, Tencent will continue to strengthen its AI capabilities especially through automated ad campaign AIM+.
Weibo	For 4Q25, mgmt noted consumption weakness but expects ecommerce to see stronger performance amid intense competitive landscape with incremental ad budget for offline scenarios and local services. Auto industry is expected to attract ad spend while gaming and handset likely to remain weak. For 2026, with two major events like Winter Olympics and World Cup, mgmt expects ad spend sentiment will be better than in 2025, especially from FMCG.
Kuaishou	Domestic ads might remain at decent trajectory driven by efficiency improvement brought by AI and outperformance of verticals like short-dramas, comic-dramas and mini-games, which should be partially offset by weakness in Brazil.
Bilibili	Ads momentum is likely to remain decent, driven by decent performance during the Single Day and continuous efficiency improvement and exploration of ads scenarios and potentials in underpenetrated verticals.
Focus Media	Entering 4Q25E, we expect continued quick commerce competition, together with Double 11 promotions, to support 4Q25E rev and profit growth.
Joyy	With ad revenues growing strongly by 29.2% yoy to US\$112.5mn in 3Q25, management highlighted that their ambition is to develop a performance-based ad network platform covering multi-channels, industries and verticals. Going forward, the company will explore potentials from various verticals including casual gaming, investing in mid-to-hardcore gaming, social networking, ecommerce and digital finance ecosystem.

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Source: Citi Research

## Ecommerce: muted macro & promotional effect

### Intense competition continues

Intensified competition is not a new thing for China's ecommerce sector. Specifically in 3Q25, competition between BABA and Meituan intensified in quick commerce, and competition further extended to local services. The competition between the two giants also impacted other players including PDD, which noted high competitive pressures. Entering 4Q25E, both BABA and Meituan reiterated the strategic importance of quick commerce investment, while subsidy intensities might have peaked in July/Aug, and see signs of moderation post Singles Day promotion (per Meituan management), both still stressing that competition remains dynamic. BABA expects quick commerce loss to narrow in 4Q25E with improving efficiency, but the EBITA fluctuations depend on competition. Similarly, Meituan also sees lower subsidy level post Singles Day promotions, but the ultimate performance for 4Q25E will be based on competition evolution. Overall, we believe loss from food delivery/quick commerce investment should have peaked in 3Q25 based on both companies' comments; uncertainties remain, though, given both companies will not want to be the one that scales back subsidy (which would benefit opponents). Hence, while we believe loss magnitude for 4Q25 and future quarters should be lower than 3Q25, it remains uncertain when Meituan/industry could return to profitability.

### Singles Day promotions result

Syntun Data released a report estimating 2025 Double 11 GMV reached Rmb1.62trn, +12.3% YoY, or Rmb1.696trn if including Rmb67bn from quick commerce. Tmall, JD, and Douyin rank among the top 3 e-commerce platforms by

GMV. There have been no comments from BABA and PDD about the actual performance on the Singles Day promotions while VIPS and JD gave positive comments on the promotions. We believe while BABA might have gained back some traction from overseas cosmetic brands and branded apparel demand, competition in white label/long tail merchants remained intense. More importantly, due to a high base from last year's trade-in program, we expect all platforms face a tough comp/high base, especially for JD and to a lesser extent BABA from appliance categories.

- VIPS stated that Oct and Nov growth was decent, and it also achieved good GMV momentum during the 11.11 promotion period, but with higher base and uncertainty on weather temperature trend.
- During JD Double 11 Grand Promotion, the number of shopping customers increased by 40% year-on-year.

#### Retail sales in Oct and trend: high base and muted macro

In Oct, China online physical sales grew by 5% yoy, vs +7.5% yoy in 3Q25. The deceleration was likely due to 1) the high base of the home appliance category benefiting from government subsidy trade-in programs last year, and the high base effect should sustain in Dec; 2) a slowly recovering economy. By category, we expect continued tough comp for home appliances in Nov and Dec while discretionary products like apparel, cosmetics and jewelry are likely to hold up relatively better in Dec. Additionally, we believe due to earlier 2025 CNY, some of the purchases might have been booked under Dec 2024 last year, which could lead to higher base for this year Dec, especially with 2026 CNY fall in mid Feb next year and hence most of the purchase will likely happen in Jan rather than Dec.

**Figure 66. Ecommerce company comments on competition and trend in 3Q25**

Companies	Comments
<b>Alibaba</b>	BABA expects CMR to slow in Dec Q due to lapse of 0.6% fee and base effect from Quanzhantui tool despite synergies from quick commerce has positively impacted CMR growth. Mgmt sounded upbeat on efficiency improvement in quick commerce investment and reiterated UE loss has been reduced by 50% in Nov vs July/Aug thanks to better mix of higher AOV orders, double-digit growth of AOV vs Aug and improving logistic cost per order on scale efficiency.  That said, mgmt reminded of competitive market and will dynamically adjust investment hence expect fluctuation of EBTA.
<b>JD</b>	Heading into 4Q25, while management noted healthy growth during 11.11 sales, it also cautious of extremely tough comp lapse out of trade-in benefit. The proactive discount offered on home appliance through partnership with OEM suppliers will result in counter revs and lower GPM.  General merchandise category has sustained four consecutive quarters of double-digit growth, with key categories like supermarket, health, fashion, and home goods showing strong performance. JD also has strong mindshare in liquor, baby and mom products, and household cleaning.
<b>PDD</b>	While industry peers have stepped up investment in new business model, PDD remains focus on creating unique, LT value for consumer and merchants and would not react to ST trends that highlighted by competitors. With larger scale and intensified competitive landscape, mgmt expects growth rate to naturally slowdown.
<b>Vipshop</b>	Mgmt stated that Oct and Nov growth was decent, and it also achieved good GMV momentum during 11.11 promotion period. That said, with higher base and uncertainty on weather temperature trend, we model 4Q25 at lower end of 1.7% yoy growth. Mgmt expects high-quality growth and stable profitability in 2026.
<b>Meituan</b>	Mgmt shared that subsidy level seems to have trending down from the peak level after double 11 campaign, nevertheless, given subsidy level in Dec remain uncertain, similar to peer, mgmt noted that it will dynamically adjust its strategy depending on competition action. Mgmt highlighted Meituan's market share and order volume have recovered recently while maintaining leadership in high AOV categories. Specifically, market share of Meituan reached over two-third for AOV above Rmb15 and around 70% for AOV above Rmb30, resulting in higher ave. AOV for Meituan vs other platforms.
<b>Kuaishou</b>	Ecommerce revs growth could return to a more normalized level, slightly faster than GMV growth, after a strong 3Q25 since Kuaishou began to return some commission rebate to KOLs  With more revs contribution from ads and other revs during peak season for ecommerce, GPM could rise further qoq in 4Q25E

## Entertainment content: demand, sub vs growth

### Online video: supportive – policy benefits emerge

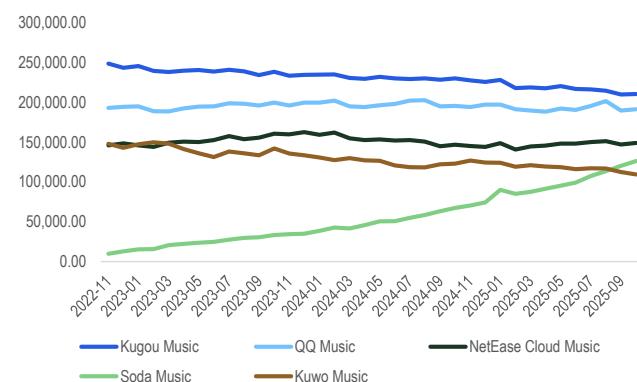
Among long video platforms, we prefer iQiyi over Mango Excellent Media as iQiyi should benefit more from the drama regulations as the leading drama producer and streaming platform, and iQiyi has started to see positive impacts from supportive regulations. Mango expects 1-2 years for audience to see more obvious impact.

