

# Report Review of September 2025

## Hong Kong | INVESTNOTES REPORTS REVIEW

### Sectors:

Automobile & Air (Zhang Jing)

TMT, Semiconductors (Megan Tao)

Utilities, Commodity, Shipping & Banking (Margaret Li)

### Automobile & Air (Zhang Jing)

This month I released 3 initiation reports of ADD (603089.CH), CATL (3750.HK), Zhongding (000887.CH), and 1 updated reports of Xinyi G (868.HK). Among which, we prefer CATL and Zhongding.

Contemporary Amperex Technology Co., Limited ("CATL") is a global leader in the supply of power battery systems. As of 30 June 2025, the company had established six major research and development centres and thirteen major battery production bases worldwide (including eleven in China and two in Germany and Hungary, respectively). Its service network covers 64 countries and regions. On average, one in every three new energy vehicles worldwide is equipped with CATL batteries, and its energy storage batteries have been applied in over 1,700 projects globally. In 2024, the company ranked first in global power battery installations for the eighth consecutive year with a market share of 37.9%, and also ranked first for the fourth consecutive year in energy storage batteries with a market share of 36.5%.

The company has been deeply engaged in the lithium battery industry for many years and has established full-chain independent and efficient R&D capabilities. It holds core technological advantages and a forward-looking R&D layout in battery materials, battery systems, and battery recycling, covering the world's most extensive customer base of power and energy storage applications. Through continuous technological innovation, industry chain integration, and global market expansion, the company has gradually established its core position in the new energy vehicle industry chain.

According to the latest financial report, CATL achieved revenue of RMB178,886 million in the first half of 2025, representing a year-on-year growth of 7.27%, of which overseas revenue was RMB61,208 million, accounting for 34.22% of total revenue. Net profit attributable to shareholders was RMB30,485 million, a year-on-year increase of 33.33%. Net profit excluding non-recurring items attributable to shareholders was RMB27,197 million, a year-on-year increase of 35.62%. EPS was RMB6.92. The company distributed a cash dividend of RMB1.007 per share to all shareholders, equivalent to a payout ratio of 15%.

The gross margin was 25.0%, down 1.51 percentage points year-on-year. Under the new accounting standards, warranty provisions were reclassified from expenses to costs, which reduced the sales expense ratio while slightly lowering the gross margin. In addition, due to fluctuations in lithium carbonate and other raw material prices, the unit selling price of the company's products declined slightly.

The net margin was 18.1%, an increase of 3.17 percentage points year-on-year, reaching a new high since 2018, mainly benefiting from high-capacity utilisation, improved localisation and yield rate, economies of scale, optimised product mix, increased foreign exchange gains, and higher overseas contributions.

The company's asset-liability ratio continued to decline, standing at 62.59% in the first half of 2025, significantly improving from 69.26% in the same period of 2024. Cash flow remained strong, with net operating cash flow of RMB58,687 million, up 31.26% year-on-year.

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In the long term, the boom in electric vehicles, especially in Europe and China, is expected to continue. The prospects for innovative businesses are immense, and the advantages of leading enterprises will become even more prominent. The "strong get stronger" pattern is expected to sustain.

As for valuation, we expected diluted EPS of the Company to RMB 14.45/17.25/20.68 for 2025/2026/2027. And we accordingly gave the target price to HKD 566, respectively 36/30/25x P/E for 2025/2026/2027. "Accumulate" rating.

Zhongding was founded in 1980 and is a multinational private enterprise group primarily focused on automotive components. Since 2008, the company has expanded its business through overseas acquisitions. Currently, its main business segments include intelligent chassis systems (encompassing air suspension systems and lightweight chassis systems), thermal management systems, sealing systems, and the humanoid robot business. In 2024, the company achieved a revenue of RMB18,854 million (RMB, the same below), a yoy increase of 9.33%, with domestic and overseas revenue shares at 51.71% and 48.29%, respectively. The net profit was RMB1,254 million, a yoy increase of 10.63%.

