招银国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

19 Sep 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	**Long Ideas**													
Li Auto Inc.	LI US	Auto	BUY	22.0	131.4	20.76	25.00	20%	10.70	17.50	2.10	N/A	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	12.1	39.1	9.35	14.00	50%	13.70	5.00	0.90	6.8	2.8%	Shi Ji/ Dou Wenjing
Zhejiang Dingli	603338 CH	Capital Goods	BUY	3.6	26.9	50.67	75.00	48%	13.10	11.60	2.70	23.3	2.1%	Wayne Fung
Bosideng	3998 HK	Consumer Discretionary	BUY	5.1	19.4	3.63	5.98	65%	N/A	11.10	N/A	N/A	N/A	Walter Woo
JNBY	3306 HK	Consumer Discretionary	BUY	0.9	1.2	13.86	17.61	27%	N/A	8.00	N/A	N/A	N/A	Walter Woo
Xtep	1368 HK	Consumer Discretionary	BUY	1.6	4.0	4.62	7.32	58%	10.00	8.50	1.20	12.0	4.9%	Walter Woo
Proya	603605 CH	Consumer Staples	BUY	4.8	30.6	85.15	133.86	57%	28.50	22.50	7.70	30.3	1.6%	Miao Zhang/ Bella Li
BeiGene	BGNE US	Healthcare	BUY	21.7	48.8	197.28	288.93	46%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
CPIC	2601 HK	Insurance	BUY	37.0	30.0	21.10	28.30	34%	N/A	N/A	0.68	12.20	5.5%	Nika Ma
PICC P&C	2328 HK	Insurance	BUY	29.2	29.2	10.24	12.80	25%	N/A	N/A	0.90	10.80	5.2%	Nika Ma
Tencent	700 HK	Internet	BUY	467.1	764.7	389.80	480.00	23%	22.50	15.70	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	202.4	1021.9	84.42	126.90	50%	18.00	11.50	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Pinduoduo	PDD US	Internet	BUY	136.4	1286.1	98.23	187.90	91%	22.50	10.70	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Greentown Service	2869 HK	Property	BUY	1.5	1.0	3.70	6.13	66%	15.90	13.30	1.60	8.3	4.5%	Miao Zhang/ Bella Li
FIT Hon Teng	6088 HK	Technology	BUY	1.7	13.2	1.81	4.25	135%	13.10	9.20	0.70	5.3	N/A	Alex Ng/ Claudia Liu
Xiaomi	1810 HK	Technology	BUY	64.0	199.2	19.98	24.40	22%	23.10	19.10	3.20	11.7	N/A	Alex Ng/ Claudia Liu
BYDE	285 HK	Technology	BUY	7.5	34.8	25.95	40.89	58%	13.10	12.10	2.20	13.8	2.3%	Alex Ng/ Hanqing Li
Innolight	300308 CH	Semi	BUY	17.4	405.8	109.87	150.76	37%	57.64	22.37	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Naura	002371 CH	Semi	BUY	22.0	195.3	291.98	405.00	39%	40.00	26.00	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	2.7	13.8	5.78	10.80	87%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Short Idea	**Short Idea**													
Sinotruk	3808 HK	Capital Goods	HOLD	7.1	12.7	20.15	19.50	-3%	5.30	4.60	1.20	14.0	5.3%	Wayne Fung

Source: Bloomberg, CMBIGM, Price as of 19/9/2024 3 p.m.

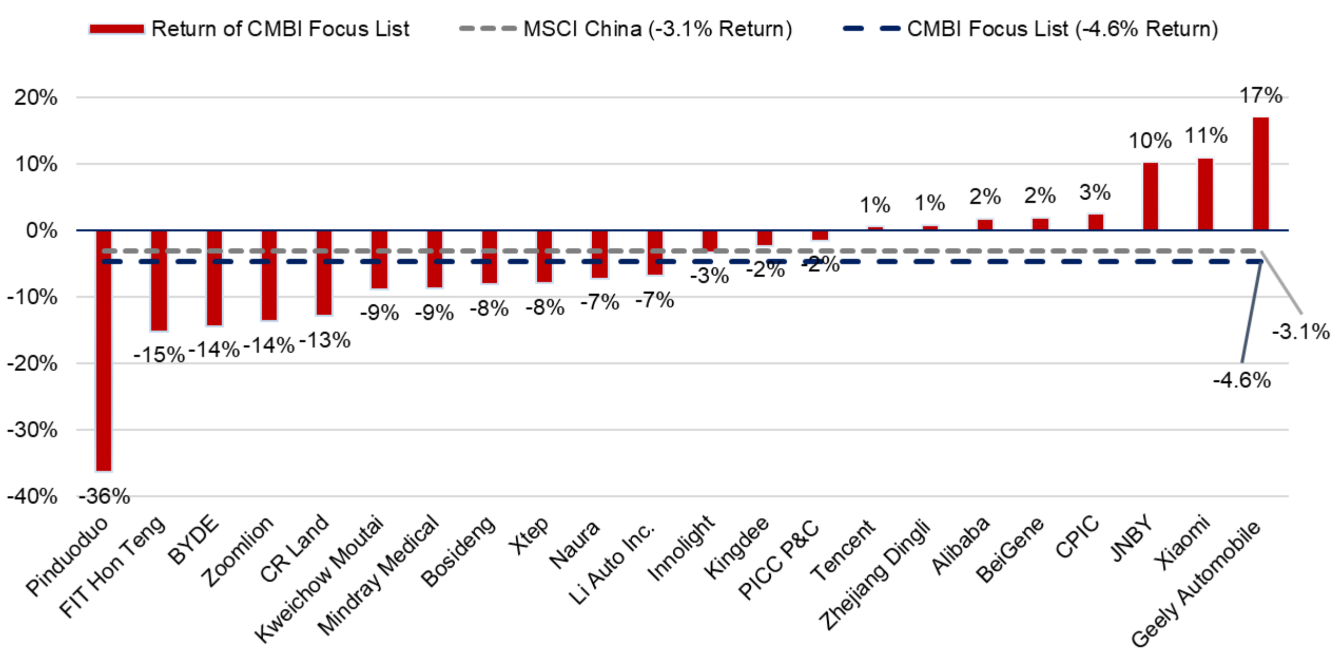
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Sinotruk	3808 HK	Capital Goods	HOLD	Wayne Fung	We believe market is overly optimistic amid the weakness of HDT sales.
Proya	603605 CH	Consumer Staples	BUY	Miao Zhang/ Bella Li	Proya, as a leading domestic brand, is a major beneficiary of the consumption downgrade, taking over market shares from international beauty brands. In the context of weak economic expectations, such name shall demonstrate resilience.
Greentown Service	2869 HK	Property	BUY	Miao Zhang/ Bella Li	Greentown Services, as a leading PM company in terms of mid-term performance, not only maintains robust development business from its parent company but also has diversified value-added services for homeowners. In the context of a weaker overall environment in the 1H24, it has demonstrated strong resilience. Additionally, its VAS cover areas such as people's livelihood, education, and eldery care, which we believe will showcase value in the future.
Deletions					
Zoomlion	1157 HK	Capital Goods	BUY	Wayne Fung	Despite decent growth in overseas, the weaker-than-expected machinery demand in China will weigh on the overall performance.
Kweichow Moutai	600519 CH	Consumer Staples	BUY	Miao Zhang/ Bella Li	According to market new regarding to distributors channel checks, the sales of baijiu during the Mid-Autumn Festival are relatively weak, with some third-party estimates a 20-30% YoY decline in sales. Considering the poor consumption sentiment for 2H24 and FY25, Moutai, as a representative of high-end consumption brand, may continue to see pressure.
Mindray Medical	300760 CH	Healthcare	BUY	Jill Wu/ Cathy Wang	The domestic market environment remains cautious amidst continued anti-corruption and delays in equipment renewal projects in 2H24. This could continue to weigh on Mindray's domestic equipment sales. Thus, Mindray's second half performance may still face pressure and uncertainties.
CR Land	1109 HK	Property	BUY	Miao Zhang/ Bella Li	Due to the weak sales sentiment in the real estate sector during the Mid-Autumn Festival, which has not shown any signs of a peak season, we expect over 20% YoY decline in annual developer sales. Therefore, we are removing developers from our focus list and adding property management companies that benefit from existing housing concepts.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 16 Aug 2024, we highlighted a list of 22 long ideas.
- The basket (equal weighted) of these 22 stocks underperformed MSCI China index by 1.5ppts, delivering -4.6% return (vs MSCI China -3.1%).
- Three of these stocks delivered 10% return or more, and ten of our 22 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 16 Aug 2024 to 13 Sep 2024

Long Ideas

Li Auto Inc. (LI US) – Proven resilience gives us confidence in BEVs

Rating: BUY **| TP:** US$25.00 (20% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Resilient sales volume and pricing give us more confidence in its upcoming BEVs.** Average selling prices (ASPs) for the *L9*, *L8* and *L7* in 2Q24 rose 3% QoQ based on our estimates despite stiffer competition. We are of the view that Li Auto has made a comeback after its gloomy 1Q24 with 3Q24 sales volume set to hit an all-time high. Management guided 3Q24 GPM as 20%, the same as that in 1H24. Its proven resilience has given us more confidence in its new BEV models in FY25. We maintain our FY24E sales volume forecast of 0.51mn units, with 0.5mn units from EREVs. We forecast FY25E sales volume to be 0.65mn units, with BEVs contributing 0.13mn units (assuming 18% market share in the BEV segment priced above RMB300,000).

