The 720: China Strategy, China Internet, HK Insurance, Fujikura, ACMR, Recruit, Co-Tech, Food & Life, Shenzhou, ResMed

Michael Snaith
+852-2978-0455 |
michael.snaith@gs.com
Goldman Sachs (Asia) L.L.C.

Caleb Chan
+852-2978-0790 | caleb.chan@gs.com
Goldman Sachs (Asia) L.L.C.

In Focus | China Strategy, China Internet

China Strategy – AI Correction, Rotation, and Diversification. We maintain our Overweight stance on A shares and a structural bias toward AI Hard Tech, noting that recent 20% corrections have compressed prior speculative length and valuation excesses. With elevated near-term market volatility, we recommend portfolio diversification and rotation into uncorrelated assets to improve Sharpe ratios. Specifically, we suggest scaling into select H-share Soft Tech, policy beneficiaries aligned with the 15th Five-Year Plan, and oversold non-tech stocks with upward earnings revisions. *Kinger Lau*

China Internet – What to Expect into Mega-Caps 2Q Prints. We expect upcoming second-quarter earnings to feature cloud growth as a bright spot, a full-year AI capex uplift, and inflecting profit growth for transaction platforms driven by improving food delivery unit economics. We forecast aggregate sector profits to decline 12% year-on-year, with Alibaba adjusted EBITA down 33% on AI investments, with Meituan and JD to deliver significant adjusted EBIT growth. We raise our 12m TP for Meituan to HK$123 on lower competitive intensity and maintain our sub-sector preference for Cloud & Data Centers. We highlight the areas of key investor focus/questions that we anticipate on results calls and details on what to watch out for Tencent, Alibaba, PDD, Meituan and JD results by company within. *Ronald Keung*

Listen Up - GS Webcasts on the Agenda

China in Motion: Macro & Strategy | 10am HK | Global Macro, Activity Data, Market Views | Access Webinar | with Hui Shan, Xinquan Chen, Chelsea Song, Kinger Lau, Si Fu & Kevin Wang (in Mandarin)

Themes in Play | HK Insurance, China Grid Tech

Hong Kong Insurance – Limited impact expected from offshore tax confirmation. We see limited impact from the State Taxation Administration's recent confirmation that income from offshore insurance policies is taxable, as investor consensus had already anticipated this shift toward global tax regime enforcement. Assuming a 20% tax rate, our analysis suggests Hong Kong insurance products will continue to offer superior returns compared to mainland onshore products, keeping the long-term growth momentum in the mainland Chinese visitor segment intact. We believe the key catalyst for share price recovery will be companies demonstrating sustained growth in Hong Kong during the upcoming 1H26 results, which should help rebuild investor confidence in consumer demand and execution. *Thomas Wang*

China Grid Tech – Domestic grid investment slowed, UHV remains positive. We highlight a recent slowdown in domestic grid investment, which fell 30% yoy in May and 18% in June, alongside weak State Grid third-batch transmission tendering that declined 18%. However, Ultra High Voltage (UHV) remains a bright spot with strong backlogs and year-to-date tendering tracking at 2.6x the 2025 full-year total, supported by a newly approved Rmb7.2bn line. On a company level, we see limited scope for Sieyuan to consistently beat industry growth given constrained market share upside, while we continue to monitor Nari Tech after it secured only an 18% share for third-batch UHV converter valves versus its historical 50% share. *Jacqueline Du*

Results

Tech | Fujikura, ACMR, Mitsui Kinzoku, Recruit, Co-Tech

Fujikura – 1Q Beat and Guidance Up Sharply – Buy. We raise our FY3/27 operating profit estimate by 31% following a significant 1Q beat, with operating profits of ¥104.8bn coming in well above our ¥79.6bn forecast. The strong results and the company's sharp upward revision to full-year guidance were primarily driven by high-margin optical components for a data center project outside the US, which benefited from short delivery times and no US tariffs. While visibility on the continuity of these large-scale projects remains low, we reiterate our Buy rating and lift our 12m TP to ¥7,600 from ¥7,500. *Ryo Harada*

ACM Research – 2Q26 earnings beat and raised 2026 guidance – Buy. We reiterate our Buy rating on ACM Research following a strong 2Q26 beat, with net income surging 199% year-over-year to US$89m, significantly above our estimates. Revenue grew 36% year-over-year to US$293m, driven by higher sales of front-end ECP, furnace, and advanced packaging tools, while gross margins remained healthy at 46.0%. Management raised its 2026 revenue guidance to US$1.13bn-1.18bn, representing 25-30% year-over-year growth, and we now expect 2026 revenue of US$1.2bn. We maintain our 12m TP of US$164. *Allen Chang*

