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China Technology: five things investors may be missing

Technology in China is undergoing a structural shift. What was once viewed primarily as an internet and e-commerce investment story has evolved into a much broader technology opportunity, with innovation emerging across a growing range of domestic industries.



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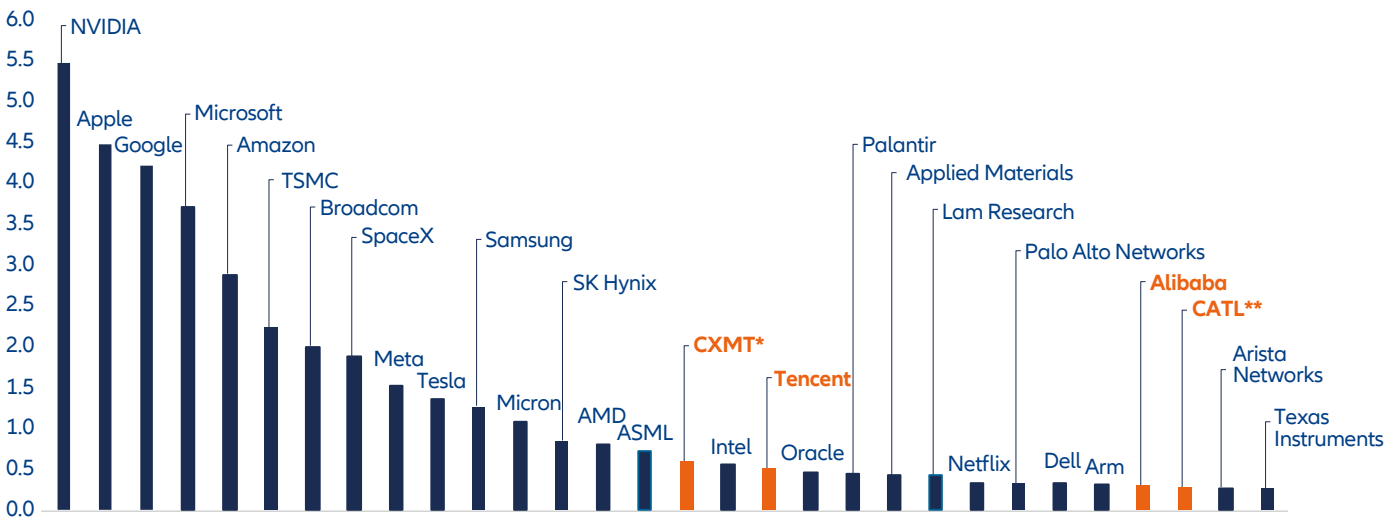
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Yet investor perceptions have not always kept pace. Many global benchmarks remain heavily concentrated in offshore internet names, while attention continues to focus on a relatively small number of global technology champions. This can obscure the growing contribution of A-share companies in driving innovation, investment and earnings growth.

As China pursues technological self-sufficiency, industrial upgrading and wider use of artificial intelligence, the country's technology sector is evolving rapidly. This is creating a different investment cycle to that seen in most developed markets and expanding the range of potential beneficiaries.

In this paper, we examine five key questions that help explain the evolving China technology investment case.

Exhibit 1: Top 30 global tech firms (by market cap, US\$ trillion)



Source: Allianz Global Investors, Companies Market Cap, 14 August 2026. *CXMT – ChangXin Memory Technologies. **CATL – Contemporary Amperex Technology. The information above is provided for illustrative purposes only, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice.

1 China technology is much broader than internet platforms

Many global investors continue to define China technology through the lens of widely followed ETFs and benchmark indices, which are heavily concentrated in offshore-listed internet platforms spanning e-commerce, social media and online services. In recent years, many of these businesses have faced a combination of softer domestic consumption, intense competition and rising investment requirements. This has led many investors to associate China technology primarily with these businesses, despite them representing only a narrow segment of the broader opportunity set.

In reality, China’s technology sector extends far beyond internet platforms. It includes companies involved in semiconductor manufacturing, AI infrastructure, factory automation, robotics, healthcare innovation and many other industries. Many of these companies are listed in the China A-share market and therefore remain underrepresented in global portfolios and benchmark indices.

For investors, the distinction is important. While offshore internet platforms continue to attract most of the attention, a growing proportion of China’s technology innovation, capital investment and earnings growth is occurring elsewhere. Understanding this broader landscape is key to identifying where China’s next phase of innovation and growth is likely to come from.

