

Morning Express

4 March 2024

Focus of the Day

NetEase Inc

Short-term increase in S&M shall moderate considering strengthened competitiveness

CP: US\$ 107.92

TP: US\$ 135.00

Brandy Sun

mengqi.sun@bocomgroup.com

NTES US

Rating: **Buy**

Upside: +25.1%

4Q missed, mainly due to lower than expected game revenue and increased S&M, due to the increased investment of "Eggy Party" in response to competition before the launch of competitor.

Mobile game revenue in 4Q23 increased by 29% YoY, which may be lower than expected due to seasonal fluctuations and differences in revenue amortization period. The gap between "Eggy Party" and its competitors proves that S&M investment brings considerable returns. As a large DAU game, the expansion of user base is beneficial for monetization.

New pipeline: "She Diao" is scheduled for March 28th, "Naraka : Bladepoint Mobile" is around 2Q24, and "Where Winds Meet" may be launched later this year.

We fine tune our revenue and profit forecast and maintain TP of US\$135/HK\$206, corresponding to 18x P/E for gaming in 2024, maintain **Buy**.

Cloud Music

Cost optimization better than expected; remain positive on profit expansion

CP: HK\$ 90.45

TP: HK\$ 104.00↑

Li Zhao, CFA

zhao.li@bocomgroup.com

9899 HK

Rating: **Buy**

Upside: +15.0%

Bottom line beat. Cloud Music's 2H23 revenue came in line at RMB3.96bn, down 16% YoY. Adjusted net profit was RMB490m, beating our estimate and consensus on improved gross margin and higher-than-expected interest income.

Highlights: (1) Subscription revenue grew 23% YoY in 2H23, on 19% YoY growth in subscribers, and increase of monthly ARPPU. (2) Brand/performance-based ads grew with contribution from new clients, and incentive video-based ads started to contribute incremental revenue from 2H23.

Outlook: In 2024E, we expect subscriber to maintain the growth momentum, with a net add of 5.7m, while social entertainment still sees uncertainty. We expect gross margin to be 29%, benefiting from scale effect and copyright cost optimization of online music business, but partially offset by revenue mix change.

Global Stock Indices

	Close	1D%	YTD%
HSI	16,589	0.54	-1.48
HSCEI	5,729	0.90	-0.69
SH A	3,173	0.39	1.73
SH B	263	0.70	13.64
SZ A	1,805	1.08	-6.13
SZ B	1,076	-0.06	-0.44
DJIA	39,087	0.23	3.71
S&P 500	5,137	0.80	7.70
Nasdaq	16,275	1.14	8.42
FTSE	7,683	0.69	-0.66
CAC	7,934	0.08	5.18
DAX	17,735	0.32	5.87

Source: FactSet

Key Commodity/Forex Indicators

	Close	3M%	YTD%
Brent	81.95	3.92	6.32
Gold	2,086.90	0.77	1.19
Silver	22.72	-9.70	-4.50
Copper	8,394.00	-0.73	-0.97
JPY	150.13	-1.64	-6.09
GBP	1.27	0.16	-0.74
EUR	1.08	0.00	-1.91

bps change		3M	6M
HIBOR	4.58	0.00	3.03
US 10yr yield	4.18	-0.85	-0.02

Source: FactSet

HSI Technical

HSI	16,589.44
50D MA	16,000.14
200D MA	17,055.41
14D RSI	57.06
Short sell (HK\$m)	20,133

Source: FactSet

Valuation: We raise our 2024E adjusted net profit projection to RMB960m, and raise our TP to RMB104 based on an average 21x 2024E P/E of comparable music and copyright companies. Considering potential paywall operation and 88VIP conversion, we remain bullish on subscription growth, and expect cost optimization to drive profit expansion. Maintain **Buy**.

iQIYI Inc <u>ARM continues sequential improvement; expect AIGC and more original content to enhance cost efficiency</u>		IQ US Rating: Buy
CP: US\$ 3.67	TP: US\$ 5.60	Upside: +52.6%
Li Zhao, CFA		zhao.li@bocomgroup.com

4Q23 bottom line slightly beat. iQIYI's 4Q23 revenue came in line at RMB7.7bn, up 1% YoY/down 4% QoQ. Adjusted operating profit was RMB930m, slightly beating our estimates/Bloomberg consensus by 3%/6%.

Membership business: Membership revenue in 4Q23 grew slightly YoY, in line with our expectation, and ARM improved 13% YoY/3% QoQ, being the fifth consecutive quarter of QoQ growth. We expect membership revenue to grow 5% in 2024E, with subscriber number to resume QoQ growth from 2Q24E, and ARM to maintain the upward trend.

Online advertising: Advertising revenue grew 6% YoY in 4Q23. In 2024E, we expect brand ads to continue to seek growth opportunities by expanding to more industries and with content-targeted ads, while growth of performance-based ads will moderate on high base.

