CMBI Research Focus List

Our best high conviction ideas

19 April 2024

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) FY23A	P/E (x) FY24E	P/B (x) FY23A	ROE (%) FY23A	Yield FY23A	Analyst
Long Ideas														
Li Auto Inc.	LI US	Auto	BUY	31.0	273.0	29.2	48.00	64%	17.1	13.9	3.3	N/A	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	11.4	43.1	8.8	14.00	58%	15.8	12.5	1.0	6.8	2.3%	Shi Ji/ Dou Wenjing
Weichai Power	2338 HK	Capital Goods	BUY	21.4	21.1	17.2	22.00	28%	15.0	11.2	1.7	11.8	3.3%	Wayne Fung
Zhejiang Dingli	603338 CH	Capital Goods	BUY	4.8	34.2	69.1	70.00	1%	20.0	17.3	4.0	21.7	1.0%	Wayne Fung
Bosideng	3998 HK	Consumer Discretionary	BUY	5.8	9.9	4.2	3.86	-8%	17.9	14.7	2.9	17.2	4.9%	Walter Woo
Haier Smart Home	6690 HK	Consumer Discretionary	BUY	34.4	37.5	25.8	31.24	21%	13.5	11.8	2.0	15.8	3.3%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.7	0.3	4.6	6.71	45%	9.3	7.4	1.9	24.2	4.3%	Walter Woo
Kweichow Moutai	600519 CH	Consumer Staples	BUY	288.1	688.5	1660.8	2219.00	34%	28.6	23.1	9.8	35.6	1.5%	Bella Li
BeiGene	BGNE US	Healthcare	BUY	15.7	39.2	132.0	268.20	103%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
PICC P&C	2328 HK	Insurance	BUY	28.9	35.3	10.2	11.90	17%	N/A	N/A	0.9	10.8	5.1%	Nika Ma/ Zhang Miao
Tencent	700 HK	Internet	BUY	362.5	800.7	300.6	445.00	48%	17.1	14.6	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	175.2	1282.4	68.9	131.90	91%	18.8	14.7	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Pinduoduo	PDD US	Internet	BUY	151.1	1076.6	113.7	155.40	37%	14.7	14.8	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Amazon	AMZN US	Internet	BUY	1861.6	7319.9	179.2	213.00	19%	41.9	39.5	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Netflix	NFLX US	Entertainment	BUY	264.2	2472.5	610.6	613.00	0%	50.5	35.2	N/A	26.1	0.0%	Sophie Huang
Kuaishou	1024 HK	Entertainment	BUY	24.9	119.1	44.9	97.00	116%	18.3	11.8	N/A	N/A	0.0%	Sophie Huang
GigaCloud	GCT US	Entertainment	BUY	1.2	94.3	36.8	46.00	25%	13.9	11.3	N/A	N/A	N/A	Sophie Huang
CR Land	1109 HK	Property	BUY	21.0	47.1	23.1	45.10	95%	4.8	4.3	0.6	11.8	6.8%	Miao Zhang/ Nika Ma
FIT Hon Teng	6088 HK	Technology	BUY	1.8	3.7	1.9	2.42	27%	10.5	9.2	0.5	5.4	0.0%	Alex Ng/ Claudia Liu
Xiaomi	1810 HK	Technology	BUY	50.1	193.6	15.7	22.19	41%	19.0	21.2	2.6	11.7	N/A	Alex Ng/ Claudia Liu
BYDE	285 HK	Technology	BUY	6.8	19.0	23.7	46.51	96%	12.7	9.3	2.1	13.8	2.4%	Alex Ng/ Hanqing Li
Innolight	300308 CH	Semi	BUY	19.1	634.2	172.2	136.00	-21%	58.9	32.2	N/A	15.6	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	3.4	21.4	7.5	15.50	107%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 19/4/2024 9:30am

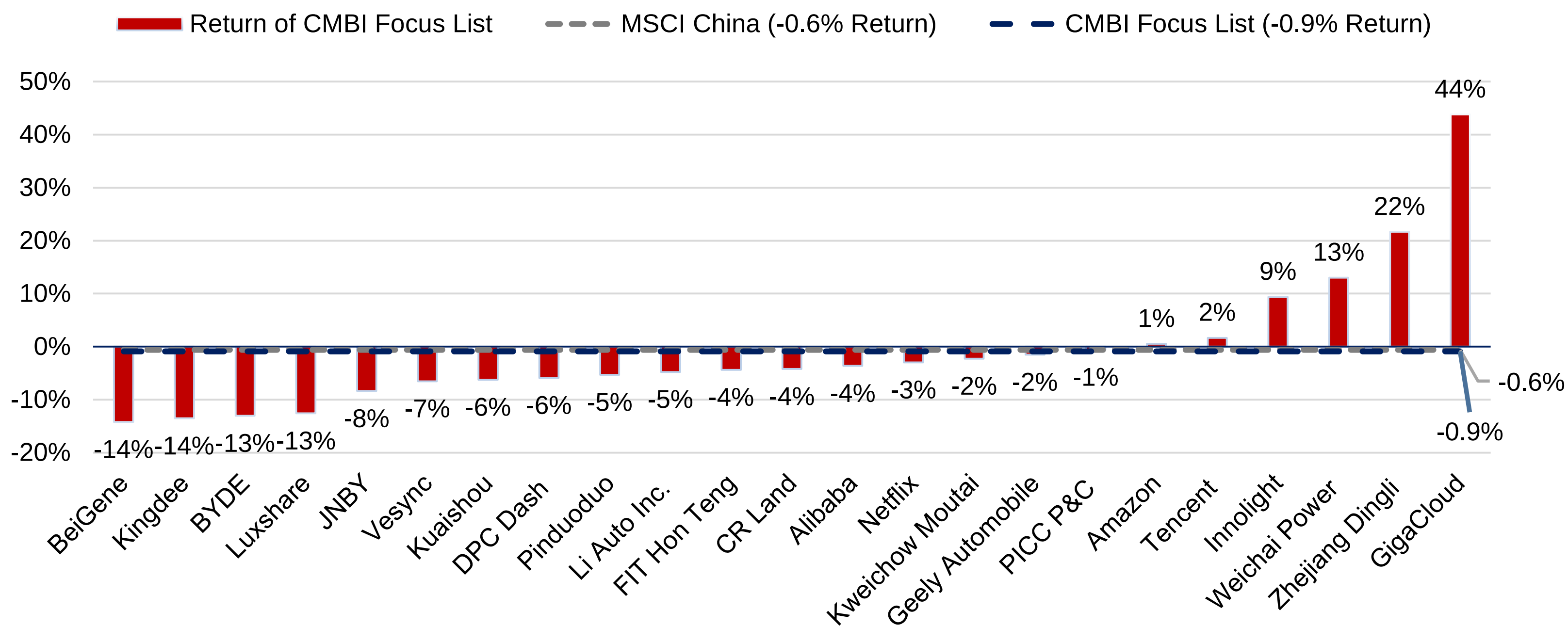
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Xiaomi	1810 HK	Technology	BUY	Alex Ng/ Claudia Liu	We are positive on Xiaomi's outlook in FY24/25E, backed by smartphone share gain, premiumization strategy and smart EV expansion. In addition, we believe recent launch of its first NEV model, SU7, will continue to gain market traction, due to its competitive specs, self-developed autonomous driving technology (Xiaomi Pilot), and its unique "Human-car-home" ecosystem.
Bosideng	3998 HK	Consumer Discretionary	BUY	Walter Woo	Thanks to a low base, favorable weather, a late CNY, and successful new product launches and category expansion, plus the operating leverage, we are constructive on its financials ahead.
Haier Smart Home	6690 HK	Consumer Discretionary	BUY	Walter Woo	Its overseas sales growth should remain fast, thanks to the end of de-stocking cycle and pick-up in EU and US retail sales. For the domestics market, we believe demand should stabilize and the company may benefit from potential stimulus.
Deletions					
Luxshare Precision	002475 CH	Technology	BUY	Alex Ng/ Claudia Liu	We expect the stock to remain range-bound in the near term due to lack of catalysts and iPhone's share loss due to Huawei comeback and Android share gain.
DPC Dash	1405 HK	Consumer Discretionary	BUY	Walter Woo	While we think DPC could perform well in the new markets and outperform the entire sector, the catering sector is still under pressure.
JNBY	3306 HK	Consumer Discretionary	BUY	Walter Woo	We still think JNBY could deliver solid sales and net profit growth ahead and the valuation is still attractive, but the near-term catalysts may be limited.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 26 Mar 2024, we highlighted a list of 23 long ideas.
- The basket (equal weighted) of these 23 stocks underperformed MSCI China index by 0.3 ppts, delivering -0.9% return (vs MSCI China -0.6%).
- Three of these stocks delivered 10% return or more, and six of our 23 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 26 Mar 2024 to 18 Apr 2024

Long Ideas

Li Auto Inc. (LI US) – The L6 EREV could be a positive catalyst

Rating: BUY **| TP:** US$48.00 (64% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Remain our top pick.** The share price has plunged by more than 30% after the *Mega* MPV was launched on 1 Mar 2024. We believe the stock could be oversold as investors' previously high expectation for the *Mega* was missed. Our original forecast for the *Mega*'s stable monthly sales volume has been 3,000-5,000 units, which could be still attainable based on our channel checks. We maintain our FY24E sales volume forecast of 0.65mn units for Li Auto. We are of the view that it could be a good opportunity to accumulate the shares at a less demanding valuation.

- **The *L6* could be a positive catalyst.** Li Auto is going to roll out a brand-new 5-seat mid-to-large-size SUV, the *L6* EREV, on 18 Apr. We believe the *L6* still has the potential to become Li Auto's best-selling EREV to contribute the largest monthly sales volume. We are of the view that the setbacks occurred to the *Mega* could be a hard lesson learnt by the management, which should benefit the company's further development. We believe Li Auto's outstanding product design capability remains unchanged.

- **Valuation/Key risks.** Exports start to account for 10% of Li Auto's total sales volume, according to management, which probably gives the automaker more confidence in accelerating its overseas expansion. This could be a positive surprise for its sales volume growth. Management has also lowered its FY24E R&D guidance from about RMB18bn to RMB14-16bn, which again reflects its self-discipline in costs.

- We maintain our BUY rating and target price of US$48.00, based on 23x our FY24 EPS. Key risks to our rating and target price include lower sales and/or gross margin, slower autonomous driving development than our expectation, as well as a sector de-rating.

