招银国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

22 January 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) FY23E	P/E (x) FY24E	P/B (x) FY23E	ROE FY23E	Yield FY23E	Analyst
Long Ideas														
Li Auto Inc.	LI US	Auto	BUY	30.0	220.4	28.2	50.0	77%	29.2	18.3	4.8	18.1	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	10.1	41.1	7.9	14.0	78%	16.2	12.3	0.9	6.2	1.3%	Shi Ji/ Dou Wenjing
Weichai Power	2338 HK	Capital Goods	BUY	16.7	17.0	12.8	19.4	52%	13.1	11.0	1.4	11.3	2.7%	Wayne Fung
Zhejiang Dingli	603338 CH	Capital Goods	BUY	3.8	24.9	53.8	70.0	30%	16.4	14.2	3.3	21.7	1.2%	Wayne Fung
CR Power	836 HK	Energy	BUY	9.4	17.5	15.3	22.5	47%	5.4	4.5	0.7	14.6	N/A	Megan Xia
CR Gas	1193 HK	Energy	BUY	6.7	9.7	22.8	34.1	50%	9.0	7.6	1.3	11.0	N/A	Megan Xia
JNBY	3306 HK	Consumer Discretionary	BUY	0.7	0.6	10.1	14.3	41%	7.3	6.4	2.3	33.9	10.0%	Walter Woo
JS Global	1691 HK	Consumer Discretionary	BUY	0.7	1.7	1.5	1.8	22%	2.5	6.5	0.3	8.4	14.1%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.8	0.8	5.1	6.7	31%	10.7	8.6	2.2	23.0	2.3%	Walter Woo
Kweichow Moutai	600519 CH	Consumer Staples	BUY	285.5	598.3	1635.0	2219.0	36%	27.9	22.3	8.2	35.6	1.7%	Joseph Wong
BeiGene	BGNE US	Healthcare	BUY	17.3	45.4	159.8	295.7	85%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
PICC P&C	2328 HK	Insurance	BUY	27.1	31.5	9.5	11.7	23%	7.5	6.2	0.9	11.9	5.4%	Nika Ma/ Zhang Miao
Tencent	700 HK	Internet	BUY	327.9	824.0	271.2	465.0	71%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Pinduoduo	PDD US	Internet	BUY	190.8	1008.1	143.6	142.6	-1%	15.4	21.2	N/A	32.7	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Alibaba	BABA US	Internet	BUY	176.6	1510.7	69.4	137.0	97%	23.0	11.2	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Netflix	NFLX US	Entertainment	BUY	211.4	1876.7	483.0	512.0	6%	41.0	31.8	N/A	25.0	0.0%	Sophie Huang
Kuaishou	1024 HK	Entertainment	BUY	23.2	128.8	41.6	97.0	133%	21.0	13.0	N/A	N/A	0.0%	Sophie Huang
GigaCloud	GCT US	Entertainment	BUY	0.6	28.2	19.9	20.0	1%	10.0	8.7	N/A	N/A	N/A	Sophie Huang
CR Land	1109 HK	Property	BUY	21.0	35.0	23.1	45.1	96%	4.6	4.2	0.6	13.3	7.7%	Miao Zhang/ Nika Ma
BYDE	285 HK	Technology	BUY	8.8	23.7	30.5	44.2	45%	16.0	12.8	2.6	13.4	0.3%	Alex Ng/ Hanqing Li
Luxshare	002475 CH	Technology	BUY	29.2	227.0	29.3	47.0	60%	18.6	14.7	2.0	10.9	0.0%	Alex Ng/ Claudia Liu
Innolight	300308 CH	Semi	BUY	12.4	392.2	111.0	109.3	-2%	44.1	32.5	N/A	12.6	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	4.4	23.9	9.4	15.1	60%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 22/1/2024, 8 a.m

Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
BeiGene	BGNE US	Healthcare	BUY	Jill Wu/ Andy Wang	BeiGene's stock price has big potential to rise. Zanubrutinib maintained a strong sales momentum in the first three quarters of 2023 and we expect the drug to continue its sales growth in the global BTK market. With new indications added to NRDL with a reasonable price cut, we expect tislelizumab to continue gaining market share in the China PD-(L)1 market. We anticipate zanubrutinib to receive FDA approval for 2L ESCC in 1H2024, which will be a catalyst for the company. The company's clinical-stage assets Sonrotoclax (BCL2i) and BGB11673 (BTK-CDAC) have demonstrated promising early efficacy and safety signals. Additionally, BeiGene is trading at attractive valuation with 76% upside from our TP of US$295.67.
PICC P&C	2328 HK	Insurance	BUY	Nika Ma/ Zhang Miao	A defensive target against the backdrop of low risk appetite, with a good track record of c.40% payout ratio and c.7% dividend yields. P&C business enjoys a nature of counter-cyclicality compared to life peers, and PICC's sector leading position entitles the insurer with advanced resources on risk mitigation and digitalized pricing capability to progressively contract the underwriting CoR versus other P&C peers by 1-2.0pct on average, in our view.
Alibaba	BABA US	Internet	BUY	Saiyi He/ Wentao Lu/ Frank	With current trading valuation at 8x FY24E PE, we believe the market has fully digested the impact of not to proceed with a full spin-off for cloud business group, and has factored in the current situation that consumption recovery still takes time. Therefore, further downside risk is likely to be limited. The strategic move to drive an integrated group strategy should enhance long-term value, in our view, and the value to enhance shareholder return in a holistic approach (ie: share buyback, dividend payout, support strategically important new business growth to drive long-term shareholder value improvement) could be gradually recognized by the market.
GigaCloud	GCT US	Entertainment	BUY	Sophie Huang	Despite macro uncertainty, we are confident on GCT's strong momentum throughout FY24E, driven by booming demand of cross-border ecommerce, seller expansion and M&A synergies. We expect Noble House to achieve breakeven within three to four quarters and high single-digit NPM after six quarters. Valuation is still attractive on its 25% earnings CAGR in FY23-25E.
Luxshare	002475 CH	Technology	BUY	Alex Ng/ Claudia Liu	Luxshare is poised to benefit from gain share in Apple ecosystem and opportunities in automobile tier-1 and comm. businesses. We believe market concerns on 1Q24 weaker earnings and overseas expansion slowdown are overdone, as we are positive on earnings upside from AirPods share gain and Vision Pro demand in 2024.
Deletions					
Innovent Biologics	1801 HK	Healthcare	BUY	Jill Wu/ Andy Wang	Innovent continues to be one of our top picks in the biopharma sector. We expect mazdutide to become one of the best GLP-1 drugs for obesity in China, with BLA submission to happen shortly. With additional indication included in NRDL with no price cut, we expect sintilimab to have a fruitful sales performance in 2024. We remove Innovent because we currently expect higher share price upside from BeiGene.
AIA	1299 HK	Insurance	BUY	Nika Ma/ Zhang Miao	Despite the positive outlook on the insurer's progressive expansion in CN markets, we do see potentials of share price volatility to sustain for life insurers, under the context of prolonged low interest rate environment. With the CGB10YR yields trending downward to 2.5%-2.6%, we expect the turnaround point for life insurers to appear in tandem with the recovery of capital market yields and recovery in macro sentiment.

Source: CMBIGM

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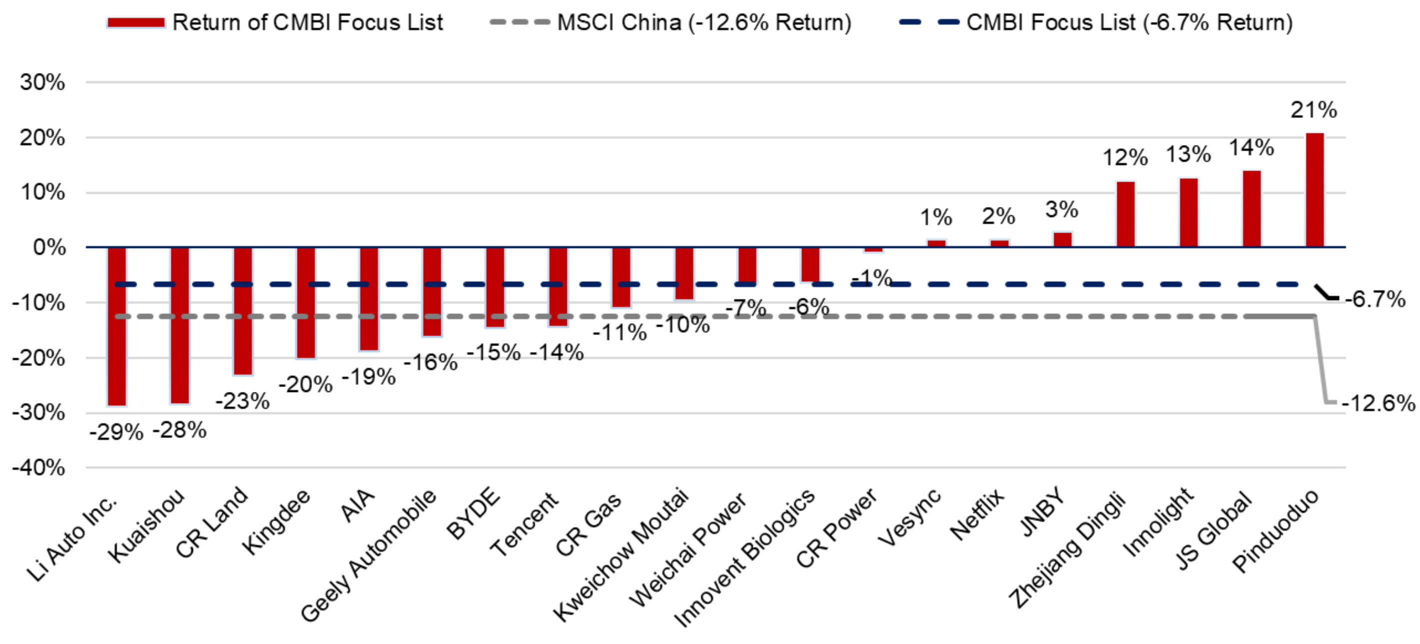
Performance of our recommendations

- In our last report dated 22 Nov 2023, we highlighted a list of 20 long ideas.
- The basket (equal weighted) of these 20 stocks outperformed MSCI China index by 5.9 ppts, delivering -6.7% return (vs MSCI China -12.6%).
- 4 of these stocks delivered 10% return or more, and 12 of our 20 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 22 Nov 2023 to 18 Jan 2024

Long Ideas

Li Auto Inc. (LI US) – Best positioned among NEV start-ups

Rating: BUY **| TP:** US$50.00 (77% upside) Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** Li Auto is our top pick. We believe Li Auto's superior product design capabilities along with reasonable investment priorities, have made it enter a virtuous cycle. Its healthy balance sheet could help it withstand the prolonged price war and catch up in autonomous driving (AD) technologies.