Mitsui Kinzoku – 1Q MicroThin and FaradFlex growth with positive capacity expansion – Buy. We maintain our Buy rating and 12m TP of ¥62,600 following 1Q3/27 operating profits of ¥21bn, which missed our estimates due to variance in the metals business. Management revised full-year operating profit guidance up to ¥94bn, driven by MicroThin and FaradFlex, though we believe their demand assumptions remain conservative with strong potential for further upside. We view the newly unveiled ¥42bn capacity investment plan through 2030 as a key positive, particularly as FaradFlex adoption expands faster than expected in AI infrastructure switches. We expect this capacity expansion to enhance the likelihood of further market share gains and support price revisions across high-end products. *Atsushi Ikeda*

Recruit Holdings – Strong 1Q profit beat driven by AI hiring products – Buy. We reiterate our Buy rating and raise our 12m TP to ¥14,900 from ¥13,000 following a substantial 1Q EBITDA+S beat of ¥292.9bn, driven by strong growth in unit prices and client numbers within the HR Technology segment. We revise our FY3/27-FY3/31 EBITDA+S estimates up by 15% to 30% as monetization from Premium Sponsored Jobs and other AI hiring products progresses faster than expected. Management raised full-year EBITDA+S guidance to ¥1,105bn, reflecting deepening confidence in leveraging AI to automate manual HR tasks and raise global hiring productivity. We believe Indeed still has significant room to expand monetization and expect US ARPJ to continue rising over the long term. *Minami Munakata*

Co-Tech Development – Pricing hike uptrend accelerating from 2H26 – Buy. We raise our 12m TP to NT$940 from NT$900 following 2Q26 results, as we expect a 10-15% QoQ price hike across all copper foil products to drive 15% QoQ revenue growth in 3Q26. While we lower our 2026E gross margin by 2.5ppt to reflect higher summer electricity rates and rising copper costs, we raise our 2026/27E revenue by 6/8% on stronger-than-expected shipments and a better product mix. We remain constructive on the long-term outlook given the widening high-end copper foil supply shortage and the company's plan to expand HVLP3+ capacity by over 2.5x by the end of 2027, which should drive significant market share gains. *Chao Wang*

Healthcare | ResMed

ResMed – Double digit underlying EPS growth as R&D steps up – Buy (on CL). We reiterate our Buy rating on ResMed following 4Q26 results that met expectations and an FY27 EPS guide that exceeded consensus by ~1.5% at the top end. We lower our FY27-FY29 EPS estimates by ~4% and our 12m TP to A$45.3 to reflect the dilutionary impacts from the Astral recall and MatrixCare divestment. However, we remain constructive driven by solid sleep franchise growth, the scaling of new products like NIV and Noctrix, and a material $1.5bn buyback program for FY27. We believe the step-up in R&D and capex signals a business in growth mode, making the stock's ~300bps discount to peers a compelling investment case. *Davin Thillainathan*

Financials | OCBC, Japan Post Bank

OCBC – Strong 2Q26 beat on wealth and loan growth – Buy. We remain positive on OCBC following a strong 2Q26 net profit beat of S$2,221mn, driven by wealth momentum and a reacceleration in loan growth. Management raised FY26 loan growth guidance to high-single to low-double digits, while wealth flows remain resilient despite recent China cross-border regulatory developments. We raise our 2026-28 net income estimates by up to 4.6% to reflect stronger fee income and loan growth, though we note investor focus will likely shift toward capital allocation as CET1 reaches the 14% target. We reiterate our Buy rating and raise our 12m TP to S$34.0. *Melissa Kuang*

Japan Post Bank – 1Q3/27 profit beat driven by foreign bond trusts. We view Japan Post Bank's 1Q3/27 results positively, with net profits of ¥177.5 bn beating our estimates due to stronger-than-expected revenue from foreign bond investment trusts and higher interest on JGBs. The JGB balance increased by ¥964.8 bn quarter-over-quarter, and we expect the accumulation of yen bond interest and foreign bond trusts to continue driving earnings. We revise our FY3/27-FY3/29 net profit estimates up by 1-5% to reflect the 1Q results and rising long-term interest rates. We raise our 12m TP to ¥3,420. *Makoto Kuroda*

Consumer | Food & Life, Shenzhou International

Food & Life Cos. – 3Q beat on strong overseas momentum; guidance raised – Buy. We maintain our Buy rating on Food & Life Cos. after 3Q operating profits of ¥13.9 bn beat guidance, driven by robust overseas Sushiro performance, particularly in mainland

