

### 2H Outlook: Catalysts Not Lacking Despite Macro Uncertainties

We are positive on the internet sector outlook and believe there are catalysts across sub-sectors despite the dynamic industry environment. Divergent sentiment is seen in entertainment, ecommerce and verticals. Investors look at both short- and long-term trends in assessing 2H and 2026 story for internet stocks. In this report, we analyse industry trends and stock preferences across different sub-sectors. Tencent is our top pick in our coverage universe.

**Catalysts not lacking despite dynamic industry environment and macro uncertainties.** The divergence in sub-sector performance across our coverage universe shows that visibility in 2H and 2026 is a key factor for the market. Investors' questions are mostly related to valuation, catalysts and long-term thesis. Different to 2017, a basket of factors (e.g. relative valuation, earnings outlook) have been assessed. Entertainment sector is our preferred sub-sector for its defensive nature. OTA is our preferred vertical on resilient travel demand. Better-than-expected recovery in consumer sentiment and government support measures are catalysts for commerce, verticals (e.g. recruitment, freight, fintech property, auto) and advertising sectors

**Entertainment: defensive sector with catalysts ahead.** In 2H, we expect online games sector to have multiple catalysts despite the high base of last year for major gaming companies like **Tencent** and **NetEase**. Online music has better earnings visibility vs other subsectors, as we believe subscription revenue has ample room to grow amid low ARPPU and steady growth of subscribers (i.e. **TME / NetEase Cloud Music**). In short video, **Kuaishou** is attractive on valuation given its large and engaged user base, integration of AI into ecosystem and video generation model Kling. **BILI**'s fundamentals continue to improve backed by its strong content and community ecosystem with Gen Z.

**Ecommerce: consumer sentiment and competitive landscape key amid recovery story.** In 5M25, online shopping GMV for physical goods increased 6.3% YoY amid a gradual recovery in consumer sentiment. For **BABA**, we expect take-rate to continue benefitting from service fees and QZT driving CMR growth. For **JD**, its food daily order volume exceeded 25m orders on 1 Jun. For **MT**, market puts increasing emphasis on MT Instashopping as it undergoes fast growth amid a large addressable market. In food delivery sector, we believe investors expect a significant investment in 2Q and that competitive landscape will be less intense in 3Q after 618. We expect improving revenue and GMV trends for **VIPS** in 2H vs 1H. We expect **PDD** to continue investing in merchants' support programs and user experience to build for the long term. On sub-sectors' readthrough, **SF Intra-city** is a beneficiary as a third party on-demand delivery provider.

**Verticals: OTA is the most preferred.** We view market share gain and resilient travel demand as intact despite a high base in 2025. We expect solid revenue growth for **TCOM** and **Tongcheng** in respective domestic, outbound and overseas travel. Compared to other sub-sectors, visibility for OTA is better than other verticals. In online recruitment, **BZ** benefits from recovery story, low paying ratio, and margin expansion. For digital freight player **FTA**, we see solid fulfilled order volumes with emphasis on user scale in 2025. We expect fast growth for transaction services on volumes, rising penetration of commissioned orders and increase in take rate.

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#### KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
TME	BUY	\$22.00
9899 HK	BUY	HK\$287.00
NTES	BUY	\$155.00
9999 HK	BUY	HK\$242.00
9699 HK	BUY	HK\$20.00

#### KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
TME	BUY	↑ \$22.00 (\$17.00)
9899 HK	BUY	↑ HK\$287.00 (HK\$190.00)
NTES	BUY	↑ \$155.00 (\$131.00)
9999 HK	BUY	↑ HK\$242.00 (HK\$205.00)
9699 HK	BUY	↑ HK\$20.00 (HK\$13.40)

Exhibit 1 - Performance of KWEB since Jan 2023



Source: FactSet, Jefferies

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In online property, we forecast a reset of expectations for **BEKE** GTV growth in existing homes factoring in high base effect in Jun and investments in 2025. As for **ATHM**, online marketplace is key driver, in particular new retail revenue from the opening of franchise stores. For fintech, we expect **QFIN**'s EPS growth in 2025 to be driven by loan growth and take rate improvement, as well as its commitment in returning value to shareholders.

**Advertising: AI is key driver.** Divergent trend is seen in ad performance across different platforms. **Tencent** is our most preferred name in advertising given traffic growth from video accounts as well as mini-programs and official accounts. In addition, AI drives improvement in CTR. **BILI**'s ad growth is driven by DAU, traffic, ad loads and eCPM while accelerating growth is expected for **Kuaishou**. **Baidu** is undergoing AI transformation and we expect increasing AI search results contribution in 2H.

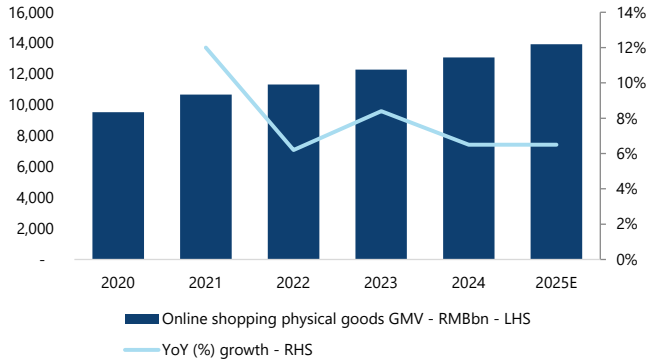
**Cloud: Unlocking AI opportunities.** We expect volatility in capex and the resetting of expectations due to supply chain disruption does not change long term thesis of AI and its revolutionary trend. **Alibaba Cloud**'s AI-related revenue delivers triple-digit YoY growth for the seventh consecutive quarter, with strong demand for AI infra in training and inference, MaaS (e.g. API), PaaS and other AI tools. Qwen3 sets a new benchmark for open-source AI and it is one of the world's widely adopted open source AI model series. For **Tencent**, AI is a growth multiplier to the ecosystem, in particular high-margin advertising and content recommendations. **Baidu**'s full-stack infrastructure stands out.

**SEA: A more straightforward story.** Compared with China's internet sector, Southeast Asia's landscape is less complicated across sub-sectors. We believe **Sea** has multiple growth drivers in 2025. Ecommerce faces a relatively less competitive landscape vs China Internet. There is better visibility on Shopee's GMV growth thanks to rising online shopping penetration, price competitiveness, and service quality. On the other hand, Free Fire is a global hit and DFS are in early stages for BNPL and cash loans under on/off Shopee's ecosystem **Grab** demonstrates solid execution in deliveries and mobility segment with solid performance seen in Apr and May.

**Subsector and Stock Preferences.** We believe the operational and share price performances across sub-sectors are not the same in terms of industry dynamics, earnings growth and relative valuation. Entertainment is our most preferred sub-sector due to its defensive nature, earnings visibility and catalysts ahead. OTA is our preferred vertical on resilient travel demand. A better than expected recovery in consumer sentiment and government support measures are catalysts to ecommerce, verticals (e.g. recruitment, freight, fintech property, auto) and advertising sectors. For entertainment, we rank **Kuaishou** first followed by **TME, NetEase, BILI and NetEase Cloud Music**. For travel, we rank **TCOM** first as it has multiple pillars in domestic, outbound and overseas, while **Tongcheng**'s core OTA benefits from rising penetration in lower tier cities and margin expansion. For ecommerce, we rank **BABA** first, then **JD, VIPs and PDD**. For local service, **MT**'s leading position across food delivery, instore, hotel and travel as well as Instashopping is intact. On advertising, we believe **Baidu** puts users first and is undergoing an AI transformation and trades at an undemanding valuation. On Cloud, **Alibaba Cloud**'s Qwen3 is one of the world's widely adopted open source AI model series. Revenue is expected to accelerate with strong demand for AI infra in training and inference, MaaS (e.g. API) and other AI tools. On verticals, we view **Full Truck Alliance** as riding on a fast transaction service revenue growth story. **BZ** maintains solid MAU and adjusted op profit growth while **BEKE**'s market share gain story is intact. For fintech, **QFIN** has multiple EPS drivers and commits to shareholder returns. For Southeast Asia, we prefer **SE** on the strengths of Shopee with improving fundamentals and resilient growth seen for FF and DFS. Within our stock coverage universe, **Tencent** is our top pick on its diversified models and high quality growth story. It is well-positioned to capture Agentic AI opportunities ahead. We raise PTs for companies with defensive nature, earnings visibility, that embrace new industry trends and with potential synergies to be unlocked in 2026. Please refer to page 4 for details

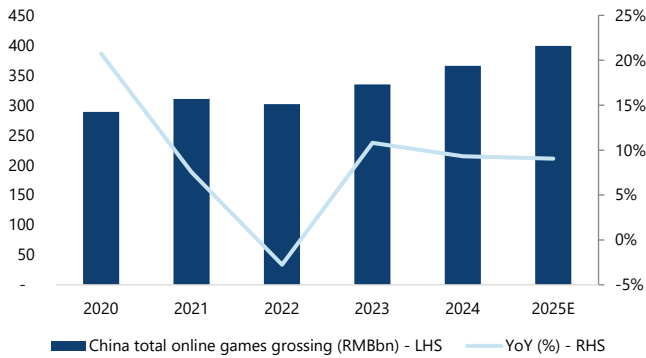
## 3-Minute Guide

**Exhibit 2 - Online shopping physical goods GMV (2020-2025E)**



Source: NBS, Jefferies estimates

**Exhibit 4 - China total online games grossing (2020-2025E)**



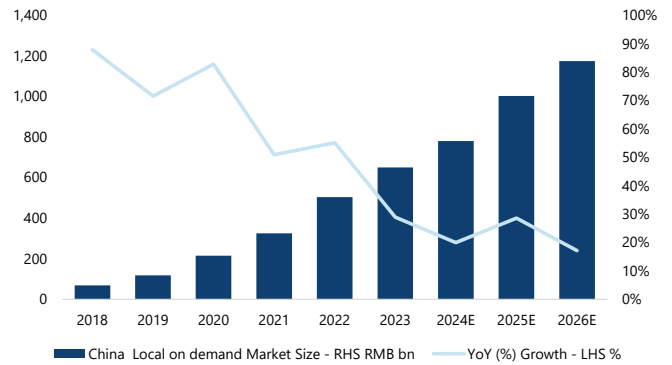
Source: CNG, Jefferies estimates

**Exhibit 6 - China express delivery industry: total parcel volume (2020-2025E)**



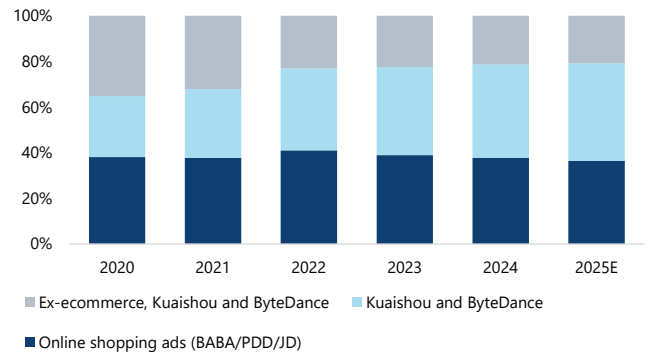
Source: SPB, Jefferies estimates

**Exhibit 3 - China local on-demand market (2018-2026E)**



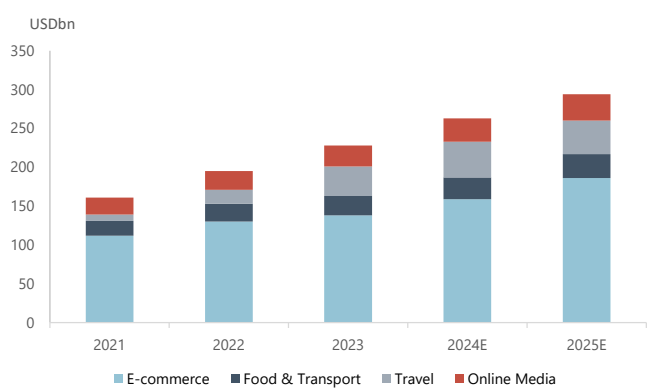
Source: CAITEC, Jefferies estimates

**Exhibit 5 - Online ad breakdown by ecommerce ads, short-form video ads and ex-e-commerce and short video ads (2020-2025E)**



Source: Company, Jefferies estimates

**Exhibit 7 - Southeast Asia GMV estimates (USD bn)**



Source: Google, TEMASEK, and Bain & Company estimates, Jefferies

## Investment Summary

**Catalysts are not lacking despite dynamic industry environments and macro-uncertainties.** The divergence in sub-sector performance across our coverage universe shows visibility in 2H and 2026 is a key factor of consideration by market. Entertainment sector is our preferred sub-sector for its defensive nature, new games in pipeline, long-term secular story in music and clear earnings visibility. Investors' questions are mostly related to valuation, catalysts and long-term thesis. Different to 2017, a basket of factors (e.g. relative valuation, earnings outlook) are assessed. In 2H, we expect entertainment stocks to benefit from share price catalysts and better earnings visibility. On ecommerce, valuation is undemanding and catalysts include consumer sentiment, industry competition and government support. Market share gain is important for verticals amid macro-uncertainties. We believe the high base effect for internet companies will be short term in 2H and does not change the fundamentals in 2026.

**Entertainment: defensive sector with a number of events to be anticipated.** In 2H, we expect online games sector to have multiple catalysts despite major gaming companies like **Tencent** and **NetEase** have high bases last year. These include (1) Tencent: updates on anticipated Valorant Mobile and Honour of Kings World; (2) NetEase: updates on MARVEL Mystic Mayhem, Destiny: Rising, and anticipated title Ananta. Online music has better earnings visibility vs other subsectors as subscription revenue has ample room to grow amid low ARPPU and steady growth of subscribers. We expect no of SVIP subscribers of **TME** to reach a new milestone and potential synergies with Ximalaya (e.g. S&M efficiencies). The no of subscribers for **NetEase Cloud Music** should maintain a solid growth pace in 2025. In short video, **Kuaishou** is attractive on valuation given its large and engaged user base, integration of AI into ecosystem and video generation model Kling. **BILI**'s fundamentals continue to improve amid market share gain in advertising backed by its strong content and community ecosystem with Gen Z.

**Ecommerce: consumer sentiment and competitive landscape are keys amid a recovery story.** In 5M25, online shopping GMV for physical goods increased 6.3% YoY amid gradual recovery of consumer sentiment. For **BABA**, we expect take-rate continues to benefit from service fees and QZT driving CMR growth. TIG launched Taobao Instant Commerce on 30 Apr and Eleme highlighted no of daily food delivery orders from Taobao Instant Commerce exceeds 10m on 5 May. On 26 May, combined Taobao Instant Commerce + Eleme achieved a total of 40m orders (75% are non-beverage related). We expect market to focus on daily order volume trend in 2H and investment strategies. For **JD**, food daily order volumes exceeded 25m orders on 1 Jun. We expect user synergies on DAU, retention and cross selling, and believe the widening of product selections and better utilization of logistics resources are important. Order density continues to increase in key cities. For **MT**, market puts increasing emphasis on MT Instashopping as it undergoes fast growth amid a large addressable market. In food delivery sector, we believe a significant investment in 2Q and competitive landscape will be less intense in 3Q after 618. Improving revenue and GMV trend is expected for **VIPS** in 2H vs 1H. We expect **PDD** continues to invest in merchants support programs and user experience to build for the long term. On sub-sectors' readthrough, **SF Intra-city** is a beneficiary as a third party on-demand delivery provider. We believe its revenue growth and margin story is intact. Market share gain is key to **ZTO** amid investment in 2025. We expect improving fundamentals for **J&T**.

**We are positive on internet sector outlook given there are multiple catalysts ahead. Earnings visibility is important amid macro-uncertainties. Compared to 2017, investors focus on fundamentals and valuation**

**We expect market to watch out: (1) updates on upcoming new games for Tencent and NetEase; (2) SVIP trend for TME; (3) growth in music subscribers for NetEase Cloud Music; (4) high quality growth story**

**Online shopping sector valuation is undemanding. Better than expected consumer sentiment and supportive measures are catalysts. Market watches out food delivery subsidies trends post 618 and competitive landscape in Instant Commerce**

**Verticals: OTA is the most preferred.** We believe market share gain and resilient travel demand is intact despite high base in 2025. We expect solid revenue growth for **TCOM** and **Tongcheng** in respective domestic, outbound and overseas travel. Compared to other sub-sectors, visibility for OTA is better than other verticals. Expectations are reset for domestic and outbound travel post Dragon Boat festival while ADR being affected by increase in hotel supplies is not new to market. In lodging, we expect **HTHT's** RevPAR to improve in coming quarters and believe adjusted EBITDA margin expansion story is intact. In online recruitment, **BZ** benefits from recovery story, low paying ratio, and margin expansion. Recruitment trends after Labor holidays are better on sequential basis in 2025 vs 2024. Industries such as urban services perform better than others. Blue-collar is on recovery trend and white-collar is stabilizing with a gradual recovery. For digital freight player **FTA**, we see solid fulfilled order volumes with an emphasis on user scale in 2025. Fast growth is expected for transaction services on volumes, rising penetration of commissioned orders and an increase in take rate. In online property, market resets expectations for **BEKE** GTV growth in existing home considering high base effect in Jun and investments in 2025. We believe market share gain story is intact. As for **ATHM**, online marketplace is a key driver, in particular new retail revenue from the opening of franchise stores. For fintech, **QFIN's** EPS growth in 2025 is driven by loan growth and take rate improvement, as well as its commitment to return value to shareholders.

**Advertising: AI is key driver.** Divergent trend is seen in ad performance across different platforms. **Tencent** is our most preferred name in advertising considering traffic growth from video accounts as well as mini-programs and official accounts. In addition, AI drives improvement in CTR. **Focus Media** highlighted monthly ad demand has been volatile, dependent on seasonality. **BILI** ad growth is driven by DAU, traffic, ad loads and eCPM while accelerating growth expected for **Kuaishou** on ad monetization from pan-shelf-based e-commerce, spending from SME merchants benefiting from better conversion using Omni-platform Marketing Agent 4.0, as well as spending from content related verticals (e.g. short play, mini-games, online literature) and local services on leads conversion. We expect stable performance for **Weibo**. **Baidu** is undergoing AI transformation with increasing AI search results contribution expected in 2H.

**Cloud: Unlocking AI opportunities.** We expect volatility in capex and the resetting of expectations due to supply chain disruption does not change the long term thesis of AI and its revolutionary trend. **Alibaba Cloud's** AI-related revenue delivers triple-digit YoY growth for 7<sup>th</sup> consecutive quarter, with strong demand for AI infra in training and inference, MaaS (e.g. API), PaaS and other AI tools. AI and cloud capex is expected to exceed RMB380bn over the next 3 years ([link](#)). Qwen3 was launched in Apr-25 which sets a new benchmark for open-source AI with the debut of hybrid reasoning models. For Qwen3, it receives over 12.5m global downloads and no of Qwen-based derivative models surpassed 130K, making it one of the world's widely adopted open source AI model series. For Tencent, AI is a growth multiplier to ecosystem, in particular high-margin advertising and content recommendations. **Baidu's** full-stack infrastructure stands out, with subscription a key revenue driver. For **Kingsoft Cloud**, it has different financing models for AI, such as using own cash and finance lease, with latter requiring profit-sharing and leading to a lower GP margin.

**SEA: A more straightforward story.** Compared with China's internet sector, Southeast Asia's landscape is less complicated across sub-sectors. We believe **Sea** has multiple growth drivers in 2025 across different segments. Ecommerce faces a relatively less competitive landscape vs China Internet. There is better visibility on Shopee's GMV growth thanks to rising online shopping penetration, price competitiveness, and service quality. We expect Shopee's LT adjusted EBITDA margin to be intact thanks to ad monetization and cost efficiencies. (b) Free Fire is a global hit with average DAU close to peak level during the pandemic. (c) DFS is in early stages for BNPL and cash loans under on/off Shopee's ecosystem. **Grab** demonstrates solid execution in deliveries and mobility segment. For the month of Apr and May-25, it experienced 19% YoY on-demand GMV growth. By segment, growth in no. of mobility rides outpaces GMV growth. Number of rides in Apr and May grew 23% vs same period in 2024. Deliveries GMV increased 20% YoY, which is consistent with user base expansion. It maintains full-year revenue guidance and revised up adjusted EBITDA outlook.

**OTA is our most preferred vertical on secular travel demand and market share gain story. Online recruitment benefits from MAU growth, paying ratio and margin expansion story. Digital freight FTA rides on solid fulfilled orders demand while online property BEKE benefits from policy support. Fintech QFIN has a number of drivers for EPS growth**

**Tencent is our preferred advertising name on multiple growth drivers with AI empowerment story. We expect accelerating growth for Kuaishou and market share gain for BILI. Baidu is under AI transformation.**

**Strong AI demand after DeepSeek Moment is expected to continue in coming years. Expectations are reset on short term disruptions. Alibaba Cloud is expected to accelerate in revenue growth with leading open source model Qwen3**

**Compared to China Internet, Southeast Asia Internet is a relatively straightforward story with multiple drivers for SE across different segments. Solid momentum is seen for Grab deliveries and mobility**

We raise PTs for companies with defensive nature, earnings visibility, embrace new industry trends and with potential synergies to be unlocked in 2026. For music sector, we view it benefit from defensive nature, ample rooms for ARPPU growth and steady subscribers growth story. We raise PT of **TME** to USD22 (prior USD17) on higher long-term earnings assumptions on synergies with Ximalaya (e.g. cost efficiencies, SVIP), ARPPU growth driven by SVIP penetration, reducing discounts and price hike. We expect quarterly subscribers net adds to be between 1-2m over next few years. We raise our PT of its peer **NetEase Cloud Music** to HKD287 based on P/S valuation. Our valuation is based on targeted P/S of TME and apply a 20% discount due to scale of TME. For online games sector, we maintain Buy on **NetEase** and raise PT to USD155/HKD242 (prior USD131/HKD205) on its portfolio strategies and new games (e.g. Ananta) to be expected in 2026, as well as overseas new games to come out over the next few years on studio investment back in 2021 and 2022. We expect NTES to continue pursuing ROI focused approach in marketing. For local on-demand, we raise PT for local on-demand delivery provider **SF Intra-city** to HKD20 (prior HKD13.4) and apply a 40% discount (vs our prior 60% discount) based on our targeted P/S valuation for its peers considering the very fast rise in local on-demand (including food delivery) after entry of new entrants with incremental demand.

**Capital returns of key names under coverage.** We are of the view that investors are interested in finding out how internet companies return value to shareholders through share repurchases, dividends and monetization of key assets. Based on our analysis, key highlights include: (1) Tencent repurchasing HKD26bn (USD3.3bn) in 5M25; (2) BABA repurchasing about USD0.6bn in 1Q25, with an unutilized quota of about USD20.1bn that expires in Mar-27; (3) Baidu/NetEase each have USD5bn share repurchase programs which expire in Dec-25/Jan-26 respectively; (4) QFIN is committed to its share repurchase program and targets to buy back about 30% of issued capital in 3-years' time; (5) For VIPS, it aims to distribute no less than 75% of RMB9bn earnings in 2024 to shareholders (i.e. USD935m). It distributed USD250m in Apr and a USD150m buyback YTD. It still has over USD500m unutilized for the rest of year.

We raise PTs for TME and NetEase Cloud Music on multi-year story, NetEase on its portfolio game strategies and new games in coming years, SF Intra-city on embracing local on-demand opportunities ahead

We analyze share repurchase programs and dividends of companies under our coverage.

**Exhibit 8 - Share repurchase and dividends - top 20 companies (H/ADR shares) under coverage**

Company	Curr	Market Cap	Curr	Share Repurchase Program				Annual dividends		Est Total Return (before ESOP)	
				Authorized amount	Expiry	Est amount in 2025	Return (A)	Curr	2025	Return (B)	(A) + (B)
Tencent	USD bn	601.3	HKD bn	80.0	Dec-25	80.0	1.7%	HKD bn	35.2	0.8%	2.5%
BABA	USD bn	290.7	USD bn	35.0	Mar-27	10.1	3.5%	USD bn	4.6	1.6%	5.0%
PDD	USD bn	145.4	USD bn	n.a.	n.a.	n.a.	n.a.	USD bn	n.a.	n.a.	n.a.
Meituan	USD bn	112.4	HKD bn	31.1	n.a.	n.a.	n.a.	HKD bn	n.a.	n.a.	n.a.
NetEase	USD bn	83.2	USD bn	5.0	Jan-26	3.1	3.7%	USD bn	1.8	2.1%	5.9%
JD	USD bn	49.1	USD bn	5.0	Aug-27	1.9	3.8%	USD bn	1.1	2.3%	6.1%
TCOM	USD bn	40.5	USD bn	0.4	n.a.	n.a.	n.a.	USD bn	0.2	0.5%	0.5%
Kuaishou	USD bn	33.6	HKD bn	16.0	Jun-27	4.9	1.9%	HKD bn	n.a.	n.a.	1.9%
Baidu	USD bn	30.7	USD bn	5.0	Dec-25	2.9	9.5%	USD bn	n.a.	n.a.	9.5%
TME	USD bn	28.4	USD bn	1.0	Mar-27	0.5	1.8%	USD bn	0.3	1.0%	2.8%
KE Holdings	USD bn	23.2	USD bn	3.0	Aug-25	1.2	5.3%	USD bn	0.4	1.6%	6.9%
ZTO	USD bn	14.2	USD bn	2.0	Jun-25	0.5	3.6%	USD bn	0.5	3.6%	7.2%
Full Truck Alliance	USD bn	12.8	USD bn	0.2	Mar-26	0.1	0.8%	USD bn	0.1	1.0%	1.8%
HTHT	USD bn	10.8	USD bn	2.0	Aug-29	0.7	6.2%	USD bn	0.7	6.0%	12.2%
Kanzhun	USD bn	8.5	USD bn	0.4	Aug-25	0.1	1.4%	USD bn	n.a.	n.a.	n.a.
BIU	USD bn	8.3	USD bn	0.2	Nov-26	n.a.	n.a.	USD bn	n.a.	n.a.	n.a.
VIPS	USD bn	7.7	USD bn	1.0	Feb-27	0.5	6.5%	USD bn	0.3	3.3%	9.7%
Tongcheng Travel	USD bn	6.6	HKD bn	n.a.	n.a.	n.a.	n.a.	HKD bn	0.5	1.0%	1.0%
QFIN	USD bn	5.6	USD bn	1.1	Jan-26	0.5	8.0%	USD bn	0.2	4.1%	12.1%
Autohome	USD bn	3.1	USD bn	0.2	Aug-25	n.a.	n.a.	USD bn	0.2	6.2%	6.2%

Source: FactSet, Company, Jefferies

## Exhibit 9 - Valuation comparison

Name	Ticker	Mkt Cap (US\$bn)	Price (LCL)	P/E				P/S			
				2023A	2024A	2025F	2026F	2023A	2024A	2025F	2026F
<b>ECOMMERCE</b>											
<b>ONLINE SHOPPING</b>											
Alibaba Group Holding Ltd	BABA-US	290.7	121.9	14.0x	13.4x	12.5x	10.9x	2.2x	2.1x	2.0x	1.8x
JD.com Inc	JD-US	49.1	33.8	11.7x	8.1x	7.9x	7.0x	0.3x	0.3x	0.3x	0.3x
Pinduoduo Inc	PDD-US	145.4	102.4	17.8x	8.9x	12.0x	9.1x	4.4x	2.6x	2.4x	2.1x
Vipshop Holdings Ltd	VIPS-US	7.7	15.1	6.8x	6.7x	6.4x	6.1x	0.5x	0.5x	0.5x	0.5x
Dada Group	DADA-US	0.5	2.0	n.a.	n.a.	n.a.	n.a.	0.3x	0.4x	0.5x	0.3x
Baозun Inc	BZUN-US	0.2	2.8	n.a.	n.a.	11.4x	6.6x	0.1x	0.1x	0.1x	0.1x
Lily & Beauty	605136-CH	0.8	13.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MOGU	MOGU-US	0.0	2.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hong Kong Technology Venture	1137-HK	0.2	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>LOCAL SERVICES</b>											
Meituan	3690-HK	112.4	144.4	37.7x	18.9x	19.4x	14.8x	2.9x	2.4x	2.1x	1.8x
DingDong	DDL-US	0.5	2.0	n.a.	7.9x	13.3x	10.4x	0.2x	0.1x	0.1x	0.1x
<b>Travel</b>											
Trip.com Group	TCOM-US	40.5	62.0	26.5x	17.2x	17.5x	15.3x	6.6x	5.5x	4.7x	4.2x
Tongcheng Travel	780-HK	6.6	22.1	24.1x	18.6x	15.1x	13.0x	4.1x	2.8x	2.5x	2.2x
H World	HTHT-US	10.8	35.3	20.3x	20.4x	18.3x	15.9x	3.6x	3.3x	3.1x	2.9x
Shanghai Jinjiang International Hotels Ct	600754-CH	3.2	23.0	21.9x	20.0x	21.5x	17.9x	1.6x	1.6x	1.6x	1.5x
BTG Hotels Group Co Ltd	600258-CH	2.2	14.3	20.5x	19.2x	18.1x	15.9x	2.0x	2.1x	2.0x	2.0x
<b>DATA LOGISTICS</b>											
ZTO Express Cayman Inc	ZTO-US	14.2	17.6	11.5x	10.4x	10.9x	9.8x	2.6x	2.4x	2.0x	1.8x
BEST Inc	BEST-US	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
JD Logistics	2618-HK	10.5	12.4	n.a.	10.8x	9.6x	8.5x	0.5x	0.4x	0.4x	0.3x
SF Express	002352-CH	32.1	46.4	27.0x	22.8x	19.8x	17.1x	0.9x	0.8x	0.7x	0.7x
STO Express	002468-CH	2.4	11.0	41.0x	18.0x	13.6x	11.4x	0.4x	0.4x	0.3x	0.3x
YTO Express	600233-CH	6.1	12.7	11.6x	10.3x	10.1x	9.0x	0.8x	0.7x	0.6x	0.5x
Yunda Express	002120-CH	2.8	6.9	11.2x	9.9x	10.0x	9.1x	0.4x	0.4x	0.4x	0.3x
Full Truck Alliance	YMM-US	12.8	12.2	35.2x	23.4x	17.3x	14.3x	11.1x	8.3x	7.3x	6.4x
SF Intra-city	9699-HK	1.8	15.1	n.a.	n.a.	49.6x	31.3x	1.0x	0.8x	0.6x	0.5x
J&T Global Express	1519 HK Equity	7.7	6.8	n.a.	47.8x	20.0x	13.2x	0.9x	0.7x	0.7x	0.6x

Source: FactSet, Jefferies  
Closing prices as of 10 Jun 2025

## Exhibit 10 - Valuation comparison

Name	Ticker	Mkt Cap (US\$bn)	Price (LCL)	P/E				P/S			
				2023A	2024A	2025F	2026F	2023A	2024A	2025F	2026F
<b>ENTERTAINMENT</b>											
<b>ONLINE GAMES</b>											
Tencent Holdings Ltd	700-HK	601.3	513.5	29.3x	21.1x	17.4x	15.4x	7.1x	6.6x	5.9x	5.4x
NetEase Inc	NTES-US	83.2	131.3	19.1x	19.1x	15.8x	14.9x	5.7x	5.6x	5.2x	4.9x
Kingsoft Corp Ltd	3888-HK	6.1	34.3	n.a.	29.1x	21.5x	17.7x	5.1x	4.2x	3.8x	3.3x
IGG Inc	799-HK	0.6	3.7	n.a.	7.0x	7.4x	6.1x	0.8x	0.8x	0.8x	0.7x
iDreamSky Technology	1119-HK	0.2	0.7	5.0x	n.a.	n.a.	n.a.	0.5x	0.7x	n.a.	n.a.
Giant Network Group	002558-CH	4.3	16.2	24.0x	21.5x	19.1x	17.0x	10.0x	9.9x	9.2x	8.3x
CMGE	302-HK	0.2	0.5	2.2x	n.a.	45.8x	n.a.	0.4x	0.7x	0.9x	1.1x
XD	2400-HK	2.6	41.7	n.a.	24.5x	19.3x	17.3x	4.7x	3.6x	3.5x	3.2x
PerfectWorld	002624-CH	3.8	14.2	31.8x	n.a.	38.1x	20.9x	3.5x	4.9x	4.0x	3.1x
Youzu Interactive	002174-CH	1.7	13.6	n.a.	n.a.	n.a.	n.a.	7.7x	8.3x	5.9x	5.3x
Ourpalm	300315-CH	2.0	5.4	n.a.	n.a.	n.a.	n.a.	15.4x	n.a.	n.a.	n.a.
37 Interactive Entertainment	002555-CH	4.5	14.6	10.0x	12.6x	11.2x	10.1x	1.9x	1.8x	1.7x	1.6x
G-bits	603444-CH	2.6	264.3	16.0x	21.9x	18.6x	16.8x	4.3x	5.2x	4.7x	4.3x
<b>LIVE STREAMING AND OTHERS</b>											
Tencent Music Entertainment	TME-US	28.4	18.3	36.4x	28.6x	21.8x	19.3x	7.4x	7.2x	6.5x	5.9x
Cloud Music Inc.	9899-HK	6.4	230.0	n.a.	31.7x	25.8x	22.4x	5.9x	5.7x	5.7x	5.2x
Bilibili Inc	BILI-US	8.3	19.5	n.a.	n.a.	27.4x	19.3x	2.7x	2.2x	2.0x	1.8x
iQYI Inc	IQYI-US	1.8	1.8	4.9x	8.2x	19.5x	8.9x	0.4x	0.4x	0.4x	0.4x
China Literature	772-HK	3.8	29.4	24.6x	23.8x	21.0x	18.9x	4.0x	3.7x	3.4x	3.2x
Hello Group Inc	MOMO-US	1.3	8.1	5.3x	8.3x	7.3x	7.1x	0.8x	0.9x	0.9x	0.9x
HUYA Inc	HUYA-US	0.9	4.1	n.a.	26.1x	31.9x	24.8x	0.9x	1.1x	1.0x	1.0x
DouYu Inc	DOYU-US	0.2	6.6	14.6x	n.a.	n.a.	22.2x	0.3x	0.3x	0.4x	0.4x
JOYY Inc	YY-US	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kuaishou	1024-HK	33.6	61.5	26.7x	13.9x	12.1x	10.2x	2.1x	1.9x	1.7x	1.6x
Zhihu	ZH-US	0.4	4.0	n.a.	n.a.	n.a.	25.9x	0.6x	0.7x	0.8x	0.9x
Mango TV	300413-CH	5.8	22.4	17.2x	25.6x	22.2x	19.5x	2.9x	2.8x	2.8x	2.6x
<b>Movies and content production related</b>											
IMAX China	1970-HK	0.4	8.2	10.0x	9.5x	10.5x	10.5x	3.4x	3.5x	3.7x	3.5x
Maoyan Entertainment	1896-HK	1.1	7.8	9.4x	18.4x	12.8x	10.6x	1.7x	1.9x	1.7x	1.5x
Focus Media Information	002027-CH	14.6	7.3	21.3x	19.7x	18.7x	17.3x	8.5x	8.3x	7.9x	7.4x
Wanda Film Holding Co Ltd	002739-CH	3.4	11.7	21.5x	n.a.	22.3x	17.6x	1.7x	1.9x	1.6x	1.5x
Beijing Enlight Media Co Ltd	300251-CH	7.4	18.1	n.a.	n.a.	28.2x	45.0x	n.a.	n.a.	14.3x	18.3x
Zhejiang Huace Film	300133-CH	1.9	7.3	27.3x	34.7x	31.3x	28.5x	4.6x	6.1x	5.1x	4.7x
Television Broadcasts Limited	511-HK	0.2	3.2	n.a.	n.a.	19.9x	6.6x	0.5x	0.5x	0.4x	0.4x
Huayi Brothers Media Corp	300027-CH	1.0	2.6	n.a.	43.3x	43.2x	37.0x	7.2x	7.1x	6.8x	6.4x

Source: FactSet, Jefferies  
Closing prices as of 10 Jun 2025

## Exhibit 11 - Valuation comparison

Name	Ticker	Mkt Cap (US\$bn)	Price (LCL)	P/E				P/S			
				2023A	2024A	2025F	2026F	2023A	2024A	2025F	2026F
<b>SOUTH EAST ASIA INTERNET</b>											
Sea Ltd	SE-US	92.9	156.9	n.a.	n.a.	40.8x	28.2x	7.2x	5.6x	4.4x	3.7x
Grab	GRAB-US	19.1	4.7	n.a.	n.a.	n.a.	41.8x	8.1x	6.8x	5.6x	4.8x
Goto	GOTO-ID	4.8	66.0	n.a.	n.a.	n.a.	n.a.	5.2x	5.3x	4.4x	3.8x
<b>ADVERTISING</b>											
<b>SEARCH</b>											
Baidu Inc	BIDU-US	30.7	87.5	8.2x	8.8x	9.3x	8.4x	1.6x	1.7x	1.6x	1.6x
<b>PORTAL</b>											
Sohu	SOHU-US	0.3	10.6	n.a.	n.a.	n.a.	n.a.	0.5x	0.5x	0.6x	0.6x
<b>SOCIAL MEDIA</b>											
Weibo Corp	WB-US	2.4	9.7	4.6x	5.3x	5.6x	5.3x	1.3x	1.4x	1.3x	1.3x
<b>VERTICALS</b>											
KE Holdings	BEKE-US	23.2	19.3	17.3x	21.9x	21.5x	17.3x	2.2x	1.8x	1.5x	1.4x
Autohome	ATHM-US	3.1	25.9	11.1x	11.4x	12.2x	12.0x	3.1x	3.1x	3.2x	3.2x
BOSS	BZ-US	8.5	18.5	27.5x	22.4x	18.2x	16.0x	10.3x	8.3x	7.4x	6.5x
Tongdao Liepin Group	6100-HK	0.2	3.8	14.5x	14.3x	9.3x	8.0x	0.8x	0.9x	0.9x	0.8x
So Young	SY-US	0.1	0.9	12.0x	n.a.	n.a.	n.a.	0.3x	n.a.	0.4x	0.4x
<b>OTHERS</b>											
Meitu Inc	1357-HK	4.3	7.4	n.a.	n.a.	36.4x	27.4x	11.1x	8.7x	7.3x	6.0x
Youdao Inc	DAO-US	1.1	9.0	n.a.	n.a.	42.8x	27.3x	1.4x	1.3x	1.3x	1.1x
Kingsoft Office Software Inc	688111-CH	18.0	279.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	17.6x

Source: FactSet, Jefferies  
Closing prices as of 10 Jun 2025

## Exhibit 12 - Valuation comparison

Name	Ticker	Mkt Cap (US\$bn)	Price (LCL)	P/E				P/S			
				2023A	2024A	2025F	2026F	2023A	2024A	2025F	2026F
<b>CLOUD AND BUSINESS SERVICES</b>											
Weimob Inc	2013-HK	0.8	1.8	n.a.	n.a.	n.a.	n.a.	2.5x	3.4x	3.7x	3.3x
China Youzan Ltd	8083-HK	0.4	0.1	n.a.	n.a.	31.7x	13.6x	2.1x	2.1x	2.1x	2.0x
iClick Interactive	ICLK-US	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Yeahka	9923-HK	0.7	12.2	n.a.	24.6x	20.2x	16.0x	1.3x	1.5x	1.5x	1.4x
Kingsoft Cloud	KC-US	3.6	13.1	n.a.	n.a.	n.a.	n.a.	3.6x	3.4x	2.8x	2.4x
<b>FINANCE</b>											
Lufax Holding Ltd	LU-US	2.5	2.9	7.0x	n.a.	8.8x	5.6x	0.5x	0.7x	0.7x	0.6x
East Money	300059-CH	46.1	21.0	39.9x	38.9x	30.9x	27.9x	n.a.	n.a.	n.a.	n.a.
360 DigiTech	QFIN-US	5.6	41.9	11.2x	7.5x	5.9x	5.2x	2.5x	2.4x	2.2x	2.1x
FinVolution	FINV-US	2.2	8.6	7.1x	6.5x	5.1x	4.5x	1.2x	1.2x	1.1x	1.0x
Futu	FUTU-US	15.0	107.6	26.5x	22.0x	15.0x	13.0x	11.8x	9.2x	6.7x	6.0x
RoyalFlush Info	300033-CH	18.6	248.9	n.a.	n.a.	n.a.	44.9x	n.a.	n.a.	n.a.	n.a.
ZhongAn	6060-HK	3.5	18.6	13.1x	n.a.	24.7x	22.4x	0.8x	0.8x	0.7x	0.6x
Lakala	300773-CH	2.6	23.7	28.3x	27.8x	25.4x	23.6x	3.2x	3.1x	3.0x	2.8x

Source: FactSet, Jefferies  
Closing prices as of 10 Jun 2025

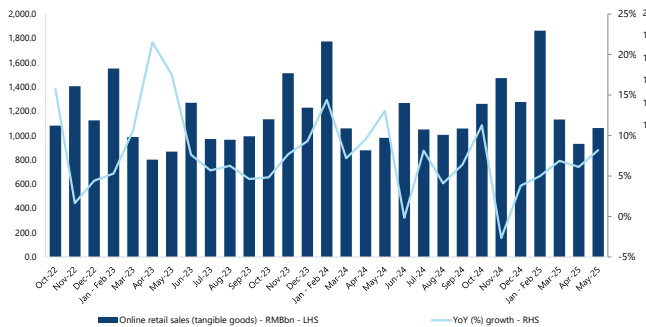
## Sub-Sector Trends

### Ecommerce: Consumer Sentiment is Key Amid Recovery Story

We consider the recovery in consumer sentiment as key to driving industry growth amid competitive pricing strategies pursued by leading ecommerce players. Online shopping GMV for physical goods was up 6.3% YoY in 5M25. Under physical goods, food & beverages were up 14.5% YoY, apparel was up 1.2% YoY and consumables were up 6.1% YoY. This implies GMV for physical goods grew 8.2% YoY in May (6.1% YoY growth in Apr).

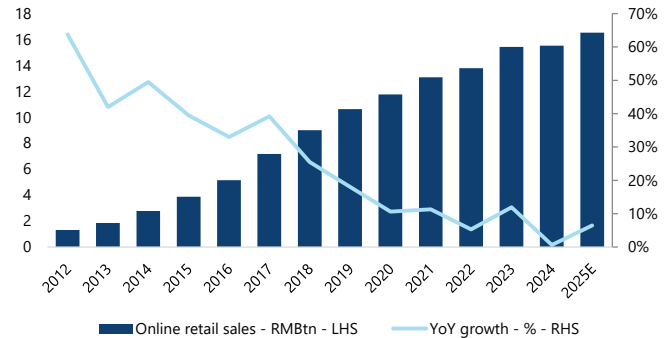
We see recovery in consumer sentiment as key to industry growth. In our view, there is room for online shopping penetration to rise

Exhibit 13 - Online retail sales (tangible goods) and YoY growth



Source: NBS, Jefferies

Exhibit 14 - Online retail sales and growth



Source: NBS, Jefferies estimates

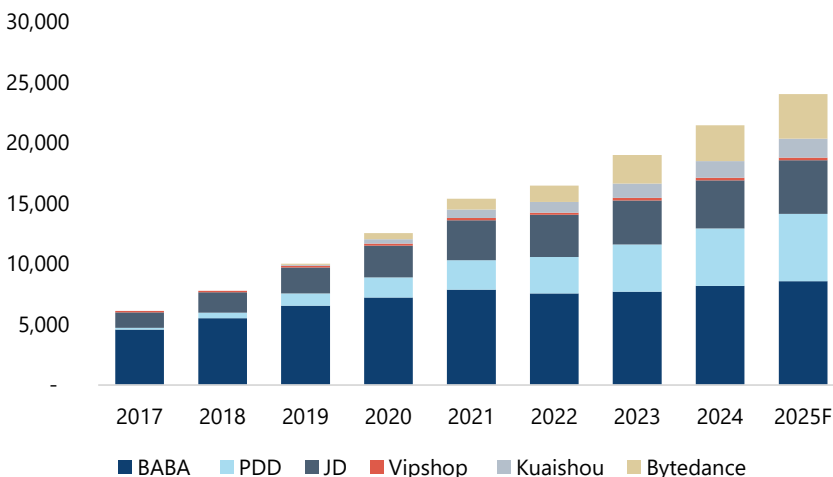
We have seen retail sales (ex-auto) trends vary for different categories in 4M25. According to NBS data: (a) apparel, shoes and bags experienced 3.1% YoY growth; (b) home appliances and audio equipment grew 23.9% YoY; (c) communication equipment increased by 25.4% YoY; (d) food increased by 6% YoY. For consumer electronics, we expect online penetration to be higher than the overall average and smartphones to be more in line. As JD is one of the largest players in home appliances, online penetration for this category is lower than the overall average, while online penetration rates for fresh and supermarkets are single digit and around double digits, respectively. We still see ample room for growth in the last two categories.

**Retail categories recover at different rates. Trade-in and government subsidies programs drive growth in home appliances categories.**

We view the structural changes in user behavior post the pandemic as leading to wider demographic reach to include the elderly and further penetration of lower-tier cities. The fast-growing online grocery sector has become a key category for online shopping platforms. On the other hand, local on-demand is a hot topic of discussion. According to Meituan in Sep-23, it expects the local on-demand market to reach RMB500bn in 2023 and become a RMB1tn market by 2026 assuming a 26% CAGR in 2023-2026. Community group purchasing has been facing a slowdown since 2024 post the resumption of offline activities and emphasis on profitability. For short-form video, the market share gain story continues but growth momentum is not as fast as market expectations.

**Online shopping is characterized by wide product selection, convenience, quality and cost savings to consumers**

Exhibit 15 - GMV of leading players 2017-2025F (RMBbn)



Source: Company, Jefferies estimates/Channel checks

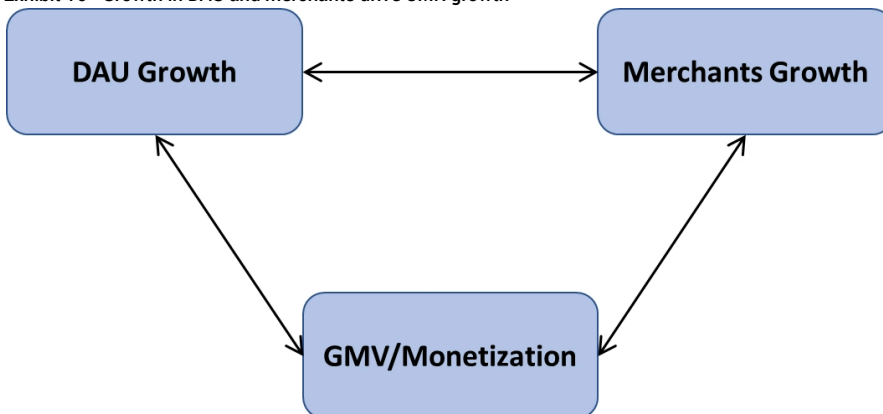
In 2025, we see there are adjustments to industry practices such as the scaling back of refund only policies to support merchants, as well as increasing merchant support amid the uncertainties in the macro environments. Various measures are highlighted by leading platforms. As a result, return rates are heading towards a more rational trend in 2025 vs 2024. In 2024, we believe the market was concerned about industry competition on low-price strategies, in particular the automatic pricing adjustment feature launched by Douyin and PDD during the 618 marketing campaign. We maintain our view that multiple players will drive industry growth amid mature logistics and mobile payment infrastructure in China. In 2025, short-form video player Douyin continues to outpace industry growth and gain market share in live-streaming online shopping. For short video, Kuaishou and Douyin represent about 21% combined market share in terms of total GMV in 2024, up from 18% in 2023. We expect the pace of market share gain will be slower in the coming years taking into consideration the high base effect.

**Taobao Tmall Group (TTG): reinvestment for the future.** In 2025, TTG's stated priorities include user growth, prosperous ecosystems and AI technology. It says investment in price competitiveness, user retention and new user acquisition is needed. Purchase frequency, order growth and time spent are important. On shelf ecommerce, BABA has a competitive edge in product selection and data insights vs peers. Merchant support covers a number of areas including productivity tools offered for free or at a discount. There is an increasing number of advertisers and willingness by merchants to run marketing campaigns amid macro uncertainties. For Quanzhantui (QZT), we expect focus areas to include: (i) user traffic in Taobao need to be well-connected; (ii) sufficient no of advertisers, industry coverage, categories which undergo advertising; (iii) it takes about 6 to 12 months to take effect. As the new product was released in Apr-24, we expect the new product to work out gain traction in 12 months. According to our channel checks, it is on track to penetrate 30% of merchants after release in a year's time.

**Cancellation of refund only policies, merchant support measures implemented by platforms aim to foster healthy sector developments in light of macro-uncertainties**

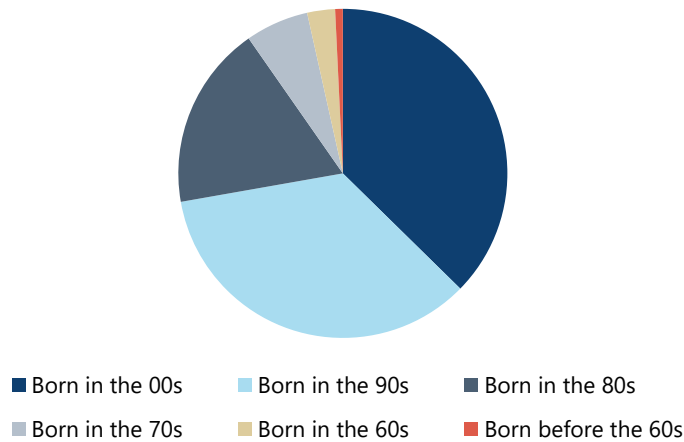
**User growth, prosperous ecosystem and technological innovations are key strategies for TTG. Quanzhantui (QZT) is expected to deepen merchants penetration in FY26**

Exhibit 16 - Growth in DAU and merchants drive CMR growth



Source: Jefferies

Exhibit 17 - Age breakdown of new merchants who joined in Sep-23 quarter



Source: Company, Jefferies

**CMR growth drivers.** We expect TTG to benefit from user and merchant growth, together with a full year 0.6% service fee contribution, QZT (Apr-24) and Wan Xiang Tai (WXT, Aug-23) in the coming years. The virtuous cycle starts with investment in users, which drives user and merchant growth. An increase in the number of transactions leads to revenue and earnings growth. We believe TTG has been strengthening support to SMEs, including traffic and logistics support. In Sep-23 quarter, the number of new merchants increased by 105% YoY, with merchants born after the year 2000 representing about 37.35% of new merchants, followed by 34.88% born after 1990. This implies that over 70% of new merchants come from generations born after 1990. In addition, the contribution from merchants born after 2000 has continued to increase for the past four consecutive quarters. From Jun-22 to Jun-23, TTG added about 5.12m merchants, with the majority comprising SMEs. TTG intends to continue upgrading AI technologies and to provide better tools to existing and new merchants. On a three-year time horizon, TTG plans to invest in driving user and merchant growth and experience, as well as technology.

**Release of QZT in Apr-24 strengthened merchants performance.** The rationale for the release of QZT included: (a) AI upgrade in early Mar with multi-modal large model for advertising (LMA); it can better identify the needs of consumers in different scenarios; (b) enhanced traffic allocation on free and commercial traffic. Merchants select merchandise and determine budget/ROI under QZT. BABA has a large pool of users and traffic to be unlocked. There are over 20bn knowledge graphs supported by AI with 70% of merchants promoted through intelligent marketing.

**Upgrade of Wan Xiang Tai (WXT) to support merchants in 7 different scenarios.** As per BABA, WXT provides one-stop marketing solutions covering: (1) keyword promotion (prior: Zhi Tong Che), (2) targeted demographics promotion (prior: Yin Li Mo Fang), (3) merchandise operations (i.e. recommendations to merchants on products sold based on understanding of consumer preferences), (4) customer operations (i.e. acquisition of users and fans), (5) event marketing (i.e. maximizing performance backed by traffic, consumer and sales analyses), (6) store management (i.e. GMV forecasts based on ad budget spending, duration and ROI across different channels, as well as management of private and public domain traffic), and (7) content (i.e. short-form video and live streaming). The upgraded platform migration was implemented smoothly and multiple accounts (e.g. Zhi Tong Che, Yin Li Mo Fang, WXT) were integrated into one with a single top-up channel. The company says a significant breakthrough is that the upgrade takes into account the comprehensive needs of merchants and leads to advancement in certainty of sales transactions vs the prior model. It leads to better matching between merchandise and consumers, and ad budget allocation to different channels on a real-time basis. Merchants can ramp up merchandise market share and acquire users in a short period of time. For top brand merchants, it increases conversion rates by prioritizing budget allocation across different channels. For SMEs, smart assistance is provided on ad budget allocation and store operations.

**Customer management revenue (CMR) growth benefits from full year contribution of 0.6% service fees and increasing penetration of QZT in FY26E**

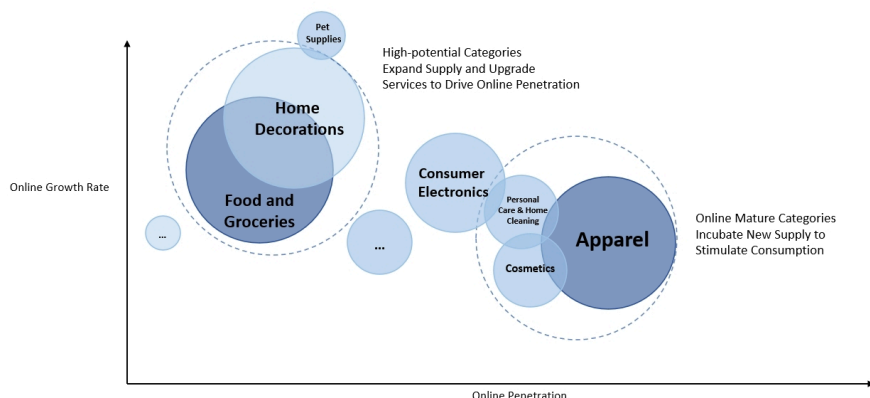
**Rationale for QZT: leverages free and commercial traffic and maximizes merchants performance with enhanced ROI**

**The upgrade of Wan Xiang Tai (WXT) offers a one-stop marketing platform with high ROI to merchants, backed by LLM**

**Very large user base with customer segmentation strategies.** Of the 1bn annual active customer base, about 124m spend more than RMB10k annually on Taobao and Tmall. In terms of age demographics, it has a 90% penetration rate among the young (15-24 years) population and consumers aged 25-44 years represent about 70% of BABA's GMV, with a very high retention rate of about 90%. Increasing the penetration rate among older consumers (aged 45 and over) needs bearing in mind that this group is low-ARPU and price-sensitive. Older customers are typically highly price-sensitive with a clear preference for value-for-money goods and promotional products. These include categories such as tissue paper, trash bags, groceries, slippers, staple foods and bedding. As older consumers typically prefer offline shopping, BABA has launched offline shopping points to help drive conversion.

**Distinct value proposition to consumers with strong engagement.** BABA has a sizable pool of young customers, which enables their fast evolution to core customers in the next few years. Core customers typically demand comprehensive product selection across different categories and service. Cohort analysis shows that ARPU increased by 3x for the 5-year cohort acquired in Sep-16. Consumption upgrade is evident from cohort analysis, with cosmetics and personal care, consumer electronics, and books the key categories in 2016, while home decoration, autos, and alcoholic beverages were the key categories five years later in 2021. We believe the penetration of 88VIP members is still low, with ample room for growth. The ARPU of 88VIP members is about 8x the average spending in China's retail marketplace, with 30% ARPU growth one year after joining. For Jun-24 quarter, the number of 88VIP members continued to increase by double-digits YoY, surpassing 42m.

Exhibit 18 - BABA - Future Growth Opportunities by Category



Source: Company, Jefferies

**Online shopping penetration varies by product category.** Apparel, cosmetics, personal care and home cleaning are mature categories and TGT aims to stimulate growth by incubating new supply. High potential categories include food and groceries, and home decoration. For home decoration, we estimate the sector is worth over RMB4tn and is enjoying fast growth with low online penetration. Consumers' purchasing decisions are still mostly made offline given that the home decoration process is complicated (e.g. design, installation).

Apparel is a mature sector and growth is driven by incubating new supply. TGT provides consumers with a rich supply of categories, from brands, designers, influencers and buyers, as well as capturing diverse trends including neo-Chinese and camping style. In addition, it aims to enrich consumption with experience innovations in the form of optimizing search experience with different sub-categories in apparel, as well as matching item recommendations in live-streaming.

For FMCG, TGT aims to leverage the insights from its very large and engaged consumer base and incubates new brands and categories to drive growth through lifestyle upgrades and consumption expansion. There are close to 300 new brands with GMV doubling each year for three consecutive years in 2020-2022.

**TGT aims to satisfy diverse consumer needs across different age groups through segmentation strategies**

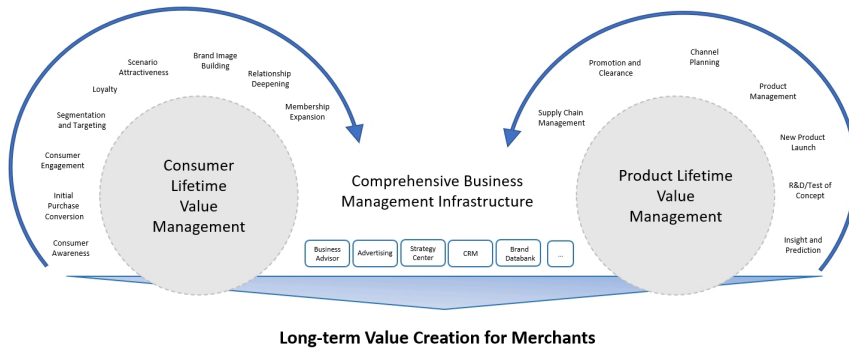
**Large pool of young customers enables their fast evolution to core customers in the next few years**

**Aims to stimulate growth in mature categories by incubating new supply and innovation**

**Growth of the apparel sector is driven by offering new supply**

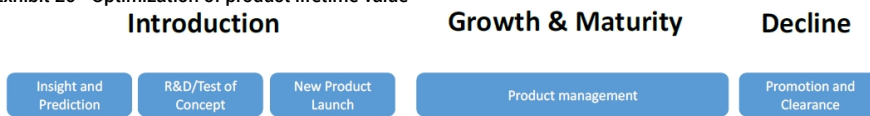
**FMCG growth is driven by large user base and new brands**

Exhibit 19 - Product lifecycle value



Source: Company, Jefferies

Exhibit 20 - Optimization of product lifetime value



Source: Company, Jefferies

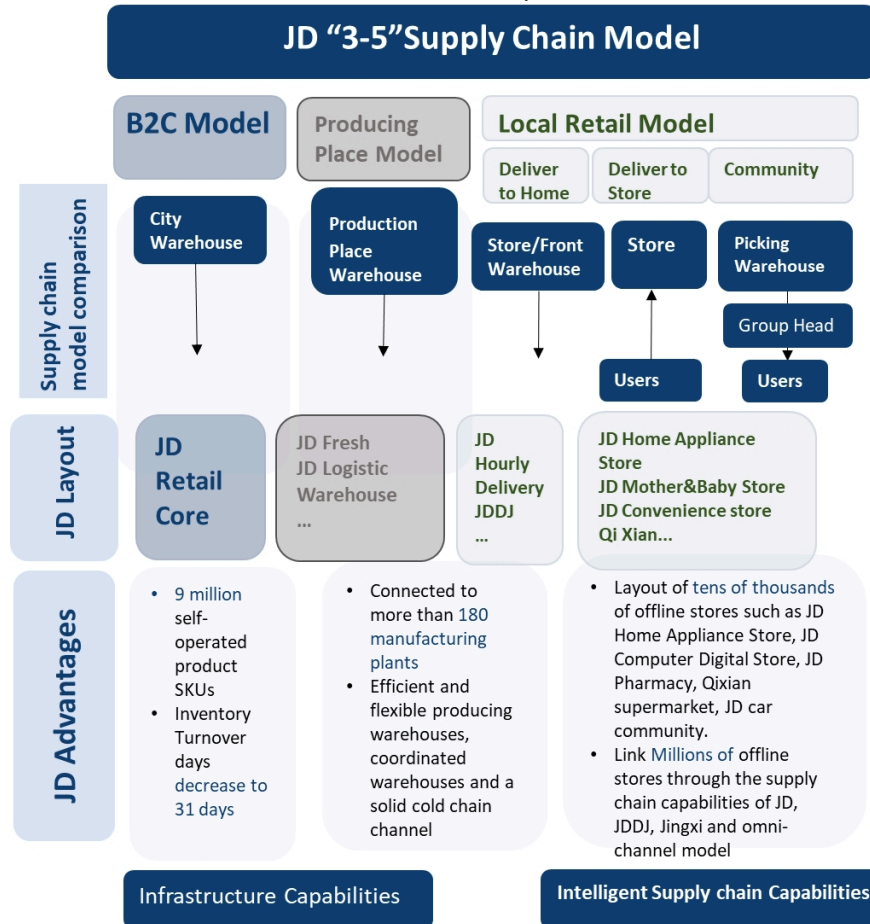
**JD: strong supply chain capabilities with clear strategies.** We expect JD to lay out clear strategies for the next few years, with a focus on the 3P ecosystem, the ramp-up of the user base through lower-tier city penetration, as well as category expansion. Its plan is to pursue balanced growth strategies with KPIs including GMV, profitability and cash flow. On the other hand, JD Logistics is a scalable business model and the majority of JD Retail orders are typically delivered next day without fail. Inventory turnover days benefit from its nationwide warehousing structure. We believe JD's advantage is consumer trust, and the company has high quality users in top-tier cities. It has strong supply chain capabilities and its competitive moat on 1P creates high entry barriers. The scalability of JD's 1P model has a lower cost structure than other individual retailers. For 3P, it introduces more merchants for long-tail and white-label products. The strengthening of algorithm and traffic allocation rules provide consumers with a wide product selection and drives a better consumer experience with 1P and 3P offerings. We believe JD still has a lot of room to expand its user base compared to peers. It provides products at the same price but in our view with better quality and service to consumers. Standardized products like electronics and home appliances are a good fit for the 1P model, while long-tail products like apparel are a good fit for 3P. Groceries and supermarkets lie between 1P and 3P. In terms of 1P/3P mix, JD had a balanced mix before the Covid outbreak. Over the past 2 years, 1P GMV has grown faster than 3P due to the pandemic. Similar to overseas peers, we expect 3P to make a higher GMV contribution to JD in the long run. We expect the pursuit of Every Day Low Price (EDLP) to smooth out the impact of two major annual promotions on inventory, warehousing and temporary resources.

**JD Retail has distinct core competitive advantages which help it stand out from competition.** In our view, JD Retail has great potential, offering one-stop-shop solutions to customers and brands, including: (1) partners benefiting from the brand premium, backed by the scale of JD, together with its supply chain and logistics solutions; (2) brands getting accurate, sustainable, and predictable forecasts in terms of sales volume and achieving operational efficiencies; (3) cohort analysis that shows increasing order frequency and spending power in JD Retail, supported by direct sales and marketplace model; and (4) JD offering multiple consumption scenarios in order to satisfy the diverse needs of customers.

**JD's key strategies over the next few years include 3P ecosystems, ramp-up of user base and category expansion**

**Core competitive strengths of JD Retail, based on its best price and service strategies, help it stand out from peers**

Exhibit 21 - JD's sustainable business model stands out from peers



Source: Company, Jefferies

**Four areas in omni-channel strategies.** JD highlights omni-channel strategies that better serve multi-consumption scenarios offline and online, including: (1) O2O and local-on-demand which could drive offline performance; (2) multi-channel procurement which lowers the cost of retailers, supported by data insights, inventory management, and sales forecasts; (3) comprehensive fulfillment and logistics capabilities; (4) multi-channel marketing (e.g. online coupons to be used offline). In addition, JD expects online shopping penetration to continue rising, but for offline to still comprise more than 50% of the market in the future.

**Strong user engagement.** In our view, JD has ample room to expand its user base in the future compared to peers amid a very large addressable market ahead, thanks to category expansion and pursuit of omni-channel strategies. Subsidies are not the key to drive sustainable growth, in our view. For consumer electronics, it takes time to make purchase decisions vs impulse purchases in short-form video. On the other hand, JD has cooperative relationships with short-form video players in supply chain and logistics.

