Flash | Citi Research

04 Aug 2026 11:45:56 ET | 12 pages

China Communications Infrastructure

Quick Thoughts on Report of US Weighing Import Ban on Chinese Optical Components for AI Data Centers

CITI'S TAKE

The US government is reportedly weighing an import ban on Chinese-manufactured optical components destined for AI data centers as Washington continues to tighten its grip on critical technology supply chains (Reuters, 8/4/26). We think this would not be a simple, clear-cut rule: (1) Seven of the top 10 global optical transceivers are Chinese companies which supply over 50% of high-speed optical modules to major US CSPs. (2) The current AI optics supply-chain remains tight, with leading Chinese players holding key advantages in component security and advanced product development. (3) Chinese module makers offer meaningful cost advantages supporting CSP capex efficiency. (4) Leading Chinese optical module makers have overseas plants. We believe certain exemptions will apply given the market situation and that overseas capacity expansion remains a key strategy for Chinese suppliers. Based on geographic and business nature, **TFC (indirect) < DSBJ (laser, module) < Eoptolink (module)** in terms of impact.

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Among our AI optics coverage with exposure to US CSPs, **TFC**, despite producing almost entirely in China, faces only indirect impact being a passive component supplier and its direct customer is an overseas optical transceiver company headquartered in Thailand. The company is also ramping its Thailand production plant. Any impact on TFC would therefore be indirect, in our view, flowing through potential order softness from downstream peers should their exports be curtailed. We view this potential ban as a manageable impact for TFC in the near term. **Eoptolink** is also well insulated, in our view, given ~88% Thailand-based revenue according to its 2025 annual report—a geography subject to materially lower tariffs and restrictions. The company has also committed to further expanding its Thailand-based production. The key risk to monitor is whether the reported potential US policy eventually extends its restrictions to Chinese-affiliated production in third countries—a scenario that would erode their current offshore buffer. **DSBJ** has approximately 69.7% of its optical transceiver facility capacity located within China and the balance in Taiwan (as of end-2025). It currently produces all US CSP optical transceivers from its Thailand and Taiwan factories, and for 2027 it targets 35mn 800G/1.6T transceiver capacity, with two-thirds from Thailand and one-third from Taiwan.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

Figure 1. Optical Components Capacity — Domestic vs Overseas

Company	Domestic %	Overseas %	Overseas location	Note
Eoptolink	[illegible]	[illegible]	[illegible]	[illegible]
TFC	99.7%	0.3%	Thailand	Designed production capacity - FY2025
DSBJ	[illegible]	[illegible]	[illegible]	[illegible]

Source: Citi Research, Company Reports

Dongshan Precision

(002384.SZ; Rmb179.09; 1; 04 Aug 26; 15:00)

Valuation

We use SOTP methodology to derive our TP of Rmb350. We apply (1) 15x 26E P/E to DSBJ's original biz (past 5-year average); (2) 20x 27E P/E to the optical transceiver biz, in-line with the optical transceiver names average fwd P/E; (3) 50x 27E P/E to the optical chip biz, in-line with the optical chip names' average fwd P/E; (4) 25x to the 27E AI-PCB biz, in-line with PCB names' average fwd P/E.

Risks

Key downside risks that could impede the stock from reaching our TP include: (1) slower-than-expected progress in modules FPC and share gain from overseas peers; (2) slower-than-expected Tesla business growth due to fierce competition in the China NEV market; (3) continued optoelectronic business loss due to weak demand and intensified competition; (4) increasing materials costs; and (5) US-China geopolitical risk.

Eoptolink Technology

(300502.SZ; Rmb448.0; 1; 04 Aug 26; 15:00)

Valuation

Our target price for Eoptolink of Rmb701 is based on 20.0x FY27E, set at -0.5SD the 5-year historical mean to reflect a strong 800G/1.6T cycle, ASIC and Scale-Up Opportunity at CSP customers on the one hand and CPO cannibalization at its key customer Nvidia on the other.

Risks

Downside risks that could impede the stock from reaching our target price include: 1) slower-than-expected data center investments, 2) lower-than-expected optical network capex by telcos and corporates/governments in China, 3) margin pressures due to price competition, 4) slower-than-expected expansion of new customers, 5) China-US tech disputes and 6) faster-than-expected CPO deployment.

Suzhou TFC Optical Communication

(300394.SZ; Rmb212.0; 1; 04 Aug 26; 15:00)

Valuation

Our target price for Suzhou TFC of Rmb419/share is based on 34.3x 27E P/E, at the five-year mean of the stock to factor in new CPO re-rate, partially offset by cannibalization of its 1.6T/800G business in 2027.

