Sample Question

"What signals should I track to assess whether China's domestic AI chip companies are building commercially sustainable businesses, or whether their valuations are pricing a policy window that could close?"

Sample Response

Figures as of October 2026, from company filings and Hello China Tech's published analysis.

The revenue growth is real. Seven listed or listing Chinese AI chip designers reported, or forecast, about Rmb 21.5bn of revenue in the first half of 2026, close to double a year earlier. Cambricon Technologies (寒武纪), China's most visible listed AI chip designer, made Rmb 6.0bn of revenue and Rmb 2.3bn of net profit. Its market value passed Rmb 1tn last year. At that price, investors are underwriting a geopolitical condition as much as a business. Three signals help separate the structural story from the policy premium.

Cash quality. Profit is the easy test. Cash is the harder one. Only two of the seven earned a profit from their core business: Cambricon and Hygon (海光), a Shanghai-listed CPU and accelerator maker. The five that publish operating cash flow burned a combined Rmb 6.4bn in the half. Cambricon's figure was positive, at Rmb 311m, but that is 13.5% of its net profit. Bank acceptance bills, which let it pay suppliers later, rose from Rmb 351m to Rmb 3.1bn in six months. Five customers account for 95% of its receivables and contract assets. Track two ratios each quarter: operating cash flow against net profit, and the share of sales to customers outside the state and the company's own group. Rising revenue with flat cash means suppliers and banks are carrying the build-out.

Software in production. Domestic hardware can now win orders. Lock-in is a different matter. Nvidia's position rests on CUDA, a software ecosystem built over nearly two decades. Moore Threads (摩尔线程), China's first listed domestic GPU company, says its learning platform has more than 450,000 developers and learners. The public evidence still looks closer to compatibility work and tooling than to a large AI lab running MUSA, its software platform, as a core production system. Track named customers who say they run production workloads on domestic software, not adaptation announcements.

The demand gate. Washington has reopened part of the market. Beijing decides how much of it is used. The US granted licences for Nvidia's H200 from February 2026. Nvidia's filing for the quarter to late July says "such sales were restricted by the PRC government," and the company took a $0.4bn charge on H200 inventory and purchase commitments. On the Chinese side, procurement rules, security evaluation lists and energy subsidies for data centres running domestic chips each favour local suppliers. A chip's value depends on eligibility as much as performance. Track what Chinese buyers are allowed to take delivery of, not what US licences permit.

What looks like a signal but probably is not. Seven chip companies moved toward public listings within 90 days, with combined losses above $6bn. First-day gains passed 400% in some cases. These listings moved risk from venture investors to public markets. They do not prove commercial demand. Large cluster announcements describe contracted capacity, not chips installed and in use. Revenue growth alone can also mislead, because some of it reflects stockpiling ahead of rising input prices.

Over the next two to three quarters, watch three things. First, the third-quarter reports in late October: does operating cash flow catch up with profit, or do supplier bills keep growing? Second, whether any major internet company names a domestic chip as a production platform. Third, whether Beijing loosens or tightens the gate on imported chips. If the gate stays shut and cash catches up, today's valuations become easier to defend. If the gate opens while cash still lags, the scarcity premium compresses before earnings do. Your question asks whether valuations price a policy window. At present, Beijing holds that window open, and these three signals are the earliest evidence of whether it stays open.

Written by Poe Zhao. Institutional Access: hellochinatech.com/p/institutional