UOBKayHian

Country Daily | Greater China

Friday, 14 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53840.0	0.1	(0.1)	2.6	12.0
S&P 500	7799.0	0.7	1.2	3.8	13.9
FTSE 100	10772.7	(0.6)	(0.9)	2.3	8.5
AS30	9381.4	(0.2)	(0.7)	4.2	4.0
CSI 300	4664.0	(0.6)	0.3	(2.8)	0.7
FSSTI	5720.1	(0.0)	2.5	4.1	23.1
HSCEI	8426.5	(0.2)	(0.9)	4.0	(5.5)
HSI	25396.5	(0.2)	(0.5)	4.9	(0.9)
JCI	6301.8	(1.1)	(0.7)	4.3	(27.1)
KLCI	1734.7	(0.4)	(0.1)	0.9	3.2
KOSPI	6813.3	3.6	8.2	(0.6)	61.7
Nikkei 225	68308.6	1.2	3.0	0.8	35.7
SET	1614.4	0.1	0.3	(0.7)	28.2
TWSE	46021.5	1.1	3.7	2.9	58.9
BDI	2844	(3.2)	(7.0)	(3.9)	51.5
CPO (RM/mt)	4519	(0.6)	(0.3)	0.8	14.9
Brent Crude (US$/bbl)	87	(2.1)	5.6	4.5	43.1

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Virtual Meeting on Indonesia Economic Outlook by Mr. Enrico Tanuwidjaja	Indonesia	19 Aug	19 Aug
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Jul Money Supply (M2, M1, M0)	China	9-15 Aug
Jul FDI YTD YoY CNY	China	11-17 Aug
2Q P BoP Current Account Balance	China	14 Aug
2Q F GDP (SA QoQ, YoY)	Hong Kong	14 Aug
Jul Retail Sales	China	17 Aug
Jul Industrial Production	China	17 Aug
Jul Fixed Assets Ex Rural	China	17 Aug
Jul Surveyed Jobless Rate	China	17 Aug

Top Stories

Sector Update | Automobile

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- July passenger vehicle retail fell 21.1% yoy to 1.474m units, a seventh consecutive decline, as a Rmb1,575/tonne rise in petrol prices drove internal combustion retail down by 39.0% yoy. Exports rose 89.9% yoy to 923,000 units, or 40.8% of wholesale volume, holding production flat. New energy vehicles set a record monthly high of 64.5% of retail. BYD, Geely, GWM, XPeng and Li Auto are launching new models at the Chengdu Auto Show, which opens on 21 Aug 26. Maintain MARKET WEIGHT.

Company Results | Hysan Development (14 HK/**BUY**/HK$17.51/Target:HK$20.74)

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- Hysan's reported in-line 1H26 results, with UNP rising 7.4% yoy, while net gearing fell 1.5ppt hoh to 30.9%. Retail outperformed, offsetting a challenging office market. Capital recycling supports deleveraging, despite a lower Bamboo Grove accounting margin. We trim our 2026 UNP and DPS forecasts, but maintain BUY and target price of HK$20.74, as a stronger balance sheet supports a higher target yield.

Company Results | JD.com (9618 HK/**BUY**/HK$123.00/Target: HK$148.00)

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- JD's 2Q26 earnings were above expectations. Revenue declined 2.9% yoy to Rmb346.4b, 1.7% ahead of our estimate, despite a high comparison base for electronics and home appliances. Non-GAAP operating profit increased to Rmb5.5b from Rmb0.9b in 2Q25, while non-GAAP net profit rose 20.8% yoy to Rmb8.9b, beating our and consensus estimates by 14-15%, supported by solid JD Retail profitability and continued narrowing of losses at JD Food Delivery. Maintain BUY with a lower target price of HK$148.00 (US$38.00).

Company Results | Lenovo Group (992 HK/**BUY**/HK$34.90/Target: HK$49.00)

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- Lenovo's 1QFY27 results came in well above expectations across the board, with group revenue up 43% yoy to US$27b and adjusted net profit up 176% yoy to US$1.1b. ISG nearly doubled on AI server demand and swung positive to a 9.1% operating margin, lifting group core operating margin to 5.7%. We raise FY27-29 estimates and our target price to HK$49.00. Maintain BUY.

Technical Analysis

CK Infrastructure | 1038 HK Page 15 →

- Support levels: HK$60.45/HK$60.05
- Resistance levels: HK$65.95/HK$68.55

CK Hutchison | 1 HK Page 15 →

- Support levels: HK$70.15/HK$67.75
- Resistance levels: HK$74.40/HK$80.05

Automobile

Weekly: A Product Wave Rolls Into The Chengdu Auto Show

Analyst(s)

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MARKET WEIGHT (Maintained)

Highlights

- July passenger vehicle retail fell 21.1% yoy and 8.9% mom to 1.474m units, a seventh straight decline.
- Exports rose 89.9% yoy to 923,000 units and accounted for 40.8% of wholesale volume, up 19.4ppt yoy.
- New energy vehicles set a record monthly high of 64.5% of retail, and the industry destocked 161,000 units.
- BYD, Geely, GWM, XPeng and Li Auto will all launch new models at the Chengdu Auto Show.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL, Hesai, and Desay SV.

Analysis

- **July PV sales: Exports now carry the volume base.** Production and wholesale volumes were close to flat yoy only because exports nearly doubled. The domestic market declined again, and almost all of the fall was in petrol cars. According to CAAM data, new energy vehicles accounted for 60.4% of all vehicle sales in July, exceeding 60% for the first time.
  - **Retail fell for a seventh month, but only internal combustion volume is collapsing.** Retail sales fell 21.1% yoy and 8.9% mom to 1.474m units, taking 7M26 retail to 10.270m units, down 20.5% yoy and accounting for 52.7% of our 2026 forecast of 19.472m units (down 19.0% yoy). Internal combustion retail fell 39.0% yoy to 523,000 units, while new energy retail fell only 3.6% yoy to 951,000 units. The CPCA attributes the petrol-car weakness to a Rmb1,575/tonne cumulative rise in domestic petrol prices this year.

Segmental Rating

Segment	Rating
OEMs	MARKET WEIGHT (Maintained)
Auto parts	MARKET WEIGHT (Maintained)
Battery & battery materials	OVERWEIGHT (Maintained)

