UOBKayHian

Country Daily | Greater China

Monday, 14 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	52573.3	1.0	(2.1)	(2.2)	9.4
S&P 500	7657.0	0.9	(1.2)	(1.7)	11.9
FTSE 100	10650.4	0.4	(1.7)	(0.9)	7.2
AS30	8920.2	(1.0)	(3.0)	(4.2)	(1.1)
CSI 300	4510.2	(0.8)	(0.8)	(3.3)	(2.6)
FSSTI	5695.9	0.1	(1.8)	(0.8)	22.6
HSCEI	8246.3	(0.3)	(3.6)	(1.1)	(7.5)
HSI	24805.6	(0.6)	(3.3)	(1.2)	(3.2)
JCI	6541.4	(0.7)	(1.4)	2.2	(24.4)
KLCI	1686.7	(1.1)	(1.3)	(2.4)	0.4
KOSPI	6909.9	(1.8)	3.3	(1.0)	64.0
Nikkei 225	64011.3	(1.9)	(1.6)	(6.8)	27.2
SET	1604.5	(0.7)	0.6	(0.3)	27.4
TWSE	46184.9	(1.6)	(0.8)	0.8	59.5
BDI	3507	(0.4)	(3.3)	22.5	86.8
CPO (RM/mt)	4617	(1.1)	(1.0)	1.9	17.4
Brent Crude (US$/bbl)	108	3.0	11.1	21.7	77.1

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep
Post-results NDR with Sunny Optical (2382 HK)	Taipei	22 Sep	23 Sep
NDR with Food Empire Holdings Ltd (FEH SP)	Malaysia	08 Oct	08 Oct

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Aug Money Supply (M2, M1, M0)	China	9-15 Sep
Aug FDI YTD YoY CNY	China	11-17 Sep
2Q Industrial Production YoY	Hong Kong	14 Sep
2Q PPI YoY	Hong Kong	14 Sep
Aug Retail Sales	China	15 Sep
Aug Industrial Production	China	15 Sep
Aug Fixed Assets Ex Rural	China	15 Sep
Aug Surveyed Jobless Rate	China	15 Sep
Aug Unemployment Rate 3Mths	Hong Kong	17 Sep
2Q BoP Current Account Balance	Hong Kong	17 Sep
2Q BoP Overall	Hong Kong	17 Sep

Top Stories

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- Apple and premium exposure remained the clearest source of resilience this reporting season, while low-/mid-end Android phones were heavily impacted by component price hikes. We expect the pressure to sustain through 2027 and we prefer Apple supply chain on more resilient shipment, margins and ASP. We like players with solid progress in diversifying their businesses into AI devices and AI servers which should provide a meaningful buffer going forward. Maintain OVERWEIGHT. We favour AI hardware over the handset supply chain.

Technical Analysis

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- Weekly Chart And Daily Chart

Disclaimer: In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.

IT Hardware

Handset: Apple-linked And Premium Suppliers To Widen Their Lead Amid The Downcycle

Highlights

- Companies with Apple and premium exposure remained relatively more resilient than those with Android mass-market and low-end/mid-range exposure, although earnings outcomes still depended on product mix and execution. Cowell reported in-line revenue but a 37.6% net profit beat versus consensus; Lens' revenue fell 7.4% yoy but net profit beat consensus by 48.7%; BYDE's revenue beat consensus by 6.3% but net profit missed by 46.4%.
- OEM commentary remains less negative than supplier guidance. Xiaomi expects the pace of memory cost increases to slow in 4Q26, whereas AAC, Sunny and Q Tech continue to flag handset pressure, with Sunny expecting OEM order cuts through 2027. This divergence keeps us cautious about the 2027 Android shipment outlook.
- Diversification into AI devices and infrastructure components is providing a meaningful buffer. Sunny and Q Tech's AIoT products are starting to contribute to a meaningful portion of their top- and bottom lines. Lens, BYDE and AAC are also expecting AI server components contribution to pick up from 2H26.
- We prefer Apple suppliers over Android suppliers on stronger relative shipments, more resilient margins and a multi-year specification upgrade cycle. Within this framework, we favour Cowell for its iPhone camera-content and share gains, HL for its AI-PCB growth and potential Apple capex upside, and Sunny Optical for its premium handset positioning and fast-growing AIoT businesses.

