



CMBI Research Focus List

Our best high conviction ideas



17 May 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	26.7	293.4	25.2	48.00	91%	15.5	12.6	3.0	N/A	N/A	Shi Ji/ Dou Wenjing
Zoomlion	1157 HK	Capital Goods	BUY	9.4	9.7	5.9	7.50	27%	13.0	10.6	0.9	6.4	5.7%	Wayne Fung
Zhejiang Dingli	603338 CH	Capital Goods	BUY	4.9	41.8	69.4	75.00	8%	19.3	17.2	4.0	23.3	1.4%	Wayne Fung
Xtep	1368 HK	Consumer Discretionary	BUY	2.0	9.2	5.9	7.63	30%	13.3	11.0	1.5	12.0	3.7%	Walter Woo
Haier Smart Home	6690 HK	Consumer Discretionary	BUY	39.1	44.4	31.0	31.24	1%	15.9	13.9	2.3	15.8	2.8%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.8	0.4	5.4	6.79	25%	8.8	7.4	1.7	21.7	4.6%	Walter Woo
Kweichow Moutai	600519 CH	Consumer Staples	BUY	296.1	642.2	1702.4	2219.00	30%	28.6	23.1	9.8	35.6	1.5%	Miao Zhang/ Bella Li
BeiGene	BGNE US	Healthcare	BUY	18.5	33.7	171.0	269.73	58%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
CPIC	2601 HK	Insurance	BUY	34.5	42.6	21.6	24.80	15%	0.4	0.3	0.7	12.4	5.3%	Nika Ma
PICC P&C	2328 HK	Insurance	BUY	29.8	44.1	10.4	11.90	14%	N/A	N/A	0.9	10.8	5.1%	Nika Ma
Tencent	700 HK	Internet	BUY	477.7	938.5	395.6	480.00	21%	22.0	17.8	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	211.0	1184.9	86.7	124.90	44%	22.1	19.4	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Pinduoduo	PDD US	Internet	BUY	199.1	1113.1	143.4	155.40	8%	14.7	14.8	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Amazon	AMZN US	Internet	BUY	1911.0	7290.3	183.6	211.00	15%	61.7	37.1	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Netflix	NFLX US	Entertainment	BUY	263.1	2090.8	610.5	644.50	6%	51.3	33.1	N/A	26.1	0.0%	Sophie Huang
Kuaishou	1024 HK	Entertainment	BUY	32.2	172.0	57.9	97.00	68%	22.3	14.3	N/A	N/A	0.0%	Sophie Huang
GigaCloud	GCT US	Entertainment	BUY	1.2	104.9	36.2	46.00	27%	16.0	13.0	N/A	N/A	N/A	Sophie Huang
CR Land	1109 HK	Property	BUY	29.1	57.0	31.9	45.10	42%	4.8	4.3	0.6	11.8	6.8%	Miao Zhang/ Bella Li
FIT Hon Teng	6088 HK	Technology	BUY	2.1	4.9	2.2	2.40	8%	15.5	10.2	0.8	5.4	0.0%	Alex Ng/ Claudia Liu
Xiaomi	1810 HK	Technology	BUY	63.9	249.3	20.0	23.77	19%	23.7	22.8	3.3	11.7	N/A	Alex Ng/ Claudia Liu
BYDE	285 HK	Technology	BUY	9.8	28.5	33.8	45.15	34%	17.2	12.9	2.9	13.8	1.7%	Alex Ng/ Hanqing Li
Innolight	300308 CH	Semi	BUY	19.0	647.5	171.0	183.00	7%	65.4	30.0	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Naura	002371 CH	Semi	BUY	21.3	228.4	290.0	405.00	40%	55.0	39.1	N/A	18.0	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	4.2	20.0	9.1	15.50	71%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 17/5/2024 2:30pm

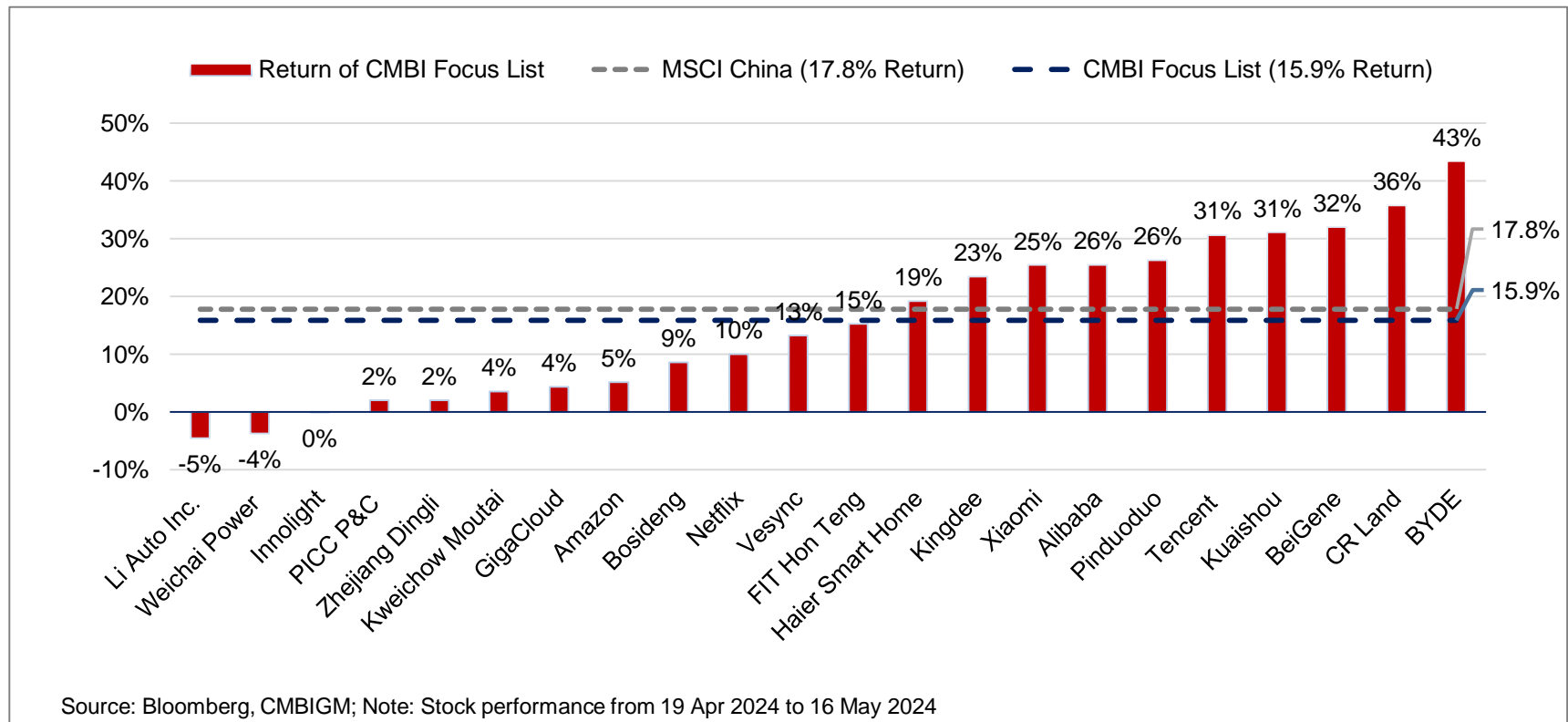
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Zoomlion	1157 HK	Capital Goods	BUY	Wayne Fung	Incremental positive on Zoomlion's overseas expansion.
Xtep	1368 HK	Consumer Discretionary	BUY	Walter Woo	Thanks to sales of K&P, Xtep will refocus on its running business and have better financials. With special dividend and low valuation, we do find it attractive.
CPIC	2601 HK	Insurance	BUY	Nika Ma	We see a good opportunity to accumulate quality names of fundamental resilience which is likely to strike a valuation rebound underpinned by strong equity market momentum. We prefer CPIC (2601 HK) to be part of our "offensive yet defensive" strategy, given its near-term profitability resilience and long-term growth potential under the transformative initiative Changhang performance.
Naura	002371 CH	Semi	BUY	Lily Yang/ Kevin Zhang	We favor Naura at the current price level because 1) semi supply chain domestication is a long-term trend, which provides share gain potential for domestic SME suppliers, 2) strong gov't support from China's focus on tech self-independence, and 3) the company's diverse product offerings and hefty R&D expenses confirm future revenue growth.
Deletions					
Weichai Power	2338 HK	Capital Goods	BUY	Wayne Fung	We see uncertainties after Norges Bank's comments and exclusion of Weichai from the government pension fund.
Bosideng	3998 HK	Consumer Discretionary	BUY	Walter Woo	We still think Bosideng could deliver solid sales and net profit growth ahead and the valuation is still attractive. But near-term catalysts may be limited.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 19 Apr 2024, we highlighted a list of 22 long ideas.
- The basket (equal weighted) of these 22 stocks underperformed MSCI China index by 1.9 ppts, delivering 15.9% return (vs MSCI China 17.8%).
- Five of these stocks delivered 30% return or more, and 10 of our 22 long ideas outperformed the benchmark.



