

MARKET NEWS

Tesla's delivery volume last year was lower than expected amid China is rumoured to have optimized its stock buyback, stockholding, and refinancing policy

Yesterday (2 January), the HSI fell 436 points to settle at 19,623 points. The HSCEI fell 199 points and closed at 7,090 points. The market turnover amounted to HK\$164.784bn with 456 gainers and 1,232 losers.

The China and Hong Kong stock markets fell significantly on the first trading day in 2025, with the Hong Kong stock market dropping below the 20,000-point mark on Thursday. The HSI opened with a downside gap of more than 100 points, following the decline of the A-share market and falling 516 points to a low of 19,542 points and closed above 19,600 points. On the Mainland's A-share market, the Shanghai Composite Index fell more than 2.6%. However, Mainland capital bought on dips as the southbound trading of the Hong Kong Stock Connect recorded net inflows of more than HK\$6.5 billion. With spot gold prices seeing the largest annual increase in 14 years in 2024, gold mining stocks bucked the market trend. Shandong Gold (1787) rose 7% and Zhaojin Mining (1818) 4.2%. Chinese financial stocks generally fell. China Construction Bank (939) declined 3.6%, whilst Industrial and Commercial Bank of China (1398) fell 4%. China Life Insurance (2628) and Ping An Insurance (2318) also dropped 4%. CITIC Securities (6030) and China Merchants Securities (6099) tumbled more than 7%.

Overnight, the three major U.S. stock indexes started the new year under pressure and Nasdaq down slightly 0.16%. Semiconductor stocks performed well, with Nvidia (NVDA) rising 3% and TSMC (TSM) rising 2%. Tesla (TSLA) delivered approximately 1.7892 million electric vehicles last year, lower than market expectations, and its stock price fell 6%. Apple (AAPL) shares fell 2.6% after reports that it offered discounts for the Chinese market and paid a \$95 million settlement to end a class action lawsuit involving Siri eavesdropping. The U.S. Department of Labor announced that 211,000 people filed for unemployment benefits for the first time last week, lower than market expectations. The U.S. dollar index reached a high of 109.55, a new high in more than two years; the 10-year bond yield fell as low as 4.51%.

The ADR Hong Kong Stock Ratio Index closed at 19,577 points, 46 points lower than the Hang Seng Index's closing on Thursday. The Nasdaq Golden Dragon China Index, which reflects the performance of large Chinese concept stocks, fell 1.5%. The official media Securities Times reported that the financial management department plans to adjust and optimize the policies related to the implementation of stock buybacks, holdings and re-loans, lowering the threshold of self-owned funds to 10% and extending the loan period. Alibaba (9988) repurchased a total of 119 million ordinary shares for US\$1.3 billion in the last quarter. There is still a US\$20.7 billion repurchase quota under the share repurchase plan, which is valid until March 2027. Cathay Pacific (293) recently recorded more than 100,000 passengers in a single day, setting a new high since the reconstruction; the number of flights has also reached 100% of the pre-epidemic level starting this month. Xpeng (9868) delivered a total of 36,700 smart electric vehicles in December last year, a yoy increase of 82% and a mom increase of 19%.

WHAT'S IN THE PACK

Alpha Picks: January Conviction Calls

A Strong Rebound For Non-manufacturing PMI

The HSI and MSCI China index rose 3.3% mom and 2.5% mom respectively in December, bringing full-year gains to 17.7% and 15.7%. Investors were encouraged by the reaffirmation of policy support in 2025 from December Economic Work Conference. Looking ahead, we expect a pick-up in market volatility as the US may impose higher tariffs on Chinese goods as early as end-January. We are adding CATL, JD Logistics, Miniso and Plover Bay to our BUY list, and Weimob to our SELL list.

Shandong Gold (1787 HK)

Trading buy range: HK\$13.22-HK\$13.40

Last price: HK\$13.44

Target price: HK\$14.00/HK\$14.36

Protective stop: Breaks below HK\$12.40

Hisense Home Appliances (921 HK)

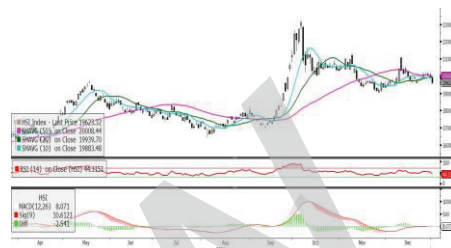
Trading buy range: HK\$25.25-HK\$25.85

Last price: HK\$25.05

Target price: HK\$26.75/HK\$28.95

Protective stop: Breaks below HK\$23.40

PRICE CHART (HSI)



