CMBI Research Focus List

Our best high conviction ideas

17 Jul 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	22.2	190.3	20.9	26.00	24%	12.7	21.2	2.5	N/A	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	10.6	47.7	8.2	14.00	70%	15.5	11.7	1.0	6.8	2.5%	Shi Ji/ Dou Wenjing
Zoomlion	1157 HK	Capital Goods	BUY	8.0	8.3	4.7	7.50	60%	10.4	8.4	0.7	6.4	7.2%	Wayne Fung
Zhejiang Dingli	603338 CH	Capital Goods	BUY	3.5	41.5	50.8	75.00	48%	14.2	12.6	3.0	23.3	1.9%	Wayne Fung
Bosideng	3998 HK	Consumer Discretionary	BUY	5.7	22.6	4.1	5.98	47%	N/A	12.6	N/A	N/A	N/A	Walter Woo
JNBY	3306 HK	Consumer Discretionary	BUY	0.9	1.4	13.2	19.77	49%	10.5	7.7	3.3	33.9	5.9%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.7	0.5	4.5	6.79	51%	10.2	8.4	2.1	24.2	3.9%	Walter Woo
Kweichow Moutai	600519 CH	Consumer Staples	BUY	255.0	666.9	1475.1	2219.00	50%	28.6	23.1	9.8	35.6	1.5%	Miao Zhang/ Bella Li
BeiGene	BGNE US	Healthcare	BUY	16.8	31.7	152.9	269.73	76%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
Mindray Medical	300760 CH	Healthcare	BUY	45.2	135.2	270.8	383.49	42%	N/A	26.3	N/A	N/A	N/A	Jill Wu/ Cathy Wang
CPIC	2601 HK	Insurance	BUY	33.8	40.7	20.0	24.80	24%	0.3	0.3	0.7	12.2	5.6%	Nika Ma
PICC P&C	2328 HK	Insurance	BUY	26.5	41.9	9.3	11.90	28%	N/A	N/A	0.8	10.8	5.6%	Nika Ma
Tencent	700 HK	Internet	BUY	445.9	1035.1	372.0	480.00	29%	22.5	17.8	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	189.5	1277.6	78.4	124.90	59%	22.1	19.4	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Pinduoduo	PDD US	Internet	BUY	188.7	1287.9	135.8	192.70	42%	23.7	12.7	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Amazon	AMZN US	Internet	BUY	2008.7	7778.5	193.0	211.00	9%	61.7	37.1	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
CR Land	1109 HK	Property	BUY	24.6	64.5	27.0	45.10	67%	4.8	4.3	0.6	11.8	6.8%	Miao Zhang/ Bella Li
FIT Hon Teng	6088 HK	Technology	BUY	3.0	14.1	3.2	4.24	34%	22.1	15.0	1.1	5.4	0.0%	Alex Ng/ Claudia Liu
Xiaomi	1810 HK	Technology	BUY	52.3	241.6	16.3	25.39	55%	19.3	16.2	2.7	11.7	N/A	Alex Ng/ Claudia Liu
BYDE	285 HK	Technology	BUY	10.2	49.2	35.3	45.15	28%	18.7	14.0	3.1	13.8	1.6%	Alex Ng/ Hanqing Li
Innolight	300308 CH	Semi	BUY	22.4	487.7	145.4	183.00	26%	53.4	24.5	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Naura	002371 CH	Semi	BUY	25.6	223.9	351.0	405.0	15%	45.5	32.2	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	3.0	16.9	6.5	15.5	137%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 17/7/2024 10 a.m.

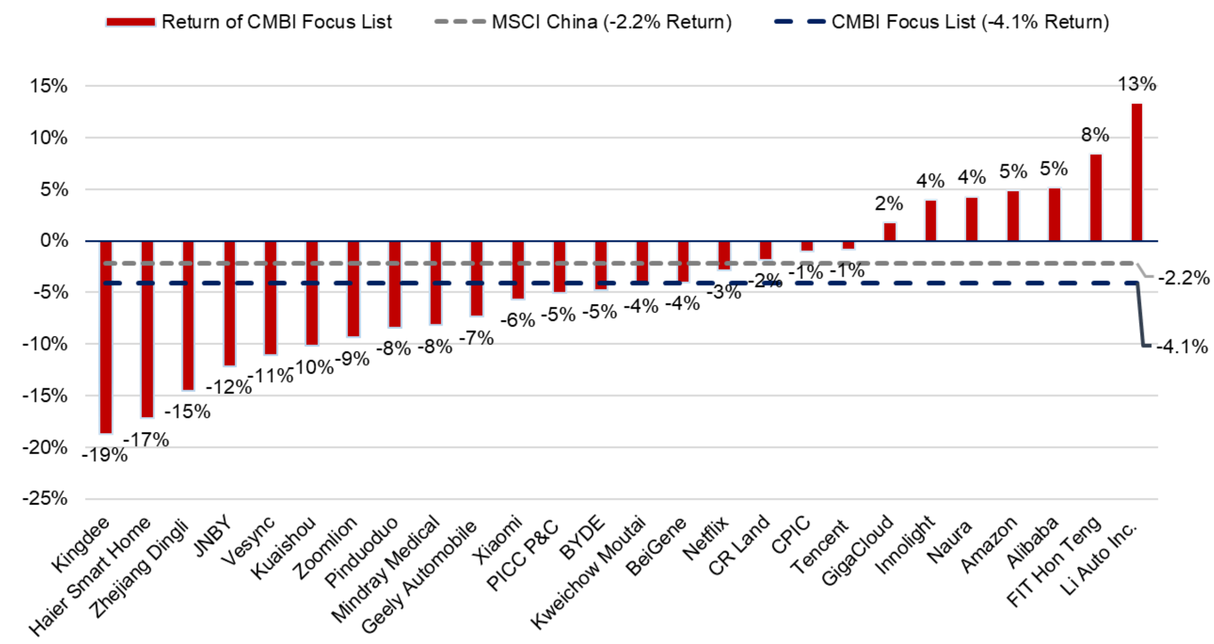
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Bosideng	3998 HK	Consumer Discretionary	BUY	Walter Woo	The macro environment has become even tougher recently, but Bosideng should be in a better position, thanks to top class strategy and execution. Plus the 7% FY3/25E yield, downside is limited.
Deletions					
Haier Smart Home	6690 HK	Consumer Discretionary	BUY	Walter Woo	Haier could still outperform, thanks to its more balanced product mix. But as home appliance sales (as well as its scheduled production) have weakened again recently, plus the price war and rising costs, we are now more prudent about the sector.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 17 June 2024, we highlighted a list of 26 long ideas.
- The basket (equal weighted) of these 26 stocks underperformed MSCI China index by 1.9 ppts, delivering -4.1% return (vs MSCI China -2.2%).
- Four of these stocks delivered 5% return or more, and 11 of our 26 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 17 Jun 2024 to 16 Jul 2024

Long Ideas

Li Auto Inc. (LI US) – Is the *Mega* lesson worthwhile?