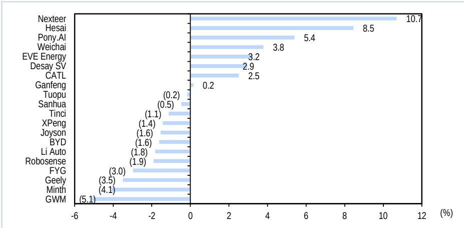
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
BYD	1211 HK	BUY	88.40	135.00
Geely	175 HK	BUY	17.91	27.00
CATL	300750 CH	BUY	396.30	585.00
Hesai	2525 HK	BUY	18.50	33.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 12 Aug 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)
BYD – H	1211 HK	BUY	88.40	135.00	52.7	12/25	21.5	15.4	12.4	0.6	15.3	325,613	2.4
Geely	175 HK	BUY	17.91	27.00	50.8	12/25	10.9	9.6	7.5	2.9	17.8	193,162	2.5
Great Wall Motor - H	2333 HK	HOLD	8.38	9.90	18.2	12/25	6.3	6.7	5.5	2.7	10.2	19,324	0.7
Li Auto	2015 HK	SELL	48.22	40.00	(17.0)	12/25	190.6	60.1	74.3	0.0	2.0	100,539	1.2
XPeng	9868 HK	BUY	45.38	90.00	98.3	12/25	Loss	144.1	17.4	0.0	1.7	71,130	2.4
Fuyao Glass - H	3606 HK	BUY	55.40	100.00	80.5	12/25	13.5	12.6	10.5	5.2	27.2	33,614	2.9
Huizhou Desay SV	002920 CH	BUY	96.05	150.00	56.2	12/25	23.4	23.3	19.8	1.5	24.8	57,324	3.3
Minth	425 HK	BUY	27.66	56.00	102.5	12/25	10.0	9.5	8.1	3.0	11.7	32,403	1.1
Nexteer	1316 HK	BUY	4.92	8.30	68.9	12/25	15.5	11.8	10.6	3.8	6.2	12,336	0.7
Ningbo Joyson	600699 CH	BUY	20.95	43.00	105.3	12/25	22.1	16.5	14.5	1.2	9.9	29,239	1.6
Ningbo Tuopu	601689 CH	BUY	49.69	100.00	101.2	12/25	32.1	28.4	24.8	0.0	11.7	86,353	3.5
Pony AI	PONY US	BUY	8.20	16.00	95.1	12/25	Loss	Loss	Loss	0.0	n.a.	2,897	0.3
Weichai Power - H	2338 HK	HOLD	35.64	35.00	(1.8)	12/25	44.9	23.4	22.0	2.6	10.7	69,250	2.8
Zhejiang Sanhua	002050 CH	BUY	38.53	57.00	47.9	12/25	40.3	34.4	29.8	1.2	14.2	143,774	4.7
Hesai	2525 HK	BUY	18.50	33.00	78.4	12/25	41.1	36.9	22.3	0.0	5.9	23,257	2.1
RoboSense	2498 HK	BUY	22.60	50.00	121.2	12/25	Loss	102.1	23.5	0.0	2.4	10,667	2.4
CATL	300750 CH	BUY	396.30	585.00	47.6	12/25	25.0	19.1	14.5	2.6	20.8	1,738,568	4.6
EVE Energy	300014 CH	BUY	55.88	83.50	49.4	12/25	28.0	14.7	11.2	1.7	6.8	121,444	2.3
Ganfeng Lithium - H	1772 HK	BUY	39.40	120.00	204.6	12/25	44.5	21.5	13.2	0.9	(1.2)	19,034	1.4
Tinci Materials	002709 CH	BUY	38.81	75.00	93.2	12/25	54.9	15.4	12.9	1.9	5.4	79,117	3.4

Source: Bloomberg, UOB Kay Hian

- **Exports now account for 40.8% of wholesale volume.** Exports rose 89.9% yoy and 4.6% mom to 923,000 units, a 19.4ppt yoy gain in share, and new energy exports rose 147.7% yoy to 540,000 units, or 58.5% of the total. 7M26 exports of 5.206m units are up 73.7% yoy, accounting for 52.9% of our 2026 forecast of 9.838m units (up 70.0% yoy). BYD (1211 HK/BUY/Target: HK$135.00) exported 173,721 units, ahead of Chery's 82,768 and Tesla China's 66,330, while Geely (175 HK/BUY/Target: HK$27.00) exported 60,584 units. We therefore prefer globally geared suppliers such as Fuyao Glass (3606 HK/BUY/Target: HK$100.00), Minth (425 HK/BUY/Target: HK$56.00) and Nexteer (1316 HK/BUY/Target: HK$11.40) to the OEMs.
- **Production held up only because of exports, and the industry destocked again.** Production fell 2.1% yoy and 5.3% mom to 2.236m units and wholesale fell 0.2% yoy and 4.8% mom to 2.265m units. However, domestic wholesale volume, excluding exports, fell 24.8% yoy to 1.342m units. The industry destocked 161,000 units in July, with 132,000 from dealers; this took 7M26 destocking to 658,000 units. Scale is concentrating - five manufacturers sold more than 100,000 units each, accounting for 50.3% of the market, while domestic brands accounted for 71.0% of retail, up 5.4ppt yoy. That favours BYD and Geely and hurts the smaller OEMs that depend on domestic sales - Li Auto (2015 HK/SELL/Target: HK$40.00) has the least export volume.

• **Policy: Costs are rising at home while trade terms abroad may ease.** The battery consumption tax starting on 1 Sep 26 is being passed on to carmakers rather than absorbed. The new battery safety standard is clearing low-priced models out of the market, while Mexico is asking Washington to lower North American vehicle tariffs.
- **EVE Energy will add the tax to its domestic prices on 1 Sep 26.** EVE Energy (300014 CH/BUY/Target: Rmb83.50) said on 10 Aug 26 it will add the 2% tax to the pre-tax supply price of some domestically sold batteries, starting with lithium primary and lithium-ion cells, and affecting consumer, power and storage customers. Its orderbook already exceeds capacity, so it does not expect to lose share. A full pass-through protects cell-maker margins and moves the cost to the carmakers, and CATL (300750 CH/BUY/Target: Rmb585.00) can do the same. Because the tax is levied at production, BYD, which makes its own cells, is least exposed among carmakers under our coverage.
- **The new battery safety standard has begun to clear low-priced models out of the market.** GB 38031-2025 came into effect on 1 Jul 26, and the CPCA attributes part of July's weakness to the clearing of models that cannot meet the new standard, noting that domestic economy battery electric cars were hit hardest by the fall in subsidies.
- **Mexico is pushing Washington to lower North American vehicle tariffs.** It is seeking them in the US-Mexico-Canada Agreement renegotiation, answering a US proposal for more American content (Wall Street Journal, 13 Aug 26). Any easing helps Chinese suppliers building there - Minth broke ground on 3 Aug 26 on a US$430m campus in Gadsden, Alabama, the largest in its history by land area, and Nexteer already manufactures in North America.

• **Corporate update: OEMs are pushing new products during the Chengdu Auto Show.** The show opens on 21 Aug 26 with nearly 120 brands and about 1,600 vehicles, and BYD, Geely, GWM, XPeng and Li Auto are all launching or showing new models there. The new models are mainly large SUVs and family sedans, which would boost ASP rather than volume.
- **BYD's Da Han flagship sedan will make its global debut at the show.** BYD (1211 HK/BUY/Target: HK$135.00) will show the Da Han at Chengdu alongside Denza, Fang Cheng Bao and Yangwang. It launched the 2027 Seal 06 on 11 Aug 26 with a 630km range, the second-generation Blade Battery and LiDAR-based God's Eye B assisted driving, and its Racco kei car received 1,002 orders in Japan in two weeks, above its 1,000-unit

China PV Sales (Jul 26)

	Jul 26	yoy %	mom %	7M26	yoy %
Production volume					
EV	1,449	25.8	0.7	8,213	7.9
BEV	959	33.0	2.5	5,195	9.8
PHEV	391	19.2	(3.7)	2,414	9.6
EREV	99	(3.9)	2.1	604	(11.3)
ICE-car	787	(30.4)	(14.5)	6,605	(18.3)
Total	2,236	(2.1)	(5.3)	14,818	(5.6)
EV share (%)	64.8	14.3	3.8	55.4	6.9
Wholesale					
EV	1,445	21.5	(2.4)	8,249	7.6
BEV	958	29.1	(2.3)	5,259	11.2
PHEV	387	14.5	(4.7)	2,385	6.1
EREV	100	(8.3)	6.4	605	(12.2)
ICE-car	820	(24.1)	(8.7)	6,677	(17.6)
Total	2,265	(0.2)	(4.8)	14,926	(5.4)
EV share (%)	63.8	11.4	1.5	55.3	6.7
Retail sales					
EV	951	(3.6)	(5.7)	5,668	(12.5)
BEV	647	6.6	(5.5)	3,770	(4.8)
PHEV	219	(21.2)	(9.1)	1,374	(26.7)
EREV	85	(16.7)	3.7	524	(18.9)
ICE-car	523	(39.0)	(14.3)	4,602	(28.6)
Total	1,474	(21.1)	(8.9)	10,270	(20.5)
EV share (%)	64.5	11.7	2.2	55.2	5.1
Chg in inventories					
EV	(42)	n.a.	n.a.	(226)	n.a.
ICE-car	(119)	n.a.	n.a.	(432)	n.a.
Total	(161)	n.a.	n.a.	(658)	n.a.

