UOBKayHian

Country Daily | Greater China

Tuesday, 29 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	51481.5	(0.7)	(1.1)	(3.9)	7.1
S&P 500	7683.7	(0.8)	(1.0)	(0.4)	12.2
FTSE 100	10684.9	(0.1)	(0.5)	(1.3)	7.6
AS30	8850.7	0.1	(0.8)	(4.8)	(1.9)
CSI 300	4340.8	(2.2)	(3.7)	(5.8)	(6.2)
FSSTI	5729.0	0.3	0.9	0.5	23.3
HSCEI	8216.8	0.6	(1.5)	(3.2)	(7.8)
HSI	24642.5	0.5	(1.6)	(3.7)	(3.9)
JCI	6147.9	(1.5)	(3.7)	(5.7)	(28.9)
KLCI	1670.0	(0.1)	0.2	(3.2)	(0.6)
KOSPI	6889.7	(2.7)	2.6	1.5	63.5
Nikkei 225	65877.6	(0.7)	3.1	(0.8)	30.9
SET	1602.4	(0.3)	0.3	0.9	27.2
TWSE	48024.6	(0.3)	3.8	3.7	65.8
BDI	3268	(4.6)	(3.9)	2.6	74.1
CPO (RM/mt)	4380	(4.2)	(5.5)	(5.7)	11.4
Brent Crude (US$/bbl)	105	0.9	4.9	17.9	73.0

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
New Economy Conference at The Ritz Carlton Hotel	Malaysia	07 Oct	07 Oct
NDR with Food Empire Holdings Ltd (FEH SP)	Malaysia	08 Oct	08 Oct
Small & Mid-Caps Corporate Day	Singapore	21 Oct	21 Oct

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
2Q F BoP Current Account Balance	China	29 Sep
Sep PMI (Composite, Manufacturing, Non-manufacturing)	China	30 Sep
Sep RatingDog China PMI (Mfg, Composite, Services)	China	30 Sep
Aug Money Supply (M1, M2, M3)	Hong Kong	30 Sep

Top Stories

Sector Update | Internet

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- We expect solid travel demand during the Mid-Autumn Festival and National Day holidays, supported by the extended travel window driving longer stays, extended travel distances and stronger outbound demand. Booking data from TCOM and TT point to resilient long-haul and international travel, although overall passenger growth remains moderate. We expect OTA companies' growth to be supported by international business expansion and AI-enhanced operating efficiency, partly offset by softer domestic travel demand and regulatory adjustments. Maintain MARKET WEIGHT. Top BUY: Trip.com.

Company Update | Alibaba Group (9988 HK/**BUY**/HK$108.40/Target: HK$188.00)

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- We attended the 2026 Alibaba Cloud Apsara Conference on 22-24 Sep 26 and the key takeaways include: a) continued scaling of its model roadmap toward 5-10T parameters, alongside new multimodal model launches; b) further expansion of its proprietary compute stack with the Zhenwu V900, Yitian CPU roadmap and Panjiu supernode; and c) continued cloud infrastructure expansion, with global DC capacity targeted to exceed 20GW by 2032. Maintain BUY with an unchanged target price of HK$188.00 (US$192.00).

Company Update | Sunny Optical (2382 HK/**BUY**/HK$62.70/Target: HK$106.00)

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- At the non-deal roadshow for Sunny held in Taipei from 22-23 September, interests primarily focused on emerging businesses such as optical interconnect components, XR and Pan-IoT, although concerns about the dwindling smartphone market remain prominent. Management's guidance remains upbeat, expecting the fast-growing AI-driven emerging businesses and share gains to offset headwinds from the smartphone market through 2027. Maintain BUY and target price of HK$106.00, pegged to 21.1x 2027F PE.

Technical Analysis

Henderson Land Development | 12 HK

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- Support levels: HK$25.84/HK$25.20
- Resistance levels: HK$26.98/HK$29.24

China Longyuan Power Group | 916 HK

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- Support levels: HK$5.06/HK$4.95
- Resistance levels: HK$5.70/HK$6.04

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.

Internet

Online Travel Agencies: Extended Holiday Window Supports Long-haul And International Travel

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Highlights

- We expect solid travel demand during the Mid-Autumn Festival and National Day holidays, supported by the extended travel window driving longer stays, extended travel distances and stronger outbound demand. Booking data from TCOM and TT point to resilient long-haul and international travel, although overall passenger growth remains moderate. We expect OTA companies' growth to be supported by international business expansion and AI-enhanced operating efficiency, partly offset by softer domestic travel demand and regulatory adjustments.
- Maintain MARKET WEIGHT. Top BUY: Trip.com

