J.P.Morgan

Global Markets Strategy
07 May 2026

China Equity Strategy

1Q26 Earnings Dissector - buoyant AI, diverging energy security, and improving property

1Q26 earnings season so far has validated our core thematic positioning, with temporary seasonal EPS revisions failing to derail our constructive view on Chinese equities amid abundant market liquidity. AI and Materials stand out as clear earnings winners, delivering the strongest 1Q26 EPS y-y across the market at 110% and 74% respectively, with the top 10 QTD upward EPS revisions (Figure 5) among MXCN constituents also concentrated in these two sectors; we maintain AI as our highest-conviction theme, **adding Weichai to our top pick list as a key AI beneficiary alongside NAURA, Illuvatar CoreX, Minimax and Zhipu**. Within our energy security theme, performance has diverged sharply: leading battery and power equipment names e.g. CATL have outperformed, supported by robust demand tailwinds from the energy transition and AI-led power demand, while solar names have faced broad consensus EPS cuts quarter-to-date. Meanwhile, select SOE property developers showed early sales inflection in 1Q26, with the sector's EPS decline narrowing notably from 4Q25, reinforcing our call for a tactical rebound in core Tier 1 developers, where we reiterate our preference for **COLI and Jinmao.**

- **Index views: seasonal EPS revisions are not a reason for pessimism, and we remain constructive on MXCN/CSI-300 as FTM EPS consensus forecasts hold up well.** As of 5 May, 42% of the MXCN index market cap has reported 1Q26 results, delivering 0.6% y-y EPS growth vs full-year forecast of 13.8% in 2026 on IBES consensus. We are likely to go through the typical seasonal downward revisions of current year numbers in the coming week, but we do not view this as a catalyst for near-term pessimism given the abundant market liquidity, with forward 12-month EPS remaining broadly flat quarter-to-date as markets stay forward-looking. The latest FTM EPS revision spread is around negative mid-teens, milder than the past-10-year median of -27% in the first week of May.

- **AI: growth dynamics verified by strong earnings in IT and Materials.** In 1Q26, the CSI-300/MXCN IT sector recorded 73.2%/109.8% EPS y-y based on the constituents reported so far. Notably, Innolight (1Q26 EPS +259% y-y), FII (+104%), Eoptolink (+76%), Techwinsemi (turnaround from loss), Longsys (turnaround), and Gigadevice (+523%) were among the key contributors. We do note that IT is one of the sectors recording low beat/miss ratio (29%/69%) due to high market expectations previously. However this tends to be less of a problem when market liquidity is abundant. CSI-300/MXCN Materials, with aluminum, copper and lithium exposed to the AI capex, also recorded EPS y-y surge of 88.2%/73.7% in 1Q26. Both Zijin (1Q26 earnings growth of 44% q-q or 98% y-y) and Chalco (1Q26 earnings growth of 207% q-q or 56% y-y) benefited from elevated commodity price and cost control. Weichai (NP +20%y-y) reported improving earnings mix with Power & Energy poised to take a larger profit share as AIDC scales. **We reiterate AI ecosystem as one of our core themes, and add Weichai into our top picks together with NAURA, Illuvatar CoreX, Zhipu and Minimax.**

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See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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- **Energy security: battery enjoys dual tailwinds from new energy transition and AI-led power demand**; power equipment benefits from upsized State Grid capex and overseas expansion. 1Q26 results reinforced robust demand, high utilization and strong order momentum – particularly in ESS. The industry is expected to see accelerated clean energy adoption, especially in response to geopolitical events and rising energy needs from data centers. Key challenge has been the raw-material inflation, with margin strength reliant on pricing pass-through, new pricing frameworks, and hedging. CATL (net profit +48.5%y-y)'s management flagged accelerating data-center demand tied to AI power needs and reiterated a 25–30% CAGR for EV+ESS through 2030. For power equipment, Wasion Holdings expects State Grid's tender activity to drive meaningful upsides in order and ASP for the meter segment, meanwhile the overseas expansion and AIDC product line will serve as next earnings drivers. Beyond the battery and power equipment, IPPs see margin pressure from renewable tariff cuts, and solar's overcapacity challenge persists.

- **Property: select SOEs showing early sales inflection.** While we are yet to see a turnaround in property developers' earnings y-y, sales momentum instead of earnings beats/misses has become the key stock driver, with policy expectations and near-term sell-through shaping sentiment. COLI and Jinmao stand out as relative bright spots with positive sales growth (COLI contracted sales +14% y-y in 4M26), suggesting early traction for higher-quality balance sheets and execution. COLI: 1Q26 revenue +1% y-y, but operating profit -28% y-y as margin compressed to 11.1% (vs 15.4% in 1Q25). However, contracted sales grew 11% y-y in 1Q26, among the few majors with positive growth. Management guided "stable" FY26 contracted sales, implying a ~2% y-y decline for the remainder of the year if sales run-rate is flat.

