STRATEGY – GREATER CHINA

Alpha Picks: May Conviction Calls

The HSI and MSCI China index fell 4.3% mom and 5.2% mom respectively in April, driven by Trump's tariff announcements in early-April and fears of a potential global recession. Due to the ongoing external uncertainties, we will maintain our exposure to domestic policy beneficiaries and defensive sectors. New additions to our BUY list are Alibaba, Innovent, Shuanghuan, and Trip.com, and we take profit of CR Land and JBM Healthcare.

WHAT'S NEW

- **Review of a dampened April.** The HSI and MSCI China Index fell 4.3% mom and 5.3% mom respectively, driven by fears of a gloomy economic outlook amid weak overseas demand and potential recession risks from the US' tariffs. Within our stock picks, the best performance for April came from our BUY call on JBM Healthcare (2161 HK), which achieved a 24.6% return.
- **Focusing on policy beneficiaries and defensive sectors.** Given the uncertain outlook as well as the foreseeable weak overseas demand that affected April's PMI, we still prefer exposure to domestic demand policy beneficiaries and defensive sectors, such as communication services, healthcare, real estate, consumer staples and materials. Anticipating weaker trade data in May, we expect Beijing to introduce new stimulus measures to bolster economic confidence. New additions to our BUY list are Alibaba (9988 HK), Innovent (1801 HK), Shuanghuan Driveline (002472 CH) and Trip.com (9961 HK). We take profit on JBM Healthcare (2161 HK) and CR Land (1109 HK), while cutting losses on WuXi AppTec (2359 HK) and Minth (425 HK).

ACTION

- **Add Alibaba (9988 HK) to our BUY list,** for: a) its successful listing of business groups, b) continued improvement in profitability of its cloud business, and c) strong user growth.
- **Add Innovent (1801 HK) to our BUY list,** given: a) its strong 2025 results; b) its smooth R&D performance and continuous business development efforts; and c) new product launches that will be able to generate revenue streams.
- **Add Shuanghuan Driveline (002472 CH) to our BUY list,** due to the improvements in tariff terms and updates in humanoid robot development.
- **Add Trip.com (9961 HK) to our BUY list,** driven by the continuous penetration of OTA platforms into domestic offline and lower-tier cities travel market and capacity expansion of outbound flights.
- **Take profit** on JBM Healthcare (2161 HK) and CR Land (1109 HK).
- **Cut losses** on WuXi AppTec (2359 HK) and Minth (425 HK).
- **Maintain BUY** on CR Beer (291 HK), Desay SV (002920 CH), Han's Laser (002008 CH) and JD Logistics (2618 HK), SHKP (0016 HK) and Xiaomi Corp (1810 HK).

KEY RECOMMENDATIONS

Company	Rec	Share Price (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)
Alibaba	BUY	122	170.00	39.3
CR Beer	BUY	27.95	39.90	42.8
Desay SV	BUY	104.26	190.00	82.2
Han's Laser	BUY	23.10	32.20	39.4
Innovent	BUY	54.90	62.00	12.9
JD Logistics	BUY	12.18	22.00	80.6
SHKP	BUY	74.05	103.14	39.3
Shuanghuan Driveline	BUY	33.70	41.90	24.3
Trip.com	BUY	471.00	630.00	33.8
Xiaomi Corp	BUY	53.10	66.00	24.3

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Apr 25 (%)	To-Date* (%)
CR Beer	BUY	-2.5	-2.5
CR land	BUY	1.7	11.5
Desay SV	BUY	-7.7	-7.7
JBM Healthcare	BUY	24.6	24.6
JD Logistics	BUY	-2.5	-2.5
Han's Laser	BUY	-17.4	-9.9
Minth	BUY	-10.1	-10.1
SHKP	BUY	-0.3	1.2
WuXi AppTec	BUY	-13.1	-13.1
Xiaomi Corp	BUY	1.5	1.5
Hang Seng Index		-4.3	