- **Strong balance sheet and margins to withstand the competition.** Although China's highly complex industry dynamics makes more survival room for different automakers, we still believe NEV start-ups are better positioned in terms of technological advancement and brand marketing. The NEV competition is likely to become even stiffer with more involvement of Huawei and the entry of Xiaomi (1810 HK, BUY), which makes cash reserves and product positioning even more important, in our view. As the only profitable Chinese NEV start-up, Li Auto has the highest net cash position and gross margin. We have not seen clear signs for Xpeng (XPEV US, HOLD) and NIO (NIO US, HOLD) to turn profitable yet, given their single-digit gross margins. The L6 EREV could be another sales driver in FY24E.

- **Still has a chance to catch up in AD.** We are of the view that Li Auto still has a chance to catch up in AD technologies, as it starts to accelerate R&D spending, leveraged by its healthy balance sheet. We think growing parts suppliers and still evolving AD roadmap also provide such an opportunity.

- **Earnings/Valuation.** We project Li Auto's to surge 65% YoY to 0.61mn units and net profit to rise 61% YoY to RMB 14.5bn in FY24E, accounting for rising R&D investments and possible margin dent from the heightening competition. Our target price of US$ 50.00 is based on 25x our FY24E P/E. We think such multiple is justified by its fast sales growth and potential earnings upside surprise, especially with lowered expectation after a share-price correction. Key risks to our rating and target price include shower AD development, lower sales and or/gross margin than our expectation, as well as a sector de-rating.

Link to latest reports : Li Auto Inc. – Best positioned among NEV start-ups, page 253

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	27,010	45,287	123,147	196,350
YoY growth (%)	186	68	172	59
Net income (RMB mn)	(321)	(2,012)	9,045	14,514
EPS (RMB)	(0.2)	(1.0)	4.61	7.34
YoY growth (%)	N/A	N/A	N/A	60.5
P/S (x)	8.9	6.0	2.1	1.4
P/E (x)	N/A	N/A	29.2	18.3
P/B (x)	5.9	6.1	4.8	3.8
ROE (%)	(0.9)	(4.7)	18.1	23.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK) – Expect 2H23E net profit to double HoH

Rating: BUY **|** TP: HK$ 14.00 (78% upside) Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** We project Geely's 2H23E net profit to double HoH to RMB 3.2bn amid all-time-high half-year sales volume and declining raw-material prices, probably higher than some investors' expectation. We also project Geely's FY24E sales volume to rise 7% YoY to 1.8mn units, slightly lower than its target of 1.9mn units. We estimate Geely's net profit to rise 32% YoY to RMB 6.2bn in FY24E, taking different factors into consideration as elaborated in details below. We are of the view that Geely's current valuation is attractive and new models including the Zeekr 007, Lynk & Co 08 and more Galaxy models could be positive catalysts for its share price.

- **Geely brand's gross margin could be more resilient than expected.** We project the average selling price (ASP) for the Geely brand (including Galaxy and Geometry) to rise 1% HoH amid a better product mix and surging exports. We estimate the Geely brand's gross margin to widen by 0.8ppt HoH to 13.9% in 2H23E, thanks to greater economies of scale and raw-material price drops. We also project the Geely brand's gross margin in FY24E to be 14% amid the ongoing price war.

- **We expect Zeekr's net loss to be around RMB2bn in FY23-24E.** We expect Zeekr's ASP to decline 16% HoH on rising discounts and vehicle gross margin to be 15.8% in 2H23E. Accordingly, we estimate Zeekr's net loss (100%) to be RMB2.2bn under the HKFRS in FY23E, implying a net loss of RMB1.2bn in 2H23E. We project Zeekr's net loss to narrow slightly to RMB2.0bn in FY24E with higher sales volume but lower gross margin and heavier amortization burden from R&D investments.

- **Earnings and Valuation.** We now value Zeekr at 1.3x FY24E core revenue (excluding Viridi's battery pack sales and R&D services), which implies HK$ 70bn for Zeekr's valuation (100%). We think such valuation is justified, as it is 30% lower than its previous round of financing. We value Geely's all other businesses excluding Zeekr at 13x FY24E P/E. We maintain our BUY rating and target price of HK$14.00. Key risks to our rating and target price include lower sales volume, especially NEVs, than we expect and a sector de-rating.

Link to latest report: Geely Automobile (175 HK) – Expect 2H23E net profit to double HoH

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	101,611	147,965	177,077	204,275
YoY growth (%)	10.3	45.6	19.7	15.4
Net income (RMB mn)	4,847	5,260	4,738	6,238
EPS (RMB)	0.48	0.50	0.45	0.59
YoY growth (%)	(12.4)	8.5	(9.9)	31.7
P/E (x)	16.1	16.5	16.2	12.3
P/B (x)	1.1	1.1	0.9	0.9
Yield (%)	0.9	1.6	1.3	1.7
ROE (%)	7.3	7.3	6.2	7.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Weichai Power (2338 HK) – Key beneficiary of HDT upcycle in 2024E

Rating: BUY **| TP:** HK$19.4 (52% upside)

Analysts: Wayne Fung

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

- **Our View:** Weichai Power delivered 27% YoY growth of multi-cylinder diesel engine sales volume in Dec 2023, similar to the industry average of 29%, according to the latest figures from China Internal Combustion Engine Industry Association (CICEIA). In 4Q23, Weichai's multi-cylinder diesel engine sales volume surged 51% YoY to ~193k units, surpassing the industry average of 26%, driven by strong commercial vehicles demand in the previous months. Based on our calculation, Weichai's market share in multi-cylinder diesel engine reached 18.6% in 4Q23, up 3ppt YoY and 0.1ppt QoQ. We see potential upside on Weichai's 4Q23 results.

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is 1%/-3% versus consensus. We see upside to our earnings forecast given the strong engine data.

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

- **Valuation:** Our SOTP-based TP is HK$19.4. Even after a strong rally over the past month, the stock is trading at ~11x 2024E P/E which is below the historical average of 12.4x.

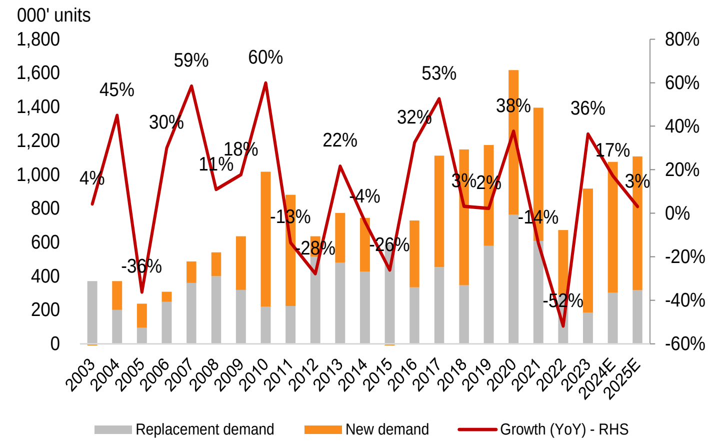
- **Link to latest report:** China Heavy Duty Truck Sector – Multi-cylinder diesel engine sales +29% YoY in Dec

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	175,158	206,901	228,433	242,376
YoY growth (%)	(13.9)	18.1	10.4	6.1
Core net income (RMB mn)	4,906	8,595	10,172	10,908
Core EPS (RMB)	0.56	0.98	1.17	1.25
YoY growth (%)	(47.0)	75.2	18.4	7.2
Consensus EPS (RMB)	N/A	0.98	1.21	1.37
P/E (x)	21.7	13.1	11.0	10.3
EV/EBITDA (x)	7.0	5.0	4.4	4.2
P/B (x)	1.5	1.4	1.3	1.2
Yield (%)	2.1	2.7	3.2	3.4
ROE (%)	6.8	11.3	12.2	12.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CMBIGM HDT sales projection



Source: Wind, Cvworld, CMBIGM

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

Rating: BUY | TP: RMB70.0 (30% 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.

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is 2%/1% above consensus.