Outlook and valuation: In view of faster-than-expected cost optimization, we raise our 2024E adjusted operating profit estimate by 6% to RMB4.7bn, but maintain our TP of US\$5.6, implying 11x 2024E P/E, on lowered sector valuation. We believe more offerings of premium content will increase hit rate, while AIGC and higher proportion of original content will improve cost efficiency and profit expansion. We still like iQIYI's leading in-house production ability and cost control. Maintain **Buy**.

Youdao <u>Profit beat on improving business health; High school to maintain rapid growth in 2024</u>		DAO US Rating: Buy
CP: US\$ 4.36	TP: US\$ 5.30	Upside: +21.6%
Brandy Sun		mengqi.sun@bocomgroup.com

In 4Q23, revenue met expectations, with learning services/smart devices/online marketing revenue changed by -3%/-45%/+97% YoY. Adjusted net profit reached RMB69m, doubled YoY and beat expectation. The company has significantly improved its profitability by adjusting its business health.

The growth of learning service revenue is mainly driven by high schools, which grew by 30%+. STEAM was weaker, in line with previous expectations.

It is expected that the total revenue in 1Q24 to increase by 16% YoY, and the adjusted net loss will significantly narrow YoY. In 2024, the company's strategic focus will be on developing high school and online marketing. We expect high schools to benefit from stronger demand and more concentrated high-quality supply in 2024, with a 25-30% increase in revenue and continuous improvement in profitability.

We fine tune the overall revenue and profit of the company, maintain TP at US\$5.3, on: 1) 15x 2024 P/E to the high school business; 2) 0.7x 2024E P/S for the hardware. We are optimistic about the growth outlook for high school, and the long-term opportunities for the implementation of LLM capabilities, maintain **Buy**.

Consumer Sector

Earnings Calendar for Consumer Names (as of 1 March 2024)

Edward Lui, CFA, CESGA edward.lui@bocomgroup.com

We have updated earnings calendar for major consumer names, please see the calendar for details.

Financials Sector

NYCB: Goodwill impairment and material weaknesses in internal control weighed on price, but risk should be contained

Li Wan, CFA, FRM wanli@bocomgroup.com

NYCB's share price fell more than 20% pre-market, related events included: recognition of a \$2.4 billion goodwill impairment, management's assessment of internal controls identified material weaknesses in the Company's internal loan review, and a change in management.

The company's previous 4Q23 results missed market expectation and has caused stock price plunge. At end of January of 2024, it announced its net attributable profit to be net loss of \$260mn, mainly due to significant increase in loan impairment charges.

Regarding goodwill impairment: The company has recognized \$2.426bn of goodwill in its balance sheet since 2009 (based on historical transactions in 2007 and before), and the recent goodwill impairment assessment confirmed goodwill

impairment of \$2.4 billion, which is cleared to zero, thus it reported a net loss of \$2.71bn in 4Q23 and a net loss of \$110mn for 2023.

We expect it won't cause systematic risk. With the rapid expansion of asset size and changes in loan portfolio in a short period of time, whether it can maintain steady growth in the future is still uncertain. The drop in share price of NYCB still reflects its own individual risk, rather than systematic risk. Its earnings miss once triggered the market's concern about U.S. commercial real estate at the end of January, and this time the goodwill impairment and disclosure of internal control weakness are more of its own problems, and we expect its risk event is not contagious, and will not trigger the market to adjust expectations over Fed's rate cuts.

PV Glass Sector

Supply growth continues to slow; 1H24 expected to be the long-term bottom of earnings

Bob Wen, CPA bob.wen@bocomgroup.com

With the continued decline in PV glass prices, the industry's production capacity under cold repair has reached 0.3m tons since 2024, and current production capacity has slightly dropped compared with end-2023. Supply growth continues to be slower than expected since Nov 2023.

Given PV module production surge in March, we expect glass prices to stabilize. As demand continues to grow in 2H24, price will rebound significantly from tough. Although oversupply will persist in the short term and continue to weigh on profitability, we expect 1H24 to be the long-term bottom of earnings.

Xinyi Solar (968 HK/Buy), whose gross margin in 2H23 greatly exceeded expectations and returned to being the industry's highest after a significant miss in 1H23 due to one-off factors, is our top pick in PV glass sub-sector.

Internet Sector Monthly

Internet Feb monthly: strong demand for education and OTA; local services rebound

Rating: **Outperform**

Connie Gu, CPA connie.gu@bocomgroup.com

China Internet sector rebounded in Feb, with CNY online consumption supporting solid growth of platform performance in 1Q24. KWEB recovered 9% YoY, with sectors: Education (+33%) > OTA/Life services (+27%) > entertainment (+11%) > game (+5%) > social (+3%) > e-commerce (+1%) > search & ad (-4%).

We maintain our view, optimistic about education driven by strong demand and supply concentration, tourism with demand side continuing to release

4 March 2024

Morning Express

and OTA platform per capita consumption rising, and entertainment online consumption driven by quality content.