Rating: BUY **| TP:** US$26.00 (24% upside)

Analysts: Shi Ji/ Dou Wenjing

- **2Q24E earnings preview**. Li Auto's 2Q24 deliveries of 108k units were in the mid-range of its previous guidance. Management expects 2Q24 to be challenging and guides vehicle gross margin at 18% (vs. 19.3% in 1Q24). Key to its 2Q24 earnings could lie in its cost control, especially for SG&A expenses, in our view. Li Auto has also been accelerating its super charging construction.

- **FY24E outlook.** We cut our FY24E sales volume by 22% to 0.51mn units, as the automaker has postponed its BEV SUV launches to FY25 and the *Mega* sales volume was way below expectation. We also cut GPM by 0.8ppt to 20.1%. We cut FY24E R&D by RMB1.5bn to 8.9% of revenue and SG&A by RMB0.8bn to 8.8% of revenue. Both ratios are higher than those in FY23. Despite its cost reduction efforts, the automaker is still determined to increase its fast-charging network and optimize its store number and size. Therefore, we halved our FY24E NP estimate to RMB7.2bn.

- ***Mega* has pushed Li Auto to refine its BEV strategy.** It appears to us that the company has lowered its priority for FY24E profitability but has been focusing on laying a more solid foundation for BEV's success after the wrong expectation on the Mega. We believe such failure does not mean the company has lost its superb product design capabilities. We project FY25E sales volume to be 0.66mn units and NP to be RMB12.3bn (both are at similar levels as our prior forecasts for FY24E).

- **Valuation/Key risks**. We maintain our BUY rating but trim our target price to US$26.00, based on 15x our revised FY25 EPS. We roll over our valuation multiple to FY25, as we believe well-thought-out BEV products could help Li Auto regain traction. We lower our valuation multiple to reflect higher uncertainties and lower profit growth trajectory. Key risks to our rating and target price include lower sales and/or gross margin than our expectation, as well as a sector de-rating.

Link to latest report: Li Auto Inc. (LI US) - Is the Mega lesson worthwhile?

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	45,287	123,851	149,240	193,270
YoY growth (%)	67.7	173.5	20.5	29.5
Gross margin (%)	19.4	22.2	20.1	20.3
Operating profit (RMB mn)	(3,654.9)	7,142.7	3,561.5	8,919.6
Net profit (RMB mn)	(2,012.2)	11,704.1	7,227.8	12,268.1
YoY growth (%)	N/A	N/A	(38.2)	69.7
Adj. net profit (RMB mn)	41.0	12,092.6	8,940.4	13,522.3
EPS (Reported) (RMB cents)	(1.04)	5.95	3.62	6.09
P/S (x)	3.1	1.2	1.0	0.8
P/E (x)	N/A	12.7	21.2	12.4
P/B (x)	3.2	2.5	2.2	1.9

Source: Company data, Bloomberg, CMBIGM estimates

招银国际 CMB INTERNATIONAL

Geely Automobile (175 HK) – Solid 1Q24 with better 2H24 earnings ahead

Rating: BUY **|** TP: HK$14.00 (70% upside) Analysts: SHI Ji/ DOU Wenjing

- **Maintain BUY**. We are of the view that 1Q24 earnings (net profit of RMB1.56bn) were slightly better than our prior forecast and therefore, we raise our FY24E net profit estimates by 5% to RMB7bn. We believe that Zeekr could be undervalued given its solid sales momentum and possible earnings improvement from 2H24E.
- **Zeekr's earnings could improve on the new *Zeekr 009***. We maintain our FY24E sales volume forecast of 220,000 units, implying about an average monthly sales volume of 22,000 units in 2H24E (vs. 20,106 units in Jun). We estimate that the *Zeekr 009 Grand* version could lift Zeekr's vehicle gross margin by more than 1ppt in 2H24E. Therefore, we project Zeekr's vehicle gross margin in FY24E to be 14.7% (vs. 14% in 1Q24). We estimate Zeekr's 100% net loss to be about RMB770mn under the HKFRS accounting standards in FY24E.
- **ICE profitability remains resilient.** We revise up our FY24E sales volume for Geely by 0.12mn units to 1.98mn units, mainly due to stronger-than-expected internal-combustion engine (ICE) vehicle sales in 1H24, including *Xingyue L*, *Xingrui*, *Boyue* and *Emgrand EC7*. Lynk & Co's sales volume in 1H24 was also better than expected. We are of the view that the greater economies of scale from the ICE business should offset the lower margin for its PHEV business. We revise up our FY24E net profit by 5% to RMB 7.0bn and raise our FY25E net profit by 6% to RMB7.7bn.
- **Valuation/Key risks.** We value Zeekr at 1.0x (previously 1.3x) our revised FY24E core revenue (excluding Viridi's battery pack sales and R&D services), which implies US$8.4bn for Zeekr's valuation. We value Geely's all other businesses excluding Zeekr at 13x (unchanged) FY24E P/E. We maintain our BUY rating and target price of HK$14.00. Key risks to our rating and target price include lower sales volume and GPM, especially for NEVs, than we expect and sector de-rating.

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

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	147,965	179,204	227,474	240,150
YoY growth (%)	45.6	21.1	26.9	5.6
Net profit (RMB mn)	5,260.4	5,308.4	7,045.6	7,741.6
YoY growth (%)	8.5	0.9	32.7	9.9
EPS (Reported) (RMB)	0.52	0.53	0.70	0.76
P/E (x)	15.6	15.5	11.7	10.7
P/B (x)	1.1	1.0	1.0	0.9
Yield (%)	2.3	2.5	3.1	3.4
ROE (%)	7.3	6.8	8.4	8.6
Net gearing (%)	(33.2)	(38.8)	(49.0)	(51.1)

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 (60% 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 smoothen 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%/-11% versus consensus. We are more conservative due to low assumptions on China's 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).

