CMBI Research Focus List

Our best high conviction ideas

26 March 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	32.4	292.4	30.5	48.0	57%	21.1	17.1	4.1	N/A	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	11.6	39.0	9.0	14.0	55%	15.4	12.3	1.0	6.8	2.3%	Shi Ji/ Dou Wenjing
Weichai Power	2338 HK	Capital Goods	BUY	19.2	18.6	15.2	22.0	45%	13.8	10.2	1.6	11.8	3.6%	Wayne Fung
Zhejiang Dingli	603338 CH	Capital Goods	BUY	4.0	27.8	57.1	70.0	23%	17.4	15.0	3.5	21.7	1.1%	Wayne Fung
DPC Dash	1405 HK	Consumer Discretionary	BUY	0.9	1.2	54.6	75.5	38%	-204.0	-296.3	N/A	11.9	0.0%	Walter Woo
JNBY	3306 HK	Consumer Discretionary	BUY	1.0	1.5	15.0	19.8	32%	11.2	8.2	3.6	33.9	5.5%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.7	0.4	4.9	6.7	36%	10.1	8.1	2.1	23.0	2.5%	Walter Woo
Kweichow Moutai	600519 CH	Consumer Staples	BUY	296.2	694.2	1702.0	2219.0	30%	27.9	22.3	8.2	35.6	1.7%	Joseph Wong
BeiGene	BGNE US	Healthcare	BUY	16.8	49.1	153.9	268.2	74%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
PICC P&C	2328 HK	Insurance	BUY	29.3	35.1	10.3	11.7	14%	N/A	N/A	0.9	11.9	5.4%	Nika Ma/ Zhang Miao
Tencent	700 HK	Internet	BUY	353.4	816.0	292.2	450.5	54%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	181.8	1419.7	71.5	137.1	92%	9.7	9.9	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Pinduoduo	PDD US	Internet	BUY	159.3	1128.2	119.9	155.4	30%	14.7	14.8	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Amazon	AMZN US	Internet	BUY	1866.7	7307.5	179.7	213.0	19%	41.9	39.5	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Netflix	NFLX US	Entertainment	BUY	271.5	2487.3	627.5	613.0	-2%	52.2	36.4	N/A	26.1	0.0%	Sophie Huang
Kuaishou	1024 HK	Entertainment	BUY	27.1	112.5	48.7	97.0	99%	20.4	13.1	N/A	N/A	0.0%	Sophie Huang
GigaCloud	GCT US	Entertainment	BUY	0.9	87.4	27.7	43.0	55%	1.7	1.1	N/A	N/A	N/A	Sophie Huang
CR Land	1109 HK	Property	BUY	22.5	43.6	24.7	45.1	83%	4.4	4.0	0.6	13.3	7.0%	Miao Zhang/ Nika Ma
FIT Hon Teng	6088 HK	Technology	BUY	1.9	1.8	2.1	2.4	16%	10.5	9.2	0.5	5.4	0.0%	Alex Ng/ Claudia Liu
BYDE	285 HK	Technology	BUY	8.1	17.7	28.0	45.9	64%	14.9	10.9	2.4	13.3	0.3%	Alex Ng/ Hanqing Li
Luxshare	002475 CH	Technology	BUY	30.6	342.7	30.9	47.0	52%	17.5	13.8	1.9	10.9	0.0%	Alex Ng/ Claudia Liu
Innolight	300308 CH	Semi	BUY	18.6	575.1	167.6	136.0	-19%	58.9	32.2	N/A	15.6	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	4.1	22.3	8.9	15.5	74%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 26/3/2024 1pm

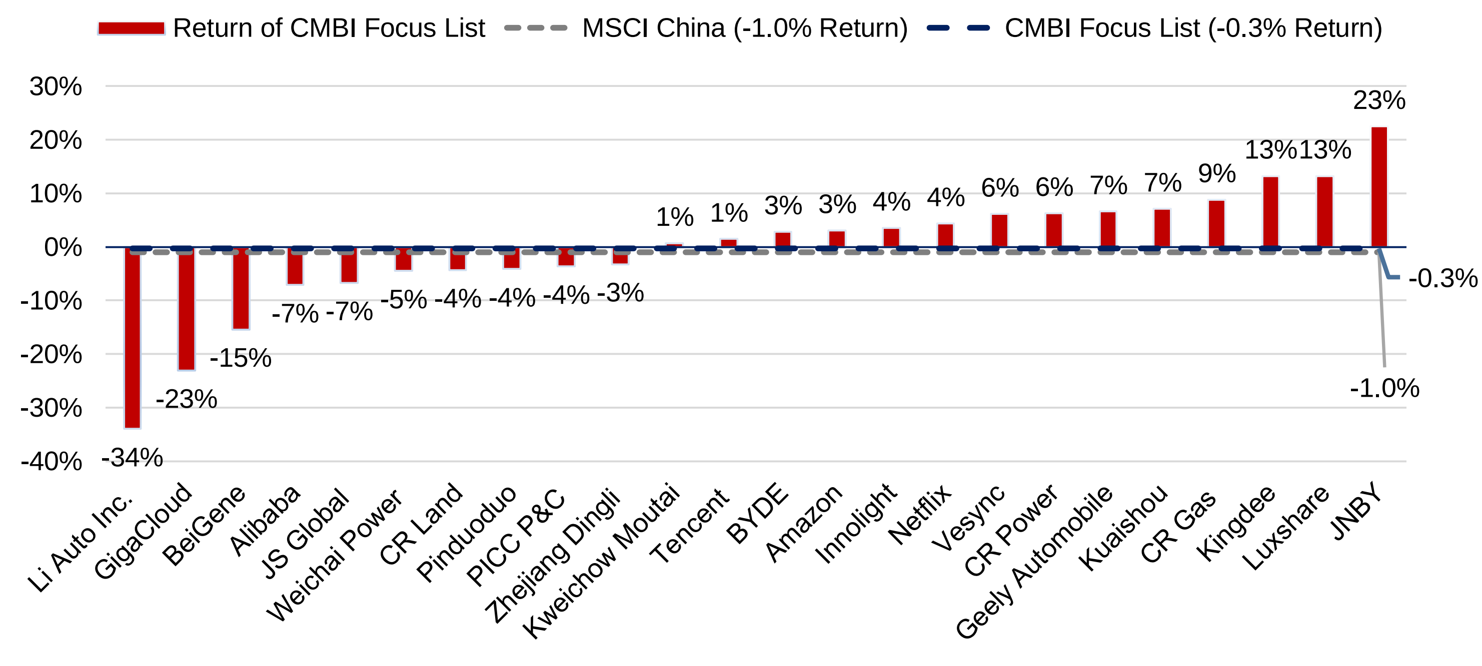
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
DPC Dash	1405 HK	Consumer Discretionary	BUY	Walter Woo	We are certainty cautious about the catering sector in FY24E. But we think DPC could still gain market share under the consumption trade down and enjoy rapid boost in growth from new markets expansion.
FIT Hon Teng	6088 HK	Technology	BUY	Alex Ng/ Claudia Liu	We are positive on FIT's strong earnings recovery with solid revenue growth and high-double digit GP/OP YoY growth, driven by AI server connector & cable product ramp-up, AirPods order shipment and Voltaira auto business consolidation. We believe recent market sentiment on AI server's copper connectivity solutions will be strong near-term catalysts for the stock. Multiple growth drivers are likely to unfold and trigger further share price upside in the coming months.
Deletions					
CR Power	836 HK	Energy	BUY	Megan Xia	Coverage suspended.
CR Gas	1193 HK	Energy	BUY	Megan Xia	Coverage suspended.
JS Global	1691 HK	Consumer Discretionary	BUY	Walter Woo	While we think JS global can still provide a highly decent dividend payout, given a relatively soft for Joyoung, its net profit growth may be dragged in the near term.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 27 Feb 2024, we highlighted a list of 24 long ideas.
- The basket (equal weighted) of these 24 stocks outperformed MSCI China index by 0.7 ppts, delivering -0.3% return (vs MSCI China -1.0%).
- Three of these stocks delivered 10% return or more, and 14 of our 24 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 27 Feb 2024 to 22 Mar 2024