Analysis

- **Traveller traffic points to solid travel momentum during the Mid-Autumn and upcoming National Day holidays.** According to the Ministry of Transport, total cross-regional passenger traffic is expected to reach around 2.78b trips across the two holidays. During the three-day Mid-Autumn Festival, passenger traffic is forecast at around 650m trips, or 220m per day, around 20% above normal daily levels, while the seven-day National Day holiday is expected to see around 2.13b trips, or 300m per day, as travel demand remains elevated. Passenger traffic is expected to peak at around 340m trips on 1 October. Separately, China State Railway expects 284m railway passenger trips during the 16-day holiday transport period from 23 September-8 October, with 96.21m tickets already sold as of 23 September, reflecting robust travel demand ahead of the holidays.
- **TCOM: Prolonged holiday window supports extended outbound travel.** According to Trip.com Group's (TCOM) released "Golden Week 2026 travel trends" on 20 September, around one in 10 travellers combined the Mid-Autumn Festival and National Day holidays into an extended break, and nearly half of these travellers planned trips of more than eight days. More than half of outbound flight bookings are scheduled to depart before the official National Day holiday begins on 1 October, with average outbound trip duration exceeding nine days. Bookings for hotel stays of seven nights or longer surged 123% yoy, while long-haul flight bookings to gateway cities in Europe, Australia and the US recorded double-digit yoy growth. The extended holiday window is therefore supporting longer-duration and long-haul outbound travel, rather than merely increasing overall trip frequency.
- **Longer holidays are also driving multi-destination and diversified outbound travel.** According to TCOM, bookings for multi-destination itineraries jumped 84% yoy, with Southeast Asia and Europe among the most popular regions for multi-stop journeys, including Singapore-Bali, Hong Kong-Sydney and Amsterdam-Milan. Island and leisure destinations in Asia also saw strong demand, with flight bookings by Chinese travellers to Cebu and Phuket rising 111% and 78% yoy, respectively, while Jeju and Bali ranked among the top outbound destinations. Among younger travellers, New Zealand also gained traction, with flight bookings to Queenstown and Auckland rising 314% and 276% yoy, respectively, reflecting a broader shift towards longer-distance and more diversified travel itineraries.

MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
E-commerce	MARKET WEIGHT (Maintained)
Online Game	OVERWEIGHT (Maintained)
OTA	OVERWEIGHT (Maintained)
AI	OVERWEIGHT (Maintained)
Online Property Vertical	MARKET WEIGHT (Maintained)
Local Life Service	UNDERWEIGHT (Maintained)
E-commerce	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
Trip.com	9961 HK	BUY	309.20	508.00
Tongcheng Travel	780 HK	BUY	10.20	18.00

Source: Bloomberg, UOB Kay Hian

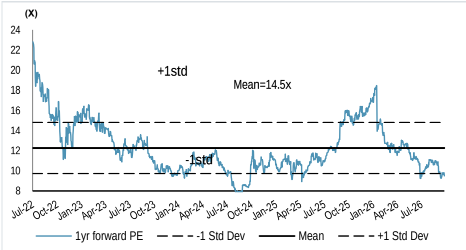
Peer Comparison

Company	Ticker	Rec	Price @ 25 Sep 26 (lcy)	Target Price (lcy)	Upside To TP (%)	Market Cap (lcy m)	--- Calendarised PE --- 2026F (x)	2027F (x)	2028F (x)	--Calendarised EV/EBITDA-- 2026F (x)	2027F (x)	2028F (x)	----------- ROE ----------- 2026F (%)	2027F (%)	2028F (%)	----------- PB ----------- 2026F (x)	2027F (x)	2028F (x)
Trip.com	9961 HK	BUY	309.20	508.00	64.30	194,705	11.4	9.9	8.8	7.5	6.0	5.3	15.7	8.5	8.7	1.0	0.9	0.8
Tongcheng Travel	780 HK	BUY	10.20	18.00	76.47	24,014	5.9	5.3	4.7	2.4	2.2	2.0	11.0	13.1	13.3	0.8	0.7	0.7

Source: Bloomberg, UOB Kay Hian

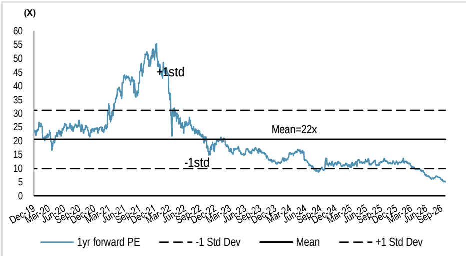
- **Tongcheng Travel (TT): Longer holiday window drives domestic long-haul and extended-stay demand.** On 14 September, TT released its "2026 Mid-Autumn Festival and National Day Travel Trend Forecast", showing an acceleration in long-distance domestic travel ahead of the holidays. As of 14 September, booking interest for domestic flights of over 1,200km increased 34% yoy, while the share of hotel bookings for stays of five days or longer rose around 7ppt yoy. Long-haul travel products in Southwest and Northwest China also saw booking interest increase over 30% yoy, reflecting travellers' greater willingness to travel farther and stay longer during the extended holiday window. Meanwhile, county-level travel product bookings grew 42% yoy, with average stays at these destinations extending by 3.2 days yoy, pointing to rising demand for deeper and slower-paced domestic travel.
- **Online travel agencies (OTA): Extended holiday supports long-haul and international travel demand.** We expect the upcoming Mid-Autumn Festival and National Day holidays to support travel demand, with the extended travel window encouraging longer stays and greater travel distances. Recent industry and OTA booking data consistently point to stronger long-haul domestic and outbound travel, with travellers departing earlier, staying longer and increasingly adopting multi-destination itineraries. While overall passenger growth remains relatively moderate, we believe the favourable travel mix should benefit higher-value accommodation, long-haul transportation and international travel products during the holiday period.
- **AI adoption continues to reshape OTA user acquisition and operating efficiency.** Leading OTAs are increasingly deploying AI across travel inspiration, itinerary planning, customer service and transaction conversion. TCOM has expanded AI across product discovery and customer service; despite guiding 3Q26 revenue growth of only 1-6% yoy, non-GAAP operating margin is expected to remain resilient at 31.0-31.5%, supported by better cost control, while management expects broader AI adoption to further improve automation, personalisation and operating efficiency. TT is also upgrading its DeepTrip itinerary planner and testing transaction capabilities through the Weixin AI ecosystem, which could improve user engagement and service efficiency over time.
- **OTA companies' 2026 growth outlook remains supported by international business expansion despite softer domestic demand:**
  a) TCOM expects 3Q26 revenue to grow 1-6% yoy, weighed by softer domestic travel demand and ongoing regulatory adjustments. Domestic hotel booking volume could remain broadly flat to slightly higher yoy with slightly lower ADR, while domestic transportation revenue is projected to decline 25-30% yoy on weaker ticket volume and lower monetisation. In contrast, TCOM's international business remains the key growth driver, with revenue growing over 50% yoy in 2Q26. In terms of profitability, TCOM foresees non-GAAP operating margin remaining resilient at 31.0-31.5% in 3Q26, supported by better cost control despite slower top-line growth. Looking ahead, management expects growth pressure to persist into 1H27 before recovering to a teens level in 2H27, mainly driven by continued expansion of TCOM's international business.
  b) TT guides for a 6-11% yoy growth in core OTA revenue in 2026, underpinned by a 5-10% yoy growth in accommodation reservation revenue, while transportation revenue growth is likely to range from -3% to +3% yoy. Other revenue is expected to increase 32-37% yoy, mainly driven by hotel management, while tourism revenue is forecast to decline 0-5% yoy, bringing overall revenue growth to 5-10% yoy. In terms of profitability, TT expects core OTA operating margin to remain broadly stable, with adjusted net profit of around Rmb3.7b, as personnel cost savings are partly reinvested into marketing. International travel remains a key growth area, with its revenue contribution to hotel and transportation projected to reach around 9% by end-26. For 3Q26, accommodation revenue could grow 3-8% yoy, with international hotel room nights remaining strong at over 40% yoy despite broadly flat overall room nights.