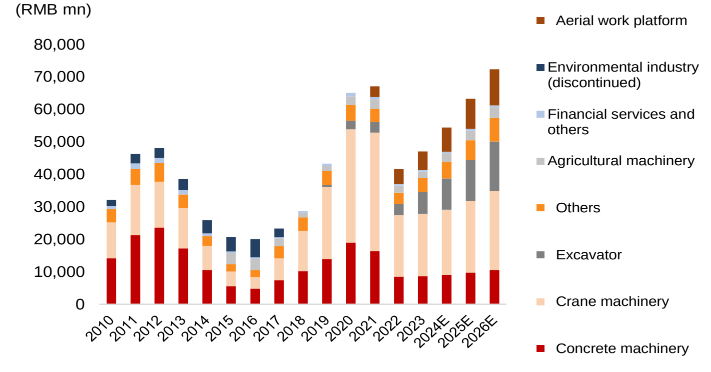
Link to latest report: [Zoomlion (1157 HK) - Right strategy on product & global expansion; expect structural growth ahead; U/G to BUY]

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	0.68	0.81
EV/EBITDA (x)	8.7	7.2	6.3	5.5
P/E (x)	10.4	8.4	7.4	6.5
P/B (x)	0.7	0.7	0.6	0.6
Yield (%)	7.2	7.9	9.0	10.3
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 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) 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 -1%/-3% 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's 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).

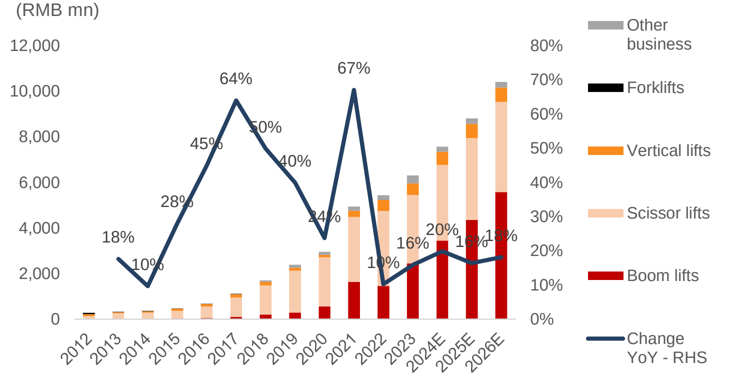
Link to latest report: Capital Goods – Overhang largely removed following EU's preliminary results of AD duties on AWP

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	4.20	4.96	5.75
EV/EBIDTA (x)	12.5	10.3	8.9	7.5
P/E (x)	14.2	12.6	10.9	9.2
P/B (x)	3.0	2.5	2.1	1.8
Yield (%)	1.9	2.2	2.6	3.0
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 (47% upside)

Analyst: Walter Woo

- **Investment Thesis:** With superior fashion, digital capability and efficiency, Bosideng should gain more market share in the long run, especially when domestic fashion is becoming the mainstream 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 scenario is worrying but we are confident in 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 distributors, boosted by low channel inventory (sell through rate was at 80% in FY24) and favorable ordering polices. Plus 8% 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 10x FY25E P/E and a 8% yield.

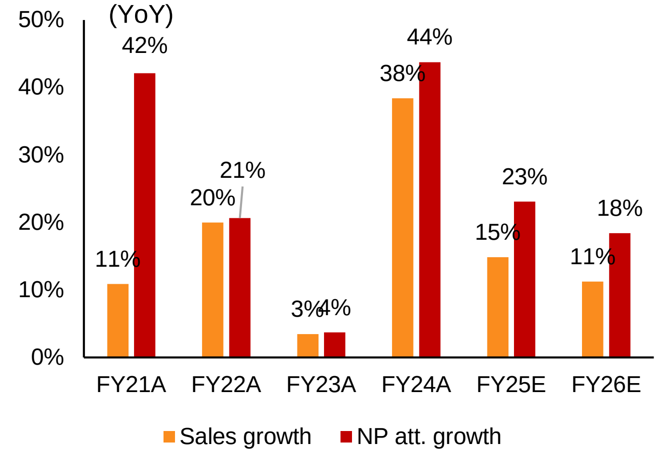
Link to latest report: Bosideng (3998 HK) – Beautifully executed the solid strategies

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)	12.6	10.2	8.6	8.0
P/B (x)	2.7	2.4	2.2	2.0
Yield (%)	6.8	7.5	8.9	9.7
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) – An impressive beat but a conservative outlook

Rating: BUY **| TP:** HK$19.77 (49% 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 targets of RMB 6.0bn/ RMB 900mn (10%/ 13% sales/ NP CAGR during FY23-26E) are achievable (we only priced in 95%). Growth drivers include: 1) industry consolidation, 2) upgrades in products and branding, 3) store revamps, 4) ramp up of its digital related and e-commerce sales, 5) store expansion and 6) development of new brands.

- **Our View:** After a SSSG improvement in Apr-May 2024 (vs Jan- Mar), we believe numbers in Jun 2024 could have weakened, and this is kind of missed our expectation (even with the series of marketing around 30 years anniversary and member's day promotions). However, in terms of sales/ net profit growth in 2H25E (Jan-Jun2024), we are not too worried, as the margin could still be decent, because of the: 1) operating leverage (positive SSSG achieved), 2) ASP hike, 3) better channel mix (more sales Douyin).

- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our sales forecasts are 0%/ -3%/ -6% vs consensus and our net profit forecasts are 0%/ 0%/ -1% 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 derive our 12m TP of HK$19.77 based on a 11x FY6/24E P/E. We believe JNBY can re-rate more as the rapid growth sustain in 2024. The stock is trading at ~8x FY6/24E P/E and 12% FY6/24E yield.

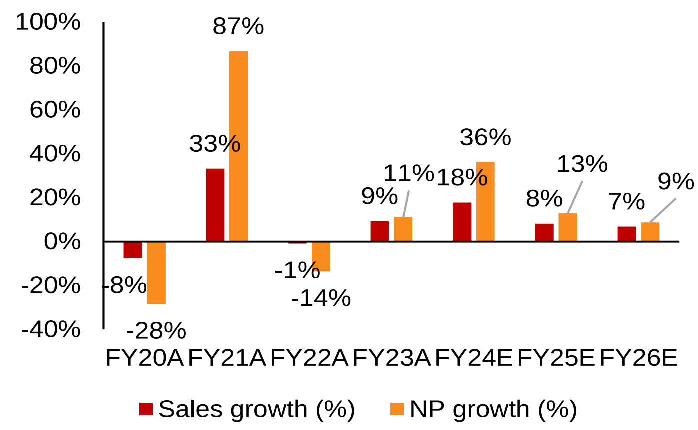
Link to latest report: JNBY Design (3306 HK) – An impressive beat but a conservative outlook

Financials and Valuations

(YE 30 Jun)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	4,465	5,258	5,687	6,073
YoY change (%)	9.3	17.8	8.2	6.8
Adj. Net profit (RMB mn)	621	845	955	1,038
EPS - Fully diluted (RMB)	1.222	1.663	1.878	2.041
YoY change (%)	9.8	36.1	13.0	8.7
Consensus EPS (RMB)	N/A	1.662	1.852	2.025
P/E (x)	10.5	7.7	6.8	6.3
P/B (x)	3.3	2.9	2.7	2.4
Yield (%)	5.9	11.7	11.0	12.0
ROE (%)	33.9	39.4	39.8	39.3
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, yearly



Source: Company data, CMBIGM estimates

Vesync (2148 HK) – 1Q24 was slow but end-demand is healthy

Rating: BUY **| TP:** HK$6.79 (51% 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 Etekcity) which focus on home environment, cooking and health monitoring & outdoor appliances. We believe Vesync could continue to outperform, thanks to: 1) its leadership in online channel, 2) its expansion into other categories (e.g. humidifiers) and 3) penetration into the EU and offline channel.