Link to latest report: Li Auto Inc. (LI US) - 4Q23 results set the tone for resilient FY24

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	45,287	123,851	201,900	263,000
YoY growth (%)	67.7	173.5	63.0	30.3
Gross margin (%)	19.4	22.2	21.0	20.5
Operating profit (RMB mn)	(3,655)	7,143	13,248	17,460
Net profit (RMB mn)	(2,012.2)	11,704.1	14,501.8	18,619.1
YoY growth (%)	N/A	N/A	23.9	28.4
Adj. net profit (RMB mn)	41.0	12,092.6	15,458.6	19,495.4
EPS (Reported) (RMB cents)	(103.66)	594.76	733.39	932.19
P/S (x)	4.2	1.6	1.0	0.8
P/E (x)	N/A	17.1	13.9	10.9
P/B (x)	4.3	3.3	2.5	2.0

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK) – Most businesses are trending up

Rating: BUY **| TP:** HK$14.00 (58% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Maintain BUY**. We are of the view that Geely's FY23 earnings quality was better than FY21-22. We believe most of its businesses are poised to enjoy higher profits in FY24E. Some investors may overlook Geely's recent assets disposal to ease its lingering D&A burden by leveraging its parent's resources.

- **Profitability of Zeekr and equity-method entities to improve in FY24E.** We are of the view that management's guidance of Zeekr's breakeven under HKFRS in FY24E is feasible. We maintain our FY24E sales volume of 0.22mn units for Zeekr, given its current order backlog despite stiffer competition from the Xiaomi *SU7*. We project equity income in FY24E to surge 156% YoY to RMB1.5bn, amid Lynk & Co's loss cut, Livan's disposal and Proton's full-year contribution. Although we project lower GPM for the Geely brand (incl. Geometry and Galaxy) in FY24E, we believe the fall could be limited, given higher portion of exports.

- **Assets disposal to cut D&A and focus on core brands.** Apart from Livan's disposal to cut loss, Geely has also planned to sell its stakes in Aurobay (powertrain-related technology and products) in exchange for shares in the JV with its parent and Renault. Such disposal could reduce Geely's depreciation and amortization by more than RMB1bn every year, on our estimates.

- **Valuation/Key risks.** We value Zeekr at 1.3x our FY24E core revenue (excluding Viridi's battery pack sales and R&D services), which implies HK$80bn for Zeekr's valuation. We value Geely's all other businesses excluding Zeekr at 13x FY24E P/E. We maintain our BUY rating and target price of HK$14.00. Key risks to our rating and target price include lower sales volume and GPM, especially for NEVs, than we expect and sector de-rating.

Link to latest report: Geely Automobile (175 HK) - Most businesses are trending up

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	147,965	179,204	210,799	226,560
YoY growth (%)	45.6	21.1	17.6	7.5
Net profit (RMB mn)	5,260.4	5,308.4	6,692.8	7,319.0
YoY growth (%)	8.5	0.9	26.1	9.4
EPS (Reported) (RMB)	0.52	0.53	0.66	0.72
P/E (x)	15.5	15.8	12.5	11.2
P/B (x)	1.1	1.0	1.0	0.9
Yield (%)	1.6	2.3	2.9	3.1
ROE (%)	7.3	6.8	8.0	8.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Weichai Power (2338 HK) – Large LNG/diesel price spread to support gas HDT

Rating: BUY | **TP:** HK$22 (28% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Weichai is a key beneficiary of the strong demand for gas-fueled HDT, given its >60% market share in the gas HDT engine sector. Besides, we believe Weichai' s increasingly diversified product portfolio, including (1) the consolidation of LOVOL Heavy (note: LOVOL has ~25% market share in the agricultural tractor segment), (2) the increase in installation of CVT engines for LOVOL, (3) fast-growing sales of large bore engines, (4) continuous investment in hydrogen fuel cell, will help reduce earnings volatility.

- **Our View:** The gas/diesel price ratio is currently at 0.56x, versus 0.96x in late Dec 2023, following a sharp decline of LNG price. Our payback period analysis suggests that gas HDTs (~2.5 years) have become more attractive than diesel HDTs (~3.8 years). Our key assumptions include: (1) purchase price (VAT-included) of RMB468k for a LNG HDT and RMB374k for a diesel HDT; and (2) average daily transportation distance of 500km. For truck buyers, based on the current price of LNG (RMB4.2/kg) and diesel (RMB7.5/litre), the annual net profit of RMB186k generated from a LNG truck is better than that of a diesel truck (RMB99k).

- **Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is +2%/-3% versus consensus. We see upside to our earnings forecast given the continuously strong data.

- **Catalysts:** (1) expansion of gas/diesel price spread; (2) better-than-expected HDT data in 2Q24E

- **Valuation:** Our SOTP-based TP is HK$22. Even after a strong rally over the past couple of months, the stock is trading at ~11x 2024E P/E which is still slightly below the historical average of 12x.

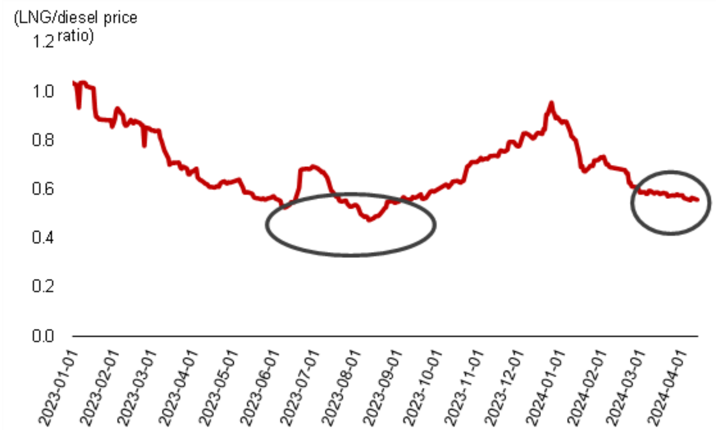
Link to latest report: Weichai Power-H - Key takeaways from post-results call

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	213,958	236,291	250,085	260,023
YoY growth (%)	22.2	10.4	5.8	4.0
Core net income (RMB mn)	9,014	12,117	13,051	13,768
Core EPS (RMB)	1.03	1.39	1.50	1.58
YoY growth (%)	83.8	34.4	7.7	5.5
Consensus EPS (RMB)	N/A	1.36	1.55	N/A
P/E (x)	15.0	11.2	10.4	9.8
EV/EBITDA (x)	5.4	5.0	4.7	4.5
P/B (x)	1.7	1.6	1.4	1.3
Yield (%)	3.3	4.5	4.8	5.1
ROE (%)	11.8	14.6	14.4	14.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: LNG/diesel price ratio



Source: Wind, CMBIGM

Zhejiang Dingli (603338 CH) – Promising growth in US and emerging countries

Rating: BUY | **TP:** RMB70.0 (1% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Overseas demand for aerial work platform (AWP) is strong at present, driven by solid infrastructure spending, new factory construction and replacement demand. We believe Zhejiang Dingli remains a major beneficiary given its global presence, cost competitiveness, brand recognition and strong management execution.

- **Our View.** We believe wide range of product offerings, together with clear strategies in overseas including the penetration into tier-one leasing companies in the US and the expansion to emerging countries, will help Dingli differentiate itself from peers. Besides, we expect Dingli to deliver accelerating sales volume growth in 2024E upon the commencement of smart factory with annual capacity of 4,000 units of AWP. In addition, Dingli announced in Mar to build a new production base for 20k units of new energy scissors lifts, given the rising demand for electric and advanced models in the overseas. We estimate this will add 30% capacity in 2026E-27E.

- **Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is -5%/-6% versus consensus. We see upside to our forecast driven by stronger-than-expected margin expansion.

- **Catalysts:** (1) Weakness in RMB rate; (2) stabilization of China demand; (3) rising sales of boom lifts in the US.

- **Valuation:** Our TP is RMB70, based on 18x 2024E P/E (1SD below the historical average of 31x).

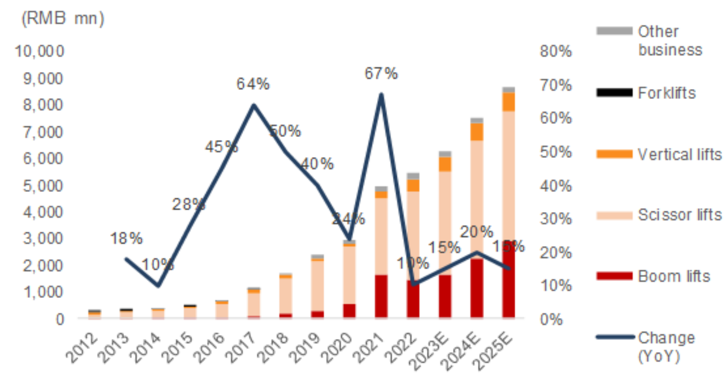
Link to latest report: [Zhejiang Dingli - New AWP capacity expansion plan to further enhance global competitiveness]

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,445	6,267	7,508	8,646
YoY growth (%)	10.2	15.1	19.8	15.2
Net income (RMB mn)	1,257	1,693	1,963	2,229
EPS (RMB)	2.48	3.34	3.88	4.40
YoY growth (%)	36.3	34.7	16.0	13.6
Consensus EPS (RMB)	N/A	3.51	4.10	4.67
EV/EBIDTA (x)	25.6	16.8	13.9	12.3
P/E (x)	26.9	20.0	17.3	15.2
P/B (x)	4.8	4.0	3.3	2.8
Yield (%)	0.7	1.0	1.2	1.3
ROE (%)	19.3	21.7	21.1	20.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIGM estimates

Bosideng (3998 HK) – 1H24 results beat and a resilient strategy

Rating: BUY | **TP:** HK$3.86 (-8% upside)

Analyst: Walter Woo

- **Investment Thesis:** Bosideng with superior fashion, digital capability and efficiency should gain more market share in the long run, especially when the domestic fashion becoming the main stream in China. Bosideng 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, 3) gradual penetration of down apparel in China.

- **Our View:** We believe Bosideng's sales growth in 2H24E (ending Mar 2024) could be rather encouraging, thanks to: 1) a low base last year, 2) favourable weather, 3) a later CNY than last year, 4) successful execution of its TOP stores and TOP products strategy which should boost its per-store productivity and margins, 4) successful new product launches (ultralight down apparel) and category expansion (sun-protective clothing), etc.