KEY INDICES

	Price Close	Chg (%)	YTD (%)
HSI Index	19,623	-2.2	-2.2
HI1 index	19,620	-0.1	-2.4
HSCEI index	7,091	-2.7	-2.7
SHCOMP index	3,263	-2.7	-2.7
DJI index	42,392	-0.4	-0.4
SPX index	5,869	-0.2	-0.2
NKY index	39,895	-1.0	0.0
DAX index	20,025	0.6	0.6
CAC index	7,394	0.2	0.2

Source: Bloomberg

TOP VOLUME

Stock	Price (HK\$)	Chg (%)	Value (\$m)
TRACKER FUND-B	19.78	-2.4%	14574.2
HS CH ENT IN-HKD	72.36	-2.6%	9509.1
TENCENT	416.00	-0.2%	8663.9
XIAOMI CORP-W	34.00	-1.5%	6214.9
SMIC	29.00	-8.8%	5204.4

TOP GAINERS

Stock	Price (HK\$)	Chg (%)	Value (\$m)
WANDA HOTEL DEV	0.29	28%	0.5
CHK OIL LTD	0.73	35%	14.2
CH FIN LEASING	0.18	38%	0.0
CHINA HEALTHWISE	0.19	23%	0.82
CENTURY GINWA RE	0.08	25%	0.02

TOP LOSERS

Stock	Price (HK\$)	Chg (%)	Value (\$m)
XIKANG CLOUD HOS	0.95	-24%	0.3
YUK WING GROUP H	0.11	-27%	0.1
CARRY WEALTH	0.24	-25%	0.1
KIN PANG HOLDING	0.07	-85%	2.3
CHINA TANGSHANG	0.15	-29%	0.3

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STRATEGY – GREATER CHINA
Alpha Picks: January Conviction Calls

The HSI and MSCI China index rose 3.3% mom and 2.5% mom respectively in December, bringing full-year gains to 17.7% and 15.7%. Investors were encouraged by the reaffirmation of policy support in 2025 from December Economic Work Conference. Looking ahead, we expect a pick-up in market volatility as the US may impose higher tariffs on Chinese goods as early as end-January. We are adding CATL, JD Logistics, Miniso and Plover Bay to our BUY list, and Weimob to our SELL list.

WHAT'S NEW

- **Review of December.** The HSI and MSCI China Index saw increases of 3.3% mom and 2.5% mom respectively, bringing full-year gains to 17.7% and 15.7%. Investors were encouraged by the reaffirmation of policy support in 2025 from December Economic Work Conference. **For the full year, our Alpha Picks** on a market cap-weighted basis outperformed the HSI by 4ppt. Within our stock picks, the best performer of the month was Geely (175 HK), which achieved a return of 6.9% over this period.
- **Expecting a pick-up in market volatility.** Looking ahead, US President-elect Donald Trump will be inaugurated on 20 January, which could see increased market volatility. It remains uncertain if Trump would impose additional tariffs on Chinese goods immediately or impose the full 60%. We propose adding names less affected by the tariffs – CATL (300750 CH), JD Logistics (2618 HK), Miniso (MNSO US), and Plover Bay (1523 HK) – to our BUY list. We also have a SELL on Weimob (2013 HK), while cutting losses from Meituan (3690 HK).

ACTION

- Add **CATL (300750 CH)** to our **BUY** list, because of its growth of monthly EV battery shipment and strong 4Q24 results.
- Add **JD Logistics (2618 HK)** to our **BUY** list, supported by: a) steady 4Q24 financial performance, and b) further business growth in 2025 driven by the collaboration with Alibaba.
- Add **Miniso (MNSO US)** to our **BUY** list, catalysed by accelerated revenue growth and better profitability in overseas markets, as well as its enhanced operating efficiency of Yonghui.
- Add **Plover Bay (1523 HK)** to our **BUY** list, due to further collaborations with Starlink and higher-than-expected dividend payout.
- Add **Weimob (2013 HK)** to our **SELL** list, with its strong expansion of WeChat Mini-programme and Weimall and growth in e-commerce live streaming.
- Cut losses from **Meituan (3690 HK)**.
- **Maintain BUY** on Crystal (2232 HK), CSCEC (601668 CH), Desay (002920 CH), Geely (175 HK), Hansoh Pharma (3692 HK), Mengniu (2319 HK), Sands China (1928 HK), Tencent (700 HK) and Trip.com (9961 HK).
- **Maintain SELL** on Sinopharm (1099 HK).