- **Our View:** Gross sales growth has accelerated to 24% in 2Q24, vs just 1% in 1Q24. We are delighted not only due to strong sales of air purifier (still gaining market shares), but also the successful new products (e.g. Vacuum/ Tower Fan, rolled out last year, had already become the no.3/ 2 best-selling items in respective categories on Amazon). More importantly, we think the margin is still expanding, forecasting at 13%+/ 25%+ sales/ net profit growth in 1H24E, thanks to CNY depreciation and operating leverage (more than offset the increase in freight rate and A&P expenses). We think the growth is sustainable in 2H24E because the sell-out growth has also speeded up, and the base was really high in 2Q24 already.

- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our sales is -4%/ -6%/ -9% vs the street as we are much more cautious about the restocking momentum by Amazon. However, our net profit forecasts are -2%/ 0%/ -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 retail and property sales in the US.

- **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 undemanding at ~7x FY24E P/E.

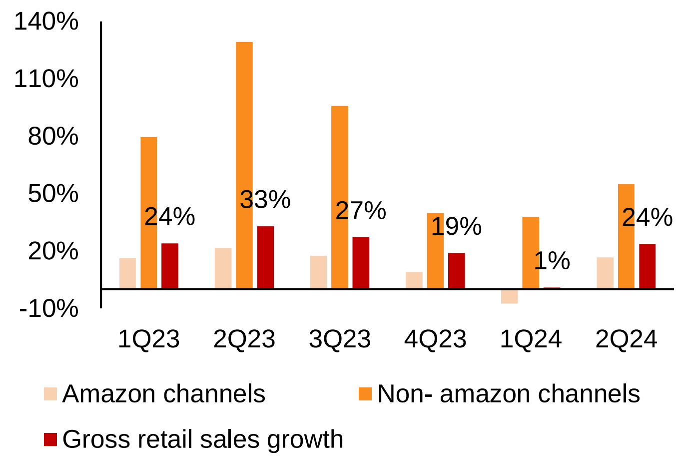
Link to latest report: Vesync (2148 HK) – 1Q24 was slow but end-demand is healthy

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
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)	10.2	8.4	7.1	6.3
P/B (x)	2.1	1.6	1.3	1.1
Yield (%)	3.9	4.8	5.6	6.3
ROE (%)	24.2	21.7	20.4	18.8
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB2,219 (50% upside)

Analyst: Miao Zhang/ Bella Li

- **Investment Thesis:** 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.

- **Our View:** 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 at RMB2,219.

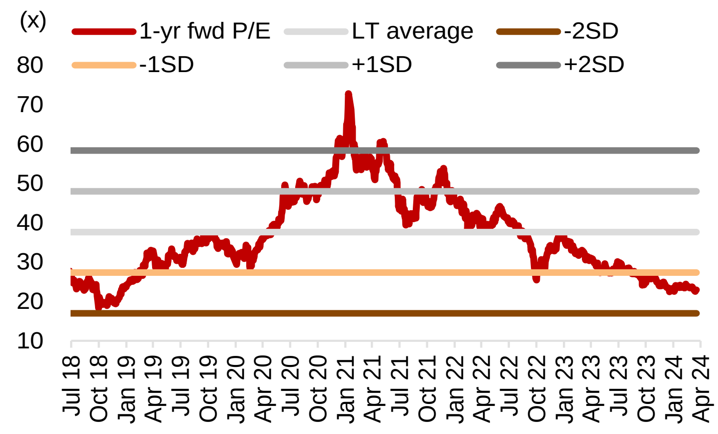
Link to latest report: Kweichow Moutai (600519 CH) - Our 2024 top pick among F&B names

Financials and Valuations

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

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

BeiGene (BGNE US) – Consistently exceeding expectations

Rating: BUY **| TP:** US$269.73 (76% 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 gains 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 gains in the US.
- **Our View:** The Company is on the path to profitability. BeiGene 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%).

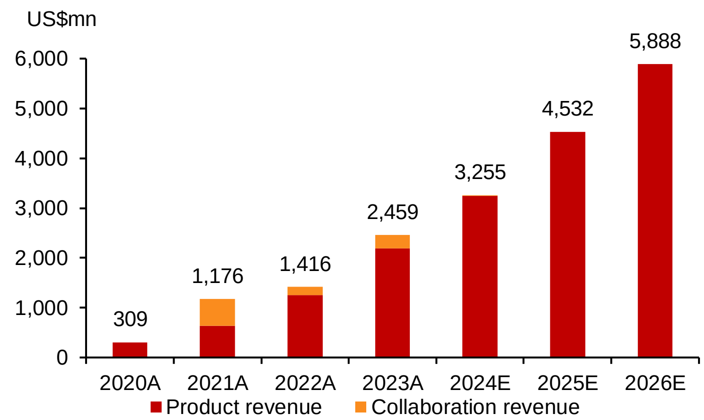
Link to latest report: BeiGene (BGNE US) - Consistently exceeding expectations

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$)	(7.14)	(3.39)	1.14
Consensus EPS (US$)	(7.16)	(3.40)	1.14
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

Mindray (300760 CH) – Upcoming stimulus program to boost demand for medical equipment procurement

Rating: BUY | **TP:** RMB383.49 (42% upside)