- **Higher operational efficiency to lower opex.** We cut our FY24E R&D by RMB1bn to RMB12bn, as the company guided down such expenses by RMB3bn from RMB15bn at the beginning of 2024. We think it is feasible as AI-powered end-to-end autonomous driving (AD) training requires much fewer personnel than rule-based AD programming. We are of the view that Li Auto's AD capability has been narrowing the gap with the market leaders. Although we cut our FY24E gross profit by 4% due to product mix changes, we keep our FY24E net profit unchanged, as the R&D expense cuts could offset the gross profit decline. We revise down our FY25E net profit by 3% amid our 5% revenue cut (2% on volume and 3% on ASP).

- **Valuation/Key risks**. We maintain our BUY rating but cut our target price slightly from US$26.00 to US$25.00, still based on 15x our revised FY25E EPS. Key risks to our rating and target price include lower sales and/or gross margin than our expectation, as well as a sector-derating.

- **Link to latest report:** Li Auto Inc. (LI US) - Proven resilience gives us confidence in BEVs

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	45,287	123,851	145,604	184,278
YoY growth (%)	67.7	173.5	17.6	26.6
Gross margin (%)	19.4	22.2	19.8	20.1
Operating profit (RMB mn)	(3,654.9)	7,142.7	3,700.8	7,947.4
Net profit (RMB mn)	(2,012.2)	11,704.1	7,249.1	11,940.8
YoY growth (%)	N/A	N/A	(38.1)	64.7
Adj. net profit (RMB mn)	41.0	12,092.6	8,961.8	13,195.0
EPS (Reported) (RMB cents)	(1.04)	5.95	3.63	5.93
P/S (x)	3.0	1.1	0.9	0.7
P/E (x)	N/A	10.7	17.5	10.7
P/B (x)	2.7	2.1	1.8	1.6

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK) – Solid 1H24 earnings, better NEV outlook

Rating: BUY **|** TP: HK$14.00 (50% upside)   Analysts: SHI Ji/ DOU Wenjing

Geely's 1H24 core earnings beat our prior forecast by 18% even with a lower R&D capitalization ratio. We are of the view that the *Galaxy E5* BEV based on the GEA platform could be a sales volume driver with better margins than previous Galaxy models. Zeekr's plan to roll out hybrid models could also make it more competitive. We also think Geely's current valuation is attractive.

- ***Galaxy E5*, Zeekr hybrid technology offer better NEV sales and margin outlook.** We estimate that the order backlog for the *Galaxy E5* BEV could exceed 25,000 units in 20 days after launch, aided by its competitive pricing. We believe its GEA platform could lower costs for NEVs quite significantly. More importantly, this could lay out a solid foundation for the Geely BEV brand image. We raise our FY24E sales volume forecast from 1.98mn units to 2.01mn units. Moreover, Zeekr plans to introduce hybrid powertrain in its large-size SUV in 4Q25, which could make Zeekr more competitive in big-size premium vehicle segment, in our view.

- **Valuation/Key risks.** We value Zeekr at 0.7x (prior 1.0x FY24E) our revised FY25E core revenue (excluding Viridi's revenue and R&D services), which implies US$8.4bn for Zeekr's valuation. We value Geely's all other businesses excluding Zeekr at 12x (prior 13x FY24E) FY25E 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 a sector de-rating.

Link to latest report: Geely Automobile (175 HK) – Solid 1Q24 with better 2H24 earnings ahead

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	147,965	179,204	227,641	248,810
YoY growth (%)	45.6	21.1	27.0	9.3
Net profit (RMB mn)	5,260.4	5,308.4	14,688.3	8,704.5
YoY growth (%)	8.5	0.9	176.7	(40.7)
EPS (Reported) (RMB)	0.52	0.53	1.46	0.86
P/E (x)	13.8	13.7	5.0	8.4
P/B (x)	1.0	0.9	0.8	0.7
Yield (%)	2.6	2.8	3.6	4.3
ROE (%)	7.3	6.8	16.7	8.8
Net gearing (%)	(33.2)	(38.8)	(53.8)	(57.9)

Source: Company data, Bloomberg, CMBIGM estimates

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

Rating: BUY **| TP:** RMB75.0 (48% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Overseas demand for aerial work platform (AWP) remains solid at present, driven by 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, in particular in the US and 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 +2%/-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).

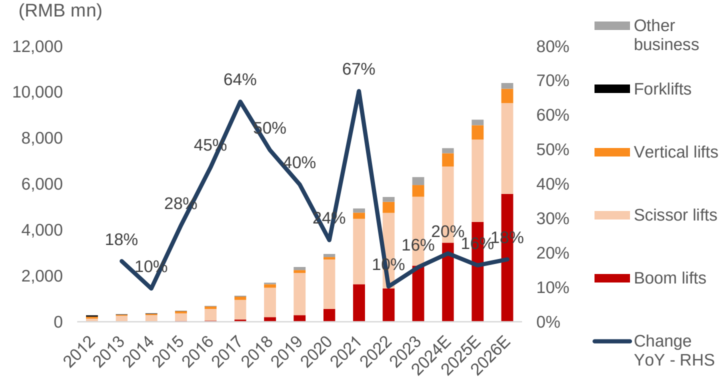
Link to latest report: Zhejiang Dingli (603338 CH) - Boom lifts & US market remain the key drivers

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	4.09	4.90	5.78
EV/EBIDTA (x)	11.5	9.4	8.1	6.9
P/E (x)	13.1	11.6	10.1	8.5
P/B (x)	2.7	2.3	2.0	1.7
Yield (%)	2.1	2.4	2.8	3.3
ROE (%)	23.3	21.6	21.1	21.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIGM estimates

Bosideng (3998 HK) - Beautifully executed the solid strategies

Rating: BUY **| TP:** HK$5.98 (65% upside)

Analyst: Walter Woo

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

- **Our View:** The macro is worrying but we are confident on Bosideng due to its track records. We still think 15%/ 23% sales/ net profit growth in FY25E is easy, thanks to: 1) roughly 10% ASP hike, by upgrading the function and designs, 2) volume growth by expanding categories (aiming for 100%+/ 30%+ growth in FY25E for sun-protective clothing/ ultra light down apparel) and 3) reasonably fast orders growth from the distributors, boosted by low channel inventory (sell through rate was at 80% in FY24) and favorable ordering polices. Plus 9% FY25E yield, downside is limited.

- **Why do we differ vs consensus:** For FY25E/ 26E/ 27E, our net profit forecasts are +5%/ +8%/ +4% vs street as we are more conservative on its sales growth, but we are still positive on its OP margin improvement, thanks to solid operating leverage.

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

- **Valuation:** We derived our 12m TP of HK$5.98 based on 15x FY25E P/E. We believe the decent sales growth, successful new product launches and new category expansion can drive a further re-rating. The stock is trading at 9x FY25E P/E and a 9% yield.

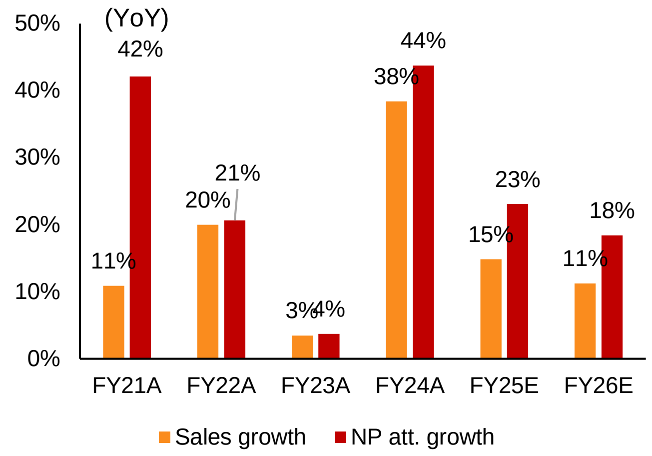
Link to latest report: Bosideng (3998 HK) – Beautifully executed the solid strategies

Financials and Valuations

(YE 31 Mar)	FY24A	FY25E	FY26E	FY27E
Sales (RMBmn)	23,214	26,657	29,654	31,584
YoY change (%)	38.4	14.8	11.2	6.5
Net profit (RMBmn)	3,074	3,783	4,478	4,866
EPS - Fully diluted (RMB)	0.269	0.331	0.392	0.426
YoY change (%)	43.7	23.1	18.4	8.7
Consensus EPS (RMB)	N/A	0.330	0.378	0.425
P/E (x)	11.1	9.0	7.6	7.0
P/B (x)	2.3	2.1	1.9	1.8
Yield (%)	7.7	8.6	10.1	11.0
ROE (%)	23.4	26.3	28.3	28.0
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) – Prudent guidance and generous dividends

Rating: BUY **| TP:** HK$17.61 (27% 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 listed co sales/ RMB 900mn NP (10%/ 13% sales/ NP CAGR during FY23-26E) are achievable enough (we have priced in 98%/ 113% in our model). 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:** FY24 results were roughly inline. Some investors could be concerned about the softened performance in 2H24, but this should be partially expected. The conservative tone for FY25E is not surprising and should likely be achieved, thanks to: 1) further upgrades in members' management and customer services, resilient GP margin and better channel mix, etc. All in all, we think the downside is still limited, given the 7x FY6/25E P/E and 11% FY6/25E yield.