Long Ideas

Li Auto Inc. (LI US) – Sales volume to ramp up in May-Jun

Rating: BUY | TP: US\$48.00 (91% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Maintain our top pick.** Li Auto's major leading indicators (number of leads, customer flow and new order intake) have been rebounding since the launch of the L6 EREV on 18 Apr and the price cuts of RMB18,000-30,000 for other models on 22 Apr, based on our channel checks. The Li L6's order backlog reached 41,000 units on 5 May, which gives us more confidence in our prior forecast of Li Auto's 50,000-unit deliveries in Jun. It could be a good opportunity to accumulate the shares at a less demanding valuation, in our view.
- **1Q24 results could set the tone for FY24.** Li Auto is going to release its 1Q24 results on 20 May. Its 1Q24 sales volume of 80,400 units beat company's revised-down guidance of 76,000-78,000 units. We believe investors' confidence could be improved in its FY24E profitability, should Li Auto's net profit per vehicle stay above RMB20,000 in 1Q24. Li Auto is still quite self-disciplined in costs, and its outstanding product definition capabilities remain unchanged, in our view.
- **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. We maintain our full-year sales volume forecast of 0.65mn units for FY24E.
- We maintain our BUY rating 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: [Auto - Leading indicators, policy imply a strong May](#)

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)	3.8	1.5	0.9	0.7
P/E (x)	N/A	15.5	12.6	9.9
P/B (x)	3.9	3.0	2.3	1.8

Source: Company data, Bloomberg, CMBIGM estimates

Zoomlion (1157 HK) – Right strategy on product & global expansion; Expect structural growth ahead

Rating: BUY | TP: HK\$7.5 (27% upside)

Analyst: Wayne Fung

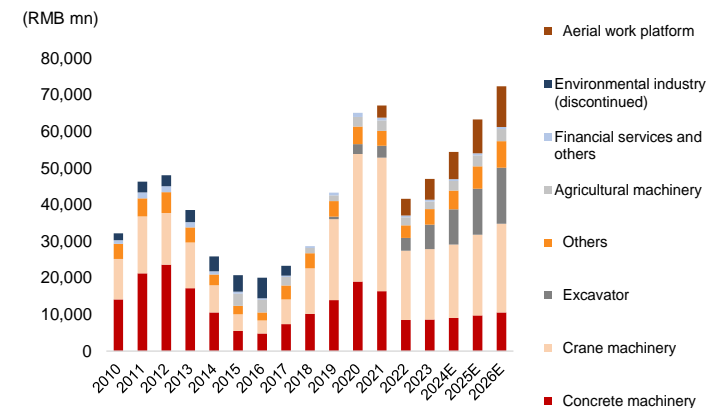
- Investment Thesis:** Zoomlion is a major construction machinery manufacturer in China. The Company has identified construction machinery, agricultural machinery, and materials as the key business lines. The diversification strategy on both product level (AWP & excavator) and regions (emerging overseas market) will help smooth the revenue stream.
- Our View:** We are convinced by Zoomlion's impressive global expansion strategy. On the product side, the offering of full range of machinery through an effective direct sales model enables Zoomlion to penetrate different key markets in overseas. On regions, the priorities on emerging economies such as the Middle East, Middle Asia and Southeast Asia over Europe and North America make it subject to less geopolitical risks. With overseas revenue mix rising to 48% in 1Q24 (vs only <10% three years ago), and with only 15% of machinery sales related to property investments in China (vs >40% three years ago), Zoomlion is set to ride on a new structural growth trajectory.
- Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is -2%/-13% versus consensus. We see earnings upside given the strong growth in overseas sales.
- Catalysts:** (1) further increase in overseas sales; (2) stabilization of property-related machinery sales
- Valuation:** Our H-share TP of HK\$7.5 is based on 40% to our A-share TP (RMB11.6, based on 22x 2024E P/E, equivalent to the peak valuation in 2021). We believe the solid overseas expansion story will serve as the re-rating driver.
- Link to latest report:** [Zoomlion \(1157 HK\) - Right strategy on product & global expansion; expect structural growth ahead; U/G to BUY](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	47,075	54,419	63,339	72,374
YoY growth (%)	13.1	15.6	16.4	14.3
Core net income (RMB mn)	3,550	4,365	4,983	5,677
Core EPS (RMB)	0.43	0.53	0.60	0.69
YoY growth (%)	54.9	23.0	14.2	13.9
Consensus EPS (RMB)	N/A	0.54	0.70	0.78
EV/EBITDA (x)	10.4	8.7	7.5	6.7
P/E (x)	13.0	10.6	9.3	8.1
P/B (x)	0.9	0.8	0.8	0.8
Yield (%)	5.7	6.3	7.2	8.2
ROE (%)	6.4	7.6	8.5	9.3
Net gearing (%)	11.6	14.3	15.9	16.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Zoomlion's revenue breakdown



Source: Wind, CMBIGM

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

Rating: BUY | TP: RMB75.0 (8% 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 a 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 0%/-2% versus consensus. We see upside to our forecast driven by stronger-than-expected margin expansion driven by overseas markets.
- **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 RMB75, based on 18x 2024E P/E (1SD below the historical average of 31x).

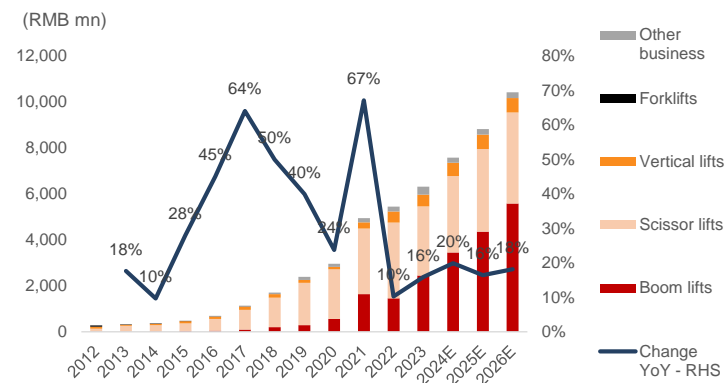
Link to latest report: [Zhejiang Dingli \(603338 CH\) - 4Q23 & 1Q24 earnings in line; Staying positive on overseas growth](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	6,312	7,569	8,810	10,409
YoY growth (%)	15.9	19.9	16.4	18.2
Net income (RMB mn)	1,867	2,105	2,425	2,870
EPS (RMB)	3.69	4.16	4.79	5.67
YoY growth (%)	48.5	12.7	15.2	18.4
Consensus EPS (RMB)	N/A	4.16	4.90	5.73
EV/EBIDTA (x)	17.7	14.5	12.5	10.6
P/E (x)	19.3	17.2	14.9	12.6
P/B (x)	4.0	3.4	2.9	2.5
Yield (%)	1.4	1.6	1.9	2.2
ROE (%)	23.3	21.6	21.1	21.3
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIGM estimates

Xtep (1368 HK): Huge boost in short-run growth with high yield

Rating: BUY | TP: HK\$7.63 (30% upside)

Analyst: Walter Woo

- Investment Thesis:** For the sportswear sector, despite the short-term retreat (and turnaround is likely in 2H24E onwards), we still think the long-term growth potential is there (sports participation rate to increase and support from government, etc.). For Xtep, even with the rising competition from other brands, we think the room for growth is still there (running segment is still growing healthily by 20%+ and outpacing others) and it could maintain the leadership by securing sponsorships of the best domestic runners and rolling out more innovative products.
- Our View:** We do think the sales of K&P to Mr. Ding is positive as the potential impairment risk will be removed and the level of losses will be improved. Moreover, the cash flow will be improved and more interest income can be earned (from the CB of K&P). Also, the Company can allocate more resources on its mass-market and running products and expansion of Saucony could be accelerated afterwards (both S&M are already breakeven and should make positive contribution onwards).
- Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are 8%/ 8%/ 13% higher than the street as we are more conservative on its sales growth, but more positive on its OP margin improvement, thanks to the removal of K&P and interest income.
- Catalysts:** 1) better-than-expected results, 2) positive feedback on new products, 3) favorable policies and 4) favorable weather, etc.
- Valuation:** We derived our 12m TP of HK\$7.63 is based on 14x FY24E P/E. We believe sales of K&P, improved financial, cash flow and dividend can drive a further re-rating. The stock is trading at 10x FY24E P/E.