We are optimistic about companies with solid results, clear industry competition landscape and strong visibility of innovative business growth/return. We prefer TAL>New Oriental>Gaotu. Trip has advantage on outbound travel and medium and high-end user consumption mindshare. NetEase marketing expenses elevated in the short-term, but expected to fall in the future, and 2024E game pipeline is bright. PDD will continue to obtain e-commerce market share and release profitability; TEMU GMV has upside potential with continuous optimization of profitability. Core business of Meituan is solid, the loss narrowing of community group buy business may alleviate market's consideration; we are optimistic on growth potential with current relatively low valuation.

4 March 2024

Morning Express

Economic data releases for this week – US

Date	Event	Survey	Prior
5 Mar	ISM non-manufacturing(Feb)	53.30	53.40
7 Mar	Initial jobless claims (k)		215.00

Source: Bloomberg

Economic data releases for this week – China

Date	Event	Survey	Prior

Source: Bloomberg

BOCOM Research latest reports

In-depth reports

11 Dec	BOCOM Int'l Research - A Wider Horizon in the Year Ahead	BOCOM Int'l Research team
6 Dec	Technology Sector - 2024 Outlook: Global tech investment strategy behind AI and semiconductor themes	Dawei Wang, PhD, CFA, Carrie Tong
6 Dec	Consumer Sector - 2024 Outlook: Self-help volume drivers key to winning as ASP likely muted	Edward Lui, CFA, CESGA, Kay Tan, FRM
6 Dec	Global Macro – 2024 Outlook: The Symphony of Change and Chance (No.2) – Chance	Carl Cai, CFA, Evan Li, Alan Qian
5 Dec	Mainland Property Sector - 2024 Outlook: Turning over a new leaf	Philip Tse, CFA, FRM
5 Dec	Hong Kong Property Sector - 2024 Outlook: Stay patient before dawn	Philip Tse, CFA, FRM
4 Dec	Internet Sector - 2024 Outlook: Innovation and profitability to drive valuation recovery	Connie Gu, CPA, Brandy Sun, Li Zhao, CFA, Hanna Cai
4 Dec	Securities Sector - 2024 Outlook: Earnings Recovery; Prefer Brokers of Balanced Income Mix	Li Wan, CFA, FRM
4 Dec	Insurance Sector - 2024 Outlook: Liability side still in transformation, asset side to improve	Li Wan, CFA, FRM
4 Dec	Automobile Sector - 2024 Outlook: Auto exports, autonomous driving applications in full swing	Angus Chan, Iris Li, CFA
4 Dec	Renewable Energy Sector - 2024 Outlook: Solar Sector Near End of Tunnel as Oversupply Largely Priced in	Wallace Cheng, Bob Wen, CPA
1 Dec	Healthcare Sector - 2024 Outlook: Bottoming Out	Ethan Ding, Joyce Li, PhD, CFA
30 Nov	Global Macro - 2024 Outlook: The Symphony of Change and Chance (No.1)-	Carl Cai, CFA, Evan Li, Alan Qian
24 Feb	Global Macro-Efforts on both supply and demand fronts – our take on the fourth meeting of the Central Financial and Economic Affairs Committee	Carl Cai, CFA, Evan Li
22 Feb	Global Macro- Hawkish on rate cut, dovish on balance sheet reduction – comments on Jan Fed minutes	Carl Cai, CFA, Evan Li
7 Feb	Macro Trading Series - Japanese equity series (1): Prefer value over growth	Carl Cai, CFA, Evan Li
3 Feb	Global Macro- NFP reacceleration puts another dent in rate cut hopes – comments on Jan US NFP	Carl Cai, CFA, Evan Li
1 Feb	Global Macro - Tightening Stance Turns Neutral, but No Rush to Cut Rates - Comments on the January FOMC meeting	Carl Cai, CFA, Evan Li
26 Jan	Global Macro - Still resilient – comments on 4Q23 US GDP	Carl Cai, CFA, Evan Li
18 Jan	China Macro - Target met, "double cut" still likely – Comments on China 4Q23 GDP and Dec economic data	Carl Cai, CFA, Evan Li
12 Jan	Global Macro- A Setback in the Fight Against Inflation- US Dec CPI Comments	Carl Cai, CFA, Evan Li
11 Jan	Consumer Sector - Home Appliance - China White Goods Still in a Boom; Who will be the champion in AC Space?	Edward Lui, CFA, CESGA
7 Jan	Global Macro - Strong NFP renders rate cuts more difficult- Comments on Dec 23 US NFP	Carl Cai, CFA, Evan Li

