

Alpha Picks: October Conviction Calls

Highlights

- Chinese equities fell in September, with the HSI and MSCI China Index dropping 3.7% mom and 4.7% mom respectively.
- Markets may remain volatile in October, due to rising US treasury yields, higher energy prices and the unresolved Middle-East conflict. Moreover, global investors may go risk-off, ahead of elections in Israel and the US. It is unclear if this would lead to global funds flowing back to Hong Kong.
- We continue to focus on stocks with near-term catalysts and add DiDi, Sino Land and Trip.com to our BUY list, and cut losses on Cowell, Han's Laser and Shuanghuan Driveline.

What's New

- Chinese equities fell in September**, with the HSI and MSCI China Index dropping 3.7% mom and 4.7% mom respectively, due to investors' concerns over rising US treasury yields and energy prices. Our Alpha Picks generally underperformed. Shuanghuan Driveline (002472 CH) was the best performer at 7.3% mom, followed by NetEase (9999 HK) at 0.1% mom.
- October may see further market volatility** as treasury yields and energy prices remain high. Moreover, global investors may go risk-off, ahead of elections in Israel and the US. It is unclear if this would lead to global funds flowing back to Hong Kong. On a positive note, the 28 September State Council meeting pledged incremental measures, including larger relending quotas and the use of remaining local government debt quota, which we expect to lift domestic demand in the months ahead.
- We continue to focus on stocks with near-term catalysts. We add DiDi (DIDIY US), Sino Land (83 HK) and Trip.com (9961 HK) to our BUY list. We cut losses on Cowell (1415 HK), Han's Laser (002008 CH) and Shuanghuan Driveline (002472 CH).

Action

- Add DiDi (DIDIY US) to our BUY list**, on sustained market share gains and transaction growth in China mobility, faster-than-expected profitability improvement in international businesses, and successful monetisation of autonomous driving.
- Add Sino Land (83 HK) to our BUY list**, as net cash of 31.7% of equity and a maintained dividend of HK\$0.58 per share cushion the impact of persistently high US Treasury yields.
- Add Trip.com (9961 HK) to our BUY list**, on accelerating international growth, recovery in outbound and robust inbound travel, and the benefit of visa-free policies.
- Cut losses on Cowell (1415 HK), Han's Laser (002008 CH) and Shuanghuan Driveline (002472 CH).
- Maintain BUY on Alibaba (9988 HK), ASMPT (522 HK), BYD (1211 HK), Foxconn Industrial Internet (601138 CH), Innovent (1801 HK), NAURA (002371 CH), NetEase (9999 HK) and Tencent (700 HK).

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Key Recommendations

Company	Ticker	Rec	Share Price (1cy)	Target Price (1cy)
Alibaba	9988 HK	BUY	104.40	188.00
ASMPT	522 HK	BUY	173.00	211.00
BYD	1211 HK	BUY	73.90	150.00
DiDi	DIDIY US	BUY	3.61	6.40
Foxconn Industrial Internet	601138 CH	BUY	58.20	89.50
Innovent	1801 HK	BUY	96.25	132.00
NAURA	002371 CH	BUY	615.97	930.00
NetEase	9999 HK	BUY	186.20	252.00
Sino Land	83 HK	BUY	10.05	14.00
Tencent	700 HK	BUY	421.20	608.00
Trip.com	9961 HK	BUY	302.40	508.00

Source: Bloomberg

Change In Share Price

Company	Ticker	Rec	Sep 26 To-Date*	
			(%)	(%)
Alibaba	9988 HK	BUY	-6.7	-37.0
ASMPT	522 HK	BUY	-2.4	5.8
BYD	1211 HK	BUY	-13.3	4.3
Cowell	1415 HK	BUY	-11.8	-20.7
Foxconn Industrial Internet	601138 CH	BUY	-10.2	2.6
Han's Laser	002008 CH	BUY	-17.0	-17.0
Innovent	1801 HK	BUY	-5.5	-5.5
NAURA	002371 CH	BUY	-12.0	-12.0
NetEase	9999 HK	BUY	0.1	-0.8
Shuanghuan Driveline	002472 CH	BUY	7.3	-3.0
Tencent	700 HK	BUY	-4.9	-4.9