- **Why do we differ vs consensus:** For FY25E/ 26E, our sales forecasts are -4%/ -6% vs consensus and our net profit forecasts are -4%/ -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$17.61 based on a 10x FY6/25E P/E. We believe JNBY can still be re-rated if its growth can remain healthy in 2025 (far better than the industry average). The stock is trading at ~7x FY6/25E P/E and 11% FY6/25E yield.

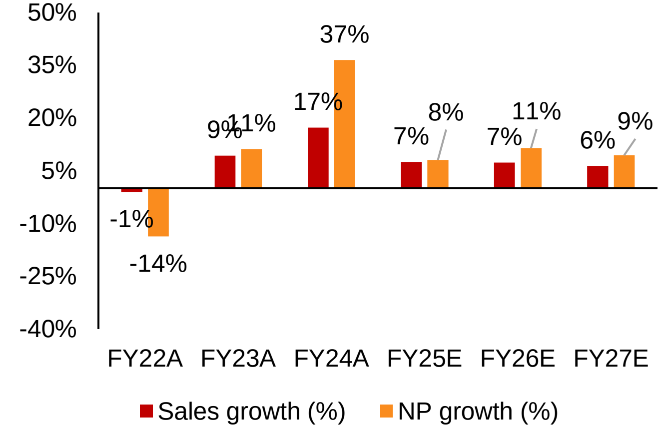
Link to latest report: JNBY Design (3306 HK) – Prudent guidance and generous dividends

Financials and Valuations

(YE 30 Jun)	FY24	FY25E	FY26E	FY27E
Sales (RMB mn)	5,238	5,630	6,046	6,432
YoY change (%)	17.3	7.5	7.4	6.4
Adj. Net profit (RMB mn)	848	917	1,022	1,118
EPS - Fully diluted (RMB)	1.658	1.852	2.025	n/a
YoY change (%)	33.8	8.1	11.4	9.4
Consensus EPS (RMB)	N/A	1.662	1.852	2.025
P/E (x)	8.0	7.4	6.6	6.1
P/B (x)	3.2	2.9	2.7	2.4
Yield (%)	10.6	10.8	12.1	13.2
ROE (%)	40.9	40.6	41.5	41.3
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

Xtep (1368 HK) – Better margins despite cautious sales growth

Rating: BUY **| TP:** HK$7.32 (58% upside)

Analyst: Walter Woo

- **Investment Thesis:** For the sportswear sector, despite the short-term retreat, 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:** The sportswear industry is still under immense pressure. However, we are still confident in the mid to long run. Going into 2H24E, we still believe Xtep can continue its outperformance, supported by: 1) successful new products, 2) robust e-commerce sales and platform expansion, 3) relatively more wholesale business nature, 4) robust growth from the Saucony brand and 5) reduced losses after the sales of K&P. The stock's valuation is fairly attractive, at 9x FY24E P/E and 17% FY24E yield.

- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are 5%/ 3%/ 6% 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$7.32 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 9x FY24E P/E.

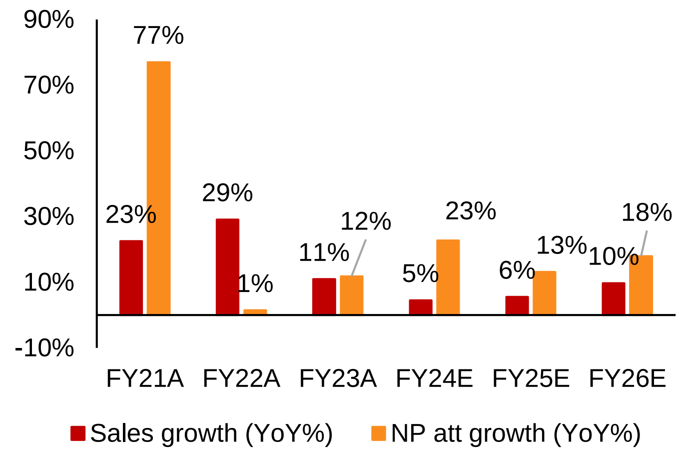
Link to latest report: Xtep (1368 HK) – Better margins despite cautious sales growth

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	14,346	14,994	15,823	17,366
YoY change (%)	10.9	4.5	5.5	9.8
Net profit (RMB mn)	1,030	1,264	1,430	1,687
EPS - Fully diluted (RMB)	0.391	0.463	0.523	0.617
YoY change (%)	9.4	18.4	13.1	17.9
Consensus EPS (RMB)	N/A	0.457	0.526	0.605
P/E (x)	10.0	8.5	7.5	6.3
P/B (x)	1.2	1.2	1.1	1.0
Yield (%)	4.9	16.8	6.6	7.8
ROE (%)	12.0	14.2	15.7	17.3
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

Proya (603605 CH): Best earnings among peers, strong momentum sustained

Rating: BUY **| TP:** RMB133.86 (57% upside)

Analyst: Miao Zhang/ Bella Li

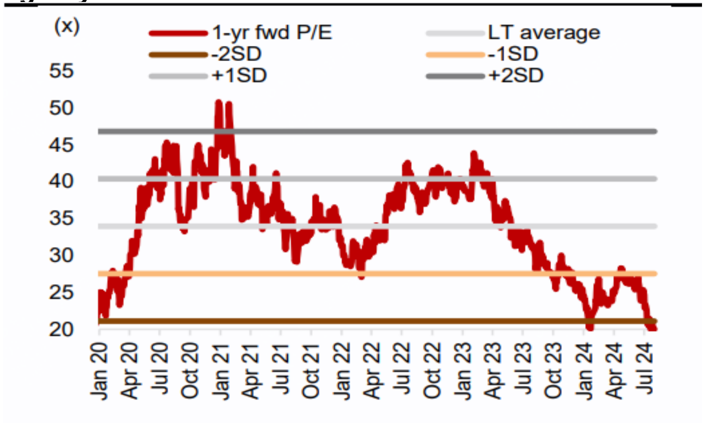
- Proya's 2Q24 results beat consensus with revenue/net profit +41%/37% YoY (1H24 revenue/net profit +37.9/40.5% YoY), mostly contributed by the accelerated sales growth of main brand to 37.7% YoY. The earnings ranked the top among peers. 1H24 GPM dropped by 0.7 ppts. and steadied at 69.8%, accompanied by the 3 ppts. increase in selling expense ratio to 47%, due to the prolonged 618 promotion cycle, continuous rise in unit cost of livestream marketing, and high e-commerce return rate. Full-year guidance wise, the company aims to maintain GPM at ~70% and maintain the NPM in a slight upward trend.
- **Hero SKUs outperform consistently benefiting earnings.** Proya continued to consolidate the "hero product strategy", 1H24 image promotion fees +50% YoY and selling expense ratio hiked 3 ppts YoY to 46.7%. Thanks to the hero products that powered up re-purchase rates on both Tmall and Douyin (now at 40%+ and 30%+, respectively) and its contribution of revenue further increased to 57%, up from 55% in 1Q23. Considering the high margin of hero products, we see both the top line and bottom line growth to remain intact for 2024E. Amid the challenging landscape, the company's priority of achieving steadfast market share in the upcoming 11.11 may increase marketing expense ratio in 2H, given Douyin's unfavourable mechanism and the high return rate circumstance broadened.
- **Visible sustainability of sub-brand growth.** The skincare segment reported +37% YoY revenue growth on a relatively high base, while both make-up and body & hair segment achieved growth exceeding 42% YoY, demonstrating the all three major BUs are now on track of sustainable growth. Meanwhile, management reaffirmed the overseas expansions plans on major sub-brands, especially TIMAGE and Hapsode. Looking forward, we believe that the readied products portfolio targeting wide price ranges and the experienced BU management team should provide solid support to overseas' steady growth.
- **Valuation.** Maintain BUY with TP slightly trimmed to RMB 133.86, based on 35x 2024E P/E.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	6,385	8,905	11,702	14,628
YoY growth (%)	37.8	39.5	31.4	25.0
Net income (RMB mn)	817.4	1,193.9	1,518.0	1,893.4
EPS (RMB)	2.06	3.01	3.83	4.77
YoY growth (%)	40.9	46.1	27.2	24.7
Consensus EPS (RMB)	N/A	N/A	3.85	4.73
P/E (x)	41.7	28.5	22.5	18.0
P/B (x)	9.6	7.7	6.4	5.3
Div yield (%)	0.7	1.6	2.0	2.6
ROE (%)	25.5	30.3	31.8	33.0
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) – Sales exceeding expectations and achieving non-GAAP profitability