**JD's omni-channel strategies include:** (1) O2O and local-on-demand; (2) multi-channel procurement; (3) fulfillment and logistics; (4) multi-channel marketing

**Significant room to expand user base**

**Value creation is key to JD Retail offering merchants efficient operations and better user experience.** JD has been investing in the supply chain for a number of years and reached an inflection point as scale increased. Its supply chain capabilities cover procurement, pricing, and after-sales service, together with upstream integration. In the long run, we expect JD Retail to achieve a mid- to high-single-digit operating margin, thanks to: (1) Improving fundamentals for different product categories that offset the increasing mix from supermarkets. Margin improvement is seen across different categories. For supermarket categories, improved operating margin is close to breakeven at -1% to -2%. Supermarket GPM is about mid-to-high teens (vs offline at 20-25%) and operating expenses (including fulfillment) are 50% lower compared to offline. In our view, JD Retail has a lot of room to close the GPM gap with offline players. For JD Retail, we believe its goal of mid- to high-single-digit op margin is intact, taking into consideration the 1P and 3P outlook. For 1P, the target to reach 3% operating margin as % of GMV looks intact considering the trends in overseas offline chain stores, as well as intense competition in China's ecommerce sector. For 3P, it is a high-margin business driven by advertising and commissions. (2) Fast growth of high-margin 3P marketplace over 1P. (3) Focus on order density and fundamental improvement through deepening presence in existing cities. For new business, unit economics are key, with focus on selected regions. Cash flow is important amid the uncertainties in the macro environment.

**JD Retail should maintain double digit segment revenue and operating profit growth in 2025.** In 1Q, GMV experienced double-digit YoY growth at an accelerating pace. The accelerating pace is seen in electronics and the general merchandise category. For the supermarket category, it has a large addressable market with double-digit growth for a number of quarters. Quarterly active customers achieved double-digit growth for 6 consecutive quarters. In 1Q, quarterly active customers achieved 20% YoY growth. 3P user base and order volume outpace overall JD retail growth. JD is focusing on strengthening the user experience, price competitiveness and building the 3P ecosystem. Trade-in program and subsidies not only drive sales of home appliances and mobile phones but also high-end intelligence products. Growth in smartphones and home appliances products continued to grow in 2Q, backed by its supply chain capabilities.

**Heading towards "35711" in the next 20 years.** We believe JD demonstrates strong execution with high-quality growth, backed by its supply chain capabilities. Over the next 20 years, JD targets to have: (a) "3" companies that generate RMB1tn in revenue and RMB70bn in earnings; (b) "5" companies that are ranked top 500 globally; (c) "7" companies with market cap of no less than RMB100bn; (d) "1" as in accumulated total of RMB100bn in tax; and (e) "1" as in one million job positions. Also, the five values it created through "35711" include: (a) accumulating RMB3tn spending on frontline staff benefits; (b) over 100m farmers could generate incremental income; (c) digitization of 60m SMEs; (d) setting up supply chain infrastructure in the majority of countries globally; and (e) achieving carbon neutrality.

**PDD: Investment for the long term.** PDD has passed through different phases from fast growth to solid development, as well as shifting from an emphasis on marketing to R&D. For the online shopping landscape, PDD is an online marketplace and works with merchants together in light of macro uncertainties; (2) support merchants in product, technology and operations; (3) On 618 marketing campaigns, PDD offers consumers user-friendly discounts programs and ensures consumers get the lowest price. High quality growth is a new phase for PDD. There are three focus areas: (a) high quality consumption, which means providing consumers with good products and services that meet diverse consumer needs; (b) high quality supply, which means PDD needs to go deep into industry belts/supply chains to promote digital inclusion in the manufacturing and agricultural sectors; and (c) a high quality ecosystem which supports quality merchants and farmers, strengthening governance. In light of the macro challenges, these include (1) PDD is in compliance with regulations in different countries; (2) investment in supply chain and new business models; (3) stay focused on the core business with an emphasis on high quality growth; (4) RMB100bn support program aims to support SME to have stable demand and lower operational costs; (5) work with merchants across different regions to stabilize the price and ensure abundant supplies. More orders are to be filled in local warehouses.

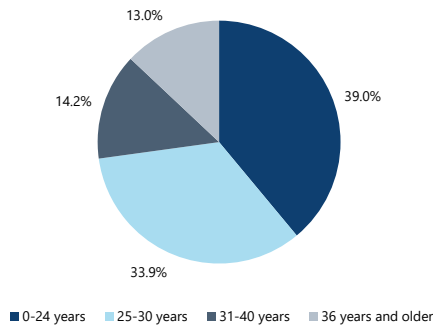
**There is a lot of room for JD Retail to improve its margin profile in the coming years. Long-term margin story is intact**

**In 2025, we expect JD to experience solid growth in quarterly active customers as well as GMV across electronics and home appliances as well as general merchandise category.**

**JD has a clear long-term target with its "35711" strategies for the next 20-year horizon**

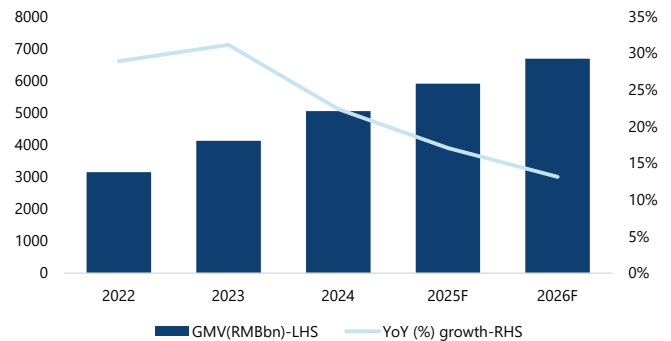
**PDD launches RMB100bn support program and the goals include (1) different tiers of merchants can have high quality growth; (2) more subsidies are offered in RMB10bn discount channels; (3) more categories are matched with national subsidies program.**

Exhibit 22 - Age demographics of PDD



Source: Company, Jefferies

Exhibit 23 - Domestic GMV between 2022 and 2026F



Source: Company, Jefferies estimates

**Quality supply is fundamental to value-for-money products.** PDD promotes digitization in the agriculture and manufacturing sectors, helping farmers and manufacturers through RMB10bn ecosystem initiatives. Fast revenue growth is seen mainly due to: (a) macroeconomic recovery, and (b) quality growth strategies bearing fruit. The macroeconomy continues to recover, with consumers' willingness to purchase improving. For the foreseeable future, PDD says it will continue to invest in enhancing the consumer experience. It has a large annual active buyer base and the slowdown in user base expansion is a natural trend. It now focuses on how to serve the user base better after reaching a large scale. We believe it is important to be user-centric and establish trust in the platform. We consider the emphasis on gaining wallet share important, and the company aims to achieve this through driving ASP and order frequency, which is dependent on the comprehensiveness of product categories covering brands and long-tail merchants. We believe the shift in focus to R&D, instead of S&M, is crucial to long-term growth.

**Investment in agriculture and R&D for the long term.** PDD is committed to the agriculture category and its RMB10bn initiative supports investment into agri-tech and empowering the agricultural sector. This is a long-term initiative to help farmers move into the digital economy and sell more online, as well as increase productivity and attract young talent. PDD has held a number of marketing events to help consumers discover seasonal fruits from different countries. It charges zero commission on agricultural products. During the pandemic, PDD worked closely with merchants to ensure stability in supply with frequent traffic updates in order to make sure the products are fresh. In addition, agricultural products are also distributed through the Duo Duo Grocery network. Online penetration of agricultural produce remains low vs other categories. Good user engagement is seen on the PDD platform amid the consumption recovery story. Amid intense competition, PDD is building for the long term and makes investments with patience in mind. For R&D, PDD considers this a long-term investment and recognises that it takes time to hire the right people.

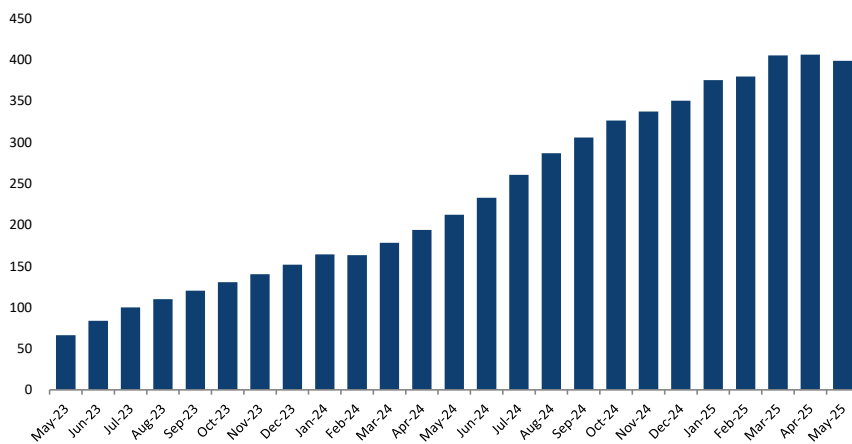
**Shifting to semi-managed model for Temu in light of geopolitical tensions.** Temu was released in the US market in Sep-22 and has expanded to over 70 markets. Key product categories include apparel and shoes, bags and accessories, baby and maternity, electronics and others. We expect GMV to increase from USD50bn in 2024 to about USD62bn in 2025. The increase in AOV is a key driver of unit economics. By geography, we expect 30% of GMV to come from the US, 40% from Europe and the remainder from the rest of the world. According to Sensor Tower, Temu MAU experienced MoM softness in May, which we attribute to the cancellation of de minimis and geopolitical tensions on tariffs in the US. We expect Temu to shift to a semi-managed model to mitigate the impact in the coming years.

**Promotes digitization in agriculture and manufacturing through its RMB10bn ecosystem initiative**

**PDD builds for the long term and makes investments with patience amid intense competition**

**Softness in US is expected due to cancellation of de minimis and geopolitical tensions on tariffs in the US**

Exhibit 24 - MAU of Temu between May 2022 and May 2025 (mn)



Source: Sensor Tower, Jefferies

**Kuaishou: solid momentum amid very significant and engaging user base.** We believe KS has a lot of room to unlock its monetization potential given its engaging user base. It considers content ecosystem, product capabilities and traffic strategy as crucial for: (a) the monthly average number of short videos posted, (b) the number of creators, and (c) the average daily time spent per DAU. Future emphasis is on engagement, user experience and commercialization as it has 400m DAU and 130 min daily time spent per user. It says it has good relationships with content creators and provides them with multiple monetization models. On the other hand, KS looks at user experience and monetization as a whole, instead of on a standalone basis in order to achieve the best business performance. Sizable platform revenue potential comes from advertising, native operations (e.g. real estate, auto, recruitment) and closed-loop transactions (e.g. ecommerce, local services).

**Building a flywheel in trusted ecommerce with fast growth in shelf-based model.** KS builds a flywheel for ecommerce growth and maintains its diversified offerings, matching merchant-KOL efficiency, low price and good quality products with emphasis on user experience. By geography, about 30% of KS's ecommerce users come from tier 1/new tier 1 cities and tier 2 cities. In terms of behavior, users in higher-tier cities are: (a) beginning to move towards the consumption style of lower-tier cities, with rising demand for low-priced high quality products; and (b) willing to spend on brand story. On the other hand, users in lower-tier cities are: (a) gradually moving towards the consumption style of higher-tier cities, with continued upgrades; (b) prioritizing practicality and relying more on word-of-mouth. KS continues to strengthen the generalized shelf-based model and short-form video ecommerce. On the other hand, rising GMV contribution is seen for small to medium-sized KOL. Order volume is important, apart from GMV.

**Market share gain in ecommerce is intact with continued enhancement in monetization capabilities.** We expect the main GMV growth driver to be an increasing number of buyers and deepening ecommerce penetration among its user base. KS further strengthens its ecommerce ecosystem with three metrics to assess performance. These comprise merchandise score, store score, and KOL recommendation score. Compared to its peers, KS's take rate is still low, with improvement to be driven by: (a) enhanced efficiencies in public domain traffic; and (b) upgrade in algorithm and sales team; (c) better understanding of user behavior driving conversion. In terms of category mix, key categories include standardized products such as FMCG, 3C products and apparel, followed by other categories such as cosmetics and jewelry. GMV from public domain traffic represents the majority of total GMV.

**KS has 400m DAU and 130 min daily time spent per user creates a strong ecosystem. We expect it to maintain a solid revenue growth story ahead**

**GMV growth is driven by its diversified offering, merchant-KOL matching efficiency, low-priced and good quality products, with emphasis on user experience**

**Ecommerce ecosystem is further strengthened with various metrics to measure performance**

**Multiple advertising models with high quality growth in video views, ad load and CPM.** KS captures about 10% of users' time spent online, while monetization share is about 5%. Deep understanding of users and their interests, as well as matching are important to advertisers. In terms of commercialization, lead collection, downloads, activations and order payments are backed by its four layers of commercialization model. For brand ads, it benefits from a rich content ecosystem with increasing ad budgets from brand advertisers. Diversified external ad categories reduce concentration risk. It continues to deepen penetration into different ad categories and facilitates advertisers expanding their presence in lower-tier cities. Native ads enhance not only content offerings but also monetization. We believe KS has a high quality growth path in terms of video views, ad load and CPM. In 2025, KS expects accelerating revenue growth driven by: (a) ad monetization from pan-shelf-based e-commerce which represents about 30% of GMV in 1Q; (b) spending from SME merchants benefiting from better conversion using Omni-platform Marketing Agent 4.0; (c) spending from content-related verticals (e.g. short play, mini-games, online literature) and local services on leads conversion. On short play, the sector has high, double-digit growth with abundant content supply. KS says it addresses the needs of content producers and provides them with good ROI.

**Unlocking the potential of Kling.** Kuaishou (KS) accelerated commercialization of Kling with revenue surpassing RMB150m in 1Q and expects it to exceed USD100m in 2025. In terms of revenue mix, about 70% of revenue comes from subscriptions by professional consumers and 30% comes from API calls by business clients. Revenue growth is driven by paying users and ARPPU, with the latter based on the needs of customers. By geography, it has about 70% from overseas and the rest from the domestic market. We believe the addressable market is very significant for video content production in advertising and entertainment sectors (e.g. movies, TV, short play, animation) and that Kling stands out with its video and image quality vs overseas peers.

**AIGC makes content creation simple.** Good content and formats are crucial to the success of works created by hosts. AIGC enables content creators to focus on the content itself, while the formats are handled by AIGC. Professional creators could benefit from AIGC tools such as text to image/video, recommended text descriptions and photos. On the other hand, individuals could benefit from various AI photo features in Kuaishou and other tools such as Kuai Ying and Yitian Camera apps. AIGC supports movie and drama verticals with features such as the creation of subtitles, animation production and Vlogs. Its multi-modal LLM aims to empower various content production and its digital human solutions enable users to create content in a short period of time at low cost.

**Douyin (DY): GMV growth momentum continues** According to channel checks, about 30% of Douyin's GMV (vs low 20s in 2022) comes from non-live-streaming ecommerce (10% search, 14% from mall and the rest from others (e.g. shopping window in profile page)). Search was quite new in 2023, and is a key contributor to the increase in non-live-streaming ecommerce GMV.

According to QuestMobile, Douyin has a large DAU base with a high level of daily time spent on the apps.

**Online marketing is driven by internal and external ads. KS continues to address the pain points of merchants with fast growth in ad categories such as short play, mini-games and literature categories**

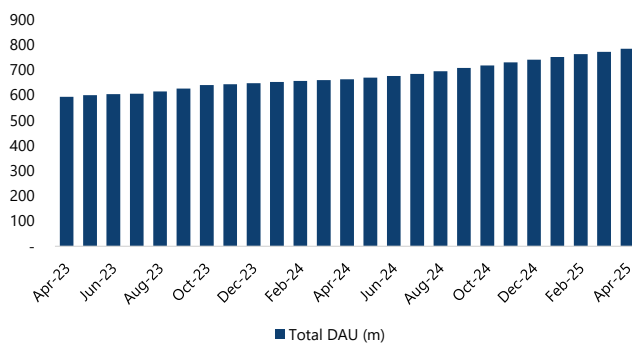
**Large video generation model Kling is in the early stage of monetization with subscription a key business model, with overseas contributing over half of revenue.**

**AIGC supports hosts in content generation with features such as text to image/video, recommended text descriptions and photos**

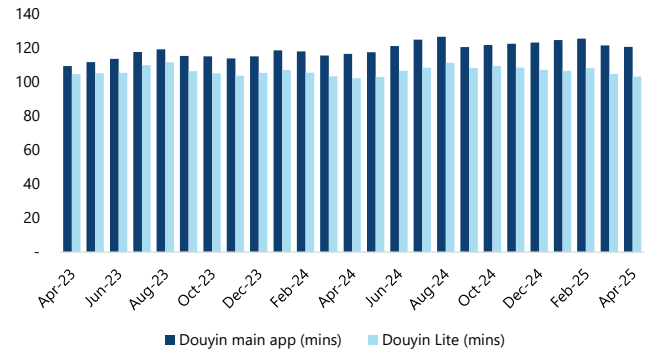
**Douyin GMV growth momentum maintains fast growth trends driven by increasing number of buyers and AOV**

Exhibit 26 - Daily time spent per DAU of Douyin main app and Lite version

**Exhibit 25 - Total DAU for Douyin (main app and lite version) between Apr-23 and Apr-25**



Source: QuestMobile, Jefferies



Source: QuestMobile, Jefferies

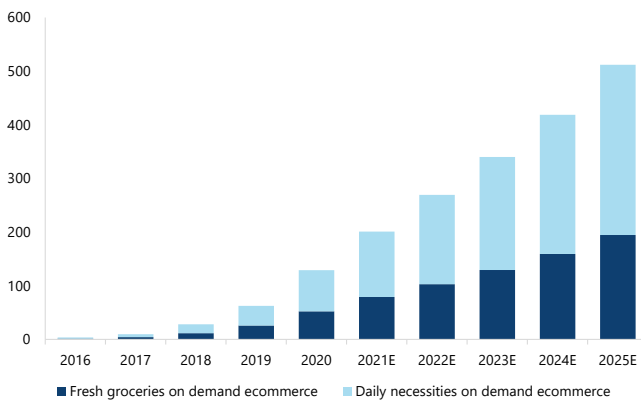
**Heading towards RMB1tn local on-demand in 2026.** During Meituan's local on-demand industry forum in Sep-23, it said local on-demand market size exceeded RMB500bn in 9M2023 and that it is expected to expand by about 26% CAGR to reach the RMB1tn mark in three years' time. On the other hand, iResearch highlights local on-demand is a multi-trillion market covering in the future supermarkets, apparel and personal care stores, food, beverage and tobacco stores, drug stores, consumer electronic and apparel stores, department, as well as convenience stores.

**Local on-demand market is expected to undergo rapid growth and reach RMB1bn by 2026, as per Meituan**

According to China Insights Consultancy, the size of the on-demand ecommerce market for fresh and daily necessities will expand by about 32% CAGR from 2020 to 2025, reaching RMB511.8bn in 2025, and the penetration of fresh and daily necessities ecommerce is expected to reach 9.8% in 2025 from 6.2% in 2020.

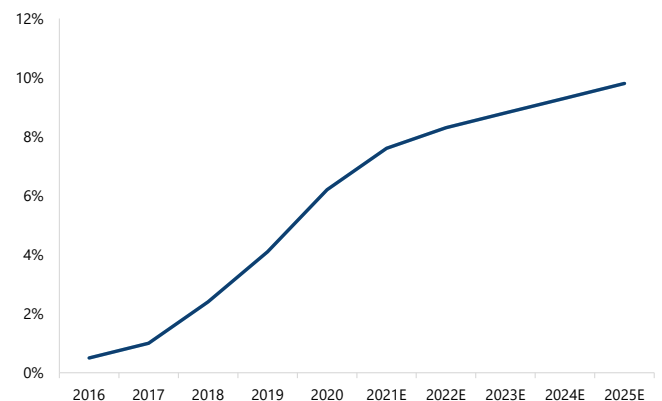
**On-demand ecommerce for fresh and daily necessities to reach 9.8% penetration rate in 2025, per China Insights Consultancy**

**Exhibit 27 - China On-demand Ecommerce Market Size (Fresh groceries and Daily necessities) GMV RMB bn (2016-2025E)**



Source: CIC estimates, Jefferies

**Exhibit 28 - On-demand ecommerce as a % of total fresh groceries and daily necessities ecommerce (2016-2025E)**

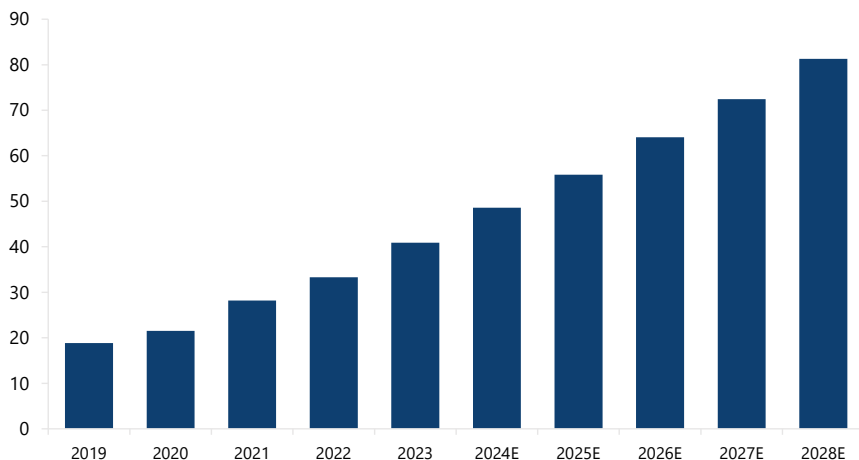


Source: CIC estimates, Jefferies

According to Frost & Sullivan, local on-demand delivery order volume amounted to 40.9bn in 2023, increasing by almost 21.4% CAGR in 2019-2023, and is expected to reach about 81.3bn in 2028. According to Meituan Research Institute, the Meituan Instashopping consumer awareness index significantly increased from end-2019 to early 2020. We firmly believe local on-demand will rise steadily and online grocery shopping habits have continued post pandemic. Local on-demand merchants enrich consumption scenarios with categories expanding from delivery of food to delivery of everything else such as fresh, flowers, medicine and 3C electronics.

**Local on-demand delivery order volume is expected to reach about 81.3bn in 2028, as per Frost & Sullivan**

Exhibit 29 - China Local On-demand Delivery Order Volume (bn)



Source: Frost & Sullivan, Jefferies

**Three business models of local on-demand.** The three business models of local on-demand are: (1) Platform model, represented by JD NOW, Meituan Instashopping and Dmall. As a 3P model where platforms cooperate with offline supermarkets, retail stores and convenience stores, it is easier for these platforms to expand categories, as well as penetrate more regions. (2) Frontline fulfillment grids. This model is used by DDL. Warehouses and sorting centers are located in places near consumers to reduce delivery time and cost. (3) Store to home, represented by Hema, is an in-store consumption + online shopping + instant delivery model. One of the key aims for a direct sales model is to improve product capabilities, diversify SKUs and cultivate more new brands, as well as develop self-labeled products. Compared to the 3P platform model, direct sales models focus more on tier-1 and tier-2 cities, considering the consumption power of targeted consumers, as well as the cost of building infrastructure.

**Three models of local on-demand: platform model, frontline fulfillment grids and store-to-home model**

Exhibit 30 - 3 Business Models of Local On-demand

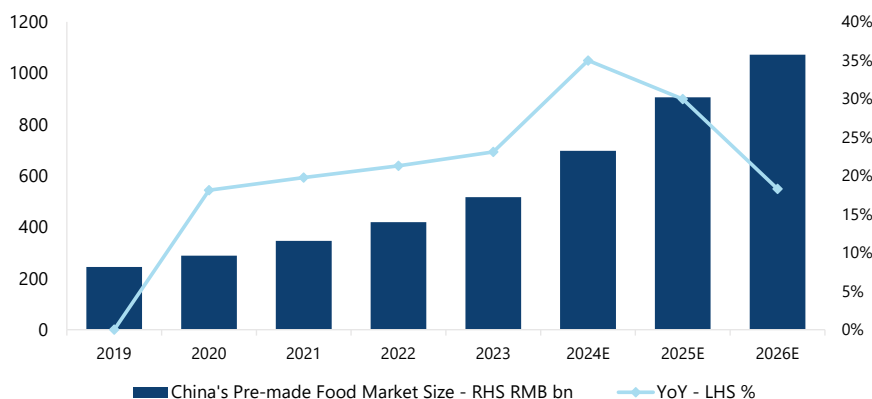
Business Models	Platform Model	Self-Operating Model	
		Frontline Fulfillment Grids	Store to Home
<b>Model definition</b>	The platform cooperates with offline supermarkets, retail stores and convenience stores to provide consumers with delivery to home services	Arrange storage points that integrate warehousing, sorting and distribution in the place closest to users, shorten the distribution chain, and reduce the cost of e-commerce distribution	"In-store consumption + online shopping + Instant delivery", providing online and offline integrated consumer experience
<b>Target market</b>	Mainly in tier 1 & 2 & 3 cities	Mainly in tier 1 & 2	Mainly in tier 1 & 2
<b>Delivery distance</b>	1-3 km	1-3 km	1-3 km
<b>Delivery time</b>	1-2 hours	30min-1hour	30min-1hour
<b>Main players</b>	JD NOW, Meituan Instashopping, TaoXianDa and Dmall	Dingdong (DDL)	Hema, Yong hui and 7Fresh

Source: Jefferies

**Diversified categories and more self-labeled products and prepared food.** With closer integration of online and offline, we expect local on-demand to offer more diversified categories going forward. For platform players, companies will seek to cooperate with more offline stores to expand categories. For example, Meituan Instashopping is onboarding more merchants, as well as introducing Meituan InstaStore and city-wide pharmacy services to gain consumer mindshare. For direct sales model players, brand cultivation and more emphasis on self-labeled products are two of the main goals. Those with self-operating models bring in pre-made food or launch self-owned pre-made food brands in order to meet the needs of consumers. Hence, the pre-made food industry has surged in recent years. According to iiMedia, the market size for pre-made food in China was RMB419.6bn in 2022 and is expected to reach RMB1.07tn in 2026.

**Local on-demand players enrich category offerings, with fast growth momentum seen in pre-made food**

Exhibit 31 - China's Pre-Made Food Market Size



Source: iiMedia estimates, Jefferies

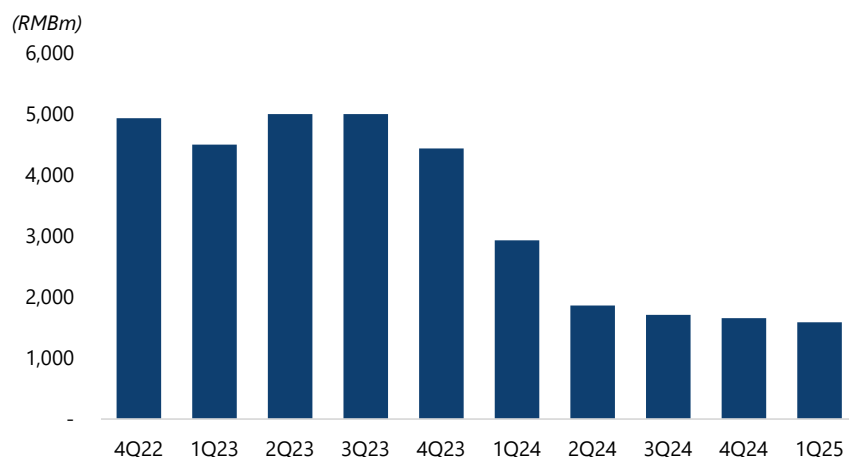
**Differs from community group purchasing.** In our view, the growth of JD NOW and DDL are not impacted by community group purchasing (CGP) as they have different user profiles and cater to different customer needs in terms of pricing, product quality and delivery service. On-demand ecommerce for fresh and daily necessities delivers the products to buyers in 30 minutes, compared to next-day pick-up for CGP. DDL maintains fast growth in areas where CGP is popular, such as Guangdong and Chengdu, as well as lower-tier cities like Dongguan and Changzhou. In our view, there is limited overlap between the user bases of CGP, DADA and DDL.

**JD NOW and DDL are not impacted by CGP due to differences in user profile and needs across pricing, product quality and delivery services**

**Cost optimization and profitability are key to community group purchasing.** In 2024, leading players focus on high-quality growth with emphasis on ROI and profitability. Order density, instead of geographical expansion, is key to improving unit economics. For leading players MT Select and Duoduo Grocery, absolute losses and loss margin continued to narrow in 2024.

**CGP players focus more on cost optimization and order density, instead of geographical expansion**

Exhibit 32 - Losses from MT Select from 4Q22 to 1Q25

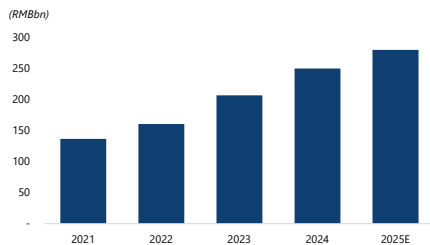


Source: Company, Jefferies

**MT expands boundaries through retail plus technology.** MT highlighted its strategic focus to transform from a “food plus platform” to “retail plus technology”. We are impressed by the resulting enlarged addressable market, encompassing the diverse needs of consumers. Despite the impact from macro headwinds in 2024, unit economics of food delivery continue to improve thanks to advertising monetization and efficiencies in incentives spending. For in-store and travel, we estimate resilient revenue growth given low online penetration and diversified coverage of over 200 categories. In 2025, we expect CLC revenue to grow at 12% YoY and segment operating profit to decline by about low single digit factoring in the subsidies spent on maintaining its leadership amid intensifying food delivery competition. [margin comment says 2024 but text says 2025]

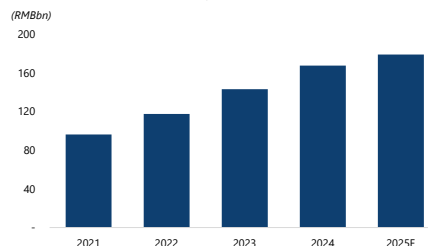
**MT Instashopping is enjoying fast growth momentum.** During Meituan's local on-demand industry forum in Sep-23, the company revealed the local on-demand market size exceeded RMB500bn in 9M2023 and is expected to expand by about 26% CAGR to reach the RMB1tn mark in three years' time. In Beijing, the number of merchants using MT Instashopping increased from 1,300 in 2021 to 3,800 in 2023, offering 400K SKUs to consumers. In terms of age demographics, MT Instashopping highlights: (a) 48% penetration rate among the generations born after 2000; (b) 37% penetration among those born in the 1990s (up from 20% in 2021); (c) 17% penetration among those born in the 1980s. For MT Instashopping, we expect GMV to reach about RMB338bn in 2025 and RMB444bn in 2026. Currently, it partners with over 4,600 chain merchants, 370K local small merchants and over 350 brand merchants. Its goal is to have 100 brands with over RMB1bn GMV by 2026. Brands are transforming themselves to embrace opportunities ahead, including the upgrade of business units, customized marketing and C2M product offerings. A number of measures are offered to merchants and brands, including: (1) traffic support; (2) super brand day; (3) competitive pricing strategies to attract new users; (4) live-streaming sessions; and (5) infrastructure and digital solutions.

**Exhibit 33 - Core local commerce revenue from 2021 to 2025E**



Source: Company, Jefferies estimates

**Exhibit 34 - Food delivery revenue from 2021 to 2025E**

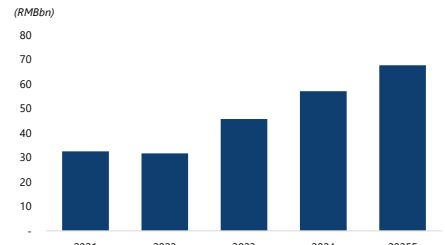


Source: Company, Jefferies estimates

**We expect Core Local Commerce (CLC) operating profit to grow at 25% YoY in 2024, among which in-store hotels and travel op profit to grow at high teens YoY this year**

**MT Instashopping is moving towards its 2026 target, according to the company during Meituan's local on-demand industry forum in Sep-23**

**Exhibit 35 - In-store and hotel revenue from 2021 to 2025E**



Source: Company, Jefferies estimates

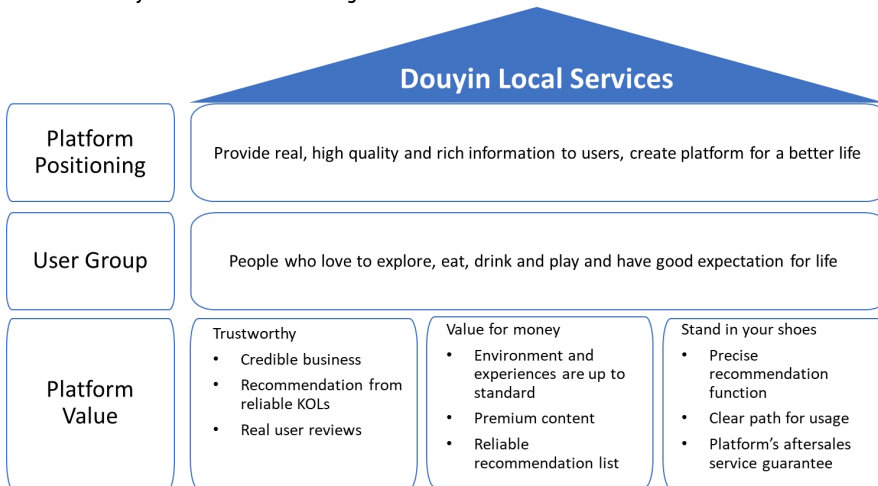
**Douyin (DY) is ramping up in-store, hotels and travel.** Based on channel checks, we expect DY local service GTV to grow at about 40% YoY in 2025. In 2024, we expect DY to emphasize on unit economics and GTV, with the latter expected to reach surpass RMB500bn. After the accumulation of a large merchants base over 5m in 2023, strengthening quality across different cities would not be a surprise. For SME merchants, DY provides a number of support measures in setting up their business on DY. For example, DY leverages its search presence and redirects traffic to merchants apart from live-streaming in order to improve their unit economics. Monetization rate for local services is lower than for online shopping, but DY expects this to continue to strengthen and improve fundamentals.

**Catering focuses on LIFE strategy.** Full digitalized solutions, which include marketing, pricing, product, store operations and procurement, are important to enhance the efficiency of the traditional catering sector. DY highlights the pursuit of “LIFE” comprising “Link” (connecting local merchants from offline to online), “Influencer” (partnerships with KOLs), “Field” (merchants setting up own operations); “Event” (marketing campaigns). For example, DY partners with KFC in over 8,000 stores based on LBS and cooperates with KOLs in fan promotions.

**DY's local services ramp-up in 2023 is changing the industry landscape. It has launched a number of measures to strengthen the quality and ROI of merchants**

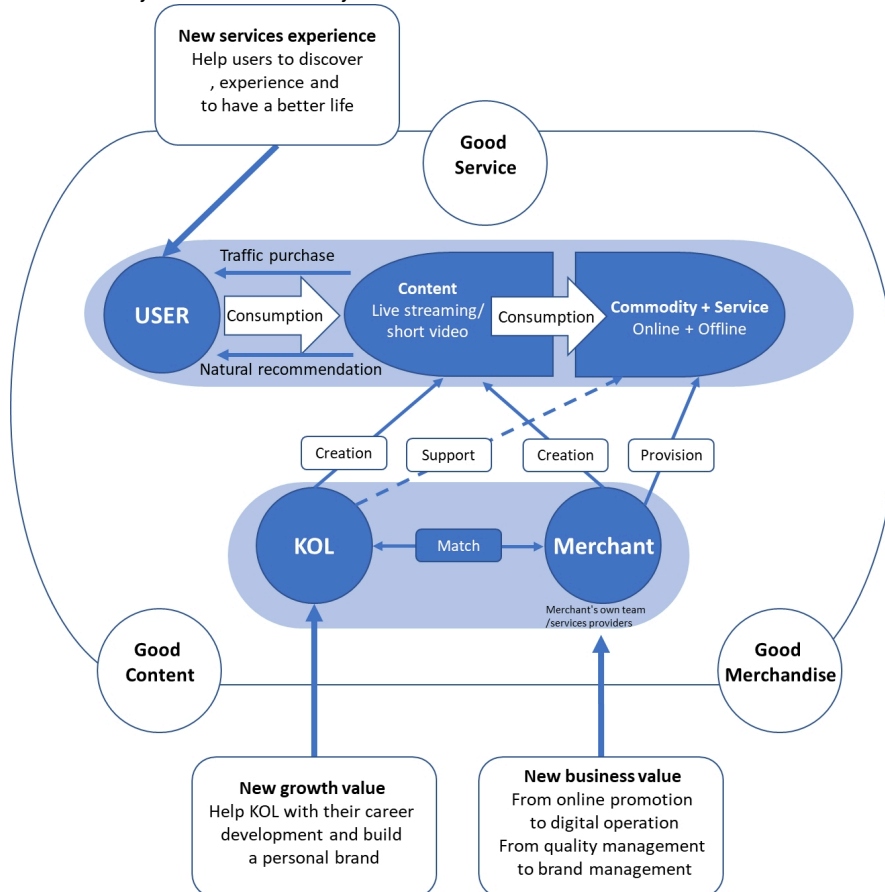
**DY pursues “LIFE” (Link, Influencer, Field, Event) strategy to penetrate the catering sector**

Exhibit 36 - Douyin's local services strategies



Source: Douyin, Jefferies

Exhibit 37 - Douyin's local services ecosystem



Source: Douyin, Jefferies

DY says it aims to strengthen business performance of local merchants by leveraging its large user base, recommending merchants to potential users, backed by multiple content scenarios in short-form video and live-streaming content. It believes KOLs could drive repeat purchase frequency with innovative content. For service providers, DY says it partners with over 1,000 providers which cover about 25% of local merchants. DY provides clear operational procedures and solutions to service providers in order to provide enhanced offerings to local merchants. Service providers provide tailored services and operate online stores on behalf of merchants including live-streaming and short video, KOLs, as well as store operations.

**DY partners with over 1,000 providers and offers a number of support measures to enhance its offerings to merchants**

## Exhibit 38 - Douyin's support measures to local service providers



Source: Douyin, Jefferies

## Ecommerce - Developments in LLM and AI

- BABA provides Full Marketing Solutions (FMS) to merchants which include: (a) multi-modal large model for advertising (LMA), which can better identify the needs of consumers in different scenarios; (b) enhanced traffic allocation on free and commercial traffic. Merchants select merchandise and determine budget/ROI under full promotion program. BABA has a very large pool of users and traffic to be unlocked.
- JD considers AI is revolutionizing the retail industry with emphasis on applications. It says it adds value to users, merchants and partners with its models and applications across different scenarios. In addition, AI enhances productivity and efficiencies (e.g. automation). For JD Retail, it provides consumers with AI shopping assistant, upgrades and enhances search recommendations, as well as marketing tools for merchants. In advertising, AI upgrades algorithms and recommendations with improved conversion.
- MT highlighted investment in AI covers three areas: (a) AI at work; (b) AI products; (3) AI LLM. For **AI at work**, these include: (a) integration of AI into day-to-day operations and enhances productivity of employees; (b) its in-house LLM and external models provide tools to support customer service (i.e. enhance efficiencies and satisfaction) and business development (i.e. merchants are offered with digital sales assistants); (c) 27% of new codes are generated through AI coding. For **AI products for merchants and consumers**: For merchants, they are offered tools to strengthen online store design, merchants display and operational management; for consumers, they can use AI assistants to improve experience in restaurants and travel reservations. For **AI in-house LLM**, these include: (a) investment to enhance LLM with increased capex on model training and applications as well as AI exploration. Capex is expected to increase in this area; (b) API calls for in-house LLM LONCAT increased from 10% at the beginning of the year to 68% of total lately; (c) robotics and AI will be integrated in the future. Autonomous driving, logistics and automation will be further upgraded in the future.
- VIPS released an in-house model "Chao Che" which completed filing in Jan-24. It invests in personalized Q&A and recommendations to users. On the other hand, it deploys DS to improve productivity and efficiencies. In addition, the AI tools aim to help merchants to achieve a better performance
- Dingdong connects with third-parties' open-source LLM and fine-tunes models to enhance efficiency.

**We expect BABA to continue to upgrade and expand marketing offerings to merchants in order to drive business performance and improves ROI. We expect increasing penetration of QZT among merchants**

## Exhibit 39 - Online shopping and local services

Company	Stock code	Highlights
<b>Online shopping and Local service</b>		
Alibaba	BABA-US	<ul style="list-style-type: none"> <li>- During Alibaba's Future Business Award Ceremony in Jul-24, BABA provided updates on full marketing solutions (FMS) and Wan Xiang Tai (WXT). For FMS, BABA supports merchants with incremental traffic, release of new products, promotion of blockbuster products, as well as marketing spending. 200K merchants that participated saw 105% YoY and 43% YoY growth in traffic and GMV, respectively, vs those who did not participate. Key upgrades for FMS include: (1) expanding coverage and driving GMV for brand merchants and merchants with new products; (2) ROI on traffic and supply chain; (3) more ease in operations. Key upgrades for WXT include: (1) keyword promotions; (2) targeted consumer promotions; (3) inventory operations; (4) store operations; (5) content marketing. BABA believes AI can help merchants in marketing with better execution and operations (e.g. product, consumer insights, pricing, industry position and channels). Various methodologies were highlighted such as MAP, NEXUS, VIEW and DEEPLINK which enhance CTR, consumer penetration, product operations and conversion.</li> <li>- The rationale for the release of full promotion include: (a) AI upgrade in early Mar with multi-modal large model for advertising (LMA). It can better identify the needs of consumers under different scenarios; (b) enhanced traffic allocation on free and commercial traffic. Merchants select merchandise and determine budget / ROI under full promotion program. BABA has a huge pool of users and traffic to be unlocked. For example, there were over 500m DAU during Double-11 and 88VIP members continued to increase to reach 32m. It has over 20bn knowledge graphs supported by AI with 70% of merchants promoted through intelligent marketing.</li> <li>- Free traffic is levered under different scenarios with AI. Differing from normal promotions through commercial traffic, the full promotion program enables merchants to benefit from both commercial and free traffic, as AI strengthens their ability to better understand user behavior. This is applied to different interfaces such as search page, feeds shown on front page and different stages of purchase. On the other hand, WXT is upgraded with a new interface, placing emphasis on: (a) people (one-stop marketing solutions); (b) inventory (identify hit products); (c) keyword promotion; (d) store operations; (e) content marketing (live streaming, short video); and (f) full promotion.</li> <li>- Technology backbone of LMA. LMA capability is centered on its large, in-house language model with multi-modal capabilities backed by huge consumer base. LMA provides merchants with: (a) AIGA (artificial intelligence-generated content actions) help merchants to identify desired customer base with best marketing solutions (e.g. coupons); (b) AIGC (artificial intelligence-generated content) provides merchants with different ad products offerings; (c) AIGE (artificial intelligence-generated environment) helps merchants to better understand different scenarios such as competitive environment, user profile, etc.</li> </ul>
JD.com	JD-US	<ul style="list-style-type: none"> <li>- In Jun-24, JD highlighted that there are several hundreds of AI application scenarios including content generation, marketing, live-streaming, logistics and warehousing serving several hundreds of thousands of merchants.</li> <li>- In Jul-23, JD released LLM ChatRhino, which serves the needs of different sectors such as retail, logistics, finance, health and city services. It is a 100 billion parameter model. JD has established a comprehensive LLM tool chain including MaaS platform, vector database "Vearch," upgraded hybrid multicloud OS, high-performance storage platform, as well as hardware and software integrated virtualization engine.</li> <li>- ChatRhino was integrated with JD's various scenarios in 2023. It enhances and iterates the model with highly complex scenarios, with robust services for industry use as of end-2023. The company targets to open up the capabilities fully for serious commercial applications in 1H24.</li> <li>- It has more than 100 training and inference tools offered to third-parties with one-stop shop solutions.</li> </ul>
Meituan	3690-HK	<ul style="list-style-type: none"> <li>- MT highlights the importance of conversational AI, which can best cater to the needs of consumers in food delivery and local services. In Apr-24, it is doing testing on AI assistant called "Wen Xiao Dai" which provides recommendations to users on various local services.</li> <li>- MT announced the full acquisition of Light Year, which is mainly engaged in the business of research and development of large language models.</li> <li>- The acquisition strengthens its competitiveness in the fast-growing AI industry and better fulfill its mission of "we help people eat better, live better".</li> </ul>
Vipshop	VIPS-US	<ul style="list-style-type: none"> <li>- VIPS released inhouse model "Chao Che" which completed the filing in Jan-24 with functions such as online shopping text and image generation in order to lower operating costs. In addition, smart shopping assistant provides users with recommendations satisfying users needs.</li> <li>- Explores the opportunities in LLM and related applications. It aims to strengthen internal operational efficiencies. On the other hand, it invests in AIGC for conversational and image tools.</li> </ul>
Dada Group	DADA-US	<ul style="list-style-type: none"> <li>- DADA is in the early stage of development for generative AI. It uses AI in rider network management, including smart order recommendation and dispatching systems, as well as automated pricing system in order to enhance efficiency.</li> </ul>
Dingdong	DDL-US	<ul style="list-style-type: none"> <li>- Uses open-source LLM and fine-tunes models to suit its own needs. It aims to strengthen internal capabilities such as product operations, marketing campaigns and customer service.</li> </ul>

Source: Company, Jefferies

## Advertising: AI is key driver

We estimate online advertising revenue to be about low teens YoY in 2025, taking into consideration the recovery story and divergent trends between different platforms. From a bottom-up perspective, we add up consensus estimates for the top 10 leading players, which align with our observations. Despite online ad spending representing the majority of the overall ad market in China, we view performance-based marketing as crucial for merchants to drive business growth. The unit economics for merchants now are different from the early years as they migrate from offline to online presence; we believe this presents opportunities for earnings upside in the long run.

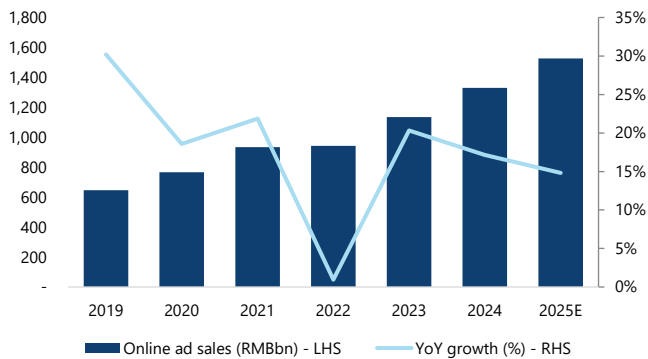
In 2025, the use of AI to drive eCPM (effective cost per mille) with incremental dollars from advertisers remains a hot topic of discussion, as we observe leading internet companies, such as Tencent, upgrading their technology infrastructure, as well as Baidu releasing ERNIE Bot, and BABA upgrading to Quanzhantui (QZT). According to our checks, platforms with better ROI should benefit from budget allocation by advertisers. Over the long run, the online ad market could be enlarged by higher eCPM as AI offers better ROI to advertisers

**What does that mean for each segment?** We analyze the ad market from a number of perspectives, classifying it into: (1) online shopping ads, including BABA, PDD and JD; (2) short-form video ads for Kuaishou, as well as ad revenue from ByteDance (including Douyin); (3) online ads excluding online shopping, such as Kuaishou and ByteDance. Our observations are: (a) market share gain story for Tencent on ad infrastructure upgrade and video accounts; (b) market share gain for PDD on better GMV growth and monetization; (c) short-form video players Douyin and Kuaishou continue to gain market share.

## Top 10 platforms expected to contribute majority of advertising market share in China

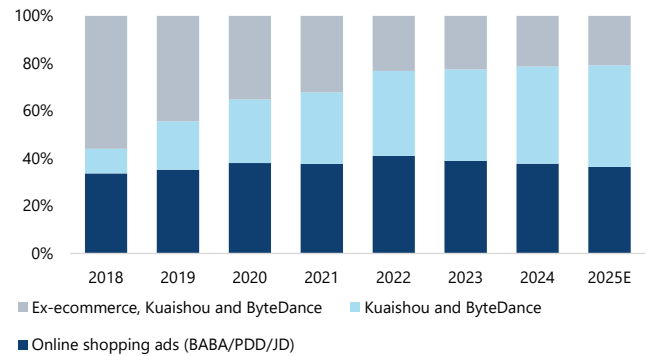
**We expect online advertising market growth to benefit from higher ROI due to AI. Leading internet companies have released respective large language models**

**Exhibit 40 - Online ad sales from 2019 to 2025**



Source: Jefferies estimates

**Exhibit 41 - Online ad breakdown by ecommerce ads, short-form video ads and ex-ecommerce and short video ads (2018-2025E)**

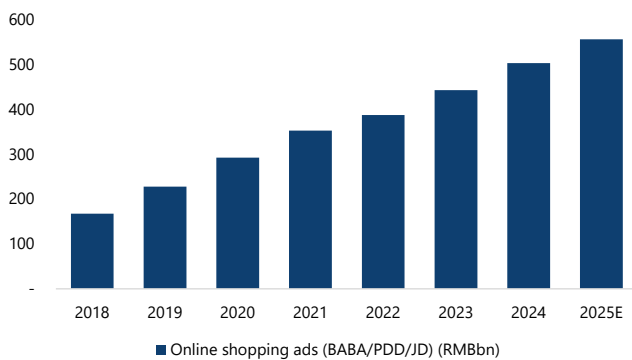


Source: Company, Jefferies estimates/Channel checks

**Online shopping ads remains a key factor in the market.** We add up online ad revenue for leading players BABA, JD and PDD, which combined comprise about 38% of total ad revenue in 2024, with growth of about 14% YoY. For 2025, we expect online shopping ad revenue growth of about 11% YoY to about RMB556bn, constituting about 37% of total online ad revenue.

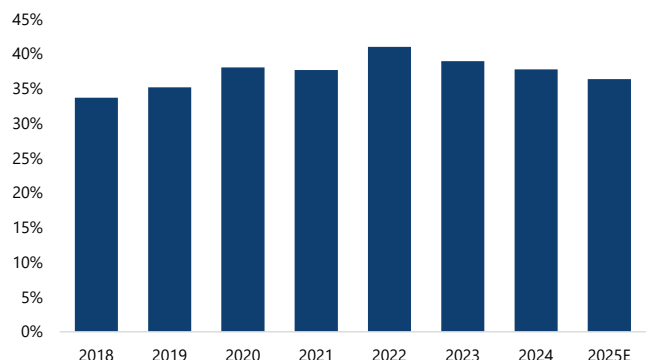
**Ecommerce ads are key contributor to overall online ad market**

**Exhibit 42 - Online shopping ads revenue**



Source: Company, Jefferies estimates

**Exhibit 43 - Online shopping ads contribution to total online ads**



Source: Company, Jefferies estimates

**Alibaba: Unlocking the potential of huge traffic ecosystem.** Alimama announced the release of QZT in Apr-24, with a view to unlocking the potential of free and commercial traffic. Free traffic is levered across different scenarios through the understanding of user preferences backed by AI upgrade. This is achieved through LMA, its in-house large language model with multi-modal capabilities. It has received positive feedback from merchants on the strengthening of conversion rates and GMV.

**QZT is expected to drive merchant performance, leveraging free and commercial traffic**

**Release of QZT strengthens merchant performance.** The rationale for the release of QZT include: (a) AI upgrade in early Mar 2025 with multi-modal large model for advertising (LMA), which can better identify the needs of consumers in different scenarios; (b) enhanced traffic allocation on free and commercial traffic. Merchants select merchandise and determine budget/ROI for the full promotion program. BABA has a large pool of users and traffic to be unlocked. It has over 20bn knowledge graphs supported by AI, with 70% of merchants promoted through intelligent marketing.

**Multi-modal large model for advertising (LMA) is the backbone of FMS**

**Free traffic is leveraged under different scenarios with AI.** Differing from normal promotions through commercial traffic, QZT enables merchants to benefit from both commercial and free traffic, as AI strengthens the capabilities to better understand user behavior. This is applied in different interfaces such as search page, feeds shown on front page and different stages of purchase. On the other hand, WXT is upgraded with a new interface that emphasizes (a) people (one-stop marketing solutions); (b) inventory (identifies hit products); (c) keyword promotion; (d) store operations; (e) content marketing (live-streaming, short video); and (f) full promotion.

**Technology is the backbone of LMA.** LMA capability is centered on its large, in-house language model with multi-modal capabilities backed by a very large consumer base. LMA provides merchants with: (a) AIGA (actions), which help merchants to identify the desired consumer base with best marketing solutions (e.g. coupons); (b) AIGC (content), which provides merchants with different ad product offerings; (c) AIGE (environment), which helps merchants to better understand different scenarios such as competitive environments, user profile, etc.

**Upgrade of Wan Xiang Tai (WXT) to drive ROI under different scenarios.** WXT, which was released in Aug-23, provides one-stop marketing solutions covering: (1) keyword promotion (prior: Zhi Tong Che), (2) targeted demographics promotion (prior: Yin Li Mo Fang), (3) merchandise operations (i.e. recommendations to merchants on products sold based on understanding of consumer preferences), (4) consumer operations (i.e. acquisition of users and fans), (5) event marketing (i.e. maximizing performance, backed by traffic, consumers and sales analysis), (6) store management (i.e. GMV forecasts based on ad budget spending, duration and ROI across different channels, as well as management of private and public domain traffic), and (7) content (i.e. short-form video and live-streaming). The upgraded platform migration was implemented with ease and multiple accounts (e.g. Zhi Tong Che, Yin Li Mo Fang, WXT) were integrated into one with a single top-up channel. A significant breakthrough is that the upgrade takes into account the comprehensive needs of merchants and leads to the advancement in certainty of sales transactions vs prior model. It leads to better matching between merchandise and consumers, and ad budget allocation to different channels on a real-time basis. Merchants can ramp up merchandise market share and acquire users in a short period of time. For top brand merchants, it increases conversion rates by prioritizing budget allocation across different channels. For SMEs, smart assistance is provided on ad budget allocation and store operations.

**Keyword promotion satisfies different performance targets set by merchants.** Prior pay for performance (P4P) marketing tool "Zhi Tong Che" was upgraded with the integration of manual and smart budget allocation into one interface. This enables merchants to make better decisions in selecting merchandise for promotion, keyword selection and pricing. Merchants are offered various marketing tools to: (a) maximize performance; (b) manage costs; (c) improve ROI; and (d) enable manual operations. Merchants can choose their desired targets, such as: (a) GMV; (b) number of clicks; and (c) shopping carts.

**Targeted demographics promotion drives sales performance.** Prior user targeting platform "Yin Li Mo Fang" was upgraded with 6 key features, comprising: (a) smart consumers control panel (i.e. analysis on consumer spending; decision-making factors; enhanced demographics analysis); (b) accurate pricing strategies (i.e. ROI-focused pricing, apart from manual decision); (c) ad inventory control panel; (d) upgrade in ad budget spending (i.e. GMV contribution by demographic); (e) new product promotion (i.e. expected number of orders within a certain time period); and (f) content marketing upgrade (e.g. traffic support to short video, supports to innovative content and blockbuster ones).

**The upgrade satisfies dynamic and diverse consumer needs.** The company observed that consumer behavior has undergone a number of changes, including: (a) they simultaneously search and browse for desired content; (b) products are displayed in the form of text, short video and live-streaming; (c) payments are made through a number of different methods; and (d) certain product categories have potential despite the diverse needs of consumers.

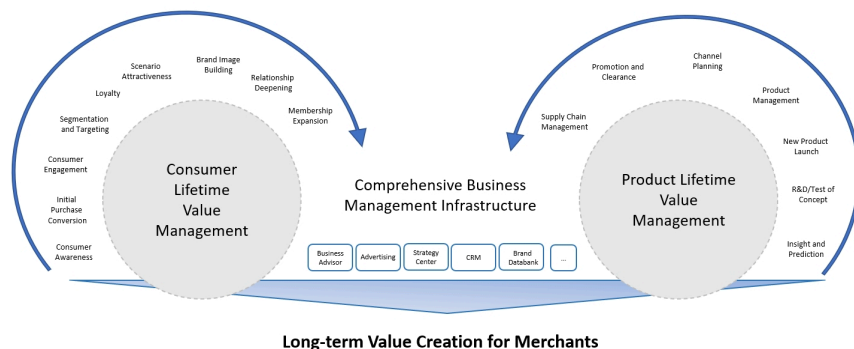
**Customer segmentation strategies, together with multiple monetization models.** For Alibaba, CMR offers high ROI to merchants with comprehensive customer data analysis throughout the entire purchase cycle on awareness, interest, purchase and loyalty. On top of search advertising, Alibaba has been diversifying its revenue sources to online marketing beyond search. BABA demonstrates good user growth with 1bn annual active customers. Despite the macroeconomic uncertainties, BABA captures opportunities across different segments among young consumers, core consumers (25-44 years old) and older customers (over 45 years old).

**The release of WXT is expected to provide merchants with enhanced marketing solutions and better ROI to satisfy fast-changing consumer behavior**

**6 features were introduced to target merchants' desired demographics**

**Customer segmentation strategy, with high ROI offered to merchants, together with data insights from its large user base, make Alibaba stand out from peers**

Exhibit 44 - Product lifecycle value



Source: Company, Jefferies

In terms of monetization, BABA's ecosystem covers not just its main apps but also its ecosystem partners and third-party mainstream apps. The upgrade of its omni-channel advertising platform UniDesk provides merchants with whole internet traffic coverage with increased merchant spending. In addition, the upgrade of the Alimama advertising platform Wan Xiang Tai is seen to increase ROI on business empowerment. Instead of being a product-driven platform, advertisers allocate ad budgets based on business needs, and the upgraded system facilitates the allocation of ad budgets, leveraging the traffic on the BABA ecosystem.

**Kuaishou's monetization is still at the early stage considering the market share gap between online time spent and advertising.** In 2024, KS captured about 9% of online time share in China with over 6% in online ad market share. It adds value to users not only in ecommerce, but also in the blue-collar recruitment, local services and property sectors. A number of industry sectors set up operations with KS such as ecommerce, local service, mini-games, education, auto, recruitment, literature and short drama. For example, KS integrates short drama content with its ecosystems and provides them with organic traffic, interactions and data insights. On its AI strategies, these include: (a) LLM; (b) highly ranked AIGC; (c) digital human; and (d) intelligent recommendations.

**Magnetic Engine offers brands comprehensive marketing strategies.** For marketing campaigns, KS says it is suitable for both small and large advertisers, traditional or new brands. Centered on trust, KS says it is an interactive and engaging community with diverse content and high-frequency users and that advertisers could benefit from wide user coverage and engaging communities in public and private domains. It plans to launch enhanced advertising systems that provide advertisers with customer media assets, online marketing solutions, and sustainable solutions, supported by data insights. For customer insights, it covers 6R, which encompasses Understanding (Reach, Remembering), Interest (Relevancy, Resonance) and Conversion (Reaction, Repurchase). Four key values – extensive reach, consumer engagement, long-term business and consumer insights – are offered to advertisers. Brands are increasingly allocating their ad budgets to KOL marketing and KS upgrades this with: (a) CPS/CPL business models; (b) easing the match between KOLs and merchants with tools such as tagging and third-party agents; (c) offline sales teams to connect brands with tailored marketing solutions.

**Accelerating online advertising growth in 2025 driven by multiple drivers.** This is driven by (a) ad monetization from pan-shelf-based e-commerce which represents about 30% of GMV in 1Q; (b) spending from SME merchants benefiting from better conversion using Omni-platform Marketing Agent 4.0; (c) spending from content related verticals (e.g. short play, mini-games, online literature) and local services on leads conversion. On short play, the sector has high, double-digit growth with abundant content supply. KS addresses the needs of content producers and provides them with good ROI.

KS supports content creators in generation of income with multiple business models

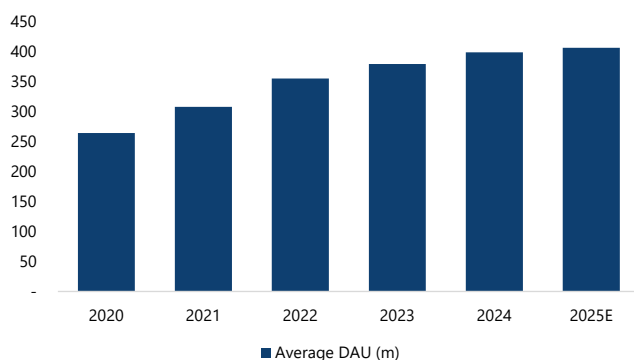
Continued upgrade of Kuaishou's marketing capabilities attracts advertisers, in addition to its engaging user base

These include (a) monetization of pan-shelf-based ecommerce; (b) spending from SME merchants on Omni-platform Marketing Agent 4.0; (c) spending from content related verticals

**Multiple advertising models with high quality growth in video views (VV), ad load and CPM.** KS captures about 9% of users' time spent online, while monetization share is about 5%, according to the company. Deep understanding of users and their interests, as well as matching are important to advertisers. In terms of commercialization, lead collection, downloads, activations and order payments are backed by its four layers of commercialization model. For brand ads, it benefits from a rich content ecosystem with increasing ad budgets from brand advertisers. Diversified external ad categories reduce concentration risk. Native ads enhance not only content offerings, but also monetization. We believe KS has a high quality growth path in terms of video views, ad load and CPM.

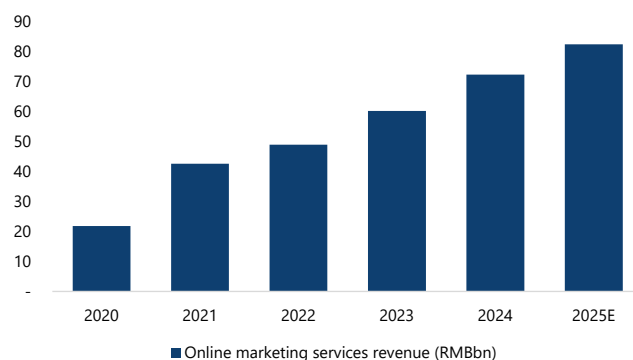
**KS addresses the needs of advertisers with different advertising models, supported by video views, ad load and CPM**

**Exhibit 45 - KS average DAU between 2020-2025E**



Source: Company, Jefferies estimates

**Exhibit 46 - KS online advertising revenue between 2020-2025E**



Source: Company, Jefferies estimates

**Tencent's online ad technology upgrade and video accounts drive the market share gain story.**

We consider Tencent's social ads to be a distinct asset, backed by its social ecosystem and data insights with multiple ad product offerings such as video accounts, Moments, mini-programs and official accounts. Advertisers could benefit from private domain traffic and improve conversion with better ROI, which we think could also benefit the pricing of ad inventory. This is demonstrated in customized solutions for advertisers. Tencent has been upgrading its ad technologies through neural networks, supported by GPU, as well as enhanced ad content targeting different user groups through AIGC.

**We expect Tencent's online ad revenue to continue gaining market share in 2025, backed by the strength of its ad technology infrastructure upgrade together with video accounts**

**Video accounts facilitate content creators' monetization of good content.** Ads from video accounts are seeing fast growth and we expect gross billings to increase from about RMB13bn in 2023 to about RMB21bn/RMB31bn in 2024/2025 respectively. According to our channel checks, fast video view growth is seen across verticals such as entertainment, lifestyle, knowledge and media categories. On the other hand, creators with different fan bases are offered various business models. Qualified content creators benefit from their original video content and traffic support from Tencent. They could generate income based on ad revenue-sharing under the user comments section. Alternatively, they could select preferred tasks on customized content and generate income based on ad effectiveness. Separately, tailored-made content is offered to advertisers through the interactive platform.