- **Elevated oil prices: benefit for upstream; pressure for downstream.** Oil and gas exploration (e.g., CNOOC's net profit up 7.1% y-y in 1Q26), refining (Sinopec's net profit up 28.2% y-y on refining EBIT surge of 691.3% y-y due to inventory gain), and coal to chemicals (e.g. Baofeng's net profit up 50.2% y-y) posted strong earnings growth. By contrast, high fuel costs started to show early signs of downward pressure on NPM for e.g. airlines (JPM sees only 30% of jet fuel cost increase can pass through while jet fuel costs have doubled from pre-conflict levels, despite strong 1Q results on robust Revenue Passenger Kilometer growth), airports (flight cuts hit the sector), and textiles (Wind data show that A-share textile & apparels industry recorded c6% revenue y-y in 1Q26 but net profit stayed largely flat, with NPM contracting by 34bps). JPM notes that the impact of cost hike on sportswear brands is most limited within the textile/apparel space, thanks to locked-in raw material prices and inventory reserves through 2026, vs the cushion for OEMs only last for around 2-3 months. JPM estimates that a 10% raw material price hike can weigh on Anta Sports' gross margins by LSD, vs LSD-MSD for OEMs' gross margins. We reiterate **CNOOC-H** among our top stock picks for China, and **Anta Sports** as our thematic pick on the younger generation's demand for mental and physical health.

- **We maintain our end-2026 base case targets for the MXCN index and CSI-300 at 100 and 5,200, respectively, with bear-case targets of 80 and 4,000**, amidst abundant liquidity and resilient FTM EPS forecast. Our thematic positioning remains focused on long-term structural growth themes, including energy security, AI and robotics, paired with OW in energy to hedge oil price volatility, while remaining selective in consumers, and property This aligns with J.P. Morgan Asia equity strategy's focus on quality-growth stocks, with OW in

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China. Our China top stock picks include BYD-H, Iluvatar CoreX, NAURA, MiniMax, Zhipu AI, Weichai-H, Bank of China-H, CICC-H, Innovent, and CNOOC-H (China Equity Strategy: Thematic positioning amid geopolitical uncertainty and energy price swings)

Figure 1: JPM China top picks

Ticker	Name	GICS Industry	Analyst	JPM rating	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	Price Target (LCU)	Up/down-side vs PT	FTM PE (x)	LTM ROA (%)	LTM ROE (%)	14d RSI
1211.HK	BYD-H	Consumer Discretionary	Nick Lai	OW	46.4	402.1	98.9	120.0	21.3	17.2	3.3	11.1	39.5
0883.HK	CNOOC	Energy	Parsley Ong	OW	53.7	546.0	28.0	33.0	17.7	7.3	11.3	15.7	65.6
3988.HK	Bank of China-H	Financials	Katherine Lei	OW	55.0	130.2	5.2	5.8	12.6	5.9	0.7	8.1	51.4
3908.HK	CICC-H	Financials	Peter Zhang	OW	4.7	39.2	21.2	24.5	15.6	7.8	1.3	7.6	71.0
1801.HK	Innovent	Health Care	Yang Huang	OW	18.8	129.5	90.6	113.0	24.7	46.0	2.8	5.0	48.6
2338.HK	Weichai Power	Industrials	Karen Li, CFA	OW	11.1	89.8	44.7	52.0	16.4	21.8	4.1	12.2	88.9
002371.SZ	NAURA	Information Technology	Billy Feng	OW	28.8	583.7	545.4	700.0	28.4	43.2	6.8	15.5	72.6
2513.HK	Zhipu AI	Information Technology	Olivia Xu	OW	10.4	232.9	928.5	950.0	2.3	NULL	NULL	NULL	54.8
0100.HK	Minimax	Information Technology	Olivia Xu	OW	4.2	217.6	802.5	1,100.0	37.1	NULL	NULL	NULL	45.9
9903.HK	Iluvatar CoreX	Information Technology	Billy Feng	OW	2.8	47.8	571.5	620.0	8.5	416.5	NULL	NULL	74.4

Source: LSEG Workspace (5 May 2026), J.P. Morgan estimates (5 May 2026)