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

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

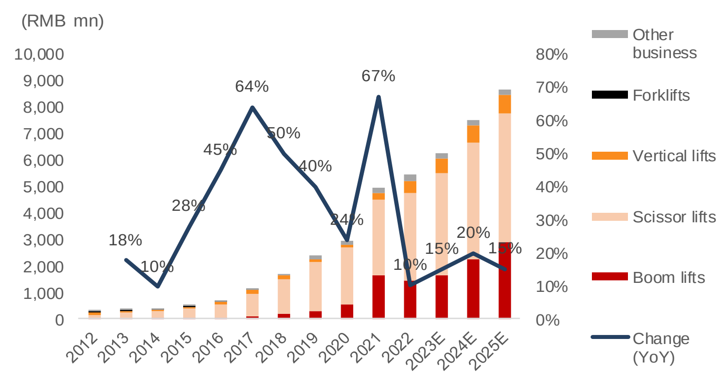
Link to latest report: Zhejiang Dingli – 3Q23 earnings +53% YoY; A clean beat on a surprising margin expansion

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,445	6,267	7,508	8,646
YoY growth (%)	10.2	15.1	19.8	15.2
Net income (RMB mn)	1,257	1,693	1,963	2,229
EPS (RMB)	2.48	3.34	3.88	4.40
YoY growth (%)	36.3	34.7	16.0	13.6
Consensus EPS (RMB)	N/A	3.28	3.84	4.45
EV/EBIDTA (x)	20.8	13.7	11.3	10.0
P/E (x)	22.2	16.4	14.2	12.5
P/B (x)	3.9	3.3	2.7	2.3
Yield (%)	0.9	1.2	1.4	1.6
ROE (%)	19.3	21.7	21.1	20.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIGM estimates

CR Power (836 HK) – Resilient generation growth with rapid new energy power

Rating: BUY **| TP:** HK$22.53 (47% upside)

Analysts: Megan Xia

- **Investment Thesis**: CR Power is now trading at around 0.9x FY23E PB and 0.8x FY24E PB. We stay optimistic about CRP's continued profit improvement of the thermal power business and the new energy business, considering: 1) actively securing long-term coal contracts with a higher implementation rate; 2) continually rapid wind power and solar power sales growth; 3) expected stable and favorable thermal power tariff based on electricity market reforms; 4) resilient growth momentum of CRP's new energy segment, strengthened installation willingness as lower upstream cost of wind and solar power; 5) spin-off of its new energy business to A shares will unlock the potential value; and 6) steady dividend payout ratio. **Maintain BUY.**

- **Our View:** We stay optimistic about the power operators' stable generation growth, and the lower upstream cost of thermal power and new energy power will substantially benefit the power operators' profit. For CRP, we think the growth drivers are as follows: 1) new energy business: CRP has a strong belief to reach its targets of 7,000 MW newly-added installed capacity of wind and solar power in 2023 and further speed up to reach the target of 14th Five-Year Plan for the following years. 2) Lower upstream cost of wind and solar power enable CRP to have better installation willingness. 3) CRP's wind power sales and solar power sales are expected to increase steadily in FY23E/FY24E based on increased newly-added capacity. 4) Thermal power segment: we regard thermal coal prices will remain at a rational range at RMB900-1000/tons as power supply security requirement and continue to improve the company's thermal power business profits and lower cost. 5) CRP's dividend payout ratio performs steadily.

- **Valuation:** CR power is trading at 0.9x/0.8x PB for FY23/24E, which is lower than its peer's avg. PB of 1.2x/1.1x. The valuation is attractive. We arrive at a SOTP-based TP of HK$22.53 with a BUY rating, based on 1.3x FY23E PB of the renewable segment (~peers avg. PB of 1.2x in FY23E) and 0.7x FY23 forward PB of the thermal segment (~peers avg.PB of around 0.7x in FY23E).

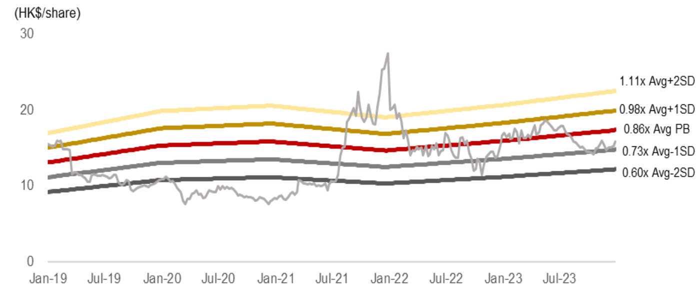
- **Risks:** 1)thermal coal cost slightly raised in short time; 2) the new energy's installation progress was slower than expected.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (HK$ mn)	103,305	112,885	120,914	129,326
Net profit (HK$ mn)	7,042.5	12,703.6	15,152.6	17,919.3
EPS (Reported) (HK$)	1.46	2.64	3.15	3.73
YoY growth (%)	342.2	80.4	19.3	18.3
Consensus EPS (HK$)	1.46	2.45	2.94	3.31
P/E (x)	10.5	5.4	4.5	3.8
P/B (x)	0.9	0.7	0.7	0.6
ROE (%)	8.3	14.6	15.6	16.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRP's PB band



Source: Company data, CMBIGM

Link to latest report: [CR Power (836 HK) – Sep operating data recap]

CR Gas (1193 HK) – Stable gas sales growth with high financial resilience and high-quality projects

Rating: BUY | **TP:** HK$34.13 (50% upside)

Analysts: Megan Xia

- **Investment Thesis:** CRG is now trading at c. 9x FY23E PE and 8x FY24E PE with attractive valuation. We are optimistic about CRG in FY23E and FY24E, considering: 1) stable C&I gas sales growth; 2) positive residential cost-cross policies release successively and lower gas cost that may be favorable for CRG's dollar margin improvement; 3) robust growth momentum of CRG's value-added services and comprehensive energy segment continues; and 4) superior financial resilience. Maintain BUY.

- **Our View:** CRG has high projects quality and resilient financial flexibility with attractive valuation. The improvement of results was mainly driven by: 1) Retail gas sales volume rose 7.6 YoY in Jan-Oct 2023. In particular, industrial and commercial gas sales rose by 6.7% YoY and 8.3% YoY. We regard CRG's FY24E total gas sales will maintain stable growth at 9%. 2) For dollar margin, the positive residential cost-cross policies are actively releasing (CRG's residential clients base is huge), and its dollar margin for 2023 will be RMB0.5cbm; 3) We expect CRG's new residential users to be 3.22mn and 3.1mn in FY23E/FY24E. 4) The Comprehensive service business(CSB) maintains robust growth. Thus, we stay optimistic about CRG and regard the valuation as attractive.

- **Valuation:** For FY23E/FY24E, considering the improved operating data and lower gas costs, we expect total gas sales volume to grow 8%/9%, and the dollar margin will rebound to RMB0.5/cbm and RMB0.52/cbm. Additionally, we expect CRG's CSB to show resilient growth and its newly-added residential gas connection users are 3.22mn and 3.17mn. We stay optimistic about CRG's gas sales and dollar margin in FY23/FY24E. CRG is trading at around 8x PE in FY24E, close to -1SD of its 3-year hist. avg. PE. The valuation is still attractive. Our TP is HK$34.13, based on 11x FY24E PE (~close to 3-year avg.PE) and FY24E EPS of HK$3.19/share. Reiterate BUY.

- **Risks:** 1) the progress of cost-cross measures is slower-than-expected; 2) fluctuation in upstream gas cost; 3) and lower gas connection.

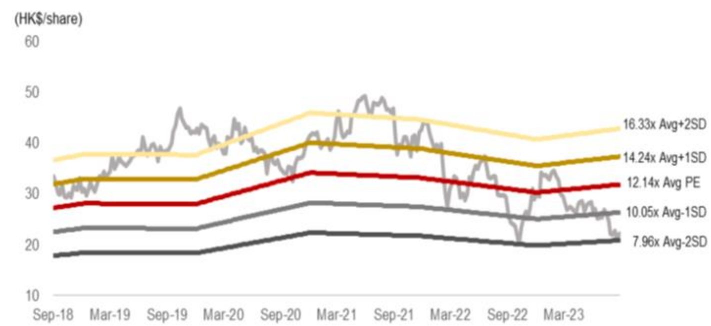
- **Link to latest report**: CR Gas (1193 HK): Stable gas sales growth with advanced financial resilience and high-quality projects

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (HK$ mn)	94,338	95,314	98,485	104,321
Net profit (HK$ mn)	4,733.5	6,067.4	7,234.9	7,713.6
EPS (Reported) (HK$)	2.09	2.67	3.19	3.40
Consensus EPS (HK$)	2.77	3.03	3.39	3.61
P/E (x)	15.2	9.0	7.6	7.1
P/B (x)	1.8	1.3	1.2	1.1
ROE (%)	8.9	11.0	12.0	11.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRP's PB band



Source: Company data, CMBIGM

JNBY (3306 HK): An all-rounded beat and an optimistic outlook

Rating: BUY **| TP:** HK$14.26 (41% upside)

Analyst: Walter Woo

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

- **Our View:** We think the 10%+ sales/ net profit growth guidance is highly achievable, thanks to: 1) robust retail sales growth from Jul to Dec 2023 (20%+), 2) the low base since Sep 2023, 3) various improvements and upgrades in member management and customer services (on both online and offline) which had translated into better brand quality and 4) strong growth momentum on the new social media platforms. Margin-wise, we expect retail discounts and channel mix to stay healthy and GP margin should be at 65% or above. Also, while we expect JNBY to invest heavily on brand building by spending more on talents and A&P, some leverage could still be there from the continual increase in per store productivity.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are -3%/ -7%/ -11% vs consensus and our net profit forecasts are +1%/ -1%/ -5% vs street as we are more conservative on sales growth but more optimistic on its OP margin expansion.

- **Catalysts:** 1) better than expected product and branding upgrades and 2) faster than expected store expansion.

- **Valuation:** We derived our 12m TP of HK$14.26 based on a 10x FY6/24E P/E. We believe JNBY can be further re-rated as rapid growth sustained in 2023. The stock is trading at ~6x FY6/24E P/E and 12% FY6/24E yield.