Source: China Passenger Car Association (CPCA), UOB Kay Hian target. We expect the three models to contribute 17,500 units in sales a month, 4% of BYD's July volume of 419,211 units: a) 4,000 for the Da Han, a D-segment flagship that sits above the Han and will sell in smaller numbers than the mass Dynasty sedans; b) 12,000 for the Seal 06, up 25% vs the 9,583/month it averaged in 2Q26; and c) 1,500 for the Racco. These will lift BYD's ASP rather than its group volume.

- **Geely will bring the Galaxy Cruiser 700 and the all-electric Galaxy TT to Chengdu.** Geely (175 HK/BUY/Target: HK$27.00) will show both under its Galaxy brand, with the locally built Zeekr X and Lynk & Co Z20 on its stand. Galaxy is the brand behind Geely's domestic share gain, so a C-segment battery electric sedan will mark the brand's entrance into the most contested part of the market. We estimate that the two models will contribute 13,000 units in sales a month, 5% of Geely's July volume of 250,161 units.
- **GWM received 31,826 orders for the Haval H10 in its first 24 hours and will launch the Wey V8X on 14 Aug 26.** GWM (2333 HK/HOLD/Target: HK$9.90) said the H10 intake was helped by a limited-time price of Rmb201,800; both join the Tank 300 on the Chengdu stand. We estimate H10 sales at 8,000 units in sales a month as those orders convert, and the V8X sales at 2,500. The two models will likely jointly contribute 10% of GWM's total sales volume. We keep our HOLD rating until the orders become deliveries.
- **XPeng opened pre-sales of the G9L in both battery electric and extended-range versions.** XPeng (9868 HK/BUY/Target: HK$90.00) put the G9L large five-seat SUV on pre-sale on 11 Aug 26 at Rmb259,800 across six versions, and will show it at Chengdu. The battery electric version uses 91.9kWh or 110kWh packs for 672–805km of CLTC range on an 800V architecture; the extended-range version pairs a 1.5-litre engine with a 63.3kWh pack. XPeng has named the Li L7 and the Huawei-backed Aito M7 as the G9L's targets, so it will target Li Auto's core segment. We estimate the G9L at 5,000–6,000 units a month, accounting for 14% of XPeng's July volume of 38,027 units, and marking a bigger proportionate addition than any of the other four OEMs. The GX sold 6,739 units in its first full month, vs the G9 (that it sits above) that sold only 1,599 in June, while the Li L7 it targets only sold 754 units.
- **Li Auto is cutting the i8's entry price rather than launching a new model.** Li Auto launched the rear-drive long-range i8 on 6 Aug 26 at Rmb309,800, which is Rmb30,000 below the all-wheel-drive version, with the same 97.8kWh 5C pack and 780km of CLTC range, with a discount of up to Rmb35,750 until 31 Aug 26. The i8 delivered only 779 units in June, down 50.2% mom and its lowest since launch. The cheaper trim answers weak demand rather than starts a cycle, and with the G9L aimed at the same buyers. We retain our SELL rating ahead of 2Q26 results on 26 Aug 26.

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** Our preference for segments in descending order is battery and battery materials > auto parts > OEMs.
- **Top BUYs: BYD, Geely, CATL, Hesai, and Desay SV. Top SELL: Li Auto.**

Sector Catalyst/Risk

- Catalysts: the Chengdu Auto Show and the August retail print; the battery consumption tax on 1 Sep 26; 1H26 results from the covered OEMs; a further rise in exports.
- Risks: A petrol price reversal removing the switching incentive; export barriers in Europe, Brazil and Mexico; a deeper domestic price war; lithium carbonate volatility.

Hysan Development (14 HK)

1H26: Results In Line; Look For Further Deleveraging

Highlights

- 1H26 adjusted UNP rose 8.8% yoy, while net gearing fell 1.5ppt hoh.
- IP performance met expectations, with retail materially outperforming market. The office market remains overall challenging. Capital recycling supports deleveraging, despite a narrower accounting margin at Bamboo Grove.
- Maintain BUY with an unchanged target price of HK$20.74.

1H26 Results

Year to 31 Dec (HK$m)	1H26	1H25	yoy	2H25	hoh
Turnover	1,728	1,730	-0.1%	1,734	-0.3%
- Retail	874	862	1.4%	865	1.0%
- Office	754	750	0.5%	758	-0.5%
- Residential	100	118	-15.3%	111	-9.9%
Gross profit	1,426	1,426	0.0%	1,352	5.5%
Reported net profit	73	75	-2.7%	240	-69.6%
Reported Underlying net profit (UNP)	1,107	1,031	7.4%	1,479	-25.2%
Adjusted UNP (after perps distribution)	845	777	8.8%	1,208	-30.0%
Recurring UNP*	1,049	1,031	1.7%	887	18.3%
Adjusted recurring UNP	787	777	1.3%	616	27.8%
Underlying EPS (HK / share)	1.08	1.00	7.4%	1.44	-25.2%
DPS (HK / share)	0.27	0.27	0.0%	0.81	n/m
Gross profit (GP) margin	82.5%	82.4%	0.1ppt	78.0%	4.6ppt
- Retail	83.1%	83.9%	-0.8ppt	78.4%	4.7ppt
- Office	83.7%	82.7%	1.0ppt	81.0%	2.7ppt
- Residential	69.0%	70.3%	-1.3ppt	54.1%	14.9ppt
	Jun 26	Jun 25	yoy	Dec 25	hoh
Net gearing ratio	30.9%	32.9%	-2.0ppt	32.4%	-1.5ppt
Net gearing ratio (PC as debt)	49.4%	52.9%	-3.5ppt	51.4%	-2.0ppt

Note: Reported underlying net profit is arrived at by adding back a) fair value change of investment properties; b) items not generated from the core property investment business; and c) distribution to perpetual capital securities.
** For recurring UNP, profit from Bamboo grove sale is excluded.*

Analysis

- **1H26 adjusted UNP up 8.8% yoy, net gearing down 1.5ppt hoh.** Revenue edged down 0.1% yoy to HK$1,728m, 50.1% of our full-year estimate, as residential income fell 15.3% yoy on the sale of two Bamboo Grove blocks. Gross profit margin widened 0.1ppt yoy to 82.5%. While underlying net profit (UNP) increased 7.4% yoy to HK$1,107m, adjusted UNP (after distributions to perpetual capital securities holder) rose 8.8% yoy to HK$845m, 40.4% of our full-year estimate, supported by a HK$58m gain on the Bamboo Grove sales. Net gearing edged down 1.6ppt hoh to 31.1% and gearing including perpetual capital securities fell 2.0ppt hoh to 49.4% - the clear positive of the results; interim DPS held flat yoy at HK$0.27, in line with our expectation.