- **Why do we differ vs consensus:** For FY24E/25E/26E, our net profit forecasts are 3%/4%/6% lower than street as we are more conservative on its sales growth, but we are still positive on its OP margin improvement, thanks to solid operating leverage.

- **Catalysts:** 1) better-than-expected annual results, 2) positive feedback on new products and 3) favorable weather.

- **Valuation:** We derived our 12m TP of HK$3.86 based on 14x FY24E P/E. We believe the decent sales growth, successful new product launches and new category expansion can drive a further re-rating. The stock is trading at 15x FY24E P/E.

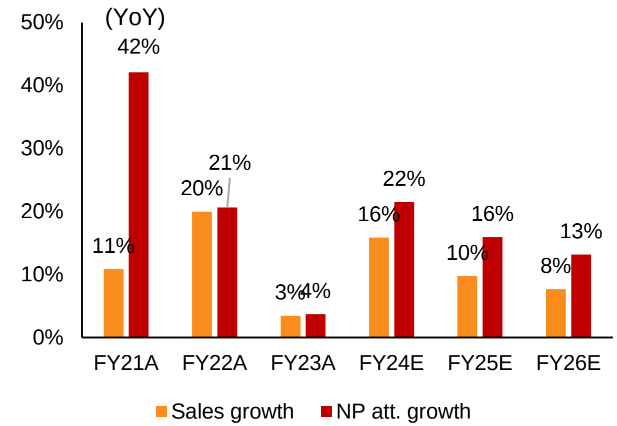
Link to latest report: Bosideng (3998 HK) – 1H24 results beat and a resilient strategy

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	16,774	19,432	21,325	22,964
YoY change (%)	3.5	15.8	9.7	7.7
Net profit (RMB mn)	2,139	2,599	3,013	3,410
EPS - Fully diluted (RMB)	0.189	0.229	0.266	0.301
YoY change (%)	3.7	21.5	15.9	13.2
Consensus EPS (RMB)	N/A	0.246	0.287	0.332
P/E (x)	17.9	14.7	12.7	11.2
P/B (x)	2.9	2.7	2.5	2.3
Yield (%)	4.9	5.1	5.9	6.7
ROE (%)	17.2	20.0	21.6	22.5
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Haier Smart Home (6690 HK) – Resilient FY24E guidance and decent dividend

Rating: BUY **| TP:** HK$31.24 (21% upside)

Analyst: Walter Woo

- **Investment Thesis:** Haier has been consistently gaining market share in the past 10 years and thanks to recent M&A, it is enjoying a meaningful boost in competitiveness and efficiency which drove a faster NP CAGR in FY20-23. It is a global leader in home appliances, owning 7 major brands (Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, Aqua and Candy) and ranked #1 in market share for fridges, washing machines and water heaters in the world. Growth drivers include premiumization (selling more high-end products) and category expansion (e.g., ACs, kitchen appliances).

- **Our View:** 4Q23 results were inline but the dividend raise was definitely a bright spot. We do appreciate the resiliency of Haier's business, esp. when the macro demand in China was weak. Going forward, we are confident that FY24E guidance will be achieved, thanks to steady growth for Casarte, ramp-up of Air-con business and reforms in the EU market, plus the potential subsidies or other favorable macro policies.

- **Why do we differ vs consensus:** For FY24E/25E/26E, our NP forecasts are 1%/ 3%/ 2% higher than street as we are more optimistic on its operating efficiency.

- **Catalysts:** 1) robust 1Q24E data, 2) stronger-than-expected exports, 3) more favorable policies and 4) lower-than-expected raw material costs.

- **Valuation:** We derived our 12m TP of HK$31.24 based on 14x FY24E P/E. We believe premiumization, product and service upgrades, efficiency gains from digitalization and synergies can drive decent growth onwards. The stock is only trading at 12x FY24E P/E.

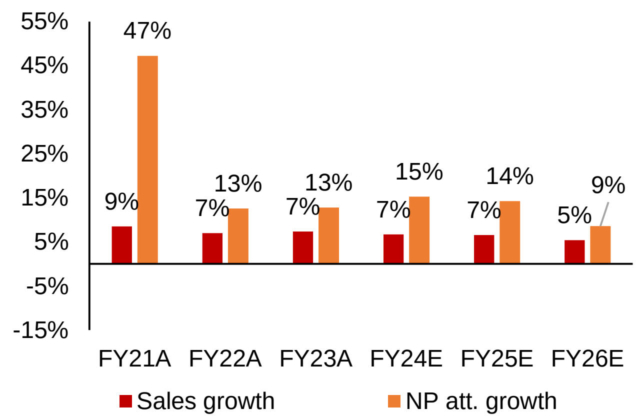
Link to latest report: Haier Smart Home (6690 HK) – Resilient FY24E guidance and decent dividend

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMBmn)	261,422	278,928	297,162	313,294
YoY change (%)	7.4	6.7	6.5	5.4
Adj. Net profit (RMBmn)	16,597	19,127	21,849	23,733
Adj. EPS - Fully diluted (RMB)	1.778	2.027	2.315	2.515
YoY change (%)	10.4	14.0	14.2	8.6
Consensus EPS (RMB)	N/A	2.009	2.256	2.475
Adj. P/E (x)	13.5	11.8	10.4	9.5
P/B (x)	2.0	1.8	1.6	1.4
Yield (%)	3.3	4.0	4.8	5.2
ROE (%)	15.8	16.4	16.8	16.5
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, yearly



Source: Company data, CMBIGM estimates

Vesync (2148 HK) – An all-rounded beat and a bullish outlook

Rating: BUY **| TP:** HK$6.71 (45% upside)

Analyst: Walter Woo

- **Investment Thesis:** Vesync is a leading small appliance player in online market in US, ranked 3rd/ 5th by sales on Amazon/ all online channels in 2019. It has three major brands (Levoit, Cosori and Etekcity) which focus on home environment, cooking and health monitoring & outdoor appliances. we believe Vesync could continue to outperform, thanks to: 1) its leadership in online channel, 2) its expansion into other categories (e.g. humidifiers) and 3) penetration into the EU and offline channel.

- **Our View:** Vesync reported a 27% gross sales growth in 3Q23, which is similar to 24% sales growth in 1H23. Based on our channel check, home appliance industry was rather promotional during the Black Friday season in US, but Vesync stayed rather conservative, hence we now expect an inline sales growth in 4Q23 but a better GP margin from it and continue to be confident about its FY23E guidance (20%+ sales growth and 10%+ NP margin). For industry in FY24E, a turnaround is expected, as peers like Helen of Troy had already reported further improvement in sales growth and a peak out of inventory days in Nov 2023. We believe Vesync's sales growth could remain fast, boosted by new products, markets and channels, and its margin to rocket, supporting by better ASP and operating leverage.

- **Why do we differ vs consensus:** For FY23E/24E/25E, our net profit forecasts are +7%/ +9%/ +14% vs street as we are more confident in its margins.

- **Catalysts:** 1) better-than-expected product launches, 2) improvement in efficiency and costs, and 3) a strong property market rebound.

- **Valuation:** Our TP of HK$6.71 is based on 14x FY23E P/E, vs 3-year average of 12x, given the upcycle and 20% sales CAGR in FY22-25E. The stock is still cheap at ~10x FY23E P/E.

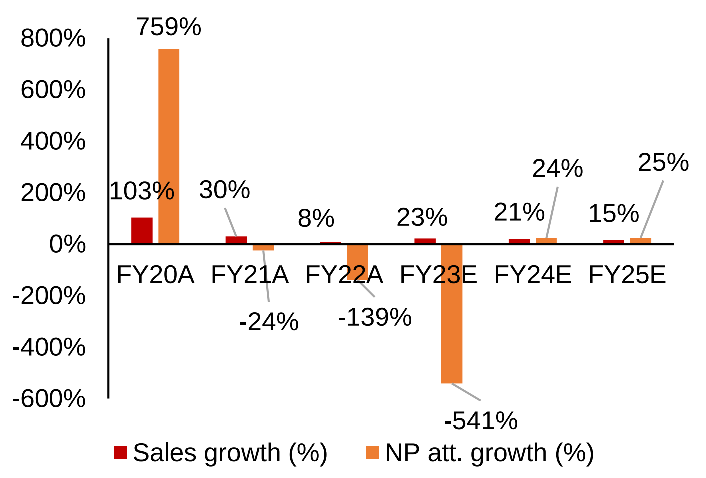
Link to latest report: Vesync (2148 HK) – An all-rounded beat and a bullish outlook

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (US$ k)	490,378	602,523	727,094	839,165
YoY change (%)	8.0	22.9	20.7	15.4
Net profit (US$ k)	-16,317	72,039	89,208	111,798
EPS - Fully diluted (US$)	(0.014)	0.062	0.077	0.096
YoY change (%)	(138.6)	(541.5)	23.8	25.3
Consensus EPS (US$)	N/A	0.056	0.069	0.084
P/E (x)	(41.8)	9.3	7.4	6.1
P/B (x)	2.5	1.9	1.4	1.2
Yield (%)	0.0	4.3	5.4	6.6
ROE (%)	(5.8)	24.2	22.4	21.2
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Kweichow Moutai (600519 CH) – Our 2024 top pick among F&B names

Rating: BUY **|** **TP:** RMB2,219 (34% upside)

Analyst: Bella Li

- Despite recent stock price fluctuations, we remain positive about Moutai's long-term profitability. The recent market turbulence can be attributed to the launch of "375 Xunfeng" in March, which created a potential substitution effect with "Feitian". In combination of the situation that distributors were allocated with higher than previous years' quotas following CNY in 1Q, the wholesale price of "Feitian" thus initially -5% to RMB 2505/bottle. Thanks to Moutai swiftly controlling inventory to restore stability, price has since rebounded. We believe that the present stock price decline was mainly driven by negative market sentiment toward Baijiu sector. Looking forward, we believe the long-term investment logic for Baijiu remains intact regardless of short-term volatility.
- At the company level, Moutai's disclosed results for 2023 slightly exceeded the previously announced figures in terms of revenue and profit. Despite some sales fluctuations caused by Feitian ex-fatory's +20% price hike, the revenue and profitability for 4Q showed synchronized growth. We believe this indicates an established substantial contribution to profits. Industry-wise, in line with our previous expectations, other Baijiu companies have also increased prices for their flagship products and strengthened price management following Moutai's lead in raising prices.
- In terms of timing, as we look ahead to the upcoming holidays, we expect further sales growth driven by increased gathering and dining demands. With an increasingly refined product portfolio and optimized channels, we anticipate improved sales momentum and a positive impact on profit stabilization and acceleration.
- We are positive on Moutai and believe the initiative enables the company to deliver high-teen revenue/net profit growth for 2024 that comes in above its peer average. We are Buy-rated.
- **Valuation.** Our TP remains unchanged at RMB2,219.