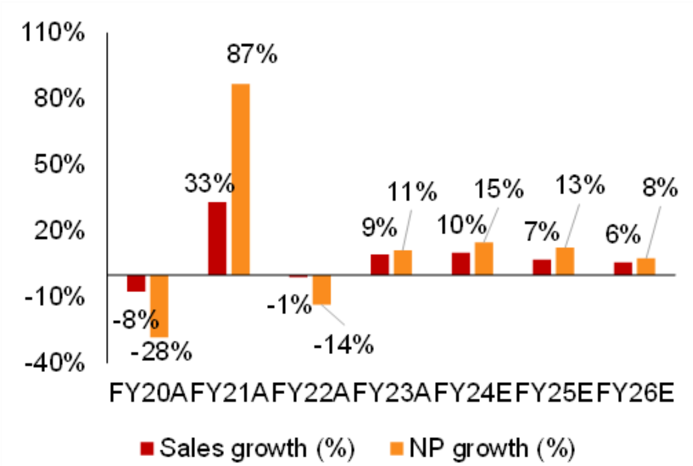
Link to latest report: JNBY Design (3306 HK) – An all-rounded beat and an optimistic outlook

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	4,465	4,914	5,261	5,559
YoY change (%)	9.3	10.1	7.1	5.7
Adj. net profit (RMB mn)	621	713	803	864
EPS - Fully diluted (RMB)	1.222	1.403	1.579	1.699
YoY change (%)	9.8	14.8	12.5	7.6
Consensus EPS (RMB)	N/A	1.254	1.460	1.63
P/E (x)	7.3	6.4	5.7	5.3
P/B (x)	2.3	2.1	1.9	1.7
Yield (%)	10.0	11.8	13.2	14.3
ROE (%)	33.9	34.1	34.5	33.7
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

JS Global (1691 HK): Distressed valuation and potential turnaround

Rating: BUY | **TP:** HK$1.84 (22% upside)

Analyst: Walter Woo

- **Investment Thesis:** Shark Ninja has been listed in the US successfully on 31 Jul 2023 and the latest market cap is at about US$ 6.6bn, trading at about 28x FY22 P/E, way higher than JS Global's 9x in Jun 2023. In FY22, the retained group will only consist of 67% of Joyoung's shares and Shark Ninja's APAC business, where the sales and net profit were at around US$ 1.6bn and US$ 138mn. In addition, Shark Ninja APAC accounted for roughly 6%/6% of sales/ net profit of the retained group in FY22.
- **Our View:** Despite the spin-off of Shark Ninja (ex-APAC), JS global could still be attractive to investors, because of: 1) potential turnaround of Joyoung, 2) rapid growth from Shark Ninja APAC and 3) rather distressed valuation (even after considering the small cap, holding and A/H discounts). We still give it a BUY rating with TP of HK$ 1.84, based on 8x FY24E P/E, 40% discount to industry average of 13.3x. The current valuation is at 6.5x (or 4.0x ex-cash) FY24E P/E.
- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 17%/ -35%/ -34% vs street and net profit forecasts are 255%/ 10%/ -9% vs street, as some of the sell-side analysts had not fully updated the spin off, but it is true that we are slightly more optimistic on margins.
- **Catalysts:** 1) increase in the payout ratio, 2) potential stock repurchases or privatization, 3) better than expected Joyoung's result.
- **Valuation:** We derived our 12m TP of HK$1.84 based on 8x FY24E P/E, about 40% to industry average of 13x. The Company is only trading at 7x FY24E P/E, about 51% discount to industry average.

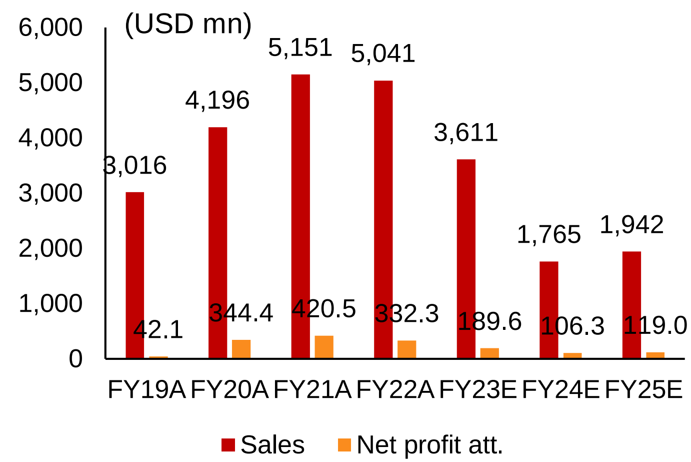
Link to latest report: JS Global Lifestyle (1691 HK) – Distressed valuation and potential turnaround

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	5,041	3,611	1,765	1,942
YoY change (%)	(2.1)	(28.4)	(51.1)	10.0
Net profit (RMB mn)	394	266	104	116
EPS - Fully diluted (RMB)	0.114	0.076	0.029	0.033
YoY change (%)	(15.8)	(33.8)	(61.0)	12.2
Consensus EPS (RMB)	N/A	0.040	0.028	0.036
P/E (x)	1.7	2.5	6.5	5.8
P/B (x)	0.3	0.3	0.3	0.3
Yield (%)	0.0	14.1	7.9	8.8
ROE (%)	16.1	8.4	4.3	4.5
Net debt/ equity (%)	16.2	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** HK$6.71 (31% upside)

Analyst: Walter Woo

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

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

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our net profit forecasts are +7%/ +9%/ +14% vs street as we are more confident in margins in FY23E but more conservative onwards in FY24E-25E.

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

- **Valuation:** The TP of HK$ 6.71 is based on 14x FY23E P/E, vs 3 years average of 12x, given the upcycle and 20% sales CAGR in FY22-25E. The stock is fairly cheap at ~11x FY23E P/E.

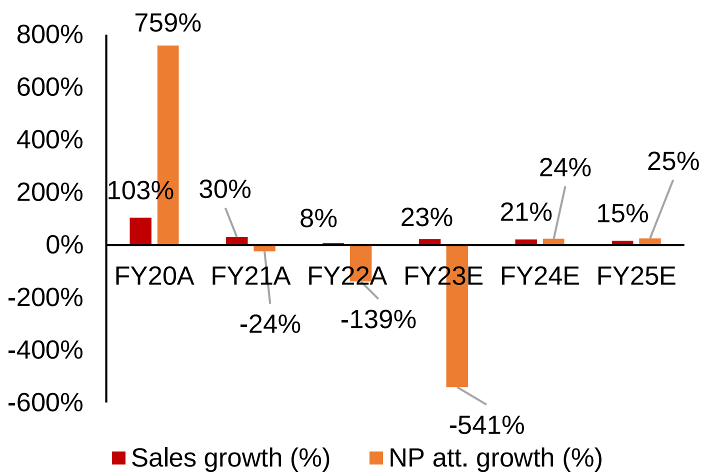
Link to latest report: Vesync (2148 HK) – An all-rounded beat and a bullish outlook

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (US$ k)	490,378	602,523	727,094	839,165
YoY change (%)	8.0	22.9	20.7	15.4
Adj. Net profit (US$ k)	(16,317)	72,039	89,208	111,798
EPS - Fully diluted (US$)	(0.014)	0.062	0.077	0.096
YoY change (%)	(138.6)	(541.5)	23.8	25.3
Consensus EPS (US$)	N/A	0.045	0.060	0.078
P/E (x)	(46.8)	10.7	8.6	6.9
P/B (x)	2.8	2.2	1.8	1.4
Yield (%)	0.0	2.3	2.9	3.6
ROE (%)	(5.5)	23.0	22.6	22.6
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** RMB2,219 (36% upside)

Analyst: Joseph Wong

- We view Moutai's recent price hike positively, as it not only represents a supportive stance from policymaker to foster a more balanced profits distribution along the value chain, but also a renewed driver to rejuvenate growth to the company itself when that of Series wine alone might not be able to sustain. Compared to the last price hike in 2018 that led to an 11%+ retail price surge, the latter has only gone up by 0.7% this time, according to our survey, and we believe the timing of the adjustment (amid slow season) and migration of direct sales channel, explained our observation. Given the fact that retail price for Feitian (~RMB2,900) has been well above the ex-factory price (~RMB969), the initiative unlikely comes in a total surprise to the market, and is likely very welcomed by the investment community. We are positive on Moutai and believe the initiative enables the company to deliver high-teen revenue/net profits growth for 2024 that comes in above its peer average. We are Buy-rated.

- **Moutai's price hike is the blockbuster.** Sector-wise, we think the move could break the price ceiling faced by mid-end brands and pave way for brand upgrade among tiers. Before that happens, however, we believe mid-end brands would have to eliminate excess channel inventory to ensure an effective pass-through. Of note, other bellwethers like Wuliangye and Liaojiao have already followed suits, and levied a 10-20%/4-5% price increase on "Wuliangye 8th Generation"/ "60th Edition Tequ", respectively.

- **Special dividend as a sweetener.** Moutai also announced to a special dividend of RMB19.11 per share, equivalent to 37.7% of our 2023E EPS. Together with its final dividend, we estimate that Moutai will pay-out 76.1% of its 2023E earnings to reward investors and align shareholders' interest.

- **Valuation.** Our TP is based on 38.0x 2023E P/E that still represents 5-year average since 2018.

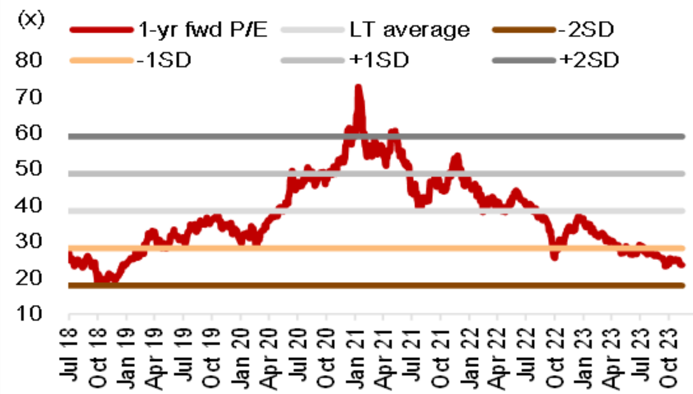
Link to latest report: [Kweichow Moutai (600519 CH) – Our 2024 top pick among F&B names]

Financials and Valuations

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

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

BeiGene (BGNE US): Three synergistic haematology BIC/FIC molecules showing promising data

