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Greater China Technology Hardware | Asia Pacific

iPhone 18: Real Upgrade Cycle, but Select Optical Valuations Look Stretched

We expect Luxshare, Lingyi, Crystal, and AAC to be the key beneficiaries of the new iPhone launch. We downgrade Largan to EW and Genius to UW. Both can benefit from the variable aperture lens upgrade, but enthusiasm over Co-Packaged Optics has made the stocks overvalued.

The iPhone opportunity is real for Largan and Genius…but their stocks have rallied 48% and 85%, respectively, in the past month: (The TAIEX is up 5% over this period.)

We now value Largan at NT$7,100/share – no longer attractive: Our analysis suggests that Largan's current share price already embeds more than 30% global market share in Fiber Array Units (FAU) before formal production starts in 2H27 or even 2028. Our residual income model yields a value of NT$3,000/share for the company's traditional business, while our TAM analysis derives a value of NT$4,100/share for CPO/FAU new business, bringing the total price target to NT$7,100. However, any delay in CPO/FAU development poses significant downside risk. We therefore downgrade to EW.

We now value Genius at NT$910/share – but even on this basis, we view it as overvalued: Similarly, we believe Genius's share price is also inflated by hopes for FAU components. Using a similar approach, we conclude that aggregate value is NT $910/share (NT$600 for existing business and NT$310/share for FAU component business). We recommend taking profits.

Reiterate OW on Luxshare, Lingyi, Crystal and AAC: We believe all four companies will benefit from the new iPhone launch. Here, however, we still see upside in the stocks. We see these companies, benefiting in various ways:

- **Luxshare:** Key player in iPhone 18 Pro/Pro Max assembly, also benefits from variable aperture upgrade as component supplier.
- **Lingyi:** Higher content value form both iPhone 18 Pro/Pro Max and foldable.
- **Crystal:** Micro prism modules, coated filters, and cover lenses should enjoy positive ASP and volume growth.
- **AAC:** Vapor chamber (VC) heat dissipation upgrade for iPhone 18 Pro Max and Pro is the key catalyst.

Remain EW on Sunny Optical and GoerTek: Sunny is a key variable aperture component vendor, but it's been well on track to meet the goal of doubling revenue, implying limited upside surprise. GoerTek could face labor shortages and margin headwinds during peak season; thus, may be less likely to outperform.

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Industry View **In-Line**

Exhibit 1 : Summary of changes

Ranking	Ticker	Name	Curr	Price	Rating Old	Rating New	PT Old	PT New	Chg	Upside
1	2475.HK	Luxshare-H	HKD	61.4	OW	OW	80.00	82.00	2%	34%
2	002475.SZ	Luxshare-A	RMB	55.9	OW	OW	70.36	70.27	0%	26%
3	1688.HK	Lingyi-H	HKD	6.6	OW	OW	8.30	8.30	0%	25%
4	002273.SZ	Crystal	RMB	25.8	OW	OW	30.00	32.00	7%	24%
5	0285.HK	BYDE	HKD	26.9	OW	OW	33.00	33.00	0%	23%
6	2018.HK	AAC	HKD	43.5	OW	OW	42.00	50.00	19%	15%
7	002241.SZ	Goertek	RMB	23.6	EW	EW	26.00	27.00	4%	14%
8	2382.HK	Sunny	HKD	69.6	EW	EW	62.00	75.00	21%	8%
9	3008.TW	Largan	TWD	6660.0	OW	EW	4,836.00	7,100.00	47%	7%
10	3406.TW	Genius	TWD	987.0	EW	UW	425.00	910.00	114%	-8%
11	002600.SZ	Lingyi-A	RMB	12.7	UW	UW	10.00	10.00	0%	-21%

estimates.

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Order of Preference

Exhibit 2: Order of Preference

	Luxshare-H 2475.HK	Luxshare-A 002475.SZ	Lingyi-H 1688.HK	Crystal 002273.SZ	BYDE 0285.HK	AAC 2018.HK	Goertek 002241.SZ	Sunny 2382.HK	Largan 3008.TW	Genius 3406.TW	Lingyi-A 002600.SZ
Rating	OW	OW	OW	OW	OW	OW	EW	EW	EW	UW	UW
Trading Currency	HKD	CNY	HKD	CNY	HKD	HKD	CNY	HKD	TWD	TWD	CNY
Price Target	**82.00**	**70.27**	**8.30**	**32.00**	**33.00**	**50.00**	**27.00**	**75.00**	**7,100.00**	**910.00**	**10.00**
Current Price	61.40	55.93	6.63	25.79	26.88	43.50	23.60	69.55	6,660.00	987.00	12.65
Upside/(Downside) (%)	34%	26%	25%	24%	23%	15%	14%	8%	7%	-8%	-21%
Market Cap (in USD mm)	59,474.2	59,474.2	12,840.6	5,226.2	7,724.6	6,693.0	12,534.5	9,691.9	27,675.3	3,587.9	12,840.6
Avg Daily Traded Vol (in USD mm)	50.5	1,454.0	24.2	238.8	54.0	30.4	414.6	114.8	148.4	33.2	446.7
Street View: Ratings											
Buy/Overweight	88%	89%	71%	100%	55%	90%	71%	72%	75%	50%	63%
Hold/Equal-weight	12%	11%	14%	0%	18%	10%	29%	28%	10%	33%	25%
Sell/Underweight	0%	0%	14%	0%	27%	0%	0%	0%	15%	17%	13%
Bear Case Value	48.00	42.20	5.00	20.00	17.00	28.00	16.00	40.00	3,649.20	592.36	8.00
Upside (%)	-22%	-25%	-25%	-22%	-37%	-36%	-32%	-42%	-45%	-40%	-37%
Bull Case Value	100.00	88.00	20.00	45.00	45.00	65.00	38.00	110.00	11,142.84	1,705.15	17.60
Downside (%)	63%	57%	202%	74%	67%	49%	61%	58%	67%	73%	39%
Risk/Reward Skew	0.3	0.4	0.1	0.3	0.5	0.7	0.5	0.7	0.7	0.5	0.9
FY26e	CNY	CNY	CNY	CNY	CNY	CNY	CNY	CNY	TWD	TWD	CNY
Sales	411,810	411,810	61,449	7,916	180,199	34,826	95,821	48,016	66,920	29,825	61,449
EBITDA	41,094	41,094	6,923	1,919	5,016	6,265	4,974	8,363	33,813	10,946	6,923
EBIT	26,677	26,677	4,081	1,262	2,016	2,885	3,832	5,174	25,313	6,668	4,081
EPS	2.65	2.65	0.39	0.91	0.64	2.23	0.99	3.73	184.85	44.35	0.39
FY27e											
Sales	476,649	476,649	67,594	9,133	187,485	38,225	101,607	55,809	74,757	32,165	67,594
EBITDA	45,885	45,885	7,992	2,441	7,774	7,186	5,076	9,741	37,386	11,783	7,992
EBIT	30,748	30,748	5,007	1,705	4,774	3,572	3,877	6,259	28,086	7,205	5,007
EPS	3.14	3.14	0.46	1.22	1.62	2.70	1.10	4.43	204.18	50.88	0.46
FY26 MSe vs. Consensus Mean											
Sales	2%	2%	-2%	-6%	-2%	-2%	-6%	4%	1%	14%	-1%
EBITDA	7%	11%	5%	-13%	-35%	-2%	-33%	23%	-2%	17%	0%
EBIT	22%	26%	-1%	-17%	-30%	-9%	-12%	21%	-1%	29%	-3%
EPS	-2%	-6%	7%	-12%	-56%	-6%	-3%	2%	0%	22%	4%
FY27 MSe vs. Consensus Mean											
Sales	0%	2%	-9%	-8%	-5%	-8%	-14%	9%	2%	14%	-7%
EBITDA	-2%	0%	-3%	-9%	-15%	-1%	-42%	26%	0%	21%	-9%
EBIT	2%	6%	-12%	-9%	12%	-10%	-22%	24%	-3%	26%	-15%
EPS	-13%	-15%	-10%	-4%	-20%	-4%	-11%	3%	0%	27%	-14%
Valuation Multiples at Last Close											
FY26e											
P/E	19.8x	20.8x	14.5x	27.7x	35.9x	16.7x	24.0x	15.9x	35.2x	22.8x	31.7x
EV/EBIT	16.1x	16.1x	22.6x	26.6x	21.0x	15.0x	20.2x	10.5x	29.1x	15.5x	22.6x
EV/EBITDA	10.5x	10.5x	13.3x	17.5x	8.4x	6.9x	15.5x	6.5x	21.8x	9.4x	13.3x
EV/Sales	1.0x	1.0x	1.5x	4.2x	0.2x	1.2x	0.8x	1.1x	11.0x	3.5x	1.5x
FCF Yield	-2.7%	-2.7%	-5.2%	2.4%	2.8%	-1.2%	4.2%	10.4%	1.6%	2.3%	-5.2%
FY27e											
P/E	16.7x	17.5x	12.3x	20.7x	14.2x	13.8x	21.5x	13.4x	31.8x	19.9x	26.9x
EV/EBIT	13.3x	13.3x	18.4x	19.5x	8.2x	10.0x	18.9x	7.3x	26.1x	14.0x	18.4x
EV/EBITDA	8.9x	8.9x	11.6x	13.6x	5.1x	5.0x	14.5x	4.7x	19.6x	8.5x	11.6x
EV/Sales	0.9x	0.9x	1.4x	3.6x	0.2x	0.9x	0.7x	0.8x	9.8x	3.1x	1.4x
FCF Yield	5.8%	5.8%	0.4%	3.7%	6.7%	16.1%	6.0%	13.1%	2.1%	4.9%	0.4%
Implied Multiples on MS Price Target											
FY26e											
P/E	31.0x	26.5x	18.1x	35.1x	44.1x	22.4x	27.4x	17.2x	38.4x	20.5x	25.5x
EV/EBIT	23.5x	20.3x	13.6x	34.1x	26.9x	20.3x	23.2x	11.5x	32.3x	13.8x	18.5x
EV/EBITDA	15.2x	13.2x	8.0x	22.4x	10.8x	9.4x	17.9x	7.1x	24.2x	8.4x	10.9x
EV/Sales	1.5x	1.3x	0.9x	5.4x	0.3x	1.7x	0.9x	1.2x	12.2x	3.1x	1.2x
FY27e											
P/E	26.1x	22.4x	15.4x	26.3x	17.5x	18.5x	24.6x	14.5x	34.8x	17.9x	21.6x
EV/EBIT	21.3x	18.5x	12.4x	29.3x	15.0x	18.8x	28.1x	12.8x	34.9x	14.6x	16.5x
EV/EBITDA	14.3x	12.4x	7.8x	20.5x	9.2x	9.3x	21.4x	8.2x	26.2x	9.0x	10.3x
EV/Sales	1.4x	1.2x	0.9x	5.5x	0.4x	1.8x	1.1x	1.4x	13.1x	3.3x	1.2x
Stock Price Performance											
1 Month	-3%	-3%	7%	-9%	12%	5%	2%	18%	48%	85%	-2%
3 Month	-1%	-20%	-32%	-30%	-6%	-5%	-5%	-15%	77%	48%	-18%
1 Year	-1%	17%	-32%	-3%	-36%	2%	-28%	-13%	170%	127%	-11%
YTD	-1%	-3%	-32%	0%	-20%	12%	-18%	6%	161%	125%	-20%

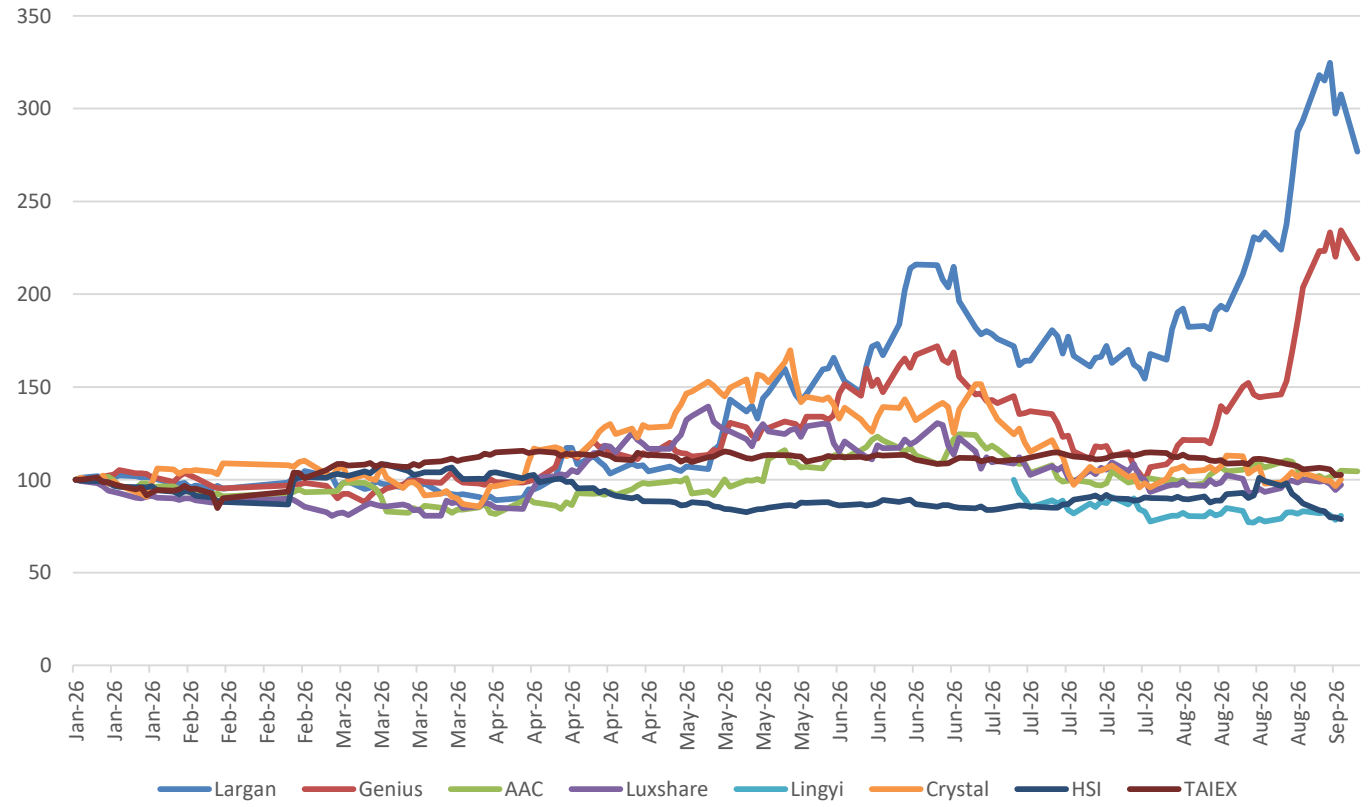
Executive Summary

With Largan and Genius's significant outperformance YTD, we believe the iPhone 18 launch is less likely to become a key driver of further stock price movement for them. Instead, our analysis suggests that the CPO enthusiasm could have already made these stocks overvalued. We therefore downgrade Largan from OW to EW and downgrade Genius from EW to UW.

Meanwhile, we expect Luxshare, Lingyi, Crystal, and AAC to become the key beneficiaries amid iPhone new product launches. These stocks haven't rallied materially, and we see upside potential in them.

We maintain EW ratings on Sunny and GoerTek and expect limited positive surprise from the iPhone peak season.

Exhibit 3: Downgrade Largan to EW and Genius to UW, Reiterate OW on Luxshare, Lingyi, Crystal, and AAC



Source: FactSet

For a snapshot of each company's investment thesis, please refer to the summary table below.

Exhibit 4: Investment Thesis

Company	Rating	Price Target	Key iPhone 18 Driver	Key Risk
Largan Precision	Downgrade to EW	TW$7,100 (TW$3,000 traditional + TW$4,100 CPO/FAU)	• Key variable-aperture lens supplier • Seasonal shipment recovery from 3Q26 • Additional upside from foldable iPhone and periscope-lens adoption	• CPO/FAU enthusiasm has driven an overly aggressive valuation • Current share price implies more than 30% global FAU market share before mass production has even started (likely 2H27 or 2028 at earliest)
Genius Electronic Optical	Downgrade to UW	TW$910 (TW$600 traditional + TW$310 CPO/FAU)	• Second-largest Apple optical-lens supplier • Benefits from variable-aperture, foldable and periscope upgrades tailwinds as Largan	• Similar CPO/FAU overvaluation risk as Largan • FAU component TAM is smaller than FAU TAM • Less competitive vs. Largan on high-precision manufacturing
Sunny Optical	Maintain EW	HK$75 (raised)	• Key variable-aperture actuator supplier with higher ASP • Expanding from single-category to multi-category Apple supply • Gaining share in high-end lenses • Management guides Apple revenue to double in 2026	• Strong growth already well-anticipated by the market • Less likely to see positive surprise from smartphone business
Zhejiang Crystal-Optech	Maintain OW	Rmb32 (raised)	• Micro-prism modules for periscope cameras • Coated filters for iPhone 18 Pro high-end models • 3D sensing / cover lenses for Dynamic Island evolution	• Near-term earnings might see some pressures due to R&D and capacity expansion costs
Luxshare Precision	Maintain OW	HK$82 (raised)	• Second-largest iPhone 18 Pro/Pro Max assembler • Variable aperture actuator component supplier • Foldable hinge technology and haptic motors for iPhone Ultra • Dominant ~50% AirPods assembly share	• Apple opportunity remains underappreciated • Significant FX losses affected 1H26 earnings • Data center business is of valuation discount vs. peers.
AAC Technologies	Maintain OW	HK$50 (raised)	• A20 Pro chip on 2nm drives thermal demand • Key VC heat-spreader supplier for iPhone 18 Pro/Pro Max • VC revenue +400% YoY in 1H26 to RMB1.10bn • VC shipments to exceed 180,000k units in 2026	• Optics segment (Android-only) weaker than expected • Overall revenue & earnings growth lower-than-expected.

Implications from iPhone 18 Launch for Various Supply Chain Companies

Camera spec upgrade is a positive earnings driver, but CPO enthusiasm has made Largan and Genius overvalued

The iPhone 18 Pro and Pro Max have applied a variable aperture main camera for the first time, representing a significant hardware upgrade. The ASP of variable aperture lenses will be higher than it is for traditional lenses. Thus, a rapid shipment increase in 3Q26 could become a key re-rating catalyst – indeed, it has already prompted sharp re-rating for Largan, Genius, and Sunny.

Besides this, the launch of Apple's first foldable iPhone will also provide an incremental demand driver beyond the standard iPhone 18 lineup. According to Nikkei Asia (link), foldable smartphone orders increased from 8 million units to 10 million units this year, and if the new product performs well in 4Q2026, it could become a positive catalyst for Apple supply chain companies.

Beyond variable aperture and foldable, the further development of a new periscope lens with the key customer is likely to expand these use of periscope lenses in the future. This could also become a positive driver for optical lens companies in the supply chain.

1. Largan: iPhone opportunity is real, but recent enthusiasm over CPO made valuation too aggressive – downgrade to EW

Largan's revenue follows a well-established seasonal pattern tied to Apple's annual iPhone launch cycle. After shipments declined continuously from March 2026 through June 2026, we expect a seasonal recovery to begin in 3Q26, with sequential increases highly likely in the following months. Largan's August 2026 consolidated revenue reached NT$5.012 billion, up 3% month-over-month and its best performance in four months, and the company expects September's shipment momentum to surpass August's.

Largan is a key supplier of variable aperture lenses for the iPhone 18 Pro series, and the company could also benefit from foldable and periscope opportunities, we raise our intrinsic value estimate of the company's traditional business from NT$2,814/share to NT $3,000/share. For more details, please refer to Exhibit 18 .

Besides the Apple lens opportunity, we believe Largan's share performance is also highly correlated to CPO development. In order to assess the fundamental value from the CPO opportunity, we undertook the following analysis:

1. We forecast CPO optical engine volume to increase from 0.39mn in 2026 to 7.78mn in 2027,with a further surge to 48.6mn in 2028. Consequently, FAU (Fiber Array Units – vital optical interconnect components that align multiple optical fibers with silicon chips, making them critical for Co-Packaged Optics) volume for CPO also grows from 0.39 to 48.6 mn for the same period of time;
2. We assume ASP of US$100 in 2026-2028 (average market level);
3. We forecast Largan's FAU market share to increase from 0% in 2026 to 5% in

2027 and 40% in 2028 (previously 20%).

4. Assuming net margins of 10% in 2027 and 30% in 2028, we forecast FAU earnings of US$4mn in 2027 and US$579 mn in 2028.

If we value the FAU business at 35x 2028e P/E (industry peers are at 40-50x P/E, and considering the first year of scalable production), it could bring incremental market cap of US$20.278bn. Discounting it back to 2026 at a 10% rate, we derive a per-share positive impact of NT$4,100.

Exhibit 5: Base Case – Potential Positive Impact from FAU New Business for Largan

	2026E	2027E	2028E
Optical Engine Volume (mn)	0.39	7.78	48.60
FAU Volume (mn units)	0.39	7.78	48.60
ASP (USD)	100	100	100
Total TAM (US$ mn)	39	778	4,860
Largan's Market Share	0%	5%	40%
FAU Revenue for Largan (US$ mn)	0	39	1,931
Net Margin	n.a.	10%	30%
FAU Earnings for Largan (US$ mn)	n..a	4	579
Assumed Forward P/E			35
Market Cap in USD (mn)			20,278
Market Cap in TWD (mn)			648,889
Per share impact	4,100	4,510	4,961

We hold a positive view on Largan's CPO/FAU business opportunity because the company has a superior track record of high precision manufacturing relative to most industry peers in Taiwan. However, our calculation above suggests that the current share price already reflects Largan's potential to attain >30% global market share for FAU products. Meanwhile, formal production hasn't kicked off yet – it is more likely to start in the second half of 2027 or even 2028. Therefore, any delay in CPO/FAU development could result in significant share price fluctuation. Considering current risk-reward, even after raising our price target 47%, we no longer view Largan as attractive any more in view of the recent strong share price performance. We set our price target at NT$7,100, within which NT$3,000 is from its traditional business and NT$4,100 is from CPO/FAU new business.