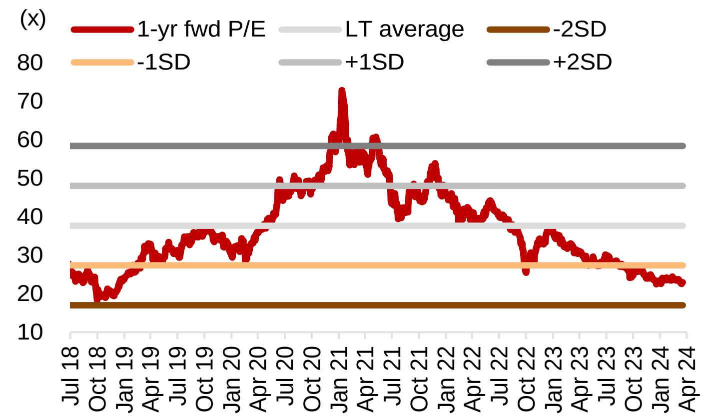
Link to latest report: Kweichow Moutai (600519 CH) - Our 2024 top pick among F&B names

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	127,554	147,435	179,647	201,129
YoY growth (%)	16.5	15.6	21.8	12.0
Net income (RMB mn)	62,716.2	73,346.8	90,831.7	102,362.2
EPS (RMB)	49.93	58.39	72.31	81.49
YoY growth (%)	19.6	17.0	23.8	12.7
Consensus EPS (RMB)	N/A	N/A	70.3	81.38
P/E (x)	33.4	28.6	23.1	20.5
P/B (x)	10.6	9.8	7.9	6.5
Div Yield (%)	1.3	1.5	1.9	2.1
ROE (%)	32.4	35.6	37.7	34.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

BeiGene (BGNE US) – Expect a productive 2024 for early pipeline assets

Rating: BUY **| TP:** US$268.20 (103% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Strong sales momentum of zanubrutinib eased market concerns. In 4Q23, BeiGene recorded total product sales of US$631mn (+6% QoQ or +86% YoY). Zanubrutinib (zanu) maintained strong sales momentum, with revenue increasing 15% QoQ or 135% YoY to US$413mn, mainly driven by market share gains in the US. In 4Q23, zanu sales in the US increased 16% QoQ to US$313mn, contributing 76% of zanu's global sales. In full-year 2023, total sales of zanu reached US$1.29bn (+129% YoY), in-line with our previous estimate of US$1.27bn. As the only BTKi with superior clinical data vs ibrutinib and the BTKi with the broadest indication approvals, we expect zanu to continue its market share gain momentum and forecast its full-year 2024 sales to reach US$1.9bn (+46% YoY).
- **Our View:** Expect the imminent validation of the next wave of blockbusters. We believe sonrotoclax (BCL-2) and BGB-16673 (BTK CDAC) will become the next wave of blockbusters. BeiGene is rapidly advancing the clinical development of these projects. Notably, the Ph3 1L CLL study evaluating sonrotoclax + zanu vs venetoclax + obinutuzumab completed FPI in late 2023. BeiGene has also initiated a potential global pivotal study of sonrotoclax monotherapy in R/R MCL. Additionally, BeiGene has enrolled first patients of BTK CDAC's R/R MCL expansion cohort with potential for registration. We expect BeiGene to further start Ph3 studies of its BTK CDAC in CLL and MCL.
- **Why do we differ:** BeiGene consistently improved its operating margins thanks to fast-increasing product revenue. Its FY23 GP margin (vs product sales) reached 82.7% (vs 77.2% in FY22), driven by a growing proportion of sales from high-margin zanu and economies of scale. The SG&A ratio (vs product sales) was 69% in FY23 (vs 102% in FY22), while the R&D ratio (vs product sales) was 81% in FY23 (vs 131% in FY22). We forecast the company to book US$1.1bn net loss in FY24E and US$225mn net loss in FY25E and to turn profitable from FY26E.
- **Valuation:** We derive our target price of US$268.20 based on DCF valuation (WACC: 10.1%, terminal growth rate: 2.0%).

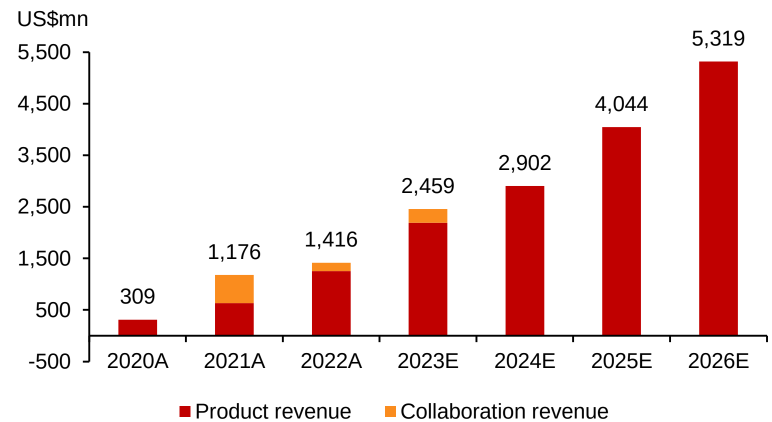
Link to latest report: BeiGene (BGNE US) - Expect a productive 2024 for early pipeline assets

Financials and valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (US$ mn)	2,902	4,044	5,319
YoY growth (%)	18%	39%	32%
Net loss (US$ mn)	(1,090)	(225)	696
EPS (US$)	(10.45)	(2.16)	6.68
Consensus EPS (US$)	(6.78)	(3.09)	1.64
R&D expenses (US$ mn)	(1,868)	(1,868)	(1,868)
SG&A expenses (US$ mn)	(1,655)	(1,738)	(1,772)
Capex (US$ mn)	(200)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

PICC P&C (2328 HK) – Continued outperformance in non-auto CoR expected

Rating: BUY | **TP:** HK$11.9 (17% upside) Analysts: Nika Ma/ Zhang Miao

- **Investment Thesis:** Driven by steady demands of auto premiums (est.~5% YoY in FY24E) and accretive non-auto business lines, we see incremental room for China's P&C insurers to scale up and improve structure mix within more benign competitive landscape after stringent regulatory scrutiny in 2H23. We maintain our positive outlook on the sector given: 1) the counter-cyclical business nature of P&C insurance; 2) shorter duration on liability (mainly in one-year) compared to life peers and hence, less asset-liability management pressure in current low interest rate environment; 3) strong solvency in support of attractive dividend yields. PICC P&C, as the sector lead, enjoys better-than-peers pricing capability on advanced risk mitigation models and inclusive data on top of the abovementioned sector privileges. We expect the insurer's underwriting profit to increase by 12% to RMB11.4bn in FY24E, with the CoR down to 97.6% to sustain a ~40% payout with stable yields at ~6%.
- **Auto:** We expect auto premiums to maintain growth at 5%-6% in FY24E, underpinned by steady demands released from new car sales and rising penetrations of NEVs. In the long run, we think the average premiums per case will stay flat subdued to tightened regulations and market-oriented product pricing. In FY23E, despite claims mounted in 3Q23 weighing on full-year underwriting profit, we forecast the auto CoR slightly down to 96.7%, below 97.0%, matching to the management guidance given at year beginning.
- **Non-auto:** For non-auto lines, we expect improved underwriting margin in FY24E for: 1) the insurer proactively contracted lines of high loss ratio, i.e. employer liability insurance, and 2) relatively high base of non-auto CoR in 3Q23 resulted from rising NAT CAT claims. That said, with innovative supply of new products and an optimized structure of existing lines, we project the non-auto CoR down to 99.1% in FY24E, gaining tractions to UW profitability.
- **Valuation:** The stock is now trading at 0.8x FY24E P/B, with an est. 3-year ROE at 12-13% in FY24E-FY26E. With a good track record of ~40% dividend payout, we regard the stock an appealing defensive play in the context of current low-risk appetite. Reiterate BUY, with target price at HK$11.90.

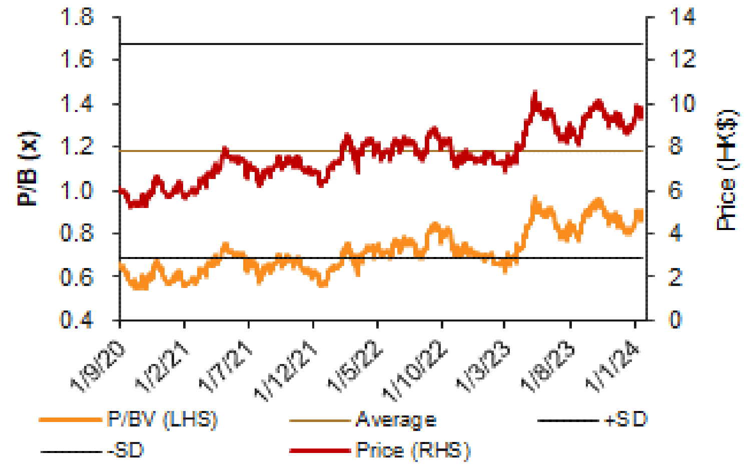
Link to latest report: PICC P&C (2328 HK) - Non-auto CoR better than expected; sustain 40%+ payout in next two years

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Underwriting profit (RMB mn)	10,189	11,412	13,837	16,935
Net profit (RMB mn)	24,585	30,088	33,100	36,440
EPS	1.11	1.35	1.49	1.64
Consensus EPS	n.a	1.38	1.53	1.62
Combined ratio (%)	97.8	97.6	97.3	96.9
P/B (x)	0.92	0.84	0.77	0.71
Dividend yield (%)	5.1%	5.7%	6.2%	6.9%
ROE (%)	10.8%	12.3%	12.4%	12.6%

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC P&C: share price and P/B herald price growth



Source: CMBIGM estimates

Tencent (700 HK) – Expect solid earnings growth and shareholder return in FY24

Rating: BUY | **TP:** HK$445.0 (48% upside) Analyst: Saiyi He/Wentao Lu/Frank Tao

- **Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. Looking in 2024, we expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization opportunities and support GPM expansion; 2) games revenue growth to recover from 2Q24 onwards, backed by monetization revamp of key legacy titles and launch of new games like DnF Mobile; 3) enhancing shareholder return, with total share repurchase amount more than doubled to >HK$100bn (c.3% of mkt cap).
- **Our View:** We expect Tencent will continue to deliver quality earnings growth in 2024E, supported by its operating leverage capacity, unparallel competitive positions in core business segments and incremental contribution from Weixin ecosystem innovation. We expect non-IFRS NPM to rise from 26% in FY23 to 30% in FY26E, on favorable revenue mix shift to higher margin business (e.g. Weixin Video Account and mini games) and opex control. Despite the slowdown in games revenue growth due to seasonality of monetization, we are upbeat on Tencent's long-term leadership in domestic games market and capability to address overseas games market. Tencent's current valuation (15x FY24E PE) offers attractive risk reward given its solid earnings growth outlook (FY25/26E: +18/11% YoY). BUY.
- **Catalysts:** 1) enhanced Video Account monetization supports better-than-expected revenue growth and GPM expansion; 2) launch of DnF Mobile drives stronger-than-expected game revenue growth in FY24; 3) increasing share repurchase and dividend to enhance shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$445.0, comprising HK$160.3/29.7/79.4/85.4/20.8 for games/SNS/ads/Fintech/cloud business and HK$7.5/62.0 for net cash/strategic investments.