Key Financials

Year to 31 Dec (HK$m)	2024	2025	2026F	2027F	2028F
Net turnover	3,409	3,464	3,477	3,713	3,910
EBITDA	2,487	3,094	2,665	2,724	2,845
Operating profit	2,458	3,063	2,633	2,690	2,845
Net profit (rep./act.)	35	315	1,568	1,663	1,903
Net profit (adj.)*	1,538	1,985	1,568	1,663	1,903
EPS (HK$)	149.8	193.3	152.7	162.0	185.3
PE (x)	11.7	9.1	11.5	10.8	9.5
P/B (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x)	17.4	14.0	16.2	15.8	15.2
Dividend yield (%)	6.2	6.2	6.2	6.5	7.3
Net margin (%)	1.0	9.1	45.1	44.8	48.7
Net debt/(cash) to equity (%)	32.2	33.0	31.6	30.7	30.1
Interest cover (x)	8.8	7.8	7.0	7.2	8.3
ROE (%)	0.0	0.4	2.1	2.2	2.5
Consensus net profit (HK$m)	-	-	2,044.0	1,706.0	1,758.8
UOBKH/Consensus (x)	-	-	0.77	0.98	1.08

**For adjusted net profit, fair value change and distribution to perpetual capital securities holders are excluded.*
Source: Hysan, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$17.51
Target Price	HK$20.74
Upside	+18.5%

Stock Data

Sector	Real Estate
Bloomberg ticker	14 HK
Shares issued (m)	1,027.0
Market cap ({{Curr}}m)	17,982.9
Market cap (US$m)	2,291.7
3-mth avg daily t'over (US$m)	5.0

Price Performance (%)

52-week high/low: HK$23.16/HK$14.64

1mth	3mth	6mth	1yr	YTD
0.9	(11.3)	(22.7)	12.7	(7.4)

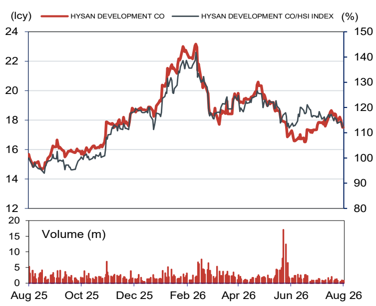
Major Shareholders (%)

LEE HYSAN COMPANY LTD	42.17

Balance Sheet Metrics

FY26 NAV/Share (HK$)	64.18
FY26 Net Debt/ Share (HK$)	23.14

Price Chart



Source: Bloomberg

Company Description

Hysan Development Company, through its subsidiaries, invests in real estate. The company's properties include commercial rental and luxury residential buildings in Hong Kong. The company also invests in treasuries.

- **Investment property (IP) performance in line; retail continued to outperform the market.** We see a few key highlights in Hysan Development's (Hysan) Hong Kong retail portfolio: a) tenant sales grew 17% yoy, outperforming overall Hong Kong retail sales across all categories; b) turnover rent rose 8.2% yoy to HK$66m; and c) base rent reversion is expected to be in the low-to-mid single digits range, with occupancy cost healthy in the mid-to-high teens. The office portfolio also showed signs of improvement, with Causeway Bay spot rents stabilising and the negative rental reversion narrowing to the mid-teens. That said, management continues to view the office market as challenging, even as Causeway Bay spot rents stabilise.
- **Lee Garden Eight nearing completion, but leasing progress yet to be disclosed.** Lee Garden Eight and the Lee Gardens connectivity project remain on schedule for completion in 2H26. Capital expenditure rose 58.7% yoy to HK$1,697m in 1H26, against HK$2,633m for 2025, and we expect capital expenditure to decline from 2027 onwards. Management said Lee Garden Eight continues to make good progress in securing strategic office and retail anchors, but has not disclosed its % of committed leasing. We look for the pace to pick up after completion in 4Q26.
- **Capital recycling supporting balance sheet, though accounting margin on Bamboo Grove has narrowed.** As at Jun 26, Hysan had collected HK$4.5b from sales at Bamboo Grove and VILLA LUCCA - HK$4.0b and HK$0.5b respectively - or 56% of its HK$8b five-year target, with a further HK$0.6b contracted for completion by end-26. The carrying value of the Bamboo Grove units held has been revalued up 44% since 2025, which supports the fall in gearing. At the same time, while ASP rose to HK$25,000/psf in 2026 from HK$22,500/psf in 2025, the much higher book value cut the accounting margin by 90% in 1H26 from 2H25. On balance, we see the cash inflow and lower gearing as more meaningful, and we expect capital recycling to continue to support deleveraging in 2027.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$20.74.** We are slightly more conservative on our full-year dividend forecast, having previously assumed single-digit growth. However, the solid improvement in gearing (a continuous decline since it peaked at 32.9% as of Jun 25) enhances the group's overall resilience, and we therefore lower our targeted 2026 dividend yield to 5.2%, from 5.5%. Our target price is unchanged at HK$20.74 and implies a 68% discount to our 2026 NAV estimate of HK$64.18/share.

Earnings Revision/Risk

- **We revise down our 2026 earnings forecast to reflect a lower accounting margin on the Bamboo Grove sales.** Factoring in a more conservative accounting margin for Bamboo Grove, we revise our 2026/27/28 earnings forecasts by -25.0%/-1.9%/+2.3% respectively.

Share Price Catalyst

- Faster-than-expected interest rate cuts; stronger-than-expected recovery in Hong Kong retail sales.

Key Operational Data

	------------- Occupancy rate -------------					Rental
	Jun 26	Dec 25	Jun 25	Dec 24	Jun 24	reversion in 1H26
Retail - HK	96%	95%	94%	92%	95%	Positive
Office - HK	93%	94%	92%	90%	89%	Negative
Retail-SH	67%*	72%	64%	41%	N/A	N/A
Office – SH	83%	72%	68%	66%	34%	N/A
Residential - HK	90%	87%	70%	73%	68%	Positive

Note: As of Jun 26, 70% of Shanghai retail space is committed
Source: Hysan, UOB Kay Hian

Profit & Loss

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Net turnover	3,464.0	3,476.6	3,713.3	3,909.7
EBITDA	3,093.6	2,664.9	2,724.2	2,845.0
Deprec. & amort.	30.6	32.2	33.8	0.0
EBIT	3,063.0	2,632.7	2,690.4	2,845.0
Total other non-operating income	(2,017.0)	(529.0)	(529.0)	(529.0)
Associate contributions	(581.0)	281.0	431.0	581.0
Net interest income/(expense)	(398.0)	(379.4)	(376.5)	(341.5)
Pre-tax profit	67.0	2,005.3	2,215.9	2,555.5
Tax	(296.0)	(326.0)	(377.1)	(428.0)
Minorities	544.0	(110.9)	(175.4)	(224.5)
Net profit	315.0	1,568.4	1,663.4	1,903.0
Net profit (adj.)	1,985.0	1,568.4	1,663.4	1,903.0

Balance Sheet

Year to 31 Dec (HK$m))	2025	2026F	2027F	2028F
Fixed assets	97,062.0	99,113.6	99,668.1	100,225.7
Other LT assets	12,157.0	12,349.4	12,551.0	12,752.8
Cash/ST investment	3,831.0	3,730.2	2,218.2	2,441.2
Other current assets	2,372.0	358.1	376.0	394.8
Total assets	115,422.0	115,551.2	114,813.2	115,814.5
ST debt	1,903.0	2,500.0	2,500.0	2,500.0
Other current liabilities	2,231.0	3,348.3	3,935.1	4,047.4
LT debt	26,621.0	25,000.0	23,000.0	23,000.0
Other LT liabilities	8,453.0	8,085.9	8,101.2	8,116.9
Shareholders' equity	74,860.0	75,196.5	75,751.0	76,489.6
Minority interest	1,354.0	1,420.6	1,525.8	1,660.5
Total liabilities & equity	115,422.0	115,551.2	114,813.2	115,814.5