***Share price change since stock was selected as alpha pick**
Source: UOB Kay Hian

PORTFOLIO RETURN

(%)	2Q24	3Q24	4Q24	2024	1Q25
HSI return	7.1	19.3	-5.1	17.7	15.3
Alpha Picks Return					
- Price-weighted	1.7	12.4	0.1	12.2	4.9
- Market cap-weighted	2.4	18.2	-0.7	21.7	8.8
- Equal-weighted	0.8	8.5	1.9	11.4	8.0

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 2 May 25 (lcy)	Target Price (lcy)	Last Year End	PE 2025F (x)	PE 2026F (x)	PE 2027F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (lcy m)	Price/ NTA ps (x)
BUY												
Alibaba	9988 HK	BUY	122	170.00	Mar-24	12.9	11.5	10.4	1.5	12	2,330,590	2
CR Beer	291 HK	BUY	27.95	39.90	Dec-24	15.00	13.30	11.50	3.50	17.00	90,675	2.40
Desay SV	002920 CH	BUY	104.26	190.00	Dec-24	21.7	16.5	12.7	1.4	24.8	57,997	5.4
Han's Laser	002008 CH	BUY	23.10	32.20	Dec-24	18.7	15.7	14.7	1.1	6.6	24,305	2.0
Innovent	1801 HK	BUY	54.90	62.00	Dec-24	101.3	74.2	56.3	0.0	2.0	90,485	4.2
JD Logistics	2618 HK	BUY	12.18	22.00	Dec-24	10.3	9.4	8.6	0.0	11.7	80,922	1.5
SHKP	0016 HK	BUY	74.05	103.14	Jun-24	9.4	8.5	7.6	5.1	3.8	214,581	0.3
Shuanghuan Driveline	002472 CH	BUY	33.70	41.90	Dec-24	22.0	18.0	16.2	0.7	14.6	28,743	1.8
Trip.com	9961 HK	BUY	471.00	630.00	Dec-24	17.1	15.0	13.1	0.0	12.9	307,847	1.9
Xiaomi Corp	1810 HK	BUY	53.10	66.00	Dec-24	31.0	25.4	22.0	0.0	17.6	1,324,760	5.3

Source: Bloomberg, UOB Kay Hian

Alibaba (9988 HK) – BUY (Julia Pan/Ming San Soong)

- **We remain optimistic** on Alibaba due to the limited impact from the recent incremental tariff implementations, in view of Alibaba's domestic-focused revenue exposure. Meanwhile, we remain optimistic on Alibaba's leadership on the back of its AI-focused strategy. On 29 April, Alibaba Cloud released its new flagship Qwen3 open-source models featuring six dense models and two mixture-of-expert (MoE) models that have set new benchmark performances with hybrid reasoning. The Qwen3 family consists of eight models, ranging from 600m parameters to 235b, with enhancements across all models. This includes its leading benchmarking results for its flagship model (Qwen3-235B-A22B) in coding, math, and more vs other top-tier models DeepSeek-R1, o1, etc.

- **Meanwhile**, it also further improved performance alongside lower inference cost, with the smaller MoE model (Qwen3-30B-A3B) offering higher performance with much less activated parameters. Alibaba lifted its AI-related capex guidance with annual spending of Rmb100b or US$14b per year for the next three years. We expect Alibaba Cloud to solidify its AI/cloud scale leadership and we forecast cloud revenue growth at a resilient 23-25% yoy in the next three years. We forecast Alibaba's revenue to grow at an accelerated 11% yoy, supported by CMR revenue growth projected at 9% yoy to reach Rmb47.2b in 4QFY25. This is also bolstered by cloud computing revenue, as we forecast a 20% yoy growth reaching Rmb30.7b in 4QFY25. Alibaba's net cash and long-term investment are 77% of total market cap. It is currently trading at an undemanding 12x FY26F PE against 15% FY26-29F EPS CAGR.

- **Maintain BUY with a target price of HK170.00** (US$170.00), which implies 17x 2025F PE.

SHARE PRICE CATALYST

- **Event**: a) Successful listing of business groups, b) continued improvement in profitability of its cloud business, and c) strong user growth.

- **Timeline**: 1H25.

