UOBKayHian

Country Daily | Greater China

Thursday, 24 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	51511.6	(0.7)	0.1	(3.3)	7.2
S&P 500	7706.0	(0.8)	2.0	0.4	12.6
FTSE 100	10705.3	(0.0)	0.2	(1.0)	7.8
AS30	8956.2	0.1	0.9	(3.9)	(0.7)
CSI 300	4517.3	(0.6)	0.8	(1.0)	(2.4)
FSSTI	5709.9	(0.2)	1.3	0.5	22.9
HSCEI	8273.8	(1.1)	0.8	(2.3)	(7.2)
HSI	24834.1	(1.0)	0.5	(4.5)	(3.1)
JCI	6374.9	1.6	(1.0)	(1.9)	(26.3)
KLCI	1676.4	(0.4)	(0.2)	(3.4)	(0.2)
KOSPI	7080.9	0.9	5.4	4.3	68.0
Nikkei 225	65019.0	1.4	1.6	(0.8)	29.2
SET	1610.7	0.4	3.1	0.6	27.9
TWSE	48157.3	0.7	5.0	7.6	66.3
BDI	3430	(0.1)	3.1	20.7	82.7
CPO (RM/mt)	4614	0.1	(0.6)	(1.6)	17.3
Brent Crude (US$/bbl)	103	3.9	(2.6)	9.2	69.4

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

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Aug Trade Balance, Exports, Imports	Hong Kong	24 Sep
Aug Industrial Profits	China	28 Sep
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 | China Property Page 2 →

- The market is again abuzz with rumours of a nationwide mortgage-interest subsidy of 40-100bp. Around 20 cities are already running their own schemes. With mortgage contraction accelerating (net repayments reached Rmb716b in 1H26, above the full-year 2025 decline of Rmb677b), we believe a potential mortgage-interest subsidy is worth watching. However, share prices could correct if the subsidy comes later or is smaller in scale than expected. Maintain UNDERWEIGHT on China's property sector.

Asian Gems Corporate Highlights | Hangzhou Hikvision Digital Technology (002415 CH/**NOT RATED**/Rmb32.58) Page 4 →

- Hikvision's domestic core business returned to growth in 1H26 as effective DRAM cost pass-through drove higher ASPs and top-line growth despite declining shipment volumes, while lifting gross margin to a record 50%. According to management, memory tightness is expected to support earnings throughout 2027, before growth shifts from pricing to volume.

Asian Gems Corporate Highlights | NAURA Technology Group (002371 CH/**BUY**/Rmb668.15/Target: Rmb930.00) Page 7 →

- NAURA is well positioned to report a stronger financial performance in 2027, supported by memory demand, rising domestic equipment adoption and its established presence at leading memory manufacturers. Advanced-logic localisation and continued FEOL and advanced-packaging portfolio expansion provide multi-year growth opportunities, while component bottlenecks should ease by 2027. Maintain BUY with a target price of Rmb930.00.

Technical Analysis

Nongfu Spring | 9633 HK Page 10 →

- Support levels: HK$37.10/HK$35.06
- Resistance levels: HK$39.50/HK$40.16

Huishang Bank | 3698 HK Page 10 →

- Support levels: HK$4.53/HK$4.16
- Resistance levels: HK$4.91/HK$5.00

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.

China Property

Faster Mortgage Contraction Raises The Odds Of A National Rate Subsidy; Maintain UNDERWEIGHT

Analyst(s)

Liu Jieqi
Jieqi.Liu@uobkh.com
+852 28261392

Damon Shen
Damonshen@uobkh.com
+86 21 54047225 ext.820

UNDERWEIGHT (Maintained)