Key charts to focus on

Figure 2: MXCN 1Q26 earnings summary

	1Q26 Reporting Season						% of Companies Beat/Miss	
	So Far Reported...						1Q26 EPS	
	# of Cos Rep	Total Cos	% of Cos Rep	Sales per share y-y	EPS y-y	NPM y-y (bps)	Beating	Missing
MXCN	**466**	**579**	**80.5%**	**2.4%**	**0.6%**	**-35**	**33%**	**63%**
ex-Financials	**381**	**490**	**77.8%**	**1.3%**	**9.1%**	**39**	**35%**	**62%**
ex-Energy	**448**	**561**	**79.9%**	**2.4%**	**-0.3%**	**-55**	**31%**	**65%**
Cyclicals								
Consumer Discretionary	32	57	56.1%	-6.5%	-28.1%	-154	47%	53%
Consumer Staples	19	30	63.3%	6.5%	-12.5%	-441	36%	64%
Industrials	67	80	83.8%	-1.7%	3.6%	6	29%	64%
Materials	66	72	91.7%	13.2%	73.7%	354	41%	59%
Real Estate	5	11	45.5%	-25.3%	-49.1%	N/A	33%	67%
Long Duration / Secular Growth								
Communication Services	11	23	47.8%	4.7%	-2.2%	2	100%	0%
Health Care	32	46	69.6%	0.0%	4.4%	24	27%	64%
Information Technology	114	128	89.1%	9.0%	109.8%	297	29%	69%
Bond Proxy								
Energy	18	18	100.0%	2.5%	12.2%	45	58%	33%
Financials	85	89	95.5%	5.2%	-3.3%	-252	24%	70%
Utilities	17	25	68.0%	-2%	-10%	-105	0%	100%

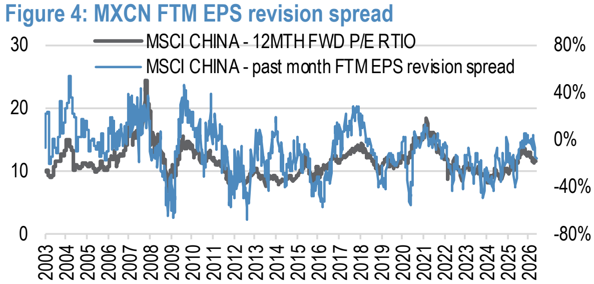
Source: Wind (5 May 2026), LSEG Workspace (5 May 2026)

Figure 3: MXCN EPS revisions by sector

	2025 EPS growth	2026 EPS growth	2027 EPS growth	2026 EPS growth vs 2025 EPS growth	2026 EPS growth revision (QTD)	2026 EPS integer revision (QTD)
Communication Services	14%	8%	12%	-5%	-1.4%	-1.8%
Consumer Discretionary	-32%	31%	36%	63%	-2.5%	-4.5%
Consumer Staples	-13%	21%	15%	34%	1.2%	-5.1%
Energy	-17%	23%	1%	40%	7.0%	7.9%
Financials	7%	1%	6%	-7%	1.2%	0.9%
Health Care	72%	9%	21%	-62%	6.0%	-0.9%
Industrials	-10%	20%	10%	30%	3.4%	-2.7%
IT	56%	41%	38%	-14%	5.9%	-4.5%
Materials	32%	71%	10%	40%	23.3%	4.7%
Utilities	3%	1%	6%	-1%	-1.3%	-4.3%
Real Estate	-24%	20%	11%	44%	0.1%	-10.3%
MXCN	**-2%**	**13.8%**	**15.1%**	**16%**	**1.2%**	**-1.4%**

Source: LSEG Workspace (5 May 2026)

Figure 4: MXCN FTM EPS revision spread



Source: LSEG Workspace (5 May 2026)