Rating: BUY | **TP:** US$295.67 (85% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Strong sales of zanubrutinib (zanu) continued. In 3Q23, zanu maintained a strong sales momentum, with revenue increasing 16% QoQ or 130% YoY to US$358mn, mainly driven by sales growth in the US. In 3Q23, zanu sales in the US increased 21% QoQ to US$270mn (vs +61% QoQ in 2Q23), thanks to the continuous adoption among CLL/SLL patients. During 9M23, total sales of zanu reached US$877mn (+126% YoY), representing 74% of our previous full-year estimate. We expect zanu to continue the sales growth momentum and gain share in the global BTK market. Additionally, zanu continued to show PFS superiority vs ibrutinib with longer follow-up. In the ALPINE study, the 36-month PFS rate of zanu reached 64.9% vs ibrutinib's 54.8% (HR=0.68, p=0.001, remained statistically significant). The CR/CRi rate continued to improve with longer follow-up and reached 10.4% in the zanu arm at month 48 (vs 7.1% with ibrutinib). Moreover, additional studies indicated that zanu provided meaningful benefits for acalabrutinib-intolerant patients and for patients switching from ibrutinib, which could lead to zanu's global market share gain, in our view.
- **Our View:** Sonrotoclax (BCL2i) could be a game changer. Sonrotoclax + zanu (S+Z) showed higher blood uMRD rate (78% by week 24, 100% by week 48) in a Ph1/2 study for TN CLL patients, in cross-trial comparison vs venetoclax + ibrutinib (V+I)'s 55-57% at month 15, which may lead to better PFS benefit, in our view. S+Z was well-tolerated, with no TLS and no cardiac toxicity observed. BeiGene has initiated a global Ph3 study to of S+Z in TN CLL. Once successful, the oral combo of S+Z could be a game changer for the CLL first-line treatment. With full global rights in the S+Z combo, BeiGene could maximize its income from the two blockbuster drugs.
- **Why do we differ:** We see the BIC potential of sonrotoclax (BCL2i) and look forward to the clinical progress of BGB11673 (BTK-CDAC). We expect tislelizumab to continue gaining market share in the China PD-(L)1 market and to receive FDA approval for 2L ESCC in 1H24.
- **Valuation:** We derive our target price of US$295.67 based on DCF valuation (WACC: 10.4%, terminal growth rate: 2.0%).

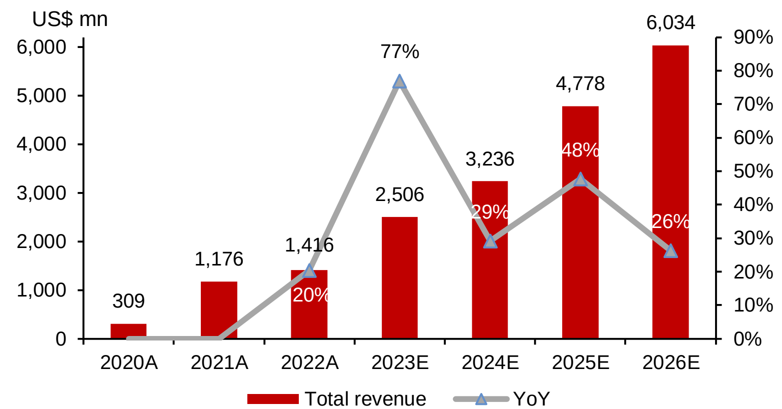
Link to latest report: BeiGene (BGNE US) – ASH takeaways: Three synergistic haematology BIC/FIC molecules showing promising data

Financials and Valuations

(YE 31 Dec)	FY23E	FY24E	FY25E
Revenue (US$ mn)	2,506	3,236	4,778
YoY growth (%)	77	29	48
Net loss (US$ mn)	(749)	(741)	393
EPS (US$)	(7.27)	(7.19)	3.82
Consensus EPS (US$)	(7.06)	(6.84)	(1.41)
R&D expenses (US$ mn)	(1,755)	(1,843)	(1,843)
SG&A expenses (US$ mn)	(1,470)	(1,616)	(1,697)
Capex (US$ mn)	(500)	(200)	(100)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

PICC P&C (2328 HK): Defensive play, expect underwriting profit rebound in FY24E

Rating: BUY | **TP:** HK$11.7 (23% upside)

Analysts: Nika Ma/ Zhang Miao

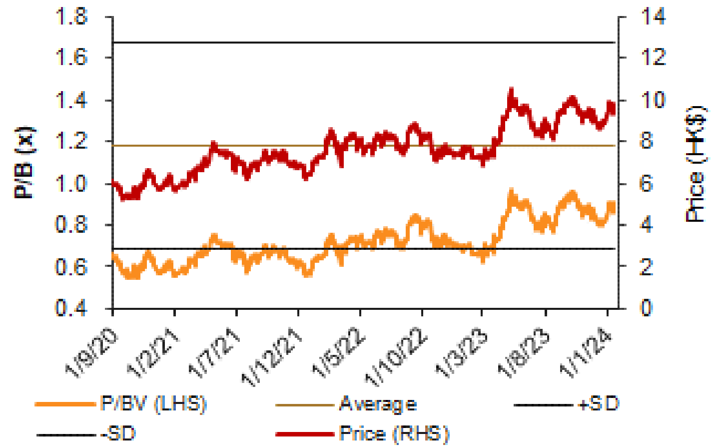
- **Investment Thesis:** Driven by steady demands of auto premiums (est.~6% YoY in FY24E) and accretive non-auto business lines, we see incremental room for China's P&C insurers to scale up and improve structure mix within more benign competitive landscape after stringent regulatory scrutiny in FY23. We maintain our positive outlook on P&C sector, given 1) the counter-cyclical business nature of P&C insurance; 2) shorter duration on liability (mainly in one-year) than life peers, and thus less asset-liability management pressure in low interest rate environment; 3) strong solvency in support of attractive dividend yields. PICC P&C, as the sector pioneer, enjoys better-than-peers pricing capability derived from advanced risk mitigation models and inclusive data on top of the abovementioned sector privileges. We expect the insurer's underwriting profit to increase by 9% to RMB9.4bn in FY24E, with CoR slightly down to 98.0% to sustain a ~40% payout ratio with stable dividend yields (~7%).
- **Auto:** We expect auto premiums to maintain growth at 5%-6% in FY24E, underpinned by steady demands released from new car sales and rising penetrations of NEVs. In the long run, we think the average premiums per case will stay flat subdued to tightened regulations and market-oriented product pricing. In FY23E, despite claims mounted in 3Q23 weighing on full-year underwriting profit, we forecast the auto CoR to reach 96.9%, below 97.0% as of the management guidance given at the beginning of year 2023.
- **Non-auto:** For non-auto lines, we expect improved underwriting margin in FY24E for: 1) the insurer proactively contracted lines of high loss ratio, i.e. employer liability insurance, and 2) relatively high base of non-auto CoR in 3Q23 resulted from rising NAT CAT claims. That said, with innovative supply of new products and an optimized structure of existing lines, we project the non-auto CoR down to 99.8% in FY24E, gaining tractions to UW profitability.
- **Valuation:** The stock is now trading at 0.8x FY24E P/B, with an est. 3-year ROE at 12-13% in FY23E-FY25E. Given a good track record on approx. 40% dividend payout, we regard the stock an appealing defensive target in the context of low-risk appetite. Reiterate BUY, with target price at HK$11.70.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Underwriting profit (RMB mn)	10,329	8,568	9,372	10,178
Net profit (RMB mn)	26,653	25,582	30,889	33,435
EPS	1.20	1.16	1.39	1.51
Consensus EPS	N/A	1.15	1.42	1.58
Combined ratio (%)	97.6	98.1	98.0	98.0
P/E (x)	7.19	7.47	6.19	5.72
P/B (x)	0.92	0.87	0.80	0.73
Dividend yield (%)	5.5	5.4	6.5	7.0
ROE (%)	12.9	11.9	13.4	13.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC P&C: share price and P/B(x)heralds price growth



Source: CMBIGM estimates

Tencent (700 HK): Focus on quality earnings growth

Rating: BUY | **TP:** HK$465.0 (71% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

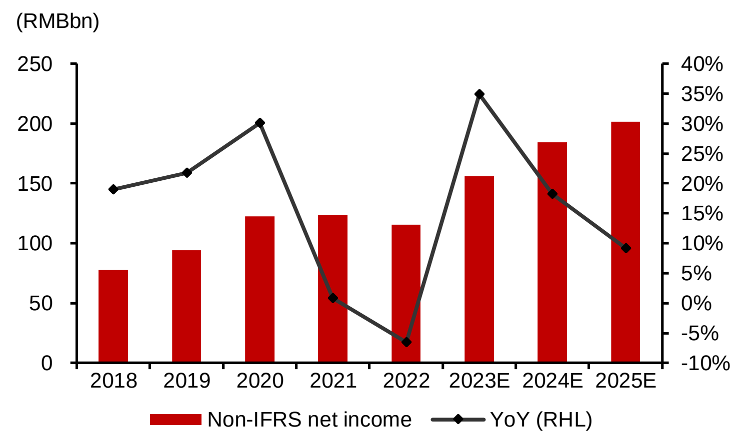
- **Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. Looking into 2024, we expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization opportunities and support GPM expansion; 2) the company will expand into new game genres such as causal games and content-driven games to drive steady growth of games business; 3) AI will empower business lines, elevate ad ROI, improve games business efficiency and create incremental revenue stream for cloud business.
- **Our View:** Tencent's non-IFRS net income grew by 39% YoY to RMB44.9bn in 3Q23, beating consensus estimate by 12%, mainly due to the 5.2ppt GPM expansion. The record-high GPM since 2019 proved Tencent's operating leverage in its consumer internet business and its competitive edges. We expect further improvement potential for the overall GPM, underpinned by the increasing revenue contribution from higher-margin businesses. We forecast FY24/25 non-IFRS net income to grow by 18/9% YoY. The company's current valuation of 13x FY24E non-IFRS PE (or 10x FY24E PE if excluding strategic investment) offers attractive value. BUY.
- **Catalysts:** 1) enhanced Video Account monetization supports better-than-expected revenue growth and GPM expansion of ad/FBS business; 2) new games like Dream Stars drive stronger-than-expected game revenue growth; 3) wealth management/consumer loan business expansion drive FBS business growth; 4) increasing share repurchase and dividend to enhance shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$465.0, comprising HK$192.9/18.8/57.5/107.6/18.9 for games/SNS/ads/Fintech/ cloud business and HK$6.8/62.5 for net cash/strategic investments.
- **Link to latest report:** Tencent (700 HK) - 3Q23 earnings beat on strong operating leverage and business innovation

Financials and Valuations

(YE 31 Dec)	FY22	FY23E	FY24E	FY25E
Revenue (RMB mn)	554,552	611,875	664,724	716,952
YoY growth (%)	(1.0)	10.3	8.6	7.9
Gross margin (%)	43.1	47.8	48.8	49.0
Adj. net profit (RMB mn)	115,649	156,029	184,531	201,484
YoY growth (%)	(6.6)	34.9	18.3	9.2
EPS (Adjusted) (RMB)	12.13	16.11	19.05	20.81
Consensus EPS (RMB)	12.13	15.48	18.16	20.58
Non-GAAP P/E (x)	20.8	15.6	13.2	12.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – Rapid overseas business expansion

Rating: BUY **| TP:** US$142.6 (-1% downside)

Analysts: Saiyi He/ Frank Tao/ Wentao Lu

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

- **Our View:** We remain positive on PDD Holdings' (PDD) long-term growth prospect, mainly given: 1) Temu, the overseas e-commerce business operated under the "fully-entrusted" model, leveraging strong domestic supply chain and PDD's strong execution capability, has seen robust GMV and revenue growth, which is on track to support PDD's long-term revenue and earnings growth, and will likely propel a further valuation rerating; 2) domestic business could maintain healthy revenue and earnings growth in 2024, aided by the incorporation of more branded products and high ASP products, as well as the increase in monetization, aided by the increase in percentage of paid traffic volume.