In recent years, the company has actively expanded into the new energy vehicle (NEV) sector, focusing on intelligent chassis systems. It has also achieved international leadership in several new energy sectors, including thermal management systems, lightweight chassis systems, and air suspension systems.

In the first half of 2025, the company recorded revenue of RMB9,846 million, net profit attributable to the parent company of RMB817 million, and net profit excluding non-recurring items of RMB780 million, with yoy growth rates of +1.83%, +14.11%, and +21.53%, respectively. The gross margin was 23.58%, a yoy increase of 1.35 percentage points.

In the first half of 2025, the revenue from cooling systems (thermal management), rubber business, sealing systems, lightweight chassis, and air suspension systems reached RMB2,606 million, RMB2,043 million, RMB1,942 million, RMB1,546 million, and RMB568 million, respectively, with yoy growth rates of +2.77%, +5.88%, +0.27%, +8.08%, and -0.66%. In the first half of the year, the company's sales in the new energy sector reached RMB3,762 million, accounting for 39.56% of its automotive business revenue, with domestic new energy sector sales reaching RMB2,887 million, accounting for 52.94% of domestic revenue.

In terms of orders, air suspension systems, lightweight chassis, and cooling systems have received orders amounting to RMB15.8 billion, RMB5.5 billion, and RMB7.1 billion, respectively.

Since 2008, the company's internationalization strategy has gradually entered a harvest phase. From 2014 to 2018, through a series of overseas acquisitions, such as Germany's KACO and France's TFH, the company accelerated its international expansion. As of the first half of 2025, the company's production share in Asia, Europe, and the Americas was 65.41%, 25.04%, and 9.55%, respectively. By effectively integrating global resources, the company has quickly improved its technology, brand, profitability, and customer base, achieving dual-wheel drive through internal growth and external expansion.

At the same time, the company has concentrated its resources to expand into the fields of new energy vehicles, automotive electronics, and system assemblies, incubating and reserving projects for future development.

Building on its automotive thermal management business, the company is actively expanding into energy storage thermal management, and supercomputing center thermal management. In the energy storage field, it has launched a series of liquid cooling units and immersion liquid cooling units. In the supercomputing center thermal management field, its main product is the CDU (cold liquid distribution unit). In the future, based on actual needs, the company plans to gradually apply immersion technology to supercomputing center thermal management and is currently accelerating customer engagement.

In the robot business, the company has completed its industrial layout in joint assemblies, harmonic reducers, planetary reducers, and force sensors through its subsidiaries, such as Anhui Ruisibo and Xinghui Sensing. The company's rubber products have already been matched, and lightweight skeletons have been sent to customers for sampling, ultimately aiming to achieve production and manufacturing of robot joint assembly products. The company and its subsidiaries have signed strategic cooperation agreements with Shenzhen Zhongqing Robot Technology Co., Ltd. and EFFORT Intelligent

Equipment Co., Ltd. It has also signed project intention cooperation agreements with Shenzhen Zhuji Power Technology Co., Ltd., forming an upstream and downstream industrial chain layout to promote the development of robot body manufacturing and OEM business.

The company's automotive business remains stable, while it actively explores liquid cooling and robot business opportunities. We are highly optimistic about the company's development prospects.

As for valuation, we expected diluted EPS of the Company to RMB 1.21/1.45/1.63 of 2025/2026/2027. And we accordingly gave the target price to RMB 29, respectively 24/20/17.8x P/E for 2025/2026/2027. "Accumulate" rating.

### TMT, Semiconductors (Megan Tao)

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

In the second quarter of 2025, Meituan reported total revenue of 91.8 billion yuan (RMB, same below), a year-on-year increase of 11.7% and a quarter-on-quarter increase of 6.1%. In terms of profitability, operating profit was 200 million yuan, down 98.0% year-on-year and 97.9% quarter-on-quarter. Adjusted net profit was 1.5 billion yuan, down 89.0% year-on-year and 86.3% quarter-on-quarter. By segment, Core Local Commerce revenue in Q2 2025 was 65.3 billion yuan, up 7.7% year-on-year. Operating profit was 3.7 billion yuan, down 75.6% year-on-year, with an operating profit margin decreasing by 19.4 percentage points year-on-year to 5.7%, primarily due to intense competition in the food delivery industry. New Initiatives revenue was 26.5 billion yuan, up 22.8% year-on-year. Operating loss was 1.9 billion yuan, broadening by 43.1% year-on-year, mainly due to expanded overseas expansion. The operating loss ratio improved by 3.1 percentage points quarter-on-quarter to 7.1%, primarily due to improved operational efficiency.

