Alpha Picks: September Conviction Calls

Highlights

- Chinese equities consolidated in August, with the HSI and MSCI China Index dipping 1.2% mom and 0.4% mom respectively, holding most of July's gains.
- We do not expect a major catalyst from President Xi Jinping's 24 September visit to the US. Fundamentally we remain positive on TMT and IT hardware.
- We add Han's Laser, Innovent, NAURA and Tencent to our BUY list. Take profit on BeOne Medicines, and cut losses on EVE Energy, Hesai and Trip.com.

What's New

- **Chinese equities consolidated in August,** with the HSI and MSCI China Index dipping 1.2% mom and 0.4% mom respectively, holding most of July's gains. Our Alpha Picks outperformed the index, led by BUY-rated Cowell (1415 HK), which advanced 23.9% mom during the month, followed by Foxconn Industrial Internet (601138 CH) at 14.4% mom.
- **Positive on TMT and IT hardware in September.** We do not expect President Xi Jinping's 24 September visit to the US to deliver a major catalyst. For domestic policy, we expect the government to maintain its stated stance of accelerating implementation rather than introducing large-scale stimulus. We prefer companies leveraged to AI-related capex and the localisation of semiconductor and advanced manufacturing equipment.
- We add Han's Laser (002008 CH), Innovent (1801 HK), NAURA (002371 CH) and Tencent (700 HK) to our BUY list. We take profit on BeOne Medicines (6160 HK), and cut losses on EVE Energy (300014 CH), Hesai (2525 HK) and Trip.com (9961 HK).

Action

- **Add Han's Laser (002008 CH) to our BUY list,** on confirmation of the Apple 3DP order allocation and a step-up in domestic AI PCB equipment orders as customers' plants complete.
- **Add Innovent (1801 HK) to our BUY list,** due to robust revenue and earnings growth, smooth R&D and continued new product launches, and further global partnerships.
- **Add NAURA (002371 CH) to our BUY list,** given breakthroughs in China's semiconductor supply chain and changes in US-China export policies.
- Add Tencent (700 HK) to our BUY list, supported by AI-driven revenue and efficiency gains, stronger WeChat Video Accounts advertising, game licence approvals and Hunyuan ecosystem expansion.
- Take profit on BeOne Medicines (6160 HK).
- Cut losses on EVE Energy (300014 CH), Hesai (2525 HK) and Trip.com (9961 HK).
- Maintain BUY on Alibaba (9988 HK), ASMPT (522 HK), BYD (1211 HK), Cowell (1415 HK), Foxconn Industrial Internet (601138 CH), NetEase (9999 HK) and Shuanghuan Driveline (002472 CH).

Analyst(s)

Greater China Research Team

researchhk@uobkayhian.com.hk

+852 2236 6799

Key Recommendations

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Alibaba	9988 HK	BUY	109.90	188.00
ASMPT	522 HK	BUY	157.40	211.00
BYD	1211 HK	BUY	85.25	150.00
Cowell	1415 HK	BUY	24.66	48.00
Foxconn Industrial Internet	601138 CH	BUY	61.80	89.50
Han's Laser	002008 CH	BUY	93.39	153.20
Innovent	1801 HK	BUY	101.80	132.00
NAURA	002371 CH	BUY	667.00	930.00
NetEase	9999 HK	BUY	186.80	252.00
Shuanghuan Driveline	002472 CH	BUY	34.95	50.00
Tencent	700 HK	BUY	438.20	608.00

Source: Bloomberg

Change In Share Price

Company	Ticker	Rec	Aug 26 (%)	To-Date* (%)
Alibaba	9988 HK	BUY	-2.4	-32.5
ASMPT	522 HK	BUY	8.4	8.4
BeOne Medicines	6160 HK	BUY	11.0	5.2
BYD	1211 HK	BUY	-7.4	20.4
Cowell	1415 HK	BUY	23.9	-10.0
EVE Energy	300014 CH	BUY	-2.8	-2.8
Foxconn Industrial Internet	601138 CH	BUY	14.4	14.4
Hesai	2525 HK	BUY	-2.6	-2.6
NetEase	9999 HK	BUY	-7.4	-0.9
Shuanghuan Driveline	002472 CH	BUY	-7.6	-9.6
Trip.com	9961 HK	BUY	-2.0	-2.0

