Strategy

Alpha Picks: August Conviction Calls

Analyst(s)
Greater China Research Team
+852 2236 6799
researchhk@uobkh.com

Highlights

- Chinese equities rebounded strongly in July, with the HSI and MSCI China Index rising 13.1% mom and 8.6% mom, respectively, recouping the losses of the previous two months.
- August may see renewed volatility as the Fed turns more hawkish, but we stay constructive, due to undemanding valuations (MSCI China Index is trading at 10.7x 12-month forward PE) and supportive macro policy setting.
- We add ASMPT, EVE Energy, Foxconn Industrial Internet, Hesai and Trip.com to our BUY list, take profits on Midea, Plover Bay and Wuxi AppTech, and cut losses on Minth and Zijin Mining.

What's New

- **Chinese equities rebounded strongly in July,** with the HSI and MSCI China Index rising 13.1% mom and 8.6% mom, respectively, recouping the losses of the previous two months. The rally was underpinned by a return of liquidity to the market, with southbound net inflows of HK$62.9b in July, compared with June's HK$27.1b. The best performer among our picks of the month was BUY-rated BYD (1211 HK), which advanced 30.0% mom and since inclusion.
- **Constructive on Chinese equities in August.** Domestic policy support should outweigh external risk; positive catalysts include the 30 July Politburo meeting and the PBOC's 1 August work conference, both of which signalled stronger counter-cyclical support. Moreover, the MSCI China Index is still trading at undemanding valuations of 10.7x 12-month forward PE, below its historical average of 11.4x. The key risk is a more hawkish Fed, with futures now pricing a 67% chance of a 25bp hike by September.
- We add ASMPT (0522 HK), EVE Energy (300014 CH), FII (601138 CH), Hesai (2525 HK) and Trip.com (9961 HK) to our BUY list. We take profits on Midea (000333 CH), Plover Bay (1523 HK) and WuXi AppTec (2359 HK), and cut losses on Minth (425 HK) and Zijin Mining (2899 HK).

Action

- **Add EVE Energy (300014 CH) to our BUY list,** ahead of its 1H26 results and monthly battery shipment updates.
- **Add Foxconn Industrial Internet (601138 CH) to our BUY list,** on 3Q26 guidance, AI server share gains and CPO switch volume orders.
- **Add Hesai (2525 HK) to our BUY list,** on quarterly shipment data, 2Q26 results, and new contract signings with auto OEMs and robotics companies.
- **Add Trip.com (9961 HK) to our BUY list,** on accelerating international market growth, recovery in outbound and inbound travel, and benefits from visa-free policies.
- **Take profits** on Midea (000333 CH), Plover Bay (1523 HK) and Wuxi AppTech (2359 HK).
- **Cut losses** on Minth (425 HK) and Zijin Mining (2899 HK).
- **Maintain BUY** on Alibaba (9988 HK), BYD (1211 HK), Cowell (1415 HK), BeOne Medicines (6160 HK), NetEase (9999 HK) and Shuanghuan Driveline (002472 CH).

Key Recommendations

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
Alibaba	9988 HK	BUY	125.80	190.00
ASMPT	0522 HK	BUY	158.00	211.00
BeOne Medicines	6160 HK	BUY	193.60	257.00
BYD	1211 HK	BUY	93.45	135.00
Cowell	1415 HK	BUY	21.98	48.00
EVE Energy	300014 CH	BUY	54.94	83.50
Foxconn Industrial Internet	601138 CH	BUY	59.93	89.50
Hesai	2525 HK	BUY	17.42	33.00
NetEase	9999 HK	BUY	205.60	252.00
Shuanghuan Driveline	002472 CH	BUY	38.84	52.00
Trip.com	9961 HK	BUY	364.80	508.00

Source: Bloomberg

Change In Share Price

Company	Ticker	Rec	July 26 (%)	To-Date* (%)
Alibaba	9988 HK	BUY	26.0	-30.9
BYD	1211 HK	BUY	30.0	30.0
Cowell	1415 HK	BUY	-12.2	-27.4
BeOne Medicines	6160 HK	BUY	13.8	-5.3
Midea	000333 CH	BUY	16.0	16.0
Minth	425 HK	BUY	4.7	-18.8
NetEase	9999 HK	BUY	2.7	7.1
Plover Bay	1523 HK	BUY	4.9	4.9
Shuanghuan Driveline	002472 CH	BUY	-7.4	-2.2
WuxiAppTech	2359 HK	BUY	4.6	23.3
Zijin Mining	2899 HK	BUY	21.3	-3.3