TCOM 12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

TT 12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Trip.com (9961 HK).** Maintain BUY with an unchanged target price of HK$508.00 (US$65.00). Our target price implies 15.6x 2027F PE, in line with global peers. TCOM is currently trading at 9.5x 2027F PE, below its historical mean of 14.5x.
- **Tongcheng Travel (780 HK).** Maintain BUY with an unchanged target price of HK$18.00, based on 12x 2027F PE from the previous 15.4x and implying 0.8x 2026F PEG. TT currently trades at 6.5x 2027F PE, below its historical mean of 22x.

Sector Catalyst/Risk

- **Catalysts:** a) Further expansion of visa-free policies supporting inbound and outbound travel; b) AI-enhanced operating efficiency, user conversion and margin improvement; and c) sustained growth in international and long-haul travel demand.
- **Risks** include: a) Weaker consumer travel spending, b) softer domestic travel demand and lower hotel ADR/airfare, c) intensifying competition among OTA platforms, and d) regulatory changes and geopolitical conflicts affecting cross-border travel.

Peer Comparison

Company	Ticker	Price @	Market	Calendarised --------- PE ---------			Calendarised ------- EV/EBITDA -------			Calendarised ---------- EV/Sales ------			---------- ROE -----------			----------- PB ------------		
		25 Sep 26	Cap	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
		(lcy)	(lcy m)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(x)	(x)	(x)
Global online travel players																		
Trip.com Group	9961 HK	309.20	194,705	11.4	9.9	8.8	7.5	6.0	5.3	1.7	1.6	1.4	15.7	8.5	8.7	1.0	0.9	0.8
Tongcheng Travel	780 HK	10.20	24,014	5.9	5.3	4.7	2.4	2.2	2.0	0.6	0.6	0.5	11.0	13.1	13.3	0.8	0.7	0.7
Meituan	3690 HK	71.65	442,473	n.a.	15.8	9.5	32.2	8.9	5.9	0.7	0.7	0.6	-21.7	11.7	17.0	2.4	2.1	1.8
Airbnb Inc	ABNB US	151.39	90,650	28.3	24.1	19.3	16.0	14.1	12.3	5.7	5.1	4.6	34.5	35.7	34.5	9.8	7.6	6.1
Booking Holdings Inc	BKNG US	157.41	118,275	15.0	12.7	11.0	11.2	9.9	9.0	4.1	3.8	3.5	n.a.	-196.8	-211.8	-13.1	-15.3	-41.2
Expedia Group Inc	EXPE US	261.75	31,415	12.4	10.6	9.1	7.6	6.8	6.2	1.9	1.8	1.7	199.1	97.9	91.2	12.9	8.1	5.7
TripAdvisor Inc	TRIP US	8.52	999	11.1	9.0	6.3	4.5	4.5	4.1	0.7	0.7	0.6	0.8	9.1	9.2	1.2	1.1	0.9
MakeMyTrip	MMYT US	46.87	4,488	23.9	19.3	16.6	24.8	19.6	15.3	4.4	3.8	3.2	n.a.	-524.0	186.7	-761.1	36.8	13.1
WebBeds Group	WEB AU	3.37	1,220	14.0	11.1	9.1	6.7	5.6	4.8	2.5	2.2	2.0	6.1	13.5	15.9	1.9	1.7	1.5
Lastminute.com NV	LMN SW	9.30	108	7.4	4.9	4.5	0.3	0.3	0.3	0.0	0.0	0.0	21.4	n.a.	n.a.	1.8	1.6	1.6
Travelzoo	TZOO US	5.51	56	n.a.	6.9	7.2	n.a.	5.0	5.2	0.6	0.6	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average				14.4	11.8	9.6	11.3	7.5	6.4	2.1	1.9	1.7	33.4	-59.0	18.3	-74.2	4.5	-0.9
China's offline travel/hotel players				22.6	19.2	16.8	12.9	11.2	9.8	1.7	1.5	1.4	6.7	9.1	9.9	1.8	1.7	1.6
China Tourism Group Duty Free Corp	601888 CH	51.46	105,370	15.7	13.7	12.3	11.5	10.3	9.4	4.0	3.7	3.5	38.4	39.4	38.4	5.7	4.9	4.3
H World Group	HTHT US	41.99	13,244	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.5	2.5	n.a.	n.a.	n.a.
China CYTS Tours Holding Co	600138 CH	7.00	5,067	21.3	17.4	14.1	8.2	7.4	6.7	1.8	1.7	1.6	-0.6	3.0	3.7	0.5	0.5	0.5
China Travel International Investment Hong Kong	308 HK	1.13	6,256	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.7	9.5	n.a.	n.a.	n.a.
UTour Group Co	002707 CH	5.09	5,002	19.9	16.8	14.4	10.9	9.6	8.7	2.5	2.3	2.2	14.8	12.3	12.8	2.7	2.4	2.1
Average				11.4	9.9	8.8	7.5	6.0	5.3	1.7	1.6	1.4	15.7	8.5	8.7	1.0	0.9	0.8

