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Report Review of April 2025

Hong Kong | INVESTNOTES REPORTS REVIEW

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Automobile & Air (Zhang Jing)

Utilities, Commodity, Shipping & Banking (Margaret Li)

TMT, Semiconductors (Megan Tao)

TMT, Semiconductors, Consumer & Healthcare (Eric Li)

Automobile & Air (Zhang Jing)

This month I released an initiation report of Zoomlion (000157.CH) and an updated reports of Lesso (2128.HK).

Zoomlion is a leading enterprise in the comprehensive engineering machinery industry, both domestically and globally, and is a frontrunner in the crane sector. The company holds an industry-leading position in cranes, concrete machinery, and high machines, ranking third among global crane manufacturers and first among tower crane manufacturers.

The total revenue for 2024 was 45.478 billion (RMB, the same below), down 3.39% yoy. The net profit attributable to the parent company was RMB 3.52 billion, up 0.41% yoy, while the net profit after excluding non-recurring items was RMB 2.554 billion, down 2.7% yoy. If the company's share-based payment expense of RMB 866 million in 2024 (compared to RMB 279 million last year) is excluded, the net profit increased by 15.89%. Despite the decline in revenue, profitability remained stable, primarily due to the increase in gross profit margin (up 0.62 pts) and cost control (sales expense ratio down 0.71 pts). The gross profit margin rose to 28.17%, mainly driven by the decline in raw material prices and the increase in the proportion of high-margin overseas business.

In 2024, the company experienced a significant decline in crane machinery, while high machines and agricultural machinery saw rapid growth, leading to an increase in the proportion of emerging segments such as earthmoving, high machines, and agricultural machinery, which rose to 39.92%. Among these, agricultural machinery: the company ranked first in the dryer market share, second in wheat machinery, and saw new opportunities for growth in corn and rice machines. High-altitude machinery: the company has become a domestic leader, with significant technological advantages (the most complete range of domestic models).

Zoomlion's 2024 performance reflects a pattern of "pressure on traditional segments, rise of emerging sectors," with overseas expansion and product mix optimization supporting earnings resilience. We believe the company's emerging businesses and international markets will continue to grow

Utilities, Commodity, Shipping& Banking (Margaret Li)

This month I released 2 reports of Marubi Biotechnology & Yankuang Energy.

Marubi Biotechnology is a leading beauty company in China, renowned for its excellence in "eye care" and has the world's largest and most professional eye skin research center. The company's brands "Marubi", "Chunji" and "Passional Lover" mainly cover the fields of anti-aging, functional skin care and cosmetics.

In the first three quarters of 2024, the company's operating income was 1.95 billion yuan (RMB, the same below) with a year-on-year increase of 27.07%; the gross profit margin was 74.63% with a year-on-year increase of 3.79 percentage points; the net profit attributable to shareholders of listed company was 239 million yuan with a year-on-year increase of 37.38%; the net profit margin was 12.28% with a year-on-year increase of 0.92 percentage points, which caused by the further optimization of the company's product structure; the sales expense ratio was 54.85% with a year-on-year increase of 3.08 percentage points, mainly due to the increase in traffic costs of the Douyin platform and intensified industry competition; the gross sales margin was 19.78% with a year-on-year increase of 0.72 percentage points; the net cash flow generated by operating activities was 68 million yuan with a year-on-year increase of 0.84%; EPS was 0.6 yuan with a year-on-year increase of 39.53%.