- **iQiyi:** In the two months since the policy implementation, iQiyi has observed positive progress. Some of iQiyi's projects have already benefited from the policy support, allowing them to reach a ready-to-broadcast status more quickly. As production proceeds smoothly in the future, iQiyi anticipates gradually seeing the broad benefits of the policies.
- **Mango Excellent Media:** Regulators aim to support and improve the drama industry. There will be positive impact from the regulations on drama genres, faster review process, etc. Mango expects the audience to see material impact in the next one to two years.

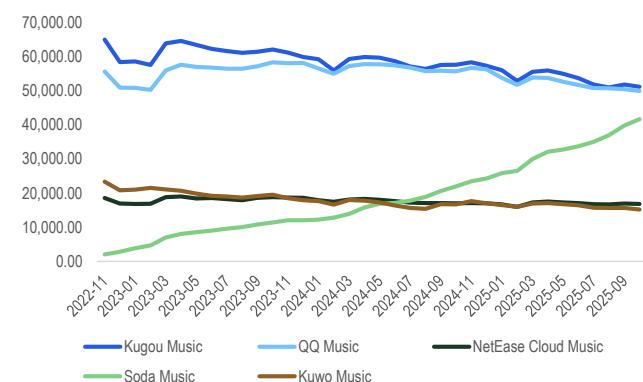
### Online music: subscription, concert business & competition

- **TME:** Mgmt highlighted TME's competitive advantage in music library, experience in music asset mgmt and commitment in providing high quality listening experience. Comparison on mobile- only active users underestimated TME's large PC subscriber base and high penetration in in-car service and ability to leverage Tencent games and video IPs.
- **User metrics:** MAU of Soda Music increased by 88% yoy to 127m in Oct 2025, vs Kugou Music at 211m (-8% yoy), QQ Music at 192m (-2%), Cloud Music at 149m (+1% yoy), and Kuwo Music at 109mn (-11% yoy). Average time spent per user of Soda Music was 76mins (+21% yoy), vs Kugou Music at 115 mins (-7% yoy), QQ Music at 90 mins (-15% yoy), Cloud Music at 27 mins (-6% yoy) and Kuwo Music at 112 mins (+10% yoy).

**Figure 67. MAU of online music apps (K)**



**Figure 68. DAU of online music apps (K)**



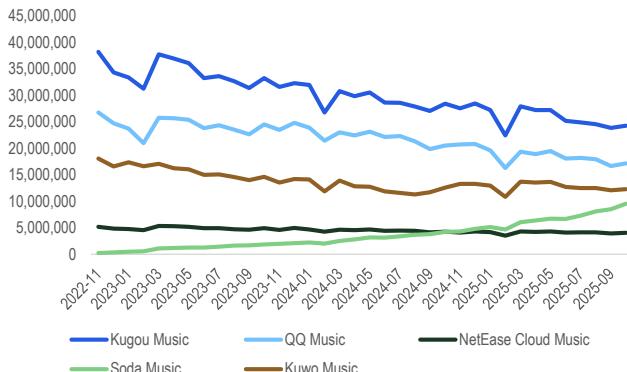
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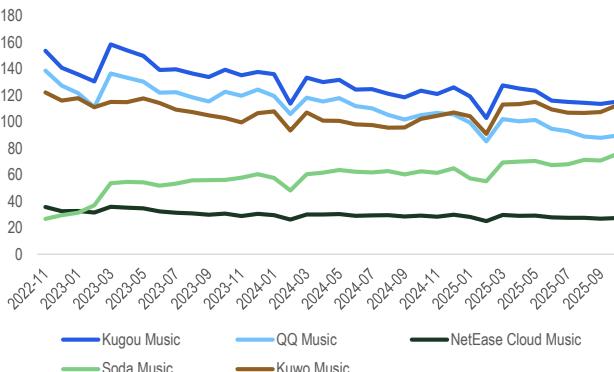
**Figure 69. Time spent of online music apps (k mins)**



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Source: Citi Research, Questmobile

**Figure 70. Average time spent of online music apps (mins)**



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Source: Citi Research, Questmobile

### Music concert: slowing domestic growth & going global

- **Damai:** China market should continue to grow but overall should be largely stable as music category's growth is capped by venue capacity. Overall Damai's take rate is stable in FY1H26 and we think competition impact is minimal. Damai International will invest in overseas markets and will 1) cooperate with local partners to host international artist events; 2) exploring ticketing services and participate in content production.
- **TME:** Mgmt shared that live performances and concerts are a key commitment for the company, and they have made substantial investments in this area. TME has organized tours for top artists and have their own proprietary IPs like TMEA. The concert business not only helps build experience but also forges deeper partnerships with artists and the ecosystem. One example is the successful G-Dragon concert tour in Asia Pacific this past quarter.
- **Maoyan:** Maoyan noted that for 9M25, China music concert ticketing GMV grew at mid-single digit yoy, and Maoyan is growing faster than the industry. Generally after three years post Covid-19, the pent-up demand for music concert might decelerate and the industry will return to normal growth and expect next year's growth rate to be similar with 2025. For local entertainment performances like stand-up comedy & exhibitions, Maoyan shared that they are growing at high double digits.

### Operation highlights across verticals

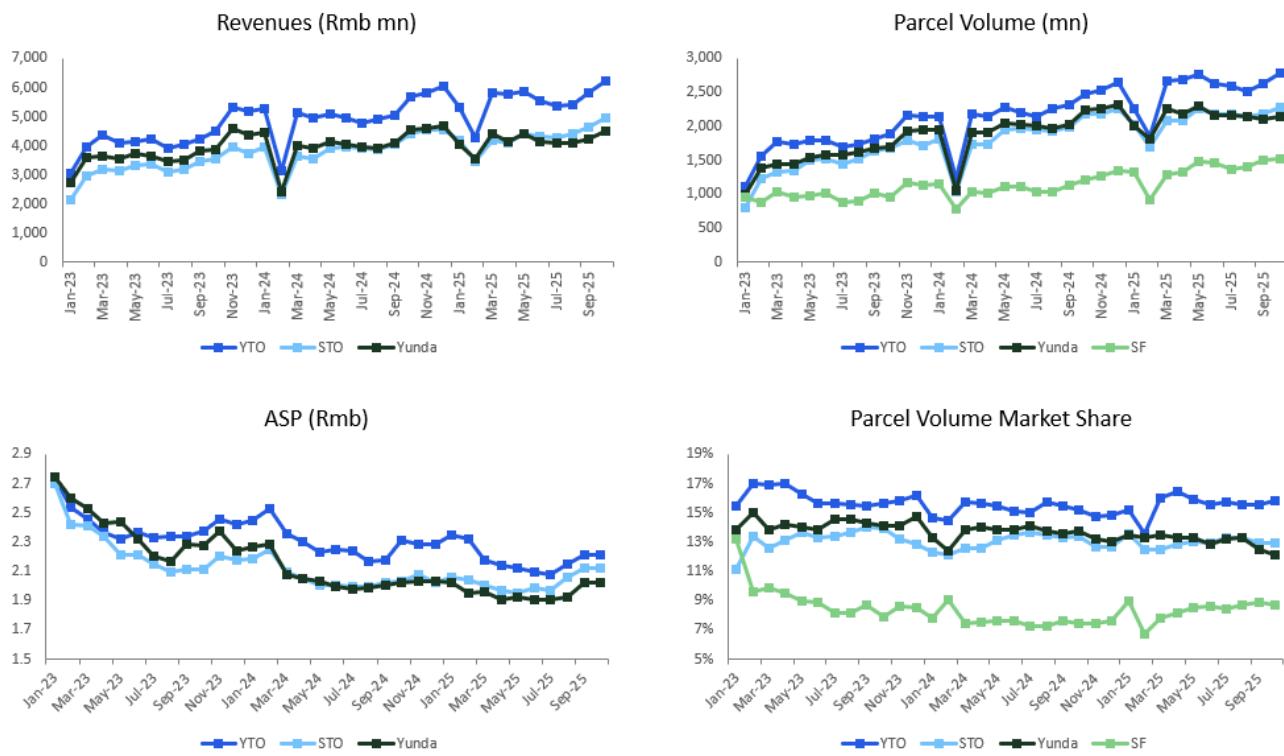
#### Online recruitment outlook

Kamzhu mgmt shared that blue-collar recruitment continued to outperform white-collar with a record-high revs contribution, and transportation, logistics and service verticals outperformed within blue-collar recruitment, while AI, internet, new consumption and gaming outperformed within white-collar recruitment. Mgmt also sees persistently rising contribution from 3rd-tier cities and below with recovery on 1st tier cities and stable 2nd tier cities. With improving recruitment sentiment, we expect its mid-teens CCB growth is likely to sustain into 4Q25E.