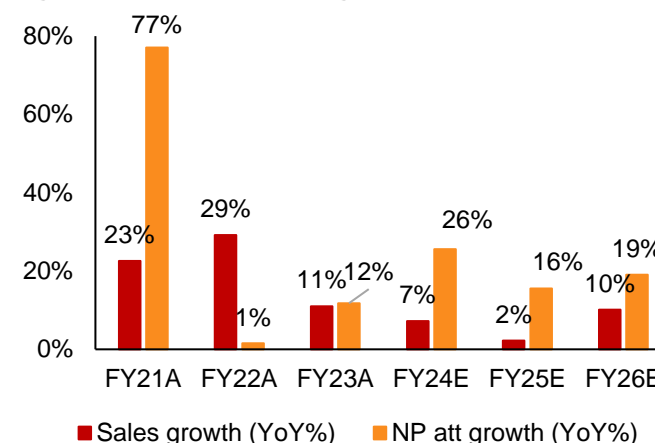
Link to latest report: [Xtep \(1368 HK\) – Huge boost in short-run growth with high yield](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	14,346	15,371	15,713	17,298
YoY change (%)	10.9	7.1	2.2	10.1
Net profit (RMB mn)	1,030	1,293	1,494	1,778
EPS - Fully diluted (RMB)	0.391	0.473	0.547	0.651
YoY change (%)	9.4	21.1	15.5	19.0
Consensus EPS (RMB)	N/A	0.454	0.527	0.598
P/E (x)	13.3	11.0	9.5	8.0
P/B (x)	1.5	1.5	1.5	1.3
Yield (%)	3.7	12.9	5.2	6.2
ROE (%)	12.0	14.5	16.4	18.2
Net debt/ equity (%)		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 (1% 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 drive a faster NP CAGR in FY20-23E. 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 expansions (e.g. AC, kitchen appliances).
- **Our View:** 4Q23 results were inline but the dividend hike was definitely a bright spot. We do appreciate the resilience of Haier's business, esp. when the macro demand in China was weak. And going forward, we are confident that FY24E guidance will be achieved, thanks to steady growth for Casarte, ramp up of Air-con businesses and reforms in the EU market, plus the potential subsidies or other favorable macro policies, etc.
- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our NP forecasts is 1%/ 3%/ 2% higher than street as we are more optimistic on its operating efficiency.
- **Catalysts:** 1) robust 1Q24E data points, 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 services upgrades, efficiency gains from digitalization and synergies can drive decent growth onwards. The stock is only trading at 14x FY22E P/E.

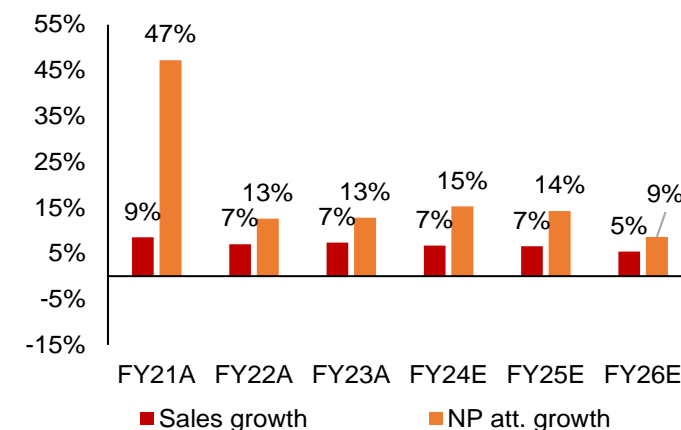
Link to latest report: [Haier Smart Home \(6690 HK\) – Resilient FY24E guidance and decent dividend](#)

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)	15.9	13.9	12.2	11.2	
P/B (x)	2.3	2.1	1.9	1.7	
Yield (%)	2.8	3.4	4.1	4.5	
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) – 1Q24 was slow but end-demand is healthy

Rating: BUY | TP: HK\$6.79 (25% upside)

Analyst: Walter Woo

- **Investment Thesis:** Vesync is a leading small appliance player in online market in the US, ranked 3rd/ 5th by sales on Amazon/ all online channels in 2019. It has three major brands (Levoit, Cosori and Etekcitcity) 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:** 1Q24 sales growth was slow but the net profit should still be strong. And thanks to the healthy sell-out growth and the less than one month Amazon channel inventory, plus the upgrades in products (e.g. Turbo Blaze air fryer, Dual Zone air fryer, the pet friendly air purifier and vacuum cleaner), orders growth should normalize in the coming quarters.
- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our sales is -3%/ -5%/ -9% vs the street as we are much more cautious about the restocking by Amazon. However, our net profit forecasts are 0%/ +1%/ -1% vs street as we are more confident in its operating leverage and margins.
- **Catalysts:** 1) better-than-expected product launches, 2) improvement in efficiency and costs, and 3) strong rebound/ turnover of US's retail and property market.
- **Valuation:** The TP of HK\$ 6.79 is based on 11x FY24E P/E, vs 3-year average of 12x, given the upcycle and 13% sales and 16% net profit CAGR in FY22-25E. The stock is still cheap at ~9x FY24E P/E.

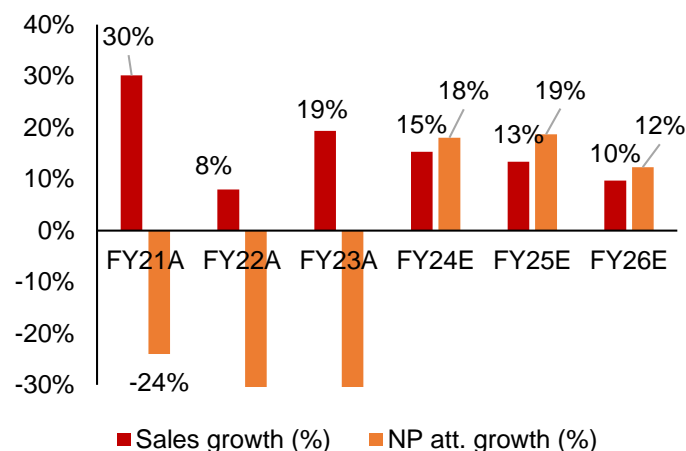
Link to latest report: [Vesync \(2148 HK\) – 1Q24 was slow but end-demand is healthy](#)

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (US\$ k)	585,484	675,211	765,444	839,976
YoY change (%)	19.4	15.3	13.4	9.7
Net profit (US\$ k)	77,430	91,402	108,496	121,879
EPS - Fully diluted (US\$)	0.065	0.080	0.095	0.106
YoY change (%)	(550.9)	22.6	18.7	12.3
Consensus EPS (US\$)	N/A	0.080	0.095	0.110
P/E (x)	10.7	8.8	7.4	6.6
P/B (x)	2.2	1.7	1.4	1.1
Yield (%)	3.7	4.6	5.4	6.1
ROE (%)	24.2	21.7	20.4	18.8
Net debt/ equity (%)		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: Miao Zhang/ Bella Li

- The company's performance in 1Q24 remained resilient amidst terminal prices fluctuations. Sales/net profit grew by 18%/16% YoY. 1Q's wholesales channel recorded solid growth of 26%, and its revenue contribution to the total went up to 57%, up 5 pps compared to 4Q23. The situation was mainly driven by an addition of 17 official distributors, terminating trail periods of selling "Moutai 1935", and Group's higher allocation to distributors compared to previous years' quotas. According to Jinrijiujia, wholesale prices of Feitian box and bulk discounted by 6.9% and 5.9% YTD respectively as of 16 May. We believe the prices should resume to a healthy and stable level for the full year. We are positive about the company for achieving its full-year expectation of sales growth exceeding MDD, based on 1) 20% ex-factory price hike implemented, 2) delivering volume 4.5WT estimated, and 3) new Series SKUs launched.
- 1Q24's cash collection pace slightly exceeded that of 1Q23. The Company's cash increased by 17.4% YoY, consistent with revenue growth. Net cash flow from operating activities increased by 75% YoY, mainly contributed by increases in interbank deposit and central bank reserve.
- Looking forward, we believe that the portfolio premiumization and channel mix adjustment should continue and further optimize the profitability level. The company remains a solid defensive name.
- **Valuation.** Our TP remains unchanged.