Highlights

- The market is again abuzz with rumours of a nationwide mortgage-interest subsidy. With mortgage balance contraction having accelerated sharply in 2026, we see a marginally higher possibility of mortgage rate subsidy. A 100bp one-year subsidy scheme covering new first-home loans would cost about Rmb23b a year, which is 0.1% of annual fiscal income.
- We remain cautious about recent rumours that the government has provided window guidance for banks to extend loans to Vanke.
- A potential mortgage-interest subsidy is worth watching out for. However, share prices could correct if the subsidy comes later or is smaller in scale than expected. Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- **Market again abuzz with rumours of a nationwide mortgage-interest subsidy.** There has been market speculation during the past week that the government may introduce a nationwide mortgage-interest subsidy before end-Sep 26. Rumours suggest that combined central and local subsidies could cut effective mortgage rates for first-time buyers of new homes by 40-100bp. Including this latest round, similar rumours have surfaced at least three times since Nov 25.
- **Mortgage rate subsidies have been adopted by a growing number of cities to stabilise their housing markets, but tight local finances limit the size of packages.** So far, around 20 cities have introduced their own mortgage rate subsidy schemes. Many of the schemes mainly target homebuyers who sell their existing homes and use mortgage financing to purchase new homes. The interest subsidy is generally capped at around Rmb25,000–50,000 per buyer. However, the rollout of these policies has so far been relatively limited across cities, with total subsidy budgets ranging from only Rmb100m to Rmb200m per city. This may be mainly because the subsidies are funded and implemented by local governments, and are thus constrained by the tight financing of local governments.

Mortgage Rate Subsidy Schemes In Key Cities

City	Announced	Eligible buyers	Subsidy	Cap	Budget
CD*	2026/8/25	All new-home buyers using HPF	20% of one year's provident fund loan interest	Rmb25k	No explicit cap
SH*	2026/8/21	Sell-old-buy new home outside outer ring	1% of loan	Rmb50k per unit	Rmb200m
GZ*	2026/5/25	Sell-old-buy new home	1% of loan	Rmb30k per unit	Rmb200m
NJ*	2026/3/20	Sell-old-buy new home	1% of loan	No explicit cap	Rmb100m

**CD=Chengdu; SH=Shanghai; GZ=Guangzhou; NJ=Nanjing*

Source: UOB Kay Hian

Segmental Rating

Segment	Rating
China property	UNDERWEIGHT (Maintained)
Property management	UNDERWEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
COLI	688HK	BUY	12.64	19.88
CR Mixc	1209 HK	BUY	38.08	55.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 23-Sep-26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2027F (%)	ROE 2026F (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	29.62	39.60	33.7	12/25	8.1	9.0	8.0	4.3	4.7	211,218.4	0.61
China Overseas Land	688 HK	BUY	12.64	19.88	57.3	12/25	9.1	10.2	9.5	3.9	2.7	138,343.3	0.30
Longfor Properties	960 HK	BUY	5.66	8.76	54.8	12/25	4.6	n.a.	n.a.	0.2	-1.9	40,171.3	0.21
Yuexiu Property	123 HK	BUY	3.27	4.50	37.8	12/25	43.5	45.7	36.1	1.1	0.5	13,142.9	0.21
CR Mixc Lifestyle	1209 HK	BUY	38.08	55.00	44.4	12/25	18.8	17.0	15.3	6.5	26.6	86,917.6	4.60
China Overseas Property Holdings	2669 HK	BUY	3.28	4.20	28.2	12/25	6.8	7.6	7.6	5.6	18.5	10,755.0	1.41

Source: Bloomberg, UOB Kay Hian

- **Mortgage contraction accelerated in 2026, which marginally raises the probability of a national interest subsidy.** According to PBOC data, net repayments of mortgage reached Rmb716b in 1H26, which already exceed 2025's full-year decline of Rmb677b. The yoy decline in the outstanding balance deepened to -3.8% by Jun 26, from -1.8% in Dec 25, reflecting higher prepayment rates, despite a 13% yoy drop in new-home sales. To mitigate the impact of a faster mortgage contraction on banks' profitability and limit further pressure on the property market, we believe the likelihood of mortgage rate subsidy policy has marginally increased.
- **Assessing the fiscal cost and affordability.** We estimate that a one-year 100bp subsidy scheme covering new first-home loans would cost about Rmb21b a year, based on the assumptions of: a) Rmb6.4t of primary residential sales, -13% yoy; b) a 40% loan-to-sales ratio; and c) 80% first-home share in new mortgage loans. The Rmb21b is equivalent to 0.1% of the Rmb22.1t of the general public budget revenue for 2026. The cost compounds if the scheme runs for more than one year, because each year's new loans join the subsidised pool. A three-year scheme covering new first-home loans would cost about Rmb62b a year by year three, or 0.3% of fiscal revenue. Covering the Rmb36.3t stock of existing mortgages would cost about Rmb363b a year, or 1.6% of national fiscal revenue. Thus, any national scheme is therefore likely to be restricted to eligible groups and time-limited.