Long Ideas

Li Auto Inc. (LI US) – 4Q23 results set the tone for resilient FY24

Rating: BUY **| TP:** US$48.00 (57% upside) Analysts: Shi Ji/ Dou Wenjing

- **Maintain our top pick.** Management has provided a clear path to achieve its FY24 sales target and is still quite self-disciplined in costs and expansion. We revise up our FY24E sales volume forecast by 7% and net profit by 16%. We believe now could be a good opportunity to accumulate at a low price after its share price decline caused by the initial market feedback for the *Mega* MPV.

- **1Q24E and FY24E outlook.** Li Auto's 1Q24 sales-volume guidance was about 5% higher than our projection. Its clear path to achieve its FY24 sales target gives us more confidence, despite stiffer competition. We raise our FY24E sales volume forecast from 0.61mn units to 0.65mn units.

- The resilient margins in 4Q23 have also set the tone for FY24. We project Li Auto's 1Q24 net profit to exceed RMB2bn, implying a net profit per vehicle of more than RMB20,000. Our revised FY24E net profit of RMB14.5bn (16% higher than previous estimates) is feasible, even assuming 1Q24E GPM to extend into the whole year (meaning the cost reduction from greater economies of scale is to offset the discounts amid intensifying competition).

- **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 raise our target price from US$45.00 to US$48.00, based on 23x (prior 25x) our revised FY24 EPS. We lower our valuation multiple to reflect the increasing competition. 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)	5.9	2.1	1.3	1.0
P/E (x)	N/A	21.1	17.1	13.4
P/B (x)	3.8	4.1	3.1	2.5

Source: Company data, Bloomberg, CMBIGM estimates

招银国际 CMB INTERNATIONAL

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

Rating: BUY **| TP:** HK$14.00 (55% upside)

Analysts: Shi Ji/ Dou Wenjing

- **2H23 OP in-line, NP beat.** Geely's 2H23 revenue was largely in line while GPM was about 0.8ppt higher than our forecast, underscoring our prior argument that Geely brand's margins could be more resilient than expected. Net profit in 2H23 beat our estimates by 18% on lower share-based payment, tax expenses and higher interest income. Zeekr's net loss of RMB1.1bn in FY23 was also better than our prior forecast of RMB2bn. Although we estimate the IP licensing and R&D support service still accounted for about 1/3 of Geely's FY23 net profit, we believe its earnings quality has improved compared with FY21-22, especially as Geely expensed R&D of RMB3.3bn in FY23, 71% higher than that in FY22.

- **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 slightly revise up our FY24E sales volume by 10,000 units to 0.22mn units, given its current order backlog. 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 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. We revise up our FY24E net profit by 7%.

- **Valuation/Key risks.** We value Zeekr at 1.3x (unchanged) our revised 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 (unchanged) 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)	22.7	15.4	12.3	11.3
P/B (x)	1.6	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) – Natural gas HDT to gain attraction following the decline of LNG price

Rating: BUY | **TP:** HK$22 (45% 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 0.59x, 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 (~3.4 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 (RMB7.1/litre), the annual net profit of RMB186k generated from a LNG truck is better than that of a diesel truck (RMB110k).

- **Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is 9%/2% above consensus. We see further upside to our earnings forecast given the continuous strong data.

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

- **Valuation:** Our SOTP based TP is HK$22. Even after a strong rally over the past couple of months, stock is trading at ~10x 2024E P/E which is still slightly below the historical average of 12x.

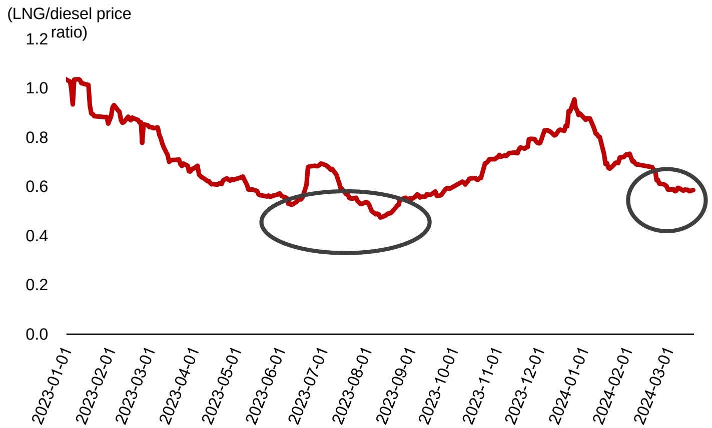
- **Link to latest report:** Weichai Power (2338 HK) – 4Q23 net profit +58% YoY; Payout increased to 50%; Higher earnings forecast on margin

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	1.28	1.45	NA
P/E (x)	13.8	10.2	9.5	9.0
EV/EBITDA (x)	5.0	4.6	4.3	4.1
P/B (x)	1.6	1.4	1.3	1.2
Yield (%)	3.6	4.9	5.3	0.0
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 (23% 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.

- **Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is -4%/-5% 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:** We set our TP at RMB70, based on 18x 2024E P/E (1SD below the historical average of 31x).