*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	7.6
Alpha Picks Return					
- Price-weighted	24.3	-3.8	23.0	-6.0	-0.7
- Market cap-weighted	29.0	-1.6	33.9	-8.7	4.2
- Equal-weighted	17.2	-2.2	24.5	-1.2	1.6

Assumptions for the three 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	Target	Upside	Last	PE			Yield	ROE	Market	Price/
			2 Oct 26 (lcy)	Price (lcy)	To TP (%)	Year End	2025 (x)	2026F (x)	2027F (x)	2026F (%)	2026F (%)	Cap. (lcy m)	NAV ps (x)
Alibaba	9988 HK	BUY	104.40	188.00	80.1	Mar-26	18.3	17.7	12.8	1.0	8.0	2,075,993	n.a.
ASMPT	522 HK	BUY	173.00	211.00	22.0	Dec-25	66.4	41.5	30.1	1.2	9.9	72,558	4.0
BYD	1211 HK	BUY	73.90	150.00	103.0	Dec-25	17.7	13.9	9.5	0.7	15.9	272,203	2.7
DiDi	DIDIY US	BUY	3.61	6.40	77.3	Dec-25	n.a.	n.a.	n.a.	0.0	-1.5	16,272	n.a.
Foxconn Industrial Internet	601138 CH	BUY	58.20	89.50	53.8	Dec-25	34.0	18.9	15.4	2.9	32.6	1,154,926	5.7
Innovent	1801 HK	BUY	96.25	132.00	37.1	Dec-25	47.5	32.4	22.9	-	10.1	167,941	6.5
NAURA	002371 CH	BUY	615.97	930.00	51.0	Dec-25	80.9	53.3	39.1	0.2	20.1	447,003	14.7
NetEase	9999 HK	BUY	186.20	252.00	35.3	Dec-25	13.5	12.8	11.1	2.6	21.8	596,148	n.a.
Sino Land	83 HK	BUY	10.05	14.00	39.3	Jun-26	22.3	20.0	19.9	5.8	0.0	96,341	0.6
Tencent	700 HK	BUY	421.20	608.00	44.3	Dec-25	13.2	12.2	11.6	1.4	18.7	3,830,878	2.4
Trip.com	9961 HK	BUY	302.40	508.00	68.0	Dec-25	5.9	11.3	9.7	0.1	6.1	190,423	1.0

Source: Bloomberg, UOB Kay Hian

Alibaba (9988 HK) – BUY (Julia Pan)

- We prefer Alibaba on accelerating AI monetisation, continued model advancement, greater AI compute self-sufficiency and improving Quick Commerce economics. At the 2026 Apsara Conference, Alibaba further strengthened its full-stack AI positioning across models, proprietary chips, cloud infrastructure and enterprise applications. Qwen4 is under training, while Qwen4.5/Qwen5 are expected to scale toward 5-10T parameters, with RSI increasingly applied to model training and inference optimisation. On compute, Zhenwu V900 is expected to enter mass production in 1Q27, alongside the Yitian CPU roadmap and Panjiu supernode architecture, supporting greater domestic chip self-sufficiency and reducing reliance on US chips. Alibaba is also broadening enterprise AI adoption through Qwen Office and Agent applications, while targeting over 20GW of global data-centre capacity by 2032 to support rising AI workloads. Meanwhile, Quick Commerce unit economics continue to improve, with FY27 losses targeted to decline by about 50% yoy and profitability reiterated for FY29. We forecast Alicloud and group revenue to grow 52%/10% yoy to Rmb240b/Rmb1,127b in FY27F, while adjusted EBITA increases 52% yoy to Rmb94.1b.
- Maintain BUY with a target price of HK\$188.00 (US\$192.00). Alibaba is trading at 17.8x FY27F PE, against a 30% 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; and d) continued improvement in Quick Commerce unit economics.
- Timeline:** FY27.