Estimates Of Fiscal Cost Of Mortgage Rate Subsidy

Rate subsidy	Scenario	Loan base (Rmbb)	Annual cost (Rmbb)	% of total revenue (Rmb22.1t)	% of central revenue (Rmb9.6t)
100bp	New first-home loans, year 1	2048	20.5	0.1%	0.2%
100bp	All new loans, year 1	5120	51.2	0.2%	0.5%
100bp	New first-home loans, year 3	6144	61.4	0.3%	0.6%
100bp	All new loans, year 3	15360	153.6	0.7%	1.6%
100bp	All existing mortgages	36300	363.0	1.6%	3.8%
40bp	New first-home loans, year 1	2048	8.2	0.0%	0.1%
40bp	All new loans, year 1	5120	20.5	0.1%	0.2%
40bp	New first-home loans, year 3	6144	24.6	0.1%	0.3%
40bp	All new loans, year 3	15360	61.4	0.3%	0.6%
40bp	All existing mortgages	36300	145.2	0.7%	1.5%

Source: UOB Kay Hian

- **Another rumour to watch for – Vanke.** According to Reuters, regulators have given informal "window guidance" to some banks, mostly the larger ones, asking them not to classify overdue Vanke loans as non-performing, to extend repayment deadlines and, in some cases, to defer interest collection. Bank loans made up Rmb252b, or 72%, of Vanke's Rmb351b of total borrowings as of Jun 26. In our view, this confirms the government's intention to prevent a default by Vanke, which is a major state-backed developer. Since bank debt dominates Vanke's borrowings, forbearance is likely the most meaningful support available ahead of any formal capital injection. However, this provides liquidity relief rather than improving solvency, so a capital injection remains the key catalyst to watch.

Valuation/Recommendation

- **With mortgage contraction accelerating, we believe a potential mortgage interest subsidy is worth watching.** However, share prices could correct if the subsidy comes later or is smaller in scale than expected. Maintain UNDERWEIGHT on China's property sector. We keep a defensive position. Our top picks are COLI and CR Mixc.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.

Hangzhou Hikvision Digital Technology (002415 CH)

From Memory-driven Recovery to AIoT-led Volume Growth

Highlights

- Memory inflation and effective cost pass-through have offset declining shipment volumes, supporting core-business growth and lifting gross margin in the near term.
- As memory inflation subsides, growth should shift from pricing to volume, supported by improving AIoT economics, broader adoption and a potential equipment replacement cycle from 2028.
- Hikvision's competitive moat is built on its operating ecosystem, where customer relationships, industry data and product deployment drive continuous innovation.

Analysis

- **Core business has returned to growth, while effective cost pass-through is driving an earnings recovery.** Hangzhou Hikvision Digital Technology's (Hikvision) domestic core business grew 5% yoy in 1H26 after four consecutive years of weak performance, which management deems as evidence that the business has passed its trough. Meanwhile, AI-driven DRAM shortages have allowed Hikvision to raise ASPs faster than memory costs, offsetting declining shipment volumes and lifting gross margin to a record 50% in 1H26. Management expects memory tightness to persist through 2027 and targets 2026 revenue of above Rmb100b and record-high profit.
- **Growth should gradually transition from pricing-led to volume-led.** As memory supply normalises, ASPs should ease and weigh on gross margin, although management expects gross margin to remain within a normalised range of 45-47%. Lower memory costs and more capable edge chips could make AI-enabled sensing products more attractive to customers, supporting broader adoption and higher shipment volumes. Management also believes an equipment replacement cycle could emerge around 2028 as ageing surveillance products reach end-of-life, providing an additional volume driver when the current pricing tailwind fades.
- **Capital returns remain attractive.** Management intends to maintain a dividend payout ratio above 70% and believes this level can be sustained for some time. Since listing in 2009, Hikvision has returned Rmb84.5b to shareholders, comprising Rmb80.4b in cash dividends and Rmb4.1b in share buybacks.