KEY RECOMMENDATIONS

Company	Rec	Share Price (1cy)	Target Price (1cy)	Upside/ (Downside) to TP (%)
CATL	BUY	258.78	350.00	35.3
Crystal	BUY	4.39	5.12	16.6
CSCEC	BUY	5.82	6.61	13.6
Desay	BUY	105.68	190.00	79.8
Geely	BUY	14.08	23.00	63.4
Hansoh Pharma	BUY	16.68	29.00	73.9
JD Logistics	BUY	12.68	22	73.5
Mengniu	BUY	16.72	23.50	40.6
Miniso	BUY	23.89	29.30	22.6
Plover Bay	BUY	4.45	6.10	37.1
Sands China	BUY	20.20	28.60	41.6
Tencent	BUY	416	570	37.0
Trip.com	BUY	520	640	23.1
Sinopharm	SELL	20.85	18.00	-13.7
Weimob	SELL	3.31	1.5	-54.7

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Dec 24 (%)	To-Date* (%)
Crystal	BUY	3.3	12.0
CSCEC	BUY	0.3	-0.3
Desay	BUY	-11.8	-11.8
Geely	BUY	6.9	21.7
Hansoh Pharma	BUY	-10.5	-4.7
Meituan	BUY	-10.1	-10.1
Mengniu	BUY	3.4	3.4
Sands China	BUY	5.3	5.4
Tencent	BUY	4.8	4.8
Trip.com	BUY	6.2	6.2
Sinopharm	SELL	4.9	10.1
Hang Seng Index		3.3	

*Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

PORTFOLIO RETURN

(%)	1Q24	2Q24	3Q24	4Q24	2024
HSI return	-3.0	7.1	19.3	-5.1	17.7
Alpha Picks Return					
- Price-weighted	-2.1	1.7	12.4	0.1	12.2
- Market cap-weighted	1.8	2.4	18.2	-0.7	21.7
- Equal-weighted	0.2	0.8	8.5	1.9	11.4

Assumptions for the 3 methodologies:

- 1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- 2) Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
- 3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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VALUATION OF ANALYSTS' ALPHA PICKS

Company	Ticker	Rec	Price	Target	Last	PE			Yield	ROE	Market	Price/
			2 Jan 25	Price	Year	2024F	2025F	2026F	2024F	2024F	Cap.	NTA ps
			(lcy)	(lcy)	End	(x)	(x)	(x)	(%)	(%)	(lcy m)	(x)
BUY												
CATL	300750 CH	BUY	258.78	350.00	Dec 23	23.8	19.3	15.9	2.1	21.5	1,138,384	6.8
Crystal	2232 HK	BUY	4.39	5.12	Dec-23	7.9	7.0	6.2	7.7	13.6	12,524	0.8
CSCEC	601668 CH	BUY	5.82	6.61	Dec-23	4.8	4.3	3.9	4.3	11.2	242,172	0.4
Desay	002920 CH	BUY	105.68	190.00	Dec 23	29.5	22.2	16.7	1.0	22.8	555,274	6.7
Geely	175 HK	BUY	14.08	23.00	Dec 23	14.4	12.4	10.2	2.4	10.4	141,602	2.0
Hansoh Pharma	3692 HK	BUY	16.68	29.00	Dec-23	22.7	20.3	17.8	1.5	15.0	99,007	3.1
JD Logistics	2618 HK	BUY	12.68	22.00	Dec-23	10.5	10.5	9.7	0.0	13.1	84,035	1.5
Mengniu	2319 HK	BUY	16.72	23.50	Dec-23	14.0	11.3	9.8	2.8	10.3	65,527	1.4
Miniso	MNSO US	BUY	23.89	29.30	Dec-23	19.2	15.0	12.1	4.5	28.1	7,465	3.5
Plover Bay	1523 HK	BUY	4.45	6.10	Dec-23	16.5	13.5	11.3	6.5	69.1	4,899	10.9
Sands China	1928 HK	BUY	20.20	28.60	Dec-23	20.6	14.5	11.5	0.0	201.6	163,486	20.7
Tencent	700 HK	BUY	416.00	570.00	Dec-23	17.8	15.7	13.9	1.3	17.6	3,828,340	3.2
Trip.com	9961 HK	BUY	520.00	640.00	Dec-23	18.7	21.4	19.3	0.0	13.1	334,926	2.1
SELL												
Sinopharm	1099 HK	SELL	20.85	18.00	Dec-23	7.8	7.4	7.0	3.9	10.2	65,066	0.9
Weimob	2013 HK	SELL	3.31	1.50	Dec-23	n.a.	n.a.	63.3	0	-31.7	11,048	4

Source: Bloomberg, UOB Kay Hian

CATL – BUY (Ken Lee/Bella Lu)

- CATL's earnings will be driven by the 20% CAGR in global EV sales volume from 2023 to 2030, the launches of brand-new battery products and decline in lithium carbonate prices. The stock is trading at 19x 2025F PE, lower than its three-year historical mean one-year forward PE of 27x.
- Maintain BUY and raise target price from Rmb250.00 to Rmb350.00, as we lower WACC from 14% to 11% in our 10-year DCF (WACC: 12%/terminal growth: 4%) given a lower market discount rate. Our new target price of Rmb350.00 implies 26x 2025F PE, roughly on a par with its three-year historical mean one-year forward PE of 27x.