Rating: BUY | **TP:** US$288.93 (46% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Product sales continued beating expectation. In 2Q24, BeiGene recorded total product sales of US$921mn (+23% QoQ, +66% YoY). The 1H24 total product sales reached US$1.67bn, representing 51.4% of our previous FY24 estimate, beating our expectations. Zanubrutinib (zanu) maintained strong sales momentum, increasing 30% QoQ or 107% YoY to US$637mn. The strong performance of zanu was driven by continuous market share gains in CLL in the US, especially in new patient prescriptions in both 1L and RR CLL (~40% market share, close to acalabrutinib), and the expansion of reimbursement coverage in Europe. According to our calculation, in 2Q24, the global market size of BTKi recorded a +9% QoQ increase, driven by the strong sales of zanu (+30% QoQ) and acalabrutinib (+10% QoQ), while sales of ibrutinib declined 1% QoQ. Zanu captured around 24% of the global BTKi market in 2Q24, improving significantly from 20% in 1Q24. As the only BTKi with superior head-to-head clinical data vs ibrutinib and the broadest indication coverage, we forecast zanu to gain market shares, realize US$2.6bn sales in FY24 (+102% YoY) and US$5.6bn peak sales by 2031E.
- **Our View:** Achieved non-GAAP profitability, with GAAP breakeven around the corner. BeiGene consistently improved its operating margins, benefiting from the rapid growth in product revenue. Its GP margin (vs product sales) increased to 85.0% in 2Q24 (vs 83.3% in 1Q24). The SG&A ratio (vs product sales) continued to decrease to 48% in 2Q24 (vs 57% in 1Q24 and 69% in FY23). In 2Q24, BeiGene narrowed its net loss to US$120mn (vs US$251mn in 1Q24). Without the impact from share-based compensation, depreciation and amortization, the Company recorded quarterly profitability of US$48mn (vs loss of US$147mn in 1Q24), a major milestone in the Company's history. BeiGene has arrived around the corner of profitability. With the strong sales momentum and the improving operating margin, we expect BeiGene to break even in FY25E.
- **Why do we differ:** We believe sonrotoclax (BCL-2) and BGB-16673 (BTK CDAC) will become blockbusters. Considering the Company's near-term profitability, strong product growth momentum, and a robust early-stage pipeline, BeiGene remains our top recommendation.
- **Valuation:** We derive our target price of US$288.93 based on DCF valuation (WACC: 9.79%, terminal growth rate: 3.0%).

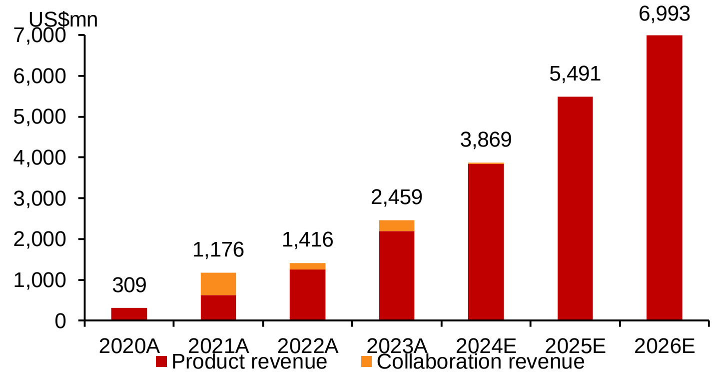
Link to latest report: BeiGene (BGNE US) - Sales exceeding expectations and achieving non-GAAP profitability

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (US$ mn)	3,869	5,491	6,993
YoY growth (%)	57%	42%	27%
Net loss (US$ mn)	(600)	53	562
EPS (US$)	(5.76)	0.51	5.39
Consensus EPS (US$)	(4.72)	(0.63)	3.83
R&D expenses (US$ mn)	(1,996)	(2,087)	(2,447)
SG&A expenses (US$ mn)	(1,920)	(2,526)	(2,867)
Capex (US$ mn)	(400)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK) – Expect FY24E NBV to sustain at least mid-to-high teen growth

Rating: BUY **| TP:** HK$28.3 (34% upside)

Analysts: Nika Ma

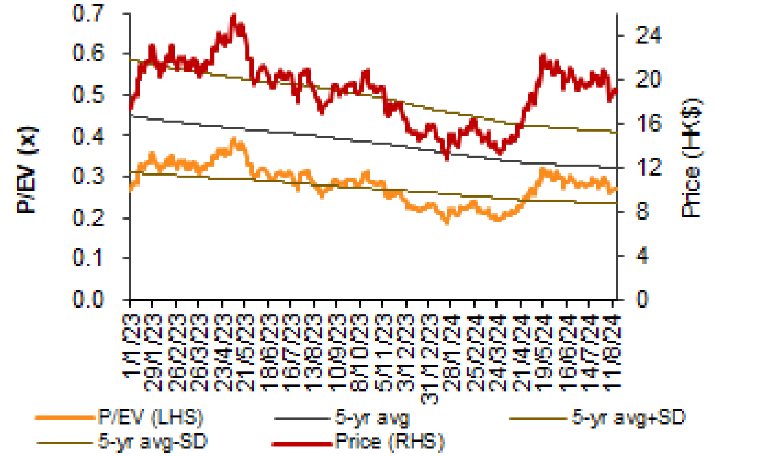
- **Investment Thesis:** CPIC delivered robust profitability in 1H24 with Group net profit up 37.1% YoY to RMB25.1bn, equivalent to nearly doubled 2Q net profit at RMB13.3bn, leading peers once again after 1Q bottom-line outperformance. We see continued margin expansions in agency (+2.6pct) and bancassurance (+5.6pct), which fueled NBV uptrend by 22.8% YoY to RMB9.0bn, translating to 13.5% YoY increase in 2Q24 on top of a solid comparative. Given recent regulatory guidance to lower the pricing interest rate (PIR) for traditional life to 2.5% from Sep 2024, PIR for participating to 2.0% and min. guaranteed rate for universal life to 1.5% from Oct 2024, we expect the product mix shifting to participating policies to gain tractions in Sep; and premiums for the respective products to rise under lower pricing interest rates. We expect the insurer's full-year NBV to sustain mid-to-high teen level growth at least driven by strong a 1H result and progressive structure optimization. From a long-term perspective, mgmt. expects traditional and participating products to balance in mix and FYP of par policies to proportion to more than a half (>50%). Driven by better-than-peers asset-liability matching through FVOCI options, we expect group OPAT to grow by a low-single-digit over next 2-3 years, thanks to better-than-peers investment income to boost profitability on top of improved underwriting quality.
- **Sweet spot for southbound.** The stock rally in 2Q24 was primarily driven by southbound inflows seeking for targets of high dividends and low valuation. We expect the inflow to continue in 2H given supportive domestic policy expectations and easing liquidity after the Fed pivot in Sep. With a near-trough valuation at FY24E 0.3x P/EV and 0.6x P/BV, we prefer CPIC (2601 HK) as a resilient play to ride on waves of macro tailwinds. Looking ahead, we see a good opportunity to accumulate quality names as CPIC, based on the stock's valuation rebound on top of 6.0% FY24E div. yield and an avg. 12%-13% ROE.
- **Valuation:** The H-share is now trading at FY24E 0.31x P/EV and 0.64x P/BV, attractive vs an est. 3-year avg. ROE at 12.5% in FY24E-FY26E. Our TP of HK$28.3 is based on SOTP, after evidently strong interim results. The TP implies FY24E 0.48x P/EV and 0.89x P/BV. Reiterate BUY.

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	27,911	33,952	36,385	40,426
EPS	2.83	3.45	3.70	4.11
Consensus EPS	N/A	3.43	3.71	3.99
Group EV / share (RMB)	55.0	60.3	63.7	67.4
P/EV (x)	0.32	0.30	0.29	0.28
P/B (x)	0.68	0.64	0.61	0.56
Dividend yield (%)	5.5	5.6	5.8	6.0
ROE (%)	12.2	12.4	12.5	12.6

Source: Company data, Bloomberg, CMBIGM estimates

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



Source: CMBIGM estimates

PICC P&C (2328 HK) – Expect resilient underwriting in 2H24 with CoR guidance met

Rating: BUY **| TP:** HK$12.8 (25% upside)