China Resources Beer (291 HK) – BUY (Stella Guo/Shirley Wang/Ejann Hiew)

- **In 2M25**, CR Beer's beer sales volume and revenue both recorded single-digit growth, even on a high base, while profit grew much faster than revenue, leading to significant margin expansion. Heineken achieved double-digit growth, accelerating from the 20% growth in 2024. Management remains optimistic about its beer business operations in 2025. Given the ongoing recovery in consumption, especially in the restaurant channel, alongside a potentially better peak season this year, healthier inventory levels as well as innovative products and upgraded partnerships with new retails, management expects a single-digit sales volume growth in 2025, with profit expanding much faster than revenue.

- **Maintain BUY with a DCF-based target price of HK$39.90.** Our DCF-based target price is HK$39.90, implying 21.4x 2025F PE and 19.0x 2026F PE.

SHARE PRICE CATALYST

- Event: Better-than-expected sales performance.

- Timeline: 2Q25.

Desay SV – BUY (Ken Lee/Bella Lu)

- **Desay SV offers compelling growth prospects** driven by robust demand for smart cockpits and ADAS solutions. We expect the company's earnings to grow at 32% CAGR in 2025-27, driven by the ramp-up of new products, eg the third- and fourth-generation smart cockpit domain controllers, IPU03/IPU04 ADAS domain controllers and cross-domain integrated solutions, and global client wins (e.g., Toyota, Volkswagen). Key themes include China's EV intelligentisation trend and Desay's overseas expansion, with its Spanish smart factory set to commence production in 2026.

- **Maintain BUY with our target price of Rmb190.00** based on 40x 2025F PE (on a par with historic mean one-year forward PE).

SHARE PRICE CATALYST

- **Event**: Signing of new contracts with OEMs, upbeat 2Q25 results.
- **Timeline**: May-Aug 25

Han's Laser - BUY (Johnny Yum/Colin Lee)

- Han's Laser (Han's) as a key laser equipment supplier to the Apple supply chain is set to benefit from Apple's expansion in Southeast Asia, as Apple's current plans to mitigate US tariff impact is to accelerate its capacity expansion in India. On top of that, introduction of new designs – the iPhone 17 Slim and iPhone 18 flip phone in 2025-26 – is expected to bolster demand for laser tools as well. All in all, we now expect Han's Apple business to generate a healthy 20% yoy growth after two consecutive years of flattish performance.
- **Its other businesses should continue to register growth as well** - the PCB tools business will benefit from: a) the import substitution trend in China's PCB industry, and b) ongoing capacity expansion driven by rising AI demand. Additionally, the high-power laser tools segment will continue to ride the recovery of cyclical tools, while the pan-semi (ie LED and packaging) tools segment will start to recover from a low base with the recovery in 3C capex spend.
- **We maintain BUY** with a target price of Rmb32.20. Our target price is based on 26.1x 2025F PE, which is on par with the 5-year average historical forward mean.

SHARE PRICE CATALYST

- Event: Better recovery in orders momentum, improvements in tariff terms.
- Timeline: 2Q25.

Innovent – BUY (Carol Dou/Sunny Chen)

- Innovent's 2024 revenue surged by 51.8% yoy and adjusted earnings turned positive ahead of schedule, far exceeding market estimates. Its pharmaceutical product segment saw accelerated revenue growth of 43.6% in 2024 vs 38.4% yoy in 2023, and expanded by over 40% yoy to Rmb2.4b in 1Q25. Innovent added five new medicines in 2024, and currently has 15 products in its commercial portfolio. It expected to receive six more market approvals by 2025, and targets drug sales of Rmb20b in 2027, implying an over 30% CAGR in 2024-27. We believe the sales target is highly achievable as the company is likely to receive approval for its potential blockbuster Mazdutide (GCG/GLP-1 dual agonist for obesity and type two diabetes) from NMPA in 2025, which will start contributing to significant revenue growth in the next few years.
- Meanwhile, committed to developing pioneer pipeline assets for global market, it targets to possess five global registrational trial assets in 2030. It has also out-licensed its IBI3009 (DLL3-targeted antibody drug conjugate (ADC)) to Roche in Jan 25, which brings Innovent an upfront payment of US$80m and potential milestone payments plus tiered royalties on net sales. We believe Innovent's persistent efforts in globalisation will eventually bear fruit.
- Maintain BUY with a target price of HK$62.00, based on the DCF model with WACC of 11.0% and terminal growth rate of 4%.