SHARE PRICE CATALYST

- Event: Growth of monthly EV battery shipment, strong 4Q24 results.
- Timeline: 1Q25.

Crystal International – BUY (Kate/Gigi)

- Management targets record-high revenue in 2024 (vs US\$2,491m in 2022) and remains confident in its growth potential in 2025 despite a high base in 2024 as it sees solid order growth momentum into 2Q-3Q25 across five product categories. We forecast 2024-26 revenue to grow 13.3%/11.0%/10.4% to US\$2,466m/US\$2,736m/US\$3,020m respectively and 2024-26 net profit to grow 23.9%/13.9%/12.6% to US\$203m/US\$231m/US\$260m respectively on improved operating efficiency and stringent cost controls. We believe it is well on track for wallet share gains from key customers, driven by continued vertical integration into fabric supply, strong R&D capabilities and enhanced automation. Its inclusion in Stock Connect during the next review in Feb 25 could be a key near-term catalyst.
- Maintain BUY with target price of HK\$5.12 based on 9.2x 2024F PE.

SHARE PRICE CATALYST

- Event: a) Stronger orderbook growth for 2025, b) inclusion in Stock Connect in Mar 25, and c) special dividends for 2024.
- Timeline: 1Q25.

CSCEC – BUY (Jieqi Liu/Damon Shen)

- The issuance of local government special bonds in 2024 was nearly completed by Nov 24, but growth in infrastructure fixed asset investment still slightly decelerated to 4.2% yoy in 11M24, from 4.3% yoy in 10M24. We think fund utilisation efficiency remains a key issue. On 25 December, the State Council published a guideline, which will decentralise special bonds funded project review authority to provincial levels, reducing the need for mandatory approvals from NDRC and MoF. This pilot programme includes several major provinces and cities, and is expected to enhance the efficiency of special bond fund usage. We expect accelerated infrastructure investment growth in Jan 25. For property development, COLI reported flat contract sales yoy in 2024, while property sales from its five major construction bureaus decreased by 11.9% yoy, which are still expected to outperform the market. We reiterate our view that China Construction will continue benefitting from supportive fiscal and real estate policies. We maintain BUY with target price of Rmb6.61, derived from an SOTP valuation model.

SHARE PRICE CATALYST

- Event: Stronger-than-expected fiscal and property policies in coming NPC & CPPCC meetings.
- Timeline: 1Q25.

Desay SV – BUY (Ken Lee/Bella Lu)

- Desay SV's earnings will be driven by the rapid intelligentisation of vehicles in China's automobile industry, given its strong product pipelines, eg the third- and fourth-generation smart cockpit domain controllers, IPU03/IPU04 ADAS domain controllers and cross-domain integrated solutions, and expanding customer base, eg BYD, Geely, GWM, GAC, Li Auto, XPeng. Maintain BUY with a target price of Rmb190.00 is based on 40x 2025F PE (on a par with historical mean one-year forward PE).

SHARE PRICE CATALYST

- Event: Signing of new contracts with OEMs, upbeat 4Q24 results.
- Timeline: 1Q25.

Hansoh Pharma – BUY (Carol Dou/Sunny Chen)

- Hansoh Pharma achieved contract renewal for four innovative products, ie Ameile, Hansoh Xinfu, Xinyue and Fulaimei, in 2024's updated National Reimbursement Drug List (NRDL). It indicated that its Ameile experienced insignificant NRDL price cut, and will continue its growth momentum of over 20% yoy in 2024. It targets sales revenue of Rmb6b by 2026 for Ameile and Rmb1.5b in five years for its potential blockbuster Saint Luolai. Meanwhile, it has more than 30 innovative products under >50 clinical trials, and continues to see significant progress in R&D programmes. We expect the enriched innovative drug portfolio will contribute to double-digit revenue growth for the company in 2024-26, with innovative drugs to see revenue contribution increasing to around 80% in 2025.
- It also recently out-licensed the global rights of its HS-10535 (oral small molecule GLP-1 receptor agonist) to MSD, which will bring an upfront payment of US\$112m, up to US\$1.9b milestone payments, and potential product sales in the overseas market. Moreover, the company saw three drugs included in the 10th round of national drug group purchasing organisation (GPO) tender, and won the bids for one drug. Yet it already put minimal resources into the generic drugs business, and saw its innovative drugs contributing around 72% of total revenue in 1H24 and expanding 33% yoy (excluding the collaboration revenue). We believe the company will continue to see limited impact from this round of GPO tender. Maintain BUY and target price of HK\$29.00 based on SOTP valuation, comprising: a) HK\$13.14/share at 15x 2025F PE for existing drugs, and b) NAV-derived pipeline value of HK\$15.86/share (12.3% WACC, 3.5% perpetual growth rate).