The company's financial resources are more limited compared to Alibaba, which may put it at a disadvantage in a prolonged cash-burning competition and pose a risk of market share loss. However, considering the potential for profit recovery between 2026 and 2027, we have adjusted our revenue forecasts for 2025-2027 to 401.7/454.6/512.9 billion yuan, with net profit attributable to shareholders at 23.8/31.1/39.8 billion yuan, corresponding to EPS of 4/5/7 yuan.

Based on the SOTP valuation method, we estimate Meituan's total target market capitalization for 2025 to be 664.7 billion yuan. We have lowered the target price to HK\$118.3. The current stock price corresponds to a PE ratio of 24x/18x/14x for 2025-2027. We downgrade our rating to 'Accumulate'. The segment valuation includes the following parts:

- 1) Core Local Commerce is valued at 526.8 billion yuan, using an 8% weighted average cost of capital and 5% perpetual growth rate;
- 2) New Initiatives are valued at 81.8 billion yuan, applying a 0.8x 2025 P/S multiple;
- 3) Net cash amounts to 56.1 billion yuan.

In the second quarter of 2025, the company reported total revenue of CNY 184.5 billion, representing a year-on-year increase of 14.5%. In terms of profitability, operating profit reached CNY 60.1 billion, up 18.5% year-on-year, with the operating profit margin rising from 31.5% in the same period last year to 32.6%. Net profit attributable to equity holders of the company was CNY 55.6 billion, reflecting a year-on-year growth of 16.8%.

By segment, Value-added Services revenue in 2Q25 saw robust growth, increasing by 15.9% year-on-year to CNY 91.4 billion, primarily driven by the sustained stability of top games. Online Marketing Services revenue grew by 19.7% year-on-year to CNY 35.8 billion, benefiting from improved user engagement, continuous AI upgrades to the advertising platform, and optimizations in the WeChat transaction ecosystem. FinTech and Business Services revenue increased by 10.1% year-on-year to CNY 55.5 billion, mainly due to growth in consumer loan services, wealth management services, as well as increased cloud services revenue and merchant service fees.

Given the company's better-than-expected growth in gaming and advertising businesses, sustained operating leverage effects, and the empowering role of AI technology across its ecosystem, we have accordingly raised our profit forecasts. Consequently, we upwardly revise our revenue estimates for 2025-2027 to CNY 746.7/828.6/917.6 billion, with adjusted net profit attributable to equity holders projected at CNY 259.1/279.2/313.9 billion. Corresponding EPS estimates are CNY 28/30/34, implying P/E ratios of 20/18/16x at the current share price. Based on SOTP valuation methodology, applying a 10% holding discount to the latest market values or valuations of subsidiaries and invested companies, we derive a total target market capitalization of CNY 5.6 trillion for Tencent in 2025. This corresponds to a target price of HKD 682 per share. We maintain our rating as 'Accumulate'.

### Utilities, Commodity, Shipping& Banking (Margaret Li)

This month I released 1 update report of MAO GEPING (1318.HK) & 2 initiation reports of CHICMAX (2145.HK) & GIANT BIOGENE (2367.HK).

CHICMAX is a research-driven, multi-brand leader in the cosmetics industry. Founded in 2002, the company owns three core brands---KANS, ONE LEAF, and Baby Elephant---and has successfully established new growth drivers such as newpage and ARMIYO. It operates across four major segments: skincare, hair care, maternal and infant products, and cosmetics, with two self-built R&D centers and two supply chains worldwide.