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

Portfolio Return

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

Assumptions for the 3 methodologies:

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

Source: UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec*	Price 2 Sep 26 (lcy)	Target Price (lcy)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (lcy m)	Price/ NAV ps (x)
Alibaba	9988 HK	BUY	109.90	188.00	71.1	Mar-26	19.3	18.5	13.1	1.0	8.0	2,185,360	1.6
ASMPT	522 HK	BUY	157.40	211.00	34.1	Dec-25	60.4	37.8	27.4	1.3	9.9	65,551	4.4
BYD	1211 HK	BUY	85.25	150.00	76.0	Dec-25	20.4	16.1	10.9	0.6	15.9	314,010	3.2
Cowell	1415 HK	BUY	24.66	48.00	94.6	Dec-25	13.9	10.3	8.2	2.0	31.4	21,264	21.5
Foxconn Industrial Internet	601138 CH	BUY	61.80	89.50	44.8	Dec-25	36.1	20.1	16.4	2.7	32.6	1,227,315	6.1
Han's Laser	002008 CH	BUY	93.39	153.20	64.0	Dec-25	80.8	30.2	23.8	0.7	15.6	98,264	5.5
Innovent	1801 HK	BUY	101.80	132.00	29.7	Dec-25	88.2	50.4	34.3	0.0	10.8	177,525	7.2
NAURA	002371 CH	BUY	667.00	930.00	39.4	Dec-25	87.6	55.9	42.4	0.2	20.7	483,463	15.7
NetEase	9999 HK	BUY	186.80	252.00	34.9	Dec-25	13.6	12.9	11.2	2.6	22.8	597,994	3.1
Shuanghuan Driveline	002472 CH	BUY	34.95	50.00	43.1	Dec-25	23.5	20.7	16.9	0.6	13.9	29,705	2.7
Tencent	700 HK	BUY	438.20	608.00	38.7	Dec-25	13.7	12.8	12.1	1.4	18.7	3,989,001	2.5

Source: Bloomberg, UOB Kay Hian

Alibaba (9988 HK) – BUY (Julia Pan)

- We prefer Alibaba on accelerating cloud growth, rapid AI monetisation and an expanding AI ecosystem. The rollout of Wan 3.0 further broadens Alibaba's multimodal AI capabilities, while the frontier capabilities of Qwen 3.8 Max reinforce its competitiveness at the foundation-model layer, strengthening its full-stack positioning across proprietary chips, models, cloud infrastructure and applications. Cloud revenue grew 45% yoy in the June quarter, accelerating from 38% in 4QFY26, while AI-related revenue reached Rmb12.4b and maintained triple-digit growth for the 12th consecutive quarter. Cloud adjusted EBITA margin also improved to 11.6% from 9%, supported by better operating efficiency following the T-Head integration.
- Management expects external cloud growth to exceed 50% yoy in the September quarter and accelerate further thereafter, while AI products already account for 35% of external cloud revenue and could reach 50% by end-FY27. MaaS annualised revenue exceeded Rmb16b in Aug 26 and is targeted to reach ~Rmb30b by end-FY27, suggesting AI monetisation is broadening beyond infrastructure towards model services and applications. Meanwhile, Quick Commerce unit economics continue to improve on higher AOV and fulfilment efficiency, with FY27 losses targeted to decline by ~50% yoy and profitability reiterated for FY29.
- Maintain BUY with a target price of HK$188.00 (US$192.00). Alibaba is trading at 18.8x 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.
- **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. For TCB, ASMPT is winning on both advanced logic (ultra-fine-pitch tools for TSMC, a C2W order from Intel, 50+ C2S tools via OSAT partners), and memory (repeated orders from Hynix, exclusive HBM5 programme with Samsung). For 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 etc) as well. The company had already delivered a stellar quarter in 2Q26 with revenue/net profit both

Share Price Catalyst

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

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.