Figure 5: MXCN constituents with top 10 2026 EPS upward/downward revision QTD

Security Name	RIC Code	GICS Sector Name	2026 Est	2026 Est end Mar	QTD revision
Top 10 on upward revision					
SHENZHEN LONGSYS A(HK-C)	301308.SZ	Information Technology	14.4	4.6	216%
CHINA TUNGSTEN A (HK-C)	000657.SZ	Materials	2.3	0.8	192%
XTALPI HOLDINGS	2228.HK	Health Care	0.0	0.0	183%
GDS HOLDINGS A (HK)	9698.HK	Information Technology	0.1	0.1	89%
GIGA DEVICE SC A (HK-C)	603986.SH	Information Technology	8.3	4.4	89%
ROBOTECHNIK INT A (HK-C)	300757.SZ	Industrials	0.6	0.3	88%
GANFENG LITHIUM GROUP H	1772.HK	Materials	2.5	1.3	88%
REMEGEN CO H	9995.HK	Health Care	3.8	2.1	83%
BIWIN STORAGE A (HK-C)	688525.SH	Information Technology	12.6	7.0	80%
UNITED NOVA TECH A(HK-C)	688469.SH	Information Technology	0.0	0.0	60%
Top 10 on downward revision					
MEITUAN B	3690.HK	Consumer Discretionary	-0.6	0.0	-6383%
JA SOLAR TECH A (HK-C)	002459.SZ	Information Technology	-0.1	0.0	-920%
CHONGQING ZHIFEI A(HK-C)	300122.SZ	Health Care	-0.7	-0.1	-835%
BEIJING WANTAI A (HK-C)	603392.SH	Health Care	-0.3	[illegible]	[illegible]
YONYOU NETWORK A (HK-C)	600588.SH	Information Technology	-0.1	[illegible]	[illegible]
KUNLUN TECH CO A (HK-C)	300418.SZ	Communication Services	-0.2	[illegible]	[illegible]
JINKO SOLAR A (HK-C)	688223.SH	Information Technology	-0.1	[illegible]	[illegible]
TONGWEI CO A (HK-C)	600438.SH	Information Technology	-0.1	[illegible]	[illegible]
GUANGZHOU AUTO A (HK-C)	601238.SH	Consumer Discretionary	-0.2	[illegible]	[illegible]
XINJIANG DAQO A (HK-C)	688303.SH	Information Technology	-0.1	[illegible]	[illegible]

Source: LSEG Workspace (5 May 2026)

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Earnings summary

Figure 6: MXCN 1Q26 earnings summary

	1Q26 Reporting Season						% of Companies Beat/Miss	
	So Far Reported...						1Q26 EPS	
	# of Cos Rep	Total Cos	% of Cos Rep	Sales per share y-y	EPS y-y	NPM y-y (bps)	Beating	Missing
MXCN	**466**	**579**	**80.5%**	**2.4%**	**0.6%**	**-35**	**33%**	**63%**
ex-Financials	**381**	**490**	**77.8%**	**1.3%**	**9.1%**	**39**	**35%**	**62%**
ex-Energy	**448**	**561**	**79.9%**	**2.4%**	**-0.3%**	**-55**	**31%**	**65%**
Cyclicals								
Consumer Discretionary	32	57	56.1%	-6.5%	-28.1%	-154	47%	53%
Consumer Staples	19	30	63.3%	6.5%	-12.5%	-441	36%	64%
Industrials	67	80	83.8%	-1.7%	3.6%	6	29%	64%
Materials	66	72	91.7%	13.2%	73.7%	354	41%	59%
Real Estate	5	11	45.5%	-25.3%	-49.1%	N/A	33%	67%
Long Duration / Secular Growth								
Communication Services	11	23	47.8%	4.7%	-2.2%	2	100%	0%
Health Care	32	46	69.6%	0.0%	4.4%	24	27%	64%
Information Technology	114	128	89.1%	9.0%	109.8%	297	29%	69%
Bond Proxy								
Energy	18	18	100.0%	2.5%	12.2%	45	58%	33%
Financials	85	89	95.5%	5.2%	-3.3%	-252	24%	70%
Utilities	17	25	68.0%	-2%	-10%	-105	0%	100%

Source: Wind (5 May 2026), LSEG Workspace (5 May 2026)

Figure 7: MXCN 4Q25 earnings summary

	4Q25 Reporting Season						% of Companies Beat/Miss	
	So Far Reported...						4Q25 EPS	
	# of Cos Rep	Total Cos	% of Cos Rep	Sales per share y-y	EPS y-y	NPM y-y (bps)	Beating	Missing
MXCN	**574**	**579**	**99.1%**	**3.2%**	**-12.5%**	**-161**	**30%**	**65%**
ex-Financials	**485**	**490**	**99.0%**	**2.9%**	**-25.5%**	**-224**	**32%**	**64%**
ex-Energy	**556**	**561**	**99.1%**	**4.0%**	**-12.7%**	**-183**	**30%**	**66%**
Cyclicals								
Consumer Discretionary	55	57	96.5%	5.0%	-57.3%	-545	42%	58%
Consumer Staples	28	30	93.3%	-3.1%	-53.6%	-503	21%	75%
Industrials	80	80	100.0%	3.1%	-13.8%	-103	37%	60%
Materials	72	72	100.0%	9.1%	8.8%	7	37%	61%
Real Estate	11	11	100.0%	-15.8%	-126.0%	-355	0%	100%
Long Duration / Secular Growth								
Communication Services	23	23	100.0%	8.8%	8.2%	-5	36%	50%
Health Care	46	46	100.0%	8.2%	79.1%	336	37%	63%
Information Technology	128	128	100.0%	5.7%	16.0%	40	20%	74%
Bond Proxy								
Energy	18	18	100.0%	-5.6%	-7.3%	-8	43%	57%
Financials	89	89	100.0%	4.8%	10.3%	147	20%	70%
Utilities	24	25	96.0%	-3%	22%	109	80%	20%

