China Equity Strategy

Focus on "Six Networks", Policy Optionality Supports Our Constructive View

Equity Macro Research

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We view the July Politburo readout as incrementally positive for China equities. JPM views the key message as focusing on fiscal execution in the near-term, while pledging greater counter-cyclical support. While not yet a large-scale stimulus, such intention to cushion macro downside should provide meaningful support to EPS growth for Chinese stocks (consensus 2026/27 EPS y-y for MXCN: 13%/15%; CSI-300: 24%/16%). **On stock implications, the centerpiece of the policy agenda is the "six networks" initiative**, an Rmb7trn-plus investment program this year to improve domestic infrastructure of AI, grid, telecom, water supply, urban underground pipeline and logistics (Figure 1). The NDRC has framed these networks as the backbone of China's 15th Five-Year Plan (2026–2030) modern infrastructure system. **The companies shown in Figure 2-Figure 7 are exposed to the "six networks" theme, based on market cap and 3m ADT.**

- **The AI computing network: reaffirms domestic AI capex certainty.** As of March 2026, China's total intelligent computing scale reached 1.88 million PFLOPS; over 70 computing power corridors have been established, initially achieving a 20-millisecond latency circle across the eight national computing hub nodes; and daily token call volume exceeded 140 trillion in 2026, more than 1,000 times the level of two years ago as per CGTN. Such explosive demand is driving investment across data centers, AI servers, optical modules, liquid cooling systems, IDC operators, and domestic AI-chip supply chains. JPM forecasts China's AI data center capital expenditure to expand c2x from US$55-69bn in 2026 to US$95-151bn in 2029 (a CAGR of c20-30%), and domestic inference token demand to grow at a 330% compound annual rate through 2030, underpinned by 70%/90%+ AI agent application penetration by 2027/29, and 40% industrial AI penetration by 2030, as mandated by the Chinese government (China Equity Strategy: Unique opportunities in the China AI ecosystem).

- **The new power grid: enabling both AI electricity demand and renewable energy absorption.** During the 15th FYP period, investment will exceed Rmb5trn according to CGTN, +75% vs the cRmb2.85trn in the 14th FYP. Fifteen UHV DC transmission corridors will be put into operation, and West-to-East power transmission capacity will reach over 420 million kilowatts. The grid's capacity to accommodate distributed new energy will hit 900 million kilowatts, and it will support more than 40 million charging infrastructure units. China's total UHV transmission line length has already surpassed 50,000 kilometers, and cumulative new energy installed capacity exceeded 1.8 billion kilowatts by end-2025. Priority areas include UHV equipment, distribution automation, smart meters, energy storage PCS, and virtual power plants.

- **Next-generation telecom network: the connectivity layer between compute and applications.** China currently has over 5 million 5G base stations, with 5G-A networks already covering 330 cities, and total optical cable length exceeding 74.99 million kilometers according to CGTN. During the 15th FYP, the "dual-gigabit" network will evolve toward "dual-ten-gigabit," with 500,000 new 5G-A base stations to be built. 6G is expected to see commercial launch around 2030, and thousands of low-orbit satellites will be launched to achieve integrated air-space-ground-sea coverage. The next-gen communication network is expected

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

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to drive a total output of 7 trillion yuan across upstream and downstream industries, empowering the digital economy, low-altitude economy, and embodied intelligence.

- **The water supply network: social security anchor of traditional infrastructure.** China's water network is large, comprehensive and benefits the largest population in the world. As of end-2025, it covered 80.3% of the country's land area, with approximately 95,000 reservoirs and dams providing total storage capacity of over 1 trillion cubic meters per CGTN. The first phase of the eastern and middle routes of the South-to-North Water Diversion Project has already diverted over 88 billion cubic meters of water, benefiting 195 million people. During the 15th Five-Year Plan, water network investment is expected to exceed 6 trillion yuan, supporting major diversion projects, reservoir construction, flood-control systems, and irrigation upgrades. Key beneficiaries include engineering contractors, PCCP pipe manufacturers, and water utility operators.

- **The urban underground pipeline network: align with city renewal and safety resilience priorities.** China's urban underground pipeline network spans nearly 3.9 million kilometers, the largest in the world, including approximately 1.199 million km of water supply pipelines, 1.04 million km of gas pipelines, 546,200 km of heating pipelines, and 993,600 km of drainage pipelines per CGTN. During the 15th FYP, new investment is expected to reach approximately 5 trillion yuan, with 770,000 kilometers of underground pipelines planned for construction and renovation. The goal is to make the network smarter, safer and more resilient. Investment proxies include pipe manufacturers, tunnel construction firms, utility tunnel builders, and smart monitoring system providers.