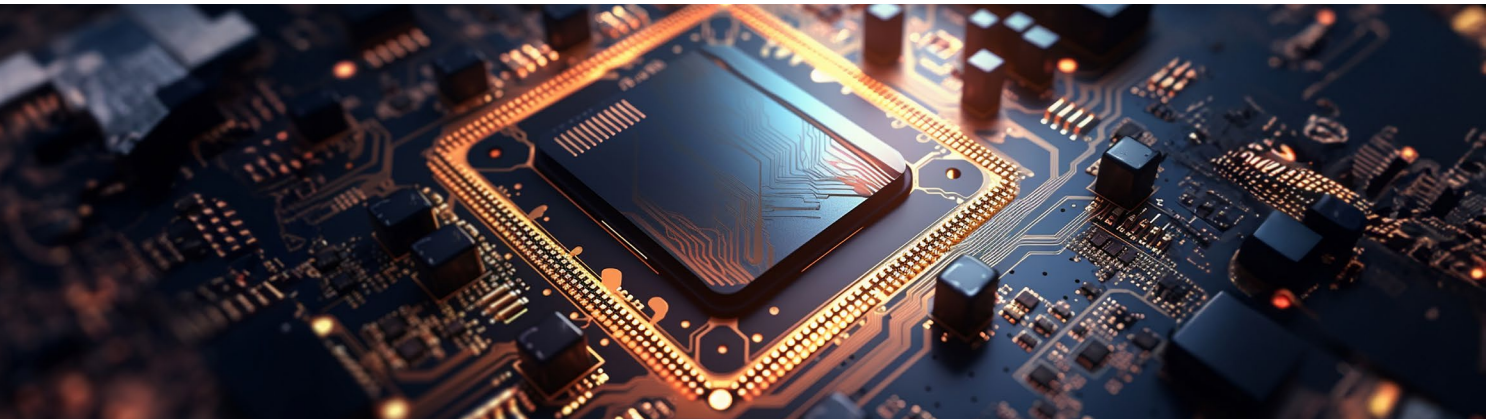
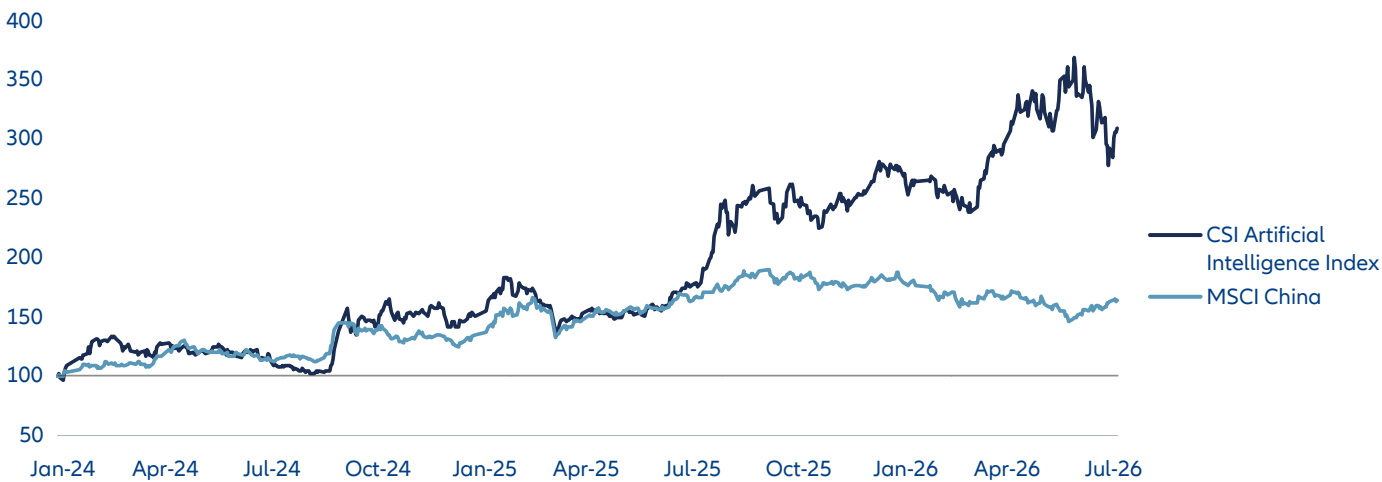
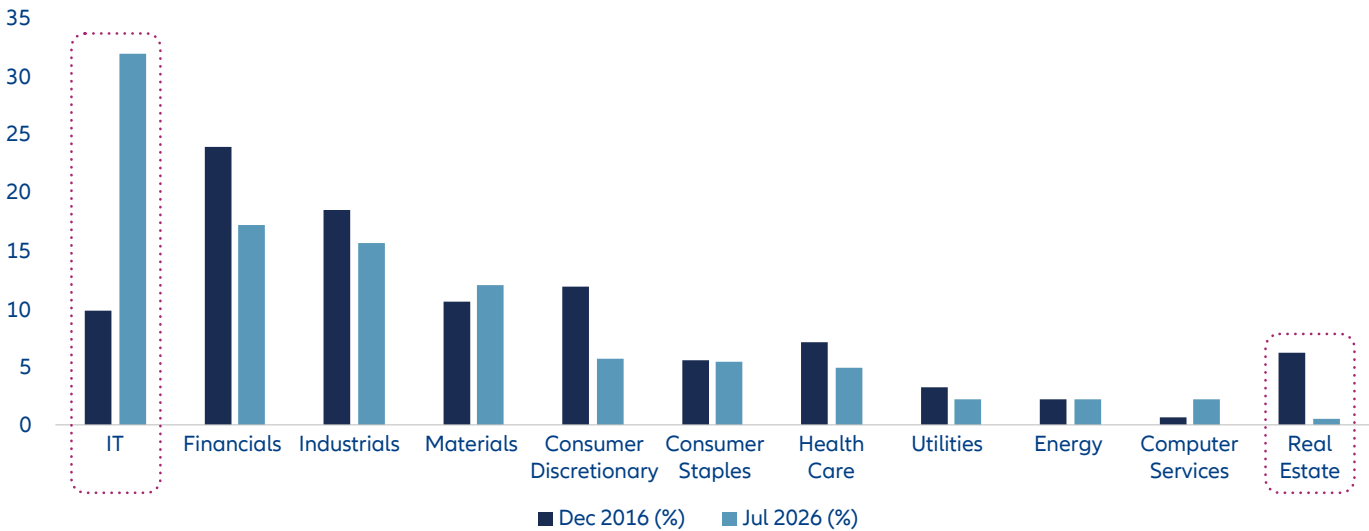