### Logistics pricing and competitive landscape

With the impact of anti-involution policy toward low-pricing parcels, the industry parcel volume has been slowing in recent months but with decent ASP recovery across most regions. Nonetheless, after the price hike amid the policy and peak season, there seems little room for further increase ahead, and we are seeing market share gain for STO and stable performance for ZTO/YTO/J&T with Yunda losing share. For premium express players, we see the worst likely behind for SF, though it might take time for its earnings to recover, while JDL could maintain decent organic momentum with margin likely to re-expand in 2026E. That said, J&T remains our Top Pick in China's logistics sector thanks to its strong parcel volume growth in SEA, decent potential in new markets and stabilizing China earnings outlook.

**Figure 71. China express delivery players' revenue, parcel volume and ASP trends in 2023-YTD 2025 by month**



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Source: Company Reports, Citi Research

## Shareholder returns

Figure 72. Shareholders return summary

Company	Cash & Cash equivalent, ST investment and deposit (3Q25, US\$)	ST loans and LT Debt (3Q25, 3Q25 (US\$))	Net cash as of 3Q25 (US\$)	Current authorized share repurchase program (US\$)	Amount repurchased in 3Q25 (US\$)	Amount repurchased in 2024 (US\$)	Amount outstanding as of 3Q25 (US\$)	Dividend/share announced in 3Q25	Dividend payment in 3Q25	Free cash flow in 3Q25 (US\$)	Total shareholder return as % of FCF in 3Q25
Alibaba	80.6bn	39.6bn	41.0bn	65.0bn	0.253bn	16.0bn	19.1bn	NA	NA	-3.1bn	NA
Tencent	69.3bn	54.9bn	14.4bn	HK\$80bn	HK\$21.1bn	HK\$112.0bn	NA	NA	NA	8.2bn	33.0%
JD.com	29.6bn	11.3bn	18.3bn	5.0bn	0	3.6bn	3.5bn	NA	NA	-1.6bn	0.0%
Baidu	17.6bn	12.6bn	5.0bn	5.0bn	0	1.0bn	2.7bn	NA	NA	-302mn	NA
Meituan	19.8bn	6.3bn	13.5bn	NA	0	HK\$28.2bn	NA	NA	NA	-3.1bn	0.0%
PDD	59.5bn	737.2mn	58.8bn	0	0	0	0	NA	NA	6.4bn	0.0%
NetEase	22.6bn	1.0bn	21.5bn	5.0bn	0	~1.2bn	3.0bn	US\$0.570/ADS	US\$364mn	1.8bn	20.2%
Trip.com	15.1bn	4.4bn	10.7bn	5.0bn	NA	~300mn	5.0bn	NA	NA	NA	NA
VIPShop	4.4bn	1.1bn	3.3bn	1.0bn	24.6mn	536.1mn	621.4mn	NA	NA	190.4mn	12.9%
Autohome	3.1bn	NA	3.1bn	200.0mn	3.5mn	NA	NA	NA	NA	9.4mn	37.2%
Tencent Music	5.1bn	496.0mn	4.6bn	1.0bn	NA	~300mn	0.9bn	NA	NA	517mn	NA
Weibo	2.0bn	1.9bn	0.1bn	NA	NA	NA	NA	NA	NA	194.9mn	0.0%
Tongcheng	1.9bn	518.6mn	1.4bn	NA	NA	NA	NA	NA	NA	45.4mn	0.0%
iQiyi	686.0mn	2.0bn	-1.3bn	NA	NA	NA	NA	NA	NA	-40.8mn	NA
YMM	4.4bn	NA	4.4bn	200.0mn	NA	NA	NA	NA	NA	232.8mn	NA
Kuaishou	15.4bn	1.8bn	13.6bn	HK\$16bn	HK\$157.5mn	HK\$5.5bn	NA	NA	NA	1.1bn	1.8%
YY	3.3bn	16.9mn	3.3bn	300.0mn	52.1mn	309.2mn	211.4mn	NA	NA	73.4mn	71.0%
Kanzhun	2.7bn	NA	2.7bn	150mn	NA	NA	NA	NA	NA	164.9mn	NA

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Source: Bloomberg, Company Reports and Citi Research

Figure 73. REPO & annual dividend vs FCF for Alibaba

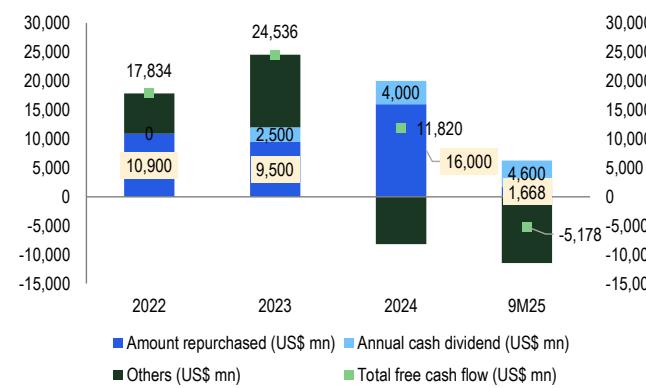
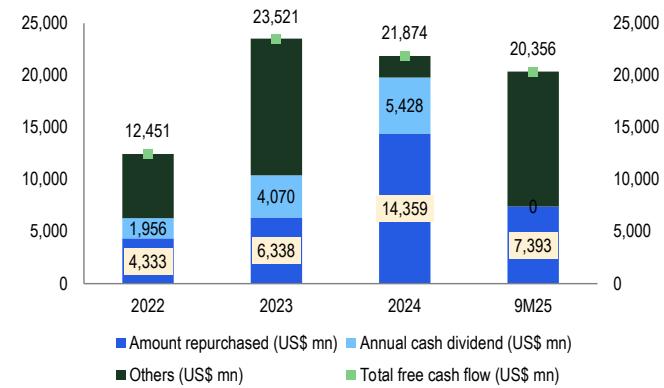


Figure 74. REPO and annual dividend vs FCF for Tencent



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Source: Company Reports, Citi Research