Key Financials

Year to 31 Dec (Rmbm)	2021	2022	2023	2024	2025
Net turnover	81,420	83,166	89,341	92,496	92,508
EBITDA	17,851	14,388	16,307	15,256	17,716
Operating profit	16,559	12,358	13,993	12,838	14,578
Net profit (rep./act.)	16,800	12,838	14,108	11,977	14,195
Net profit (adj.)	16,445	12,331	13,666	11,815	13,703
EPS (Fen)	180.3	137.0	152.0	129.7	154.6
PE (x)	18.4	24.1	22.4	25.6	21.4
P/B (x)	4.7	4.3	3.9	3.5	3.3
EV/EBITDA (x)	16.7	21.6	18.5	20.1	17.4
Dividend yield (%)	2.7	2.1	2.7	2.4	3.6
Net margin (%)	20.6	15.4	15.8	12.9	15.3
Net debt/(cash) to equity (%)	(40.9)	(38.8)	(39.9)	(33.5)	(42.4)
Interest cover (x)	(77.6)	(46.2)	(35.6)	(38.9)	(88.3)
ROE (%)	25.7	17.6	17.2	13.7	15.6

Source: Hikvision, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

NOT RATED

Share Price	Rmb33.11
Target Price	n.a.
Upside	n.a.

Stock Data

Sector	Electronic Equipment & Instruments
Bloomberg ticker	002415 CH
Shares issued (m)	9,165
Market cap (Rmbm)	303,449
Market cap (US$m)	44,977
3-mth avg daily t'over (US$m)	442.6

Price Performance (%)

52-week high/low				Rmb39.18/Rmb28.61
1mth	3mth	6mth	1yr	YTD
(3.0)	(2.7)	7.6	9.3	11.0

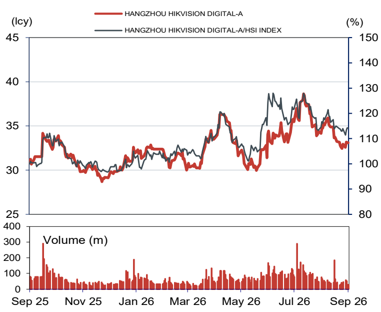
Major Shareholders (%)

CETHIK Group	37.3
Gong Hongjia	10.5

Balance Sheet Metrics

FY25 NAV/Share (Rmb)	9.09
FY25 Net Cash/Share (Rmb)	4.19

Price Chart



Source: Bloomberg

Company Description

Hangzhou Hikvision Digital Technology is a video-centric AIoT solution provider. The company designs, produces and sells video surveillance cameras and recorders, access control, alarm and display products, and operates innovative businesses in machine vision and robotics, smart home, automotive electronics, thermal imaging and storage.

- **Hikvision frames its competitive moat on an integrated hardware and software ecosystem rather than standalone AI models.** Extensive distribution and client relationships provide access to real world operational data, which are used alongside sector expertise to fine-tune computer vision algorithms for specific workflows. Supply chain scale then enables cost effective custom manufacturing, allowing these algorithms to be monetised across a portfolio of over 30,000 hardware SKUs. This creates a self-reinforcing loop – the deployed hardware captures field data to upgrade models, driving further specialised product sales.
- **Geopolitical restrictions place a structural ceiling on Hikvision's overseas growth.** Cybersecurity-related restrictions have effectively excluded the company from major markets including the US, Canada and India, with no mitigation plan or timeline for re-entry. This constrains Hikvision's global addressable market and leaves overseas growth increasingly dependent on accessible emerging markets.