SHARE PRICE CATALYST

- Event: a) Strong 2025 results; b) smooth R&D performance and continuous business development efforts; c) new product launches to generate revenue streams.
- Timeline: 1H25

JD Logistics – BUY (Roy Chen)

- **Expect steady core earnings growth in 2025-26.** We forecast JD Logistics (JDL) to sustain healthy core earnings growth at an 8.4% CAGR in 2025-27, driven by business volume growth underpinned by: a) deepening penetration to brands/merchants on Taobao/Tmall platforms, and b) its international expansion push catalysed by the favourable trend of Chinese enterprises expanding overseas. Management expects JDL's revenue growth to accelerate throughout 2025 and has guided for a low-teens yoy revenue growth for 2025, faster than 2024's 9.7% yoy growth. For 1Q25, both revenue and net profit are expected to grow by low teens.
- **Less exposed to global trade tensions.** With about 95% of its revenue is derived from the domestic market, JDL is largely insulated from the uncertainties related to the US-China trade tensions. Its market leaderships in the China integrated supply chain service and premium e-commerce logistics segments make it a key beneficiary from China's pivot towards a domestic consumption-driven economic growth. It benefits from the government's domestic consumption-stimulating initiatives such as trade-in programmes for 3C and household products.
- **Attractive valuation.** JDL currently trades at a very compelling valuation of 10.3x 2025F core PE (4.6x only if excluding net cash).
- **Maintain BUY** with a DCF-based target price of HK$22.00.

SHARE PRICE CATALYST

- Event: a) A yoy improvement in its 1Q25 financial performance; b) China's favourable policies to stimulate domestic consumption and c) medium-term business volume and earnings growth catalysed by the Alibaba collaboration.
- Timeline: 2025.

Sun Hung Kai Properties - BUY (Jieqi Liu/Damon Shen)

- **We see some positive developments in Hong Kong's residential property market**: a) according to the Housing Bureau, Hong Kong private housing supply in the primary market reached 105,000 units, decreasing 1.9% qoq and decreasing 6.3% yoy; b) the Rating and Valuation Department published that property prices dropped by 1.73% in 1Q25, while residential rental increased 0.42% during the period. 2Q-3Q will be a busy season for leasing activities, partly due to the enrolment of students, Thus we expect rental level to further rise; and c) the latest Fed funds futures imply a rate cut of 3.7ppt during the Dec 25 meeting, up from 3.1ppt as forecasted one month. All in all, with rising rental yield (which now stands at 3.5% and already exceeding the new mortgage rate), improved supply and demand dynamics and expectations of rate cuts, we believe that demand for Hong Kong residential properties is stabilising.
- **SHKP is our top pick for Hong Kong's property sector**. As the developer with the largest land bank in Hong Kong, SHKP is the best proxy to invest in the stabilisation of Hong Kong's property market. What's more, its Sai Sha mega integrated development, Sierra Sea received 109x oversubscription for the first batch of 329 units, reflecting the success of its pragmatic pricing strategy to promote sales. Encouraging sales results will be a positive catalyst.
- **Maintain BUY rating with a target price of HK$103**.14, derived from 40% discount to an estimated NAV of HK$171.91. SHKP is currently trading at FY25 dividend yield of 5.0%.

SHARE PRICE CATALYST

- Event: Stronger-than-expected primary transactions in Hong Kong's property market.
- Timeline: 2Q25.