Analysts: Jill Wu/ Cathy Wang

- **Investment Thesis:** Since Aug 2023, the procurement of China public hospitals has been delayed, resulting in a decrease in the purchase of medical equipment. However, Mindray still achieved solid growth in 2023 and 1Q24. In 2023, Mindray's revenue/ attributable net profit were RMB34.9bn/ RMB11.6bn, up 15.0%/ 20.6% YoY, respectively. In 1Q24, Mindray's revenue/ attributable net profit were RMB9.4bn/ RMB3.2bn, up 12.1%/ 22.9% YoY, respectively. The procurement of medical equipment in public hospitals has recovered MoM in March and April, according to the China Government Procurement Network. Moreover, we expect the stimulus plan of medical equipment renewals will be implemented in 2H24. Given the low base effect, we expect Mindray's revenue to resume strong growth in 2024E.
- **Our View:** Upcoming stimulus program to drive a rebound in the procurement of medical equipment. The State Council released an action plan to promote large-scale equipment renewals and trade-ins of consumer goods, on 13 March. By 2027, the investment scale of equipment in industries such as healthcare should increase by more than 25% from 2023. Some provinces unveiled detailed targets for medical equipment renewals. For example, Guangdong province targets to upgrade over 20,000 units of medical equipment by 2027. Jiangsu province aims to upgrade 240,000 units of medical equipment by 2027. Moreover, it is reported that the National Development and Reform Commission has clearly stated the funding sources to support medical equipment renewals in May. The ultra-long-term special government bonds will offer financial support for medical equipment renewals and will account for no more than 40-80% of the total investment. Local governments will also allocate certain funds.
- **Why do we differ vs consensus:** We think the stimulus plan for medical equipment procurement is strong. First, the stimulus will offer subsidy to hospitals except for low-interest loans. Second, the stimulus is a long-term plan. We expect that the peak of medical equipment upgrade demand will be in 2H24 and 2025. Mindray, as a leading domestic company, is expected to benefit significantly from this stimulus plan.
- **Valuation:** We derive our target price of RMB383.49 based on a 9-year DCF model (WACC: 9.6%, terminal growth rate: 3.0%) .

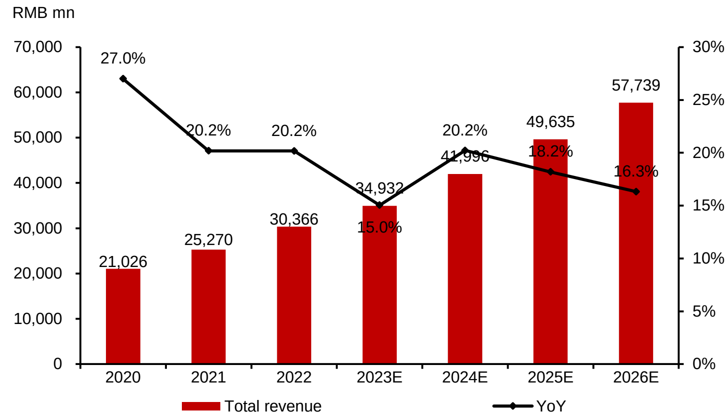
Link to latest report: 迈瑞医疗 (300760 CH) - 海内海内外持续高端突破，业绩增长稳健

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (RMB mn)	41,996	49,635	57,739
YoY growth (%)	20.2	18.2	16.3
Attr. net profit (RMB mn)	13,905	16,481	19,357
YoY growth (%)	20.1	18.5	17.5
Adjusted net profit (RMB mn)	13,748	16,326	19,203
Adjusted EPS (RMB)	11.34	13.47	15.85
P/E (x)	26.3	22.2	18.9
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK) – Expect financial resilience to support valuation rebound

Rating: BUY **| TP:** HK$24.8 (24% upside)

Analysts: Nika Ma

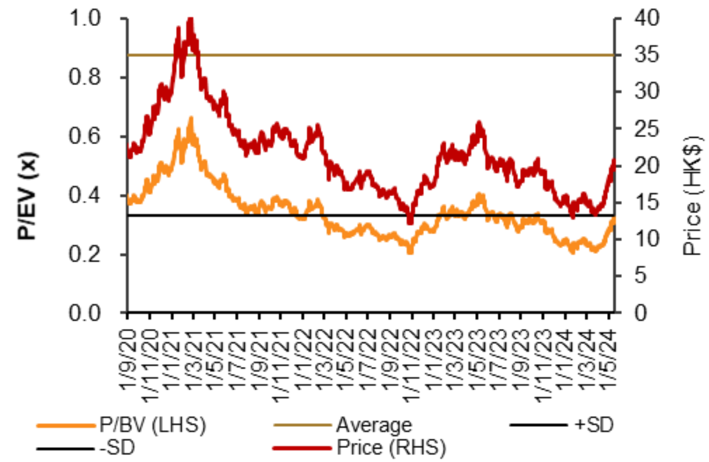
- **Investment Thesis:** CPIC turned to positive VNB growth by +30.7% YoY in 1Q24, outpacing peers i.e. China Life / Ping An +26.3%/+20.7% YoY in the period. The strong VNB momentum was driven by margin expansions to an est.15.8%, +3.7pct YoY (CMBI est) and a drift upward in FYP by 0.4% YoY to RMB32.8bn by end-1Q24. The Group's net profit to S/H grew by +1.1% YoY to RMB11.8bn 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 assets appears to be subsiding in 2Q24. Given the near-trough valuation at 0.3x FY24E P/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	3.34	3.60	3.86
Group EV / share (RMB)	55.0	58.0	60.9	63.8
P/EV (x)	0.33	0.31	0.30	0.29
P/B (x)	0.70	0.67	0.63	0.58
Dividend yield (%)	5.6	5.8	6.0	6.2
ROE (%)	12.2	12.4	12.4	12.5

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)–Quarterly seasonality released; expect FY24 CoR guidance met

Rating: BUY **| TP:** HK$11.9 (28% upside)

Analysts: Nika Ma

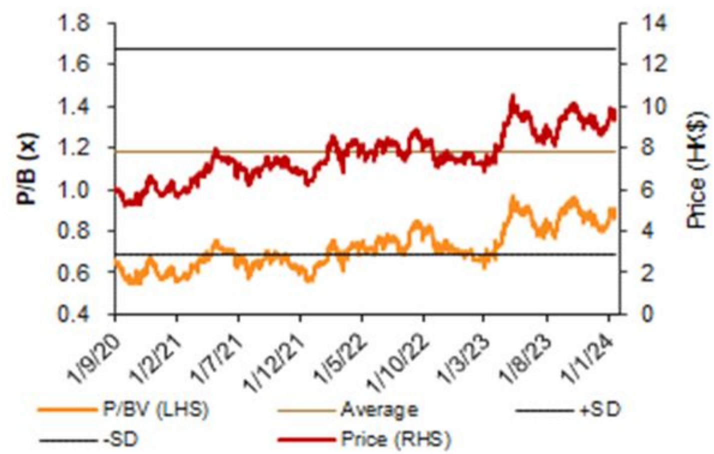
- **Investment Thesis:** Driven by steady demands of auto premiums (est.~5% YoY in FY24E) and accretive non-auto business lines, we see incremental room for China's P&C insurers to scale up and improve structure mix within more benign competitive landscape after stringent regulatory scrutiny in 2H23. 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)	0.84	0.77	0.71	0.65
Dividend yield (%)	5.6	6.0	6.6	7.1
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) – Earnings growth stability continues