**Video accounts see fast traffic growth and provide content creators with different advertising features for good content**

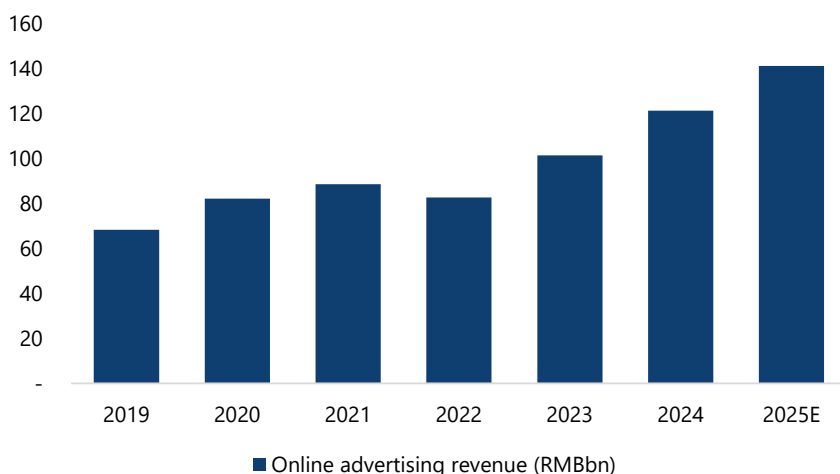
**Mini-programs have diversified business models.** Mini-programs enhance offerings to the top developers, as well as small- and medium-sized developers. They could benefit from better user-targeting capabilities in terms of advertising and content. Tencent also offers features such as: (a) various ad formats like banners, rewards, video, interstitial, native and open page; (b) merchants having the option to work with third-party service providers, with the latter providing operational support, such as monetization (e.g. advertising) backed by Tencent's tools; revenue-sharing ratio could be set on income generated; (c) tailored-made content for advertisers. Mini-programs' transaction value is expected to rise to multi-trillion RMB in 2024.

**Mini-programs offer developers diversified business models. Mini-programs' transaction value rises to multi-trillion RMB in 2024**

**Official accounts are supported by various tools to drive commercialization.** Official accounts have varied content offerings with strong demand. Users can subscribe and receive recommended content with strong engagement. Tencent provides plug-in ad products for content creators in order to facilitate traffic allocation to advertisers. These include ad placements in text and mid-roll video ads. Content creators could also insert merchandise listings and generate income based on take-rate models, which are dependent on product and content quality. In addition, they could partner with advertisers, and provide the latter with tailored-made innovative content through the interactive platform.

**Official accounts have varied content offerings with strong demand**

Exhibit 47 - Tencent online ad revenue between 2019-2025E

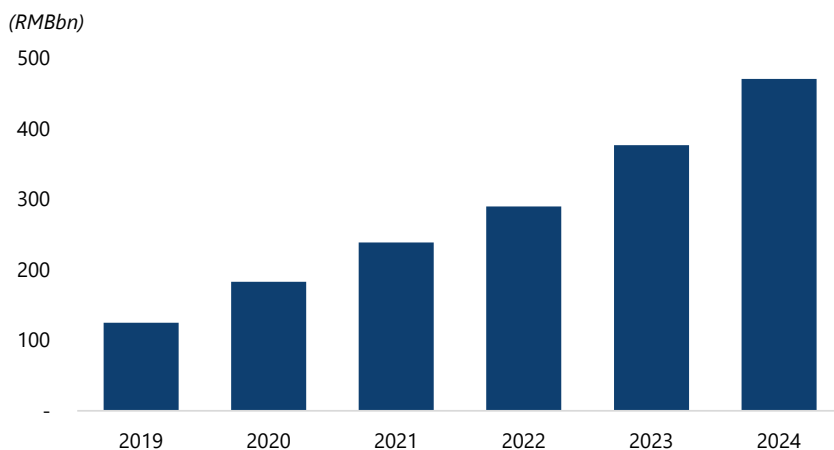


Source: Company, Jefferies estimates

**ByteDance's advertising scale ranks first among peers based on channel checks, and it is currently the largest player.** Channel checks indicate ByteDance ad revenue is expected to outpace industry growth and continue to gain market share despite its large scale. Key ad categories include ecommerce, F&B, gaming, cosmetics and auto.

**ByteDance is top in terms of online ad market share, thanks to Douyin contribution despite macro headwinds**

Exhibit 48 - ByteDance ad revenue between 2019-2024



Source: Company, Jefferies channel checks

## Advertising - Developments in LLM and AI

- The use of AI tools in marketing should benefit performance-ad names, such as Baidu, BABA, Tencent the most. AI helps in content generation and innovations for marketers.
- For Full marketing solutions (FMS), BABA supports merchants with incremental traffic, release of new products, promotions of blockbuster products as well as marketing spending. Highlights include: (1) expanding coverage and driving GMV for brand merchants and merchants with new products; (2) ROI on traffic and supply chain; (3) more ease in operations. Key upgrades for WXT include: (1) keyword promotion; (2) targeted consumer promotions; (3) inventory operations; (4) store operations; (5) content marketing. BABA believes AI could help merchants' marketing with better execution and operations (e.g. product, consumer insights, pricing, industry position and channels). Various methodologies are highlighted such as MAP, NEXUS, VIEW and DEEPLINK which enhance CTR, consumer penetration, product operations and conversion.
- The rationale for the release of full promotion includes: (a) AI upgrade in early Mar 2025 with multi-modal large model for advertising (LMA). It can better identify the needs of consumers under different scenarios; (b) enhanced traffic allocation on free and commercial traffic. Merchants select merchandise and determine budget/ROI under the full promotion program. BABA has a very large pool of users and traffic to be unlocked. For example, it had over 500m DAU during Double-11 and 88VIP members continued to increase to reach 32m. It has over 20bn knowledge graphs supported by AI, with 70% of merchants promoted through intelligent marketing.
- Search advertising could benefit from LLM with strengthening ROI and higher conversion. Advertising budgets based on take-rate models is an opportunity for LLM. Higher eCPM enlarges advertising market size on enhanced targeting features. Baidu New Search provides users with AI interactive features, with better understanding of users' needs. This is achieved through: (a) the provision of precise and accurate answers to direct questions based on large language models (satisfaction); (b) giving users personalized recommendations for other searches; (c) multiple interactions with the best response.
- Tencent has been upgrading its ad technologies through neural networks supported by GPU, as well as enhancing ad content targeting different user groups through AIGC. AI is considered a growth multiplier to its advertising business. We believe the continued strengthening of ad algorithm with better targeting, coupled with data insights, have significant potential despite uncertainties in the macro environment.
- For the advertising sector, we believe there is a likelihood of increasing proportion of R&D headcount, with fewer traditional marketing people involved. Data security, segmentation, privacy and copyright are crucial.
- For other online media, Weibo offers tools to content creators for content production. Sohu explores opportunities in partnerships with other LLM companies. 36Kr uses AIGC across different areas such as the preparation of preliminary drafts and transforming texts/graphs/video into other formats automatically.
- On LLM, FMCN partners with Tongyi Qianwen and Zhipu and facilitates advertisers in three areas: (a) content generation; (b) feedbacks and refinement and (c) budget allocation.

**The strengthening in advertising monetization is supported by LLM. Alimama upgraded its Full Marketing Solutions and Wan Xiang Tai, Baidu enhanced user experience with new search, and Tencent upgraded its ad technology infrastructure with AI, which is a growth multiplier for the ad business**

Exhibit 49 - Media / Ad agency related

Company	Stock code	Highlights
<b>Media / Ad agencies related</b>		
Weibo	WB-US	<ul style="list-style-type: none"> <li>- WB views AIGC as facilitating content creators and advertisers in content generation. It benefits from the use of AI with improvement in operating efficiency. It has launched tools to better assist creators in content generation and improve efficiency of ad solutions. For example, AIGC Creation Assistant helps top content creators improve content quality and efficiency, and AIGC could strengthen mid- to long-tail content in future.</li> <li>- The Assistant can give suggestions on content titles, abstracts, and keywords, as well as video editing, dubbing, and special effects. It can also provide support during live streaming.</li> <li>- It will cooperate with third-parties on open-sourced generative AI model, instead of building its own large language model.</li> <li>- To enrich its content ecosystem, Weibo utilizes machine learning and algorithm to recommend content to users based on their interests.</li> <li>- Supports editors in news content creation.</li> </ul>
SINA	Private	
Sohu	SOHU-US	<ul style="list-style-type: none"> <li>- AIGC is considered a major technological advancement and important to Sohu. It looks for third-party large model service providers and develops applications in consumer services like news and social networking. For example, Sohu has machine-generated abstracts for its content offerings.</li> </ul>
36Kr	KRKR-US	<ul style="list-style-type: none"> <li>- Partners with Baidu's ERNIE bot to apply AIGC technology to content production, enhancing efficiency and reducing cost.</li> <li>- Uses generative AI to draft scripts and edit video footage. In addition, it uses generative AI to transform text, graphs and video into other formats automatically. The use of text-to-image function reduces the cost of image generation by hundreds of times.</li> <li>- Production of preliminary drafts saves editing manpower and cost.</li> <li>- Facilitating text creation and translation in a broad array of languages leads to higher efficiency and cost savings.</li> </ul>
Focus Media	002027-CH	<ul style="list-style-type: none"> <li>- On LLM, FMCN partners with Tongyi Qianwen and Zhipu and facilitates advertisers in three areas: (a) content generation; (b) feedback and refinement; and (c) budget allocation</li> <li>- FMCN leverages its marketing insights across different sectors to provide advertisers with comprehensive tools in content creation, strategies, budget allocation and data analysis.</li> </ul>
Blue Focus	300058-CH	<ul style="list-style-type: none"> <li>- In 2024, Blue Focus continues to concentrate on upgrading its AI offerings, operations and AI Agents under different scenarios.</li> <li>- It started pursuing the AI in AI initiative in Apr-23 and will release the first version of its smart marketing industry model to overseas marketers in 2H.</li> <li>- Partners with Microsoft on product offerings leveraging OpenAI technologies.</li> </ul>

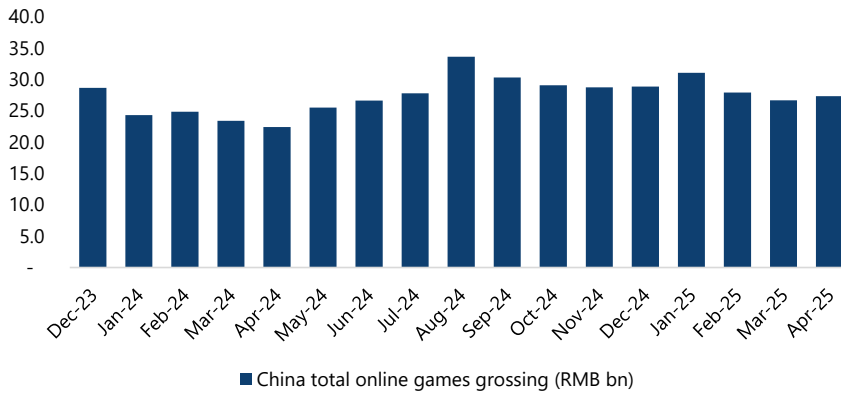
Source: Company, Jefferies

**Entertainment: Defensive sector with catalysts ahead**

In 2025, the China online games sector has seen a number of developments which include: (1) recurring monthly approvals in domestic games with an average of about 122 in 5M25; (2) 48 imported games received approvals in 5M25 (vs 46 in 5M24). In 1Q25, Tencent and NetEase posted positive surprises vs the street, beating gaming revenue, thanks to (1) Tencent: (a) solid CNY performance vs last year with top 5 games seeing DAU growth; (b) low base last year due to adjustments for flagship games titles HoK and PKE. *Delta Force* achieved a record of 12m peak DAU in Apr-25 and became the sixth most popular mobile game by average DAU industry-wide; (2) NetEase: better than expected performance of existing PC games, as well as contributions of new games including *Marvel Rivals* as well as PC and mobile versions of *Where Winds Meet*.

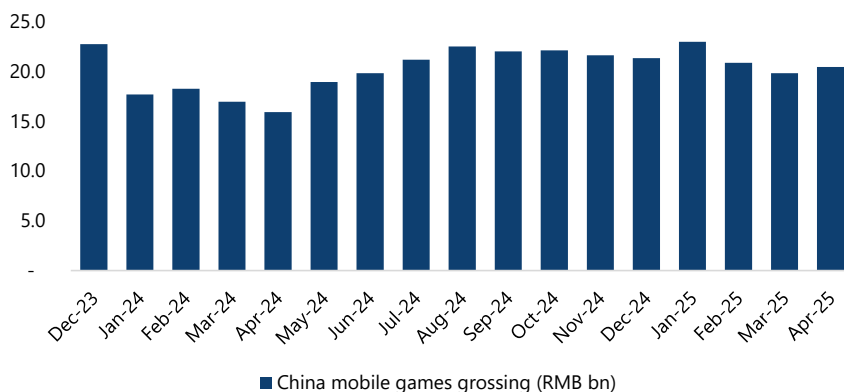
**We expect online games sector is a defensive one with new triple-A titles to be anticipated**

Exhibit 50 - Monthly grossing for total online games between Dec-23 to Apr-25



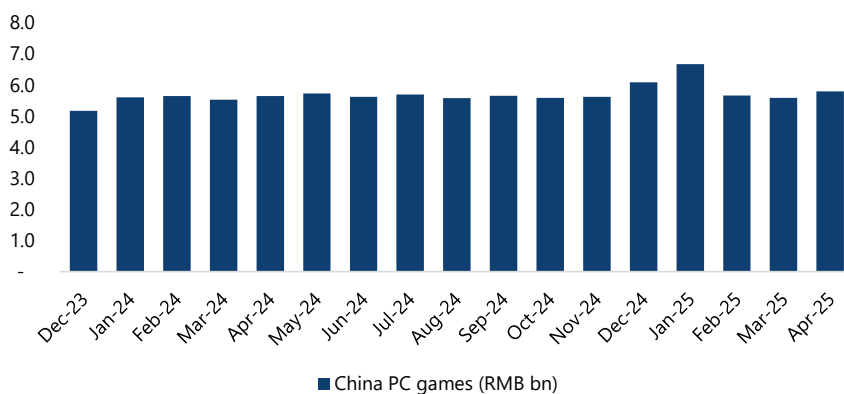
Source: CNG

Exhibit 51 - Monthly grossing for mobile games between Dec-23 to Apr-25



Source: CNG

Exhibit 52 - Monthly grossing for PC games between Dec-23 to Apr-25



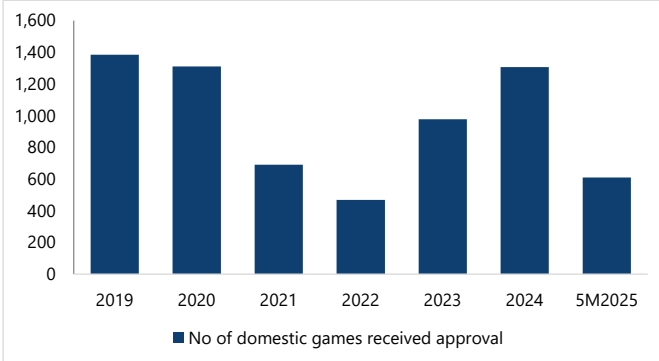
Source: CNG

**What we should expect in terms of new games in 2025?** For **Tencent**, these include (1) *Valorant Mobile* (in-house, FPS); (2) *Honour of Kings World* (Inhouse, RPG, TBC). For **NetEase**, we anticipate (1) *MARVEL Mystic Mayhem* (inhouse, RPG card); (2) *Destiny: Rising* (inhouse, RPG shooting) and (3) *Ananta* (inhouse, open world). For **Perfect World**, there is a number of new games to be released which include (1) *Zhu Xian 2* (inhouse, RPG); (2) *P5X* (inhouse, RPG) in overseas markets; (3) *Yi Huan* (inhouse, open-world) For **G-bits**, these include (1) *Jiu Mu Zhi* (inhouse, RPG) ; (2) *Wen Jian Chang Sheng* in overseas market (inhouse, idle). For **Kingsoft**, *Mecha BREAK* (inhouse, sci-fi mech) is expected to be released in 2H25. For **37 Interactive**, it has a number of new games in the pipeline covering various genres including MMORPG, SLG, card, simulation, incremental RPG, casual and puzzle games. These include game titles such as (1) *The Soul Land: Lie Hun Shi Ji* (inhouse, RPG); (2) *Code MLK* (inhouse, RPG); (3) *Code Zheng Qi* (inhouse SLG); (4) *Code XSSLG* (inhouse, cartoon); (5) *Code GMSLG* (inhouse SLG); (6) *Zhui Xu* (license, simulation); (7) *Code Dou Po* (license, RPG) and (8) *Code Po Jian* (license, RPG).

**Game approvals are back to normal with healthy sector development.** We view the recurring monthly game approvals for domestic games and the better-than-expected approvals for imported games in 1H as showing the support of the authorities in driving healthy sector growth.

## Games pipeline of leading players in 2025

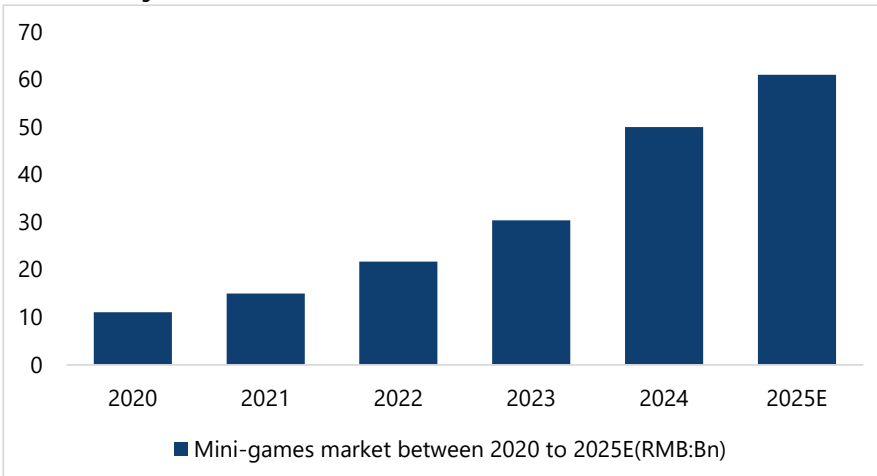
**Exhibit 53 - Number of domestic game approvals between 2019 to 5M2025**



Source: NPPA, Jefferies

**Mini-games present a big opportunity to unlock value.** Mini-games will see fast sales growth momentum of about 64% YoY in 2024 (2023: 40% YoY) to RMB50bn, based on our estimates. We anticipate the sector will sustain rapid growth trend in the coming years. We expect mini-games to expand to about 30% of the total app-based games market in 2026E, up from 18% in 2023.

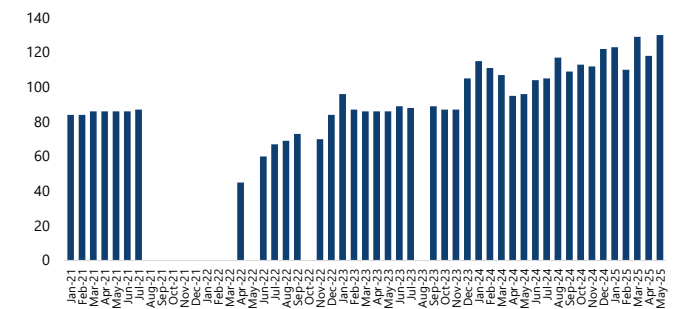
**Exhibit 55 - mini-games market between 2020 to 2025E**



Source: DataEye

According to Douyin's 2022 mini-games insights report, about 65% of gamers play both mini-games and app-based games, 19.8% of gamers play app-based games only, 11.9% play mini-games only, and the rest do not play either type of game. Another survey by 37 Interactive shows that over 30% of gamers play mini-games after leaving app-based games and 20% are new mini-gamers, which implies there are many new gamers who have been reactivated or started to play mini-games.

**Exhibit 54 - No of domestic games received approvals between Jan-21 to May-25**

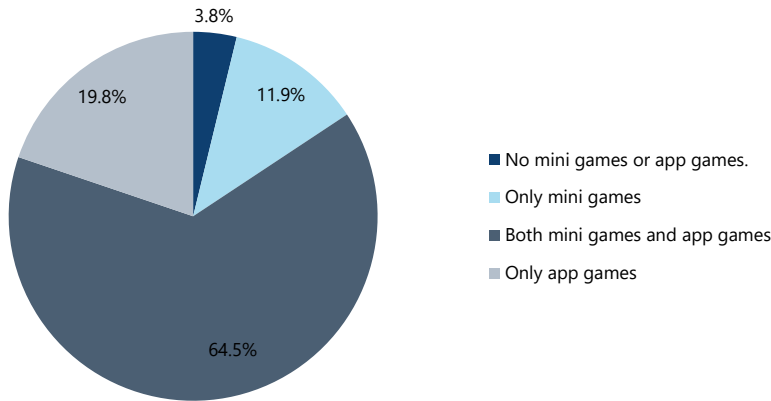


Source: NPPA, Jefferies

**Mini-games are a hot topic of discussion in 2024, and expected to maintain fast sales growth momentum in the next few years**

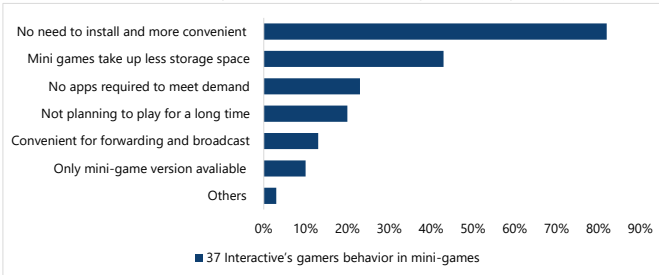
**Incremental gamers from mini-games expected, comprising reactivated app gamers and new mini-gamers**

Exhibit 56 - Douyin gamer behavior – mini-games vs app-based games (Aug 2022)



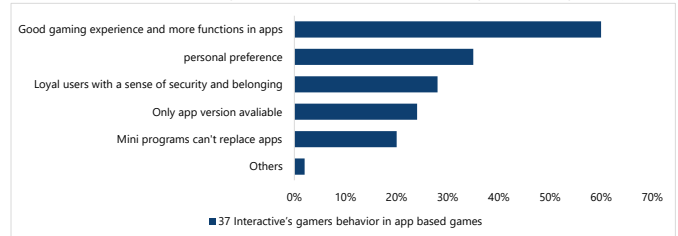
Source: Douyin

Exhibit 57 - 37 Interactive gamer behavior in mini-games (Aug 2022)



Source: 37 Interactive

Exhibit 58 - 37 Interactive gamer behavior in app-based games (Aug 2022)

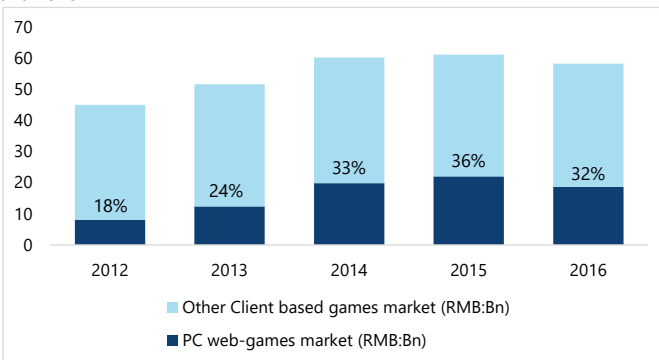


Source: 37 Interactive

**The industry trends in PC web games may be used to forecast mini-games outlook.** We consider the many similarities between PC web games/client-based games and mini-games/app games, including: (a) game size; (b) lower eCPM of mini-games vs app games; (c) ease of access to mini-games vs app games; and (d) focus on different game genres for mini-games vs app games.

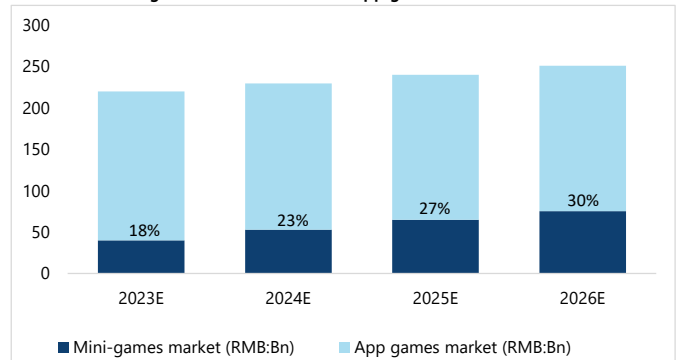
**Based on historical trends in PC web games/client-based games, we expect mini-games to comprise about 30% of the total app games market in the coming years**

Exhibit 59 - PC web-games market as a % of client-based games between 2012 and 2016



Source: 37 Interactive estimates

Exhibit 60 - Mini-games market as a % of app games between 2023 and 2026



Source: 37 Interactive estimates

**We estimate total online games grossing to deliver high-single-digit growth in 2025.** Based on bottom-up analysis of Tencent, NetEase and other companies, we estimate China online games revenue growth to grow by about 8% YoY in 2025E. Our estimates factor in the contribution from: (a) Tencent :success of *Delta Force* and resilient growth of its evergreen titles, (b) NetEase: contributions of *Marvel Rivals* as well as PC and mobile versions of *Where Winds Meet*

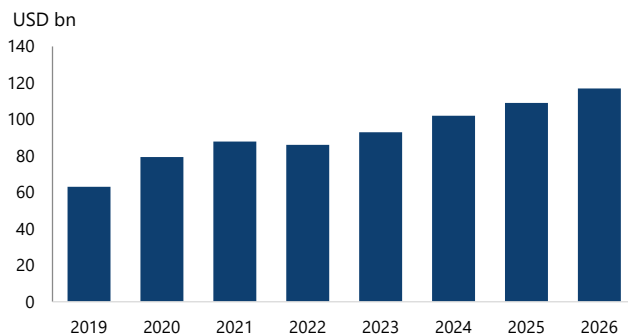
**We estimate China online games grossing to deliver high-single-digit growth in 2025**

## Global gaming market outlook.

Sensor Tower shows the global gaming market (revenue) growth of 9.7% YoY in 2024, with Google Play and iOS revenue growth of 8.8% YoY and 11.1% YoY in 2024, respectively. Over the longer term, it expects global mobile games revenue CAGR of 8% between 2022 and 2026. According to 37 Interactive, most of the overseas markets registered a 3-8% YoY decline in gaming market size in 2022, mainly dragged by ARPU, while the paying ratio remained fairly stable. The trend reversed in 2023, with overseas games ARPU back to a positive growth trend. The US and Japan are the top 2 gaming markets worldwide, representing about 55% of the total global market, followed by Korea and other countries.

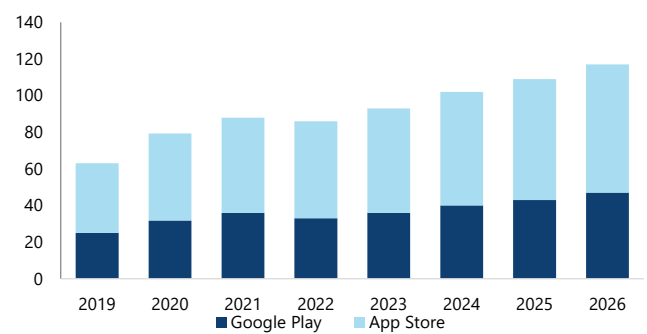
## Sensor Tower shows global gaming market (revenue) growth of about 9.7% YoY in 2024

Exhibit 61 - Global games revenue between 2019 and 2026



Source: Sensor Tower estimates, Jefferies

Exhibit 62 - Global games revenue mix in iOS and Google Play between 2019 and 2026

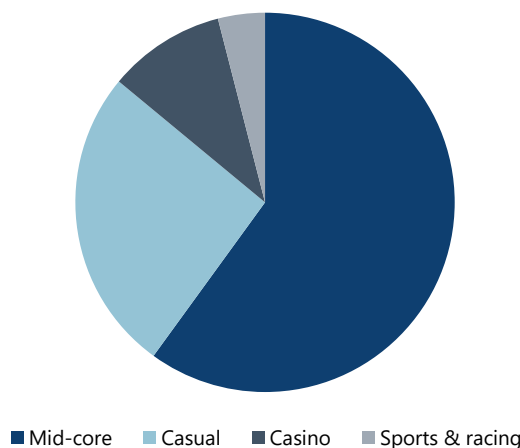


Source: Sensor Tower estimates, Jefferies

By game genre, mid-core games (i.e. RPG, strategy, shooter, action) represent about 60% of global mobile games revenue, followed by casual (26%), Casino (10%), as well as sports and racing (4%).

## Mid-core is the top genre, representing about 60% of the global mobile games market

Exhibit 63 - Global mobile games revenue breakdown by genre



Source: Sensor Tower, Jefferies

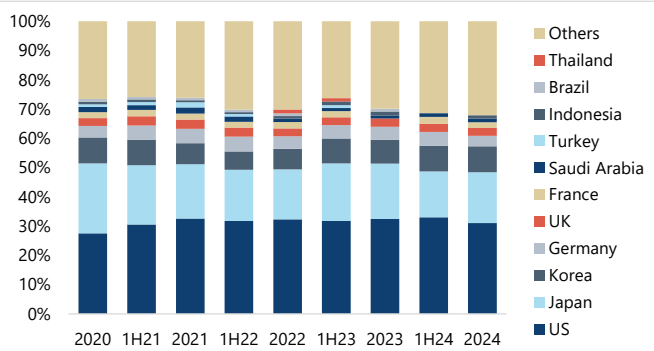
## The US is the biggest overseas market for China mobile gaming companies, followed by Japan.

According to CNG, the US is the largest market comprising about a 31% global market share, followed by Japan (17%), Korea (9%), Germany (4%) and UK (3%). Contribution from the US is relatively stable, and we see contribution from Japan declining from 24% in 2020 to 17% in 2024. [update?]

## Top overseas markets for China mobile gaming companies are the US, Japan, and Korea

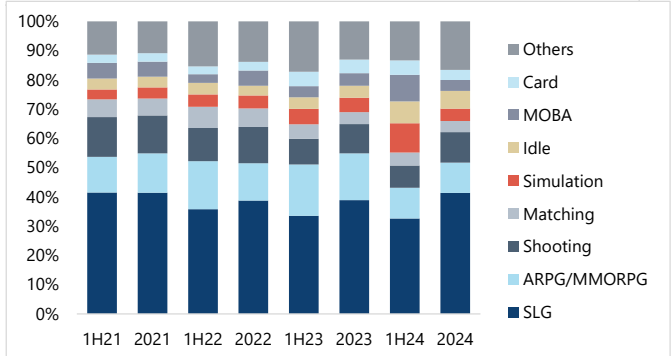
Chinese gaming companies are key players in SLG and MMORPG markets. SLG, ARPG/MMORPG, and shooting are the top three genres in terms of revenue contribution to Chinese self-developed mobile games companies.

**Exhibit 64 - Overseas grossing breakdown for China self-developed mobile games between 2020 to 2024**



Source: CNG, Jefferies

**Exhibit 65 - Overseas grossing breakdown by genre for China self-developed mobile games between 1H21 to 2024**



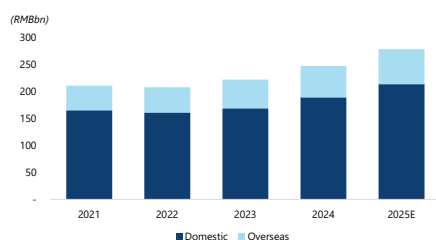
Source: CNG, Jefferies

**Tencent: strong execution with portfolio of diversified evergreen titles and solid pipeline.** We view Tencent's core competence as innovation, together with the capability to drive scale and productivity with emphasis on ROI. It promotes a success-sharing culture and interaction between studios in different regions. It has a large game portfolio with different genres to satisfy the needs of gamers. Studios are encouraged to focus on key genres in which they have strong competence, rather than covering all genres. In addition, it pursues performance-based assessment and adjusts team structure if needed. Content upgrades drive longevity of existing titles. In 2024, Tencent's online games reached the inflection point in growth rate, thanks to the smoothening out of seasonality for *HoK*, strengthening monetization of *PKE*, as well as the nurturing of emerging game franchises. The number of major hits in China increased from 6 in 2022 to 12/14 in 2023/2024 (based on quarterly DAU of 5m/2m for mobile/PC and annual gross receipts of RMB4bn). *Delta Force* is a successful game in 2024/2025 with (a) PC and mobile grossing combined exceeded RMB1bn in 4Q24; (b) *Delta Force* achieved a record of 12m peak DAU in Apr-25 and became the sixth most popular mobile game by average DAU industry-wide. Tencent pursues a three-pronged strategy to online games, comprising: (a) creating games in China and exporting them overseas (e.g. *Call of Duty mobile*); (b) new games released by Riot Games and Supercell (e.g. *Squad Busters*); (c) games from acquired mid-sized studios such as *V Rising* by Stunlock and *Darktide* by Fatshark. Overseas gaming industry average growth rate was about 12% before Covid, and Tencent's three-year revenue CAGR was 60% (including acquisitions) and 49% (ex-acquisitions) before Covid. We consider Tencent's competitive strength as a content powerhouse intact, with a portfolio of over 480 games supported by in-house studios (e.g. TiMi, LightSpeed) with strong IP and user base for *HoK*, *Peacekeeper Elite*, *PUBG* and *LoL*. It has set up offices in the US, Southeast Asia, India, LATM and Japan, and made strategic investments in a number of companies overseas. According to our checks, Tencent has been entering into strategic partnerships and expanding its global partnerships with overseas game studios for years. These partnerships include Riot Games (2011), CJ Games (2014), Netmarble (2014), Sea (2016), Supercell (2016), Kakao Games (2014), Bluehole (2018), Roblox (2020), Sumo Group (2021), Sybo (2022), Gardens (2023).

**Rising revenue mix from international games.** In terms of total online gaming revenue mix, we estimate contribution from international games to increase from 12% in 2019 to 24% in 2025. For mobile games, we expect overseas revenue contribution to increase from 12% in 2019 to 27% in 2025. For PC games, we estimate overseas contribution to remain at the 2019 level of low-teen % in 2025. [Exh 66-68 - give source for 2025 ests]

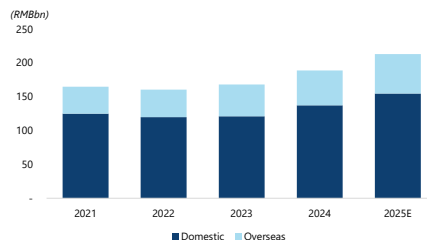
**Tencent is a content powerhouse, with an abundant game portfolio. No of evergreen game titles increased from 12 in 2023 to 14 in 2024**

**Exhibit 66 - Total online games revenue mix between domestic and overseas between 2021 and 2025**



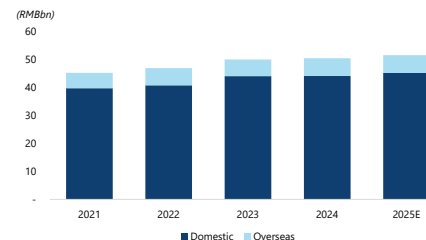
Source: Company, Jefferies

**Exhibit 67 - Mobile games revenue mix between domestic and overseas between 2021 and 2025**



Source: Company, Jefferies

**Exhibit 68 - PC games revenue mix between domestic and overseas between 2020 and 2025**



Source: Company, Jefferies

**Strengthens global publishing with Level Infinite.** We view Tencent as riding on industry trends with the shift to publishing on its own, in addition to partnerships with local operators. It announced a new games publishing division, Level Infinite, on 8 Dec-21 with the goal of providing high-quality games to a global audience. Level Infinite is based in Amsterdam and Singapore. The talent team has publishing experience in overseas titles such as *PUBG mobile*, *Arena of Valor* and *Alchemy Stars* across different geographical markets. On the other hand, Tencent also partners with third-parties in game publishing. For example, *Arena of Valor*, the overseas version of *Honor of Kings*, is published by Garena in Southeast Asia and DeNA in Japan. *PUBG mobile* is published by Krafton in Japan and Korea, HOTCOOL in Taiwan and VNG in Vietnam. *Call of Duty mobile* is published by Activision Blizzard in Japan, Europe, North America and Latin America. After accumulating experience and insights in the overseas market, Tencent has started to set up its own publishing teams in overseas markets and increase the proportion of self-publishing overseas. *QQ Speed* and *Saint Seiya* are both published by Tencent in Japan. *Alchemy Stars* is published by Tencent in Japan, Korea, Southeast Asia, Europe, North America and Latin America.

**Tencent stepped up global publishing capabilities with Level Infinite**

Level Infinite aims to provide "Games as a Service" with support in operations, technology, global market insights and analysis, synergies with eSports, apart from publishing. Successful global game title releases by Tencent in-house studios (e.g. Lightspeed & Quantum Studios, TiMi Studio), as well as third-party developers. Well-known titles it has published in overseas markets include *Warhammer: Vermintide 2* by Fatshark, *Vampire: The Masquerade – Bloodhunt* by Sharkmob, and *GTFO* by 10 Chambers. According to Tencent's official website, it has published 29 titles covering mobile, PC and console games YTD in 2023. As for domestic game titles penetrating overseas markets, Tencent published *Tower of Fantasy*, developed by Perfect World in 3Q, with grossing reaching USD130m after release on 11 Aug 2022.

## Exhibit 69 - Level Infinite pipeline

Game	Release date	Genre	Platform
Honor of Kings	Mar-13	MOBA	Mobile
Arena of Valor	Oct-16	MOBA	Mobile, Nintendo Switch
Warhammer: Vermintide 2	Mar-18	Action Adventure	PS4, Xbox One, Xbox Series XS, PC
PUBG Mobile	Mar-18	Battle Royale	Mobile
Alchemy Stars	Jun-21	Roleplaying	Mobile
GTFO	Dec-21	Action,Adventure	PC
Chimeraland	Jan-22	Action, Roleplaying, MMO	PC Mobile
Conan Chop Chop	Mar-22	Action,Adventure	PS4, Xbox One, Nintendo Switch, PC
Dune: Spice Wars	Apr-22	Strategy	PC
Vampire: The Masquerade - Bloodhunt	Apr-22	Shooter	PS5, PC
V Rising	May-22	Action,Adventure	PC
The Cycle: Frontier	Jun-22	Extraction Shooter	PC
Moonlight Blade Mobile	Jun-22	MMORPG	Mobile
Tower of Fantasy	Aug-22	Action, Roleplaying	PC, Mobile
Metal: Hellsinger	sep-22	Rhythm shooter	PS5, Xbox Series X S, PC
Warhammer 40,000: Darktide	Nov-22	Action,Adventure	Xbox Series XS, PC
Darktide	Nov-22	Action, Adventure	Xbox Series X S, PC
Arena Breakout	Jul-23	First Person Looter Shooter	Mobile
Undawn	Jun-23	Roleplaying, Shooter	PC, Mobile
SYNCED	Sep-23	Shooter	PC
Nightingale	Feb-24	Action,Adventure	Steam
Wayfinder	Aug-24	Action, Adventure, RPG	PS5, PS4, Xbox Series X S, PC
Song of Nunu: A League of Legends Story™	Nov-24	Adventure	Nintendo Switch, PlayStation 5, PlayStation 4, Xbox Series X S, Xbox One, PC
Dune: Awakening	Jun-25	Open World Survival MMO	PC, PS5, Xbox Series XS
Assassin's Creed JADE	TBD	Action, Adventure, Role Playing	Mobile
Don't Starve: Newhome	TBD	Action,Adventure	Mobile
Stampede: Racing Royale	TBD	Racing	PC
Command & Conquer™: Legions	TBD	Strategy	Mobile
The Division Resurgence	TBD	Looter Shooter MMORPG	Mobile
Morikomori Life	TBD	Simulation	Mobile
Exoborne	TBD	Tactical Open-world Extraction	PC, PS5, Xbox
Tarisland	TBD	MMORPG	Mobile, PC
Den of Wolves	TBD	FPS	PC

Source: Company, Jefferies

**High-production-values game strategy.** Tencent strengthened its triple-A strategy by placing emphasis on high production values, innovative and cross-platform games in 2021, aiming to attract a large user base and demonstrate longevity. Its two flagship studios extended their presence to overseas markets. TiMi Studio Group has opened three studios in North America – one in Los Angeles, one in Seattle, and one in Montreal. The TiMi Seattle studio is led by Scott Warner and Rosi Zagorcheva. Scott Warner worked for companies such as EA and 343 Industries, and participated in the development of AAA shooters such as *Battlefield* and *Halo*. Rosi Zagorcheva was the former Head of the Los Angeles studio DICE, which developed *Battlefield*. TiMi Montreal develops triple-A, service-driven, open-world games, while TiMi Los Angeles serves as the management and operations hub of the North American studios. Lightspeed & Quantum Studios established a new studio in Los Angeles, USA. The studio is led by Steve Martin and is responsible for the development of a AAA open world game that is expected to be launched on the PS5 and Xbox Series X platforms. The talent includes former employees from Rockstar, Insomniac, Respawn Entertainment, and 2K. Other global talent include Ken Imaizumi (Kojima Productions), David Kim (former chief designer of *World of Warcraft*), Ben Zhang (chief concept designer of *Overwatch*), Ashraf Ismail (creative director of *Assassin's Creed*), Nicolas Bouvier (art director of *Halo: Infinite*) and Shawn Layden (former CEO of Sony Interactive Entertainment America).

## Tencent pursues a triple-A strategy and hires global talent in overseas expansion

**NetEase: Portfolio game strategies drive growth.** We view its strong dedication to content and gamer experience is the cornerstone for success. As one of the pioneers in online games, NetEase differentiates itself from peers with its dedication to quality, aiming to provide the best experience to gamers. It has a proven track record in online games, with consistent release of hit titles including *Fantasy Westward Journey mobile* (2015), *Westward Journey online* (2016), *Onmyoji* (2016), *Ghost* (2017), *Knives Out* (2018), *Chu Liuxiang* (2018) and *FWJ 3D* (2019), *Harry Potter* (2021), *Naraka: Bladepoint* (2021), *Diablo Immortal* (2022), *Justice mobile* (2023) and *Naraka: Bladepoint mobile* (2024), *Marvel Rivals* (2024), mobile version of *Where Winds Meet* (2025). NetEase aims to expand its geographical presence to the US through in-house development and licensing, with the goal of increasing overseas gaming contribution from 10% in 2019 to over 30% in the next three years. Its licensed IP strategy could help NetEase accelerate overseas penetration; it focuses on self-distribution in key markets and cooperates with local partners in smaller ones.

**NetEase has proven success in hit titles and its dedication to quality stands out. It released a number of hit titles which include Justice Mobile (2023), Naraka Bladepoint Mobile (2024), Marvel Rivals (2024) and mobile version of Where Winds Meet (2025)**

**Exhibit 70 - NetEase: Top grossing games with longevity**

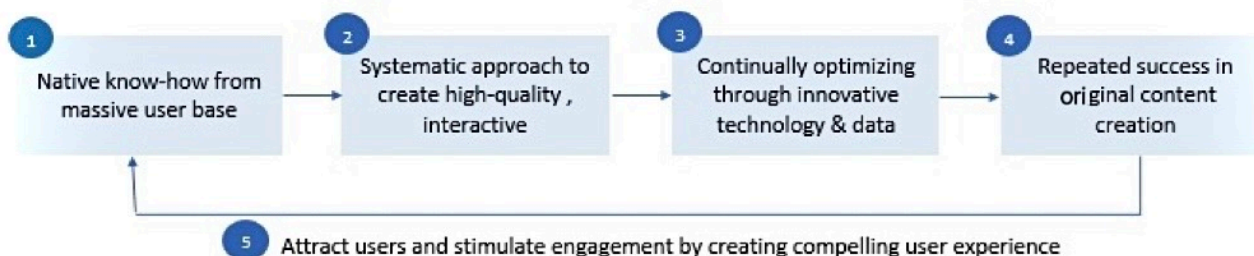
PC games	
Name	Years of operations
New Westward Journey Online II	22
Fantasy Westward Journey	21
Tianxia	16
New Ghost	12
Mobile games	
Name	Years of operations
FWJ mobile game	9
WWJ mobile game	9
Invincible	9
Onmyoji	8

Source: Company, Jefferies

The strengths of NetEase stem from its content and technology. It has deep understanding of gamer preferences with a systematic approach to creating high-quality and interactive content. NetEase continues to optimize through innovative technology and data analytics to achieve repeated success in original content creation with compelling user experience. This can be seen in proven monetization of original game IP and success replicating this approach in other verticals. Its content-based approach focuses on game quality, with influencers broadening reach through their networks.

**Repeated success in new game development comes from NetEase's deep understanding of gamer preferences**

**Exhibit 71 - NetEase: Philosophy and approach**



Source: Company, Jefferies

**Exhibit 72 - NetEase: Consistent rollout of blockbuster titles**

Year	Game
2016	Onmyoji
2017	Knives Out
2018	Justice
2018	Life After
2019	FWJ 3D
2021	Harry Pottter: Magic Awakened
2021	Naraka Bladeport
2022	Diablo Immortal
2023	Justic Mobile
2024	Naraka Bladeport Mobile , Marvel Rivals
2025	Where Winds Meet (mobile version)

Source: Company, Jefferies

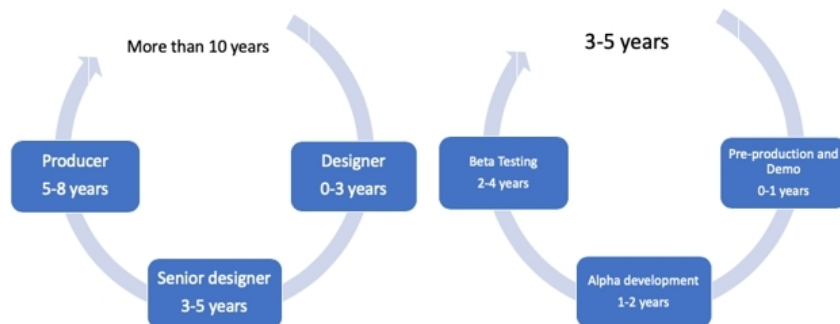
**Game innovation comes from passion for online games.** The company has a good workflow that facilitates game development and enables problems to be resolved at an early stage. In addition, it does not impose strict requirements on studios that may constrain their innovation. On the other hand, content is king, which the company views as more important than platform. The success of PC version *Naraka: Bladeport* can be explained by NetEase's deep understanding of gamer preferences. The game was published on Steam in Aug-21 and had sold over 10m copies worldwide by May-22. In addition, *Naraka: Bladeport* was released on Xbox, Windows PC, and with Xbox Game Pass for the global audience on 23 Jun-22, and 1m new players joined the game. It was released on PS5 in Jul-23. In May-25, NetEase held the 2025 Product Launch Event which provided updates on over 40 games in its portfolio and gameplay previews for upcoming new titles ([link](#)).

**There are over 40 games showcased in 2025 Product Launch Event in May-25**

**Exhibit 73 - Workflow of development**

Best-in-class producer development schemes

Development for AAA games



Source: Company, Jefferies

NetEase has about 13K R&D staff and invests in top-notch game producers and best-in-class developers. It takes about 10 years to train a senior game developer, who can continue to make successful games. For games of triple-A standard, it takes about three to five years to build a new game, and requires strong expertise. NetEase has also invested in a number of game studios in overseas markets including: (1) Jackalope Games, which engages in developing PC and console games, and is led by industry veteran Jack Emmert, who has decades of experience in MMO game development; (2) Jar of Sparks, based in Seattle, and led by Jerry Hook, a founding member of Xbox Live and one of the masterminds behind the *Halo* and *Destiny* franchises; (3) the Montreal studio engages in triple-A game production with lead producer Emile Liang, who previously spent over 23 years with Ubisoft and was a producer of the *Far Cry* and *Assassin's Creed* franchises; (4) leading French game developer and publisher Quantic Dream, established 25 years ago in Paris and the creator of iconic games such as *Heavy Rain*, *Beyond: Two Souls*, and *Detroit: Become Human*; and (5) Polish VR game studio Something Random.

**NetEase has laid a strong foundation in online games, backed by its large talent pool. It attracts and hires global talent with its operational know-how and gamer insights**

**Integration of AI into online games.** NTES has a strong engineer-oriented culture and has been a pioneer in applying AI to game development since 2016/2017. AI enhancement comes from strengthening gamer interactions (e.g. NPC) and improvement in efficiency. Tech innovation is promoted internally across domestic/overseas studios and NetEase sets the bar for the entire industry. Talent is important for creativity; NetEase is a powerhouse with a centralized platform, supporting developers in turning their smart ideas into a commercially-viable model.

**Focus on key markets – US and Japan.** NTES highlighted that domestic R&D resources account for over 80% of total and expects the R&D resources to be split between China/overseas by 40%/60% in the future. Gaming strategies include investments, strategic cooperation and first-party studios. We view the success in Japan as a demonstration of NetEase's strong R&D capabilities and game quality (e.g. *Onmyoji*). In 2017, it published *Knives Out*, which ranked as one of the top 5 games in the local market. A number of game features (e.g. community, UGC, voice chat, cross-IP cooperation) drives user stickiness. We view the overseas business as being in the upfront investment phase, and would take time to develop triple-A games in the future.

**Perfect World: Bottoming out in 2025.** Perfect World (PWRD) is well known for flagship titles *Jade Dynasty*, *Fantasy New Jade Dynasty* and *Swordsman*. Its flagship titles have been well-received in the Southeast Asia region, Hong Kong, Taiwan and Macau, which share similar interests in terms of IP and culture. PWRD intends to develop more games appropriate for global release. The international R&D team is based in Canada, with young talent focused on developing mobile and console games. In addition, PWRD has set up a global publishing team that covers both China and the overseas market. PWRD intends to step up efforts in publishing games overseas, instead of relying on third-parties. PWRD has chosen a diverse publishing strategy for different games.

**Solid engagement of existing games despite macro headwinds.** PWRD's legacy games have solid engagement after years of operation (e.g. *Zhuxian mobile*) despite macro uncertainties. *Tower of Fantasy* is an open world genre and targets a young gamer base aged between 20-25 years. Other new titles in the open world genre could benefit from PWRD's experience gained from *Tower of Fantasy*.

**Multi-device gaming strategy targets domestic and overseas markets.** For new games under development, PWRD not only targets gamers in the domestic market, but also those overseas. On the one hand, the multi-device gaming strategy allows users to download from PWRD's own channels and benefit margins. On the other hand, PWRD has diversified game genres, and does not rely on any specific genre (e.g. anime) for growth.

**A new start after transition year in 2024.** In 2025, we estimate total revenue back to positive YoY growth with adjusted earnings turns into profitability. Updates on latest games portfolio include (1) **ZX World:** total accumulated grossing exceeds RMB700m and grossing reach about RMB400m in 1Q25. Performance in Apr is soft as gamers wait for upcoming expansion pack together with company efforts to strengthen game longevity; (2) **Yi Huan:** the game launched first round of testing last year. The second round of testing will be held in 2Q covering domestic and overseas markets. Game testing is not related to commercialization and does not require game approval. It will be distributed by itself overseas. Release date may happen by the end of 2025 but largely depends on game status. (3) **P5X:** The game commenced open beta testing in Apr-24 with the anniversary version performing well after being launched this year. The game is available in HK/Macau/Taiwan and is expected to be released in Japan, EU and US markets afterwards. The game is distributed by third parties overseas.

**2H25 games pipeline.** These include (a) P5X in overseas markets; (b) ZX 2 in 2H. The game is distributed by itself overseas. Positive feedback for ZX 2 is received with next day retention reaching 40-50%. In terms of ARPU, ZX2 is similar to other games (RPG).

**Balanced split in game distribution via official channel/iOS/Android expected**

**PWRD completed the transition in 2024 with emphasis on high quality game projects**

**Performance of existing games remains healthy with solid engagement**

**Global market presents significant opportunities to be tapped in the coming years**

**We expect 2025 revenue to turn into positive YoY growth with positive adjusted earnings after transition.**

## Exhibit 74 - PWRD: Selected games pipeline

Games (English)	Games (Chinese)	Genre	Launched / Expected release date
One Punch Man	一拳超人: 世界	ARPG	Feb-24
P5	女神异闻录: 夜幕魅影	JRPG	Apr-24
Perfect World W	完美世界W	MMORPG	Jun-24
Kai-Ri-Sei Million Arthur:Ring	菲丽性百万亚瑟王: 环	RPG, Card	Aug-24
New Jade Dynasty World	诛仙世界	MMORPG	Dec-24
Jade Dynasty 2	诛仙2	MMORPG	TBC
Forsaken World 2	神魔大陆2	RPG	TBC
Dan Mo Shui Yun Xiang	淡墨水云乡	Simulation	TBC
Code name: Ye Man Ren	代号野蛮人	Card	TBC
Yi Huan	异环	RPG	TBC
Code name: Z	代号Z	Open World	TBC
Project Bard	Project Bard	RPG	TBC
Zhu quang zhi lu	逐光之旅	RPG	TBC
Have a Nice Death	祝你好死	Roquelike	TBC

Source: Company, Jefferies

**37 Interactive: Deep Understanding of Overseas Market Drives Growth.** 37 Interactive started its game publishing business in 2012, expanding from the Asia Pacific market including Hong Kong, Macau, Taiwan, Southeast Asia, to the global market. 37 Interactive is one of the top 3 Chinese gaming companies by overseas revenue with overseas representing over 33% of its total in 2024. The publishing team of 37 Interactive is divided based on game genre in order to leverage the insights and know-how in a specific game category. 37 Interactive focuses on SLG, MMO, simulation and card games. 37 Interactive observed that gamers in Korea and other Asian countries (e.g. Vietnam) prefer MMO genre. Innovative game play is available for SLG genres targeting US/EU gamers. Card games are preferred by Japanese gamers. *Puzzles & Survival* was launched in the overseas market in Aug 2020, and its combined match 3-game experience and SLG gameplay has been well-received globally. 37 Interactive rolls out specific content catering to local players' preferences. For instance, 37 Interactive provides customized game features such as cherry blossoms, samurai, and Japanese architecture for Japanese players.

**Mini-games potential is very significant.** 37 Interactive is positive on mini-games outlook and expects the market to maintain fast growth trends in the coming years. It considers mini-games have similarities to the relationship between client based / web games in PC era. Breakthrough is achieved for well-received mini-games titles *Xun Dao Da Qian* (cultivation game) and *Soul Land IP Ling Hun Xu Zhang*. As a result, it expects the mini-games market is about 28 to 30% of the size of app based games in 2026, up from 18% in 2023. 37 Interactive believes the impact of macro-headwinds on online games sector is limited, given gaming is not an expensive entertainment option. There is no notable change in the paying ratio and ARPU goes back to the level of 2021 after the decline in 2022. For online games sector outlook, 37 Interactive expects two types of games, including app based games and mini-games. The MMO genre is increasingly competitive in terms of game quality and meaningful capital investment is needed to ensure game success. Both app-based and mini-games are important for 37 Interactive.

**Dual-growth engine strategy: engages in both self-development and licensing.** Among its self-developed games, *Soul Land 3D* generates several tens of millions RMB on a monthly basis overseas. The company made a strategic adjustment in self-developed games in 2019, and could reap the benefits of this in 5 years' time considering the time taken from production to publishing. Boutiqueization, diversification and globalization are three of its key strategies in self-development, with emphasis on MMO, card, SLG and simulation genres. The company targets to have one or two key titles in each genre, with new games to be released on an annual basis. It focuses on MMO and card game genres in the Asia market and SLG in Europe and the US.

**37 Interactive has accumulated insights from years in the publishing business overseas. It focuses on SLG, MMO, simulation and card genres to cater to gamers in different regions**

**37 Interactive embraces opportunities in mini-games and expects it to represent about 28% to 30% of app based games market in 2026**

**Self-developed games concentrate on MMO, card, SLG and simulation genres. In addition, 37 Interactive has a rich pipeline in the overseas market**

Exhibit 75 - 002555 CH: Games pipeline

Developer	EN Name	CN Name	Product type	Region
Self-developed	The Soul Land: Lie Hun Shi Jie	斗罗大陆: 猎魂世界	Chinese comic/oriental fantasy MMORPG	Global
Self-developed	Lost Archive: Prologue	失落之门: 序章	Western fantasy MMORPG	Global
Self-developed	Code MLK	代号MLK	Japanese Chibi-style MMORPG	Global
Self-developed	Code Zheno Qi SLG	代号传奇 SLG	Realistic Three Kingdoms SLG	Global
Self-developed	Code M1	代号M1	Casual game with European and American cartoon elements	Global
Self-developed	Code MR	代号MR	Chibi-style RPG	Global
Self-developed	Code DDD	代号DDD	Chibi-style fantasy RPG	Global
Self-developed	Code XSSLG	代号XSSLG	American cartoon survival SLG	Global
Self-developed	Code GMSLG	代号GMSLG	Oriental fantasy SLG	Global
Self-developed	Ji Su San Guo: Yi Miao Kai Zhan	极速三国: 一秒开战	Three Kingdoms SLG	Overseas
Agency	Code Dou Po	代号斗破	Oriental fantasy RPG	Domestic
Agency	Zhu Xu	醉旭	Traditional Chinese ink painting-style business simulation game	Domestic
Agency	Shi Shi Da Lu	史诗大陆	Western fantasy RPG	Domestic
Agency	Battle of Chibi 2	赤壁之战 2	Three Kingdoms-themed SLG	Domestic
Agency	Si Ji Cheng Yu Duo Mi Nuo	四季城与多米诺	Chibi-style fantasy business simulation game	Domestic
Agency	Code Po Jian	代号破茧	Oriental fantasy RPG	Domestic
Agency	Dou Shou Zhan Chuan	斗兽战传	Giant-themed SLG	Domestic
Agency	Cono Qian You Zuo Shan	从前线阵地I	Oriental fantasy MMORPG	Overseas
Agency	Code RS	代号RS	Realistic survival SLG	Overseas
Agency	Code AK	代号AK	Realistic microworld SLG	Overseas
Agency	Code AS	代号AS	Mechanized beast realistic SLG	Overseas
Agency	Shi Guano Da Bao Zhe	时光大爆炸	Oriental history-themed business simulation game	Overseas
Agency	Ranarok: Back to Glory	Ranarok: Back to Glory	Chibi-style Norse mythology MMORPG	Overseas
Agency	Seaside Resort: Match 3	Seaside Resort: Match 3	Modern cartoon seaside resort-themed match-3 game	Overseas

Source: Company, Jefferies

**XD: Globalization is key with emphasis on longevity of GoGo Muffin.** XD expects to launch 1 to 2 new games on an annual basis and takes a disciplined approach to new game development. Key considerations include team expertise, genre, market demand and commercialization opportunities. *GoGo Muffin* is based on incremental game genre, and was launched mid-month in May-24. For *Heartopia*, it aims for long-term operations and monetization. It is preparing to expand into overseas market in 2H25. In the domestic market, it aims for stable growth and reactivate users after version updates. For *Sword of Convallaria*, XD hopes it can reactivate more users and offer better services. For *Etheria*, it will be launched in oversea markets mid-year. It will be launched in markets such as China if there is good gamer feedback. Future game projects depend on industry dynamics and globalization is key.

**User experience is key for TapTap.** It has healthy monetization rate and focuses on user experience with a healthy developer return rate. TapTap PC version is still at an early stage. On advertising, it will continue to improve ROI through technology. For TapTap international, it will continue to make adjustments and refrain from aggressive spending. The AI Q&A feature on Tap Tap is still under optimization, but is already showing better results than search. Marketing spend for TapTap App will be ROI focused with emphasis on users quality.

**MiHoYo (private): overseas market penetration with expertise in vertical genre ACG; action game *Zenless Zone Zero* released in 2024.** MiHoYo was officially established in 2012 and launched titles including *Houkai Gakuen*, *Houkai Gakuen 2*, *Houkai 3rd*, *Mitei Jikenbo*, *Genshin Impact* and *Honkai: Star Rail*. *Houkai Gakuen*, also known as *Zombiegai Kawaii*, was inspired by shooter game *Zombie Town* and Japanese anime-manga series *Highschool of the Dead*. MiHoYo established a Japanese publishing team when releasing *Houkai Gakuen 2* globally in 2014. MiHoYo self-published *Houkai Gakuen 2* in Japan and cooperated with local players to release it in Korea, Hong Kong, and Taiwan. After commencing promotions and operations in Japan, MiHoYo expanded its publishing capacity and took charge of self-publishing *Houkai 3rd* in all overseas markets. It conducted offline and online operations, as well as local operation events. From 2019, with six years of overseas operation experience for the *Houkai Gakuen* series, MiHoYo has established publishing, promotion and customer service teams covering 13 languages, as well as accumulated player base and promotion resources in various overseas markets.

**Triple-A game *Genshin Impact* achieved a milestone in the global market.** MiHoYo devoted significant research resources to developing and operating *Genshin Impact*. MiHoYo started development of *Genshin Impact* in late January 2017 with a team of around 120. The research team increased to 400 by the end of 2017, before expanding to 700 by February 2021. Development and marketing expenses for the game has exceeded USD100m, according to the company. Lengthening the life cycle of a game requires consistent investment to enrich content and improve player experience, which incurs sizable ongoing cost. MiHoYo President Cai Haoyu mentioned that ongoing development expenses for *Genshin Impact* amount to around USD200m per year.

**GoGo Muffin is a key milestone to XD in 2024. Globalization is key for future game projects.**

**North America is XD's key market, where it aims to strengthen brand awareness and influence**

**MiHoYo has accumulated self-publishing and local operating experience in overseas markets with *Zenless Zone Zero* released in Jul-24**

***Genshin Impact* had sizable investment resources**

**Factors contributing to *Genshin Impact*'s longevity:** (1) Open world with significant content to explore. *Genshin Impact* is the mobile game that set the precedent for the open world game experience, where players are able to explore the game world freely with few limitations. (2) Content updates with innovation can keep users engaged, such as new gameplay, new characters, and new regions. *Genshin Impact* launches an updated version with themed events, quests and new characters every week. Fresh content can attract users to spend time on the game. (3) Rich lore allows the story to unravel and creates an interactive experience. Players can uncover the mysteries gradually as more of the world is explored. Each character has a distinct storyline for players to explore. The process of exploring and solving the mysteries can enhance the activeness of players. (4) High-quality graphics heighten visual performance of console games. *Genshin Impact* has strong graphic controls with customized options for FPS playing capability, render resolution, shadow quality, visual effects, SFX quality and motion blur for users to choose for different devices and create a better visual experience. (5) Original game soundtrack. The original soundtrack albums were composed by the HOYO-MiX studio and performed by the London Philharmonic Orchestra, Shanghai Symphony Orchestra and Tokyo Philharmonic Orchestra. HOYO-MiX studio is MiHoYo's in-house music studio and responsible for producing original game music. HOYO-MiX studio produced the original game soundtracks for *Honkai Impact 3rd*, *Genshin Impact*, and *Tears of Themis*. The music department is involved from the early stage of game development. The team adds different musical elements to reflect diverse characters, and scenarios to create an immersive game experience.

**Monetization is the result.** *Genshin Impact* has been well-received. By end-2022, *Genshin Impact* had surpassed US\$4bn in global lifetime player spending across the App Store and Google Play since its official launch on September 28, 2020, according to Sensor Tower. China, Japan and the US are the top three markets in terms of revenue. MiHoYo has accumulated R&D, operation experience, player and market insights through the success of *Genshin Impact*. *Genshin Impact* enhanced the brand awareness of MiHoYo globally, according to the company.

**Established Metaverse label catering to global players.** MiHoYo announced a new brand, HoYoverse, aiming to provide players an immersive experience with a content-driven virtual world integrating games, anime and various forms of entertainment. MiHoYo intends to publish its games globally across console, PC and mobile platforms. According to its website, the products under the new brand include game titles such as *Genshin Impact*, *Honkai Impact 3rd*, *Tears of Themis*, and *Honkai: Star Rail II*, dynamic software Nova Desktop, and community product HoYoLAB. HoYoverse has established five studios in Tokyo, Seoul, Los Angeles, Montreal and Singapore. The Montreal studio serves as a hub for research and development and will focus on developing new AAA open-world action-adventure games featuring shooting-based gameplay. The Singapore studio will serve as a major hub for global distribution and operations, and work closely with the other offices to provide technical support for game development.

**Open-world experience, innovative content updates, rich story, high-quality graphics, and good original game soundtrack contribute to the success of *Genshin Impact*, according to the company**

**Data show *Genshin Impact* enjoys global popularity and performs well in terms of revenue**

**The new HoYoverse brand has five studios and aims to provide a content-driven virtual world experience**

## Online games - Developments in LLM and AI

- AI is applied to the game development and publishing process, including artwork, planning, programming and marketing (e.g. promotional materials). For example, Tencent adopts AI-generated facial impressions and 3D scenario creation technology. NetEase strengthens interaction with gamers via enhanced non-player character (NPC) features (e.g. *Justice mobile*).
- AI benefits big and small game studios but in different ways. Big studios could allocate more resources to drive innovation, with enhanced efficiency. Small studios could strengthen operational capabilities and obtain more AI tools to enhance game content at a lower cost.
- Generative AI does not significantly shorten the time it takes for game development.
- Low-end tasks can be conducted by AI but key roles (art, special effects, game design) require human involvement. Outsourcing cost savings are expected. For example, 37 Interactive adopts AI throughout the entire process from game development to publishing. It includes the integration of AI and big data to different business lines. These include AI modules such as R&D, marketing and productivity tools.
- AI can assist in content creation but cannot replace humans as content involves emotion, culture and ethics.
- Online game development requires advanced programming (e.g. unions, combat systems).
- Not all the game genres require AI. For example, game genres such as simple matching, car racing and running game genres.
- Gamers could benefit from enhanced interactions with NPCs, which have custom conversations with gamers, backed by AI. On the other hand, gamer experience is enhanced by user-generated content (UGC) tools (e.g. *Eggy Party*).