Link to latest report:

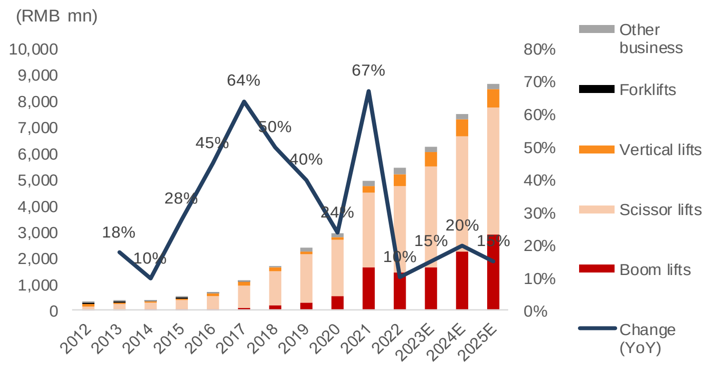
Capital Goods – 2M24: Solid growth of forklifts; weakness continued for tower cranes and excavators

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	3.45	4.04	4.65
EV/EBIDTA (x)	22.1	14.5	12.0	10.6
P/E (x)	23.4	17.4	15.0	13.2
P/B (x)	4.2	3.5	2.9	2.5
Yield (%)	0.9	1.1	1.3	1.5
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

DPC Dash (1405 HK): Value, delivery and new markets-driven growth

Rating: BUY **| TP:** HK$75.51 (38% upside)

Analyst: Walter Woo

- **Investment Thesis:** DPC Dash is the sole distributor of Domino's Pizza and the 3rd largest Pizza brand in China. It had 588 restaurants, and generated RMB2.0bn sales (around 5.3% market share) and RMB223mn net losses in FY22. During FY19 to FY22, its stores/ sales CAGRs were as fast as 30%/ 34%. We believe the growth drivers include: 1) store expansion (esp. in the newly entered regions), 2) localization, technology and delivery centric strategy, etc.

- **Our View:** We are still confident about its FY23E result (even though positive profit alert was already issued), thanks to: 1) highly value for money products, good for market shares taking under consumption trade down, 2) impressive popularity in the new markets in 2H23E and 3) reasonably high Pizza Hut's OP margin in 2H23E (despite a rather soft SSS recovery rate). For FY24E, we remain positive because: 1) high base for delivery business to likely ease and 2) SSS recovery rate could bottom out from 4Q23, 3) store expansion is still fast (as more than 50% of new stores have already signed the lease agreement), etc.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 0%/ -1%/ +1% vs street and net profit forecasts are 36%/ 0%/ -4% vs street, we are more optimistic about FY23E but more conservative on FY25E.

- **Catalysts:** 1) better than expected margins, 2) faster than planned store expansion, 3) issuance of stock options with higher strike prices.

- **Valuation:** We derived our 12m TP of HK$75.51 based on 2.3x FY24E P/S, about 90% higher vs industry average of 1.2x. The Company is only trading at 1.7x FY24E P/S currently.

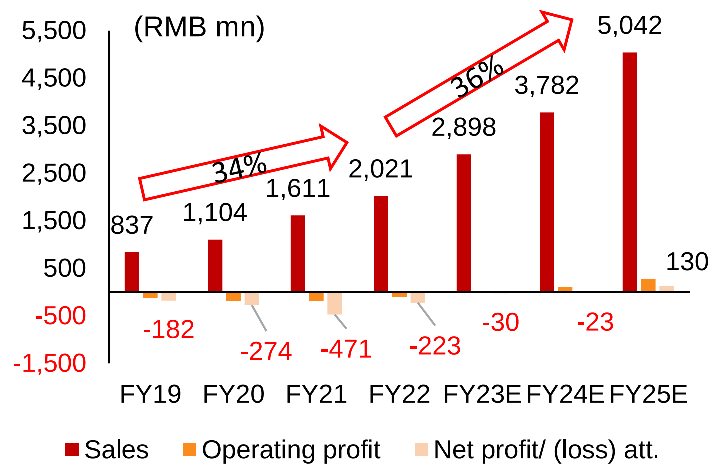
Link to latest report: DPC Dash (1405 HK) – Value, delivery and new markets-driven growth

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	2,021	2,898	3,782	5,042
YoY change (%)	25.4	43.4	30.5	33.3
Net profit (RMB mn)	(223)	(30)	(23)	130
EPS - Fully diluted (RMB)	(2.338)	(0.261)	(0.180)	0.998
YoY change (%)	(60.6)	(88.7)	(31.2)	(654.6)
Consensus EPS (RMB)	N/A	(0.257)	(0.137)	0.980
P/E (x)	(23.0)	(204.0)	(296.3)	53.4
P/B (x)	2.5	2.1	1.8	1.4
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	8.9	11.9	(3.3)	17.0
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

JNBY (3306 HK) – An impressive beat but a conservative outlook

Rating: BUY **| TP:** HK$19.77 (32% upside)

Analyst: Walter Woo

- **Investment Thesis:** JNBY is a leading designer brand in China, owning brands like JNBY, CROQUIS, less and jnby by JNBY, etc.. We believe its FY26E target of RMB 6.0bn/ RMB 900mn is robust (10%/ 13% sales/ NP CAGR during FY23-26E) are achievable enough (we only priced in 95%). Growth drivers include: 1) industry consolidation, 2) upgrades in products and branding, 3) store revamps, 4) ramp up of its digital related and e-commerce sales, 5) store expansion and 6) development of new brands.

- **Our View:** On one hand, we are not surprised to see a slowdown in growth in 2H24E. On the other hand, we are still slightly more optimistic about FY24E than the management. We are projecting 8% sales growth and 9% net profit growth in 2H24E, consist of: 1) moderate retail sales growth of SD during 2024 CNY, 2) further upgrades in the member's management and customer services, 3) positives yielded from store revamps, 4) potential restocking from the franchisees (their financial should have improved with lower inventories and better retail discounts). Margin-wise, we only expect a flattish NP margin YoY, due to limited operating leverage (4% SSSG in 2H24) and fall in other income & gains.

- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our sales forecasts are 0%/ -3%/ -6% vs consensus and our net profit forecasts are 0%/ 0%/ -2% vs street as we are more conservative on sales growth but more optimistic on its 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$19.77 based on a 11x FY6/24E P/E. We believe JNBY can re-rate more as the rapid growth sustain in 2024. The stock is trading at ~8x FY6/24E P/E and 11% FY6/24E yield

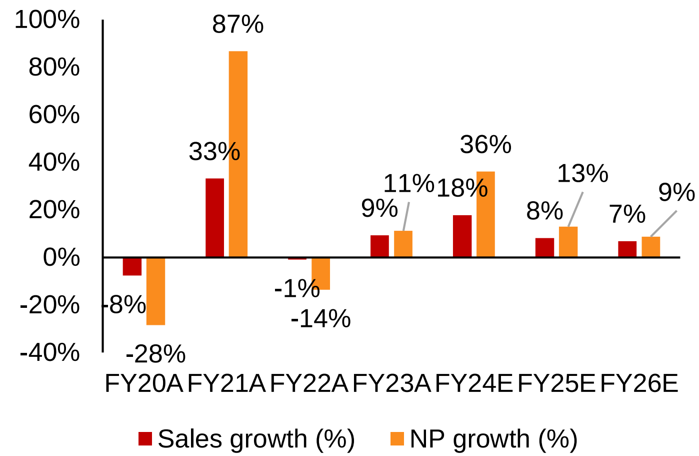
Link to latest report: JNBY Design (3306 HK) – An impressive beat but a conservative outlook

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	4,465	5,258	5,687	6,073
YoY change (%)	9.3	17.8	8.2	6.8
Adj. net profit (RMB mn)	621	845	955	1,038
EPS - Fully diluted (RMB)	1.222	1.663	1.878	2.041
YoY change (%)	9.8	36.1	13.0	8.7
Consensus EPS (RMB)	N/A	1.662	1.852	2.025
P/E (x)	11.2	8.2	7.3	6.7
P/B (x)	3.6	3.1	2.8	2.6
Yield (%)	5.5	10.9	10.3	11.2
ROE (%)	33.9	39.4	39.8	39.3
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 (36% 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) strong property market rebound.