2. Genius: Thesis is similar to Largan's – CPO opportunities also overpriced, downgrade to UW

Genius, as the second-largest optical lens vendor to Apple, is also well positioned to benefit from the camera spec upgrade highlighted in the previous section. Considering the growth opportunities discussed above, we raise our intrinsic value estimate for the

existing business from NT$425 to NT$600. For more details, please refer to Exhibit 17 .

Similar to Largan, we believe Genius' share price performance is also highly correlated to CPO development. In order to assess the fundamental value from the CPO opportunity, we undertook the following analysis:

1. We apply the same FAU volume and ASP assumptions as we do for Largan.
2. We expect Genius to be involved in FAU components, rather than overall solutions; therefore, we assume components TAM to be 15% of the FAU TAM.
3. We forecast Genius's market share to increase from 0% in 2026 to 5% in 2027 and 30% in 2028.
4. Assuming net margins of 10% in 2027 and 25% in 2028, we forecast FAU component earnings of US$1mn in 2027 and US$54mn in 2028.

If we value the FAU component business at 25x 2028e P/E (lower multiple vs. Largan because Genius has smaller scale), it could introduce incremental market cap of US $1,322mn. Discounting it back to 2026 at a 10% discounted rate, we derive a per-share positive impact of NT$310.

Exhibit 6: Base Case – Potential Positive Impact from FAU New Business for Genius

	2026E	2027E	2028E
Optical Engine Volume (mn)	0.39	7.78	48.60
FAU Volume (mn units)	0.39	7.78	48.60
ASP (USD)	100	100	100
Total TAM (US$ mn)	39	778	4,860
15% Share of Components TAM	6	117	729
Genius's Market Share	0%	5%	30%
FAU Component Revenue for Genius (US$ mn)	0	6	218
Net Margin	n.a.	10%	25%
FAU Component Earnings for Genius (US$ mn)	n..a	1	54
Assumed Forward P/E			25
Market Cap in USD (mn)			1,322
Market Cap in TWD (mn)			42,294
Per share impact	310	341	375

Similar to Largan, our residual income model derives intrinsic value of NT$600/share for the traditional business, while the TAM analysis suggests CPO/FAU-related opportunities could be valued at NT$310/share. Adding these together, we raise our price target materially to NT$910, but that still implies 14% downside from the latest closing price.

3. Sunny: Apple revenue to double in 2026, but positive is well known

We believe Sunny Optical will benefit from the new iPhone launch because:

1. The company is a key vendor of variable aperture actuators – a key spec upgrade

with higher ASP.
2. Sunny is expanding the product mix from a single category to multiple categories, which could generate higher revenue from the key client.
3. Sunny is also gaining share in high-end lens products.

These drivers collectively underpin management's guidance of doubling Apple revenue for the full-year of 2026.

However, the fundamental performance is in line with management's guidance, so there is lack of potential positive surprise, in our view. We therefore raise our net income estimates 29.6% for 2026 and 26.5% for 2027 based on upbeat 1H26 results. Consequently, we raise our price target to HK$75 but maintain our EW rating – the strong growth from Apple has been well expected.

4. Crystal: Prisms, coated filters, and cover lenses to benefit

We expect Crystal Optech to benefit from Apple's new product launch because the company is supplying three key products in the supply chain:

1. Its micro prism modules are a key enabling component for periscope (folded-optics) telephoto cameras in smartphones. The company's prism technology uses a folded optical path to achieve long-focal-length telephoto capability without increasing device thickness. In 1H26, the micro prism module business enjoyed significant volume growth. The iPhone 18 launch will directly extend this demand into 2H26.
2. Crystal-Optech's coated filter business — which brings micro-nano optical processing into the IRCF manufacturing process to significantly improve petal ghosting and chromatic aberration in special imaging scenarios — is another key segment that benefits from the iPhone 18 launch. Apple's high-end Pro models are the primary application for this product, so the company is highly likely to generate rapid revenue and earnings growth.
3. The iPhone 18 Pro models are expected to feature advances in 3D sensing, including a smaller Dynamic Island as some Face ID components move beneath the display, which sustains demand for these optical components. Crystal Optech is well positioned to capture the growth opportunity in iPhone's 3D sensing and cover lenses.

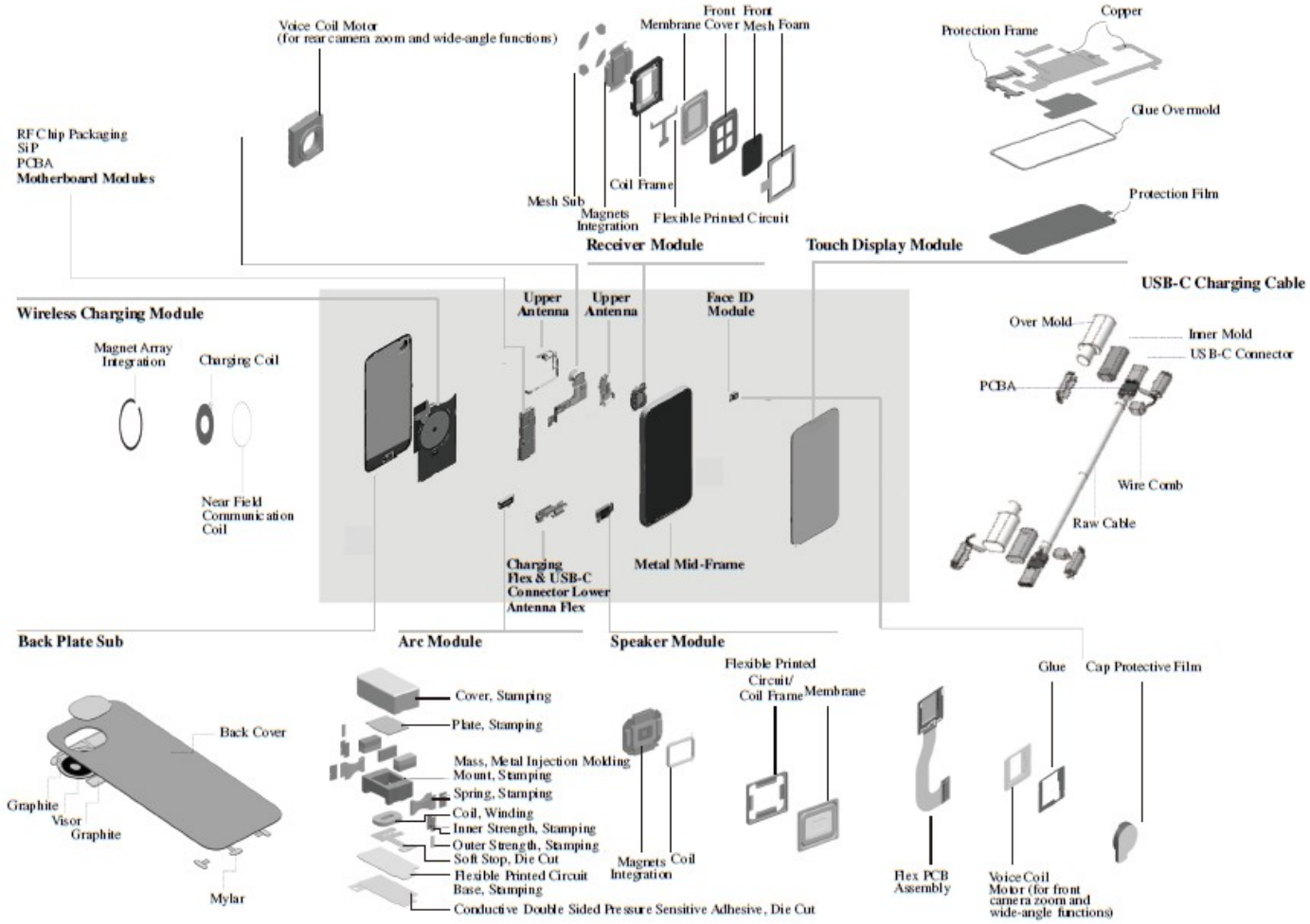
The company's 2Q26 results were a bit weaker than we expected because of rising costs from R&D and capacity expansion related to new products. However, we believe this investment could lead to stronger growth in 2028 and onward. As a result, we trim our earnings estimates 15.6% for 2026 and 2.9% for 2027 but raise our 2028 estimate 8.2%. Consequently, we raise our price target 7%, to Rmb32, implying 24% upside from the current level.

Luxshare: Apple opportunity underappreciated, resilient growth intact

We believe Luxshare's Apple opportunity is underappreciated – some investors worry about the supply chain relocation. However, the company is one of Apple's most deeply

embedded manufacturing partners, covering various products and components, as illustrated in the chart below. The company has also proved its operational resilience, consistently registering positive growth in the Apple business.

Exhibit 7: Luxshare: One of the most deeply embedded manufacturing partners for Apple



We expect Luxshare to benefit from the latest new product launch through the following four key drivers:

1. Second largest assembler for iPhone 18 Pro/Pro Max — the most premium-heavy iPhone lineup in history. If the Pro/Pro Max models can take 70%+ of total iPhone volume, it could mark the highest high-end model contribution over the past several model cycles. A higher share from high-end models implies better revenue and margin outlook for Luxshare.
2. Capturing component opportunity in new variable aperture actuator supply. Instead of doing assembly, Lxushare is also playing the role of supplier of actuator mechanisms for the variable aperture camera system in the iPhone 18 Pro and Pro Max. This helps Luxshare gain exposure to high-end component business, which carries higher margin than assembly business.
3. Foldable iPhone (iPhone Ultra) exposure: While Luxshare is not the assembler for the foldable phone, it has actively developed foldable hinge technology, with R&D

focused on high-precision, long-life, large-angle hinge modules for inward-folding flexible-display devices. The company is also developing ultra-thin haptic motors tailored for foldable smartphones. When foldable shipments reach a certain scale, Luxshare is also highly likely to become the second assembler.

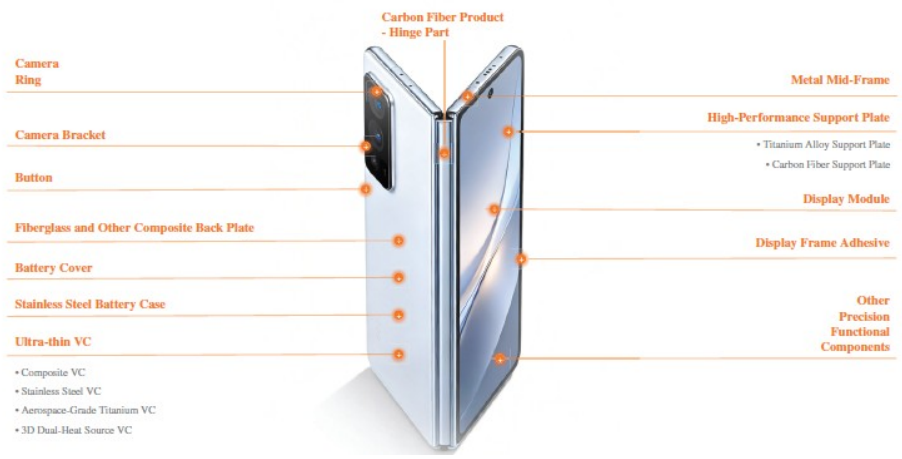
4. Leading AirPods assembly share: In the AirPods assembly market, we expect Luxshare to remain the largest supplier, with GoerTek as the second player. The iPhone 18 launch is accompanied by new AirPods models, and Luxshare's dominant AirPods assembly position means that it captures the full breadth of Apple's 2H26 product cycle — not just the iPhone.

Despite a significant FX loss, Luxshare posted resilient earnings in 1H26. We nudge our EPS estimates up 0.2% each for 2026 and 2027 and 2.0% for 2028 to reflect the solid 1H26 results and positive growth outlook in the following 2-3 years. As a result, we also raise our H-share price target to HK$82/share, implying 34% upside potential.

Lingyi: Peak season to drive strong earnings improvement

Lingyi provides a broad range of components, including core precision parts, hinge precision structural components, screen support plates, flanged ultra-thin stainless steel battery case modules, etc. Following the launch of iPhone 18 Pro, Pro Max, and Apple's first-ever foldable iPhone, Lingyi is likely to benefit from higher content per unit on standard Pro models, and a step-change in content value from the foldable iPhone.

Exhibit 8: Lingyi: Higher content value from new iPhone



Lingyi also has good exposure to the iPhone foldable product, with content value per foldable device expected by the company to reach US$80–90, including titanium inner hinges, hinge components, and mid-frame support structures — substantially above the content value of conventional smartphones.

Considering the positive drivers in 3Q26, we expect Lingyi to achieve significant earnings improvement on a QoQ basis, which could become a key re-rating catalyst.

We slightly adjust our net income estimates after 1H26: up 1.6% in 2026, 0.3% and 1.7% in 2027 and 2028. However, our price targets for both the H- and A-shares are unchanged because the revision is minor while our long-term RI model assumptions remain

unchanged.

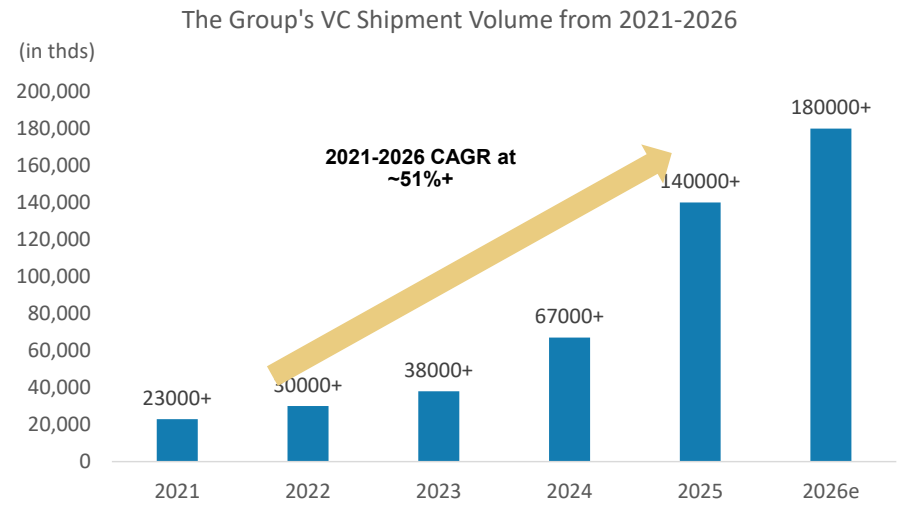
AAC: Key beneficiary of iPhone VC application

AAC Tech is one of Apple's key component suppliers, providing a broad portfolio spanning acoustics, haptics, and thermal management. The iPhone 18 Pro/Pro Max and iPhone Ultra launch is a direct, multi-dimensional catalyst across all those business segments.

Within the three segments, we believe thermal management – Vapor Chamber (VC) Heat Dissipation – is the most important catalyst. AAC Technologies is a key vendor of VC heat spreaders in the iPhone 18 Pro and Pro Max. The significant expansion of the VC cooling area is driven by the iPhone 18 Pro's A20 Pro chip, which debuts on a 2nm process node with complex WMCM packaging technology to support on-device AI computation, leading to increased thermal output. Apple first introduced VC liquid cooling in the iPhone 17 Pro series, with AAC as the primary supplier for that generation as well.

This division has already demonstrated significant growth momentum heading into the iPhone 18 ramp up. In 1H26, heat dissipation revenue surged approximately 400% YoY, to RMB1.10 billion, primarily driven by the continued ramp-up in shipments of high-performance innovative vapor chambers. The company expects VC shipments to exceed 180,000k units in 2026, up from 140,000k+ units in 2025.

Exhibit 9: AAC's VC Shipment Volume from 2021-2026e



Source: Company data

Combining the strong growth momentum in thermal management, but weaker-than-expected performance in the optics segment (all supplied to Android), we raise our earnings estimates 8.4% for 2026 and 6.0% for 2027. After 1H26 results, we believe investors are aware of the weakness in optics, while the iPhone launch could help re-rate the stock. We raise our price target to HK$50 – the stronger 19% increase reflects earnings upgrades and a higher valuation for the thermal-management business – and maintain our OW rating.

BYDE: Normal peak season, but lackluster with limited spec upgrade

While Apple is BYDE's key customer, accounting for >50% of total revenue, it is mainly from the iPad assembly business. Therefore, this division is less likely to benefit from the iPhone 18 launch.

The company is also the second-largest iPhone metal casing vendor, supplying precision structural components including titanium and aluminium alloy chassis. While iPhone 18 launch is the direct driver for this segment, the titanium-to-aluminium downgrade has become a near-term headwind. Titanium is a higher-value, higher-margin material for BYDE while aluminium carries lower ASP and lower gross margin. This change has made BYDE less likely to benefit from the iPhone 18 launch.

Despite the lackluster outlook, we expect earnings to show sequential improvement in 3Q26, driven by the normal peak season in 3Q26, followed by stronger growth in 4Q26 as liquid cooling products for AI infrastructure also ramp up. Our earnings estimates and price target remain unchanged.

GoerTek: Margin might face pressures despite peak season

GoerTek's primary Apple exposure is in smart acoustic complete units (AirPods assembly and components) and precision components. We believe the iPhone 18 launch and peak season ramp in 3Q–4Q will drive higher shipment volumes for these products.

However, GoerTek's transfer of production to Vietnam — where it has invested approximately US$1.3 billion through multiple entities — has created a persistent labor cost headwind. In 2H25, a labor shortage caused by the rapid capacity transfer forced GoerTek to offer higher wages, triggering material gross margin pressure for the smart acoustic assembly business. Overall gross margins partially recovered to 13.8% in 1Q26 and 15.2% in 2Q26, but the underlying trend of rising wages in Vietnam remains a structural factor. As GoerTek ramps production for the iPhone 18 peak season in 3Q and 4Q, the higher labor cost base in Vietnam will continue to weigh on assembly margins.

We raise our 2026 and 2027 earnings estimates 14.9% and 10.6%, respectively, mainly reflecting the better-than-expected gross margin recovery in 1H26. However, we raise our price target only modestly: 4%. to Rmb27, as persistent labor-cost pressure in Vietnam could limit further margin expansion and reduce the earnings benefit from higher peak-season volumes.

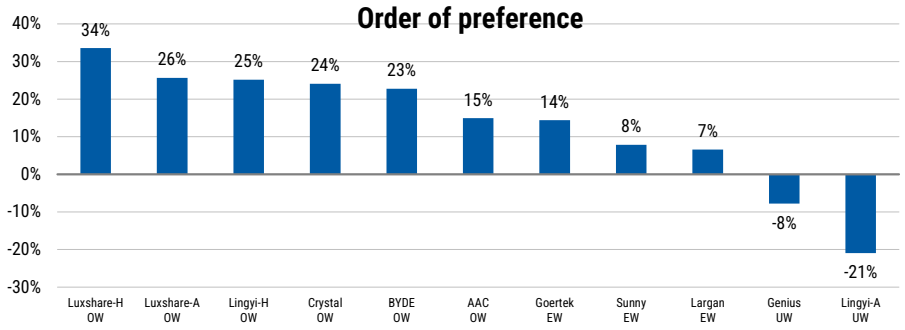
Considering the factors discussed above, we believe GoerTek is less likely to benefit from the new iPhone product launch and peak season volume increase.

Order of Preference, Our Estimates vs. Consensus, and Where We Could Be Wrong

After adjusting our price targets, the latest order of preference for our coverage is: Luxshare-H > Luxshare-A> Lingyi-H> Crystal > BYDE > AAC > GoerTek > Sunny > Largan> Genius > Lingyi-A.

In this report, we raise our price targets for Luxshare-H, Crystal, AAC, GoerTek, Largan, Sunny, and Genius. We keep Lingyi-A, BYDE and Lingyi's price targets unchanged. We believe these companies are key beneficiaries of the iPhone 18 launch. For details, please see Exhibit 14.

Exhibit 10: Order of preference by upside potential to price target



Earnings estimate revisions and consensus

Following 2Q26 results, we adjust our earnings forecasts accordingly. We keep BYDE unchanged. Detailed reasons can be found in Exhibit 13.

Exhibit 11: Net profit estimate revisions (LC mn)

			New			Old			Diff %		
Ticker	Company	Curr	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
2475.HK	Luxshare-H	RMB	19,371	22,995	32,515	19,324	22,949	31,891	0.2%	0.2%	2.0%
002475.SZ	Luxshare-A	RMB	19,371	22,995	32,515	19,324	22,949	31,891	0.2%	0.2%	2.0%
1688.HK	Lingyi-H	RMB	2,845	3,348	3,896	2,799	3,292	3,883	1.6%	1.7%	0.3%
002273.SZ	Crystal	RMB	1,267	1,694	2,034	1,501	1,745	1,880	-15.6%	-2.9%	8.2%
0285.HK	BYDE	RMB	1,441	3,633	4,476	1,441	3,633	4,476	0.0%	0.0%	0.0%
2018.HK	AAC	RMB	2,580	3,121	3,783	2,380	2,944	3,312	8.4%	6.0%	14.2%
002241.SZ	Goertek	RMB	3,499	3,906	4,325	3,045	3,534	4,028	14.9%	10.5%	7.4%
2382.HK	Sunny	RMB	4,019	4,765	5,801	3,102	3,768	4,374	29.6%	26.5%	32.6%
3008.TW	Largan	TWD	24,179	26,707	28,204	23,388	24,355	24,411	3.4%	9.7%	15.5%
3406.TW	Genius	TWD	5,000	5,736	6,086	3,578	4,413	4,598	39.7%	30.0%	32.4%
002600.SZ	Lingyi-A	RMB	2,845	3,348	3,896	2,799	3,292	3,883	1.6%	1.7%	0.3%

Our 2026-28 earnings forecasts are generally below consensus.