- **The logistics network: a crucial part of the unified market nationwide and anti-involution.** China ranks first in the world in comprehensive freight volume, port throughput, and express delivery indicators. At peak times, up to 8,437 parcels are collected per second, and an average of 160 million tonnes of goods flow daily on transportation routes. In 2025, the ratio of total social logistics costs to GDP fell to 13.9%, down from 14.9% a decade ago. During the 15th FYP, the completion rate of China's comprehensive three-dimensional transportation network main framework will reach 95%, with efforts to address weaknesses in multimodal transport, cold-chain logistics, express logistics, and bulk commodity logistics. These are lower-beta, cash-flow and dividend-oriented names that provide portfolio stability.

- **We maintain our OW China equities in our EM/Asia allocations and maintain 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, underpinned by 13% and 24% consensus year-over-year EPS growth projections and broadly supportive liquidity conditions. As we argued in early July, tactical rotation has continued from AI into non-AI over the past month, though we expect AI to reassert market leadership into August. Following the AI-led sell-off, market breadth has improved materially. **Our A-share sector momentum tracker shows that 38% of Level3 sectors had momentum scores above 60 as of July 27, the highest reading since May despite weak benchmark performance (Error! Reference source not found.).** Leadership has broadened toward cyclicals, F&B, and high-yield sectors, while AI-linked cohorts have undergone a sharp reset, declining to YTD-low scores in the 0-20 range (**Error! Reference source not found.**). We view this as evidence of a healthy rotation

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rather than the end of the AI cycle, and believe the ongoing correction may ultimately create a more attractive entry point in August. JPM China AI ecosystem top picks are Zhongji Innolight, Victory Giant-H, JCET-A and Weichai-H in the global supply chain, and NAURA, AMEC-A, Baidu, Z AI and Iluvatar CoreX as localization plays. Our top picks in the non-AI fields include Bank of China-H, CICC-H, Innovent, BYD-H and CR Land.

Figure 1: Six networks' core tasks

Six networks	Core tasks
AI computing	Connect data centers and supercomputers across the country to "deliver computing power" like electricity, so AI and big data apps can access computing resources anytime. Key projects include AI computing centers, East-Data-West-Computing hubs, and computing power scheduling platforms.
Grid	Build a smart power grid that can handle large amounts of wind and solar power, delivering clean energy to users smoothly. Key projects include ultra-high-voltage (UHV) transmission lines, smart distribution grids, energy storage stations, and virtual power plants.
Telecom	Upgrade from 5G to 5G-A (5.5G), prepare for 6G, and build satellite internet to achieve seamless coverage everywhere — on the ground and in space. Key projects include 5G-A base stations, low-orbit satellite constellations, and fiber optic network upgrades.
Water supply	Build a nationwide water network connecting rivers, reservoirs, and water diversion projects to solve water shortages in the north, flood control, and irrigation. Key projects include later-phase South-to-North Water Diversion, large reservoirs, modern irrigation districts, and smart water management.
Urban underground pipeline	Unify planning of underground pipes — water, gas, drainage, power, telecom — and build utility tunnels to stop endless road digging and aging pipes. Add sensors for smart monitoring. Key projects include comprehensive utility tunnels, pipe network renovation, and smart pipe monitoring systems.
Logistics	Build a nationwide logistics hub network to make freight transport faster and cheaper. Key projects include national logistics hubs, cold chain logistics, smart warehouses, unmanned delivery, and multi-modal transport (rail + air + road).

Source: Xinhua News (30 Jul 2026)

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Figure 2: Screen on China AI infrastructure stocks with free-float market cap ≥US$10bn, and 3m ADT ≥US$50mn