Valuation/Recommendation

- Hikvision is trading at a 12-month trailing PE of 18.4x.

Profit & Loss

Year to 31 Dec (Rmbm)	2022	2023	2024	2025
Net turnover	83,166	89,341	92,496	92,508
EBITDA	13,694	15,796	14,822	16,632
Depreciation & amortization	(1,336)	(1,803)	(1,984)	(2,054)
EBIT	12,358	13,993	12,838	14,578
Total other non-operating income	1,780	1,526	988	1,870
Associate contributions	106	(30)	31	216
Net interest income/(expense)	611	610	487	350
Pre-tax profit	14,855	16,099	14,343	17,013
Tax	(1,297)	(943)	(1,202)	(1,580)
Minorities	(720)	(1,048)	(1,164)	(1,238)
Net profit	12,838	14,108	11,977	14,195
Net profit (recurrent)	12,331	13,666	11,815	13,703

Balance Sheet

Year to 31 Dec (Rmbm)	2022	2023	2024	2025
Fixed assets	12,885	16,337	20,293	22,534
Other LT assets	8,443	9,360	9,242	9,108
Cash/ST investment	40,012	49,638	36,271	46,508
Other current assets	57,895	63,523	66,209	59,900
Total assets	119,235	138,858	132,016	138,050
ST debt	4,211	7,934	1,799	6,625
Other current liabilities	30,144	36,479	35,846	37,371
LT debt	7,800	9,284	5,495	1,510
Other LT liabilities	4,108	2,998	1,376	1,327
Shareholders' equity	68,389	76,354	80,669	83,348
Minority interest	4,582	5,809	6,832	7,869
Total liabilities & equity	119,235	138,858	132,016	138,050

Cash Flow

Year to 31 Dec (Rmbm)	2022	2023	2024	2025
Operating	10,164	16,622	13,264	25,339
Pre-tax profit	14,855	16,099	14,343	17,013
Tax	(5,947)	(6,495)	(6,679)	(6,768)
Depreciation/amortization	1,336	1,803	1,984	2,054
Associates	(106)	30	(31)	(216)
Working capital changes	(7,002)	(1,911)	(4,025)	6,921
Non-cash items	7,030	7,096	7,672	6,335
Other operating cashflows	-	-	-	-
Investing	(3,725)	(3,987)	(4,548)	(3,417)
Capex (growth)	(3,756)	(4,048)	(4,666)	(3,622)
Investments	(82)	(115)	(44)	(127)
Proceeds from sale of assets	13	31	19	131
Others	100	144	143	200
Financing	(1,456)	(3,145)	(22,079)	(11,763)
Dividend payments	(8,734)	(7,083)	(8,994)	(10,565)
Issue of shares	-	-	-	-
Proceeds from borrowings	8,360	11,032	7,214	4,558
Loan repayment	(4,786)	(6,175)	(17,074)	(3,801)
Others/interest paid	3,704	(920)	(3,226)	(1,954)
Net cash inflow (outflow)	5,211	9,603	(13,375)	10,151
Beginning cash & cash equivalent	34,604	39,825	49,428	36,053
Changes due to forex impact	229	113	(12)	(8)
Ending cash & cash equivalent	39,815	49,428	36,053	46,204

Key Metrics

Year to 31 Dec (%)	2022	2023	2024	2025
Profitability				
Gross margin	42.3	44.3	43.8	45.9
Pre-tax margin	17.9	18.0	15.5	18.4
Net margin	15.4	15.8	12.9	15.3
ROA	11.5	10.9	8.8	10.5
ROE	17.6	17.2	13.7	15.6
Growth				
Turnover	2.1	7.4	3.5	0.0
Gross profit	(2.6)	12.6	2.4	4.7
Pre-tax profit	(19.6)	8.4	(10.9)	18.6
Net profit	(23.6)	9.9	(15.1)	18.5
Net profit (adj.)	(25.0)	10.8	(13.5)	16.0
EPS	(24.3)	10.9	(14.7)	19.2
Leverage				
Debt to total capital	14.1	17.3	7.7	8.2
Debt to equity	17.6	22.5	9.0	9.8
Net debt/(cash) to equity	(40.9)	(42.5)	(35.9)	(46.0)
Interest cover (x)	(20.2)	(23.0)	(26.4)	(41.7)