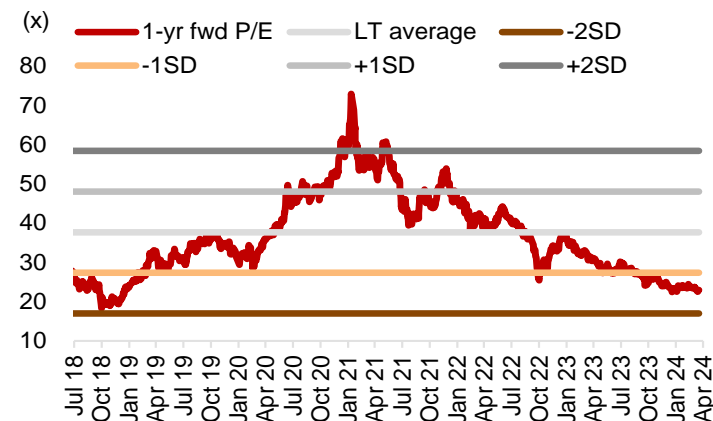
Link to latest report: [Kweichow Moutai \(600519 CH\) - Our 2024 top pick among F&B names](#)

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) – Consistently exceeding expectations

Rating: BUY | TP: US\$269.73 (58% upside)

Analysts: Jill Wu/ Andy Wang

- Investment Thesis:** Product sales continued to beat expectation. In 1Q24, BeiGene recorded total product sales of US\$747mn (+18% QoQ, +82% YoY), representing 25.7% of our previous FY24 estimate. Zanubrutinib (zanu) maintained strong sales momentum, with sales increasing 18% QoQ or 131% YoY to US\$489mn. The strong performance of zanu was driven by market share gain in CLL in the US and the expansion of reimbursement coverage in the EU. According to our calculation, in 1Q24, the global market size of BTKi remained stable (+1% QoQ), while sales of zanu outperformed the competing drugs (acalabrutinib +6% QoQ and ibrutinib -7% QoQ). Zanu captured around 21% of the global BTKi market in 1Q24, improving significantly from 18% in 4Q23. As the only BTKi with superior head-to-head clinical data vs ibrutinib and the broadest indication coverage, we forecast zanu to realize US\$2.2bn sales in FY24 (+69% YoY) and US\$4.8bn peak sales by 2031E. On 1 May 2024, the USPTO granted BeiGene's PGR petition and is expected to issue a final decision on the validity of the "803 patent" within 12 months. We believe this indicates that this patent dispute is nearing resolution and zanu will continue its market share gain in the US.
- Our View:** BeiGene is on the path to profitability. The Company consistently improved its operating margins, benefiting from the rapid growth in product revenue. Its GP margin (vs product sales) increased to 83.3% in 1Q24 (vs 82.7% in FY23), driven by a growing proportion of sales from high-margin zanu and economies of scale. The SG&A ratio (vs product sales) decreased to 57% in 1Q24 from 69% in FY23, and the R&D ratio (vs product sales) also shrank to 62% from 81% in FY23. In 1Q24, BeiGene narrowed its net loss to US\$251mn (vs US\$368mn in 4Q23), which was better than our expectation. With the strong sales momentum and the improving operating margin, we expect BeiGene to break even in FY26E. Additionally, We believe sonrotoclax (BCL-2) and BGB-16673 (BTK CDAC) will become blockbusters.
- Why do we differ:** Considering zanu's strong growth, tisle's launch in the EU/US, sonrotoclax and BTK CDAC's blockbuster potential, and a robust early-stage pipeline, BeiGene remains our top recommendation.
- Valuation:** We derive our target price of US\$269.73 based on DCF valuation (WACC: 9.64%, terminal growth rate: 3.0%).

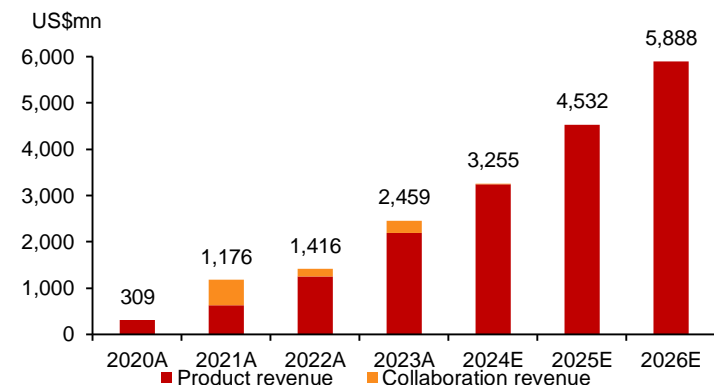
Link to latest report: [BeiGene \(BGNE US\) - Consistently exceeding expectations](#)

Financials and valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (US\$ mn)	3,255	4,532	5,888
YoY growth (%)	32%	39%	30%
Net loss (US\$ mn)	(804)	(68)	395
EPS (US\$)	(7.71)	(0.65)	3.79
Consensus EPS (US\$)	(8.25)	(3.30)	2.98
R&D expenses (US\$ mn)	(1,785)	(1,813)	(2,061)
SG&A expenses (US\$ mn)	(1,752)	(2,039)	(2,414)
Capex (US\$ mn)	(200)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK): 1Q24 net profit turnaround; expect flexible valuation rebound

Rating: BUY | TP: HK\$24.8 (15% upside)

Analysts: Nika Ma

▪ **Investment Thesis:** CPIC turned to positive VNB growth by +30.7% YoY in 1Q24, outpacing peers i.e. China Life / Ping An +26.3%/+20.7% YoY in the period. The strong VNB momentum was driven by margin expansion to an est.15.8%, +3.7pct YoY (*CMBI est*) and a drift upward in FYP by 0.4% YoY to RMB32.8bn by end 1Q24. The Group's net profit to S/H grew by +1.1% YoY to RMB 11.8bn in first quarter, surpassing peers being the first amid listed CN insurers to realize net profit turnaround. We see the insurer's life underwriting focus reverted back to agency, as the agency FYRP/FYSP +25.4%/+44.5% in 1Q24 versus in 4Q23 as of -3.6%/-53.6% YoY. Agency FYP rallied 31.3% YoY to RMB16.1bn shifting from a -21% decline in 4Q23. Bancassurance still consumed impacts on tightened regulatory oversight since last fall, given the channel's FYP -21.8% YoY in 1Q24, yet significantly narrowed from a 54.6% decline in 4Q23. We view the improved first-quarter prints a head of steam built-up upon the proceeding transformative initiative since 2022. We regard the regulatory impact on bancassurance to gradually fade out in 2Q24, after the lackluster reads in 4Q23 & 1Q24. P&C CoR slid by 0.4pct to 98% despite a rising trend in claims of which PICC P&C/Ping An +2.2pct/+0.9pct in 1Q24.

▪ **Near-term resilience and long-term growth potential.** With positive policy expectations and easing overseas monetary conditions, we see the sell-off pressure from foreign funds to China asset appears to be subsiding in 2Q24. Given the near-trough valuation at 0.3x FY24eP/EV, we prefer CPIC (2601 HK) as a resilient target amidst CN life insurers to ride this round of potential China macroeconomic tailwinds. We see a good opportunity to accumulate quality names such as CPIC, as part of our "offensive yet defensive" strategy given its flexible valuation rebound to strike a capital gain in addition to a 5.5% div. yield.