Exhibit 2: China indices – total return since 31 Jan 2024 (USD, rebased to 100)



Source: Allianz Global Investors, Bloomberg, as of 7 August 2026. The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Exhibit 3: MSCI China A Onshore Index – change in sector weighting over time (%)



Source: IDS GmbH, Allianz Global Investor. Data as of 31 July 2026 and 31 December 2016. *MSCI Real Estate Sector Classification was created in 2016. The information above is provided for illustrative purposes only, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice.

2 China follows a different innovation path

China’s technology sector is often compared with the United States through the lens of globally recognised leaders such as Nvidia, TSMC and Samsung Electronics. Implicit in many of these comparisons is the assumption that innovation is

best measured by headline breakthroughs, whether the most advanced semiconductor, the largest AI model or the next transformational software platform. This naturally favours markets such as the US, where innovation is often concentrated among a relatively small number of globally dominant companies.

However, innovation does not follow a single path. While the US has historically excelled in frontier research and breakthrough technologies, China’s strengths lie in its ability to scale new technologies and integrate them into the broader economy. Rather than relying on a handful of national champions, China has built extensive supply chains and manufacturing capabilities across many industries. As a result, the benefits of innovation are spread across a much broader group of companies.

The outcome can be seen across multiple industries. China has established globally competitive positions in areas ranging from electric vehicles and batteries to automation, robotics and innovative pharmaceuticals. In many cases, success is driven not by a single breakthrough, but by scale, manufacturing expertise and the ability to commercialise new technologies quickly.

For investors, this creates an investment universe that is distinct from that of the US. Rather than simply replicating exposure to global technology leaders, China offers exposure to a different set of companies, many of which benefit from building, supporting and applying new technologies across the broader economy.

3 China’s technology capabilities becoming harder to ignore

China’s technology success is often attributed to state support, subsidies or industrial policy. While these factors have played a role, they do not fully explain China’s growing competitiveness across a wide range of industries. Ultimately, leadership depends on innovation, product quality and commercial success, and the evidence increasingly points to progress on all three fronts.

China’s rise is no longer simply a story of scale. It is now the world’s largest producer of scientific research and has established leading positions in several strategically important technologies. Research output is not only increasing in volume, but also in global influence.