**AIGC provides support functions to online games and provides gamers with an enhanced experience. Key roles in each project require human involvement (e.g. leaders in artwork, special effects, game design). NPC and UGC tools are offered to gamers to enhance experience**

## Exhibit 76 - Online games

Company	Stock code	Highlights
<b>Online games</b>		
Tencent	700-HK	<ul style="list-style-type: none"> <li>- In Apr-24, Tencent released its in-house GINEX AI game engine which facilitates developers in creation of various 3D scenarios.</li> <li>- Uses AI in various steps of game development process such as artwork, coding and planning. AI can strengthen productivity and enhance quality. For example: (a) AI-generated facial impression technology based on human behavior; (b) the use of AI Codec technology in PeaceKeeper Elite for voice communication; (c) the use of AIGC in 3D scenario creation. AI tools are also applied to game content such as UGC. New game play features using AI offer potential.</li> <li>- The use of AI could enhance productivity, but not necessarily lower cost. Studios could spare more time to drive game innovations and develop more features to strengthen game quality, especially for Triple-A titles.</li> </ul>
NetEase	NTES-US	<ul style="list-style-type: none"> <li>- NTE has been a pioneer in applying AI in game development since 2016/2017. AI enhancement comes from strengthening gamer interactions (e.g. NPC) and improvement in efficiency. Tech innovation is promoted internally across domestic/overseas studios. The company sets the bar for the entire industry.</li> <li>- AI technology empowered Justice Mobile in R&amp;D development and user experience. AI improved the efficiency of image processing and programming, and improved user stickiness. New game title "Code: Infinite", is an attempt at applying AI technology to ACG games.</li> <li>- For online games, its AI Lab creates a number of tools to improve productivity such as image, voice and character creation. In addition, its AIxPose can capture human physical movements and apply it to game characters.</li> <li>- During the World AI Conference, NetEase showcased a number of large language models across gaming, education, industrial and music sectors.</li> </ul>
Bilibili	BILI-US	<ul style="list-style-type: none"> <li>- BILI integrates AI into various aspects of game development such as design, illustrations and artwork, leading to significant improvement in efficiency. Use of AI leads to enhancement in game efficiency by over 30% for the character design process. In addition, the deep integration of AI into content-driven games with personalized character designs and expressions offers a unique experience to gamers.</li> </ul>
Perfect World	002624-CH	<ul style="list-style-type: none"> <li>- Perfect World announced the setting up of an AI center for game development, distribution and operation. This would include NPC, image, scripts and music features, e.g. game title Forsaken World: War of Shadows 2 is supported by AI enhancements. Productivity is strengthened with the use of AI.</li> <li>- It is developing AI for use in GamePlay. The features could be applied to multiple scenarios such as scene information, character information, plot development, player behavior, and dialogue. In Feb</li> <li>- Perfect World partners with Baidu and uses the open-source features of ERNIE.</li> </ul>
37 Interactive	002555-CH	<ul style="list-style-type: none"> <li>- 37 Interactive adopts AI throughout the entire process from game development to publishing. It includes the integration of AI and big data to different business lines. These include AI modules such as R&amp;D, marketing and productivity tools.</li> <li>- AI enables 37 Interactive to enhance strategic planning and tailor it to the game's needs.</li> <li>- For R&amp;D efficiency improvement, it has developed a series of technology platforms. These include Zeus (self-developed middle platform), Athena (data analysis system), Poseidon (monitoring and early warning system), Ares (user profiling system), Cupid (AI-powered R&amp;D platform), Yi Lan (gaming market data gathering system) and Tu Ling (game design system).</li> </ul>
G-bits	603444-CH	<ul style="list-style-type: none"> <li>- AI is adopted in middle platform such as arts and technology, which drives the enhancement of efficiency and productivity in areas such as business planning, programming, arts and music.</li> <li>- AI drives targeted marketing and automation in operations.</li> <li>- Explores how AI can drive innovation and game play.</li> </ul>
Giant Interactive	002558-CH	<ul style="list-style-type: none"> <li>- Giant has GiantGPT AI model emphasizes on upgrade in R&amp;D development. It has a lot of AI tools such as graphics, programming and voice creation.</li> <li>- Pursues "games + AI" strategy with the setting up of an AI lab and hiring of AI experts (10-20 headcount). AI is to be applied to the entire process and scenarios, with the goals of lowering R&amp;D cost and increase productivity. Baidu ERNIE Bot is one of Giant Interactive's ecosystem partners.</li> <li>- AI usage includes: (1) Space Party (casual genre) uses AI as companion during game play; (2) Battle of Balls (casual genre) sees AI facilitate gamers in creation of UGC; (3) Yuan Shi Zheng Tu sees the use of AI in personalized game play and targeted marketing.</li> <li>- Partnership with Alibaba Cloud in "games + AI" backed by LLM Tongyi Qianwen and AI model open community ModelScope.</li> </ul>
Oupalm	300315-CH	<ul style="list-style-type: none"> <li>- Oupalm is involved in the creation of AI game innovation platform. It partners with ERNIE bot in the exploration of AIGC-related technologies in multiple scenarios, such as game development, distribution, and operation, as well as art design, plot interaction and intelligent NPC.</li> <li>- AIGC is used in content innovation, creation, coding and verification. It is expected to create an enriching and smart gaming experience.</li> <li>- AIGC is expected to enhance productivity and efficiency. With the help of AIGC drawing, the company could greatly improve efficiency, and AIGC tools could help programmers write program code, which will give the company significant labor cost savings.</li> </ul>
Youzu	002174-CH	<ul style="list-style-type: none"> <li>- Set up the AI Innovation Institute to drive AIGC innovation, automation in game content generation and globalization. It launches AI Assistants which interact with gamers and help them in completing difficult tasks</li> <li>- For card games, 2D art outsourcing cost was reduced by about 25% in Apr 2023, and a greater degree of cost reduction by the end of the year.</li> <li>- Cooperates with CloudWalk in building industry model</li> </ul>
CMGE	302-HK	<ul style="list-style-type: none"> <li>- CMGE adopts AI in areas such as generation of scripts, 2D art, translation and music. It has two phases of AI development: (1) productivity improvement by 20-30%, while lowering outsourcing cost by 30-40% by Jun-23; (2) lowering outsourcing cost by 50-60% and personnel cost by 10-20% by Dec-23.</li> <li>- Connected with Baidu ERNIE bot and adopts conversational AI in NPC and UGC in new game Sword &amp; Fairy World.</li> <li>- Partnership with Microsoft on cloud, big data, Azure OpenAI. The company aims to connect most of its gaming products to Azure OpenAI. It expects AI to increase output efficiency by 20-30%, and reduce costs by 30-40%.</li> </ul>
iDreamSky	1119-HK	<ul style="list-style-type: none"> <li>- IDS uses AI in NPC and provides gamers with various tools in Fanbook community on customer service, drawing and content creation.</li> <li>- IDS implements Fanbook + AI initiatives to improve productivity and efficiency.</li> <li>- For Fanbook, it partners with Microsoft in China and is assessing its OpenAI capabilities.</li> </ul>
IGG	799-HK	<ul style="list-style-type: none"> <li>- AI speeds up globalization with efficiency in game content translation and accuracy. It shortens the time needed to launch a new language version.</li> <li>- In content creation, AI enhances productivity and quality in game development.</li> </ul>
XD	2400-HK	<ul style="list-style-type: none"> <li>- XD adopts AIGC in workflow and business planning. AI usage includes middle office such as artwork (e.g. the use of stable diffusion, Midjourney), game experience upgrade (e.g. new features) and testing.</li> <li>- XD leverages its strengths in the gaming vertical, embracing opportunities in conversational AI.</li> </ul>

Source: Company, Jefferies

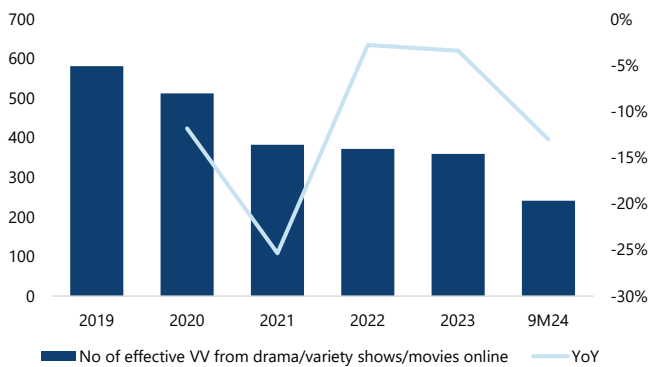
## Entertainment: Blockbusters Remain Crucial for Video and Movies; Divergent trends seen between live-streaming players

Short drama is gaining traction in recent years. Long form video platform allocate more resources to short drama with emphasis on quality

### Entertainment: long-form video's ARM has ample room to grow; short drama is the emerging trend

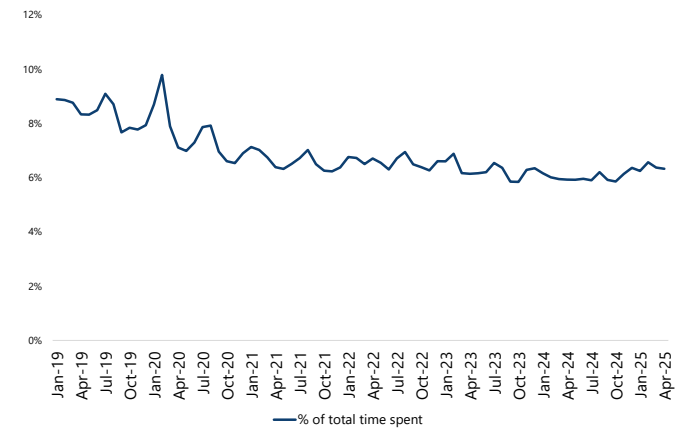
**Video views of online video platforms are stabilizing.** The video views of online video platforms have been on a declining trend YoY since 2Q20 due to the Covid outbreak, which affected content supply (number of drama series) and release timelines. Video views returned to positive YoY growth in 4Q22 and stabilized on a YoY basis in 1H23, while declining 13% YoY for 9M24. Leading player IQ highlights the popularity of macro drama which is now the second within its content ecosystem in terms of daily time spent, and first in no of daily unique visitors. It is a catalyst for attracting new users and driving membership revenue growth, especially in lower tier cities and among the older audience. Long form video is still the cornerstone of its content ecosystem. Its future drama strategies will focus on: (a) release higher quality and shorter episode premium dramas; (b) produce more high quality short dramas with each episode of 5 to 20 minutes.

Exhibit 77 - Total video views of drama/variety shows/movies between 2019 and 9M24



Source: Enlightenment, Jefferies

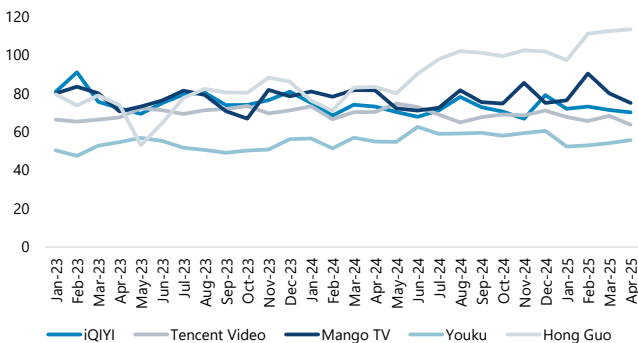
Exhibit 78 - Long-form video share of total time spent on applications from Jan-19 to Apr-25



Source: QuestMobile, Jefferies

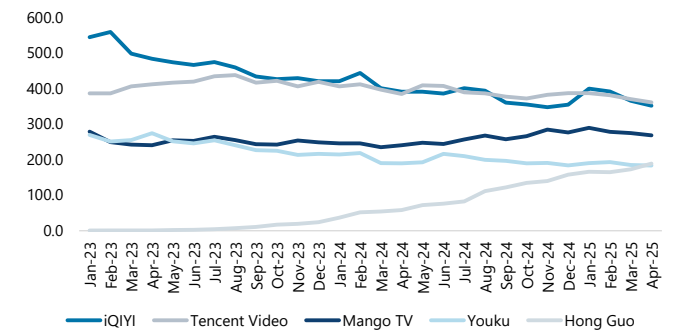
By platform, competitive positioning in terms of MAU showed the top 2 long form video platforms – iQiyi and Tencent Video – were largely unchanged, while the third player by MAU was Mango TV, followed by Youku. Short drama platform Hongguo is gaining traction in both MAU and time spent

Exhibit 79 - Average daily time spend per user (mins)



Source: QuestMobile, Jefferies

Exhibit 80 - MAUs of different short and long-form video platforms (m)

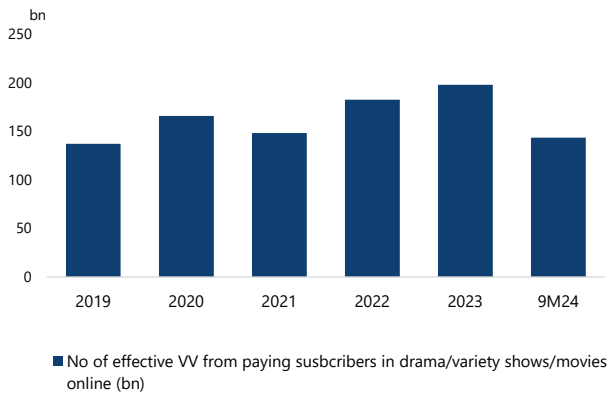


Source: QuestMobile, Jefferies

**Video views from paying subs surpassed the 50% mark in 4Q22 and reached 59% in 9M24.** Online video platforms have been emphasizing ROI with focus on content quality rather than quantity. Video view (VV) contribution from paying subscribers increased from 23% in 2019 to 59% in 9M24, while the number of VV increased by about 9% YoY in 2023 and decreased 5% YoY for 9M24. We highlight the significance of paying subs to the business model of online video platforms amid macro headwinds.

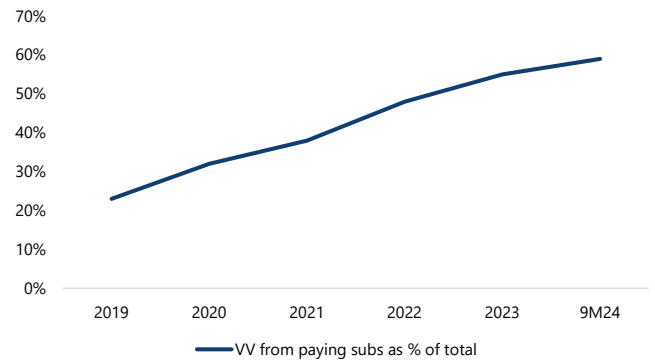
**Rising video views from paying subscribers, who contributed more than half of total video views in 2024**

**Exhibit 81 - Video views by paying subs between 2019 and 9M24**



Source: Enlightent, Jefferies

**Exhibit 82 - Video views contribution from paying subs on an increasing trend between 2019 and 9M24**

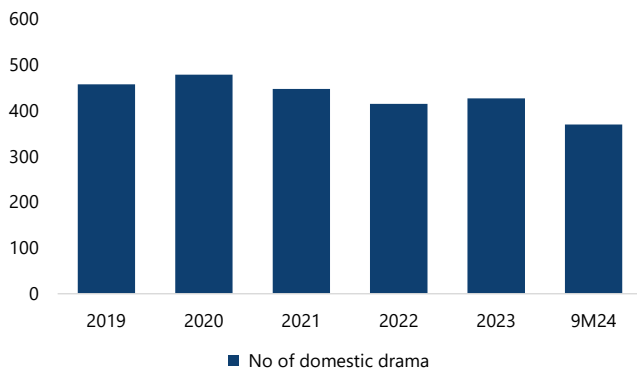


Source: Enlightent, Jefferies

## Quality is key for drama series

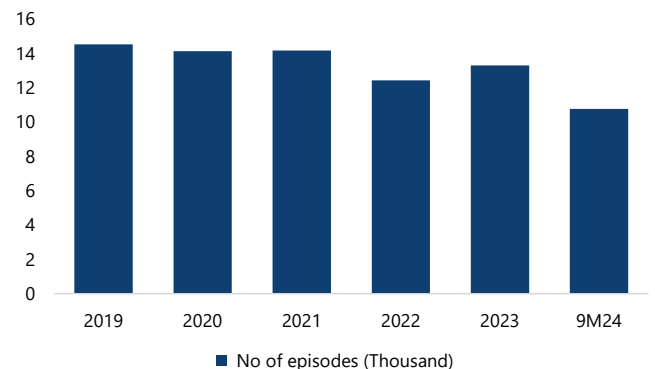
**Number of drama series and video views.** According to Enlightent, the number of drama series increased by 3% YoY and episodes increased by 7% YoY to 13.3K in 2023, and reached 10.8K for 9M24. For new drama episodes, the number of episodes declined from about 9.1K in 2022 to about 8.8K in 2023 and 5.6K for 9M24.

**Exhibit 83 - Total number of dramas between 2019 and 9M24**



Source: Enlightent, Jefferies

**Exhibit 84 - Total number of drama episodes between 2019 and 9M24**



Source: Enlightent, Jefferies

**Content quality is the priority instead of quantity.** We observe rational spending on content cost across platforms. Platforms are concentrating on top premium content and scaling back the budget for middle- and long-tail content, with top content as the main driver of subscription revenue growth. Tencent Video is a top player in terms of video views for top 10 drama series in 1Q25

**IQ and Tencent Video are the top long form platforms in terms of drama series video views**

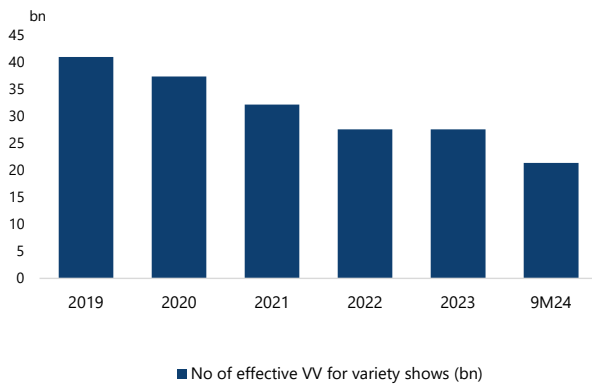
**Exhibit 85 - Top 10 drama series in 1Q25 of effective VV**

Ranking	EN Title	CN Title	Platform
1	Guardians of the Dafeng	大奉打更人	Tencent
2	Flourished Peony	国色芳华	Mango TV
3	Moonlight Mystique	白月梵星	IQ
4	Six Sisters	六姊妹	Tencent
5	The First Frost	难哄	Youku
6	Perfect Match	五福临门	Mango TV
7	Drifting Away	漂白	IQ
8	Northwards	北上	IQ
9	Si Jin	似锦	Tencent
10	Unspoken	无所畏惧	IQ

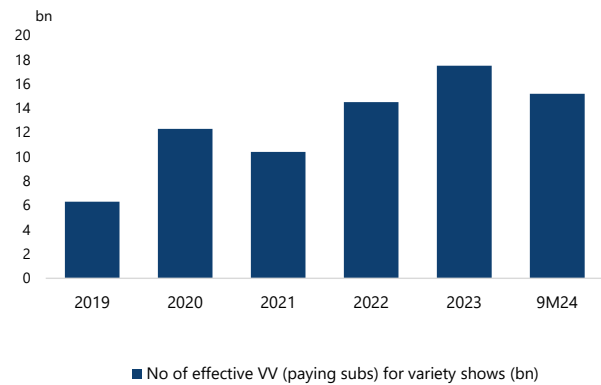
Source: Enlightent, Jefferies

**Number of video views from variety shows.** According to Enlightent, the total number of video views has been on a declining trend since 2019 and stabilized in 2023. Video views from paying subs has been on a rising trend from 2021 to 2023, and the contribution to total video views increased from 52% in 2022 to 64% and 71% in 2023 and 9M24 respectively.

**Exhibit 86 - Number of video views for variety shows between 2019 and 9M24**



**Number of video views (paying subs) for variety shows between 2019 and 9M24**



Source: Enlightent, Jefferies

By platform, Mango TV ranked first in terms of top variety shows in 1Q25, followed by Tencent Video, IQ and Youku.

Source: Enlightent, Jefferies

**Mango TV ranked first in terms of variety show video views in 1Q25**

**Exhibit 87 - Top 10 variety shows in 1Q25**

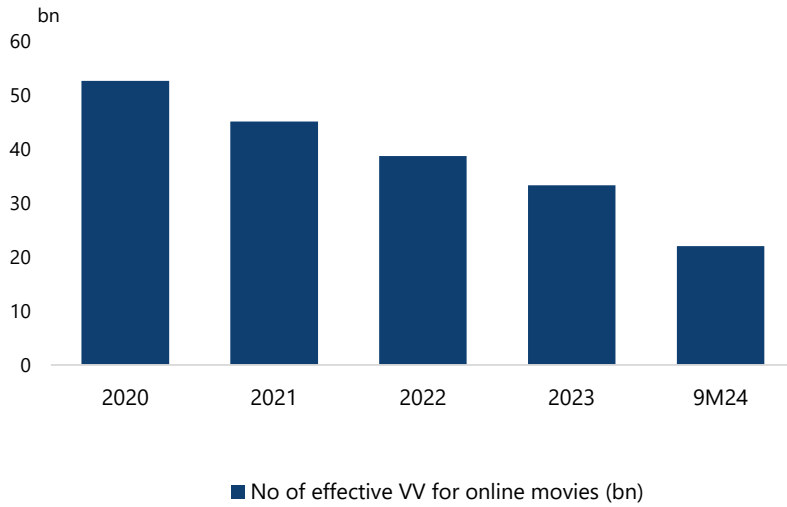
Ranking	EN Title	CN Title	Platform
1	Who's the Murderer Season 10	大侦探 拾光季	Mango TV
2	The Blooming Journey	一路繁花	IQ
3	SHERlock 2	女子推理社2	Mango TV
4	Go For Happiness 3	快乐再出发 山海季	Mango TV
5	Infinity and Beyond Season 4	声生不息 大湾区季	Mango TV
6	MIA Season 7	火星情报局第七季	Youku
7	Natural High Season 2	现在就出发第二季	Tencent
8	De Yun Dou Xiao She Season 3	斗笑社第三季	Tencent
9	My Little One: Good Life	我家那小子好好生活季	Mango TV
10	Viva La Romance 2025	妻子的浪漫旅行2025	Mango TV

Source: Enlightent, Jefferies

**Fewer movies shown online led to softness in video views.** The movie sector recovered in 2023 since reopening, while movie sector offline with box office decreased by 23%YoY to RMB42.5bn in 2024. For online, effective video views of movies declined by 12% YoY to 22bn for 9M24.

**Video views of movies and offline box office declined in 2024**

Exhibit 88 - Effective video views of online movies between 2020 and 9M24

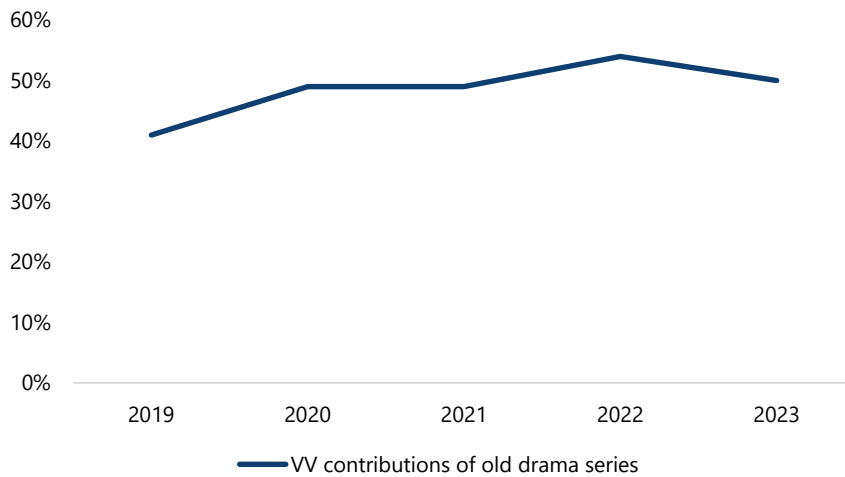


Source: Enlightent, Jefferies

**Enhanced algorithm matching viewers' preferences with desired video content.** We consider online video platforms as having strengthened their technological capabilities in catering to the needs of video viewers, backed by comprehensive content libraries. In terms of video view contribution from old drama series, this increased from 41% of total drama series video views in 2019 to 50% in 2023.

**Contribution from old drama series rose between 2019 to 2023**

Exhibit 89 - Video view contribution from old drama series between 2019 and 2023

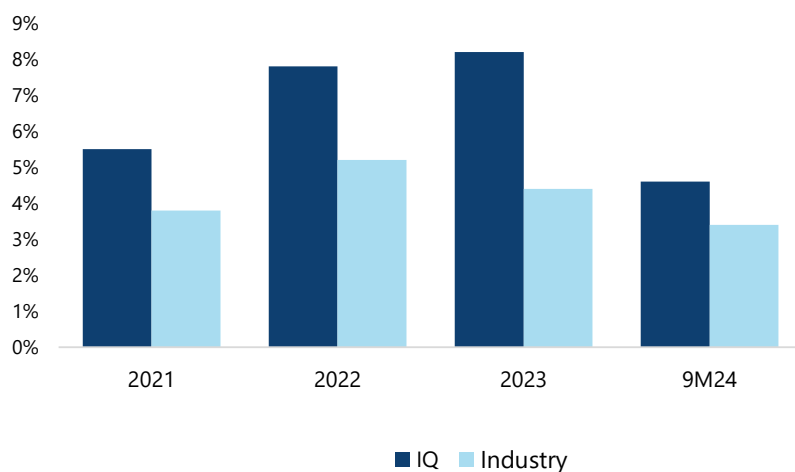


Source: Enlightent, Jefferies

**Stepping up efforts to increase efficiency of content investment.** Platforms are concentrating on lowering content cost and increasing the ROI of content through original content and revenue sharing. Self-produced content could enrich the supply of exclusive content and help a player stand out from peers. On the other hand, there is more content under the revenue-sharing model. This was first introduced in 2016, and is increasingly being adopted by producers and platforms. Platforms do not need to pay high licensing costs and enjoy better capital management under this model. For 9M24, about 4.6% of IQ's drama series video views came from the revenue-sharing model, higher than the sector average of 3.4%. IQ has upgraded its revenue-sharing model methodology for dramas, anime and documentaries, with revenue based on both time spent by members and member acquisition. We view IQ as capable of connecting platforms and producers, enabling producers to generate part of that subscription revenue. We expect more genres of drama to be released on IQ via the revenue-sharing model.

**Original content is key to enhancing monetization and increasing ROI**

**Exhibit 90 - Video views under revenue-sharing model of IQ vs Industry**

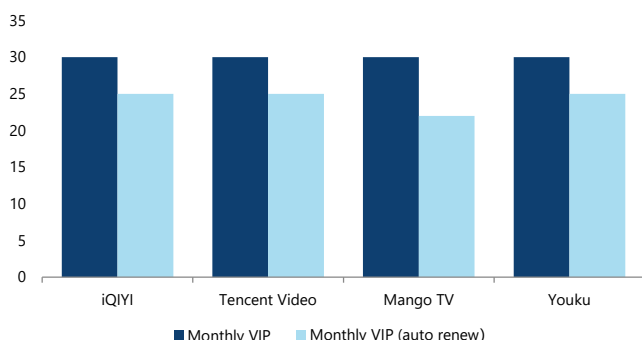


Source: Enlightent, Jefferies

**Price hikes to be another driving force of membership subscription.** Subscription revenue is key to profitability and price hikes are key. We view industry-wide pricing adjustments as a means to mitigate cost pressure, and positive for healthy development of the sector. IQ highlights three phases of the membership business, comprising: (1) hitting the 100m paying subscribers mark; (2) maximizing revenue through the number of subscribers or ARM (average revenue per membership); and (3) building long-term value of memberships. Increase in ARM could improve profitability meaningfully. The company's long-term target is to reach 150-200m subscribers, centered on original content and differentiated strategies. There are different membership packages to satisfy the needs of a wide audience. For ARM, there is ample room for growth from RMB15 per month now to about RMB25/30 in the future, based on our estimates. Monthly subscription packages represent the majority of membership revenue, while annual ones are increasing as a % of mix. Recurring subscription comprises 75%-80% of the four categories (i.e. monthly, quarterly, annual and one-time purchase).

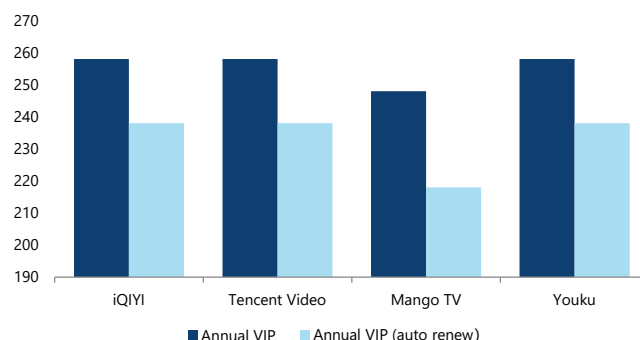
**There is still a lot of room to increase average revenue per member, and price hikes could drive profitability**

Exhibit 91 - Pricing of monthly membership for different platforms (RMB)



Source: Company, Jefferies

Exhibit 92 - Pricing of annual membership for different platforms (RMB)



Source: Company, Jefferies

**Exploring new business models other than subscription in light of macro headwinds.** These include: (1) One-off membership for single content; (2) Advance viewing features; and (3) Users being required pay after viewing content for free for a limited time.

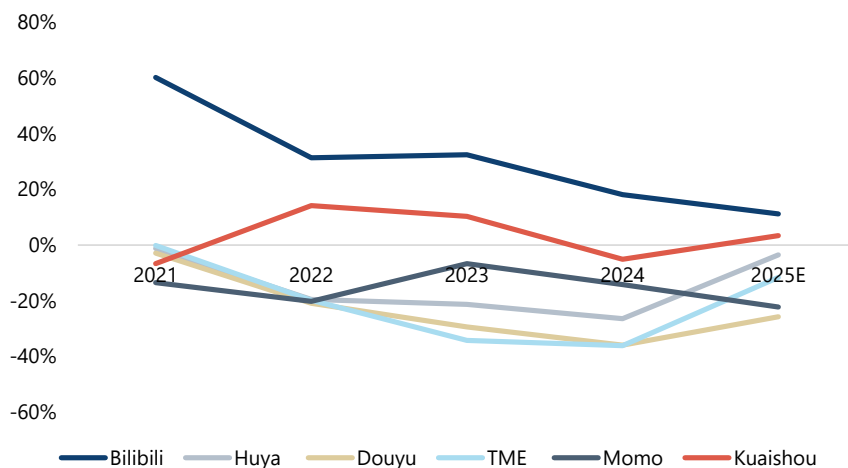
**New monetization models such as one-off membership and advance viewing features, on top of advertising and subscription**

## Entertainment: divergent trends seen between different live-streaming players

The live-streaming sector underwent operational adjustments in 1H23 post rectifications in league tables and PK tournaments implemented in Jun-22 (link). The revenue impact varies across different applications, and certain players are seeing stabilizing trends.

**Live-streaming sector underwent operational adjustments in 1H23 after the rectifications in league tables and PK tournaments in 2022**

Exhibit 93 - Live-streaming revenue growth rate among different players between 2021 and 2025E



Source: Company, Jefferies estimates

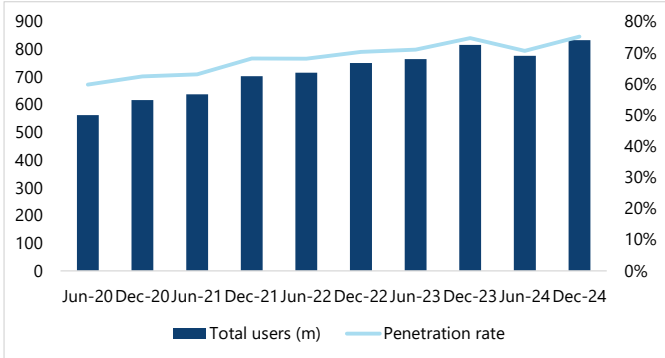
**Steady user base with evolving needs.** As live-streaming becomes mainstream content consumption, rather than entertainment virtual tipping, we expect it to cover the diverse needs of users in different scenarios such as ecommerce and pan-knowledge content. For example, live-streaming is one of BILI's top categories, and it partners with over 300 scholars to broaden the breadth and depth of offerings. KS sees significant demand for pan-entertainment with over 33m live-streaming events on its platform. Douyin's hosts come from diverse industry categories such as finance, history, education, and fitness. Other scenarios include arts, music and sports.

**Diversifying content categories to meet evolving needs of users**

There are many live-streaming users (over 800m) with high online penetration, according to the China Internet Network Information Center (CNNIC). In terms of total time spent on entertainment and game live-streaming, CNNIC found positive YoY growth trends between 2019 and May-20. YoY growth peaked in Feb-20 and Mar-20 as people spent more time at home during the pandemic. Time spent declined YoY starting in Jun-20 mainly due to macro headwinds, online games sector rectifications, together with rising competition from short-form video.

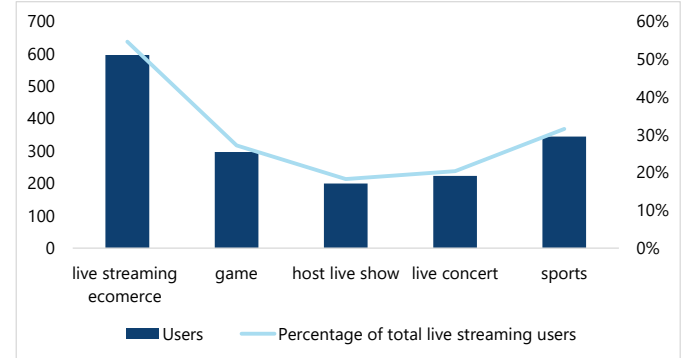
## Total time spent on entertainment and games

Exhibit 94 - Number of live-streaming users and penetration rate



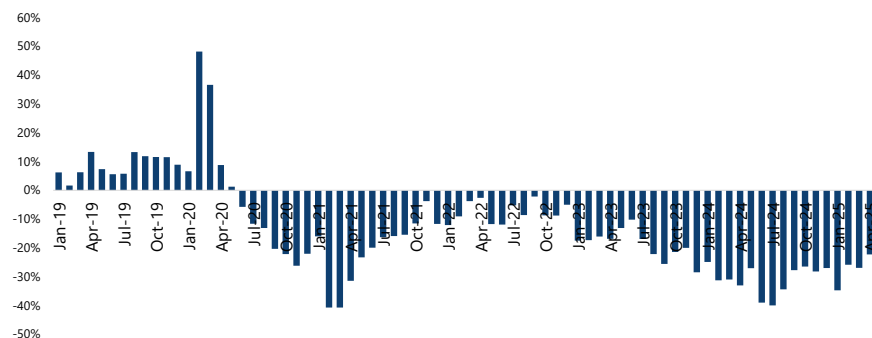
Source: CNNIC, Jefferies

Exhibit 95 - Multiple live-streaming scenarios for users as of Dec-23



Source: CNNIC, Jefferies

Exhibit 96 - YoY growth in total time spent on entertainment and game broadcasting between Jan-19 and Apr-25



Source: QuestMobile, Jefferies

**Blue-collar recruitment is gaining traction.** Kuaishou introduced Kwai Hire in order to facilitate the recruitment of blue-collar workers. The sector has low online penetration and is highly reliant on offline channels, resulting in low efficiency and high cost. Kwai Recruitment connects prospective employers and candidates directly online through live-streaming. This enables job seekers to have a better understanding of job details. In 2Q24, Kwai Hire saw an over 130% YoY increase in average daily resume submissions, and the matching rate increased by over 150% YoY. In our view, blue-collar recruitment has a lot of potential considering it is a sizable market of around 400m blue-collar workers, based on our estimates.

## Kwai Hire focuses on blue-collar worker recruitment, which is a big market with significant growth potential

**Penetrating local services.** Douyin has changed the competitive landscape of in-store and hotel services since 2H22. For in-store, consumers can buy group purchase coupons by clicking on live-streaming or short video links in Douyin to be used at offline stores later. Based on channel checks we estimate DY to achieve over RMB500bn GMV in 2024, up from about RMB290bn in 2023. On the other hand, Kuaishou's local services segment is in the early stage of development, with emphasis on ROI. It sees sizable potential in local services, with its emphasis on the core values of value for money and reliable services. In Dec-23, about 60% of KS users came from tier 3 and below cities, which are future drivers for local services. The number of merchants and group-purchasing users increased by about 277% and 191% YoY in Dec-23. During Kuaishou's Investor Day 2024, it viewed local service as a high frequency business and ROI was a key focus. It continues to invest and strengthen different categories and regions. In the medium to long term, KS considers GMV and user base as important to assess performance.

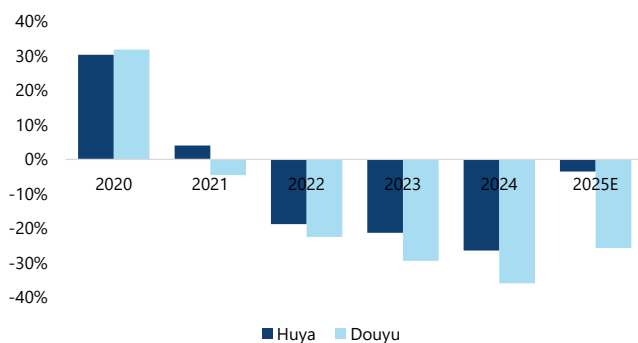
**Game live-streaming platforms with diversified models.** Huya enhances game-related commercialization by offering services such as in-game item purchasing and advertising. It collaborates with gaming studios and broadcasters to expand revenue streams. It also focuses on optimizing content creators' income, expanding in-game item sales, and reducing inefficiencies in live-broadcast monetization in order to achieve a more balanced income structure. It targets revenue contribution from game-related services to be around 30% of total revenue within three years. Douyu says it focuses on long-term sustainable growth by stabilizing the traditional business, streamlining operations, as well as exploring new revenue streams. Cost discipline is a key focus.

Douyu says it pursues a selective copyright procurement strategy and deepens cooperation with game developers to explore more monetization opportunities. Douyu emphasizes the importance of users, and it holds different types of tournament to cater to the different needs of hardcore gamers and casual gamers. It intends to increase investment in self-produced content to stabilize traffic. In 4Q24, Douyu broadcasted more than 50 large-scale official events and about 40 self-produced eSports tournaments.

**Douyin has changed the local services industry landscape and Kuaishou is in early stage of developments**

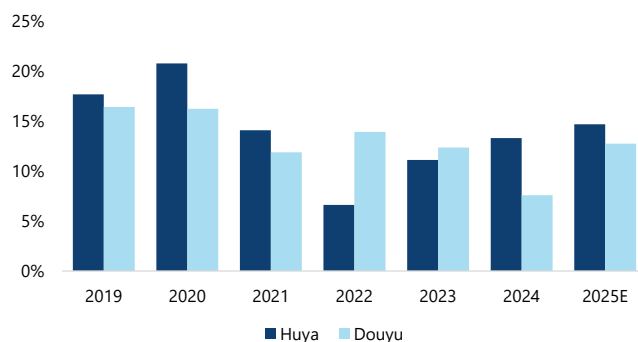
**Douyu's stated top priority is fostering healthy development of its game-centric ecosystem. Huya focuses on ramping up new drivers such as in-game item purchasing and advertising, with rising revenue contribution**

**Exhibit 97 - YoY revenue growth rate of game broadcasting platforms in 2020-2025E**



Source: Company, Jefferies estimates

**Exhibit 98 - GPM of game broadcasting platforms in 2020-2025E**



Source: Company, Jefferies estimates

## Cultural and entertainment - Developments in LLM and AI

- AIGC is used in content generation, throughout the entire creation process, as well as to enhance search and recommendations. These include: (a) literature: assisting writers in story generation; (b) long-form video: assisting script preparation, analysis for higher drama success rate; (c) short-form and mid-length video: content generation such as video covers and titles, smart production (e.g. content understanding, AI drawing, smart music, templates); (d) music: supporting content creators in lyric writing, composition, music content analysis and editing; (e) game live-streaming: offering better recommendations, customer service and support; (f) Q&A: facilitating content production and summary generation. From a user's perspective, AI Assistant could address the diverse needs of users.
- IQ considers AI to drive learning and content-generation capabilities. Industrialization is supported by intelligent production in the entire process from planning, production, promotion. These include AI knowledge base, script planning and design. On IP identification, AI could shorten the time by 1/3 with 9x increase in reading efficiency. In addition, AI could speed up the translation process for foreign titles, as well as export drama content to overseas markets.
- Kuaishou (KS) accelerated commercialization of Kling with revenue surpassing RMB150m in 1Q and expects it to exceed USD100m in 2025. In terms of revenue mix, about 70% of revenue comes from subscriptions by professional consumers and 30% comes from API calls by business clients. Revenue growth is driven by paying users and ARPPU, with the latter based on the needs of customers. By geography, it has about 70% from overseas and rest from domestic market. The addressable market is huge for video content production in advertising and entertainment sectors (e.g. movies, TV, short play, animation). Kling stands out with its video and image quality vs overseas peers.
- BILI has launched enhanced search of video content; AI Assistant addresses the diverse needs of users, as well as strengthens content efficiency. These include AI-assisted video cover and title generation, smart production (e.g. content understanding, AI drawing, smart music, templates) as well as voice synthesis (e.g. customized content creator voice tone). In addition, it enhances user experience with the generation of a summary of different video offerings using AI. On the other hand, cost savings are seen in customer service and content reviews. No. of customer service team lowered to 2,200 by end of 2024 from 3,500-4,000 at peak.
- China Literature integrates AI into different parts of its business such as assisting writers in content creation, enriching user interaction and expanding business overseas. The company launched the Smart Pen large language model, as well as the Author Assistant Application to reduce the repetitive work of writers and improve their writing efficiency and quality. AI virtual characters are undergoing beta test, which would allow users to communicate with these characters to enhance the user interactive experience. The company is consistently training the AI translation model to enhance the speed and efficiency of translation in order to accelerate content supply to the overseas market. AI could also improve efficiency in comic creation and front-load IP derivatives development, as well as improve the sound quality of audio books.

**AIGC supports content creators throughout the entire process of content production, and achieves efficiencies across different sub-sectors in literature, short- and long-form video, and music**

## Exhibit 99 - Short video/ Long-form video/ Live-streaming/ Music/ Movies

Short video/ Long-form video/ Live-streaming/ Music/ Movies		
Kuaishou	1024-HK	<ul style="list-style-type: none"> <li>- In Jun-24, Kuaishou's self-developed video generation model "Kling" launched upgrade features on image-to-video with video duration up to 3 minutes. It has advanced IT infrastructure built on large-scale data center with video/audio, as well as big data structure, which provides different services to users based on AI and intelligent recommendations.</li> <li>- On LLM, the goal is to be ranked as a tier 1 player and strengthen its existing business scenarios, as well as achieve market advantages through disruptive innovation. It builds in-house LLM and accumulates cutting-edge multi-modal technologies with applications such as AI creation, ad placement, AI creatives, live-streaming interaction, ecommerce material, and meta human. Its 13B/66B KwaiYi LLM outperforms similar-sized models on most benchmarks.</li> <li>- Individuals could benefit from various AI photo features in Kuaishou and other tools such as Kuai Ying and Yitian Camera apps. AIGC supports movie and drama verticals with features such as creation of subtitles, animation+C5 production and Vlogs.</li> <li>- KS accumulates cutting edge multi-modal technologies with applications such as AI creation, ad placement, AI creatives, live-streaming interaction, ecommerce material, and meta human. Its 13B/66B KwaiYi LLM outperforms similar-sized models on most benchmarks. KS's LLMs, KwaiYi-13B and KwaiYi-66B, have achieved leading positions in the industry and it continues to develop LLM exceeding 100bn in scale. AI technology has already been applied to the comments section and its own video editor app Kmovie and photo-editing tool Yitian Camera.</li> </ul>
IQIYI	IQ-US	<ul style="list-style-type: none"> <li>- During 2024 IQIYI World Conference in Beijing, the company stated it expects AI to drive learning and content generation capabilities. Industrialization is supported by intelligent production in entire process from planning, production, promotion. These include AI knowledge base, scripts planning and design. On IP identification, AI can shorten the time by 1/3 with 9x increase in reading efficiency. In addition, AI can speed up the translation process of foreign titles, as well as the export of drama content to overseas markets</li> <li>- Partners with Baidu and other third-parties in generative AI. This is expected to generate cost savings with better ROI.</li> </ul>
BIJU	BIJU-US	<ul style="list-style-type: none"> <li>- BIJU launched enhanced search for video content, AI assistant addresses the diverse needs of users, as well as the strengthens content efficiencies. These include AI-assisted video cover and title generation, smart production (e.g. content understanding, AI drawing, smart music, templates) as well as voice synthesis (e.g. customer content creator voice tone). In 1Q24, daily content creators and video views of AI-related content grew by 60% and 80%, respectively, resulting in AI ads becoming one of the fastest-growing ad verticals.</li> <li>- Enhances user experience by generating summary of different video offerings using AI.</li> <li>- Uses AIGC in marketing material generation and content comprehension, which enlarges creative ad content supply and improves marketing efficiency.</li> </ul>
China Literature	772-HK	<ul style="list-style-type: none"> <li>- China Literature has partners with good generative AI models in the industry. It plans to integrate AI into different parts of its business, such as assisting writers in content creation, enriching user interaction and expanding business overseas.</li> <li>- The company launched the Smart Pen large language model, as well as the Author Assistant Application to reduce the repetitive work of writers and improve their writing efficiency and quality. On 19 Jul-23, it released literature vertical model Yuewen Miao Bi, with features including the setting of scenario, character and storyline. AIGC supports writers, rather than replaces them.</li> <li>- AI virtual characters are undergoing beta testing, which allows users to communicate with these characters to enhance users' interactive experience.</li> <li>- It is consistently training the AI translation model to enhance speed and efficiency of translation in order to accelerate content supply to the overseas market.</li> <li>- AI could help to improve efficiency in comic creation and front-load IP derivative development, as well as improve sound quality of audio books.</li> <li>- AIGC helps to increase content supply, while maintaining high quality which is key in competition. This depends on the creativity, imagination and emotion of the writer which cannot be replaced by AI. The company has industry know-how and resources to train AI models, and receives consistent feedback from editors, producers and content creators to fine-tune the models.</li> <li>- The upgrade in new organization structure centered on AIGC strengthens the content ecosystem and IP operations. More synergies between NCM and its drama and movie operations are expected.</li> </ul>
Huya	HUYA-US	<ul style="list-style-type: none"> <li>- The latest version of Huya V12.0 is strengthened with AI technology which provides users with key content updates, replays and data insights during live-streaming events. Has partnerships with leading LLMs. Focus areas are enhancing user interest and recommendations.</li> <li>- Released 3D avatar AI-driven solution. This lowers the entry barriers for high-quality content production and improves the live-streaming interactive experience, as well as user stickiness.</li> </ul>
Douyu	DOYU-US	<ul style="list-style-type: none"> <li>- Focus on enhancing customer service and support.</li> <li>- Launched AI subtitle function. This converts live-streaming audio into text through real-time voice recognition and displays as subtitles. In addition, this supports multilingual interaction in Chinese, English, Korean, etc.</li> <li>- It has established an intelligent recommendation mechanism to suggest content to users accurately.</li> </ul>
YY	YY-US	<ul style="list-style-type: none"> <li>- The company uses AI for in-depth user profiling, intelligent recommendations and content management. On the other hand, Hago launched the 3D Space feature, which enables users to create virtual avatars and interact with each other in different scenarios after inputting text and audio. AIGC is still in the early stage of development and undergoing testing at the moment.</li> <li>- BIGO has about 150 experts and engineers specializing in AI development in areas such as computer vision, facial recognition, image comprehension and natural language processing.</li> <li>- In Bigo Live and Likee, AI is used to identify nuanced user interests and direct users toward more relevant and personalized content. AI could improve the discovery process for talented creators and channel resources more effectively to them.</li> <li>- Virtual Live feature enables users to create customized 3D digital avatars and live stream using their virtual identities.</li> <li>- AI could be used to improve the efficiency of content moderation, bringing manual moderation rate down to a mere 0.05%.</li> </ul>
TME	TME-US	<ul style="list-style-type: none"> <li>- TME integrated its full suite of AIGC music-making tools into its all-in-one music production and promotion platform, which significantly improves creators' efficiency at each step of music creation and elevates music quality.</li> <li>- In Apr-24, it released AI smart assistant, which interacts with users on a variety of topics. For live-streaming, it innovated AIGC-empowered virtual gifts, which can be created after users put in a few text descriptions. On the other hand, it launched AI photo mini-program application which creates an animated portrait in 10 seconds after the photo is uploaded.</li> <li>- Develops applications based on LLM from Tencent and other third-parties (e.g. XVERSE). TME works closely with Tencent and expects AI to evolve new business models. TME is not engaging in foundation models as it partners with Hunyuan and other external models such as Baichuan. In 3Q, it released its own music large model 2.0 which helps to lower costs and enhance efficiency. Over the next three years, TME will focus on AI applications and invest in AIGC. Good results have been achieved in different areas such as voice, pictures and video.</li> </ul>
NetEase Cloud Music	9899-HK	<ul style="list-style-type: none"> <li>- Cloud Music started its investment into AI 6-7 years ago, and the performance of its intelligent singing robot surpassed 99% of human performers.</li> <li>- It launched AI feature "Private DJ" to enhance content recommendation.</li> </ul>
Maoyan	1896-HK	<ul style="list-style-type: none"> <li>- Maoyan is an internet and tech company which has been investing in AI since 2022. It focuses on AI applications related to the entertainment service sector (rather than general LLM service provider).</li> <li>- Its technology and know-how provide deep insights to industry participants and efficiency in movie production and marketing. It helps directors to analyze the success rate in pre-production stage. It has launched AI tools such as AI Poster Assistant, AI Outline Mapping and AI Conceptual Drawing Services.</li> <li>- Proven success in marketing campaigns (e.g. movie posters) and short-form video production.</li> </ul>
Mango TV	300413-CH	<ul style="list-style-type: none"> <li>- AIGC HUB platform integrates AIGC capabilities into different scenarios such as AI painting and voice generation, as well as short video production of Mango IP.</li> <li>- Mango actively explores the implementation of AI to empower content production and reduce costs, as well as increase efficiency. It developed AIGC video automatic stripping technology, explores new business model and has launched AI digital human.</li> </ul>
Wanda Film	002739-CH	<ul style="list-style-type: none"> <li>- Wanda Movie is paying close attention to the application of AI in film and TV production, game development and other fields. It continues to explore the integration of technological development with its business.</li> </ul>
Beijing Enlight Media	300251-CH	<ul style="list-style-type: none"> <li>- The animation production team is exploring the application of AI in animation performance, character generation and scene assets, special effects, virtual shooting, and derivative product development. AI technology not only improves efficiency, but also improves film quality in terms of performance and visual effects.</li> </ul>
Huace	300133-CH	<ul style="list-style-type: none"> <li>- In May-24, Huace completed the filing of its inhouse industry LLM "You Feng" which can assist in analyzing scripts within 3-minutes. In addition, its AI tools cover long- and short-form drama, movies and short video.</li> <li>- Huace has partnered with Baidu's ERNIE Bot and other parties to apply AIGC to the entire film and TV production chain. These applications include content creation, production and publicity. On the other hand, post-production that originally takes months may be completed in just a few days.</li> <li>- Overseas, Huace seeks partners for cooperation on AIGC applications to improve production efficiency.</li> </ul>
Huayi Brothers	300027-CH	<ul style="list-style-type: none"> <li>- Uses ChatGPT to identify and correct script logic loopholes. ChatGPT is a tool for film and TV content creation, but cannot replace screenwriters and directors. It is a powerful assistant in film and TV content creation.</li> </ul>

Source: Company, Jefferies

**Clear roadmap to guide healthy development of the industry.** In early 2020, the market was seemingly concerned about live-streaming platforms' lucky draw feature, although there had been no official announcement by the government on this. There are stringent rules already in place on the implementation of lucky draws, and the industry had been abiding by these rules (e.g. format of rewards). Self-rectifications were made by leading platforms to address industry concerns. In addition, the platforms de-emphasized high spenders with increasing shift to middle and long-tail spenders in order to lower revenue concentration risk. Minor protection is not new, with over 24 live-streaming and 9 video platforms raising their efforts since 2019. In 2021, short-form video players stepped up minor protection measures, with minors entering teenage mode automatically subject to a real name registration mechanism. In Sep, BILI and 17 internet platforms implemented minor protection guidelines, as stipulated by the Cyberspace Administration of China (CAC). The 20 rules cover corporate responsibilities, correct social values, real name identity verification, teenage mode, rectification of pop-up ads, payment methods, game addiction and complaint procedures. Meanwhile, "accompany play" apps have been suspended from Hello, Huya, Bixin and others. As for short-form video player Douyin, it completed the full migration of minors to teenage mode in Sep-21. On 7 May, the authorities issued an opinion on the live-streaming sector regarding measures on minor protection and product rectifications. The opinion was issued by The General Office, Central Commission for Guiding Cultural and Ethical Progress, Ministry of Culture and Tourism, National Radio and Television Administration, as well as the CAC. Seven areas were highlighted in the document, of which we think Items 5 and 6 related to product feature adjustments will attract market attention. League tables based purely on virtual tipping amounts will need to be rectified, with a one-month transitional period. Live-streaming platforms are required to use multiple criteria to rank hosts and make recommendations to users. On the other hand, the authorities also require platforms to strengthen operations during peak times between 8pm and 10pm, by ensuring: (1) each account does not have more than two Player Killer (PK) competitions; and (2) PK penalty features are not adopted. On other measures related to minor protection, we believe these reaffirm the rules that are already in place, and platforms have been meeting these requirements.

**Rectifications have been made by live-streaming platforms over the past few years on lucky draw features, protection of minors, PK tournaments and ranking league tables**

## Movies: a long-term secular growth story ahead

In 2025, we estimate box office to reach about RMB50bn, up from RMB42.5bn in 2024. Industry drivers include: (a) demand side: there is a strong demand for high-quality content with emotional resonance; (b) supply side: domestic films pipeline remains robust and imported films also expect to be strong this year; (c) gov support: it issues millions of consumer vouchers to help promote integration of film, tourism, and dining. During Spring Festival (28 Jan to 4 Feb), total national box office reached RMB9.5bn, which surpasses the same holiday period of 2024/2023/2022 at RMB8bn/6.77bn/6bn. For Labor Day Holiday (1 to 5 May), box office was RMB747m versus RMB1.5bn/1.5bn/297m for 2024/2023/2022.

**We expect box office to reach about RMB50bn in 2025 (vs RMB42.5bn in 2024), thanks to strong demand for high quality movies, solid pipeline and government support**

Exhibit 100 - China box office from 2017 to 2024



Source: Maoyan, Jefferies

Exhibit 101 - Top 10 movie in terms of box office for 5M25

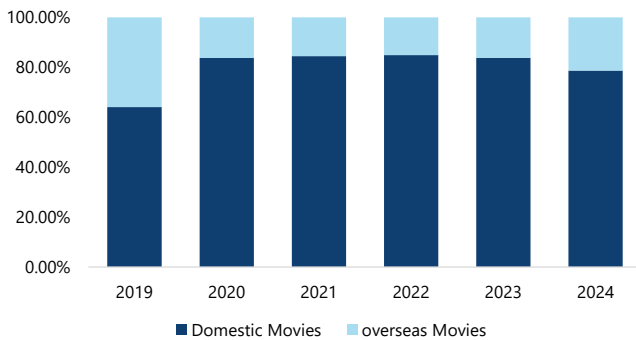
#	EN Name	CN Name	Genres	Box Office (RMB bn)
1	Ne Zha 2	哪吒之魔童降世	Animation	15.44
2	Detective Chinatown 1900	唐探1900	Suspense	3.62
3	Creation of the Gods II: Demon Force	封神第二部: 战火西岐	Fantasy	1.24
4	Boonie Bears: Future Reborn	熊出没: 重启未来	Animation	0.82
5	Legends of the Condor Heroes: The Gallants	射雕英雄传: 侠之大者	Action	0.69
6	Sheep Without a Shepherd 3	误杀3	Crime	0.64
7	The Dumpling Queen	水饺皇后	Drama	0.40
8	Big World	小小的我	Family	0.39
9	Operation Hadal	蛟龙行动	War	0.39
10	Honey Money Phony	"骗骗"喜欢你	Romance	0.34

Source: Endata, Jefferies

**Domestic titles dominate overall box office, given lack of foreign titles.** According to Maoyan Research, the number of domestic titles reached 425 in 2024 (vs 435 in 2023 and 274 in 2022) and the number of imported movies reached 76 in 2024 (vs 77 in 2023 and 52 in 2022). Box office contribution from domestic movies represented about 78.7% of the total in 2024 vs (84% in 2023 and 85% in 2022). Foreign titles are seen as complementing domestic ones, with the latter serves as the main driving force for overall box office.

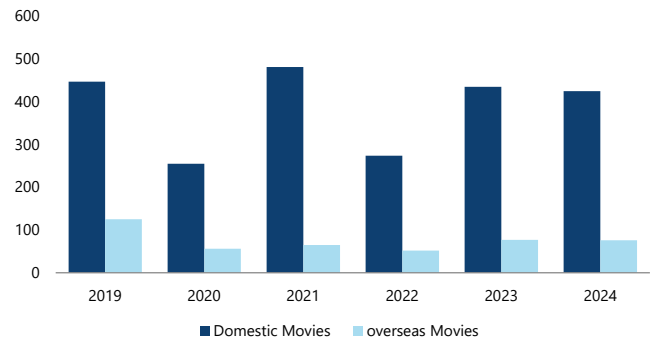
**Majority of the box office comes from domestic movies, with imported movie contribution declining since 2019**

**Exhibit 102 - China box office breakdown by domestic and overseas films**



Source: Maoyan Research, Jefferies

**Exhibit 103 - Number of movies released from 2019 to 2024**

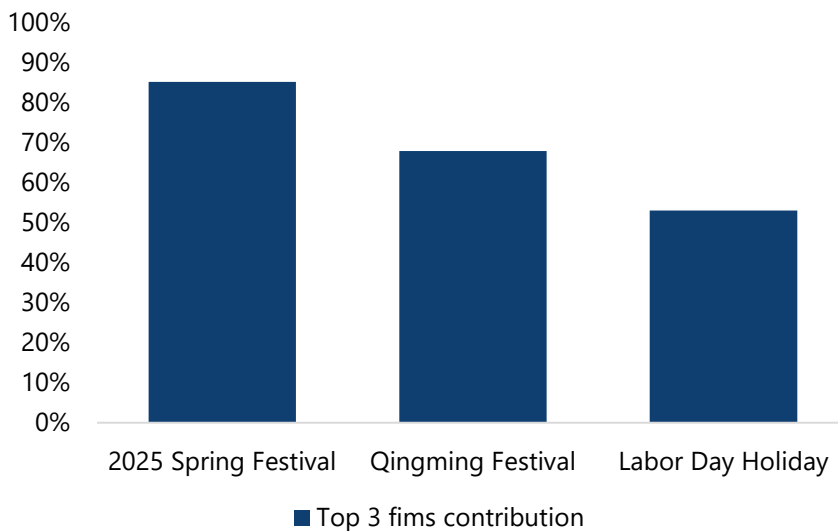


Source: Maoyan Research, Jefferies

**Content is king.** Top titles continue to account for the majority of total box office, as demonstrated by the top 3 films' contribution representing about 24% of total in 2024. This is more apparent during holiday seasons. For instance, the top 3 films comprised 85% of total box office during the Spring Festival. We expect top and blockbuster titles to dominate the box office given the audience's high demand for quality content.

**Top 3 movies contribute majority of box office during holiday seasons**

**Exhibit 104 - Top 3 films in terms of box office contribution during holiday seasons in 2024**



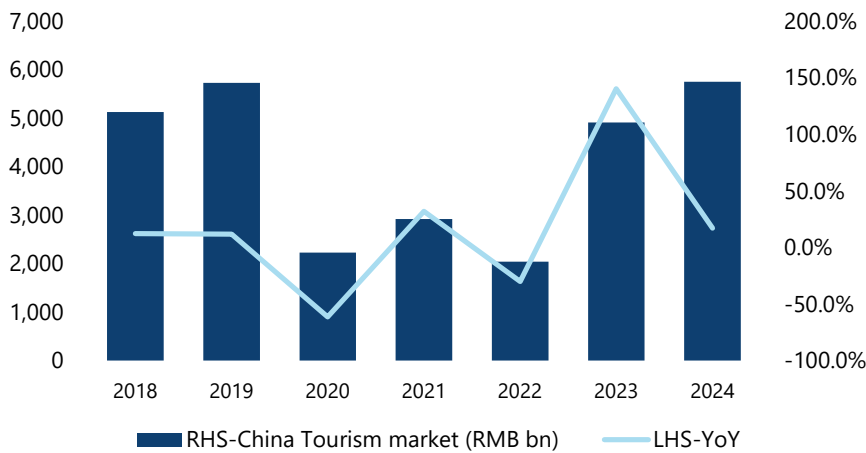
Source: Maoyan, Jefferies

## Verticals: beneficiary to recovery story

**Online travel is a long-term secular growth story.** In 2023, travel demand surged after reopening. During the public holidays, it surpassed 2019 levels in terms of number of trips. The travel sector demonstrated strong recovery momentum in 2023. We view the slower YoY growth in 2Q24/3Q24 due to the high base effect as not changing the long-term story for online travel. For May Day Holidays, MCT highlights number of domestic tourists and spending increased by 6.4% YoY and 8% YoY. This implies the average spending per tourist increased by about 1.5% (5-years CAGR at 0.3%) to RMB574. For Dragon Boat Festival, The no. of domestic tourists increased by 5.7% YoY to 119m, while domestic tourism spending increased by 5.9% YoY to RMB42.73bn. This implies the average spending per tourist increased by about 0.2% YoY to RMB359 during the festival.

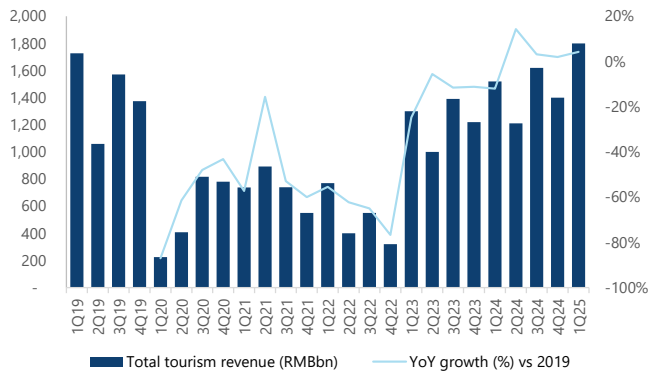
**Verticals are beneficiary to recovery story post recent policies measures. On travel, we believe market share gain story for TCOM and Tongcheng Travel is intact.**

Exhibit 105 - China tourism market size between 2018 to 2024



Source: Ministry of Culture and Tourism, Jefferies

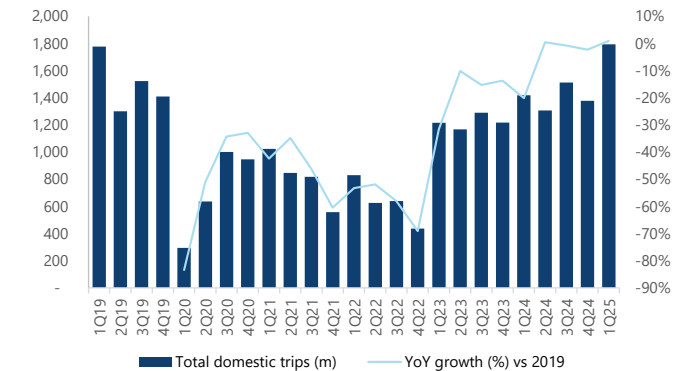
Exhibit 106 - Quarterly industry revenue trends between 1Q19 to 1Q25



Source: Ministry of Culture and Tourism

**Industry hotel RevPAR trends.** According to third-party research provider STR, industry RevPAR in 2025 is affected by the increase in hotel supplies which leads to a decline in ADR. Industry ADR has been improving YoY after Feb-25. ADR experienced positive YoY during Labor Day holidays in May but turned into a YoY decline afterwards. We have seen RevPAR subject to volatility over during the pandemic in 1H20, 2H21 and 1H22, respectively. The outbreak of the pandemic in Shanghai hit a trough in Apr-22 after Aug-21 and Apr-20, respectively. We observed positive signs in Jul-22 and Aug-22, as OTAs such as TCOM experienced positive growth in hotel volume vs 2019 during the two months. Starting from 2023, industry RevPAR surpassed 2019 levels, starting in Jan-23 and accelerating to 11%/16%/24% in 1Q23/2Q23/3Q23 compared to 2019. In 2024, we saw positive trends in RevPAR in 1Q24 while softness in RevPAR was seen in 2Q/3Q 24 mainly due to the high base post reopening last year with the unlocking of pent-up demand amid recovery of hotel supply in 2023.