Analysis

- **Performance of handset supply chain diverged.** Within our coverage, Sunny Optical (Sunny), Cowell, and Han's Laser (HL) registered strong earnings growth while beating market's expectations; Lens Tech (Lens) and Xiaomi saw meaningful yoy declines in earnings but earnings were better than feared; AAC registered a decent yoy growth but growth was materially below expectations; while Q Tech and BYD Electronic (BYDE) missed expectations with sluggish yoy growth. Overall, we identified that: a) players with exposure to premium smartphone segments are generally better off; b) players with exposure to the iPhone supply chain are also significantly more resilient than pure Android players; c) almost all supply chain players are accelerating its efforts to diversify out of smartphones, and are treating AI infra and AI device related-products as the next growth driver; and d) with the exception of Apple, OEMs remained in a much worse situation than their suppliers as they are most directly hit by the cost hikes.

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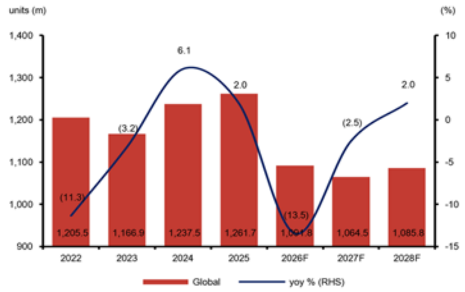
OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Cowell	1415 HK	BUY	23.90	48.00
Han's Laser	002008 CH	BUY	92.85	153.20
Sunny Optical	2382 HK	BUY	69.10	106.00

Source: Bloomberg, UOB Kay Hian

Global Smartphone Shipment Forecast



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 3 Sep 26 (lcy)	Target Price (lcy)	Upside To TP (%)	Last Year End	PE 2026F (x)	PE 2027F (x)	PE 2028F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (lcy m)	Price/ NAV ps (x)
Sunny Optical	2382 HK	BUY	69.10	106.00	53.4	Dec-25	15.7	13.8	11.6	1.4	13.3	74,556	2.3
Xiaomi	1810 HK	HOLD	26.36	26.20	(0.6)	Dec-25	25.6	21.7	16.7	0.0	7.9	679,017	2.1
AAC	2018 HK	BUY	42.00	47.80	13.8	Dec-25	15.9	14.0	11.5	0.9	10.0	48,495	1.8
Q Tech	1478 HK	HOLD	5.45	6.70	23.3	Dec-25	10.6	10.9	8.3	2.6	15.0	6,506	1.0
BYD Electronic	285 HK	SELL	23.86	14.50	(39.2)	Dec-25	26.5	16.3	12.5	1.0	5.0	53,761	1.8
Cowell	1415 HK	BUY	23.90	48.00	98.3	Dec-25	10.0	7.9	6.4	2.0	31.4	20,759	2.7
Lens Tech-H	6613 HK	BUY	22.40	43.10	92.4	Dec-25	20.5	15.1	11.3	2.4	8.4	118,244	11.9
Lens Tech-A	300433 CH	BUY	33.27	48.40	45.5	Dec-25	34.9	25.7	19.3	1.4	8.4	175,624	19.5
Han's Laser	002008 CH	BUY	92.85	153.20	65.0	Dec-25	30.0	23.6	19.1	0.7	15.6	95,599	5.4