SHARE PRICE CATALYST

- Event: a) Strong revenue and earnings growth for 2024, b) continued efforts in R&D and new drug/indication approvals, c) productive business development programmes.
- Timeline: 1H25.

JD Logistics – BUY (Roy Chen)

- **Expecting to close 2024 with strong earnings.** We expect JDL to turn in satisfactory financial performance in the seasonally strong 4Q24 (due to the 11.11 sales promotion period), driven by healthy business volume growth (partly helped by initial positive impacts from the Alibaba collaboration) and sustained cost efficiencies. We forecast JDL to achieve core net profit of Rmb2.39b in 4Q24 (4Q23: Rmb1.53b), leading to 2024 full-year core net profit of Rmb7.42b (2023: Rmb1.99b).
- **Top pick for China logistics sector.** We like JDL for its: a) market leadership in the China integrated supply chain service and premium e-commerce logistics segments, making it a key beneficiary of China's pivot towards domestic consumption-driven economic growth, b) earnings growth outlook driven by potential business volume expansion thanks to its new collaboration with Alibaba, and c) very compelling valuation. It is trading at 10.5x 2025 core PE (4.4x only if excluding net cash). Maintain BUY with DCF-based target price of HK\$22.00.

SHARE PRICE CATALYST

- Event: a) Steady 4Q24 financial performance, and b) further business growth in 2025 driven by the collaboration with Alibaba.
- Timeline: 1Q-4Q25.

China Mengniu Dairy – BUY (Shirley Wang/Stella Guo)

- Among our coverage, Mengniu will benefit the most from the recovery of liquid milk sales thanks to its largest exposure to the liquid milk segment. Instead of pursuing purely revenue growth, the company prioritises enhancing operational efficiency, aiming to improve its operating margin by 30-50bp in 2H24. With a robust cash position, management intends to increase the dividend payout ratio to 50% within the next two years. Maintain BUY. Our DCF-based target price for Mengniu is HK\$23.50, implying 17.8x 2024F PE and 14.3x 2025F PE.

SHARE PRICE CATALYST

- Event: a) Raw milk supply and demand dynamics will reach a balance in mid-25, and b) better channel inventories status.
- Timeline: 1Q25.

Miniso – BUY (Stella Guo/Shirley Wang)

- Miniso's management is optimistic about the company's business operation in 2025, expecting both revenue and net profit growth to accelerate compared with 2024, mainly because the overseas directly operated markets have been scaling up, and thus the company is able to better control the costs and is more capable of achieving same-store sales growth. In addition, we expect Yonghui's operating efficiency to improve after the completion of transaction in 1H25. Maintain BUY. Our DCF-based target price for Miniso is US\$29.30, implying 23.5x 2024F PE and 18.3x 2025F PE.

SHARE PRICE CATALYST

- Event: a) Accelerated revenue growth and better profitability in overseas markets, and b) enhanced operating efficiency of Yonghui.
- Timeline: 1Q25.

Plover Bay Technologies – BUY (Kate/Gigi)

- Plover Bay's growth momentum continued into 2H24 with 10M24 net profit exceeding full-year 2023 net profit of US\$28.1m by more than 10% to no less than US\$30.9m, driven by increase in sales volume of routers, contribution from new connectivity products and improving net margin. Management is confident about achieving a 25% yoy revenue growth in 2024 despite a relatively high base in 2H23 and is positive on achieving a higher gross margin in 2H24 (vs 55.4% in 1H24), backed by stable raw material costs and a favourable product mix. We remain positive on Plover Bay's growth potential and forecast net profit to grow 35%/22%/19% in 2024-26 respectively, thanks to: a) continuous demand from various verticals, in particular maritime and public safety, b) stringent cost controls, and c) strong operating leverage. We see the 20% share price pullback since Nov 24 as a good window to accumulate shares. The company is now trading at 13.5x/11.3x PE in 2025-26, around its historical mean of 12.6x in 2018-24.