Source: Bloomberg, UOB Kay Hian

Alibaba Group (9988 HK)

APSARA Conference 2026 Key Takeaways

Highlights

- Alibaba Cloud held its 2026 Apsara Conference on 22-24 Sep 26 and framed AI as a long-term scaling opportunity spanning models, cloud infrastructure and proprietary compute. Key takeaways include: a) continued scaling of its model roadmap toward 5-10T parameters, alongside new multimodal model launches; b) further expansion of its proprietary compute stack with the Zhenwu V900, Yitian CPU roadmap and Panjiu supernode; and c) expansion of global DC capacity to 20GW by 2032 (10x vs 2022), and accelerating the deployment of proprietary chips. Maintain BUY with an unchanged target price of HK$188.00 (US$192.00).

Analysis

- **Model roadmap advances toward 5-10T parameters, with RSI extending into training and inference optimisation.** Alibaba Group (Alibaba) highlighted continued progress in large models, with Qwen4 currently under training and future Qwen4.5 and Qwen5 versions expected to scale to 5-10T parameters. Meanwhile, Recursive Self-Improvement (RSI) has started to extend across model training and inference optimisation. Qwen3.8-Max autonomously built training workflows and generated training data, completing 33 effective iterations with virtually no human participation, while also optimising the Qwen3.8-Flash inference framework to improve single-instance throughput by 96%. Separately, Alibaba broadened its multimodal portfolio with Qwen-Image-3.1, Happy Shrimp 1.1, HappyOyster 2.0 Preview, Qwen-Audio-3.1 and Qwen3.8-LiveTranslate, while its next-generation video-generation model is scheduled for launch in November.
- **Proprietary chip roadmap expands from individual processors toward integrated AI supernodes.** The M890 supernode has already supported inference for 2T-parameter models. Alibaba unveiled its next-generation Zhenwu V900 AI accelerator, delivering around 3x the performance of the M890, with 216GB HBM and 1,200GB/s inter-chip bandwidth, and is expected to enter mass production in 1Q27. T-Head also outlined its Yitian CPU roadmap, with Yitian 720/730 planned for 3Q27 and the subsequent Yitian 750 designed to support Alibaba's proprietary ICN interconnect, enabling tighter CPU-to-AI-accelerator integration. At the system level, Alibaba unveiled its next-generation Panjiu supernode server, integrating Zhenwu V900, ICN Switch, Panmai smart NIC and Zhenyue SSD controller chips with Alibaba Cloud's latest intelligent computing-centre network architecture to enable system-level coordination across compute, storage and networking. A single AI cluster can scale to up to 500,000 accelerators, with the architecture designed to evolve toward wide-area supernodes. The roadmap highlights Alibaba's shift from standalone chip development toward full-system AI infrastructure optimisation.

Key Financials

Year to 31 Mar (Rmbm)	2025	2026	2027F	2028F	2029F
Net turnover	996,347	1,023,670	1,127,396	1,288,253	1,449,484
EBITDA	181,839	96,055	152,896	194,090	252,970
Operating profit	140,905	50,150	79,251	103,362	150,593
Net profit (rep./act.)	129,470	105,904	65,397	101,687	136,935
Net profit (adj.)	158,122	60,658	96,693	139,207	174,276
EPS (fen)	855.3	326.5	522.4	758.6	953.8
PE (x)	10.8	28.4	17.8	12.2	9.7
P/B (x)	1.8	1.7	1.4	1.3	1.1
EV/EBITDA (x)	10.4	19.6	12.3	9.7	7.5
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
Net margin (%)	13.0	10.3	5.8	7.9	9.4
Net debt/(cash) to equity (%)	(7.1)	(5.2)	(1.3)	3.0	1.4
ROE (%)	12.8	10.1	5.7	7.7	9.3
Consensus net profit	-	-	104,018.4	145,324.5	182,512.9
UOBKH/Consensus (x)	-	-	0.93	0.96	0.95