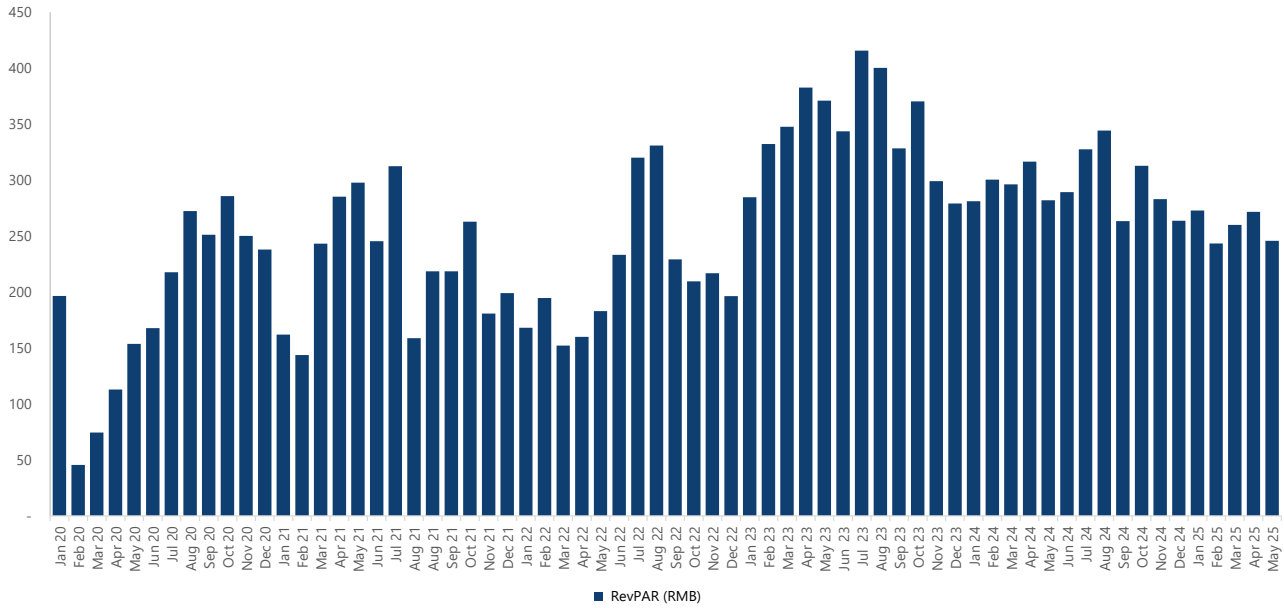
Exhibit 107 - Quarterly no of trips between 1Q19 to 1Q25



Source: Ministry of Culture and Tourism

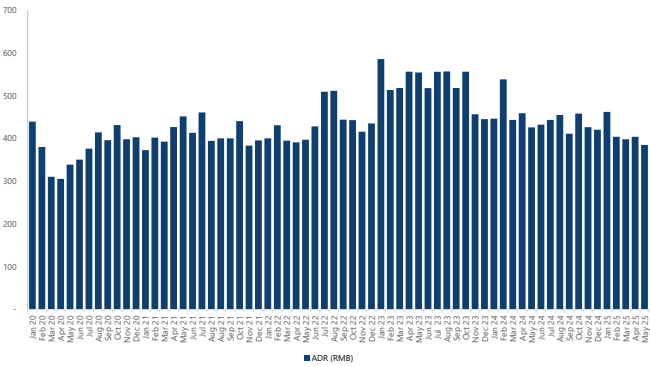
**Industry RevPAR is affected by the softness in ADR due to increase in hotel supplies in 2025.**

Exhibit 108 - Industry RevPar between Jan-20 to May-25



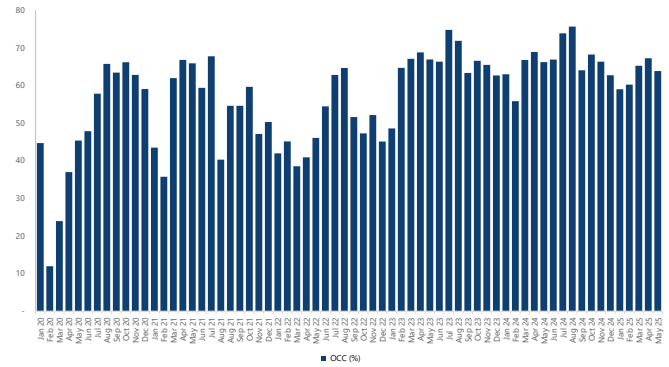
Source: STR, Jefferies  
Note: 28 days running data

Exhibit 109 - Industry ADR between Jan-20 to May-25



Source: STR, Jefferies  
Note: 28 days running data

Exhibit 110 - Industry occupancy rate between Jan-20 to May-25

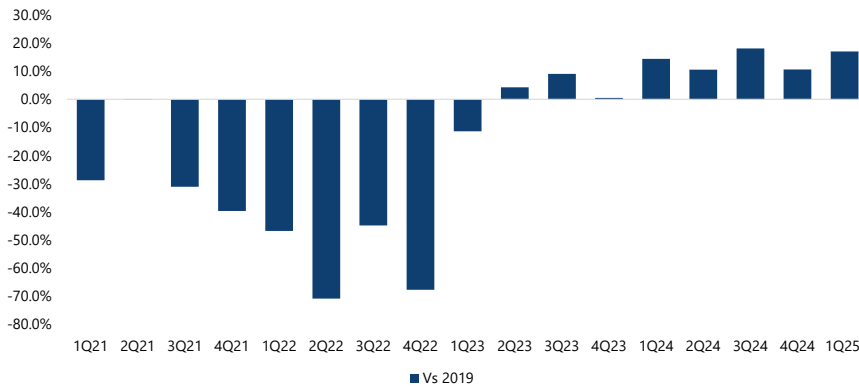


Source: STR, Jefferies  
Note: 28 days running data

**Demand for domestic air travel is recovering at a slower rate than for hotels, as expected.** The shift to short-haul and nearby travel led to weakness in domestic air demand, as seen in industry data from the Civil Aviation Administration of China (CAAC). Compared to the same period in 2019, the number of passengers carried declined by 54% in 1Q20, before gradually recovering to the 2019 level in 4Q20. Positive growth was seen in 2Q21, demand softened in 2H21, and reached a trough in 2Q22. In 2023, air demand returned to positive growth vs 2019, starting in 2Q23. During the May Day holidays (1 to 5 May) in 2025, the Ministry of Transport forecast the total number of passenger trips to grow 8% (ahead of prior forecasts at 4.5% on 30 Apr) reaching 1.467bn, among which railway / road / air to increase by 10.8%/7.6%/11.8% YoY, respectively. Self-driving becoming popular in nearby and local travel which contributes over 80% of total.

**Nearby and short-haul travel via self-driving are increasingly popular among travelers. Continued recovery in air ticketing volume seen since 2Q23. During May Day holidays (1 to 5 May) in 2025, self-driving contributes over 80% of total volume**

Exhibit 111 - Quarterly number of passengers (m) compared to 2019 between 1Q21 to 1Q25

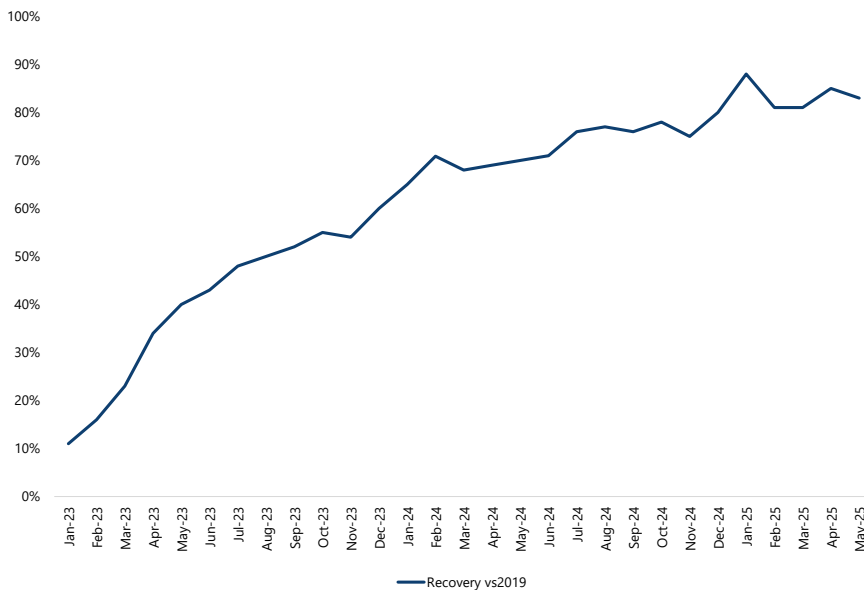


Source: CAAC, Jefferies

Outbound travel continues on the recovery trend in 2024. According to our checks, the number of outbound flights hit a trough in 4Q22, and has been on a recovery trend since Jan-23. In May-25, outbound travel recovered to about 83% of the 2019 level, based on our checks of dast.133.cn. On the other hand, outbound recovery varies in different markets. By the end of 2025, CAAC expects outbound to recover to 90% of the 2019 level.

**Continued recovery in outbound travel, which reached about 83% of 2019 level in May-25. CAAC expects it to recover to 90% of the 2019 level by year end.**

Exhibit 112 - Outbound flights recovery vs 2019



Source: CAAC, Jefferies

**Exhibit 113 - Outbound flight recovery as % of 2019, by destination**

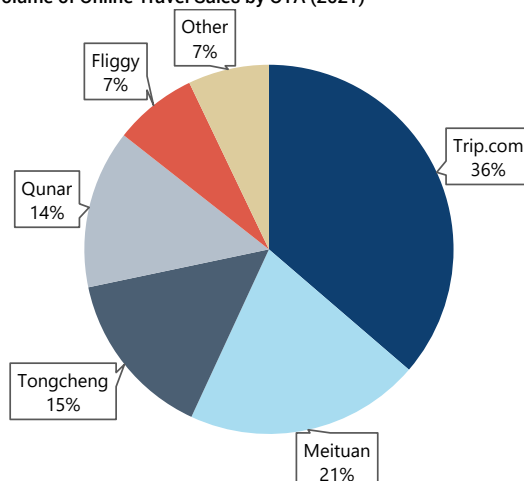
% of 2019	HK	Macau	Taiwan	Japan	Korea	Thailand	US
Jan-23	5.06%	39.59%	4.0%	4.1%	7.0%	4.9%	19%
Feb-23	24.33%	39.23%	3.3%	5.0%	11.0%	9.0%	20%
Mar-23	44.01%	52.10%	4.0%	11.0%	15.6%	16.2%	35%
Apr-23	54.03%	59.27%	4.9%	14.9%	23.1%	20.2%	35%
May-23	48.45%	60.78%	4.3%	17.8%	27.5%	18.2%	34%
Jun-23	53.87%	68.79%	5.8%	23.7%	38.3%	22.1%	35%
Jul-23	71.52%	74.3%	8.3%	29.8%	48.6%	26.9%	36%
Aug-23	123.44%	87.8%	9.0%	36.4%	50.7%	22.7%	47%
Sep-23	89.68%	82.59%	19.8%	39.8%	54.6%	22.6%	48%
Oct-23	107.30%	83.23%	20.1%	35.1%	48.2%	29.1%	50%
Nov-23	125.93%	87.20%	22.7%	34.4%	43.2%	31.1%	58%
Dec-23	122.78%	93.67%	31.3%	44.0%	52.7%	29.2%	58%
Jan-24	53.84%	82.10%	12.9%	55.2%	84.8%	26.9%	45%
Feb-24	71.22%	95.71%	13.3%	63.5%	91.2%	38.9%	50%
Mar-24	54.98%	74.92%	11.2%	65.5%	92.6%	34.5%	60%
Apr-24	58.10%	74.25%	9.2%	73.5%	94.5%	36.7%	54%
May-24	55.67%	76.52%	9.6%	72.1%	88.8%	35.7%	53%
Jun-24	58.42%	78.67%	11.8%	75.6%	94.0%	37.4%	52%
Jul-24	75.47%	84.96%	11.2%	73.9%	101.6%	45.1%	55%
Aug-24	131.53%	104.00%	13.1%	74.6%	99.6%	42.1%	58%
Sep-24	95.59%	90.61%	27.6%	79.7%	89.9%	37.3%	67%
Oct-24	125.37%	96.63%	30.9%	79.8%	77.6%	46.0%	67%
Nov-24	133.09%	96.79%	50.4%	72.8%	76.2%	48.4%	76%
Dec-24	129.78%	97.62%	58.5%	85.1%	64.6%	36.7%	71%
Jan-25	67.45%	109.81%	25.6%	130.0%	111.3%	35.1%	58%
Feb-25	60.99%	89.55%	16.0%		99.9%	21.5%	44%
Mar-25	61.62%	90.75%		95.7%	99.8%	17.9%	60%
Apr-25	66.10%	90.87%			102.5%	19.5%	54%

Source: Respective National Tourism Boards, Jefferies

**Trip.com is our top pick, riding on the long-term secular travel story.** Fact & Factors projects global online travel market size to expand by about 15% CAGR over 2022-2028 to USD1.84tn, up from about UD354bn in 2021. Online travel market GMV in China was RMB1,470bn in 2021. OTAs accounted for 66% of total online travel sales in 2021, with Trip.com capturing about 36% market share, followed by Meituan (21%), Tongcheng Travel (15%), Qunar (14%) and Fliggy (7%). Direct sales contribution to online travel increased to about 34% of total.

**TCOM ranked first in terms of OTA market share in China, followed by Meituan and Tongcheng Travel**

**Exhibit 114 - China: Volume of Online Travel Sales by OTA (2021)**



Source: Fastdata, Jefferies

**Market share gain story looks intact.** Resilient travel demand is seen in different markets. Leisure demand is strong with per capita spending flat YoY. For business travel, the demand is stable with flattish YoY spending for corporate users. On the other hand, there are over 90% of corporate users expected to increase or remain flattish in spending in domestic and international travel budget. On industry trends, the competitive edge of TCOM is about its comprehensive inventory coverage and real time data, which is hard for new entrants to replicate.

**Increase in domestic hotel supply is a long-term positive.** TCOM continues to gain market share in domestic hotels and monitors the industry hotel ADR trend in 2025. The increase in hotel supply is positive for TCOM in the long term as it is a key reservation channel. For air ticketing, volume growth is similar to industry with revenue per ticket depending on the industry environment. The competitive landscape is stable and TCOM stands out with one-stop offerings and good customer service.

**Trip.com experienced fast growth with APAC as key market.** Trip.com revenue is expected by us to grow close to 60% YoY in 2025. In APAC, TCOM has comprehensive inventory coverage and S&M is spent mostly in the region. Quarterly spending depends on seasonality. In terms of margin profile, HK and SG come first vs other markets. It measures ROI and takes into considerations the stage of developments and competitive landscapes in each market.

**Expand travel radius for outbound travel.** TCOM continues to gain market share in outbound and Chinese travelers expand travel radius during CNY. Top destinations include Japan, SEA, Europe, US and Korea. Sentiment on Thailand travel is expected to be short term. Long haul is positive for margins.

**Inbound travel is in the early stages with long-term potential.** TCOM's inbound travel revenue grew at triple-digits YoY in 1Q25 and maintained fast growth during the Labor Day holidays. Travelers mainly come from the APAC region, with Korea ranked at the top among others. We believe Trip.com stands out and provides the best experience and deals in hotels and air, backed by a strong competitive moat in domestic market. Inbound travel brings in incremental demand to hotels with high ADR. In our view, there remain a lot of overseas travel demand to be unlocked with fast growth to be expected in coming years.

**Vertical agents standout in travel.** Vertical AI agents provide travelers real time proprietary data with integrated services (i.e. from trip planning to after sales support). General agents offer a broad range of information and rely on vertical OTA to complete the booking phase. On the other hand, AI is expected to drive productivity and cost efficiencies. AI assistant TripGenie offers full recommendations with increased usage by travelers. The goal is to become the most efficient travel platform. AI Chatbot handled over 80% of queries. Average session duration increased by 50% during the planning phase. Number of calls handled by AI increased from 70% to 90% of total in past two years. On LLM, TCOM works with different partners to avoid reinventing the wheel. Recommendation list is one application among several use cases. These tailor-made lists for different travel segments and destinations are viewed by more than half of all its users. AI also offers its users personalized live-streaming and user-generated content.

**Key takeaways from Envision 2025 Global Conference in May-25.** Highlights include (1) a number of opportunities which include AI, demographics changes (e.g. silver generation), new travel trends (e.g. concerts) and emerging markets; (2) accommodation: APAC customers have high ARPU; (3) Flight: technology, service and data are keys; (4) Vacation: Trip Select sets industry standard; (5) International train: the goal is to become a one-stop train booking platform by 2027; (6) Business travel: expand geographical coverage.

**Resilient travel demand is seen post Labor Day holiday. Market share gain story of TCOM looks intact, thanks to its volume growth backed by strong execution**

**TCOM is a key channel on hotel reservations**

**APAC is key market for Trip.com, with HK and SG coming first in terms of margin profile**

**Top outbound destinations include Japan, SEA, Europe, US and Korea.**

**Inbound travel is in the early stages of growth with a large addressable market**

**Vertical agents provide travelers with real time data and integrated services. AI drives productivity and improves experiences with personalized recommendations.**

**A number of industry highlights are provided for global travel. TCOM management shared details of its overseas strategies during the event in May-25**

**Powering growth and share resilience.** (1) TCOM GMV increased by 35% to about USD170bn in 2024 vs 2019; (2) there are a number of opportunities ahead which include AI, demographics changes (e.g. silver generation) and new travel trends (e.g. concerts) as well as emerging markets and destinations; (3) flight: fast growth in inbound travel with 25% improvement in system performance; (4) accommodation: Preferred Partner Program drives 100% growth in traffic and 40% increase in conversion rate; (5) train: triple-digit YoY increase in new user growth in Europe; (6) upgrade in vacation ecosystem; (7) business travel: double-digit growth in transaction volume; (8) inclusive financial innovations.

**Accommodation: APAC customers have high ARPU.** (1) APAC customers expand travel radius and 30% are related to family travel. High APPU is seen for APAC customers (e.g. USD200 per room night); (2) Trip.com app is a highly ranked app by number of downloads in APAC such as South Korea, Singapore, Malaysia and Thailand; (3) AI-generated videos are more effective than self-shot videos.

**Flight: technology, service and data are important.** (1) Technology. TCOM has strong infrastructure and automation in place. Number of customers' requirements increases by 34% YoY; (2) Service. It stands out with real-time services and 91% of resolutions come from first contact; (3) Data. Its data value center processes a large amount of flight data on a daily basis with long-haul flights up 53% YoY; (4) there are 9 factors which tie to airline route pricing—departure and destination cities; trip type; validating carrier issue tickets; airline type; cabin class; lead time; peak/non-peak season and; connecting flight

**Vacation: Trip Select sets industry standard.** (1) technical strengths lead to enhanced conversions, automatic resolution and accuracy rate throughout entire travel experience; (2) enhanced customer experience through Trip Select. Trip Select establishes industry standard and increases traffic by about 40-80%; (3) suppliers can benefit from geographical presence in over 150 countries and regions with 24-hour customer service

**International train: the goal is to become one-stop train booking platform by 2027.** (1) bookings for international trains increased 116% YoY in 2024, among which Asia and Europe increased by 92% and 118% YoY, respectively; (2) simple product design, premium products for high-end users and cross-selling are crucial; (3) The goal is to connect all rail carriers worldwide within the next 2 years. It aims to become the world's leading one-stop train booking platform by 2027. These include full coverage in different regions, achieve 1m train journeys per day on Trip.com and round the clock services in over 30 languages.

**Business travel: serve 60m business travelers and expand geographical coverage.** (1) It aims to expand the number of customer service center from 5 to 13 in 2025. The eight countries are Malaysia, Indonesia, Korea, Thailand, UK, France, Germany and Netherlands; (2) It empowers 60m business travelers and 1m SME enterprises; (3) TCOM expects the number of new clients to increase by 71% and 15% in Singapore and Japan in 2025.

**Tongcheng Travel is our preferred name for pure OTA in lower-tier cities.** We consider it a beneficiary of rising online penetration in lower-tier cities, as well as cross-selling between transportation and accommodation, backed by Tencent and increasing traffic contribution from its standalone app. In 2025, we estimate total revenue to grow 14% YoY to RMB19.7bn. By segment, Core OTA revenue is expected to grow 18% YoY, among which accommodation/ transportation/ other revenue to grow at 18%/14%/30% YoY respectively. We expect tourism rev. to decline by about 5% YoY mainly due to recent incidents in Southeast Asia. We expect core OTA op margin to reach about 29% and non-IFRS net margin to increase by 1 pp YoY to about 17%.

**TCOM GMV increased by 35% to USD170bn in 2024 vs 2019.**

**Hotel ADR is high for APAC customers. Trip.com app is well received in terms of downloads across APAC countries**

**Real time services supported by strong backend infrastructure is important for air ticketing services**

**Trip Select benefits partners with traffic and wide geographical presence**

**Full train service coverage is expected across different regions by 2027**

**Expansion in business travel is expected in 2025**

**We prefer Tongcheng Travel for its OTA story on rising online penetration in lower tier cities and margin expansion story**

**Resilient travel demand.** China travel industry is growing steadily and users emphasize diversified and unique travel experience. Tongcheng continues to gain market share with solid operating metrics in 1Q. Number of monthly paying users (MPU) and APU (annual paying users) reached a new high. MPU increased by about 9% YoY to 46.5m and APU increased by 8% YoY to 247m. Annual purchase frequency increased from about 5.5x in 2019 to about 8x by Mar-25.

**Accommodation performs better than industry in volume and ADR.** It continues to gain share from offline with volume growth outpacing industry. Hotel supplies in Tongcheng's platform are expected to remain stable. Its ADR turned positive YoY in Apr and the trend is expected to continue in 2H. Its ADR performance is better than industry as there is increasing volume contribution from mid- to high- stars hotels. Contribution from high-stars hotels increased low-single-digit in 1Q. The deal with Wanda Hotel Management can strengthen its presence in luxury and high-end segments.

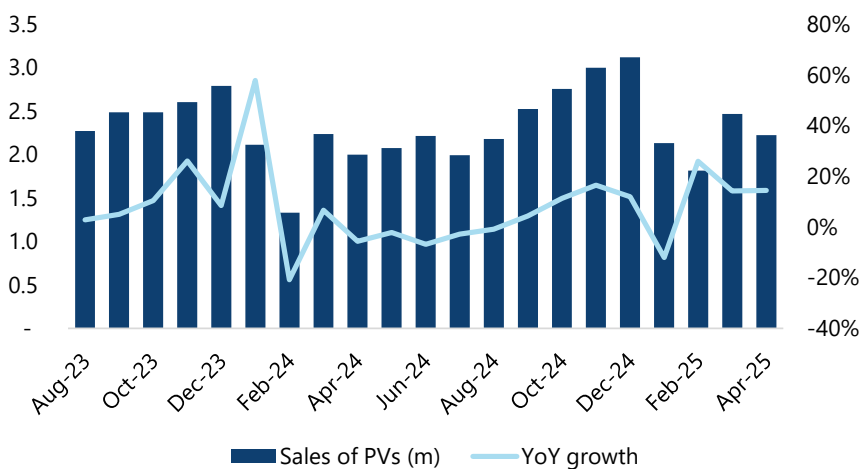
**International hotels and air ticketing undergo fast growth pace.** In 1Q, international hotels and air tickets volume experienced fast growth at 50% YoY and 40% YoY respectively, with strong travel demand seen in Japan, Korea, Malaysia and Singapore. By segment, international air ticketing is the focus in attracting new users and represents over 5% of transportation revenue. By end of 2025, international hotels and air ticketing is expected to contribute about high-single-digit proportion of Core OTA revenue (ex-other revenue). The goal is to reach 10-15% of revenue in 2 to 3 years' time. Separately, tourism revenue is affected by weak sentiment in Southeast Asia in 2025. We believe the tourism margin is expected to remain stable, thanks to solid cost control.

**Drivers for margin improvement in 2025.** It has an ROI-focused approach in marketing, with margin expansion coming from (1) subsidies and cost optimization in Weixin channel; (2) international business achieves breakeven in 2025; (3) emphasis on fundamentals in hotel management; (4) spending in standalone app is under control. Increasing traffic contribution is seen from standalone app which represent about 10% of total and is expected to further increase in future.

## Rising Contribution of New Retail in Online Auto Vertical

**China auto market.** According to the China Passenger Car Association (CPCA), national sales volume for PV in the narrow sense increased by 5.4% YoY to 23m in 2024. In Apr-25, NEV represented about 51.5% of total. Bloomberg New Energy Finance predicts that global sales of new energy passenger vehicles reached 13.6 million units in 2023, of which about 75% comprise pure electric vehicles. By end-2024, the global number of electric vehicles sales exceeded 17mn, accounting for more than 20% of total global car ownership, a significant increase from 1% in 2020. The China market will account for about 60% of the total sales of EV.

Exhibit 115 - Monthly sales volume of PV between Apr 23 and Apr 25



Source: CAAM, Jefferies

**Travel demand remains solid after Labor Day holidays. Annual purchase frequency for Tongcheng is on a rising trend over the past 5 years**

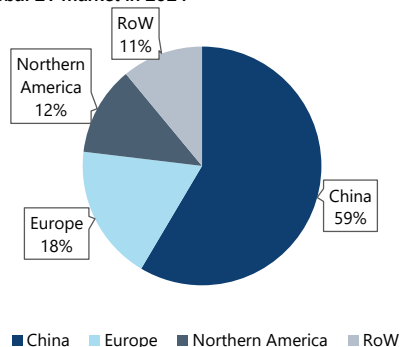
**Increasing international revenue contribution is expected in coming years. International hotel reached breakeven and air remains under investment cycle**

**Consolidation of tourism business in 2024 with outbound depends on supply chain**

**ATHM has about 29 space and 170 satellite stores by end of 1Q25. In 2025, it aims to expand total no of stores to over 500 (i.e 50 Energy stores, 500 satellite stores) covering mid to lower tier cities. New retail is new growth driver to Autohome.**

The EV market in China has sizable growth potential, and is expected to reach RMB1.84tn in 2024 and RMB2.31tn in 2025, according to iiMedia. Autohome (ATHM) has designed its franchise stores initiative for NEV, with the number of stores slated to increase from 20 in 2023 to about 29 Space and 170 satellite stores by the end of 1Q25.

Exhibit 116 - Global EV market in 2024



Source: EV Volumes, Jefferies

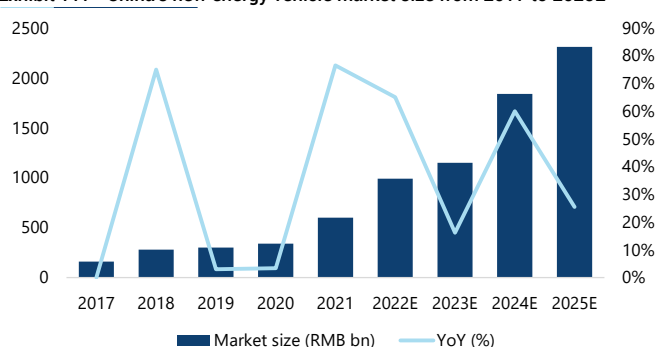
**We believe Autohome is the destination of choice for OEMs and dealers in online verticals.** As a one-stop shop service provider, ATHM has a very large user base and its DAU undergoes solid momentum. In Mar-25, the number of mobile daily active users grew by 10.8% YoY to 76.92m. It covers the majority of OEMs and dealers in China, with an increasing revenue contribution from online marketplace over the past few years. Used car platform TTP pursues an asset light model and is a profitable business. In 1Q25, the revenue contribution from the online marketplace contributed about 39% of total, thanks to growth in new retail and contributions of data products, fintech and TTG. NEV revenue growth increased by about 73% YoY in 1Q.

**Ecosystem strategy stands out from competition.** ATHM offers in-depth data insights and facilitates users, OEMs and dealers throughout the whole cycle. It facilitates users in their decision-making process with diversified content offerings, not only text and pictures, but also video. ATHM says it is cautiously optimistic on the industry outlook with the resumption of offline events post pandemic. Online marketplace is a key revenue growth driver. For lead generation, ATHM empowers OEMs and dealers to improve productivity and efficiency.

**Content drives engagement with rising contribution from new business.** On content strategy, ATHM has original IP series and cooperates with over 20K content creators for video content creation. It stands out with its ecosystem strategy that provides end-to-end service offerings to users, OEM and dealers. Its high retention rate is not just due to content, but also its facilitation of users in the transaction and after-sales process. For new business, revenue contribution is expected by us to increase from over 30% of total revenue in 2021 to about 50-60% over the next few years.

**New retail franchise stores initiative is underway.** This is a franchise model offering multiple EV brands to potential buyers. Franchise stores provide buyers with a wide selection, detailed analysis and comparison between different models. The store has higher conversion rate compared to stores that carry a single brand and generates synergies with TTP. Franchise stores provide 3D holographic modeling services to potential buyers with: (a) details of different EV features; (b) comparison between different EV models; and (c) recommended pricing range. The store also offers test drives and has synergies with TTP in the selling of used cars. Users can access significant product information, backed by ATHM's data library. It invests in R&D to build 3D models of different EVs. The commission rate charged by Autohome to OEMs is 3% to 6%, depending on the model sold.

Exhibit 117 - China's new energy vehicle market size from 2017 to 2025E



Source: iiMedia Research estimates, Jefferies

**Autohome has the largest user base among online auto verticals with fast growth in NEV revenue**

**Autohome's ecosystem strategy stands out, offering in-depth data insights to OEMs and dealers**

**Content is important to drive user growth and engagement, with a number of original IP and content creators**

**New retail franchise initiatives could strengthen ROI with multiple EV brands offered to potential buyers. Autohome aims to have about 1000 satellite stores over the next three years**

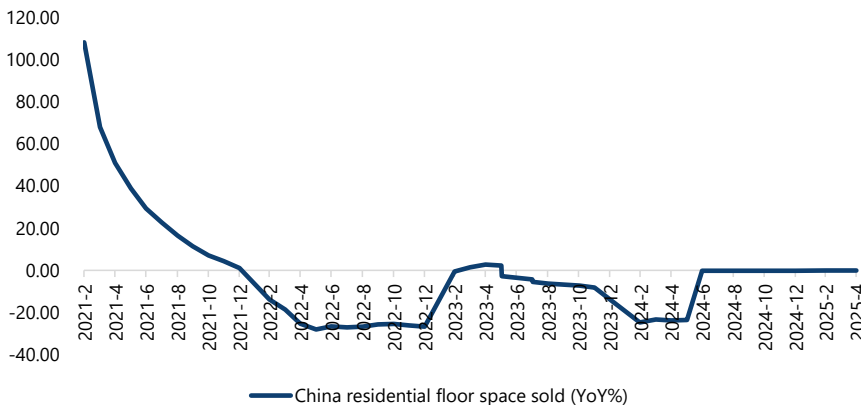
**Competition is about service quality.** Autohome's market share has remained stable at about 50% despite new entrant Dongchedi venturing into the market four years ago. Competition is not about price, but quality service offered to OEMs and dealers. Over 80% of ATHM customers use its high-end packages which address their pain points, attracting a bigger user base to Autohome, along with more comprehensive user demographics and high-quality offerings supported by technology. In the used car market, Autohome generates synergies between TTP, Ping An and its ecosystem. In 2025, we expect pricing for customers to vary by different tier of cities, with lowered pricing in lower tier cities with expansion in geographical coverage.

**Asset-light model intact.** Over the next one to two years, Autohome plans to maintain its GP margin at 80-85% and non-GAAP net margin between 25% and 30% with focus on ROI strategies in S&M. Investment in R&D is expected to embrace long-term opportunities ahead. It expects TTP to remain profitable and expand through synergies with franchise stores. Overall margin improvement would come from improving fundamentals of new business.

## Online Property Benefits from Supportive Government Policies Amidst Macro-Uncertainties

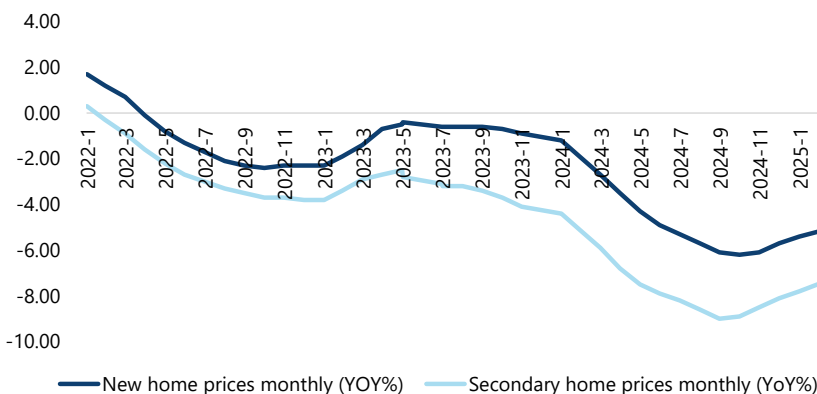
We believe recent government policy supports in Sep such as the lowering of mortgage rate and easing on home buying eligibility should stabilize the property market. We expect existing and new home markets to continue to benefit from the new measures and we believe the market share gain story for BEKE is intact. In 1Q, BEKE continues to outpace market growth with existing homes growth of 28% YoY, outpacing industry growth at 16% YoY. Amid the uncertainties in the macro-environments (e.g. geographical tensions), we forecast volume growth to have slight growth and narrow vs 2Q. For new homes, BEKE demonstrates strong execution with industry GTV growth at 53%, outpacing stable industry growth in 1Q.

Exhibit 118 - China residential floor space sold since 2022



Source: NBS, Jefferies

Exhibit 119 - Existing and new home prices since 2022



Source: NBS, Jefferies

**Service quality and ROI offered to OEM and dealers stand out. Leads generation is expected to expand coverage into lower tier cities**

**Margin profile to remain intact in coming years**

**Property sector expected to benefit from government policy support despite short term impact from macro-uncertainties**

**Transforming into one-stop residential services platform.** BEKE pursues a “One Body, Three Wings” strategy centered on the Agent Cooperation Network (ACN). On top of its home transaction services, the three wings comprise home renovation and furnishings, home rentals and Beihaojia. These are supported by 9 sub-business lines which include technology, quality improvement and finance. BEKE is deeply integrated with AI into its different parts of the business. These include (1) potential home buyers can use its AI assistant Buding to make better decisions with targeted recommendations. It is in the pilot stage across 10 cities with 40% of traffic opened up for testing; (2) agents are provided with AI tool Laike which facilitates them in home selection, communication and follow-up features. Over 200K agents use Laike serving over 2.5m customers. In addition, the AI housing database provides industry insights to agents with 110K agents participating in the trial run; (3) tenants can use AI tool Xiaohui whereby 25% of the issues can be addressed online.

**Home renovations and furnishing: fast growth momentum replicating success in more cities ahead.** BEKE aims to build a closed-loop ecosystem and become a one-stop service platform amid a highly-fragmented market. It addresses the pain points in supply and demand, delivery and quality through integrated offerings with: (a) customization of home renovation and furnishing, which drives conversion rate; (b) delivery and fulfillment services, which can be replicated; (c) collaborative network with over 600K service providers; (d) consistent standards applied to different processes. In 2024, the contracted amount increased by 27% YoY to RMB16.9bn, among which Beijing exceeds RMB3bn, Hangzhou exceeds RMB2bn, Shanghai and Chengdu each exceed RMB1bn. There are 9 cities with the contracted amount exceeding RMB500m

**Home rentals: diverse home listings and network effects build economies of scale.** BEKE has diverse authentic home listings with low acquisition costs thanks to its renewal customer base. The platform comprises 'carefree rent', centralized apartment and open platform, backed by its membership system. No of listings doubles YoY to over 420K in 2024 and exceeds over 500K in 1Q25. It launched intelligent systems AIMS which enhances productivity by 40%, increases sell-through rate by 7.7% and shortens the time to sell/rent by 11.3%. In terms of rent-to-own ratio, China's is about 25.6% vs 35% to 40% in Japan, indicating there is a lot of room for growth.

**Beihaojia: C2M model backed by comprehensive data sources with the goal to provide expert solutions by 2026.** Beihaojia aims to create a new model for housing development via C2M (Customer to Manufacturer) by: (a) capturing mainstream customers' needs through feasibility study; (b) locking in customers and involving them in product positioning; (c) delivering customized products through interactions. The model is backed by a comprehensive set of current data sources across existing/new homes, customers and home listings. It provides constructive product positioning plans in 2024 and transforms them into expert-level solution projects by 2026. By Mar-25, it participates in a total of 9 projects with (a) 2 are self-managed; (b) 5 involve investment; (c) 2 are solutions providers.

**Beike Cities: focus on growth and ecosystem.** BEKE has a presence in about 100 cities with over 49.7K stores and 445K agents as of end-2024. Trust and strong bonding among agents and customers are important. The future of service providers should include versatility and drive wallet share with repeat business. Growth and ecosystems are important with the former to be driven by a rising number of agents and stores, and the latter to benefit from close ties with store owners through the Regional Co-governance Council. Loyalty points are passed back to store owners, especially those that make contributions.

**Lianjia: Pursuit of large store model strategies.** Large store model builds trust with high quality and frequency touchpoints. Versatile agents could improve their income level and strengthen professional knowledge by providing different types of services such as home renovation in addition to transaction services.

**AI is applied across different segments and enhance the productivity and experience among potential home buyers, agents and tenants**

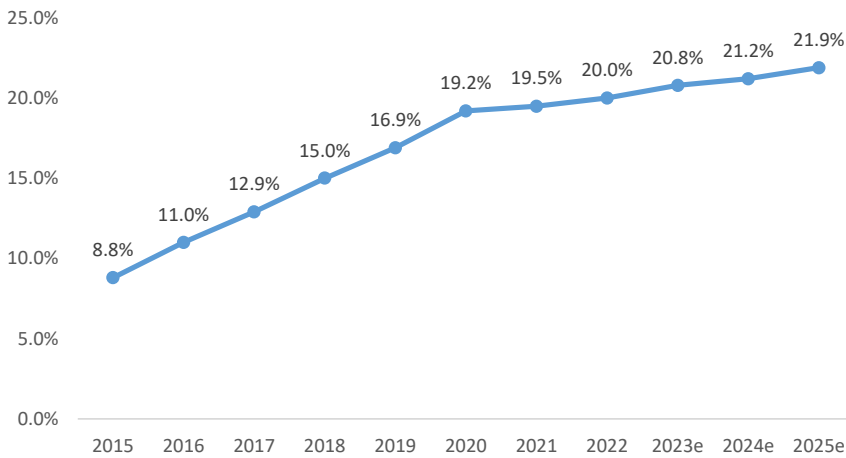
**Home renovations and furnishing maintain fast growth trends and the successful track record is replicated in other markets. Beijing and Hangzhou are key contributors**

**Home rental is in the early stage of growth with a lot of room for rent-to-own ratio to rise**

**C2M model Beihaojia is supported by comprehensive data sources**

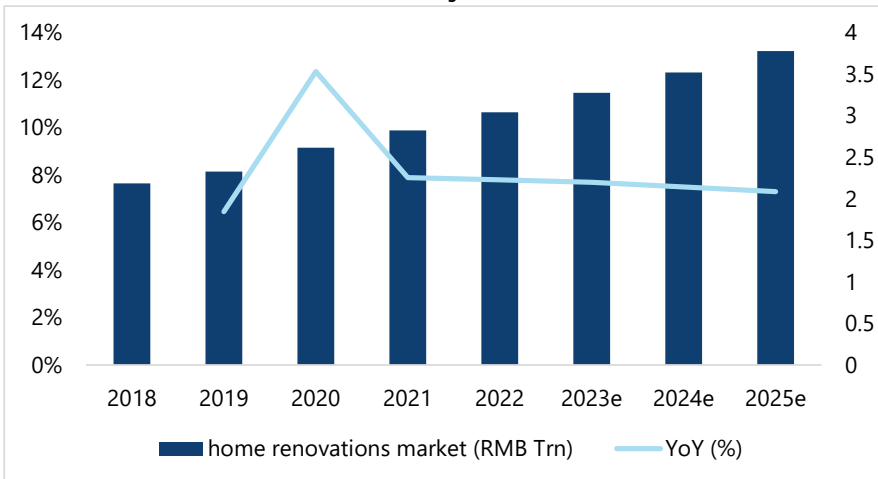
**Trust and strong bonding among agents are key success factors for Beike Cities. No of active stores increased by about 18% YoY to 49.7K and no of agents increased by 12% YoY to 445K.**

**Exhibit 120 - Online penetration of home furnishings and renovation market**



Source: iResearch estimates, Jefferies

**Exhibit 121 - China home renovation market size and growth between 2018 and 2025**

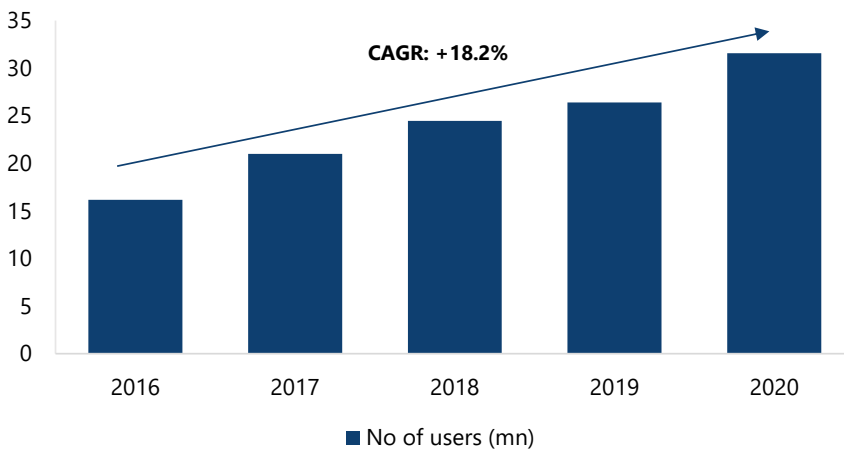


Source: iResearch estimates, Jefferies

The number of active users of China Internet home furnishings has risen rapidly from 16m in 2016 to 32m in 2020, an increase of nearly 15m users in five years, representing about 18% CAGR during the five-year period.

**The number of active users of China Internet home furnishing has risen rapidly**

**Exhibit 122 - Number of online home renovation users between 2016 and 2020**



Source: Trendinsight, Fastdata, Jefferies

## Verticals - Developments in LLM and AI

- TCOM has implemented AI strategies across different markets to enhance productivity and efficiency in areas such as marketing and customer services. Its smart AI Assistant aids with trip planning and research experience, helping users to plan trips effectively. Successful practices from each market will be shared and become the global standard within TCOM. TripGenie is the AI Assistant for international app Trip.com which supports English, Japanese, Korean, Spain, French, Italian and German.
- In property, AI applications on BEKE's platform include (1) potential home buyers can use its AI assistant Buding to make better decisions with targeted recommendations. It is in the pilot stage across 10 cities with 40% of traffic opened up for testing; (2) agents are provided with AI tool Laike which facilitates them in home selection, communication and follow-up features. Over 200K agents use Laike serving over 2.5m customers. In addition, the AI housing database provides industry insights to agents with 110K agents participating the trial run; (3) tenants can use AI tool Xiaohui whereby 25% of the issues can be addressed online.
- In auto, ATHM launched AI application platform "Ling Chuang" which enhances productivity and AutoCode facilitates programming. It launched an app upgrade in Mar with better user experience. On the other hand, it provided AI pricing tools to address pain points of OEM and dealers.
- On recruitment, BZ's in-house recruitment model "Nanbei Ge" helps candidates in resume writing and recruiters in job descriptions. There are three areas which include AI To job seekers, recruiters and management; (b) for AI to job seekers, the features are open to users. For example, interview chatbot can help users such as students and those with less than 3 years of working experience. For AI to recruiters, no of enterprises provided with placement services increased by 30% QoQ in 1Q. Agents help to understand hiring needs and drive matching accuracy with a 25% increase in effectiveness. For AI to management, AI help in preparation of summary reports as well as rational talent assessment; (c) testing results show positive feedback with efficiency achieved for recruiters. Higher success rate is seen for job seekers. In digital freight, FTA strengthens customer services with AI. It has a dedicated AI team to freight matching. AI assistant supports shippers and truckers in operations throughout the day. Fulfillment rate increases by a few ppt due to AI. Truckers benefit from efficient route planning with more orders. Certain internal functions are replaced with AI such as IT and customer service.
- For Q&A, ZH's Zhihaitu has 100bn parameters and received approval in Nov-23. It is used in daily internal operations. AI applications include: (a) improving content classification, (b) refining advertising content and enhancing conversion rate, (c) virtual characters to deepen interactions with users, (d) assisting students in homework and answering questions in vocational training, and (e) security checks and filtering out low-quality and non-compliant content.

**Progress varies across sub-sectors. In travel, Trip.com's AI assistant TripGenie enhanced conversion rates and user retention. Vertical AI agents provide travelers real time proprietary data with integrated services. BEKE launches AI tools satisfying the needs of home buyers, agents and talents. BZ has in-house recruitment model "Nanbei Ge" and applies AI To job seekers, recruiters and management**

## Exhibit 123 - Verticals

Company	Stock code	Verticals	Highlights
Trip.com	TCOM-US		<ul style="list-style-type: none"> <li>- TCOM has implemented AI strategies across different markets to enhance productivity and efficiency in areas such as marketing and customer services. Its smart AI Assistant aids with trip planning and research experience, helping users to plan trips effectively. Successful practices from each market will be shared and become the global standard within TCOM. TripGenie is AI Assistant for international app Trip.com which supports English, Japanese, Korean, Spain, French, Italian and German.</li> <li>- Its AI initiatives focus on four areas: (a) improving user interface with smart assistant; (b) co-pilot feature for engineers; (c) improving efficiency in content generation and recommendations; (d) boosting efficiency of customer service team</li> <li>- The upgrade of its AI Assistant TripGenie on Trip.com app in Jul-23 led to enhancements in conversion rate and users retention. TripGenie provides personalized service offerings with enhanced experience. It answers user questions and directs them to the relevant pages.</li> <li>- On 17 Jul-23, TCOM announced its travel LLM model "Trip.com Wendao" which provides: (a) recommended travel services; (b) detailed solutions for travelers with complex air ticketing and hotel booking requests. On LLM, TCOM works with different partners to avoid reinventing the wheel.</li> <li>- Trip.com Wendao leverages its 20bn unstructured travel data, integrating with its real-time data, search algorithm and training capabilities. It provides users with: (a) Word-of-Mouth League Table; (b) Special Price League Table; (c) Hot Destination League Table covering 3,000 destinations and 45 common themes. It shortens the decision-making process from 9 hours to 6.6 hours and achieves 31% cost savings in booking of air tickets.</li> <li>- AI strengthens customer service in three aspects: (a) self-help service; (b) automatic email replies; (c) phone assistance covering over 20 languages. It saved over 10K hours, which implies 1,000 customer service manpower on a daily basis.</li> </ul>
BTG	600258-CH		<ul style="list-style-type: none"> <li>- The use of AI has led to better results across its thousands of hotels and adjusted pricing strategies. Strong execution is key in order to provide better user experience. It uses smart services across different scenario such as customer service, deliveries, cleaning services, etc.</li> </ul>
Tongcheng Travel	780-HK		<ul style="list-style-type: none"> <li>- It explores the use of AIGC in customer service, product development and content generation. Standardized tasks are passed to AI robots to enhance customer service efficiency. In addition, it works closely with business partners to proactively explore the potential applications of AIGC.</li> <li>- Tongcheng Travel partners with Tongyi Qianwen LLM In Apr-24.</li> </ul>
Autohome	ATHM-US		<ul style="list-style-type: none"> <li>- ATHM launches AI application platform called "Ling Chuang" which enhances productivity and AutoCode facilitates programming.</li> <li>- It partners with Baidu's ERNIE bot in AIGC and considers AIGC a crucial component of its entire ecosystem. Rich content offering such as OGC, UGC, PGC is also crucial.</li> </ul>
BOSS	BZ-US		<ul style="list-style-type: none"> <li>- On AI, BZ provides candidates and recruiters with tools for resume/job descriptions and expects to offer more tools in the future. Its in-house recruitment model "Nanbei Ge" helps candidates in resume writing and recruiters in job descriptions.</li> <li>- BZ aims to build its own large language model, with limited impact on financials due to depreciation. Spending on AI is related to talent and chips.</li> </ul>
Liepin	6100-HK		<ul style="list-style-type: none"> <li>- It has launched a number of products including AI assistant writer, resume lens and job lens to assist candidates and recruiters during the process.</li> </ul>
BEKE	BEKE-US		<ul style="list-style-type: none"> <li>- Partnerships with leading LLMs in development of its own industry LLM.</li> <li>- Emphasis at this stage is pre-training and fine-tuning middle layer and applications.</li> <li>- Uses AIGC to enhance efficiency in different scenarios such as agencies, customers, store owners and designers.</li> <li>- AI applications on its platform include intelligent search and prediction, smart lead allocation, property promotion system, Beike's Pick, text and speech assistant, home renovation system.</li> <li>- Partners with Tencent Cloud in computing, storage, bandwidth, content delivery network, backup and other services.</li> </ul>
Full Truck Alliance	YMM-US		<ul style="list-style-type: none"> <li>- Focus on using AIGC in customer service.</li> <li>- Uses AI algorithms to match truckers with shippers intelligently and accurately, as well as to price shipments accurately.</li> </ul>
Zhihu	ZH-US		<ul style="list-style-type: none"> <li>- Zhihaitu has 100bn parameters and received approvals in Nov-23. It is used in the daily internal operations of ZH.</li> <li>- AI applications include: (a) improving content classification, (b) refining advertising content and enhancing conversion rate, (c) virtual characters to deepen interactions with users, (d) assisting students in homework and answering questions in vocational training, and (e) security checks and filtering out low-quality and non-compliant content.</li> </ul>
So-Young	SY-US		<ul style="list-style-type: none"> <li>- Releases AI gadgets such as magic mirror face measurement, celebrity face, skin detection, 3D face measurement, simulated plastic surgery, eyebrow shape design, face shape measurement, face value measurement, and eye shape measurement. In addition, its AI customer services drive better efficiencies.</li> </ul>

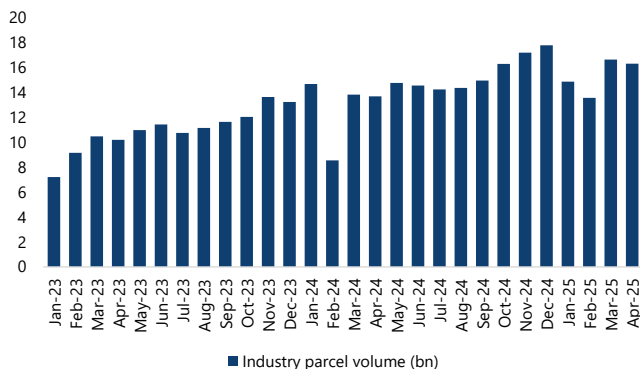
Source: Company, Jefferies

## Logistics: A Year of Intensified Competition

Based on our channel checks, we expect parcel volume to grow about 15% YoY in 2025 (vs 21% YoY in 2024), benefiting from the contribution from diversified ecommerce platforms, returned parcels from interest-based ecommerce, ecommerce development in rural areas and daily delivery needs. We expect industry competition to intensify this year as seen from recent trends in industry ASP and commentary from logistics companies. Cost optimization remains a key focus and migration from digitalization to AI strengthens efficiency and productivity.

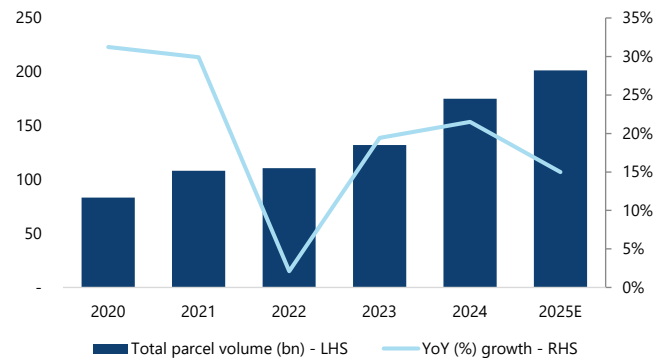
Based on our channel checks, we expect parcel volume to grow about 15% YoY in 2025 (vs 21% in 2024), benefiting from: (1) diversified ecommerce platforms; (2) returned parcels from interest-based ecommerce; (3) ecommerce development in rural areas; and (4) daily delivery needs

Exhibit 124 - Monthly industry parcel volume



Source: SPB, Jefferies

Exhibit 125 - China express delivery industry: total parcel volume



Source: SPB, Jefferies estimates

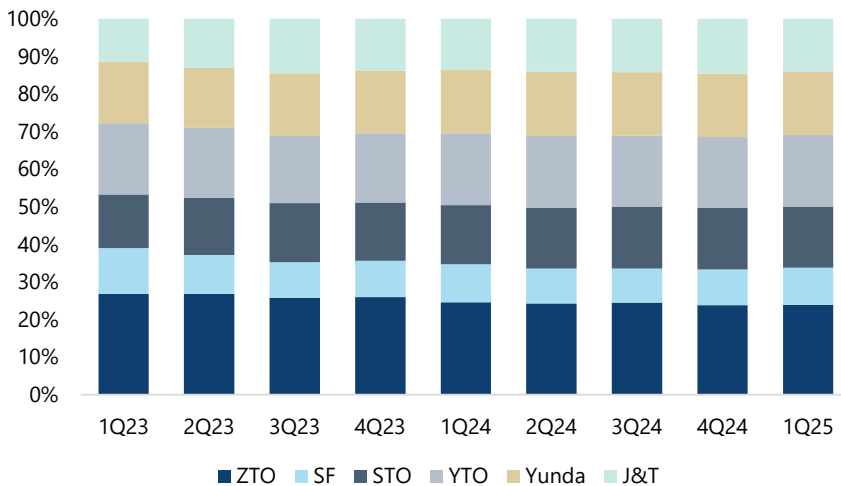
Online shopping has passed the high growth phase, and the Ministry of Commerce expects sector GMV to expand by a 7.5% CAGR between 2020 and 2025. We believe there is ample room for growth over the next few years. On competition, China's express delivery market is similar to the US market in 1992-1994. We expect the leading players to remain standing when the competition has settled. Less-competitive players may exit the sector. Different from 2024, we expect price wars to intensify in 2025 and leading players that have scale should be better off vs smaller players. On the other hand, service quality, customer experience and cost efficiencies are important.

**ZTO: Market share gain is priority.** Industry competition has intensified since 2025. We expect industry parcel volume to grow at about 15% YoY this year and ZTO targets to outpace the industry with 20-24% YoY growth. Key focus areas include (a) market share gain (b) improve transit efficiency; (c) enhance product mix; (d) strengthen last-mile presence; (e) empower franchisee partners. It is leading peers in terms of profit share and makes adjustments based on market conditions. For e-commerce parcels, it is narrowing the price gap with peers for mid-to-high end parcels and increasing the proportion of smaller and lighter parcels. On the other hand, daily average retail parcel volume (including reverse logistics) targets to achieve 8.4m this year (vs about 6m in 2024). For its international businesses, ZTO forms a rich cross-border product layout with businesses including import, bonded, direct mail, freight forwarding, warehousing, and export-dedicated line. It provides local express delivery services in countries such as Cambodia, Laos, Myanmar, Nigeria, Kenya, Uganda, Egypt, South Africa, and Pakistan. It aims to build up user mindshare and time efficiency, aiming to outperform its Tongda peers in terms of time-definite products.

**Logistics to ride on the secular growth momentum of online shopping sector**

**We expect ZTO to make market share a key priority with volume to outpace industry growth. 2025 is investment year for ZTO.**

Exhibit 126 - China express delivery market share by player

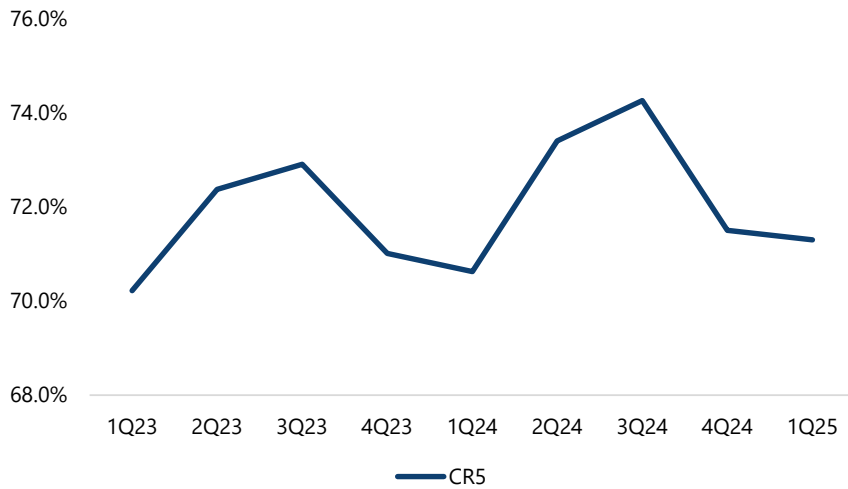


Source: SPB, various companies, Jefferies

**'The Big Get Bigger' thesis continues to play out amid industry consolidation.** Over the past few years, we have observed a shrinking number of players in the China express delivery market due to competition. BEST's domestic express delivery was acquired by J&T in 2021 and Fengwang Express was sold in 2023. Unlike 2024, we see pricing competition intensifying with ZTO emphasizing market share gain vs profitability. Strong operational capabilities are also crucial to stand out from peers.

**Pricing competition is intensifying in 2025. Strong operational capabilities are important in order to stand out from peers in the long run**

Exhibit 127 - CR5 of China express delivery industry

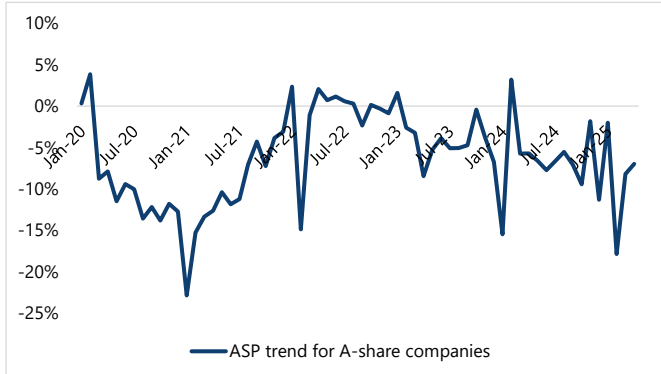


Source: SPB, various companies, Jefferies

We believe market consolidation will continue over the next few years, as it is becoming more difficult for smaller logistics service players to compete with the giants due to their lack of scale, infrastructure and capital resources. As a result, the concentration of the Top 5 players increased from 70.2% in 1Q23 to 71.3% in 1Q25. This is supportive of our 'The Big Get Bigger' thesis.

**We believe logistics market consolidation will continue over the next few years**

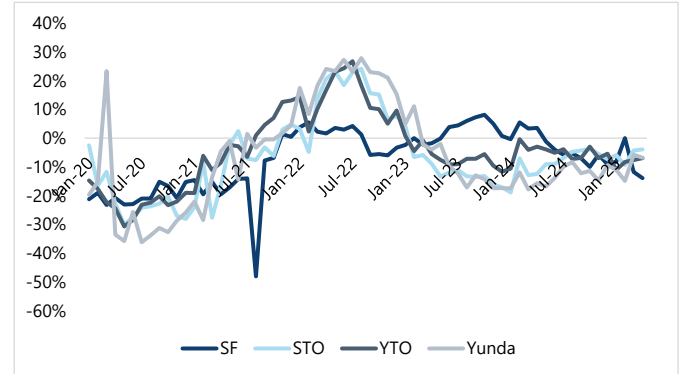
Exhibit 128 - Industry ASP trend for A-share companies



Source: various companies, Jefferies

The declining trend in ASP moderated in 2021 and ASP saw positive YoY growth in Apr-22, thanks to the emphasis on profitable orders. Among the express delivery companies, YTO surpassed Yunda to become the No.2 player in terms of parcel volume share since Aug-22. The sector saw intensifying pricing competition and an ASP decline in 2023. We saw that profitability was a key focus area for leading player ZTO, and it cut those loss making orders. In 2025, ZTO places more emphasis on market share gain vs profitability, thus we expect its ASP to decline by about 9% YoY this year. According to SPB, industry parcel volume in Apr increased 19.1% YoY (vs 20.3% YoY in Mar-25) and industry revenue grew 10.8% YoY in Apr (vs 10.4% YoY in Mar-25). This implies average revenue per parcel declined by 7% YoY in Apr (vs 8.2% YoY decline in Mar).

Exhibit 129 - ASP trend for A-share companies



Source: various companies, Jefferies

**Integrated supply chain logistics market with sizable potential.** The industry is a sub-segment of outsourced logistics services and in the early stage of development. Outsourced logistics provide better service and cost efficiency to customers than in-house logistics. Outsourced logistics revenue is expected to rise by a 7.1% CAGR over 2020-2025 and its contribution to total logistics spending to increase from about 44.6% in 2021 to 47.8% in 2025, according to a China Insights Consultancy (CIC) report. The integrated supply chain logistics sector is expected to expand by a faster CAGR of 9.5%, with revenue contribution to increase from 31.6% of the outsourcing segment in 2021 to 34.6% in 2025.

**CIC expects the integrated supply chain logistics sector to expand by a CAGR of 9.5% over 2020-2025**

**JD Logistics (JDL) stands out as an integrated supply chain logistics service provider.** According to a CIC report, JDL is ranked No.1 in China's integrated supply chain logistics services industry in terms of 2020 revenue. It aims to help customers improve efficiency through its physical networks, digital technology, and insights. JDL has comprehensive knowledge of the entire value chain and offers merchants value-added services such as inventory management and sales forecasts, supported by integrated supply chain capabilities. CIC estimates the integrated supply chain market to expand by a 9.5% CAGR 2020-2025 to RMB3.2tn, and JDL looks well-positioned to embrace the market share gain story. In our view, the key areas in which JDL needs to work on include: (1) expanding coverage to different verticals, backed by its supply chain capabilities; (2) enhancing service capabilities to top customers; and (3) strengthening core competencies with new business models.

**Differs from Tongda.** JDL is an integrated supply chain service provider, which is different from express delivery companies like Tongda. It does not participate in price wars and creates value for customers in various areas such as procurement, manufacturing and inventory management. Its external revenue growth continues to outpace industry growth and JD's recent delivery fee waiver campaign aimed at existing and Plus members is positive for internal parcel volume growth.