- **Catalysts:** more rapid than expected international business development.

- **Valuation:** DCF-based valuation is US$142.6.

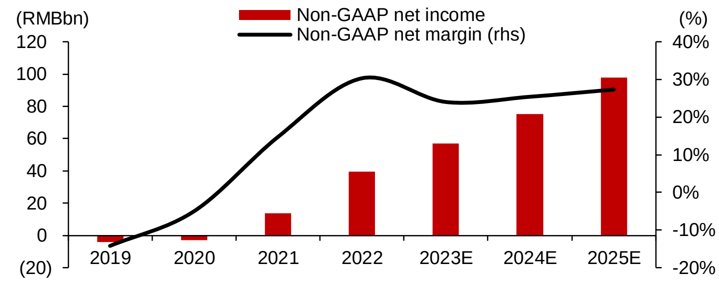
- **Link to latest report**: Pinduoduo (PDD US): International expansion drove a strong beat for 3Q results

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	93,950	130,558	234,881	292,687
YoY growth (%)	57.9	39.0	79.9	24.6
Net profit (RMB mn)	7,768.7	31,538.1	61,082.0	74,942.1
Adjusted net profit (RMB mn)	13,829.5	39,529.7	57,165.6	75,241.4
EPS (Adjusted) (RMB)	9.56	27.45	39.31	51.74
Consensus EPS (RMB)	9.56	27.45	35.60	43.11
P/E (x)	123.0	15.4	21.2	17.3
ROE (%)	11.5	32.7	41.4	34.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Alibaba (BABA US):Business transition ongoing

Rating: BUY **| TP:** US$137.0 (97% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

- **Investment Thesis:** 1) Alibaba's fundamental is on improvement track, evidenced by solid user growth and user engagement improvement, as well as solid footprint in international expansion; 2) Alibaba is enhancing shareholder return through a holistic approach (ie, share buyback, dividend payout, support strategically important new business growth to drive long-term shareholder value improvement), and valuation is not demanding; 3) Alibaba is likely to benefit from potential consumption recovery.

- **Our View:** Although the room for further operating efficiency improvement is likely to be limited post an aggressive year of cost control and amid fierce competition, Alibaba remains committed to enhancing shareholder return through dividend payout and share buyback. The strategic move to drive an integrated group strategy should enhance long-term value, in our view. We remain positive on Alibaba's long-term growth potential, supported by international expansion and cloud business growth.

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

- **Catalysts:** 1) better than expected consumption recovery; 2) positive regulatory update regarding fintech business.

- **Valuation:** SOTP-based valuation of US$137.0, which translates into 15.6x FY24E PE.

- **Link to latest report**: Alibaba (BABA US) – Business transition ongoing

Financials and Valuations

(YE 31 Dec)	FY23	FY24E	FY25E	FY26E
Revenue (RMB mn)	868,687	945,143	1,043,345	1,126,984
YoY growth (%)	1.8	8.8	10.4	8.0
Net profit (RMB mn)	72,509.0	118,988.3	142,163.1	157,146.6
Adj. net profit (RMB mn)	143,991.0	162,645.5	173,463.5	190,956.1
EPS (Adjusted) (RMB)	54.91	63.81	67.98	74.76
Consensus EPS (RMB)	N/A	65.23	70.96	79.20
P/E (x)	23.0	11.2	9.4	8.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (US$mn)	Valuation method	FY24E Rev (US$mn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. RMB mn	Val. US$m	$/share	Value split
1	Taobao and Tmall Group	7.0x FY24E P/E; 20% tax rate on adjusted EBITA	60,293	21,714	7.0		1,094,383	151,998	59.3	43%
2	International Digital Commerce Group	3.0x FY24E EV/S	14,057			3.0	303,623	42,170	16.4	12%
3	Local Services Group	1.7x FY24 EV/S	8,297			1.7	101,549	14,104	5.5	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63% shareholding	13,520				135,024	18,753	7.3	5%
5	Cloud Intelligence Group	4.2x FY24 EV/S on revenue before intersegment elimination	14,581			4.2	444,078	61,677	24.0	18%
6	Digital Media and Entertainment Group	1.7x FY24 EV/S, inline with iQIYI target EV/S	2,999			1.7	36,704	5,098	2.0	1%
7	All others	1.0x FY24 EV/PS	26,980			1.0	194,255	26,980	10.5	8%
	Total Alibaba business						**2,309,615**	**320,780**	**125.0**	
	INVESTMENTS									
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	25,992	10.1	
2	Others	Market valuation					128,237	17,811	6.9	
	Total investment (with 30% holding discount)									**12.0**
	Total (US$mn)								**137.0**	
	#s of diluted ADS (mn)								2,565	

Source: Company data, CMBIGM estimates

Netflix (NFLX US): Entering the AVOD space

Rating: BUY **| TP:** US$512 (TP under review) (6% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We remain positive on Netflix's long-term subs trend, AVOD expansion, paid-sharing rollout and margin expansion, backed by its vibrant original content pipeline and efficient investment. After its better-than-feared 3Q23, Netflix demonstrated strong net adds, resilient margin guidance (22%-23% OPM in FY24E, +2~3ppts YoY) and increasing FCF, partly alleviating market concerns about content spending and competition. Looking ahead, we forecast Netflix to deliver 11%/24% rev/earnings CAGR during FY23-25E, with 7.6% subs CAGR. With competition to pull back and strikes to settle, we think it is a good time to accumulate.

- **Our View:** Netflix prides itself on exclusive high-quality original content, further enhancing its leadership and price hike (seven times in 2011-23, forecasting ARM at 3.4% CAGR in FY23-25E). We are bullish on Netflix's AVOD expansion, and expect positive impact on both net adds and ARPU. With TAM of 380mn AVOD subs worldwide, we expect Netflix's AVOD subs to rise to 32mn in FY25E (11% subs mix), at 51% CAGR. Moreover, we expect paid-sharing initiatives to bring ~30mn extra subs by 2025E (6% rev mix) , with >100mn password-sharing users in Netflix.

- **Why do we differ vs consensus:** Market concern lies on competition, strike impact, and potential rise on content costs. We think competition has pulled back as peers prioritize cost control. With strike to settle, content would pick up from 4Q23E, and Netflix is more resilient for its extensive content library and globalization. We think industrial wave of price increases and globalization would offset rising content cost.

- **Catalysts:** 1) content to pick up after strikes; 2) resilient net adds from paid-sharing and AVODs penetration; and 3) margin improvement.

- **Valuation:** initiate BUY with DCF-based TP of US$512, implying 33x FY24E P/E, 15% below historical P/E mean of 38.8x.

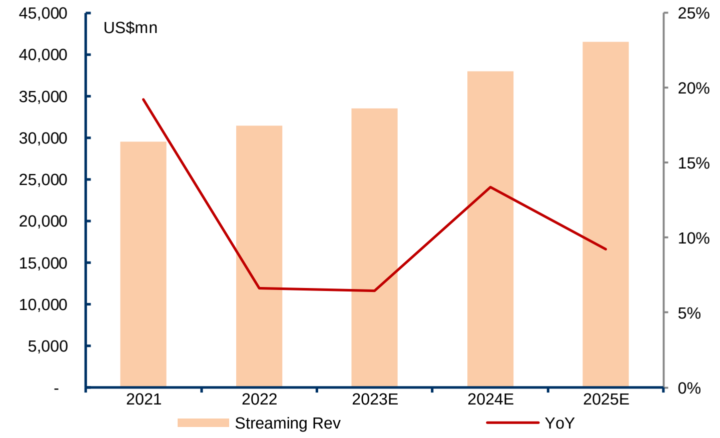
- **Link to latest report**: Netflix (NFLX US) – Entering the AVOD space

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	31,616	33,580	37,981	41,488
YoY growth (%)	6.5	6.2	13.1	9.2
Net income (RMB mn)	4,492	5,397	6,825	8,351
EPS (US)	9.9	12.0	15.5	19.1
YoY growth (%)	(11.5)	20.7	28.8	23.9
Consensus EPS (US$)	N/A	12.2	16.0	19.4
P/E (x)	N/A	41.0	31.8	25.7
P/S (x)	N/A	6.3	5.6	5.1
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	24.5	25.0	27.8	28.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: NFLX's revenue growth estimates



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK): Upbeat margin to continue

Rating: BUY **| TP:** HK$97 (133% upside)