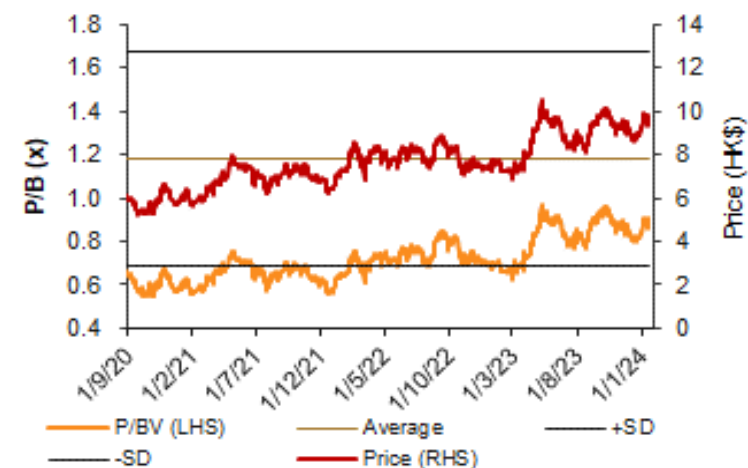
▪ **Valuation:** The stock is trading at FY24E 0.3x P/EV and 0.7x P/BV, attractive to an est. 3-year ROE at 12.4% in FY24E-FY26E. We reiterate BUY on the stock, and look positive on its flexible valuation rebound within a surge of CN asset market. TP was at HK\$24.8 based on SOTP, implying 0.84x FY24E P/BV

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	27,911	32,225	33,907	36,760
EPS	2.83	3.30	3.48	3.77
Consensus EPS	N/A	3.25	3.48	3.86
Group EV / share (RMB)	55.0	58.0	60.9	63.8
P/EV (x)	0.35	0.33	0.31	0.30
P/B (x)	0.74	0.70	0.67	0.61
Dividend yield (%)	5.3	5.5	5.8	5.9
ROE (%)	12.4	12.4	12.4	12.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CPIC (2601 HK): share price and attractive FY24E P/EV(x)



Source: CMBIGM estimates

PICC P&C (2328 HK) – 1Q seasonality released; FY24 CoR guidance sustained

Rating: BUY | TP: HK\$11.9 (14% upside)

Analysts: Nika Ma

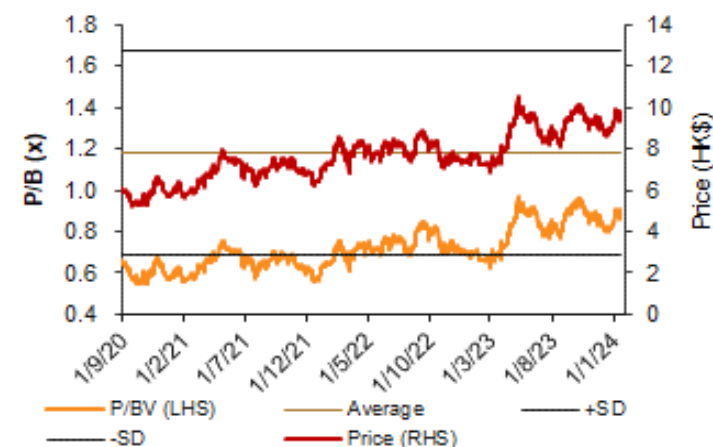
- Investment Thesis:** Driven by steady demands of auto premiums (est.~5% YoY in FY24E) and accretive non-auto business lines, we see incremental room for China's P&C insurers to scale up and improve structure mix within more benign competitive landscape after stringent regulatory scrutiny in 2H23. We 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% in FY24E, underpinned by steady demands of new car sales and rising penetrations of NEVs. In the long run, we expect the avg. ticket size of auto premium to stabilize as the price competitions among peers appears to subsiding after amounting claims resulted from the 1Q24 catastrophic seasonality. Given the 1Q catastrophe-induced claims fully released, we sustain our full-year auto CoR at 97.6%, slightly down by 0.2pct YoY aligning to <97.0% CoR guidance.
- Non-auto:** For non-auto lines, we expect improved underwriting margin in FY24E for 1) the insurer proactively contracted corporate lines for high loss ratios, i.e. employer liability insurance, and 2) high base of non-auto CoR due to rising NAT CAT claims in 3Q23. That said, with innovative supply of new products and an optimized structure of existing lines, we project the non-auto CoR to be 98.9% by end FY24E, gaining tractions to overall UW profitability.
- Valuation:** The stock is now trading at 0.84x FY24E P/B with an est. 3-year ROE at 12%, in our view. Given a good track record of >40% payout, we continue to view the stock an appealing defensive play, as part of "offensive yet defensive" strategy we hold for 2Q24. Maintain BUY, with TP at HK\$11.90.

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Underwriting profit (RMB mn)	10,189	11,886	13,779	16,072
Net profit (RMB mn)	24,566	29,222	31,718	34,322
EPS (RMB)	1.11	1.32	1.43	1.55
Consensus EPS (RMB)	N/A	1.32	1.46	1.58
Combined ratio (%)	97.8	97.6	97.3	97.1
P/B (x)	0.92	0.84	0.77	0.71
Dividend yield (%)	5.1	5.5	6.0	6.5
ROE (%)	10.8	12.0	11.9	11.9

Source: Company data, Bloomberg, CMBIGM estimates

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



Source: CMBIGM estimates

Tencent (700 HK) – Quality growth strategy underpins strong earnings growth

Rating: BUY | TP: HK\$480.0 (21% upside)

Analyst: Saiyi He/Wentao Lu/Frank Tao

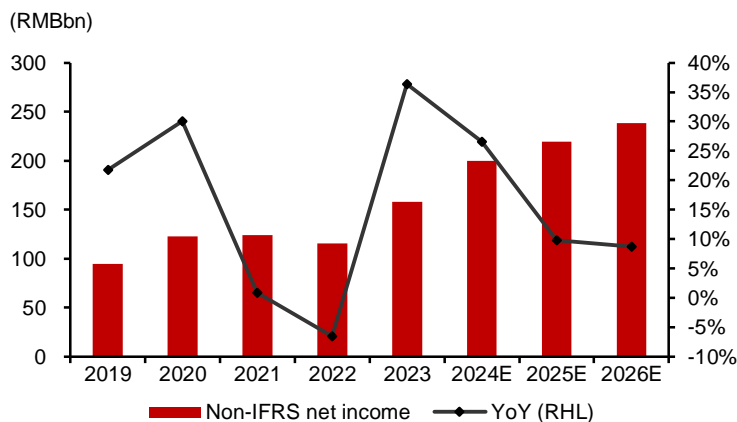
- Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. Looking into 2024, we expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization 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, unparalleled 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 31% 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 (18x FY24E PE) offers attractive risk reward given its solid earnings growth outlook (FY24/25E: +27/10% 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\$480.0, comprising HK\$181.6/32.7/85.8/81.6/20.8 for games/SNS/ads/Fintech/ cloud business and HK\$6.4/71.2 for net cash/strategic investments.
- Link to latest report:** [Tencent \(700 HK\) - Quality growth strategy underpins strong earnings growth](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	661,885	718,940	771,702
YoY growth (%)	9.8	8.7	8.6	7.3
Gross margin (%)	48.1	53.0	53.8	54.3
Adj. net profit (RMB mn)	157,688	199,534	219,129	238,242
YoY growth (%)	36.4	26.5	9.8	8.7
EPS (Adjusted) (RMB)	16.66	20.60	22.63	24.60
Consensus EPS (RMB)	16.66	19.31	21.88	24.74
Non-GAAP P/E (x)	22.0	17.8	16.8	14.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Business adjustment shows greater visibility in delivering results

Rating: BUY | TP: US\$124.9 (44% 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 highlighted solid progress regarding its investment to support market share gains of core business, with Taobao & Tmall (T&T) Group GMV grew double digits YoY, international commerce retail revenue grew 56% YoY, and AI-related cloud revenue grew triple digits YoY in 4QFY24. It guided that investment to drive market share gains remains a priority for core businesses in FY25E. The enhancement in shareholder return should provide support for valuation, in our view, while the incremental positive news on core business development in 2HFY25 should improve investor confidence in the stock.
- **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\$124.9, which translates into 14.6x FY25E PE.
- **Link to latest report:** [Alibaba \(BABA US\) – Business adjustment shows greater visibility in delivering results](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	868,687	941,168	1,015,835	1,100,949
Adjusted net profit (RMB mn)	143,991.0	158,359.0	153,092.0	167,437.9
EPS (Adjusted) (RMB)	54.91	62.77	62.56	70.54
Consensus EPS (RMB)	N/A	62.69	62.35	69.95
P/E (x)	22.1	19.4	12.0	10.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (USDmn)	Valuation method	FY25E Rev (USDmn)	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 FY25E P/E; 20% tax rate on adjusted EBITA	60,949	21,259	7.0		1,075,911	148,812	58.5	47%
2	International Digital Commerce Group Local Services	2.3x FY25E EV/S	19,137			1.5	207,538	28,705	11.3	9%
3	Group Cainiao Smart Logistics Network Limited	1.5x FY25E EV/S	9,429			1.5	104,988	14,521	5.7	5%
4	Cloud Intelligence Group	Last round transaction value; 63.7% shareholding	16,709				47,578	6,581	2.6	2%
5	Digital Media and Entertainment Group	3.9x FY25E EV/S on revenue before intersegment elimination	16,046			3.9	446,642	61,776	24.3	19%
6	Group	1.0x FY25E EV/S, in line with iQIYI trading EV/S	3,071			1.0	23,090	3,194	1.3	1%
7	All others	1.0x FY25E EV/S	26,035			1.0	178,821	24,733	9.7	8%
	Total Alibaba business						2,084,569	288,322	113.3	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	25,884	10.2	
2	Others	Market valuation					118,256	16,356	6.4	
	Total investment (with 30% holding discount)								11.6	9%
	Total (US\$m)									124.9
	# of diluted ADS (mn)									2,545