Daily reports

4 Mar	Youdao (DAO US) - Profit beat on improving business health; High school to maintain rapid growth in 2024	Brandy Sun, Connie Gu, CPA, Li Zhao, CFA, Hanna Cai
4 Mar	Financials Sector - Update on NYCB: Goodwill impairment and material weaknesses in internal control has caused pre-market price plunge	Li Wan, CFA, FRM
1 Mar	Cloud Music (9899 HK) - Cost optimization better than expected; remain positive on profit expansion	Li Zhao, CFA, Brandy Sun, Connie Gu, CPA, Hanna Cai
1 Mar	Internet Sector Monthly - Internet Feb monthly: strong demand for education and OTA; local services rebound	Connie Gu, CPA, Brandy Sun, Li Zhao, CFA, Hanna Cai
1 Mar	PV Glass Sector - Supply growth continues to slow, 1H24 expected to be the bottom of long-term earnings	Bob Wen, CPA, Wallace Cheng
1 Mar	Consumer Sector - Earnings Calendar for Renewables and Utilities Names (as of 1 March 2024)	Edward Lui, CFA, CESGA, Kay Tan, FRM
1 Mar	iQIYI Inc (IQ US) - ARM continues sequential improvement; expect AIGC and more original content to enhance cost efficiency	Li Zhao, CFA, Brandy Sun, Connie Gu, CPA, Hanna Cai
1 Mar	NetEase Inc (NTES US) - The short-term increase in S&M is expected to fall back considering strengthened competitiveness	Brandy Sun, Connie Gu, CPA, Hanna Cai, Li Zhao, CFA
29 Feb	Budweiser Brewing APAC (1876 HK) - 4Q23 fell short; premiumization proves more resilient than thought	Edward Lui, CFA, CESGA, Kay Tan, FRM
29 Feb	Xinyi Energy (3868 HK) - Results miss, risk of power curtailment and tariff is rising, maintain Neutral	Bob Wen, CPA, Wallace Cheng
29 Feb	Internet Sector - Earnings calendar for major Internet names (as of 29 Feb 2024)	Connie Gu, CPA, Brandy Sun, Li Zhao, CFA, Hanna Cai
29 Feb	Xinyi Solar (968 HK) - PV glass gross margin beats estimates, supply growth continues to slow down, maintain Buy	Bob Wen, CPA, Wallace Cheng
29 Feb	Baidu Inc (BIDU US) - 4Q23 results in line; commercialization of LLM continues to advance	Connie Gu, CPA, Brandy Sun, Li Zhao, CFA, Hanna Cai
29 Feb	SHK Properties (16 HK) - 1HFY24 results broadly stable; rentals rebound	Philip Tse, CFA, FRM
29 Feb	New World Development (17 HK) - Stable 1HFY24 results with maturing IP portfolio; maintain BUY	Philip Tse, CFA, FRM
28 Feb	Healthcare Sector Weekly - More surprises from GLP-1 clinical data; watch joint replacement centralized procurement results, company earnings	Ethan Ding, Joyce Li, PhD, CFA
28 Feb	Hong Kong Property Sector - Removal of demand-side management measures positive to property market	Philip Tse, CFA, FRM
28 Feb	NVIDIA Corporation (NVDA US) - Strong growth with high visibility; likely still underestimated by the market	Dawei Wang, PhD, CFA, Carrie Tong
28 Feb	Gaotu Techedu (GOTU US) - 4Q23 results beat; acquisition strategy sets long-term revenue growth trend	Connie Gu, CPA, Brandy Sun, Li Zhao, CFA, Hanna Cai
27 Feb	Li Auto Inc (2015 HK) - 4Q23 profit a strong beat, expect big QoQ sales vol growth in 2Q24; maintain Buy	Angus Chan, Iris Li, CFA
26 Feb	Renewable Energy Sector - Earnings Calendar for Renewables Names (as of 26 Feb 2024)	Wallace Cheng, Bob Wen, CPA