- **Valuation:** The TP of HK$ 6.71 is based on 14x FY23E P/E, vs 3 years average of 12x, given the upcycle and 20% sales CAGR in FY22-25E. The stock is fairly cheap at ~8x FY23E P/E.

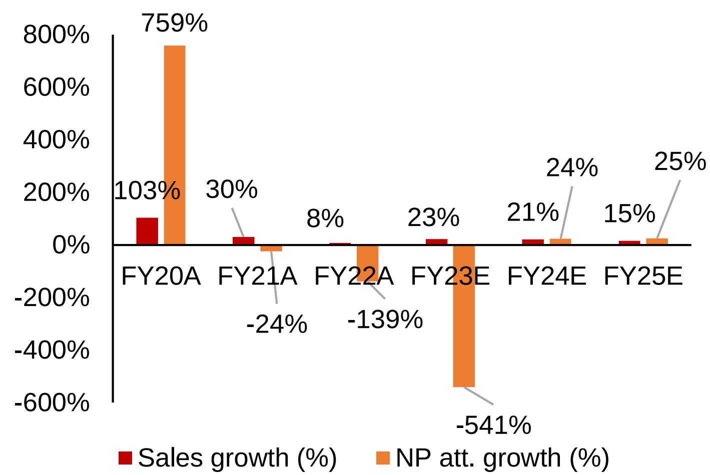
Link to latest report: Vesync (2148 HK) – An all-rounded beat and a bullish outlook

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)	(44.2)	10.1	8.1	6.5
P/B (x)	2.6	2.1	1.7	1.3
Yield (%)	0.0	2.5	3.1	3.9
ROE (%)	(5.5)	23.0	22.6	22.6
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 (30% upside)

Analyst: Joseph Wong

- We view Moutai's recent price hike positively, as it not only represents a supportive stance from policy-maker to foster a more balanced profits distribution along the value chain, but also a renewed driver to rejuvenate growth to the company itself when that of Series wine alone might not be able to sustain. Compared to the last price hike in 2018 that led to an 11%+ retail price surge, the latter has only gone up by 0.7% this time, according to our survey, and we believe the timing of the adjustment (amid slow season) and migration of direct sales channel, explained our observation. Given the fact that retail price for Feitian (~RMB2,900) has been well above the ex-factory price (~RMB969), the initiative unlikely comes in a total surprise to the market, and is likely very welcomed by the investment community. We are positive on Moutai and believe the initiative enables the company to deliver high-teen revenue/net profits growth for 2024 that comes in above its peer average. We are Buy-rated.
- **Moutai's price hike is the blockbuster.** Sector-wise, we think the move could break the price ceiling faced by mid-end brands and pave way for brand upgrade among tiers. Before that happens, however, we believe mid-end brands would have to eliminate excess channel inventory to ensure an effective pass-through. Of note, other bellwethers like Wuliangye and Liaojiao have already followed suits, and levied a 10-20%/4-5% price increase on "Wuliangye 8th Generation"/ "60th Edition Tequ", respectively.
- **Special dividend as a sweetener.** Moutai also announced to a special dividend of Rmb19.11 per share, equivalent to 37.7% of our 2023E EPS. Together with its final dividend, we estimate that Moutai will pay-out 76.1% of its 2023E earnings to reward investors and align shareholders' interest.
- **Valuation.** Our TP is based on 38.0x 2023E P/E that still represents 5-year average since 2018.

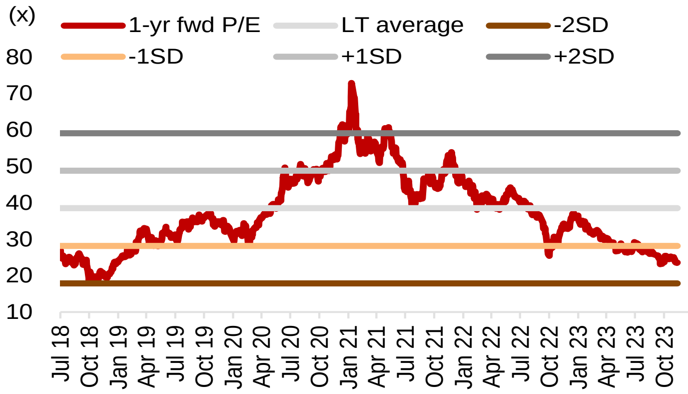
Link to latest report: Kweichow Moutai (600519 CH) – Our 2024 top pick among F&B names

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	109,464	127,554	147,435	179,647
YoY growth (%)	11.7	16.5	15.6	21.8
Net income (RMB mn)	52,460	62,716	73,346	90,831
EPS (RMB)	41.76	49.93	58.39	72.31
YoY growth (%)	12.3	19.6	17.0	23.8
Consensus EPS (RMB)	N/A	N/A	59.05	70.36
P/E (x)	39.2	32.6	27.9	22.3
P/B (x)	11.1	9.4	8.2	6.8
Div Yield (%)	1.3	1.4	1.7	2.0
ROE (%)	29.9	32.4	35.6	37.7
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 (74% 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%).

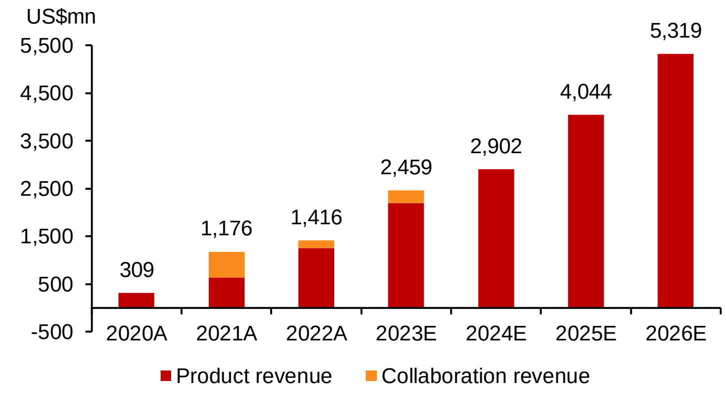
Link to latest report: BeiGene (BGNE US) – Expect a productive 2024 for early pipeline assets