Ticker	Company	Industry	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
002371.SZ	Naura Technology Group Co Ltd	Wafer fab equipment	36	1,458	668	11	64	36	40	48
688012.SH	Advanced Micro-Fabrication Equipment Inc China	Wafer fab equipment	36	1,677	347	13	103	53	39	68
688072.SH	Piotech Inc	Wafer fab equipment	16	835	642	23	109	85	45	66
300604.SZ	Hangzhou Changchuan Technology Co Ltd	Wafer fab equipment	15	1,251	246	20	72	63	42	49
688120.SH	Hwatsing Technology Co Ltd	Wafer fab equipment	12	588	268	15	95	29	30	97
688361.SH	Skyverse Technology Co Ltd	Wafer fab equipment	11	505	323	21	308	530	81	97
300604.SZ	Hangzhou Changchuan Technology Co Ltd	Backend equipment	15	1,251	246	20	72	63	42	49
688981.SH	Semiconductor Manufacturing International Corp	Foundries	42	2,116	123	7	163	28	22	89
688347.SH	Hua Hong Grace Semiconductor Ltd	Foundries	12	1,146	230	9	385	176	38	78
688256.SH	Cambricon Technologies Corp Ltd	CPU/GPU/AI ASIC	45	2,868	1,042	41	121	164	100	9
688041.SH	Hygon Information Technology Co Ltd	CPU/GPU/AI ASIC	34	1,884	273	24	143	75	51	85
688795.SH	Moore Threads Technology Co Ltd	CPU/GPU/AI ASIC	18	321	540	23	-1110	77	303	N/A
688802.SH	MetaX Integrated Circuits (Shanghai) Co Ltd	CPU/GPU/AI ASIC	26	304	672	22	7593	104	2,557	N/A
9888.HK	Baidu Inc	CPU/GPU/AI ASIC	30	197	102	1	17	149	25	96
600584.SH	JCET Group Co Ltd	OSAT	13	2,659	65	4	56	31	32	52
688008.SH	Montage Technology Co Ltd	Connectivity	31	2,767	197	13	71	50	34	69
603986.SH	GigaDevice Semiconductor Inc	Memory	32	4,295	371	11	48	229	23	48
688525.SH	Biwin Storage Technology Co Ltd	Memory	11	1,994	220	9	15	737	11	0
600183.SH	Shengyi Technology Co Ltd	PCBs	18	1,537	100	12	40	81	46	97
300476.SZ	Victory Giant Technology (HuiZhou) Co Ltd	PCBs	15	2,145	180	7	19	114	69	58
002916.SZ	Shennan Circuits Co Ltd	PCBs	11	782	285	9	36	65	38	82
002463.SZ	Wus Printed Circuit Kunshan Co Ltd	PCBs	19	1,520	97	9	32	52	54	84
600183.SH	Shengyi Technology Co Ltd	CCL	18	1,537	100	12	40	81	46	97
300408.SZ	Chaozhou Three-circle (Group) Co Ltd	MLCC	18	1,285	105	9	59	36	27	99
601138.SH	Foxconn Industrial Internet Co Ltd	Server/switch ODM/OEM	26	2,181	54	5	17	73	34	87
0992.HK	Lenovo Group Ltd	Server/switch ODM/OEM	21	454	22	N/A	N/A	N/A	22	72
000063.SZ	ZTE Corp	Server/switch ODM/OEM	15	1,180	33	2	25	14	17	88
603019.SH	Dawning Information Industry Co Ltd	Server/switch ODM/OEM	13	1,087	81	5	41	32	27	35
300308.SZ	Zhongji Innolight Co Ltd	Optical component	103	5,205	864	17	33	181	76	59
300502.SZ	Eoptolink Technology Inc Ltd	Optical component	63	3,956	371	14	27	100	61	40
300394.SZ	Suzhou TFC Optical Communication Co Ltd	Optical component	14	2,332	160	22	50	72	43	89
600487.SH	Hengtong Optic-Electric Co Ltd	Optical component	12	2,294	47	3	16	175	20	94
688498.SH	Yuanjie Semiconductor Technology Co Ltd	Optical component	12	1,169	1,017	39	153	332	61	43
002281.SZ	Accelink Technologies Co Ltd	Optical component	11	1,801	152	11	78	71	72	99
000988.SZ	HGTECH Co Ltd	Optical component	11	1,758	91	7	40	56	28	69
002475.SZ	Luxshare Precision Industry Co Ltd	Cable	39	1,861	58	4	21	31	29	20
0941.HK	China Mobile Ltd	IDC/telecom operator	64	187	85	1	12	0	2	72

Source: Wind, LSEG Workspace (30 Jul 2026)

Figure 3: Screen on China grid infrastructure stocks with free-float market cap ≥US$5bn, and 3m ADT ≥US$50mn

Ticker	Company	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
300750.SZ	Contemporary Amperex Technology Co Ltd	144	2,129	402	5	20	32	24	17
300274.SZ	Sungrow Power Supply Co Ltd	21	1,618	104	4	14	15	22	19
600089.SH	Tbea Co Ltd	12	516	21	1	14	25	26	58
600487.SH	Hengtong Optic-Electric Co Ltd	12	2,294	47	3	16	175	20	94
002028.SZ	Sieyuan Electric Co Ltd	12	345	154	6	28	38	37	84
300014.SZ	EVE Energy Co Ltd	11	651	54	2	17	68	35	14
600406.SH	NARI Technology Co Ltd	11	320	24	3	21	12	[illegible]	[illegible]
600522.SH	Jiangsu Zhongtian Technology Co Ltd	11	2,034	28	2	15	110	[illegible]	[illegible]
601868.SH	China Energy Engineering Corp Ltd	6	263	3	1	17	12	[illegible]	[illegible]
601669.SH	Power Construction Corporation of China Ltd	6	146	5	0	8	5	[illegible]	[illegible]
600905.SH	China Three Gorges Renewables Group Co Ltd	6	104	4	1	29	4	[illegible]	[illegible]
601727.SH	Shanghai Electric Group Co Ltd	5	200	7	2	70	27	[illegible]	[illegible]