Source: BOCOM Int'l

4 March 2024

Morning Express

HSI constituents

Company name	Stock code	Current price (HK\$)	Mkt cap (HK\$ m)	5D chg (%)	YTD chg (%)	-----52-week-----		-----P/E-----			Yield 2023E (%)	P/B 2023E (x)
						High (HK\$)	Low (HK\$)	2022 (x)	2023E (x)	2024E (x)		
CKH	1 HK	39.50	151,287	-6.40	-5.62	54.45	38.15	4.13	6.37	5.49	6.73	0.26
CLP	2 HK	65.25	164,851	2.68	1.24	67.35	55.65	176.35	24.81	13.89	4.75	1.63
HK & CHINA GAS	3 HK	6.06	113,079	0.33	1.34	7.65	5.27	21.57	18.76	17.87	5.78	1.82
HSBC	5 HK	61.20	1,207,966	3.29	-2.86	66.30	50.45	10.54	6.86	6.46	7.80	0.89
POWER ASSETS	6 HK	47.10	100,375	0.21	4.09	48.00	36.20	17.77	17.12	16.37	5.99	1.16
HANG SENG	11 HK	88.95	170,058	-1.82	-2.31	128.90	79.25	17.97	9.92	9.40	7.31	1.09
HENDERSON	12 HK	22.40	108,447	2.05	-6.86	28.85	19.60	11.26	10.18	10.18	8.04	0.33
SHKP	16 HK	79.45	230,229	4.47	-5.92	110.60	71.15	8.02	9.64	10.05	6.23	0.38
NEW WORLD	17 HK	9.20	23,153	-5.54	-24.09	20.33	9.20	3.64	26.23	13.33	7.43	0.12
GALAXY ENT	27 HK	42.00	183,659	-3.34	-4.00	58.30	38.30	N/A	26.89	16.80	1.19	2.60
MTRC	66 HK	25.70	159,617	-2.47	-15.18	40.95	24.90	14.94	25.45	11.32	5.14	0.87
HLP	101 HK	8.48	38,154	-1.40	-22.06	15.88	8.11	9.12	9.22	8.84	9.20	0.29
GEELY	175 HK	8.64	86,948	4.35	0.58	11.26	7.34	15.56	16.21	11.03	2.14	1.02
ALI HEALTH	241 HK	3.46	55,654	-2.26	-18.40	6.38	2.81	57.34	45.01	31.81	0.00	2.71
CITIC LTD	267 HK	7.86	228,650	-4.15	0.77	10.58	6.60	3.18	N/A	N/A	N/A	N/A
WH GROUP	288 HK	4.75	60,943	-1.86	-5.75	5.11	3.92	5.68	8.67	6.81	4.18	0.77
CR BEER	291 HK	33.40	108,356	-4.02	-2.34	64.75	28.15	22.92	19.52	16.78	2.02	3.32
OOIL	316 HK	121.20	80,037	-3.04	11.19	153.20	91.90	1.14	6.53	25.17	7.90	0.90
TINGYI	322 HK	8.72	49,132	4.43	-8.40	14.38	7.15	N/A	N/A	N/A	N/A	N/A
SINOPEC	386 HK	4.33	105,412	-3.35	5.87	5.38	3.68	7.28	6.64	6.23	8.71	0.59
HKEX	388 HK	240.00	303,703	-5.21	-10.45	348.60	221.60	30.19	25.64	25.30	3.50	5.93
TECHTRONIC	669 HK	82.55	151,013	-3.39	-11.28	97.30	67.80	17.91	19.96	16.88	2.05	3.36
COLI	688 HK	11.44	125,210	-7.74	-16.86	21.60	10.74	4.94	5.00	4.93	5.98	0.31
TENCENT	700 HK	277.40	2,578,386	-4.61	-5.52	388.20	262.20	21.55	15.72	13.49	0.60	2.87
UNICOM	762 HK	5.82	178,081	3.01	18.78	6.42	4.52	9.73	8.77	7.87	6.18	0.47
LINK	823 HK	38.05	97,886	-1.17	-13.23	52.05	35.45	12.81	13.87	14.75	7.20	0.51
CR POWER	836 HK	17.08	82,162	-0.81	9.21	18.80	14.04	11.70	6.82	5.67	5.85	0.89
PETROCHINA	857 HK	6.11	128,914	-2.40	18.41	6.28	4.15	6.85	6.18	6.04	7.83	0.71
XINYI GLASS	868 HK	8.04	33,949	9.24	-8.22	16.28	6.18	6.39	6.22	6.06	7.84	0.94
ZHONGSHENG	881 HK	14.38	34,306	-1.78	-23.02	39.40	13.14	4.88	6.68	5.99	5.14	0.68
CNOOC	883 HK	16.16	720,361	-1.22	24.31	16.80	11.04	4.90	5.40	5.12	8.08	1.05
CCB	939 HK	4.88	1,246,585	-2.01	4.95	5.63	4.02	5.49	5.34	5.14	5.69	0.59
CHINA MOBILE	941 HK	65.50	1,342,056	-3.46	1.08	69.65	61.00	10.24	9.51	8.84	7.45	0.96
LONGFOR	960 HK	9.77	64,469	-9.03	-21.84	24.90	7.92	2.22	3.60	3.67	7.31	0.37
XINYI SOLAR	968 HK	4.91	43,715	20.64	7.68	9.47	3.46	11.43	10.44	8.46	4.58	1.37
SMIC	981 HK	17.04	101,779	13.75	-14.20	25.60	14.08	9.46	19.79	36.23	0.00	0.86
LENOVO	992 HK	9.09	112,759	6.32	-16.76	11.04	7.14	6.65	8.60	N/A	4.31	2.47
CK INFRA	1038 HK	46.00	109,873	-1.71	6.48	47.60	35.55	14.94	14.97	14.12	5.57	0.89
HENGAN	1044 HK	23.85	27,717	-4.79	-17.90	36.95	23.85	13.23	10.04	8.22	6.38	1.24
SHENHUA	1088 HK	30.55	103,182	-3.32	14.21	32.30	21.50	7.66	8.85	8.93	8.12	1.36
CSPC	1093 HK	6.10	72,277	-3.48	-15.98	8.76	5.29	10.97	10.79	9.78	2.97	1.94
SINOPHARM	1099 HK	22.60	30,325	1.35	10.51	28.25	17.78	8.68	7.23	N/A	4.23	0.87
CR LAND	1109 HK	23.85	170,073	-7.92	-14.82	39.45	20.50	5.79	5.67	5.32	6.51	0.60
CKA	1113 HK	35.65	126,510	-2.46	-9.06	50.15	34.55	5.96	7.62	7.44	6.40	0.32
SBP	1177 HK	3.11	57,222	-0.96	-10.37	4.62	2.66	20.93	19.06	16.05	1.59	1.72
CHINA RES MIXC	1209 HK	23.15	52,840	-3.34	-16.88	45.05	20.80	22.01	17.02	13.56	2.63	3.07
BYD	1211 HK	194.70	456,075	5.13	-9.19	275.60	171.70	31.35	17.20	13.38	1.13	3.75
AIA	1299 HK	62.55	705,678	-3.40	-8.08	86.65	59.10	338.54	18.09	13.71	2.60	2.04
CHINA HONGQIAO	1378 HK	6.24	59,127	-0.48	-2.35	8.82	5.28	6.13	5.77	5.40	11.26	0.60
ICBC	1398 HK	4.05	1,917,325	-2.17	6.02	4.67	3.36	3.84	3.80	3.69	8.27	0.39
HANG SENG INDEX		16,589.44	22,039,068	-0.82	-2.69	20,782.45	14,961.18	747.53	12.09	10.11	4.47	1.72