Source: Alibaba Group, Bloomberg, UOB Kay Hian

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BUY (Maintained)	
Share Price	HK$108.40
Target Price	HK$188.00
Upside	73.40%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9988 HK
Shares issued (m)	19,885.0
Market cap (US$m)	2,155,532.8
Market cap (US$m)	274,814.2
3-mth avg daily t'over (US$m)	1,368.6

Price Performance (%)

52-week high/low: HK$186.20/HK$88.65

1mth	3mth	6mth	1yr	YTD
(5.1)	14.1	(15.9)	(37.7)	(24.1)

Major Shareholders (%)

Vanguard Group Inc.	5.34
BlackRock Inc	5.01
JPMorgan Chase & Co	4.80

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	64.33
FY26 Net Debt/Share (Rmb$)	0.84

Price Chart

Source: Bloomberg

Company Description

Alibaba Group is the largest e-commerce marketplace operator and cloud hyperscaler in China.

- **AI infrastructure buildout accelerates; targeting >20GW of DC capacity by 2032.** Alibaba Cloud outlined a longer-term expansion plan to increase its global data centre (DC) capacity to more than 20GW by 2032, supporting rising AI compute demand. We estimate Alibaba will need to add 1-2GW of capacity annually from 5-6GW at end-25, implying roughly Rmb200b-300b of annual capex over the next few years, supported by a mix of asset-heavy, asset-light and rental capacity, with T-Head custom silicon lowering US$/GW vs global peers. T-Head could rise from 10% of Alibaba Cloud's compute capacity today to around 50% in the medium term. Alibaba Cloud currently operates 107 availability zones across 31 regions globally, supported by more than 3,200 edge nodes, and plans to further expand its global infrastructure footprint. Alibaba also introduced a new-generation AI DC architecture that can shorten the deployment cycle to around 100 days while delivering 5–10x the compute density of traditional DC cabinets. We believe greater capacity, broader coverage and faster, denser deployment should support Alibaba Cloud's AI infrastructure scale-up alongside its model and proprietary compute roadmap.
- **Qwen Office expands enterprise agent capabilities from context management to digital employees.** Alibaba introduced Enterprise Context to organise and continuously update fragmented enterprise data across documents, communications and business systems, enabling agents to act on real-time business context. Combined with Qwen Office, companies can deploy permission-controlled digital employees integrated with DingTalk and workflows, while QwenNote A2 brings offline meetings and customer interactions into the same agent ecosystem. We believe this extends the usage of Qwen from individual productivity to enterprise-wide workflow automation.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of HK$188.00 (US$192.00). Our target price implies 32x FY27F PE and 22x FY28F PE. Alibaba is trading at 18.4x FY27F PE, against a 39% EPS three-year CAGR from FY27-30.

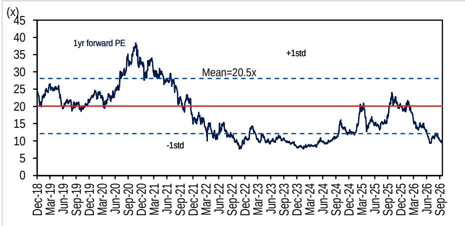
Earnings Revision/Risk

- We keep our FY27 earnings estimate unchanged. This represents revenue and earnings growths of 11%/58% respectively for FY27, implying a net margin of 9%.
- Risks: a) Margin pressure stemming from AI investment, and b) slower-than-expected monetisation upon investment of AI capex.

Share Price Catalyst

- a) Accelerating growth of cloud hyperscalers; b) solid progress in self-sufficiency chip development, reducing reliance on US chips; c) continued expansion and advancement of AI models; and d) AI integration to empower business segments.

12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

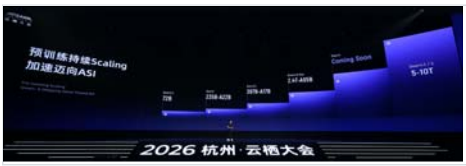
Launch Of Zhenwu V900

Source; Alibaba, UOB Kay Hian

Yitian Production Roadmap

Source; Alibaba, UOB Kay Hian

Qwen Model Roadmap Toward ASI



Source; Alibaba, UOB Kay Hian

Panjiu Agentic AI CPU Server

Source; Alibaba, UOB Kay Hian

SOTP-Based Valuation

Description	Business Unit	FY27 Revenue (HK$b)	EBIT (HK$b)	EV / Revenue (x)	EV / EBITA (x)	Value (HK$b)	% BABA holding (%)	Value to BABA (HK$b)	(HK$) per share
Core commerce	Alibaba China E-commerce Group	696	265	2	5	1,323	100	1,323	69
Instant Commerce +Ele.me	Quick Commerce	242		1		242	100	242	13
International commerce	Alibaba International Digital Commerce Group	234	23	1	50	1,169	100	1,169	61
Cloud Computing, other	Cloud Intelligence Group	30		20		600		600	31
All Others	Freshippo, Cainiao, Alibaba Health, Hujing DME, Amap, Intelligent Information Platform	128	5		20	102	100	102	5
Total Core+initiatives valuation	Alibaba China E-commerce Group								
Net cash	Quick Commerce							3,436	179
Total	Alibaba International Digital Commerce Group							136	7
# of shares								3,608	188

