2 Sep 2025

Report Review of August 2025

Hong Kong | INVESTNOTES REPORTS REVIEW

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Sectors:
Automobile & Air (Zhang Jing)
TMT, Semiconductors (Megan Tao)
Utilities, Commodity, Shipping& Banking (Margaret Li)

Automobile & Air (Zhang Jing)

This month I released one updated report of Geely (175.HK),and one initiation report of Great Star IND (002444.CH).

Great Star IND was established in 1993, starting with OEM of hand tools. In 2009, it launched its first proprietary brand, Workpro, and began transitioning from original design manufacturer (ODM) to original brand manufacturer (OBM). At the same time, it continued overseas acquisitions to expand its brand portfolio, driving continuous growth in scale. Currently, the Company's products are mainly targeted at Europe and the United States. In 2024, overseas revenue accounted for 95%. Its products mainly include hand tools, power tools and industrial tools, with revenue of RMB10069 million (RMB, the same below), RMB1438 million and RMB3229 million, respectively. Among them, OBM and ODM revenue accounted for 47.92% and 51.67%, respectively.

In 2024, the Company achieved revenue of approximately RMB14795 million, up 35.37% yoy; net profit attributable to the parent company of RMB2304 million, up 36.18% yoy; and a gross margin of 32.01%. Over the past five years since 2019, revenue and net profit have recorded an average growth rate of 17.5% and 20.6%, respectively.

On July 10, the Company issued a result forecast, expecting H1 2025 net profit attributable to the parent company to be RMB1253–1373 million, representing an estimated increase of 5%–15%; net profit attributable to the parent company excluding non-recurring items is expected to be RMB1267–1388 million, up approximately 5%–15%, equivalent to a Q2 net profit attributable to the parent company growth midpoint of 9.2%, better than market expectations.

Although U.S. tariffs negatively impacted production capacity utilization for approximately 40 days in Q2, affecting order delivery and revenue, it is excepted that Q2 revenue compared with the one in the same period last year remained almost the same. However, the Company improved its gross margin through cross-border e-commerce sales and increased sales of new products, particularly power tools. As a result, Q2 net profit attributable to the parent company is expected to grow, demonstrating strong growth potential.

Since 2021, the Company has positioned power tools as a strategic business, and in 2024 achieved breakthroughs in 20V lithium battery tools in mainstream markets. It subsequently announced two major international retail customer orders for lithium battery power tools and related accessories, with total annual procurement values equivalent to no less than USD30 million and USD15 million, respectively. Notably, the first order required production and delivery in Vietnam for the U.S. market, marking the Company's first power tool order produced and delivered outside China, and validating its global supply capabilities with top-tier clients. The second order, from Europe, marked the Company's debut in the European power tools market.

Since 2018, the Company has accelerated its overseas capacity layout through self-built plants in Southeast Asia and acquisitions in Europe and the U.S. Currently, it operates 23 production bases worldwide, including 11 in China, 3 in Southeast Asia, 6 in Europe, and 3 in the U.S. The global supply chain system not only improves responsiveness to sudden market demands but also strengthens resilience against global trade barriers.

The Company's revenue is concentrated in Europe and the U.S., and in the future, it will leverage capacity relocation to establish a complete trade chain of "R&D in China – Manufacturing in Southeast Asia – Sales in Europe and the U.S." We are optimistic about the long-term development of the Company and expect EPS to be 2.04/2.62/3.26 yuan respectively for 2025/2026/2027. We offer a target price of 39.4 yuan, respectively 19.3/15/12.1x P/E for 2025/2026/2027.

Geely announced its interim results for 2025. In H1 2025, total revenue reached RMB150.28 billion (RMB, the same below), up 26.5% yoy, marking a record high. Net profit attributable to the parent company was RMB9.29 billion, down 13.9% yoy. Excluding foreign exchange gains, impairment losses, and gains from deemed disposal of subsidiaries in 2024, core net profit attributable to the parent company was RMB6.66 billion, up 102% yoy.

In H1 2025, the Company's overall gross margin declined by 0.3ppts yoy to 16.4%, mainly due to a higher sales proportion of economy NEVs and intensified industry price competition. However, this was partially offset by economies of scale and improved profitability of GEA architecture products. Zeekr's gross margin reached 19.7%, with Q1 and Q2 margins at 18.8% and 20.5%, respectively, reflecting emerging synergies following the February integration of Zeekr and LYNK & CO.