Risks

Downside risks that could impede the Suzhou TFC stock from reaching our target price include: 1) slower-than-expected new product development; 2) slower-than-expected AI development across the globe; 3) slower-than-expected AI infrastructure/data center investment; 4) China-US tech disputes, 5) EML or upstream components supply constraint, 6) rising competition, 7) delayed CPO deployment in scale-out and scale-up.

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Appendix A-1

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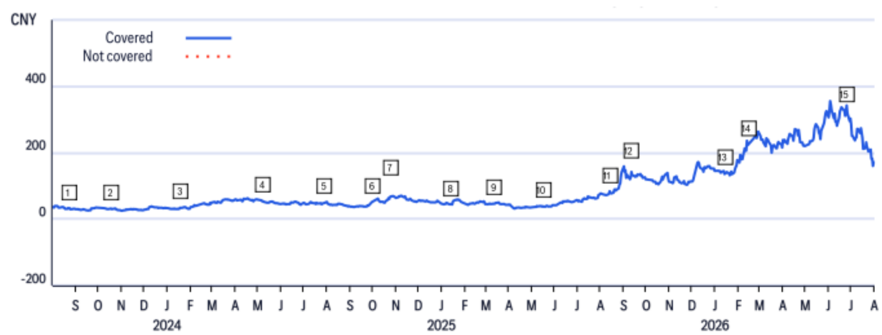
IMPORTANT DISCLOSURES

Suzhou TFC Optical Communication (300394.SZ)

Ratings and Target Price History
Fundamental Research

Analyst: Kyna Wong



Date	Rating	Target Price	Closing Price
1 24-Aug-23 19:43:34	1	*38.08	32.54
2 19-Oct-23 15:06:48	1	*39.36	29.96
3 21-Jan-24 18:52:58	1	*41.18	33.38
4 07-May-24 08:08:53	1	*67.42	53.02
5 29-Jul-24 03:37:15	1	*71.43	48.93

Date	Rating	Target Price	Closing Price
6 07-Oct-24 20:25:22	1	*73.47	51.28
7 27-Oct-24 20:40:44	1	*91.84	67.81
8 13-Jan-25 10:22:26	1	*81.63	44.23
9 11-Mar-25 18:00:35	1	*71.43	45.69
10 16-May-25 15:07:25	1	*48.47	37.90

Date	Rating	Target Price	Closing Price
11 13-Aug-25 14:24:12	1	*100.00	83.71
12 09-Sep-25 18:56:12	1	*140.00	119.95
13 14-Jan-26 03:30:29	1	*158.57	136.79
14 23-Feb-26 20:46:05	1	*318.57	222.56
15 24-Jun-26 06:10:55	1	*419.00	325.28

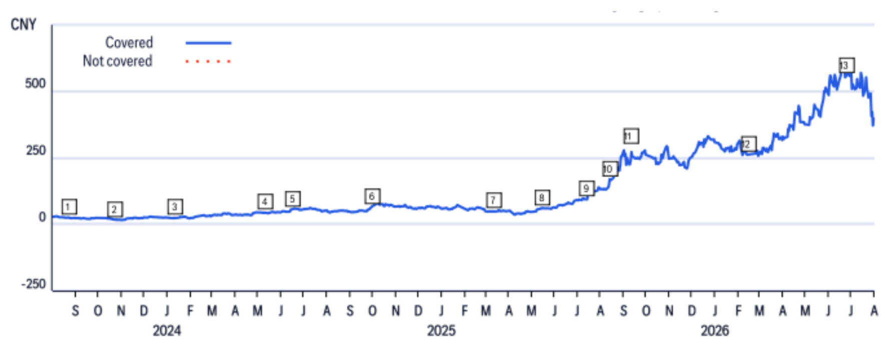
*Indicates Change

Rating/target price changes above reflect Eastern Time

Eoptolink Technology (300502.SZ)

Ratings and Target Price History
Fundamental Research

Analyst: Kyna Wong



Date	Rating	Target Price	Closing Price
1 24-Aug-23 17:22:56	1	*28.52	23.93
2 23-Oct-23 14:03:04	*2	*18.83	17.05
3 11-Jan-24 05:38:30	*1	*29.29	23.42
4 12-May-24 21:34:55	1	*49.49	42.77
5 17-Jun-24 10:23:12	1	*67.86	56.37

Date	Rating	Target Price	Closing Price
6 07-Oct-24 20:25:22	1	*89.29	66.31
7 11-Mar-25 18:00:35	1	*76.53	48.11
8 16-May-25 15:07:25	1	*91.33	60.51
9 14-Jul-25 11:28:09	1	*141.43	93.50
10 13-Aug-25 14:24:12	1	*229.29	168.97