Rating: BUY **| TP:** HK$480.0 (29% upside)   Analyst: Saiyi He/Wentao Lu/Frank Tao

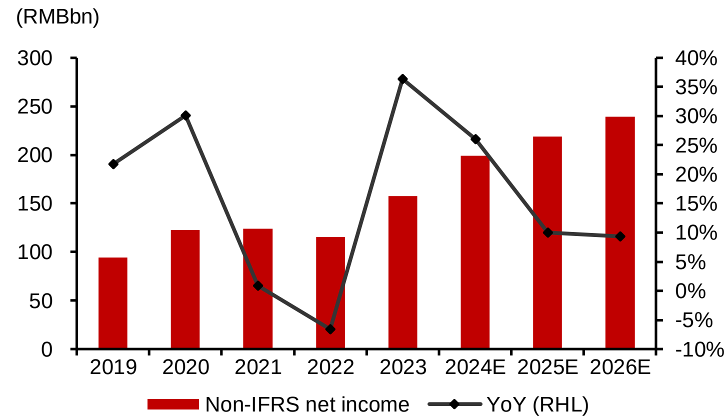
- **Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. Looking into 2024, we expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization 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 (FY25/26E: +26/10% 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 FY24E; 3) increasing share repurchase and dividend to enhance shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$480.0, comprising HK$186.4/32.5/85.8/79.7/20.8 for games/SNS/ads/Fintech/cloud business and HK$6.4/68.6 for net cash/strategic investments.
- **Link to latest report:** Tencent (700 HK) - Earnings growth stability continues

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	658,280	712,260	764,432
YoY growth (%)	9.8	8.1	8.2	7.3
Gross margin (%)	48.1	53.1	53.8	54.3
Adj. net profit (RMB mn)	157,688	198,795	218,585	238,904
YoY growth (%)	36.4	26.1	10.0	9.3
EPS (Adjusted) (RMB)	16.66	20.53	22.57	24.67
Consensus EPS (RMB)	16.66	20.65	23.23	26.18
Non-GAAP P/E (x)	22.5	17.8	16.2	14.8

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 (59% upside)

Analyst: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** 1) Alibaba's fundamentals are 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, supporting strategically important new business growth to drive long-term shareholder value improvement), and the stock's valuation is not demanding, in our view.

- **Our View:** Management highlighted solid progress regarding its investment to support market share gains of core business, with Taobao & Tmall (T&T) Group GMV growing double digits YoY, international commerce retail revenue growing 56% YoY, and AI-related cloud revenue up by 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 on 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 updates regarding fintech business.

- **Valuation:** SOTP-based valuation of US$124.9, which translates into 14.6x FY25E P/E.

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

Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – Increased monetization drove a strong beat on results

Rating: BUY | **TP:** US$192.7 (42% 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 Holdings' (PDD) 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 the "Ten Billion Subsidy" program, PDD still has potential to improve monetization of its domestic business.

- **Our View:** We remain positive on PDD's long-term growth prospects, 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 will likely propel a valuation rerating, and the launch of "partly entrust" business model should help drive UE improvement and better-than-expected loss reduction in 2024 as well; 2) domestic business could maintain healthy revenue and earnings growth in 2024, aided by the increase in monetization, 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, 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; and the decline in GMV contribution from the US market should help mitigate market concerns.

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

- **Valuation:** SOTP-based valuation of US$192.7, translating into 16.7x 2024E PE (non-GAAP).

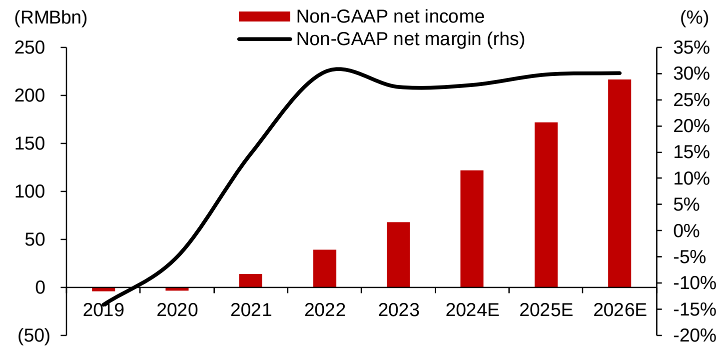
Link to latest report: Pinduoduo (PDD US): Increased monetization drove a strong beat on results

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	247,639	438,737	577,858	719,857
Net profit (RMB mn)	60,026.5	112,617.1	161,701.0	204,635.6
Adjusted net profit (RMB mn)	67,899.4	121,416.8	171,524.6	215,793.3
YoY growth (%)	71.8	78.8	41.3	25.8
EPS (Adjusted) (RMB)	46.51	83.17	117.49	147.81
Consensus EPS (RMB)	41.13	61.45	82.06	102.88
P/E (x)	23.7	12.7	8.8	7.0

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 (9% 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 up more opportunities. The continued 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 contribution of relatively high-margin AWS business is likely to drive margin expansion for Amazon in the long run, in our view.

- **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:** Our target price of US$211.0 is based on 18.8x 2024E EV/EBITDA, in line with one-year mean.

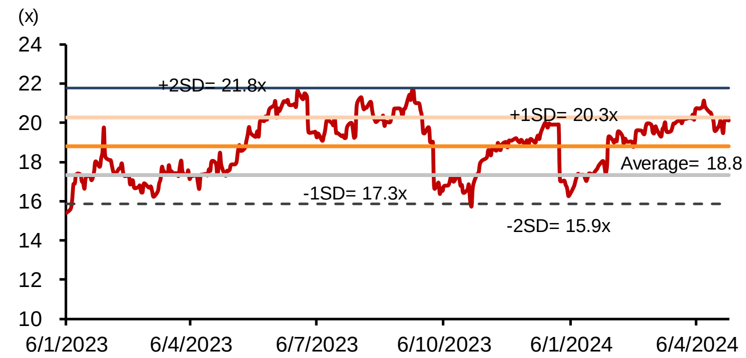
Link to latest report: Amazon (AMZN US): Steady margin expansion ongoing

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

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

Rating: BUY | **TP:** HK$45.10 (67% upside)

Analysts: Miao Zhang/ Bella Li

- **Stable FY23:** CR Land delivered stable FY23 earnings with core net profit up 3% YoY to RMB27.8bn, mainly driven by robust investment property (IP) business which reported 30.6% YoY growth in revenue and 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., whose 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 hiked 11% YoY to RMB 23,486/sqm as 91% of the sales was 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 a buffer against the downturn of DP business. The company targets to have 117 operational shopping malls in FY27E and plans to launch 16 new ones in FY24E. **2)** We expect steady sales growth for DP business in FY24E due to the company's strong land acquisitions in FY23 (+20% YoY to RMB173bn with land-to-sales ratio at 56%, one of the highest in the industry) and heathier structure in sellable resources (39% in tier-1 cities in FY24E vs. 29% in FY23 sales). The continued 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 competitive advantage over other developers going forward.