Analysts: Nika Ma

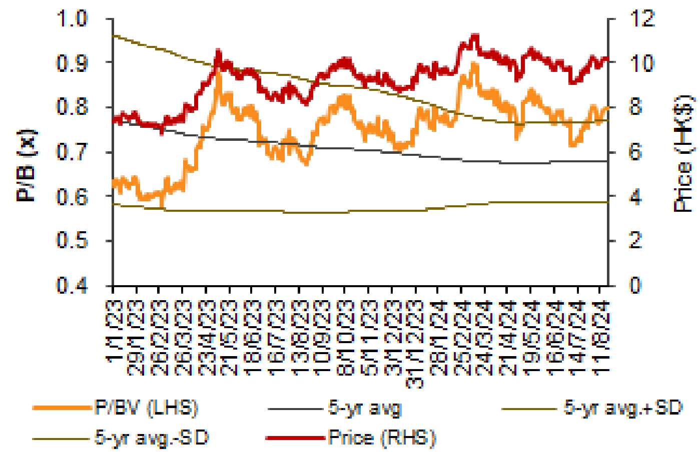
- **Investment Thesis:** The insurer showed solid 2Q results in contrast to a 1Q miss, with 2Q CoR trimmed 1.3pct QoQ to 95.0% thanks to effective Group-wide expense control evidenced by 0.8pct drop in expense ratio in 1H24. Auto CoR fell 0.3pct YoY to 96.4%, better than our estimate thanks to a contracted expense ratio by 1.8pct to 25.2% offsetting the 1.5pct increase in claims ratio in 1H24. Auto ticket size stabilized in July and has progressively rebounded since then, conducive to the insurer's auto premium growth in 2H24 on top of higher NEV penetrations, in our view. In the long run, we expect avg. auto case size to normalize as price competition among peers appears subsiding after stringent regulatory scrutiny, and guide down FY24E auto premium growth to 4% YoY (vs year-start: 5%) given softened new vehicle sales. Non-auto CoR expanded to 95.8% in 1H24, dragged by CoR deteriorations in A&H/Commercial Property and "Other" segment by +1.4pct/7.6pct/+3.5pct YoY, respectively. Despite this, we see room for CoR improvement in 2H24, on top of a high base of claims in 3Q23 caused by Typhoon Doksuri, and expect full-year auto/non-auto CoR guidance of <97%/<100% to be met by year-end. Yet given unclear 3Q catastrophe prospects, **we adjust the auto/non-auto FY24 CoR forecasts to 96.6%/99.4% (vs previous: 96.7%/98.9%).**
- In the mid term, we still see incremental room for China's P&C insurers to scale up and improve structure mix under a benign competitive landscape after stringent regulatory scrutiny in 2H23. We maintain our positive outlook on the stock given 1) continued risk mitigation for CoR control by contracting expense ratios; 2) shift to more optimized financial asset structure to reduce fair value impacts on net profit; and 3) strong capital to support an attractive div. yield at ~6.0%. As the P&C sector lead, we believe PICC P&C enjoys better-than-peers pricing capability based on advanced risk models and massive cross-sector data input from auto segment to other non-auto business lines, i.e. personal A&H. First interim dividend was in place at RMB0.208/share, implying 25% in 1H24.
- **Valuation:** The stock is trading at 0.85x FY24E P/B with an est. 3-year ROE at 12.3%. Our TP of HK$12.8 (prev. HK$11.9) implies 1.04x FY24E P/B. The P&C forerunner persisted five years of paying >40% payout, suggesting its defensive nature underpinned by resilient underwritings. Maintain BUY.

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	24,566	29,474	31,413	33,869
EPS (RMB)	1.11	1.33	1.41	1.53
Consensus EPS (RMB)	N/A	1.29	1.45	1.55
Combined ratio (%)	97.8	97.7	97.5	97.3
P/B (x)	0.9	0.8	0.8	0.8
Dividend yield (%)	5.2	5.6	6.0	6.4
ROE (%)	10.8	12.2	12.2	12.6

Source: Company data, Bloomberg, CMBIGM estimates

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



Source: CMBIGM estimates

Tencent (700 HK) – Games business to drive revenue growth acceleration in 2H24E

Rating: BUY **| TP:** HK$480.0 (23% 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 accelerate in 2H24E, backed by monetization revamp of key legacy titles and incremental contribution of new games like DnF Mobile; 3) enhancing shareholder return, with total share repurchase amount more than doubled to >HK$100bn (c.3% of mkt cap).
- **Our View:** We expect Tencent will continue to deliver quality earnings growth in 2024E, supported by its operating leverage capacity, unparallel competitive positions in core business segments and incremental contribution from Weixin ecosystem innovation. We expect non-IFRS NPM to rise from 26% in FY23 to 33% 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 (16x FY24E PE) offers attractive risk reward given its solid earnings growth outlook (FY24-26E CAGR: +18% YoY). BUY.
- **Catalysts:** 1) enhanced Video Account monetization supports better-than-expected revenue growth and GPM expansion; 2) DnF Mobile drives stronger-than-expected game revenue growth in 2H24E; 3) increasing share repurchase and dividend to enhance shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$480.0, comprising HK$190.6/30.0/83.5/79.7/20.7 for games/SNS/ads/Fintech/cloud business and HK$8.2/67.3 for net cash/strategic investments.

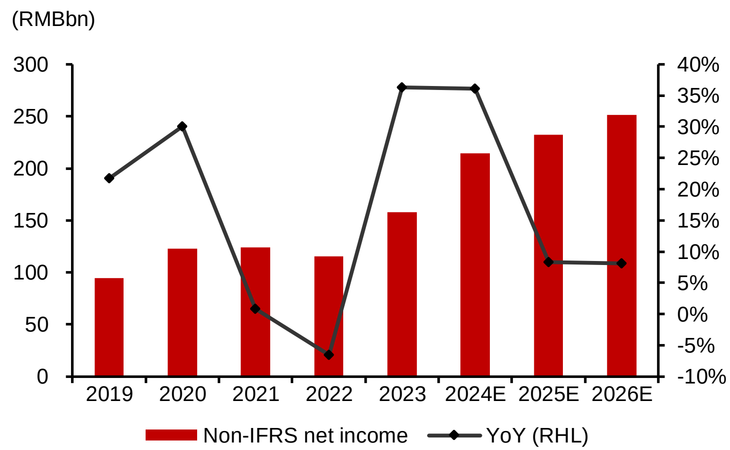
Link to latest report: Tencent (700 HK) - Inline 2Q24 results; games business to drive revenue growth acceleration in 2H24E

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	658,187	709,755	758,014
YoY growth (%)	9.8	8.1	7.8	6.8
Gross margin (%)	48.1	53.3	53.6	54.2
Adj. net profit (RMB mn)	157,688	214,576	232,392	251,334
YoY growth (%)	36.4	36.1	8.3	8.2
EPS (Adjusted) (RMB)	16.66	22.16	24.00	25.95
Consensus EPS (RMB)	16.66	20.90	23.43	26.25
Non-GAAP P/E (x)	22.5	15.7	14.5	13.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Driving for monetization improvement while maintaining stabilizing market share

Rating: BUY **| TP:** US$126.9 (50% 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; the potential increase in monetization rate aided by incremental technology services fee charged and the launch of new advertising products should drive better outlook on revenue and earnings growth; 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 high-single digit YoY, international commerce retail revenue grew 38% YoY, and AI-related cloud revenue grew triple digits YoY in 4QFY24. 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 on the stock.

- **Where do we differ vs consensus:** We are more positive on Alibaba's ability to deliver better-than-expected monetization rate improvement for its Taobao & Tmall Group in 2HFY25, aided by the increase in penetration of Quanzhantui, and the increase in technology services fee rate.

- **Catalysts:** 1) better-than-expected consumption recovery; 2) better-than-expected monetization improvement and adj. EBITA growth of Taobao & Tmall Group; 3) positive regulatory update regarding fintech business.

- **Valuation:** Our SOTP-based TP is US$126.9, which translates into 15.4x FY25E PE.

Link to latest report: Alibaba (BABA US) – Driving for monetization improvement while maintaining stabilizing market share

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	941,168	1,028,217	1,115,664	1,189,396
Adjusted net profit (RMB mn)	158,359.0	147,035.0	171,075.9	182,189.3
EPS (Adjusted) (RMB)	62.23	60.09	72.07	78.32
Consensus EPS (RMB)	N/A	61.77	69.27	77.30
P/E (x)	18.0	11.5	9.4	8.6

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	$/share	Value split
1	Taobao and Tmall Group	7.0x FY25E P/E; 20% tax rate on adjusted EBITA	62,100	22,058	7.0		1,116,347	154,405	60.7	48%
2	International Digital Commerce Group	1.5x FY25E EV/S	18,830			1.5	204,210	28,245	11.1	9%
3	Local Services Group	1.5x FY25E EV/S	9,289			1.5	103,423	14,305	5.6	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63.7% shareholding	15,846				47,578	6,581	2.6	2%
5	Cloud Intelligence Group	3.9x FY25E EV/S on revenue before intersegment elimination	16,037			3.9	446,398	61,743	24.3	19%
6	Digital Media and Entertainment Group	1.0x FY25E EV/S, inline with iQIYI trading EV/S	3,033			1.0	22,804	3,154	1.2	1%
7	All others	1.0x FY25E EV/S	27,134			1.0	186,369	25,777	10.1	8%
	Total Alibaba business						**2,127,128**	**294,209**	**115.6**	
	INVESTMENTS									
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	25,884	10.2	
2	Others	Market valuation					110,747	15,318	6.0	
	Total investment (with 30% holding discount)								**11.3**	9%
	Total (US$mn)								**126.9**	
	#s of diluted ADS (mn)								2,545	

Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – 2Q earnings beat; investment opportunities arise with overreaction on softened outlook

Rating: BUY **| TP:** US$187.9 (91% upside)

Analysts: Saiyi He/ Frank Tao/ Wentao Lu

- **Investment Thesis:** 1) leveraging strong domestic supply chain, overseas expansion is on track to support PDD Holdings (PDD)'s long-term revenue and earnings growth; 2) PDD is expanding its branded products pool, which could drive resilient GMV growth in 2024.