**Share price change since stock was selected as alpha pick*
Source: Bloomberg

Portfolio Return

(%)	3Q25	4Q25	2025	1Q26	2Q26
HSI return	11.6	-4.6	27.8	-3.3	-7.7
Alpha Picks Return					
- Price-weighted	24.3	-3.8	23.0	-6.0	4.0
- Market cap-weighted	29.0	-1.6	33.9	-8.7	-0.1
- Equal-weighted	17.2	-2.2	24.5	-1.2	3.4

Assumptions for the 3 methodologies:
1) *Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.*
2) *Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.*
3) *Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.*

Source: UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec*	Price 4 Aug 26 (lcy)	Target Price (lcy)	Upside/ (Downside) To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (lcy m)	Price/ NAV ps (x)
Alibaba	9988 HK	BUY	125.80	190.00	51.0	Mar-26	22.1	21.9	15.6	0.8	8.0	2,412,406	2.2
ASMPT	0522 HK	BUY	158.00	211.00	33.5	Dec-25	60.7	31.3	22.7	1.6	9.9	65,800	4.4
BeOne Medicines	6160 HK	BUY	193.60	257.00	32.7	Dec-25	39.7	26.5	19.2	0.0	7.5	311,142	8.2
BYD	1211 HK	BUY	93.45	135.00	44.5	Dec-25	22.7	18.8	13.9	0.5	14.2	344,214	3.5
Cowell	1415 HK	BUY	21.98	48.00	118.4	Dec-25	12.3	9.1	7.4	2.2	31.4	18,865	8.3
EVE Energy	300014 CH	BUY	54.94	83.50	52.0	Dec-25	27.6	15.8	12.1	1.6	11.9	114,059	2.6
Foxconn Industrial Internet	601138 CH	BUY	59.93	89.50	49.3	Dec-25	35.0	17.7	14.9	3.1	32.6	1,190,178	5.9
Hesai	2525 HK	BUY	17.42	33.00	89.4	Dec-25	38.6	34.7	21.0	0.0	5.9	21,899	2.0
NetEase	9999 HK	BUY	205.60	252.00	22.6	Dec-25	14.9	13.7	12.4	2.5	22.5	83,645	3.1
Shuanghuan Driveline	002472 CH	BUY	38.84	52.00	33.9	Dec-25	26.2	25.9	22.8	0.5	14.6	33,011	3.0
Trip.com	9961 HK	BUY	364.80	508.00	39.3	Dec-25	7.2	13.6	11.6	0.2	7.3	29,291	1.2

Source: Bloomberg, UOB Kay Hian

Alibaba (9988 HK) – BUY (Julia Pan)

- We remain upbeat on Alibaba as a full-stack AI service provider, with recent developments reinforcing its advantages across cloud infrastructure, proprietary chips, foundation models and applications. Apple's selection of Qwen for Apple Intelligence in China provides high-profile external validation of the model's capabilities, regulatory compliance and readiness for large-scale deployment. The system-level integration could expand Qwen's real-world usage, strengthen Alibaba Cloud's enterprise credentials and generate incremental inference and cloud-computing demand. Near-term fundamentals are also improving, with better-than-expected performance anticipated across domestic and international e-commerce. Like-for-like CMR is expected to grow 1-2% yoy, slightly above consensus, while cloud revenue growth could accelerate to 45% yoy from 38%, easing concerns over softer cloud usage by model companies. Cloud margin could improve from 9% to 11-12%, supported by the integration of T-Head's proprietary AI chips. Meanwhile, more rational food-delivery subsidies could narrow quick commerce losses to around Rmb10b, below our previous estimate of Rmb14b, supporting an earnings recovery over the coming quarters.
- Maintain BUY with a target price of HK$190.00 (US$194.00). Alibaba is trading at 17.1x FY27F PE, against a 32% EPS three-year CAGR from FY27-30.