Source: Bloomberg, UOB Kay Hian

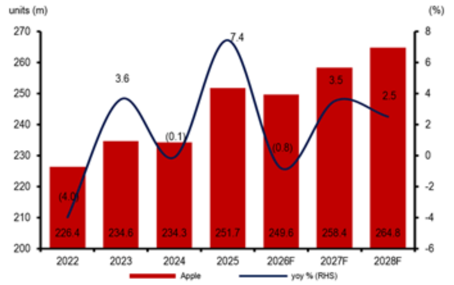
- **The Android smartphone business is not in a good position.** The general consensus is that smartphones will decline by double-digits this year, and remain overall sluggish in 2027, with all key brands focusing on the premium segment while low- and mid-end phones will see a drastic volume squeeze. However, generally the OEMs are a bit more positive regarding component costs, and expect the memory supply shortage to improve in 2027 which could at least lead to a significantly lower price hike, while the component suppliers stated that their communications with clients indicate that volume may decline by double-digit % in 2027 with lower-priced phone models becoming obsolete given the mounting component prices.

  We are also increasingly concerned with the sustainability of premium segment-boosted revenue growth/margin expansion, as our checks show that while flagship model specs upgrades remain solid, volume may slow down more meaningfully towards end-26, and we are starting to players attempting to gain share in 2027 to maintain their run-rates, which we see as a sign of a weakening specs upgrade trend.
- **The Apple supply chain will be a lot more resilient.** As Apple maintains a firm stance to push for share gains in the smartphone market, specifications upgrades and pricing will remain aggressive through 2026-28. We have already seen better-than-expected pricing for both the iPhone 18 Pro/Pro Max and iPhone Duo (foldable) models and we expect the 20th anniversary iPhone design change to be implemented to the normal Pro/Pro Max models in 2027 along with metal casing material changes, upgrades to the vapour chamber, and 200MP large aperture cameras alongside upgrades for the front camera. Related supply chain players like Lens, Sunny and AAC should stand to benefit the most.
- **AI devices are emerging as the biggest growth driver.** AI devices, including a wide range of new products, including handheld cameras, drones, smart robots, automated factories/warehouse solutions, and even new form factored devices (eg OpenAI's smart-pin-like product), are picking up significantly thanks to a meaningful improvement in its technical capabilities in recent years. This is pushing the smart IoT categories to be a major growth driver for Sunny, Q Tech and AAC with all three players now expecting high double-digit growth in 2026. Names with stronger bargaining power and capabilities stand to achieve more design wins, such as Sunny Optical, and perhaps AAC.
- **AI-infra component businesses should start to pick up in 2H26.** Most handset supply chain players who had achieved design wins in the AI-infrastructure component business, notably AI server chassis and liquid cooling components, will start to see production ramp up in 2H26 with players like Lens, AAC, BYDE all guiding for anywhere from Rmb500m-1b contribution in revenue. Other addressable products, such as power supply, are likely to see more developments in 2027, while optical transceivers and interconnect related components will take another 2-3 years to be realised.
- **XR on the sidelines as growth pauses.** While newcomers such as AAC and Q Tech are guiding for faster growth from a lower base, we expect XR-related business to remain sluggish for the coming year as industry volume growth remains muted.

Valuation/Recommendation

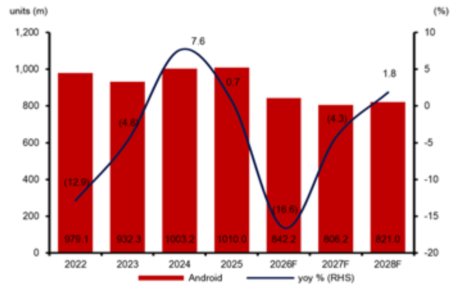
- **We expect global smartphone shipments to decline 13.5%/2.5% yoy in 2026/27 before recovering 2.0% in 2028.** Within this, iPhone shipments are forecast to register -0.8%/+3.5%/+2.5% growth in 2026-28, while Android declines 16.6%/4.3% in 2026/27 before recovering 1.8% in 2028. Note that we believe risks to our estimates lean on the downside as we do not expect the memory prices to weaken anytime soon, while other components (ie other semiconductors, MLCCs) are all seeing price hikes.