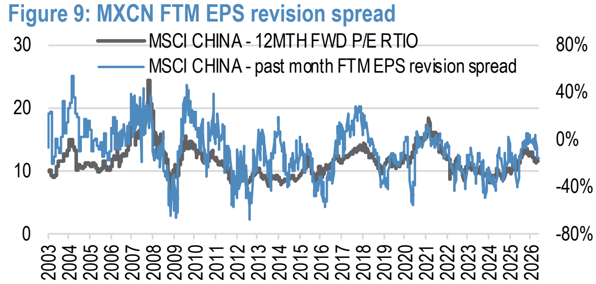
Source: Wind (5 May 2026), LSEG Workspace (5 May 2026)

Figure 8: MXCN EPS revision by sector

	2025 EPS growth	2026 EPS growth	2027 EPS growth	2026 EPS growth vs 2025 EPS growth	2026 EPS growth revision (QTD)	2026 EPS integer revision (QTD)
Communication Services	14%	8%	12%	-5%	-1.4%	-1.8%
Consumer Discretionary	-32%	31%	36%	63%	-2.5%	-4.5%
Consumer Staples	-13%	21%	15%	34%	1.2%	-5.1%
Energy	-17%	23%	1%	40%	7.0%	7.9%
Financials	7%	1%	6%	-7%	1.2%	0.9%
Health Care	72%	9%	21%	-62%	6.0%	-0.9%
Industrials	-10%	20%	10%	30%	3.4%	-2.7%
IT	56%	41%	38%	-14%	5.9%	-4.5%
Materials	32%	71%	10%	40%	23.3%	4.7%
Utilities	3%	1%	6%	-1%	-1.3%	-4.3%
Real Estate	-24%	20%	11%	44%	0.1%	-10.3%
MXCN	**-2%**	**13.8%**	**15.1%**	**16%**	**1.2%**	**-1.4%**

Source: LSEG Workspace (5 May 2026)

Figure 9: MXCN FTM EPS revision spread



Source: LSEG Workspace (5 May 2026)

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Figure 10: CSI-300 1Q26 earnings summary

	1Q26 Reporting Season						% of Companies Beat/Miss	
	So Far Reported...						1Q26 EPS	
	# of Cos Rep	Total Cos	% of Cos Rep	Sales per share y-y	EPS y-y	NPM y-y (bps)	Beating	Missing
CSI-300	**299**	**300**	**99.7%**	**2.5%**	**5.0%**	**27**	**34%**	**63%**
ex-Financials	**245**	**246**	**99.6%**	**2.0%**	**14.5%**	**80**	**36%**	**60%**
ex-Energy	**288**	**289**	**99.7%**	**2.2%**	**4.8%**	**27**	**33%**	**64%**
Cyclicals								
Consumer Discretionary	18	18	100.0%	-6.1%	-8.6%	-19	46%	54%
Consumer Staples	17	17	100.0%	7.8%	-13.9%	-447	40%	60%
Industrials	56	56	100.0%	-0.8%	8.2%	45	38%	54%
Materials	32	32	100.0%	15.5%	88.2%	413	54%	46%
Real Estate	4	4	100.0%	-27.9%	-23.6%	-209	33%	67%
Long Duration / Secular Growth								
Communication Services	8	8	100.0%	-0.6%	-23.4%	-144	N/A	N/A
Health Care	23	23	100.0%	3.3%	0.4%	-42	26%	68%
Information Technology	63	64	98.4%	7.3%	73.2%	224	30%	68%
Bond Proxy								
Energy	11	11	100.0%	8.2%	13.5%	35	50%	40%
Financials	54	54	100.0%	5.2%	-4.6%	-310	23%	74%
Utilities	13	13	100.0%	-3%	-10%	-85	0%	100%

Source: Wind (5 May 2026), LSEG Workspace (5 May 2026)