Recent developments in artificial intelligence provide a useful example. Following the launch of models such as GLM-5.3, Kimi K3 and Qwen 3.8, the performance gap between leading Chinese and US frontier models has narrowed significantly

Exhibit 4



Rank #1 globally in AI patents with ~**60%** market share¹. Breakthrough in **AI commercialisation** through OpenClaw



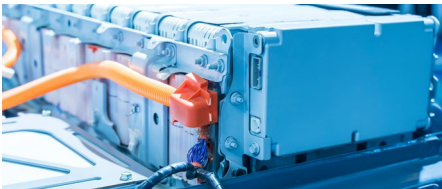
Largest market for EVs globally², >**60%** of new car sales equipped with ADAS solutions³



>**80%** **humanoid robots** installed globally supplied by Chinese manufacturers⁴



Leader in **optical networking solutions** for high-speed data transmission, >**60%** market share globally⁵



Largest battery market, producing >**80%** of global lithium-ion batteries⁶



>**40%** global share in **innovative drugs approvals**⁷

Sources: ¹WIPO, as of 31 December 2025; ²EV Volumes, as of 30 December 2025; ³CIC, as of 31 December 2024; ⁴Xpert.digital as at 29 March 2026; ⁵LightCounting as of 2026; ⁶IEA, as of 13 February 2026; ⁷Mercator Institute for China Studies (MERICS), as of April 2025. The information above is provided for illustrative purposes only, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice.

More importantly, these advances are translating into commercial outcomes. Chinese companies have established leading positions across a growing number of industries, providing evidence that competitiveness more often reflects product quality, innovation and technological capability rather than policy support alone.

For investors, the key takeaway is that China’s technology sector should be judged increasingly on its competitive strengths rather than past perceptions. While perceptions have not fully caught up with reality, the combination of innovation, commercialisation and global market share gains suggests that China is evolving from a technology follower into a technology leader across a growing number of industries.

Exhibit 5A: Share of global patents by country

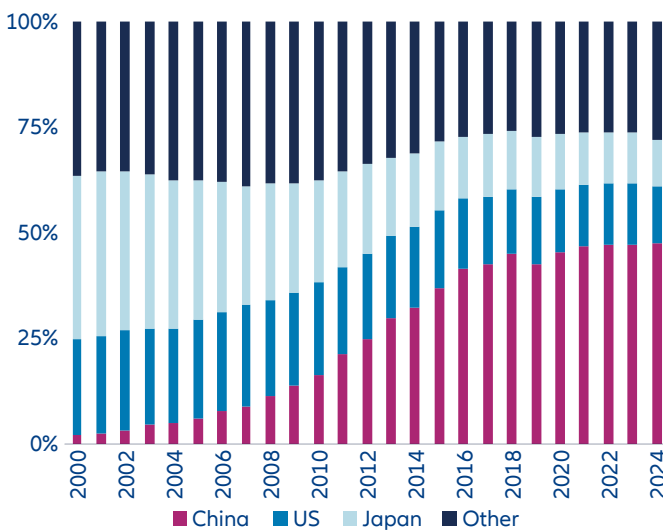
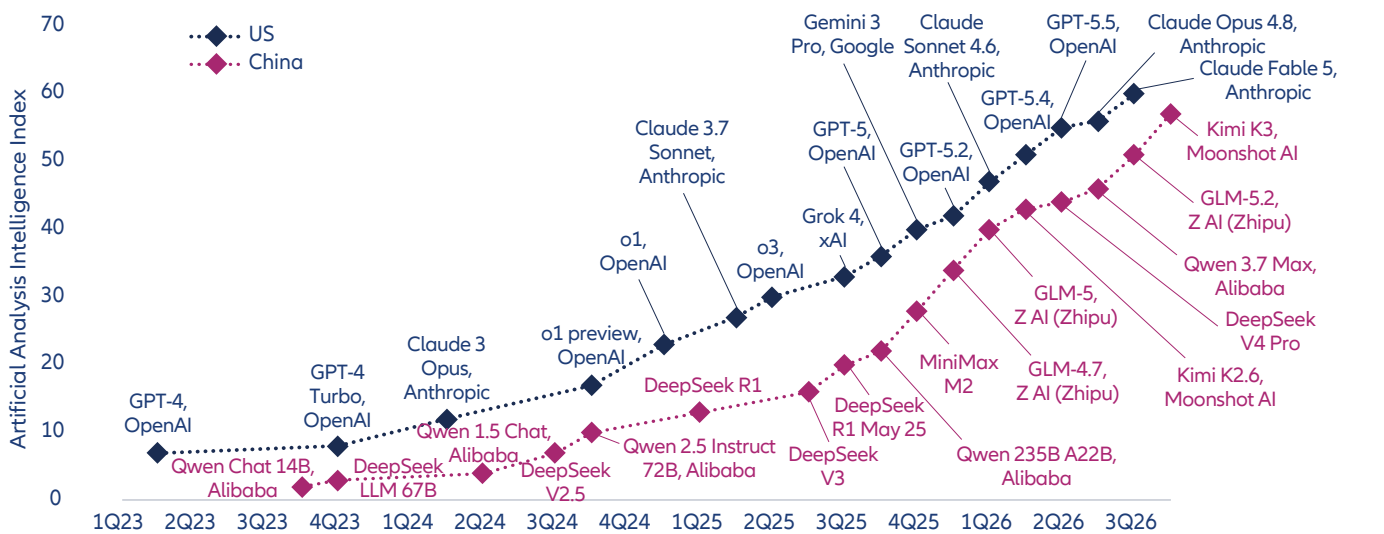