Apple Smartphone Shipment Forecast



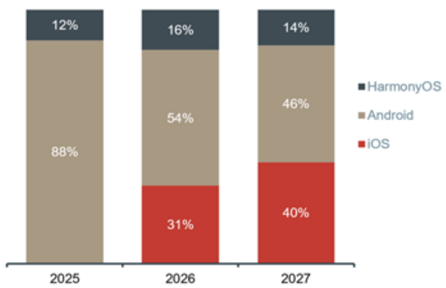
Source: UOB Kay Hian

Android Smartphone Shipment Forecast



Source: UOB Kay Hian

Foldable Market Share Forecast



Source: IDC, UOB Kay Hian

- **Cowell (1415 HK/BUY/Target: HK$48.00) –** We maintain our preference for Cowell, as its pure Apple supply chain exposure will help the company weather the ongoing smartphone downcycle a lot better than other component suppliers. We are also expecting Cowell's growth to re-accelerate in 2H27, driven by meaningful upgrades to next year's iPhone launches, as well as a potential entrance into the high value main camera. Our target price of HK$48.00 is based on 19.8x 2026F PE, which is 1SD above its five-year historical forward mean.
- **Han's Laser (002008 CH/BUY/Target: Rmb153.20) –** We expect Han's Laser to be the key supplier to Apple's 3D printers (3DP), which can potentially provide further upside to our Apple-related revenue assumption of Rmb4.2b in 2026, while the confirmation of its order wins is expected to be a key catalyst in the coming weeks. On top of that, we expect the PCB equipment business to continue benefitting from surging AI-PCB demand, as the company had managed to break into multiple world-leading AI-PCB suppliers such as Victory Giant, and WUS PCB. Our target price of Rmb153.20 is based on 39.9x 2027F PE, 1SD above its 10-year historical mean.
- **Sunny Optical (2382 HK/BUY/Target: HK$106.00) –** We like Sunny for its lower exposure to the low-end segment (<10% of revenue), and we like its diversification into AIoT devices (>30% of gross profit in 1H26 and expected to grow >50% in 2026), as well as additional order wins in the Apple supply chain (+100% yoy in 2026 and further design wins in 2027, revenue contribution reaching high single-digit %/mid-teens in 2026-27 respectively). Sunny should be the most resilient name among our Android-exposed players. Our target price of HK$106.00 is based on 21.1x 2027F PE, pegged to 0.5SD below five-year historical mean.

HSI and HS Tech Index Outlook

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Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Index

Last close:	24,805.63
Expected moving range:	25,520-25,280

Technical View:

Weekly Chart: Price executed a breakdown last week, penetrating both its consolidation range and previous low support pivot via a decisive bearish candle. The technical momentum reinforces this breakdown, as the RSI has turned bearish and accelerated lower beneath its neutral 50-midline. As long as counter-trend rallies remain capped below this converted resistance zone, we could expect a sustained downward drift toward the next support target.

Daily Chart: The emergence of a falling window directly through the previous low support pivot marks a transition from consolidation into a high-velocity volatility expansion phase to the downside. The steep downward slope of the RSI below neutral parameters accelerates the trend slope decay. The provided lower-timeframe price action preserves lower-high structural integrity and respects the converted supply boundary on brief retracements, technical probabilities heavily favours a sustained downside impulse wave toward prospective lower support zones.

Hang Seng Tech Index

Last close:	4,320.57
Expected moving range:	3,550-4,600

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Technical View:

Weekly Chart: Price sustained its dominant downward trajectory, driving price directly into proximity with its overhead support zone. The persistent sell-side pressure reflects an intact downward structural framework. A high-conviction violation and close beneath this critical demand floor would convert the historic support anchor into a fresh supply ceiling. Technical probabilities suggest that a confirmed breach will unleash downside acceleration and clear a path of least resistance towards the lower extension targets.

Daily Chart: Price has extended its downward trajectory, bringing the market into direct confluence with its previous low support zone. The technical posture is showing early signs of seller deceleration as the RSI is approaching the oversold territory and beginings to curve upward. However, structural integrity remains binary: a high-conviction violation and daily close beneath this historical pivot would complete a structural polarity flip, converting the support floor into a supply ceiling and confirming a deeper trend continuation wave towards the lower expansion targets.