Exhibit 12:

			Mse			Consensus			Diff %		
Ticker	Company	Curr	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
2475.HK	Luxshare-H	RMB	19,371	22,995	32,515	21,337	28,679	36,699	-9%	-20%	-11%
002475.SZ	Luxshare-A	RMB	19,371	22,995	32,515	21,308	28,782	37,049	-9%	-20%	-12%
1688.HK	Lingyi-H	RMB	2,845	3,348	3,896	2,980	4,144	5,408	-5%	-19%	-28%
002273.SZ	Crystal	RMB	1,267	1,694	2,034	1,425	1,755	2,393	-11%	-3%	-15%
0285.HK	BYDE	RMB	1,441	3,633	4,476	2,423	3,919	4,674	-41%	-7%	-4%
2018.HK	AAC	RMB	2,580	3,121	3,783	2,740	3,325	3,885	-6%	-6%	-3%
002241.SZ	Goertek	RMB	3,499	3,906	4,325	3,501	4,253	5,075	0%	-8%	-15%
2382.HK	Sunny	RMB	4,019	4,765	5,801	4,000	4,723	5,557	0%	1%	4%
3008.TW	Largan	TWD	24,179	26,707	28,204	25,006	27,716	31,909	-3%	-4%	-12%
3406.TW	Genius	TWD	5,000	5,736	6,086	4,059	4,556	5,005	23%	26%	22%
002600.SZ	Lingyi-A	RMB	2,845	3,348	3,896	2,959	4,194	5,505	-4%	-20%	-29%

Where we could be wrong

While we expect iPhone 18 to be a positive catalyst in 2H26, we are watching three key variables on the potential inflection points:

1. **Memory prices:** These are a key variable this year. If there is a memory price correction anytime during 2026, investors are likely to expect an earlier smartphone shipment and margin recovery, which could reverse the negative sentiment.
2. **LLMs:** We see LLMs as a revolutionary innovation. They could introduce numerous creative features in smartphone applications and change user habits in the years to come. If the Edge AI breakthrough arrives earlier than we expect, it could accelerate the smartphone product cycle and make the recovery earlier.
3. **iPhone sales performance:** Better-than-expected sell-through of the iPhone 18 Pro, Pro Max and its first foldable model could drive shipment upside, higher content value and stronger capacity utilization. Conversely, weaker demand could lead to order cuts after the initial ramp up and reduce the earnings benefits from key hardware upgrades.

Changes to Our Estimates and Valuations

Earnings estimate revisions

Our new estimates are summarized in Exhibit 13 .

Exhibit 13: Summary of changes to earnings estimates (LC mn)

Ticker	Company		New			Old			Estimate Changes %		
			2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
002475.SZ	Luxshare-A	**Revenue**	**411,810 e**	**476,649 e**	**559,719 e**	**410,037 e**	**474,788 e**	**557,802 e**	**0.4%**	**0.4%**	**0.3%**
002475.SZ		Gross profit	48,788 e	61,554 e	78,292 e	48,615 e	61,373 e	77,472 e	0.4%	0.3%	1.1%
002475.SZ		Net profit	19,371 e	22,995 e	32,515 e	19,324 e	22,949 e	31,891 e	0.2%	0.2%	2.0%
002475.SZ		**Adjusted EPS**	**2.65 e**	**3.14 e**	**4.44 e**	**2.64 e**	**3.14 e**	**4.36 e**	**0.2%**	**0.2%**	**2.0%**
1688.HK	Lingyi-H	**Revenue**	**61,449 e**	**67,594 e**	**74,584 e**	**62,336 e**	**68,332 e**	**74,109 e**	**-1.4%**	**-1.1%**	**0.6%**
1688.HK		Gross profit	10,425 e	11,746 e	13,180 e	10,527 e	11,758 e	13,118 e	-1.0%	-0.1%	0.5%
1688.HK		Net profit	2,845 e	3,348 e	3,896 e	2,799 e	3,292 e	3,883 e	1.6%	1.7%	0.3%
1688.HK		**Adjusted EPS**	**0.39 e**	**0.46 e**	**0.54 e**	**0.34 e**	**0.41 e**	**0.48 e**	**13.9%**	**14.0%**	**12.5%**
002273.SZ	Crystal	**Revenue**	**7,916 e**	**9,133 e**	**11,134 e**	**8,042 e**	**9,368 e**	**10,228 e**	**-1.6%**	**-2.5%**	**8.9%**
002273.SZ		Gross profit	2,553 e	2,946 e	3,584 e	2,600 e	3,019 e	3,288 e	-1.8%	-2.4%	9.0%
002273.SZ		Net profit	1,267 e	1,694 e	2,034 e	1,501 e	1,745 e	1,880 e	-15.6%	-2.9%	8.2%
002273.SZ		**Adjusted EPS**	**0.91 e**	**1.22 e**	**1.46 e**	**1.08 e**	**1.25 e**	**1.35 e**	**-15.6%**	**-2.9%**	**8.3%**
0285.HK	BYDE	**Revenue**	**180,199 e**	**187,485 e**	**203,306 e**	**180,199 e**	**187,485 e**	**203,306 e**	**0.0%**	**0.0%**	**0.0%**
0285.HK		Gross profit	9,910 e	13,549 e	15,078 e	9,910 e	13,549 e	15,078 e	0.0%	0.0%	0.0%
0285.HK		Net profit	1,441 e	3,633 e	4,476 e	1,441 e	3,633 e	4,476 e	0.0%	0.0%	0.0%
0285.HK		**Adjusted EPS**	**0.64 e**	**1.62 e**	**1.99 e**	**0.64 e**	**1.62 e**	**1.99 e**	**0.0%**	**0.0%**	**0.0%**
2018.HK	AAC	**Revenue**	**34,826 e**	**38,225 e**	**42,120 e**	**35,547 e**	**41,714 e**	**45,521 e**	**-2.0%**	**-8.4%**	**-7.5%**
2018.HK		Gross profit	7,912 e	8,771 e	9,802 e	7,646 e	9,142 e	10,067 e	3.5%	-4.1%	-2.6%
2018.HK		Net profit	2,580 e	3,121 e	3,783 e	2,380 e	2,944 e	3,312 e	8.4%	6.0%	14.2%
2018.HK		**Adjusted EPS**	**2.23 e**	**2.70 e**	**3.28 e**	**2.06 e**	**2.55 e**	**2.87 e**	**8.4%**	**6.0%**	**14.2%**
002241.SZ	Goertek	**Revenue**	**95,821 e**	**101,607 e**	**106,925 e**	**94,184 e**	**100,392 e**	**105,740 e**	**1.7%**	**1.2%**	**1.1%**
002241.SZ		Gross profit	13,041 e	13,426 e	14,445 e	12,231 e	12,902 e	14,005 e	6.6%	4.1%	3.1%
002241.SZ		Net profit	3,499 e	3,906 e	4,325 e	3,045 e	3,534 e	4,028 e	14.9%	10.5%	7.4%
002241.SZ		**Adjusted EPS**	**0.99 e**	**1.10 e**	**1.22 e**	**0.87 e**	**1.01 e**	**1.15 e**	**13.0%**	**8.7%**	**5.6%**
2382.HK	Sunny	**Revenue**	**48,016 e**	**55,809 e**	**62,974 e**	**42,747 e**	**49,763 e**	**54,362 e**	**12.3%**	**12.1%**	**15.8%**
2382.HK		Gross profit	9,573 e	11,319 e	13,186 e	8,578 e	9,767 e	10,858 e	11.6%	15.9%	21.4%
2382.HK		Net profit	4,019 e	4,765 e	5,801 e	3,102 e	3,768 e	4,374 e	29.6%	26.5%	32.6%
2382.HK		**Adjusted EPS**	**3.73 e**	**4.43 e**	**5.39 e**	**2.85 e**	**3.46 e**	**4.02 e**	**30.9%**	**27.8%**	**34.0%**
3008.TW	Largan	**Revenue**	**66,920 e**	**74,757 e**	**77,025 e**	**64,900 e**	**70,170 e**	**72,297 e**	**3.1%**	**6.5%**	**6.5%**
3008.TW		Gross profit	33,103 e	36,834 e	37,952 e	31,920 e	34,383 e	34,703 e	3.7%	7.1%	9.4%
3008.TW		Net profit	24,179 e	26,707 e	28,204 e	23,388 e	24,355 e	24,411 e	3.4%	9.7%	15.5%
3008.TW		**Adjusted EPS**	**184.85 e**	**204.18 e**	**215.63 e**	**175.24 e**	**182.48 e**	**182.90 e**	**5.5%**	**11.9%**	**17.9%**
3406.TW	Genius	**Revenue**	**29,825 e**	**32,165 e**	**34,176 e**	**24,941 e**	**27,328 e**	**28,458 e**	**19.6%**	**17.7%**	**20.1%**
3406.TW		Gross profit	10,606 e	11,455 e	12,171 e	7,743 e	9,166 e	9,549 e	37.0%	25.0%	27.5%
3406.TW		Net profit	5,000 e	5,736 e	6,086 e	3,578 e	4,413 e	4,598 e	39.7%	30.0%	32.4%
3406.TW		**Adjusted EPS**	**44.35 e**	**50.88 e**	**53.98 e**	**31.74 e**	**39.14 e**	**40.78 e**	**39.7%**	**30.0%**	**32.4%**

Ticker	Company	Reason for earnings estimate changes
2475.HK/002475.SZ	Luxshare	• We raise both 2026 and 2027 net profit forecasts 0.2%, reflecting resilient 1H26 results and a positive outlook for new Apple products.
0285.HK	BYDE	• We keep our 2026 and 2027 net profit forecasts unchanged.
3008.TW		• We raise our 2026 and 2027 net profit forecasts 3.4% and 9.7%, respectively, reflecting seasonal shipment recovery and iPhone camera upgrades.
1688.HK/002600.SZ	Lingyi	• We raise our 2026 and 2027 net profit forecasts 1.6% and 1.7%, respectively, reflecting seasonal shipment recovery and higher content value on the back of good exposure to foldable iPhone.
3406.TW	Genius	• We raise our 2026 and 2027 net profit forecasts 39.7% and 30.0%, respectively, reflecting the iPhone camera upgrade cycle and improved smartphone lens assumptions.
002241.SZ	GoerTek	• We raise our 2026 and 2027 net profit forecasts 14.9% and 10.6%, respectively, mainly reflecting higher gross margin assumptions.
2382.HK	Sunny	• We raise our 2026 and 2027 net profit forecasts 29.6% and 26.5%, respectively, reflecting upbeat 1H26 results, higher Apple revenue and share gains in high-end lenses.
2018.HK	AAC	• We raise our 2026 and 2027 net profit forecasts 8.4% and 6.0%, respectively, driven by stronger thermal management, haptics and precision mechanics growth, partly offset by weaker Android optics.
002273.SZ	Crystal	• We cut our 2026 and 2027 net profit forecasts 15.6% and 2.9%, respectively, due to higher R&D and capacity expansion costs for new projects

Price target changes

We derive our price targets (also our base case values) using a residual income model – the same methodology we use for our Greater China Tech coverage.

Our new price targets are derived from revised earnings estimates and unchanged cost of equity assumptions (RFR, beta, risk premium) and growth rates.

Exhibit 14: Summary of price target changes

Ticker	Company	Curr	PT Old	PT New	% Chg
2475.HK	Luxshare-H	HKD	80.0	82.0	2%
002475.SZ	Luxshare-A	RMB	70.36	70.27	0%
1688.HK	Lingyi-H	HKD	8.3	8.3	0%
002273.SZ	Crystal	RMB	30.0	32.0	7%
0285.HK	BYDE	HKD	33.0	33.0	0%
2018.HK	AAC	HKD	42.0	50.0	19%
002241.SZ	Goertek	RMB	26.0	27.0	4%
2382.HK	Sunny	HKD	62	75	21%
3008.TW	Largan	TWD	4,836	7,100	47%
3406.TW	Genius	TWD	425	910	114%
002600.SZ	Lingyi-A	RMB	10.0	10.0	0%

Ticker	Company	Reason for PT changes
2475.HK/002475.SZ	Luxshare	• We raise our Luxshare-H price target 2% to HK$82, reflecting modest earnings upgrades and continued growth opportunities across AI infrastructure, iPhone assembly and foldables. Luxshare-A's price target is broadly unchanged at Rmb70.27.
0285.HK	BYDE	• We keep our price target unchanged at HK$33, in line with unchanged earnings estimates and valuation assumptions.
3008.TW	Largan	• We raise our price target 47%, to NT$7,100, reflecting higher traditional-business earnings and increased value attributed to the CPO/FAU opportunity.
1688.HK/002600.SZ	Lingyi	• We keep our price targets unchanged at HK$8.3 for Lingyi-H and Rmb10 for Lingyi-A.
2382.HK	Sunny	• We raise our price target 21%, to HK$75, reflecting materially higher earnings estimates driven by Apple revenue growth, variable-aperture actuators and high-end lens share gains.
3406.TW	Genius	• We raise our price target 114%, to NT$910, comprising NT$600 for the traditional business and NT$310 for the FAU component opportunity.
2018.HK	AAC	• We raise our price target 19%, to HK$50, reflecting earnings upgrades driven by thermal management, haptics and precision mechanics, including stronger vapor-chamber growth.
002241.SZ	GoerTek	• We raise our price target 4%, to Rmb27, reflecting higher earnings estimates and an improved gross-margin outlook.

002273.SZ	Crystal	• We raise our price target 7%, to Rmb32, reflecting stronger medium-term growth from micro-prism modules, coated filters, 3D sensing and other new optical projects.

Revisions to our bull and bear case scenario values

We summarize the changes to our bull and bear case scenario values in the table below.

Exhibit 15: Summary of changes to scenario value

Ticker	Company		Value Bull	Base	Bear
2475.HK	Luxshare-H	**New**	**100.0**	**82.0**	**48.0**
2475.HK		Old	100.0	80.0	48.0
		Chg%	0%	2%	0%
002475.SZ	Luxshare-A	**New**	**88.0**	**70.27**	**42.2**
002475.SZ		Old	88.0	70.4	42.2
		Chg%	0%	0%	0%
1688.HK	Lingyi-H	**New**	**20.0**	**8.3**	**5.0**
1688.HK		Old	20.0	8.3	5.0
		Chg%	0%	0%	0%
002273.SZ	Crystal	**New**	**45.0**	**32.0**	**20.0**
002273.SZ		Old	43.6	30.0	21.8
		Chg%	3%	7%	-8%
0285.HK	BYDE	**New**	**45.0**	**33.0**	**17.0**
0285.HK		Old	45.0	33.0	17.0
		Chg%	0%	0%	0%
2018.HK	AAC	**New**	**65.0**	**50.0**	**28.0**
2018.HK		Old	55.0	42.0	20.0
		Chg%	18%	19%	40%
002241.SZ	Goertek	**New**	**38.0**	**27.0**	**16.0**
002241.SZ		Old	38.0	26.0	16.0
		Chg%	0%	4%	0%
2382.HK	Sunny	**New**	**110.0**	**75.0**	**40.0**
2382.HK		Old	100.0	62.0	35.0
		Chg%	10%	21%	14%
3008.TW	Largan	**New**	**11142.8**	**7100.0**	**3649.2**
3008.TW		Old	9007.0	4836.0	2924.0
		Chg%	24%	47%	25%
3406.TW	Genius	**New**	**1705.2**	**910.0**	**592.4**
3406.TW		Old	590.0	425.0	250.0
		Chg%	189%	114%	137%
002600.SZ	Lingyi-A	**New**	**17.6**	**10.0**	**8.0**
002600.SZ		Old	17.6	10.0	8.0
		Chg%	0%	0%	0%

Ticker	Company	Reason for Scenario changes
2475.HK/002475.SZ	Luxshare	• We keep our bull and bear case values for Luxshare unchanged as we believe the long-term outlook remains largely unchanged.
1688.HK/002600.SZ	Lingyi	• We keep our bull and bear case values for Lingyi unchanged as we believe the long-term outlook remains largely unchanged.

2382.HK	Sunny	• We raise our bull and bear case values to reflect higher earnings estimates, driven by Apple revenue growth, variable-aperture actuator demand and high-end lens share gains.
3406.TW	Genius	• We raise our bull and bear case values to reflect higher traditional-business earnings and potential value from the FAU component business.
002241.SZ	GoerTek	• We keep our bull and bear case values for GoerTek unchanged as we believe the long-term outlook remains largely unchanged.
2018.HK	AAC	• We raise our bull and bear case values to reflect higher earnings estimates, driven by stronger growth in thermal management, haptics and precision mechanics.
3008.TW	Largan	• We raise our bull and bear case values to reflect higher traditional-business earnings and increased value from the CPO/FAU opportunity.
0285.HK	BYDE	• We keep our bull and bear case values for BYDE unchanged as we believe the long-term outlook remains largely unchanged.
002273.SZ	Crystal	• We raise our bull case value to reflect stronger growth potential from micro-prism modules, coated filters and 3D sensing, while cutting our bear case value to reflect higher R&D, capacity-expansion and execution risks.

RI Models

We summarize our RI models in the tables below.

Exhibit 16: Luxshare: RI model

Residual Income Valuation

Luxshare	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity	**120,843**	**140,813**	**169,051**	**187,814**	**210,206**	**238,298**	**272,219**	**311,227**	**354,917**	**403,850**	**456,610**
Total revenue	411,810	476,649	559,719	643,677	740,229	851,263	978,952	1,125,795	1,260,891	1,412,198	1,581,661
Net Profit	**19,371**	**22,995**	**32,515**	**34,115**	**40,713**	**51,076**	**61,674**	**70,925**	**79,436**	**88,968**	**95,928**
Return on Equity	19%	19%	23%	20%	22%	24%	26%	26%	26%	25%	24%
Residual Income	**7,929**	**9,703**	**17,026**	**15,519**	**20,053**	**27,953**	**35,461**	**40,981**	**45,201**	**49,928**	**51,504**
Equity Value	**514,057**										
No. of Shares	7,315										
Per share value (Rmb)	**70.27**										
Per share value (HKD)	**82.0**										
P/E (x)	26.5	22.4									
P/B (x)	4.3	3.7									

Exhibit 17: Genius: RI model

Genius (3406.TW)
Residual income model

Rmb mn	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total equity	28,984	31,852	34,894	37,855	40,963	44,227	47,487	50,845	54,304	57,866	61,502
Revenue	29,825	32,165	34,176	35,884	37,679	39,563	40,750	41,972	43,231	44,528	45,864
Net profit	**5,000**	**5,736**	**6,086**	**5,921**	**6,217**	**6,528**	**6,520**	**6,716**	**6,917**	**7,124**	**7,273**
YoY%	35%	15%	6%	-3%	5%	5%	0%	3%	3%	3%	2%
ROE%	19%	20%	19%	17%	16%	16%	15%	14%	14%	13%	13%
Residual income	**2,748**	**3,272**	**3,378**	**2,954**	**2,998**	**3,045**	**2,760**	**2,678**	**2,594**	**2,507**	**2,353**
Equity value (NT$)	**67,642**										
# of shares	113										
Implied P/E (x)	**13.5**										
Per share value (NT$)	**600.0**										
FAU Positive Impact/Share	**310.0**										
Aggregate Value/Share	**910.0**										

Exhibit 18: Largan: RI model

RI Valuation - Base case

Rmb mn	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total equity	215,046	241,753	269,958	284,099	299,373	315,868	333,682	352,918	373,689	395,915	419,518
Revenue	66,920	74,757	77,025	83,187	89,842	97,029	104,791	113,154	122,183	130,736	138,842
Net profit	24,179	26,707	28,204	28,284	30,546	32,990	35,629	38,472	41,542	44,450	47,206
YoY %	14%	10%	6%	0%	8%	8%	8%	8%	8%	7%	6%
ROE	13%	12%	12%	10%	11%	11%	11%	12%	12%	12%	12%
Residual income	**7,951**	**8,423**	**7,650**	**5,331**	**6,391**	**7,537**	**8,773**	**10,102**	**11,536**	**12,678**	**13,545**
Terminal value											**253,553**
Discount factor	1.00	0.92	0.85	0.78	0.72	0.66	0.61	0.56	0.52	0.48	0.44
Equity value (NT$)	**392,336**										
Implied P/E (X)	**16.2**	**14.7**									
# of shares	131										
Per share value (NT$)	**3,000**										
FAU Positive Impact/Share	**4,100**										
Aggregate Value/Share	**7,100**										

Exhibit 19: Crystal: RI model

Crystal-Optech (002273.SZ)

Residual Income Valuation

Rmb mn	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity	**10,485**	**11,586**	**12,908**	**14,442**	**16,224**	**18,295**	**20,798**	**23,706**	**27,079**	**31,060**	**35,757**
Total revenue	7,916	9,133	11,134	12,915	15,008	17,439	20,264	23,547	27,314	32,231	38,032
Net profit	**1,267**	**1,694**	**2,034**	**2,360**	**2,742**	**3,186**	**3,850**	**4,474**	**5,190**	**6,124**	**7,226**
ROE %	12.5%	16.2%	17.6%	18.3%	19.0%	19.6%	21.0%	21.5%	21.9%	22.6%	23.3%
Residual Income	**255**	**646**	**876**	**1,069**	**1,298**	**1,564**	**2,021**	**2,394**	**2,819**	**3,416**	**4,120**
PV of Forecast Period	10,693										
PV of Continuing Value	23,374										
Total valuation	**44,551**										
Shares outstanding	1,390										
Per share value (RMB)	**32.0**										
Implied P/E (x)	**35.2**										
Implied P/B (x)	**4.2**										