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Net turnover	1,023,670.0	1,127,395.6	1,288,253.2	1,449,484.0
EBITDA	96,055.0	152,895.9	194,089.6	252,970.4
Deprec. & amort.	45,905.0	73,644.6	90,727.2	102,377.9
EBIT	50,150.0	79,251.3	103,362.4	150,592.6
Total other non-operating income	3,830.0	263.0	(232.0)	(0.0)
Associate contributions	2,785.0	2,367.4	19,647.7	19,475.7
Net interest income/(expense)	77,719.0	12,337.0	7,333.0	7,236.3
Pre-tax profit	134,484.0	94,218.7	130,111.1	177,304.6
Tax	(30,045.0)	(31,870.0)	(31,167.2)	(43,661.5)
Minorities	1,465.0	3,048.2	2,743.4	3,292.1
Net profit	105,904.0	65,396.9	101,687.3	136,935.1
Net profit (adj.)	60,658.0	96,693.1	139,207.3	174,275.7

Cash Flow

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Operating	76,213.0	151,564.4	197,851.2	248,867.2
Profit fo the year	134,484.0	94,218.7	130,111.1	177,304.6
Tax	(30,045.0)	(31,870.0)	(31,167.2)	(43,661.5)
Deprec. & amort.	45,905.0	73,644.6	90,727.2	102,377.9
Associates	(2,785.0)	(2,367.4)	(19,647.7)	(19,475.7)
Working capital changes	90,385.3	15,339.1	7,948.1	12,846.3
Non-cash items	0.0	1.0	1.0	1.0
Other operating cashflows	(161,731.3)	2,598.4	19,878.7	19,474.7
Investing	(67,336.0)	(300,653.2)	(301,694.6)	(279,393.6)
Capex (growth)	(122,021.0)	(225,479.1)	(219,003.0)	(188,432.9)
Investment	206,803.0	227,483.3	250,231.6	275,254.8
Others	(152,118.0)	(302,658.4)	(332,924.1)	(366,216.5)
Financing	(20,573.0)	114,052.3	51,045.7	56,149.2
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	24,259.0	4,745.0	5,219.5	5,741.5
Loan repayment	0.0	1.0	1.0	1.0
Others/interest paid	(44,832.0)	109,306.3	45,825.2	50,406.8
Net cash inflow (outflow)	(11,696.0)	(35,036.5)	(52,797.6)	25,622.8
Beginning cash & cash equivalent	147,230.0	131,530.0	96,493.5	43,695.9
Changes due to forex impact	(4,004.0)	0.0	0.0	0.0
Ending cash & cash equivalent	131,530.0	96,493.5	43,695.9	69,318.8

Balance Sheet

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Fixed assets	282,699.0	441,546.7	573,939.6	662,411.6
Other LT assets	1,016,102.0	1,084,262.9	1,162,837.4	1,251,381.1
Cash/ST investment	131,530.0	96,493.5	43,695.9	69,318.8
Other current assets	479,239.0	517,669.6	572,326.2	627,603.6
Total assets	1,909,570.0	2,139,972.8	2,352,799.1	2,610,715.1
ST debt	28,224.0	28,224.0	28,224.0	28,224.0
Other current liabilities	448,174.0	501,943.8	564,548.5	632,672.2
LT debt	47,450.0	52,195.0	57,414.5	63,156.0
Other LT liabilities	259,452.0	259,452.0	259,452.0	259,452.0
Shareholders' equity	1,068,731.0	1,240,619.0	1,385,621.1	1,569,671.9
Minority interest	57,539.0	57,539.0	57,539.0	57,539.0
Total liabilities & equity	1,909,570.0	2,139,973.8	2,352,800.1	2,610,716.1

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	9.4	13.6	15.1	17.5
Pre-tax margin	13.1	8.4	10.1	12.2
Net margin	10.3	5.8	7.9	9.4
ROA	5.7	3.2	4.5	5.5
ROE	10.1	5.7	7.7	9.3
Growth				
Turnover	2.7	10.1	14.3	12.5
EBITDA	(47.2)	59.2	26.9	30.3
Pre-tax profit	(16.4)	(29.9)	38.1	36.3
Net profit	(18.2)	(38.2)	55.5	34.7
Net profit (adj.)	(61.6)	59.4	44.0	25.2
EPS	(61.8)	60.0	45.2	25.7
Leverage				
Debt to total capital	6.3	5.8	5.6	5.3
Debt to equity	7.1	6.5	6.2	5.8
Net debt/(cash) to equity	(5.2)	(1.3)	3.0	1.4
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

Sunny Optical (2382 HK)

NDR Takeaways: 2026 Guidance Reiterated With Pan-IoT And AR Glasses Driving Growth

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Highlights

- At the non-deal roadshow for Sunny held in Taipei last week, investors' key focuses were primarily related to Sunny's progress in optical interconnect components, share gains and design wins from the US smartphone client, concerns about Android businesses, as well as opportunities from the fast-growing pan-IoT business.
- Sunny is upbeat on the edge-AI driven Pan-IoT business, expects the XR business to recover in 2027 and targets stable growth in the automotive business. The smartphone business will continue to face headwinds but targets flattish yoy growth in 2026-27 on share gains and specs upgrades.
- Maintain BUY and target price of HK$106.00, pegged to 21.1x 2027F PE.