- **Where do we differ:** ST risk may lie in the impact of outbound travel on CR Land's high-end mall business.

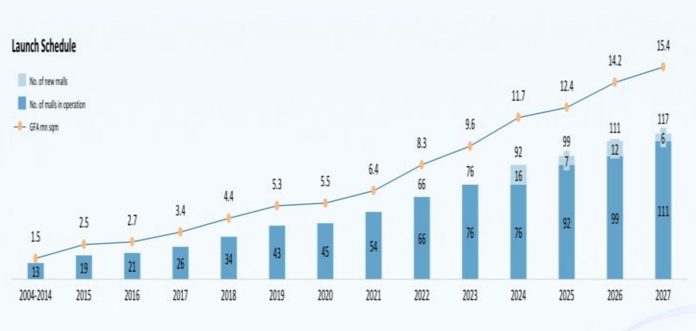
- **Valuation:** The company currently trades at 4.3x 2024E P/E vs. historical 5-year average of 8x. Our TP stays unchanged at HK$45.10, reflecting a 50% discount to NAV.

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	4.2
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 acquisition of Auto-Kabel Group

Rating: BUY | **TP:** HK$4.24 (34% upside)

Analyst: Alex Ng/ Claudia Liu

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

- **Our View:** FIT is one of our top 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 biz consolidation. As for AI-server sales, apart from GB200's compute tray connectors (7-9% of FY24E revenue), mgmt. expected potential order wins of 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 21%/47% YoY in FY24E.

- **Why do we differ vs consensus:** Our FY25/26E EPS are 8%/5% 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$ 4.24 is based on 13x FY25E P/E, given accelerated growth on the "3+3 Strategy" and profitability recovery.

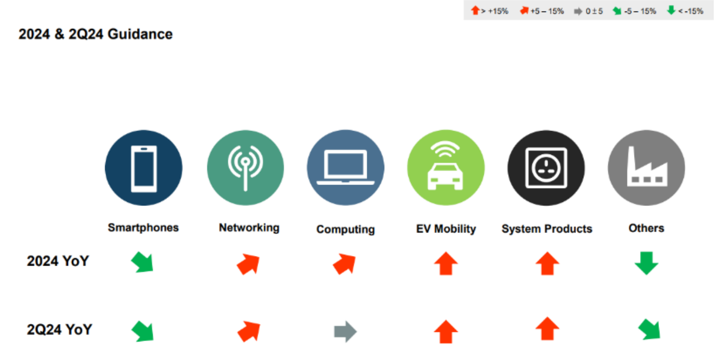
Link to latest report: [FIT Hon Teng (6088 HK)-Positive on acquisition of Auto-Kabel Group; Reiterate BUY]

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,196	5,108	6,332	7,497
YoY growth (%)	(7.4)	21.8	24.0	18.4
Net profit(RMB mn)	131	194	297	372
EPS (RMB)	1.85	2.73	4.19	5.25
YoY growth (%)	(23.5)	47.5	53.5	25.2
Consensus EPS (RMB)	N/A	2.86	3.90	5.00
P/E (x)	22.1	15.0	9.7	7.8
P/B (x)	1.1	1.1	1.0	0.9
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.4	7.4	10.1	11.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: FIT 2024 and 2Q24 revenue guidance



Source: Company data, CMBIGM estimates

Xiaomi (1810 HK) – 1Q24 beat on GPM; Positive on upbeat SU7 delivery target

Rating: BUY | **TP:** HK$25.39 (55% 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, Xiaomi guided to target 120k annual EV deliveries (vs. prior 100k units) and 10k monthly deliveries in June. Xiaomi targeted to expand EV sales network to 219 stores in 46 cities by year-end, and add 10k new stores in China as part of new retails strategy in FY24-26. Overall, we expect Xiaomi's revenue/adj. net profit to grow 24%/19% YoY in FY24E.

▪**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$25.39 implies 22.4x FY24E P/E, which reflects Xiaomi's business diversification with different growth profiles and visibility.

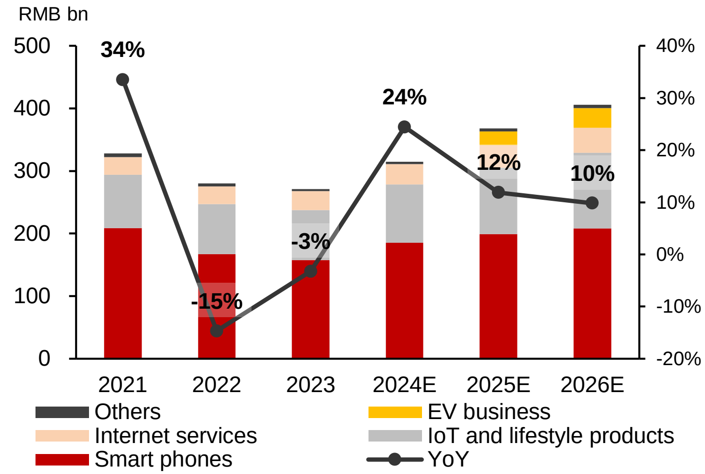
Link to latest report: Xiaomi (1810 HK) - 1Q24 beat on strong margins; Positive on upbeat SU7 delivery target

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	270,970	337,161	377,185	414,232
YoY growth (%)	(3.2)	24.4	11.9	9.8
Net profit(RMB mn)	19,273	22,974	25,196	28,277
EPS (RMB)	0.77	0.92	1.01	1.14
YoY growth (%)	125.7	19.2	9.7	12.2
Consensus EPS (RMB)	N/A	0.66	0.73	0.89
P/E (x)	19.3	16.2	14.8	13.2
P/B (x)	2.7	2.4	2.2	1.9
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	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 (28% 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 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) 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 60%; 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 reflects BYDE's business diversification with different growth profiles and visibility.