Analyst: Sophie Huang

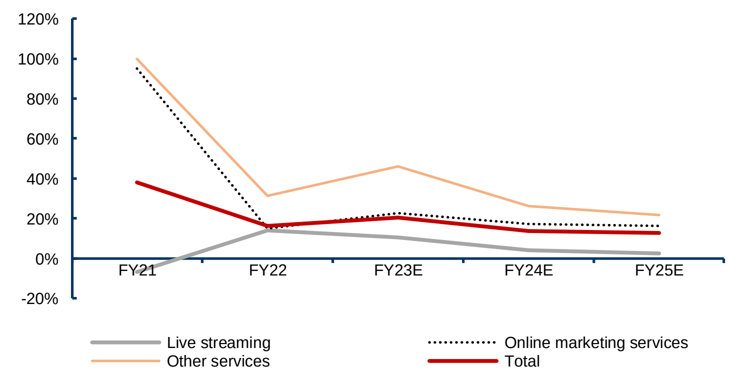
- **Investment Thesis:** We are confident on Kuaishou (KS)'s ads recovery, share gain in ecommerce and better margin outlook. Looking into 4Q23E, we expect resilient momentum to continue (forecasting rev +15% YoY), supported by: 1) resilient ads (+20% YoY) with external ads acceleration; and 2) strong ecommerce (GMV/rev +29.5%/40% YoY). Even after its upward revision on earnings guidance, we think there is still further earnings upside. Suggest to buy on dips.
- **Our View:** We forecast 4Q23E rev +15% YoY (largely in line), and bottom line at RMB2.8bn (9% above consensus). We are positive on its long-term ecommerce upside, boosted by deeper MAC penetration, higher traffic efficiency, and shelf-based mall expansion. Thanks to 11.11 outperformance (highest GMV growth among key platforms), we expect its ecommerce GMV/others rev +29.5%/40% YoY in 4Q23E. Ads would see above-industry growth in 4Q23E (forecasting +20% YoY). Its price saw short-term pullback for mkt concern on Tencent's potential sell-off (or dividends). Mgmt. clarified that Tencent has yet discussed the plan and stated no intention to reduce stakes in the latest AGM.
- **Why do we differ vs consensus:** Market concern lies on competitor threat on ads and potential selling from PE investors. We think short-term impact from Video Accounts would be limited, as KS focuses more on performance-based ads with high ROI, while Video Accounts prioritize on brands ads. Ecommerce momentum would be resilient, and might see upside from shopping mall function.
- **Catalysts:** 1) upside from shopping mall, 2) strong 4Q23E results, and 3) better margin outlook.
- **Valuation:** Maintain BUY with SOTP-based TP at HK$97 (implying 29x FY24E P/E), by assigning 1x/2x FY23E EV/sales to livestreaming/ad biz, and 0.16x P/GMV to ecommerce biz. Valuation is not demanding.
- **Link to latest report**: Kuaishou (1024 HK) – Upbeat margin to continue

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	94,183	113,527	129,143	145,562
YoY growth (%)	16.2	20.5	13.8	12.7
Net income (RMB mn)	(5,751)	8,752	13,566	21,538
EPS (RMB)	(1.3)	1.9	2.9	4.6
YoY growth (%)	N/A	N/A	55	59
Consensus EPS (RMB)	N/A	1.7	3.2	4.8
P/E (x)	N/A	21	13	8
P/S (x)	1.9	1.6	1.4	1.3
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kuaishou's revenue growth estimates



Source: Company data, CMBIGM estimates

GigaCloud (GCT US):Eye on stronger 4Q23E and M&A synergies

Rating: BUY **| TP:** US$20 (TP under review) (1% upside)

Analyst: Sophie Huang

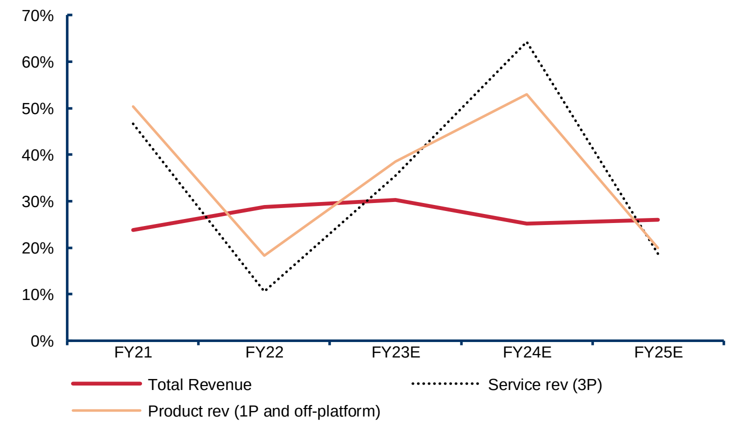
- **Investment Thesis:** We believe GCT would be resilient on macro uncertainty, and keep confident on its organic GMV growth and solid profitability (25% earnings CAGR in FY23-25E). We expect stronger momentum to continue in 4Q23E (forecasting revenue +75% YoY), backed by organic biz acceleration on Black Friday promotion and Noble House's consolidation. We expect Noble House (NH) to scale up GCT's 1P biz with rich SKUs and valuable buyers, and it will achieve breakeven within three to four quarters leveraging GCT's strong inventory management capability.
- **Our View:** We expect GCT to tap into huge seller base in China and SEA (>10,000 furniture manufactories), as domestic manufactories are faced with fierce competition and challenging macro. With brand effect and effective marketing campaign, we forecast its 3P sellers at 34% CAGR in FY23-25E, to drive 44% 3P GMV CAGR, while SKU expansion would boost solid growth of 1P rev (forecasting 18% CAGR). We see high visibility for GCT to see earnings rebound and keep healthy margin ahead (~12% adj. NPM), with freight cost normalization. We expect Noble House to scale up GCT's 1P biz with rich SKUs and valuable buyers.
- **Why do we differ vs consensus:** Market concerns lies on the growth visibility in FY24E and the timeline for Noble House to achieve breakeven. We believe GCT's strong momentum will sustain into FY24E, driven by the accelerated growth of cross-border ecommerce and impressive performance during Black Friday. We anticipate Noble House to breakeven within three to four quarters, and achieve HSD NPM after six quarters.
- **Catalysts:** 1) upcoming upbeat 4Q23E with strong seasonality; and 2) more synergies from NH with narrowing loss.
- **Valuation：** Maintain BUY with SOTP-based TP at US$20 (implying 10.5x/8.8x FY23/24E P/E), still below industry average of 18x/15x.
- **Link to latest report**: GigaCloud (GCT US)– Eye on stronger 4Q23E and M&A synergies

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	490	679	1,039	1,247
YoY growth (%)	18.3	38.6	53.0	19.9
Net income (RMB mn)	24	78	94	122
EPS (RMB)	0.98	1.91	2.29	2.98
YoY growth (%)	(65.6)	94.6	20.0	30.1
Consensus EPS (RMB)	N/A	1.63	1.84	N/A
P/E (x)	20.4	10.0	8.7	6.7
P/S (x)	1.0	1.2	0.8	0.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: GigaCloud's revenue growth estimates



Source: Company data, Bloomberg, CMBIGM estimates

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

Rating: BUY **|** **TP:** HK$45.10 (96% upside) Analysts: Miao Zhang/ Nika Ma

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

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

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

- **Valuation:** The company currently trades at 5.4x 2023E P/E vs. historical 5-YR average of 8x. Our TP stays unchanged at HK$45.10, reflecting 50% discount to NAV.

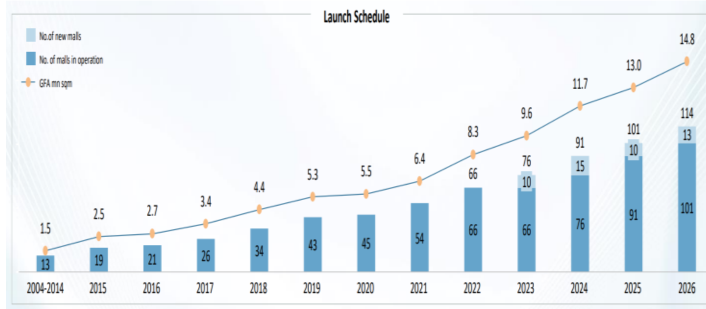
Link to latest report: CR Land (1109 HK) – Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	212,108	207,061	227,400	252,488
YoY growth (%)	18.1	(2.4)	9.8	11.0
Net income (RMB mn)	32,401	28,092	32,199	35,462
EPS (RMB)	4.54	3.94	4.52	4.97
YoY growth (%)	8.69	(13.30)	14.62	10.13
Consensus EPS (RMB)	N/A	N/A	4.2	4.5
P/E (x)	4.6	5.3	4.6	4.2
P/B (x)	0.7	0.6	0.6	0.6
Yield (%)	6.6	6.6	7.7	8.5
ROE (%)	14.3	11.5	13.3	13.8
Net gearing (%)	24.4	35.0	38.6	47.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's malls opening plan



Source: Company data, CMBIGM

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

Rating: BUY **| TP:** HK$44.2 (45% upside)

Analyst: Alex Ng/ Hanqing Li

- **Investment Thesis:** BYDE is a global leader in platform-based high-end manufacturing, focusing on smartphone/NB, new intelligent product, auto intelligent system and medical devices. Its major clients include Apple, Xiaomi, Huawei/Honor, BYD and other OEM brands. We believe BYDE will benefit from OEM industry consolidation, Apple supplier diversification, acquisition of Jabil's mobile business and fast-growing NEV/new intelligent products in 2023-25E.
- **Our View:** BYDE is our top pick for H-share tech sector, as we are positive on high-end Android recovery, new NEV products and Android/US clients' share gain/upgrade, and Jabil's iPhone casing synergies in 2024/25E. In addition, we believe Android recovery and rising UTR will boost segment margin in 2H23E. In addition, high-end model from major Android client and favourable product mix will drive overall profitability. We expect GPM to improve to 8.9% in FY25E (vs 5.9%/8.1%/8.4% in FY22/23/24E), while NPM will expand to 3.6% in FY25E (vs 1.7%/3.1%/3.3% in FY22/23/24E).
- **Why do we differ vs consensus:** We are more positive on earnings synergies from recent Jabil's acquisition and Huawei's high-end casing business.
- **Catalysts:** Near-term catalysts include Jabil's business synergies, better margins and Huawei/Xiaomi/Apple product launches.
- **Valuation:** Our SOTP-based TP of HK$44.2 implies 18.2x FY24E P/E, which reflects BYDE's business diversification with different growth profiles and visibility.