Source: FactSet

4 March 2024

Morning Express

HSCEI constituents

Company name	Stock code	Closing price (HK\$)	Mkt cap (HK\$ m)	5D chg (%)	YTD chg (%)	-----52-week-----		-----P/E-----			Yield 2023E (%)	P/B 2023E (x)
						High (HK\$)	Low (HK\$)	2022 (x)	2023E (x)	2024E (x)		
WHEELLOCK	20 HK	0.89	23,094	-4.30	-23.28	3.33	0.78	N/A	N/A	N/A	N/A	N/A
GEELY	175 HK	8.64	86,948	4.35	0.58	11.26	7.34	15.56	16.21	11.03	2.14	1.02
CITIC LTD	267 HK	7.86	228,650	-4.15	0.77	10.58	6.60	3.18	N/A	N/A	N/A	N/A
CR BEER	291 HK	33.40	108,356	-4.02	-2.34	64.75	28.15	22.92	19.52	16.78	2.02	3.32
SINOPEC	386 HK	4.33	105,412	-3.35	5.87	5.38	3.68	7.28	6.64	6.23	8.71	0.59
COLI	688 HK	11.44	125,210	-7.74	-16.86	21.60	10.74	4.94	5.00	4.93	5.98	0.31
TENCENT	700 HK	277.40	2,578,386	-4.61	-5.52	388.20	262.20	21.55	15.72	13.49	0.60	2.87
PETROCHINA	857 HK	6.11	128,914	-2.40	18.41	6.28	4.15	6.85	6.18	6.04	7.83	0.71
ZHONGSHENG	881 HK	14.38	34,306	-1.78	-23.02	39.40	13.14	4.88	6.68	5.99	5.14	0.68
CNOOC	883 HK	16.16	720,361	-1.22	24.31	16.80	11.04	4.90	5.40	5.12	8.08	1.05
CCB	939 HK	4.88	1,246,585	-2.01	4.95	5.63	4.02	5.49	5.34	5.14	5.69	0.59
CHINA MOBILE	941 HK	65.50	1,342,056	-3.46	1.08	69.65	61.00	10.24	9.51	8.84	7.45	0.96
LONGFOR	960 HK	9.77	64,469	-9.03	-21.84	24.90	7.92	2.22	3.60	3.67	7.31	0.37
XINYI SOLAR	968 HK	4.91	43,715	20.64	7.68	9.47	3.46	11.43	10.44	8.46	4.58	1.37
SMIC	981 HK	17.04	101,779	13.75	-14.20	25.60	14.08	9.46	19.79	36.23	0.00	0.86
LENOVO	992 HK	9.09	112,759	6.32	-16.76	11.04	7.14	6.65	8.60	N/A	4.31	2.47
KUAISHOU	1024 HK	44.65	160,747	-2.72	-15.68	69.15	39.10	N/A	32.25	14.24	0.00	3.74
SHENHUA	1088 HK	30.55	103,182	-3.32	14.21	32.30	21.50	7.66	8.85	8.93	8.12	1.36
CSPC	1093 HK	6.10	72,277	-3.48	-15.98	8.76	5.29	10.97	10.79	9.78	2.97	1.94
CR LAND	1109 HK	23.85	170,073	-7.92	-14.82	39.45	20.50	5.79	5.67	5.32	6.51	0.60
SBP	1177 HK	3.11	57,222	-0.96	-10.37	4.62	2.66	20.93	19.06	16.05	1.59	1.72
BYD	1211 HK	194.70	456,075	5.13	-9.19	275.60	171.70	31.35	17.20	13.38	1.13	3.75
ABC	1288 HK	3.23	1,571,419	-2.42	7.31	3.31	2.51	4.30	4.10	3.89	7.74	0.43
ICBC	1398 HK	4.05	1,917,325	-2.17	6.02	4.67	3.36	3.84	3.80	3.69	8.27	0.39
PSBC	1658 HK	4.16	435,924	-1.89	11.53	5.54	3.37	4.50	4.45	4.16	7.06	0.48
XIAOMI	1810 HK	13.32	272,523	0.76	-14.62	16.80	9.99	122.48	18.27	19.48	0.00	1.88