Cash Flow

Year to 31 Dec (HK$m)	2025	2026F	2027F	2028F
Operating	2,288.0	2,372.8	2,534.8	2,793.9
Profit fo the year	67.0	2,005.3	2,215.9	2,555.5
Tax	(296.0)	(326.0)	(377.1)	(428.0)
Deprec. & amort.	30.6	32.2	33.8	0.0
Associates	581.0	(281.0)	(431.0)	(581.0)
Working capital changes	11.0	(48.7)	(50.0)	(51.4)
Non-cash items	907.0	0.0	0.0	0.0
Other operating cashflows	987.4	991.0	1,143.2	1,298.8
Investing	771.0	718.8	118.5	(385.0)
Capex (growth)	(16.0)	(32.3)	(32.5)	(36.0)
Proceeds from sale of assets	2,030.0	2,600.0	500.0	0.0
Others	(1,343.0)	(1,849.0)	(349.0)	(349.0)
Financing	(795.0)	(3,192.3)	(4,165.4)	(2,185.9)
Dividend payments	(1,109.0)	(1,108.9)	(1,108.9)	(1,164.4)
Proceeds from borrowings	6,462.0	(1,024.0)	(2,000.0)	0.0
Loan repayment	(10,367.0)	0.0	0.0	0.0
Others/interest paid	4,219.0	(1,059.4)	(1,056.5)	(1,021.5)
Net cash inflow (outflow)	2,264.0	(100.8)	(1,512.1)	223.0
Beginning cash & cash equivalent	1,564.0	3,831.0	3,730.2	2,218.2
Changes due to forex impact	3.0	0.0	0.0	0.0
Ending cash & cash equivalent	3,831.0	3,730.2	2,218.2	2,441.2

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	89.3	76.7	73.4	72.8
Pre-tax margin	1.9	57.7	59.7	65.4
Net margin	9.1	45.1	44.8	48.7
ROA	0.3	1.4	1.4	1.7
ROE	0.4	2.1	2.2	2.5
Growth				
Turnover	1.6	0.4	6.8	5.3
EBITDA	24.4	(13.9)	2.2	4.4
Pre-tax profit	(55.0)	2,892.9	10.5	15.3
Net profit	800.0	397.9	6.1	14.4
Net profit (adj.)	29.1	(21.0)	6.1	14.4
EPS	29.1	(21.0)	6.1	14.4
Leverage				
Debt to total capital	27.2	26.4	24.8	24.6
Debt to equity	38.1	36.6	33.7	33.3
Net debt/(cash) to equity	33.0	31.6	30.7	30.1
Interest cover (x)	7.8	7.0	7.2	8.3

JD.com (9618 HK)

2Q26: Resilient Earnings on Margin Improvement and FD Loss Reduction; Revenue Outlook Turns Softer

Highlights

- **JD's 2Q26 earnings were above expectations.** Revenue declined 2.9% yoy to Rmb346.4b, 1.7% ahead of our estimate, despite a high comparison base for electronics and home appliances. Non-GAAP operating profit increased to Rmb5.5b from Rmb0.9b in 2Q25, while non-GAAP net profit rose 20.8% yoy to Rmb8.9b, beating our and consensus estimates by 14-15%, supported by solid JD Retail profitability and continued narrowing of losses at JD Food Delivery.
- Maintain BUY with a lower target price of HK$148.00 (US$38.00).

2Q26 Results

Year to 31 Dec (Rmbm)	2Q25	1Q26	2Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Total Net revenue	356,660	315,694	346,401	10%	-3%	340,766	1.7%	342,096	1.3%
Online direct sales	282,414	244,819	267,115	9%	-5%	259,666	2.9%		
Services and Others	74,246	70,875	79,286	12%	7%	81,100	-2.2%		
Gross profits	56,640	53,027	59,307	12%	5%	54,996	7.8%	55,474	6.9%
GPM	15.9%	16.8%	17.1%	32 bps	124 bps	16.1%	98 bps	16.2%	90.5 bps
Non-GAAP OP	896	4,993	5,483	10%	512%	7,375	-25.7%		
Non-GAAP OPM	0.25%	1.58%	1.58%	0 bps	133 bps	2.16%	(58 bps)		
Non-GAAP net income	7,394	6,880	8,930	30%	21%	7,791	14.6%	7,869	13.5%
Non-GAAP EPS (Rmb)	4.97	4.80	6.29	31%	27%	5.46	15.2%	5.40	16.5%
Non-GAAP Net Margin	2.1%	2.2%	2.6%	40 bps	50 bps	2.3%	29 bps	2.3%	27.8 bps

Source: JD.com, UOB Kay Hian

Analysis

- **Revenue under pressure, but core retail profitability remained resilient.** JD.com's 2Q26 revenue declined 2.9% yoy to Rmb346.4b, vs +4.9% in 1Q26, but came in 1.6% above our forecast. Electronics and home appliances revenue fell 12% yoy (1Q26: -8%), mainly due to the high trade-in comparison base and upstream price pressures, while general merchandise revenue grew 6% yoy (1Q26: +15%). Marketplace and marketing revenue rose 8% yoy (1Q26: +19%), while logistics and other service revenue growth moderated to 6% yoy (1Q26: +22%). JD Retail revenue declined 5% yoy (1Q26: +2%), with EBIT margin deteriorating 1ppt yoy to 4.6%, despite remaining at a record level for a peak promotional quarter.
- **Gross margin expanded, with new business losses narrowing.** Gross margin expanded 1.2ppt yoy and 0.3ppt qoq to 17.1% in 2Q26, supported by improving supply-chain efficiency and a more favourable revenue mix. Non-GAAP operating margin rose 1.3ppt yoy to 1.6%, but edged down 0.2ppt qoq. JD Retail/JD Logistics/New Businesses operating margins came in at 4.6%/3.5%/-135.7%, vs 5.6%/1.7%/-164.9% in 1Q26, with the improvement in new businesses mainly reflecting continued loss reduction at JD Food Delivery, whose losses narrowed by over 50% yoy.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	1,158,819	1,309,085	1,353,374	1,447,616	1,525,274
EBITDA	33,865	8,363	16,746	64,959	74,352
Operating profit	38,736	2,774	18,260	33,755	43,322
Net profit (rep./act.)	41,359	19,631	25,619	35,695	43,499
Net profit (adj.)	47,827	27,032	32,866	42,282	49,234
EPS	1,572.7	919.8	1,175.5	1,512.2	1,743.4
PE	6.7	11.5	9.0	7.0	6.1
P/B	1.3	1.3	1.3	1.1	1.0
EV/EBITDA	10.5	42.4	21.2	5.5	4.8
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	3.6	1.5	1.9	2.5	2.9
Net debt/(cash) to equity	(12.8)	(18.7)	1.3	(29.0)	(41.7)
ROE	17.5	8.4	11.5	15.1	15.7
Consensus net profit	-	-	31,342.0	41,966.5	49,802.4
UOBKH/Consensus (x)	-	-	1.05	1.01	0.99

Source: JD.com, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	HK$123.00
Target Price	HK$148.00
Upside	20.3%
Previous TP	HK$156.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9618 HK
Shares issued (m)	2,409.9
Market cap (HK$m)	335,991.9
Market cap (US$m)	42,815.2
3-mth avg daily t'over (US$m)	157.5

Price Performance (%)

52-week high/low: HK$143.80/HK$95.80

1mth	3mth	6mth	1yr	YTD
8.7	(4.1)	11.8	0.2	10.2

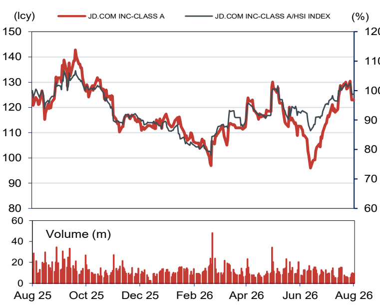
Major Shareholders (%)

Blackrock Inc	5.1

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	81.70
FY26 Net Debt/Share (Rmb$)	1.03

Price Chart



Source: Bloomberg

Company Description

JD.com is the leading online direct sales player in China.