Analysis

- **Management targets flattish revenue growth for handset business in 2026-27.** Management highlighted industry expectations of a 10-20% yoy decline in smartphone shipment volume in 2026, with 2H26 seeing an accelerated decline given a higher impact from cost hikes during the period. The trend will continue into 2027 and shipment volume may decline by another double-digit % yoy. The silver lining is that Sunny Optical (Sunny) sees sustained demand for high-end/flagship products with stronger-than-expected demand from the Chinese Android brand's recent launches. Sunny is also targeting to expand its share in the premium brands, including Huawei, Samsung and Apple which should perform significantly better than the mass-market focused Chinese Android brands. Notably, Sunny had managed to become one of the two major suppliers of the key US client's main camera lens + variable aperture supplier alongside Largan (3008 TT/Not) which implies share gain vs the previous generation. That said, additional new design wins for the flagship smartphone products in the US client are likely pushed back to 2028/29, and instead the growth from this client will come from the expanded adoption of variable aperture specs to more SKUs.
- As such, the company is still targeting a flattish smartphone revenue growth, with share gains and specs upgrades offsetting sharp volume declines. Margins will remain range bound between 25-30% for lens and 6-8% for modules, although the overall tone seems to lean towards the lower bound of the range in the near future.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	38,294	43,229	46,244	50,445	55,492
EBITDA	5,751	8,069	8,198	9,264	10,701
Operating profit	3,525	5,687	4,779	5,435	6,462
Net profit (rep./act.)	2,699	4,639	4,093	4,659	5,545
Net profit (adj.)	2,699	3,720	4,093	4,659	5,545
EPS (Fen)	248.2	426.5	376.3	428.4	509.8
PE (x)	21.6	12.5	14.3	12.5	10.5
P/B (x)	3.2	2.7	2.4	2.2	2.1
EV/EBITDA (x)	9.0	6.3	6.2	5.6	4.8
Dividend yield (%)	0.8	1.7	1.5	1.7	2.0
Net margin (%)	7.0	10.7	8.9	9.2	10.0
Net debt/(cash) to equity (%)	6.0	(14.8)	(22.8)	(30.6)	(42.2)
Interest cover (x)	4.0	7.1	13.0	23.1	26.3
ROE (%)	11.4	13.8	13.3	13.7	14.7
Consensus net profit	-	-	4,025	4,800	5,563
UOBKH/Consensus (x)	-	-	1.02	0.97	1.00

Source: Sunny Optical, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	HK$62.70
Target Price	HK$106.00
Upside	+69.1%

Stock Data

Sector	Electronic Components
Bloomberg ticker	2382 HK
Shares issued (m)	1,079
Market cap (HK$m)	67,651
Market cap (US$m)	8,673
3-mth avg daily t'over (US$m)	100.8

Price Performance (%)

52-week high/low HK$91.40/HK$51.50

1mth	3mth	6mth	1yr	YTD
(5.3)	3.0	16.7	(26.2)	(4.3)

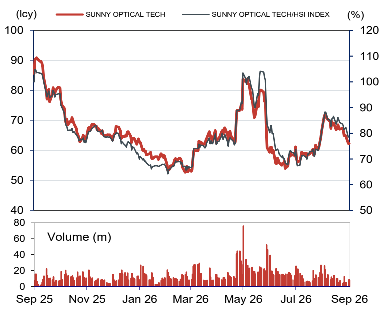
Major Shareholders (%)

Sun Xu	35.6

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	29.61
FY26 Net Cash/Share (Rmb)	6.67

Price Chart



Source: Bloomberg

Company Description

Sunny Optical designs, develops, manufactures and sells optical and optical-related products - handset and vehicle lens sets, camera modules, AR/VR modules and optical instruments.

- **Vehicle – No guidance but expects stable market growth and sustained share gains.** Management puts industry growth in vehicle camera solutions at 10-15% yoy and expects to at least match the industry growth as an industry leader. Handset lens is seeing better momentum in China as more Chinese OEMs are shifting their focus from cost cutting to product quality/reliability, while the overseas camera module business should start to pick up as another growth driver in 2027. Margins are expected to remain stable for both products, estimated to be at 38-40% for vehicle lens, and 10-15% for vehicle modules.
- **XR to see better growth from 2027 driven by AR glasses launches from two customers.** After a sluggish 2026, Sunny's US customer is expected launch the new AR glass product in 4Q26 which should drive the segment's growth in 2027 alongside another US customer's AR glass launch. Content value TAM for each AR device is expected to reach US$200 per device which is around 50% of the device's BOM.
- **Pan-IoT products to grow at strong double digits every year on the back of edge AI's proliferation.** Sunny reiterated the 50% yoy growth in Pan-IoT revenue and highlighted robust growth from various products such as handheld devices, robots, and smart automation (warehouse automation from a global leading US-based e-commerce platform). Management highlighted that the strong growth seen in Pan-IoT is directly tied to the proliferation of AI-enabled smart features on edge products (eg, AI devices, embodied robots), which are now starting to pick up rapidly given the easy-to-use, rapidly expanding applications. While they cannot provide a solid growth number beyond 2026, they believe that a strong double-digit growth for the next few years should be easily achievable. Given that Pan-IoT segment has much higher margins (>30%, and contributes to >32% of total gross profit in 1H26), we expect the segment to be one of the largest growth drivers for Sunny Optical going forward.
- **Optical interconnect entry is defined as passive components, with first revenue in 2027.** Sunny plans to enter the market as a passive component supplier, and its products are now going through verification with the leading optical transceiver suppliers in China at the moment. Qualification will likely take 6-12 months. As such, there should be no revenue contribution in 2026 (since Sunny sent samples for qualification in August), while in 2027 there should be minimal contribution primarily from small batch shipments. The bottom line is that the business is still in the early stages of development with no finalised plans or meaningful capex investments. However, management did mention that most of the equipment and production know-how required for passive components overlap with Sunny's existing products, with the exception of some cutting and inspection tools, which gives the company strong confidence in scaling up production as well as outperforming competitors in terms of product quality.