Financials and valuations

(YE 31 Dec)	FY23E	FY24E	FY25E
Revenue (US$ mn)	2,459	2,902	4,044
YoY growth (%)	74%	18%	39%
Net loss (US$ mn)	(882)	(1,090)	(225)
EPS (US$)	(8.45)	(10.45)	(2.16)
Consensus EPS (US$)	(8.03)	(7.08)	(1.99)
R&D expenses (US$ mn)	(1,779)	(1,868)	(1,868)
SG&A expenses (US$ mn)	(1,505)	(1,655)	(1,738)
Capex (US$ mn)	(562)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

PICC P&C (2328 HK) – High-yield defensive play, positive on FY24 performance

Rating: BUY **| TP:** HK$11.7 (14% upside) Analysts: Nika Ma/ Zhang Miao

- **Investment Thesis:** Driven by steady demands of auto premiums (est.~6% 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 FY23. We maintain our positive outlook on P&C sector, given 1) the counter-cyclical business nature of P&C insurance; 2) shorter duration on liability (mainly in one-year) than life peers, and thus less asset-liability management pressure in low interest rate environment; 3) strong solvency in support of attractive dividend yields. PICC P&C, as the sector pioneer, enjoys better-than-peers pricing capability derived from advanced risk mitigation models and inclusive data on top of the abovementioned sector privileges. We expect the insurer's underwriting profit to increase by 9% to RMB9.4bn in FY24E, with CoR slightly down to 98.0% to sustain a ~40% payout ratio with stable dividend yields (~7%).
- **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 to reach 96.9%, below 97.0% as of the management guidance given at the beginning of year 2023.
- **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 99.8% 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 FY23E-FY25E. Given a good track record on approx. 40% dividend payout, we regard the stock an appealing defensive target in the context of low-risk appetite. Reiterate BUY, with target price at HK$11.70.

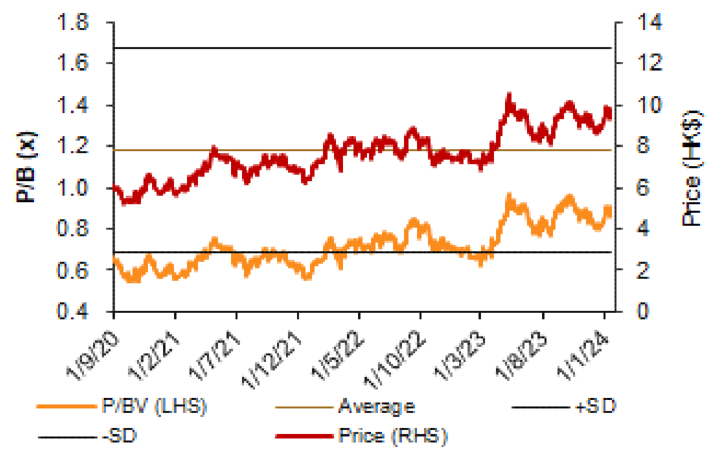
Link to latest report: PICC P&C (2328 HK) - Expect FY23E CoR guidance met; underwriting of NEVs and individual A&H to drive new growth

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Underwriting profit (RMB mn)	10,329	8,568	9,372	10,178
Net profit (RMB mn)	26,653	25,582	30,889	33,435
EPS	1.20	1.16	1.39	1.51
Consensus EPS	N/A	1.15	1.42	1.58
Combined ratio (%)	97.6	98.1	98.0	98.0
P/B (x)	0.92	0.87	0.80	0.73
Dividend yield (%)	5.5	5.4	6.5	7.0
ROE (%)	12.9	11.9	13.4	13.3

Source: Company data, Bloomberg, CMBIGM estimates

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



Source: CMBIGM estimates

Tencent (700 HK) – Unleashing business model advantages

Rating: BUY | **TP:** HK$450.50 (54% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

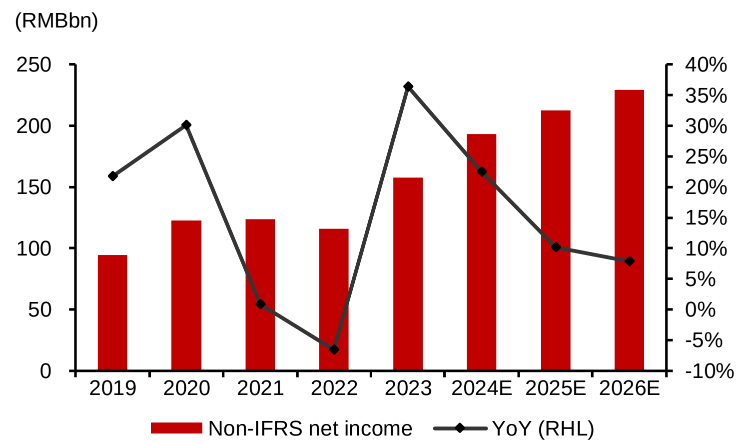
- **Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. Looking in 2024, we expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization 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 (4% 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 (13x FY24E PE) offers attractive risk reward given its solid earnings growth outlook (FY24-26E CAGR of 13%). 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$450.5, comprising HK$171.9/21.2/70.8/96.0/20.8 for games/SNS/ads/Fintech/ cloud business and HK$7.5/62.4 for net cash/strategic investments.
- **Link to latest report:** Tencent (700 HK) - Unleashing business model advantages

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	663,725	717,483	762,698
YoY growth (%)	9.8	9.0	8.1	6.3
Gross margin (%)	48.1	49.4	49.9	50.6
Adj. net profit (RMB mn)	157,688	193,195	212,767	229,501
YoY growth (%)	36.4	22.5	10.1	7.9
EPS (Adjusted) (RMB)	16.66	19.95	21.97	23.70
Consensus EPS (RMB)	16.66	18.87	21.35	24.73
Non-GAAP P/E (x)	16.5	13.4	12.2	11.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Enhancing shareholder return while remains ambitious on investment to drive for growth

Rating: BUY **| TP:** US$137.1 (92% 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; 3) Alibaba is likely to benefit from potential consumption recovery.

- **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.

- **Valuation:** SOTP-based valuation of US$137.1, which translates into 15.6x FY24E PE.

Link to latest report: Alibaba (BABA US) – Enhancing shareholder return while remains ambitious on investment to drive for growth

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	868,687	941,726	1,043,745	1,142,744
Adjusted net profit (RMB mn)	143,991.0	157,901.1	172,515.5	190,998.2
EPS (Adjusted) (RMB)	54.91	61.94	67.61	74.78
Consensus EPS (RMB)	N/A	63.63	67.43	74.93
P/E (x)	9.7	9.9	9.1	8.4

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	$/share	Value split
1	Taobao and Tmall Group	7.0x FY24E P/E; 20% tax rate on adjusted EBITA	60,180	21,645	7.0		1,090,910	151,515	59.2	43%
2	International Digital Commerce Group	3.0x FY24E EV/S	14,293			3.0	308,723	42,878	16.7	12%
3	Local Services Group	1.7x FY24 EV/S	8,194			1.7	100,291	13,929	5.4	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63% shareholding	13,573				135,024	18,753	7.3	5%
5	Cloud Intelligence Group	4.2x FY24 EV/S on revenue before intersegment elimination	14,777			4.2	450,053	62,507	24.4	18%
6	Digital Media and Entertainment Group	1.7x FY24 EV/S, inline with iQIYI target EV/S	3,033			1.7	37,124	5,156	2.0	1%
7	All others	1.0x FY24 EV/PS	26,529			1.0	191,012	26,529	10.3	8%
	Total Alibaba business						**2,313,135**	**321,269**	**125.2**	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	25,992	10.1	
2	Others	Market valuation					124,900	17,347	6.8	
	Total investment (with 30% holding discount)									**11.8**
	Total (US$mn)								**137.1**	
	#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 (30% 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 is likely to be controllable.