- **Our View:** We remain positive on PDD's 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 propels a valuation rerating. Also, the launch of "semi-entrusted" business model should help drive UE improvement and better-than-expected loss reduction in 2024; 2) domestic business could maintain healthy revenue and earnings growth in 2024, thanks to 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, in our view. 2) geopolitical risk from Temu in the US likely to be controllable; and the decline in GMV contribution from the US market should help mitigate market concern.

- **Catalysts:** 1) better-than-expected monetization improvement of domestic business; 2) more rapid than expected international business development; 3) more benign than expected competition in domestic market to drive better-than-expected earnings growth.

- **Valuation:** Our SOTP-based TP is US$187.9, translating into 14.6x 2024E P/E (non-GAAP).

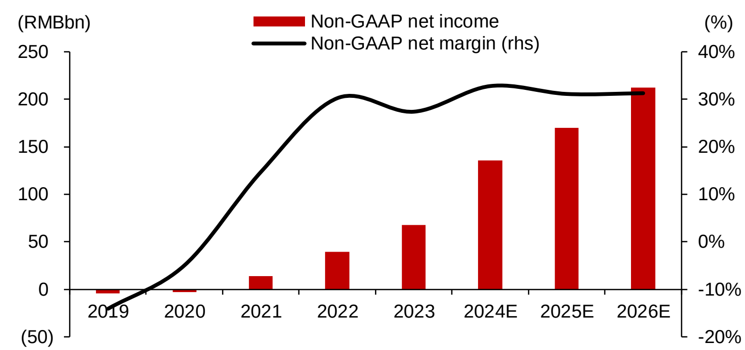
- **Link to latest report**: Pinduoduo (PDD US): 2Q earnings beat; investment opportunities arise with overreaction on softened outlook

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	247,639	412,989	544,507	678,335
Net profit (RMB mn)	60,026.5	126,026.0	158,784.9	199,897.7
Adjusted net profit (RMB mn)	67,899.4	135,550.2	169,675.0	212,446.9
YoY growth (%)	71.8	99.6	25.2	25.2
EPS (Adjusted) (RMB)	46.51	92.85	116.22	145.52
Consensus EPS (RMB)	41.13	86.51	111.35	132.33
P/E (x)	22.5	10.7	8.5	6.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Greentown Service (2869 HK): Solid 1H24 against industry headwinds

Rating: BUY | **TP:** HK$6.13 (66% upside)

Analysts: Miao Zhang/ Bella Li

- Greentown Service's revenue/core operating profit went up 11/26% YoY in 1H24, in-line with/beating market expectations buoyed by a stable parent company, robust third-party expansion, and a diversified VAS business. Core OPM expanded 1.2ppts YoY to 9.8%, resulting from +0.6ppts GP margin hike and 0.6ppts decrease in SG&A ratio attributable to efficient cost control. Amid intensified competition in third-party expansion, the company delivered steady conversion from parentco projects to mitigate headwinds. Despite a challenging industry environment, the company still anticipates core OP growth of >20% & cash growth >15% in 2024E. We like Greentown Service for its high independence, stable parentco, diversified VAS business and recovering cash flow.

- **1H24 revenue in-line, earnings beat.** Greentown Service delivered 10.6%/25.8% YoY growth in revenue/core OP in 1H24 (core OP= GP-SG&A), with revenue in line and core operating profit beating market expectation. This performance was driven by 1) steady growth of 14.6% YoY in basic PM revenue; 2) positive growth in VAS to both owners and non-owners against the negative trends among peers, attributed to its robust parentco and diversified VAS business; 3) efficient cost management leading to 0.6ppts improvement in GPM and 0.6ppts cut in SG&A ratio, which combined enhanced core OPM by 1.2ppts. Greentown Service lifted the guidance from >15% to >20% for full-year core OP growth. And the share incentive plan requires 60% growth over the next three years.

- **Parentco GFA conversion mitigates third party competition pressure.** The net increase in managed GFA from Greentown Real Estate surged 227% YoY compared to -42% from third parties, leading to Greentown RE's contribution in managed GFA rising to 18.2% in 1H24 from 14.8%/15.7% in 1H23/FY23. Total managed GFA increased 16% YoY with new contracted value up 3%, representing a steady APS hike and solid conversion from reserved GFA.

- **Expect 15% cash growth in FY24E.** Broad cash balance reached RMB 4.3bn, down -12% YoY, due to 1) accounts receivable increasing 24% from end-2023 to RMB 6.3bn, impacted by economic headwinds affecting owners' payment capabilities and property fee collections concentrating at year-end, and 2) active share buybacks consuming funds. The company expects AR growth to decelerate in 2H24 and will continue with proactive share repurchases, anticipating a 15% YoY increase in cash on hand by the end of 2024.

- **Valuation:** Given Greentown Service's high independence, stable parentco, and diversified VAS business, we maintain BUY rating with TP of HK$ 6.13 to reflect a better outlook than peers'. The TP represents 25x 2024E P/E. Risks: AR impairment, intensified competition.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	14,856	17,393	19,364	21,838
YoY growth (%)	18.2	17.1	11.3	12.8
Net income (RMB mn)	547.5	605.4	724.6	867.7
EPS (RMB)	0.17	0.19	0.23	0.27
YoY growth (%)	(35.4)	11.7	19.7	19.7
Consensus EPS (RMB)	N/A	N/A	0.24	0.29
P/E (x)	17.8	15.9	13.3	11.1
P/B (x)	1.6	1.6	1.6	1.5
Yield (%)	3.0	4.5	5.3	6.3
ROE (%)	7.7	8.3	9.7	11.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Managed GFA breakdown

Managed GFA breakdown (mn sqm)	2021	2022	2023	1H22	1H23	1H24
Total	**304.1**	**381.4**	**448.4**	**349.3**	**414.5**	**481.7**
from Greentown RE	49.3	56.1	70.4	50.6	61.3	87.7
from third parties	254.8	325.3	378.0	298.7	353.2	394.0
YoY		*25%*	*18%*		*19%*	*16%*
from Greentown RE		*14%*	*26%*		*21%*	*43%*
from third parties		*28%*	*16%*		*18%*	*12%*
Mix %						
from Greentown RE	16%	15%	16%	15%	15%	$\boxed{18\%}$
from third parties	84%	85%	84%	86%	85%	82%
Net increase of managed GFA	**53.6**	**77.3**	**67.0**	**45.2**	**33.6**	**33.3**
from Greentown RE	5.4	6.8	14.3	1.4	5.3	17.3
from third parties	48.2	70.5	52.7	43.8	27.8	16.0
YoY	*41%*	*44%*	*-13%*		*-26%*	*-1%*
from Greentown RE	*25%*	*25%*	*111%*		*281%*	*227%*
from third parties	*43%*	*46%*	*-25%*		*-37%*	*-42%*
Mix %						
from Greentown RE	10.1%	8.8%	21.4%	3.1%	15.7%	51.9%
from third parties	89.9%	91.2%	78.6%	96.9%	84.3%	48.1%

Source: Company data, CMBIGM

FIT Hon Teng (6088 HK) – Upbeat guidance on power busbar and liquid cooling order wins

Rating: BUY **| TP:** HK$4.25 (135% upside)

Analyst: Alex Ng/ Claudia Liu

- **Investment Thesis:** FIT Hon Teng is global connector leader in PC, datacenter, smartphone, automobile and smart accessories 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 expect FIT earnings to resume growth in FY24/25E, driven by AI server/AirPods product launches and "3+3 strategy" in AIoT/acoustics/EV and margin recovery.

- **Our View:** FIT is one of our top picks for H-share tech sector, due to its solid revenue growth, high earnings visibility and beneficiary of AI server cycle. Mgmt. updated a positive outlook for 2024: high single-digit revenue growth, 15%+ YoY GP growth and 15%+ YoY OP growth, backed by AI server products and Voltaira auto biz consolidation. As for AI-server sales, apart from GB200's compute tray connectors (7-9% of FY24E revenue), mgmt. highlighted recent order wins in power busbar and liquid cooling CDU (1-3% of FY24E revenue), and expected further potential order wins for copper cable cartridge in FY25E. For AirPods/iPhone, we expect FIT to benefit from new product cycle backed by Apple Intelligence in 2H24E. Overall, we expect FIT's revenue/net profit to rebound 12%/42% YoY in FY24E.

- **Where do we differ vs consensus:** Our FY25/26E EPS are 13%/23% above consensus, given stronger business outlook and better margin recovery.

- **Catalysts:** Near-term catalysts include AI server product updates and AirPods shipments.

- **Valuation:** Our 12m TP of HK$ 4.25 is based on 13x FY25E P/E, given accelerated growth on the "3+3 Strategy" and profitability recovery.