Exhibit 20: Sunny: RI model

RI Valuation - Base case

Rmb mn	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Handset lens/CCM										
Total equity	14,048	14,070	14,167	14,283	14,399	14,515	14,632	14,748	14,864	14,980
Revenue	27,225	27,647	29,029	29,029	29,029	29,029	29,029	29,029	29,029	29,029
Net profit	-85	106	488	581	581	581	581	581	581	581
YoY %	-105%	-225%	361%	19%	0%	0%	0%	0%	0%	0%
ROE	-1%	1%	3%	4%	4%	4%	4%	4%	4%	4%
Residual income	**-1,632**	**-1,440**	**-1,060**	**-978**	**-991**	**-1,003**	**-1,016**	**-1,029**	**-1,042**	**-1,054**
Terminal value										**-13,576**
Equity value (Rmb mn)	**1,937**									
Vehicle lens/module										
Total equity	9,277	10,802	12,387	14,130	16,047	18,156	20,476	23,028	25,835	28,923
Revenue	8,278	9,106	10,017	11,018	12,120	13,332	14,666	16,132	17,745	19,520
Net profit	1,882	2,178	2,264	2,490	2,739	3,013	3,314	3,646	4,010	4,411
YoY %	12%	16%	4%	10%	10%	10%	10%	10%	10%	10%
ROE %	24%	23%	21%	20%	19%	19%	18%	18%	17%	17%
Residual income	**1,006**	**1,158**	**1,075**	**1,127**	**1,185**	**1,248**	**1,317**	**1,393**	**1,477**	**1,569**
Terminal value										**27,462**
Equity value (Rmb mn)	**27,682**									
AR/VR/Others										
Total equity	9,294	11,031	13,165	15,209	17,559	20,262	23,321	26,748	30,585	34,884
Revenue	10,101	15,152	19,243	22,457	25,825	29,699	33,620	37,654	42,172	47,233
Net profit	2,222	2,481	3,049	2,919	3,357	3,861	4,371	4,895	5,482	6,140
YoY %	59%	12%	23%	-4%	15%	15%	13%	12%	12%	12%
ROE %	29%	27%	28%	22%	22%	22%	22%	21%	20%	20%
Residual income	**1,370**	**1,459**	**1,836**	**1,471**	**1,684**	**1,929**	**2,142**	**2,330**	**2,540**	**2,776**
Terminal value										**48,578**
Equity value (Rmb mn)	**39,508**									
Total										
Total equity	32,620	35,903	39,719	43,622	48,005	52,933	58,429	64,523	71,284	78,786
Net profit	4,019	4,765	5,801	5,990	6,677	7,454	8,265	9,121	10,073	11,132
YoY %	-13%	19%	22%	3%	11%	12%	11%	10%	10%	11%
ROE %	13.5%	14.6%	16.2%	15.1%	15.3%	15.5%	15.6%	15.6%	15.6%	15.6%
Equity value (Rmb mn)	**69,128**									
Implied P/E (X)	**17.2**	**14.5**	**11.9**							
# of shares	1,076									
Per share value (Rmb)	**64.2**									
Per share value (HK$)	**75.0**									

Exhibit 21: Lingyi: RI model

Residual Income Valuation

Lingyi (Rmb mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity	**27,323**	**30,337**	**33,843**	**37,803**	**42,622**	**48,019**	**54,568**	**61,903**	**70,118**	**79,319**	**89,402**
Total revenue	**61,449**	**67,594**	**74,584**	82,043	90,247	101,076	113,206	126,790	142,005	159,046	178,131
Net Profit	2,845	3,348	3,896	4,449	5,415	6,065	7,358	8,241	9,230	10,338	11,329
Return on Equity	**11.7%**	**12.3%**	**12.8%**	**13.1%**	**14.3%**	**14.2%**	**15.3%**	**15.1%**	**14.9%**	**14.7%**	**14.3%**
Residual Income	**165**	**343**	**559**	**727**	**1,257**	**1,376**	**2,076**	**2,239**	**2,421**	**2,625**	**2,604**
Equity Value	**51,493**										
No. of Shares	7,244										
Per share value (Rmb)	**10.00**										
Per share value (HKD)	**8.30**										
P/E(x)	**25.5**										
P/B(x)	**2.7**										

Exhibit 22: GoerTek: RI model

Residual Income Valuation

Goertek	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity	**39,663**	**42,358**	**45,342**	**48,282**	**51,548**	**55,551**	**60,251**	**65,766**	**72,235**	**79,820**	**88,711**
Total revenue	95,821	101,607	106,925	117,618	131,732	151,492	174,216	200,348	230,400	264,960	304,704
Net Profit	**3,499**	**3,906**	**4,325**	**5,345**	**5,937**	**7,279**	**8,545**	**10,027**	**11,762**	**13,791**	**16,165**
Return on Equity	9%	10%	10%	12%	12%	14%	15%	17%	18%	19%	20%
Residual Income	**(598)**	**(457)**	**(335)**	**358**	**626**	**1,609**	**2,435**	**3,400**	**4,528**	**5,845**	**7,384**
Equity Value	**95,910**										
No. of Shares	3,552										
Per share value (Rmb)	**27.00**										
P/E (x)	27.4	24.6									
P/B (x)	2.4	2.3									

Exhibit 23: AAC: RI model

AAC Technologies (2018.HK)
Residual Income Valuation (Rmb mn)

Optics	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Total Equity	**5,947**	**6,598**	**7,659**	**8,731**	**9,965**	**11,383**	**13,014**	**14,890**	**17,047**	**19,527**
Total revenue	4,817	5,298	5,828	6,702	7,708	8,864	10,194	11,723	13,481	15,503
Net profit	**479**	**652**	**1,061**	**1,072**	**1,233**	**1,418**	**1,631**	**1,876**	**2,157**	**2,481**
Return on Equity	**8.8%**	**11.0%**	**16.1%**	**14.0%**	**14.1%**	**14.2%**	**14.3%**	**14.4%**	**14.5%**	**14.6%**
Residual Income	**(123)**	**(2)**	**335**	**230**	**273**	**322**	**379**	**444**	**519**	**605**
Spread	**-2.2%**	**0.0%**	**5.1%**	**3.0%**	**3.1%**	**3.2%**	**3.3%**	**3.4%**	**3.5%**	**3.6%**

Beginning Equity Capital	5,947
PV of Forecast Period	1,935
PV of Continuing Value	3,195
Equity Value (Rmb)	**11,077**
P/B (x)	**1.9**

Others	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Total Equity	**22,797**	**25,069**	**27,573**	**30,938**	**34,708**	**39,399**	**44,652**	**51,125**	**58,374**	**66,494**
Total revenue	30,009	32,927	36,292	40,647	45,524	50,987	57,106	63,959	71,634	80,230
Net profit	**2,101**	**2,470**	**2,722**	**3,658**	**4,097**	**5,099**	**5,711**	**7,035**	**7,880**	**8,825**
Return on Equity	**10.1%**	**10.8%**	**10.9%**	**13.3%**	**13.2%**	**14.7%**	**14.5%**	**15.8%**	**15.4%**	**15.1%**
Residual Income	**(194)**	**(38)**	**(36)**	**625**	**694**	**1,281**	**1,377**	**2,124**	**2,256**	**2,404**
Spread	**-0.9%**	**-0.2%**	**-0.1%**	**2.3%**	**2.2%**	**3.7%**	**3.5%**	**4.8%**	**4.4%**	**4.1%**

Beginning Equity Capital	22,797
PV of Forecast Period	6,029
PV of Continuing Value	9,535
Equity Value (Rmb)	**38,361**
P/B (x)	**1.7**

Total valuation	
Total equity value (Rmb)	**49,437**
Common shares outstanding	1,154
Per share price (Rmb)	43
Per share price (HKD)	**50.0**
P/B (x)	**1.8**

Exhibit 24: BYDE: RI model

Residual Income Valuation

BYDE (0285.HK)

Rmb (mn)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Apple										
Total Equity	**7,767**	**9,049**	**10,504**	**11,991**	**13,561**	**15,217**	**16,962**	**18,799**	**20,732**	**22,763**
Total revenue	95,481	94,932	97,006	99,126	101,291	103,504	105,766	108,076	110,438	112,850
Net Profit	**2,387**	**2,563**	**2,910**	**2,974**	**3,140**	**3,312**	**3,490**	**3,675**	**3,865**	**4,063**
Return on Equity	36%	33%	32%	28%	26%	24%	23%	22%	21%	20%
Residual Income	**1,717**	**1,771**	**1,987**	**1,902**	**1,917**	**1,929**	**1,938**	**1,944**	**1,948**	**1,948**
Equity Value	**29,296**									
Android										
Total Equity	**8,233**	**8,792**	**9,388**	**9,984**	**10,580**	**11,176**	**11,772**	**12,368**	**12,963**	**13,559**
Total revenue	52,864	55,927	59,589	59,589	59,589	59,589	59,589	59,589	59,589	59,589
Net Profit	**1,057**	**1,119**	**1,192**	**1,192**	**1,192**	**1,192**	**1,192**	**1,192**	**1,192**	**1,192**
Return on Equity	14%	14%	14%	13%	12%	11%	11%	10%	10%	9%
Residual Income	**210**	**213**	**225**	**159**	**94**	**28**	**(38)**	**(103)**	**(169)**	**(234)**
Equity Value	**7,102**									
New EV										
Total Equity	**9,872**	**10,855**	**11,971**	**13,254**	**14,666**	**16,365**	**18,394**	**20,626**	**23,081**	**25,781**
Total revenue	29,488	30,711	34,882	40,114	44,126	48,538	53,392	58,731	64,604	71,065
Net Profit	**944**	**983**	**1,116**	**1,284**	**1,412**	**1,699**	**2,029**	**2,232**	**2,455**	**2,700**
Return on Equity	11%	10%	10%	11%	11%	12%	12%	12%	12%	12%
Residual Income	**(74)**	**(143)**	**(121)**	**(81)**	**(99)**	**27**	**163**	**135**	**104**	**69**
Equity Value	**10,507**									
AI computing infrastructure										
Total Equity	**11,887**	**12,182**	**12,774**	**13,661**	**14,814**	**16,313**	**18,262**	**21,049**	**24,255**	**27,941**
Total revenue	2,366	5,914	11,828	17,743	23,065	29,985	38,981	50,675	58,276	67,017
Net Profit	**118**	**296**	**591**	**887**	**1,153**	**1,499**	**1,949**	**2,787**	**3,205**	**3,686**
Return on Equity	1%	2%	5%	7%	8%	10%	12%	15%	15%	15%
Residual Income	**(1,176)**	**(1,012)**	**(749)**	**(518)**	**(349)**	**(130)**	**155**	**778**	**890**	**1,018**
Equity Value	**16,711**									
Total Valuation										
Total revenue	180,199	187,485	203,306	216,572	228,072	241,617	257,728	277,072	292,907	310,522
Total Profit	4,506	4,960	5,810	6,336	6,897	7,702	8,660	9,885	10,717	11,641
Total Valuation	**63,617**									
Outstanding Shares	2,248									
Per share value (Rmb)	28.3									
Per share value (HK$)	**33.0**									
P/E (x)	**44.1**	**17.5**								
P/B (x)	**1.8**									

Luxshare: Financial Summary

Exhibit 25: Luxshare: Financial Summary

Income Statement

Rmb mn	2025	2026E	2027E	2028E
Net sales	**332,344**	**411,810**	**476,649**	**559,719**
COGS	-292,756	-363,022	-415,095	-481,427
Gross profit	**39,589**	**48,788**	**61,554**	**78,292**
Operating expenses	-23,958	-29,209	-34,006	-39,334
- Promotion	-2,334	-2,565	-3,896	-4,575
- ADM	-10,195	-12,635	-14,542	-16,792
- R&D	-11,428	-14,009	-15,568	-17,967
Operating income	**15,631**	**19,579**	**27,548**	**38,958**
Non-operating income	3919	3566	-400	-1200
Interest income	-1,088	-4,240	-4,000	-4,000
Investment income	6,764	7,789	3,200	2,400
Disposal of investment	-619	358	0	0
Disposal of fixed assets	-1,610	-690	0	0
Exchange gain	0	0	0	0
Other	471	350	400	400
Pre-tax income	19,550	23,144	27,148	37,758
Income tax	-2,950	-3,773	-4,153	-5,243
Net income	**16,600**	**19,371**	**22,995**	**32,515**
EPS (Rmb)	**2.29**	**2.65**	**3.14**	**4.44**

Balance Sheet

Net sales	2025	2026E	2027E	2028E
Cash	61,159	44,419	62,305	89,409
Mkt securities	2,842	2,842	2,842	2,842
Accounts/Notes receivable	50,224	62,233	72,031	84,585
Inventory	43,471	53,905	61,637	71,487
Other current assets	38,321	38,321	38,321	38,321
Current Assets	196,017	201,719	237,136	286,644
Long-term investments	12,229	20,018	23,218	25,618
Fixed assets	70,191	67,885	62,748	56,853
Other assets	28,100	28,100	28,100	28,100
Total Assets	**306,538**	**317,723**	**351,202**	**397,215**
S/T borrowings	60,138	60,138	60,138	60,138
AP/NP	84,013	104,177	119,121	138,156
Other ST liabilities	32,338	9,535	11,101	12,841
Other liabilities	6,095	6,095	6,095	6,095
L/T debt	19,934	16,934	13,934	10,934
Total Liabilities	**202,517**	**196,880**	**210,389**	**228,164**
Common shares	7,284	7,296	7,296	7,296
Capital Collection	12	0	0	0
APIC	9,945	9,945	9,945	9,945
Retained earnings	66,621	83,443	103,414	131,651
Treasury Stock	0	0	0	0
Other shareholders' equity	20159	20159	20159	20159
Shareholders' equity	**104,020**	**120,843**	**140,813**	**169,051**
Total Liab./Shrhldr's Equity	**306,538**	**317,723**	**351,202**	**397,215**

Cash Flow Statement

Rmb mn	2025	2026E	2027E	2028E
Cashflow from operations	**17,325**	**919**	**33,912**	**44,381**
Net Profits	16,600	19,371	22,995	32,515
Depreciation	13,730	14,417	15,138	15,894
Equity investment losses (income)	-6,764	-7,789	-3,200	-2,400
Other adjustments	-6,241	-25,080	-1,021	-1,629
Cashflow from investing	**-24,207**	**-12,111**	**-10,000**	**-10,000**
(Purchases) sale of FA (capex)	-17,904	-12,111	-10,000	-10,000
(Purchases) sale of L/T investment	-2,854	0	0	0
(Purchases) sale of S/T investment	-8,274	0	0	0
Other adjustments	4,825	0	0	0
Cashflow from financing	**19,290**	**-5,548**	**-6,025**	**-7,278**
Increase in L/T debt	18,771	-3,000	-3,000	-3,000
Increase in S/T debt	0	0	0	0
Issuance of stock	3,656	0	0	0
Cash dividends	-3,464	-2,548	-3,025	-4,278
Dir.& Emp. Bonus	0	0	0	0
Changes in Treasury Stocks	0	0	0	0
Other adjustments	327	0	0	0
Exchange rate adjustment	-335	0	0	0
Net change in cash	12,074	-16,740	17,886	27,104

Financial Ratios

Rmb mn	2025	2026E	2027E	2028E
Margins				
Gross margin	11.9%	11.8%	12.9%	14.0%
Operating margin	4.7%	4.8%	5.8%	7.0%
Pretax margin	5.9%	5.6%	5.7%	6.7%
Net margin	5.0%	4.7%	4.8%	5.8%
YoY growth				
Sales	23.6%	23.9%	15.7%	17.4%
Operating profits	30.1%	25.3%	40.7%	41.4%
Pretax profits	21.4%	18.4%	17.3%	39.1%
Net profits	24.2%	16.7%	18.7%	41.4%
EPS	23.1%	15.6%	18.7%	41.4%
Net Debt/Equity (Net of mkt secs.)	15%	25%	6%	-13%
Net Debt/Equity	18%	27%	8%	-11%
Liabilities/Equity	195%	163%	149%	135%
Liabilities/Assets	66%	62%	60%	57%
ROAE	17.6%	17.2%	17.6%	21.0%
ROAA	6.3%	6.2%	6.9%	8.7%
AR/NR Turnover (days)	46	50	51	51
AP/NP Turnover (days)	93	95	98	98
Inventory Turnover (days)	47	49	51	50
Cash conversion cycle (days)	0	4	4	4

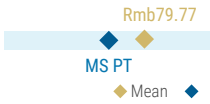
Risk Reward – Luxshare Precision Industry Co., Ltd. (002475.SZ)

AI Infrastructure and iPhone 18 to Drive Next Growth Leg

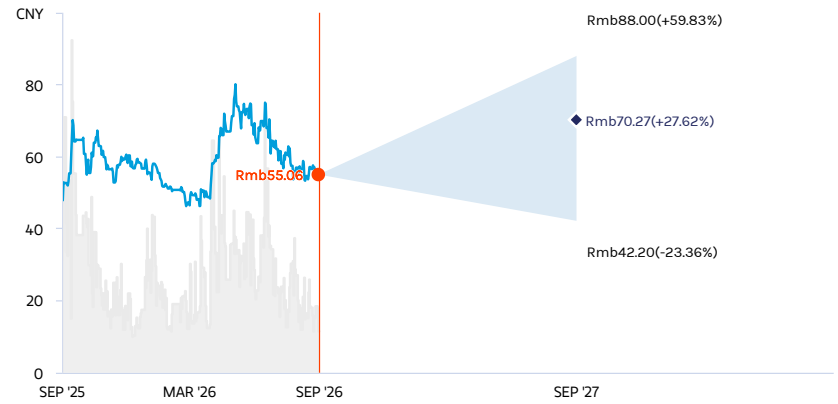
PRICE TARGET Rmb70.27

Base-case scenario value, derived from a residual income model. We assume a cost of equity of 11%, a medium-term growth rate of 17% and a terminal growth rate of 3%.

Consensus Price Target Distribution



RISK REWARD CHART

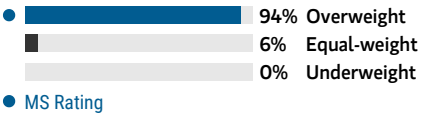


Key: Historical Stock Performance Current Stock Price Price Target

OVERWEIGHT THESIS

- We believe Luxshare's Apple opportunity remains underappreciated amid supply-chain relocation concerns.
- Luxshare should benefit from the iPhone 18 cycle through Pro/Pro Max assembly, variable-aperture actuator components and foldable-related products.
- Our price target implies 22x 2027E P/E, broadly in line with its historical average, which we believe is justified by its exposure to AI infrastructure, iPhone assembly, foldables and other new growth opportunities.

Consensus Rating Distribution



Risk Reward Themes

Secular Growth: *Positive*
Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb88.00

23x bull-case 2027e EPS

1) Better-than-expected iPhone 18 Pro/Pro Max and AirPods demand and profitability.

2) Better-than-expected foldable iPhone adoption and content value expansion.

3) Stronger revenue contribution from communications, automotive and data center businesses.

BASE CASE Rmb70.27

22x base-case 2027e EPS

1) Consumer electronics business continues to deliver positive growth despite industry headwinds.

2)Luxshare maintains its position as the second-largest iPhone 18 Pro/Pro Max assembler and captures incremental component opportunities from the variable-aperture camera upgrade.

3) Meaningful revenue contribution from new businesses, including AI infrastructure and auto components, with incremental contribution from foldable smartphones and other new growth initiatives.

BEAR CASE Rmb42.20

16x bear-case 2027e EPS

1) Worse-than-expected iPhone and broader smartphone demand.

2) Worse-than-expected wearable device demand.

3) Lower gross margin owing to competition.

Risk Reward – Luxshare Precision Industry Co., Ltd. (002475.SZ)

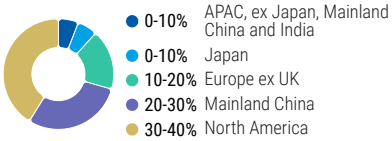
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Airpods revenue growth YoY (%)	13.4	9.1	5.8	5.2
Consumer electronics gross margin (%)	10.6	10.0	9.7	9.6

INVESTMENT DRIVERS

- Smartphone, Airpod, MacBook/iPad demand
- Growth of auto components business
- New order from communication and data center business

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected AI infrastructure and data center growth.
- Greater-than-expected foldable iPhone adoption and component content gains.
- Better-than-expected growth in communications and automotive electronics businesses

RISKS TO DOWNSIDE

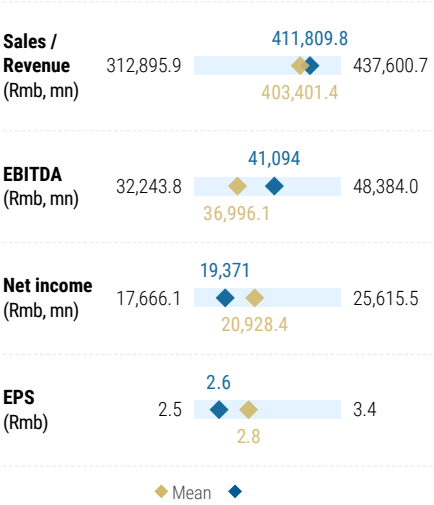
- Worse-than-expected smartphone and wearable device demand.
- Slower customer qualification in AI infrastructure products.
- Margin pressure from intensified competition.

OWNERSHIP POSITIONING

Inst. Owners, % Active 85.4%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



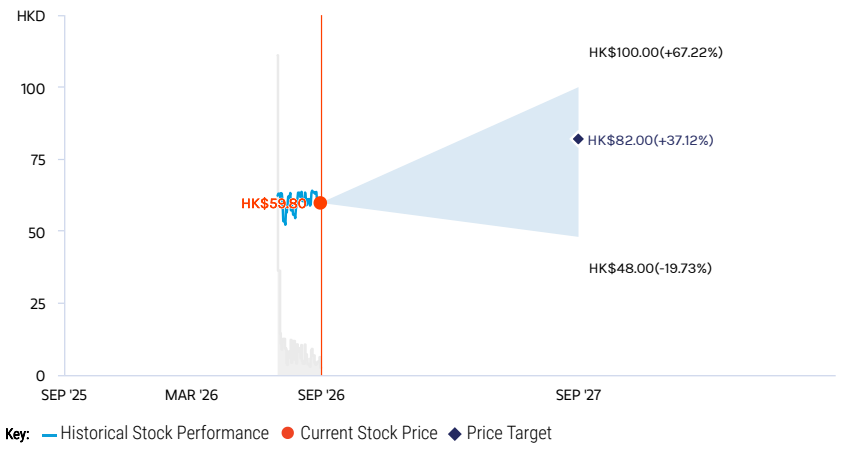
Risk Reward – Luxshare Precision Industry Co., Ltd. (2475.HK)

AI Infrastructure and iPhone 18 to Drive Next Growth Leg

PRICE TARGET HK$82.00

Base-case scenario value, derived from a residual income model. We assume a cost of equity of 11%, a medium-term growth rate of 17% and a terminal growth rate of 3%.