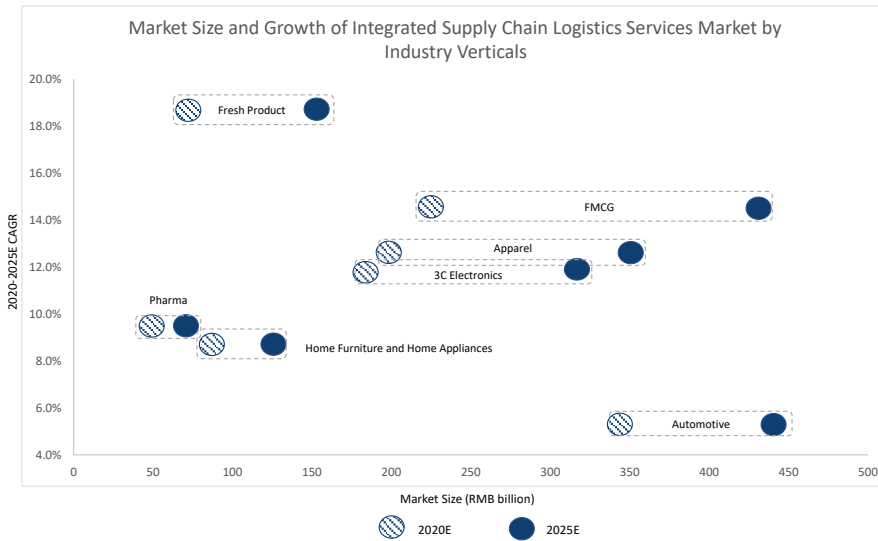
**A year of investment in 2025.** As per the company, JDL demonstrates solid execution and continues to deepen wallet share of key accounts (KA), as seen from the increasing number of KA customers and ARPU. In 2025, it reaffirms its double-digit revenue growth target this year backed by its continued improvement in value added services. For example, its one stop services on bulky items are welcomed by customers. We expect non-IFRS earnings to achieve mid-single digit YoY growth mainly due to the investments in product competitiveness. JDL says it is dedicated to providing good service with investment. There is a time lag between investment and revenue. On customer growth and ARPC, it is positive about the outlook driven by product experience and portfolio strategy, as well as its one-stop value added services. For the internal supply chain, JDL has close ties with JDR with efficiency achieved in warehousing. It continues to upgrade its offer in warehouse automation. In 2H25, JDL expects there to be more automated warehouses. It meets customers' needs in delivery and strengthens inventory turnover. It provides industry-specific solutions for 6 key industries, comprising FMCG, home appliances and home furniture, 3C, fashion, automotive, and fresh produce. For the external supply chain, JDL is not just about delivery but also helps customers to improve efficiency. Its algorithm is expected to strengthen further with better experience across different categories (e.g. fresh). Its international warehouses are located in four areas. Cross-border merchants can benefit from its overseas warehousing capabilities. In the long run, we expect the margin to expand as there is further room to achieve cost efficiencies considering optimization in labor, rental and outsourcing including areas such as process standardization, truck utilization, bargaining power on outsourcing in transportation, synergies with Deppon and rental cost savings.

**According to CIC, JDL is ranked No.1 by 2020 revenue in China's integrated supply chain logistics services industry**

**JDL offers integrated supply chain solutions and does not participate in Tongda price wars**

**JDL expects to invest in product and user experience in 2025. We expect non-IFRS earnings to grow at a slower pace than revenue**

**Exhibit 130 - Market size and growth of integrated supply chain logistics services market by industry vertical**



Source: CIC, Jefferies

**Data insights and technology infrastructure make the difference.** JDL’s R&D as a % of revenue is higher compared to peers, with emphasis on efficiency in each step of the process, from staff management (e.g. scheduling) and number of transits to sortation (e.g. automation) and transportation (e.g. route planning and truck utilization). In addition, JDL ensures speedy delivery of last-mile couriers, backed by map technology. It leverages more than 10 years of data insights and provides key customers with customized solutions across verticals. It demonstrates strong technological strength in automation, digitization and smart solutions to expand service offerings and operations. In our view, these solutions could be standardized to provide modularized solution services to customers across industry categories including FMCG, 3C, home appliances and furniture, apparel, auto and fresh produce.

**Expanding to overseas market.** JDL has over 100 overseas warehouses, and overseas revenue contribution remains limited. These warehouses support: (1) domestic merchants venturing overseas; (2) local ecommerce platforms across different regions in Asia, Middle East, Europe and the US; (3) cross-border ecommerce platforms. In 2025, JDL plans to more than double the size of its overseas warehouses.

**JDL leverages more than 10 years of data insights and provides key customers with customized solutions across verticals**

**JDL expands its presence in overseas markets**

**SF has multi-business models and strong competitive moat.** In our view, SF has multi-business lines to satisfy customer needs and embrace future opportunities. In 2018, SF entered the supply chain solutions segment and covered around eight industries, empowering sectors such as catering, consumption, manufacturing and auto to improve productivity through digitization. Supply chain solutions is a big sector with the top 10 players having captured less than 10% market share currently. SF supports customers with end-to-end solutions from procurement upstream to last-mile delivery, as well as drives business performance and service standards like inventory management and sales forecasts. For time-definite delivery, consumption and industrial parcels are a key contributor and driver of revenue growth. SF emphasizes the deepening of its presence across different consumption scenarios such as campus, travel, medical and events. Reverse logistics such as product returns continue to gain market share thanks to its service quality. For economy deliveries, it pursues segmentation strategies tailored to diverse customer needs with about 80-90% of total parcel volume coming from ecommerce, of which over 80% faces intense competition, while the remaining 10-20% demand is for mid-range to high-end services. It offers customers different categories (e.g. supermarkets) warehousing and delivery services. In addition, it provides solutions (e.g. pricing and operations) for high AOV products. Last-mile delivery requires years of experience. SF stands out with its 1P business model in terms of timeliness and service quality. SF's good service quality stands out. For bulky goods delivery, timeliness has improved across direct and franchisee channels. SF has a competitive moat in air freight with fast growth in categories from bulky industrial goods. Operating efficiencies are achieved with optimization in the number of transshipments. For SF intra-city, it maintains fast growth over the next three years riding on the booming local on-demand and operating leverage story. Please refer to our note ([link](#)) for details. In the international business, SF considers Southeast Asia as having sizable potential with market size likely to increase by 10% CAGR in 2022-2027. Timeliness and city coverage continue to improve, with rising parcel volume (China to Southeast Asia) achieving D+2 delivery. For the supply chain and international segments, it provides various smart solutions across different functions including product, pricing, marketing, procurement, production and settlement. On cost optimization, SF continues to strengthen its sortation and transportation capabilities through network integration and operational upgrades. SF optimizes: (a) transportation resources such as line haul, truckload and truck utilization (e.g. return routes); (b) transit and sortation resources such as enhanced operations during different peak and slack time period, as well as better warehouse utilization; (c) last-mile delivery resources such as integration of light and heavyweight outlets, and shortening the intermediate steps to reach customers directly. For Ezhou airport, it has over 56 domestic and 38 international routes. Existing customers could leverage Ezhou airport for nationwide delivery. SF enhanced sortation through automating last-mile delivery by fine-tuning its algorithm with enhanced productivity. On the other hand, SF keeps track of business performance on a real-time basis in order to strengthen operational efficiency. On overseas operations, Kerry (SF subsidiary) focuses on integrated supply chains and SF concentrates on the express delivery business. SF expects to use the direct sales strategy in Southeast Asia and looks for partnerships in the US/Europe/Africa/Middle East. On capex spending, SF expects capex spending in 2025 to be similar to 2024, among which about 1/3 is related to trucks/air fleets, 20% related to sortation and the rest relates to technology.

**SF has multi-business lines across time-definite, economy express, freight, cold chain and pharmaceutical, intra-city on-demand delivery, as well as supply chain and international to satisfy customer needs and embrace future opportunities**

## Logistics - Developments in LLM and AI

- JD Logistics uses AI to lower costs and optimize delivery process. These include transportation, sorting, last mile, as well as weight/volume measurement. AI agent is developed in-house and provides support in: (a) transportation: optimizes matching of resources (e.g. the use of 1 large truck instead of 2 trucks); (b) sorting: use of video to identify inappropriate operation; (c) last mile: courier terminal device PDA can be used in voice/text messaging, Q&A and intelligent prompts; (d) weight and volume measurement: identifies images showing packages of abnormal weight.
- SF Express and SF Intra-city focus on applications and partner with leading LLM companies in the development of industry LLMs. For SF Express, its smart cloud solutions address the pain points of the retail sector in particular inventory management issues, integration between offline and online, marketing and data analysis.
- YTO migrates from digitalization to AI in order to strengthen cost efficiencies and productivity. It is balancing profitability and market share with more emphasis on the latter.

**JD Logistics applies AI in different processes such as transportation and sortation, last mile and weight/volume measurements. For SF Express, it partners with leading LLM companies to develop its industry model**

Exhibit 131 - Logistics

Company	Stock code	Logistics	Highlights
Cainiao	Private	- Cainiao released smart supply chain product "Tianji π", supported by large models in order to improve quality and efficiency in scenarios such as sales volume forecasting and inventory replenishment planning. - Cainiao's LLM enables it to improve user experience (e.g. customer service) and enhance operating efficiency. - In IoT, it enhances delivery quality not only in terms of parcel location but also other metrics such as temperature when transporting perishable goods. - Cainiao and Alibaba Cloud are researching various scenarios where edge computing could be employed to increase efficiency along the supply chain. Delivery bots are already applied in multiple closed networks, and could leverage IoT and edge computing to increase delivery speed and accuracy.	
JD Logistics	2618-HK	- JD Logistics launched the 3.0 version of Jinghui Intelligent Supply Chain Data Management Platform. Backed by JD's LLM ChatRhino, its performance in sales forecasting, inventory management and replenishment made significant improvements. Its interactive supply chain control tower helps users to locate supply chain problems and offers solutions quickly. - It leverages AI to store top-selling products separately and optimize sorting routes constantly to increase sorting efficiency. - It uses smart deployment and stowage to achieve efficient allocation and refined operation of resources in the transportation stage.	
SF Express	002352-CH	- Focuses on applications and partners with leading LLM companies. It develops fine-tuned vertical models which satisfy the needs of different scenarios. - Its smart cloud solutions address the pain points of retail sector in particular inventory management issues, integration between offline and online, marketing and data analysis. - Capitalizing on computer vision and deep learning technology, SF's "AI ARGUS" system comprehensively analyzes key production elements in each scenario, forming real-time dynamic business data covering the entire network. - It builds a global intelligent decision-making system of "prediction-warning-scheduling-feedback" based on big data, operation research and AI. - It uses cross-cloud data lakes to reduce the management cost of multiple data operation centers.	
SF Intra-city	9699-HK	- Focuses on applications and partners with Baidu ERNIE Bot to apply AGC technology to local life logistics service scenarios. - It launched the "SF Intra-city Delivery Cloud" SaaS real-time logistics system, which provides one-stop intra-city logistics solutions for on-demand delivery service providers and brands with self-delivery businesses. - Its City Logistics System (CLS) utilizes big data analytics and AI technologies, featuring core functions including business forecasting and planning, integrated order recommendation and dispatching and real-time operation monitoring.	
ZTO	ZTO-US	- ZTO equips its line-haul vehicles with AI-enabled smart devices that can identify images, recognize unsafe gestures, and communicate with its home office data processing center, automatically sending escalating alarms to rectify unsafe driving behavior. - It leverages Baidu's AI capabilities to implement biometric authentication, password-less authentication and real-time data leakage risk management. - It uses AI in order dispatching and forecasting, real-time monitoring of information systems, automatic failure detection and recovery, and high-throughput processing of 100-million orders in a single day.	
YTO	600233-CH	- The company has set up its own vertical LLM, with the goal of improving efficiency and service offerings. In 2024, YTO migrates from digitalization to AI in order to strengthen cost efficiencies and productivity. It is balancing profitability and market share with more emphasis on the latter. - It integrates digital applications with voice recognition, image recognition, machine vision and AI in order to promote intelligent decision-making. - It plans to continue to improve intelligent customer service and launch intelligent robots in all channels, processes and media.	
Yunda	002120-CH	- Yunda collaborates with Intel to build high-efficiency AI applications for several key areas including package size measurement, data center anomaly detection and shipment quantity prediction. - It integrates AI, VR, big data and other technologies to provide digital services like smart customer stewards. - It actively researches and develops applications for intelligent robots in various scenarios of the express delivery business and improves technical systems such as intelligent quality inspection and monitoring.	
STO	002468-CH	- STO leverages Alibaba Cloud's cloud-native technology and architecture to migrate its core business to the cloud. - It has launched an intelligent customer service system "Shen Xiao Mi" to improve the response speed and service efficiency of outlets. - The technical architecture of STO will evolve towards the next-generation microservice architecture, service mesh in order to improve the governance of complex systems. - Its intelligent vision platform creates a visual data supply chain through streaming media technology and cloud-edge integrated architecture, providing basic capabilities such as picture collection, picture storage, video live broadcast, video playback and video interception, and use AI algorithms to track shipments throughout the entire journey.	
BEST	BEST-US	- It integrates natural language processing tool ChatGPT into its Qiany ERP software, which allows cross-border sellers to generate multi-language product titles and descriptions using AI. In addition, it plans to incorporate more AI functions into the software, such as automatic pricing, processing of product images, and automatic generation of posters.	

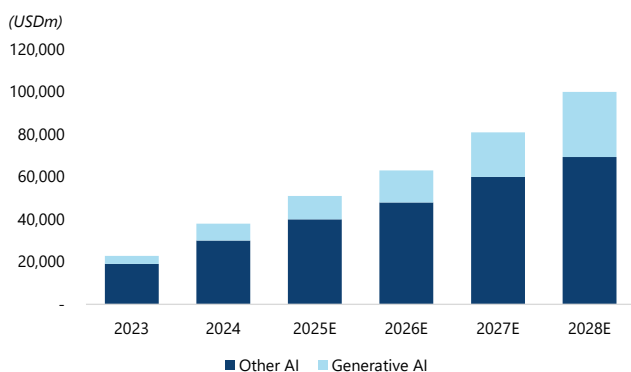
Source: Company, Jefferies

## Cloud: Unlocking AI Opportunities

According to IDC forecasts (Apr-25), global IT investment in AI is projected to reach USD815.9bn in 2028, exhibiting a 5-year CAGR of 32.9%. Specifically, the generative AI market is expected to increase by a 5-year CAGR of 63.8% to USD284.2bn in 2028, representing 35% of the overall AI market investment. In China market, IDC highlights China's continued leadership in the APAC AI market, with its spending exceeding 50% of the region's total. It projected China's total AI investment to surpass USD100bn by 2028, implying a 5-year CAGR of 35.2%. China's generative AI market is expected to grow at a 5-year CAGR of 51.5% to exceed USD30bn in 2028, representing 30.6% of total AI investment. Based on IDC estimates, software and information services, telecommunications, and banking are the top three sectors attracting the most AI investment, accounting for 49.8%, 7.4% and 5.8% of the market in 2028, respectively. AI infrastructure provisioning, AI-enabled customer service and self service, as well as augmented contact center and field service are the top three scenarios in terms of AI spending in China. According to Alibaba Cloud, we are in the third wave of cloud computing, which is expected to last for about 10 years before reaching the peak. Cloud computing and AI will develop together from 2023 onwards after 60 years of development. Computing has revolutionary impacts on scientific discovery and technological innovations with the emergence of the GPT model.

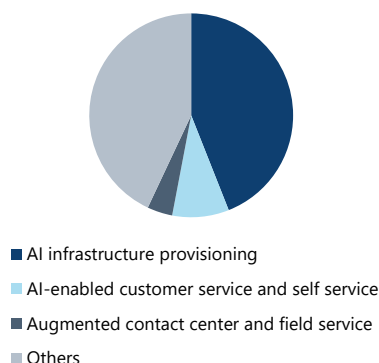
Unlocking AI potential to be watched closely in the coming years. According to Alibaba Cloud, the third wave of cloud computing is expected to last for about 10 years before reaching the peak.

Exhibit 132 - China AI and Generative AI market size



Source: IDC, Jefferies

Exhibit 133 - 2025 China AI spending by scenario



Source: IDC, Jefferies

**Alibaba Cloud: Computing for value beyond computation.** Alibaba Group highlighted it always puts customers first and aims to address the pain points of society in the PC/mobile/AI era. Computing is like a form of public utilities, which helps developers and corporates. Alibaba is the first to put all its business on the cloud. Openness is key, with 80% of the tech companies and half of the large language models in China market under Alibaba Cloud. There are 6.9m developers in its ModelScope community (MaaS ecosystem) with 10K models available.

Openness is key with 80% of the tech companies and half of the large language models in China market under Alibaba . ModelScope has 10K models and 6.9m developers

**7th consecutive quarters of triple digit YoY growth in AI-related product revenue.** In Mar-25 quarter, Alibaba Cloud revenue grew 18% YoY driven by the faster public cloud revenue growth on rising AI-related products adoption. For FY26, we estimate cloud revenue to grow at about 21% YoY with accelerating growth on rising AI demands in coming quarters. Customers not only include early adopters like internet, fintech, education and EV but also other sectors such as manufacturing need to use AI and migrate to cloud. The services they need API calls, post training using specific internal data. As a result, they need to rent GPU and IaaS services. We expect the monthly demand to pick up in Jun quarter as there are more customers with inference demand with large scale going online post CNY. Cloud demand is not affected by small models deployed in local devices like smartphones, toys and smart devices as they need additional resources such as large models to support their needs.

Technology is at an inflection point with the integration of AI across industries, with changes expected in all applications and services

**AI and cloud capex spending to exceed RMB380bn over 3 years period is intact.** The company expects it to be more than total spend for the past 10 years. Alibaba Cloud stands out as (a) global no. 4 and Asia no. 1; (b) advanced AI models and Tongyi ecosystem; (c) to C applications cover various scenarios; (2) key strategies include (a) AGI is the primary goal; (b) intelligence enhancement as 50% of GDP is staffing related (AGI represents 80% of human capability); (c) open strategy with the goal of its 3-years capex spending to exceed capex spending in the past 10 years; (3) the difference in LLM between open and closed source is not much. Cloud is important as is the infrastructure; (4) 60%-70% of new demand comes from inference post CNY; (5) cloud is characterized by its scalable model and the network effect is key. Cloud margin in China is not the same vs US; (6) On SaaS, AI agents can help to drive adoption and DingTalk has a lot of enterprises that need agents to improve efficiency; (7) revenue excluding Alibaba-consolidated subsidiaries achieved 11% YoY growth, mainly driven by double-digit public cloud revenue. AI-related product revenue has achieved triple-digit growth for 6 consecutive quarters. Revenue growth is expected to continue to accelerate. In Jan-25, it launched open-sourced Qwen 2.5-VL and flagship MoE-based model Qwen 2.5-max. As of end Jan 2025, there were more than 90K derivative models developed on Hugging Face based on Qwen family models.

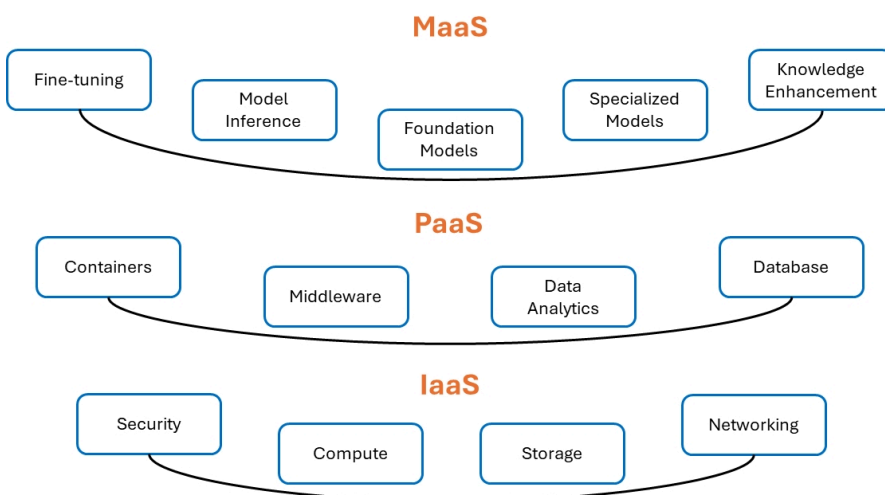
**AI and cloud capex is expected to exceed RMB380bn over next three years**

**Setting a New Benchmark with Qwen3.** Alibaba released Qwen3, setting a new benchmark for open-source AI with the debut of hybrid reasoning models. The models are available for global users to download. The Qwen3 series models include 6 dense models (0.6B, 1.7B, 4B, 8B, 14B and 32B parameters) and 2 MoE models (30B with 3B active and 235B with 22B active). The hybrid reasoning model allows users to switch between thinking mode for complex, multi-step tasks (e.g. mathematics, coding, logical deduction) and non-thinking mode for fast and general-purpose responses. This is achieved through a 4-stage training process, which includes long chain-of-thought (CoT) cold start, reinforcement learning, thinking mode fusion, and general RL. A balance is optimized between intelligent performance and compute efficiency for developers accessing Qwen3 through API. Qwen3-235B-A22B has significantly lower deployment costs vs other state-of-the-art models. For Qwen 3, it is trained on 36tn tokens. double the number used for Qwen2.5. Key highlights include: (1) multilingual mastery (119 languages and dialects); (2) advanced agent integration. It supports MCP (Model Context Protocol) with robust function calling in complex agent-based tasks; (3) superior reasoning, surpassing that of the prior Qwen model (QwQ in thinking mode and Qwen 2.5 in non-thinking mode) across mathematics, coding and logical reasoning benchmarks; (4) enhanced human alignment.

**Qwen3 was launched in Apr-25, which is trained on 36tn tokens, double the number used for Qwen2.5. It is hybrid reasoning model, achieved through a 4-stage training process.**

Exhibit 134 - Alibaba Cloud global infrastructure

## Alibaba Cloud Global Infrastructure



Source: Company, Jefferies

**Global infrastructure with full-stack technology.** These include (1) success of Olympics events with 2/3 of live-streaming distributed through cloud; (2) Alibaba Cloud infrastructure includes IaaS (compute, storage, network, security), PaaS (containers, middleware, data analytics, database) and MaaS (foundation models, model inference, fine-tuning, specialized models, knowledge enhancement); (3) it realizes "data center is the computer" vision in AI era through (a) server design centered on GPU. Alibaba Cloud supports diverse heterogeneous chips; (b) high performance network architecture for large scale clusters. HPN7.0 connects 100K GPU clusters; (c) storage systems support massive concurrent requests (e.g. CPFS); (d) convenient and efficient GPU containers (e.g. ACS); (e) integrated systems for managing and scheduling AI computing resources (e.g. LINGJUN); (f) one-stop platform for model training and inference (e.g. PAI model training); (g) multimodal data processing platform (e.g. OpenLake).

**AI Dynamic Conference 2025 – Main Forum Takeaways in Apr-25.** Highlights include: (1) introduced Agent Store, covering multiple sectors; (2) fast growth in AI applications; (3) reasoning and omni are two directions in foundation models; (4) low latency time and high throughput in inference; (5) comprehensive development tools; (6) embracing AI agent opportunities through cooperation with value chain partners; (7) MCP supports LLM connection with external tools; (8) various measures to support developers and start-ups.

**Agent Store introduced to embrace opportunities ahead.** Agent Store, named "Fan Xing Ge", highlights include: (1) the store covers multiple sectors, including retail, healthcare, auto, smartphones, education, and financial services; (2) AI agents not only cover those from BABA ecosystem, but also from third-parties in areas such as customer service, marketing, apps development, knowledge management, decision analysis, and lifestyle services; (3) Agent Store is supported by its global infrastructure, models, MCP, development tools and security.

**Fast growth in AI Applications in 2025.** The number of daily API calls increased by 10x over Jul-24 to Jan-25, after increasing by 10x over Jan-24 to Jul-24, thanks to three key factors – foundation models, inference, and developer tools. Alibaba will continue to invest, innovate and pursue open-source strategies. It aims to cooperate with third-parties across different segments of the value chain, such as AI infrastructure, database, models, apps, solutions, and implementation. The goal is to serve millions of customers and tens of billions (in RMB) commercial opportunities in three years' time.

**Comprehensive development tools.** These include: (1) **memory**: context management; (2) **RAG**: real-time search across multiple formats; (3) **model router**: synergies across different models and devices; (4) **workflow**; (5) **tool use**. Bailian (model development and applications platform) supports government institutions in local deployment with: (a) specific solutions across different industries; (b) tailored models and deployment; (c) multi-modals; and (d) multi-chip strategies. Separately, MCP (Model Context Protocol) supports LLM in connection with external tools.

**Multiple models satisfy diverse needs with two directions.** These comprise: (1) **reasoning** and (2) **omni**. Reinforcement learning (RL) and multi-modal are key. Multi-modal is important across audio, video, voice and text with performance similar to that of human beings. A number of models were showcased, including: (a) **QwQ-32B** (strong in inference, friendly in agent development, supports local deployment and consumer-end hardware); (b) **Qwen2.5-VL** (visual model) and **Wan 2.1** (video generation model); and (c) **Qwen2.5-Omni** (7B parameters multi-modal model). Models of different parameters are offered to developers and hardware devices.

**Strong global infrastructure stands out on 100K GPU clusters and supports heterogeneous chips**

**Agent Store "Fan Xing Ge" is introduced covering multiple sectors. AI agents not only include those from BABA ecosystems but also from third parties**

**Fast growth in API calls using foundation models, inference and developers tools**

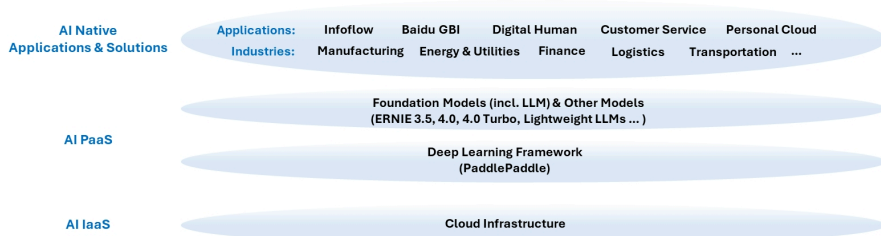
**Various tools are offered to developers across memory, RAG, model router and workflow**

**Satisfy the needs of developers with various models**

**Baidu has a full stack of cloud infrastructure.** In 2025, we expect Baidu Cloud revenue to grow at 26% YoY thanks to surging demand of foundation models across industries in training and inference. In addition, there is a fast increase in model training needs not just for LLM but also for other models. For open source community Qianfan, it offers developers lower inferencing costs and higher efficiency. Baidu AI cloud revenue consists of enterprise cloud and personal cloud. Enterprise cloud represents the majority of cloud revenue. Within enterprise cloud, subscription revenue is a key contributor vs project based revenue. Triple digit revenue growth is seen in AI revenue related revenue. On the other hand, China cloud market expands meaningfully with computing power required for foundation models. We believe a key competitive edge of Baidu is about its capabilities to build and manage GPU clusters and use GPU efficiently. In addition, Baidu is one of the few with end-to-end full stack capabilities. On open source community Qianfan, it provides extended support in training, distillation and third parties multimodal and reasoning models.

### Exhibit 135 - Baidu AI Cloud infrastructure

#### Baidu AI Cloud Infrastructure



Source: Company, Jefferies

**Baidu's New Search Engine.** It is rebuilding its search platform, providing users with AI interactive features that have a better understanding of users' needs. This is achieved through: (a) the provision of precise and accurate answers to direct questions based on large language models; (b) giving users personalized recommendations for other searches; (c) multiple interactions with the best response. Generative AI and search are best matched. Amid uncertainties in the macro environment, Baidu is upgrading search product offerings and enhancing user experience. This is a top priority and % of search results from foundation models increased from 22% in early 2025 to 35% in Apr-25. Multimodal content is important with average inference cost per query on the downtrend. It takes time in testing AI monetization [to monetize AI?]. There is a long tail of queries which is not monetized in traditional searches.

**Key takeaways from Baidu Create 2025 in Apr-25.** These include (1) **short and long term value on AI:** The lowering of training and inference costs of large models over time create a number of opportunities in particular (a) digital human scenarios such as live streaming and customer services; (b) coding agent: facilitate agents' developments as every one can be programmers with ease; (c) autonomous driving; (2) **AGI:** there are different definitions of AGI. It is expected to take over 10 years to achieve the goal. The value LLM can bring to society is considered to be important; (3) **Chatbot.** Baidu considers it is still in an evolving stage as (a) users need to input detailed queries; (b) low engagement in terms of DAU/MAU; (c) low switching costs. Baidu offers users content in different formats (e.g. texts, image, video); (4) **To B monetization.** It is still in the early stages and the API price is low in China vs developed markets (e.g. US). Baidu focuses on the strengthening its model/technology capabilities. Its value can be unlocked when the market is ready; (5) **MCP:** it is an industry technology standard and developers can leverage different tools and features through this ecosystem. There are different use cases and business models (e.g. ecommerce, search); (6) **Robotaxi:** RT-6 is highly competitive and low cost vs overseas peers. Cost efficiencies can be achieved through scale. Baidu can empower third parties in RT-6 operations; (7) **Hallucination.** It can be resolved with RAG and fact checking with search; (8) **Digital human.** KOL and SME merchants can benefit from live-streaming ecommerce. Baidu says it is positive about the outlook and believes its capabilities can exceed human input.

**Baidu experienced fast revenue growth with the number of daily API calls increasing over 10x to 1.65bn in Dec-24 within a year.**

**Baidu's new search engine highlights precise and direct responses to questions, personalized recommendations and multiple interactions. User engagement is key over monetization at this point**

**8 key takeaways from Baidu Create 2025 on short/long term value on AI, AGI, chatbot, monetization, digital human and others.**

**ERNIE 4.5 Turbo and X1 Turbo enhance multi-modal and deep reasoning capabilities.** Baidu highlighted industry issues of large models are about hallucination, low speed and high costs. For ERNIE 4.5 (multimodal capabilities) and ERNIE X1 (reasoning model) i, the price is about 1% of GPT 4.5 and 50% of DeepSeek R1, respectively. The release of ERNIE 4.5 Turbo and X1 Turbo enhances multi-modal and deep reasoning capabilities at low costs. For ERNIE X1 Turbo, the price is 50% lower than the X1 version (input/output price per million tokens is RMB1/RMB4, respectively).

**Open source community Qianfan satisfy developers needs.** Qianfan platform covers different sectors including the financial, education, manufacturing, energy, transportation and public services sectors. Full solutions are provided to developers including data management, model training, fine-tuning and assessment. In addition, 103 prompt templates facilitate better interactions and accurate responses with large models. Efficiencies are upgraded with effective training time reaching 95% of the total. It has more than 40 mainstream LLMs, including ERNIE Bot, Llama2, ChatGLM2, Stable Diffusion and BLOOMZ, together with 10 selected applications such as customer service, summary of long text documents, content continuation, knowledge Q&A and code generation. Examples of enterprises using the platform include WPS and TAL. On another note, Baidu Wangpan (cloud storage) released Yun Yi Duo which provides users with features such as search for documents and videos, summary generation, translation and content creation.

**A number of AI applications are introduced.** For **multi-modal applications**, these include (1) **digital human** upgrade with enhancements in voice/body movements, professional knowledge and interactions. For example, it offers a better user experience in livestreaming ecommerce. Content creators can upload a minimum of 2mins video content and digital human can be applied in different scenario afterwards; (2) **AI note**: The feature is based on Cang Zhou OS and users can use this feature in Wenku and Wangpan. For **multi-agents applications**, coding agent is a hot one over the past 6 months. These include applications such as Miao Da and Xin Xiang that offer a one-stop shop solution. Currently, Xin Xiang covers 200 types of tasks which will be extended to over 100K in the future.

Exhibit 136 - ToB monetization model for LLM

Baidu QIANFAN: A One-Stop Platform for Enterprise Customers in LLM Development and Implementation						
AI Application	AI-Native Applications			AI-Native Application Development		
MaaS	Ernie Bot 3.5 Foundation Models			Model Training		
AI Infrastructure	GPU	intel.	Nvidia.	KUNLUNXIN	Ascend	HYGON

Source: Company

**Tencent Cloud: Cloud intelligence and innovations unlock growth.** Amid macro headwinds and intensified competition, enterprises across different industries seek change and aim to invest for innovations. According to Gartner, the top priorities for global CEO is to embrace new strategies, growth, AI-driven transformation and overseas expansion. Tencent Cloud empowers enterprises to fuel growth through: (a) data-driven efficiency; (b) catching AI wave; and (c) overseas expansion. The number of Tencent Cloud customers served exceeds 2m with fast growth in SaaS partners' revenue. On the other hand, the international segment experienced rapid growth.

**ERNIE 4.5 Turbo and X1 Turbo were released in Apr-25**

**Qianfan platform covers different industries with a number of mainstream models available**

**AI-native applications are important. Baidu released a number of applications such as digital human, customer service and coding assistant to help customers improve productivity**

**Tencent Cloud empowers enterprises through (a) data-driven efficiencies, (b) AI technology; (c) overseas operations;**

**Technological strengths built through multi-year investments.** Tencent has invested RMB300bn in the past six years in foundation research. On AI Cloud infrastructure, it maximizes computing power with cluster stability. This is demonstrated in cluster available time and read/write efficiencies. Tencent considers applications are crucial and views software-defined hardware paves the way for greater value for industries, which is backed by its multi-cloud and multi-core technology under open and diverse tech ecosystem. Enterprises can build applications with diversified retrieval augmented generation solution. Tencent Cloud offers full-stack of integrated products which include: (a) conversational data analysis assistant ChatBI, (b) Tencent Meeting, (c) Tencent Doc, (d) WeCom, (e) Tencent Lexiang, (f) TAPD (development platform), (g) Tencent E-Sign; (h) Coding DevOps; (i) Qidian customer service. For Tencent Meeting, it serves 15m monthly users and boosts efficiencies through intelligence toolkits.

**A number of milestones in AI with multi-modal strategy provides the best user experience.** The combination of different models can handle complex tasks better than a single model. On the one hand, it invests in own foundation models to fully leverage its in-house data, and the use of external models allow Tencent to benefit from innovation across the industry. During Tencent Cloud AI Industry Application Summit in May, Tencent highlights four areas (1) **model innovations**. These include T1 (deep reasoning) and Turbo S (quick response) satisfy diverse user needs. In addition, the release of T1-Vision (image understanding) further strengthens multimodal capabilities. The upcoming launch of conversational AI voice features adds value in areas such as customer services and online shopping; (2) **agents**. Developers are supported with different tools backed by MCP. For Tencent, QQ Browser launches QBot which integrates different AI functions such as search, browsing, work, learning and writing to solve complicated tasks; (3) **knowledge database** satisfies the needs across different sectors; (4) **infrastructure**. It continues to lower inferencing costs and enhances integrated AI infra capabilities by 30%.

**Yuanbao is a breakout AI-native application.** Tencent launched AI Chatbot app Yuanbao in Jun-24. It provides Q&A, analyzes content and generates text and images. Yuanbao users can select multiple models (CoT reasoning models, fast thinking models) and whether to integrate web search results. Yuanbao can process prompts in image, voice, and document formats. In terms of DAU, it increased more than 20-fold in Feb and Mar to become No. 3 among AI apps. Separately, a number of AI features are tested in Weixin, including AI-powered search, language input, and content generation. In the past months, Yuanbao has been upgraded with a number of features which include: (1) task classifications with specific requirements; (2) text-to-image generation; (3) Mermaid diagram and charting tools; (4) content summary and analysis from Tencent News; (5) integrates with Tencent Maps with the former providing location-based services to users and redirecting them to the latter's services.

**Acceleration in AI integration into enterprise-facing services.** (1) **IaaS**: Hyper Computing Cluster (HCC) enables enterprises to run high-performance AI training and inference with low latency and elastic scalability. Hyper Application Inventor (HAI) provides "one click" deployment of mainstream foundation models for developers. (2) On **PaaS**, Tencent offers T1 platform (fine-tuning and running inference on AI models). Its LLM knowledge engine solution helps enterprises to build customer support and coding assistants tuned with their own data. Tencent CloudBase enables developers to generate mini programs and mobile applications through natural language prompts ad uploading design mockups. (3) On **SaaS**, these include Tencent Meeting and Tencent Docs offered to enterprises.

**2025 capex outlook.** On capex, Tencent expects it to be low teens of total revenue in 2025. The procurement of high-end chips is a dynamic situation. On chip resource allocation, priority is given to adtech enhancement and training of the foundation model. Chain of thoughts reasoning model drives growth in inference demand. There are a number of ways to improve efficiency such as distilled models and software optimization. For SaaS, the main products include WeCom, Tencent Doc and Tencent Meeting. WeCom is the most monetizable one, which is in the fast growth stage with good margins.

**Multi-years of investments with full stack of integrated offerings. It maximizes computing power with cluster stability**

**Tencent achieves a number of milestones with in-house Hunyuan foundation model, including the release of Turbo S version (fast thinking) and T1 version offers (deep-thinking and chain of thoughts)**

**Yuanbao has a number of feature enhancements and integrates with various Tencent offerings**

**Multiple enterprise facing services are offered to customers**

**Full year capex outlook which is expected to be low teens of total revenue is intact.**

**Empower enterprises in penetrating overseas markets.** Tencent offers over 10K customers with stable service in overseas markets. These include customers such as Coupang (ecommerce, Korea), JACO (live streaming, Saudi Arabia) and Aion (EV, Thailand). In addition, Tencent provides cross border audio/video service with millisecond latency (e.g. Tencent Cloud Media Services). Data connectivity, regulatory harmonization and organizational integration are crucial.

**Kingsoft Cloud embraces AI opportunities ahead.** Kingsoft Cloud (KC) has deep expertise in verticals including internet, financial, healthcare and medical cloud, and it has strategically maintained a balance between revenue growth and profitability. KC does not build LLMs itself but provides computing power and services to LLM companies. Three key types of clients with high computing power demand: (a) Internet companies with LLM training needs, (b) clients using AI to generate image and video, (c) autonomous driving companies. During the 1Q earnings conference call, highlights include: (A) **softer than expected 1Q performance.** These include (1) EC is affected by seasonality (e.g. CNY) and customers are still in the budgeting process; (2) PC focuses on large customers. It takes time for the entire business cycle and receipts to be booked. In late Mar, KC completed delivery of server clusters for Xiaomi and revenue is expected to be recognized in 2Q. On the other hand, Xiaomi 7bn parameters model is trained with KC's server clusters. In the long run, it benefits from rising inference demand; (B) **AI all-in-one machine.** It targets government services which combine hardware and solutions tailored to their specific needs. Pricing depends on hardware requirements. The machines are still in the promotions phase; (C) **Margin outlook.** These include (1) 1Q revenue is affected by seasonality and operating expenses including salary and bonuses during the quarter; (2) margins will be better in 2Q vs 1Q as projects are underway and the 2H margin profile is better than 1Q; (3) Adjusted EBITDA margin is expected to improve more vs OPM; (C) **AI capex and opex.** These include (1) In 1Q, capex is about RMB605m (own cash). Total AI infrastructure includes leasing from Xiaomi and other third parties. Further details will be shared at 2Q results; (2) AI opex is about RMB400m which is booked in R&D, S&M and G&A; (D) **H20 ban.** These include (1) management considers a limited impact in short term and needs to speed up the transition to domestic chips in the mid to long term; (2) KC has been working with domestic chips manufacturers since 2023 and uses domestic chips in its own model training; (E) **Impact on small models to cloud.** These include (1) small models do not affect KC's revenue and profit; (2) large customers with 100bn parameters models have been using KC's computing power for training and inferencing. Revenue from Internet companies with 30bn or 10bn parameters models are incremental to KC. On the other hand, there is more inferencing demand coming from Xiaomi and Kingsoft Office; (F) **Competition and DeepSeek.** These include (1) there is no impact to legacy and existing projects; (2) it uses own cash on capex spending for large customers and leasing model for non-core customers; (3) On DeepSeek, existing customers have long term contracts with KC on training. There are new demands from other LLM customers despite some demands may be scaled back because of DeepSeek.

**Tencent empowers overseas customers in compliance with local regulations.**

**KC is expected to unlock opportunities with Xiaomi and Kingsoft with rising AI revenue contribution in public cloud**

## Applications - Developments in LLM and AI

- WPS is pursuing three strategies: (a) AIGC – content creation (Word doc and presentation); (b) Copilot for spreadsheet functions (improve efficiency); (c) Insight for documents and images uploaded. All three features have been well-received by users. For (b), these are mainly used by enterprise users. No. of daily active devices for the PC version in China has surpassed 100 million, while WPS AI has reached 19.68m MAU. This growth in user scale and engagement has led to a substantial increase in cloud usage, with over 260 billion documents uploaded by personal user. For WPS 365, there are two revenue segments which include (a) public cloud SaaS subscriptions; (b) private cloud annual fees. Private cloud revenue is recognized upfront. Public cloud revenue is amortized monthly. Public cloud revenue is bigger than private cloud
- Meitu has a number of AI applications covering image, video, design and marketing. By products, these include (1) BeautyCam's AI Wardrobe function provides users with a realistic dressing effect with rapid user growth. As of Feb-25, BeautyCam exceeds 72 million MAUs worldwide with 20mn newly added overseas users. It tops iOS App Store overall rankings in 12 countries and regions, including Singapore, Thailand, and Vietnam; (2) revenue from DesignKit driven by AI amounted to approximately RMB200m in 2024 and the no of paying subscribers reached 1.13 million as of Dec 2024; (3) Kaipai's subscription penetration rate has reached about 12.8%, which is currently the highest subscription penetration rate among the products launched in the mainland; (4) Meitu has been actively expanding into the productivity tools market, expecting a major breakthrough by 2026. It is still in the early stages and will not monetize in 2025; (5) Meitu aims to integrate proprietary AI models with open-source solutions to optimize model inference efficiency and reduce costs. It focuses on key verticals, such as AI-powered video effects and AI photography to enhance workflow automation in sectors like e-commerce and video production;
- Youdao drives AI development across different segments which include: (1) it successfully integrates advanced AI technologies, including Confucius-o1 and DeepSeek, into products. These integrations enhance both learning experiences and advertising effectiveness, while also driving automation and cost optimization in learning services and marketing; (2) it introduced Confucius-o1, a lightweight, open-source AI model tailored for education, which has been incorporated into Mr.P AI Tutor, receiving positive feedback and surpassing 100 million cumulative users; (3) The new generation of Youdao Dictionary Pen, SpaceOne, integrates the DeepSeek reasoning model, providing advanced problem-solving capabilities.
- Baozun has a number of applications such as BRAIN (insights and decision-making) and DRESS (tracking of fashion trends in real time).
- Yeahka has set up an AI Lab with in-house developed tools to support in-store merchants with editing tools to enhance efficiency. Its in-house developed AIGC tools (not industry LLM) facilitate merchants in in-store operations such as editing tools to enhance efficiency. Compared to other companies, its AI features are more customer-facing, rather than at mid-level to backend of operations. AI offers monetization opportunities, with better customer experience. Xiaoka Assistant (AI agent) provides content production, intelligent customer service, programming, copywriting and video generation functions to empower internal operations and external customer service. Its Y-Copilot coding assistant uses large models to improve production and research efficiency. (b) Its in-house developed Winsfor business intelligence platform connects customers to various platforms such as JD, DY, Meituan, Weixin and RedNote. It drives sales conversion by providing automatic build-up of e-stores, AI content creation, live broadcast planning and traffic distribution services.

For office applications, Kingsoft Office focuses on AIGC, Copilot and Insight. AI users growth is priority. For Meitu, focuses on key verticals, such as AI-powered video effects and AI photography in e-commerce and video production; Youdao has launched a number of AI products including learning services, smart devices and online marketing services

## Fintech: Focus on Quality Growth Powered by AI

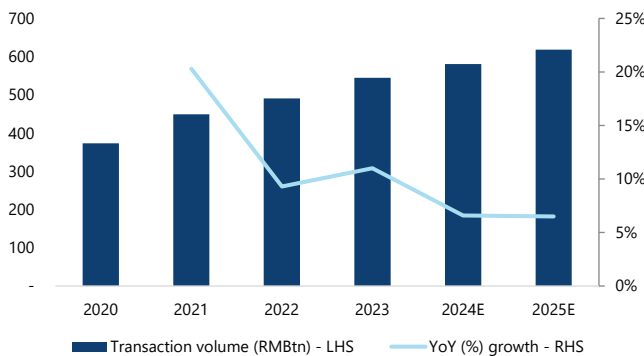
We view the online lending sector as continuing to focus on quality growth in 2025 amid macroeconomic uncertainties. Fintech companies are implementing detailed borrowers operating strategy, with emphasis on profitability improvement. In our view most of the rectifications are completed and focus will shift to the monitoring of regular operations going forward.

We consider quality borrowers strategy remain to be key emphasis among fintech players in 2025

**Online payment is a secular growth story.** Our channel checks indicate GPV for QR Code payment is slowing down as offline consumption has yet to fully return to normal. According to the PBOC, the deposits of non-financial institutions grew 6% YoY as of Apr 2025 (down 2% YoY as of Dec 2024). According to iResearch, GPV of China's third-party payments is expected to increase by a CAGR of 5.6% over 2023-2027 to reach RMB676tn in 2027. Growth would mainly be driven by: (1) changing payment habits of customers to mobile and digital payments; (2) increasing demand from micro and small merchants for both payment services and value-added services; (3) advancements in payment technology; (4) proactive government regulations; and (5) online shopping becoming mainstream among the general populace post Covid-19, with accelerated digitization seen in the shift from offline to online.

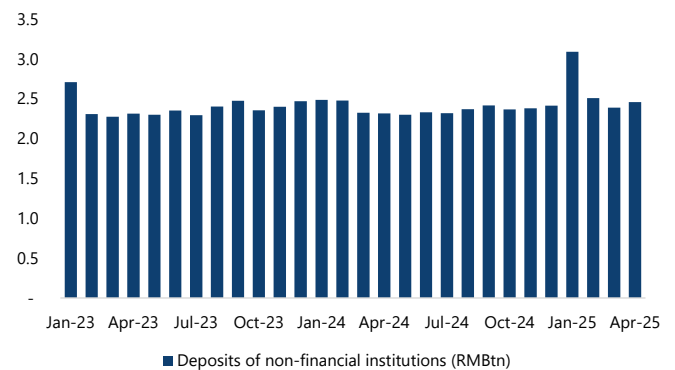
**Payment sector faces slowdown due to macro headwinds in 2024. Improving consumer sentiment is key to watch out in 2025**

**Exhibit 137 - Transaction volume of China's third-party payments, 2020-2025E**



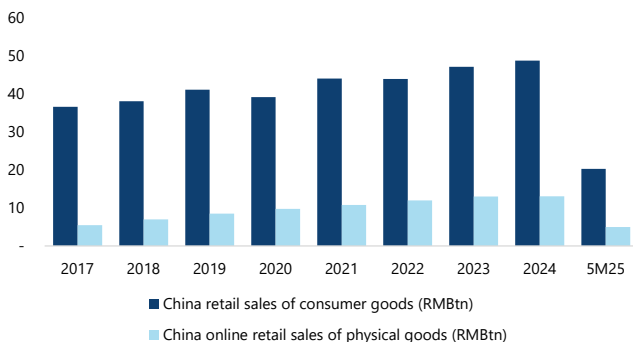
Source: iResearch estimates, Jefferies

**Exhibit 138 - Deposits of non-financial institutions**



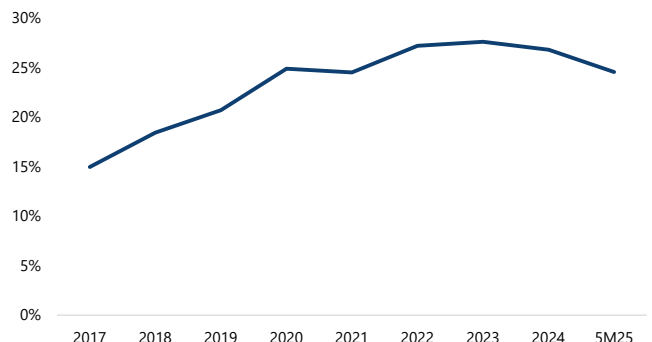
Source: PBOC, Jefferies

**Exhibit 139 - China online retail sales of physical goods and total retail sales of consumer goods**



Source: NBS, Jefferies

**Exhibit 140 - China online retail sales of physical goods as % of total retail sales of consumer goods**



Source: NBS, Jefferies

**43 companies are licensed to provide both internet and mobile phone payment services.** To participate in the payment market legally, a player needs to obtain a payment license. According to the Administrative Measures on Non-Financial Institutions Payment Services (Decree No. 2 of PBOC), promulgated by the PBOC on 14 Jun 2010 and implemented on 1 Sep 2010, and the Implementation Rules for the Administrative Measures on Non-Financial Institutions Payment Services, promulgated and implemented on 1 Dec 2010, payment services provided by non-financial institutions refer to part or all of the following monetary fund transfer services provided by non-financial institutions as intermediaries between the payer and the payee, including: (1) network payments; (2) issuance and acceptance of prepaid cards; (3) bank card acquisition; and (4) other payment services determined by the PBOC. The PBOC has gradually raised the standards for third-party payment service providers, resulting in higher barriers for new market entrants. No new third-party payment licenses have been issued since 2016 and only licensed players are allowed to apply for renewal. Since Aug 2015, 101 companies' payment licenses have been canceled by the PBOC, 10 of which were canceled in 2024. As of 31 May 2025, there are 170 players (175 as of Dec 2024) with payment licenses, of which only 39 (39 as of Dec 2024) have both an internet payment license and a mobile phone payment license.

**No new third-party payment licenses have been issued since 2016 and only licensed players are allowed to apply for renewal**

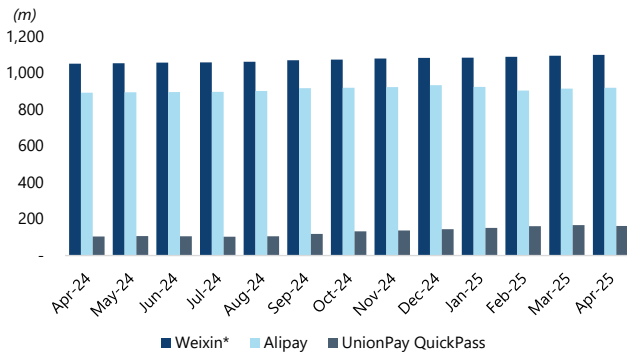
**Exhibit 141 - Companies licensed by the PBOC to provide both internet and mobile phone payment services**

No.	Payment institution	Issue date	Renewal date	Expiry date
1	Alipay.com Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
2	Tenpay Payment Technology Co., Ltd	3-May-2011	16-May-2025	2-May-2026
3	China UnionPay Merchant Services Co., Ltd	3-May-2011	5-Sep-2024	2-May-2026
4	Zihexin Electronic Payment Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
5	YeePay Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
6	Kuaiqian Payment and Settlement. Service Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
7	Shanghai Huifu Payment Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
8	Shanghai Shengfutong Electronic Payment Service Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
9	Beijing Qiandaobao Payment Technology Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
10	Easy Pay Co., Ltd	3-May-2011	16-May-2025	2-May-2026
11	Yinsheng E-Pay Services Co Ltd	3-May-2011	1-Aug-2024	2-May-2026
12	Chinabank Payments (Beijing) Technology Co., Ltd	3-May-2011	16-May-2025	2-May-2026
13	Ping An Fu Electronic Payment Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
14	Lakala Payment Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
15	Shanghai Fufeitong Information Service Co., Ltd	3-May-2011	1-Aug-2024	2-May-2026
16	Shanghai ChinaPay Electronic Payment Service Co., Ltd	29-Aug-2011	1-Aug-2024	28-Aug-2026
17	Lianlian Yintong electronic payment Co., Ltd	29-Aug-2011	1-Aug-2024	28-Aug-2026
18	Union Mobile Pay E-commerce Co., Ltd	29-Aug-2011	1-Aug-2024	28-Aug-2026
19	Chengdu Mobao Network Technology Co., Ltd	29-Aug-2011	1-Aug-2024	28-Aug-2026
20	Jiefu Ruitong Co., Ltd	29-Aug-2011	5-Sep-2024	28-Aug-2026
21	China Telecom Bestpay E-commerce Ltd	22-Dec-2011	16-May-2025	21-Dec-2026
22	Unicom Payment Co.,Ltd	22-Dec-2011	28-Feb-2025	21-Dec-2026
23	China Mobile Group Electronic Commerce Co., Ltd	22-Dec-2011	1-Aug-2024	21-Dec-2026
24	PayPal Payments (Beijing) Co., Ltd	22-Dec-2011	1-Aug-2024	21-Dec-2026
25	Shanghai E-banking Information Technology Co., Ltd	22-Dec-2011	1-Aug-2024	21-Dec-2026
26	Yilian Payment Co., Ltd	22-Dec-2011	1-Aug-2024	21-Dec-2026
27	Payease Technology (Beijing) Co., Ltd	22-Dec-2011	1-Aug-2024	21-Dec-2026
28	Beijing Yaku Shikong Information Exchange Technology Co., Ltd	22-Dec-2011	5-Dec-2024	21-Dec-2026
29	Anfubao Business Co., Ltd	22-Dec-2011	28-Feb-2025	21-Dec-2026
30	Sandpay Network Service Co., Ltd	22-Dec-2011	1-Aug-2024	2-May-2026
31	Tianjin Rong Bao Payment Network Co.,Ltd	27-Jun-2012	1-Aug-2024	26-Jun-2027
32	Shenzhen Midea Payment Technology Co., Ltd	27-Jun-2012	1-Aug-2024	26-Jun-2027
33	VBill Payment Co., Ltd	27-Jun-2012	1-Aug-2024	26-Jun-2027
34	Hangzhou Citizen Card Co., Ltd	6-Jan-2013	1-Aug-2024	5-Jan-2028
35	Beijing Sina Payment Technology Co., Ltd.	6-Jul-2013	1-Aug-2024	5-Jul-2028
36	Guangzhou Helibao Payment Technology Co., Ltd	10-Jul-2014	9-Jul-2024	9-Jul-2025
37	Shenzhen Sharelink Network Co., Ltd	10-Jul-2014	9-Jul-2024	9-Jul-2025
38	BangFuBao Payment Technology Co., Ltd	10-Jul-2014	16-May-2025	9-Jul-2025
39	Transfar Payment Co., Ltd	8-Dec-2015	1-Aug-2024	7-Dec-2025

Source: PBOC, Jefferies

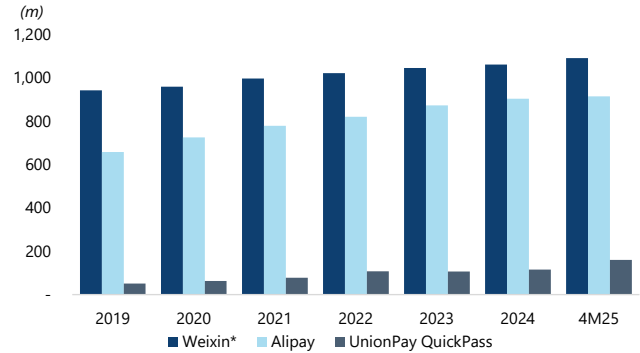
As Weixin Pay is embedded in the Weixin app and does not have a standalone mobile app, we use MAUs of Weixin as a reference due to the lack of disclosure on MAUs of Weixin Pay. According to QuestMobile, in Apr 2025, MAUs of Weixin/Alipay/UnionPay QuickPass increased 4.6%/3%/55.1% YoY to 1,098.1m/918.1m/162.2m. For 4M25, the average MAUs of Weixin/Alipay/UnionPay QuickPass grew 3.9%/2.7%/46.5% YoY to 1,091.1m/914.5m/160.2m.

Exhibit 142 - MAUs of Weixin, Alipay and UnionPay QuickPass in LTM



Source: QuestMobile, Jefferies  
Note: MAUs of Weixin used as proxy for Weixin Pay due to lack of disclosure on MAUs of Weixin Pay

Exhibit 143 - Average MAUs of Weixin, Alipay and UnionPay QuickPass



Source: QuestMobile, Jefferies  
Note: MAUs of Weixin used as proxy for Weixin Pay due to lack of disclosure on MAUs of Weixin Pay

We also analyzed the overlap between MAUs of Weixin, Alipay and UnionPay QuickPass in Apr 2025. The three had 137.1m overlapping MAUs in Apr 2025, which accounted for 12.5%, 14.9% and 84.5% of total MAUs of Weixin, Alipay and UnionPay QuickPass, respectively. Hence, we calculate that UnionPay QuickPass acquired 25.1m external MAUs outside Weixin and Alipay, which accounted for 15.5% of its total MAUs in Apr.

**UnionPay QuickPass acts as a payment aggregator amid the development of interconnection.**

According to the Fintech Development Plan (2019-2021) released by the PBOC on 6 Sep 2019, the central bank asked online payment service providers to remove barriers by developing technical standards, as well as form a technical system for the linkage and unification of barcode payment coding rules. On 2 Dec 2021, Alipay announced that it had achieved nationwide mutual recognition of QR codes, with China UnionPay to meet regulatory requirements on interconnection and interoperability. The pair started jointly exploring barcode payment interconnectivity in 2020 and has since piloted the function in China’s major cities including Beijing, Tianjin, Guangzhou, Shenzhen, Chengdu, Chongqing, and Xi’an, before rolling it out nationwide. Together with China UnionPay, Alipay made its QR code available to 28 banks and financial institutions such as Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Bank of Communications, China Merchants Bank, China CITIC Bank, China Guangfa Bank, Mi-Pay. Under the framework, users can scan Alipay’s indigenous code using the mobile apps of the banks, UnionPay QuickPass and other financial institutions. On 29 Dec 2021, Weixin Pay announced that it had interconnected with UnionPay QuickPass in various scenarios such as offline barcodes, mini-programs, and mobile apps including Tencent Video, Weixin Reading, Tencent Animation and Comics, and QQ Reading. UnionPay QuickPass also supports the recharge of QQ Coins, QQ Music and Tencent Video. In addition, Weixin Pay has made its QR code available to 19 banks and financial institutions, such as Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, Bank of Communications, Postal Savings Bank of China, Ping An Bank, China Minsheng Bank, China CITIC Bank, China Everbright Bank, China Guangfa Bank, China Merchants Bank, Fujian Rural Credit Union, Bank of Xi’an, Bank of Hangzhou, Bank of Ningbo, Bank of Jiangsu and Sichuan Tianfu Bank. Although Alipay and Weixin Pay have interconnected with UnionPay QuickPass separately, the two giants are not interconnected. Users cannot use Alipay to scan the Weixin Pay QR code and pay via Alipay, and vice versa. With the progress of interconnection, we think UnionPay QuickPass currently acts as a payment aggregator as it is interconnected with both banks and non-bank payment institutions.

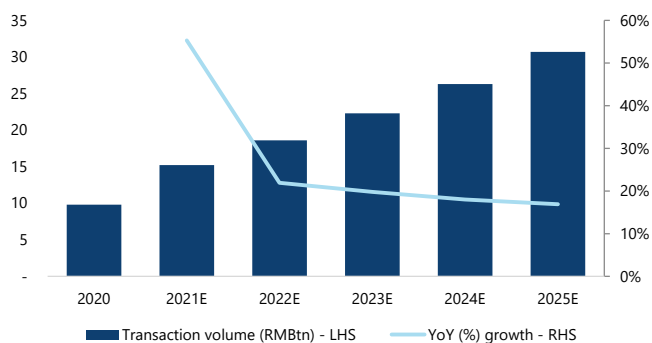
**Only 15.5% of UnionPay QuickPass MAUs in Apr 2025 were acquired outside Weixin and Alipay**

**With the progress of interconnection, we think UnionPay QuickPass currently acts as a payment aggregator as it is interconnected with both banks and non-bank payment institutions**

## Aggregate payments market expected to grow faster than third-party mobile payments.

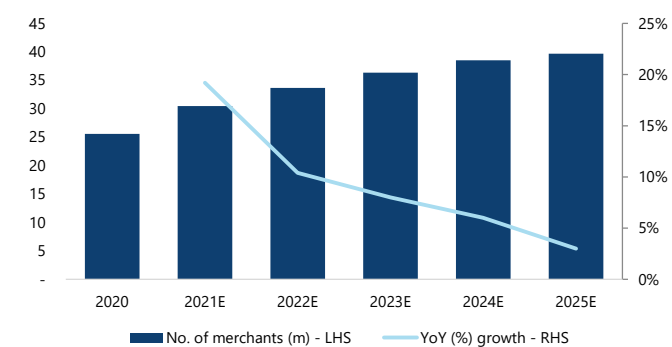
According to iResearch, GPV of China's aggregate payments increased by a CAGR of over 200% from RMB0.3tn in 2016 to RMB9.9tn in 2019, before slipping by c. 1% YoY in 2020, negatively affected by the Covid-19 outbreak. The number of merchants that used payment aggregators in China increased from 1.2m in 2016 to 23.1m in 2019, before increasing further to 25.6m in 2020. The benefits to merchants of using services provided by a payment aggregator and having a unified QR code, rather than directly registering with affiliated payment service providers, include: (1) merchants only need to apply once for a payment service that accepts payments from various e-wallets, and they do not need to undergo multiple know-your-client procedures with different affiliated payment service providers; (2) it is easier for merchants to reconcile transactions as all payments are accepted via one independent payment service provider which provides settlement services based on the operational needs of specific industries; and (3) with the assistance of a unified QR code, customers can scan one QR code using their preferred e-wallet. GPV of China's aggregate payments is expected by iResearch to reach RMB30.7tn in 2025E, implying a 2021-2025E CAGR of 19.2%. Meanwhile, the number of merchants that use payment aggregators in China is expected to reach 39.7m in 2025E, implying a 2021-2025E CAGR of 6.8%.

**Exhibit 144 - Transaction volume of China's aggregate payments, 2020 – 2025E**



Source: iResearch estimates, Jefferies

**Exhibit 145 - Number of merchants that use payment aggregators in China, 2020 – 2025E**



Source: iResearch estimates, Jefferies

**Merchants not allowed to use individual QR codes since Mar-22.** In Oct 2021, the PBOC issued the Notice of the People's Bank of China on Strengthening the Management of Payment Acceptance Terminals and Related Businesses, which came into effect on 1 Mar 2022. According to the Notice, for individuals with obvious characteristics of business activities, personal payment barcodes must not be used to collect payments for business activities, and the payment institutions must provide them with special merchant payment collection barcodes. Previously, there was no take-rate involved if merchants use individual QR codes to receive customer payments. We believe Yeahka is a beneficiary of the new rules to merchants. It ranked No.1 in China's non-bank independent integrated QR code payment service market, in terms of its comprehensive capabilities including transaction volume and number of merchants served in 2021, according to Analysys. One-stop payment services contribute over 80% of Yeahka's total revenue currently. Its QR code payment terminals integrate the QR codes of all e-wallets, including Alipay, and Tenpay, and the QR codes of the commercial banks in China.

**We believe Yeahka is a beneficiary of the new rules on merchant QR codes**

**Progress of Digital RMB application.** China expanded pilot testing for digital RMB or e-CNY to cover 17 provinces/cities comprising Beijing, Tianjin, Hebei, Dalian, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Changsha, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Yunnan and Xi'an. As of 31 Jul 2024, about 180m e-CNY wallets had been opened and these pilot areas registered total transaction value of about RMB7.3tn. At present, e-CNY is available for people to use in many scenarios both online and offline, such as payment for utilities like electricity, shopping and services including medical care, education, travel, tax payment and loan application. Compared with physical currencies, digital RMB has the characteristics of lower cost, higher payment efficiency, wider application scenarios, lower incidence of counterfeiting, and is safer. There are currently eight commercial banks eligible to provide e-CNY – Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, Postal Savings Bank of China, China Merchants Bank and Industrial Bank. Two online banks, Ant-backed MYbank and Tencent-backed WeBank, have also joined the digital RMB pilot program.

**Online lending: Focus on Higher Quality Customers.** We expect the online lending sector to continue focusing on quality growth in 2024 amid macroeconomic uncertainties. Improving sentiment is key to watch out in 2025. The PBOC has been strengthening the regulatory environment and monitoring the rectifications of different platforms since Nov 2020. Most of the rectifications have been completed and focus will shift to monitoring of regular operations going forward.