Link to latest report: FIT Hon Teng (6088 HK) - 2Q24 in-line; Upbeat guidance on power busbar and liquid cooling order wins

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,196	4,677	6,117	7,347
YoY growth (%)	(7.4)	11.5	30.8	20.1
Net profit (RMB mn)	129	183	298	384
EPS (RMB)	1.82	2.58	4.20	5.42
YoY growth (%)	(24.8)	41.8	62.8	28.9
Consensus EPS (RMB)	N/A	2.68	3.72	4.42
P/E (x)	13.1	9.2	5.7	4.4
P/B (x)	0.7	0.6	0.6	0.5
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	5.3	7.0	10.2	11.6
Net gearing (%)	0	0	0	0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 3Q24 revenue guidance

Source: Company data, CMBIGM estimates

Xiaomi (1810 HK) – Upbeat EV GPM and resilient core earnings; Reiterate BUY

Rating: BUY **| TP:** HK$24.40 (22% upside)

Analyst: Alex Ng/ Claudia Liu

- **Investment Thesis**: Xiaomi is the 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 gains especially in Middle East, Africa and Latin America, and anticipate faster shipment improvement for FY24E. For Smart EV, Xiaomi guided to target 120k annual EV deliveries. Looking ahead, we are positive on Xiaomi smartphones' global market share gains, new retail strategy execution, AIoT business growth momentum and EV shipment delivery to drive earnings growth into FY24E-25E. Overall, we expect Xiaomi's revenue/adj. net profit to grow 26%/21% YoY in FY24E.

- **Where do we differ vs consensus**: We are more positive on smartphone overseas share gains and hold a better EV outlook.

- **Catalysts**: Near-term catalysts include EV product profitability, and smartphone market share gains.

- **Valuation**: Our SOTP-based TP of HK$24.40 implies 23.9x FY24E P/E, which reflect Xiaomi's business diversification with different growth profiles and visibility.

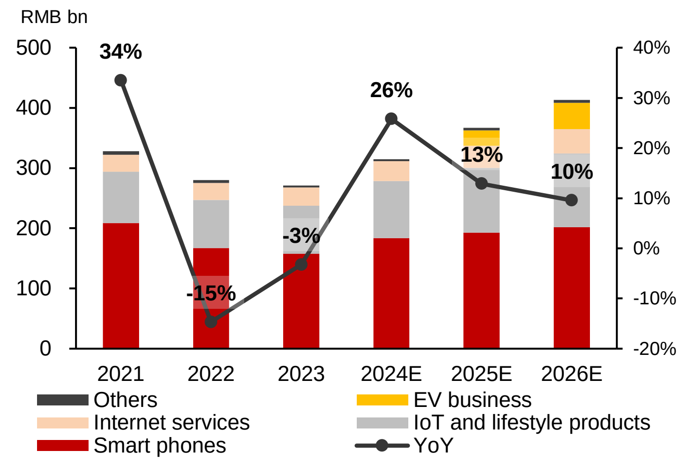
Link to latest report: Xiaomi (1810 HK)- 2Q24 beat on EV GPM and resilient core earnings; Reiterate BUY

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	270,970	340,915	384,924	421,750
YoY growth (%)	(3.2)	25.8	12.9	9.6
Net profit (RMB mn)	19,273	23,355	26,535	31,248
EPS (RMB)	0.77	0.94	1.07	1.26
YoY growth (%)	125.7	21.2	13.6	17.8
Consensus EPS (RMB)	N/A	0.71	0.82	0.99
P/E (x)	23.1	19.1	16.8	14.3
P/B (x)	3.2	2.9	2.6	2.3
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	11.7	12.8	13.0	13.5
Net gearing (%)	Net cash	0.0	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Xiaomi revenue trend



Source: Company data, CMBIGM estimates

BYDE (285 HK) – Positive on iPad/ iPhone cycle, Android recovery and NEV orders

Rating: BUY **| TP:** HK$40.89 (58% 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 products, 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 2024-25E.

- **Our View:** BYDE is our top pick for H-share tech sector, as we are positive on multiple growth drivers in 2024: 1). smartphone OEM/component growth driven by iPad/iPhone cycle and Android high-end growth; 2) Jabil growth consolidation with stable market share; 3) NEV products including heat pump systems, high-end ADAS system products and active suspension products; 4) AI server ODM products ramp-up thanks to Chinese CSP client demand. We become more positive on AI server biz to deliver rapid growth in FY25-26E backed by strong roadmap in server (connectors, cold plate, power board), rack system (copper, UQD), CDU system, high-speed connectivity (optical modules, copper cables).

- **Where do we differ vs consensus:** We are more positive on earnings synergies from Jabil's acquisition, iPad/iPhone cycles and AI server biz outlook.

- **Catalysts:** Near-term catalysts include iPhone/iPad shipments and NEV/AI server products.

- **Valuation:** Our SOTP-based TP of HK$40.89 implies 19.3x FY24E P/E, which reflects BYDE's business diversification with different growth profiles and visibility.

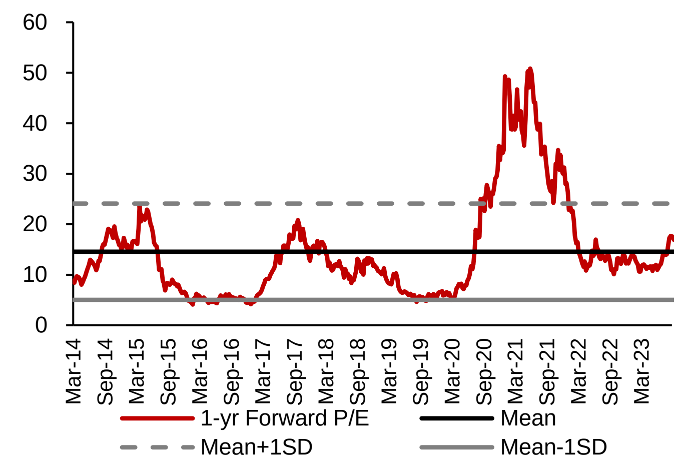
Link to latest report: [BYDE (285 HK)-Positive on multiple growth drivers ahead despite near-term drags from Jabil integration]

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	129,957	171,675	190,266	208,631
YoY growth (%)	21.2	32.1	10.8	9.7
Net profit(RMB mn)	4,041	4,358	6,227	7,898
EPS (RMB)	1.79	1.93	2.76	3.51
YoY growth (%)	117.6	7.8	42.9	26.8
Consensus EPS (RMB)	N/A	2.22	2.92	3.45
P/E (x)	13.1	12.1	8.5	6.7
P/B (x)	2.2	3.5	2.8	2.3
Yield (%)	2.3	2.5	3.5	4.5
ROE (%)	13.8	23.8	27.5	28.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIGM estimates

Innolight (300308 CH) – Solid 1H24 results w/ steady margin; reiterate BUY

Rating: BUY | **TP:** RMB150.76 (37% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Innolight released 1H24 results, with revenue surging by 170% YoY to RMB10.8bn and net profit growing by 284% YoY to RMB2.4bn. The company's 1H24 revenue/NP accounted for 45%/43% of our FY24E forecasts. GPM improved further to 33% in 1H24. NPM rose to 22% (+6.5ppts YoY) in 1H24 on enhanced operational efficiency. From a quarterly standpoint, 2Q24 revenue/NP rose by 175%/271% YoY and 23%/34% QoQ, while GPM and NPM were 33.4%/23% (vs. 32.8%/21% in 1Q24 and 33%/20% in FY23). We maintain our bullish outlook on Innolight, driven by the sustained strong demand for its 800G/400G products and its strategic positioning to capitalize on the long-term AI momentum.
- **Key 1H24 earnings call takeaway:** Mgmt. reiterated a strong demand outlook for 2H24, as the company will continue to expand capacity to meet downstream demand. From the latest earnings releases, CSP3 (Amazon, Microsoft and Google) and Meta's capex grew by 50%+ YoY in 1H24 and is projected to grow by 39%/13% in 2024/25E, which confirms that the AI infrastructure investment theme remains intact. Given the tailwind, we believe the company's 400G+ product shipments will continue to increase.
- **Catalysts:** 1) Consistent shipments of 800G optical transceivers, 2) slower-than-expected decline of non-AI revenue, 3) increasing production ramp up of 1.6T optical transceivers in 2H24.
- **Valuation:** Reiterate BUY with TP of RMB150.76, based on the same 30x 2024E P/E (both unchanged).
- **Links to relevant reports:**

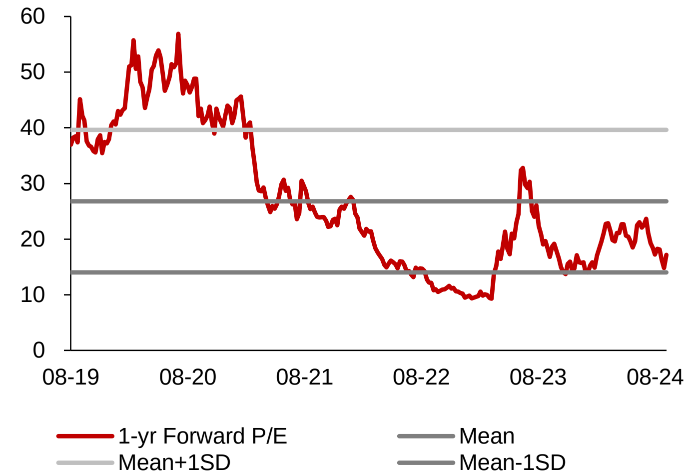
1. Innolight (300308 CH) - Solid 1H24 results w/ steady margin; Key investor call takeaway w/ strong demand outlook in 2H24
2. Innolight (300308 CH) - Fundamentals remain strong despite recent market volatility, reiterate BUY
3. Innolight (300308 CH) - 1Q24 results set stage for accelerated growth in 2024