The Chinese cosmetics market has huge growth potential, and young people's recognition of domestic products is constantly increasing. The company has achieved remarkable results since it started online transformation in 2020. The proportion of the company's online revenue has increased year by year. In the future, the company is expected to gain a larger market share online. The company continues to launch new products, strengthens its product matrix, and actively implements the hot-selling products strategy. In 2025, Marubi officially announced Yang Zi as its first global brand spokesperson and promoted the hit product "Collagen Little Golden Needle" cream. Yang Zi was a child star with representative works such as "Home with Kids" and "Ashes of Love". She has more than 60 million fans on Weibo and has a strong celebrity appeal, which will help enhance Marubi's brand awareness and increase the company's sales revenue of hit products. We forecast that the company's operating income will be RMB 2.90 billion, RMB 3.66 billion and RMB 4.44 billion in 2024-2026, with EPS of RMB 0.89/1.15/1.44, corresponding to a price-earnings ratio (P/E) of 41.7x/32.1x/25.7x. We give the company a P/E of 35 times in 2025, a target price of RMB 40.25, and give it a "accumulate" rating for the first time.

TMT, Semiconductors (Megan Tao)

In this month, I published two research reports on Trip.com Group (9961.HK) and JD.com (9618.HK).

In the fourth quarter of 2024, the company achieved total revenue of RMB 12.8 billion, reflecting a 23.4% YoY growth, though it declined sequentially due to seasonal factors. Non-GAAP net profit reached RMB 3.0 billion, up 13.6% YoY, with a net profit margin of 23.8%, down 2 percentage points YoY, mainly due to increased marketing expenses for international brands. Accommodation booking revenue rose 32.7% YoY to RMB 5.2 billion, driven by strong domestic and outbound hotel demand as the decline in ADR narrowed. Transportation ticket revenue increased 16.4% YoY to RMB 4.8 billion, while tourism and vacation revenue grew 23.6% YoY to RMB 900 million, fueled by higher holiday travel demand. Corporate travel management revenue climbed 10.7% YoY to RMB 700 million, supported by rising business travel needs. Total operating expenses reached RMB 7.8 billion, up 4.7% YoY, aligning with revenue fluctuations. Notably, R&D expenses rose 16.4% YoY due to personnel cost changes, and sales expenses surged 44.6% YoY, mainly due to increased overseas marketing investments by the company's international brand, Trip.com.

For valuation, we use global OTA peers such as Booking, Expedia, Airbnb, and Tongcheng Travel as comparables. However, given that Trip.com's international expansion is still in its growth phase, leading to near-term margin pressure, we apply a slightly lower PE of 19x compared to the 2025 industry average. Based on this, we revise our target price downward to HKD 584 and maintain a "Accumulate" rating.

In Q4 2024, the company's revenue rebounded to double-digit growth, rising 13.4% YoY to CNY 347 billion, driven mainly by strong product revenue growth. Product sales (1P) increased 14.0% YoY to CNY 281.0 billion, while service revenue (3P) grew 10.8% to CNY 66.0 billion. By segment, JD Retail revenue climbed 14.7% to CNY 307.1 billion, JD Logistics revenue rose 10.4% to CNY 52.1 billion, and New Business revenue declined 31.0% to CNY 4.7 billion. Operating profit surged 319.3% YoY to CNY 8.5 billion, with a 2.4% margin, while Non-GAAP net profit attributable to shareholders jumped 34.2% to CNY 11.3 billion.

For full-year 2024, total revenue reached CNY 1,158.8 billion (+6.8% YoY), operating profit grew 48.8% to CNY 38.7 billion (3.3% margin), and Non-GAAP net profit rose 35.9% to CNY 47.8 billion. The company enhanced shareholder returns, raising dividends to 1.5 billion and 3.6 billion in shares, achieving a record 7.6% total shareholder return ratio.

TMT, Semiconductors, Consumer & Healthcare (Eric Li)

This month I released report of Binhai Investment (02886.HK).

Binhai Investment (02886.HK) announced its financial results for the fiscal year ending December 2024, with overall performance impacted by prolonged weakness in the real estate sector, a mild winter in northern China, and RMB depreciation. Total revenue declined by 3% YoY to HK\$6.198 billion, net profit fell by 21% to HK\$209 million, and profit attributable to shareholders dropped by 22% to HK\$200 million. Basic earnings per share (EPS) stood at HK\$0.146, while dividend per share remained stable at HK\$0.076. The company plans to gradually increase dividends by no less than 10% annually over the next three years.