Source: Wind, LSEG Workspace (30 Jul 2026)

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Figure 4: Screen on China telecom infrastructure stocks with free-float market cap ≥US$5bn, and 3m ADT ≥US$50mn

Ticker	Company	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
300308.SZ	Zhongji Innolight Co Ltd	103	5,205	864	17	33	181	76	59
0941.HK	China Mobile Ltd	64	187	85	1	12	0	2	72
300502.SZ	Eoptolink Technology Inc Ltd	63	3,956	371	14	27	100	61	40
000063.SZ	ZTE Corp	15	1,180	33	2	25	14	17	88
300394.SZ	Suzhou TFC Optical Communication Co Ltd	14	2,332	160	22	50	72	43	89
600487.SH	Hengtong Optic-Electric Co Ltd	12	2,294	47	3	16	175	20	94
600941.SH	China Mobile Ltd	11	155	99	1	16	-3	3	47
002281.SZ	Accelink Technologies Co Ltd	11	1,801	152	11	78	71	72	99
600050.SH	China United Network Communications Ltd	11	138	4	1	17	-9	5	6
600522.SH	Jiangsu Zhongtian Technology Co Ltd	11	2,034	28	2	15	110	22	88
000988.SZ	HGTECH Co Ltd	11	1,758	91	7	40	56	28	69
000938.SZ	Unisplendour Corp Ltd	10	1,277	34	6	33	70	30	46
601728.SH	China Telecom Corp Ltd	8	174	6	1	20	-9	3	75
600105.SH	Jiangsu Etern Co Ltd	5	1,058	33	14	102	103	184	95

Source: Wind, LSEG Workspace (30 Jul 2026)

Figure 5: Screen on China water supply stocks with free-float market cap ≥US$1bn, and 3m ADT ≥US$50mn

Ticker	Company	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
601868.SH	China Energy Engineering Corp Ltd	6	263	3	1	17	12	8	93
601669.SH	Power Construction Corporation of China Ltd	6	146	5	0	8	5	6	42
601390.SH	China Railway Group Ltd	5	93	5	0	5	-2	1	26
601186.SH	China Railway Construction Corp Ltd	4	51	6	0	5	-2	4	22
002131.SZ	Leo Group Co Ltd	3	300	4	N/A	N/A	N/A	N/A	N/A
300007.SZ	Hanwei Electronics Group Corp	1	108	32	N/A	N/A	N/A	N/A	65

Source: Wind, LSEG Workspace (30 Jul 2026)

Figure 6: Screen on China urban underground pipeline stocks with free-float market cap ≥US$1bn, and 3m ADT ≥US$50mn

Ticker	Company	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
601668.SH	China State Construction Engineering Corp Ltd	12	154	5	0	5	0	2	38
601390.SH	China Railway Group Ltd	5	93	5	0	5	-2	1	26
601186.SH	China Railway Construction Corp Ltd	4	51	6	0	5	-2	4	22
002271.SZ	Beijing Oriental Yuhong Waterproof Technology Co Ltd	3	92	12	1	15	1,564	31	98
300007.SZ	Hanwei Electronics Group Corp	1	108	32	N/A	N/A	N/A	N/A	65
600629.SH	Arcplus Group PLC	1	57	14	N/A	N/A	N/A	N/A	97

Source: Wind, LSEG Workspace (30 Jul 2026)

Figure 7: Screen on China logistics stocks with free-float market cap ≥US$1bn, and 3m ADT ≥US$30mn

Ticker	Company	FFL market cap (US$ bn)	3m ADT (US$ mn)	Current price (LCU)	2026 P/B (x)	2026 P/E (x)	2026 EPS y-y (%)	2027 EPS y-y (%)	P/E percentile rank in history (%)
002352.SZ	S.F. Holding Co Ltd	10	116	35	2	15	10	12	1
2057.HK	ZTO Express (Cayman) Inc	10	40	190	2	12	17	13	29
1519.HK	J&T Global Express Ltd	7	45	10	3	24	164	48	27
600233.SH	YTO Express Group Co Ltd	4	67	19	2	11	39	16	11
000811.SZ	Moon Environment Technology Co Ltd	3	301	33	5	41	45	30	98
002120.SZ	YUNDA Holding Group Co Ltd	1	37	7	1	10	79	14	12
002468.SZ	STO Express Co Ltd	1	56	14	2	10	56	16	2

Source: Wind, LSEG Workspace (30 Jul 2026)