**QFIN: Improving take rate amid AI integration; Commits to returning value to shareholders.** Starting from 2H23, QFIN adjusted its business strategy to make quality growth and improving profitability its primary goals. It expects pricing in 2025 to fluctuate within a narrow band as it optimizes its loan portfolio in response to the macro uncertainties and focuses on high quality borrowers. On the take rate, it is expected to improve from 4.8-4.9% in 2024 to about 5.2%-5.3% in 2025. Pricing is expected to remain at about 21.5% and blended funding cost benefits from the issuance of ABS. We expect loan growth to grow at 6% YoY this year following a 13% YoY decline in 2024. It experienced better than expected seasonality in 1Q, thanks to improved sentiment post government policies in late 2024. Although sentiment has been affected by tariffs in early Apr, borrower activity is stabilizing and a recovery has been seen in mid-Apr. The sentiment so far is back to pre-tariff levels. Risk management is under control and the company aims to be better in 2025 vs 2024. The company expects limited impact from tariffs as loans volume from export-related borrowers contributes about 4% of total and the impact is expected to be even less from US export-related borrowers. QFIN engages in consumer loans with small ticket size. The softness in early Apr happens across all categories due to tariff sentiment. On AI, it integrated large language models into core capabilities and developed a standardized Qifu AI Copilot system that has been deployed across key segments of its business, including risk management, telemarketing, loan collection and customer service. The system enables intelligent human computer interaction through automatic speech recognition technology or ASL. It has achieved a recognition accuracy rate of 97% in its own collection scenarios. It considers risk management a key AI scenario. It is in the testing stage and will expand the scale dependent on testing results. On the other hand, technology solutions is under testing and aims to support banks in daily operations to improve efficiencies. On asset quality, it is largely stable and the fluctuation in the C-M2 ratio is in line with expectations. It says no major adjustments to its risk strategy are required. (3) The rise in Day-1 delinquency rate in 1Q was due to a) increased contribution from API channels with historically higher delinquency and b) flat QoQ loan volume leading to a smaller share of early-stage loans. The 30-day collection rate was 88.1% in 1Q25 vs 85.1% in 1Q24. Through the use of voiceprint recognition capabilities, it has achieved a 95% accuracy rate in identifying blacklisted customers. We estimate non-GAAP earnings to reach about RMB7bn in 2025. On capital return, QFIN is committed to its share repurchase program and targets to buy back about 30% of its issued capital in 3-years' time. It bought back 12% of shares in 2024 and expects to repurchase 11% of shares upon completion of its USD450 program in 2025. The priority is to buy back a total of 30% of shares by end 2026. On dividends, DPS growth is key and the payout ratio is at least 20%.

**Digital RMB applications continue to expand in China**

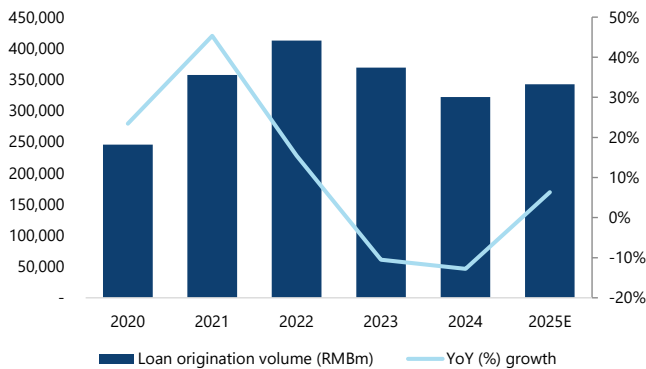
**In our view, the overhang from rectifications has been removed, and fintech sector focus will shift to monitoring regular operations going forward. Improving sentiment is key to watch out in 2025**

**QFIN pursues a balance of growth and profitability, with effective customer acquisition strategies through API channels. Limited impact is seen from tariffs with consumer loans a key focus. It is committed to returning value to shareholders**

**FINV: Rising contribution from overseas markets.** As per the company, FINV focuses on acquiring quality customers both domestically and internationally, and leveraging its technology capabilities to improve credit risk assessment and management framework to optimize product mix. It is strategically transitioning to better-quality borrowers with increasing proportion of category A & B borrowers in the domestic market. For 2025, it expects full year revenue to grow 10-15% YoY to RMB14.4bn to RMB15bn. In the long run, it targets over 50% of total revenue to come from international markets by 2030. The rationale for FINV to select overseas countries includes: (1) population; (2) GDP growth; (3) infrastructure. It leverages the underlying capabilities of user acquisition, risk model, loan collection and relationships with regional financial institutions to replicate its domestic success in overseas markets. In 2025, overseas loan volume is expected to grow at double-digit YoY. Solid demand is expected in Indonesia and Philippines which are expected to collectively generate profitability this year. Indonesia market contributed net profit of US\$5m in 2024, which is expected to at least double in 2025. The Philippines market is expected to make profits in 2025. FINV started panel testing in Pakistan in Nov 2024. It has a large population with GDP growth and basic infrastructure. Competition in Pakistan is less intensified vs Southeast Asian countries. At the initial stage, FINV will use its own funds to do business in Pakistan. It will cooperate with local banks once it has accumulated user data. For the domestic market, management expects loan transaction volume to grow at a mid-single digit YoY in 2025, with the take rate to improve on LPR and ABS issues.

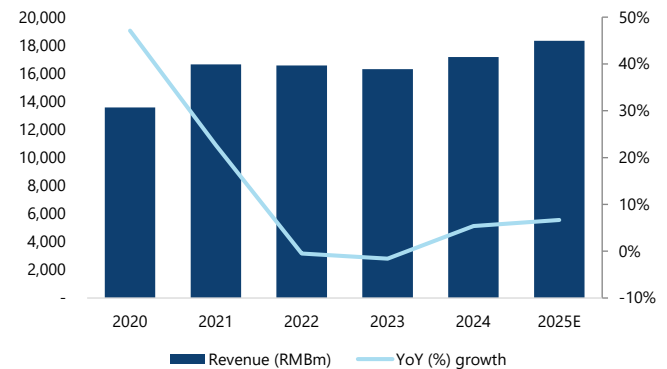
**FINV is expanding its presence in overseas markets and targets to reach 50% of total revenue by 2030. In 2025, Indonesia and Philippines which are expected to collectively generate profitability this year.**

**Exhibit 146 - QFIN: loan origination volume and YoY growth**



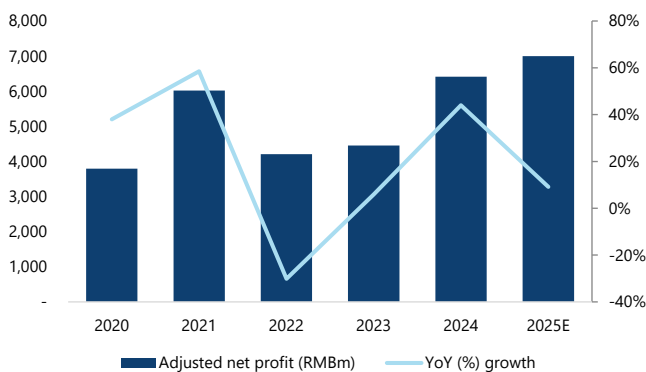
Source: Company, Jefferies estimates

**Exhibit 147 - QFIN: revenue and YoY growth**



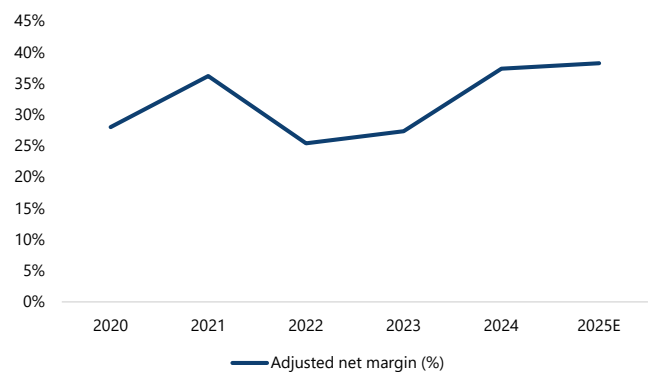
Source: Company, Jefferies estimates

**Exhibit 148 - QFIN: adjusted net profit and YoY growth**



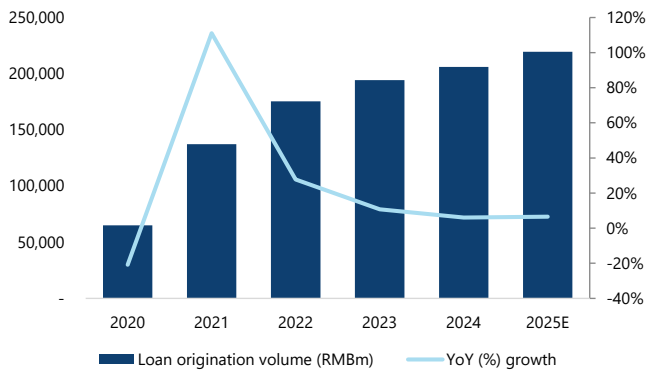
Source: Company, Jefferies estimates

**Exhibit 149 - QFIN: adjusted net margin**



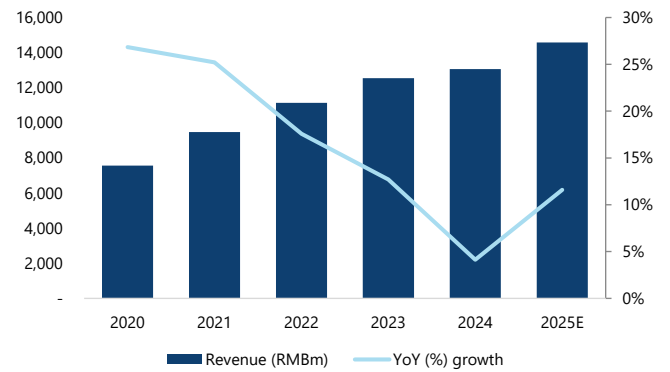
Source: Company, Jefferies estimates

**Exhibit 150 - FINV: loan origination volume and YoY growth**



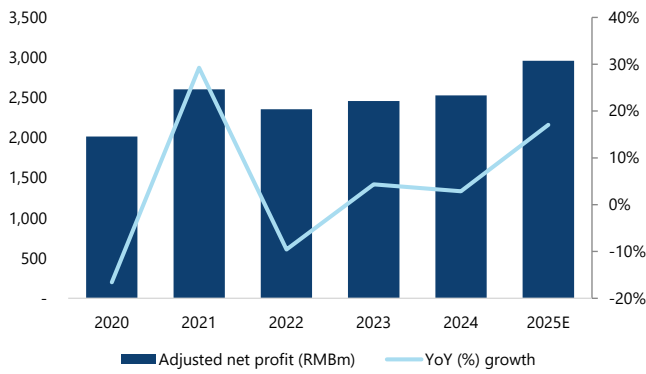
Source: Company, Jefferies estimates

**Exhibit 151 - FINV: revenue and YoY growth**



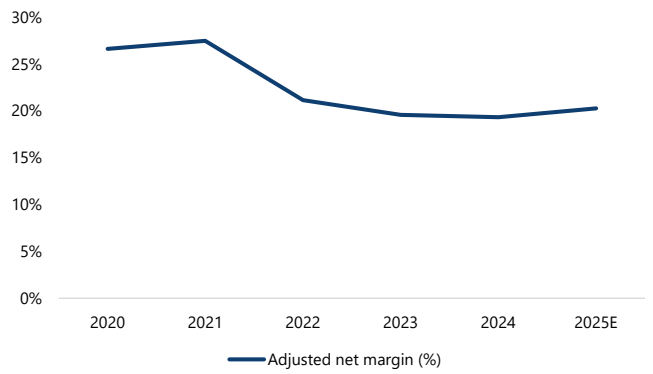
Source: Company, Jefferies estimates

**Exhibit 152 - FINV: adjusted net profit and YoY growth**



Source: Company, Jefferies estimates

**Exhibit 153 - FINV: adjusted net margin**



Source: Company, Jefferies estimates

**Online brokerage: active market trading driven by China stimulus measures and DeepSeek story.**

We have observed strong market trading volumes in 5M25 driven by improving sentiment post China's stimulus policies and DeepSeek's breakthrough. In 5M25, total trading turnover of H-shares, China A-shares and KWEB increased by 113% / 51% / 38% YoY, respectively. In 2Q25, the combined trading volume of H-shares, China A-shares and KWEB for Apr and May increased by 82% / 34% / 23% YoY, respectively. We believe the active trading will directly support online brokers' financial performances.

**Futu is the largest digital brokerage platform in Hong Kong by HK stock trading volume.**

In 1Q25, total trading volume on its platform increased 140.1% YoY and 11.4% QoQ to HK\$3.22tn, of which trading volume for US stocks grew 8.2% QoQ to HK\$2.25tn, and trading volume for Hong Kong stocks rose 21.4% QoQ to HK\$916bn. We estimate 10-15% of its US stocks trading volume comes from China ADRs. Futu added about 262K funded accounts in 1Q and management reaffirmed its full-year guidance of 800K net new funded accounts given the continuous strong client acquisition momentum in 2Q. Futu has solid footprints in global markets with rich product offerings. In HK, its mobile app DAU rose by 20% QoQ in 1Q with client assets growing by double digits QoQ. In Singapore, total client assets rose 11.4% QoQ, sustaining its streak of double-digit sequential growth. It launched cryptocurrency trading in HK and Singapore on 1 Aug and 12 Aug 2024, respectively. In the US, there was double-digit QoQ growth in both no of options traders and no of options contracts traded in 1Q, with the latter reaching a historical high. Starting from 6 Jun 2025, residents of qualified states are able to trade up to 32 tokens on its moomoo platform. Malaysia posted the fastest sequential growth in new funded accounts among all seven markets in 1Q. There looks to be ample room for market share expansion and Futu remains committed to its product localization and brand investment. In Japan, it continued to enhance its US stock offerings as it rolled out US fractional shares trading in 1Q and subsequently launched US options trading in Apr. In Canada and Australia, average client assets logged five straight quarters of sequential increase. Moomoo was launched in New Zealand in May 2025. Moomoo is now the no 2 broker in Australia in terms of DAU and its expansion into New Zealand is a natural extension with its brand awareness. Moreover, it unveiled *Futubull AI* in HK and plans to roll out AI offerings in other international markets in 2Q.

**East Money and Royalflush Info benefit from domestic investors' improving sentiment.**

At the PC end, East Money and Royalflush Info had nearly 60m and 20m monthly users, respectively, according to iResearch. At the mobile end, in Apr 2025, Royalflush Info had 45m MAUs and East Money had 30m MAUs. East Money's securities business contributed 73.2% of total revenue in 2024, of which net fee income and net interest income accounted for 52.7% and 20.5%, respectively. Financial ecommerce services, which comprises Tiantian Fund's online sales and distribution agency businesses for fund and wealth management products, contributed 24.5% of total revenue. The remaining 2.3% came from financial data services, internet ads and others. As for Royalflush Info, advertising & internet business promotion services contributed 48.4% of total revenue in 2024. This was followed by value-added telecommunications services, software sales & maintenance, as well as handling charges from fund sales and other transactions with revenue contributions of 38.6%, 8.5% and 4.5%, respectively.

**Online brokers benefit from the active market trading driven by China stimulus measures and DeepSeek story**

**Futu is the largest digital brokerage platform in HK by HK stock trading volume with solid footprints in overseas markets**

**East Money and Royalflush Info benefit from A-share investors' improving sentiment**

Exhibit 154 - Turnover at SSE and SZSE

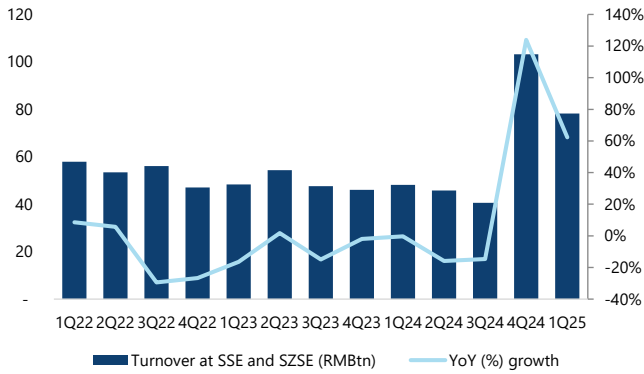
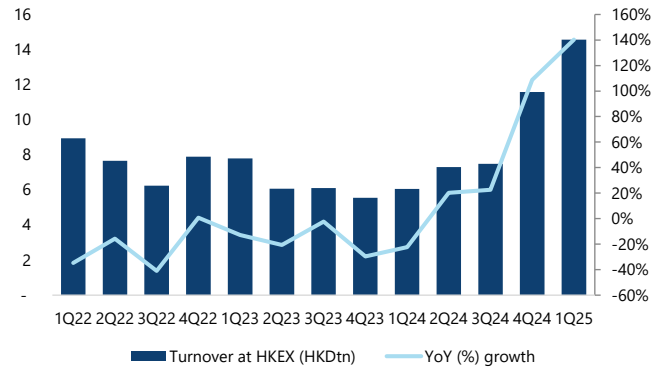


Exhibit 155 - Turnover at HKEX



Source: Wind, Jefferies

Source: Wind, Jefferies

Exhibit 156 - Turnover for stocks under the Stock Connect

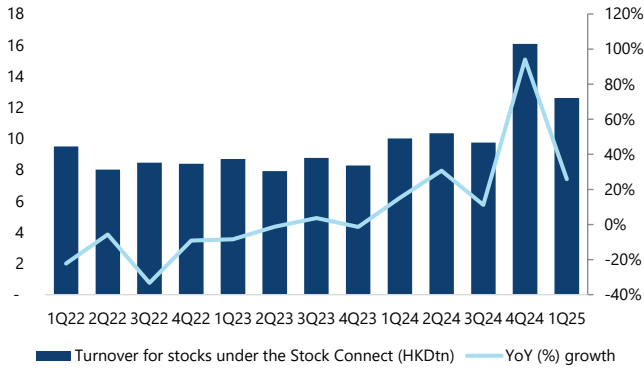
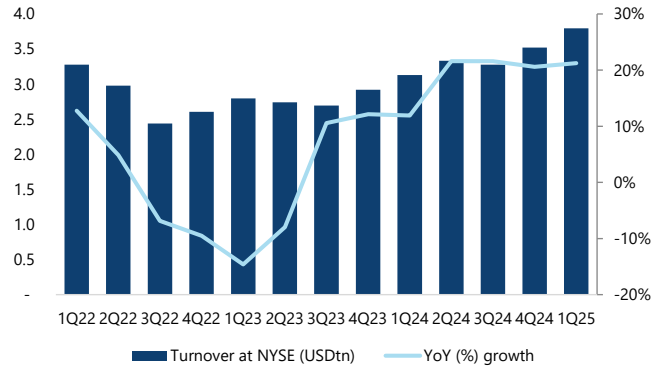


Exhibit 157 - Turnover at NYSE



Source: Wind, Jefferies

Source: FactSet, Jefferies

Exhibit 158 - Number of monthly users on PC websites of online brokerages

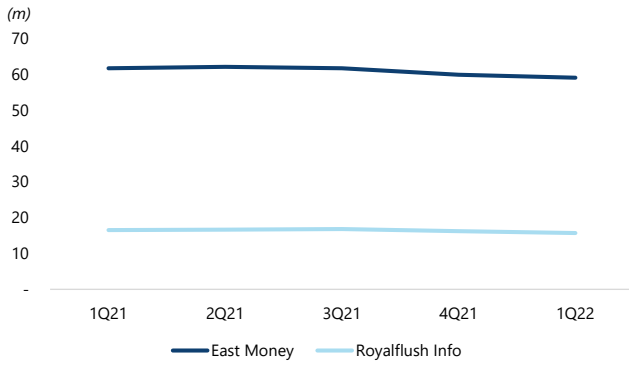
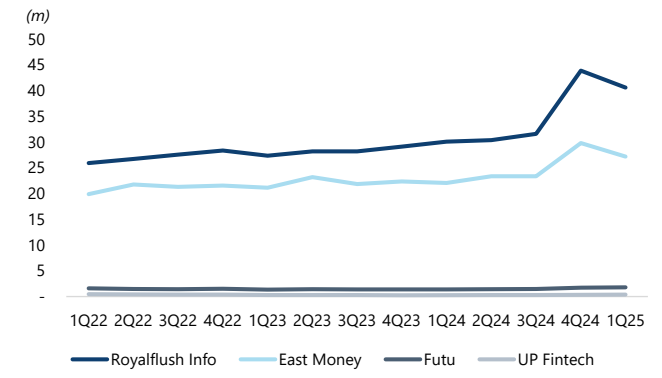


Exhibit 159 - MAUs on mobile app



Source: iResearch, Jefferies

Source: QuestMobile, Jefferies

## Fintech - Developments in LLM and AI

- Ant Group pursues AI First strategy and launches applications in financial, medical and local services. It speeds up AI transformation in Alipay and overseas as well as the setting up of AGI department. It has inhouse developed Bailing LLM and launches open source MoE models Ling-Lite (16.8bn parameters) and Ling- Plus (290bn parameters) in Mar-25.
- QFIN applies AI in different areas such as loan collection and customer services in order to increase conversion rate and communication efficiency. It considers risk management a key AI scenario. It is in testing stage and will expand the scale dependent on testing results. On the other hand, technology solutions is under testing and aims to support banks in daily operations to improve efficiencies.
- ZhongAn applies AIGC in the underwriting process to improve efficiency. In addition, it provides data analysis and supports programmers in coding.

**Ant Group pursues AI first strategy and launches inhouse Bailing LLM. In Mar-25, it launches open source MoE models Ling-Lite and Ling Plus. AI transformation is key to Alipay and overseas. Qifu Technology applies AI in different areas such as loan collection and customer services in order to increase conversion rate and communication efficiency. ZhongAn applies AIGC in the underwriting process to improve efficiency. In addition, it provides data analysis and supports programmers in coding**

### Exhibit 160 - Fintech

Company	Stock code	Highlights
		<b>Fintech</b>
Ant Group	Private	<ul style="list-style-type: none"> <li>- Ant released its financial LLM on its wealth management and insurance platforms. It aims to make this widely available on its digital finance platform.</li> <li>- Two applications were launched covering financial professionals and individuals. Zhixiaozhu 1.0 helps financial professionals perform tasks such as investment analysis, information summary, content creation, business insights and the financial tools. Zhixiaozhu 2.0 is a financial assistant to consumers on market and portfolio analysis, as well as investor education.</li> </ul>
Tencent	700-HK	<ul style="list-style-type: none"> <li>- It highlighted the significance of MaaS to different sectors. For the financial sector, industry LLM could strengthen the capabilities of existing financial risk management models, improving efficiency by 10x and anti-fraud performance by 20%. It takes 2 days to create industry LLM from data collection, pre-training to online release.</li> </ul>
Qifu Technology	QFIN-US	<ul style="list-style-type: none"> <li>- It set up an LLM team and is in the process of developing industry models based on open source infrastructure. In 2024, it launched AI customer service which lowers the operational costs of financial institutions with accuracy rate of over 93%.</li> <li>- Collaborates with 360 Group on in-depth research and development of cloud computing and artificial intelligence, as well as big data analysis and application.</li> <li>- Deploys Argus Engine to conduct fraud detection, credit assessment and to create personalized profiling strategy, which scrutinizes the data related to a prospective borrower in a highly-automated approach and outputs credit scores to its Cosmic Cube Pricing Model to price each drawdown.</li> <li>- In the process of evaluating applications for blockchain across its business model.</li> </ul>
ZhongAn	6060-HK	<ul style="list-style-type: none"> <li>- On AI, ZA has been investing in technology for some time and is focusing on leveraging AI to power the insurance sector. It published the AIGC White Paper in 2023 and highlighted various product offerings during the World AI Conference this year. It also released AIGC middle platform with various offerings (e.g. analytics tools) to partners. In 2H23, it continued to focus on quality growth with streamlined operations and AI.</li> <li>- Insurance core system: AIGC simplifies and automates various tasks such as underwriting process (e.g. inquiry, claims, renewals), as well as the tracking and monitoring status of business operations.</li> <li>- Insurance broker IT systems: AIGC provides intelligent customer service and generation of personalized content for agents.</li> <li>- DevCube: AIGC can be used to generate programming code, make suggestions to programmers, optimize code library and generate test cases.</li> <li>- Data platform: AIGC provides data analysis, insights and report generation.</li> <li>- During WAIC, it announced AIGC products such as Lingxi core system, Yichuang content management platform and Jizhi business analytics platform.</li> </ul>
Lufax	LU-US	<ul style="list-style-type: none"> <li>- LU platform is built on cloud-native infrastructure supplied by Ping An Cloud, which provides computing services, storage, server and bandwidth.</li> <li>- It develops a deep learning model that could enable algorithms to analyze unstructured data for faster and cheaper credit scoring and quality loan assessment, precise marketing, custom-built intelligent customer service bots, pioneering regulatory compliance and various other business areas.</li> <li>- It uses blockchain technology, built using Ping An ecosystem's FIMAX architecture, to accomplish suitability management and transparent disclosure, as well as to record interactions with its platform investors to ensure full traceability in case of complaints or disputes.</li> </ul>
FinVolution	FINV-US	<ul style="list-style-type: none"> <li>- Generative LLM is not suitable for FINV as it requires a lot of capital and talent resources. FINV focuses on AI applications related to its business and has achieved strong performance. On the other hand, FINV will continue to explore opportunities with other partners.</li> <li>- FINV launched a Smart Finance Institute for research and development in the field of AI that can be applied in various financial services.</li> <li>- Its AI-enabled 93/4 Platform provides all-in-one AI modeling services to promote integrated innovation in the fintech industry.</li> <li>- FINV developed and launched a proprietary credit-scoring model - Magic Mirror Model - to categorize borrowers into different credit ratings according to their risk profiles. The model is built based on data from multiple sources, including credit reference agencies, and strengthened by sophisticated AI and advanced machine-learning techniques.</li> </ul>
Futu	FUTU-US	<ul style="list-style-type: none"> <li>- Futu utilizes cloud services, equipment and software provided by Tencent to process large amounts of complicated data in-house.</li> <li>- It has established an intelligent risk control platform built on its proprietary algorithms, which is capable of analyzing different types, sources and stages of risk, as well as providing margin ratio adjustment recommendations and early risk warnings. In addition, it has developed an AI-based customer service function leveraging big data analytics and natural language processing capabilities.</li> <li>- It initiated the upgrade of technology infrastructure to Go language and cloud-native architecture since 2022. It anticipates a reduction in server costs through auto scaling after completion of the upgrade and expects enhancement in resource consumption efficiency.</li> </ul>
East Money	300059-CH	<ul style="list-style-type: none"> <li>- East Money has built a financial data AI intelligent production platform, which uses NLP technology to process unstructured and semi-structured data to realize data intelligent production and improve data quality and data-processing efficiency.</li> <li>- In Jan 2024, its self-developed Miaoxiang financial LLM officially started internal testing. The model focuses on financial verticals with capabilities of text generation, semantic understanding, knowledge Q&amp;A, logical reasoning, mathematical calculation and coding, etc. The company is integrating the model into its product ecosystem and keeps optimization in different financial scenarios to provide advanced financial services, enhance investment research quality and improve trading efficiency.</li> </ul>
Royalflush Info	300033-CH	<ul style="list-style-type: none"> <li>- It has built AI open platform which provides customers with a series of intelligent services such as short-form video generation, article generation, digital virtual human, intelligent financial Q&amp;A, intelligent voice, customer service, quality inspection machine, conference transcription system, smart government platform, and medical assistance system.</li> <li>- Its iWenCai has become a successful natural language and voice dialogue interactive question-answering system in the field of finance and economics, with millions of DAUs.</li> <li>- In Jan 2024, Royalflush officially launched its self-developed LLM HithinkGPT, which is the first financial inquiry LLM that was approved by Cyberspace Administration of China for public use. In 2024, the company plans to accelerate the integration of its AI products with LLM in areas including financial investment consulting, intelligent customer service, intelligent investment research, code generation, legal consulting, office assistants and translation.</li> </ul>

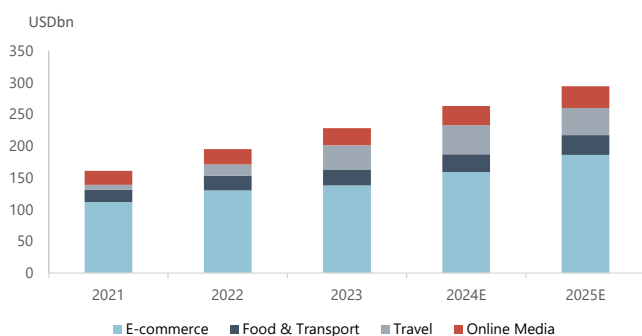
Source: Company, Jefferies

## Southeast Asia: Entering a New Era

**SEA's online shopping landscape is a dynamic one.** The combined entity of Tokopedia and TikTok Shop is expected to be market leader in Indonesia's ecommerce space in future taking into consideration the 125m users of TikTok (mass market) and 67m users of Tokopedia (mid-affluent). TikTok [says it](#) plans to invest USD1.5bn into the enlarged entity and watches the latest online shopping industry developments. We expect online shopping industry GMV to expand by over 10% YoY in the coming years given the low online shopping penetration rate currently.

According to the e-Conomy SEA 2023/2024 report (Google, Temasek, Bain & Company), total GMV (ecommerce, travel, food & transport and online media) increased by 18% CAGR in 2021-2024E to USD263bn. In 2024, total GMV grew 15% YoY, with ecommerce/travel/food & transport/online media increasing by 15%/21%/12%/11% YoY. Total GMV is expected to reach USD295bn in 2025. In terms of monetization, Southeast Asia's digital economy total revenue increased from USD12bn in 2016 to USD122bn in 2024E. By segment, core digital economy sectors increased by 26% CAGR from USD44bn in 2021 to about USD89bn (73% of total) in 2024E. Digital finance services increased by 30% CAGR from USD15bn in 2021 to USD33bn in 2024E. We note that monetization accelerated in Southeast Asia over the past few years (26% revenue CAGR vs 18% GMV CAGR between 2021 and 2024E).

**Exhibit 161 - Total GMV in 2021-2025E**



Source: Google, Temasek, and Bain & Company estimates, Jefferies

## Full year outlook is intact for key players SE, Grab and GoTo

**Sea Limited (SE US): Multiple growth drivers across segments.** In 2025, SE provides a solid set of guidance with Shopee GMV to grow at about 20% YoY and Garena to grow double digit YoY in both users and bookings respectively. For Shopee, we believe it is committed to providing the best experience to users in terms of price competitiveness, wide product selections, good logistics services and content ecosystem play out. The competitive landscape is stable, and an improvement in fundamentals is the key in the SEA market. For Shopee, its long term segment adjusted EBITDA margin (2-3% of segment adjusted EBITDA margin) is intact, thanks to the take rate improvement (e.g. ad and commissions) and cost efficiencies (e.g. logistics and marketing). We expect Shopee GMV continue to benefit from rising online shopping penetration amid uncertainties in macro-environments.

**We expect rising online shopping penetration with an increasing number of shoppers and product categories in Southeast Asia. In ecommerce, Indonesia remains a key market, followed by Thailand**

**We expect long term adjusted EBITDA margin of Shopee is intact considering further rooms in ad monetization, costs efficiencies across different business lines such as logistics and ROI approach in marketing. GMV growth benefits from rising online shopping penetration in SEA**

Shopee focuses on local merchants who are close to the supply chain. Low price and good services are needed to win the mindshare of consumers. Ad monetization is a big opportunity with continued upgrades in ad products, algorithms and ROI. AI is expected to strengthen ad targeting and conversion. In addition, sellers' education is key, as they need time to get familiar with digital ad offerings. On SPX, it penetrates over half of total orders in SEA and Brazil respectively. Compared to overseas, we believe there is still a lot of room to grow the fulfillment market as small merchants do the delivery by themselves. On live-streaming ecommerce, Shopee continues to strengthen product categories / SKU, content creators and take rate. It is a leading player in terms of order volume in the Indonesia market. From an industry perspective, the live-streaming and short video commerce sector is undergoing fast growth and we expect it to capture a slightly lower market share vs the Chinese market. On AI, it enhances both productivity and cost efficiency. This is seen in search recommendations, matching in fintech, AIGC tools in ecommerce. On the other hand, AI drives cost savings in operations such as customer service and product returns

**Growth with reinvestment and long-term margin target is unchanged.** The increase in take rate does not fully translate into earnings, as Shopee uses a certain portion of it for reinvestment. Shopee takes into consideration sellers' profitability profile on take rate adjustments. Growth and market share are important given there are a lot of opportunities to be unlocked. Long-term margin guidance is intact.

**FF achieves milestone in DAU with long game lifecycle.** FF (Free Fire) is a global blockbuster and surpassed 100m DAU in 2024 with DAU back to pre-pandemic level in 1Q25. A strong performance was seen in 1Q with Garena's bookings achieving over 50% YoY growth, thanks to the co-operation with Naruto which is well received by gamers. We believe FF becomes a gaming ecosystem on the back of a huge DAU base with continuous content updates to further lengthen its longevity. On new games, it launched Delta Force Mobile in Apr-25 and other new games such as Free City will be released in phases this year.

**Monee captures long term fintech potential.** DFS was rebranded from SeaMoney to Monee in May-25 and aims to provide a simple, accessible and inclusive fintech experience to users. We expect loan growth to surpass GMV growth in 2025, thanks the strengths of On and Off-Shopee ecosystem (e.g. BNPL, cash loans). Diversification of geographical presence across different countries in SEA and Brazil further mitigate single country risks. Prudent approach is taken on risk management with stable asset quality (i.e. 90-days NPL remains at about 1%). It is quick to respond to market dynamics in underwriting thresholds, credit limits and pricing parameters. Despite uncertainties of macro-headwinds, its loan tenure is short between 3 to 6 months. No of active users grew at over 50% YoY to over 28m (over 4m are first time borrowers) in 1Q. We believe there is a lot of room to grow its borrower base as the penetration rate in Shopee's ecosystem remains low amid the early stage of fintech in SEA.

**Grab (GRAB US): Solid demand despite macro-uncertainties.** Grab is a leader in the region and focuses on balancing growth and profitability. Consumer sentiment is resilient with MTU to maintain solid YoY growth in 1Q and sequential rebound is expected for deliveries/mobilities in 2Q. The penetration in on-demand is still low at 6% based on MTU as % of total population with further room to drive engagement (DTU to MTU is about 16%)

**Competitive pricing, wide product selection, good service and content ecosystem stands out. On the other hand, AI drives productivity and efficiency with enhanced targeting, conversion and ROI.**

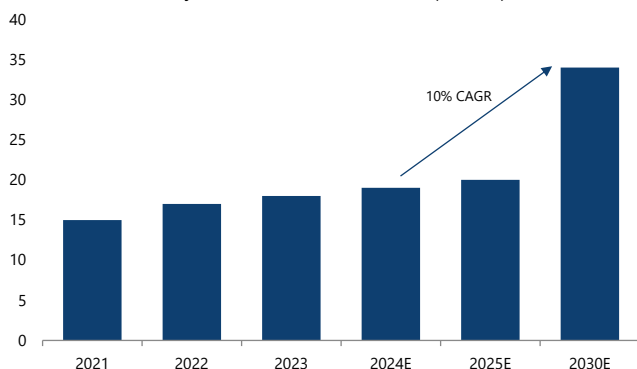
**Disciplined approach in spending. Growth and profitability are both important**

**Garena is expected to achieve double digit growth in users and bookings in 2025**

**On Monee, it pursues prudent risk management approach and On/Off-Shopee loans are in the early stage of growth**

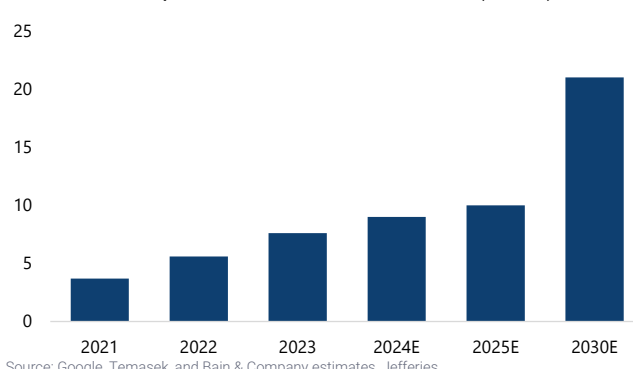
**Grab's deliveries and mobility is resilient in growth despite macro-uncertainties, thanks to strong execution targeting to the needs of different users.**

Exhibit 162 - Food delivery GMV in 2021-2025E, 2030E (USD bn)



Source: Google, Temasek, and Bain & Company estimates, Jefferies

Exhibit 163 - Transportation GMV in 2021-2025E, 2030E (USD bn)



Source: Google, Temasek, and Bain & Company estimates, Jefferies

**Deliveries: further room to improve segment margin and cross-selling between Food and Mart drives engagement.** Grab is profitable in all of its markets including Indonesia. It aims to satisfy diversified users needs with different products including Standard, Saver and Priority. For Saver, Grab manages to achieve at least breakeven or slightly positive profit, and the goal is to reactivate users who are sensitive to incentives. It charges a lower delivery fee per order and takes a longer delivery time as these orders are delivered in batches. On the other hand, cross-selling between Food and Mart drives engagement with spending and frequencies 4x and 2.5x for Food and Mart users higher vs Food only users. We expect Deliveries margin expansion to come from advertising and incentives spending. Advertising is expected to benefit from self-service platform to SMEs and long-tail merchants, as well as incentives spending.

**Mobility: High teens GTV growth is expected in 2025 with steady margin.** Mobility online penetration remains low vs mature markets. We expect high teens GTV growth in 2025 backed by MTU growth and frequencies. Grab focuses on offering users different products, including affordability, high value rides and advance bookings (e.g. airport rides). For example, Savers penetrates over 25% of the rides across regions with 1.5x higher average transaction frequency. The goal is to improve MTU and frequencies of all cohorts. As a multi-vertical player, we believe Grab stands out in terms of scale, cross-selling and AI investment. The travel sector is important to mobilities, which contributes about single-digit % of user mix and 10%+ of GTV. Grab partners with different parties (e.g. Trip.com, WeChat, Alipay) and inbound travel has ample room to grow as it has yet to fully recover. For autonomous vehicle (AV), UE is expected to improve and AV can serve those areas that are remote and poorly served. On the other hand, electric vehicles (EV) is the focus, which can help to reduce the driver's costs.

**Financial services: target to achieve breakeven is intact.** Grab aims to achieve breakeven at the adjusted EBITDA level no later than 2H26. The financial service business is split into two parts: (1) Fintech, which is profitable on rising lending contributions. Online lending covers about 1/3 of drivers and a single-digit percent of merchant base. Most of the loans are on-balance sheet; (2) Digital bank, where about 80% of deposits come from Grab. There are different offerings which include FlexiCredit (credit line facility), FlexiLoan Biz (MSME loan) and unsecured digital loan. It remains prudent on credit risk with 90-day non-performing loans stable at about 2%. Digital bank is a loss making business at the moment. Healthy risk-adjusted returns is achieved after accounting for allowances for credit losses. The loans have short tenure, which leads to the difference between disbursements vs loan book. NPL is stable at about 2%.

**We believe deliveries margin has further room to expand on ad monetization and cost efficiencies. Synergies are expected between Food and Mart users**

**Different mobility product offerings satisfy the needs of users. Autonomous driving is in the early stage**

**Financial services is expected to achieve breakeven no later than 2H26. It penetrates drivers and merchants base in online lending backed by on-balance sheet loans. For the digital bank, most of the deposits come from Grab**

**GoTo (GOTO IJ): Unlocks the potential of fintech while ODS segment satisfies diversified users needs.** For GoPay, the no. of monthly transacting users increased by 30% YoY to 20.6m in 1Q and we believe there is a lot of room to expand the user base considering GoPay targets the mass market (150m) providing them with various features such as payments, savings, transfers and loans. It has rich user interface and is targeting the mass market. In Indonesia, it ranks no. 2 in consumer payments and there is a big opportunity to grow the user base. On lending, the loan book has a short duration with average life of portfolio (ex-vehicle finance) of about 3 months. It is a highly profitable business which we expect to exceed Rp8tn by end of 2025 (vs Rp5.2tn by 2024). GoTo has about a 21% stake in Bank Jago which is a key partner in the lending business, facilitating over 70% of the loans. Ecosystem platform strategies drive cross-selling between ODS, eWallet and lending. It aims to generate about Rp300bn in adjusted EBITDA in 2025.

**Multiple distribution channels within ecosystem.** For consumer lending, total loans outstanding increased by 108% YoY to Rp5.7tn in 1Q25. In terms of product mix, BNPL and cash loans represent 50:50 of the loan portfolio. More than half of the loans come from GoJek and GoPay apps. Ecommerce Tokopedia is mainly a BNPL model.

**On-demand service (ODS): Improving fundamentals is key.** GoTo provides diversified offerings and aims to satisfy diverse needs of different user segments. These include affordable (e.g. special delivery fleet) and premium services. In terms of GTV, delivery is larger than mobility. In terms of margin profile, mobility is higher than delivery, similar to peers. Improvement in profitability is key for ODS. Advertising is seeing a fast growth trend and a high margin business. Meanwhile, for autonomous driving, it expects it will take time for this to pick up in Indonesia vs developed countries. GoTo aims to generate at least Rp1.1tn adjusted EBITDA in ODS in 2025. Compared to 2023, we believe GoTo is a better position to defend market share considering ODS has turned adjusted EBITDA positive and the high-margin service fee model in ecommerce.

**Ecommerce service fees is a high-margin business.** In contrast to Tokopedia, TikTok Shop targets mass audience who are impulse driven, with higher exposure to fashion and beauty categories. In terms of competition, this varies on a monthly basis considering seasonality and special events. The pace of market share gain in ecommerce depends on TikTok strategies.

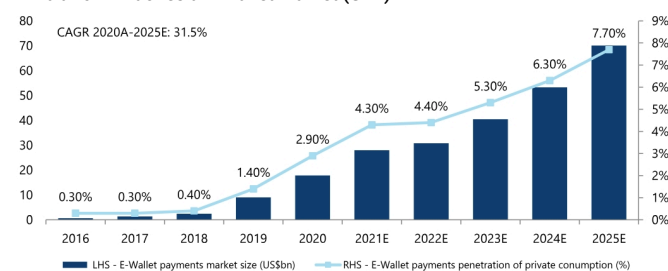
**Fintech is expected to achieve positive adjusted EBITDA in 2025, with loan growth driven by multiple product offerings coupled with prudent risk management**

**Majority of the loans sourced by Bank Jago. GoJek and GoPay contribute over half of the loans**

**We expect ODS to improve segment EBITDA margin with further rooms to increase advertising monetization**

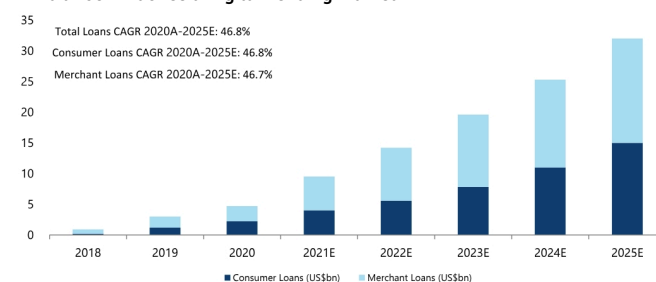
**Ecommerce service fees is a high margin business dependent on TT strategy**

**Exhibit 164 - Indonesia E-Wallet Market (GTV)**



Source: RedSeer estimates, Jefferies

**Exhibit 165 - Indonesia Digital Lending Market**



Source: RedSeer estimates, Jefferies

## Tencent Music Entertainment (TME US, Buy, PT USD22)

### Exhibit 166 - TME US: Income Statement

Income Statement (TME US)						
RMB mn	2021A	2022A	2023A	2024A	2025F	2026F
<b>Total Revenue</b>	<b>31,244</b>	<b>28,339</b>	<b>27,752</b>	<b>28,401</b>	<b>31,097</b>	<b>33,641</b>
Cost of revenue	-21,840	-19,566	-17,957	-16,376	-17,132	-18,166
<b>Gross profit</b>	<b>9,404</b>	<b>8,773</b>	<b>9,795</b>	<b>12,025</b>	<b>13,964</b>	<b>15,475</b>
<i>Gross margin</i>	<i>30.1%</i>	<i>31.0%</i>	<i>35.3%</i>	<i>42.3%</i>	<i>44.9%</i>	<i>46.0%</i>
Sales and marketing expense	-2,678	-1,144	-897	-865	-918	-945
General and Administrative expense	-4,009	-4,413	-4,121	-3,811	-3,806	-3,806
Other operating expense	1,083	1,227	1,282	1,361	3,727	1,320
Operating Profit	3,800	4,443	6,059	8,710	12,968	12,044
<i>Operating margin</i>	<i>12.2%</i>	<i>15.7%</i>	<i>21.8%</i>	<i>30.7%</i>	<i>41.7%</i>	<i>35.8%</i>
<b>Non-IFRS net income</b>	<b>4,332</b>	<b>4,907</b>	<b>6,223</b>	<b>8,136</b>	<b>8,838</b>	<b>10,124</b>

Source: Company, Jefferies estimates

### Exhibit 167 - TME US: Balance Sheet

Balance Sheet (TME US)						
RMBmn	2021A	2022A	2023A	2024A	2025F	2026F
Cash and cash equivalents	6,591	9,555	13,567	13,164	24,037	34,672
Short term investments	1,066	37	37	46	46	46
Trade Receivables	3,610	2,670	2,918	3,508	3,808	4,108
Inventories	24	14	8	23	23	23
Term deposit	12,769	11,291	9,937	13,999	13,999	13,999
Due from RP	-	-	-	-	-	-
Prepayments, deposits and others	2,731	2,958	3,438	3,793	3,793	3,793
Restricted cash	-	34	31	11	11	11
<b>Total current assets</b>	<b>26,791</b>	<b>26,559</b>	<b>29,936</b>	<b>34,544</b>	<b>45,717</b>	<b>56,652</b>
Available for sale investments	7,302	3,168	6,540	14,498	14,498	14,498
PP&E	243	323	490	803	1,065	1,332
Intangible assets and goodwill	21,950	21,861	21,574	21,696	21,370	21,044
Long term prepayments	743	709	540	425	425	425
Deferred Taxes	346	347	352	422	464	511
Other non-current assets	9,879	14,042	16,104	18,056	18,056	18,056
<b>Total non-current assets</b>	<b>40,463</b>	<b>40,450</b>	<b>45,600</b>	<b>55,900</b>	<b>55,878</b>	<b>55,866</b>
<b>Total assets</b>	<b>67,254</b>	<b>67,009</b>	<b>75,536</b>	<b>90,444</b>	<b>101,596</b>	<b>112,517</b>
Deferred revenue	1,834	2,170	2,854	3,096	2,177	2,355
Accounts payables	4,329	4,998	5,006	6,879	6,979	7,079
Other non-current liabilities	4,287	4,549	4,154	6,575	6,575	6,575
<b>Total current liabilities</b>	<b>10,450</b>	<b>11,717</b>	<b>12,014</b>	<b>16,550</b>	<b>15,731</b>	<b>16,009</b>
Deferred revenues	86	106	148	179	229	279
Lease liabilities	205	306	297	219	219	219
Deferred tax liabilities and others	303	217	239	198	198	198
Long term loan	5,155	5,536	5,636	3,572	3,572	3,572
<b>Total non-current liabilities</b>	<b>5,749</b>	<b>6,165</b>	<b>6,320</b>	<b>4,168</b>	<b>4,218</b>	<b>4,268</b>
<b>Total liabilities</b>	<b>16,199</b>	<b>17,882</b>	<b>18,334</b>	<b>20,718</b>	<b>19,949</b>	<b>20,277</b>
Shareholders Equity	50,317	48,099	55,907	67,863	79,784	90,378
Minority interests	738	1,028	1,295	1,863	1,863	1,863
<b>Total Sh. Equity + Liabilities+mezzanine ec</b>	<b>67,254</b>	<b>67,009</b>	<b>75,536</b>	<b>90,444</b>	<b>101,596</b>	<b>112,517</b>

Source: Company, Jefferies estimates

### Exhibit 168 - TME US: Cash Flow Statement

Cash Flow Statement (TME US)						
RMBmn	2021A	2022A	2023A	2024A	2025F	2026F
Net income	3,215	3,839	5,220	7,109	10,370	9,284
Operating cash flow	5,239	7,481	7,337	10,275	11,331	11,097
Investing cash flow	(5,999)	(1,446)	(1,863)	(6,818)	(458)	(463)
Financing cash flow	(3,710)	(3,419)	(1,538)	(3,830)	-	-
Change in cash	(4,470)	2,616	3,936	(373)	10,873	10,634
FX / other adjustments	(67)	348	76	(30)	-	-
<b>Cash and cash equivalents at beginning of y</b>	<b>11,128</b>	<b>6,591</b>	<b>9,555</b>	<b>13,567</b>	<b>13,164</b>	<b>24,037</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,591</b>	<b>9,555</b>	<b>13,567</b>	<b>13,164</b>	<b>24,037</b>	<b>34,672</b>

Source: Company, Jefferies estimates

## NetEase Cloud Music (9899 HK, Buy, PT HKD287)

### Exhibit 169 - 9899 HK: Income Statement

Income Statement (9899 HK)						
RMBm	2021A	2022A	2023A	2024A	2025F	2026F
<b>Total Revenue</b>	<b>6,998</b>	<b>8,992</b>	<b>7,867</b>	<b>7,950</b>	<b>8,284</b>	<b>8,614</b>
YoY % change	42.9%	28.5%	-12.5%	1.1%	4.2%	4.0%
Cost of revenue	(6,855)	(7,699)	(5,764)	(5,269)	(5,550)	(5,599)
<b>Gross profit</b>	<b>143</b>	<b>1,293</b>	<b>2,103</b>	<b>2,682</b>	<b>2,734</b>	<b>3,015</b>
Gross margin	2.0%	14.4%	26.7%	33.7%	33.0%	35.0%
Selling and marketing expenses	(431)	(635)	(758)	(612)	(630)	(660)
General and administrative expenses	(264)	(172)	(165)	(185)	(190)	(171)
Research and development expenses	(869)	(1,011)	(869)	(780)	(803)	(833)
Other income	72	142	72	28	28	28
Other gains/(losses), net	3	(3)	(52)	37	37	37
<b>Operating Profit</b>	<b>(1,347)</b>	<b>(385)</b>	<b>330</b>	<b>1,171</b>	<b>1,176</b>	<b>1,416</b>
YoY % change	-11.7%	-71.5%	-185.9%	254.6%	0.4%	20.5%
Operating margin	-19.2%	-4.3%	4.2%	14.7%	14.2%	16.4%
<b>Non-IFRS operating profit</b>	<b>(1,090)</b>	<b>(278)</b>	<b>414</b>	<b>1,309</b>	<b>1,314</b>	<b>1,555</b>
YoY % change	-27.5%	-74.5%	-249.3%	215.9%	0.4%	18.3%
Non-IFRS operating margin	-15.6%	-3.1%	5.3%	16.5%	15.9%	18.0%
Net Income	(2,056)	(221)	734	1,562	1,570	1,812
YoY % change	-30.3%	-89.2%	-431.5%	112.7%	0.6%	15.4%
Net margin	-29.4%	-2.5%	9.3%	19.6%	19.0%	21.0%
<b>Non-IFRS net income</b>	<b>(1,044)</b>	<b>(115)</b>	<b>819</b>	<b>1,700</b>	<b>1,709</b>	<b>1,951</b>
YoY % change	-33.4%	-89.0%	-814.4%	107.7%	0.5%	14.2%
Non-IFRS net margin	-14.9%	-1.3%	10.4%	21.4%	20.6%	22.6%

Source: Company, Jefferies estimates

### Exhibit 170 - 9899 HK: Balance Sheet

Balance Sheet (9899 HK)						
RMBm	2021A	2022A	2023A	2024A	2025F	2026F
Accounts receivables	674	558	923	1,055	1,099	1,143
Prepaid contents royalties	1,110	506	589	335	353	356
Prepayments, deposits and other receivables	235	156	186	305	318	331
Amounts due from group companies	128	139	98	33	34	36
Financial assets at fair value through profit or loss	241	-	-	7	7	7
Short-term bank deposits	5,528	6,192	5,485	6,421	6,421	6,421
Cash and cash equivalents	853	2,917	4,020	3,795	5,910	8,199
<b>Total current assets</b>	<b>8,769</b>	<b>10,475</b>	<b>11,323</b>	<b>11,952</b>	<b>14,143</b>	<b>16,493</b>
Property, plant and equipment	44	46	33	20	8	(4)
Investments accounted for using equity method	93	79	79	72	72	72
Prepaid contents royalties	471	283	166	107	113	114
Prepayments, deposits and other assets	11	8	9	30	32	33
Long-term bank deposits	-	-	-	1,400	1,400	1,400
<b>Total non-current assets</b>	<b>619</b>	<b>416</b>	<b>287</b>	<b>1,630</b>	<b>1,625</b>	<b>1,616</b>
<b>Total assets</b>	<b>9,388</b>	<b>10,891</b>	<b>11,611</b>	<b>13,582</b>	<b>15,769</b>	<b>18,109</b>
Accounts payables	0	0	0	24	25	26
Accruals and other payables	1,284	2,235	2,015	1,976	2,249	2,436
Contract liabilities	607	717	1,004	1,237	1,237	1,237
Amounts due to group companies	56	53	76	74	78	78
Income tax payable	-	6	4	1	1	1
<b>Total current liabilities</b>	<b>1,948</b>	<b>3,010</b>	<b>3,100</b>	<b>3,312</b>	<b>3,589</b>	<b>3,778</b>
Contract liabilities and Lease liability	58	61	70	89	89	89
Convertible redeemable Preferred Shares	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>58</b>	<b>61</b>	<b>70</b>	<b>89</b>	<b>89</b>	<b>89</b>
<b>Total liabilities</b>	<b>2,006</b>	<b>3,071</b>	<b>3,170</b>	<b>3,401</b>	<b>3,678</b>	<b>3,867</b>
Total shareholder equity and minority interest	7,382	7,820	8,441	10,182	12,091	14,242
<b>Total liabilities and shareholder equity</b>	<b>9,388</b>	<b>10,891</b>	<b>11,611</b>	<b>13,582</b>	<b>15,769</b>	<b>18,109</b>

Source: Company, Jefferies estimates

### Exhibit 171 - 9899 HK: Cash Flow Statement

Cash Flow Statement (9899 HK)						
RMBm	2021A	2022A	2023A	2024A	2025F	2026F
Net income	(2,056)	(221)	734	1,562	1,570	1,812
Operating cash flow	(908)	1,843	189	1,775	1,512	1,687
Investing cash flow	(3,862)	159	1,227	(1,939)	602	602
Financing cash flow	2,614	(3)	(308)	(62)	-	-
FX / other adjustments	4	64	(5)	1	-	-
Change in cash	(2,157)	1,999	1,109	(226)	2,115	2,289
<b>Cash and cash equivalents (beginning)</b>	<b>3,006</b>	<b>853</b>	<b>2,917</b>	<b>4,020</b>	<b>3,795</b>	<b>5,910</b>
<b>Cash and cash equivalents (end)</b>	<b>853</b>	<b>2,917</b>	<b>4,020</b>	<b>3,795</b>	<b>5,910</b>	<b>8,199</b>

Source: Company, Jefferies estimates

## NetEase (NTES/9999HK, Buy, PT USD155/HKD242)

### Exhibit 172 - NTES US: Income Statement

Income Statement (NTES US)						
RMB mn	2021A	2022A	2023A	2024A	2025F	2026F
<b>Total Revenue</b>	<b>87,606</b>	<b>96,496</b>	<b>103,468</b>	<b>105,295</b>	<b>116,759</b>	<b>123,071</b>
YoY % change	18.9%	10.1%	7.2%	1.8%	10.9%	5.4%
Cost of revenue	40,635	43,726	40,405	39,561	43,924	45,688
<b>Gross profit</b>	<b>46,971</b>	<b>52,770</b>	<b>63,063</b>	<b>65,734</b>	<b>72,835</b>	<b>77,383</b>
Gross margin	53.6%	54.7%	60.9%	62.4%	62.4%	62.9%
Sales and marketing expense	12,214	13,403	13,969	14,148	14,299	14,723
General and administrative expense	4,264	4,696	4,900	4,551	3,825	3,825
Research and development expense	14,076	15,039	16,485	17,525	19,545	22,145
Operating Profit	16,417	19,633	27,709	29,511	35,165	36,689
YoY % change	12.9%	19.6%	41.1%	6.5%	19.2%	4.3%
Operating margin	18.7%	20.3%	26.8%	28.0%	30.1%	29.8%
<b>Non-GAAP operating profit</b>	<b>19,459</b>	<b>22,807</b>	<b>30,952</b>	<b>33,395</b>	<b>38,973</b>	<b>40,497</b>
YoY % change	13.1%	17.2%	35.7%	7.9%	16.7%	3.9%
Non-GAAP operating margin	22.2%	23.6%	29.9%	31.7%	33.4%	32.9%
Net Income	16,857	19,717	29,417	29,627	32,600	33,764
YoY % change	39.7%	17.0%	49.2%	0.7%	10.0%	3.6%
Net margin	19.2%	20.4%	28.4%	28.1%	27.9%	27.4%
<b>Non-GAAP net income</b>	<b>19,762</b>	<b>22,891</b>	<b>32,659</b>	<b>33,511</b>	<b>36,408</b>	<b>37,571</b>
YoY % change	34.4%	15.8%	42.7%	2.6%	8.6%	3.2%
Non-GAAP net margin	22.6%	23.7%	31.6%	31.8%	31.2%	30.5%

Source: Company, Jefferies estimates

### Exhibit 173 - NTES US: Balance Sheet

Balance Sheet (NTES US)						
RMBmn	2021A	2022A	2023A	2024A	2025F	2026F
Cash and Cash Equivalents	14,498	24,889	21,429	51,383	68,184	85,113
Time deposits	70,755	84,948	100,856	75,441	83,000	83,000
Restricted cash	2,877	2,699	2,777	3,086	3,086	3,086
Short term investments	12,282	7,623	4,436	10,756	11,456	12,156
Account receivable	5,508	5,003	6,422	5,669	7,669	9,669
Deferred tax assets	-	-	-	-	40	80
Other current assets	7,201	6,442	6,772	6,988	6,988	6,988
<b>Total current assets</b>	<b>113,120</b>	<b>131,603</b>	<b>142,693</b>	<b>153,325</b>	<b>180,424</b>	<b>200,093</b>
Time deposits	5,824	2,974	1,050	3,025	3,025	3,025
Restricted cash	1	0	1	5	5	5
Property, equipment and software	5,434	6,342	8,075	8,520	8,638	8,703
Land use right	4,108	4,122	4,075	4,172	4,172	4,172
Deferred tax assets	1,298	1,481	1,560	1,113	1,113	1,113
Other non-current liabilities	23,859	26,239	28,472	25,831	25,838	25,846
<b>Total non-current assets</b>	<b>40,524</b>	<b>41,158</b>	<b>43,232</b>	<b>42,667</b>	<b>42,792</b>	<b>42,864</b>
<b>Total assets</b>	<b>153,644</b>	<b>172,761</b>	<b>185,925</b>	<b>195,992</b>	<b>223,217</b>	<b>242,958</b>
Accounts payables	985	1,507	881	721	3,681	3,897
Deferred revenue	12,133	12,519	13,362	15,299	23,977	25,328
Convertible notes	19,352	23,876	19,240	11,805	11,805	11,805
Other Current Liabilities	18,031	18,927	20,359	21,843	21,237	22,483
<b>Total current liabilities</b>	<b>50,501</b>	<b>56,829</b>	<b>53,842</b>	<b>49,668</b>	<b>60,700</b>	<b>63,513</b>
<b>Total non-current liabilities</b>	<b>3,719</b>	<b>7,059</b>	<b>3,998</b>	<b>3,830</b>	<b>3,830</b>	<b>3,830</b>
<b>Total liabilities</b>	<b>54,220</b>	<b>63,888</b>	<b>57,841</b>	<b>53,497</b>	<b>64,530</b>	<b>67,342</b>
Minority Interests	3,951	4,006	3,683	3,724	4,707	5,689
Shareholders Equity	95,473	104,868	124,402	138,770	153,980	169,926
<b>Total Sh. Equity + Liabilities</b>	<b>153,644</b>	<b>172,761</b>	<b>185,925</b>	<b>195,992</b>	<b>223,217</b>	<b>242,958</b>

Source: Company, Jefferies estimates

### Exhibit 174 - NTES US: Cash Flow Statement

Cash Flow Statement (NTES US)						
RMBmn	2021A	2022A	2023A	2024A	2025F	2026F
Net income	19,762	22,891	32,659	33,511	36,408	37,571
Operating cash flow	24,927	27,709	35,331	39,677	48,175	41,142
Investing cash flow	(7,078)	(7,370)	(17,043)	17,916	(9,594)	(2,045)
Financing cash flow	(12,586)	(10,238)	(21,467)	(27,336)	(21,780)	(22,168)
Change in cash	5,263	10,102	(3,179)	30,258	16,801	16,929
FX / other adjustments	(55)	110	(202)	11	-	-
<b>Cash and cash equivalents at beginning of year</b>	<b>12,169</b>	<b>17,376</b>	<b>27,588</b>	<b>24,207</b>	<b>54,475</b>	<b>71,276</b>
<b>Cash and cash equivalents at end of year</b>	<b>17,376</b>	<b>27,588</b>	<b>24,207</b>	<b>54,475</b>	<b>71,276</b>	<b>88,205</b>

Source: Company, Jefferies estimates

## SF Intra-city (9699 HK, Buy, PT HKD20)

### Exhibit 175 - 9699 HK: Income Statement

Income Statement (9699 HK)						
RMBm	2021A	2022A	2023A	2024A	2025F	2026F
<b>Total Revenue</b>	<b>8,174</b>	<b>10,265</b>	<b>12,387</b>	<b>15,746</b>	<b>18,904</b>	<b>22,506</b>
YoY % change	68.8%	25.6%	20.7%	27.1%	20.1%	19.1%
Cost of revenue	(8,079)	(9,852)	(11,593)	(14,675)	(17,581)	(20,931)
<b>Gross profit</b>	<b>95</b>	<b>413</b>	<b>795</b>	<b>1,071</b>	<b>1,323</b>	<b>1,575</b>
Gross margin	1.2%	4.0%	6.4%	6.8%	7.0%	7.0%
Selling and marketing expenses	(270)	(202)	(213)	(234)	(243)	(290)
General and administrative expenses	(655)	(509)	(517)	(637)	(727)	(863)
Research and development expenses	(123)	(97)	(92)	(108)	(130)	(155)
Other income	45	51	43	12	12	20
Other gains/(losses), net	1	14	6	15	9	9
Operating Profit	(913)	(331)	19	117	242	294
YoY % change	18.7%	-18.8%	-105.8%	512.4%	106.3%	21.3%
Operating margin	-11.2%	-3.2%	0.2%	0.7%	1.3%	1.3%
<b>Non-IFRS operating profit</b>	<b>(682)</b>	<b>(331)</b>	<b>26</b>	<b>131</b>	<b>262</b>	<b>314</b>
YoY % change	10.6%	-51.4%	-107.8%	403.4%	100.5%	19.7%
Non-IFRS operating margin	-8.3%	-3.2%	0.2%	0.8%	1.4%	1.4%
Net Income	(899)	(287)	65	132	247	294
YoY % change	18.6%	-68.1%	-122.6%	104.2%	86.7%	18.7%
Net margin	-11.0%	-2.8%	0.5%	0.8%	1.3%	1.3%
<b>Non-IFRS net income</b>	<b>(667)</b>	<b>(287)</b>	<b>72</b>	<b>146</b>	<b>267</b>	<b>314</b>
YoY % change	10.3%	-57.0%	-125.0%	103.5%	83.3%	17.3%
Non-IFRS net margin	-8.2%	-2.8%	0.6%	0.9%	1.4%	1.4%

Source: Company, Jefferies estimates

### Exhibit 176 - 9699 HK: Balance Sheet

Balance Sheet (9699 HK)						
RMBm	2021A	2022A	2023A	2024A	2025F	2026F
Accounts receivables	764	1,093	1,195	1,660	1,993	2,373
Inventories	4	16	7	8	9	11
Prepayments, deposits and other receivables	154	189	160	118	142	169
Amounts due from related parties	43	67	-	-	-	-
Financial assets at fair value through profit or loss	330	602	517	1,116	1,116	1,116
Cash and cash equivalents	2,538	1,458	1,899	1,370	1,594	1,862
<b>Total current assets</b>	<b>3,833</b>	<b>3,425</b>	<b>3,781</b>	<b>4,272</b>	<b>4,854</b>	<b>5,531</b>
Property, plant and equipment	17	15	12	22	26	31
Financial assets at fair value through other comprehensive income	3	64	56	27	27	27
Intangible assets	174	187	138	123	123	123
Right-of-use assets	38	40	23	19	19	19
Deferred income tax assets	144	146	161	150	150	150
<b>Total non-current assets</b>	<b>376</b>	<b>677</b>	<b>419</b>	<b>398</b>	<b>402</b>	<b>407</b>
<b>Total assets</b>	<b>4,209</b>	<b>4,103</b>	<b>4,200</b>	<b>4,670</b>	<b>5,256</b>	<b>5,938</b>
Accounts payables	488	617	703	1,030	1,234	1,469
Accruals and other payables	319	378	421	572	685	816
Contract liabilities	34	47	70	88	88	88
Amounts due to related parties	20	4	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-
Lease liabilities	17	23	12	10	12	15
Borrowings	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>879</b>	<b>1,069</b>	<b>1,207</b>	<b>1,700</b>	<b>2,019</b>	<b>2,387</b>
Lease liabilities	21	17	11	9	9	9
<b>Total non-current liabilities</b>	<b>21</b>	<b>17</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Total liabilities</b>	<b>899</b>	<b>1,086</b>	<b>1,219</b>	<b>1,709</b>	<b>2,028</b>	<b>2,396</b>
Total shareholder equity and minority interest	3,309	3,017	2,981	2,961	3,228	3,541
<b>Total liabilities and shareholder equity</b>	<b>4,209</b>	<b>4,103</b>	<b>4,200</b>	<b>4,670</b>	<b>5,256</b>	<b>5,938</b>