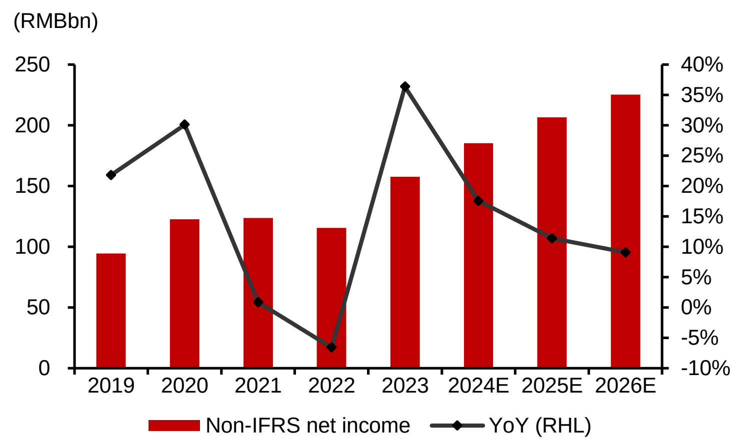
Link to latest report: Tencent (700 HK) - Expect solid earnings growth and enhancing shareholder return in FY24

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	655,548	707,635	751,260
YoY growth (%)	9.8	7.6	7.9	6.2
Gross margin (%)	48.1	49.9	51.1	52.1
Adj. net profit (RMB mn)	157,688	185,358	206,436	225,145
YoY growth (%)	36.4	17.5	11.4	9.1
EPS (Adjusted) (RMB)	16.66	19.14	21.32	23.25
Consensus EPS (RMB)	16.66	19.31	21.54	24.09
Non-GAAP P/E (x)	17.1	14.6	13.1	12.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Driving long-term growth while enhancing shareholder return

Rating: BUY **| TP:** US$131.9 (91% upside)   Analyst: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** 1) Alibaba's fundamental is on improvement track, evidenced by solid user growth and user engagement improvement, as well as solid footprint in international expansion; 2) Alibaba is enhancing shareholder return through a holistic approach (ie, share buyback, dividend payout, support strategically important new business growth to drive long-term shareholder value improvement), and valuation is not demanding.

- **Our View:** Management remains committed in investment to drive for top-line growth and market share gain for core businesses, while guided to drive for continuous loss reduction and to exit non-core business when market conditions improve. Although business transition likely still takes time, with an upsizing of share repurchase program to US$35.3bn and guidance of at least 3% in annual reduction in total shares outstanding through Mar 2027, management's determination in enhancing shareholder return remains on track. The strategic move to drive an integrated group strategy should enhance long-term value, in our view. We remain positive on Alibaba's long-term growth potential, supported by international expansion and cloud business growth.

- **Where do we differ vs consensus:** We believe Alibaba is able to improve its ROIC in an efficient and effective way, and enhance shareholder return in a holistic view, which should help drive valuation rerating.

- **Catalysts:** 1) better than expected consumption recovery; 2) positive regulatory update regarding fintech business; 3) unveil of an increase in dividend payout for FY24 in May 2024.

- **Valuation:** Our SOTP-based valuation is US$131.9, which translates into 15.7x FY24E P/E.

Link to latest report: Alibaba (BABA US) - Driving long-term growth while enhancing shareholder return

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	868,687	940,675	1,027,573	1,117,546
Adjusted net profit (RMB mn)	143,991.0	155,484.8	158,189.7	175,164.2
EPS (Adjusted) (RMB)	54.91	61.00	62.00	68.58
Consensus EPS (RMB)	N/A	62.80	62.73	71.63
P/E (x)	18.8	14.7	10.2	9.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (US$mn)	Valuation method	FY24E Rev (US$mn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. RMB mn	Val. US$m	$/share	Value split
1	Taobao and Tmall Group	7.0x FY24E P/E; 20% tax rate on adjusted EBITA	60,141	21,642	7.0		1,090,769	151,496	59.1	45%
2	International Digital Commerce Group	3.0x FY24E EV/S	14,293			3.0	308,723	42,878	16.7	13%
3	Local Services Group	1.7x FY24 EV/S	8,194			1.7	100,291	13,929	5.4	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63.7% shareholding	13,547				47,380	6,581	2.6	2%
5	Cloud Intelligence Group	4.2x FY24 EV/S on revenue before intersegment elimination	14,805			4.2	450,891	62,624	24.4	19%
6	Digital Media and Entertainment Group	1.7x FY24 EV/S, in line with iQIYI target EV/S	3,026			1.7	37,039	5,144	2.0	2%
7	All others	1.0x FY24 EV/S	26,529			1.0	191,012	26,529	10.3	8%
	Total Alibaba business						**2,226,104**	**309,181**	**120.5**	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	25,992	10.1	
2	Others	Market valuation					112,525	15,628	6.1	
	Total investment (with 30% holding discount)								**11.4**	
	Total (US$mn)								**131.9**	
	#s of diluted ADS (mn)								2,565	

Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – Still has potential to improve monetization

Rating: BUY | **TP:** US$155.4 (37% upside)

Analysts: Saiyi He/ Frank Tao/ Wentao Lu

- **Investment Thesis:** 1) leveraging strong domestic supply chain, overseas expansion is on track to support PDD's long-term revenue and earnings growth; 2) PDD has established strong consumer mindshare in FMCG and fresh grocery categories, and is expanding its branded products pool, which could drive resilient GMV growth in 2024; 3) aided by the launch of new advertising products and increase in monetization from "ten-billion" subsidy section, PDD still has potential to improve monetization of its domestic business.

- **Our View:** We remain positive on PDD Holdings' (PDD) long-term growth prospect, mainly given: 1) Temu has seen robust GMV and revenue growth, and is on track to support PDD's long-term revenue and earnings growth, which likely propel a valuation rerating; 2) domestic business could maintain healthy revenue and earnings growth in 2024, aided by the incorporation of more branded products and high ASP products, as well as the increase in monetization, aided by the launch of new advertising products.

- **Where do we differ from consensus?** 1) Although industry competition may become tougher in 2024, PDD still has room to drive a further increase in monetization rate, aided by the launch of new advertising products, and increase in commission rate of its "Ten Billion Subsidy" program, in our view. 2) geopolitical risk from Temu in the US likely to be controllable.

- **Catalysts:** 1) better than market expected monetization improvement of domestic business; 2) more rapid than expected international business development.

- **Valuation:** Our DCF-based valuation is US$155.4.

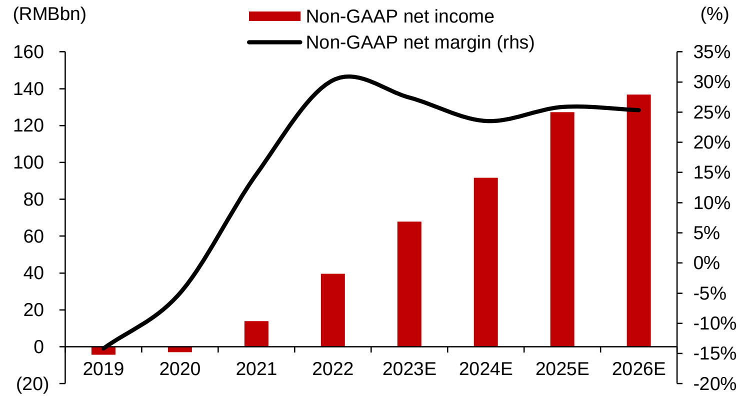
Link to latest report: Pinduoduo (PDD US) - Still has potential to improve monetization

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	247,639	389,619	492,359	540,111
Net profit (RMB mn)	60,026.5	83,882.9	118,906.4	127,694.3
Adjusted net profit (RMB mn)	67,899.4	91,719.2	127,320.5	136,828.3
YoY growth (%)	71.8	35.1	38.8	7.5
EPS (Adjusted) (RMB)	46.51	62.83	87.21	93.72
Consensus EPS (RMB)	41.13	54.17	71.19	82.47
P/E (x)	14.7	14.8	10.5	9.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Amazon (AMZN US) – Steady ship heading for new growth stage

Rating: BUY **| TP:** US$213.0 (19% upside) Analyst: Saiyi He/Wentao Lu/Frank Tao

- **Investment Thesis:** 1) E-commerce business still has abundant growth potential in global market; 2) AWS revenue growth reaccelerated on ramp up of AI cloud and attenuation of cloud optimization trend; 3) Margin expansion on a steady track, aided by margin improvement of both international business and North American business, as well as increase in revenue contribution from relatively high margin AWS business.

- **Our View:** In terms of further growth potential, we believe Amazon's e-commerce business still has ample potential in both the US and global markets. AWS is backed by strong technological capability and generative AI opens more opportunities. The continuous increase in retail business efficiency and improvement in economies of scale will help boost profitability in our view, backed by regionalization strategy, reduction in cost to serve, and rising revenue contribution from platform business. Increase in revenue mix of relatively high-margin AWS business is likely to drive margin expansion for Amazon in the long run.

- **Where do we differ vs consensus:** we are expecting more rapid than market expected EBITDA margin expansion for Amazon, driven by margin expansion across three business lines, aided by better than expected optimization in cost to serve, as well as operating efficiency improvement.