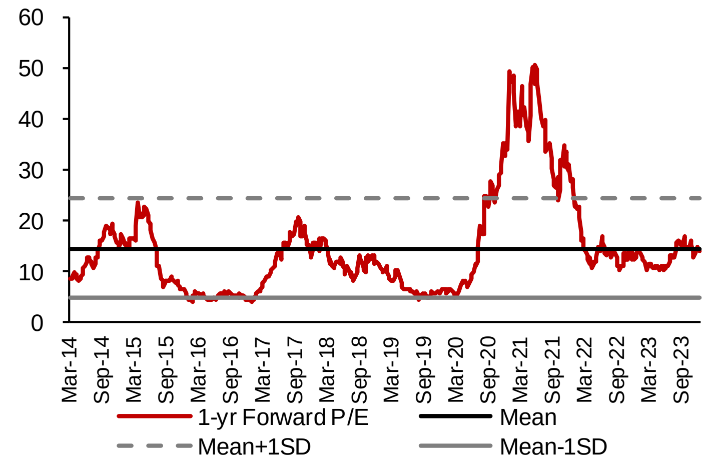
Link to latest report: BYDE (285 HK) – NDR Takeaways: Android upside, NEV ramp up and Jabil synergies

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	107,186	129,576	151,936	179,241
YoY growth (%)	20.4	20.9	17.3	18.0
Net profit (RMB mn)	1,858	3,968	4,971	6,493
EPS (RMB)	0.82	1.76	2.21	2.88
YoY growth (%)	(19.6)	113.6	25.3	30.6
Consensus EPS (RMB)	N/A	1.73	2.28	2.93
P/E (x)	34.2	16.0	12.8	9.8
P/B (x)	3.0	2.6	2.3	1.9
Yield (%)	0.6	0.3	0.8	1.0
ROE (%)	7.2	13.4	14.6	16.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** HK$46.96 (60% upside)

Analyst: Alex Ng/ Claudia Liu

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

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

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

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

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

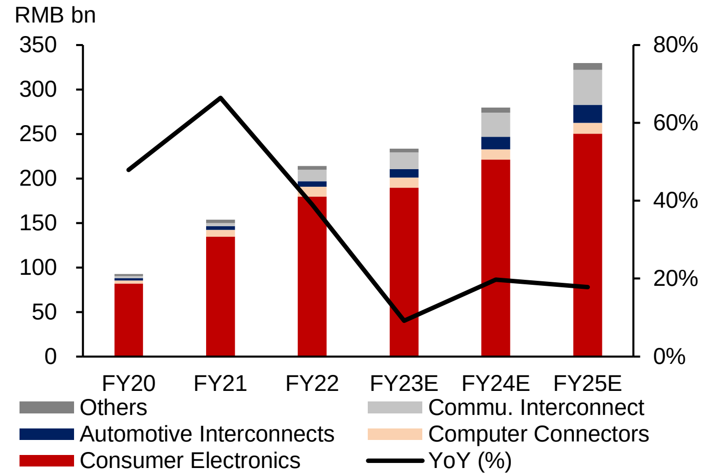
Link to latest report: Luxshare (002475 CH) – Acquisition of Pegatron's Kunshan plant to further boost iPhone assembly share gain

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	214,028	233,706	279,882	329,714
YoY growth (%)	39.0	9.2	19.8	17.8
Net profit (RMB mn)	9,163	10,990	13,899	17,283
EPS (RMB)	1.29	1.55	1.96	2.43
YoY growth (%)	28.6	19.9	26.5	24.3
Consensus EPS (RMB)	N/A	1.55	1.98	2.43
P/E (x)	22.3	18.6	14.7	11.8
P/B (x)	3.5	2.0	1.8	1.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	15.6	10.9	12.2	13.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Luxshare's revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB109.30 (-2% downside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment Thesis:** Innolight posted strong 3Q23 results with revenue/NP growth at 14.9%/89.5% YoY and 39.7%/88.4% QoQ, respectively. The robust growth was mainly contributed by the heightened industry-wide demand for the Company's 400G/800G optical transceivers. Additionally, the Company's gross margin showed consistent improvement across the first three quarters of 2023, climbing from 29.5%/31.1% in 1Q/2Q to 33.5% in 3Q. The Company is well-positioned to deliver a full year of promising growth, with backlog orders for its high performance optical transceivers stretching into early-2024 as AI tech developments continue to accelerate.
- **Our View:** We consider Innolight to be a major beneficiary of the ongoing surge in AI tech. The company stands out as one of the few domestic suppliers capable of meeting the increasing demand. The current stock price is becoming appealing due to several factors: 1) transceivers are essential in AI data centers, and there is a robust global demand for AI infrastructure that is expected to continue into 2024; 2) the recent US restrictions are anticipated to have minimal effects on the Company's revenue in the short-to-medium term.
- **Catalysts:** 1) faster-than-expected ramp-up of 800G optical transceivers, and 2) slower-than-expected decline of non-AI revenue.
- **Valuation:** Our TP is RMB109.30, corresponding to 35x 2025E P/E.

Links to latest reports:

[Innolight (300308 CH)– Expect higher contribution from AI revenue in 3Q; Upgrade to Buy]

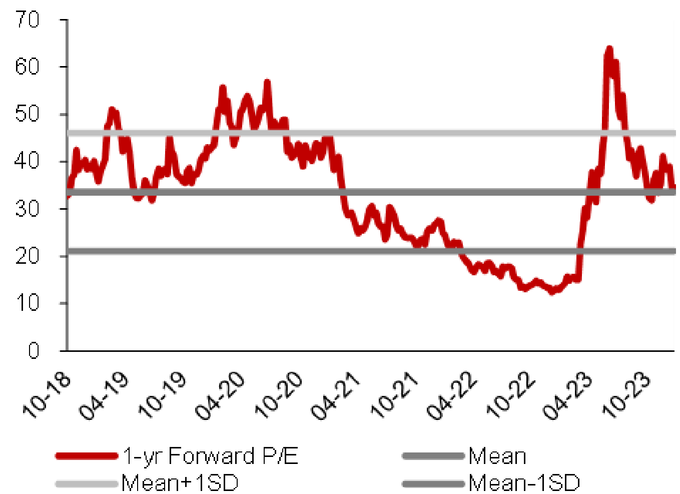
[Innolight (300308 CH) – Strong 3Q results on accelerating AI revenue]

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	9,642	11,386	14,819	15,690
YoY growth (%)	25.3	18.1	30.2	5.9
Gross margin (%)	29.3	31.3	31.8	31.7
Net profit (RMB mn)	1,224	1,708	2,321	2,501
YoY growth (%)	39.6	39.5	35.9	7.7
EPS (RMB)	1.54	2.13	2.90	3.12
EPS (Consensus)	1.54	2.14	4.33	5.45
P/E (x)	61.1	44.1	32.5	30.1
ROE (%)	10.2	12.6	14.8	13.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Kingdee (268 HK): Resilient performance amid macro headwinds

Rating: BUY **| TP:** HK$15.10 (60% upside) Analyst: Saiyi He/Frank Tao/Wentao Lu

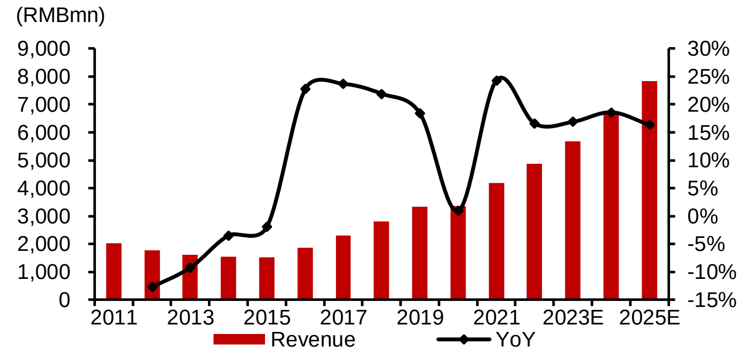
- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 17% revenue CAGR in FY22-25E reaching RMB7.8bn.
- **Our View:** Kingdee released preliminary financial results for 2023: management expects total revenue of RMB5.65bn-5.70bn for 2023, representing 16.2%-17.2% YoY growth (2022: 16.6%), slightly shy of Bloomberg consensus at RMB5.8bn which we attributable to macro headwinds, while the expectation for loss attributable to owns of Kingdee of RMB170mn-250mn was better than consensus at RMB259mn, in our view demonstrated on track loss reduction aided by efficient cost control. Although we expect demand recovery will take time amid current macro backdrop, digitalization and domestic substitution remains a vital long-term trend, and Kingdee is well positioned to benefit from the trend, in our view.
- **Why do we differ vs consensus:** Huawei's self-developed ERP (MetaERP) could be negative to the China ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the formers are more large-enterprises/ SOEs focused. Also, Huawei has to consider the potential implications to its Cloud business as Kingdee/ Yonyou/ Inspur may scale down their cloud resources usage with Huawei Cloud given direct competition in ERP.
- **Catalysts:** Winning large SOEs Xinchuang bidding. Supportive policies related to "Xinchuang" implementation.
- **Valuation:** Our TP is HK$15.1, based on 7.5x 2023E EV/Sales, in line with one-year mean.
- **Link to latest report:** Kingdee (268 HK) – Resilient performance amid macro headwinds

Financials and Valuations

(YE 31 Dec)	FY22	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,866	5,688	6,747	7,849
YoY growth (%)	16.6	16.9	18.6	16.3
Net profit (RMB mn)	(389.2)	(200.9)	(15.3)	180.9
EPS (RMB cents)	(11.21)	(5.78)	(0.44)	5.21
EV/sales (x)	6.3	5.4	4.5	3.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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