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

- **Valuation:** DCF based valuation of US$155.4.

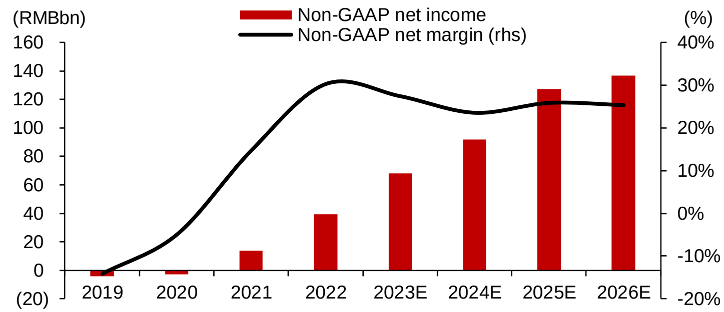
- **Link to latest report**: Pinduoduo (PDD US): Still has potential to improve monetization

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.

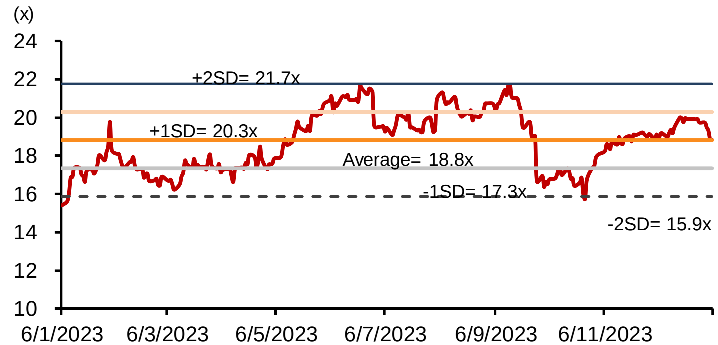
Link to latest report: Amazon (AMZN US): Steady ship heading for new growth stage

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$)	(0.27)	2.90	4.23	5.66	7.24
Consensus EPS (US$)	N/A	2.83	4.05	5.36	6.88
P/E (x)	N/A	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, 2% downside)   Analyst: Sophie Huang

- **Investment Thesis:** We turn 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 results, 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) deeper AVOD penetration, with basic plan to eliminate in Canada and the UK in 2Q24E; 2) paid sharing to tap into a 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 the industry's wave of price increases and globalization would offset rising content costs.

- **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.

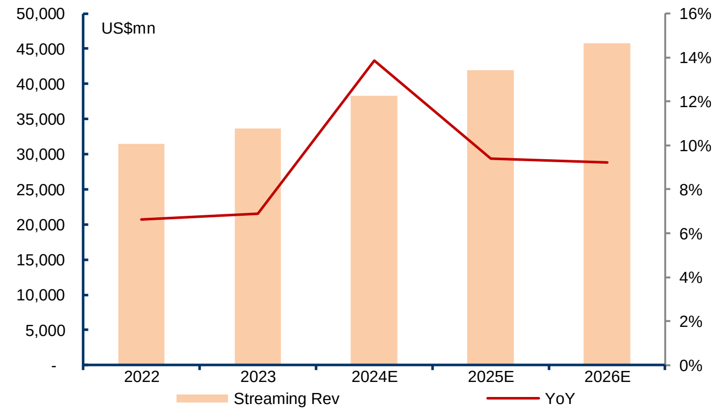
Link to latest report: Netflix (NFLX US) – Bullish on margin expansion and subs upside

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)	52.2	36.4	29.6	24.4
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 (99% 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 mild increase on S&M, 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 focuses more on performance-based ads with high ROI, while Video Accounts prioritize on brands ads. Ecommerce momentum would be resilient, and may see upside from shopping mall function.

- **Catalysts:** 1) upside from shopping mall, 2) strong 1Q24E results, and 3) better margin outlook.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$97 (implying 24x FY24E P/E). Valuation is not demanding.

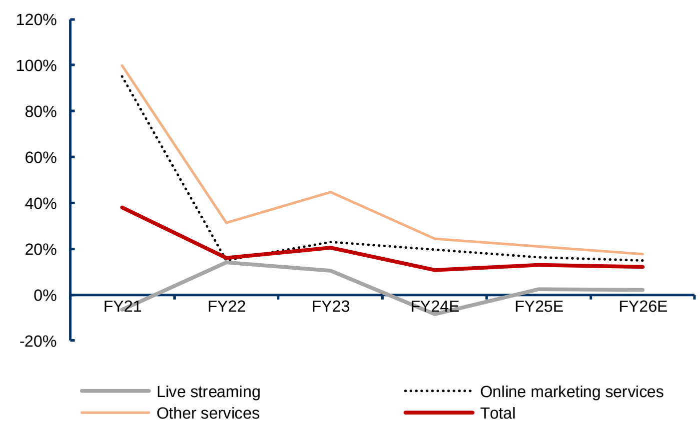
Link to latest report: Kuaishou (1024 HK) – More bullish on margin improvement

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)	20.4	13.1	9.2	7.0
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): Riding on stepping-up of expansion

Rating: BUY **| TP:** US$43 (55% 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) upcoming upbeat 1Q24E; and 2) more synergies from NH with narrowing loss.

- **Valuation:** Maintain BUY with SOTP-based TP at US$43 (implying 16.6x FY24E P/E), still below industry average of 19.4x.