## China Internet Comps

Figure 75. China Internet valuation comp

Company Name	Reuters Ticker	Analyst	Price/Currency	Price	Mkt Cap	Risk/Rating	Target Price	ETR %	P/E 2025E	P/E 2026E	P/E 2027E	P/S 2025E	P/S 2026E	P/S 2027E	EV/EBITDA 2025E	EV/EBITDA 2026E	EV/EBITDA 2027E	
<b>Category Leader</b>																		
Alibaba	BABA.N	Alicia Yap, CFA	USD	157.30	2,022,266	375,330	1	225.00	44.3%	21.5	18.7	15.1	2.6	2.3	2.1	12.8	10.3	8.1
Alibaba	9988.HK	Alicia Yap, CFA	HKD	151.50	2,891,929	371,434	1	220.00	48.5%	21.2	18.5	14.7	2.6	2.5	2.0	12.6	10.2	8.0
Baidu	BIDU.O	Alicia Yap, CFA	USD	116.69	312,862	40,183	1	181.00	54.8%	14.5	13.9	11.0	2.2	2.1	1.9	3.6	3.0	1.8
NetEase	NTES.O	Alicia Yap, CFA	USD	138.05	680,585	87,413	1	161.00	18.3%	16.1	15.7	14.3	5.5	5.2	4.9	13.1	12.1	10.9
JD.com	JD.O	Alicia Yap, CFA	USD	29.83	332,709	42,733	1	44.00	51.8%	10.5	8.1	6.7	0.2	0.2	0.2	2.3	2.1	0.5
Meituan	3690.HK	Alicia Yap, CFA	HKD	102.50	625,544	80,344	2H	117.00	14.1%	na	na	24.7	1.5	1.4	1.3	na	na	13.5
Tencent	0700.HK	Alicia Yap, CFA	HKD	611.50	5,592,088	718,237	1	751.00	23.6%	19.6	17.4	15.9	6.8	6.3	5.8	13.6	10.7	9.7
PDD	PDD.O	Alicia Yap, CFA	USD	116.08	1,283,050	164,793	1H	170.00	46.5%	10.7	8.8	7.5	2.8	2.5	2.3	6.9	4.2	2.4
Trip.com	TCOM.O	Brian Gong	USD	69.92	355,813	45,700	1	86.00	23.4%	18.1	16.2	15.0	5.6	4.9	4.5	12.9	9.5	7.3
<b>Average</b>										<b>16.5</b>	<b>14.6</b>	<b>13.9</b>	<b>3.3</b>	<b>3.0</b>	<b>2.8</b>	<b>5.4</b>	<b>3.5</b>	<b>6.9</b>
<b>E-commerce</b>																		
Alibaba	BABA.N	Alicia Yap, CFA	USD	157.30	2,922,266	375,330	1	225.00	44.3%	21.5	18.7	15.1	2.6	2.3	2.1	12.8	10.3	8.1
Bazouz	BZUN.O	Alicia Yap, CFA	USD	2.86	1,288	165	1	4.80	67.8%	40.9	7.1	5.5	0.1	0.1	0.1	4.9	1.8	1.4
JD.com	JD.O	Alicia Yap, CFA	USD	29.83	332,709	42,733	1	44.00	51.8%	10.5	8.1	6.7	0.2	0.2	0.2	2.3	1.2	0.5
PDD	PDD.O	Alicia Yap, CFA	USD	116.08	1,283,050	164,793	1H	170.00	46.5%	10.7	8.8	7.5	2.8	2.5	2.3	6.9	4.2	2.4
Vipshop	VIPS.N	Alicia Yap, CFA	USD	19.64	75,387	9,683	2	21.00	8.5%	8.2	7.3	6.7	0.7	0.6	0.6	4.2	3.4	2.7
<b>Average</b>										<b>18.3</b>	<b>10.0</b>	<b>8.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>6.2</b>	<b>4.2</b>	<b>3.0</b>
<b>Online Travel</b>																		
Tongcheng Travel	0780.HK	Brian Gong	HKD	21.92	51,489	6,613	1	28.00	27.7%	13.6	12.2	10.8	2.4	2.2	2.1	7.8	6.4	5.2
Trip.com	TCOM.O	Brian Gong	USD	69.92	355,813	45,700	1	86.00	23.4%	18.1	16.2	15.0	5.6	4.9	4.5	12.9	9.5	7.3
<b>Average</b>										<b>23.8</b>	<b>17.3</b>	<b>14.6</b>	<b>2.7</b>	<b>2.5</b>	<b>2.0</b>	<b>10.4</b>	<b>8.0</b>	<b>6.2</b>
<b>Verticals</b>																		
Autohome	ATHM.N	Brian Gong	USD	23.76	21,911	2,814	2	26.00	16.7%	12.3	12.1	11.8	2.9	2.9	2.9	na	na	-9.4
DIDI Global	DIDIY.PK	Alicia Yap, CFA	USD	5.35	193,957	24,912	1H	8.30	55.1%	23	28.4	16.8	0.8	0.7	0.7	77.1	18.0	9.0
Full Truck Alliance	YMM.N	Brian Gong	USD	11.53	92,425	11,871	1H	15.00	33.7%	17.7	15.0	12.7	6.8	6.5	5.5	12.8	10.2	7.1
Kanzhun	BZ.O	Brian Gong	USD	22.10	82,499	10,596	1	20.00	17.6%	20.4	18.2	17.7	8.8	7.9	7.2	19.9	15.5	12.5
<b>Average</b>										<b>16.7</b>	<b>15.9</b>	<b>12.8</b>	<b>3.3</b>	<b>3.0</b>	<b>2.8</b>	<b>20.7</b>	<b>8.3</b>	<b>4.8</b>
<b>Digital content</b>																		
China Literature	0772.HK	Vicky Wei, CFA	HKD	37.54	38,346	4,925	1	38.00	1.2%	25.1	22.5	20.7	4.7	4.5	4.4	17.9	24.0	21.0
IQIYI	IQ.O	Vicky Wei, CFA	USD	2.19	16,419	2,109	1	2.70	23.3%	na	27.8	20.8	0.6	0.6	0.5	2.3	2.1	1.9
Netease Cloud Music	9899.HK	NR	HKD	193.20	42,028	5,398	NR	NR	NR	13.0	16.0	14.0	4.9	4.4	4.0	18.9	15.0	11.6
Tencent Music Entertainment	TME.N	Alicia Yap, CFA	USD	18.45	222,498	28,577	1	29.00	58.2%	20.6	18.7	16.3	6.2	5.5	4.9	15.2	13.4	11.0
<b>Average</b>										<b>19.6</b>	<b>21.3</b>	<b>18.0</b>	<b>3.8</b>	<b>3.5</b>	<b>3.3</b>	<b>13.6</b>	<b>11.4</b>	
<b>Advertising/Portal</b>																		
Sohu	SOHU.O	Alicia Yap, CFA	USD	15.42	3,610	464	1	22.00	42.7%	na	na	na	0.8	0.7	0.7	6.0	3.7	2.7
Sc-Young	SY.O	Nelson Cheung	USD	2.95	2,289	294	1H	5.20	76.3%	na	na	8.4	1.0	0.8	na	5.8	na	na
Weibo	WB.O	Alicia Yap, CFA	USD	9.94	18,947	2,434	1	12.00	29.0%	5.6	5.6	5.3	1.5	1.5	1.5	na	na	na
ZHIHU	ZH.N	Vicky Wei, CFA	USD	3.69	2,584	332	1H	6.00	62.6%	45.1	98.9	56.2	0.8	0.6	4.5	8.9	13.8	na
<b>Average</b>										<b>44.8</b>	<b>40.8</b>	<b>20.4</b>	<b>1.6</b>	<b>1.4</b>	<b>2.0</b>	<b>6.4</b>	<b>5.5</b>	<b>na</b>
<b>Live streaming</b>																		
Hello Group	MOMO.O	Brian Gong	USD	6.96	10,817	1,389	2H	8.00	19.3%	9.4	6.0	5.5	0.8	0.8	0.7	1.4	0.7	0.2
JOYY	JOYY.O	Brian Gong	USD	63.12	25,053	3,218	1	70.00	16.9%	11.8	10.5	9.5	1.6	1.5	1.4	1.9	na	na
Huya	HUYA.N	Nelson Cheung	USD	2.85	5,267	676	1	4.20	51.9%	35.0	22.7	15.1	0.7	0.7	0.7	9.7	na	3.4
Doxyu	DOYU.O	Nelson Cheung	USD	7.13	1,724	221	2	7.60	6.6%	na	na	na	0.4	0.5	0.5	na	68.7	80.5
Kuaishou	1024.HK	Brian Gong	HKD	67.80	293,130	37,649	1	88.00	29.8%	13.1	11.7	10.1	1.9	1.8	1.7	7.7	6.2	4.6
Newborn Town	9911.HK	Nelson Cheung	HKD	9.46	13,367	1,717	1H	16.00	69.1%	10.0	9.4	7.6	1.6	1.4	1.2	9.4	6.8	4.6
Bilibili	BILLO	Brian Gong	USD	26.61	85,798	11,018	2H	27.00	1.5%	32.7	27.4	23.6	2.6	2.4	2.4	19.5	14.8	11.9
<b>Average</b>										<b>18.7</b>	<b>14.6</b>	<b>11.9</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>7.8</b>	<b>15.3</b>	<b>14.9</b>
<b>Gaming/software services</b>																		
37 Interactive	002555.SZ	Nelson Cheung	CNY	20.58	50,100	6,435	1	25.50	29.7%	14.4	12.9	11.5	2.5	2.6	2.6	11.8	10.4	9.2
Century Huatong	002600.SZ	Nelson Cheung	CNY	17.99	147,052	18,887	1	22.00	22.3%	24.8	16.3	15.2	3.5	2.9	2.8	16.0	10.6	9.1
B-Ray Media	600880.SS	Nelson Cheung	CNY	5.39	6,485	833	3H	3.20	40.4%	na	na	9.0	8.4	7.8	6.2	5.5	5.0	42.8
Chinese Media	600373.SS	Nelson Cheung	CNY	10.57	15,908	2,043	3	9.00	12.0%	17.2	12.2	11.5	2.0	2.0	2.0	2.3	1.5	1.0
GBits	600444.SS	Nelson Cheung	CNY	42.99	34,024	4,370	1	55.00	30.7%	37.0	15.3	15.3	5.1	4.9	4.8	8.9	8.3	8.3
Giant Network	002553.SZ	Nelson Cheung	CNY	41.44	67,590	8,433	1	42.00	31.1%	40.0	21.7	20.0	15.4	10.6	10.1	48.0	20.8	18.1
IGC	0799.HK	Nelson Cheung	HKD	3.62	4,383	653	1	5.20	53.0%	7.9	5.1	4.8	0.8	0.8	0.7	2.7	1.6	1.3
Kingnet	002517.SZ	Nelson Cheung	CNY	22.32	52,475	6,740	1	31.00	40.2%	22.9	15.8	14.4	8.4	6.8	6.3	18.8	12.4	10.6
NetEase	NTES.O	Alicia Yap, CFA	USD	138.05	680,585	87,413	1	161.00	18.3%	16.1	15.7	14.3	5.5	5.2	4.9	13.1	12.1	10.9
Oupalm	300315.SZ	Nelson Cheung	CNY	5.20	15,494	1,990	3H	1.50	-71.2%	na	na	94.2	20.9	20.4	na	na	na	na
Perfect World	002624.SZ	Nelson Cheung	CNY	12.20	31,516	4,512	3H	5.00	-59.0%	na	na	15.5	14.5	13.7	na	na	na	na
ZGGame	300052.SZ	Nelson Cheung	HKD	70.65	34,963	4,491	2H	8.20	16.6%	19.9	19.0	19.5	5.0	4.7	4.6	16.3	15.4	14.8
YOOZOO Interactive	002174.SZ	Nelson Cheung	CNY	11.83	12,801	1,644	3H	9.00	-31.2%	41.4	25.2	22.0	7.1	7.0	6.9	16.1	12.3	10.6
<b>Average</b>										<b>33.7</b>	<b>33.7</b>	<b>36.1</b>	<b>5.2</b>	<b>4.5</b>	<b>4.0</b>	<b>na</b>	<b>na</b>	<b>41.2</b>
<b>Media and Entertainment</b>																		