- **Food delivery loss reduction supports earnings recovery.** JD Food Delivery losses narrowed significantly yoy in 2Q26 on improving efficiency and monetisation. Further loss reduction should reduce the drag on group earnings while supporting user engagement and cross-selling.
- **AI and overseas expansion provide medium-term optionality.** JD continued to deepen AI deployment across retail, logistics and industrials, with JoyInside connecting nearly 200 brands, JD Logistics deploying thousands of autonomous vehicles, and JD Industrials rolling out more than 70 AI agents in 1H26. Meanwhile, Joybuy continued to expand in Europe, highlighting potential upside from JD's overseas retail and supply-chain capabilities.
- **International outlook:** International operations remain in an early investment phase, with quarterly losses of about Rmb1b-2b. Management plans to expand cautiously, prioritising execution in existing European markets before entering additional cities and countries, while keeping overall investment disciplined and controllable.
- **Food delivery outlook:** Food delivery losses have narrowed materially from about Rmb13b in 3Q25, with losses at around Rmb7b in 1Q26 and around Rmb6b in 2Q26. Management expects 3Q26 losses to more than halve yoy, implying losses of around Rmb6b or below. Unit economics have also improved significantly, with loss per order narrowing to below Rmb5 from around Rmb10 at the early stage of the business, supporting further loss reduction.
- **Cash generation remained solid.** 2Q26 operating cash flow rose to Rmb37.7b, while free cash flow increased 44.6% yoy to Rmb31.8b. JD also repurchased US$1.0b of shares in 1H26, equivalent to about 2.5% of shares outstanding, reinforcing its commitment to shareholder returns.
- **3Q26 outlook: Retail growth turns positive with accelerating earnings momentum.** Retail revenue is expected to return to positive growth of 3-3.3% yoy, with two-year CAGR remaining in the mid- to high single-digits as the high subsidy base in electronics normalises. General merchandise should continue to outgrow electronics, while advertising growth is expected to accelerate. Retail margin should remain broadly stable yoy despite further GM improvement, partly offset by higher AI/R&D investment. At the group level, 3Q26 revenue growth should turn positive and slightly outpace retail, while net profit growth should accelerate from +21% yoy in 2Q26, with further net-margin improvement.

Valuation/Recommendation

- **Maintain BUY, and cut target price to HK$148.00 (US$38.00) from HK$156.00 previously,** which implies 12x 2026F PE. JD is trading at 9x 2026F PE, against a 20% EPS CAGR. Our target price implies a 20% upside potential, supported by: a) attractive valuation, b) resilient JD Retail fundamentals, and c) about 5% shareholder return from ongoing share buyback execution.

Earnings Revision/Risk

- We leave 2026F revenue estimates largely unchanged and raise earnings by 4%, reflecting easing high-base effects and continued narrowing of food delivery losses.
- **Risks**: Continued losses from the food delivery business; slowing gross merchandise value (GMV) growth; weak macroeconomic and consumption conditions; and rising product prices potentially weighing on demand.

Share Price Catalyst

- a) Easing high-base effects, b) continued margin expansion driven by improved operating efficiency, and c) further narrowing of food delivery losses.

12-Month Forward PE Band

Source: Bloomberg, UOB Kay Hian

SOTP-Based Valuation

2027F	Revenue (Rmbm)	EBITDA (Rmbm)	EV/EBITDA (x)	EV/Sales (x)	To JD (HK$)	JD stake (%)	To JD (20% discount)	HK$/ share	of TP value (%)
JD Retail	1,199,186	56,362	4		225,447	Majority	180,357	60	40%
JD Logistics (mkt cap)					80,677	63%	56,474	19	13%
New Business and others	38,054			1	38,054	37%	30,443	5	3%
JD Health (mkt cap)					108,348	67%	75,844	25	17%
JD industrial					28,826	71%	20,178	7	4%
Net cash					101,656		81,325	34	23%
SOTP value					583,008		444,621	148	

Source: JD.com, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	1,309,085.0	1,353,374.2	1,447,616.5	1,525,273.7
EBITDA	8,363.0	16,745.8	64,959.4	74,351.9
Deprec. & amort.	5,589.0	(1,514.0)	31,204.6	31,029.8
EBIT	2,774.0	18,259.8	33,754.8	43,322.1
Total other non-operating income	8,025.0	4,187.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	14,524.0	11,718.0	10,983.2	11,740.2
Pre-tax profit	25,323.0	34,164.8	44,738.0	55,062.3
Tax	(2,181.0)	(6,259.6)	(9,043.3)	(11,563.1)
Minorities	(3,511.0)	(2,286.0)	0.0	0.0
Net profit	19,631.0	25,619.2	35,694.7	43,499.2
Net profit (adj.)	27,032.0	32,865.7	42,282.1	49,234.0

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	91,349.0	95,866.0	93,613.7	93,089.4
Other LT assets	229,431.0	224,938.0	224,939.0	224,939.0
Cash/ST investment	137,488.0	89,068.0	162,541.7	209,812.7
Other current assets	236,933.0	315,534.0	296,154.8	306,400.2
Total assets	695,201.0	725,406.0	777,249.2	834,241.3
ST debt	0.0	3,534.0	3,534.0	3,534.0
Other current liabilities	306,072.0	351,202.0	332,355.3	349,048.1
LT debt	95,346.0	88,295.0	85,095.0	81,895.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	225,040.0	219,118.0	254,813.7	298,313.0
Minority interest	68,743.0	63,257.0	63,257.0	63,257.0
Total liabilities & equity	695,201.0	725,406.0	739,055.0	796,047.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	18,991.0	51,029.2	54,035.8	80,976.4
Profit fo the year	25,323.0	34,164.8	44,738.0	55,062.3
Tax	(2,181.0)	(6,259.6)	(9,043.3)	(11,563.1)
Deprec. & amort.	5,589.0	(1,514.0)	31,204.6	31,029.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	2,836.0	24,638.0	(12,863.5)	6,447.4
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	(12,576.0)	0.0	0.0	0.0
Investing	41,832.0	7,552.0	(28,952.3)	(30,505.5)
Capex (growth)	(14,201.0)	(3,003.0)	(28,952.3)	(30,505.5)
Investment	51,978.0	58,040.0	58,040.0	58,040.0
Others	4,052.0	(47,489.0)	(58,045.0)	(58,045.0)
Financing	(26,728.0)	(67,548.0)	(3,200.0)	(3,200.0)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	9,930.0	(3,517.0)	(3,200.0)	(3,200.0)
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(36,658.0)	(64,031.0)	0.0	0.0
Net cash inflow (outflow)	34,095.0	(8,966.8)	21,883.5	47,270.9
Beginning cash & cash equivalent	115,716.0	149,625.0	140,658.2	162,541.7
Changes due to forex impact	(174.0)	0.0	0.0	0.0
Ending cash & cash equivalent	149,637.0	140,658.2	162,541.7	209,812.7