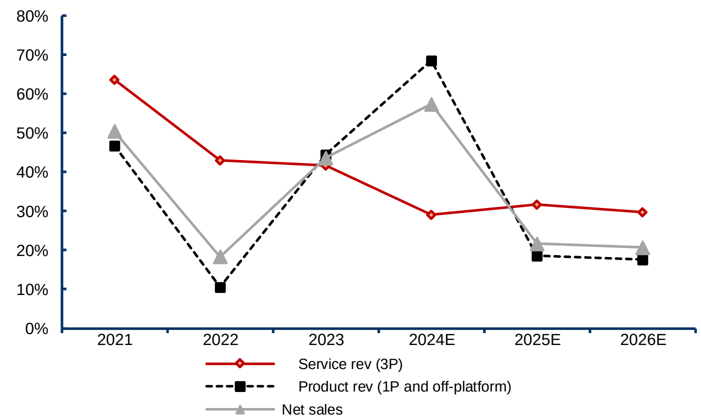
Link to latest report: GigaCloud (GCT US) – Riding on stepping-up of expansion

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (US$ mn)	704	1,107	1,347	1,625
YoY growth (%)	43.6	57.3	21.6	20.6
Net income (US$ mn)	94.1	105.8	138.2	174.1
EPS (US$)	2.30	2.59	3.38	4.15
YoY growth (%)	134.2	12.5	30.7	22.9
Consensus EPS (US$)	NA	2.42	3.01	NA
P/E (x)	1.7	1.1	0.9	0.7
P/S (x)	12.6	11.2	8.6	7.0
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

招銀国际 CMB INTERNATIONAL

CR Land (1109 HK) – Promising FY23E and not-far-fetching FY25E target

Rating: BUY **| TP:** HK$45.10 (83% upside)   Analysts: Miao Zhang/ Nika Ma

- **Investment Thesis:** We like CR Land with its visible earnings growth (8-15% YoY in 2023-25E) driven by robust rental income (20-30% CAGR) and solid sales growth in 2023E. This would help not only widen its gap with others (FY22 -20% YoY on average), but also make its 14th Five Year target closer to reach on the contracted sales side (+15% 2020-2025E CAGR), especially with the continuous policy relaxation in more high tier cities. If so, it may further drive its valuation to 8-10x long-term PE range as the clear winner of this crisis.

- **Our View:** We expect CR Land to deliver a robust 2023 sales: CR Land finished 1H23 with +41% sales YoY growth, the second best among all major developers. It is mainly attributed to 90% of its sellable resources in Tier 1-2 cities and +18% YoY ASP hike. Looking into 2023E, we expect 10-15% YoY gross sales growth to reach RMB330-350bn due to 1) strong land acquisitions in 1H23 with land/sales at 60%, one of the highest in the industry to provide enough sellable resources in high-tier cities (93% in tier 1/2); 2) gradually recovering market sentiment; 3) potential policy relaxation in more Tier 1 cities to benefit CR Land the most.

- **How do we differ:** ST risks include:1) liability/asset ratio is slightly over SASAC's redline of 70%; 2) oversea traveling and Daigo to bring impacts on high-end malls development.

- **Valuation:** The company currently trades at 4.7x 2023E P/E vs. historical 5-YR average of 8x. Our TP stay unchanged at HK$45.10, reflecting 50% discount to NAV.

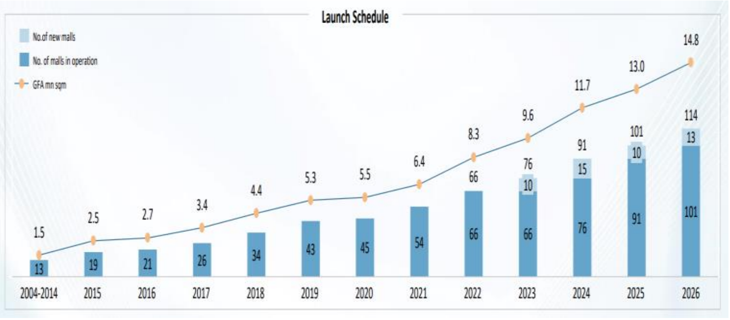
Link to latest report: CR Land (1109 HK) – Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	212,108	207,061	227,400	252,488
YoY growth (%)	18.1	(2.4)	9.8	11.0
Net income (RMB mn)	32,401	28,092	32,199	35,462
EPS (RMB)	4.54	3.94	4.52	4.97
YoY growth (%)	8.69	(13.30)	14.62	10.13
Consensus EPS (RMB)	N/A	N/A	4.2	4.5
P/E (x)	4.4	5.1	4.4	4.0
P/B (x)	0.6	0.6	0.6	0.6
Yield (%)	6.9	6.9	7.0	8.0
ROE (%)	14.3	11.5	13.3	13.8
Net gearing (%)	24.4	35.0	38.6	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 (16% 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 (high-speed cables/ CPU sockets/DDR5 connectors) and AirPods ramp-up in FY24-25E. Following long-term R&D investment and M&A integration, we believe FIT earnings to resume growth in FY24E, driven by AI server/AirPods product launches and strong execution of "3+3 strategy" in AIoT/acoustics/EV and strong 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 connector demand. Mgmt.. was positive on rising copper connectivity trend in AI servers and expected 1) 15-20% YoY for networking/server in FY24E (30-40% GPM), and 2) AI server related revenue (mainly copper) 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 net profit to grow 55%/27% YoY in FY24/25E.

- **Why do we differ vs consensus:** Our FY24-26E EPS are 14-33% above consensus, given stronger AI server business outlook and margin recovery.

- **Catalysts:** Near-term catalysts include AI server product shipment and progress of TWS products.

- **Valuation:** Our new 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) - NDR takeaways: Opportunities in US$1.7bn server connector/cable market; Lift TP to HK$2.42]

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)	129.6	201.2	256.3	340.1
EPS (RMB)	(23.9)	55.3	27.4	32.7
YoY growth (%)	1.82	2.83	3.60	4.78
Consensus EPS (RMB)	N/A	2.48	3.05	1.80
P/E (x)	10.5	9.2	7.2	5.4
P/B (x)	0.5	0.7	0.6	0.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.4	7.9	9.3	11.1
Net gearing (%)	0.0	0.0	0.0	0.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 1Q24 revenue guidance

Source: Company data, CMBIGM estimates

BYDE (285 HK) – Positive on margin recovery and Jabil mobility's synergies

Rating: BUY | **TP:** HK$45.86 (64% 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 high-end Android recovery, new NEV products and Android/US clients' share gain/upgrade, and Jabil's iPhone casing synergies in 2024/25E. 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 comeback likely to boost shipments and ASP hikes 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's business synergies, better margins and Huawei/Xiaomi/Apple product launches.

- **Valuation:** Our SOTP-based TP of HK$45.86 implies 17.5x FY24E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

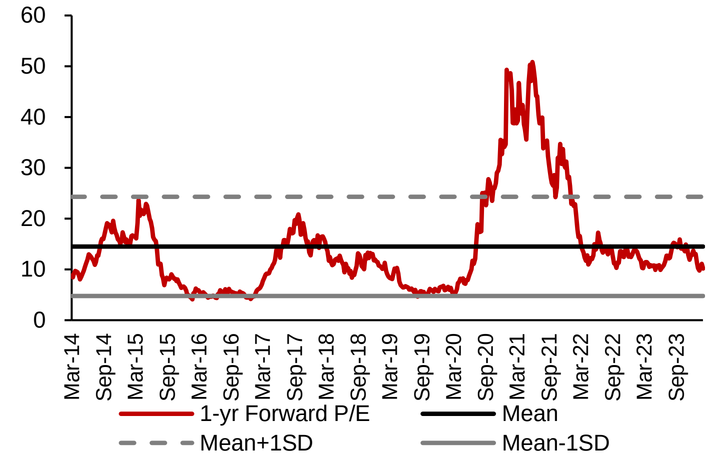
Link to latest report: BYDE (285 HK) - FY23 positive profit alert above expectations; Reiterate BUY on strong FY24E outlook