## Share Price Performance

Figure 76. China internet price performance

Company Name	Reuters Ticker	Analyst	Price Currency	Price	Mkt Cap		52 Week		Price Performance			
					HKD\$'M	USDS'm	High	Low	1 week	1 mth	3 mth	YTD
<b>Category Leader</b>												
Alibaba	BABA.N	Alicia Yap, CFA	USD	157.30	2,922,266	375,330	192.67	79.67	2.9%	-12.6%	16.5%	87.0%
Alibaba	9988.HK	Alicia Yap, CFA	HKD	151.50	2,891,929	371,434	186.20	76.74	2.6%	-11.4%	30.9%	85.3%
Baidu	BIDU.O	Alicia Yap, CFA	USD	116.89	312,862	40,183	149.51	74.71	5.4%	-8.4%	22.7%	38.6%
NetEase	NTES.O	Alicia Yap, CFA	USD	138.05	680,585	87,413	159.55	87.67	3.3%	-4.8%	1.4%	54.7%
JD.com	JD.O	Alicia Yap, CFA	USD	29.83	332,709	42,733	46.45	28.21	3.1%	-13.2%	4.0%	-14.0%
Melituan	3690.HK	Alicia Yap, CFA	HKD	102.50	625,544	80,344	189.60	94.05	7.3%	2.5%	-0.2%	-32.4%
Tencent	0700.HK	Alicia Yap, CFA	HKD	611.50	5,592,088	718,237	683.00	364.80	0.2%	-5.2%	2.5%	46.6%
PDD	PDD.O	Alicia Yap, CFA	USD	116.08	1,283,050	164,793	139.41	87.11	2.5%	-15.9%	-3.4%	19.7%
Trip.com	TCOM.O	Brian Gong	USD	69.92	355,813	45,700	78.65	51.35	0.1%	-3.5%	-5.2%	1.8%
<b>E-commerce</b>												
Alibaba	BABA.N	Alicia Yap, CFA	USD	157.30	2,922,266	375,330	192.67	79.67	2.9%	-12.6%	16.5%	87.0%
Baizhuo	BZJN.O	Alicia Yap, CFA	USD	2.86	1,288	165	4.88	2.12	0.7%	-16.1%	-15.6%	5.1%
JD.com	JD.O	Alicia Yap, CFA	USD	29.83	332,709	42,733	46.45	28.21	3.1%	-13.2%	-4.0%	-14.0%
PDD	PDD.O	Alicia Yap, CFA	USD	116.08	1,283,050	164,793	139.41	87.11	2.5%	-15.9%	-3.4%	19.7%
Vipshop	VIPS.N	Alicia Yap, CFA	USD	19.64	75,387	9,683	21.06	12.16	5.4%	7.3%	17.3%	45.8%
<b>Online Travel</b>												
Tongcheng Travel	0780.HK	Brian Gong	HKD	21.92	51,489	6,613	24.90	17.02	4.4%	2.5%	-0.1%	20.4%
Trip.com	TCOM.O	Brian Gong	USD	69.92	355,813	45,700	78.65	51.35	0.1%	-3.5%	-5.2%	1.8%
<b>Verticals</b>												
Autohome	ATHM.N	Brian Gong	USD	23.76	21,911	2,814	32.59	23.12	1.2%	-6.8%	-17.7%	-8.4%
DIDI Global	DIDIY.PK	Alicia Yap, CFA	USD	5.35	193,957	24,912	6.99	3.15	0.8%	-18.3%	-8.5%	17.1%
Full Truck Alliance	YMM.N	Brian Gong	USD	11.35	92,425	11,871	14.07	9.45	9.5%	-10.8%	-13.0%	4.9%
Kanzhun	BZ.O	Brian Gong	USD	22.10	82,499	10,596	25.26	12.85	8.1%	-1.7%	-6.4%	60.1%
Yixin	2858.HK	Vicky Wei, CFA	HKD	2.42	16,425	2,110	3.30	0.64	10.0%	-1.6%	-23.7%	180.3%
<b>Digital Content</b>												
China Literature	0772.HK	Vicky Wei, CFA	HKD	37.54	38,346	4,825	48.88	22.40	7.7%	-7.5%	-7.4%	49.0%
iQIYI	IQ.O	Vicky Wei, CFA	USD	2.19	16,419	2,109	2.84	1.50	2.8%	-6.8%	-17.4%	9.0%
Netease Cloud Music	9899.HK	NR	HKD	193.20	42,028	5,398	303.40	106.00	2.0%	-23.3%	-30.9%	69.2%
Tencent Music Entertainment	TME.N	Alicia Yap, CFA	USD	18.45	222,498	28,577	26.70	10.26	1.7%	-19.5%	-24.8%	62.6%
<b>Advertising/Portal</b>												
Sohu	SOHU.O	Alicia Yap, CFA	USD	15.42	3,610	464	16.45	7.79	8.4%	2.1%	-4.1%	17.0%
So-Young	SY.O	Nelson Cheung	USD	2.95	2,289	294	6.28	0.67	-3.0%	2.4%	-23.2%	267.4%
Weibo	WB.O	Alicia Yap, CFA	USD	9.94	18,947	2,434	12.96	7.10	3.1%	-10.9%	-13.3%	4.1%
ZHIHU	ZH.N	Vicky Wei, CFA	USD	3.69	2,584	332	6.31	3.20	-7.5%	-14.2%	-23.1%	4.2%
<b>Live streaming</b>												
Hello Group	MOMO.O	Brian Gong	USD	6.96	10,817	1,389	9.22	5.05	-0.3%	1.5%	-16.1%	-4.5%
JOYY	JOYY.O	Brian Gong	USD	63.12	25,053	3,218	67.85	35.01	2.2%	4.3%	16.8%	50.8%
Huya	HUYA.N	Nelson Cheung	USD	2.85	5,267	676	4.00	1.64	8.0%	1.4%	-20.4%	59.4%
Douyu	DOYU.O	Nelson Cheung	USD	7.13	1,724	221	9.93	3.92	5.5%	4.4%	-7.6%	66.4%
Kuaishou	1024.HK	Brian Gong	HKD	67.80	293,130	37,649	92.60	38.15	5.9%	-10.7%	-10.0%	64.0%
Newborn Town	9911.HK	Nelson Cheung	HKD	9.46	13,367	1,717	13.63	3.26	0.0%	-14.0%	-23.2%	154.3%
Bilibili	BILLO	Brian Gong	USD	26.61	85,788	11,018	32.50	14.47	7.7%	-16.9%	14.4%	46.9%
<b>Gaming/software services</b>												