Date	Rating	Target Price	Closing Price
11 09-Sep-25 18:56:12	1	*337.14	225.23
12 23-Feb-26 20:46:05	1	*353.57	261.51
13 24-Jun-26 06:10:55	1	*701.00	555.30

*Indicates Change

Rating/target price changes above reflect Eastern Time

Dongshan Precision (002384.SZ)

Ratings and Target Price History
Fundamental Research

Analyst: Karen Huang

	Date	Rating	Target Price	Closing Price
1	29-Nov-24 14:04:53	*1	*37.00	25.64
2	16-Sep-25 11:45:47	1	*99.00	79.71
3	26-Oct-25 22:42:41	1	*95.00	69.15
4	15-Mar-26 21:31:51	1	*148.00	110.93
5	21-Apr-26 21:40:41	1	*205.00	169.40
6	28-Apr-26 05:56:26	1	*225.00	183.90
7	24-Jun-26 06:10:55	1	*350.00	257.13

*Indicates Change

Rating/target price changes above reflect Eastern Time

Dongshan Precision (002384.SZ)

Short-Term View/Catalyst Watch Research

Analyst: Karen Huang

	Date	Action	Expected Direction	Duration	Closing Price
1	15-Mar-26 17:31:51	Add CW	Upside	30 Days	110.93
2	12-Apr-26 23:02:07	Remove CW	Upside	30 Days	143.55

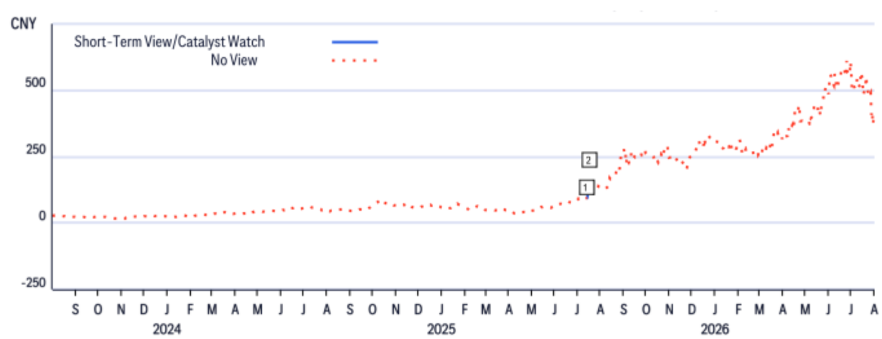
CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Eoptolink Technology (300502.SZ)

Short-Term View/Catalyst Watch Research

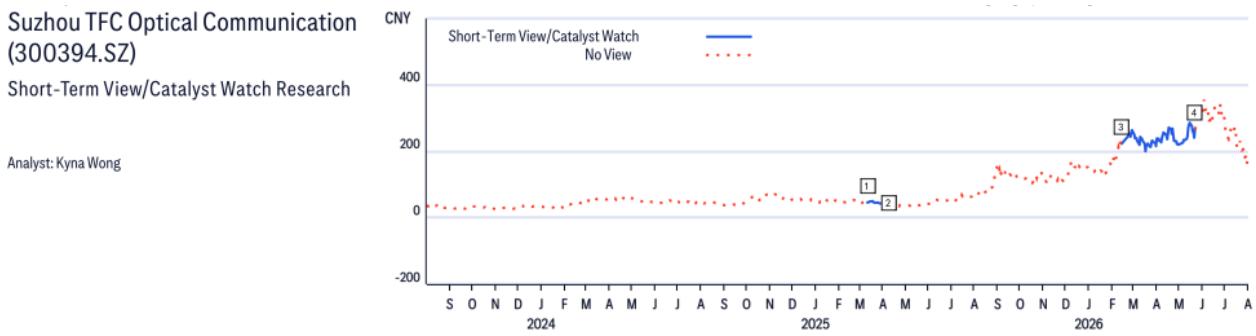
Analyst: Kyna Wong



	Date	Action	Expected Direction	Duration	Closing Price
1	14-Jul-25 07:28:09	Add CW	Upside	30 Days	93.50
2	17-Jul-25 22:54:31	Remove CW	Upside	30 Days	131.07

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time



	Date	Action	Expected Direction	Duration	Closing Price
1	11-Mar-25 14:00:35	Add CW	Upside	30 Days	45.69
2	08-Apr-25 02:38:08	Remove CW	Upside	30 Days	31.75
3	23-Feb-26 15:46:05	Add CW	Upside	90 Days	222.56
4	24-May-26 23:24:29	Remove CW	Upside	90 Days	266.07

CW - Catalyst Watch , STV - Short-Term View

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