Source: Company data, CMBIGM estimates

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

Rating: BUY | TP: US\$155.4 (8% upside)

Analysts: Saiyi He/ Frank Tao/ Wentao Lu

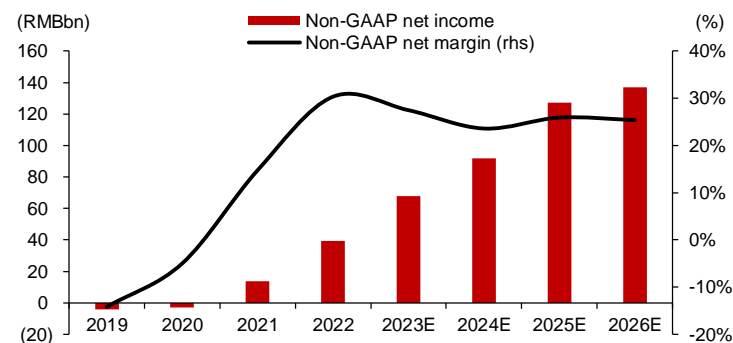
- Investment Thesis:** 1) leveraging strong domestic supply chain, overseas expansion is on track to support PDD's long-term revenue and earnings growth; 2) PDD has established strong consumer mindshare in FMCG and fresh grocery categories, and is expanding its branded products pool, which could drive 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-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 margin expansion ongoing

Rating: BUY | TP: US\$211.0 (15% upside)

Analyst: Saiyi He/Frank Tao/Wentao Lu

- **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:** Amazon's steady margin expansion remains on track despite the incremental capex investments, in our view, aided by optimization of costs to serve retail business, and increase in revenue contribution from high-margin ads business.
- **Catalysts:** 1) better than expected margin expansion; 2) better than expected recovery in AWS revenue growth.
- **Valuation:** USD211.0 based on 18.8x 2024E EV/EBITDA, in line with one-year mean.
- **Link to latest report:** [Amazon \(AMZN US\): Steady margin expansion ongoing](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	574,785	635,563	707,192	780,106
YoY growth (%)	11.8	10.6	11.3	10.3
Net profit (US\$ mn)	30,425.0	51,048.6	69,815.8	89,406.0
YoY growth (%)	N/A	67.8	36.8	28.1
EPS (Reported) (US\$)	2.90	4.82	6.51	8.23
Consensus EPS (US\$)	2.83	4.16	5.33	6.94
P/E (x)	61.7	37.1	27.5	21.8

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\$644.5 (6% 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. Netflix demonstrated stronger net adds and better margin guidance (raised OPM in FY24E to 25%) in 1Q24. 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 reported upbeat 1Q24 results (topline/bottom line 1%/17% above consensus) and guided its FY24E OPM again, but stock price pulled back for moderate FY24E revenue guidance and removal of subs & ARM disclosures from 1Q25. We think the market is overreacted, as: 1) mgmt. restated its confidence in double-digit revenue growth in mid term; 2) higher OPM guidance suggests enhanced profitability to continue, and we expect further earnings upside from efficient content spending, higher mix of non-English content, and competition to pull back.
- Why do we differ vs consensus:** Market concern lies on competition and potential rising content costs. We think the 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 industry 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\$644.5, implying 35.1x FY24E P/E, still below historical P/E mean of 38.8x.

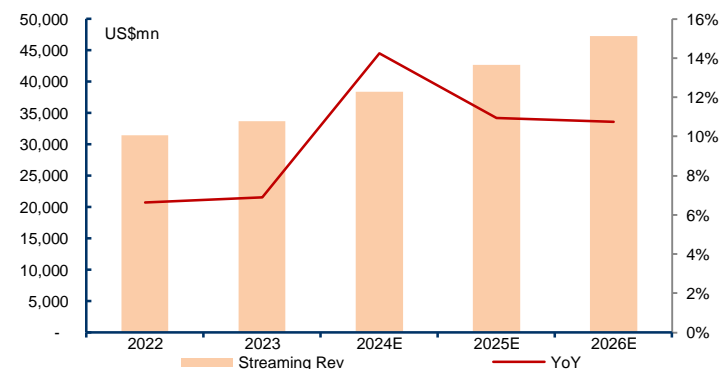
Link to latest report: [Netflix \(NFLX US\) - Guiding higher OPM despite disclosure change](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	33,723	38,428	42,637	47,219
YoY growth (%)	6.7	14.0	11.0	10.7
Net income (US\$ mn)	5,408.0	7,536.4	9,178.0	11,050.1
EPS (US\$)	12.0	18.3	22.4	27.7
YoY growth (%)	21.0	52.5	22.4	23.5
Consensus EPS (US\$)	N/A	17.3	21.4	25.4
P/E (x)	51.3	33.1	27.0	21.9
P/S (x)	7.9	6.9	6.2	5.6
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 (68% 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 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 at HK\$97 (implying 24x FY24E P/E). Valuation is not demanding.

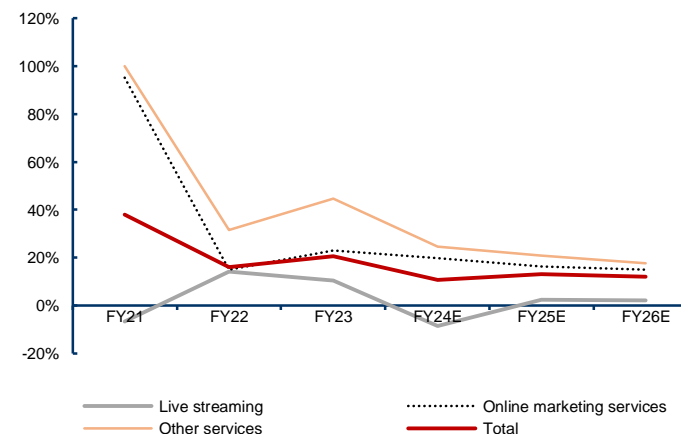
Link to latest report: [Kuaishou \(1024 HK\) - More bullish on margin improvement](#)

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	16,033	22,703	29,937
EPS (RMB)	2.3	3.5	4.8	6.3
YoY growth (%)	N/A	56	42	32
Consensus EPS (RMB)	N/A	3.5	5.1	7.2
P/E (x)	22.3	14.3	10.1	7.7
P/S (x)	2.0	1.8	1.6	1.4
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)		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) – Embracing continued outperformance

Rating: BUY | TP: US\$46 (27% upside)

Analyst: Sophie Huang

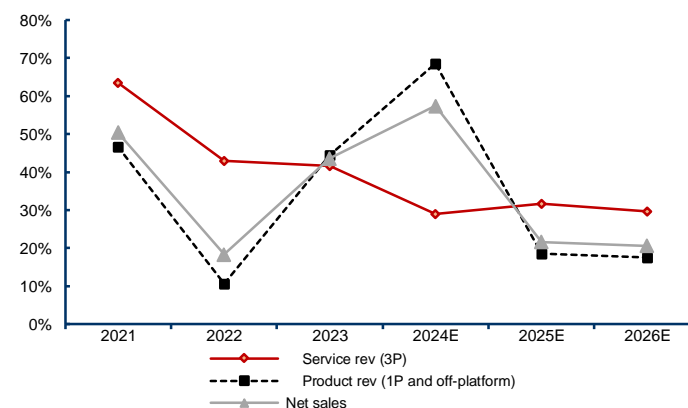
- Investment Thesis:** GCT delivered a solid start in 1Q24, with strong topline and guidance. 1Q24 net margin was temporarily diluted by new fulfilment centers expenses and FX fluctuation, but will gradually pick up in 2H24E (with improving warehouse utilization and annual freight contracts), in our view. We are positive on 2Q24E topline growth (guiding +73%~83% YoY), boosted by rising demand for outdoor furniture. With expanding fulfilment network and BaaS initiatives, we are confident on GCT's continued outperformance ahead.
- Our View:** For 2Q24E, we expect GCT to benefit from rising demand for outdoor furniture, backed by expanding SKUs and Noble House synergies. By 30 Apr, GCT's global fulfilment network had expanded into 42 locations with over 10.5mn square feet (+169% vs. Mar 31, 2023), supporting the continued robust growth of 1P & 3P business. With improving utilization of warehouse after new fulfilment centers setting-up phase, we estimate 2Q24E GPM might be less dragged by this factor. As annual freight contracts come into effect, GCT can effectively hedge against ocean shipping rates fluctuations. Excluding SBC dilution, we think non-GAAP net margin would be intact in 2Q24E. We are positive on 2H24E margin trend, boosted by: 1) narrowing loss for NH, 2) more benefits from annual freight contracts; and 3) higher warehouse utilization.
- Why do we differ vs consensus:** Market concerns lies on margin sustainability and mgmt. shareholding reduction. We expect annual contracts would benefit to margin profile.
- Catalysts:** 1) upcoming 2Q24E; 2) more synergies from NH with narrowing loss; 3) BaaS initiatives; and 4) margin benefit from annual contracts
- Valuation:** Maintain BUY with SOTP-based TP at US\$46 (implying 16x FY24E P/E), still below industry average of 19.4x.