Exhibit 5B: Number of STEM graduates (2020, mn) and as a % of total graduates of respective country



Source: WIPO, as of 31 December 2024; RHS Center for Security and Emerging Technology, as of 27 November 2023. The information above is provided for illustrative purposes only, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

Exhibit 6: Artificial Analysis Intelligence Index of China and US models



Allianz Global Investors, Artificial Analysis Intelligence Index, 2026. Artificial Analysis Intelligence Index combines a comprehensive suite of evaluation datasets to assess language model capabilities across reasoning, knowledge, maths and programming. Intelligence Index is calculated as a weighted average across four categories: Agents (34%), Coding (24%), Scientific Reasoning (24%) and General (18%). The information above is provided for illustrative purposes only, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice.

4 Self-sufficiency creates a more durable investment opportunity

One of the key concerns for investors is not whether China can continue to innovate, but whether policy uncertainty could undermine the long-term investment case. Memories of regulatory interventions affecting internet platforms and private education companies remain fresh, leaving some investors cautious about the durability of China’s technology story.

However, today’s technology landscape differs in an important respect. Technological self-sufficiency and innovation have become closely aligned with China’s broader economic and strategic priorities. Technology is therefore no longer simply a commercial growth opportunity; it has also become a key component of national development policy.

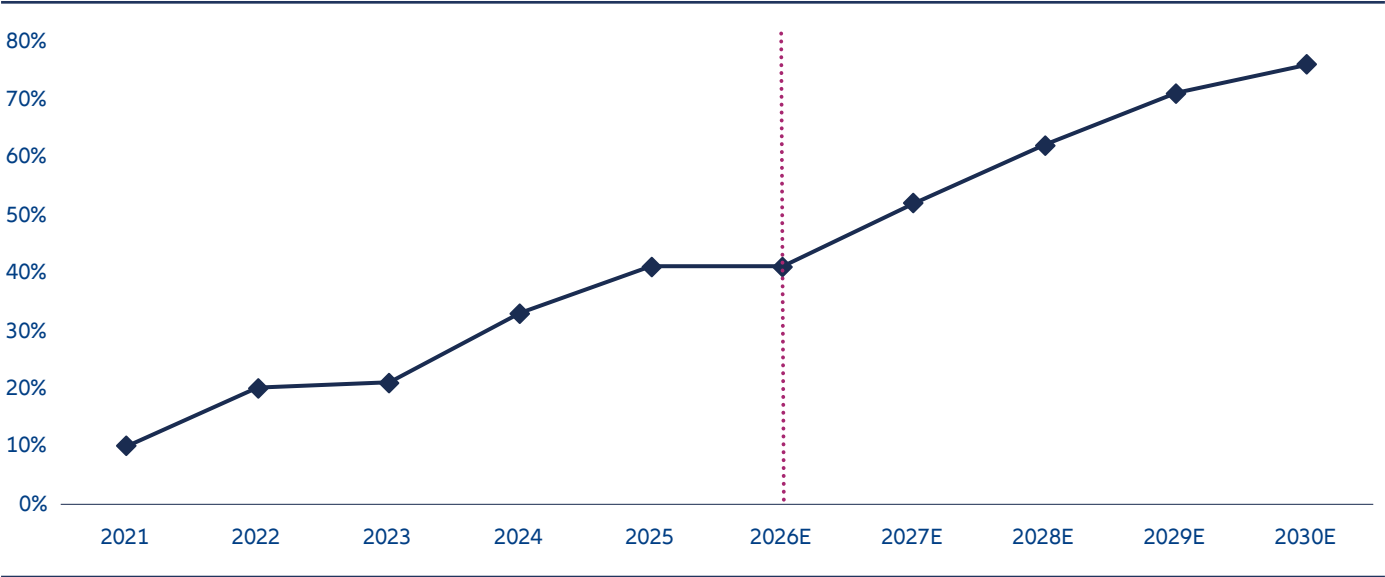
At the centre of this is China’s pursuit of technological self-sufficiency. Following years of rising geopolitical tensions and technology restrictions, China has prioritised the development of domestic capabilities across strategically important industries. This extends beyond reducing reliance on foreign suppliers. It is also about strengthening the economy and creating new sources of growth as China moves beyond its traditional property-led model.