RISK REWARD CHART



OVERWEIGHT THESIS

- We believe Luxshare's Apple opportunity remains underappreciated amid supply-chain relocation concerns.
- Luxshare should benefit from the iPhone 18 cycle through Pro/Pro Max assembly, variable-aperture actuator components and foldable-related products.
- Our price target implies 22x 2027E P/E, broadly in line with its historical average, which we believe is justified by its exposure to AI infrastructure, iPhone assembly, foldables and other new growth opportunities.

Risk Reward Themes

Secular Growth: *Positive*
Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$100.00

23x bull-case 2027e EPS

1) Better-than-expected iPhone 18 Pro/Pro Max and AirPods demand and profitability.

2) Better-than-expected foldable iPhone adoption and content value expansion.

3) Stronger revenue contribution from communications, automotive and data center businesses.

BASE CASE HK$82.00

22x base-case 2027e EPS

1) Consumer electronics business continues to deliver positive growth despite industry headwinds.

2)Luxshare maintains its position as the second-largest iPhone 18 Pro/Pro Max assembler and captures incremental component opportunities from the variable-aperture camera upgrade.

3) Meaningful revenue contribution from new businesses, including AI infrastructure and auto components, with incremental contribution from foldable smartphones and other new growth initiatives.

BEAR CASE HK$48.00

16x bear-case 2027e EPS

1) Worse-than-expected iPhone and broader smartphone demand.

2) Worse-than-expected wearable device demand.

3) Lower gross margin owing to competition.

Risk Reward – Luxshare Precision Industry Co., Ltd. (2475.HK)

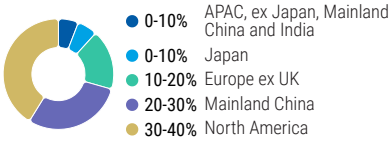
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Airpods revenue growth YoY (%)	13.4	9.1	5.8	5.2
Consumer electronics gross margin (%)	10.6	10.0	9.7	9.6

INVESTMENT DRIVERS

- Smartphone, Airpod, MacBook/iPad demand
- Growth of auto components business
- New order from communication and data center business

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected AI infrastructure and data center growth.
- Greater-than-expected foldable iPhone adoption and component content gains.
- Better-than-expected growth in communications and automotive electronics businesses.

RISKS TO DOWNSIDE

- Worse-than-expected smartphone and wearable device demand.
- • Slower customer qualification in AI infrastructure products.
- Margin pressure from intensified competition.

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (Rmb, mn)
◆ 411,809.8
Note: There are not sufficient brokers supplying consensus data for this metric

EBITDA (Rmb, mn)
◆ 41,094
Note: There are not sufficient brokers supplying consensus data for this metric

Net income (Rmb, mn)
◆ 19,371
Note: There are not sufficient brokers supplying consensus data for this metric

EPS (Rmb)
◆ 2.6
Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆

Sunny Optical: Financial Summary

Exhibit 26: Sunny Optical: Financial Summary

Sunny Optical (2382.HK)
Financial Summary

Profit and Loss Statement	2025	2026E	2027E	2028E
Net Sales	**43,229**	**48,016**	**55,809**	**62,974**
COGS	(34,713)	(38,443)	(44,490)	(49,789)
Gross Profit	**8,516**	**9,573**	**11,319**	**13,186**
Selling	(343)	(366)	(391)	(441)
G&A	(1,420)	(1,459)	(1,624)	(1,763)
R&D	(3,259)	(3,478)	(3,845)	(4,304)
Operating Income	**3,494**	**4,270**	**5,459**	**6,677**
Finance costs, net	(436)	(314)	(300)	(300)
Investment income	-	(5)	-	-
Others	1,305	-	-	-
Pre-tax Income	**5,416**	**4,858**	**5,959**	**7,177**
Income Tax	(609)	(598)	(894)	(1,077)
Profit for the year	**4,807**	**4,261**	**5,065**	**6,101**
Minority interests	168	242	300	300
Net Income	**4,639**	**4,019**	**4,765**	**5,801**
EPS For Consensus (RMB)	**4.27**	**3.73**	**4.43**	**5.39**
EBITDA	**6,390**	**7,459**	**8,941**	**10,453**
Balance Sheet	**2025**	**2026E**	**2027E**	**2028E**
CCE	7,482	13,672	22,283	32,843
Inventory	7,180	8,746	11,134	13,706
Trade receivables	10,013	11,121	12,927	14,586
Other current assets	17,689	17,689	17,689	17,689
Total current assets	**42,363**	**51,228**	**64,033**	**78,824**
Net PPE	9,818	9,560	9,008	8,164
Other non-current assets	7,034	7,034	7,034	7,034
Total non-current assets	**16,852**	**16,593**	**16,042**	**15,198**
Trade payables	21,559	25,070	30,464	35,796
Borrowings - short term	1,770	1,770	1,770	1,770
Other current liabilities	3,715	4,830	6,278	8,162
Total current liabilities	**27,044**	**31,669**	**38,512**	**45,728**
Borrowings - long term	-	-	-	-
Other non-current liabilities	2,406	2,406	2,406	2,407
Total non-current liabilities	**2,406**	**2,406**	**2,406**	**2,407**
Net Assets	**29,764**	**33,746**	**39,156**	**45,886**
Share capital	105	105	105	105
Reserves and minority interests	29,659	33,641	39,051	45,783
Total shareholder's equity	**29,764**	**33,746**	**39,156**	**45,887**
Cash Flow Statement	**2025**	**2026E**	**2027E**	**2028E**
Cashflow from operations	**6,080**	**9,158**	**10,897**	**12,561**
Net income	4,639	4,019	4,765	5,801
Depreciation & Amortization	2,896	3,189	3,482	3,775
Change in working capital	578	1,950	2,650	2,984
Others	(2,034)	-	-	-
Cashflow from investing	**(999)**	**(2,931)**	**(2,931)**	**(2,931)**
Capex	(2,931)	(2,931)	(2,931)	(2,931)
Others	1,932	-	-	-
Cashflow from financing	**(2,094)**	**(37)**	**645**	**930**
Net borrowings	218	-	-	-
Dividend paid	(532)	(1,152)	(804)	(953)
Proceeds from new issues	-	-	-	-
Others	(1,779)	1,115	1,449	1,884
Changes in cash	**2,987**	**6,189**	**8,611**	**10,560**

Ratio Analysis	2025	2026E	2027E	2028E
Growth %				
Net Sales	13%	11%	16%	13%
Gross Profit	22%	12%	18%	16%
EBIT	56%	22%	28%	22%
EBITDA	32%	17%	20%	17%
Net income	72%	-13%	19%	22%
Margins %				
Gross Margin	19.7%	19.9%	20.3%	20.9%
EBIT Margin	8.1%	8.9%	9.8%	10.6%
EBITDA Margin	14.8%	15.5%	16.0%	16.6%
Net Profit Margin	10.7%	8.4%	8.5%	9.2%
Return%				
ROE	16%	12%	12%	13%
ROA	8%	6%	6%	6%
Gearing %				
Net Debt/Equity	-14%	-31%	-49%	-65%
Liabilities/Equity	99%	101%	104%	105%
Segment Analysis	**2025**	**2026E**	**2027E**	**2028E**
Revenue				
Handset Lens (External only)	6,311	3,892	4,242	4,320
Vehicle Lens	4,851	5,778	6,449	6,449
Other Lens	4,843	5,327	5,860	6,153
CCMs	26,772	27,645	34,926	40,509
Optical Instruments	452	550	650	650
Revenue YoY%				
Handset Lens (External only)	66%	-38%	9%	2%
Vehicle Lens	24%	19%	12%	0%
Other Lens	22%	10%	10%	5%
CCMs	2%	3%	26%	16%
Optical Instruments	5%	22%	18%	0%
Gross Profit				
Handset lens	2,608	1,455	1,584	1,728
Vehicle Lens	1,941	2,311	2,579	2,579
Other Lens	1,631	2,131	2,344	2,461
CCMs	1,905	2,560	3,301	4,267
Optical Instruments	431	165	195	195
Shipment				
Handset lens	1,262	1,093	1,165	1,175
Vehicle Lens	130	160	182	182
CCMs	486	416	448	451
ASP (Rmb)				
Handset lens	5.2	5.3	5.4	5.4
Vehicle Lens	37.3	36.1	35.4	35.4
CCMs	48.2	48.4	49.3	50.3
Valuation	**2025**	**2026E**	**2027E**	**2028E**
P/E	14.2	16.3	13.8	11.3
P/B	2.2	1.9	1.7	1.4
P/S	1.5	1.4	1.2	1.0
EV/EBITDA	10.2	8.7	7.3	6.2
FCF yield	6.1%	9.9%	13.2%	16.0%

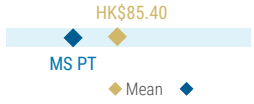
Risk Reward – Sunny Optical (2382.HK)

Smartphone industry headwinds to halt the growth momentum; EW

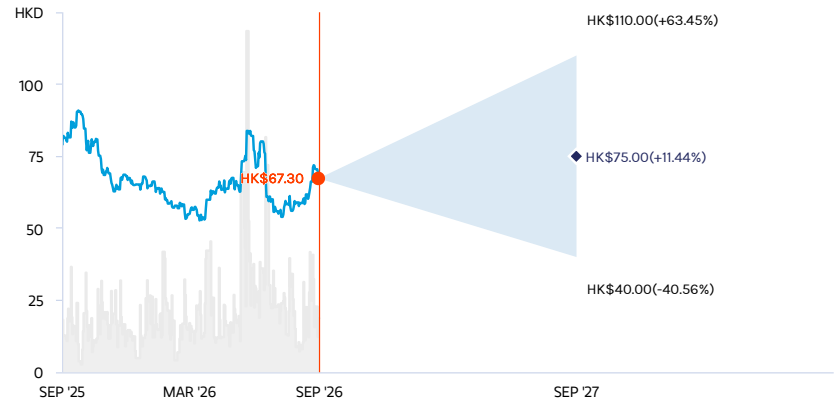
PRICE TARGET HK$75.00

Base case, residual income model (RIM)-derived SOTP methodology. We use RIM valuation methodology for Greater China Hardware Tech companies in our coverage, while SOTP reflects the material differences in growth and return profile of its businesses. We apply a cost of equity of 11%, medium-term growth rates of 0%, 10% and 12%, and long-term growth rates of 3%, 5% and 5% for the handset, vehicle and AR/VR business.

Consensus Price Target Distribution



RISK REWARD CHART

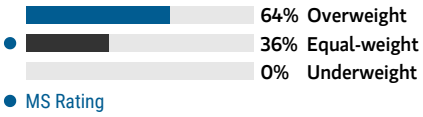


Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

EQUAL-WEIGHT THESIS

- Sunny should benefit from the iPhone 18 cycle as a key variable-aperture actuator supplier, while expanding its Apple product categories and gaining share in high-end lenses.
- These drivers support management's guidance for Apple revenue to double in 2026, but the growth outlook is already well anticipated by the market.
- Our price target implies 15x 2027 P/E, which we believe appropriately reflects strong Apple growth but limited scope for positive earnings surprise.

Consensus Rating Distribution



Risk Reward Themes

Electric Vehicles:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$110.00

18x 2027e bull case EPS

Faster-than-expected Apple growth and market-share gains: We assume: 1) stronger iPhone 18 demand; 2) faster variable-aperture actuator penetration; and 3) greater-than-expected share gains in high-end lenses and new Apple product categories.

BASE CASE HK$75.00

15x 2027e base case EPS

Strong Apple growth, but largely priced in: We expect: 1) Apple revenue to double in 2026; 2) variable-aperture actuators and high-end lens share gains to drive growth; and 3) performance broadly in line with management guidance, limiting positive earnings surprise.

BEAR CASE HK$40.00

10x 2027e bear case EPS

Weaker-than-expected smartphone demand and Apple ramp: We assume: 1) weaker iPhone 18 sell-through; 2) slower variable-aperture actuator and high-end lens ramp-up; and 3) intensified competition in smartphone lenses and camera modules.

Risk Reward – Sunny Optical (2382.HK)

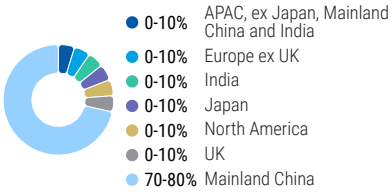
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Optical Components Revenue YoY (%)	36.7	(6.3)	10.4	2.2
Optoelectronics Revenue YoY (%)	2.4	9.7	9.7	9.7
Optical Instruments Revenue YoY (%)	5.2	21.7	18.2	0.0

INVESTMENT DRIVERS

- Vehicle lens growth rate
- Smartphone lens upgrade trend
- Potential breakthrough in vehicle module business

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Improvement in smartphone CCM and lens gross margin
- Faster-than-expected vehicle lens/module growth
- Faster-than-expected share gains in new international client
- A breakthrough in MR/Smart glasses business

RISKS TO DOWNSIDE

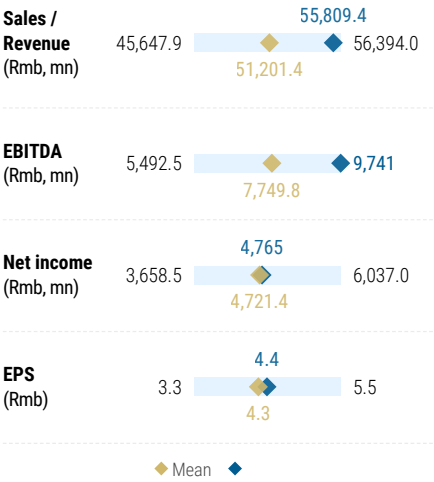
- Industry demand weakness, weighing on gross margin
- More intense smartphone CCM/lens competition
- Weaker-than-expected vehicle related growth

OWNERSHIP POSITIONING

Inst. Owners, % Active 50.6%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



AAC: Financial Summary

Exhibit 27: AAC: Financial Summary

AAC Technologies (2018.HK)

Financial Summary

Profit and Loss Statement	2025	2026E	2027E	2028E
Net Sales	**31,817**	**34,826**	**38,225**	**42,120**
COGS	(24,801)	(26,914)	(29,455)	(32,318)
Gross Profit	**7,016**	**7,912**	**8,771**	**9,802**
Selling	(754)	(846)	(889)	(909)
G&A	(1,361)	(1,547)	(1,714)	(1,871)
R&D	(2,311)	(2,634)	(2,596)	(2,672)
Operating Income	**2,589**	**2,885**	**3,572**	**4,350**
Finance cost	(395)	(414)	(400)	(400)
Others	693	519	500	500
Pre-tax Income	**2,887**	**2,990**	**3,672**	**4,450**
Income Tax	(347)	(392)	(551)	(668)
Minority interests	(27)	(18)	-	-
Net Income	**2,512**	**2,580**	**3,121**	**3,783**
EPS (RMB)	**2.18**	**2.23**	**2.70**	**3.28**
EPS (HKD)	**2.36**	**2.44**	**3.03**	**3.68**
EBITDA	**5,094**	**6,265**	**7,186**	**8,221**

Balance Sheet	2025	2026E	2027E	2028E
CCE	8,625	8,248	15,642	16,596
Inventory	4,532	5,935	5,520	7,048
Trade receivables	8,982	10,606	10,894	12,796
Other current assets	63	63	63	63
Total current assets	**22,202**	**24,852**	**32,119**	**36,504**
Net PPE	18,329	17,591	17,035	16,534
Other non-current assets	8,447	7,938	7,015	5,779
Total non-current assets	**26,776**	**25,530**	**24,050**	**22,313**
Trade payables	11,682	10,746	13,799	13,132
Borrowings - short term	383	383	383	383
Borrowings - long term	5,592	5,592	5,592	5,592
Other non-current liabilities	6,378	6,378	6,378	6,378
Total liabilities	**24,035**	**23,099**	**26,152**	**25,485**
Net Assets	**24,943**	**27,283**	**30,017**	**33,331**
Paid-in capital	97	97	97	97
Capital reserves	24,260	26,581	29,315	32,629
Minority interests	587	605	605	605
Total shareholder's equity	**24,943**	**27,283**	**30,017**	**33,331**

Cash Flow Statement	2025	2026E	2027E	2028E
Cashflow from operations	**7,183**	**2,481**	**10,381**	**4,022**
Net income	2,512	2,580	3,121	3,783
Depreciation & Amortization	2,505	3,380	3,614	3,871
Change in working capital	1,919	(3,963)	3,180	(4,098)
Others	247	484	466	466
Cashflow from investing	**(3,952)**	**(2,600)**	**(2,600)**	**(2,600)**
Capex	(2,581)	(2,600)	(2,600)	(2,600)
Others	(1,371)	-	-	-
Cashflow from financing	**(2,107)**	**(258)**	**(387)**	**(468)**
Net borrowings	276	-	-	-
Dividend paid	(264)	(258)	(387)	(468)
Others	(2,119)	-	-	-
Changes in cash	**1,074**	**(377)**	**7,394**	**954**

Ratio Analysis	2025	2026E	2027E	2028E
Growth %				
Net Sales	16%	9%	10%	10%
Gross Profit	16%	13%	11%	12%
EBIT	24%	11%	24%	22%
EBITDA	9%	23%	15%	14%
Net income	40%	3%	21%	21%
Margins %				
Gross Margin	22.1%	22.7%	22.9%	23.3%
EBIT Margin	8.1%	8.3%	9.3%	10.3%
EBITDA Margin	16.0%	18.0%	18.8%	19.5%
Net Profit Margin	7.9%	7.4%	8.2%	9.0%
Retrun %				
ROE	10%	10%	11%	12%
ROA	5%	5%	6%	6%
Gearing %				
Net Debt/Equity	-33%	-29%	-51%	-49%
Liabilities/Equity	96%	85%	87%	76%

Segment Analysis	2025	2026E	2027E	2028E
Revenue (Rmb mn)				
Optics	5,725	4,817	5,298	5,828
Acoustics	12,469	16,071	17,363	19,145
Precision Mechanics and Heat Dissipation		11,819	13,001	14,302
MEMS	1,571	1,917	2,300	2,530
Revenue YoY%				
Optics	15%	-16%	10%	10%
Acoustics	6%	29%	8%	10%
Precision Mechanics and Heat Di	NA	NA	10%	10%
MEMS	103%	22%	20%	10%
Revenue Mix%				
Optics	18%	14%	14%	14%
Acoustics	39%	46%	45%	45%
Precision Mechanics and Heat Di	0%	34%	34%	34%
MEMS	5%	6%	6%	6%
Gross profit				
Optics	658	512	635	704
Acoustics	3,287	4,223	4,693	5,167
Precision Mechanics and Heat Dissipation		2,892	3,085	3,536
MEMS	217	284	345	380

Valuation	2025	2026E	2027E	2028E
P/E	18.2	17.6	14.2	11.7
P/B	1.7	1.6	1.4	1.3
P/S	1.3	1.2	1.1	1.0
EV/EBITDA	7.7	6.3	5.5	4.8
FCF yield	7.6%	-0.3%	18.3%	3.3%

Risk Reward – AAC Technologies Holdings (2018.HK)

iPhone 18 Vapor-Chamber Upgrade to Drive Re-rating; OW

PRICE TARGET HK$50.00

Base case, from residual income-derived SOTP methodology. RIM is the same methodology we use for our Greater China Tech coverage, while we apply SOTP to capture the material differences in growth profiles between its optics and other businesses. For its optics business, we apply a CoE of 11% and a terminal growth rate of 3.5%. For others (acoustics, haptics and precision), we apply a CoE of 11% and a terminal growth rate of 3%.

Consensus Price Target Distribution HK$42.05 HK$53.51 HK$63.38

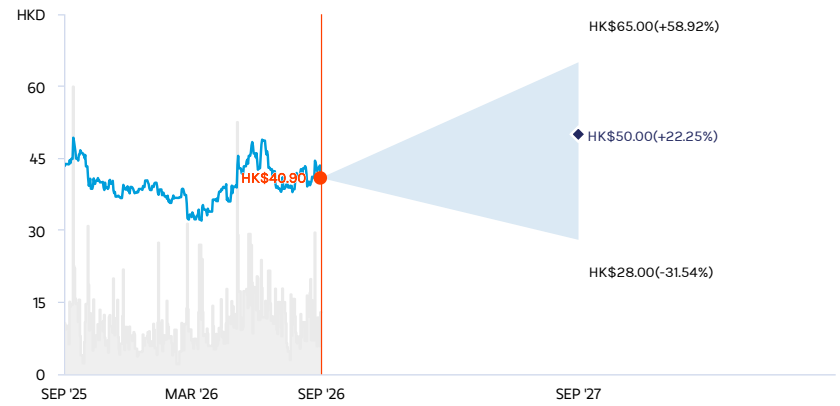
MS PT

Mean

OVERWEIGHT THESIS

- AAC is a key beneficiary of the iPhone 18 Pro/Pro Max vapor-chamber upgrade, supported by higher thermal requirements from the A20 Pro chip.
- Strong thermal-management, haptics and precision-mechanics growth should offset weakness in Android optics.
- Automobile acoustics business to enjoy rapid growth thanks to the acquisition of PSS.

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

Consensus Rating Distribution

90% Overweight
10% Equal-weight
0% Underweight

MS Rating

Risk Reward Themes

Electric Vehicles: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$65.00

17x bull case 2027e EPS

Faster-than-expected growth in thermal management and precision mechanics: We assume: 1) stronger-than-expected vapor-chamber shipments; 2) faster growth in haptics and precision mechanics; and 3) better-than-expected smartphone demand.