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	2.91	3.65	4.16	
P/E (x)	16.0	13.0	10.1	8.3	
P/S (x)	2.1	1.4	1.1	1.0	
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

Link to latest report: [GigaCloud \(GCT US\) - Embracing continued outperformance](#)

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

Rating: BUY | TP: HK\$45.10 (42% upside)

Analysts: Miao Zhang/ Bella Li

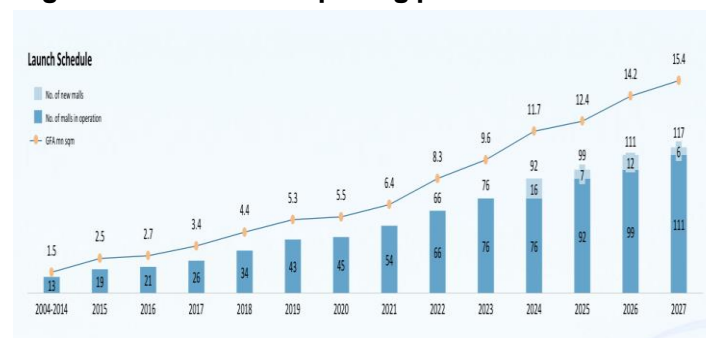
- Stable FY23:** CR Land delivered stable FY23 earnings with core net profit went up 3% YoY to RMB 27.8bn, mainly driven by robust investment property (IP) business which reported a 30.6% YoY growth in revenue and a 47.6% YoY growth in core net profit. The segment's contribution to core net profit went 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 healthier 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) – Positive on AI server and AirPods ramp-up in 2H24E

Rating: BUY | TP: HK\$2.40 (8% upside)

Analyst: Alex Ng/ Claudia Liu

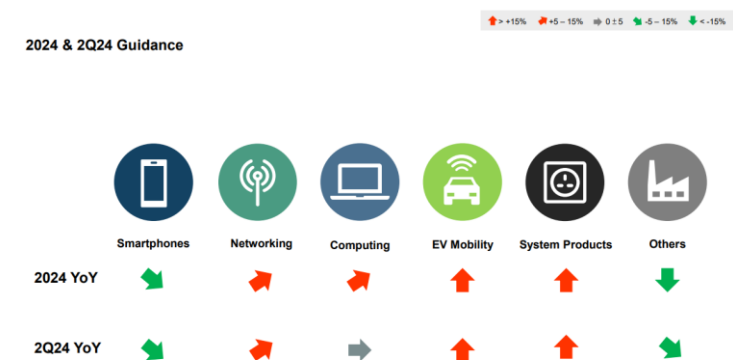
- Investment Thesis:** FIT Hon Teng is global connector leader in PC, datacenter, smartphone, automobile and markets. We expect FIT to benefit from Voltaira merger synergy, AI servers/networking (HS cables/ CPU sockets/DDR5 connectors) and AirPods ramp-up in FY24-25E. Following R&D investment and M&A integration in FY23, we believe FIT's 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 picks for H-share tech sector, due to its solid revenue growth, high earnings visibility and beneficiary of AI server cycle. Mgmt. maintained 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) US\$ 500-1,000 content value per compute tray for the latest AI servers, and 2) AI server related revenue to reach 7-9% 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%/52% YoY in FY24E.
- Why do we differ vs consensus:** Our FY24/25E EPS are 13%/22% 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\$ 2.40 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.

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)	131	199	265	339
EPS (RMB)	1.85	2.81	3.73	4.78
YoY growth (%)	(23.5)	51.5	33.1	28.0
Consensus EPS (RMB)	N/A	2.48	3.05	3.60
P/E (x)	15.5	10.2	7.7	6.0
P/B (x)	0.8	0.8	0.7	0.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.4	7.5	9.1	10.4
Net gearing (%)	0	0	0	0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 1Q24 revenue guidance



Source: Company data, CMBIGM estimates

Link to latest report: [FIT Hon Teng \(6088 HK\)-1Q24 in line; Positive on AI server/networking and AirPods ramp-up in 2H24E](#)

Xiaomi (1810 HK) – Expect strong earnings ahead; Raise TP to HK\$ 23.77

Rating: BUY | TP: HK\$23.77 (19% 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 FY24E 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 the 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\$23.77 implies 27.2x/25.1x FY24/25E P/E, which reflects Xiaomi’s business diversification with different growth profiles and visibility.

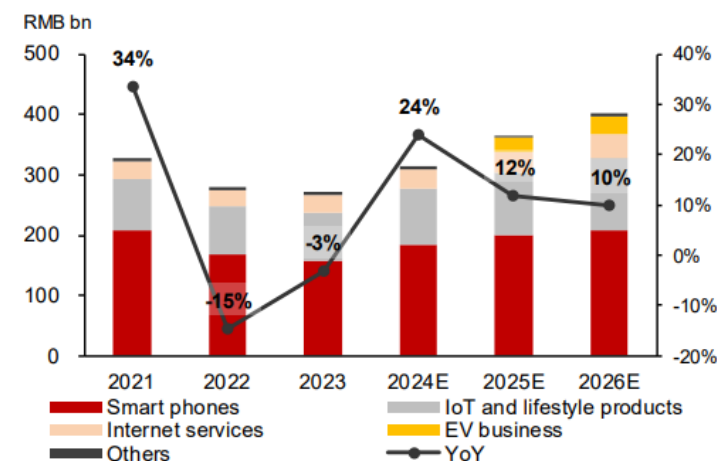
Link to latest report: [Xiaomi \(1810 HK\)-1Q24E preview: Expect strong earnings ahead; Raise TP to HK\\$23.77](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	270,970	335,701	375,130	411,867
YoY growth (%)	(3.2)	23.9	11.7	9.8
Net profit(RMB mn)	19,273	20,030	21,722	25,200
EPS (RMB)	0.77	0.80	0.87	1.01
YoY growth (%)	125.7	3.9	8.4	16.0
Consensus EPS (RMB)	N/A	0.64	0.72	0.87
P/E (x)	23.7	22.8	21.1	18.2
P/B (x)	3.3	2.9	2.6	2.4
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	11.7	10.9	10.6	11.0
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Xiaomi Revenue trend



Source: Company data, CMBIGM estimates

BYDE (285 HK) – Positive on Android recovery, Jabil synergy, NEV and AI servers

Rating: BUY | TP: HK\$45.15 (34% 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 order ramp-up (e.g. Huawei, Xiaomi); 2) Jabil sales synergy with better profitability from improving automation and supply chain management; 3) Apple share gain with sales mix rising to 48-50%; 4) High-end NEV product ramp-up, steady GPM given parentco orders and mass production of suspension products for high-end models in 2H24E, and 5) In addition to AI server shipments in 2Q24E, mgmt. believes stronger cooperation with NVIDIA in robots and edge computing will become a long-term growth driver.
- **Why do we differ vs consensus:** We are more positive on earnings synergies from 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\$45.15 implies 17.2x FY24E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

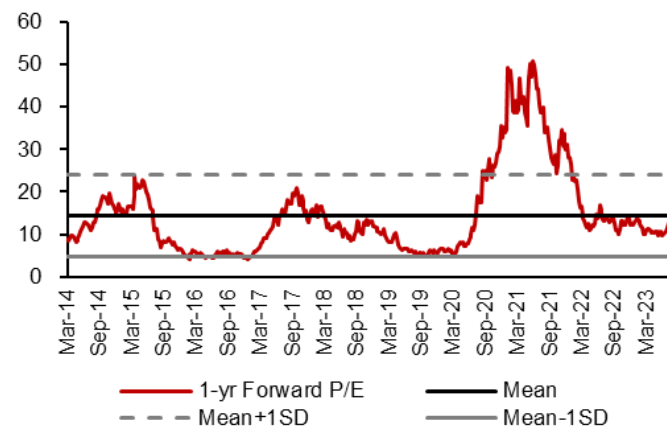
Link to latest report: [BYDE \(285 HK\)- 1Q24 solid on track; Android recovery, Jabil synergy, high-end NEV and AI servers the bright spots](#)