SHARE PRICE CATALYST

- Event: a) Further collaborations with Starlink, b) higher-than-expected dividend payout.
- Timeline: 2025.

Sands China – BUY (Stella Guo/Shirley Wang)

- We expect Sands China's GGR recovery to accelerate from 1Q25, as property renovations will be partially completed with a ramp-up of upgraded room inventory in Jan 25. Additionally, the company plans to resume dividend payout in 2025. Maintain BUY. Our target price for Sands China is HK\$28.60, based on 12.0x 2025F EV/EBITDA. Our target price implies 29.1x 2024F PE and 20.5x 2025F PE.

SHARE PRICE CATALYST

- Event: Accelerated GGR recovery momentum.
- Timeline: 1Q25.

Tencent (700 HK) – BUY (Julia Pan/Ming San Soong)

- We remain optimistic on Tencent in view of the rebound in domestic games grossing thanks to the rejuvenation of evergreen games and incremental contribution from its newly-launched game, DnF mobile. Tencent's deferred revenue ramped up 24% yoy to Rmb106.6b in 3Q24, implying a promising 1H25 momentum. In 3Q24, Tencent released Delta Force, its multi-platform first-person shooter game which achieved high average user daily time spent and retention rates, demonstrating evergreen potential. The monetisation of Delta Force has been particularly strong, outperforming some other large-scale player versus player games at launch. This would significantly contribute incremental grossing to Tencent in 2025.
- In the long term, the potential launch of Honor of Kings (HoK) World and HoK Breaking Dawn in 2025 is expected to be a key catalyst, with total monthly revenue projected to reach Rmb1.5b-2.5b. The strong pipeline in 2025 is also led by titles including Monster Hunter Outlanders Mobile. Healthy marketing services growth prospects stem from the upgraded Weixin ad ecosystem, mini programmes and Mini Shops. Despite the current subdued macro backdrop, Tencent is poised for further market share gains anchored by: a) video account (ad load increase), which boosted ad revenue by 60% yoy in 3Q24, with room for further ad load growth towards the double digits from the current low single digits; b) Weixin Search ad revenue (eCPM increase) which will unlock tangible benefits from adtech upgrade via AI deployment; c) mini programme ads with growing gross merchandise value (GMV) scale built on the enhanced transaction capabilities of Weixin. We maintain BUY with a target price of HK\$570.00, which implies 22x 2025F PE. Tencent is currently trading at 15.8x 2025F PE, below its historical mean of 26x.

SHARE PRICE CATALYST

- Event: a) Improving online advertising from Wechat video account, b) game licence approval, and c) collaboration with various internet platform operators on Tencent's WeChat ecosystem.
- Timeline: 1H25.

Trip.com (9961 HK) – BUY (Julia Pan/Ming San Soong)

- We anticipate strong international and outbound travel demand will fuel TCOM's 2025 momentum in view of revitalising travel enthusiasm during Spring Festival 2025. On 31 December, TCOM released the 2025 Spring Festival Travel Market Forecast Report, showing that consumer enthusiasm for travel this year has reached unprecedented levels. The orders for inbound tourists during the 2025 Spring Festival soared by 203% yoy. The primary source markets include South Korea, Malaysia, Singapore, Japan, the US, Australia, Thailand, the UK, Russia, and Vietnam. TCOM guided 4Q24 revenue to grow 17-22% yoy to Rmb12.1b-12.6b, mainly boosted by international tourism amid low seasonality for domestic tourism.
- Gross margin is expected to remain flattish yoy at 80.5% amid weak seasonality in 4Q24. Non-GAAP operating margin is guided to drop 5ppt yoy to 21% in 4Q24, with sales & marketing (S&M) ratio estimated to grow 5ppt yoy to 27%. Meanwhile, TCOM expects overall outbound revenue to recover to 120% of 2019 levels in 4Q24, outpacing the industry by 30-40%. International tourism revenue is guided to grow 30% yoy in 4Q24, with growth in booking outpacing revenue growth. This is primarily driven by Trip.com's revenue which is projected to surge by 50-60% yoy (11% of total revenue), and Skyscanner which is estimated to grow at high single-digit yoy.
- In 2025, domestic tourism revenue is expected to grow at mid-single-digit yoy. In contrast, outbound and international travel may see accelerated growth to 10% yoy and exceed the industry's average as reported by Civil Aviation Administration of China (CAAC). For instance, the growth in hotel bookings is expected to outpace the industry by 10%, while TCOM's revenue growth for transportation will lie closer to the industry average. TCOM anticipates outbound tourism to achieve 2-3x growth, outpacing the industry level. In 2025, TCOM also reckons operating margin will remain stable yoy at 30%, in view of continuous investment in Trip.com. We maintain BUY with an SOTP-based target price of HK\$640.00, implying 26.4x 2025F PE, in line with global peers.