Figure 11: CSI-300 4Q25 earnings summary

	4Q25 Reporting Season						% of Companies Beat/Miss	
	So Far Reported...						4Q25 EPS	
	# of Cos Rep	Total Cos	% of Cos Rep	Sales per share y-y	EPS y-y	NPM y-y (bps)	Beating	Missing
CSI-300	**300**	**300**	**100.0%**	**1.9%**	**-8.0%**	**-69**	**30%**	**67%**
ex-Financials	**246**	**246**	**100.0%**	**1.8%**	**-20.5%**	**-92**	**30%**	**67%**
ex-Energy	**289**	**289**	**100.0%**	**2.1%**	**-8.0%**	**-71**	**29%**	**68%**
Cyclicals								
Consumer Discretionary	18	18	100.0%	0.3%	-20.5%	-133	18%	82%
Consumer Staples	17	17	100.0%	-6.9%	-50.2%	-687	18%	76%
Industrials	56	56	100.0%	-0.4%	-13.1%	-49	36%	58%
Materials	32	32	100.0%	10.8%	53.1%	187	50%	50%
Real Estate	4	4	100.0%	-13.3%	-85.6%	-1,669	0%	100%
Long Duration / Secular Growth								
Communication Services	8	8	100.0%	0.3%	-119.5%	-349	33%	67%
Health Care	23	23	100.0%	2.3%	-59.6%	-548	32%	68%
Information Technology	64	64	100.0%	12.8%	60.4%	144	19%	75%
Bond Proxy								
Energy	11	11	100.0%	-3.1%	-9.6%	-38	50%	50%
Financials	54	54	100.0%	2.0%	4.6%	61	29%	68%
Utilities	13	13	100.0%	-5%	15%	79	75%	25%

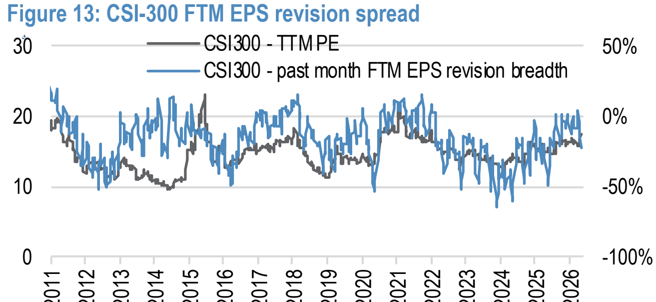
Source: Wind (5 May 2026), LSEG Workspace (5 May 2026)

Figure 12: CSI-300 EPS revisions by sector

	2025 EPS growth	2026 EPS growth	2027 EPS growth	2026 EPS growth vs 2025 EPS growth	2026 EPS growth revision (QTD)	2026 EPS integer revision (QTD)
Communication Services	-5%	11%	7%	16%	-5.5%	-9.5%
Consumer Discretionary	0%	15%	14%	15%	-23.7%	-22.5%
Consumer Staples	-17%	8%	24%	25%	-33.1%	-27.7%
Energy	-17%	27%	6%	44%	-32.8%	-15.5%
Financials	7%	5%	7%	-2%	1.6%	-7.8%
Health Care	-12%	31%	16%	43%	-29.4%	-29.0%
Industrials	2%	35%	19%	33%	-28.3%	-28.3%
IT	38%	66%	42%	28%	-14.7%	-36.3%
Materials	43%	71%	17%	28%	18.4%	-21.1%
Utilities	0%	2%	7%	2%	-7.4%	-10.4%
Real Estate	-112%	80%	39%	192%	-18.4%	-3923.3%
CSI-300	**4%**	**25.6%**	**15.6%**	**21%**	**-14.3%**	**-21.5%**

Source: LSEG Workspace (5 May 2026)

Figure 13: CSI-300 FTM EPS revision spread



Source: LSEG Workspace (5 May 2026)

Sector summary

Auto: China Auto earnings for 1Q26 showed a clear divergence, with Chinese OEMs such as BYD and Geely delivering strong results and outperforming both SOEs and the broader market, driven by robust overseas growth and new model launches. SOEs generally reported weaker results and lagged behind, impacted by FX losses from CNY appreciation and tougher domestic competition. BYD reported a net profit of Rmb 4.1bn, with overseas business accounting for a record ~70% of vehicle revenue in 1Q26. The sector is rapidly advancing in autonomous driving and premium NEV SUV segments, with companies aggressively expanding into overseas markets where profitability is higher.

Banks: China banks' 1Q26 results showed improved revenue growth (+7% y-y), driven by a robust recovery in net interest income and a surprise sequential rebound in net interest margin (NIM). The Big 4 SOE banks outperformed, with all SOEs reporting positive revenue and profit growth, while JSBs lagged and missed profit expectations, facing higher share price pressures. NII growth averaged +8% y-y for SOEs, +4% for JSBs, and +16% for CRBs, with deposit repricing as the main driver. Impairment charges rose across all segments, moderating profit growth despite stable asset quality. Fee income trends diverged, and CRBs like Bank of Ningbo stood out with strong beats.

Brokers: China brokers' 1Q26 results generally exceeded expectations, driven by strong growth in fees, commissions, and better-than-expected investment income—even as equity markets declined. Recurring earnings rose 50% y-y, with CICC and Guangfa leading at ~70% y-y profit growth. Brokerage revenues benefited from surging A-share market activity, though commission rates remained pressured. Investment banking fees increased y-y, supported by robust HK IPO flows, and most brokers saw double-digit gains in investment and trading income. Asset management fees also grew, led by Guangfa and Citic Sec. The sector outlook remains positive, especially for brokers with strong institutional and overseas exposure, with CICC-H and Citic Sec-A reiterated as top picks.