Share Price Catalyst

- **Event:** a) Re-accelerating growth of cloud hyperscalers; b) solid progress in self-sufficiency chip development, reducing reliance on US chips; c) AI integration to empower business segments.
- **Timeline:** FY27.

ASMPT (0522 HK) - BUY (Johnny Yum)

- ASMPT will remain a primary beneficiary of the booming AI-investment trend in the foreseeable future as its advanced packaging tools are receiving robust demand from both thermocompression bonders (TCB) as well as photonics solutions. On TCB, ASMPT is winning on both advanced logic (ultra-fine-pitch tools for TSMC, a C2W order from Intel, 50+ C2S tools via OSAT partners), and memory (repeated orders from Hynix, exclusive HBM5 programme with Samsung); and on photonics, related revenue nearly tripled yoy to US$75m in 1H26 with upcoming LPO/NPO adoption continuing to drive robust growth ahead of the 2028 co-packaged optics (CPO) inflection. On top of advanced packaging tools, mainstream tools are also recovering as AI-driven supply chain tightness is bleeding into certain mature node applications (eg power semis, AI server assembly) as well.

- The company had already delivered a stella quarter in 2Q26 with revenue/net profit both above expectations, and we expect the outperformance to be sustained through at least the rest of 2026. Maintain BUY with a target price of HK$211.00, based on 4.6x 2027F P/B.

Share Price Catalyst

- **Event:** 3Q26 bookings led by TCB and photonics, and further TCB order wins.
- **Timeline:** 3Q26.

BeOne Medicines (6160 HK) – BUY (Carol Dou/Sunny Chen)

- BeOne Medicines delivered a remarkable 2025 with revenue surging 40.2% yoy and adjusted earnings reaching US$939m. The momentum continued in 1Q26 with revenue rising 35.5% yoy to US$1.51b and adjusted earnings jumping 175.5% yoy to US$375m, beating estimates. Management raised its 2026 revenue guidance by US$100m to US$6.3b-6.5b, with gross margin expected to remain in the high-80% range. 2Q26 results are due 5 Aug 26.
- BRUKINSA retains its global market leadership in BTK inhibitors. Sonrotoclax (a next-generation BCL2 inhibitor) was approved in China in Jan 26 and in the US for r/r mantle cell lymphoma in May 26. Tarlatamab won conditional approval for ES-SCLC in China in Apr 26, the first DLL3/CD3 bispecific antibody approved domestically. The Zanubrutinib+Sonrotoclax combination has shown exceptional clinical results, potentially transforming first-line treatment for chronic lymphocytic leukaemia. Additionally, BBGB-16673 (BTK CDAC) is expected to enhance BRUKINSA's effectiveness in blood cancers. Smooth progress in solid tumours, together with the in-licensing of global rights for HH160 (PD-1/CTLA-4/VEGF-A tsAb) from Huahui Health, strengthens the immuno-oncology pipeline. Moreover, it committed a further US$300m to its Princeton West Innovation Campus in New Jersey in Jul 26, taking total site investment above US$1b and adding small-molecule manufacturing by 2029.
- With strong R&D execution, improving operating efficiency, expanding gross margins, and diversified revenue streams, BeOne Medicines is well positioned to become a leading global oncology player. Maintain BUY and target price of HK$257.00 (ONC US/BUY/Target: US$426.15/ADS; 688235 CH/BUY/Target: Rmb346.40), based on the DCF model with WACC of 10.5% and terminal growth rate of 3.5%.

Share Price Catalyst

- **Event:** a) Strong 1Q26 results and bright growth outlook in 2026, b) accelerating global penetration of BRUKINSA and potential US FDA approval of Sonrotoclax, c) continued improving operating efficiency and margins, and d) robust pipeline with smooth R&D and business development progress.
- **Timeline:** 2H26.

BYD (1211 HK) – BUY (Ken Lee)

- BYD's sales rebounded to over 419,000 in July, with yoy growth accelerating to over 20%. At a sales pace of over 400,000 per month, we expect yoy sales growth to reaccelerate to 25-30% from July, driven by the ramp-up of the new Flash-Charging models and new overseas plants. For earnings, we estimate 2Q26 net profit at Rmb7b, up 11% yoy and 72% qoq, as exports' share in total sales doubled yoy to over 40%. Maintain BUY with a target price of HK$135.00 is pegged to 20x 2027F PE, on par with the historical mean.