BASE CASE HK$50.00

16x base case 2027e EPS

iPhone 18 upgrades support earnings growth: We expect: 1) continued vapor-chamber growth driven by the iPhone 18 Pro/Pro Max; 2) solid contribution from haptics and precision mechanics; and 3) weaker Android optics to partly offset growth in other businesses.

BEAR CASE HK$28.00

11x bear case 2027e EPS

Slower-than-expected industry recovery: We assume: 1) weaker-than-expected iPhone and smartphone demand; 2) slower vapor-chamber shipment growth; and 3) continued pricing and margin pressure in optics.

Risk Reward – AAC Technologies Holdings (2018.HK)

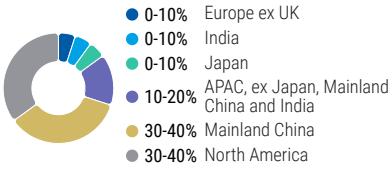
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Acoustic revenue YoY (%)	0.0	0.0	0.0	0.0
RF+Haptics revenue YoY (%)	0.0	0.0	0.0	0.0
Optics revenue YoY (%)	0.0	0.0	0.0	0.0
ECM/MEMS MIC revenue YoY (%)	0.0	0.0	0.0	0.0

INVESTMENT DRIVERS

- Auto-related opportunities
- Haptics potential upgrades
- Haptics share gains

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Success in new speaker modules and haptics for Android clients
- New clients and products for precision mechanics
- Better-than-expected yield improvement for plastic lenses/CCMs
- Large breakthrough in auto-related business

RISKS TO DOWNSIDE

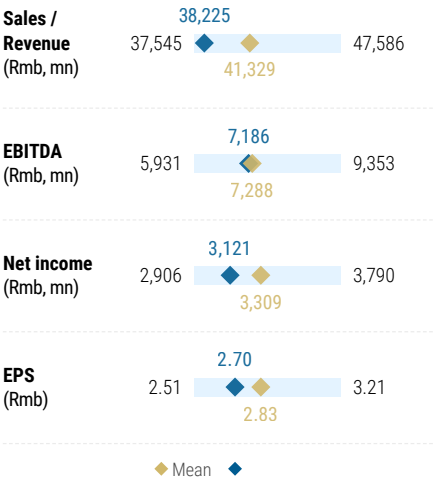
- Pricing and margin pressure from competition in lens/CCMs
- Inability to find new clients/drivers for precision mechanics
- Fails to benefit from the auto related opportunity

OWNERSHIP POSITIONING

Inst. Owners, % Active 53.3%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Genius: Financial Summary

Exhibit 28: Genius: Financial Summary

Genius (3406.TW)

Financial Summary

Profit and Loss Statement	2025	2026E	2027E	2028E
Net Sales	**24,989**	**29,825**	**32,165**	**34,176**
COGS	(16,864)	(19,219)	(20,710)	(22,004)
Gross Profit	**8,125**	**10,606**	**11,455**	**12,171**
Selling	(277)	(328)	(396)	(421)
G&A	(986)	(1,154)	(1,253)	(1,318)
R&D	(2,089)	(2,455)	(2,601)	(2,762)
Operating Income	**4,773**	**6,668**	**7,206**	**7,671**
Finance costs, net	66	256	256	256
Others	152	(199)	200	200
Pre-tax Income	**4,990**	**6,725**	**7,661**	**8,127**
Income Tax	(1,282)	(1,710)	(1,910)	(2,026)
Profit for the year	**3,708**	**5,015**	**5,751**	**6,101**
Minority interests	6	15	15	15
Net Income	**3,702**	**5,000**	**5,736**	**6,086**
EPS for consensus (NT$)	**32.8**	**44.3**	**50.9**	**54.0**
EBITDA	**4,773**	**6,668**	**7,206**	**7,671**

Balance Sheet	2025	2026E	2027E	2028E
CCE	12,894	12,964	15,620	16,301
Inventory	2,115	3,173	4,759	7,139
Trade receivables	5,640	5,843	6,541	6,617
Other current assets	728	728	728	728
Total current assets	**21,378**	**22,708**	**27,649**	**30,786**
Net PPE	18,991	17,639	15,984	14,025
Other non-current assets	3,271	5,814	8,728	11,820
Total non-current assets	**22,263**	**23,453**	**24,712**	**25,845**
Trade payables	2,631	1,926	2,984	2,233
Borrowings - short term	383	383	383	383
Other current liabilities	5,632	3,858	3,263	2,200
Total current liabilities	**8,646**	**6,167**	**6,630**	**4,815**
Borrowings - long term	2,759	2,759	2,759	2,759
Other non-current liabilities	5,752	5,752	5,752	5,752
Total non-current liabilities	**8,511**	**8,511**	**8,511**	**8,511**
Net Assets	**26,484**	**31,484**	**37,220**	**43,305**
Paid-in capital	1,127	1,127	1,127	1,127
Capital reserves	25,356	30,356	36,092	42,178
Total shareholder's equity	**26,484**	**31,484**	**37,220**	**43,305**

Cash Flow Statement	2025	2026E	2027E	2028E
Cashflow from operations	**7,312**	**5,569**	**8,525**	**6,724**
Net income	3,702	5,000	5,736	6,086
Depreciation+Amortization	4,009	4,309	4,609	4,909
Others	(400)	(3,740)	(1,821)	(4,271)
Cashflow from investing	**(2,992)**	**(3,000)**	**(3,000)**	**(3,000)**
Capex	(1,602)	(3,000)	(3,000)	(3,000)
Others	(1,389)	-	-	-
Cashflow from financing	**(4,816)**	**(2,500)**	**(2,868)**	**(3,043)**
Dividend paid	(2,029)	(2,500)	(2,868)	(3,043)
Others	(2,787)	-	-	-
Changes in cash	**(379)**	**69**	**2,657**	**681**

Ratio Analysis	2025	2026E	2027E	2028E
Growth %				
Net Sales	8%	19%	8%	6%
Gross Profit	1%	31%	8%	6%
EBIT	0%	40%	8%	6%
EBITDA	0%	40%	8%	6%
Net income	-14%	35%	15%	6%
Margins %				
Gross Margin	32.5%	35.6%	35.6%	35.6%
EBIT Margin	19.1%	22.4%	22.4%	22.4%
EBITDA Margin	19.1%	22.4%	22.4%	22.4%
Net Profit Margin	14.8%	16.8%	17.8%	17.8%
Return%				
ROE	14%	16%	15%	14%
ROA	8%	11%	11%	11%
Gearing %				
Net Debt/Equity	-29%	-25%	-28%	-26%
Liabilities/Equity	65%	47%	41%	31%

Valuation	2025	2026E	2027E	2028E
Multiples				
P/E	32.1	23.8	20.7	19.5
P/B	4.5	3.8	3.2	2.7
P/S	4.8	4.0	3.7	3.5
EV/EBITDA	22.8	16.3	15.1	14.2

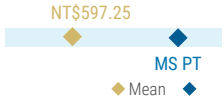
Risk Reward – Genius Electronic Optical Co. Ltd. (3406.TW)

iPhone Opportunity Is Real, but FAU Expectations Are Overpriced; UW

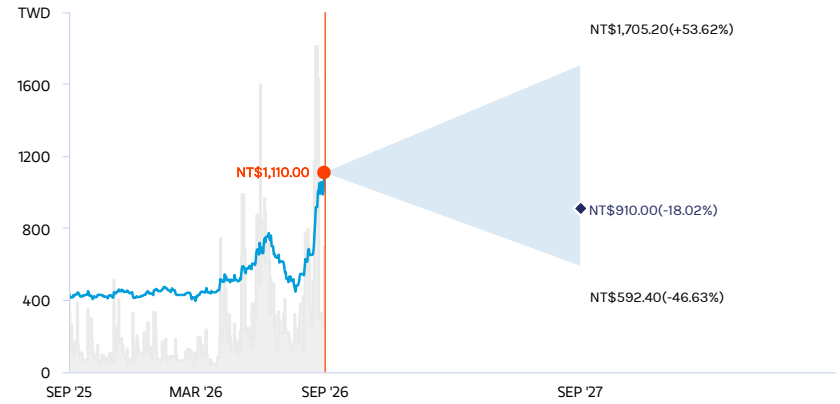
PRICE TARGET NT$910.00

Base case: Our price target is based on an SOTP valuation, comprising the traditional business and potential FAU opportunity. We value the traditional business using a residual income model, consistent with our Greater China Tech coverage, assuming an 8.5% cost of equity, a medium-term net profit CAGR of 5% and a 3% terminal growth rate. We separately value the FAU component opportunity based on our TAM and market-share assumptions.

Consensus Price Target Distribution



RISK REWARD CHART

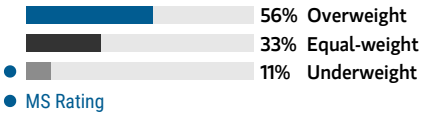


Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

UNDERWEIGHT THESIS

- Genius should benefit from iPhone 18 variable-aperture, foldable and periscope camera upgrades as the second-largest Apple optical-lens supplier.
- However, FAU components represent only around 15% of the overall FAU TAM, while the recent share-price rally already reflects aggressive expectations.
- Our NT$910 price target comprises NT$600 for the traditional business and NT$310 for the FAU component opportunity, but still implies downside from the current share price.

Consensus Rating Distribution



Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$1,705.20

28x 2027E bull case EPS

Stronger iPhone demand and faster FAU development: We assume: 1) stronger-than-expected iPhone orders; 2) faster penetration of variable-aperture, foldable and periscope lenses; and 3) faster FAU component adoption and greater market-share gains.

BASE CASE NT$910.00

18x 2027E base case EPS

iPhone camera upgrades support the traditional business, with incremental FAU contribution: We assume: 1) benefits from variable-aperture, foldable and periscope upgrades; 2) Genius's FAU component market share reaches 5% in 2027 and 30% in 2028; and 3) FAU components represent 15% of the overall FAU TAM.

BEAR CASE NT$592.40

15x 2027E bear case EPS

Weaker iPhone demand and slower FAU development: We assume: 1) weaker-than-expected iPhone demand; 2) slower camera-upgrade penetration and greater pricing pressure; and 3) delays in FAU component commercialization and market-share gains.

Risk Reward – Genius Electronic Optical Co. Ltd. (3406.TW)

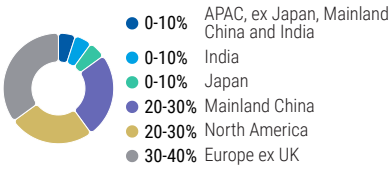
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total smartphone shipment YoY (%)	2.1	(12.7)	3.3	1.0
iPhone revenue YoY (%)	0.0	0.0	0.0	0.0
VR revenue YoY (%)	0.0	0.0	0.0	0.0

INVESTMENT DRIVERS

- VR shipments
- iPhone shipments

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- More share gains in iPhones
- Better-than-expected mixed reality demand from Apple
- Better-than-expected VR/MR shipments
- Faster-than-expected business development in CPO/NPO

RISKS TO DOWNSIDE

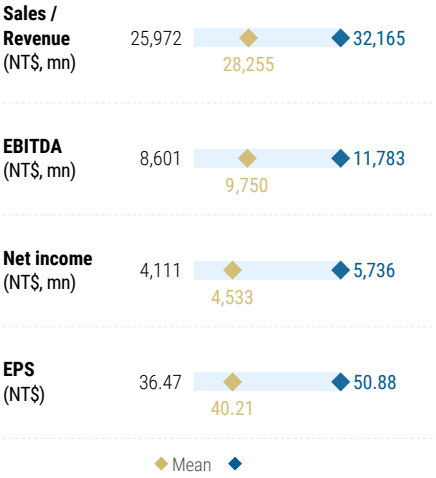
- Delays in Apple's mixed reality shipments
- Share loss in iPhones
- Execution/yield
- Slower VR/MR shipments

OWNERSHIP POSITIONING

Inst. Owners, % Active 60.9%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



BYDE: Financial Summary

Exhibit 29: BYDE: Financial Summary

BYDE (0285.HK)

Financial Summary (Rmb mn)

Income statements	2025	2026E	2027E	2028E
Net sales	**179,477**	**180,199**	**187,485**	**203,306**
COGS	(168,721)	(170,290)	(173,936)	(188,228)
Gross profit	**10,757**	**9,910**	**13,549**	**15,078**
Selling expenses	(1,878)	(1,774)	(2,400)	(2,400)
ADM expenses	(1,649)	(1,707)	(1,687)	(1,830)
R&D expenses	(4,465)	(4,413)	(4,687)	(5,083)
Operating income	**2,764**	**2,016**	**4,774**	**5,766**
Non-operating income	1,157	(341)	(500)	(500)
Pre-tax income	**3,921**	**1,675**	**4,274**	**5,266**
Income tax	(407)	(234)	(641)	(790)
Net income	**3,515**	**1,441**	**3,633**	**4,476**
Reported EPS (RMB)	1.56	0.64	1.62	1.99
Reported EPS (HKD)	1.70	0.70	1.81	2.23
EBITDA	**3,580**	**5,016**	**7,774**	**8,766**
Balance sheet	**2025**	**2026E**	**2027E**	**2028E**
Cash	13,552	14,627	17,670	20,712
AR/NR	14,893	14,953	15,558	16,870
Inventory	18,482	18,556	19,306	20,936
Others	5,595	5,595	5,595	5,595
Current Assets	**54,678**	**55,887**	**60,284**	**66,269**
Fixed assets	17,798	17,798	17,798	17,798
Other assets	11,136	11,136	11,136	11,136
Total Assets	**83,612**	**84,821**	**89,219**	**95,203**
AP/NP	29,476	29,595	30,791	33,389
Other ST liabilities	12,431	12,431	12,431	12,431
Total Liabilities	**49,170**	**49,289**	**50,485**	**53,084**
Common shares	4,052	4,052	4,052	4,052
Other shareholders' equity	30,390	31,480	34,681	38,067
Shareholders' equity	**34,442**	**35,533**	**38,733**	**42,120**
Total Liab./Shrhldr's Equity	**83,612**	**84,821**	**89,219**	**95,203**
Cashflow statements	**2025**	**2026E**	**2027E**	**2028E**
Cashflow from Operations	**18,768**	**4,426**	**6,475**	**7,132**
Net Profits	3,515	1,441	3,633	4,476
Depreciation and Amortization	816	3,000	3,000	3,000
Changes in WC	4,859	(16)	(158)	(344)
Other adjustments	9,579	-	-	-
Cashflow from Investing	**(6,260)**	**(3,000)**	**(3,000)**	**(3,000)**
Capex	(3,710)	(3,000)	(3,000)	(3,000)
Other adjustments	(2,550)	-	-	-
Cashflow from Financing	**(5,994)**	**(351)**	**(432)**	**(1,090)**
Cash dividends	(1,280)	(351)	(432)	(1,090)
Other adjustments	(4,714)	-	-	-
Exchange rate adjustment	(14)	-	-	-
Net change in cash	**6,500**	**1,075**	**3,043**	**3,042**

Ratio analysis	2025	2026E	2027E	2028E
YoY growth %				
Revenue	1%	0%	4%	8%
Gross profit	-13%	-8%	37%	11%
EBIT	-30%	-27%	137%	21%
EBITDA	-26%	40%	55%	13%
Net inome	-18%	-59%	152%	23%
Margins %				
Gross margin	6.0%	5.5%	7.2%	7.4%
Operating margin	1.5%	1.1%	2.5%	2.8%
EBITDA margin	2.0%	2.8%	4.1%	4.3%
Net margin	2.0%	0.8%	1.9%	2.2%
Profitability %				
ROAE	11%	4%	10%	11%
ROAA	4%	2%	4%	5%
WC turnover				
AR/NR Turnover (days)	48	30	30	29
AP/NP Turnover (days)	70	63	63	62
Inventory Turnover (days)	40	40	40	39
Segment analysis	**2025**	**2026E**	**2027E**	**2028E**
Revenue				
Smart Terminal	151,507	148,345	150,860	156,596
Assembly	122,176	122,071	123,646	128,161
Component	29,331	26,275	27,214	28,434
New EV components	27,027	29,488	30,711	34,882
AI computing infrastructure	943	2,366	5,914	11,828
Mix %				
Smart Terminal	84%	82%	80%	77%
Assembly	68%	68%	66%	63%
Component	16%	15%	15%	14%
New EV components	15%	16%	16%	17%
AI computing infrastructure	1%	1%	3%	6%
YoY %				
Smart Terminal	-3%	-2%	2%	4%
Assembly	2%	0%	1%	4%
Component	-18%	-10%	4%	4%
New EV components	28%	9%	4%	14%
AI computing infrastructure	32%	151%	150%	100%

Valuation	2025	2026E	2027E	2028E
P/E	14.6	35.4	13.7	11.1
P/B	1.5	1.4	1.3	1.2
P/S	0.3	0.3	0.3	0.2
EV/EBITDA	12.6	8.7	5.0	4.1

Risk Reward – BYD Electronics (0285.HK)

Sequential Improvement Highly Likely in 2H26

PRICE TARGET HK$33.00

Base case, from a residual income model-derived sum-of-the-parts methodology. RIM is the same valuation methodology we use for our Greater China Tech Hardware coverage, while SOTP reflects the material differences in the businesses. We apply a cost of equity of 10.2% and 11% for Apple and Android, 12.6% for EV and AI computing infra. For terminal growth rates, we use 3% for Apple and Android businesses, 3.5% for EV and AI computing infra.

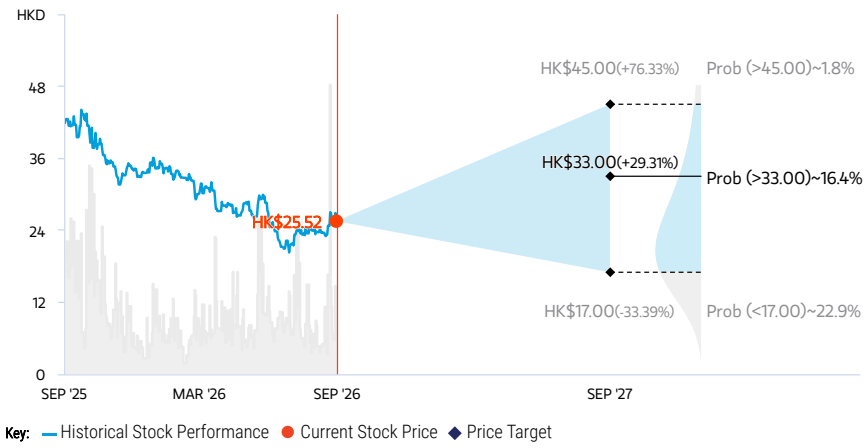
Consensus Price Target Distribution



OVERWEIGHT THESIS

- We expect sequential earnings improvement in 2H26, supported by the peak season and key-client product launches.
- New EV products and AI infrastructure, including liquid-cooling products, remain the key medium-term growth drivers.
- We expect earnings to see sequential improvement in 3Q26 followed with stronger growth in 4Q26.

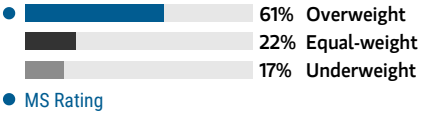
RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 8 Sep 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

Consensus Rating Distribution



Risk Reward Themes

Electric Vehicles:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$45.00

24x base case 2027e EPS

Faster-than-expected ramp-up in AI infrastructure and NEV business: We assume: 1) liquid cooling products for major overseas clients ramp up faster than expected, boosting AI infrastructure revenue and margins; 2) stronger demand from key overseas clients drives smart terminal recovery; and 3) faster adoption of intelligent suspension and thermal management products accelerates NEV growth.

BASE CASE HK$33.00

18x base case 2027e EPS

BYDE to achieve steady growth in NEV and AI infrastructure in 2026: We assume: 1) liquid cooling products enter mass production from Sep and gradually contribute to growth; 2) continued penetration of intelligent suspension and thermal management products supports NEV growth; and 3) key client product launches drive sequential earnings improvement in 3Q26 and stronger growth in 4Q26.

BEAR CASE HK$17.00

9x base case 2027e EPS

Slower-than-expected recovery in smart terminal and AI infrastructure businesses: We assume: 1) weaker key client demand leads to slower smart terminal recovery and continued components weakness; 2) liquid cooling products ramp more slowly than expected; and 3) NEV growth underwhelms due to slower adoption of intelligent suspension and thermal management products. Our bear case P/E indicates a slower transition to new growth drivers.