Healthcare: The 1Q26 earnings season saw positive momentum in innovative drug sales, international expansion, and operational efficiency. Industry trends include accelerating out-licensing, strong demand for new modalities, and policy tailwinds favoring pharmacy chains. Management guidance across leading companies points to renewed growth, margin expansion, and continued innovation-driven performance. Hengrui's 1Q26 results confirmed strong innovative drug sales: Net profit grew 21.8% YoY, while revenue was up 13% YoY. Innovative drug sales accelerated 25.8% YoY, now representing 61.7% of pharmaceutical sales. Management confirmed hospital access for new NRDL drugs accelerated in March, addressing market concerns about penetration pace. The quarter supports management's >30% full-year innovative drug growth target. Mindray signaled a turning point with 1Q26 results: Sales grew 1% YoY, and net profit decline was mainly due to FX losses. Core operating performance was better than headline numbers, with international business accelerating and domestic IVD gaining share ahead of schedule.

IT: Both AMEC and NAURA reported 1Q26 sales with stabilized gross margins, supported by robust demand and strong momentum from China's indigenous AI supply chain ramp-up. While AMEC's bottom-line beat was driven by one-off gains, normalized earnings for both companies were in line with estimates, reflecting solid operating leverage and improved R&D efficiency. Heavy R&D spending remains a near-term headwind for profitability, but both companies are well-positioned for

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long-term growth. Apple demand remains strong across the supply chain, as evidenced by Luxshare's robust 1Q26 earnings—net profit rose 20% year-on-year and JV income from iPhone assembly surged 160%, driving margin improvement.

Insurance: Ping An Insurance and China Life Insurance both delivered strong NBV growth in 1Q26, with Ping An's NBV up 21% and China Life's up 75.5% year-on-year, reflecting robust life sales and resilient product margins despite challenging equity market conditions. Both insurers maintained healthy solvency ratios well above regulatory minimums and saw stable or growing agent headcounts, supporting future sales momentum. While each reported a decline in net profit (Ping An -7.4%, China Life -32% y-y), these were largely attributed to equity market volatility and are not expected to impact their progressive dividend policies. Overall, both companies are well-positioned for continued growth, with strong fundamentals, improving liability structures, and attractive valuations and yields.

Oil : PetroChina, CNOOC, and Sinopec all delivered solid 1Q26 results, supported by strong domestic demand and effective operational execution. PetroChina's net profit rose 3% y-y on strong gas sales and better chemical earnings, though oil prices lagged Brent. CNOOC's profit grew 7% y-y with higher production and project startups, while Sinopec's profit jumped 22% y-y on inventory gains but faced weaker upstream and refining margins, and lower ethylene output. PetroChina and CNOOC saw robust upstream growth and are well positioned for higher oil prices, while Sinopec's profit recovery was mainly driven by inventory gains but faced weaker upstream and refining margins.

Materials: China's materials sector saw mixed 1Q26 results across gold, copper, aluminum, and lithium. Zijin Mining delivered strong earnings (+98% y-y), with higher gold and copper prices, solid cost control, and new low-cost mines ramping up, though copper production guidance is at risk. Jiangxi Copper's earnings (+44% y-y) reported sharply improved cash flow and rising sulphuric acid prices offsetting TC/RC headwinds, but investment losses and higher leverage are concerns. Chalco's 1Q26 net profit jumped 56% y-y, driven by strong aluminum prices and lower costs. With aluminum prices elevated, margins and earnings should stay solid, and impairment risk is largely priced in. Tianqi Lithium's profit surged (+564% QoQ) on higher lithium prices and lower net debt, but supply disruptions and lack of updates on Greenbushes operations remain risks. Overall, higher commodity prices supported results, but production volumes and cost control varied.

Battery: dual tailwinds from new energy transition and AI-led power demand. 1Q26 demand was **robust**, utilization **high**, and order momentum **strong**—particularly in **ESS**. However, **raw-material inflation** continues to pressure margins, with margin strength reliant on **pricing pass-through**, new pricing frameworks, and hedging. The industry is expected to see accelerated clean energy adoption, especially in response to geopolitical events and rising energy needs from data centers. **CATL**: strong 1Q26 with net profit +48.5% YoY to RMB20.7bn and revenue +52.5% to RMB129.1bn; management flagged accelerating data-center demand tied to AI power needs and reiterated a 25–30% CAGR for EV+ESS through 2030. **Wuxi Lead**: earnings were dragged by slower revenue recognition and a non-cash FX loss, but fundamentals improved with 1Q26 new orders ~RMB9.6bn (+63% YoY); management expects faster recognition from 2Q and full-year order growth to exceed prior guidance.