Share Price Catalyst

- **Event:** Pick-up of monthly sales growth; 2Q26 results and 2H26 guidance.
- **Timeline:** 3Q26.

Cowell e Holdings (1415 HK) – BUY (Johnny Yum)

- Cowell e Holdings Inc (Cowell) is one of the biggest beneficiaries of the 2026-28 iPhone upgrade cycle, given its pure-play exposure to the Apple supply chain. We expect Cowell to achieve further share gains in the iPhone supply chain, and its rear-end camera market share is projected to expand from 17% in 2025 to 32% by 2028; while Apple is expected to push for aggressive specification upgrades for iPhone cameras which will further bolster Cowell's dollar content. Overall, we project that Cowell's earnings will register a 25.6% three-year CAGR from 2025-28, primarily driven by solid share gains in the Apple supply chain and a stable operating margin.
- We recommend BUY on Cowell with a target price of HK$48.00, pegged to 19.8x 2026F PE, which is 1SD above its five-year historical forward mean. We forecast Cowell's share price recovering in the coming weeks after the sluggish performances through June-July, as its 1H26 profit guidance indicated that the company's margins are well above market expectations, likely driven by solid cost control measures. The fact that the market has already factored in a delay in Apple's product launches should provide a much better base for the upcoming recovery as well.

Share Price Catalyst

- **Event:** iPhone 18 Pro and foldable iPhone mass production ramp-up in Jun-Jul 26.
- **Timeline:** 3Q26.

EVE Energy (300014 CH) – BUY (Ken Lee)

- EVE Energy's 1H26 profit alert guides a net profit of Rmb3.13b-3.37b, up 95-110% yoy, on revenue growth of around 60%. That implies a 2Q26 net profit of Rmb1.68b-1.93b, up 16-33% qoq from 1Q26's Rmb1,446m, and covers 43-47% of our full-year forecast of Rmb7.23b. Growth is driven by energy storage demand and global capacity ramps in Malaysia, Hungary and China, with lithium-ion battery shipments forecast to reach 185/230/300 GWh respectively in 2026-28, a 35% three-year CAGR. Maintain BUY with a DCF-derived target price of Rmb83.50 (WACC: 11%/terminal growth: 4%).

Share Price Catalyst

- **Event:** 1H26 results, due by end-August, confirming the profit alert and giving sales volume and margin details; monthly battery shipments.
- **Timeline:** Aug 26.

Foxconn Industrial Internet (601138 CH) – BUY (Johnny Yum)

- Foxconn Industrial Internet (FII) is the most dominant NVIDIA AI server ODM partner globally. The company has 50-55% share in the Blackwell NVL72 racks, and we are expecting its share to expand to 60% in Vera Rubin era. On top of that, FII will be the sole assembler for Groq 3 LPX racks which is now on track for mass production in 3Q26, alongside high-speed pluggable/CPO switches for key AI server clients during the same period as well. As new products begin production ramp in 3Q26, and as the company continues to gain share in the AI server ODM market, we expect FII to recapture the investor's attention in the coming months after June-July's drawdown along the broader AI tech market.

- Maintain BUY with a target price of Rmb89.50, based on 29.1x 2026F PE, pegged to 3SD above the three-year average historical mean, justified by FII's significantly improved orders/growth visibility.

Share Price Catalyst

- **Event:** 3Q26 guidance, AI server share gains and CPO switch volume orders.
- **Timeline:** 3Q26.

Hesai Group (2525 HK) – BUY (Ken Lee)

- Hesai is the world's largest LiDAR supplier, with over 30% market share. Self-developed SoC and ASIC chips, platformisation and over 90% automation give it industry-leading cost and performance. Hesai has secured strong order flows with BYD, Great Wall Motor, XPeng, Baidu Apollo and Pony.ai, driving a 69% three-year shipment CAGR and a 46% three-year net profit CAGR in 2026-28. Maintain BUY with a DCF-derived target price of HK$33.00, implying 40x 2027F PE. Re-rating will be driven by the upgrade from spatial perception to spatial intelligence via Picasso and Kosmo.