Risk Reward – BYD Electronics (0285.HK)

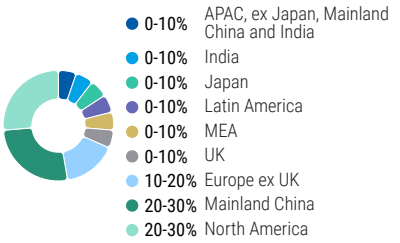
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Assembly revenue YoY (%)	0.0	0.0	0.0	0.0
Component revenue YoY (%)	0.0	0.0	0.0	0.0
Intelligent product revenue YoY (%)	0.0	10.0	15.0	15.0
Auto Intelligent Systems revenue YoY (%)	27.7	9.1	4.1	13.6

INVESTMENT DRIVERS

- Energy storage related business' penetration rate
- Smartphone shipments
- AIoT shipments including drones, energy storage, AR/VR, autos, etc.
- Margin trend from overall operational efficiency

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected EV/ADAS penetration in autos
- Rising demand for AIoT products such as drones and AR/VR
- Faster-than-expected growth of energy storage
- Faster-than-expected Liquid cooling ramp-up

RISKS TO DOWNSIDE

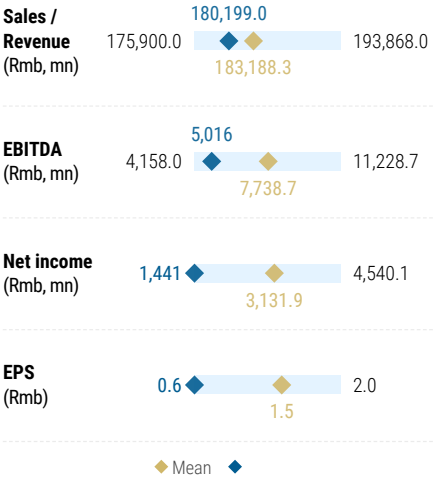
- Slower-than-expected demand for AIoT products owing to a lack of applications and infrastructure to support growth
- Slower-than-expected EV/ADAS penetration
- Apple business gross margin fails to catch up

OWNERSHIP POSITIONING

Inst. Owners, % Active 37%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Largan: Financial Summary

Exhibit 30: Largan: Financial Summary

Financial Summary

Profit and Loss Statement	2025	2026E	2027E	2028E
Net Sales	**61,148**	**66,920**	**74,757**	**77,025**
COGS	(30,311)	(33,817)	(37,922)	(39,073)
Gross Profit	**30,837**	**33,103**	**36,834**	**37,952**
Selling	(376)	(412)	(463)	(477)
G&A	(1,609)	(1,761)	(1,974)	(2,035)
R&D	(3,123)	(3,416)	(3,822)	(3,939)
Employee Bonus	(2,171)	(2,200)	(2,490)	(2,564)
Operating Income	**23,558**	**25,313**	**28,086**	**28,937**
Finance costs, net	4,260	3,980	5,000	6,000
Investment income	2	-	-	-
Others	(1,920)	447	-	-
Pre-tax Income	**25,900**	**29,740**	**33,086**	**34,937**
Income Tax	(4,340)	(5,481)	(6,299)	(6,652)
Profit for the year	**21,560**	**24,258**	**26,787**	**28,284**
Minority interests	(285)	(80)	(80)	(80)
Net Income	**21,275**	**24,179**	**26,707**	**28,204**
EPS for consensus (NT$)	**159.4**	**184.9**	**204.2**	**215.6**
EBITDA	**23,558**	**25,313**	**28,086**	**28,937**

Balance Sheet	2025	2026E	2027E	2028E
CCE	131,295	134,332	140,081	146,843
Inventory	6,713	10,070	15,105	22,657
Trade receivables	10,462	10,304	10,360	9,607
Other current assets	5,816	5,816	5,816	5,816
Total current assets	**154,285**	**160,522**	**171,362**	**184,923**
Net PPE	51,472	50,855	49,430	47,196
Other non-current assets	15,029	25,792	38,020	51,524
Total non-current assets	**66,502**	**76,647**	**87,449**	**98,721**
Trade payables	1,728	2,313	3,113	3,849
Borrowings - short term	-	-	-	-
Other current liabilities	28,021	19,639	13,774	9,666
Total current liabilities	**29,749**	**21,952**	**16,887**	**13,515**
Borrowings - long term	-	-	-	-
Other non-current liabilities	171	171	171	171
Total non-current liabilities	**171**	**171**	**171**	**171**
Net Assets	**190,868**	**215,046**	**241,753**	**269,958**
Paid-in capital	1,335	1,335	1,335	1,335
Capital reserves	189,533	213,712	240,419	268,623
Total shareholder's equity	**190,868**	**215,046**	**241,753**	**269,958**

Cash Flow Statement	2025	2026E	2027E	2028E
Cashflow from operations	**26,080**	**21,715**	**25,883**	**28,165**
Net income	21,275	24,179	26,707	28,204
Depreciation+Amortization	7,732	8,532	9,332	10,132
Others	(2,927)	(10,996)	(10,155)	(10,171)
Cashflow from investing	**(9,236)**	**(8,000)**	**(8,000)**	**(8,000)**
Capex	(12,338)	(8,000)	(8,000)	(8,000)
Others	3,102	-	-	-
Cashflow from financing	**(13,458)**	**(10,677)**	**(12,134)**	**(13,403)**
Net borrowings	(212)	-	-	-
Dividend paid	(11,412)	(10,677)	(12,134)	(13,403)
Proceeds from new issues	-	-	-	-
Others	(1,834)	-	-	-
Changes in cash	**2,283**	**3,038**	**5,749**	**6,762**

Ratio Analysis	2025	2026E	2027E	2028E
Growth %				
Net Sales	3%	9%	12%	3%
Gross Profit	-1%	7%	11%	3%
EBIT	-2%	7%	11%	3%
EBITDA	-2%	7%	11%	3%
Net income	-18%	14%	10%	6%
Margins %				
Gross Margin	50.4%	49.5%	49.3%	49.3%
EBIT Margin	38.5%	37.8%	37.6%	37.6%
EBITDA Margin	38.5%	37.8%	37.6%	37.6%
Net Profit Margin	34.8%	36.1%	35.7%	36.6%
Return%				
ROE	11%	13%	12%	12%
ROA	10%	10%	10%	10%
Gearing %				
Net Debt/Equity	-61%	-55%	-52%	-49%
Liabilities/Equity	16%	10%	7%	5%

Segment Analysis	2025	2026E	2027E	2028E
Revenue				
Apple	33,634	35,524	41,866	42,689
Others (Android)	27,514	31,395	32,890	34,336
Revenue YoY%				
Apple	3%	6%	18%	2%
Others (Android)	3%	14%	5%	4%
Revenue mix%				
Apple	55%	53%	56%	55%
Others (Android)	45%	47%	44%	45%

Valuation	2025	2026E	2027E	2028E
Multiples				
P/E	43.1	37.9	34.3	32.5
P/B	4.8	4.3	3.8	3.4
P/S	15.0	13.7	12.3	11.9
EV/EBITDA	34.1	31.7	28.6	27.7
Yields				
FCF yield	1.9%	2.5%	2.7%	2.7%
Dividend yield	1.2%	1.4%	1.5%	1.6%

Efficiency	2025	2026E	2027E	2028E
AR days	63	62	57	50
AP days	23	22	22	26
Inventory days	67	75	91	121
Cash conversion cycle	106	116	125	145

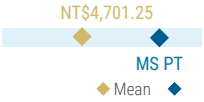
Risk Reward – Largan Precision (3008.TW)

iPhone Opportunity Is Real, but CPO/FAU Valuation Is Too Aggressive

PRICE TARGET NT$7,100.00

Base case: Our price target is based on an SOTP valuation, comprising the traditional business and potential FAU opportunity. We value the traditional business using a residual income model, consistent with our Greater China Hardware Tech coverage, assuming an 8.5% cost of equity, a 7% net profit CAGR over 2026-36E and a 3% terminal growth rate. We separately value the FAU business, assuming a 40% market share in 2028.

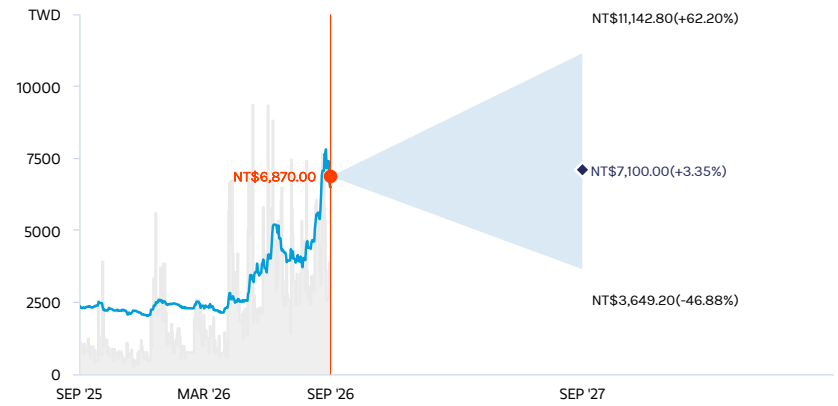
Consensus Price Target Distribution



EQUAL-WEIGHT THESIS

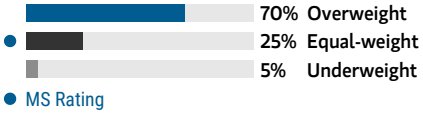
- Largan should benefit from the iPhone 18 variable-aperture lens upgrade, seasonal shipment recovery, and foldable and periscope opportunities.
- However, after significant price rally, the current share price already embeds aggressive FAU market-share assumptions before formal production begins, creating significant downside risk if development is delayed.

RISK REWARD CHART



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Consensus Rating Distribution



Risk Reward Themes

Pricing Power: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$11,142.80

45x 2027e bull case EPS

Stronger-than-expected client demand and FAU development: We assume: 1) stronger-than-expected iPhone orders; 2) faster penetration of variable-aperture and periscope lenses; 3) faster-than-expected margin recovery; and 4) Largan's FAU market share reaches 45% in 2028.

BASE CASE NT$7,100.00

35x 2027e base case EPS

iPhone upgrades support the traditional business, while FAU provides additional value: We assume: 1) seasonal shipment recovery from 3Q26; 2) benefits from variable-aperture, foldable and periscope upgrades; and 3) Largan's FAU market share increases from 0% in 2026 to 5% in 2027 and 40% in 2028.

BEAR CASE NT$3,649.20

22x 2027e bear case EPS

Weaker client demand and slower FAU development: We assume: 1) weaker-than-expected iPhone demand; 2) slower variable-aperture and periscope ramp-up; 3) weaker-than-expected margin recovery; and 4) delays in FAU mass production and market-share expansion.

Risk Reward – Largan Precision (3008.TW)

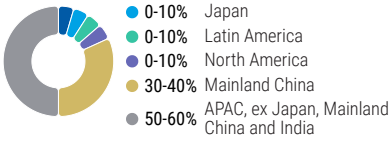
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total smartphone shipment YoY (%)	2.1	(12.7)	3.3	1.0

INVESTMENT DRIVERS

- New iPhone sell-through
- Monthly sales
- Upgrade trend for smartphone cameras
- FAU business development

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Better-than-expected high-end smartphone demand
- Faster-than-expected penetration of periscopes
- Stronger-than-expected CPO volume growth

RISKS TO DOWNSIDE

- Greater-than-expected competition, which would erode Largan's ASP and gross margin
- Weaker-than-expected smartphone demand, especially for high-end models
- Market share gains and more pricing pressure from Sunny
- Weaker-than-expected CPO volume growth

OWNERSHIP POSITIONING

Inst. Owners, % Active 71%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

Sales / Revenue (NT$, mn)	63,436	74,757 / 73,000	95,009
EBITDA (NT$, mn)	31,929	37,386 / 37,238	42,865
Net income (NT$, mn)	23,843	26,707 / 27,065	30,213
EPS (NT$)	176.62	204.18 / 204.05	226.80

◆ Mean ◆



GoerTek: Financial Summary

Exhibit 40 GoerTek: Financial Summary

Consolidated Income Statement

(Rmb mn)	2025	2026E	2027E	2028E
Net sales	**96,550**	**95,821**	**101,607**	**106,925**
COGS	(85,155)	(82,780)	(88,181)	(92,481)
Gross profit	**11,395**	**13,041**	**13,426**	**14,445**
Selling expenses	(736)	(854)	(878)	(915)
ADM expenses	(2,498)	(2,658)	(2,799)	(2,956)
R&D expenses	(5,303)	(5,697)	(5,873)	(6,183)
Operating Income	**2,858**	**3,832**	**3,877**	**4,390**
Non-operating income	**1,049**	**39**	**600**	**600**
Interest expense on bank borrowings	(611)	(1,159)	(800)	(800)
Investment income	2,702	1,169	1,200	1,200
Impairment Gain (Loss) of Assets	(1,041)	(253)	-	-
Exchange gain	-	-	-	-
Other non-operating income/expense	103	281	200	200
Pre-tax Income	**3,980**	**3,870**	**4,477**	**4,990**
Income Tax	(148)	(336)	(461)	(515)
Net income	**3,940**	**3,499**	**3,906**	**4,325**
EPS (RMB)	1.11	0.99	1.10	1.22

Consolidated Cash Flow Statement

	2025	2026E	2027E	2028E
Cashflow from operations	**6,849**	**6,569**	**8,009**	**9,237**
Profits from operation	3,940	3,499	3,906	4,325
Depreciation & Amortization	1,088	1,143	1,200	1,260
Others	6,992	-	-	-
Change in Working Capital	2,472	1,927	2,903	3,653
Dec(Inc)-Inventy	(2,598)	365	(829)	(660)
Dec(Inc)-trade receivables	4,353	103	(820)	(754)
Inc(Dec)-trade payables	718	(743)	1,690	1,345
Income taxes paid	-	-	-	-
Cashflow from investing	**(13,590)**	**(3,000)**	**(3,000)**	**(3,000)**
(Purchases) sale of PPE	(7,129)	(3,000)	(3,000)	(3,000)
Cashflow from financing	**8,046**	**(1,085)**	**(1,211)**	**(1,341)**
Issuance of stock	1,381	-	-	-
Increase in bank loans	1,000	-	-	-
Cash dividends	(1,507)	(1,085)	(1,211)	(1,341)
Others	96	-	-	-
Net change in cash	**1,274**	**2,484**	**3,798**	**4,896**

Consolidated Balance Sheet

	2025	2026E	2027E	2028E
Bank balances and cash	18,886	21,370	25,168	30,064
Trade receivables	13,687	13,584	14,404	15,158
Inventories	13,077	12,712	13,542	14,202
Current Assets	**51,359**	**53,375**	**58,822**	**65,133**
Property, plant and equipment	24,699	26,556	28,357	30,097
Intangible assets	3,037	3,037	3,037	3,037
Other assets	6,728	6,728	6,728	6,728
Total Assets	**90,530**	**94,404**	**101,651**	**109,702**
Trade payables	26,640	25,897	27,587	28,932
Other payables	7,341	9,543	12,406	16,127
Bank loans - due within one year	13,411	13,411	13,411	13,411
Current Liabilities	47,391	48,851	53,403	58,470
Bank loans - due after one year	3,551	3,551	3,551	3,551
Other liabilities	2,340	2,340	2,340	2,340
Total Liabilities	**53,281**	**54,741**	**59,293**	**64,360**
Share capital	3,547	3,547	3,547	3,547
Reserves and minority interests	21,858	24,272	26,967	29,951
Shareholders' equity	**37,249**	**39,663**	**42,358**	**45,342**
Total Liab./Shrhldr's Equity	**90,530**	**94,404**	**101,651**	**109,702**

Consolidated Financial Ratios

	2025	2026E	2027E	2028E
Margins				
Gross margin	11.8%	13.6%	13.2%	13.5%
Operating margin	3.0%	4.0%	3.8%	4.1%
Pretax margin	4.1%	4.0%	4.4%	4.7%
Net margin	4.1%	3.7%	3.8%	4.0%
YoY growth				
Sales	-4.4%	-0.8%	6.0%	5.2%
Operating profits	-18.2%	34.1%	1.2%	13.2%
Pretax profits	43.5%	-2.8%	15.7%	11.5%
Net profits	47.9%	-11.2%	11.6%	10.7%
Cash dividend payout ratio	31%	31%	31%	31%
Yield (%)	1%	1%	1%	2%
Net Debt/Equity	-5%	-11%	-19%	-29%
Liabilities/Equity	143%	138%	140%	142%
Liabilities/Assets	59%	58%	58%	59%
ROAE	11%	9%	10%	10%
ROAA	5%	4%	4%	4%
AR/NR Turnover (days)	60.0	51.9	50.3	50.5
AP/NP Turnover (days)	112.6	115.8	110.7	111.5
Inventory Days	50.5	56.9	54.3	54.7
Cash conversion cycle (days)	(2.2)	(7.0)	(6.1)	(6.3)

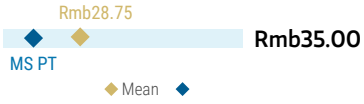
Risk Reward – GoerTek Inc (002241.SZ)

Peak-Season Demand Support, but Margin Pressure Remains; EW

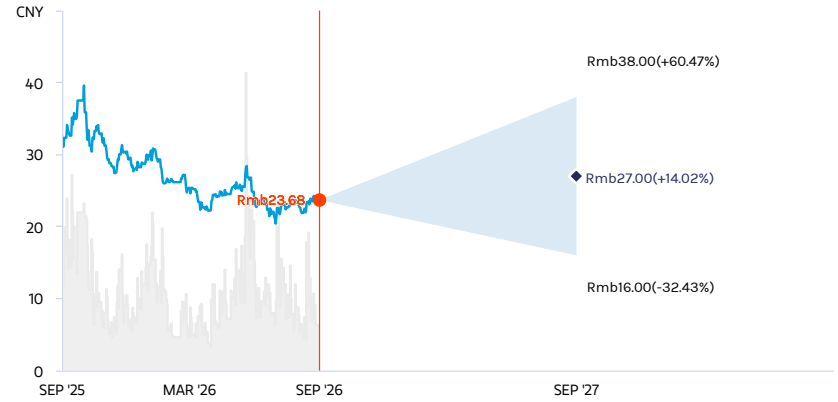
PRICE TARGET Rmb27.00

Base case scenario value derived from residual income valuation, with cost of equity of 11%, a medium-term growth rate of 18%, and a terminal growth rate of 5%.

Consensus Price Target Distribution



RISK REWARD CHART

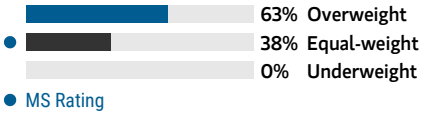


Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

EQUAL-WEIGHT THESIS

- The company is among the key beneficiaries of the emerging AI smart glasses ecosystem, supported by its capabilities in acoustics, optics and precision manufacturing.
- Goertek should benefit from the iPhone 18 peak-season ramp through AirPods assembly, acoustic components and precision components.
- However, higher labor costs following the production transfer to Vietnam are likely to weigh on smart-acoustic assembly margins.
- We rate GoerTek EW given its margin might face pressures despite peak season

Consensus Rating Distribution



Risk Reward Themes

Pricing Power: *Negative*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb38.00

29x bull case 2027e EPS

1) Faster AI-glasses adoption and market expansion. 2) Stronger-than-expected AirPods and AR/VR demand. 3) Better-than-expected margin improvement despite the Vietnam production ramp.

BASE CASE Rmb27.00

25x base case 2027e EPS

1) Peak-season demand drives higher AirPods, acoustic-component and precision-component shipments; 2) Higher Vietnam labor costs and intensified pricing pressure lead to lower gross margins;3) AI glasses and XR devices provide gradual longer-term growth.

BEAR CASE Rmb16.00

18x bear case 2027e EPS

1) Competition increases, particularly from the Chinese OEM market. 2) Intensified pricing pressure in the acoustic market leads to lower gross margins. 3) Slower-than-expected AR/VR headset demand.

Risk Reward – GoerTek Inc (002241.SZ)

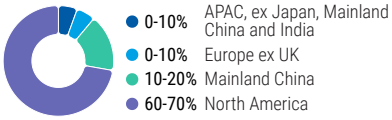
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Precision components revenue (%)	19.4	(2.6)	5.0	4.1
Headsets assembly revenue (%)	(12.6)	8.4	4.2	0.2
Intelligent hardware revenue YoY (%)	(6.0)	(3.7)	7.3	8.0

INVESTMENT DRIVERS

- iPhone demand
- Airpods supply share
- AR/VR headset demand

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected AI smart glasses adoption and shipment growth.
- Stronger AR/VR headset demand and customer orders.
- Better-than-expected profitability improvement from XR-related products.

RISKS TO DOWNSIDE

- Weaker consumer electronics demand.
- Intensified competition in acoustic components and smart devices.
- Slower-than-expected adoption of AI smart glasses and XR products.