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	129,957	181,168	207,378	236,855
YoY growth (%)	21.2	39.4	14.5	14.2
Net profit(RMB mn)	4,041	5,383	7,330	8,993
EPS (RMB)	1.79	2.39	3.25	3.99
YoY growth (%)	117.6	33.2	36.2	22.7
Consensus EPS (RMB)	N/A	2.34	2.95	3.55
P/E (x)	17.2	12.9	9.5	7.7
P/B (x)	2.9	4.4	3.5	2.8
Yield (%)	1.7	2.3	3.2	3.9
ROE (%)	13.8	28.3	30.4	29.6
Net gearing (%)		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) – Robust AI demand confirms future revenue growth

Rating: BUY | TP: RMB183.0 (7% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment Thesis:** Innolight has recently released results for FY23 and 1Q24, exceeding both our and market expectations. For FY23, the company's revenue grew by 11.2% YoY to RMB10.7bn, with net profit soaring by 77.6% YoY to RMB2.2bn. 1Q saw even more impressive growth, with revenue up by 163.6% YoY to RMB4.8bn and net profit increasing by astonishing 303.8% YoY to RMB1.0bn. we attribute the impressive results largely to strong demand for its high-speed optical transceivers (esp. 400G & 800G), making up over 90% of its total revenue in FY23.
- **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. We expect the company to consistently deliver strong financial results due to: 1) transceivers are essential in AI data centers, and there is a robust global demand for AI infrastructure that is expected to continue in 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) Consistent shipments of 800G optical transceivers, 2) slower-than-expected decline of non-AI revenue, 3) sooner-than-expected mass production of 1.6T optical transceivers
- **Valuation:** Maintain BUY, with new TP at RMB183. We revise up revenue forecasts by 25%/44% and NP forecasts by 35%/59% for 2024E/2025E. The new TP is based on the same 30x 2024E P/E, which is close to 5-year historical average of forward P/E (29x).

Links to relevant reports:

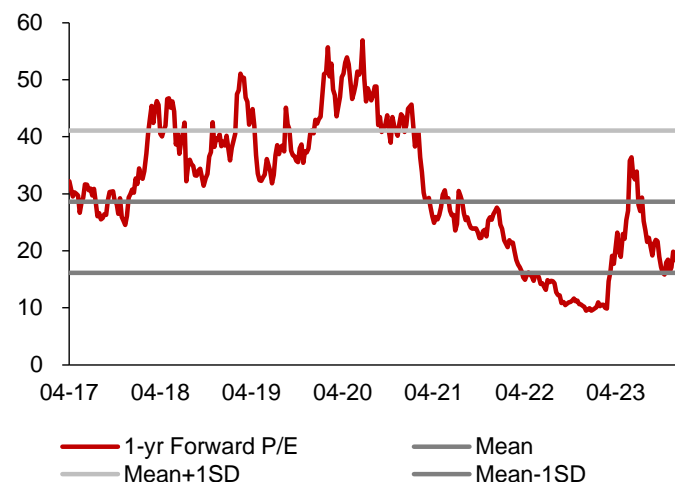
1. [Innolight \(300308 CH\) - 1Q24 results set stage for accelerated growth in 2024](#)
2. [Semi - Hyperscalers' FY23 results review](#)
3. [Innolight \(300308 CH\) – Expect higher contribution from AI revenue in 3Q: Upgrade to Buy](#)

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	9,642	10,718	22,594	29,657	31,870
YoY growth (%)	25.3	11.2	110.8	31.3	7.5
Gross margin (%)	29.3	33.0	33.8	32.7	31.4
Net profit (RMB mn)	1,224	2,174	4,904	6,319	6,446
YoY growth (%)	39.6	77.6	125.6	28.8	2.0
EPS (RMB)	1.54	2.80	6.11	7.87	8.03
P/E (x)	118.8	65.4	30.0	23.3	22.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Naura (002371 CH): Capitalizing on tailwinds for long-term dominance

Rating: BUY | TP: RMB405.0 (40% upside)

Analysts: Lily Yang/ Kevin Zhang

- Investment Thesis:** We expect Chinese SME suppliers to increase their market share as they advance in R&D and roll out new projects in response to the country's push for technological self-reliance. We consider multiple tailwinds are propelling Naura to see continuous strong revenue and net profit growth in the years ahead: 1) improving capital spending on equipment from clients that are embracing the GenAI demand and recovery seen in consumer electronics; 2) consistent government policy on self-sufficiency in semi creates opportunities for home-grown companies to gain market share by filling the void left by foreign peers who are pulling out of China amid the US export controls (current market share was only 6% for Naura, per our estimate); 3) as the largest semi equipment manufacturer by sales with the broadest product offerings in China, Naura has the financial flexibility and R&D capability to deliver more new products to enhance its leading position in the market.
- Our View:** The global semi manufacturing equipment (SME) market is expected to grow by 3% in 2024 and 18% in 2025 (per SEMI). We believe Chinese SME suppliers are also set to increase their market presence, fueled by the country's focus on semi independence and their own advancements. Among the domestic SME suppliers, Naura stands out as our top pick for its dominant market position and broad product portfolio.
- Catalysts:** 1) Sooner-than-expected R&D breakthroughs; 2) stronger gov't support; 3) rapid recovery of end markets demand
- Valuation:** We initiate coverage on Naura (002371 CH) at BUY, with TP of RMB405, based on 39x 2024E P/E, ~15% higher than 2-year historical average forward P/E.

Link to relevant reports:

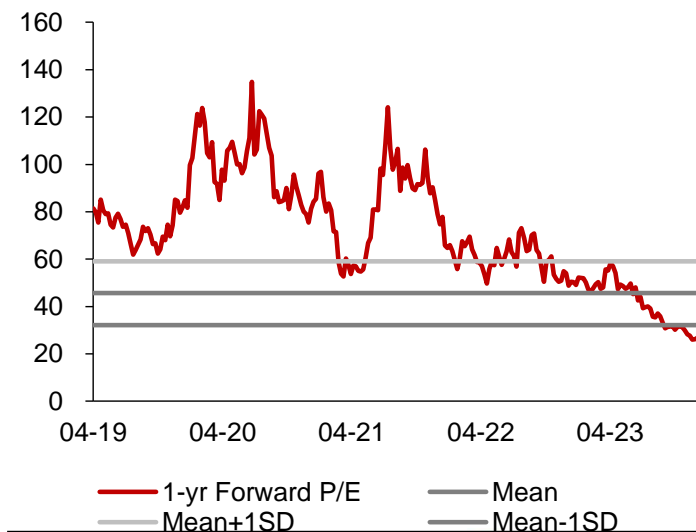
- [Semi - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY](#)

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	14,688	22,079	30,477	40,625	49,229
YoY growth (%)	51.7	50.3	38.0	33.3	21.2
Gross margin (%)	43.8	41.1	37.9	37.6	37.4
Net profit (RMB mn)	2,353	3,899	5,499	7,618	9,461
YoY growth (%)	118.4	65.7	41.0	38.5	24.2
EPS (Adjusted) (RMB)	4.46	7.36	10.37	14.37	17.85
ROE (%)	12.8	18.0	21.0	23.6	23.6
P/E(x)	90.8	55.0	39.1	28.2	22.7

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 (71% upside)

Analyst: Saiyi He/Frank Tao/Wentao Lu

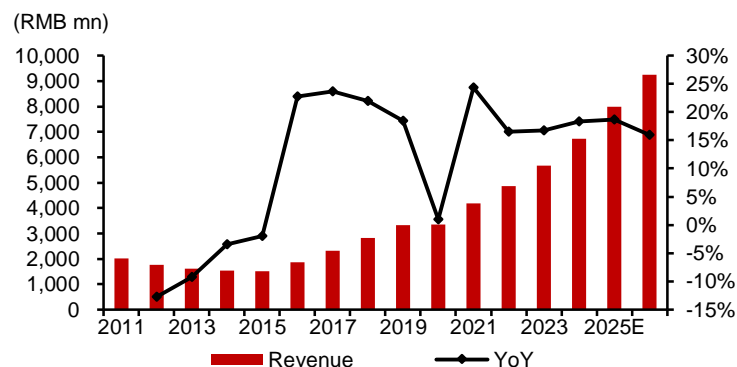
- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 18% revenue 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 China's ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the former is 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 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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