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	0.6	1.2	4.5	4.9
Pre-tax margin	1.9	2.5	3.1	3.6
Net margin	1.5	1.9	2.5	2.9
ROA	2.8	3.6	4.8	5.4
ROE	8.4	11.5	15.1	15.7
Growth				
Turnover	13.0	3.4	7.0	5.4
EBITDA	(75.3)	100.2	287.9	14.5
Pre-tax profit	(50.9)	34.9	30.9	23.1
Net profit	(52.5)	30.5	39.3	21.9
Net profit (adj.)	(43.5)	21.6	28.7	16.4
EPS	(41.5)	27.8	28.7	15.3
Leverage				
Debt to total capital	24.5	24.5	21.8	19.1
Debt to equity	42.4	41.9	34.8	28.6
Net debt/(cash) to equity	(18.7)	1.3	(29.0)	(41.7)

UOBKayHian

Company – Results | Greater China

Friday, 14 August 2026

Lenovo Group (992 HK)

1QFY27: Broad-Based Beat Led By ISG; Long-term Revenue Target Raised To US$130b

Highlights

- 1QFY27 revenue rose 43% yoy to US$27b and adjusted net profit surged 176% yoy to US$1.1b, beating our estimate by 77%.
- ISG revenue nearly doubled yoy to US$9b and operating margin swung positive to 9.1%, with the AI server pipeline up 157% qoq to US$54b.
- We raise FY27-29 adjusted net profit by 55-69% and lift our target price to HK$49.00 (19.1x FY27F PE). Maintain BUY.

1QFY27 Results

Year to 31 Mar (US$m)	1Q26	4Q26	1Q27	yoy%	qoq%
Revenue	18,830	21,588	26,943	43.1	24.8
IDG	13,459	14,614	17,106	27.1	17.1
ISG	4,290	5,635	8,510	98.4	51.0
SSG	2,258	2,563	2,884	27.7	12.5
Gross profit	785	886	19	(97.6)	(97.8)
Reported NP	505	521	(609)	(220.4)	(216.9)
Net profit (adj.)	389	559	1,075	176.0	92.3
Margin (%)					
Operating margin	4.2	4.1	0.1	(4.1)	(4.0)
IDG	7.1	6.9	7.1	0.0	0.1
ISG	(2.0)	3.6	9.1	11.1	5.5
SSG	22.2	22.4	24.2	2.0	1.8

Source: Lenovo, UOB Kay Hian

Analysis

- **Significant beat across the board spearheaded by ISG segment.** Revenue expanded 43.1% yoy and 24.8% qoq to US$26.9b, beating our/consensus estimates by 20% on the back of a broad-based outperformance across all segments. Notably, infrastructure service group (ISG) revenue surged 98.4% yoy and 51.0% qoq to US$8.5b, which is 42.7%/36.1% above our/consensus estimates; Intelligent Device Group (IDG) and Solution & Service Group (SSG) had also registered solid growth (27.1% yoy, 17.1% qoq for IDG and 27.7% yoy, 12.5% qoq for SSG) with revenue beating our/consensus forecasts by low-teens %. Core operating margin expanded 2.3ppt yoy and 1.8ppt qoq to 5.7%, primarily bolstered by a 11.1ppt yoy and 5.5ppt qoq margin expansion from ISG. This resulted in an adjusted (non-HKFRS) net profit of US$1.1b, up 176% yoy, beating our bottom line estimate by 77%.

Key Financials

Year to 31 Mar (US$m)	2025	2026	2027F	2028F	2029F
Net turnover	69,077	83,075	101,395	113,151	125,490
EBITDA	3,583	4,680	5,979	9,044	9,946
Operating profit	2,164	3,262	4,405	7,368	8,182
Net profit	1,384	1,912	2,272	4,834	5,460
Net profit (adj.)	1,441	2,049	4,032	4,914	5,540
EPS (fen)	11.8	16.7	32.8	40.0	45.1
P/E (x)	38.0	26.8	13.6	11.2	9.9
P/BV (x)	9.0	7.2	5.0	3.6	0.4
EV/EBITDA (x)	16.6	12.7	10.0	6.6	6.0
Dividend yield (%)	1.1	1.1	1.1	1.1	1.1
Net margin (%)	2.0	2.3	2.2	4.3	4.4
Net debt to equity (%)	9.1	(3.2)	46.7	(37.4)	(9.4)
Interest cover (x)	3.3	5.7	7.6	12.1	14.8
ROE (%)	24.7	29.9	43.2	37.2	31.1
Consensus net profit	-	-	2,658	3,436	4,237
UOBKH/Consensus (x)	-	-	1.52	1.43	1.31

Source: Lenovo, Bloomberg, UOB Kay Hian

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Buy (Maintained)

Share Price	HK$34.90
Target Price	HK$49.00
Upside	+40.4%
Previous TP	HK$32.80

Stock Data

Sector	Computer Hardware & Storage
Bloomberg ticker	992 HK
Shares issued (m)	12,282
Market cap (HK$m)	428,626
Market cap (US$m)	63,033
3-mth avg daily t'over (US$m)	471

Price Performance (%)

52-week high/low				HK$35.46/HK$8.52
1mth	3mth	6mth	1yr	YTD
21.5	124.0	19.6	151.6	213.0

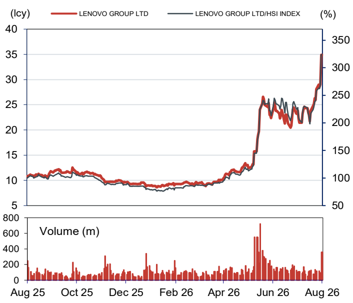
Major Shareholders (%)

Legends Holdings Corp	31.41

Balance Sheet Metrics

FY27 NAV/Share (HK$)	2.73
FY27 Net Debt/Share (HK$)	3.27

Price Chart



Source: Bloomberg

Company Description

Lenovo Group develops, manufactures and distributes intelligent devices. The company provides laptops, desktops, table PCs, accessories, and data centre equipment such as servers and storage devices, as well as infrastructure solutions and software services. Lenovo Group serves customers worldwide.

- **ISG business registered strong growth across both CSPs and ESMBs with revenue growing 98% yoy in both subsegments,** mainly driven by surging AI-related servers as well as traditional servers, as reflected in the robust 157% qoq growth in AI server pipeline to US$54.0b during the quarter. Management expects the strong momentum to continue going forward, on the back of mounting AI inferencing and agentic AI demand.
- **ISG's 9.1% operating margin looks sustainable in the near term**, underpinned by an improvement in enterprise and small and medium business (ESMB) profitability, significant improvement in scale, as well as the mounting bargaining power given the on-going supply shortages. As such, while management guided for a high single-digit margin % for FY27, we believe risks likely leans on the upside vs FY1Q27's 9.1%.
- **IDG momentum remains solid despite memory cost pressures.** Management expects revenue growth to moderate to low double digits in 2QFY27 and single digits for FY27, weighed by cost pressure in both PC and smartphone shipments. Nonetheless, Lenovo maintained a 7% operating margin target for the segment, as premiumisation and economies of scale allow strong pricing power to offset rising component costs and compensate for volume contraction.
- **SSG expansion accelerated by cross-group synergies and rapid AI integration.** Driven by robust growth in infrastructure as a service and projects and solutions businesses, Lenovo is expecting the SSG business to maintain an elevated 20% yoy growth in FY27, with margins expanding to 22.0%.
- **FY27 revenue target of US$100b will be achievable,** driven by the robust ISG business. As such, the 3-5-year target revenue is now raised to US$130b, while the 5.0% net margin target remains unchanged.