NAURA Technology Group (002371 CH)

Broadening Equipment Coverage Amid Memory-driven Growth

Highlights

- Strong memory demand and NAURA's established presence at CXMT and YMTC should support a stronger 2027 as robust 2026 orders convert into revenue.
- Localisation remains a multi-year structural growth driver, with advanced logic offering the longest runway given its relatively low 20-30% domestic-equipment penetration.
- Broader FEOL and advanced-packaging portfolios should expand NAURA's addressable market beyond its current coverage of about 65% of fab capex.
- Maintain BUY with a target price of Rmb930.00.

Analysis

- **2027 financial performance should be more fruitful than 2026's.** NAURA Technology Group's (NAURA) orders grew 40-50% yoy in 1H26, and management remains optimistic on full-year orders, with memory orders potentially more than doubling and advanced-logic orders growing approximately 30-40% in 2026. Given a one-year order-to-revenue conversion cycle, much of the orders should be recognised as revenue in 2027. Management expects memory order growth to continue outpacing advanced logic in 2027, positioning NAURA to benefit from its established presence at domestic memory manufacturers CXMT and YMTC, where it accounts for more than 50% and approximately one-third of domestically sourced equipment purchases, respectively.
- **Localisation provides a multi-year structural growth driver, with advanced logic offering the longest runway.** Management expects more than 50% of semiconductor equipment used in China to be domestically supplied by 2030, vs an estimated industry-wide localisation rate of about 30% currently. Localisation remains lowest in advanced logic at 20-30%, compared with 30-40% for mature nodes and about 50% for memory, partly because domestic advanced-logic processes and yields remain immature. Fabs therefore continue to prioritise imported equipment where available and generally adopt domestic alternatives only when imports are restricted. However, wider adoption could be supported by improvements in domestic equipment, with management claiming that NAURA's same-generation tools at DUV-accessible nodes offer comparable performance and uptime at a lower cost.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	30,075	39,353	52,430	67,945	86,669
EBITDA	6,866	6,607	9,887	14,206	17,525
Operating profit	5,770	5,040	8,068	11,740	16,375
Net profit	5,622	5,522	8,379	11,416	15,655
Net profit (adj.)	5,571	5,336	8,079	11,116	15,355
EPS (fen)	1,057	762	1,156	1,575	2,160
P/E (x)	63.2	87.7	57.8	42.4	30.9
P/BV (x)	11.4	12.8	10.6	8.6	6.9
EV/EBITDA (x)	70.8	73.6	49.2	34.2	27.7
Dividend yield (%)	0.2	0.1	0.2	0.2	0.3
Net margin (%)	18.7	14.0	16.0	16.8	18.1
Net debt to equity (%)	(19.8)	0.1	12.5	4.6	4.2
Interest cover (x)	(109.5)	(28.9)	(24.3)	(40.2)	(51.1)
ROE (%)	20.3	16.1	20.1	22.5	24.7
Consensus net profit	-	-	7,546	11,362	15,597
UOBKH/Consensus (x)	-	-	1.11	1.00	1.00

Source: NAURA, Bloomberg, UOB Kay Hian

Analyst(s)

Johnny Yum
johnny.yum@uobkh.com
+852 2235 6760

Murphy Li
murphy.li@uobkh.com
+852 2826 4867

BUY (Maintained)

Share Price	Rmb668.15
Target Price	Rmb930.00
Upside	39.2%

Stock Data

Sector	Semiconductor Mfg Equipment
Bloomberg ticker	002371 CH
Shares issued (m)	726
Market cap (Rmbm)	484,869
Market cap (US$m)	71,867
3-mth avg daily t'over (US$m)	1,175.7