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	10,718	24,060	34,149	41,026
YoY growth (%)	11.2	124.5	41.9	20.1
Gross margin (%)	33.0	33.2	32.3	31.4
Net profit (RMB mn)	2,174	5,522	8,156	9,253
YoY growth (%)	77.6	154.1	47.7	13.4
EPS (RMB)	2.00	5.08	7.50	8.51
P/E (x)	57.64	22.37	15.14	13.35

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Naura (002371 CH) – Robust earnings with margin expansion; Maintain BUY

Rating: BUY **| TP:** RMB405.0 (39% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Naura announced 1H24 results. 1H revenue grew 46.4% YoY to RMB12.3bn, while NP grew 54.5% YoY to RMB2.8bn, both aligning with the mid-point of company's earnings pre-announcement. 1H24 revenue/NP were 40%/46% of our FY24E forecast, consistent with the company's historical seasonality, which saw 38%/46% in 1H23. GPM improved to 45.5% in 1H24 (vs. 42%/41% in 1H23/FY23), while NPM expanded to 22.5% in 1H24 from 17.7% in FY23. We think Naura's 1H24 results confirm that the company's growth trajectory remains intact. Looking forward, we expect Naura to 1) ride the tailwinds of semiconductor localization trend, 2) grow on product coverage expansion and market share gains, and 3) benefit from economies of scale and improving GPM.
- **Our View:** The global semi manufacturing equipment (SME) market is expected to grow by 3% in 2024E and 18% in 2025E (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 reiterate our BUY rating for Naura, with an unchanged TP at RMB405. The TP implies a valuation at 35.77x 2024E P/E, close to 1SD above 2-year historical average forward P/E, which we think is justified considering Naura's leading position in domestic semiconductor equipment market. Naura is our favourite pick under the semiconductor localization theme.
- **Links to relevant reports:**

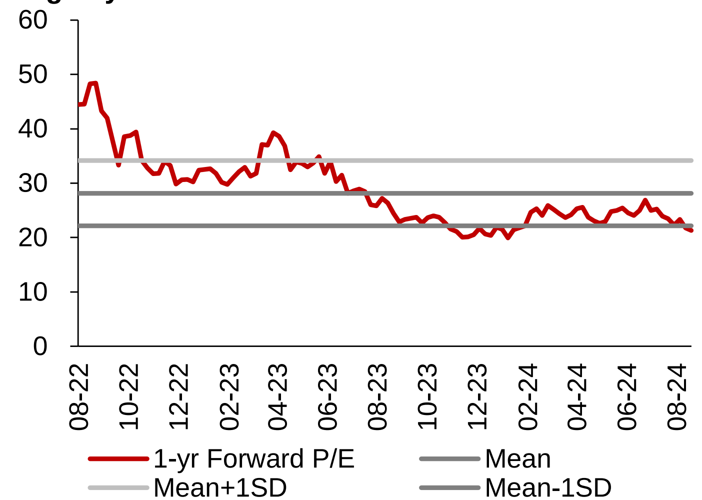
1. Naura Technology (002371 CH) - Robust earnings with margin expansion; Maintain BUY
2. Naura Technology (002371 CH) - 1H24 profit alert points to solid 2Q results
3. Semi - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	22,079	30,856	39,030	48,443
YoY growth (%)	50.3	39.7	26.5	24.1
Operating profit (RMB mn)	4,448	7,085	9,285	12,183
YoY growth (%)	55.1	59.3	31.0	31.2
Net profit (RMB mn)	3,899	6,013	7,875	10,330
YoY growth (%)	65.7	54.2	31.0	31.2
EPS(RMB)	7.36	11.32	14.83	19.45
P/E (x)	40.0	26.0	19.9	15.1

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$10.8 (87% upside) Analyst: Saiyi He/Frank Tao/Wentao Lu

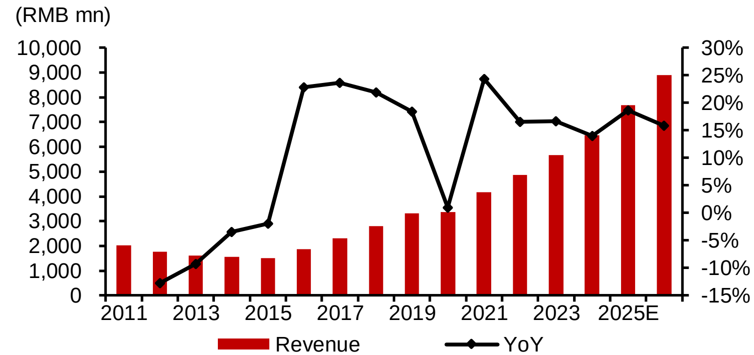
- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 16% revenue CAGR in FY23-26E, with total revenue to reach RMB8.9bn.
- **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. Also, Kingdee's loss reduction remains on track thanks to efficient cost control, as well as optimization of cloud infrastructure spend aided by the price reduction of IaaS vendors.
- **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 Yonyou and Inspur are more focused on large-enterprises/ SOEs. 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' domestic substitution bidding; and 2) supportive policies related domestic substitution implementation.
- **Valuation:** We maintain BUY with new TP of HK$10.8, based on 4.4x EV/sales, in line with one-year mean.
- **Link to latest report:** Kingdee (268 HK) – Macro headwinds weighed on growth; loss reduction on track

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	5,679	6,475	7,682	8,902
YoY growth (%)	16.7	14.0	18.6	15.9
Net profit (RMB mn)	(209.9)	(11.5)	240.6	466.8
EPS (Reported) (RMB cents)	(6.04)	(0.33)	6.92	13.44
Consensus EPS (RMB cents)	N/A	(1.40)	6.87	15.90
P/E (x)	N/A	N/A	77.6	40.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

Short Idea

Sinotruk (HK) (3808 HK) – Market overly optimistic amid weakness of HDT sales

Rating: HOLD | **TP:** HK$ 19.5 (3% downside)

Analyst: Wayne Fung

- **Investment Thesis:** We expect the heavy-duty truck (HDT) industry sales in 2024E/25E to be 0.96mn / 1mn units, representing 4%/5% YoY growth. For exports, the growth outlook is less certain given the weakness of truck sales in Russia, a major market for Chinese trucks. We are concerned that the growth in other countries will not be able to offset the decline in Russia. In China, HDT demand was weak in Aug. That said, given the equipment replacement policy on NES III trucks has entered the execution stage, we still see chance for HDT sales to gradually stabilize in 4Q24E.
- **Our View.** Sinotruk's net profit grew 40% YoY to RMB3.3bn in 1H24. That said, we expect the growth to substantially slow to 12% for the full year. We think Sinotruk's high proportion of overseas HDT sales (55% in 1H24, in terms of HDT sales) will become a downside risk given the slowdown of overseas demand. We also expect the 30% HDT sales growth in China in 1H24 is not sustainable, given the sales decline in Jul & Aug for the industry as a whole.
- **Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is 5%/13% below consensus. We think the market has yet to reflect the weakness of HDT sales in 2H24E.
- **Upside risks:** (1) Stronger-than-expected replacement demand; (2) Further expansion of new overseas markets
- **Downside risks:** (1) further weakness in export sales; (3) lower-than-expected replacement demand in China; (3) a strong rebound of the RMB
- **Valuation:** We set our TP at HK$19.5, based on 4.6x 2024E EV/EBIDTA (equivalent to the historical average).

Link to latest report:

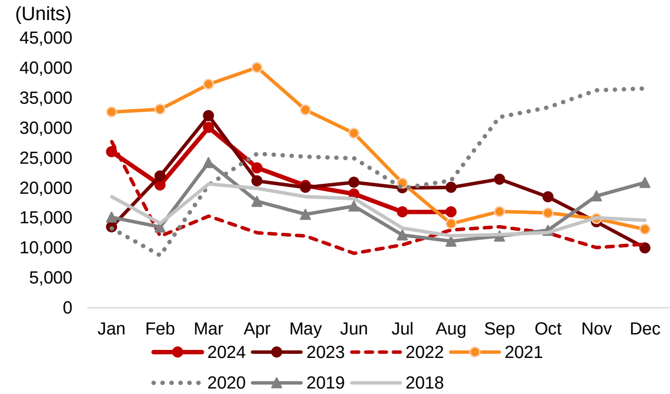
Capital Goods – Turning cautious on export market; D/G Sinotruk to HOLD; Maintain BUY on Weichai

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	85,041	93,550	98,524	101,336
YoY growth (%)	43.4	10.0	5.3	2.9
Net income (RMB mn)	5,318	5,957	6,265	6,454
EPS (RMB)	1.93	2.16	2.27	2.34
YoY growth (%)	196.0	12.0	5.2	3.0
Consensus EPS (RMB)	N/A	2.28	2.62	3.01
EV/EBIDTA (x)	9.4	8.4	8.0	7.7
P/E (x)	5.3	4.6	4.3	4.1
P/B (x)	1.2	1.1	1.1	1.0
Yield (%)	5.3	6.0	6.3	6.5
ROE (%)	14.0	14.2	13.9	13.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CNHTC's monthly HDT sales volume



Source: Cvworld, Chinatruck, CMBIGM
Note: CNHTC is the parent company of Sinotruk

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