Valuation/Recommendation

- Maintain BUY, and raise target price to HK$49.00, now based on 19.1x FY27F PE, on a par with peers' average. The significantly higher target is primarily due to a much higher bottom line assumption, driven mainly by a much stronger-than-expected ISG business.

Earnings Revision/Risk

- **We significantly raise our FY27-29 adjusted (non-HKFRS) net profit estimates by 64.2%/69.3%/55.0% respectively** to US$4.0b/US$4.9b/US$5.5b. We have factored in: a) a much higher assumption for ISG business where revenue is lifted by 34-39%, and operating margins are raised by 4.3-5.0ppt respectively; b) higher assumptions for SSG's revenue and profitability; and c) better cost control measures overall.
- **Note that we are keeping our IDG sales assumptions unchanged** despite the solid revenue beat in the June quarter, as we remain cautious on the potential demand destruction effect from cost-driven price hikes.

Share Price Catalyst

- Further AI server order wins; sustained upside surprises in sales/profitability, particularly in the ISG business.

Changes to FY27-29 estimates

Year to 31 Mar	--------- Old estimates ---------			------------ New estimates ----------			------- Differences (%) ----------		
(US$m)	2027	2028	2029	2027F	2028F	2029F	2027F	2028F	2029F
Revenue	92,900	101,328	111,328	101,395	113,151	125,490	9.1	11.7	12.7
IDG	60,199	61,962	63,715	60,199	61,962	63,715	-	-	-
ISG	25,672	30,928	37,424	34,492	43,085	52,090	34.4	39.3	39.2
SSG	12,128	13,539	15,289	12,304	13,904	15,685	1.4	2.7	2.6
OPM (%)	2.4	4.5	4.9	4.3	6.5	6.5	2.0	2.0	1.6
IDG	6.8	6.8	7.0	7.0	6.9	7.1	0.2	0.1	0.1
ISG	4.0	4.5	5.0	9.0	9.5	9.3	5.0	5.0	4.3
SSG	20.0	20.0	20.0	22.5	22.5	22.5	2.5	2.5	2.5
EBIT (US$m)	2,215	4,561	5,466	4,405	7,368	8,182	98.9	61.5	49.7
Adjusted Net Profit (US$m)	2,455	2,902	3,573	4,032	4,914	5,540	64.2	69.3	55.0

Source: Lenovo, UOB Kay Hian

Profit & Loss

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Net turnover	83,075	101,395	113,151	125,490
EBITDA	4,680	5,979	9,044	9,946
Depreciation & amortization	(1,418)	(1,574)	(1,676)	(1,764)
EBIT	3,262	4,405	7,368	8,182
Total other non-operating income	0	-	-	-
Associate contributions	(15)	(20)	(20)	(20)
Net interest income/(expense)	(577)	(576)	(610)	(555)
Pre-tax profit	2,670	3,809	6,738	7,608
Tax	(510)	(1,098)	(1,368)	(1,542)
Minorities	(248)	(439)	(537)	(607)
Net profit	1,912	2,272	4,834	5,460
Net profit (recurrent)	2,049	4,032	4,914	5,540

Balance Sheet

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Fixed assets	2,324	2,596	2,757	2,860
Other LT assets	15,603	14,829	14,245	13,622
Cash/ST investment	4,887	(511)	10,388	6,546
Other current assets	34,315	43,071	42,668	52,034
Total assets	57,129	59,986	70,058	75,062
ST debt	878	878	878	878
Other current liabilities	40,479	39,483	44,724	44,200
LT debt	3,863	3,863	3,863	3,863
Other LT liabilities	3,239	3,465	3,465	3,465
Shareholders' equity	5,583	6,069	7,635	11,048
Minority interest	809	1,248	1,785	2,391
Total liabilities & equity	57,129	59,986	70,058	75,062

Cash Flow

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Operating	4,609	(2,968)	13,379	(1,425)
Pre-tax profit	2,670	3,809	6,738	7,608
Tax	(695)	(1,098)	(1,368)	(1,542)
Depreciation/amortization	1,418	1,574	1,676	1,764
Associates	15	20	20	20
Working capital changes	(1,795)	(9,751)	5,643	(9,890)
Non-cash items	2,996	2,478	670	615
Other operating cashflows	-	-	-	-
Investing	(1,909)	(1,138)	(1,208)	(1,144)
Capex (growth)	(654)	(420)	(420)	(420)
Investments	(7)	-	-	-
Proceeds from sale of assets	168	-	-	-
Others	(1,416)	(718)	(788)	(724)
Financing	(2,583)	(1,292)	(1,273)	(1,273)
Dividend payments	(613)	(619)	(619)	(619)
Issue of shares	-	-	-	-
Proceeds from borrowings	13,194	15,104	14,149	14,626
Loan repayment	(12,985)	(15,104)	(14,149)	(14,626)
Others/interest paid	(2,179)	(673)	(654)	(654)
Net cash inflow (outflow)	117	(5,398)	10,899	(3,842)
Beginning cash & cash equivalent	4,728	4,887	(511)	10,388
Changes due to forex impact	42	-	-	-
Ending cash & cash equivalent	4,887	(511)	10,388	6,546

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	5.6	5.9	8.0	7.9
Pretax margin	3.2	3.8	6.0	6.1
Net margin	2.3	2.2	4.3	4.4
ROA	4.0	6.9	7.6	7.6
ROE	29.9	43.2	37.2	31.1
Growth				
Turnover	20.3	22.1	11.6	10.9
Gross profit	15.4	33.0	12.9	8.9
Pre-tax profit	80.3	42.7	76.9	12.9
Net profit	38.1	18.8	112.7	13.0
Net profit (adj)	42.1	96.8	21.9	12.7
EPS (adj.)	41.8	96.8	21.9	12.7
Leverage				
Debt to total capital	8.3	7.9	6.8	6.3
Debt to equity	62.1	42.9	30.9	23.4
Net debt to equity	(3.2)	46.7	(37.4)	(9.4)
Interest cover (x)	5.7	7.6	12.1	14.8

Technical Analysis

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CK Infrastructure (1038 HK)

Last price:	HK$63.15
Support levels:	HK$60.45/HK$60.05
Resistance levels:	HK$65.95/HK$68.55

Technical View:

The price printed a strong bullish impulse candle following a successful retest of its resistance-turned-support zone. Momentum is fully aligned with this expansion, as the RSI maintains its footing above the neutral 50-midline and trends higher. This points to a continuation of the primary uptrend, targeting higher overhead levels as long as this support floor holds.

Average timeframe: Around two weeks.

CK Hutchison (0001 HK)

Last price:	HK$72.30
Support levels:	HK$70.15/HK$67.75
Resistance levels:	HK$74.40/HK$80.05

Technical View:

The price staged a rebound off its resistance-turned-support zone, confirming the validity of the new floor. Technical momentum indicators fully support this upward expansion, as the RSI remains comfortably elevated above its neutral 50-midline and trends higher. This dynamic suggests strong underlying demand and points toward an uninterrupted continuation of the primary uptrend.

Average timeframe: Around two weeks.