LI AUTO	2015 HK	179.20	576,419	28.83	21.82	184.30	83.75	29,226.70	27.35	19.91	0.00	5.49
ANTA	2020 HK	76.15	214,214	-4.03	0.53	116.80	64.15	25.37	20.01	16.95	2.23	4.20
SHENZHOU	2313 HK	64.10	96,356	-6.97	-20.27	89.45	61.95	19.39	19.58	16.06	2.84	2.71
PING AN	2318 HK	35.30	761,310	-5.61	-0.14	61.15	29.80	6.86	5.56	4.51	7.43	0.64
MENGNIU	2319 HK	19.66	77,191	-5.25	-6.38	35.60	16.32	13.47	13.49	11.59	3.32	1.63
LI NING	2331 HK	20.05	51,631	-4.07	-4.07	71.05	15.12	11.94	15.29	14.07	2.55	1.84
SUNNY OPTICAL	2382 HK	50.90	55,537	-0.49	-28.16	97.50	45.30	21.26	44.53	21.74	0.46	2.24
JD LOGISTICS	2618 HK	7.74	51,232	-1.15	-20.86	14.86	6.80	N/A	100.95	23.45	0.00	0.99
CHINA LIFE	2628 HK	9.64	750,013	-5.49	-4.74	15.70	8.33	7.78	11.36	5.79	5.19	0.55
ENN	2688 HK	64.00	72,226	-0.78	11.30	117.70	49.70	11.34	8.95	8.95	4.52	1.52
BOCOM	3328 HK	5.18	181,362	-0.96	6.37	5.59	4.26	4.18	4.07	4.03	7.98	0.39
MEITUAN	3690 HK	88.40	498,084	8.47	7.94	146.30	62.55	N/A	42.32	23.12	0.00	3.46
CMB	3968 HK	30.35	855,923	-4.56	11.58	44.30	24.50	5.31	4.96	4.71	6.63	0.76
BOC	3988 HK	3.08	1,284,477	-2.53	3.36	3.42	2.60	6.14	5.97	5.82	5.36	0.59
JD HEALTH	6618 HK	29.50	94,079	-3.75	-24.55	64.55	25.60	226.04	42.65	31.00	0.00	1.81
HAIER	6690 HK	24.30	236,871	0.41	10.20	28.60	20.55	13.46	12.67	11.09	3.08	2.02
HAIDILAO	6862 HK	14.30	79,708	-0.56	-1.65	23.70	12.20	N/A	N/A	N/A	N/A	N/A
JD.COM	9618 HK	90.55	246,789	-3.41	-19.51	187.30	82.50	9.07	7.78	7.33	0.00	1.08
NONGFU SPRING	9633 HK	42.90	215,906	-4.03	-4.98	46.30	38.50	51.90	40.25	34.30	2.23	16.17
XPENG	9868 HK	38.85	59,456	10.06	-31.48	86.75	30.40	N/A	N/A	N/A	0.00	1.81
BAIDU	9888 HK	101.20	223,814	-7.92	-12.83	155.10	95.60	12.07	9.21	9.52	0.00	1.04
TRIP.COM	9961 HK	355.20	234,468	-3.06	27.95	371.00	241.60	159.13	16.75	18.15	0.00	1.76
ALIBABA	9988 HK	73.05	1,399,404	-2.01	-3.37	100.40	65.45	9.62	8.47	8.32	1.34	1.25
NETEASE	9999 HK	172.80	540,168	1.95	22.90	183.20	122.00	21.93	15.83	15.09	2.30	4.11
HANG SENG CHINA ENT INDX		5,728.84	19,475,880	-0.63	-0.69	7,056.16	5,001.95	844.28	11.23	9.21	4.42	1.65

Source: FactSet

BOCOM International

10/F, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong

Main: (852) 3766 1899 Fax: (852) 2107 4662

Rating System

Analyst Stock Rating:

Buy: The stock's total return is expected to **exceed** that of the corresponding industry over the next 12 months.