Policy support continues to reinforce this direction. Technological innovation, artificial intelligence, advanced manufacturing and supply-chain resilience feature prominently within China’s long-term development strategy. This is driving investment across a wide range of industries, from hardware and infrastructure to practical business applications.

This helps create a technology investment cycle that differs from that of many developed markets. While US AI investment is largely concentrated among a handful of hyperscalers, China’s spending is spread across a wider range of industries spanning hardware, infrastructure and industrial applications, creating a broader set of beneficiaries and multiple sources of long-term demand.

For investors, the significance is that technology investment in China is supported by both commercial incentives and national priorities. While policy risk can never be eliminated, the strategic importance of technological development means that many of the sectors driving innovation today are benefiting from long-term structural support. This contributes to a more durable investment cycle, supported not only by short-term demand, but also by China’s longer-term economic and technology priorities.

Exhibit 7: China self-sufficiency ratio of Graphics Processing Units (GPUs)



Source: Allianz Global Investors, Morgan Stanley, data as at 16 March 2026. The information above is provided for illustrative purposes only and should not be considered a recommendation to purchase or sell any particular security or strategy, or investment advice. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

5 Strong performance makes selectivity increasingly important

China's technology sector has delivered strong returns, particularly across areas linked to AI-related investment and industrial upgrading. As investor interest has broadened beyond internet platforms, many of these companies have benefited from a combination of improving earnings expectations and higher valuations.

This strong performance means parts of the market are now trading at or above historical averages. However, it is important to recognise that rising valuations have often been accompanied by meaningful upgrades to earnings expectations. In many cases, stronger demand linked to AI infrastructure, industrial upgrading and technology self-sufficiency has translated into improving revenue growth, stronger order books and higher profitability forecasts.

For investors, this highlights the importance of distinguishing between companies benefiting from sustainable long term growth and those where valuations may have run ahead of fundamentals. While the long-term opportunity remains attractive, future returns are likely to be driven more by earnings delivery rather than broad market re-rating. This places a greater emphasis on identifying companies with durable competitive advantages, strong management execution and clear exposure to long-term growth drivers.

Importantly, periods of market rotation and short-term volatility should be expected. Technology investment cycles rarely develop in a straight line, particularly in sectors linked to AI where sentiment can shift rapidly. However, such periods can also create opportunities to add exposure to high-quality businesses supported by durable drivers including technological self-sufficiency, AI adoption, industrial automation and advanced manufacturing.

Ultimately, while valuations in some areas have become more demanding, the investment case for China technology remains primarily an earnings growth story. Continued investment, rising technology adoption and improving competitiveness suggest opportunities remain significant. The challenge for investors is becoming less about whether to gain exposure to the theme, and more about where value can be found within it.

Summary

Many investors continue to view China technology through the lens of internet platforms and comparisons with leading US technology companies. However, an increasing share of China's innovation, capital investment and earnings growth is occurring across a much broader range of domestically listed businesses. China's strengths lie not only in innovation itself, but also in its ability to manufacture, scale and commercialise new technologies.

Technological self-sufficiency, the rollout of AI technologies and economic transformation have elevated innovation from a commercial opportunity to a strategic national priority. This has helped create a broad investment cycle that spans multiple industries and supports long-term capital investment. As these initiatives translate into stronger earnings growth, expanding market share and improving global competitiveness, the gap between investor perception and underlying reality continues to narrow.

We continue to see significant long-term growth potential. Following a period of strong performance, future returns are likely to depend more on earnings growth and the ability of individual companies to deliver on expectations. For investors, the key challenge is no longer recognising the opportunity but identifying the companies most likely to emerge as the next generation of technology leaders.



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Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

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