37 Interactive	002555.SZ	Nelson Cheung	CNY	20.58	50,100	6,435	24.35	13.11	3.5%	-2.8%	4.8%	31.6%
Century Huatong	002602.SZ	Nelson Cheung	CNY	17.99	147,052	18,897	22.49	4.11	8.8%	-1.3%	15.8%	250.0%
B-Rex Media	600890.SS	Nelson Cheung	CNY	5.39	6,485	833	7.22	3.78	3.3%	7.2%	6.3%	13.7%
Chinese Media	600373.SS	Nelson Cheung	CNY	10.57	15,906	2,043	14.20	9.91	0.1%	2.8%	2.9%	-15.8%
C-Bits	603444.SS	Nelson Cheung	CNY	429.18	34,024	4,370	668.00	198.21	1.6%	14.8%	4.8%	96.1%
Giant Network	002558.SZ	Nelson Cheung	CNY	41.14	87,590	11,250	47.66	11.11	14.3%	8.5%	30.2%	224.2%
IGG	0799.HK	Nelson Cheung	HKD	3.82	4,383	563	5.75	2.90	5.5%	-5.2%	-18.2%	-4.5%
Kingnet	002517.SZ	Nelson Cheung	CNY	22.32	52,475	6,740	30.50	12.53	7.0%	-10.7%	-4.1%	64.0%
NetEase	NTES.O	Alicia Yap, CFA	USD	138.05	680,585	87,413	159.55	87.67	3.3%	-4.8%	1.4%	54.7%
Oupalm	300315.SZ	Nelson Cheung	CNY	5.20	15,494	1,990	7.23	4.21	3.4%	1.6%	-11.4%	-5.5%
Perfect World	002624.SZ	Nelson Cheung	CNY	14.17	30,250	3,885	20.35	9.19	-3.8%	-19.4%	-14.9%	37.2%
ZGGame Co	300052.SZ	Nelson Cheung	CNY	12.20	3,516	452	25.08	7.80	2.2%	1.9%	7.0%	-27.3%
XD	2400.HK	Nelson Cheung	HKD	70.65	34,963	4,491	89.40	22.05	7.1%	0.5%	-12.6%	180.9%
YOOZOO Interactive	002174.SZ	Nelson Cheung	CNY	11.83	12,801	1,644	18.15	7.65	4.0%	-8.6%	-30.4%	26.5%
<b>Media and Entertainment</b>												
Enlight Media	300251.SZ	Vicky Wei, CFA	CNY	16.41	52,975	6,804	41.68	8.28	3.5%	-2.1%	-17.0%	73.8%
Damai Entertainment	1060.HK	Vicky Wei, CFA	HKD	0.89	26,590	3,415	1.37	0.42	8.5%	-6.3%	-23.3%	87.4%
Focus Media	002027.SZ	Vicky Wei, CFA	CNY	7.35	116,811	15,003	8.76	6.21	-2.6%	-3.5%	-11.6%	4.6%
Huayi Brothers Media	300027.SZ	Vicky Wei, CFA	CNY	2.62	7,999	1,027	3.73	2.00	1.9%	6.1%	-5.1%	0.0%
Mango Excellent Media	300413.SZ	Vicky Wei, CFA	CNY	25.92	53,359	6,853	36.42	20.94	0.8%	-10.2%	-0.6%	-3.6%
Maoyan Entertainment	1896.HK	Vicky Wei, CFA	HKD	6.91	8,030	1,031	9.95	6.25	3.3%	0.7%	-10.7%	-13.5%
Zhejiang Huace Film & TV	300133.SZ	Vicky Wei, CFA	CNY	7.70	16,000	2,055	10.53	5.87	0.7%	2.7%	-10.3%	6.6%
<b>Software services/ Internet Infrastructure</b>												
360 Security	601360.SS	Nelson Cheung	CNY	13.62	104,909	13,474	14.40	8.98	8.0%	28.6%	17.4%	31.6%
Kingssoft Office	688111.SS	Brian Gong	CNY	311.31	158,674	20,380	408.68	249.05	1.8%	-7.8%	-4.9%	8.7%
Kingssoft	3888.HK	Brian Gong	HKD	28.64	40,108	5,151	47.50	27.24	0.0%	-14.5%	-16.0%	-14.9%
Kingssoft Cloud	KC.O	Brian Gong	USD	12.36	29,074	3,734	22.26	7.17	2.4%	-6.7%	-16.3%	17.8%
Lakala Payment	300773.SZ	Vicky Wei, CFA	CNY	22.15	18,931	2,431	35.97	13.95	3.9%	-10.1%	-21.7%	25.1%
Weimob	2013.HK	Brian Gong	HKD	1.99	7,881	1,012	3.69	1.36	2.1%	-11.9%	-24.0%	-39.1%
Yeahka	9923.HK	Vicky Wei, CFA	HKD	7.99	3,688	474	16.58	6.36	6.1%	-10.1%	-32.9%	-35.0%
Youzan	8083.HK	Brian Gong	HKD	0.16	5,205	668	0.24	0.08	-5.3%	-18.4%	-5.9%	28.0%
<b>Southeast Asia Internet</b>												
Bukalapak	BUKA.JK	Ryan Davis	IDR	169.00	8,149	1,047	198.00	111.00	0.6%	0.6%	-2.9%	35.2%
GoTo Gojek Tokopedia	GOTO.JK	Ferry Wong, CFA	IDR	64.00	34,124	4,383	89.00	53.00	0.0%	14.3%	10.3%	-8.6%
Grab Holdings	GRAB.O	Alicia Yap, CFA	USD	5.45	173,423	22,274	6.62	3.36	11.2%	-9.9%	9.2%	15.5%
Sea	SE.N	Alicia Yap, CFA	USD	139.01	640,750	82,297	199.24	99.64	5.8%	-10.9%	-25.5%	31.0%
<b>Logistics</b>												
ANE	9956.HK	Brian Gong	HKD	11.55	13,584	1,745	11.68	6.52	0.0%	23.3%	38.1%	44.9%
J&T Express	1519.HK	Brian Gong	HKD	9.58	85,242	10,548	11.34	4.53	2.2%	-5.2%	-7.9%	56.3%
JD Logistics	2041.HK	Brian Gong	HKD	12.17	80,992	10,402	15.4	10.08	3.1%	-3.3%	-4.1%	-4.9%
KLN Logistics	0636.HK	Brian Gong	HKD	7.03	12,765	1,632	9.79	5.49	2.0%	-2.1%	-12.2%	2.2%
S.F. Holding	002352.SZ	Brian Gong	CNY	38.07	202,650	26,026	51.13	33.33	-1.9%	-5.8%	-13.0%	-4.8%
SF Inter-City	9699.HK	Nelson Cheung	HKD	11.44	10,459	1,343	19.26	7.54	4.0%	-10.7%		