According to data from the National Bureau of Statistics, China's total retail sales of consumer goods in H1 2025 reached RMB 24.5458 trillion, a year-on-year increase of 5%. Retail sales of cosmetics amounted to RMB 229.1 billion, up 2.9% year-on-year, exceeding the growth rate of H1 2024, demonstrating resilience in cosmetics consumption and a sustained upward trend. Data from Qingyan Intelligence shows that in July, the beauty and skincare category dominated Douyin's platform, accounting for 60.64% of GMV, with a year-on-year increase of 28.48% but a month-on-month decrease of 24.45%. The company's core brand, KANS, targets the mass skincare market, while Newpage exemplifies strong capabilities in incubating emerging brands. We expect further revenue growth from these two brands in the second half of the year. The company has achieved high growth in revenue and net profit attributable to parents for three consecutive years, supported by robust cash flow, providing a solid foundation for brand marketing and R&D investments. We forecast the company's operating revenue for 2025-2027 to be RMB 8.559 billion, RMB 10.613 billion, and RMB 12.947 billion, respectively, with EPS of RMB 2.63, RMB 3.11, and RMB 3.79. The corresponding P/E ratios are 32.3x, 27.2x, and 22.4x. We set a target price of HKD 100 for the company, corresponding to a 2025 expected P/E of 35x, and assign an "Accumulate" rating.

MGP primarily engages in the R&D, production, sales, and makeup skill training services under two major brands: MGPI and ZHIAIZHONGSHENG. Leveraging the profound aesthetic expertise, unique understanding of Eastern women's facial contours and skin characteristics, and the influence of its founder, renowned makeup artist Mr. Ma Ge Ping, the company has gradually established a strong brand advantage in the cosmetics and makeup training sectors. With an increasingly diverse product portfolio and stable growth across both online and offline channels, MGP has emerged as a leading domestic high-end beauty brand.

MGP is a leading domestic high-end beauty brand, with core drivers including product premiumization under its high-end positioning, synergistic expansion across online and offline channels, and empowerment through its makeup artist brand IP. We expect the company to maintain a compound annual growth rate (CAGR) of over 25% in revenue over the next three years. However, intensified industry competition may constrain its long-term growth potential. Despite strong revenue growth in H1 2025, the pace has slowed. We forecast revenue for 2025-2027 to be RMB 5.158 billion, RMB 6.646 billion, and RMB 8.374 billion respectively, with EPS of RMB 2.42, RMB 3.12, and RMB 3.93. The current stock price corresponds to a P/E ratio of 38.8x, 30.1x, and 23.9x for 2025-2027. Based on a target 2026 P/E of 32x, we adjust the target price to HKD 108.52 and maintain an "Accumulate" rating.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recomm endation Date	Target Price	Expected Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
20250905	3690.HK	Meituan	MT	Accumulate	100.50	118.30	17.71%	104.50	3.98%	102.70	1.75%
20250912	700.HK	Tencent	MT	Accumulate	633.50	682.00	7.66%	663.00	4.66%	596.50	11.15%
20250903	2145.HK	CHICMAX	ML	Accumulate	92.20	100.00	8.46%	96.55	4.72%	90.40	6.80%
20250910	1318.HK	MAO GEPING	ML	Accumulate	102.00	108.52	6.39%	103.70	1.67%	98.60	5.17%
20250924	2367.HK	GIANT BIOGENE	ML	Accumulate	63.20	73.72	16.65%	56.50	-10.60%	53.95	4.73%
20250904	868 HK	Xinyi Glass	ZJ	Accumulate	8.36	9.2	10.05%	9.02	7.89%	8.51	5.99%
20250911	603089 CH	ADD Industry	ZJ	Accumulate	16.48	18.78	13.96%	15.85	-3.82%	15.36	3.19%
20250925	3750 HK	CATL	ZJ	Accumulate	501.5	566	12.86%	571.5	13.96%	424.2	34.72%
20250930	000887 CH	Zhongding Group	ZJ	Accumulate	24.79	29	16.98%	24.86	0.28%	23.16	7.34%

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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