- **Catalysts:** 1) better than expected margin expansion; 2) better than expected recovery in AWS revenue growth.

- **Valuation:** US$213.0 based on 18.8x 2024E EV/EBITDA, in line with one-year mean.

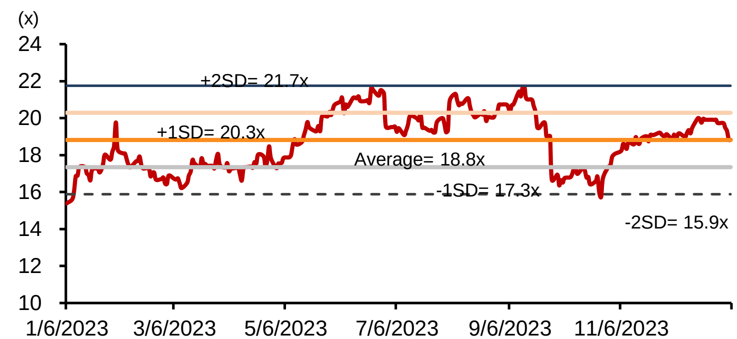
Link to latest report: Amazon (AMZN US) - Steady ship heading for new growth stage

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US$ mn)	513,983	574,785	642,931	716,153	790,018
YoY growth (%)	9.4	11.8	11.9	11.4	10.3
Net profit (US$ mn)	(2,722.0)	30,425.0	44,816.8	60,892.3	79,187.5
YoY growth (%)	N/A	N/A	47.3	35.9	30.0
EPS (Reported) (US$)	(0.27)	2.90	4.23	5.66	7.24
Consensus EPS (US$)	na	2.83	4.05	5.36	6.88
P/E (x)	na	41.9	39.5	29.5	23.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Amazon: one-year EV/EBITDA band



Source: Company data, CMBIGM estimates

Netflix (NFLX US) – Bullish on margin expansion and subs upside

Rating: BUY | **TP:** US$613 (TP under review, 0% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We turned more positive on Netflix's long-term subs trend, AVOD expansion, paid-sharing rollout and margin expansion, backed by its vibrant original content pipeline and efficient investment. After its eye-catching 4Q23 result, Netflix demonstrated stronger net adds and better margin guidance (raised OPM in FY24E to 24%), in which AVOD +70% QoQ. We expect its strong momentum to continue, backed by: 1) AVOD deeper penetration, with basic plan to eliminate in Canada and the UK in 2Q24E; 2) paid sharing to tap into larger household base; 3) content to pick up.
- **Our View:** Netflix prides itself on exclusive high-quality original content, further enhancing its leadership and price hike (seven times in 2011-23, forecasting ARM at 3.7% CAGR in FY24-26E). We are bullish on Netflix's AVOD expansion, and expect positive impact on both net adds and ARPU. With TAM of 380mn AVOD subs worldwide, we expect Netflix's AVOD subs to rise to 32mn in FY25E (11% subs mix), at 51% CAGR. Moreover, we expect paid-sharing initiatives to bring ~30mn extra subs by 2025E (6% rev mix) , with >100mn password-sharing users in Netflix.
- **Why do we differ vs consensus:** Market concern lies on competition, strike impact, and potential rising content cost. We think competition has pulled back as peers prioritize cost control. With strike to settle, content would pick up from 4Q23, and Netflix is more resilient for its extensive content library and globalization. We think industrial wave of price increases and globalization would offset rising content cost.
- **Catalysts:** 1) content to pick up after strikes; 2) resilient net adds from paid-sharing and AVODs penetration; and 3) margin improvement.
- **Valuation:** Maintain BUY with DCF-based TP of US$613, implying 35.6x FY24E P/E, still below historical P/E mean of 38.8x.

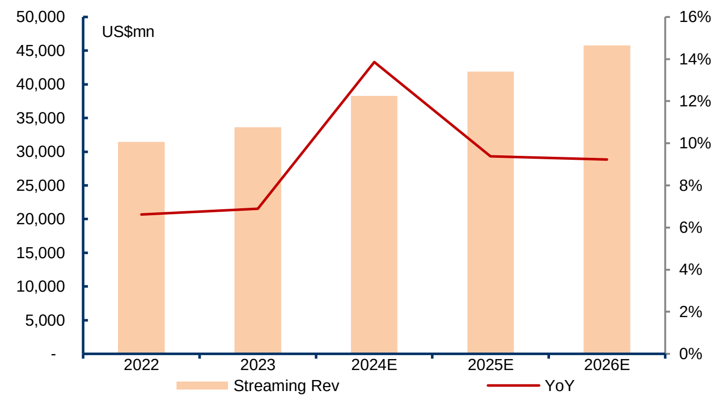
Link to latest report: Netflix (NFLX US) - Bullish on margin expansion and subs upside

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (US$ mn)	33,723	38,302	41,897	45,766
YoY growth (%)	6.7	13.6	9.4	9.2
Net income (US$ mn)	5,408.0	7,536.4	9,178.0	11,050.1
EPS (US$)	12.0	17.2	21.3	25.7
YoY growth (%)	21.0	43.2	23.3	21.0
Consensus EPS (US$)	N/A	16.3	20.1	23.5
P/E (x)	50.5	35.2	28.6	23.6
P/S (x)	8.1	7.1	6.5	5.9
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	26.1	32.7	31.8	29.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: NFLX's revenue growth estimates



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK) – More bullish on margin improvement

Rating: BUY **| TP:** HK$97 (116% upside) Analyst: Sophie Huang

- **Investment Thesis:** We turn more bullish on Kuaishou (KS)'s margin enhancement ahead, with ads & ecommerce share gain to continue. KS delivered solid 4Q23 results, with inline revenue and upbeat bottom line. Looking into FY24E, we expect total revenue +10.6% YoY, in which livestreaming/ads/other services revenue 8%/+20%/+24% YoY. Thanks to more aggressive cost discipline and operating leverage, we expect bottom line at RMB16bn in FY24E (suggesting ad. NPM at 12.8%, +4ppts YoY).
- **Our View:** We expect KS's ads revenue +26% YoY in 1Q24E (vs. prior +21%), on strong internal ads and double digit growth of external ads. Livestreaming would decline 8% YoY, for proactive business adjustment. We expect ecommerce strong momentum to continue, forecasting GMV +29% YoY and others services revenue +40% YoY (above consensus). GPM would improve 6ppts YoY, up to 52.4%, in our estimates. Despite S&M mild increase, we expect 1Q24E bottom line at RMB3bn, surpassing consensus by 30%.
- **Why do we differ vs consensus:** Market concern lies on competitor threat on ads and potential selling from PE investor. We think short-term impact from Video Accounts would be limited, as KS focus more on performance-based ads with high ROI, while Video Accounts prioritize on brands ads. Ecommerce momentum would be resilient, and might see upside from shopping mall function.
- **Catalysts:** 1) upside from shopping mall, 2) strong 1Q24E result, and 3) better margin outlook.
- **Valuation:** Maintain BUY with SOTP-based TP at HK$97 (implying 24x FY24E P/E). Valuation is not demanding, in our view.

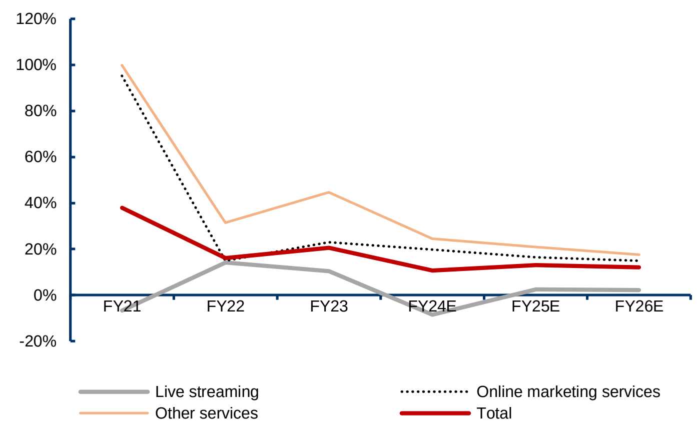
Link to latest report: Kuaishou (1024 HK) - More bullish on margin improvement

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	113,470	125,544	141,964	159,050
YoY growth (%)	20.5	10.6	13.1	12.0
Net income (RMB mn)	10,271.0	16,033.3	22,703.0	29,937.3
EPS (RMB)	2.31	3.48	4.83	6.25
YoY growth (%)	N/A	56.1	41.6	31.9
Consensus EPS (RMB)	N/A	3.47	5.06	7.18
P/E (x)	18.3	11.8	8.3	6.3
P/S (x)	1.8	1.7	1.5	1.3
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: KS's revenue growth estimates



Source: Company data, CMBIGM estimates

GigaCloud (GCT US) – Improving fundamentals with BaaS initiatives

Rating: BUY **| TP:** US$46 (25% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We are more bullish on GCT's organic growth and Noble House (NH)'s margin improvement. We reiterate GCT as one of our top picks, for its high barrier, attractive valuation and clear earnings growth (28% earnings CAGR in FY24-26E). GCT's 4Q23 result beat already-high expectation, with rev/earnings +95%/185% YoY (beating 9%/43%). Coupled with robust 1Q24E guidance, we see high visibility for its strong performance in next few quarters, backed by continuous share gain and SKU& Sellers expansion. Leveraging its "3P+1P+logistics" edge, GCT is well-positioned to capture upcoming opportunities (e.g. global supply chain penetration, industry booming demand). NH consolidation would bring more synergies in supply chain and product offerings. Favourable pricing terms with ship owners will further support its GPM trend.

- **Our View:** We expect GCT to deliver another eye-catching quarter results in 1Q24E, with estimated rev +84% YoY. 4Q23 seller/buyer +46%/21% YoY (with higher ROI), and suppliers from new product origins in Colombia, Mexico, and Turkey have joined GCT as 3P sellers in Feb 2024. We expect such addition would help GCT tap into larger TAM with more diversified supply chains. We turned more positive on GCT's share gain and scaling pace, and forecast FY24E rev +57% YoY (vs. prior +54%).

- **Why do we differ vs consensus:** Market concerns lies on margin sustainability and mgmt. shareholding reduction. We expect red sea disruption to pose limited financial impact on 1P margin, and recent three-week freight fee stabilization would alleviate the concern.

- **Catalysts:** 1) A potentially upbeat 1Q24E; and 2) more synergies from NH with narrowing loss.