Figure 77. Companies Mentioned (priced as of 28 Nov 2025)

Company	Ticker	Mkt Cap		Close Price	Target Price	Rating	P/E (x)	EV/EBITDA (x)	P/B (x)	Divyield (%)	Debt / equity (%)		
		US\$ (M)	Ccy				2025	2026	2025	2026	2025	2026	2025
360 Security Technology	601360.SS	13,118	Rmb	13.260	11.000	2	NA	NA	NA	3.2	3.4	1.5	1.5
37 Interactive Entertainment	002555.SZ	6,500	Rmb	20.790	25.500	1	14.6	13.0	11.9	10.5	3.4	3.3	5.6
Alibaba Group Hldg	9988.HK	371,434	HK\$	151.50	223.00	1	21.2	18.3	12.6	10.2	2.3	2.1	0.7
Alibaba Group Hldg	BABA.N	375,330	US\$	157.30	225.00	1	21.5	18.7	12.8	10.3	2.4	2.1	0.6
Alphabet	GOOGL.O	3,863,288	US\$	320.18	343.00	1	30.2	29.2	24.8	19.6	9.3	7.1	NA
Amazon.com	AMZN.O	2,493,172	US\$	233.22	320.00	1	24.7	22.3	16.7	13.0	6.3	4.9	NA
ANE	9956.HK	1,745	HK\$	11.55	10.20	1H	12.6	11.2	5.1	4.6	3.1	2.5	NA
Autohome	ATHM.N	2,814	US\$	23.76	26.00	2	12.3	12.1	-3.7	-7.0	0.8	0.7	NA
Baidu	BIDU.O	40,183	US\$	116.89	181.00	1	14.5	13.9	3.6	3.0	1.0	0.9	NA
Baozun	BZUN.O	165	US\$	2.86	4.80	1	40.9	7.1	4.9	1.8	0.2	0.2	NA
Beijing Enlight Media	300251.SZ	7,007	Rmb	16.900	23.000	1H	21.3	54.1	14.6	35.3	4.7	4.6	1.2
Beijing Kingsoft Office Software	688111.SS	20,758	Rmb	317.080	410.000	1	77.0	61.0	86.2	63.5	10.8	9.5	NA
Bilibili	BILI.O	11,018	US\$	26.61	27.00	2H	32.7	27.4	19.5	14.8	4.8	4.1	NA
Bukalapak.com	BUKA.JK	1,047	Rp	169	200	1	22.3	17.5	-16.5	-8.5	0.7	0.6	NA
CaoCao	2643.HK	3,158	HK\$	45.14	70.00	1H	-40.8	85.8	NA	43.6	-5.0	-5.5	NA
Century Huatong	002602.SZ	19,507	Rmb	18.580	22.000	1	25.7	16.8	16.6	11.0	4.6	3.7	NA
Chengdu B-ray Media	600880.SS	830	Rmb	5.370	3.200	3H	NA	NA	62.2	50.1	1.9	1.9	0.1
China Literature	0772.HK	4,925	HK\$	37.54	38.00	1	25.1	22.5	17.9	24.0	1.7	1.6	NA
Chinese Media	600373.SS	2,043	Rmb	10.570	9.000	3	17.2	12.2	2.3	1.5	0.8	0.8	2.6
Damai Entertainment Holdings	1060.HK	3,415	HK\$	0.89	1.40	1	28.3	23.5	14.4	10.8	1.4	1.3	NA
DiDi Global	DIDIY.PK	24,912	US\$	5.35	8.30	1H	23.1	28.4	77.1	18.0	1.8	1.7	NA
Douyu	DOYU.O	221	US\$	7.13	7.60	2	NA	NA	NA	68.7	0.4	0.4	NA
Focus Media	002027.SZ	15,228	Rmb	7.460	10.000	1	19.7	18.6	15.8	15.2	5.3	5.2	4.7
Full Truck Alliance	YMM.N	11,871	US\$	11.35	15.00	1H	17.7	15.9	12.8	10.2	2.0	1.8	NA
G-bits	603444.SS	4,496	Rmb	441.520	550.000	1	17.9	16.1	10.2	9.3	6.0	5.4	4.2
Giant Network	002558.SZ	11,302	Rmb	41.330	42.000	1	40.1	21.8	46.2	21.0	5.6	4.6	1.0
GoTo Gojek Tokopedia	GOTO.JK	4,383	Rp	64	110	1H	NA	58.4	56.8	15.3	2.4	2.3	NA
Grab Holdings	GRAB.O	22,274	US\$	5.45	7.20	1	NA	88.7	58.2	45.4	3.2	3.1	NA
Hello Group Inc	MOMO.O	1,389	US\$	6.96	8.00	2H	9.4	6.0	1.4	0.7	0.7	0.7	3.2
Huayi Brothers Media	300027.SZ	1,067	Rmb	2.720	1.100	3H	50.6	34.8	22.5	18.4	21.1	17.2	NA
Huya	HUYA.N	676	US\$	2.85	4.20	1	35.0	22.7	-5.0	9.7	0.9	0.9	NA
IGG	0799.HK	563	HK\$	3.82	5.30	1	7.9	5.1	2.7	1.6	1.4	1.3	5.3
iQIYI	IQ.O	2,109	US\$	2.19	2.70	1	NA	27.8	2.3	2.1	1.1	1.1	NA
J&T Express	1519.HK	10,948	HK\$	9.58	12.00	1	34.6	20.0	10.9	7.3	3.4	2.9	NA
JD Logistics	2618.HK	10,402	HK\$	12.17	18.00	1	8.7	7.3	3.5	2.5	1.1	1.0	NA
JD.com	JD.O	47,542	US\$	29.83	44.00	1	10.5	8.1	4.1	2.1	1.3	1.2	2.3
JOYY	JOYY.O	3,218	US\$	63.12	70.00	1	11.8	10.5	1.9	-0.1	0.7	0.6	6.0
Kanzhun	BZ.O	10,596	US\$	22.10	26.00	1	20.4	18.2	19.9	15.5	3.8	3.2	NA
Kingnet	002517.SZ	6,960	Rmb	23.050	31.000	1	23.7	16.3	19.5	12.9	6.2	4.9	1.3
Kingsoft	3888.HK	5,151	HK\$	28.64	44.00	1	19.7	17.3	3.8	3.1	1.5	1.4	NA
Kingsoft Cloud	KC.O	3,734	US\$	12.36	20.00	1	-39.7	-34.6	18.7	14.1	4.7	5.7	NA
KLN Logistics	0636.HK	1,632	HK\$	7.03	8.50	1H	10.0	9.2	3.0	2.6	0.7	0.7	3.8
Kuaishou	1024.HK	31,461	HK\$	67.80	88.00	1	13.1	11.7	6.1	4.8	3.2	2.5	NA
Lakala Payment	300773.SZ	2,429	Rmb	22.130	22.000	3	32.2	26.3	21.9	17.2	4.1	3.8	1.4
MANGO	300413.SZ	6,734	Rmb	25.470	31.000	1	34.6	28.0	5.1	4.3	2.0	1.9	0.7
Maoyan Ent	1896.HK	1,031	HK\$	6.91	9.30	1	13.3	10.5	7.0	6.2	0.8	0.7	NA
Meituan	3690.HK	80,344	HK\$	102.50	115.00	2H	-33.6	-40.6	-22.4	-28.2	3.7	4.1	NA
Meta Platforms	META.O	1,633,176	US\$	647.95	850.00	1	19.8	16.5	15.2	12.7	7.8	6.0	NA
Microsoft	MSFT.O	3,656,804	US\$	492.01	690.00	1	32.3	27.0	19.4	16.1	9.4	7.4	0.7