Shuanghuan Driveline – BUY (Johnny Yum/Colin Lee)

- Zhejiang Shuanghuan Driveline (Shuanghuan), a leading precision gear manufacturer in China, delivered solid 1Q25 results driven primarily by its EV gear business. Core precision gears revenue grew 12.5% yoy during the quarter, with EV gear segment revenue notably up by 35%, and smart actuator business posting an 65-70% yoy surge from a lower base. Looking ahead, Shuanghuan is well-positioned to benefit from sustained growth in the EV market, ongoing overseas expansion, and product mix upgrades with the increased penetration of coaxial gearboxes.
- Additionally, the increasing adoption of plastic smart actuators in electric vehicles had already pushed Shuanghuan's gear content per vehicle to over Rmb1,000 for specific projects, (vs Rmb500-700 for pure metal gears). Coupled with an improvement in production efficiency, we expect the smart actuator business to be a key growth driver in the coming years on both top- and bottom lines. Overall, we expect Shuanghuan to be able to sustain double-digit growth in its core businesses over the medium term, driven by its EV gear and smart actuator businesses.
- **We maintain our BUY rating** with a target price of Rmb41.90, based on 27.3x 2025F PE, roughly equivalent to 1.0x 2025F PEG.

SHARE PRICE CATALYST

- Event: Improvements in tariff terms, updates in humanoid robot development.
- Timeline: 2Q25.

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

- We anticipate continuous vitality in cultural and tourism consumption based on 1Q25 travel data and Labour Day travel data projections. TCOM stands as a key beneficiary of sustained strong international and outbound travel momentum during Labour Day. According to TCOM, travellers' journey distances during Labour Day have notably lengthened compared with that during the Tomb Sweeping Festival, with over 80% of accommodation bookings for cross-city stays; the proportion of deep-travel users staying two nights or more is expected to reach 20%.
- TCOM reports that inbound travel bookings for Labour Day holiday is forecasted to surge 173% yoy, while searches for inbound hotels have surged by 200% yoy. For 1Q25, we forecast accommodation/transportation booking revenue to rise 23%/8% yoy and reach Rmb5.5b/Rmb5.4b respectively. Domestic hotel volume is projected to grow 15% yoy in 1Q25, while hotel ADR should decline by a low single digit, milder than the industry's mid-single-digit decline, implying hotel revenue growth of 10-15% yoy. Hotel take rate remains stable at 8-10% in 1Q25 and 2025 due to normalised commission rates.
- Total air ticketing revenue is projected to outpace the mid-single-digit volume growth, in line with the industry's level. Domestic air ticketing revenue is expected to remain relatively flat in 1Q25 despite a 10-15% yoy decline in domestic air ticketing ADR, given its tiered pricing structure. TCOM is confident in achieving mid-to-high teens yoy revenue growth in 2025, underpinned by single-digit yoy growth for its domestic business, over 20% growth for outbound travel, 50-60% growth on Trip.com's platform, as well as high single-digit yoy growth for Skyscanner.
- **We maintain BUY with a target price of HK$630.00, i**mplying 24.5x 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, and capacity expansion of outbound flights.
- Timeline: 1H25.

Xiaomi Corp - BUY (Johnny Yum)

- Apart from its smartphone business, Xiaomi is also seeing surging influence in the IoT-devices market (eg wearables, tablets, home appliances) and EV market, and this can give the company an unrivalled edge in the establishment of its AI ecosystem given the wide range of devices and services the company is covering. On top of that, we believe the company has limited exposure to geopolitical thanks to its minimal exposure to the US, and we see multiple catalyst events going forward such as the investor day in early-June, and the upcoming YU7 SUV launch in June-July. We believe the recent SU7 accident will have limited impact on the company's brand image in the mid-long term, and we expect its new orders to recover after the investigation is finalised, and after the YU7 new model launch.
- **Maintain BUY.** Our target price of HK$66.00 is based on SOTP valuation with the following components: a) HK$49.50 for the core business, which is based on 30.0x 2025F PE, 1SD above its five-year historical forward mean; and b) HK$16.50 for the EV business which is based on 10-year DCF valuation with a WACC of 9.6%. The valuation for the EV business also implies 4.7x 2025F P/S.

SHARE PRICE CATALYST

- Event: Investor day, YU7 launch event.
- Timeline: May-Jul 25

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