On the expense side, selling expense ratio and administration expense ratio dropped by 1.0ppts and 0.7ppts yoy to 5.6% and 1.9%, respectively, reflecting benefits from economies of scale and channel integration. R&D investment decreased 8.6% yoy to RMB8.35 billion, mainly focused on NEV and intelligent technologies. R&D expense ratio declined by 1.1ppts yoy to 6.6%, indicating synergies from the integration.

Despite a drop in ASP of RMB14 thousand yoy to RMB96 thousand per vehicle, the Company achieved a 37% yoy increase in core net profit per vehicle attributable to the parent company, reaching RMB4,724.

In H1, the Company exported 184 thousand units, down 7.7% yoy, mainly due to weakness in Eastern European markets. However, NEV exports surged 146% yoy to 40 thousand units. Currently, exports account for only 13% of Geely's total sales, indicating significant room for growth. The Company has established five overseas regions—Europe, Latin America and Africa, Middle East and Asia, ASEAN, and Eastern Europe—to accelerate its internationalisation strategy across organisational structure, resource allocation, after-sales service, and product planning. With models such as the Galaxy E5, Starship 7, and Starwish entering overseas markets in H2, alongside accelerated promotion of premium models like LYNK & CO 08 and Z10, Zeekr 7X and 009, overseas sales are expected to regain strong growth momentum.

In 2025, the Company plans to launch 10 new models, including 5 under the Galaxy brand, 3 under Zeekr brand, and 2 under LYNK & CO brand. The already launched Starshine 8, LYNK & CO 900, and Zeekr 007GT have received positive market feedback, showing strong potential to become blockbuster models. Noteworthy launches expected in H2 include the Galaxy A7 and M9, Zeekr 9X and 8X, and LYNK & CO 10EM-P. These, together with growing momentum in overseas markets driven by new model rollouts, are expected to drive performance in the second half.

We revised our financial forecast and target price to HK$24.3, equivalent to 14.4/12/9.6x P/E ratio in2025/2026/2027.

TMT, Semiconductors (Megan Tao)

In this month, I published two research reports on Pop mart (09992.HK) and Alibaba (09988.HK).

POP MART is a leading Chinese trend culture entertainment company, founded in 2010 and headquartered in Beijing. Centered around designer toys, the company has built an integrated operation platform spanning the entire industry chain—covering IP incubation and operation, trendy toy retail, theme parks and experiences, and digital entertainment. POP MART boasts a portfolio of popular IP characters such as Molly, DIMOO, and SKULLPANDA, distributing products through both online and offline channels with a strong following among young consumers.

In 2024, the company achieved total revenue of RMB 13.0 billion, representing a 106.9% year-over-year increase. Operating profit surged 237.6% to RMB 4.2 billion, while net profit attributable to shareholders rose 188.8% to RMB 3.1 billion. Gross profit margin expanded by 5.5 percentage points to 66.8%, primarily driven by optimized product mix and higher contribution from overseas high-margin businesses. Geographically, mainland China revenue grew 52.3% to RMB 8.0 billion, with retail stores (RMB 3.8 billion, +43.8%), online sales (RMB 2.7 billion, +76.9%), and robot stores (RMB 700 million, +26.4%) all posting strong growth. Revenue from Hong Kong, Macau, Taiwan and overseas markets soared 375.2% to RMB 5.1 billion, fueled by explosive expansion in retail stores (RMB 2.9 billion, +404.0%) and online channels (RMB 1.5 billion, +834.0%).

As a pioneer and leader in trendsetting toys and commercialization, the company leverages its full-industry-chain advantages to develop and monetize IPs across multiple dimensions. Its product category expansion has shown significant results, while overseas business has entered a new phase of accelerated growth. Accordingly, we forecast the company's 2025-2027 revenue at RMB 26.1/37.7/48.5 billion, with net profit attributable to shareholders at RMB 7.0/10.6/14.2 billion, translating to EPS of RMB 5.23/7.93/10.57. Given its high growth potential, we apply a 55x P/E multiple to our 2025 earnings estimate, arriving at a target price of HKD 316. The current share price implies 2025-2027 P/E multiples of 48x/32x/24x, and we assign an "Accumulate" rating.

The company provides technological infrastructure and marketing platforms, operating seven business segments. The China Commerce segment includes retail commerce businesses such as Taobao, Tmall, and Hema, as well as wholesale businesses. The International Commerce segment comprises international retail and wholesale commerce businesses, including Lazada and AliExpress. The Local Services segment includes location-based businesses such as Ele.me, Amap, and Fliggy. The Cainiao segment covers domestic and international end-to-end logistics services and supply chain management solutions. The Cloud segment offers public and hybrid cloud services to enterprises both in China and internationally, including Alibaba Cloud and DingTalk. The Digital Media and Entertainment segment includes platforms such as Youku, Quark, and Alibaba Pictures, along with other content and distribution platforms, as well as online gaming businesses. The Innovation Initiatives and Others segment encompasses Damo Academy, Tmall Genie, and other businesses.