IPPs: mixed prints; cautious guidance amid wind/tariff headwinds. 1Q26 results (e.g., Yangtze, Longyuan) were supported by cost/finance and other non-operating

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tailwinds rather than broad-based improvement in renewable operating momentum. Sector guidance stayed cautious, with weak wind resource and renewables tariff pressure weighing on wind/solar profitability and leaving downside risk to estimates for wind-heavy names. Longyuan: 1Q26 earnings fell 14% YoY to RMB1.7bn but came in marginally ahead as cost efficiency offset weaker utilization (wind hours -11%). Huaneng Power: 1Q26 recurring profit declined 12% YoY to ~RMB4.2bn; stronger thermal (coal profit +~9% YoY) offset weaker renewables (wind/solar earnings -20%/-59% YoY), with renewables pressured by sharper tariff cuts.

Solar: overcapacity persists; consolidation/policy the key watch items. 1Q26 remained defined by structural overcapacity, margin compression, and soft domestic demand. While ESS is a relative bright spot, the near-term tone is still cautious, with the market looking for policy intervention and industry consolidation in 2026. Potential catalysts include export tax rebate changes and anti-involution measures, but a more durable recovery appears pushed out toward FY28. LONGi Green: 1Q26 net loss widened to RMB1.92bn (vs. RMB1.43bn in 1Q25). Daqo reported 1Q26 net loss of US$88mn (vs. US$72mn in 1Q25); revenue declined 78% YoY on weak volumes, with impairments driving negative gross margin.

Machinery: building new growth engines; overseas expansion on track. Companies are seeing growth re-acceleration and improved cash conversion (Op-CF/working-capital discipline), with overseas expansion and product/mix upgrades as the key earnings levers. Forward indicators/guidance point to sustained momentum into 2026 on synchronized domestic + export demand recovery, faster electrification and automation penetration, and incremental power-related growth factors (e.g., AIDC prime/backup power with gas/SOFC optionality at Weichai), alongside continued innovation (robotics/FA components; higher-margin services/aftermarket). **Weichai** (NP +20%y-y) reported improving earnings mix with Power & Energy poised to take a larger profit share as AIDC scales. **SANY** (recurring NPAT +35%y-y) supported by cycle tailwinds, overseas share gains, and mix improvement; electrification noted as a growth and margin support.

Consumer: 1Q26 a solid start; selective growth opportunities. 1Q26 results point to a broadly resilient consumer backdrop. Key themes: market share consolidation at scale players, channel mix optimization, and disciplined cost control. Margin durability remains a key debate amid input-cost and promotional uncertainty, while product innovation and portfolio premiumization continue to differentiate winners. 2026 guidance across coverage is **cautiously constructive**, typically anchored on mid-to-high single-digit sales/earnings growth, supported by value-for-money propositions, improved execution, and ongoing industry consolidation. Luckin (net revenue +35%y-y) continues to gain market share, with guidance for 13% revenue CAGR (2025-28E).

Property: select SOEs showing early sales inflection. SOE developers broadly reported earnings weakness and margin compression, while contracted sales for most majors were still down ~10–30% YoY. Against this backdrop, sales momentum—not earnings beats/misses—has become the key stock driver, with policy expectations and near-term sell-through shaping sentiment. COLI and Jinmao stand out as relative bright spots with positive sales growth (COLI contracted sales +14% YoY in 4M26), suggesting early traction for higher-quality balance sheets and execution. Overall outlook remains cautious: stabilization likely takes time, and liquidity risk remains the key overhang for weaker balance sheets. COLI: 1Q26 revenue +1% YoY, but operating profit -28% YoY as margin compressed to 11.1% (vs 15.4% in 1Q25).

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Limited disclosure and seasonally low 1Q delivery make earnings less informative; contracted sales is the more relevant signal (1Q26 +11% YoY, among the few majors with positive growth). Management guided "stable" FY26 contracted sales, implying a ~2% YoY decline for the remainder of the year if sales run-rate is flat. China Vanke: 1Q26 stayed under pressure with core net loss narrowing modestly to RMB5.3bn (from RMB6.0bn in 1Q25), extending to a 10th consecutive loss-making quarter. Gross margin improved to 9.1% (from 6.1%), but balance sheet/liquidity indicators deteriorated: net gearing 123% was up to 130%, short-term debt cash coverage down to 0.36x, with negative OCF and FCF. Liquidity stress is expected to persist, and guidance tone remains cautious.

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