BYD (1211 HK) – BUY (Ken Lee)

- BYD's profit engine has shifted overseas, and this mix shift still has room to run. August sales rose 17.8% yoy and 5.0% mom to 440,293 units - a fourth consecutive yoy gain - with exports at a record 189,466 units, or 43% of monthly volume, even as domestic volume fell 14.3% yoy. Overseas sales command a gross margin that is 10ppt above domestic sales, and should rise from 23% of volume in 2025 to 40%/50%/57% in 2026/27/28 respectively, as new plants in Hungary, Turkey and Indonesia lift overseas capacity from 200,000 units in 2025 to 950,000 in 2026. We forecast net profits of Rmb41.3b, Rmb60.9b, and Rmb76.2b for 2026–28 respectively (implying 47.5% yoy growth in 2027).
- Maintain BUY with a HK$150.00 target price, pegged to 20x 2027F PE, in line with the historical mean.

Share Price Catalyst

- **Event:** Record exports and monthly sales momentum; overseas plant ramp-up in Hungary, Turkey and Indonesia; 3Q26 results.
- **Timeline:** 4Q26.

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

- Cowell e Holdings Inc (Cowell) is one of the biggest beneficiaries of the 2026-28 iPhone upgrade cycle, given its pure-play exposure to the Apple supply chain. We expect Cowell to achieve further share gains in the iPhone supply chain, and its rear-end camera market share is expected to expand from 17% in 2025 to 32% by 2028. Meanwhile, Apple is expected to push for aggressive specification upgrades for iPhone cameras which will further bolster Cowell's dollar content. Overall, we expect Cowell's earnings to register a 25.6% three-year CAGR from 2025-28, primarily driven by solid share gains in the Apple supply chain and a stable operating margin.
- We recommend BUY on Cowell e Holdings with a target price of HK$48.00, pegged on 19.8x 2026F PE, which is 1SD above its five-year historical forward mean. We expect Cowell's share price to register sustained recovery through September leading up to the Apple Autumn event, and as we reach the peak shipment season for iPhone shipments. We also believe that further downside is limited as the market had already digested a delay in several Apple product launches from 2H26 to 1H27.

Share Price Catalyst

- **Event:** Apple Autumn launch event.
- **Timeline:** Sep 26.

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

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

Share Price Catalyst

- **Event:** AI server share gains and CPO switch volume orders.
- **Timeline:** 3Q26-4Q26.

Han's Laser Technology (002008 CH) – BUY (Johnny Yum)

- Han's Laser Technology (Han's) is expected to enter a robust growth cycle in 2026-28, with core earnings expected to register yoy growth of 261%/27%/24% for the three years respectively. Han's growth is primarily driven by two growth engines – the Apple supply chain business and the PCB equipment business. The Apple supply chain business is expected to register a 70% yoy growth in revenue in 2026 and stay elevated in 2027-28, driven by Apple's aggressive product cycle along with design changes; while the PCB equipment business is 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.
- Other than the two core drivers, its other businesses are also expected to register a recovery, with pan-semi starting to see better recovery from better mainstream demand, while the general low-power laser tools are also benefitting from AI-related demand. Recommend BUY with a target price of Rmb153.20, based on 39.9x 2027F PE, 1SD above its historical mean.

Share Price Catalyst

- **Event:** a) Confirmation of the Apple 3DP order allocation, b) step-up in domestic AI PCB equipment orders as customers' plants complete.
- **Timeline:** End-Sep 26.

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

- **Robust 1H26 results; confident in achieving 2027 domestic sales target.** Innovent Biologics' (Innovent) 1H26 results beat expectations, with total revenue rising 44.8% yoy to Rmb8.62b, product revenue up 56.7% yoy to Rmb8.20b and adjusted net profit increasing 40.5% yoy to Rmb1.70b, nearly matching the 2025's total. With 20 commercialised products driving momentum, we are confident in Innovent's path to achieve 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 a 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%.

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.
- **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 WFE spending growth in China over 2025-28 at a 10.6% CAGR for the period, primarily driven by: a) strong investment from domestic

Share Price Catalyst

- **Event:** a) Breakthroughs in China's semiconductor supply chain, b) changes in US-China export policies.
- **Timeline:** 2H26.

memory IDMs, such as Yangtze Memory Technologies and ChangXin Memory Technologies, is likely to accelerate their capex plans amid a memory supercycle on the back of severe DRAM/NAND shortage; b) memory foundries are re-accelerating their capex plans as the supply shortage for domestic advanced nodes remains severe. We are expecting NAURA's market share to increase from 11.1% in 2025 to 19.2% by 2028, driving a 30.3%/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, now 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.