OWNERSHIP POSITIONING

Inst. Owners, % Active 45.8%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

Sales / Revenue (Rmb, mn)	100,391.6	101,607.3 / 118,615.9	133,575.0
EBITDA (Rmb, mn)	4,663.9	5,076 / 8,762.7	12,216.5
Net income (Rmb, mn)	3,534.1	3,906 / 4,350.7	5,270.7
EPS (Rmb)	1.0	1.1 / 1.2	1.5

◆ Mean ◆

Lingyi: Financial Summary

Exhibit 31: Lingyi: Financial Summary

Income Statement

Rmb mn	2025	2026E	2027E	2028E
Net sales	**51,429**	**61,449**	**67,594**	**74,584**
COGS	-43,302	-51,024	-55,848	-61,404
Gross profit	**8,127**	**10,425**	**11,746**	**13,180**
Operating expenses	-4,651	-6,291	-6,739	-7,510
- Promotion	-399	-585	-641	-671
- ADM	-1,870	-2,449	-2,594	-2,869
- R&D	-2,382	-3,257	-3,504	-3,970
Operating income	**3,476**	**4,134**	**5,007**	**5,670**
Non-operating income	-743.05	-885.46	-1000	-1000
Interest income	-566	-970	-1,000	-1,000
Investment income	178	97	0	0
Disposal of investment	134	123	0	0
Disposal of fixed assets	-506	-150	0	0
Exchange gain	0	0	0	0
Other	16	15	0	0
Pre-tax income	2,733	3,248	4,007	4,670
Income tax	-446	-404	-659	-775
Net income	**2,288**	**2,845**	**3,348**	**3,896**
EPS (Rmb)	**0.33**	**0.39**	**0.46**	**0.54**

Balance Sheet

Net sales	2025	2026E	2027E	2028E
Cash	6,183	2,210	3,985	6,448
Mkt securities	1,529	1,529	1,529	1,529
Accounts/Notes receivable	14,427	17,238	18,962	20,923
Inventory	7,190	8,472	9,273	10,196
Other current assets	1,953	1,953	1,953	1,953
Current Assets	31,282	31,402	35,702	41,048
Long-term investments	882	979	979	979
Fixed assets	17,305	17,963	18,478	18,845
Other assets	8,431	8,431	8,431	8,431
Total Assets	**57,900**	**58,775**	**63,591**	**69,304**
S/T borrowings	4,532	4,532	4,532	4,532
AP/NP	14,103	16,618	18,189	19,999
Other ST liabilities	7,850	3,244	3,475	3,873
Other liabilities	2,759	2,759	2,759	2,759
L/T debt	4,299	4,299	4,299	4,299
Total Liabilities	**33,543**	**31,452**	**33,254**	**35,461**
Common shares	1,831	1,831	1,831	1,831
Capital Collection	0	0	0	0
APIC	11,430	11,430	11,430	11,430
Retained earnings	10,441	13,001	16,015	19,521
Treasury Stock	-405	0	0	0
Other shareholders' equity	1061	1061	1061	1061
Shareholders' equity	**24,358**	**27,323**	**30,337**	**33,843**
Total Liab./Shrhldr's Equity	**57,900**	**58,775**	**63,591**	**69,304**

Cash Flow Statement

Rmb mn	2025	2026E	2027E	2028E
Cashflow from operations	**4,433**	**-594**	**5,610**	**6,353**
Net Profits	2,288	2,845	3,348	3,896
Depreciation	2,707	2,842	2,984	3,133
Equity investment losses (income)	-178	-97	0	0
Other adjustments	-384	-6,183	-723	-676
Cashflow from investing	**-8,199**	**-3,500**	**-3,500**	**-3,500**
(Purchases) sale of FA (capex)	-4,833	-3,500	-3,500	-3,500
(Purchases) sale of L/T investment	-1,826	0	0	0
(Purchases) sale of S/T investment	113	0	0	0
Other adjustments	-1,652	0	0	0
Cashflow from financing	**3,238**	**121**	**-335**	**-390**
Increase in L/T debt	3,945	0	0	0
Increase in S/T debt	0	0	0	0
Issuance of stock	2	0	0	0
Cash dividends	-511	-284	-335	-390
Dir.& Emp. Bonus	0	0	0	0
Changes in Treasury Stocks	-178	405	0	0
Other adjustments	-20	0	0	0
Exchange rate adjustment	-63	0	0	0
Net change in cash	-591	-3,973	1,775	2,463

Financial Ratios

Rmb mn	2025	2026E	2027E	2028E
Margins				
Gross margin	15.8%	17.0%	17.4%	17.7%
Operating margin	6.8%	6.7%	7.4%	7.6%
Pretax margin	5.3%	5.3%	5.9%	6.3%
Net margin	4.4%	4.6%	5.0%	5.2%
YoY growth				
Sales	16.3%	19.5%	10.0%	10.3%
Operating profits	7.9%	18.9%	21.1%	13.2%
Pretax profits	24.6%	18.8%	23.4%	16.5%
Net profits	30.5%	24.3%	17.7%	16.3%
EPS	31.9%	19.0%	17.7%	16.3%
Net Debt/Equity (Net of mkt secs.)	5%	19%	11%	3%
Net Debt/Equity	11%	24%	16%	7%
Liabilities/Equity	138%	115%	110%	105%
Liabilities/Assets	58%	54%	52%	51%
ROAE	10.3%	11.0%	11.6%	12.1%
ROAA	4.4%	4.9%	5.5%	5.9%
AR/NR Turnover (days)	93	94	98	98
AP/NP Turnover (days)	103	110	114	114
Inventory Turnover (days)	55	56	58	58
Cash conversion cycle (days)	45	40	42	42

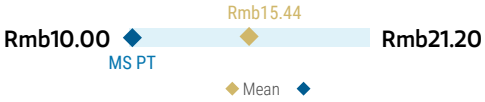
Risk Reward – Lingyi Itech Guangdong Co (002600.SZ)

Valuation looks dull

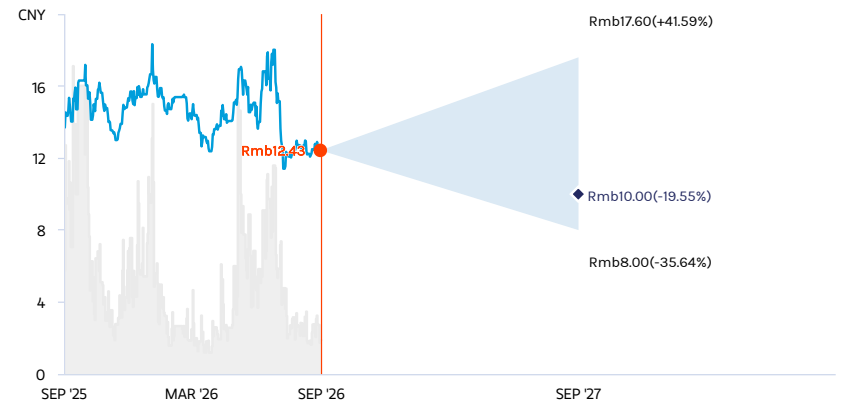
PRICE TARGET Rmb10.00

Base case, derived from a multi-stage residual income (RI) valuation model, similar to the rest of our tech hardware coverage universe. We assume a cost of equity of 11%, a medium-term growth rate of 16%, and a terminal growth rate of 5%.

Consensus Price Target Distribution



RISK REWARD CHART

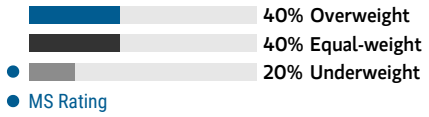


Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

UNDERWEIGHT THESIS

- Lingyi is well positioned to benefit from AI infrastructure demand, foldable smartphones, as well as XR and AI glasses growth.
- Lingyi-A is currently trading at significant premium vs. H share. Given its rich valuation, we rate A share UW.

Consensus Rating Distribution



Risk Reward Themes

Self-help: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb17.60

32x 2027e bull case EPS

Stronger monetization of AI infrastructure and foldable opportunities: We assume: 1) faster AI server liquid-cooling and power-solution growth; 2) stronger foldable smartphone adoption and content value uplift; 3) earlier-than-expected contribution from AI glasses and XR devices

BASE CASE Rmb10.00

22x 2027e base case EPS

Execution on AI infrastructure and foldables supports steady earnings growth: We expect: 1) continued growth in AI server thermal-management solutions; 2) increasing content value from foldable smartphone programs; 3) gradual contribution from AI glasses, robotics and XR-related businesses

BEAR CASE Rmb8.00

22x 2027e bear case EPS

Slower adoption of new growth drivers and weaker end demand: We assume: 1) weaker smartphone and foldable demand; 2) slower AI infrastructure deployment and customer qualification; 3) delayed commercialization of AI glasses, XR and robotics opportunities.

Risk Reward – Lingyi Itech Guangdong Co (002600.SZ)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
AI hardware revenue growth YoY (%)	9.8	18.7	10.0	10.4
AI hardware gross margin (%)	16.6	17.5	19.3	19.6

INVESTMENT DRIVERS

- Smartphone demand recovery
- Component supply share gains in consumer electronic products
- AI infrastructure growth and customer wins.
- Foldable smartphones and content value per device.
- AI glasses and XR devices growth

GLOBAL REVENUE EXPOSURE



30-40% APAC, ex Japan, Mainland China and India

50-60% Mainland China

View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Better-than-expected AI infrastructure growth and customer wins.
- Faster adoption of foldable smartphones and higher content value per device.
- Faster commercialization of AI glasses and XR devices

RISKS TO DOWNSIDE

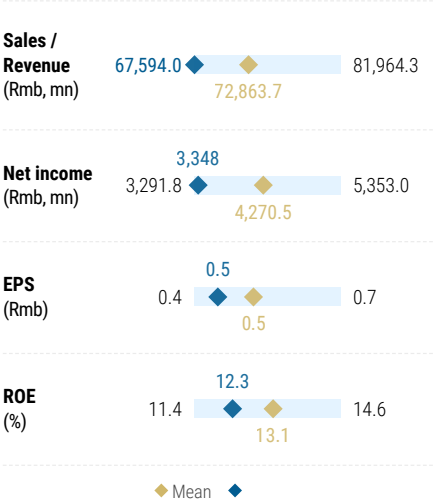
- Slower-than-expected AI infrastructure ramp and customer qualification.
- Weaker smartphone demand and foldable smartphone adoption.
- Delays in AI glasses, XR products or other new business initiatives.

OWNERSHIP POSITIONING

Inst. Owners, % Active 43.5%

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



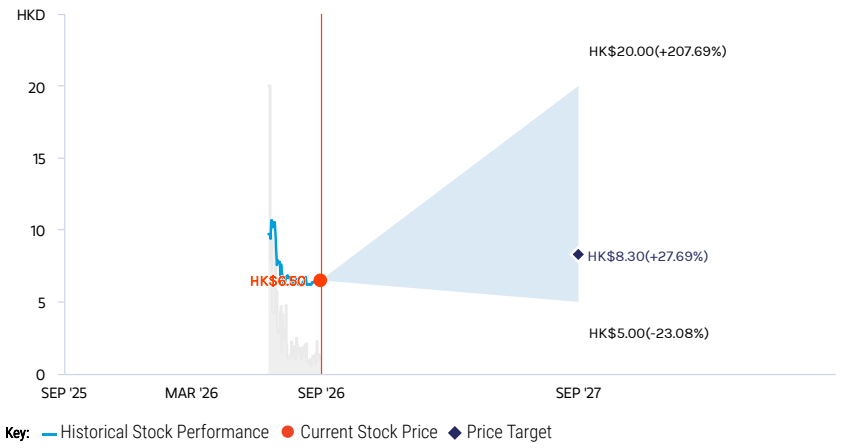
Risk Reward – Lingyi Itech Guangdong Co (1688.HK)

Capturing Growth Across AI Infrastructure, Foldables and XR Devices

PRICE TARGET HK$8.30

Base case, derived from a multi-stage residual income (RI) valuation model, similar to the rest of our tech hardware coverage universe. We assume a cost of equity of 11%, a medium-term growth rate of 16%, and a terminal growth rate of 5%.

RISK REWARD CHART



OVERWEIGHT THESIS

- Lingyi is well positioned to benefit from AI infrastructure demand through its integrated thermal-management and power solutions.
- The iPhone 18 cycle should drive higher content value from foldable components, vapor chambers, battery cases and display structures.
- XR and AI glasses provide long-term optionality through Lingyi's materials and miniaturization expertise.
- Our price target implies 15x 2027P/E, where we believe multiple drivers mentioned above could provide attractive upside.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

MS Rating

Risk Reward Themes

Self-help: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$20.00

31x 2027e bull case EPS

Stronger monetization of AI infrastructure and foldable opportunities: We assume: 1) faster AI server liquid-cooling and power-solution growth; 2) stronger foldable smartphone adoption and content value uplift; and 3) earlier-than-expected contribution from AI glasses and XR devices.

BASE CASE HK$8.30

15x 2027e base case EPS

Execution on AI infrastructure and foldables supports steady earnings growth: We expect: 1) continued growth in AI server thermal-management solutions; 2) increasing content value from foldable smartphone programs; and 3) gradual contribution from AI glasses, robotics and XR-related businesses.

BEAR CASE HK$5.00

12x 2027e bear case EPS

Slower adoption of new growth drivers and weaker end demand: We assume: 1) weaker smartphone and foldable demand; 2) slower AI infrastructure deployment and customer qualification; and 3) delayed commercialization of AI glasses, XR and robotics opportunities.

Risk Reward – Lingyi Itech Guangdong Co (1688.HK)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
AI hardware revenue growth YoY (%)	9.8	18.7	10.0	10.4
AI hardware gross margin (%)	16.6	17.5	19.3	19.6

INVESTMENT DRIVERS

- Smartphone demand recovery
- Component supply share gains in consumer electronic products
- AI infrastructure growth and customer wins.
- Foldable smartphones and content value per device.
- AI glasses and XR devices growth

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Better-than-expected AI infrastructure growth and customer wins.
- Faster adoption of foldable smartphones and higher content value per device.
- Faster commercialization of AI glasses and XR devices

RISKS TO DOWNSIDE

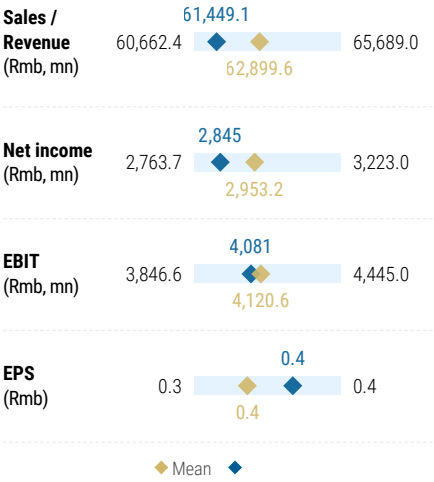
- Slower-than-expected AI infrastructure ramp and customer qualification.
- Weaker smartphone demand and foldable smartphone adoption.
- Delays in AI glasses, XR products or other new business initiatives.

OWNERSHIP POSITIONING

Inst. Owners, % Active 100%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Crystal: Financial Summary

Exhibit 32: Crystal: Financial Summary

Crystal-Optech (002273.SZ)

Financial Summary

Profit and Loss Statement	2025	2026E	2027E	2028E
Net Sales	**6,928**	**7,916**	**9,133**	**11,134**
COGS	(4,761)	(5,363)	(6,187)	(7,550)
Gross Profit	**2,168**	**2,553**	**2,946**	**3,584**
Selling	(91)	(99)	(114)	(139)
ADM	(409)	(505)	(490)	(588)
R&D	(415)	(592)	(527)	(633)
Operating Income	**1,197**	**1,262**	**1,705**	**2,092**
Finance costs, net	36	15	60	60
Others	96	161	160	160
Pre-tax Income	**1,330**	**1,438**	**1,925**	**2,312**
Income Tax	(160)	(186)	(231)	(277)
Profit for the year	**1,170**	**1,253**	**1,694**	**2,034**
Minority interests	(2)	(14)	-	-
Net Income	**1,172**	**1,267**	**1,694**	**2,034**
EPS	**0.84**	**0.91**	**1.22**	**1.46**
EBITDA	**1,773**	**1,919**	**2,441**	**2,908**

Balance Sheet	2025	2026E	2027E	2028E
CCE	1,330	1,465	1,817	2,293
Inventory	884	996	1,149	1,402
Trade receivables	1,428	1,632	1,883	2,295
Other current assets	1,054	1,054	1,054	1,054
Total current assets	**4,697**	**5,146**	**5,902**	**7,044**
Net PPE	5,702	5,846	5,910	5,894
Other non-current assets	2,318	2,318	2,318	2,318
Total non-current assets	**8,020**	**8,164**	**8,228**	**8,212**
Trade payables	1,800	2,028	2,339	2,854
Borrowings - short term	95	95	95	95
Other current liabilities	399	399	399	399
Total current liabilities	**2,294**	**2,522**	**2,834**	**3,349**
Borrowings - long term	-	-	-	-
Other non-current liabilities	304	304	304	304
Total non-current liabilities	**304**	**304**	**304**	**304**
Net Assets	**10,119**	**10,485**	**10,993**	**11,603**
Paid-in capital	1,201	1,201	1,201	1,201
Capital reserves	8,917	9,283	9,792	10,402
Total shareholder's equity	**10,119**	**10,485**	**10,993**	**11,603**

Cash Flow Statement	2025	2026E	2027E	2028E
Cashflow from operations	**1,347**	**1,821**	**2,338**	**2,700**
Net income	1,172	1,267	1,694	2,034
Depreciation & Amortization	576	656	736	816
Change in working capital	(734)	(88)	(92)	(150)
Others	333	(14)	-	-
Cashflow from investing	**(1,668)**	**(800)**	**(800)**	**(800)**
Capex	(36)	(800)	(800)	(800)
Others	(1,632)	-	-	-
Cashflow from financing	**(437)**	**(887)**	**(1,186)**	**(1,424)**
Dividend paid	(3)	(887)	(1,186)	(1,424)
Others	(435)	-	-	-
Changes in cash	**(802)**	**134**	**352**	**476**

Ratio Analysis	2025	2026E	2027E	2028E
Growth %				
Net Sales	10%	14%	15%	22%
Gross Profit	11%	18%	15%	22%
EBIT	16%	5%	35%	23%
EBITDA	15%	8%	27%	19%
Net income	14%	8%	34%	20%
Margins %				
Gross Margin	31%	32%	32%	32%
EBIT Margin	17%	16%	19%	19%
EBITDA Margin	26%	24%	27%	26%
Net Profit Margin	17%	16%	19%	18%
Return %				
ROE	12%	12%	16%	18%
ROA	10%	10%	12%	14%
Gearing %				
Net Debt/Equity	-12%	-13%	-16%	-19%
Liabilities/Equity	26%	27%	29%	31%

Segment Analysis	2025	2026E	2027E	2028E
Revenue				
Optical component	3,454	3,828	4,359	4,662
Optical coating	2,300	2,613	2,987	4,325
Semiconductor optics	137	151	166	174
Auto electronics	586	839	1,090	1,417
Reflective material	399	455	501	526
YoY%				
Optical component	20%	11%	14%	7%
Optical coating	-7%	14%	14%	45%
Semiconductor optics	6%	10%	10%	5%
Auto electronics	95%	43%	30%	30%
Reflective material	1%	14%	10%	5%
Mix%				
Optical component	50%	48%	48%	42%
Optical coating	33%	33%	33%	39%
Semiconductor optics	2%	2%	2%	2%
Auto electronics	8%	11%	12%	13%
Reflective material	6%	6%	5%	5%

Valuation	2025	2026E	2027E	2028E
P/E	30.1	27.8	20.8	17.3
P/B	3.5	3.4	3.2	3.0
P/S	5.1	4.5	3.9	3.2
EV/EBITDA	19.1	17.6	13.7	11.3
Dividend Yield	1.2%	2.5%	3.4%	4.0%

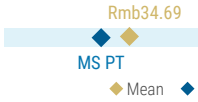
Risk Reward – Zhejiang Crystal-Optech Co Ltd (002273.SZ)

iPhone 18 Optical Upgrades and AR Opportunities to Drive Growth

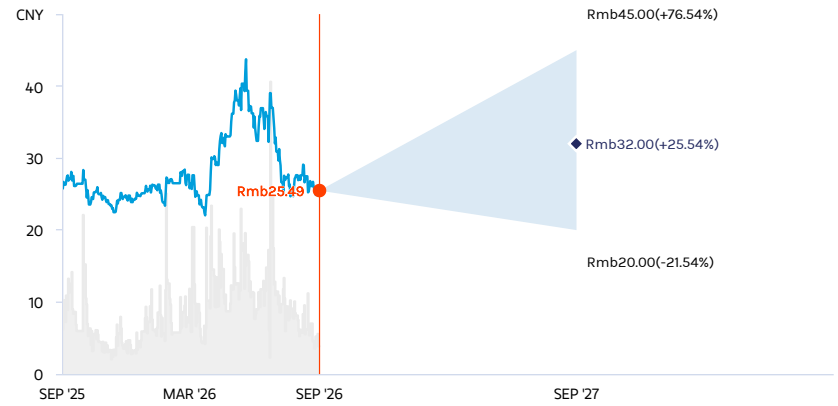
PRICE TARGET Rmb32.00

Base case, residual income model, which is the same methodology we use for our Greater China Tech coverage. We apply a CoE of 10% (risk free 3.5%, beta 1.0 and ERP of 6.5%), a medium-term CAGR of 19% from 2026-2036e, and a terminal growth rate of 3%.

Consensus Price Target Distribution



RISK REWARD CHART

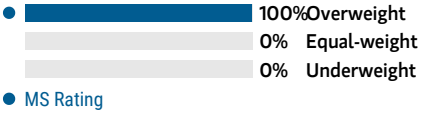


Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- We believe Crystal-Optech is gaining share and expanding its content value in iPhone's 3D sensing and cover lenses.
- The company should benefit from the iPhone 18 cycle through micro-prism modules, coated filters, and 3D-sensing and cover-lens upgrades.
- We view the stock as attractively valued. We believe positive growth momentum is likely to continue in 2026 and beyond, which could support re-rating.

Consensus Rating Distribution



Risk Reward Themes

Electric Vehicles:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb45.00

26x 2027e bull case EPS

Stronger growth from new optical products: We assume: 1) faster growth in micro-prism modules and coated filters; 2) greater content-value gains in 3D sensing and cover lenses; and 3) faster breakthroughs in AR and automotive products.

BASE CASE Rmb32.00

23x 2027e base case EPS

iPhone 18 upgrades and new projects support medium-term growth: We expect: 1) continued growth in micro-prism modules; 2) increasing contribution from coated filters and 3D-sensing products; and 3) near-term R&D and capacity investments to support stronger growth from 2028.

BEAR CASE Rmb20.00

18x 2027e bear case EPS

Execution risk and limited new-product contribution: We assume: 1) slower ramp-up of new optical products; 2) weaker smartphone demand and limited content-value gains; and 3) higher-than-expected R&D and capacity-expansion costs.

Risk Reward – Zhejiang Crystal-Optech Co Ltd (002273.SZ)

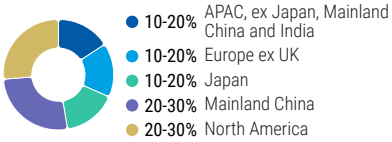
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Optical component revenue YoY (%)	19.8	10.8	13.9	7.0
Optical coating revenue YoY (%)	(6.9)	13.6	14.3	44.8
Biometric identification revenue YoY (%)	6.0	10.0	10.0	5.0

INVESTMENT DRIVERS

- Smartphone shipments
- 3D sensing penetration
- Auto client breakthroughs

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- More aggressive share gains and value content expansion
- Faster-than-expected auto customer breakthrough
- Faster-than-expected AR cycle

RISKS TO DOWNSIDE

- Execution risk
- Near-term smartphone down-cycle
- Disruption in AR technologies

OWNERSHIP POSITIONING

Inst. Owners, % Active 51.3%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (Rmb, mn)	7,915.6	8,377.7	8,633.4
EBITDA (Rmb, mn)	1,919	2,199.8	2,252.4
Net income (Rmb, mn)	1,267	1,441.0	1,514.0
EPS (Rmb)	0.9	1.0	1.1

◆ Mean ◆

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf