CMBI Research Focus List

Our best high conviction ideas

13 Aug 2026

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY25A	P/E (x) FY26E	P/B (x) FY25A	ROE (%) FY25A	Yield FY25A	Analyst
Long Ideas														
Horizon Robotics	9660 HK	Auto	BUY	10.3	133.2	5.1	7.80	53%	N/A	N/A	N/A	N/A	N/A	Shi Ji/ Wenjing Dou/ Austin Liang
Zenergy	3677 HK	Auto	BUY	1.8	2.0	5.5	13.00	136%	11.50	6.70	N/A	12.6	N/A	Shi Ji/ Wenjing Dou/ Austin Liang
Weichai Power	2338 HK	Capital Goods	BUY	39.0	85.6	35.5	45.10	27%	27.10	20.00	3.20	12.20	0.0%	Wayne Fung
Jiangsu Hengli	601100 CH	Capital Goods	BUY	21.2	156.6	106.7	125.00	17%	50.90	39.90	8.10	16.5	0.8%	Wayne Fung
CGN Mining	1164 HK	Materials	BUY	2.5	14.9	2.6	3.37	29%	46.10	25.10	4.60	10.7	0.5%	Wayne Fung
Bosideng	3998 HK	Consumer Discretionary	BUY	6.9	16.6	4.6	5.55	20%	13.10	11.80	3.10	25.1	6.4%	Miao Zhang
Guoquan Food	2517 HK	Consumer Discretionary	BUY	0.6	4.6	2.0	4.80	146%	12.00	9.20	N/A	13.0	7.1%	Miao Zhang
Luckin Coffee	LKNCY US	Consumer Discretionary	BUY	9.7	43.7	33.8	54.68	62%	18.10	14.30	N/A	26.7	0.0%	Miao Zhang
CR Beverage	2460 HK	Consumer Staples	BUY	2.3	2.1	7.6	11.09	46%	16.30	13.80	1.40	8.9	3.8%	Miao Zhang
WuXi AppTec	603259 CH	Healthcare	BUY	72.8	1108.5	164.1	170.00	4%	N/A	17.90	N/A	N/A	N/A	Jill Wu/Benchen Huang
3SBio	1530 HK	Healthcare	BUY	5.7	74.2	17.7	34.87	97%	N/A	26.70	N/A	N/A	N/A	Jill Wu/Cathy Wang
Ping An	2318 HK	Insurance	BUY	136.0	247.3	55.4	86.00	55%	N/A	N/A	0.89	14.0	5.5%	Nika Ma
China Life	2628 HK	Insurance	BUY	142.1	196.4	27.6	34.00	23%	N/A	N/A	1.10	27.9	3.5%	Nika Ma
AIA	1299 HK	Insurance	BUY	95.5	353.8	72.5	112.00	55%	N/A	N/A	2.30	17.0	2.7%	Nika Ma
Tencent	700 HK	Internet	BUY	511.0	1929.5	441.4	735.00	67%	14.40	13.70	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao/Shuyin Guo
NetEase	NTES US	Internet	BUY	79.5	125.8	124.1	155.00	25%	16.40	14.40	N/A	N/A	N/A	Saiyi He/Wentao Lu/Frank Tao/Shuyin Guo
Meituan	3690 HK	Internet	BUY	71.4	552.7	90.8	138.00	52%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/Wentao Lu/Shuyin Guo
Alibaba	BABA US	Internet	BUY	300.2	1363.9	125.2	220.10	76%	21.70	29.30	N/A	N/A	N/A	Saiyi He/Frank Tao/Wentao Lu/Shuyin Guo
CR MixC Lifestyle	1209 HK	Property	BUY	11.6	25.7	40.0	53.58	34%	19.30	17.70	5.00	24.8	1.5%	Miao Zhang
Greentown Service	2869 HK	Property	BUY	1.6	1.9	4.1	6.55	59%	12.60	11.00	1.50	11.2	6.0%	Miao Zhang
Lumentum	LITE US	Semiconductors	BUY	82.6	4564.5	932.5	1230.00	32%	94.60	37.60	N/A	N/A	N/A	Kevin Zhang/Aaron Guo
SMIC	981 HK	Semiconductors	BUY	101.8	1369.4	68.1	110.00	62%	N/A	N/A	3.20	N/A	N/A	Kevin Zhang/Aaron Guo
NAURA	002371 CH	Semiconductors	BUY	80.5	1456.3	748.3	540.00	N/A	98.40	70.20	N/A	N/A	N/A	Kevin Zhang/Aaron Guo
InnoScience	2577 HK	Semiconductors	BUY	5.4	89.8	46.0	75.00	63%	N/A	N/A	N/A	N/A	N/A	Kevin Zhang/Aaron Guo
Microsoft	MSFT US	Software & IT Services	BUY	3656.6	16996.5	492.4	634.20	29%	32.90	25.10	N/A	N/A	N/A	Saiyi He/ Frank Tao/Wentao Lu/Shuyin Guo

Source: Bloomberg, CMBIGM. Data as of 13/8/2026 2:30 p.m.

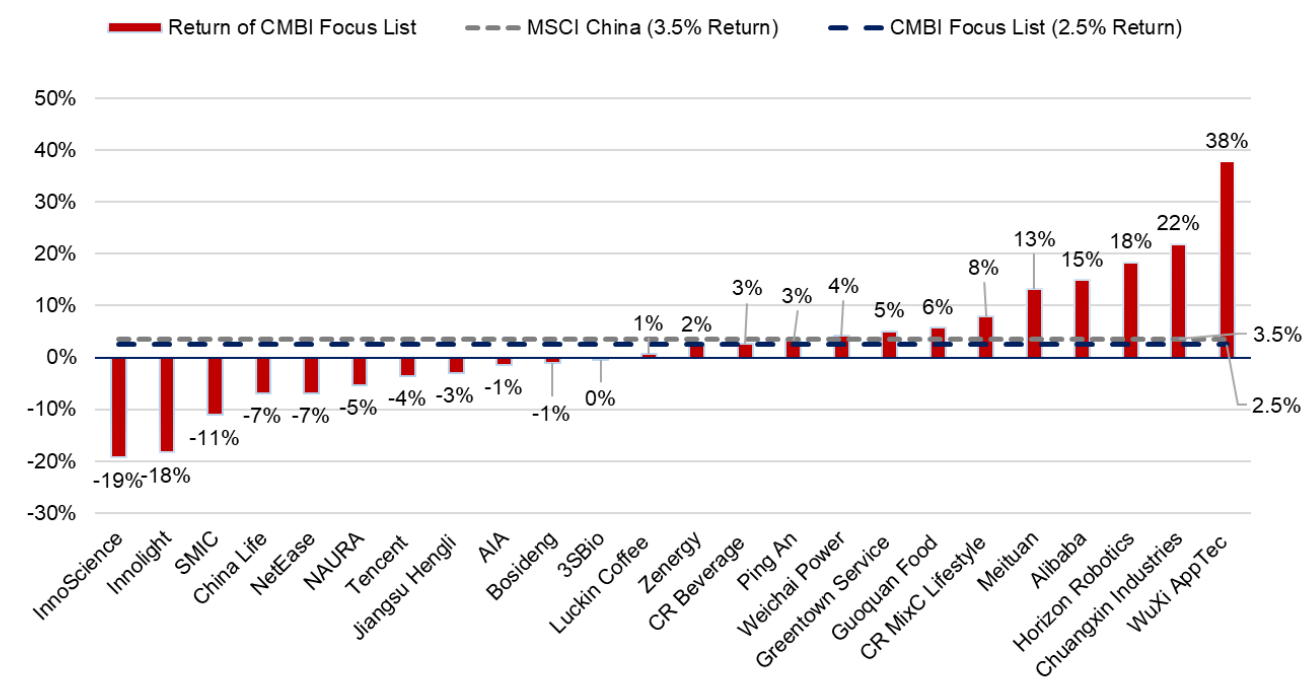
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
CGN Mining	1164 HK	Materials	BUY	Wayne Fung	We see the recent share price pullback an opportunity to play the structural upcycle of uranium.
Lumentum	LITE US	Semiconductors	BUY	Kevin Zhang/Aaron Guo	We added in Lumentum to this month's focus list as we see 1) Lumentum's positioning strengthening on continued S/D dynamics, and 2) US' datacom opticals supply chain domestication.
Microsoft	MSFT US	Software	BUY	Saiyi He/ Frank Tao/Wentao Lu/Shuyin Guo	We added Microsoft to our software sector focus list, as the tangible ROI on capex investment is becoming increasingly evident across both Microsoft's cloud business and first-party applications. Microsoft currently trades at 25x FY27E non-GAAP P/E, versus its five-year average of 30x, offering an attractive risk-reward profile, in our view. And we see catalysts from: 1) stronger-than-expected Azure and other cloud services revenue growth; and 2) better-than-expected monetization and penetration of Microsoft 365 Copilot.
Deletions					
Chuangxin Industries	2788 HK	Materials	BUY	Wayne Fung	We see a lack of catalyst to drive the near-term aluminium price.
Innolight	300308 CH	Semiconductors	BUY	Kevin Zhang/Aaron Guo	We removed Innolight because of lack of visibility on potential FCC sanctions.

Source: CMBIGM

Performance of our recommendations

- In our last list dated 8 Jul 2026, we highlighted a list of 24 long ideas.
- The basket (equal weighted) of these 24 stocks underperformed MSCI China index by 1 ppt, delivering 2.5% return (vs MSCI China 3.5%).
- 9 out of the 24 stocks outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 8 Jul 2026 to 12 Aug 2026.

Long Ideas

Horizon Robotics (9660 HK) - 1H26 largely on track; HSD sales to accelerate in 2H26

Rating: BUY | **TP:** HK$7.80 (53% upside)

Analysts: SHI Ji/ DOU Wenjing/Austin Liang

- **1H26 Profit alert largely in line.** Horizon released a 1H26 profit alert on 21 Jul: continuing-ops revenue of RMB1.93bn-2.08bn (+24.8% to +34.5% YoY) and gross profit of RMB1.16bn-1.37bn, largely in line with our 1H26E revenue and 60.4% GPM forecasts. 1H26 net profit of RMB3.5bn-4.0bn mainly reflects a fair-value gain on CARIAD convertible loans; adjusted net loss of RMB1.4bn-1.7bn is broadly in line with our RMB1.1bn estimate.

- **HSD sales to accelerate from 2H26.** HSD penetration at Changan and Chery was slightly slower than expected in 1H26, but we expect BYD to accelerate HSD volume from 2H26, especially 4Q26. The Starry cockpit-driving fusion SoC (SOP 3Q26 with Chery iCar *V25*) should widen the client base. We are not overly worried about automakers in-house chips: full-stack self-development is only economical for a few leading OEMs.

- **Software-hardware integration is the moat.** We see self-developed chips capped at under 20% of China's market, leaving 80% to independent suppliers where we expect Horizon to hold ~50%. Steady-state domestic shipment space of ~10mn units implies ~1.5x upside vs. 2025, with overseas adding a comparable second growth curve via global tier-1 partnerships and Chinese OEMs' overseas expansion.

- **Earnings / Valuation.** We keep FY26-28E sales volume forecast for automotive product solutions of 5.5mn/7.3mn/9.1mn and revenue of RMB6.0bn/9.7bn/15.0bn (+60%/61%/58% YoY), with FY28E turning to operating and net profit. We maintain BUY and TP of HK$7.80, based on 10x FY27E P/S. Key risks: slower HSD penetration, faster OEM in-house chips, price war, higher R&D delaying breakeven.

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	3,758	6,028	9,660	15,026
YoY growth (%)	57.7	60.4	60.3	55.6
Gross margin (%)	64.5	61.0	57.8	57.0
Operating profit (RMB mn)	(3,338.8)	(2,603.7)	(1,256.4)	1,014.5
Net profit (RMB mn)	(10,469.0)	643.5	(1,001.0)	1,314.1
Adjusted NP (RMB mn)	(2,811.8)	(1,702.4)	(216.3)	2,098.9
P/S (x)	15.5	9.7	6.0	3.9

Source: Company data, Bloomberg, CMBIGM estimates

Links to latest reports:

1.地平线机器人 (9660 HK) - 车企自研无需过虑，软硬一体价值重估

2. Horizon Robotics (9660 HK) - 1H26 earnings preview: largely on track; HSD sales to accelerate in 2H26

Zenergy (3677 HK) - Positive profit alert confirms strong 1H26 growth

Rating: BUY | **TP:** HK$13.00 (136% upside)

Analysts: SHI Ji/ DOU Wenjing/Austin Liang

- **Profit alert in line with our preview.** Zenergy issued a positive profit alert on 7 Aug: 1H26 net profit of RMB320mn-400mn, up ~45.5% to ~81.8% YoY from RMB220mn. This is in line with our 1H26E net profit of RMB392mn (+78% YoY) and revenue of RMB5.3bn (+68% YoY). Management attributes the jump to new-capacity ramp, higher utilization, a surge in energy-storage-system (ESS) battery shipments and a marked drop in the expense ratio on greater economies of scale.

- **Stronger volume visibility.** At our 18-19 Jul NDRs management reiterated FY26E volume of 30GWh+ and raised ESS volume guidance to 5-6GWh, lifting the ESS mix from 10-15% to 15-20%. It has already secured orders for most of its new 35GWh capacity (incl. 20GWh ESS), paving the way for a 4Q26 mass-production ramp and further FY27-28E expansion; a new Changshu plant lifts total capacity toward 120GWh by end-FY28E.

- **Superb opex control offsets GPM pressure.** Management expects ~80% of the lithium-carbonate price rise to be passed through to EV makers, which may drag GPM down by ~3ppts YoY. We expect this to be cushioned by stringent opex control and greater economies of scale.

- **Earnings / Valuation.** We project FY26E sales volume to rise 62% YoY to 32GWh and 81% YoY to 58GWh in FY27E. We maintain our FY26E/FY27E net profit at RMB1.09bn/1.86bn, up 70% YoY/36% YoY. We maintain BUY and TP of HK$13.00, based on 15x FY27E P/E. Key risks: lower sales volume, slower client expansion, weaker margins.

Link to latest report: Zenergy (3677 HK) - NDR takeaways and 1H26 earnings preview

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	8,101	12,585	20,775	27,716
YoY growth (%)	57.9	55.3	65.1	33.4
Gross margin (%)	18.4	16.3	16.4	16.5
Operating profit (RMB mn)	377.2	1,002.3	1,912.7	2,710.3
Net profit (RMB mn)	808.6	1,092.7	1,859.0	2,533.2
YoY growth (%)	788.4	35.1	70.1	36.3
EPS (Reported) (RMB cents)	0.33	0.43	0.73	0.99
P/S (x)	1.5	1.0	0.6	0.5
P/E (x)	15.0	11.5	6.7	5.0
ROE (%)	11.6	12.6	18.3	20.4
Net gearing (%)	5.4	15.1	(2.2)	(25.4)

Source: Company data, Bloomberg, CMBIGM estimates

Weichai Power (2338 HK) – AIDC power transformation underway

Rating: BUY | **TP:** HK$45.1 (27% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Weichai is transforming to a power play. We expect the contribution of power related engine EBITDA (on attributable basis) to increase substantially from 17% in 2026E to 38% in 2028E. For the traditional business, HDT is still on an upcycle, driven by solid replacement demand, supportive replacement subsidies and export.

- **Our View:** Within the power segment, AIDC engine sales have been growing fast since last year (+2.6x YoY in 2025; +2.4x YoY in 1Q26). We expect the full-year sales in 2026E to surge 1.8x YoY to 4k units. In particular, we expect the breakthrough in the US market to continue to gain traction. Besides, we forecast Weichai's Solid Oxide Fuel Cell (SOFC) capacity to reach 30MW/200MW by end-2026/27.

- **Why do we differ vs consensus:** Our earnings forecast in 2026E/27E is 0%/-4% versus consensus. We see this as normal deviation.

- **Catalysts:** (1) breakthrough of AIDC sales in overseas; (2) progress on SOFC; (3) better-than-expected HDT sales growth.

- **Valuation:** Our SOTP-based TP for Weichai-H is HK$45.1. We assign 35x target EBITDA for the power business, which we believe is justified given Weichai's high growth potential as a challenger (we expect 45% power segment EBITDA CAGR between 2026 and 2028E). For traditional business (i.e. engine for HDT & machinery + HDT + agricultural machinery), we assign 10x target EBIDTA (peak cycle valuation) to reflect the continuous up-cycle for the HDT sector.

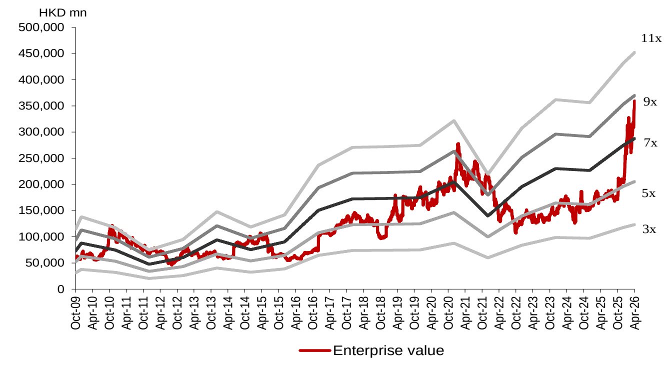
Link to latest report: Weichai Power (2338 HK) - Positive on SOFC after our London visit to Ceres Power

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	231,809	251,331	267,680	283,746
YoY growth (%)	7.5	8.4	6.5	6.0
Core net income (RMB mn)	10,931	14,430	17,072	19,354
Core EPS (RMB)	1.25	1.66	1.96	2.22
YoY growth (%)	(4.1)	32.0	18.3	13.4
Consensus EPS (RMB)	N/A	1.65	2.03	2.43
P/E (x)	27.1	20.0	16.9	14.9
EV/EBITDA (x)	10.2	8.7	7.6	7.1
P/B (x)	3.2	2.8	2.6	2.4
Yield (%)	0.0	2.8	3.3	3.7
ROE (%)	12.2	14.8	16.1	16.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Weichai's EV/EBITDA band



Source: Company data, Bloomberg, CMBIGM estimates

Jiangsu Hengli (601100 CH) – Strong hydraulic segment; upside potential on humanoid robot components

Rating: BUY | **TP:** RMB125 (17% upside)

Analyst: Wayne Fung

- **Investment Thesis:** On the back of strong production capability of hydraulic components, Hengli is expanding into linear actuator business which has huge application in machine tools, semiconductor and humanoid robot segments.
- **Our View:** We see several positive drivers: (1) Strong demand for linear guideways driven by machine tools and semiconductor segments; (2) Huge potential for ball screws for humanoid robots due to strong commitment from the major overseas customer; (3) For hydraulic components, capacity for cylinders, pumps and valves are running at full utilisation driven by a wide range of downstream demand such as mining equipment and agricultural machinery.
- **Why do we differ vs consensus:** Our earnings forecast in 2026E/27E is +2%/-1% versus consensus. We see this as normal deviation.
- **Catalysts:** (1) the production growth of humanoid robots by the major overseas manufacturer; (2) Upside on excavator demand
- **Valuation:** Our TP of RMB125 is based on 48x 2026E P/E, 1.5SD above the historical average. Our valuation premium is to reflect both the upcycle of hydraulic business and the huge growth potential of precision business.

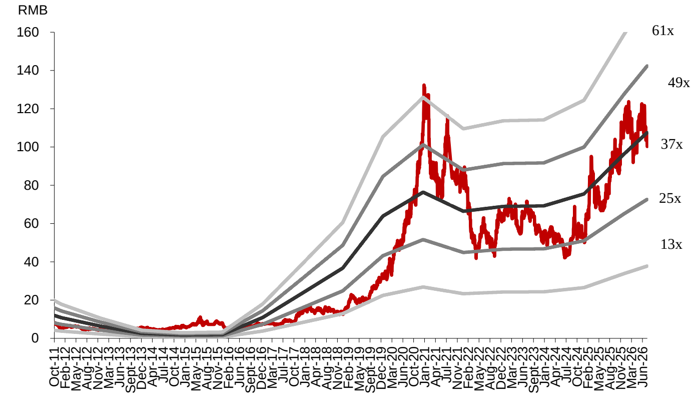
Link to latest report: Jiangsu Hengli (601100 CH) - 2Q26 preview: Revenue on track but profit hurt by FX; No impact from US foreign robots ban

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	10,941	13,144	15,324	17,675
YoY growth (%)	16.5	20.1	16.6	15.3
Core net income (RMB mn)	2,734	3,491	4,194	4,883
Core EPS (RMB)	2.04	2.60	3.13	3.64
YoY growth (%)	9.0	27.7	20.1	16.3
Consensus EPS (RMB)	N/A	2.56	3.15	3.75
EV/EBITDA (x)	40.4	32.2	27.8	24.2
P/E (x)	50.9	39.9	33.2	28.5
P/B (x)	8.1	7.1	6.2	5.5
Yield (%)	0.8	1.1	1.3	1.5
ROE (%)	16.5	18.9	20.0	20.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Hengli's P/E band



Source: Company data, Bloomberg, CMBIGM estimates

CGN Mining (1164 HK) – Buying opportunity supported by near-term catalysts

Rating: BUY | **TP:** HK$3.37 (29% upside) Analyst: Wayne Fung

- **Investment Thesis:** We anticipate that the global uranium demand will be driven by the structural growth of nuclear power over the next decade. This, coupled with the unstable uranium mine output, will likely keep uranium price elevated over the coming years. CGN Mining is well-positioned to capitalize on the long-term uranium price uptrend, through its two JVs that hold stakes in four low-cost uranium mines in Kazakhstan.

- **Our View:** We believe the share price pullback since Feb has, to a certain extent, priced in the policy change in Kazakhstan uranium industry as well as the high sulphur price arising from the Middle East conflict. We see several near-term positive catalysts: (1) a resilient trend of spot uranium price, supported by strong contract price; (2) the easing tension in the Middle East to help stabilize the price of sulphur; (3) the commencement of **Kazatomprom's (KAP LN, NR)** sulphuric acid plant in early 2027 to help reduce the cost of sulphuric acid.

- **Why do we differ vs consensus:** Our earnings forecast in 2026E/27E is -12%/-23% versus consensus. We believe it is due to the wide range of uranium ASP assumptions.

- **Catalysts:** (1) further increase in uranium spot price; (2) improvement of sulphuric acid supply.

- **Valuation:** We apply NPV methodology to value CGN Mining. Our target multiple of NPV (2.5x) is to reflect the potential conversion from resources to reserves amid the uptrend of uranium price and the potential extension of mining licenses. Our long-term assumptions include: (1) uranium price increasing 5% p.a. from US$99/lb during 2027-31, (2) a stabilized price at US$120/lb thereafter, and (3) production costs inflation of 1% p.a. during 2027-42.

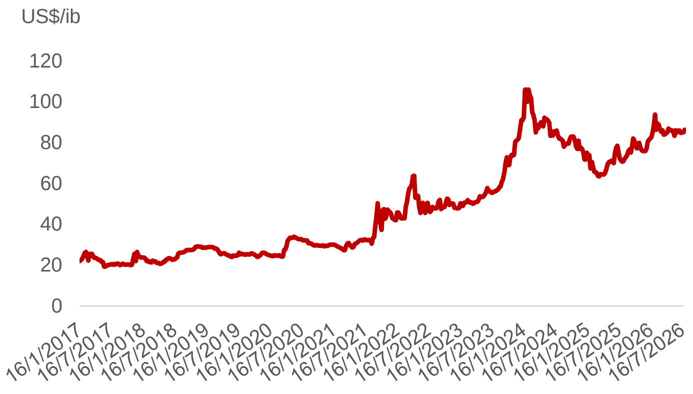
Link to latest report: [CGN Mining (1164 HK) – Buying opportunities supported by near-term catalysts]

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Revenue (HK$ mn)	6,870	8,413	9,421	10,022
YoY growth (%)	(20.3)	22.5	12.0	6.4
Core net income (HK$ mn)	453	831	1,023	1,172
Core EPS (HK$)	0.060	0.109	0.135	0.154
YoY growth (%)	(14.0)	83.5	23.2	14.6
Consensus EPS (HK$)	N/A	0.12	0.17	0.22
EV/EBIDTA (x)	(1129.2)	384.5	1179.0	959.2
P/E (x)	46.1	25.1	20.4	17.8
P/B (x)	4.6	3.9	3.4	2.9
Yield (%)	0.5	0.8	1.0	0.8
ROE (%)	10.7	16.9	17.9	17.7
Net gearing (%)	5.7	1.8	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: UxC Uranium U308 weekly spot price (US$/lb)



Source: Bloomberg, CMBIGM

Bosideng (3998 HK) – Prudent guidance but we are still confident

Rating: BUY | **TP:** HK$5.55 (20% upside)

Analyst: Miao Zhang

- **Investment Thesis:** Bosideng, with its superior fashion, digital capability and efficiency should gain more market share in the long run, in our view. It is not only the largest down apparel brand in China, but also a leading manufacturer in the world. It owns the BOSIDENG, SNOWFLYING brands, etc. and has over 5,300 offline stores. Growth drivers include: 1) sales per store growth (both ASP and volume), 2) more online and direct retail sales, and 3) gradual penetration of down apparel in China.

- **Our View:** We are positive on the 2025-2026 winter, thanks to, industry reasons such as: 1) favourable weather: temperature was warmer than the previous year during Sep and early Oct 2025, but got much colder in late Oct and Nov 2025, and chances of having a La Nina is higher than 50%, 2) the late CNY in 2026, and company-specific reasons like: 1) product upgrades around functionality, trendiness and diversity, 2) improvement on the youthfulness, including many crossovers (e.g. Kim jones), 3) continual restructuring of offline stores, and 4) further enhanced customer and membership experiences, etc.. 1H25E results may be subdued (flattish sales growth and mild net profit growth) but should be priced in already.

- **Where do we differ vs consensus:** For FY26E/ 27E/ 28E, our net profit forecasts are +1%/ +3%/ +0% vs street as we are cautious on sales growth, but more positive on OP margin improvement, by solid operating leverage.

- **Catalysts:** 1) Better-than-expected government stimulus, 2) positive feedback on new products, and 3) favorable weather.

- **Valuation:** We derived our 12m TP of HK$5.55 based on 13x FY26E P/E. We believe successful new product launches, further upgrades around store formats and experience, favourable weather and a late CNY may lead to a further re-rating. The stock is trading at 12x FY26E P/E and a 7% yield.

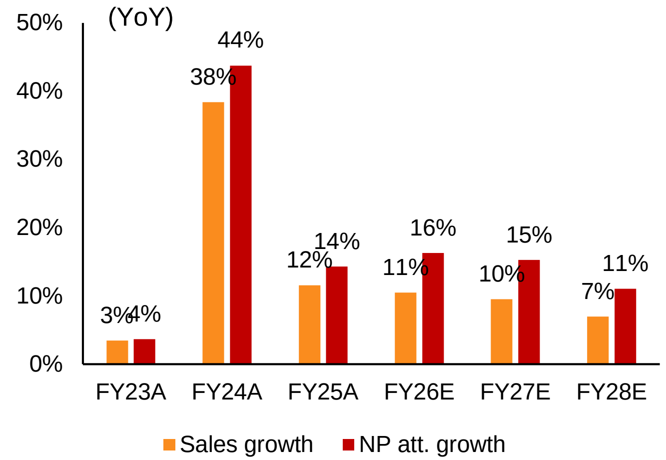
Link to latest report: Bosideng (3998 HK) – Prudent guidance but we are still confident

Financials and Valuations

(YE 31 Mar)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	23,214	25,902	28,624	31,351	33,535
YoY growth (%)	38.4	11.6	10.5	9.5	7.0
Operating profit (RMB mn)	4,397.6	4,966.9	5,516.0	6,255.4	6,831.9
Net profit (RMB mn)	3,120.1	3,552.7	4,128.8	4,756.4	5,279.7
EPS (Reported) (RMB)	0.27	0.30	0.35	0.41	0.45
YoY growth (%)	43.9	13.2	16.3	15.3	11.0
P/E (x)	14.8	13.1	11.8	10.2	9.2
P/B (x)	3.1	3.1	3.1	2.8	2.6
Yield (%)	5.8	6.4	6.8	7.8	8.7
ROE (%)	23.7	25.1	27.3	29.1	29.8
Net gearing (%)	46.7	51.5	54.9	57.7	59.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Guoquan (2517 HK) – A national at-home food expert to innovate at all fronts

Rating: BUY | **TP:** HK$4.80 (146% upside)

Analyst: Miao Zhang

- **Investment Thesis:** Guoquan achieved retail sales of RMB11.1bn with 3% market share in 2022. The company offers a diversified product portfolio of eight major categories (hotpot, barbecue, beverages, single-serve meals, ready-to-cook meal kits, fresh food, Western cuisines, and snacks). Such a great variety can cater for diverse dining scenarios. In 2024, it booked RMB6.5bn of sales, RMB230mn of profit with 10,150 stores in China.

- **Our View:** We are still positive about 4Q25E, boosted by: 1) rising demand of consumption trade down, 2) relatively low base hence SSSG may still improve further (SSSG were LSD/ MSD/ MSD for Jul/ Aug/ Sep 2025), 3) blockbuster products (e.g. various hotpot combos and sauces for meals at home), 4) store revamp (e.g. there are 3,000 24-hour stores now), and 5) better training for store managers, in order to better serve and retain customers, etc.. Margin-wise are also aided by: 1) better product mix, 2) more efficient supply chain, 3) potential increases in self-production mix, 4) economies of scales and 5) operating leverage, etc.. Moreover, the recently announced share buyback programme could be supportive as well.

- **Where do we differ vs consensus:** For FY25E/ 26E/ 27E, our sales forecasts are 3%/ 3%/ 1% higher than consensus while our net profit forecasts are 1%/ 4%/ 7% higher than street as we are more optimistic both on its SSSG, store openings and OP margin expansion.

- **Catalysts:** 1) Better-than-expected SSSG, 2) better-than-expected product and branding upgrades, and 3) faster-than-expected store expansion.

- **Valuation:** We derived our 12m TP of HK$4.80 based on a 23x FY26E P/E. We think a premium are justified, due to: 1) its vertically integrated business model, 2) massive store network, 3) strong brand equity (in both products and channels). The stock is trading at ~20x FY26E P/E.

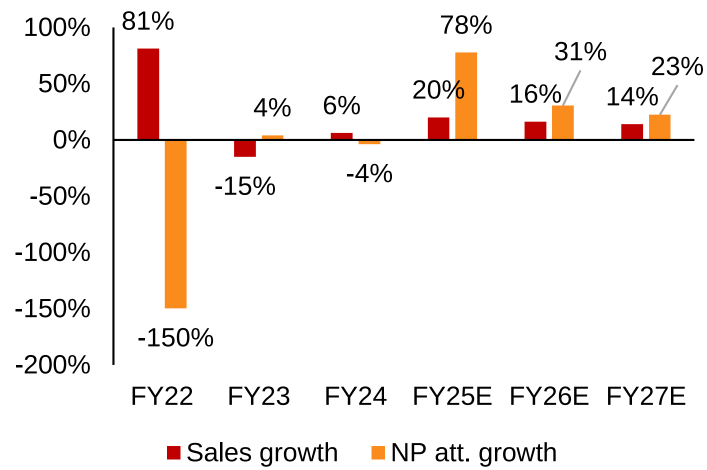
Link to latest report: Guoquan Food (2517 HK) - A national at-home food expert to innovate at all fronts

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	6,094	6,470	7,764	9,036	10,301
YoY growth (%)	(15.0)	6.2	20.0	16.4	14.0
EBITDA (RMB mn)	339.4	284.3	613.0	831.5	9,183.9
Net profit (RMB mn)	263.4	241.2	423.7	553.5	679.1
EPS (Reported) (RMB cents)	8.94	8.37	14.85	19.40	23.81
YoY growth (%)	0.6	(6.3)	77.4	30.6	22.7
P/E (x)	18.1	19.3	12.0	9.2	7.5
EV/EBITDA (x)	25.4	29.8	13.2	9.6	0.9
Yield (%)	3.2	4.5	7.1	9.3	11.4
ROE (%)	9.0	7.5	13.0	16.1	18.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, yearly



Source: Company data, CMBIGM estimates

Luckin Coffee (LKNCY US) – There are still multiple growth drivers in FY26E

Rating: BUY | **TP:** US$54.68 (62% upside)

Analyst: Miao Zhang

- **Investment Thesis:** Luckin Coffee is the largest and fastest-growing coffee brand in China, with 16,248 stores, sales of RMB24.9bn and net profit of RMB2.85bn and a market share of 21.7% in FY23. On top of quality coffee, it also emphasizes digital engagement, convenience, and competitive pricing. Growth drivers include: 1) rapid store opening, 2) rise in ASP and new product launches, 3) further adoption of freshly made coffee, and 4) higher purchase frequency from the young/the wealthy/ people in lower-tier cities.
- **Our View:** We agree that the high base in FY25 (induced by the delivery subsides) could be an issue for the tea drink and coffee sector in general in FY26E (for both SSSG and valuation of various listed companies). However, we do think the company is much more well-prepared than the others. For example, on SSSG, while we are conservatively forecasting a 2% in FY26E given we see: 1) category expansion (more non-coffee products like snacks, breakfast or even did increase to 30 different types of food), 2) greater push on the star products (more new SKUs in 3Q25 than in 3Q24, with less popularity than star products but potential to improve in FY26E), 3) marketing expenses ratio decreased in 3Q25, but Luckin Coffee could ramp that up if needed; 4) further boosting the sales and purchasing frequency of customers (34.5mn new transacting customers in 9M25, +40%+ YoY). On the margin side: 1) GP margin is able to improve (as we expect efficiency improvement to more than offset overseas coffee bean price inflation), 2) delivery cost is likely to decrease YoY (from delivery platforms and major brands' point of view, we do think massive subsidies are only a short-term measure, with marginally low value to sustain);3) headquarters cost % will continue to improve.
- **Valuation:** We derived our 12m TP of US$54.68 based on 18x FY26E P/E.
- **Catalysts:** Better-than-expected new products, store expansion, store efficiency and government stimulus.

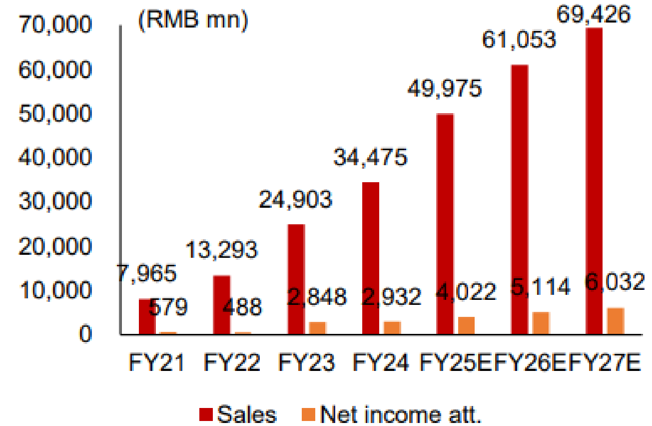
Link to latest report: Luckin Coffee (LKNCY US) – There are still multiple growth drivers in FY26E

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	24,903	34,475	49,975	61,053	69,426
YoY growth (%)	87.3	38.4	45.0	22.2	13.7
EBITDA (RMB mn)	3,630.2	4,728.1	6,808.6	8,674.4	10,202.1
Net profit (RMB mn)	2,847.9	2,931.7	4,021.7	5,113.8	6,032.3
EPS (Reported) (RMB)	1.12	1.15	1.57	1.99	2.33
YoY growth (%)	479.6	2.3	36.5	26.5	17.4
P/E (x)	21.9	21.4	18.1	14.3	12.2
EV/EBITDA (x)	3.4	2.6	1.8	1.3	1.1
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	34.9	25.8	26.7	26.0	23.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit



Source: Company data, CMBIGM estimates

CR Beverage (2460 HK) – Leave the worst behind in 2025

Rating: BUY | **TP:** HK$11.09 (46% upside)

Analyst: Miao Zhang

- **Investment Thesis:** FY25 earnings hit a trough as revenue fell 18.6% YoY to RMB11.0bn and net profit dropped 39.8% YoY to RMB990mn, mainly dragged by lackluster packaged water sales and heavy marketing spending. The company is pushing forward deep headquarters restructuring and R&D overhaul, with admin headcount down 8% and R&D headcount up 63% YoY in FY25 to underpin reform delivery. Positive sales growth emerged in 2M26 amid a lighter comparable base, and the company has locked in low PET prices for 1–2 quarters to ease cost pressure. We expect earnings to bottom out in FY26E, making it a high-quality consumer staples target with clear recovery visibility.

- **Our View:** FY26E is expected to deliver 12.7% YoY revenue growth and 19.5% YoY net profit growth, confirming an earnings bottom. The company targets solid packaged water recovery and ~20% beverage growth in FY26E. Peak-season sell-through performance will be the key indicator to verify the recovery trend, while PET price volatility remains a key cost-side variable to watch.

- **Where do we differ vs consensus:** More optimistic on reform delivery and FY26E earnings recovery; more prudent on operating margin rebound amid lingering marketing pressure. Net profit forecast is slightly below consensus with a cautious margin view.

- **Catalysts:** 1) Better-than-expected peak-season sell-through; 2) stronger-than-expected reform implementation; 3) faster-than-expected PET cost decline; 4) higher-than-expected dividend payout ratio.

- **Valuation:** Maintain BUY. TP at HK$11.09 based on 20x 2026E P/E.

Link to latest report: CR Beverage (2460 HK) - Expect earnings to bottom out in FY26E

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	13,521	11,002	12,402	13,655	14,856
YoY growth (%)	0.0	(18.6)	12.7	10.1	8.8
Net profit (RMB mn)	1,636.7	985.3	1,177.0	1,426.8	1,637.2
YoY growth (%)	23.1	(39.8)	19.5	21.2	14.7
EPS (Reported) (RMB)	0.79	0.41	0.49	0.59	0.68
Consensus EPS (RMB)	N/A	N/A	0.51	0.59	0.62
P/E (x)	8.5	16.3	13.8	11.4	10.0
P/B (x)	1.2	1.4	1.3	1.3	1.2
Yield (%)	7.2	3.8	4.4	5.4	6.2
ROE (%)	18.0	8.9	10.5	11.8	12.9
Net gearing (%)	(50.3)	(10.8)	(13.5)	(14.8)	(17.0)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Headcount shifts reflect reform underway

No. of employees	2024	2025	change Δ	change %
Sales and Marketing	8,797	8,859	62	1%
Administration	347	320	-27	-8%
R&D	60	98	38	63%
Production	1,766	2,097	331	19%
Total	**10,970**	**11,374**	**404**	**4%**

Source: Company data, CMBIGM

WuXi AppTec (603259 CH) – Guidance raised after exceptional 2Q26 earnings

Rating: BUY | **TP:** RMB170.00 (4% upside)

Analysts: Jill Wu/Benchen Huang

- **Investment Thesis:** WuXi AppTec is a world leading pharmaceutical R&D and manufacturing platform which provides services with quality and efficiency for global clients. With capabilities covering major stages of drug R&D, WuXi AppTec has built close partnerships with a wide range of customers in the world, including all global Top20 pharmaceutical companies, positioning the Company as an indispensable part to the global pharmaceutical industry.

- **Our View:** The integrated CRDMO model has enabled WuXi AppTec to consistently capture business opportunities of global blockbuster drugs. With a pipeline spanning a broad range of therapeutic areas and a large client base globally, the Company possesses advantages of gaining deep industry insights, allowing it to proactively expand capabilities and capacities in advance. As a result, WuXi AppTec has successfully seized major manufacturing contracts such as oral COVID-19 therapeutics, peptides and small-molecule GLP-1 drugs. In 1H26, revenue from Small Molecule D&M segment surged by 72.7% YoY, becoming a new growth engine for the Company. As of 1H26, backlog from continuing operations increased by 25.2% YoY (or ~30% YoY excl. FX impacts) to RMB66.4bn, while newly signed orders in 1H26 grew by >40% YoY. In light of this strong momentum, WuXi AppTec plans to accelerate construction of new facility in Changzhou, which will include capacity for both small molecules and TIDES. Given its leading capabilities and capacities, we remain confident in WuXi AppTec's long-term competitiveness as the global leader in small-molecule CDMO market. We think that WuXi AppTec will continue to mitigate geopolitical risks with its global manufacturing network. Currently, it's P/E valuation is attractive.

- **Why do we differ vs consensus:** To factor in the strong momentum of small molecule D&M and TIDES business as well as continuous recovery of early-stage business, we raise our earnings forecasts for WuXi AppTec. Our 2026E earnings forecasts are higher than BBG consensus, reflecting our positive view on the Company's strong competency in the long run.

- **Valuation:** We derive our target price of RMB170.00 based on DCF valuation (WACC: 9.39%, terminal growth rate: 2.0%).

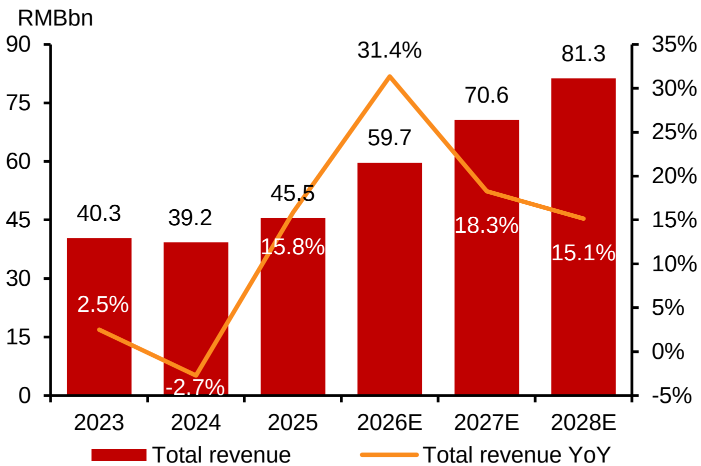
Link to latest report: WuXi AppTec (603259 CH) - Guidance raised after exceptional 2Q26 earnings

Financials and Valuations

(YE 31 Dec)	FY26E	FY27E	FY28E
Revenue (RMB mn)	59,709	70,608	81,295
Revenue YoY growth (%)	31.4	18.3	15.1
Adjusted net income (RMB mn)	23,788	27,335	31,058
Adjusted net income YoY growth (%)	59.1	14.9	13.6
Adjusted EPS (RMB)	8.16	9.16	10.41
EPS YoY growth (%)	55.8	12.3	13.6
Consensus EPS (RMB)	7.32	8.65	10.09
P/E (x)	17.9	15.6	13.7
P/B (x)	4.6	3.9	3.2
ROE (%)	25.9	25.1	23.8
Net gearing (%)	Net cash	Net cash	Net cash

Source: Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

3SBio (1530 HK) – Near-term pressure on product sales; 707 stands out as one of the global leaders in both development pace and breadth

Rating: BUY | **TP:** HK$34.87 (97% upside)

Analysts: Jill Wu/ Cathy Wang

- **Investment Thesis.** Global clinical development of 707 (PF'4404) is advancing rapidly by Pfizer, with data readouts from global trials expected to begin emerging over the next 2-3 years, which should support further value inflection for 707. Pfizer positions 707 as a backbone molecule within its oncology portfolio. Clinical development has progressed broadly as expected, with three global Phase III studies already initiated across four indications, and an additional global Phase III trial planned in 2H26E for 707 in combination with PADCEV (Nectin-4 ADC). We also expect further clinical studies to be initiated over time across thoracic, GI, and GU cancers. Near term, attention will focus on updated China Phase II data for 707 plus chemotherapy in 1L NSCLC at ESMO 2026 (Oct 23-27), where we expect mPFS to be disclosed.
- **Our View:** (1) To date, Pfizer has initiated eleven global trials for 707 and started enrollment in nine. The first ph3 study of 707+ADC for 1L mUC is expected to be initiated in 2026E, according to Pfizer. We expect the rapid clinical progress will trigger near-term milestone payments, significantly driving 3SBio's earnings. Beyond milestones, 3SBio is also benefiting from supplying drug substance for Pfizer's clinical studies, which drove CDMO revenue growth of 46.3% YoY in 2025. (2) 3SBio has built a broad pipeline of 27 candidates, with several candidates already obtaining the US FDA INDs, such as SSS67 and SSS68. We think these candidates with FDA INDs demonstrated 3SBio's global R&D strategy and may support 3SBio's future out-licensing deals. (3) Recent approvals, including NuPIAO (long-acting rhEPO), 608 (IL-17A), and SSS20 (eltrombopag), alongside NRDL inclusion for oral paclitaxel, are expected to generate revenue in 2026E and help partially offset traditional product declines, in our view.
- **Why do we differ vs consensus:** We think the market appears to have largely priced in near-term pressure on 3SBio's product sales in 2026E, with a return to more stable growth likely by 2027E. However, value discovery for 707 remains at an early stage. Pfizer has already advanced multiple global studies, with the pace and breadth of development ranking among the global leaders. As global clinical data are expected to read out over the next several years, we believe 707's global blockbuster potential remains the dominant upside driver.
- **Valuation:** We derive our target price to HK$34.87 (WACC: 10.11%, terminal growth rate: 2.0%), based on a 10-year DCF.

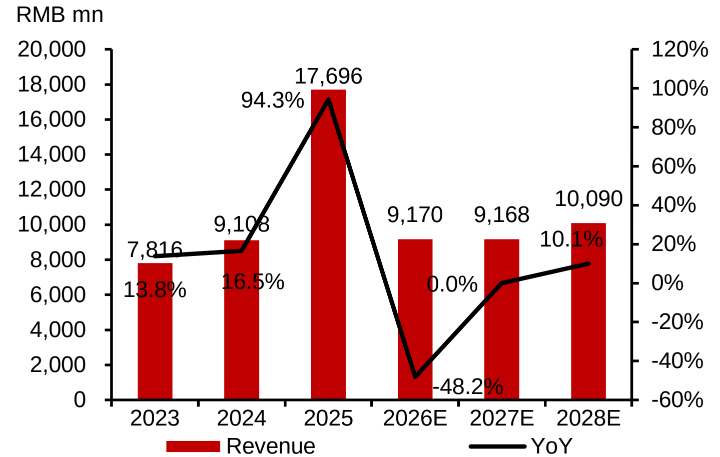
Link to latest report: 3SBio (1530 HK) - ASCO 2026 takeaways: encouraging first mPFS readout for 707 in 1L PD-L1+ NSCLC

Financials and Valuations

(YE 31 Dec)	FY26E	FY27E	FY28E
Revenue (RMB mn)	9,170	9,168	10,090
YoY growth (%)	(48.2)	(0.0)	10.1
Net profit (RMB mn)	1,898	1,616	1,815
YoY growth (%)	(77.6)	(14.8)	12.3
EPS (RMB)	0.75	0.64	0.72
P/E (x)	26.7	31.4	27.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

Ping An (2318 HK/601318 CH) – Expect 2Q OPAT strength persists

Rating: BUY **| TP:** HK$86.0/RMB75 (55%/40% upside)

Analyst: Nika MA

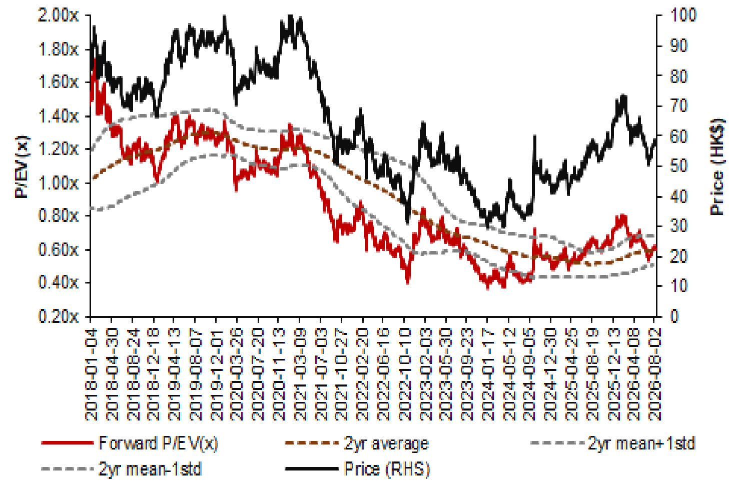
- **Investment thesis:** Ping An is in the final phase of de-risking its property exposure, and with consecutive provisions being made to the AM segment, we expect the AM drag to ease further, which could drive the Group's valuation re-rating over time. As of FY25, the operating loss from AM segment narrowed significantly to RMB3.8bn from RMB11.9bn in the year ahead. We believe continued improvements in its core business performance should support a share price rebound, alongside the mgmt. focus on shareholder returns and an enhanced balance sheet. We like Ping An for its resilient growth recovery driven by 1) Life OPAT growth acceleration in 2026E, as CSM release approaches an inflection point; 2) continued progress on AM de-risking; and 3) advanced deployment in technology and the buildout of a healthcare and elderly care ecosystem. We see Ping An's edge as a pioneer in life insurance reform and expect the intra-Group synergies to further deepen operational efficiency.
- **Our view:** Maintain BUY, with our TP at HK$86/RMB75. In our 1H26 preview (*link*), we adjust FY26E-28E EPS forecasts to RMB8.44/9.31/10.27 (prev. RMB8.20/8.72/ 9.44), and remain constructive on the outlook for Life OPAT acceleration in 2026E, as CSM release approaches a growth inflection. Our TP implies 0.83x FY26E P/EV and 1.2x FY26E P/B vs. now trading at 0.5x FY26E P/EV and 0.8x FY26E P/B.
- **Catalysts:** 1) Life CSM balance growth to turn positive in 2026E; 2) outperformed OPAT growth in AM segment, led by continued de-risking progress; 3) accelerating OPAT payout; 4) a significant rally in equity market; and 5) PAB profit enhancement.
- **Valuation:** Out SOTP-based TP of HK$86 for Ping An-H (2318 HK) and RMB75 for Ping An-A (601318 HK) are based on assumptions of a 12.5% cost of capital and a 2.5% terminal growth rate, including 1) 1.3x Life EV, reflecting ~13% average ROEV in FY26-28E; 2) 0.9x book value (BV) for Ping An P&C; 3) 0.6x BV for PAB; 4) 1.0x BV for AM and other segments; 5) HK$0.8/share for finance enablement businesses; and 6) a 15% Group conglomerate discount.
- **Key risks:** 1) tightening regulatory oversight; 2) a prolonged low-rate environment; 3) heightened equity market volatilities; 4) lower-than-expected new business sales; 5) intensified pricing competition in the P&C industry; and 6) asset deterioration, etc
- **Link to latest reports:** Ping An (2318 HK/601318 CH) - 1H26 preview: 2Q OPAT strength persists while NBV takes a breather

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Net profit (RMB mn)	134,778	148,129	163,434	180,303
EPS (RMB)	7.68	8.44	9.31	10.27
Consensus EPS (RMB)	N/A	8.21	8.99	9.79
P/EV (x)	0.59	0.54	0.50	0.46
P/B (x)	0.89	0.77	0.70	0.67
Dividend yield (%)	5.5	5.9	6.3	6.6
ROE (%)	14.0	13.8	13.0	14.0

Source: Company data, Bloomberg, CMBIGM estimates

Ping An H-share price and P/EV(x) valuation band



Source: Bloomberg, CMBIGM estimates

China Life (2628 HK) – 2Q profit surge priced in; expect 3Q underwriting resilience

Rating: BUY **| TP:** HK$34.0 (23% upside)

Analyst: Nika MA

- **Investment Thesis:** We like China Life for 1) its leading market position with most extensive offline distribution networks in China; 2) better-than-most-peers asset-liability duration match; 3) a more prudent UW composition mix (~1/3 from traditional/participating/protection-typed); and 4) reduced in-force book value cost to <2.9% as of end-1Q26. We think the market has priced in the 2Q equity-driven profit acceleration in 1H, with the half-year net profit attributable to shareholders surging to RMB128.9bn-RMB137.1bn, up 215%-235% YoY according to the alert (*link*), and look forward to 3Q26E new business performance on top of a high base in Jul-Aug alongside the equity allocation to OCI and A/L duration matching.

- **Our view:** Maintain BUY, with our TP at HK$34, implying 0.52x FY26E P/EV. We remain constructive on the prospects of the A-share market rebound in 3Q26E to drive earnings upside alongside 1) continued improvement in lower in-force book costs and 2) an improving product mix towards longer-duration and regular-paid policies.

- **Catalysts:** 1) sustained A-share market rally into 3Q26E; 2) a notable interest rate hike; 3) significantly reduced in-force book cost to below the current level of <2.9%; 4) better-than-expected earnings or NBV and 5) outperformed margin expansions.

- **Valuation:** The stock is trading at 0.4x FY26E P/EV and 1.0x FY26E P/B, with an average 3yr forward ROE at above 19% and a yield of 3.8%. We look positive on the insurer's stock price rebound in relation to the A-share market beta recovery in FY26E. Maintain BUY, with our TP implying FY26E 0.53x P/EV and 1.2x P/B.

- **Key risks:** 1) intensified equity market volatilities; 2) a prolonged low-interest rate environment; 3) weaker-than-expected new business sales; 4) stringent regulatory oversight; 5) margin deterioration; and 6) a sharp decline in life sales agents, etc.

Links to latest reports:

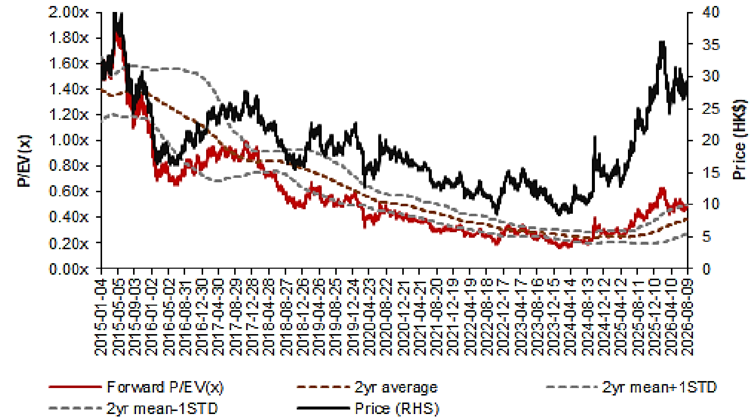
1. China Life (2628 HK) - NBV surge a strong beat, outweighing 1Q net profit dip
2. China Life (2628 HK) - 4Q net loss dragged by fair value contraction; DPS rose 31.7% ahead of expectations

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Net profit (RMB bn)	154.1	134.3	145.4	156.1
EPS (RMB)	5.45	4.75	5.14	5.52
Consensus EPS (RMB)	N/A	4.46	4.96	5.43
P/EV (x)	0.48	0.44	0.41	0.38
P/B (x)	1.1	1.0	0.8	0.7
Dividend yield (%)	3.5	3.7	3.9	4.0
ROE (%)	27.9	20.7	19.0	17.5

Source: Company data, Bloomberg, CMBIGM estimates

China Life H-share price and P/EV(x) valuation band



Source: Bloomberg, CMBIGM estimates

AIA (1299 HK) – Short-term pushbacks do not overshadow robust UW resilience

Rating: BUY | **TP:** HK$112.0 (55% upside)

Analyst: Nika MA

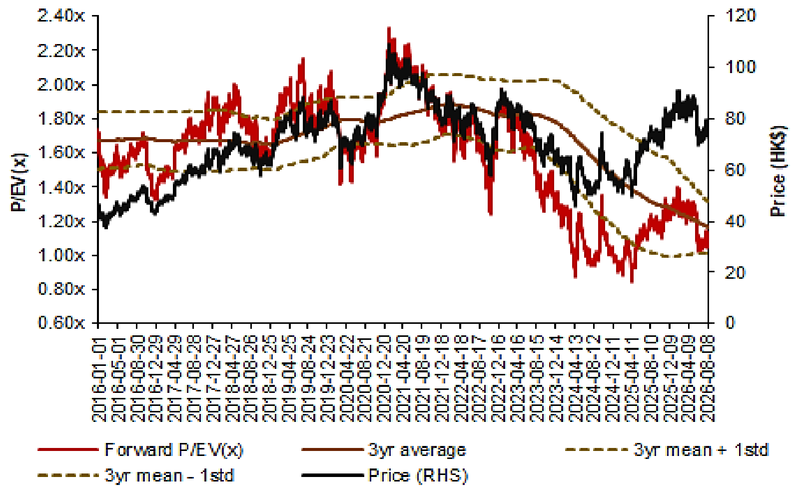
- **Investment Thesis:** 1) We expect strong demands to sustain across APAC markets in 2026E in support for robust VONB growth amid a broad-based margin expansion. We maintain our forecast of Group VONB to reach a mid-teen increase in FY26E; 2) Group OPAT will grow on track to meet the 9%-11% OPAT per share CAGR target in FY26E and we expect this per share figure to rise 12%/15% YoY(CER/AER) in 1H26; 3) UFSG is expected to remain strong as a valuable addition to Group free surplus balance as a solid underpin for sustainable shareholder returns; 4) >US$3.6bn have returned to shareholders by early June (US$1.9bn dividends + US$1.7bn buyback), and we expect ~4.0% total shareholder returns (TSR) over the next 12 months.
- **Our view:** Maintain BUY with TP (unchanged) at HK$112, implying 1.7x FY26E P/EV**.** Our FY26-28E operating EPS forecasts land at US$0.78/0.86/0.96, mainly reflecting robust VONB growth and a better investment outlook. 1H26 VONB is likely to remain resilient to rise by 12%/15% YoY (CER/AER) basis by our estimate, and Group OPAT to stay on track, up by 10%/12% YoY (CER/AER) in 1H26 (*link*).
- **Key Catalysts:** 1) Mgmt. guidance on cross-border sales outlook for MCVs in HK; 2) regulatory clarity on the timeline and implementation plan for offshore insurance tax levies; and 3) prospects on FY27E shareholder returns. Although we currently do not factor in additional buyback in 2H26E, any additional amount will be an add.
- **Valuation:** The stock is trading at 1.1x FY26E P/EV or 11.9x FY26E P/OPAT, close to its historic trough of 1.0x/~10x. Although the recent tightening of cross-border regulation and news on offshore insurance tax levies intensified a sentiment-driven pullback, we believe a solid VONB growth outlook can be the underlying driving force for distributable earnings and eventually to the Group free surplus generation.
- **Key risks:** 1) Weaker-than-expected new business sales across key markets; 2) faster and stricter-than-expected offshore insurance tax enforcement by Chinese tax authorities; 3) heightened cross-border regulatory scrutiny and capital controls; 4) margin deterioration amid increasing medical inflation and negative economic shocks; and 5) a prolonged low interest yield in mainland market and significant volatilities in equity market returns and forex movements, etc.
- **Links to latest reports:**
- **1.** Asia Insurance - Offshore insurance tax sell-off likely overdone
- 2. AIA Group Ltd. (1299 HK) - 1H26 preview: 2Q VONB moderate while OPAT on track; 3Q high base looms in AIA HK/China

Financials and Valuations

(YE 31 Dec)	FY25A	FY26E	FY27E	FY28E
Operating profit (US$ mn)	7,136	8,053	8,818	9,673
Operating EPS (US$)	0.68	0.78	0.86	0.96
Consensus EPS (US$)	N/A	0.77	0.85	0.96
P/EV (x)	1.3	1.1	1.0	0.9
P/B (x)	2.3	2.1	1.9	1.8
Dividend yield (%)	2.7	2.9	3.2	3.5
Operating ROE (%)	17.0	18.1	18.5	18.9

Source: Company data, Bloomberg, CMBIGM estimates

AIA (1299 HK): Share price and P/EV(x) valuation band



Source: Bloomberg, CMBIGM estimates

Tencent (700 HK) – Solid core business growth; investing to accelerate AI development

Rating: BUY | **TP:** HK$735.0 (67% upside)   Analyst: Saiyi He/Wentao LU/Frank Tao/Shuyin GUO

- **Investment Thesis:** Tencent's competitive edge remains solid, and investors over-reacted to the short-term earnings impact of increased AI investment, in our view. We expect Tencent to deliver sustainable earnings growth (+5%/+6% YoY in FY26/27E) despite step-up of AI investment. We expect several catalysts to support Tencent's fundamental and valuation recovery: 1) agentic applications like Xiaowei & WorkBuddy enable Tencent to leverage Weixin+AI to tap into the enormous AI agent market; 2) performance of evergreen titles remains solid, and new titles like Roco Kingdom: World contribute incremental revenue; 3) AI empowerment and improved monetization drive faster-than-sector marketing revenue growth. Tencent currently trades at 14x FY26E non-GAAP PE, offering attractive risk-reward in our view.
- **Our View:** Tencent will report 2Q26E results on 12 Aug: we expect total revenue to increase by 9% YoY to RMB201.3bn, driven by the solid growth of games and marketing businesses; we estimate non-IFRS net income to grow by 7% YoY to RMB67.3bn, with non-IFRS NPM down by 0.7ppts YoY mainly due to AI-related investment. Overall, we slightly trim our FY26 non-IFRS net income forecast by 1% in view of the AI investment. That said, we remain upbeat on the ROI of Tencent's AI spend, proven by its enhancing HY model performance, accelerating cloud revenue growth and improving ad solutions.
- **Catalysts:** 1) Weixin AI: Tencent is building the next-gen agentic services in Weixin, which will boost ecosystem activities and may generate revenue itself; 2) productivity AI: the company is introducing a range of autonomous AI agents like WorkBuddy, creating new monetization opportunities
- **Valuation:** Our SOTP-derived target price is HK$735.0, consisting of HK$345.7/30.6/144.4/105.6/35.4 for games/SNS/marketing/FBS/cloud and HK$2.2/71.1 for net cash/strategic investment.

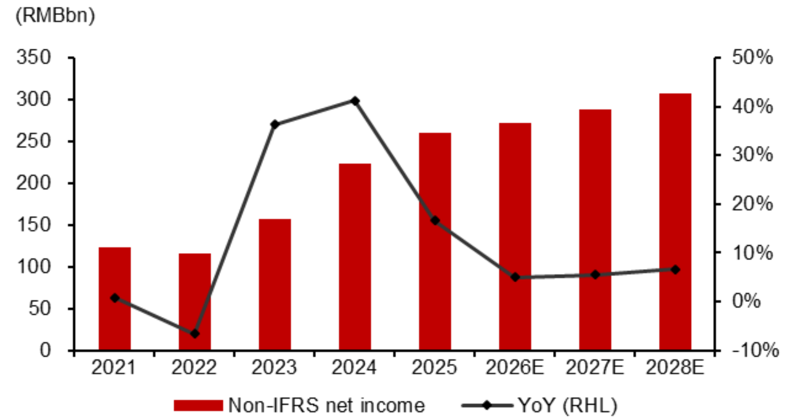
Link to latest report: Tencent (700 HK) - Solid core business growth; investing to accelerate AI development

Financials and Valuations

(YE 31 Dec)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (RMB mn)	660,257	751,766	817,806	878,578	926,280
Gross margin (%)	52.9	56.2	57.2	57.7	57.9
Adj net profit (RMB mn)	222,703	259,626	272,643	287,512	306,655
EPS (Adjusted) (RMB)	23.96	28.55	29.95	32.06	34.72
Consensus EPS (RMB)	23.96	28.55	30.04	33.30	36.85
Non-GAAP P/E (x)	17.1	14.4	13.7	12.8	11.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

NetEase (NTES US) – Solid fundamental; southbound connect inclusion attracts fund inflow

Rating: BUY | **TP:** US$155.0 (25% upside)   Analyst: Saiyi He/Frank Tao/Wentao LU/Shuyin Guo

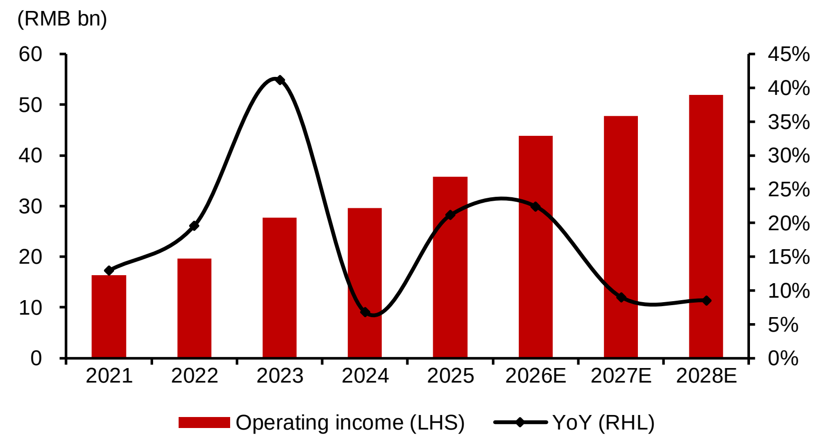
- **Investment Thesis:** We expect NetEase to deliver solid earnings growth in FY26, supported by new game titles and margin expansion: 1) Sea of Remnants was launched in July 2026, with largely inline performance and revenue ramping up; 2) channel costs optimization and favorable revenue mix shift continues to support better-than-expected margin expansion. Besides, NetEase was included in Southbound stock connect on 30 Jun, which should attract positive fund inflow in our view. We forecast NetEase FY26E non-GAAP net income to grow by 14% YoY. The company currently trades at 13x FY26E non-GAAP PE. Our SOTP-derived target price is US$155.0, translated into 16x FY26E non-GAAP PE.
- **Our View:** We expect NetEase's 2Q26 total revenue to grow by 3% YoY to RMB28.8bn; and operating income to increase by 13% YoY RMB10.3bn, supported by GPM expansion and opex control. Sea of Remnants was launched in July 2026 and delivered inline performance, with revenue gradually ramping up. Looking ahead, highly-anticipated game titles like ANANTA are lined up for launch FY27, which we expect to drive acceleration of games revenue growth. BUY on the quality game pipeline and resilient earnings growth outlook.
- **Catalysts:** 1) Launch of Sea of Remnants accelerates 2H26 revenue growth; 2) Southbound connect inclusion attracts fund inflow.
- **Valuation:** Our SOTP-derived target price is US$155.0, consisting of US$137.2/0.6/2.2/1.2 for games/Youdao/NetEase Cloud Music/Innovative Businesses and Others and US$13.9 for net cash.
- **Link to latest report:** NetEase (NTES US) - 1Q26 results: strong profit beat on margin expansion; solid game pipeline in 2H26E

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	105,295	112,626	120,522	129,042	137,396
Gross margin (%)	62.5%	64.3%	67.0%	67.2%	67.4%
Adj net profit (RMB mn)	33,511	37,344	42,567	46,322	49,134
EPS (Adjusted) (RMB)	52.35	58.83	66.14	71.76	76.12
Consensus EPS (RMB)	52.35	58.83	62.49	69.52	75.47
Non-GAAP P/E (x)	16.9	15.1	13.4	12.4	11.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Operating income growth



Source: Company data, CMBIGM estimates

Meituan (3690 HK) – 1Q results beat; expecting food delivery business to return to breakeven in 2Q26

Rating: BUY | **TP:** HK$138.0 (52% upside)   Analyst: Saiyi He/Frank Tao/Wentao LU/Shuyin Guo

- **Investment Thesis:** Earnings of Meituan's Core Local Commerce (CLC) business are bottoming out, in our view, as: 1) regulatory guidance in the food delivery industry is steering the sector toward healthier development; and 2) players in the in-store segment are increasingly focusing on their core competencies and categories to drive more efficient expansion. Meituan has demonstrated strong consumer mindshare in high-value food delivery (FD) orders, and improved operating efficiency should help sustain its unit economics (UE) advantage over peers in the long term.

- **Our View:** We believe the most intense phase of competition in the local services sector may have passed. CLC operating loss narrowed 80% QoQ in 1Q26, and we expect the segment to swing to an operating profit of RMB3.0bn in 2Q26, aided by more disciplined user subsidies in FD as industry competition turns more rational. Excluding the impact from investment in enhanced membership benefits, we expect FD operating profit to return to breakeven during the peak season in 2Q26E.

- **Catalysts:** 1) Better-than-expected UE recovery in the FD business, driven by greater-than-expected improvement in industry competition; 2) better-than-expected recovery in the OPM of the in-store business, driven by more benign-than-expected industry competition.

- **Valuation:** DCF-based valuation of HK$138.0, which translates into 16.9x 2028E adjusted P/E.

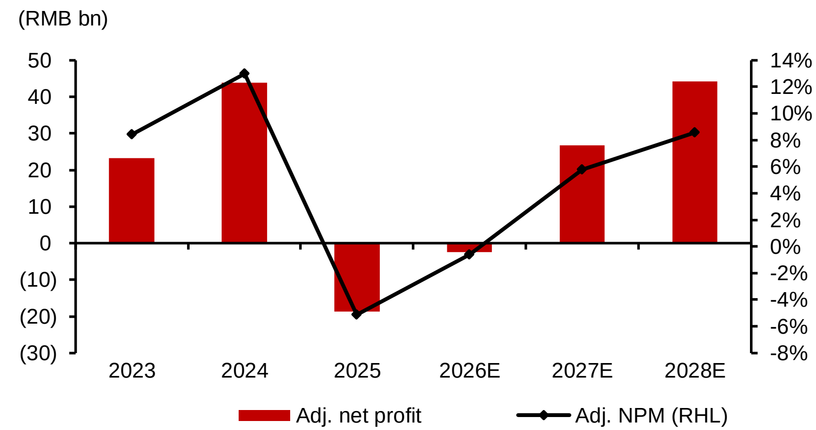
Link to latest report: Meituan (3690 HK) – 1Q results beat; expecting food delivery business to return to breakeven in 2Q26

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	337,592	364,855	404,186	461,742	516,350
YoY growth (%)	22.0	8.1	10.8	14.2	11.8
Net profit (RMB mn)	35,807.2	(23,355.1)	(9,254.5)	20,314.3	37,532.2
Adjusted NP (RMB mn)	43,772.4	(18,648.0)	(2,477.0)	26,723.9	44,159.2
YoY growth (%)	88.2	N/A	N/A	N/A	65.2
P/E (x)	11.6	N/A	N/A	20.2	10.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Meituan: adjusted net profit



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Strong cloud business development prospects

Rating: BUY | **TP:** US$220.1 (76% upside)   Analyst: Saiyi He/Frank Tao/Wentao LU/Shuyin GUO

- **Investment Thesis:** 1) Strong growth prospects for cloud computing revenue, driven by rising adoption of AI-related products and growing digitalization demand; 2) on-track loss reduction of quick commerce could support earnings recovery and create more room for Alibaba to invest in AI business deployment. Endowed with strong technological capabilities and abundant AI application scenarios, we believe Alibaba is poised to drive its long-term revenue and profit growth through its two strategic business pillars: "Consumption" and "AI + Cloud".
- **Key updates for 4QFY26 (1Q26):** Management highlighted that: 1) AI-related revenue accounted for 30% of external cloud revenue, with its annual run rate reaching RMB35.8bn, and management expects AI revenue to exceed 50% of external revenue in about one year; and 2) AI model and application services (mainly MaaS API revenue and AI native app subscription) ARR recently surpassed RMB8bn, with management expecting this to reach RMB10bn by June 2026 and RMB30bn by end-2026. Mgmt. expects a notable sequential improvement in the cloud business margin profile in 1HFY27 driven by the increase in revenue contribution from MaaS, price hikes, as well as greater scale benefits, and reiterated its medium- to long-term target of a 20% adjusted EBITA margin for CIG.
- **Our View:** Alibaba remains one of the key beneficiaries of the AI investment theme. Supported by strong demand, we are positive on further acceleration in cloud revenue growth especially for MaaS related services, as well as margin expansion, which we believe should support a valuation rerating for Alibaba.
- **Catalysts:** Better-than-expected cloud revenue growth and margin expansion.
- **Valuation:** SOTP-based valuation of US$220.1 per ADS, which translates into 23x FY28E P/E.

Link to latest report: Alibaba (BABA US) – Strong cloud business development prospects

Financials and Valuations

(YE 31 Mar)	FY26A	FY27E	FY28E	FY29E
Revenue (RMB mn)	1,023,670	1,116,087	1,238,050	1,376,082
Adjusted NP (RMB mn)	64,438.0	98,224.1	152,189.4	198,743.2
EPS (Adjusted) (RMB)	27.76	42.75	66.90	88.25
P/E (x)	21.7	29.3	17.2	12.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (USDmn)	Valuation method	Rev (USDmn)	Adj. EBITA post tax (USDmn)	P/E (x)	EV/S (x)	Val. Rmb mn	Val. US$m	$/share	Value split
1	Alibaba China E-commerce Group	12x FY28E EV/EBITA; assume 20% tax rate on adjusted EBITA; discount back with 11% WACC		20,498	12.0		1,506,871	221,599	93.1	42%
2	International Digital Commerce Group	1.5x FY27E EV/S	22,417			1.5	228,654	33,626	14.1	6%
3	Cloud Intelligence Group	6.0x FY27E EV/S on revenue before intersegment elimination	33,952			6.0	1,385,236	203,711	85.6	39%
4	All others	1.0x FY27E EV/S	38,529			1.0	261,998	38,529	16.2	7%
	Total Alibaba business						3,382,760	497,465	209.0	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	27,521	11.6	
2	Others	Market valuation					70,876	10,423	4.4	
	Total investment (with 30% holding discount)								11.2	5%
	Total								220.1	
	#s of diluted ADS (mn)								2,380	

Source: Company data, CMBIGM estimates

CR MixC Lifestyle (1209 HK) – Commercial business to unfold new chapter

Rating: BUY | **TP:** HK$53.58 (34% upside)

Analysts: Miao Zhang

- **Investment Thesis:** The company's commercial business stands as the core growth engine, closely riding the service consumption upgrade trend and driven by high-margin shopping mall operations supported by luxury, trendy toys, gold jewelries and outdoor gears. The residential business continues to see quality improvement with stable basic property management despite short-term VAS pressure. The company features lower dependence on traditional residential business, outstanding shopping mall operation capabilities, a sustained 100% dividend payout ratio, strong sector leadership and scarcity premium, as well as dual investment appeal for both property and consumer investors, making it our top pick in the property management sector.

- **Our View:** For FY26E, we expect the company to achieve double-digit growth in both revenue and core net profit. We forecast 10-12% commercial revenue growth (2026-28E) and 5-6% residential growth amid fierce third-party competition. The 15th FYP target of 100 new third-party malls is not aggressive and aligns with industry trends in our view, given that declining new commercial land supply, few high-quality projects and intense homogenized competition will lift penetration of asset-light operation and help improve profitability of existing malls. However, the conservative SSSG outlook reflects the company's view that consumption will normalize with moderating growth through the 15th FYP period.

- **Where do we differ vs consensus:** More optimistic on commercial segment growth; cautious on residential third-party expansion. Net profit forecast is slightly below consensus, with a more prudent view on margin trends.

- **Catalysts:** 1) Better-than-expected monthly retail sales growth; 2) faster-than-expected third-party mall expansion; 3) stronger-than-expected recovery of VAS biz.

- **Valuation:** Maintain BUY. TP at HK$53.58 is based on 25x 2026E P/E.

Link to latest report: CR MixC Lifestyle (1209 HK) - Commercial biz to ride the trend, residential biz to upgrade quality

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,043	18,022	19,661	21,308	22,937
YoY growth (%)	15.4	5.7	9.1	8.4	7.6
Net profit (RMB mn)	3,629.4	3,969.0	4,451.8	4,844.9	5,281.1
YoY growth (%)	1.59	1.74	1.95	2.12	2.31
EPS (Reported) (RMB)	23.9	9.4	12.2	8.8	9.0
Consensus EPS (RMB)	N/A	N/A	1.98	2.21	2.42
P/E (x)	21.2	19.3	17.7	16.3	14.9
P/B (x)	4.7	5.0	4.9	4.8	4.6
Yield (%)	1.9	1.5	5.6	6.1	6.7
ROE (%)	22.4	24.8	28.3	29.7	31.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band (Closing Price)

Source: Wind, CMBIGM estimate (data as of 6 July 2026)

Greentown Service (2869 HK) – Bearing fruit from efficiency gains

Rating: BUY | **TP:** HK$6.55 (59% upside)

Analysts: Miao Zhang

- **Investment Thesis:** Efficiency improvement delivers substantial results: FY25 core OP surged 24.6% YoY, beating 15% guidance by a wide margin, with cost savings of RMB263mn contributing 70% of core OP growth. Basic PM stays resilient with steady third-party expansion; the company maintains high dividend payout ratio. Despite near-term pressure from elevated new home vacancy rates, which dents fee collection, Greentown Service remains a high-quality PM target in our view.

- **Our View:** FY25 core OP jumped 24.6% YoY, far exceeding the 15% management guidance. FY26E is guided for >15% core OP growth, plus 0.5ppt gross margin expansion and 0.5ppt SG&A ratio cut. Efficiency gains are sustainable as they come from operational optimization rather than simple layoffs. Elevated new home vacancy will keep fee collection under pressure in the next 1–2 years.

- **Where do we differ vs consensus:** More optimistic on the sustainability of efficiency improvement; more prudent on medium-term fee collection pressure amid high new home vacancy. Net profit forecast is slightly below consensus, with a more cautious target P/E multiple.

- **Catalysts:** 1) Better-than-expected collection rate recovery; 2) faster-than-expected margin improvement; 3) stronger-than-expected profitability of VAS biz; 4) higher-than-expected dividend payout ratio.

- **Valuation:** Maintain BUY. TP at HK$6.55 is based on 18x 2026E P/E.

Link to latest report: Greentown Service (2869 HK) - Continue to bear fruit from efficiency gains

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	17,893	19,164	20,733	22,309	23,830
YoY growth (%)	6.4	7.1	8.2	7.6	6.8
Net profit (RMB mn)	785.1	880.2	1,030.2	1,187.3	1,307.7
YoY growth (%)	0.25	0.28	0.33	0.38	0.42
EPS (Reported) (RMB)	31.6	12.7	17.0	15.3	10.1
Consensus EPS (RMB)	N/A	0.29	0.34	0.38	0.38
P/E (x)	14.2	12.6	11.0	9.5	8.6
P/B (x)	1.6	1.5	1.5	1.4	1.4
Yield (%)	5.3	6.0	6.8	7.9	8.7
ROE (%)	10.3	11.2	12.6	13.8	14.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Managed GFA termination rate

Managed GFA movement (mn sqm)	2022A	2023A	2024A	2025A	1H24	2H24	1H25	2H25
At the beginning of the period	304.1	381.4	448.4	509.0	448.4	481.7	509.0	536.3
Addition	**83.3**	**83.4**	**79.2**	**79.1**	**40.3**	**38.9**	**39.3**	**39.8**
Termination	(6.0)	(16.4)	(18.6)	(22.1)	(7.0)	(11.6)	(12.0)	(10.1)
At the end of the period	381.4	448.4	509.0	566.0	481.7	509.0	536.3	566.0
Termination rate (=Termination GFA / Beginning GFA)	*-2.0%*	*-4.3%*	*-4.1%*	*-4.3%*	*-1.6%*	*-2.4%*	*-2.4%*	*-1.9%*

Source: Company data, CMBIGM

Lumentum (LITE US) – A key supplier in optical component sector

Rating: BUY **| TP:** US$1,230 (Upside: 32%)

Analysts: Kevin Zhang/Aaron Guo

- **Investment thesis:** Lumentum is structurally positioned to monetize the AI optical growth cycle through an expanding addressable market and sustained pricing power. The company's diverse product portfolio, spanning EML and CW lasers in pluggables to UHP and ELS for NPO and CPO architectures, captures incremental demand as data center interconnects evolve. Crucially, management views NPO as an additive opportunity rather than a replacement for CPO, which broadens the company's total addressable laser content. Concurrently, persistent supply constraints across EML, CW, and UHP lasers are providing immense support for selective pricing and high utilization rates. This dynamic has driven exceptional margin leverage, allowing the company to reach its long-term 50.4% non-GAAP gross margin target at roughly half the previously planned US$2bn revenue scale, signaling structurally higher earnings conversion moving forward.
- **Our view:** We rate Lumentum as BUY with a target price of US$1,230, based on an unchanged 35x FY28E P/E. This premium valuation is firmly justified by the company's status as a purer AI optical player and its impressive 4QFY26 financial beat. Recognizing this accelerated earnings leverage, improved CW laser economics, and sustained supply tightness, we have raised our FY27 and FY28 revenue estimates by 13% and 18%, alongside 0.9% and 0.8% upward revisions to gross margins. With a robust 1QFY27 revenue guidance of US$1.225-1.275bn and initial ELS module orders already secured for 2HCY27 delivery, we see a clear runway for continued outperformance driven by both systems-level exposure and broader pluggable/packaged demand.
- **Key risks:** Slower-than-expected InP capacity ramp due to supply chain constraints, manufacturing yields or qualification delays.
- **Valuation:** Our TP of US$1,230 is based on 35x FY28E P/E at non-GAAP EPS of US$35.1.

Links to latest reports:

1. Lumentum (LITE US) - 4Q earnings beat; optical momentum continues across multiple architecture

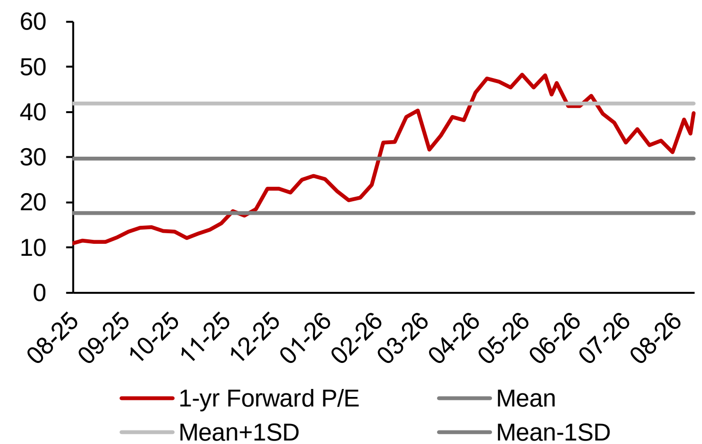
2. Lumentum (LITE US) - Scaling AI through light; initiate at BUY

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	1,645	3,014	6,678	10,778	14,697
YoY growth (%)	21.0	83.2	121.6	61.4	36.4
Gross margin (%)	34.7	46.0	52.1	52.8	52.3
Adjusted net profit (US$ mn)	146.4	782.3	2,225.4	3,583.5	4,849.0
YoY growth (%)	94.7	434.4	184.5	61.0	35.3
EPS (Adjusted) (US$)	2.06	8.67	21.82	35.13	47.54
P/E (Adjusted) (x)	399.1	94.6	37.6	23.4	17.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: P/E chart



Source: Company data, CMBIGM estimates

SMIC (981 HK) – Benefiting from resilient capacity utilization & rising domestic AI silicon demand

Rating: BUY **| TP:** HK$110 (62% upside)

Analysts: Kevin Zhang/Aaron Guo

- **Investment thesis: We rate SMIC (981 HK) at BUY with a target price of HK$110, based on a 5.0x FY27E P/B multiple. Our constructive view is anchored by its irreplaceable position as China's core wafer foundry, offering unique strategic scarcity.**
  1. **Capacity monetization:** SMIC is successfully transitioning from aggressive expansion to capacity conversion, turning prior capex into qualified, revenue-generating 12-inch output.
  2. **AI-driven resilience:** Broader AI supply tightness is pulling forward demand for supporting chips (PMIC, BCD, RF, CIS). This effectively defends utilization rates and ASPs against broader consumer market weakness.
  3. **Domestic AI enabler:** Despite equipment constraints, SMIC's advanced-logic roadmap provides the critical manufacturing baseline for domestic AI developers.
  4. **Financial outlook:** Improving revenue quality and full ownership of SMNC support our 22% YoY revenue growth forecast for 2026E, counterbalancing near-term margin pressure from rising depreciation.
- **Catalysts:** 1) Core localization anchor; 2) capex-to-revenue conversion; 3) AI-driven demand resilience; 4) strategic infra. scarcity.
- **Risks:** Exports restrictions, depreciation burden, capacity conversion bottlenecks, advanced-node execution limits
- **Valuation:** BUY with TP of HK$110, corresponding to 5.0x 2027E P/B.