Source: Company, Jefferies estimates

## Exhibit 177 - 9699 HK: Cash Flow Statement

Cash Flow Statement (9699 HK)						
RMBm	2021A	2022A	2023A	2024A	2025F	2026F
Net income	(353)	(287)	65	132	247	294
Operating cash flow	(532)	(415)	266	272	236	291
Investing cash flow	(415)	(644)	295	(644)	(11)	(13)
Financing cash flow	3,220	(22)	(120)	(159)	(1)	(10)
Change in cash	2,272	(1,081)	441	(530)	224	268
<b>Cash and cash equivalents (beginning)</b>	<b>263</b>	<b>2,538</b>	<b>1,458</b>	<b>1,899</b>	<b>1,370</b>	<b>1,594</b>
<b>Cash and cash equivalents (end)</b>	<b>2,538</b>	<b>1,458</b>	<b>1,899</b>	<b>1,370</b>	<b>1,594</b>	<b>1,862</b>

Source: Company, Jefferies estimates

## Appendix

### Exhibit 178 - IQ US: 2H25 and upcoming content pipeline

EN Name	CN Name	Genre	Release Date
The Days of Seclusion and Love	风月不相关	Costume	2025/2026
The Boundless Bright Moon	明月苍茫	Costume	2025/2026
Swords into Plowshares	太平年	Costume	2025/2026
Rebirth	冰湖重生	Costume	2025/2026
Strange Tales of Tang Dynasty 3: To Changan	唐朝诡事录之长安	Costume	2025/2026
Cheng He Ti Tong	成何体统	Costume	2025/2026
Chang Feng Qi	长风起	Historical	2025/2026
Inside No.9: Behind the Curtain	九号秘事之黑帷背后	Suspense	2025/2026
Silent Tides	风与潮	Spy	2025/2026
Shuang Gui	双轨	Modern	2025/2026
Ga Xi	轧戏	Modern	2025/2026
An Quan Wei Ji	安全危机	Suspense	2025/2026
Win or Die	夜不收	War	2025/2026
King of Comed	喜剧之王	Comedy	2025/2026
The Perfect Match	佳偶天成	Costume	2025/2026
The South Bureau	南部档案	Adventure	2025/2026
Beneath the Undertow	暗潮缉凶	Crime	2025
Justifiable Defense	正当防卫	Crime	2025
City Defender	守城者	Modern	2025
Ball Lightning	球状闪电	Science Fiction	2025
Gao Xin	高兴	Reality	2025
Bloom Life	喀什古城	Modern	2025
The Store in South China	南货店	Reality	2025
This Thriving Land	生万物	Historical	2025
Our Dazzling Days	烟花少年	Youth	2025
Strongest Defense	钓鱼城	Historical	2025
Du Xin Jue	渡心诀	Costume	2025
Crane Notes	观鹤纪	Costume	2025
Qie Xin Jue	窃心诀	Costume	2025
Shi Fu Nian Shao	师父年少	Costume	2025
The Story of Chang' An	我见群星闪耀之长安短歌	Historical	2025
The Song of the Moon	月沉吟	Costume	2025
Chao Xue Lu	朝雪录	Costume	2025
Ni Shi Ren Jian Jing Hong Ke	你是人间惊鸿客	Costume	2025
Looking for Freedom	不如去野	Modern	2025
Mi Mi Shi Jie	秘密世界	Modern	2025
She Comes to My Concert	她来听我的演唱会	Romance	2025
Genius Girlfriend	天才女友	Romance	2025
Wan Hua Shi Jie	万花世界	Romance	2025
The Leading Stars	许你星河千里	Romance	2025
Xiao Fu De Qun Bai	校服的裙摆	Youth	2025
Bai Ri Yan Huo	白日焰火	Suspense	2025
Legend of the Magnate	大生意人	Business	2025
Cut Off	封锁	Suspense	2025
Ruthless People	狠人	Crime	2025
The Gift of Magic	极盗者	Crime	2025
Beloved	盲目	Crime	2025
The Hunt	命悬一线	Suspense	2025
Legend of The Warrior	少年宏图	Costume	2025
Shen Hai 1950	深海1950	Historical	2025

Source: Company, Jefferies

## Exhibit 179 - IQ US: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genre	Release Date
Shen Yuan	深渊	Suspense	2025
Under The Night	我在精神病院学斩神	Fantasy	2025
Cut Off	乌贼	Crime	2025
The Perfect Suspect	完美的救赎	Suspense	2025
Young Sheldon 7	小谢尔顿7	Comedy	2025
Fox Spirit Matchmaker: Sword and Beloved	狐妖小红娘王权篇	Costume	2025
Hunting	围猎	Crime	2025
Bing Zi Feng Zhong Lai	兵自风中来	War	2025
Allow Me to Love You	许我向你看	Historical	2025
Tong Xin Jie	同心结	Family	2025
Hua Tian	嫪天	Costume	2025
Feud	临江仙	Costume	2025
Xiao Yao	逍遥	Costume	2025
Shadow Love	与晋长安	Costume	2025
Zhe Tian	遮天	Costume	2025
Chang Ling	长陵	Costume	2025
Ba Qian Li Lu Yun He Yue	八千里路云和月	War	2025
The Devil Between Us	除恶	Crime	2025
Liang Jing Shi Wu Ri	两京十五日	Historical	2025
Once Upon A Land	平原客	Crime	2025
Emergence in Troubled Times	长河疏星	Costume	2025
Faith & Law	信条	Crime	2025
Yu Ren Bu Shu	遇人不熟	Romance	2025
Yin Deng Jue	引灯诀	Costume	2025
The Truth Is Half White	真相半白	Suspense	2025
Fall in You	身陷	Romance	2025
Zhao Cai Jin Bao	招财进宝	Romance	2025
Invisible Waves	寂静的怒流	Suspense	2025
Shan Hai Yao	山海谣	Costume	2025
Cong Hong Yue Kai Shi	从红月开始	Suspense	2025
Kuai Ba Wo Lao Ban Dai Zou	快把我老板带走	Modern	2025
See You Again, My Boss	再见老板	Modern	2025
Sui Ran Bu Neng Tong Shi Yong You Yi Qie	虽然不能同时拥有一切	Modern	2025
Bound by the Wind	风从昨日来	Romance	2025
Zhong Qi	重器	Historical	2025
Bu Dong Tian Zhui Shan	不动天坠山	Fantasy	2025
Bo Lan Xing	波澜行	Costume	2025
Yi Zhen Chun Hua	一枕春华	Costume	2025
Dr. Tang Season 2	关于唐医生的一切 2	Modern	2025
1983 Wo Lai Le	1983我来了	Drama	2025
Those Flowers	回来的她们	Suspense	2025
Male Nurse	楠丁格尔先生	Drama	2025
Jia Ye	家业	Costume	2025
The Epoch of Miyu	蜜语纪	Modern	2025
Beloved	目之所及	Suspense	2025
Scent of Woman	闻香记	Romance	2025
Ta Wei Shen Me Bu Kai Xin	她为什么不开心	Costume	2025
A Dream within a Dream	书卷一梦	Costume	2025
Secrets by the Sea	海边的秘密	Crime	2025
Dead End	树影迷宫	Suspense	2025
Fated Hearts	一笑随歌	Costume	2025

Source: Company, Jefferies

## Exhibit 180 - IQ US: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genre	Release Date
Tales of a Thousand Islands	向海	Modern	2025
Zhu Yu	逐玉	Costume	2025
The Ingenious One Season 2	云襄传之将进酒	Costume	2025
Go to the Mountains and Sea	赴山海	Costume	2025
Calming Waves	定风波	Costume	2025
Justice's Path with the Youth	检察官与少年	Crime	2025
Sunsets Secrets Regrets	钢铁森林	Crime	2025
The Epic of Tang Dynasty	大唐赋·破阵乐	Costume	2025
The City Maker	造城者	Modern	2025
Low IQ Crime	低智商犯罪	Crime	2025
Xin Shuo Chang 2025	新说唱 2025	Reality show	2025
Da Xue Nao Tuan Zheng Ba Sai	大学脑团争霸赛	Reality show	2025
Hua Shuo Shan Hai	话说山海 第二季	Reality show	2025
Hui Jia Chi Fan La	回家吃饭啦	Reality show	2025
Dang Jia De Jie Jie	当家的姐姐	Reality show	2025
Zhong Wen Tai Ku La	中文泰酷啦	Reality show	2025
Shi Tian Zhi Hou Hui Dao Xian Shi	十天之后回到现实 第二季	Reality show	2025
Da Yu Le Jia	大娱乐家	Reality show	2025
Chao Ji Da Mao Xian	超级大冒险	Reality show	To be released
Zhui Feng Ba Shao Nian	追风吧少年	Reality show	To be released
Zhu Yue	逐月	Costume	To be released
Legend of the Galactic Heroes	银河英雄传说	Science Fiction	To be released
The Transcendent	间客	Science Fiction	To be released
Music Camplus	音乐野生活	Music	To be released
I'm Not a Poet	我不是诗仙啊	Costume	To be released
Interlaced Scenes	交错的场景	Crime	To be released
Jiao Chao Ji 2	交叉戟2	Crime	To be released
Love in a Fallen City	长风破浪	Historical	To be released
Shi Bu Ke Dang	势不可挡	Reality show	To be released
Yong Gan Dao	勇敢岛	Reality show	To be released
Chao Liu Shi Ye Qun	潮流事业群	Reality show	To be released
Bu Ke Fu Zhi	不可复制	Reality show	To be released
Fu Fu Zi Zi	父父子子	Historical	To be released
Ordinary Greatness 2	警察荣耀2	Reality	To be released
War and People	战争和人	War	To be released
Chinese Peach and Plum	中文桃李	Reality	To be released
Zu Ji	足迹	Historical	To be released
Bai Yao Pu	百妖谱	Fantasy	To be released
Qing Xi Fei Shi	庆熹纪事	Costume	To be released
Zhao Xi Jiu Cao	昭奚旧草	Costume	To be released
Fei Dao	飞刀	Modern	To be released
Created in China	艰难的制造	Historical	To be released
Pin Sui Zhang Da Min De Xing Fu Xin Sheng Huo	贫嘴张大民的幸福新生活	Comedy	To be released
Starry Sky and Half A Tree	星空与半棵树	Reality	To be released
One Day Three Autumns	一日三秋	Family	To be released
Lin An Ji Wen Lu	临安疾闻录	Costume	To be released
Mei Ying Shen Bu	魅影神捕	Suspense	To be released
Ren Zui	人罪	Crime	To be released
Sunset Japan	日落东瀛	Historical	To be released
Obstinately	执迷	Reality	To be released
Zui Hao De Yi Tian	最好的一天	Adventure	To be released
The Era of Watermelon Eaters	吃瓜时代的儿女们	Reality	To be released
Deng Chun Tai	登春台	Modern	To be released
Yin Yi Nv Hai	银翼女孩	Music	To be released
Gu Shi Shi Er Ye	故事十二夜	Reality show	To be released
Lao Qu De Jia	老去的家	Family	To be released
Youth Choir	青春合唱团	Reality show	To be released
Ran Shao De Yue Liang	燃烧的月亮	Reality show	To be released
Lucky You	托你的福啦!	Reality show	To be released
Shi Zi Jie Tou	十字街头	Reality show	To be released
Housework Talent 2	家务优等生2	Reality show	To be released
Good at Spending	会花的我们	Reality show	To be released
Bai Tuo Qing Guan Zhu	拜托请关注	Reality show	To be released
Faceless Love	富贵男贫穷女	Romance	To be released
Legends of Tomorrow Season 7	明日传奇7	Adventure	To be released
The Legend of Rosy Clouds	云起时	Costume	To be released
Restarted Love	重启爱情	Romance	To be released
Dark Night and Dawn	暗夜与黎明	Suspense	To be released
Ray of Sunshine	橙色光芒	Modern	To be released
A Love Story of Oiled Paper Umbrella	一伞烟雨	Costume	To be released
Fei Chai Xiong Di Season 6	废柴兄弟 6	Comedy	To be released

Source: Company, Jefferies

## Exhibit 181 - Tencent Video: 2H25 and upcoming content pipeline

EN Name	CN Name	Genre	Release Date
Zhan Fang De Xu Kai Xin	绽放的许开心	Modern	6/5/2025
The Litchi Road	长安的荔枝	Historical	6/7/2025
Combined Arms	合成令	Action	2025
Go to the Mountains and Sea	赴山海	Costume	2025
Jiang Hu Ye Yu Shi Nian Deng	江湖夜雨十年灯	Costume	2025
Legend of the Female General	锦月如歌	Costume	2025
Love Beyond the Grave	暮青辞	Costume	2025
Moonlit Reunion	子夜归	Costume	2025
Tao Hua Ying Jiang Shan	桃花映江山	Costume	2025
The Glory	贵女	Costume	2025
The Imperial Coroner Season 2	御赐小仵作2	Costume	2025
Yan Yu Yong An	宴遇永安	Costume	2025
Shan He Zhen	山河枕	Costume	2025
Xiao Qi Qing Rang	泉起青壤	Fantasy	2025
Love Has Fireworks	爱情有烟火	Romance	2025
Why Is He Still Single	他为什么依然单身	Romance	2025
Qi Shi	棋士	Suspense	2025
Blood Problem	人之初	Thriller	2025
Huan Yu	焕羽	Youth	2025
Love's Ambition	许我耀眼	Romance	2025
Zhu Yu	逐玉	Costume	2025
San Xian Mi Hui	三线谜回	Suspense	2025
Shine on Me	骄阳似我	Romance	2025
Rebirth	冰湖重生	Costume	2025
Have Fun Season 3	斗笑社 第3季	Reality show	2025
Stand-Up Comedy Market Season 2	脱口秀和Ta的朋友们 第2季	Reality show	2025
Amazing Night Season 2	喜人奇妙夜 第2季	Reality show	2025
We Are the Champions Season 4	战至巅峰 第4季	Reality show	2025
Yi Wang Wu Qian De Lan Di 2 Ji	一望无际的蓝 第2季	Reality show	2025
Chao Xin Xing Yun Dong Yuan Di 6 Ji	超新星运动员 第6季	Reality show	2025
Ben Fu Wan Ren Xian Chang Di 2 Ji	奔赴!万人现场 第2季	Reality show	2025
Re Nao De Yuan Zi	热闹的院子	Reality show	2025
Fen Fang Xi Shi	芬芳喜事	Comedy	2025
Sao Du Feng Bao	扫毒风暴	Crime	2025
Ta De Sheng Cun Zhi Dao	她的生存之道	Modern	2025
Du Shen Nv Ren	独身女人	Modern	2025
Ren Yu	人鱼	Suspense	2025
Gui Dui	归队	War	2025
Chong Ying	重影	Crime	2025
Light of Dawn	人之初	Suspense	2025
Love on the Edge of Divorce	爱在离婚进行时	Romance	2025
Duo Qu	夺取	Romance	2025
Dian Shi Cheng Jin	点石成金	Romance	2025
Jin Ren Bu Jian Gu Shi Yue	今人不见古时月	Historical	2025
Bing Zi Feng Zhong Lai	兵自风中来	Military	2025
Gu Yue Feng Hua Lu	古乐风华录	Costume	2025
Xing Jing Shi Ke 1: Feng Hua Zheng Mao	刑警时刻1: 风华正茂	Crime	2025
Han Dynasty Epic	大汉赋	Historical	2025
All Rise	即刻上场	Modern	2025
Twelve Letters	十二封信	Thriller	2025
I Am Nobody	异人之下之血战唐门	Fantasy	2025
Those Days	四喜	Modern	2025
Romance Next Door	兄友妹恭	Romance	2025
Yu Yuan Ling	御渊令	Costume	2025
Jiao Feng	交锋	Crime	2025
Tigers Sniff the Rose	尚公主	Costume	2025

Source: Company, Jefferies

## Exhibit 182 - Tencent Video: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genre	Release Date
Shi Ri Zhong Yan	十日终焉	Adventure	To be released
Created in China	艰难的制造	Business	To be released
42 Hao Lv She	42号旅舍	Comedy	To be released
Bu Neng Jie Hun De Nan Ren	不能结婚的男人	Comedy	To be released
Lost in Road	囧徒	Comedy	To be released
Mama Go!	我的妈妈是校花	Comedy	To be released
Sarcastic Family	毒舌家庭	Comedy	To be released
Young Again	重返青春	Comedy	To be released
Zou Ma Shang Ren	走马上任	Comedy	To be released
Escape to the Moon	花开锦绣	Costume	To be released
He Bu Tong Zhou Du	何不同舟渡	Costume	To be released
Jin Zhi	金枝	Costume	To be released
My Heroic Husband Season 2	赘婿第二季	Costume	To be released
Rosy Business 4	巾帼枭雄之悬崖	Costume	To be released
Spring Banquet	春日宴	Costume	To be released
The Last Immortal	神隐	Costume	To be released
The Legend of Sword and Fairy	仙剑	Costume	To be released
The Story of Xiang Lan	兰香如故	Costume	To be released
Wan Mei Shi Jie	完美世界	Costume	To be released
Wonderland of Love	乐游原	Costume	To be released
Xie Luo	缙罗	Costume	To be released
Jiang Men Du Hou	将门独后	Costume	To be released
Wo Xin Er Er	我心尔尔	Costume	To be released
Zan Xing	铸星	Costume	To be released
Hu Shan Guo	胡善国	Costume	To be released
Biao Mei Wan Fu	表妹万福	Costume	To be released
Wen Dan Zhu	问丹朱	Costume	To be released
Ci Po	刺破	Crime	To be released
Jiao Feng	交锋	Crime	To be released
Po Ce	回溯	Crime	To be released
Sao Shu Ling	扫鼠岭	Crime	To be released
Xiao Zhan Jing Shi	小站警事	Crime	To be released
Ji Qiang	缉枪	Crime	To be released
Still a Family	多喜一家人	Family	To be released
Xu	嘘	Family	To be released
Fights Break Sphere Season 2	斗破苍穹之少年归来	Fantasy	To be released
Ya She	哑舍	Fantasy	To be released
A Panorama of Rivers and Mountains	千里江山图	Historical	To be released
Jia You Er Nian	嘉祐二年	Historical	To be released
Feng He Jin Qi Zhang Ju Zheng	风禾尽起张居正	Historical	To be released
There Will Be Ample Time	故乡，别来无恙	Life	To be released
Blossoms / Flowers	繁花	Modern	To be released
Fight for Love	小芳出嫁	Modern	To be released
Her Islands	她和她的群岛	Modern	To be released
Hold a Court Now	我们与法庭的距离	Modern	To be released
Solemn Commitment	此心安处是吾乡	Modern	To be released
Xiang Cun Jiao Shi	乡村教师	Modern	To be released

Source: Company, Jefferies

## Exhibit 183 - Tencent Video: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genre	Release Date
Are You Ready	准备好了吗?	Reality show	To be released
Asian Singer	亚洲歌手	Reality show	To be released
Bling Bling De Time	闪亮的日子5	Reality show	To be released
Chang Tiao Rong Yao	唱跳荣耀	Reality show	To be released
Chao Fan Da Dang	超凡搭档	Reality show	To be released
Chao Ran Te Zhan Dui	超燃特战队	Reality show	To be released
Chao Shi Kong Ji Hua	超时空计划	Reality show	To be released
Cong Ming Tian Qi Gao Bie Shang Ban	从明天起告别上班	Reality show	To be released
Crush Over 2023	我可以47	Reality show	To be released
Di Biao Nv Dou Shi	地表女斗士	Reality show	To be released
Feng Xing Shao Nian	风行少年	Reality show	To be released
Fight For Love	炙爱之站	Reality show	To be released
Forever Young	何不再少年	Reality show	To be released
Gong Fu You Xin Ren	功夫有新人	Reality show	To be released
Holding Man	坚持到底	Reality show	To be released
Hua Shu Ban De Lv Xing	花束般的旅行	Reality show	To be released
Kai Shi Xun Bao Ba	开始寻宝吧	Reality show	To be released
Lin Jia Shi Hua 5	邻家诗话5	Reality show	To be released
Ni Shi Ge Shou Ma	你是歌手吗?	Reality show	To be released
Qi Yu Ren Sheng 3	奇遇人生3	Reality show	To be released
Qing Chun You Hao Shi	青春友好事	Reality show	To be released
Rap The New World For The Youth	新说唱时代	Reality show	To be released
Shi Er Fen Zhi Yi	十二分之一	Reality show	To be released
Si Diao Jian Li Lai Qiu Zhi	撕掉简历来求职	Reality show	To be released
Wo He Wo Men	我和我们	Reality show	To be released
Wo Xiang Qu Ge Di Fang	我想去个地方	Reality show	To be released
Wu Tai 2024	舞台2024	Reality show	To be released
Xing Xing Ban Wo Xin	星星伴我心	Reality show	To be released
You Dian Yi Si De Yuan Zi	有点意思的院子	Reality show	To be released
Zhong Guo Xiao Chi Da Hui	中国小吃大会	Reality show	To be released
Got a Crush on You	恋恋红尘	Romance	To be released
I Love You	我知道我爱你	Romance	To be released
Jing Luo Zai Wu Jia Ren	京洛再无佳人	Romance	To be released
Love Me, Love My Voice	很想很想你	Romance	To be released
My Fight with Marriage	我和婚姻的战斗	Romance	To be released
My Girl	我的女孩	Romance	To be released

Source: Company, Jefferies

Exhibit 184 - Tencent Video: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genre	Release Date
Ren Jian Da Huo	人间大火	Romance	To be released
Rose and Gun	许你岁月静好	Romance	To be released
The Defenders	生死守护	Romance	To be released
The Furthest Distance	最遥远的距离	Romance	To be released
The Sales	夜色正浓	Romance	To be released
Yu Sheng You Ya	余生有涯	Romance	To be released
Zhu Ma Tian Jiang Dou Shi Ni	竹马天降都是你	Romance	To be released
Stand or Fall Season 2	闪耀的他2	Romance	To be released
Ming Ri Le Yuan	明日乐园	Sci-Fi	To be released
San Ti: Da Shi	三体: 大史	Sci-Fi	To be released
Three-Body Season 2: The Dark Forest	三体2-黑暗森里	Sci-Fi	To be released
Blemish Flaw	棕眼之谜	Suspense	To be released
Chao Gan Mi Gong	超感迷官	Suspense	To be released
Chen Mo De Gao Bai	沉默的告白	Suspense	To be released
Da Zui Kai Xuan	大醉凯旋	Suspense	To be released
Dai Wo Xing Lai Shi	待我醒来时	Suspense	To be released
Detective Chinatown	唐人街探案-青年侦探团	Suspense	To be released
Feng Kuang De Hei Yu	疯狂的黑鱼	Suspense	To be released
Hei Bai Mi Ma	黑白密码	Suspense	To be released
Hou Hui You Qi	后会有期	Suspense	To be released
Love Story in the 1970s	实用主义的爱情	Suspense	To be released
Mi Qiang	迷墙	Suspense	To be released
Ming An Qi Shi Lu Zhi Xuan An	命案启示录之悬崖	Suspense	To be released
No Way Back	小城换日	Suspense	To be released
Nv Zi Pang	女字旁	Suspense	To be released
Restart	开启	Suspense	To be released
Xie Yuan Xiang Dui Lun	血缘相对论	Suspense	To be released
Sword Rose	利剑玫瑰	Thriller	To be released
The Truth	风过留痕	Thriller	To be released
War and People	战争和人	War	To be released
Da Shan Li De Nv Xiao	大山里的女校	Youth	To be released
Wo De Ming Zi Shi Li Jing	我的名字是李静	Youth	To be released
Abys Dwellers	深渊	War	To be released
Black Mist	黑雾	Suspense	To be released
Cang Feng	藏锋	Crime	To be released
Folding City	折叠城市	Adventure	To be released
Forever Young	轻年	Life	To be released
Grand Opening	开盘	Crime	To be released
Live in this Moment	此刻的生活	Modern	To be released
Love Again	老爸去相亲	Romance	To be released
Sheng Nu	盛怒	Suspense	To be released
Shooting Stars	群星	Romance	To be released
Sniper Butterfly	狙击蝴蝶	Modern	To be released
Sowers of Hope	春风化雨	Modern	To be released
The Rebel Empress	美人余	Romance	To be released
The Way You Back	玉兰花开君再来	Historical	To be released
Vanished Name	隐身的名字	Modern	To be released
Wen Cheng	文城	Family	To be released
Yan Shi Ji	燕食记	Historical	To be released
Cui Lao Dao Chuan Qi	崔老道传奇	Suspense	To be released
Xing Ying Bu Li	形影不离	Suspense	To be released
Fang Yuan Ba Bai Mi	方圆八百里	Suspense	To be released
AI Shang Hai Jun Lan	爱上海军蓝	Modern	To be released
Jin Hai Xin Sheng	近海新生	Modern	To be released
Huang Ka	黄卡	Family	To be released

Source: Company, Jefferies

## Exhibit 185 - Mango TV: 2H25 and upcoming content pipeline

EN Name	CN Name	Genre	Release Date
The Lament of Autumn	玉簪秋	Costume	2025
Lie Xin	猎心	Suspense	2025
Hu Ru Yi Ye Chun Feng Lai	忽如一夜春风来	Costume	2025
Missing	等到你	Suspense	2025
Yu Ming Cha Gu	玉茗茶骨	Costume	2025
The Way Home	欢聚	Modern	2025
Once Upon a Time in Longfan	法医秦明之龙番往事	Suspense	2025
Live Long and Prosper	咸鱼飞升	Costume	2025
Treasures	珍品	Suspense	2025
Ai Mang De 1% Fa Ze	爱芒的1%法则	Reality Show	To be released
Wu Dao Kuang Hua	舞蹈狂花	Reality Show	To be released
Viva La Romance	爱的修学旅行	Reality Show	To be released
Tao Chu Tao Yan Dao	逃出讨厌岛	Reality Show	To be released
Zhen Ai Zhi Shang 2	真爱智上2	Reality Show	To be released
Gong Fu Zhi Shang 2	功夫之上2	Reality Show	To be released
Wo Dai Lao Ban Chong Chong Chong	我带老板冲冲冲	Reality Show	To be released
Yi Qi Chu Fa Ba 2	一起出发吧2	Reality Show	To be released
Yi Lu Xiang Tan	一路香谈	Reality Show	To be released
You Feng	有风	Drama	To be released
Lv Shan Xian Xia Zhuan	闾山仙侠传	Costume	To be released
Treasures	珍品	Thriller	To be released
We Are the Future	白羽流星	Youth	To be released
Thou Shalt Not Love	此处禁止恋爱	Modern	To be released
A Love Never lost	人生若如初见	Revolution	To be released
Back to the Origin	时差一万公里	Family	To be released
Wu Ming Zhi Bei	无名之辈	Reality Show	To be released
Huan Ying Lai Dao Mo Gu Wu 2	欢迎来到蘑菇屋2	Reality Show	To be released
Zhen Zheng De Yong Shi	真正的勇士	Reality Show	To be released
The Word is Murder	推理开始了	Reality Show	To be released
Zhe Yi Bo Hao 6	这一波好6	Reality Show	To be released
Cheng Shi Zhong De Tao Huan Yuan	城市中的桃花源	Reality Show	To be released
Chong Ai Tong Xing	宠爱同行	Reality Show	To be released
Xian Sheng Chu Fang	鲜生厨房	Reality Show	To be released
Go For Happiness 2	快乐再出发2	Reality Show	To be released
China 3	中国3	Documentary	To be released
Bai Ju Guo Xi Yu Jun Feng	白驹过隙与君逢	Documentary	To be released
Wo De Da Xue	我的大学	Documentary	To be released
Butterflied Lover	短剧风月变	Romance	To be released
Moonlight	亲爱的白月光	Romance	To be released
Just One Truth: Mystery	侦探者也	Suspense	To be released
You Complete Me	暗里着迷	Romance	To be released
Zong Ran	纵然	Romance	To be released
My New Start	都是好时光	Romance	To be released
Zhao Ge	梦回朝歌	Costume	To be released
As Beautiful As You	你比星光美丽	Romance	To be released
Give You My Heart	慕先生，请按小说来	Romance	To be released
Back to the Origin	时差一万公里	Romance	To be released
Growing Pain 3	少年派3	Romance	To be released
Hou Niao Xiao Fang Yuan	候鸟消防员	Romance	To be released
Nv Shen Meng Shang Yan	女神蒙上眼	Romance	To be released
Xi Xi Mi Mi De Guang	细细密密的光	Romance	To be released
Ye Gou Gu Tou	野狗骨头	Romance	To be released
Wai Huan Qing Nian	外环青年	Romance	To be released
Xi Feng Xiang Wan	西风向晚	Romance	To be released
Yi Ai Wei Ju	以爱为局	Romance	To be released
Chang Le Qu	长乐曲	Costume	To be released
Shui Long Yin	水龙吟	Costume	To be released
Ci Long Ru Hai	苍龙入海	Costume	To be released
Liang Chen Mei Jin	良陈美锦	Costume	To be released

Source: Company, Jefferies

## Exhibit 186 - Mango TV: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genre	Release Date
Jing Ming Hua Zuo	镜明花作	Costume	To be released
Chang An Gu Yi	长安古意	Costume	To be released
Ming Yue Lu	明月录	Costume	To be released
Cang Shan Xue	苍山雪	Costume	To be released
Li Ren Xing	丽人行	Costume	To be released
Once Again	好运家	Family	To be released
Wonderful Times	好好的时代	Modern	To be released
Dai Hua	戴花	Life	To be released
Mei Shun He Chang Sheng	美顺和长生	Modern	To be released
Ju Bao Pen	聚宝盆	Reality	To be released
Suan Zhang	算账	Modern	To be released
Sowers of Hope	春风化雨	Reality	To be released
Outland	境外组	Crime	To be released
Shi Bing Tu Ji: Tan Ke	士兵突击-坦克	War	To be released
Qiu Lian	秋莲	Reality	To be released
Abyss Dweller	深渊	War	To be released
Yuan Qu De Bai Ma	远去的白马	Reality	To be released
Zhui Zong Duo Ming Jin	追踪夺命金	Suspense	To be released
Jiang Hu Xiao Wang Shi	江湖消亡史	Suspense	To be released
Mo Lu Zhi Tu	末路之徒	Suspense	To be released
Secrets of the Lost Town	小镇奇谈	Suspense	To be released
No Footsteps Upon the Snow	大雪无痕	Suspense	To be released
Yi Hao Jian Cha Jian Yi	一号检察建议	Suspense	To be released
Chang Ye Chang An	长夜长安	Suspense	To be released
Painted Skin	画皮	Suspense	To be released
Tang An Wu Ming	唐案无名	Suspense	To be released
The Wanderers	火星孤儿	Suspense	To be released
The Damnation	法医秦明之惩戒者	Suspense	To be released
Medical Examiner Dr. Qin: Doll	法医秦明之玩偶	Suspense	To be released

Source: Company, Jefferies

## Exhibit 187 - Youku: 2H25 and upcoming content pipeline

EN Name	CN Name	Genres	Release Date
In the Name of Justice	以法之名	Suspense	6/1/2025
Themis	正义女神	Crime	To be released
Fu Chai Di Bok Yik	夫妻的博弈	Fantasy	To be released
The Truth Within	剥茧	Crime	To be released
Jiu Men	九门	Drama	To be released
Wo Zai Ding Feng Deng Ni	我在顶峰等你	Romance	To be released
Silent Echoes	无声的回响	Suspense	To be released
Gong Sheng	共生	Suspense	To be released
Tearless Snow	威雪	Costume	To be released
When Destiny Brings the Demon	献鱼	Costume	To be released
Zhan Zhao Adventures	雨霖铃	Costume	To be released
Now or Never	势在必行	Suspense	To be released
Inspire Me	有喜的日子	Modern	To be released
My Destiny	我和我的命	Historical	To be released
The Great Pei	了不起的裴千户	Suspense	To be released
Life Unexpected	不期而至	Modern	To be released
Jin Tian Kai Shi He Zhu La	今天开始合租啦	Reality Show	To be released
Cong Qian You Zuo Shan	从前有座山	Reality Show	To be released
Ban Wo Qi Tian Ya	伴我骑天涯	Reality Show	To be released
Be your own light	做自己的光	Modern	To be released
Dong Ri Nuan Yang	冬日暖阳	Modern	To be released
Deadly Delicious	双食记	Suspense	To be released
Xi Ju De Bei Hou	喜剧的背后	Reality Show	To be released
Ye You Shen	夜游神	Reality Show	To be released
Female Police Captain	女刑警队长	Crime	To be released
Jie Jie Men De Jia Yan	姐姐们的家宴	Reality Show	To be released
Take Me Home	小尾巴赶路	Documentary	To be released
Lupin's Tales	小狼乐宾	Anime	To be released
Great Journey Of Teenagers	少年歌行	Costume	To be released
Yin Ge Shu Fang	尹哥书房	Reality Show	To be released
Kai Xin Ma Hua Nian Fan	开心麻花年番	Reality Show	To be released
My Legacy and I S3	我的时代和我	Documentary	To be released
Crackdown Crime	扫黑之拂晓行动	Suspense	To be released
In Wildness	旷野之境	Suspense	To be released
Shi Wo Xi Huan De Gong Zuo Ya	是我喜欢的工作呀	Reality Show	To be released
Shi Re Ai Yu Mao Qiu De Wo Men A	是热爱羽毛球的我们啊	Reality Show	To be released
Zelly Go	杰力豆	Anime	To be released
Streetside Feast	江湖搜食记	Documentary	To be released
Huan xi sha	浣溪沙	Costume	To be released
Ray of Light	灿烂！灿烂！	Youth	To be released
Jiao Ying	焦影	Reality Show	To be released
Player	玩家	Suspense	To be released
Tina&Tony	缇娜托尼	Anime	To be released
Let's Party	聚吗？聚啊	Reality Show	To be released
Chao Ran Jian Cha Guan	超燃检察官	Reality Show	To be released
Chong Sheng Zhi Lu	重生之路	Suspense	To be released
Dragon Force	钢铁飞龙	Anime	To be released
Ling Tan Wen Ming	零碳文明	Documentary	To be released
Fei Shuo	非说	Reality Show	To be released
Feng Yu Nong, Yan Zhi Luan	风雨浓胭脂乱	Romance	To be released
Five Kings of Thieves	五行世家	Action	To be released
Love Under the Floral Rain	半城花雨伴君离	Romance	To be released
The Legend of Taotie	饕餮记	Costume	To be released
Love Is Panacea	爱情遇见达尔文	Romance	To be released
Mr. Cat in the Bungalow	洋房里的猫先生	Modern	To be released
A Record of a Mortal's Journey to Immortality	凡人修仙传	Fantasy	To be released

Source: Company, Jefferies

## Exhibit 188 - Youku: 2H25 and upcoming content pipeline (cont'd)

EN Name	CN Name	Genres	Release Date
Ni Hao He Huo Ren	你好合伙人	Youth	To be released
Players	玩家	Esports	To be released
Black and White Bureau	黑白局	Crime	To be released
The Long Night Binary Star	长夜难明: 双星	Suspense	To be released
Dong Cheng Lie Xiong	冬城猎凶	Crime	To be released
Shu Que Ji	朱雀季	Costume	To be released
Gui Liang Chen	归良辰	Costume	To be released
Yan Zhi Huang	烟之胤	Costume	To be released
Dahlia Will Bloom All the Time	紫色大丽花	Drama	To be released
The Indescribable Town	她的瞳	Drama	To be released
Confessions	沉默的审判	Crime	To be released
Spying	谍报上不封顶	Suspense	To be released
Case X Decoded	重案解密	Crime	To be released
I Only Live Twice	模仿人生	Drama	To be released
Prosecutor	追诉	Crime	To be released
The Light in the Dark	暗夜之光	Crime	To be released
Tides of Fate	下神	Suspense	To be released
The Silent Storm	谷雨	Suspense	To be released
Criminal Prosecutor	刑事审判庭	Crime	To be released
Qiao Chu	翘楚	Costume	To be released
Jeng Yi Neui San Themis	正义女神	Crime	To be released
Justice Is Mine	乌狗之血	Crime	To be released
The Truth Within	剥茧	Suspense	To be released
Da Song Qi Wen Feng Yun Lu	大宋奇闻风云录	Costume	To be released
Lan Liu Guang San Qian	揽流光三千	Costume	To be released
He Li	和离	Costume	To be released
Blossom in Darkness	十万狂花入梦来	Costume	To be released
Burning Night	燃霜为昼	War	To be released
Above the Wall	城墙之上	Suspense	To be released
Thriving after the Moon Falls	烛月潮生	Costume	To be released
Pull Strings	师兄太稳健	Costume	To be released
Jagged Peaks	踏雪寻踪	Suspense	To be released
Summit of Our Youth	我在顶峰等你	Romance	To be released
The Queen of Castle	巨塔之后	Drama	To be released
Fearless	无惧	Drama	To be released
The Queen of News Season 2	新闻女王 2	Modern	To be released
Fire Investigator	火场追凶	Crime	To be released
Rolling World	医生荣誉	Modern	To be released
The Vendetta of An	长安二十四计	Costume	To be released
Hidden Shadow	烽影燃梅香	Costume	To be released
Yue Lin Qi Ji	月麟琦纪	Romance	To be released
Unsettled Case	悬案	Crime	To be released
Silent Echoes	无声的回响	Suspense	To be released
Love in the Clouds	入青云	Costume	To be released
Tales of Dark River	暗河传	Costume	To be released
Cong Shan	从善	Costume	To be released
Secrets by the Sea	共生	Suspense	To be released
Yin Man Zhi Shi	隐瞒之事	Suspense	To be released
She Is Just Her	盛夏缤纷	Modern	To be released
The Guardians	守护者们	Suspense	To be released
Wild Ambition Bloom	灼灼韶华风禾起	Drama	To be released
Echoes of Encounter	我们生活在南京	Fiction	To be released
Unveil: Jadewind	唐宫奇案之青雾风鸣	Costume	To be released
Second Chance Romance	亦舞之城	Romance	To be released
Living the Dream	不醒	Costume	To be released
My Dearest Stranger	暗恋者的救赎	Romance	To be released
When Destiny Brings the Demon	献鱼	Costume	To be released
Now or Never	势在必行	Suspense	To be released
Love and Crown	凤凰台上	Costume	To be released
Sea of Dreams	梦之海	Fiction	To be released
Qi Xing Cai	七星彩	Costume	To be released
Inverted Fate	攻玉	Costume	To be released
The Adventure of Jian Chou	朝花不见愁	Costume	To be released
Li Shan Ji	骊山纪	Costume	To be released
Light to the Night	黑夜告白	Suspense	To be released
Our Generation	樱桃琥珀	Romance	To be released
My Destiny	我和我的命	Drama	To be released
The Seven Relics of Omen	七根心筒	Fantasy	To be released
The Eternal Fragrance	千香	Costume	To be released
Village Love Season 18	乡村爱情18	Comedy	To be released
Gu Guo Chun Qiu Season 5	孤国春秋 第五季	Action	To be released
The Reign of Northern Wei	江山大同	Historical	To be released
Blades of the Guardians	镖人	Action	To be released
Gu Guo Chun Qiu Season 4	孤国春秋 第四季	Action	To be released
Gu Guo Chun Qiu Season 3	孤国春秋 第三季	Action	To be released
Gu Guo Chun Qiu Season 2	孤国春秋 第二季	Action	To be released
The Guardian Liu Heng Shun	真火神探刘横顺	Suspense	To be released
Wan Qing Si	绾青丝	Costume	To be released

Source: Company, Jefferies

Please see important disclosure information on pages 128 - 134 of this report.

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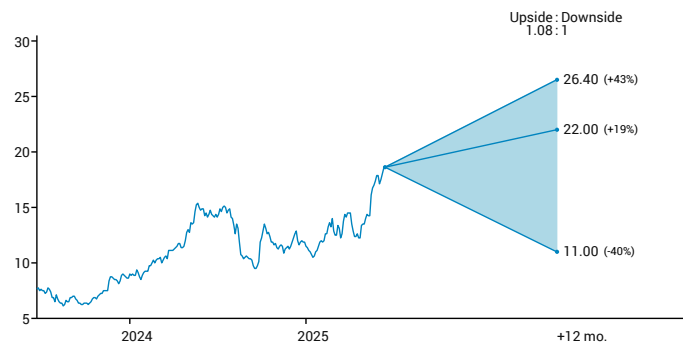


## The Long View: TME

### Investment Thesis / Where We Differ

- We are positive on the outlook for Tencent Music Entertainment (TME), given its sector leadership and provision of all-in-one music services to users.
- TME is a one-stop-shop for users to listen, sing, and interact with each other, as well as a hub for musicians to perform and expand their fan base.
- Rising paying-user ratio for membership services with the transition from pay-for-download to pay-for-streaming, coupled with investments in self-produced music content and variety shows could enhance user stickiness and monetization opportunities in the long run.

### Risk/Reward - 12 Month View



### Base Case, \$22, +19%

- New initiatives, such as TME Live online concerts, continue to ramp up.
- We expect music subscription revenue to be driven by paying user growth and ARPPU.
- PT of US\$22 based on DCF valuation.

### Upside Scenario, \$26.4, +43%

- The number of paying users and online music paying user ratio both exceed market expectations.
- Social entertainment user base expansion is above expectations due to industry consolidation.
- Lower-than-expected margin pressure from content investment.
- PT of US\$26.4 based on DCF valuation.

### Downside Scenario, \$11, -40%

- The number of paying users and the online music paying user ratio are below expectations.
- Social entertainment user base expansion is below expectations due to rising competition.
- Softer-than-expected margin on aggressive content investment.
- PT of US\$11 based on DCF valuation.

### Sustainability Matters

**Top Material Issue(s): 1) Customer Privacy.** TME collects, processes, and stores significant amounts of data concerning users, business partners, and employees, including personal and transaction data, only to a minimum extent necessary to enable business operations and services, as permitted by applicable laws and regulations. **2) Employee Health & Safety.** None of TME employees are represented by labor unions. TME participates in various employee social security plans that are organized by municipal and provincial governments for PRC-based full-time employees, including pensions and insurance. TME is required to make contributions to employee benefit plans for PRC-based full-time employees at specified percentages of the salaries, bonuses, and certain allowances, up to a maximum amount specified by the local governments in China.

**Company Target(s):** No known targets related to sustainable financing or emissions reduction.

**Qs to Mgmt: 1)** How much will you spend on employee welfare and safety improvement? **2)** How are you positioning for potential changes in a regulatory landscape that factor in ESG?

### Catalysts

- Faster-than-expected paying-user ratio expansion in the online music segment.
- Stronger-than-expected user growth.
- Stronger-than-expected monetization of QQ Music Live Streaming.
- Stronger-than-expected ramp-up in advertising.

## Financials: TME

### Estimate changes

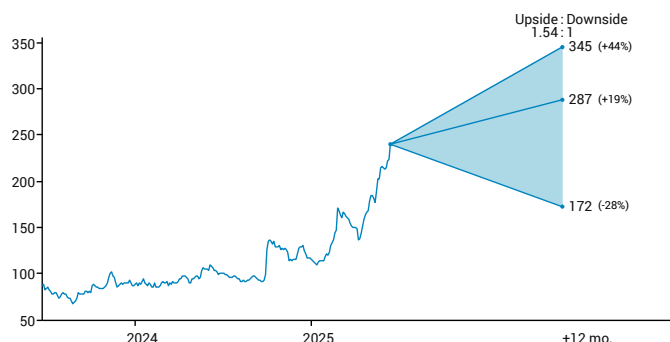
RMB	2023A	2024A	2025E	2026E
Rev. (MM)	27,752.0	28,401.0	31,097.0	33,641.0
Net Profit	6,223.0	8,136.0	8,838.0	10,124.0

## The Long View: Cloud Music

### Investment Thesis / Where We Differ

- Cloud Music has over 10 years of operating history and is a subsidiary of NetEase, the No.2 player in China's music entertainment industry in terms of revenue. In 2016, it released its flagship product NetEase Cloud Music.
- Cloud Music has also launched other music products, including LOOK Live Streaming (2018), audio chat app Sheng Bo (2019), karaoke app Yin Jie (2020), and music-inspired social apps Xin Yu (2020) and MUS (2022).
- It has a highly engaged user base, with DAU/MAU above 30%, and young users born after 2000 (half of the total) are expected to be the key demographic, given their love for music as reflected in the time spent.

### Risk/Reward - 12 Month View



### Base Case, HK\$287, +19%

- In 2025, we estimate total revenue growth of 4% YoY, with online music services revenue growth of 17% YoY and social entertainment services revenue decline of 23% YoY.
- For online music services, we estimate subscription revenue growth of 17% YoY. We expect the number of subscribers to rise by about 18% YoY to about 64m for the full year.
- For social entertainment, we estimate revenue decline of 23% YoY mainly due to paying user decline.
- PT of HK\$287 based on P/S valuation.

### Upside Scenario, HK\$345, +44%

- Number of online music services subscribers and paying ratio both exceed market expectations.
- Social entertainment user base expansion is above expectations due to industry consolidation.
- Lower-than-expected margin pressure from content investment.
- PT of HK\$345 based on P/S valuation.

### Downside Scenario, HK\$172, -28%

- Number of online music services subscribers and paying ratio are below expectations.
- Social entertainment user base expansion is below expectations due to rising competition.
- Softer-than-expected margin on aggressive content investment.
- PT of HK\$172 based on P/S valuation.

### Sustainability Matters

**Top Material Issue(s):** **1) Data Security:** As a leading online music platform featuring a highly interactive content community, Cloud Music is subject to a large and growing number of cyber-attacks and social engineering threats, which puts customer information and its own data at risk. **2) Customer Privacy:** The use and storage of a wide range of customer data, such as personal, demographic, content, and behavioral data, raises privacy concerns, leading to increased regulatory scrutiny.

**Company Target(s):** **1)** Co aims to build up a carbon footprint management system and gradually reduce carbon emissions. **2)** It targets building a sound energy system and improve energy efficiency. **3)** It will take effective measures to reduce waste and improve water use efficiency.

**Qs to Mgmt:** **1)** How are you positioning for potential changes in a regulatory landscape that factor in ESG? **2)** What are you investing in to protect your firm and your customers' data?

### Catalysts

- Faster-than-expected paying user ratio expansion in online music segment.
- Stronger-than-expected user growth.
- Stronger-than-expected monetization of social entertainment.
- Stronger-than-expected ramp-up in advertising.

## Financials: Cloud Music

Estimate changes

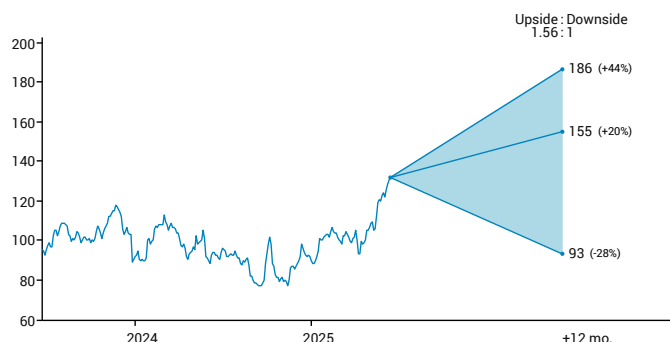
RMB	2023A	2024A	2025E	2026E
Rev. (MM)	7,867.0	7,950.0	8,284.0	8,614.0
Adj Net Profit	819	1,700	1,709	1,951

## The Long View: NetEase

### Investment Thesis / Where We Differ

- We are favorable on the outlook for NetEase, given its competitive strengths in R&D and track record of releasing high-quality titles amid the longevity of existing games.
- We view its online games business as a solid cash cow in the long run, given its focus on providing the best content to gamers, as seen from the longevity of its flagship *FWJ* series, as well as consistent releases of new titles covering a diversified genre, such as *Onmyoji* and *Knives Out*.
- On new businesses, NetEase takes a prudent approach to spending across ecommerce, music, and education, with a focus on ROI.

### Risk/Reward - 12 Month View



### Base Case, \$155, +20%

- NetEase's ability to invest in future initiatives to drive sustainable growth is derived from existing games, with content updates, expansion packs and promotional campaigns driving quarterly revenue of more than RMB10bn.
- We expect NetEase to pursue two-pronged strategies in online games across its domestic and overseas markets.
- PT of US\$155 (HK\$242) based on SOTP valuation approach.

### Upside Scenario, \$186, +44%

- Faster-than-expected release of another blockbuster mobile game.
- Faster-than-expected ramp-up in overseas revenue.
- Stronger-than-expected performance from new areas of development including e-commerce, music and education.
- PT of US\$186 (HK\$290) based on a SOTP valuation approach.

### Downside Scenario, \$93, -28%

- Decline in popularity of flagship titles (e.g. *FWJ* series).
- Heavier-than-expected investments in new areas of development.
- Regulatory risk in game license approval.
- PT of US\$93 (HK\$145) based on a SOTP valuation approach.

### Sustainability Matters

**Top Material Issue(s):** **1)** Effective management of Data Privacy & Freedom of Expression is important to reduce regulatory and reputational risks that could lead to decreased revenues, lower market share, and regulatory actions involving potential fines and other legal costs. **2)** High-quality employees are crucial to delivering innovative products and services in Internet Media & Services Industry. Recruiting and managing a global, diverse, and skilled workforce is a key focus.

**Company Target(s):** **1)** Ensure effective, comprehensive protection of users' privacy, backed by a privacy management team and policies. **2)** Remain focused on building a sustainable talent pipeline that promotes diversity and inclusion in the workplace and strive to create a workplace where employees feel respected and equally treated.

**Qs to Mgmt:** **1)** What areas can be further improved to strengthen the protection of user privacy? **2)** How to maintain and improve the productivity and efficiency as a global team?

### Catalysts

- Stronger-than-expected outlook
- License approval of key mobile game titles
- Stronger-than-expected game grossing on overseas markets

## Financials: NetEase

### Estimate changes

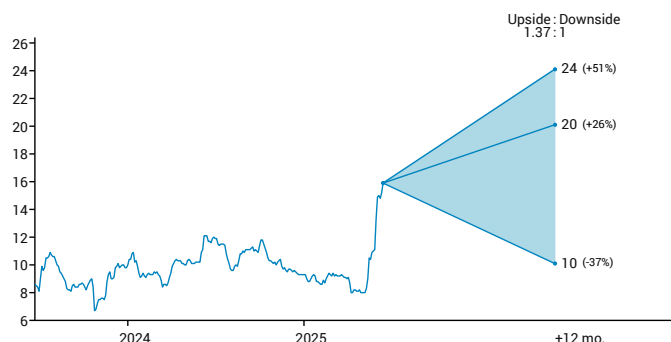
RMB	2023A	2024A	2025E	2026E
Rev. (MM)	103,468.0	105,295.0	116,759.0	123,071.0
Net Profit Non-GAAP	32,659.0	33,511.0	36,408.0	37,571.0

## The Long View: SF Intra-city

### Investment Thesis / Where We Differ

- SF Intra-city is the largest independent third-party on-demand delivery platform in China, providing multiple platforms with high-quality, efficient and reliable services.
- It has comprehensive riders, resources which include two and four wheels riders for different delivery services.
- It has strong technological capability to achieve higher efficiencies, while lowering delivery cost through a superior City Logistics System (CLS) with big data and AI technologies.
- The mutually-beneficial partnership with SF Holding Group allows SF Intra-city to provide more comprehensive services to customers, which helps to broaden its customer reach and increase customer retention.

### Risk/Reward - 12 Month View



### Base Case, HK\$20, +26%

- We estimate total revenue to grow c20% YoY in 2025, thanks to rapid growth in non-food delivery, intra-city delivery to consumers, and increasing penetration in lower-tier cities.
- We estimate overall GPM to improve from 6.8% in 2024 to about 7% in 2025.
- We expect Co continues to generate Non-IFRS net profit in 2025, thanks to economies of scale, efficiencies of delivery networks, refined operations and management, as well as differentiated services driving high-value orders.
- PT of HKD20 based on P/S valuation.

### Upside Scenario, HK\$24, +51%

- Faster-than-expected revenue growth in intra-city delivery service.
- Faster-than-expected revenue growth in last-mile delivery service.
- Better-than-expected margin on economies of scale and efficiencies improvement.
- PT of HKD24 based on P/S valuation.

### Downside Scenario, HK\$10, -37%

- Slower-than-expected revenue growth in intra-city delivery service.
- Slower-than-expected revenue growth in last-mile delivery service.
- Softer-than-expected margin due to aggressive investment.
- PT of HKD10 based on P/S valuation.

### Sustainability Matters

**Top Material Issue(s):** **1) Customer Privacy:** The use and storage of a wide range of customer data, such as personal, demographic, content, and behavioral data, raise privacy concerns, leading to increased regulatory scrutiny. **2) Employee Health & Safety:** Co needs to provide adequate protection and training for employees, ensure mechanical equipment is safely functioning, and establish a culture of safety within the workplace.

**Company Target(s):** **1)** SF Intra-city commits to reducing office electricity intensity in 2025 vs 2024. **3)** It strives to lower office water intensity in 2025 vs 2024. **4)** It also targets to reduce office waste intensity in 2025 vs 2024.

**Qs to Mgmt:** **1)** What are you investing in to protect your firm's and your customers' data? **2)** What measures are you taking to protect the health and safety of your employees?

### Catalysts

- Stronger-than-expected customer growth.
- Higher-than-expected order volume and order density.
- Expanding into new scenarios.
- Higher-than-expected operating efficiency.

## Financials: SF Intra-city

Estimate changes

RMB	2023A	2024A	2025E	2026E
Rev. (MM)	12,387.0	15,746.0	18,904.0	22,506.0
Adj Net Profit	72	146	267	314

We would like to thank Fiona Fan, employee of Evalueserve Inc., for providing research support services to our preparation of this report.  
We would like to thank Han Wang, employee of Evalueserve Inc., for providing research support services to our preparation of this report.

## Company Description

### SF Intra-city

Hangzhou SF Intra-city Industrial Co., Ltd. is the largest third-party on-demand delivery service platform in China, providing customers with high-quality, high-efficiency and multi-scenario third party on-demand delivery services.

### Cloud Music

Cloud Music Inc. operates as a music company. The company develops a leading online music platform which provides community-centric online music services, social entertainment services, and other services. Cloud Music provides services throughout China.

### NetEase

Founded in 1997, NetEase is a major online provider of Chinese content and services through online games, news portal, e-mail, e-Commerce and other services. The company generates revenue mainly from fees charged to players of online games, advertisements on NetEase websites and mobile news app, as well as e-Commerce through Yanxuan. NetEase is currently the no.2 player in both PC and mobile game markets in China.

### TME

Tencent Music Entertainment operates an online music entertainment platform in China. The company's platform comprises online music, recording, and music-centric live-streaming, enabling users to discover, listen, sing, watch, perform, and socialize using music.

## Company Valuation/Risks

### SF Intra-city

We have a Buy rating and PT of HKD20, based on a 40% discount to our targeted 2025E price to sales for its peer Dada, taking into account the traffic and user base of JD.com. Risks include: (1) macro headwinds that lead to slowdown in consumption demand; (2) intensified competition in the local delivery and retail market; (3) aggressive spending on new initiatives; and (4) achieving profitability takes longer than expected.

### Cloud Music

We have a Buy rating and PT of HK\$287, based on a 20% discount to the implied 2025E price-to-sales multiple on our targeted valuation of its peer TME, which has a larger user base and revenue scale. We believe the growing and engaged user base, as well as the highly-interactive community ecosystem drives sustainable growth, together with the support from its parent co NetEase. Key risks include: (1) growth in paying users and paying ratio is softer than expected; (2) aggressive investments in content cost; (3) soft performance in social entertainment services; and (4) stringent regulations on live-streaming and music industry.

### NetEase

We have a Buy rating and SOTP PT at USD155/HKD242. Key risks include (1) decline in popularity of flagship titles; (2) heavier-than-expected investments in new areas of development; (3) regulatory risk in game license approval.

### TME

We have a Buy rating and PT of US\$22, based on DCF valuation factoring in the latest industry trends. Key risks include (1) lower-than-expected number of paying users and online music paying ratio; (2) social entertainment user base expansion is below expectations due to rising competition; and (3) softer-than-expected margin on aggressive content investment.

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I, Zoey Zong, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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## Investment Recommendation Record

### (Article 3(1)e and Article 7 of MAR)

Recommendation Published	June 16, 2025 3:53 A.M.
Recommendation Distributed	June 16, 2025 4:01 A.M.

## Company Specific Disclosures

Within the past twelve months, Jefferies Financial Group Inc. and/or its affiliates received compensation for products and services other than investment banking services from non-investment banking, securities related compensation for client services it provided to Microsoft Corporation.

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## Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period. The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

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### Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

## Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments

recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. To the extent prices are shown in non-US currency, please note that our local currency price targets are based on a currency conversion using an exchange rate as of the prior trading day (unless otherwise noted). Should there be fluctuations in the exchange rate after this date, that will affect the non-US target prices and should no longer be relied upon. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

## Other Companies Mentioned in This Report

- 37 Interactive Entertainment (002555 CH: CNY15.45, BUY)
- Alibaba Group Holding Limited (BABA: \$112.87, BUY)
- Alibaba Group Holding Limited (9988 HK: HK\$112.00, BUY)
- Autohome Inc, (ATHM: \$25.41, BUY)
- BTG Hotels Group Ltd. - A (600258 CH: CNY13.78, BUY)
- Baidu Inc. (9888 HK: HK\$85.25, BUY)
- Baidu Inc. (BIDU: \$86.00, BUY)
- Baozun Inc (BZUN: \$2.83, BUY)
- Beijing Enlight Media (300251 CH: CNY18.42, BUY)
- Beijing Kingsoft Office Software Inc (688111 CH: CNY270.75, BUY)
- Bilibili Inc (BILL: \$20.02, BUY)
- Bilibili Inc (9626 HK: HK\$159.80, BUY)
- Bluefocus Intelligent Communications Group Co Ltd (300058 CH: CNY6.69, BUY)
- CMGE Technology Group Ltd (302 HK: HK\$0.49, BUY)
- China Literature (772 HK: HK\$30.50, BUY)
- China Youzan Ltd. (8083 HK: HK\$0.10, BUY)
- Cloud Music Inc. (9899 HK: HK\$240.20, BUY)
- Dada Nexus Limited (DADA: \$1.99, BUY)
- DingDong (Cayman) Limited (DDL: \$2.10, BUY)
- DouYu International Holdings (DOYU: \$6.61, HOLD)
- East Money Information Co Ltd (300059 CH: CNY21.33, BUY)
- FinVolution (FINV US: \$8.70, BUY)
- Focus Media Information Technology (002027 CH: CNY7.12, BUY)
- Full Truck Alliance Co Ltd (YMM: \$11.99, BUY)
- Futu (FUTU: \$111.50, BUY)
- G-bits Network Technology (603444 CH: CNY286.00, BUY)
- Giant Network Group (002558 CH: CNY19.46, BUY)
- GoTo Gojek Tokopedia Tbk PT (GOTO IJ: IDR64.00, BUY)
- Grab Holdings Ltd (GRAB: \$4.57, BUY)
- Hello Group, Inc. (MOMO: \$8.27, BUY)
- Hithink RoyalFlush Information Network Co Ltd (300033 CH: CNY251.18, BUY)
- Huayi Brothers Media (300027 CH: CNY2.59, HOLD)
- Huya Inc. (HUYA: \$3.90, BUY)
- IGG Inc (799 HK: HK\$4.08, BUY)
- J&T Global Express Ltd (1519 HK: HK\$6.67, BUY)
- JD Logistics, Inc. (2618 HK: HK\$12.26, BUY)
- JD.com, Inc. (JD: \$32.76, BUY)
- JD.com, Inc. (9618 HK: HK\$129.80, BUY)
- KE Holdings Inc (BEKE: \$18.47, BUY)
- Kanzhun Limited (BZ: \$17.65, BUY)
- Kingsoft Cloud (KC: \$12.43, BUY)
- Kuaishou Technology (1024 HK: HK\$58.00, BUY)
- Lakala Payment Co Ltd (300773 CH: CNY23.66, BUY)
- Lufax Holding Ltd (LU: \$2.80, HOLD)
- Mango Excellent Media Co Ltd (300413 CH: CNY22.06, BUY)
- Maoyan Entertainment (1896 HK: HK\$8.08, BUY)
- Meitu Inc (1357 HK: HK\$7.77, BUY)
- Meituan (3690 HK: HK\$138.20, BUY)
- Microsoft Corporation (MSFT: \$474.96, BUY)
- NetEase Inc. (9999 HK: HK\$207.00, BUY)
- NetEase Inc. (NTES: \$129.38, BUY)
- Ourpalm Co Ltd (300315 CH: CNY5.28, BUY)
- PDD Holdings Inc. (PDD: \$100.58, BUY)

- Perfect World Co. Ltd - A (002624 CH: CNY15.22, BUY)
- Qifu Technology, Inc. (QFIN: \$41.69, BUY)
- S. F. Holding Co., Ltd. (002352 CH: CNY48.99, BUY)
- SF Intra-city (9699 HK: HK\$15.90, BUY)
- STO Express Co Ltd (002468 CH: CNY11.39, BUY)
- Sea Ltd (SE: \$154.38, BUY)
- Shanghai Jinjiang International (600754 CH: CNY22.25, BUY)
- Shanghai Lily & Beauty Cosmetics Co (605136 CH: CNY11.16, BUY)
- So-Young International Inc (SY: \$0.96, BUY)
- Sohu.com Ltd (SOHU: \$10.80, BUY)
- Television Broadcasts Ltd (511 HK: HK\$3.45, HOLD)
- Tencent Holdings Ltd. (700 HK: HK\$510.00, BUY)
- Tencent Music Entertainment Group (TME: \$18.42, BUY)
- Tongcheng Travel Holdings Ltd. (780 HK: HK\$23.45, BUY)
- Tongdao Liepin Group (6100 HK: HK\$3.70, BUY)
- Trip.com Group (TCOM: \$59.98, BUY)
- Trip.com Group (9961 HK: HK\$468.80, BUY)
- Vipshop Holdings Limited (VIPS: \$14.82, BUY)
- Wanda Film Holding Co Ltd (002739 CH: CNY11.27, BUY)
- Weibo Corporation (WB: \$9.55, BUY)
- Weimob Inc. (2013 HK: HK\$1.75, BUY)
- XD (2400 HK: HK\$42.65, BUY)
- YTO Express Group Co Ltd (600233 CH: CNY12.96, BUY)
- Yeahka Ltd (9923 HK: HK\$11.20, BUY)
- Youdao Inc (DAO: \$8.79, BUY)
- Youzu Interactive (002174 CH: CNY13.15, BUY)
- Yunda Holding Co Ltd (002120 CH: CNY6.70, HOLD)
- ZTO Express Cayman (ZTO: \$17.45, BUY)
- Zhejiang Huace Film (300133 CH: CNY7.21, BUY)
- Zhihu Inc. (ZH: \$3.82, BUY)
- ZhongAn Online P&C Insurance Co., Ltd. (6060 HK: HK\$18.30, BUY)
- iClick Interactive Asia Group Ltd (ICLK: \$11.79, BUY)
- iDreamSky Technology Holdings Ltd (1119 HK: HK\$0.85, BUY)
- iQiyi Inc. (IQ: \$1.73, BUY)

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			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2107	60.51%	371	17.61%	121	5.74%
HOLD	1223	35.12%	112	9.16%	22	1.80%
UNDERPERFORM	152	4.37%	4	2.63%	3	1.97%

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