Neutral: The stock's total return is expected to be **in line with** that of the corresponding industry over the next 12 months.

Sell: The stock's total return is expected to be **below** that of the corresponding industry over the next 12 months.

Not-Rated: The analyst **does not have conviction** regarding the outlook of the stock's total return relative to that of the corresponding industry over the next 12 months.

Analyst Industry Views:

Outperform: The analyst expects the industry coverage universe to be **attractive** relative to the relevant broad market benchmark over the next 12 months.

Market perform: The analyst expects the industry coverage universe to be **in line with** the relevant broad market benchmark over the next 12 months.

Underperform: The analyst expects the industry coverage universe to be **unattractive** relative to the relevant broad market benchmark over the next 12 months.

Broad market benchmark for Hong Kong is the **Hang Seng Composite Index**, for China A-shares is the **MSCI China A Index**, for US-listed Chinese companies is **S&P US Listed China 50 (USD) Index**.

Analyst certification

The authors of this report, hereby declare that: (i) all of the views expressed in this report accurately reflect their personal views about any and all of the subject securities or issuers; and (ii) no part of any of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report; (iii) no insider information/ non-public price-sensitive information in relation to the subject securities or issuers which may influence the recommendations were being received by the authors.

The authors of this report further confirm that (i) neither they nor their respective associates (as defined in the Code of Conduct issued by the Hong Kong Securities and Future Commission) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of the report; (ii) neither they nor their respective associates serve as an officer of any of the Hong Kong listed companies covered in this report; and (iii) neither they nor their respective associates have any financial interests in the stock(s) covered in this report except for one coverage analyst who is holding shares of Shimao Property Holdings Limited, and an analyst who is holding shares of Nvidia Corporation.

Disclosure of relevant business relationships and financial interests

BOCOM International Securities Limited and/or its affiliated companies, has investment banking relationship with Bank of Communications, Guolian Securities Co. Ltd., BOCOM International Holdings Company Limited, Sichuan Energy Investment Development Co., Ltd, Light Year Holdings Limited, Qingdao Holdings International Limited, Edding Group Company Limited, Qiniu Ltd., Chief Financial Group Limited, Huzhou Gas Co., Ltd., Leading Star (Asia) Holdings Limited, Xing Yuan Power Holdings Company Limited, Best Wellness Innovation Group Limited, Wuhan Youji Holdings Ltd., Loto Interactive Limited, Seacon Shipping Group Holdings Limited, Star Plus Legend Holdings Limited, Beijing Luzhu Biotechnology Co., Ltd, Zhongtian Construction (Hunan) Group Limited, Anhui Expressway Company Limited, Easy Smart Group Holdings Limited, Horizon Construction Development Limited, Shanghai XNG Holdings Limited, Sincere Watch (Hong Kong) Limited, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd, New Media Lab Limited, LC Logistics, Inc., TUHU Car Inc., Beijing Fourth Paradigm Technology Co., Ltd, Tian Tu Capital Co., Ltd, Maiyue Technology Limited, J&T Global Express Limited, Shanxi Installation Group Co., Ltd, Fujing Holdings Co., Limited, Central Power Group Limited, JIA Group Holdings Limited, Persistence Resources Group Limited, HighTide Therapeutics, Inc, Tianjin Construction Development Group Co., Ltd, Changjiu Holdings Limited and Lesi Group Limited within the preceding 12 months.

BOCOM International Securities Limited and/or its group of companies currently holds more than 1% of the equity securities of Orient Securities Company Limited, Everbright Securities Company Limited and Interra Acquisition Corp.

Disclaimer

By accepting this report (which includes any attachment hereto), the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

This report is strictly confidential and is for private circulation only to clients of BOCOM International Securities Ltd. This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of BOCOM International Securities Ltd.

BOCOM International Securities Ltd, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be interested in, any such securities. Further, BOCOM International Securities Ltd, its affiliates and its related companies may do and seek to do business with the company(ies) covered in this report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking, advisory, underwriting, financing or other services for or relating to such company(ies) as well as solicit such investment, advisory, financing or other services from any entity mentioned in this report. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

The information contained in this report is prepared from data and sources believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require and may be subject to late delivery, interruption and interception. BOCOM International Securities Ltd does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither BOCOM International Securities Ltd nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst BOCOM International Securities Ltd's clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

The views, recommendations, advice and opinions in this report may not necessarily reflect those of BOCOM International Securities Ltd or any of its affiliates, and are subject to change without notice. BOCOM International Securities Ltd has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation, rule or other registration or licensing requirement. The intended recipients of this report do not include investors who are physically located in Mainland China. The recipient hereof undertakes to inform BOCOM International Securities Ltd as soon as possible if the recipient knows that accepting or distribution of this report may constitute non-compliance of any law, regulation or rule of the domestic jurisdiction.

BOCOM International Securities Ltd is a subsidiary of Bank of Communications Co Ltd.