China. Management raised full-year operating profit guidance to ¥50.5 bn and announced the sale of the Kyotaru business, which we view positively as it concentrates resources on the high-growth Sushiro brand. We believe the company can sustain its overseas store opening pace into FY9/27 and raise our FY9/26-FY9/28 underlying operating profit estimates by 2-3%. We raise our 12m TP to ¥6,300. *Sho Kawano*

Shenzhou International – 1H26 Profit Alert on Margin Pressures – Buy. We expect a negative share price reaction following a profit warning indicating first-half 2026 net income declined 38% to 43% year-on-year, missing our estimates by 16% to 23%. Pronounced margin pressure is being driven by RMB appreciation against the US dollar, rising labor and raw material costs, and a weaker demand backdrop with cautious brand restocking. We remain constructive on the name as easier comparisons in the second half should help alleviate some pressure on volumes and average selling prices. *Michelle Cheng*

Asia Macro | RMB Internationalisation

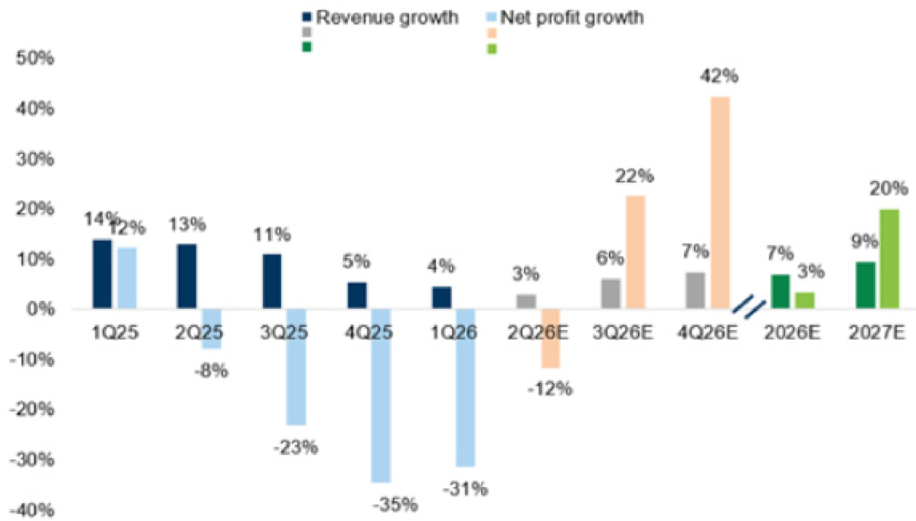
Asia Economics Analyst – A Historic Opportunity for RMB Bond Internationalization?. We observe a historic expansion in Panda and Dim Sum bond markets, with issuance rising over 60% year-on-year in the first half of 2026 driven by lower RMB funding costs relative to major currencies. The expansion features longer maturities, lower issuance yields, and a broader issuer base shifting toward overseas financial institutions, sovereigns, and longer-dated corporate issuance. While favorable funding costs have initiated this boom, we believe durable RMB internationalization will require deeper onshore and offshore markets, broader investor access, and stronger global trade linkages. *Xinquan Chen*

Around the world | Global Rates & FX

Global FX Trader – Get JPY With A Little Help From My Friends. We think Japan's recent $85bn intervention sent a powerful signal, though we see low odds of substantially faster BoJ rate hikes despite markets pricing a 60% chance for September. We believe US Treasury involvement was primarily motivated by Treasury market functioning rather than a strong directional view on the Yen, and we expect depreciation pressures to reemerge absent a policy surprise. Elsewhere, we maintain a constructive medium-term outlook on the HUF with a 6-month EUR/HUF target of 350, and we see room for steady progress lower in both EUR/SEK and EUR/NOK. *Kamakshya Trivedi et al*

Global Rates Trader – Breaking New Ground. We think the deceleration in US hiring sets a higher bar for next week's inflation print to restore a September Fed hike as the clear modal outcome, opening the door for softer core inflation to reduce hike probability. We expect the EUR front-end to out-flatten other markets and recommend 2s5s flatteners versus the US, while we see the UK 2s10s curve steepening. In Japan, we believe the policy conditions required for stable belly yields are still missing, leading us to favor paying 5y5y JPY versus EUR. *George Cole et al*

Graphic language | China Internet sector revenue and net profit growth trends



Source: Company data, Goldman Sachs Global Investment Research

GS Events (Home Page here)

- **Asia Leaders Conference | Hong Kong |** 31 Aug-2 Sep
- **Asia Healthcare CDMO Day | Singapore |** 23-25 Sep
- **Japan Conference | Tokyo |** 30 Nov - 4 Dec