Share Price Catalyst

- **Event:** Quarterly shipment data; 2Q26 results; signing of new contracts with auto OEMs and robotics companies.
- **Timeline:** 3Q26.

NetEase (9999 HK) – BUY (Julia Pan)

- We remain positive on NetEase, supported by a strengthening game pipeline, resilient evergreen franchises and a more supportive domestic regulatory environment. The approval of Fantasy Westward Journey: Renewed Fate in July adds a new mobile title based on one of NetEase's most durable revenue-generating IPs, which should support content refresh, monetisation continuity and greater visibility for its domestic pipeline. Meanwhile, Once Human is scheduled to launch on PlayStation 5 and Xbox Series X|S on 25 August, with first-person gameplay, cross-play and cross-progression potentially broadening its international audience and extending its monetisation lifecycle. Sea of Remnants has also received encouraging initial feedback, ranking first on TapTap's download chart during the pre-download stage and supporting its potential to develop into another long-running franchise.
- In parallel, the record-high number of game approvals in July signals a more supportive regulatory backdrop, while rising AI adoption across game-development workflows could improve content-creation efficiency and support longer-term operating leverage. Combined with its solid pipeline, we believe NetEase remains well positioned for a re-acceleration in online-games revenue growth in FY26.
- Maintain BUY with a target price of HK$252.00 (US$156.00). NetEase is trading at 14x 2026F PE, lower than its historical mean of 15x.

Share Price Catalyst

- **Event:** a) Strong performance of game pipeline, and b) easing regulatory environment.
- **Timeline:** 2H26.

Shuanghuan Driveline (002472 CH) – BUY (Johnny Yum)

- Zhejiang Shuanghuan Driveline (Shuanghuan) is well-positioned to benefit from the recovery in the global EV/PHEV market, ongoing overseas expansion, and product mix upgrades with the increased penetration of coaxial gearboxes. Additionally, Shuanghuan had achieved breakthrough in the automotive supply chain with its plastic smart actuator business, and expects revenue growth to remain elevated in 2026-27. Overall, we project that Shuanghuan will sustain double-digit growth in its core businesses over the medium term, driven by its EV gear and Smart actuator businesses.
- From 2027, we believe Shuanghuan is poised to capture robust demand growth for robotic reducers amid the booming humanoid robot investment trend, given its scale/technological leadership in China's robotic planetary reducer market, and its close collaboration with Tesla, which is now targeting to achieve an annual sales target of 1m units for the Optimus bot in a few years' time.
- We maintain our BUY rating with a target price of Rmb52.00, based on 28.7x 2026F PE, equivalent to 1.3x 2026F PEG.

Share Price Catalyst

- **Event:** Humanoid robot component order wins, Tesla Optimus production ramps up.
- **Timeline:** 3Q26.

Trip.com (9961 HK) – BUY (Julia Pan)

- We expect Trip.com's share price to have largely bottomed, with the antitrust penalty and softer near-term outlook substantially priced in. The finalisation of the Rmb5.18b penalty concludes the investigation and lifts a key regulatory overhang on the company. Although the fine will have a material one-off impact on reported earnings, the cash impact remains manageable given Trip.com's solid balance sheet. The absence of a mandatory commission-rate reduction and the partial implementation of rectification measures in 1H26 should also help contain the incremental operational impact. Meanwhile, Trip.com's international business remains its key growth driver, with revenue expected to grow by over 30% yoy. We like Trip.com for: a) the removal of a key regulatory overhang; b) its resilient international travel growth and continued overseas expansion; c) its strong brand recognition, user mindshare and an integrated one-stop travel platform; and d) an attractive valuation of around 12x 2027F PE, which offers scope for a valuation re-rating.
- Maintain BUY with a target price of HK$508.00. Trip.com is trading at 12x 2027F PE, against a 10% EPS three-year CAGR from FY27-30.

Share Price Catalyst

- **Event:** a) Accelerating growth in international markets, b) recovery in outbound travel and robust inbound travel, and c) benefitting from visa free policies.
- **Timeline:** 2H26.