Valuation/Recommendation

- **Maintain BUY and target price of HK$106.00,** based on 21.1x 2027F PE, pegged to 0.5SD below the 10-year forward mean.

Earnings Revision/Risk

- **No change to our 2026-28 forecasts.**

Share Price Catalyst

- Optical interconnect plan finalised, around Oct 26.
- AR glasses launches from both North American customers, 4Q26-2027.
- Vehicle spin-off completion, 2027.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	43,229	46,244	50,445	55,492
EBITDA	8,069	8,198	9,264	10,701
Depreciation & amortization	2,382	3,418	3,829	4,239
EBIT	5,687	4,779	5,435	6,462
Total other non-operating income	(6)	0	0	0
Associate contributions	172	172	172	172
Net interest income/(expense)	(436)	(207)	(207)	(207)
Pre-tax profit	5,416	4,744	5,400	6,427
Tax	(609)	(533)	(607)	(723)
Minorities	168	118	134	159
Net profit	4,639	4,093	4,659	5,545
Net profit (recurrent)	3,720	4,093	4,659	5,545

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	9,818	9,996	9,965	9,823
Other LT assets	7,034	7,364	7,824	8,377
Cash/ST investment	7,482	10,525	14,098	19,981
Other current assets	34,881	32,283	33,690	33,858
Total assets	59,215	60,168	65,577	72,039
ST debt	1,770	1,770	1,770	1,770
Other current liabilities	48,604	47,907	51,600	56,044
LT debt	3	3	3	3
Other LT liabilities	1,412	1,412	1,412	1,412
Shareholders' equity	29,149	32,190	35,651	39,771
Minority interest	616	616	616	616
Total liabilities & equity	59,215	60,168	65,577	72,039

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	6,080	7,843	7,840	10,371
Pre-tax profit	5,416	4,744	5,400	6,427
Tax	(609)	(533)	(607)	(723)
Depreciation/amortization	(2,382)	(3,418)	(3,829)	(4,239)
Associates	(172)	(172)	(172)	(172)
Working capital changes	(558)	511	(489)	715
Non-cash items	4,384	6,711	7,536	8,362
Other operating cashflows				
Investing	(999)	(4,366)	(3,972)	(4,047)
Capex (growth)	(2,931)	(3,500)	(3,000)	(3,000)
Investments	(2,010)	(270)	(376)	(451)
Proceeds from sale of assets	3,942	(596)	(596)	(596)
Others	-	-	-	-
Financing	(2,094)	(422)	(282)	(427)
Dividend payments	(526)	(1,192)	(1,052)	(1,198)
Issue of shares	-	-	-	-
Proceeds from borrowings	764	764	764	764
Loan repayment	-	-	-	-
Others/interest paid	(2,332)	6	6	6
Net cash inflow (outflow)	2,987	3,056	3,587	5,896
Beginning cash & cash equivalent	4,509	7,482	10,525	14,098
Changes due to forex impact	(13)	(13)	(13)	(13)
Ending cash & cash equivalent	7,482	10,525	14,098	19,981

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	19.7	19.2	19.7	20.4
Pre-tax margin	12.5	10.3	10.7	11.6
Net margin	10.7	8.9	9.2	10.0
ROA	6.6	6.9	7.4	8.1
ROE	13.8	13.3	13.7	14.7
Growth				
Turnover	12.9	7.0	9.1	10.0
Gross profit	21.6	4.2	12.2	13.7
Pre-tax profit	72.3	(12.4)	13.8	19.0
Net profit	71.9	(11.8)	13.8	19.0
Net profit (adj.)	37.8	10.0	13.8	19.0
EPS	71.9	(11.8)	13.8	19.0
Leverage				
Debt to total capital	5.4	5.3	4.8	4.4
Debt to equity	10.9	9.9	8.9	8.0
Net debt/(cash) to equity	(14.8)	(22.8)	(30.6)	(42.2)
Interest cover (x)	13.0	23.1	26.3	31.3

Technical Analysis

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Henderson Land Development (0012 HK)

Last price:	HK$26.30
Support levels:	HK$25.84/HK$25.20
Resistance levels:	HK$26.98/HK$29.24

Price executed a retest and defence of its resistance-turned-support zone, printing a higher low within the emerging swing sequence. The RSI remains in bearish territory; its steady upward trajectory towards the neutral 50-midline signals decaying downside momentum and a transition towards bullish velocity. A decisive structural breach and daily close above the recent high pivot threshold will complete a bullish trend continuation pattern, opening path-of-least-resistance dynamics for an accelerated upward momentum expansion towards higher supply targets.

Average timeframe: Around two weeks.

China Longyuan Power Group (0916 HK)

Last price:	HK$5.27
Support levels:	HK$5.06/HK$4.95
Resistance levels:	HK$5.70/HK$6.04

Price rebounded from its previous low support zone, validated by the print of a hammer candlestick formation. The RSI has crossed above its neutral 50-midline and continues to slope upward, signalling trend velocity acceleration. The HK$5.28 pivot threshold represents the key overhead swing high resistance; a decisive daily close above HK$5.28 will complete a bullish accumulation pattern, opening path-of-least-resistance dynamics for a sustained upward expansion towards higher supply targets.

Average timeframe: Around two weeks.