- **Valuation:** Maintain BUY with SOTP-based TP at US$46 (implying 16.6x FY24E P/E), still below industry average of 19.4x.

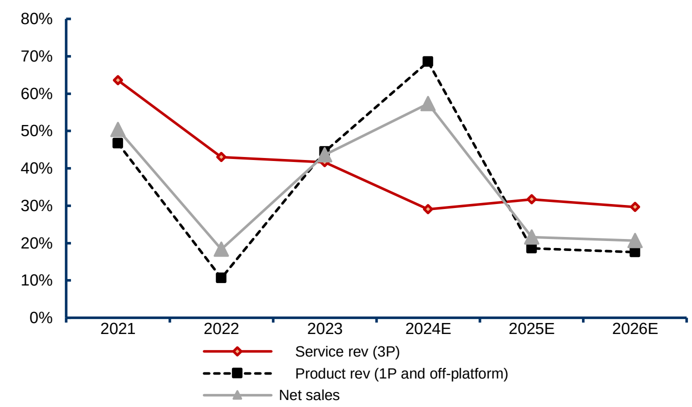
Link to latest report: GigaCloud (GCT US) - Improving fundamentals with BaaS initiatives

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (US$ mn)	704	1,112	1,353	1,632
YoY growth (%)	43.6	58.1	21.6	20.6
Net income (US$ mn)	94	116	150	188
EPS (US$)	2.31	2.84	3.66	4.48
YoY growth (%)	134.2	22.7	28.3	24.9
Consensus EPS (US$)	N/A	2.79	3.51	4.00
P/E (x)	13.9	11.3	8.7	7.1
P/S (x)	1.9	1.2	1.0	0.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: GigaCloud's revenue growth estimates



Source: Company data, Bloomberg, CMBIGM estimates

CR Land (1109 HK) – Stable FY23 earnings backed by robust rental business

Rating: BUY **| TP:** HK$45.10 (95% upside)

Analysts: Miao Zhang/ Nika Ma

- **Stable FY23:** CR Land delivered stable FY23 earnings with core net profit went up 3% YoY to RMB 27.8bn, mainly driven by robust investment property (IP) business which reported a 30.6% YoY growth in revenue and a 47.6% YoY growth in core net profit. The segment's contribution to core net profit went up 8.6ppt to 28.3%, together with its recurring business like PM, PJM etc., profit contribution went up 10ppt to 34.4%. Contract sales of development business (DP) increased 1.9% YoY to RMB307bn in FY23 (vs. -17.3% for TOP100). Contracted ASP hike 11% to RMB 23,486/sqm as 91% sales were from Tier 1-2 cities (vs. 87% in FY22).

- **Investment thesis: 1)** We expect CR Land to deliver solid growth on IP business in FY24-26E. It would continue providing buffer against the downturn of DP business. Company targets to have 117 operational shopping mall in FY27E and plans to launch 16 new ones in FY24E. **2)** we expect steady sales growth for DP business in FY24E due to company's strong land acquisitions in FY23 (+20% YoY to RMB173bn with land-to-sales ratio at 56%, one of the highest in the industry) and heathier structure in sellable resource (39% in tier-1 cities in FY24E vs. 29% in FY23 sales). The continuous policy relaxation in tier 1 cities would benefit CR Land more. **3)** Asset management platform would help unlock value of its IPs and further widen its gap with other developers going forward.

- **How do we differ:** ST risk may lie in the impacts from oversea traveling on high-end malls.

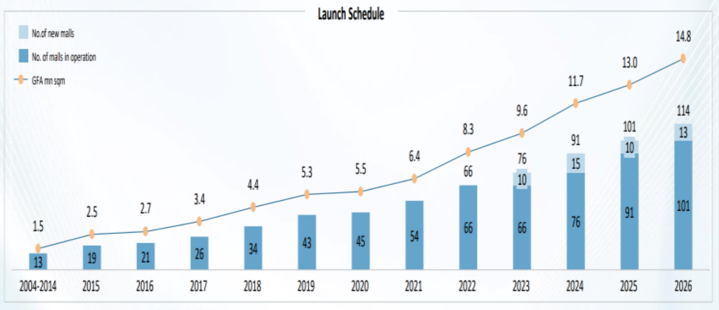
- **Valuation:** The company currently trades at 4.3x 2024E P/E vs. historical 5-YR average of 8x. Our TP stay unchanged at HK$45.10, reflecting 50% discount to NAV.

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23A	FY24E
Revenue (RMB mn)	212,108	207,061	251,137	252,488
YoY growth (%)	18.1	-2.4	21.3	11.0
Net income (RMB mn)	32,401	28,092	31,365	35,462
EPS (RMB)	4.54	3.94	4.40	4.97
YoY growth (%)	8.69	-13.30	11.69	10.13
Consensus EPS (RMB)	N/A	N/A	N/A	4.5
P/E (x)	4.7	5.4	4.8	4.3
P/B (x)	0.7	0.6	0.6	0.6
Yield (%)	6.5	6.6	6.8	7.7
ROE (%)	14.3	11.5	11.8	13.8
Net gearing (%)	24.4	35.0	27.3	47.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's malls opening plan



Source: Company data, CMBIGM

FIT Hon Teng (6088 HK) – Opportunities in US$1.7bn server connector/cable market

Rating: BUY | **TP:** HK$2.42 (27% upside)

Analyst: Alex Ng/ Claudia Liu

- **Investment Thesis:** FIT Hon Teng is global connector leader in PC, datacenter, smartphone, automobile and markets. We expect FIT to benefit from Voltaira merger synergy, AI servers/networking (HS cables/ CPU sockets/DDR5 connectors) and AirPods ramp-up in FY24-25E. Following R&D investment and M&A integration in FY23, we believe FIT earnings to resume growth in FY24/25E, driven by AI server/AirPods product launches and "3+3 strategy" in AIoT/acoustics/EV and margin recovery.

- **Our View:** FIT is one of our top pick for H-share tech sector, due to its solid revenue growth, high earnings visibility and beneficiary of AI server cycle. Mgmt. guided positive outlook for 2024: high-teens revenue growth, 15%+ GP YoY growth and 15%+ OP YoY growth, backed by AirPods share gain, AI server products and Voltaira auto business consolidation. As for AI-server sales, mgmt. expected 1) 15-20% YoY for networking/server in FY24E (30-40% GPM), and 2) AI server related revenue to reach 8-10% FY24E sales (vs. 1% in FY23), backed by new copper products and high-speed connection products in AI server. Overall, we expect FIT's revenue/net profit to rebound 12.2%/41.6% YoY in FY24E.

- **Why do we differ vs consensus:** Our FY24/25E EPS are 14%/18% above consensus, given stronger business outlook and better margin recovery.

- **Catalysts:** Near-term catalysts include AI server product launches and AirPods ramp-up.

- **Valuation:** Our 12m TP of HK$2.42 is based on 11x FY24E P/E (a 30% discount to 5-year hist. avg.), given accelerated growth on the "3+3 Strategy" and profitability recovery.

Link to latest report: FIT Hon Teng (6088 HK) - Recent sell-off looks overdone; AirPods production in Vietnam on track in 1H24E

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,196	4,715	5,412	6,233
YoY growth (%)	(7.4)	12.4	14.8	15.2
Net profit(RMB mn)	129	200	255	339
EPS (RMB)	1.82	2.83	3.60	4.78
YoY growth (%)	(24.9)	55.4	27.4	32.7
Consensus EPS (RMB)	N/A	2.48	3.05	1.80
P/E (x)	13.5	8.7	6.8	5.1
P/B (x)	0.7	0.7	0.6	0.5
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.3	7.6	8.8	10.5
Net gearing (%)	0	0	0	0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 1Q24 revenue guidance

Source: Company data, CMBIGM estimates

Xiaomi (1810 HK) – Reiterate BUY on multiple growth drivers in 2024

Rating: BUY | **TP:** HK$22.19 (41% upside)

Analyst: Alex Ng/ Claudia Liu

- **Investment Thesis:** Xiaomi is a global No.3 smartphone brand and smart hardware company connected by an IoT platform at its core. With a balanced emphasis on innovation and quality, Xiaomi pursues high-quality user experience and operational efficiency. Xiaomi launched its first smart NEV in 2024, and we are positive on Xiaomi's unique "Human-car-home" ecosystem to drive NEV business upside.

- **Our View:** We are positive on Xiaomi's 2024E outlook, backed by smartphone recovery, premiumization strategy and smart EV business expansion. For smartphone, we expect Xiaomi's smartphone global market share gain especially in Middle East, Africa and Latin America, and anticipate faster shipment improvement for FY24E. For Smart EV, SU7 models' initial preorders of 50k/89k units in first 27min/24hr exceeded market expectations, mainly driven by its competitive spec, self-developed autonomous driving technology (Xiaomi Pilot), and unique integrated AIoT ecosystem. Looking ahead, we are positive on Xiaomi's unique "Human-car-home" ecosystem as major differentiation from other brands.

- **Why do we differ vs consensus:** We are more positive on smartphone overseas share gain and smart EV outlook.

- **Catalysts:** Near-term catalysts include EV product shipment ramp-up, and smartphone market share gain.

- **Valuation:** Our SOTP-based TP of HK$22.19 implies 20.4x FY24E P/E, which reflects Xiaomi's business diversification with different growth profiles and visibility.