Company's revenue recorded a 3% YoY decline in FY2024, primarily due to the downturn in the real estate sector, which led to a sharp 35% drop in revenue from engineering construction and natural gas pipeline installation services to HK\$327 million. Meanwhile, pipeline natural gas sales remained largely stable at HK\$5.803 billion, down only 0.8%. The natural gas transmission business, however, demonstrated strong growth, with revenue rising by 32% YoY to HK\$68 million, driven by increased gas demand from power plant customers.

In terms of gross profit, the company reported a 24% YoY decline to HK\$569 million (FY2023: HK\$749 million), with the gross profit margin contracting from 11.7% to 9.2%. This was mainly due to a higher proportion of lower-margin pipeline gas sales and a decline in engineering service revenue, leading to an unfavorable business mix. However, the company successfully optimized its procurement strategy, reducing purchase costs and implementing price adjustments in the end market, contributing to a HK\$0.17 per cubic meter increase in urban gas gross margin in 2H24, rising from HK\$0.41 in 1H24 to HK\$0.58 in 2H24.

Looking ahead to 2025, the company targets a total gas sales volume of 2.7 billion cubic meters, representing a 9% YoY increase. Pipeline natural gas sales are expected to reach 1.9 billion cubic meters, growing 9% YoY, while gas transmission volume is projected to remain stable. Urban gas gross margin is anticipated to improve to HK\$0.52 per cubic meter. In terms of capital management, the company plans to further reduce financing costs by RMB 20 million while maintaining HK\$500 million in capital expenditures to support business expansion. Additionally, it aims to increase dividend payouts annually by no less than 10% from 2025 to 2027, with the dividend per share expected to rise to HK\$0.10 by 2027.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommendation Date	Target Price	Expected Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
20250424	000157 CH	Zoomlion	ZJ	Buy	7.45	9.00	20.81%	7.33	-1.61%	7.52	-2.53%
20250429	2128 HK	Lesso	ZJ	Accumulate	4.14	4.85	17.15%	4.13	-0.24%	3.49	18.34%
20250410	603983 CH	Marubi Biotechnology	ML	Accumulate	37.01	40.25	8.75%	47.40	28.07%	35.85	32.22%
20250428	1171 HK	YANKUANG ENERGY	ML	Accumulate	7.92	8.48	7.07%	8.11	2.40%	8.07	0.50%
20250401	9961.HK	Trip.com Group	MT	Accumulate	494.00	584.00	18.22%	468.00	-5.26%	494.20	-5.30%
20250416	9618.HK	JD.com	MT	Buy	143.10	200.30	39.97%	127.90	-10.62%	156.91	-18.49%
20250402	2886.HK	Binhai Investment	EL	Neutral	1.10	1.05	-4.5%	1.07	-2.73%	1.09	-1.83%

A stock is calculated by RMB yuan.

Source: Phillip Securities Research

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel (66-2) 6351700 / 22680999
Fax (66-2) 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel (44-20) 7426 5950
Fax (44-20) 7626 1757
Website: www.kingandshaxson.com

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
Number 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel (603) 21628841
Fax (603) 21665099
Website: www.poems.com.my

JAPAN

PhillipCapital Japan K.K.
Nagata-cho Bldg.,
8F, 2-4-3 Nagata-cho,
Chiyoda-ku, Tokyo 100-0014
Tel (81-3) 35953631
Fax (81-3) 35953630
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 436 Heng Feng Road,
Green Tech Tower Unit 604,
Postal code 200070
Tel (86-21) 51699400
Fax (86-21) 60911155
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel (33-1) 45633100
Fax (33-1) 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1.312.356.9000
Fax +1.312.356.9005

AUSTRALIA

PhillipCapital Australia

Level 10, 330 Collins Street

Melbourne VIC 3000

Tel (+61) 3 8633 9803

Fax (+61) 3 8633 9899

Website: www.phillipcapital.com.au