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	107,186	130,841	182,796	212,744
YoY growth (%)	20.4	22.1	39.7	16.4
Net profit(RMB mn)	1,858	3,937	5,379	7,443
EPS (RMB)	0.82	1.75	2.39	3.30
YoY growth (%)	(19.6)	111.9	36.6	38.4
Consensus EPS (RMB)	N/A	1.73	2.28	2.96
P/E (x)	31.6	14.9	10.9	7.9
P/B (x)	2.8	2.4	2.1	1.7
Yield (%)	0.6	0.3	0.9	1.3
ROE (%)	7.2	13.3	15.7	18.1
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

Luxshare (002475 CH) – More acquisitions to boost iPhone assembly share gain

Rating: BUY | **TP:** RMB46.96 (52% upside)

Analyst: Alex Ng/ Claudia Liu

- **Investment Thesis:** We believe that Luxshare is well-positioned to benefit from gain share in iPhone/MacBook/iPad/Watch OEM/components, and capture opportunities in automobile tier-1 and comm. businesses. Despite recent macro headwinds and iPhone's pressure from Huawei's comeback, we are positive on Luxshare's synergy with recent acquisitions, fast-growing auto/comm. business and better operating efficiency in FY24/25E. We also believe recent investment into Wistron and Pegatron's iPhone assembly plant will boost Luxshare's LT synergy with Apple ecosystem.

- **Our View:** Luxshare is our top pick for A-share tech sector, due to strong execution, high earnings visibility and beneficiary of 5G cycle. We believe stronger earnings in 4Q23 was a result of Luxshare's share gain in top module/smartphone OEM biz and higher share allocation of high-end models, and we are positive on further iPhone OEM business upside in FY24/25E post Kunshan plant acquisition. In addition, we are positive on its business opportunity in Apple's Vision Pro as the major OEM supplier.

- **Why do we differ vs consensus:** We believe market concerns on 1Q24 slower earnings and overseas expansion slowdown are overdone, as we are more positive on earnings upside from AirPods share gain and Vision Pro demand in 2024.

- **Catalysts:** Near-term catalysts include stronger Vision Pro shipment and more share gain in Apple supply chain.

- **Valuation:** We derived our 12m TP of RMB49.96 based on 24x FY24E P/E. We believe this is justified as Luxshare continues to deliver resilient earnings growth, market share gain and product expansion to capture multiple business opportunities in next 3-5 years.

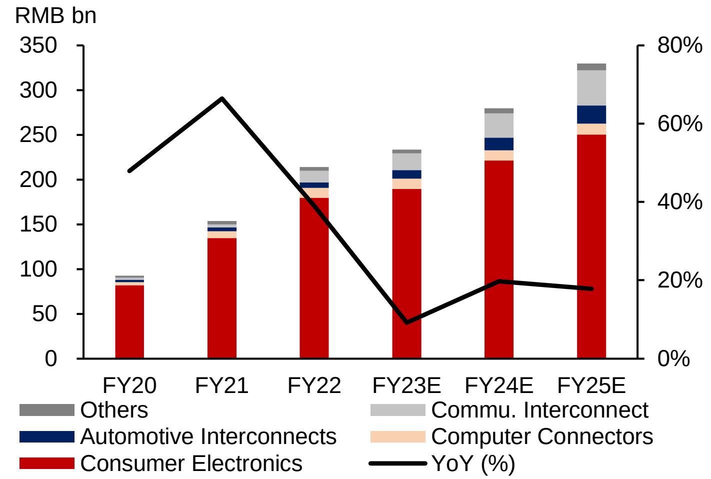
Link to latest report: Luxshare (002475 CH) – Acquisition of Pegatron's Kunshan plant to further boost iPhone assembly share gain

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	214,028	233,706	279,882	329,714
YoY growth (%)	39.0	9.2	19.8	17.8
Net profit(RMB mn)	9,163	10,990	13,899	17,283
EPS (RMB)	1.29	1.55	1.96	2.43
YoY growth (%)	28.6	19.9	26.5	24.3
Consensus EPS (RMB)	N/A	1.55	1.98	2.42
P/E (x)	21.0	17.5	13.8	11.1
P/B (x)	3.3	1.9	1.7	1.5
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	15.6	10.9	12.2	13.4
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Luxshare Revenue Trend



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB136.0 (19% 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:

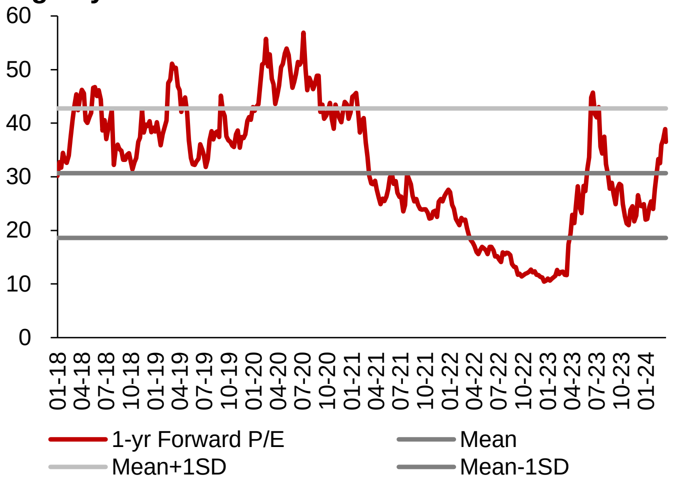
1. Semi sector research - Hyperscalers' FY23 results review (link)
2. Innolight (300308 CH, BUY) – Expect higher contribution from AI revenue in 3Q; Upgrade to Buy (link)
3. Innolight (300308 CH, BUY) – Strong 3Q results on accelerating AI revenue (link)

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 (74% upside) Analyst: Saiyi He/Frank Tao/Wentao Lu

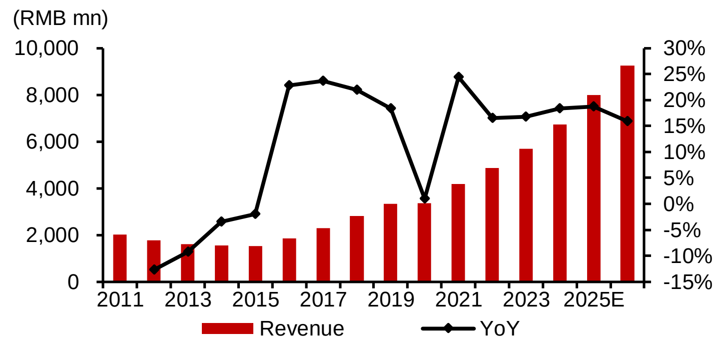
- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 18% revenue 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 new 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/A	N/A	118.4	61.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

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