NetEase	NTES.O	87,413	US\$	138.05	161.00	1	16.1	15.7	13.1	12.1	3.4	3.5	1.7	1.7	3.9	4.0
Netflix Inc	NFLX.O	457,136	US\$	107.58	128.00	2	42.7	33.3	34.1	27.7	17.2	16.2	NA	NA	54.8	48.9
Newborn Town	9911.HK	1,717	HK\$	9.46	16.00	1H	10.0	9.4	9.4	6.8	4.1	2.8	NA	NA	3.0	2.1
Ourpalm	300315.SZ	1,998	Rmb	5.220	1.500	3H	NA	NA	NA	NA	3.0	3.0	0.1	0.1	0.2	0.2
PDD Holdings	PDD.O	164,793	US\$	116.08	170.00	1H	10.7	8.8	6.9	4.2	2.7	2.0	NA	NA	0.6	0.4
Perfect World	002624.SZ	3,992	Rmb	14.560	18.000	2	27.8	16.1	16.9	11.2	4.1	3.6	1.4	2.5	0.7	0.6
SF Hldg	002352.SZ	26,055	Rmb	38.410	55.000	1	17.8	16.0	6.4	5.9	2.0	1.9	2.6	3.0	45.1	42.3
Sea Ltd	SE.N	82,297	US\$	139.01	200.00	1	42.7	35.2	22.4	18.6	7.4	6.1	NA	NA	55.6	38.1
SF Intra-City	9699.HK	1,343	HK\$	11.44	22.00	1	31.1	20.1	31.4	18.9	2.9	2.5	NA	NA	0.0	0.0
Shenzhen ZQGame	300052.SZ	454	Rmb	12.270	5.000	3H	-89.0	NA	NA	NA	8.7	9.4	NA	NA	13.9	15.1
So-Young Intl	SY.O	294	US\$	2.95	5.20	1H	-11.0	NA	-0.9	5.8	1.3	1.3	NA	NA	0.0	0.0
Sohu	SOHU.O	464	US\$	15.42	22.00	1	-8.2	-5.1	6.0	3.7	0.4	0.4	NA	NA	0.0	0.0
Spotify Tech	SPOT.N	123,304	US\$	598.87	750.00	2	79.2	44.2	44.1	30.8	15.6	11.3	NA	NA	25.6	18.3
STO Express	002468.SZ	3,098	Rmb	14.320	20.000	1	18.0	13.8	7.0	5.5	2.0	1.8	0.5	0.7	52.0	46.0
Tencent Hldgs	0700.HK	718,237	HK\$	611.50	751.00	1	19.6	17.4	13.6	10.7	5.0	4.8	0.8	0.9	19.5	19.0
Tencent Music Entertainment	TME.N	28,577	US\$	18.45	29.00	1	20.6	18.7	15.2	13.4	2.8	2.6	0.1	0.2	4.8	4.5
Tongcheng Travel Hldgs	0780.HK	6,613	HK\$	21.92	28.00	1	13.6	12.2	7.8	6.4	2.0	1.8	1.3	1.7	17.6	15.7
Trip.com Group	TCOM.O	45,700	US\$	69.92	86.00	1	18.1	16.2	12.9	9.5	1.9	1.7	NA	NA	22.5	20.2
Vipshop Hldgs	VIPS.N	9,683	US\$	19.64	21.00	2	8.2	7.3	4.2	3.4	1.7	1.5	0.3	0.4	18.9	16.6
Weibo	WB.O	2,434	US\$	9.94	12.00	1	5.6	5.6	-2.2	-3.7	0.6	0.5	8.2	8.2	0.0	0.0
Weimob Inc	2013.HK	1,012	HK\$	1.99	1.55	3	-49.3	-73.5	NA	NA	5.3	8.8	NA	NA	313.2	636.2
XD	2400.HK	4,491	HK\$	70.65	82.00	2H	19.9	19.0	16.3	15.4	7.9	5.7	0.5	0.5	0.0	0.0
Yeahka Limited	9923.HK	474	HK\$	7.99	14.60	2H	14.5	12.8	10.7	7.2	0.9	0.9	NA	NA	32.0	29.8
Yixin	2858.HK	2,110	HK\$	2.42	3.50	1	10.4	8.3	1.1	-0.1	0.8	0.8	5.9	3.6	171.2	170.0
YOOZOO Interactive	002174.SZ	1,650	Rmb	11.870	8,000	3H	41.6	25.3	16.2	12.4	2.4	2.2	1.2	2.0	13.5	12.3
Youzan Technology	8083.HK	668	HK\$	0.16	0.05	3H	51.5	19.8	-35.9	44.3	5.1	5.0	NA	NA	7.8	7.7
YTO Express	600233.SS	8,272	Rmb	17.100	18,500	2	14.7	12.1	7.9	6.8	1.7	1.6	2.1	2.5	17.8	17.6
YUNDA Holding	002120.SZ	2,840	Rmb	6.930	6,360	3	10.7	10.0	5.0	4.5	0.9	0.9	2.8	3.0	53.1	49.9
Zhejiang Huace Film & TV	300133.SZ	2,063	Rmb	7.730	9,000	1	26.4	22.2	13.8	11.2	1.8	1.7	0.6	0.7	7.0	6.5
ZHIHU	ZH.N	332	US\$	3.69	6.00	1H	45.1	98.9	8.9	13.8	1.5	0.4	NA	NA	0.6	0.6
ZTO Express (Cayman)	ZTO.N	16,612	US\$	20.65	22.60	1	13.6	12.3	7.1	6.1	1.7	1.6	3.0	3.5	24.8	23.0

Source: Citi Research, and dataCentral. Financials and ratios are calendar year basis.

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## Appendix A-1

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Town,Ourpalm,PDD Holdings Inc,S.F. Holding,Sea,So-Young International,Spotify Technology SA,Tencent Holdings,Tencent Music Entertainment,Tongcheng Travel Holdings,Trip.com Group Ltd,Vipshop Holdings,Weibo,Weimob,XD,YOOZOO Interactive,YTO Express,Youzan Technology,ZTO Express (Cayman),iQIYI in the past 12 months.

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Vicky Wei, CFA; Nelson Cheung; Alicia Yap, CFA; Brian Gong

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