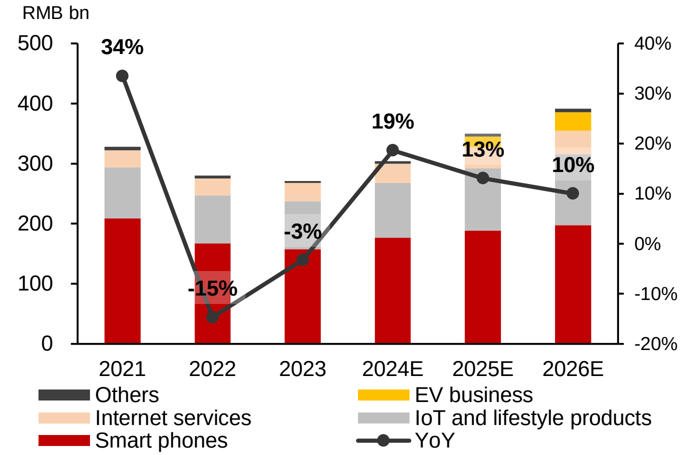
Link to latest report: Xiaomi (1810 HK) - Xiaomi EV SU7's pricing and pre-order above expectations; Raise TP to HK$22.19

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	270,970	321,495	363,516	399,909
YoY growth (%)	(3.2)	18.6	13.1	10.0
Net profit(RMB mn)	19,273	17,321	17,892	22,615
EPS (RMB)	0.77	0.70	0.72	0.91
YoY growth (%)	125.7	(10.1)	3.3	26.4
Consensus EPS (RMB)	0.77	0.64	0.70	0.83
P/E (x)	19.0	21.2	20.5	16.2
P/B (x)	2.6	2.4	2.3	2.1
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	11.7	9.8	9.4	10.8
Net gearing (%)	Net cash	0.1	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Xiaomi Revenue trend



Source: Company data, CMBIGM estimates

BYDE (285 HK) – Reiterate BUY on multiple growth drivers in 2024

Rating: BUY | **TP:** HK$46.51 (96% upside)

Analyst: Alex Ng/ Hanqing Li

- **Investment Thesis:** BYDE is a global leader in platform-based high-end manufacturing, focusing on smartphone/NB, new intelligent product, auto intelligent system and medical devices. Its major clients include Apple, Xiaomi, Huawei/Honor, BYD and other OEM brands. We believe BYDE will benefit from OEM industry consolidation, Apple supplier diversification, acquisition of Jabil's mobile business and fast-growing NEV/new intelligent products in 2023-25E.

- **Our View:** BYDE is our top pick for H-share tech sector, as we are positive on multiple growth drivers in 2024: 1) Android high-end demand recovery (e.g. Huawei, Xiaomi); 2) Jabil sales synergy and strong ramp in 2H24; 3) Apple share gain with sales mix rising to 48-50%; 4) high-end NEV product ramp-up, and 5) AI server shipments in early Apr. We believe recent stock correction was mainly due to concerns on slower smartphone recovery in 1Q24, NEV biz price pressure and Jabil's casing earnings uncertainties. We believe market concern is overdone given 1) Huawei's high-end model to boost shipment/ASP on titanium upgrade, 2) solid growth for NEV biz on new product ramp-up, parentco orders and new orders wins, and 3) sales synergies from Jabil's acquisition.

- **Why do we differ vs consensus:** We are more positive on earnings synergies from recent Jabil's acquisition and Huawei's high-end casing business.

- **Catalysts:** Near-term catalysts include Jabil mass production and NEV/AI server product shipments.

- **Valuation:** Our SOTP-based TP of HK$46.51 implies 17.2x FY24E P/E, which reflects BYDE's business diversification with different growth profiles and visibility.

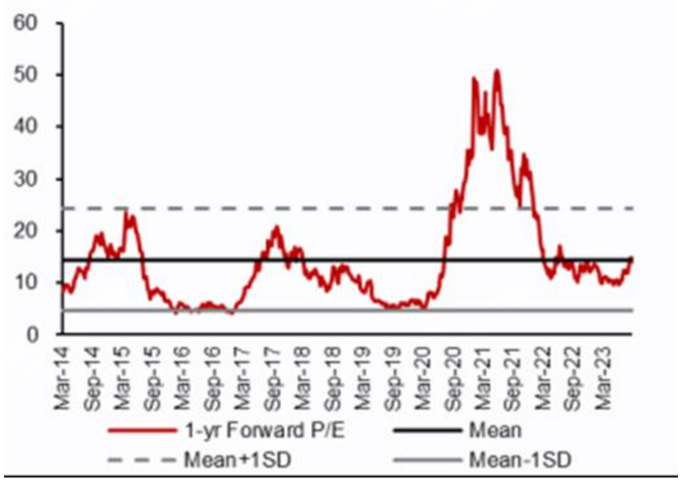
Link to latest report: BYDE (285 HK) - Reiterate BUY on multiple growth drivers in 2024

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	129,957	171,585	197,422	226,904
YoY growth (%)	21.2	32.0	15.1	14.9
Net profit(RMB mn)	4,041	5,542	7,441	9,148
EPS (RMB)	1.79	2.46	3.30	4.06
YoY growth (%)	117.6	37.1	34.3	22.9
Consensus EPS (RMB)	N/A	2.26	2.91	3.47
P/E (x)	12.7	9.3	6.9	5.6
P/B (x)	2.1	3.2	2.6	2.0
Yield (%)	2.4	3.2	4.3	5.3
ROE (%)	13.8	29.0	30.6	29.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIGM estimates

Innolight (300308 CH) – True AI beneficiary has more to offer

Rating: BUY | **TP:** RMB136.0 (-21% downside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment Thesis:** Innolight posted strong 3Q23 results with revenue/NP growth at 14.9%/89.5% YoY and 39.7%/88.4% QoQ, respectively. The robust growth was mainly contributed by the heightened industry-wide demand for the Company's 400G/800G optical transceivers. Additionally, the Company's gross margin showed consistent improvement across the first three quarters of 2023, climbing from 29.5%/31.1% in 1Q/2Q to 33.5% in 3Q. The Company is well-positioned to deliver a full year of promising growth, with backlog orders for its high performance optical transceivers stretching into early-2024 as AI tech developments continue to accelerate.
- **Our View:** We consider Innolight to be a major beneficiary of the ongoing surge in AI tech. The company stands out as one of the few domestic suppliers capable of meeting the increasing demand. The current stock price is becoming appealing due to several factors: 1) transceivers are essential in AI data centers, and there's a robust global demand for AI infrastructure that is expected to continue into 2024; 2) the recent US restrictions are anticipated to have minimal effects on the Company's revenue in the short-to-medium term.
- **Catalysts:** 1) faster-than-expected ramp-up of 800G optical transceivers, and 2) slower-than-expected decline of non-AI revenue.
- **Valuation:** Our TP is RMB136.0, corresponding to 29.2x 2024E P/E, close to its 5-year historical average of 30.9x.

Link to relevant reports:

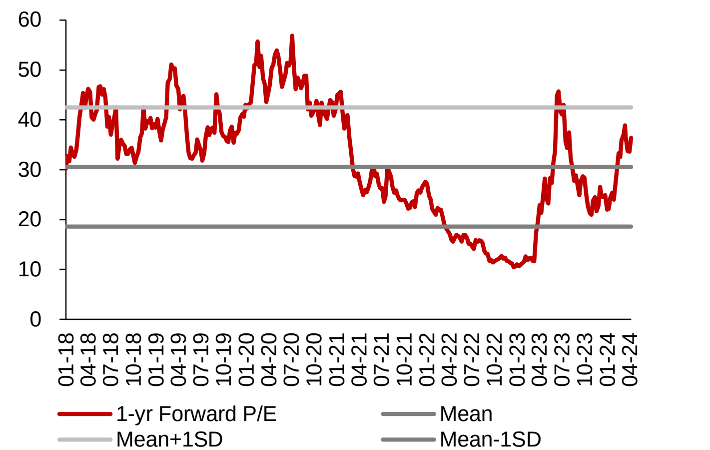
1. Semi sector research - Hyperscalers' FY23 results review (link)
2. Innolight (300308 CH, BUY) – Expect higher contribution from AI revenue in 3Q; Upgrade to Buy (link)
3. Innolight (300308 CH, BUY) – Strong 3Q results on accelerating AI revenue (link)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	7,695	9,642	11,188	18,681	21,342
YoY growth (%)	9.2	25.3	16.0	67.0	14.2
Gross margin (%)	25.6	29.3	32.6	33.9	32.9
Operating profit (RMB mn)	963	1,327	2,313	4,193	4,608
YoY growth (%)	(2.7)	37.9	74.2	81.3	9.9
Net profit (RMB mn)	877	1,224	2,045	3,740	4,100
YoY growth (%)	1.3	39.6	67.1	82.9	9.6
P/E (x)	32.6	20.6	58.9	32.2	29.4
ROE (%)	9.1	10.4	15.6	23.2	20.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Kingdee (268 HK) – Domestic ERP SaaS leader

Rating: BUY **|** **TP:** HK$15.5 (107% upside)

Analyst: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 18% revenue CAGR in FY23-26E, with total revenue to reach RMB9.3bn.
- **Our View:** We remain positive that Kingdee is well-positioned to benefit from the domestic substitution trend, backed by strong and continuously enhanced product capability and partner ecosystem. With greater revenue generation from subscription services than peers, Kingdee will likely enjoy greater visibility on revenue growth in 2024.
- **Why do we differ vs consensus:** Huawei's self-developed ERP (MetaERP) could be negative to the China ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the formers are more large-enterprises/ SOEs focused. Also, Huawei has to consider the potential implications to its Cloud business as Kingdee/ Yonyou/ Inspur may scale down their cloud resources usage with Huawei Cloud given direct competition in ERP.
- **Catalysts:** 1) Winning large SOEs Xinchuang bidding; and 2) supportive policies related to "Xinchuang" implementation.
- **Valuation:** We maintain BUY with a TP of HK$15.5, based on 6.4x EV/Sales, in line with one-year mean.

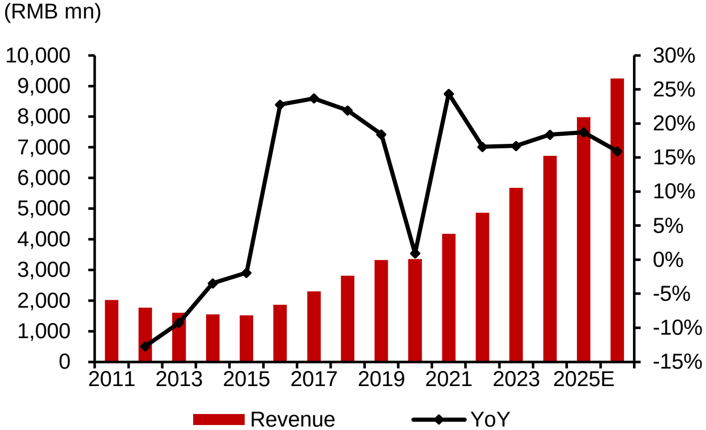
Link to latest report: Kingdee (268 HK) - Steady rev growth with on-track loss reduction

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	5,679	6,722	7,980	9,250
YoY growth (%)	16.7	18.4	18.7	15.9
Net profit (RMB mn)	(209.9)	(10.6)	251.7	484.1
EPS (Reported) (RMB cents)	(6.04)	(0.30)	7.24	13.93
Consensus EPS (RMB cents)	N/A	(1.64)	7.34	27.67
P/E (x)	N/S	N/S	118.4	61.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888   Fax: (852) 3900 0800

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