Price Performance (%)

52-week high/low: Rmb968.00/Rmb386.62

1mth	3mth	6mth	1yr	YTD
(5.6)	(10.6)	50.4	59.5	40.8

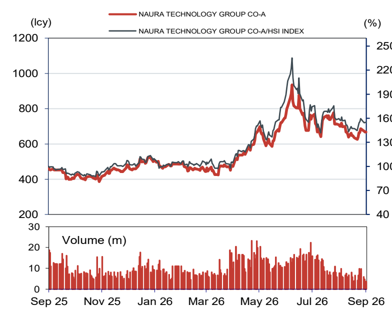
Major Shareholders (%)

Beijing Sevenstar Huachuang Electronic	33.2
Beijing Electronics Holding	7.3

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	42.03
FY26 Net Debt/Share (Rmb)	(7.84)

Price Chart



Source: Bloomberg

Company Description

NAURA Technology Group is an integrated micro-electronics company. The company designs, produces and sells integrated circuit equipment, solar battery system equipment, mass flow controllers, thin film transistors, lithium battery manufacturing system and other products.

- **Memory localisation is approaching its current ceiling.** Lithography and metrology/inspection account for approximately 20% and 10% of memory WFE spending, respectively, and remain heavily reliant on overseas suppliers, while domestic adoption of track systems and ion-implantation tools remains limited. Meaningful progress beyond the current ~50% localisation rate will therefore depend on greater domestic adoption in these equipment categories and, over the longer term, technological breakthroughs in lithography and metrology/inspection.
- **Portfolio expansion should broaden NAURA's addressable market.** Its current product categories cover approximately 65% of fab capex, and management aims to expand its portfolio across front-end-of-line (FEOL) and advanced packaging, except lithography and chemical mechanical planarisation (CMP). Within FEOL, NAURA plans to add more chemical vapour deposition and ion-implantation tools, including high-energy implanters, while upgrading existing product lines for more advanced processes. In advanced packaging, the company aims to offer an integrated equipment line spanning through-silicon via (TSV) etch, atomic layer deposition (ALD) metal-barrier deposition, physical vapour deposition (PVD) copper seed deposition, electroplating, cleaning and hybrid bonding. Hybrid bonding remains at an early stage, with one die-to-wafer tool under customer validation and wafer-to-wafer validation expected to begin in 2027.
- **Component bottlenecks should ease by 2027.** Current constraints are concentrated in historically imported components such as valves, pumps, mass flow controllers and vacuum gauges. NAURA is qualifying domestic substitutes and expects the bottlenecks to be resolved during 2026, with component availability no longer constraining operations in 2027.
- **R&D expenses should accelerate in 2H26.** Personnel costs remain the core component of R&D spending. Note that 60-70% of new hires are campus recruits who are generally onboarded in 2H. As such, management's plans to add 4,000-5,000 employees in 2026 should drive R&D expenses higher in 2H26.

Valuation/Recommendation

- **Maintain BUY with a target price of Rmb930.00,** based on 59.0x 2027F PE, pegged to 1.5SD above the five-year historical forward mean.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	39,353	52,430	67,945	86,669
EBITDA	6,607	9,887	14,206	17,525
Depreciation & amortization	(1,567)	(1,819)	(2,466)	(1,151)
EBIT	5,040	8,068	11,740	16,375
Total other non-operating income	1,034	1,200	900	900
Associate contributions	-	-	-	-
Net interest income/(expense)	(229)	(408)	(354)	(343)
Pre-tax profit	5,845	8,860	12,286	16,931
Tax	(436)	(709)	(983)	(1,355)
Minorities	113	228	113	78
Net profit	5,522	8,379	11,416	15,655
Net profit (recurrent)	5,522	8,379	11,416	15,655