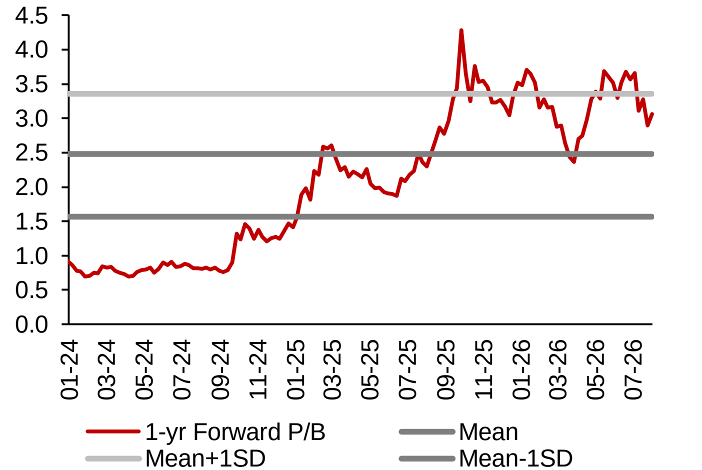
Link to latest report: SMIC (981 HK) - Scaling through cycles, strengthening through constraints; initiate at BUY

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	8,030	9,327	11,413	13,042	14,615
YoY growth (%)	27.0	16.2	22.4	14.3	12.1
Gross margin (%)	18.0	21.0	21.5	23.3	24.4
Net profit (RMB mn)	492.7	685.1	1,166.5	1,622.1	2,030.4
YoY growth (%)	(45.4)	39.0	70.3	39.1	25.2
EPS (Reported) (RMB)	5.99	8.39	13.55	18.95	20.26
P/B (x)	3.3	3.2	3.1	3.0	2.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Forward P/B chart



Source: Company data, CMBIGM estimates

NAURA (002371 CH) – Solid platform leader in China WFE sector

Rating: BUY **| TP:** RMB540 (upside: N/A) Analysts: Kevin Zhang/Aaron Guo

- **Investment thesis:** Recent Huawei's Tau Scaling Law argues that AI compute scaling should be measured not only by transistor density, but also by time-to-compute, system latency and full-stack efficiency across chips, packaging, interconnect and architecture. This strengthens NAURA's medium-term re-rating logic by reframing China's AI silicon roadmap around system-level scaling rather than pure leading-edge lithography. As Huawei pushes LogicFolding, 3D integration and latency reduction to offset EUV constraints, the bottleneck shifts toward process complexity: advanced etch, deposition, thermal processing, cleaning, wafer bonding and TSV-related steps. NAURA is one of the broadest domestic platforms across these tool categories, so the upside is not only import substitution, but rising equipment intensity per unit of AI compute. Longer term, if China's semiconductor equipment substitution rate rises toward 50% by 2030E, NAURA should remain a core beneficiary of both localization and higher process intensity.

- **Risks:** 1) Lower-than-expected domestic foundry capex plan; 2) slower-than expected R&D progress; 3) higher raw material costs, etc.

- **Valuation:** Maintain BUY, with TP set at RMB540, based on 35x FY27E P/E.

Link to latest report:

1.Naura Technology (002371 CH) - Building for the next leg of WFE growth

2. Naura Technology (002371 CH) - Intact long-term growth trajectory despite seasonal fluctuations; Maintain BUY

3. Naura Technology (002371 CH) - Solid FY24 earnings amid accelerated semi supply chain domestication

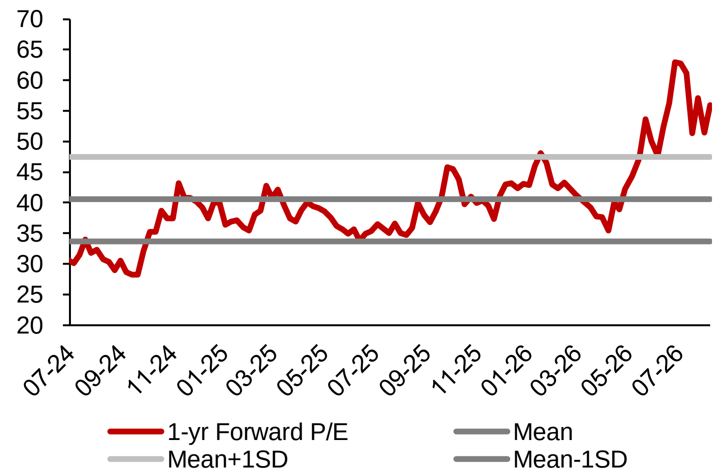
4. Naura Technology (002371 CH) - Solid Q3 earnings signal intact growth trajectory

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	30,075	39,353	51,977	65,752	81,559
YoY growth (%)	36.2	30.9	32.1	26.5	24.0
Gross margin (%)	42.9	40.1	40.1	41.5	43.0
Net profit (RMB mn)	5,621.8	5,522.0	7,739.4	11,048.9	15,594.7
YoY growth (%)	44.2	(1.8)	40.2	42.8	41.1
EPS (RMB)	7.83	7.64	10.71	15.30	21.59
P/E (x)	96.0	98.4	70.2	49.2	34.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

InnoScience (2577 HK) – A major power semi player in 800VDC architecture

Rating: BUY **| TP:** HK$75 (63% upside)

Analysts: Kevin Zhang/Aaron Guo

- **Investment thesis:** The company is executing a profound structural pivot away from low-margin consumer electronics toward higher-value integrated products, such as advanced chips, ICs, and modules, which now dominate its product mix. By securing early, high-conviction footprints in next-generation hardware ecosystems, including 800V AI data center architectures for hyperscale leaders, main drive inverters for electric vehicles, and joint modules for humanoid robotics, InnoScience has effectively decoupled its growth runway from cyclical consumer risks. Crucially, its aggressive capacity roadmap provides the manufacturing scale needed to extract immense operating leverage and outpace fabless competitors. This combination of structural product mix premiumization, elite AI/auto customer validation, and massive IDM asset moats strongly justifies a premium multiple as it transitions into a high-margin enterprise powerhouse.
- **Our view:** We view InnoScience as a structurally undervalued leader in the GaN ecosystem. By aggressively shifting its mix toward high-margin integrated ICs and modules, the company is effectively decoupling from consumer cycles. Crucial design wins in 800V AI data centers, automotive inverters, and robotics, supported by a massive 70k wfpm IDM capacity moat, create a clear path to long-term operating leverage.
- **Key risks:** slower-than-expected capacity ramp-up, intensified competition, geopolitical uncertainties, etc.
- **Valuation:** Our TP of HK$75 is based on 35.0x 2030E P/E and discounted back to 26E using COE of 12%.

Links to latest reports:

1.InnoScience (2577 HK) - GaN-ning momentum one step at a time

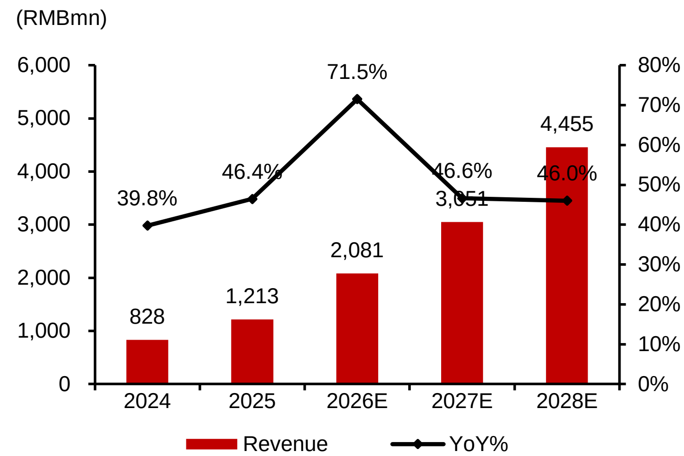
2. InnoScience (2577 HK) - Global integrated GaN leader with significant growth potential

Financials and Valuations

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	828	1,213	2,081	3,051	4,455
YoY growth (%)	39.8	46.4	71.5	46.6	46.0
Gross margin (%)	(19.5)	7.3	22.5	33.4	40.5
Net profit (RMB mn)	(1,045.7)	(840.5)	(564.9)	(109.8)	589.7
EPS (Reported) (RMB cents)	N/A	N/A	N/A	(12.47)	66.93
P/E (x)	N/A	N/A	N/A	N/A	57.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue and growth



Source: Company data, CMBIGM estimates

Microsoft (MSFT US) – Tangible ROI increasingly evident

Rating: BUY | **TP:** US$634.2 (upside: 29%)   Analysts: Saiyi He/Frank Tao/Wentao Lu/Shuyin Guo

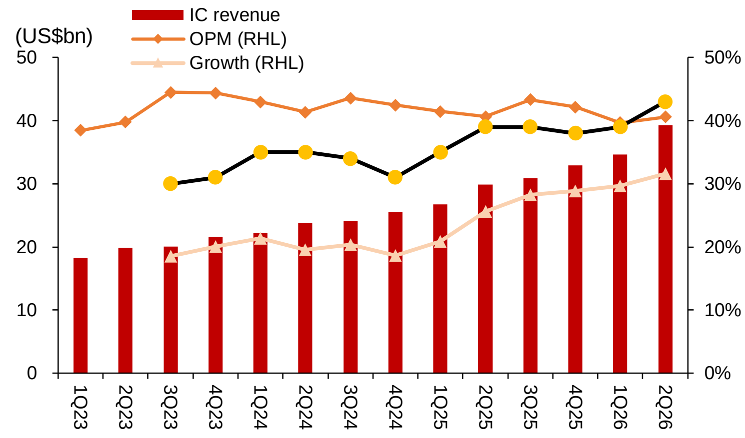
- **Investment Thesis:** Microsoft is one of the key beneficiaries of the Gen-AI era, in our view. Its cohesive product portfolio, large consumer and enterprise customer bases, and R&D leadership present significant new business opportunities amid the AI wave. We remain constructive on Microsoft's long-term growth potential across both its first-party applications, supported by AI integration, and its Intelligent Cloud business, aided by strengthening digitalization demand. On a FY25-28E (Jun year-end) revenue CAGR of 17%, we forecast operating profit to grow at a 17% CAGR. Microsoft currently trades at 25x FY27E non-GAAP P/E, versus its five-year average of 30x, offering an attractive risk-reward profile, in our view.
- **Our View:** the tangible ROI on capex investment is becoming increasingly evident across both Microsoft's cloud business and first-party applications, as evidenced by: 1) Azure and other cloud services revenue growth accelerating to 43% YoY in 4QFY26 (vs. guidance of 39-40%), with management expecting further acceleration to 45% YoY in 1QFY27; and 2) Microsoft 365 Copilot reaching 30mn paid seats, with net seat additions more than doubling QoQ, driven by improved product capabilities and more integrated AI offerings. We expect both trends to sustain, potentially supporting a further valuation rerating for Microsoft.
- **Catalysts:** 1) stronger-than-expected Azure and other cloud services revenue growth; and 2) better-than-expected monetization and penetration of Microsoft 365 Copilot.
- **Valuation:** Our DCF-based target price is US$634.2 (WACC of 7.9%; terminal growth of 3%), translating into 32x FY27E PE.
- **Link to latest report:** Microsoft (MSFT US) — Tangible ROI increasingly evident

Financials and Valuations

(YE 31 Dec)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue (US$ mn)	281,724	331,839	392,809	456,749	533,567
YoY growth (%)	14.9	17.8	18.4	16.3	16.8
Net profit (US$ mn)	101,832.0	133,749.0	147,668.2	170,788.8	198,927.1
YoY growth (%)	15.5	31.3	10.4	15.7	16.5
EPS (Reported) (US$)	13.70	18.00	19.89	23.01	26.82
P/E (x)	32.9	25.1	22.7	19.6	16.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Microsoft: cloud revenue growth



Source: Company data, CMBIGM estimates

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OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months

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