ASMPT (522 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 achieving design wins 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). The company had already delivered a stellar quarter in 2Q26 with revenue/net profit both exceeding 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; further TCB order wins.
- Timeline:** End-Oct 26.

BYD (1211 HK) – BUY (Ken Lee)

- BYD's sales grew 18% yoy and 19% qoq to 1.32m units in 3Q26, driven by debuts of new models and ramp-up of overseas plants. We estimate 3Q26 adjusted net profit at Rmb12.6b (+76% yoy/+19% qoq), based on 1.32m units of sales (755,000 units of domestic sales and 557,000 units of overseas sales).
- Maintain BUY with a HK\$150.00 target price, pegged to 20x 2027F PE, in line with the historical mean.

Share Price Catalyst

- **Event:** a) Da Han launch on 13 October; b) October sales; and c) 3Q26 results.
- **Timeline:** 4Q26.

DiDi (DIDIY US) – BUY (Julia Pan)

- We prefer DiDi on resilient mobility demand and continued progress in Robotaxi commercialisation. The combined Mid-Autumn Festival and National Day holiday period should support near-term demand, with DiDi expecting ride-hailing demand to rise 13% and 21% versus normal levels during the respective holidays, while non-local ride-hailing demand is expected to increase 23% and 55%. Hong Kong ride demand is also expected to rise by over 20%, with demand from mainland visitors up over 50%, while overseas ride-hailing demand could roughly double. DiDi's car-rental business is also benefitting from holiday travel demand, with nearly 20% of users extending their holidays, lifting average rental duration to five days, while cross-city rentals accounted for 72% of orders. Meanwhile, Robotaxi commercialisation continues to progress, with DiDi expanding into Hangzhou following Guangzhou and Beijing, further extending its Robotaxi footprint into the Yangtze River Delta. Its latest R2 Robotaxi also reduced hardware-platform costs by 74% versus the previous generation, supporting a clearer path towards larger-scale deployment. We forecast FY26 revenue to grow 11% yoy to Rmb251.8b, while adjusted net income is expected to decline 96% yoy to Rmb0.3b.
- Maintain BUY with a target price of US\$6.40, which implies 17.6x 2027F PE and 9.9x 2028F PE.

Share Price Catalyst

- **Event:** a) Sustained market share gains and transaction growth in the China mobility segment; b) faster-than-expected profitability improvement in international businesses; and c) successful monetisation of autonomous driving and other new initiatives.
- **Timeline:** 2H26.

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

- Foxconn Industrial Internet (FII) is the largest NVIDIA AI server ODM partner globally. The company has a 50-55% share in the Blackwell NVL72 racks, and we are expecting its share to expand to 60% in the Vera Rubin era. On top of that, FII will be a major assembler for Groq 3 LPX racks which is now on track for production ramp-up through 4Q26, alongside high-speed pluggable/CPO switches for key AI server clients during the same period as well. As new products' contribution kicks in through 2H26, and as the company continues to gain share in the AI server ODM market, we expect FII to recapture investor attention in the coming months after the past few months' drawdown along with the broader AI tech market.
- Maintain BUY with a target price of Rmb89.50, based on 23.7x 2027F PE, pegged to 2SD above the three-year average historical mean, justified by FII's significantly improved orders/growth visibility.

Share Price Catalyst

- **Event:** AI server share gains and CPO switch volume orders.
- **Timeline:** 4Q26.

Innovent Biologics (1801 HK) – BUY (Carol Dou/Sunny Chen)

- **Robust 1H26 results and confidence to achieve 2027 domestic sales target.** Innovent Biologics' (Innovent) 1H26 results beat expectations, with total revenue up 44.8% yoy to Rmb8.62b, product revenue up 56.7% yoy to Rmb8.20b and adjusted net profit up 40.5% yoy to Rmb1.70b, nearly matching the full 2025 total. With 20 commercialised products driving

Share Price Catalyst

- **Event:** a) Robust revenue and earnings growth; b) smooth R&D and continued new product launches; and c) further global partnerships and the upfront and milestone income they carry.

momentum, we are confident in Innovent's path to achieving its Rmb20b domestic sales target by 2027.

- **Business collaborations provide a stable, long-term revenue foundation.** Innovent's partnerships with Takeda, Lilly, Pfizer, Roche, Ollin and Spero now carry aggregate potential value of about US\$34b across more than 20 assets, with five assets structured under a co-development and co-commercialisation model. These programmes are on track to deliver steady licensing revenue over the next 5-10 years.
- **Sets a new revenue target of Rmb35b-40b for 2030.** Seeing smooth R&D progress of major pipelines, the company now targets Rmb35b-40b of total revenue by 2030. This will be supported by continued launches of new blockbuster products in both the oncology portfolio (eg IBI363 and IBI345) and general biomedicines (in the areas of cardiovascular, metabolism and ophthalmology, etc). In the meantime, the company expects to further improve its operating efficiency and boost earnings growth. It also targets product launches in the US and European markets with at least five assets in global Phase 3 trials by 2030.
- **On track to become a global premier biopharma company.** With a broadening commercial portfolio, improving operating efficiency and a globalising pipeline, Innovent is on track to become a global premier pharmaceutical company within 5-10 years. Maintain BUY with a target price of HK\$132.00, based on the DCF model with WACC of 10.8% and terminal growth rate of 4.0%.

- **Timeline:** 2H26.

NAURA Technology (002371 CH) – BUY (Johnny Yum)

- NAURA Technology Group (NAURA) is one of the biggest beneficiaries of China's efforts in localisation, given its position as the largest wafer fabrication equipment (WFE) maker. Our checks indicate that NAURA, along with other leading WFE makers, are making significant technological breakthroughs in advanced fabs supply chain. On top of that, we are now expecting a higher front-end WFE spending growth in China over 2025-28 at a 10.6% CAGR for the period, primarily driven by: a) accelerated spending from domestic memory IDMs with orders growth expected to surpass 100% yoy in 2026 from a low base, and b) re-acceleration in capex growth from domestic advanced-logic foundries with orders growth expected to reach 30-40% yoy during the same period. Driven by new design wins and a more favourable spending mix, we expect NAURA's market share to increase from 11.1% in 2025 to 19.2% by 2028, driving a 30.1%/41.5% three-year CAGR in revenue and net profit respectively.
- We recommend BUY on NAURA. Our target price is Rmb930.00, which is based on 59.1x 2027F PE, pegged to 1.5SD above five-year historical forward mean. We believe NAURA deserves a premium valuation given the high visibility of China's surging WFE demand and accelerating localisation trend.

Share Price Catalyst

- **Event:** a) Breakthroughs in China's semiconductor supply chain, and b) changes in US-China export policies.
- **Timeline:** 4Q26.

NetEase (9999 HK) – BUY (Julia Pan)

- We remain positive on NetEase, supported by resilient evergreen-game momentum, a strengthening new-title pipeline and a more supportive regulatory environment. Established titles including Fantasy Westward Journey, Eggy Party and Sword of Justice continue to demonstrate healthy player engagement, while Sword of Justice: New World (《逆水寒：新世界》) should further extend franchise momentum. Looking ahead, the new-game pipeline remains supportive, with ANANTA (《无限大》), scheduled for global launch on 15 Jan 27, already securing over 17m pre-registrations across more than 110 countries and regions, providing a meaningful upcoming catalyst. Meanwhile, as of Sep 26, a total of 1,571 games had been approved

Share Price Catalyst

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

ytd, compared with 1,772 for full-year 2025, indicating that licence issuance remains healthy and broadly supportive of the game pipeline. We believe the sustained approval momentum should support greater pipeline visibility and facilitate new-game launches. We forecast 2026F revenue to grow 8% yoy to Rmb125.6b, while adjusted net income is expected to increase 6% yoy to Rmb39.7b.

- Maintain BUY with a target price of HK\$252.00 (US\$160.00). NetEase is trading at 13.5x 2026F PE, lower than its historical mean of 15x.

Sino Land (83 HK) – BUY (Jieqi Liu/Damon Shen)

- FY26 underlying profit fell 6.4% yoy to HK\$4.8b, in line with consensus, as interest income fell 14.8%. DPS is maintained at HK\$0.58/share for the fourth consecutive fiscal year. As at Jun 26, however, cash and bank deposits rose 13.2% yoy to HK\$58.0b, invested in roughly equal proportions in HKD- and USD-denominated savings products. The net cash to equity ratio improved 2.5ppt yoy to 31.7%. Interest income of HK\$1.9b still represented 35.6% of pre-tax profit. We believe the strong cash position will help cushion the impact of higher interest rates, particularly given borrowings of just HK\$2.9b.
- Sino Land is currently trading at 0.57x PB and a 5.6% dividend yield. We maintain BUY with a SOTP-derived target price of HK\$14.00.

Tencent (700 HK) – BUY (Julia Pan)

- We remain positive on Tencent, supported by resilient games and continued expansion of its AI ecosystem. Games momentum remains solid, with established titles such as Honor of Kings, Delta Force and VALORANT Mobile consistently ranking among the top China iOS grossing games. Tencent also continues to replenish its game pipeline, with King of Glory: Wanxiang Chess launching on 10 September after exceeding 70m pre-registrations. Meanwhile, as of Sep 26, a total of 1,571 games had been approved ytd, compared with 1,772 for full-year 2025, indicating that licence issuance remains healthy and broadly supportive of the game pipeline. We believe the sustained approval momentum should support greater pipeline visibility and facilitate new-game launches. On AI, Hy4 preview saw strong initial usage following its launch, prompting Tencent to expand inference capacity. Tencent is also broadening its AI application layer, with WorkBuddy adding full-stack application generation capabilities and Marvis upgrading from an AI assistant to an “AI manager” covering devices, files, browsers and software, further expanding AI adoption across productivity and consumer use cases. We forecast 2026F revenue to grow 10% yoy to Rmb827b, while adjusted net income is expected to remain broadly flat at Rmb260b (+0.2% yoy). However, we still await clearer evidence of returns from the Rmb200b capex investment.
- Maintain BUY with a target price of HK\$608.00. Tencent currently trades at 13.6x 2026F PE and 12.4x 2027F PE, around 1SD below its historical mean of 24x.

Trip.com (9961 HK) – BUY (Julia Pan)

- We prefer Trip.com on resilient international growth, a favourable holiday travel mix, improving operating efficiency and a recovery in 2027. The combined Mid-Autumn Festival and National Day holiday period is supporting stronger travel demand, with the extended holiday window encouraging longer stays and more long-haul and outbound trips. Around one in 10 travellers combined the two holidays into an extended break, while outbound trip duration averaged more than nine days. Bookings for hotel stays of seven

Share Price Catalyst

- **Event:** Persistently high US Treasury yields.
- **Timeline:** 4Q26.

Share Price Catalyst

- **Event:** a) AI-driven revenue and efficiency gains, b) stronger WeChat Video Accounts advertising, c) game licence approvals, and d) Hunyuan ecosystem expansion.
- **Timeline:** 2H26/2027.

Share Price Catalyst

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

nights or longer rose 123% yoy and multi-destination itineraries increased 84% yoy, benefitting higher-value accommodation, transportation and international travel products. International expansion remains a key growth driver, led by APAC with Europe as the next strategic focus, while continued AI adoption across product discovery, itinerary planning and customer service should further improve personalisation and operating efficiency. Near-term growth is likely to remain under pressure in 1H27 due to a higher base, particularly in 1Q27, before recovering to a teens level in 2H27 as base effects normalise. The recovery should be supported by continued international growth and further cost efficiencies in the China business, while a rising contribution from higher-margin international revenue should help partly offset overall margin dilution.

- Maintain BUY with a target price of HK\$508.00. Trip.com is trading at 9.3x FY27F PE, against a 14% EPS three-year CAGR from FY27-30.

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