SHARE PRICE CATALYST

- Event: Continuous penetration of OTA platforms into domestic offline and lower-tier cities travel market, implementation of travel bubbles and capacity expansion of outbound flights.
- Timeline: 1H25.

Sinopharm – SELL (Carol Dou/Sunny Chen)

- Sinopharm reported weaker-than-expected 9M24 results with revenue and net profit declining by 0.8% and 13.4% yoy, respectively. We believe the lower interest rate environment will help Sinopharm reduce financial costs. However, the policy uncertainties and weak economic conditions may continue to cloud its revenue and earnings growth visibility in 2024-26. Policy changes have negatively impacted the revenue growth and profit margin of the industry. Group purchasing organisation (GPO) and volume-based procurement (VBP) programmes have expanded coverage and lowered prices for drugs and medical devices. The anti-corruption campaign slowed hospital purchases. Diagnosis Related Groups (DRG)/Diagnosis-Intervention Packet (DIP) programmes are also reshaping the interests of all players in the value chain of the healthcare industry.
- With a vast distribution and business network in various fields of the industry, we remain conservative on the short-term growth prospects for distributors of drugs and medical devices like Sinopharm. We expect the company to record revenue growth of 0.6% and net profit decline of 13.0% yoy in 2024, and expect its revenue and net earnings to grow at a 5.1% and 5.4% CAGR in 2024-26, respectively. Maintain SELL and target price of HK\$18.00, based on 6.6x 2025F PE, or 1x PEG.

SHARE PRICE CATALYST

- Event: a) 9M24 results miss and weak growth visibility in 2024-26, b) policy uncertainties remain a key challenge for earnings growth.
- Timeline: 1H25.

Weimob – SELL (Julia Pan/Ming San Soong)

- We saw Weimob's lacklustre growth momentum from subscription solutions in 1H24. Weimob's subscription solutions (SS) segment saw revenue decline 24% hoh and 31% yoy to Rmb487m in 1H24 due to a drop in the number of paying merchants. In 1H24, the number of paying merchants fell 31% yoy to 68,725. ARPU inched up 1% yoy to Rmb7,083 due to Weimob's strategy of downsizing SS revenue contribution from low-ARPU and low-margin customers. Lately, Tencent announced that Weixin started beta-testing the new "gifting" function on Weixin Mini Shops since Dec 19. We believe that Weimob will benefit directly as a third-party merchant service provider for Weixin by offering merchants a suite of e-commerce tools through its Weimall (微商城) product. This comprehensive platform includes an online store builder, marketing and CRM tools, data analytics to enhance customer traffic and loyalty, as well as robust technical and multi-functional service support. We estimate Weimall's current annual revenue run rate exceeds Rmb300m, with over 30,000 merchant customers and an ARPPU of less than Rmb10,000.
- We maintain SELL with a higher target price of HK\$1.50, based on 2x P/S, as we foresee ongoing growth challenges in Weimob's subscription solutions revenue and merchant solutions take rates. In addition, we remain cautious about the WeChat gift function due to its SKU limitations. We recommend awaiting further details on the development of Mini Shops and their potential revenue contributions, expected to be disclosed at the Weixin Open Class in Jan 25. We assign 2x PS for the SaaS business and 6x EV/EBITA for the MS and digital media segments. The company currently trades at 2.6x 2025F EV sales, 2SD below its historical mean.

SHARE PRICE CATALYST

- Event: Strong expansion of WeChat mini-programme and Weimall, b) growth in e-commerce live streaming.
- Timeline: 1H25.

TRADERS' CORNER



Source: Bloomberg

Shandong Gold (1787 HK)

Trading buy range: HK\$13.22-HK\$13.40

Last price: HK\$13.44

Target price: HK\$14.00/HK\$14.36

Protective stop: Breaks below HK\$12.40

Stock Highlights:

The group's 3Q24 revenue soared 52.8% yoy to Rmb21.23b while net profit attributable to company's shareholders jumped 46.6% yoy to Rmb680m.

Technical View:

Yesterday, the stock refilled the upside gap formed in March last year, and also rose above its 10- and 20-day moving averages. The 14-day RSI is at the midline of 50, indicating that momentum is gradually stabilising. The KDJ issued a buy signal yesterday. If the fast line of the MACD significantly breaks through the slow line, it will be confirmed that the share price trend has strengthened. In addition, as the SAR issued a trend reversal signal, investors may consider gradually buying near the current price.