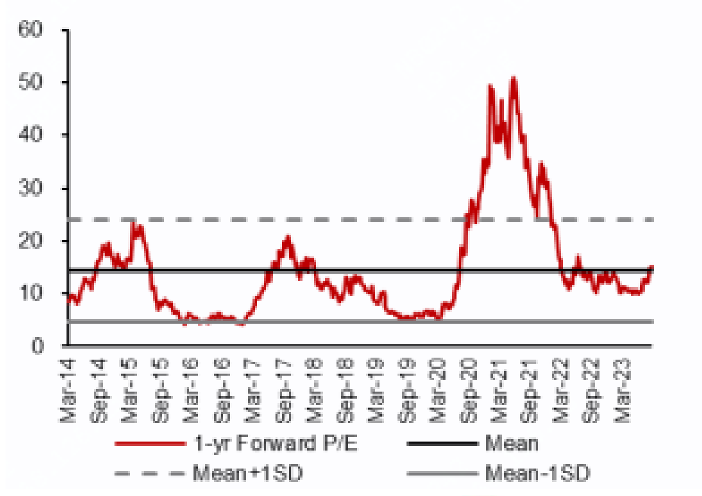
Link to latest report: BYDE (285 HK)- 1Q24 solid on track; Android recovery, Jabil synergy, high-end NEV and AI servers the bright spots

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)	18.7	14.0	10.3	8.4
P/B (x)	3.1	4.8	3.8	3.0
Yield (%)	1.6	2.1	2.9	3.6
ROE (%)	13.8	28.3	30.4	29.6
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) – Robust AI demand confirms future revenue growth

Rating: BUY **|** **TP:** RMB183.0 (26% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment Thesis:** Innolight has recently released results for FY23 and 1Q24, exceeding both our and market's 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 an 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 continue seeing consistently strong financial results given: 1) transceivers are essential in AI data centers, and there's 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 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:

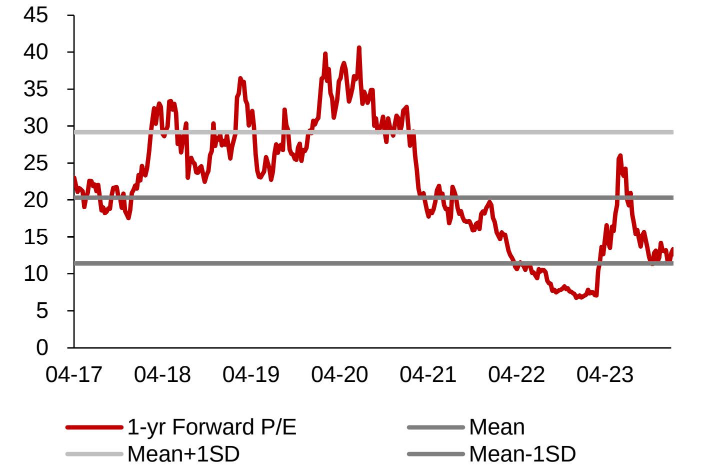
1. Innolight (300308 CH) - 1Q24 results set stage for accelerated growth in 2024
2. Semi - Hyperscalers' FY23 results review
3. Innolight (300308 CH) – Expect higher contribution from AI revenue in 3Q; Upgrade to Buy

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	10,718	22,594	29,657	31,870
YoY growth (%)	11.2	110.8	31.3	7.5
Gross margin (%)	33.0	33.8	32.7	31.4
Net profit (RMB mn)	2,174	4,904	6,319	6,446
YoY growth (%)	77.6	125.6	28.8	2.0
EPS (RMB)	2.80	6.11	7.87	8.03
P/E (x)	53.4	24.5	19.0	18.6

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 (15% 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 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-market demand.
- **Valuation:** We have a BUY rating on Naura (002371 CH), with TP of RMB405, based on 39x 2024E P/E, ~15% higher than its 2-year historical average forward P/E.

Link to relevant reports:

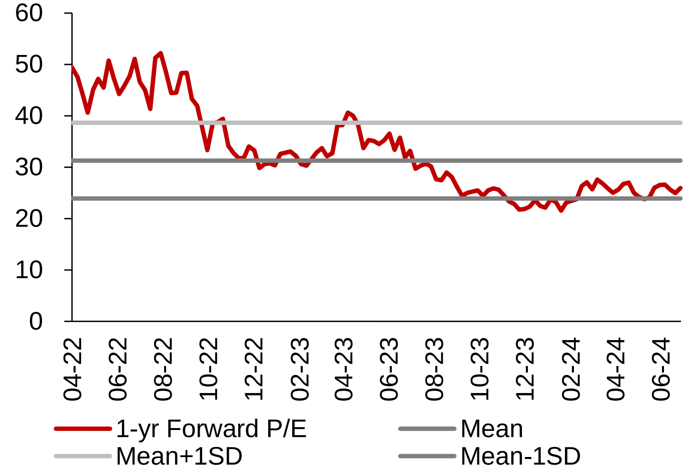
1. Naura Technology (002371 CH) - 1H24 profit alert points to solid 2Q results
2. Semi - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY

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	6,306	8,944	12,026
YoY growth (%)	55.1	41.8	41.8	34.5
Net profit (RMB mn)	3,899	5,527	7,833	10,526
YoY growth (%)	65.7	41.8	41.7	34.4
EPS(RMB)	7.4	10.4	14.7	19.7
P/E (x)	45.5	32.2	22.7	16.9

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 (137% 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 an 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. 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.
- **Where do we differ vs consensus:** Huawei's self-developed ERP (MetaERP) could be negative to the China ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the former two are more focused on large enterprises/ SOEs. Also, Huawei has to consider the potential implications for 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 bids; and 2) supportive policies related to domestic substitution implementation.
- **Valuation:** We maintain BUY with TP of HK$15.5, based on 6.4x EV/Sales, in line with the one-year mean.

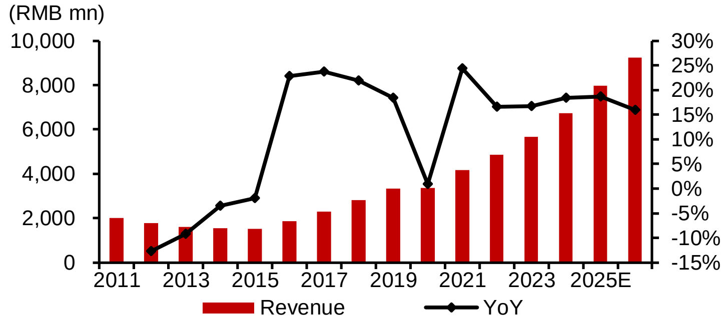
Link to latest report: Kingdee (268 HK) – Steady rev growth with on-track loss reduction

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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NOT RATED : Stock is not rated by CMBIGM

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

MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months

UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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