For FY2025Q4, the company achieved total revenue of RMB 236.5 billion, a year-on-year increase of 6.6%; operating profit was RMB 28.5 billion, up 92.8% year-on-year; adjusted EBITA reached RMB 32.6 billion, an increase of 36.1% year-on-year; adjusted net profit was RMB 29.8 billion, rising 22.2% year-on-year.

Flash sales order volume is expected to continue growing and is likely to drive increased traffic to the core e-commerce platform. Going forward, it will be essential to closely monitor the stability of the business's fulfillment capabilities and the growth of merchant supply. Accordingly, we project the company's FY26-28 operating revenue to be RMB 1,044 billion / 1,160 billion / 1,260 billion, with adjusted net profit of RMB 138 billion / 158 billion / 185 billion, corresponding to EPS of RMB 6.02 / 7.21 / 8.42. Given the company's high growth potential, we applied a SOTP valuation method and derived a target price of HKD 144. The current stock price implies FY2026-2028 P/E ratios of 21x / 17x / 15x. We assign an "Accumulate" rating.

Utilities, Commodity, Shipping& Banking (Margaret Li)

This month I released 1 update report of Proya Cosmetics (603605.CH).

In 2024, the company achieved revenue of RMB 10.78 billion with a year-on-year (YoY) increase of 21.04%, surpassing the RMB 10 billion mark for the first time, primarily driven by growth in online channel revenue. Operating costs were RMB 3.08 billion (YoY +15.18%). Selling expenses reached RMB 5.16 billion (YoY +29.93%), mainly due to increased brand promotion and marketing expenses. R&D expenses were RMB 210 million (YoY +21.21%), with an R&D expense ratio of 1.95%, remaining largely flat YoY. Net profit attributable to shareholders was RMB 1.55 billion (YoY +30%). Net cash flow from operating activities was RMB 1.12 billion (YoY -24.6%), primarily due to increased payments for goods, marketing expenses, taxes, and employee compensation. Basic earnings per share (EPS) were RMB 3.93 (YoY +30.56%).

In Q1 2025, the company recorded revenue of RMB 2.36 billion (YoY +8.13%). Net profit attributable to shareholders was RMB 390 million (YoY +28.87%). Net cash flow from operating activities was RMB 675 million (YoY +56.78%). Basic EPS was RMB 0.99 (YoY +30.26%). The Q1 revenue growth rate was notably slower than the full-year 2024 growth. We attribute this primarily to Q1 not being the peak season for cosmetics consumption, which is typically concentrated in the summer months (June-August) and during major year-end promotional events (October-December).

The competitive landscape of the beauty industry is undergoing a reshuffle. Only brands with strong product competitiveness and adept platform resource utilization will thrive. Proya possesses robust product innovation and channel operation capabilities within the domestic beauty sector. Its consistent execution of the "hot product strategy" and continuous portfolio enrichment solidify its leadership position. We anticipate the company will gradually transition from high growth to a more stable phase, but double-digit revenue growth is still expected in the near term.

We forecast the company's operating revenue for 2025-2027 at RMB 12.39 billion, RMB 14.10 billion, and RMB 15.79 billion, respectively. EPS is projected at RMB 4.56, RMB 5.31, and RMB 6.02 for 2025-2027. This translates to P/E ratios of 18.11x, 15.54x, and 13.72x for 2025-2027. We assign a target price of RMB 114, representing 25x our projected 2025 P/E, and maintain a "Buy" rating.

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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
20250812	9992.HK	Pop mart	MT	Accumulate	278.80	316.00	13.34%	322.40	15.64%	246.00	31.06%
20250827	9988.HK	Alibaba	MT	Accumulate	124.50	144.00	15.66%	115.70	-7.07%	115.70	0.00%
20250818	002444 CH	Great Star	ZJ	Accumulate	34.62	39.4	13.81%	30.81	-11.01%	31.11	-0.96%
20250826	175 HK	Geely	ZJ	Buy	19.71	24.3	23.29%	19.56	-0.76%	17.68	10.63%
20250813	603605.CH	Proya Cosmetics	ML	Buy	82.58	114	38.05%	83.83	1.51%	81.99	2.24%

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 ± 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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