NetEase (9999 HK) – BUY (Julia Pan)

- We remain positive on NetEase, supported by resilient evergreen-game momentum, improving earnings visibility and solid margin delivery. Online game revenue grew 10% yoy in 2Q26, driven by Fantasy Westward Journey and Where Winds Meet, while deferred revenue increased 14% yoy, supporting solid growth visibility into 2H26. Existing titles also remain healthy, with Eggy Party delivering a strong summer performance and Sword of Justice reaching a two-year high in concurrent users following its anniversary update. Overseas momentum is also improving, with engagement for Where Winds Meet stabilising after its initial launch peak and Marvel Rivals continuing to support the international portfolio.
- Meanwhile, games gross margin expanded 5.9ppt yoy to 76.1%, mainly on lower platform revenue-sharing costs, supporting stronger operating leverage. The regulatory backdrop remains supportive, with 1,362 game licences approved ytd as of Aug 26, already reaching ~77% of the 1,771 approvals for full-year 2025, reflecting a sustained and healthy approval cadence alongside continued policy support for high-quality content and overseas expansion. Looking ahead, development of Ananta and Blood Message remains on track, providing additional catalysts from the upcoming pipeline, although visibility on major new launches remains relatively cautious.
- Maintain BUY with a target price of HK$252.00 (US$160.00). NetEase is trading at 14x 2026F PE, lower than its historical mean of 15x.

Share Price Catalyst

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

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

- Zhejiang Shuanghuan Driveline (Shuanghuan) is well positioned to benefit from the recovery in the global EV/PHEV market, on-going overseas expansion, and product mix upgrades with the increased penetration of coaxial gearboxes. Additionally, Shuanghuan had achieved breakthrough in the automotive supply chain with its plastic smart actuator business, and expects revenue growth to remain elevated in 2026-27. Overall, we expect Shuanghuan to sustain double-digit growth in its core businesses over the medium term, driven by its EV gear and Smart actuator business.
- From 2027, we believe Shuanghuan is poised to capture robust demand growth for robotic reducers amid the booming humanoid robot investment trend, given its scale/technological leadership in China's robotic planetary reducer market, and its close collaboration with Tesla, which is now targeting to achieve annual sales target of 1m units for the Optimus bot in a few years' time.
- We maintain our BUY rating with a target price of Rmb50.00, based on 24.2x 2027F PE, equivalent to 1.1x 2027F PEG.

Share Price Catalyst

- **Event:** Humanoid robot component order wins, Tesla Optimus production ramps up.
- **Timeline:** 4Q26.

Tencent (700 HK) – BUY (Julia Pan)

- We remain positive on Tencent, supported by resilient games, accelerating AI-driven advertising monetisation and healthy cloud demand. 2Q26 revenue grew 11% yoy to Rmb204.8b, with online games revenue rising 9% yoy, driven by strong domestic performance from Delta Force, VALORANT and Roco Kingdom: World. Meanwhile, marketing services increased 22% yoy to Rmb43.6b as AI-driven ad recommendation, AIM+ and closed-loop Weixin marketing continued to improve ad performance and advertiser ROI. FinTech and Business Services grew 9% yoy, supported by healthy AI-related cloud demand, international expansion and improved pricing, while gross margin expanded 1ppt yoy to 58% on a higher contribution from internally developed games and marketing services. AI remains an important medium-term catalyst, with Hy3 seeing strong token consumption, WorkBuddy and CodeBuddy gaining traction, and Xiaowei entering small-scale prototype testing within Weixin. The Hunyuan 4 preview has also received positive early feedback, suggesting Tencent is moving closer to frontier-level model capabilities and strengthening its competitiveness in advanced AI, ahead of its planned production launch later this year. However, near-term earnings and cash flow could remain pressured by elevated AI investment, with 2Q26 capex rising to Rmb59.3b and reported FCF turning negative at Rmb13.8b.
- Maintain BUY with a target price of HK$608.00. Tencent currently trades at 14x 2026F PE and 13x 2027F PE, around 1SD below its historical mean of 24x.

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.