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	7,568	8,123	8,625	9,173
Other LT assets	22,911	26,456	30,341	31,649
Cash/ST investment	17,183	11,921	11,347	11,367
Other current assets	42,138	56,339	67,002	87,157
Total assets	89,801	102,839	117,315	139,346
ST debt	319	719	1,119	1,519
Other current liabilities	25,861	30,900	34,511	41,707
LT debt	12,973	12,973	12,973	12,973
Other LT liabilities	6,720	6,720	6,720	6,720
Shareholders' equity	37,726	45,553	56,131	70,644
Minority interest	6,202	5,973	5,860	5,783
Total liabilities & equity	89,801	102,839	117,315	139,346

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	2,133	(1,591)	3,082	4,112
Pre-tax profit	5,845	8,860	12,286	16,931
Tax	(1,299)	(709)	(983)	(1,355)
Depreciation/amortization	1,567	1,819	2,466	1,151
Associates	-	-	-	-
Working capital changes	(6,766)	(9,161)	(7,053)	(8,139)
Non-cash items	2,786	(2,400)	(3,635)	(4,477)
Other operating cashflows	-	-	-	-
Investing	(3,929)	(3,111)	(2,864)	(3,007)
Capex (growth)	(2,262)	(3,111)	(2,864)	(3,007)
Investments	(775)	-	-	-
Proceeds from sale of assets	841	-	-	-
Others	(1,733)	-	-	-
Financing	6,607	(560)	(792)	(1,085)
Dividend payments	(908)	(960)	(1,192)	(1,485)
Issue of shares	-	-	-	-
Proceeds from borrowings	9,503	1,000	1,000	1,000
Loan repayment	(2,347)	(600)	(600)	(600)
Others/interest paid	360	-	-	-
Net cash inflow (outflow)	4,812	(5,262)	(574)	20
Beginning cash & cash equivalent	12,385	17,183	11,921	11,347
Changes due to forex impact	(14)	-	-	-
Ending cash & cash equivalent	17,183	11,921	11,347	11,367

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	40.1	41.0	41.8	42.0
Pre-tax margin	14.9	16.9	18.1	19.5
Net margin	14.0	16.0	16.8	18.1
ROA	7.1	8.7	10.4	12.2
ROE	16.1	20.1	22.5	24.7
Growth				
Turnover	30.9	33.2	29.6	27.6
Gross profit	22.2	36.3	32.1	28.1
Pre-tax profit	(10.5)	51.6	38.7	37.8
Net profit	(1.8)	51.7	36.2	37.1
Net profit (adj.)	(4.2)	51.4	37.6	38.1
EPS	(27.9)	51.7	36.2	37.1
Leverage				
Debt to total capital	16.3	4.9	4.6	4.2
Debt to equity	38.9	11.0	9.6	8.2
Net debt/(cash) to equity	0.1	12.5	4.6	4.2
Interest cover (x)	(28.9)	(24.3)	(40.2)	(51.1)

Technical Analysis

Analyst(s)

Greater China Research Team
research-hk@uobkh.com

Tham Mun Hon, CFA
munhon.tham@uobkh.com
+852 2236 6799

Nongfu Spring (9633 HK)

Last price:	HK$38.98
Support levels:	HK$37.10/HK$35.06
Resistance levels:	HK$39.50/HK$40.16

Price executed a precise retest and rejection at its support-turned-resistance zone, establishing the newly converted anchor as a dominant supply ceiling. The RSI is established in bearish territory and continues to slope downward, signalling accelerating downward trend velocity. As long as counter-trend rallies remain strictly capped below this resistance, we could see a continued downward expansion towards lower support targets.

Average timeframe: Around two weeks.

Huishang Bank (3698 HK)

Last price:	HK$4.76
Support levels:	HK$4.53/HK$4.16
Resistance levels:	HK$4.91/HK$5.00

Price exhibits structural deterioration marked by a clear sequence of lower highs, an inability to challenge overhead supply anchors. The RSI is hovering around the neutral 50-midline, signalling a transition from bullish posture into momentum compression immediately above the critical support pivot at HK$4.68. A decisive structural breach below the HK$4.68 demand floor will complete the bearish breakdown sequence, opening path-of-least-resistance dynamics for an accelerated downward expansion towards lower support targets.

Average timeframe: Around two weeks.