Average timeframe: Around two weeks.



Source: Bloomberg

Hisense Home Appliances (921 HK)

Trading buy range: HK\$25.25-HK\$25.85

Last price: HK\$25.05

Target price: HK\$26.75/HK\$28.95

Protective stop: Breaks below HK\$23.40

Stock Highlights:

The group's 9M24 revenue grew 8.8% yoy to Rmb70.58b while net profit attributable to shareholders increased 15.1% yoy to Rmb2.79b. The current dividend yield is 4.3%.

Technical View:

The stock was above a number of its major moving averages yesterday. The 14-day RSI remains above the midline of 50, indicating that momentum continues to strengthen. The fast line of the MACD has broken through the slow line, while both fast and slow lines are in the bullish zone above 0, sending out a positive double bullish signal. However, the stock is currently facing relatively strong resistance. Investors may wait for further confirmation of an uptrend before considering buying.

Average timeframe: Around two weeks.

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FOCUS NEWS

Market News

Yesterday (2 January), buy trades of Shanghai Connect Southbound amounted HK\$27.87 billion, sell trades amounted HK\$21.25 billion, representing a net inflow of HK\$6.63 billion. Buy trades of Shenzhen Connect Southbound amounted HK\$14.32 billion, sell trades amounted HK\$14.44 billion, representing a net outflow of HK\$0.11 billion. This resulted in a total net inflow of HK\$6.51 billion for southbound.

PBOC News

The People's Bank of China yesterday (2 January) conducted reverse repurchase operations amounting to Rmb24.8 billion, with Rmb298.6 billion reverse repurchase agreements maturing on the same day. This resulted in a net contraction of RMB273.8 billion.

Industry News

The Caixin China Manufacturing Purchasing Managers' Index (PMI) was in the expansion zone for the third 3 consecutive month. In December 2024, the Caixin China Manufacturing PMI was 50.5, down 1 percentage point from November, missing market expectations of 51.7.

Latest statistics released by the Ministry of Industry and Information Technology showed China's output of major products in the first eleven months 2024, with production volume of mobile phone handsets increasing 8.9% yoy to 1.504 billion units. The production volume of smartphones was 1.117 billion units, representing an increase of 9.3% yoy. During the period, the production volume of microcomputer equipment increased 2.1% yoy to 306 million units, whilst the production volume of integrated circuits improved 23.1% yoy to 395.3 billion units. The data also showed that, during the period, the total revenue and profit of the Mainland's software business increased 10.7% and 9.2% yoy to RMB12.29 trillion and RMB1.48 trillion, respectively.

According to the recent amendments to the "Regulations on the Administration of Mutual Recognition of Funds in Hong Kong" issued by the China Securities Regulatory Commission, as well as the adaptive amendments to Article 10 of the "Operational Guidelines for Funds Management in Cross-Border Issuance and Sale of Mainland and Hong Kong Securities Investment Funds" by the People's Bank of China and the State Administration of Foreign Exchange, the new regulations on the Mutual Recognition of Funds scheme between the Mainland and Hong Kong revised by the China Securities Regulatory Commission have been formally implemented today (2 January). After the implementation of the new rules, the maximum scale of fund sales of compliant Mainland China fund products and Hong Kong fund products in each other's market has been relaxed to 80% from the previous 50%.

Stock News

According to statistics released by the Mainland travel platform Trip.com (9961), during the Spring Festival 2025, the number of travel orders to China from foreign tourists will grow 203% over the same period in 2024. The main sources of tourists include South Korea, Malaysia, Singapore, Japan, the United States, Australia, Thailand, the United Kingdom, Russia and Vietnam.

Innovent Biologics (1801) announced that the group and Roche entered into a collaboration and exclusive licence agreement, pursuant to which the group has granted Roche exclusive global rights to develop, manufacture and commercialise IBI3009, a novel DLL3-targeted antibody drug conjugate ("ADC") candidate. Under the agreement, the group and Roche will jointly focus on the early-stage development of this ADC candidate, after which Roche will take over full clinical development. The group will receive an upfront payment of US\$80 million and is eligible to receive milestone payments of up to US\$1 billion comprising development and commercial milestones, along with tiered royalties on global annual net sales of up to a mid-teens percentage.

ECONOMIC CALENDAR

	Period	Survey	Prior
3 January (Fri)			
US	ISM Manufacturing	Dec	48.2 48.4

Source: Bloomberg (HK Time), UOB Kay Hian

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