CMBI Research Focus List

Our best high conviction ideas

14 March 2023

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY22E	P/E (x) FY23E	P/B (x) FY22E	ROE FY22E	Yield FY22E	Analyst
Long Ideas														
Li Auto Inc.	LI US	Auto	BUY	22.3	183.0	21.4	44.0	106%	N/A	N/A	3.9	-5.0	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	11.9	89.9	9.3	16.5	78%	23.6	19.8	1.5	6.6	1.1%	Shi Ji/ Dou Wenjing
S.C New Energy Technology	300724 CH	Capital Goods	BUY	6.4	121.9	127.0	187.0	47%	42.7	35.6	6.2	15.6	0.2%	Wayne Fung/ Katherine Ng
Zoomlion Heavy Industry	1157 HK	Capital Goods	BUY	7.6	5.0	4.4	5.2	18%	12.2	9.6	0.6	5.0	3.6%	Wayne Fung/ Katherine Ng
Yancoal Australia	3668 HK	Coal	BUY	6.1	7.8	36.0	48.0	33%	2.3	2.4	1.0	50.6	19.3%	Wayne Fung
CR Gas	1193 HK	Gas	BUY	8.8	14.3	30.0	39.1	30%	8.6	7.8	1.3	11.9	N/A	Megan Xia/ Jack Bai
XBXB	520 HK	Consumer Discretionary	BUY	1.0	21.1	6.9	11.2	61%	-19.1	16.3	N/A	8.9	0.9%	Walter Woo
Yum China	9987 HK	Consumer Discretionary	BUY	25.3	24.2	474.6	554.6	17%	25.6	56.1	N/A	13.8	0.8%	Walter Woo
JNBY	3306 HK	Consumer Discretionary	BUY	0.6	0.5	9.7	11.8	21%	7.1	8.6	N/A	32.9	11.0%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	25.3	52.0	61.2	77.4	27%	38.1	32.6	6.4	17.2	1.0%	Joseph Wong
Kweichow Moutai	600519 CH	Consumer Staples	BUY	321.0	678.1	1762.0	2440.0	38%	37.0	31.1	10.3	27.9	2.7%	Joseph Wong
CTGDF	601888 CH	Consumer Staples	BUY	55.8	333.0	186.8	255.0	37%	58.6	40.1	11.7	20.0	0.5%	Joseph Wong
Proya	603605 CH	Consumer Staples	BUY	7.6	37.6	184.2	184.0	0%	42.4	31.5	9.0	21.4	0.7%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	7.7	38.1	39.2	52.6	34%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
AK Medical	1789 HK	Healthcare	BUY	7.7	38.1	9.1	11.4	26%	43.5	30.8	N/A	9.2	N/A	Jill Wu/ Cathy Wang
AIA	1299 HK	Insurance	BUY	1.3	3.8	84.5	118.0	40%	N/A	N/A	N/A	0.6	1.9%	Gigi Chen
Tencent	700 HK	Internet	BUY	125.6	245.6	344.8	450.0	31%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Pinduoduo	PDD US	Internet	BUY	420.4	1141.9	85.7	116.9	36%	25.8	23.0	N/A	33.7	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Kuaishou	1024 HK	Internet	BUY	125.6	245.6	52.3	94.0	80%	N/A	N/A	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	28.9	211.0	34.8	45.1	30%	8.4	7.6	0.9	11.2	5.3%	Jeffrey Zeng/ Miao Zhang
BOE Varitronix	710 HK	Technology	BUY	31.6	49.3	16.7	26.0	56%	21.3	15.6	2.0	14.7	77.0%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	1.7	3.6	51.5	88.6	72%	21.6	14.3	N/A	7.9	0.5%	Lily Yang/ Alex Ng
Kingdee	268 HK	Software & IT services	BUY	9.3	122.0	14.9	23.6	58%	9.6	7.9	N/A	-5.3	0.0%	Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 13/3/2023

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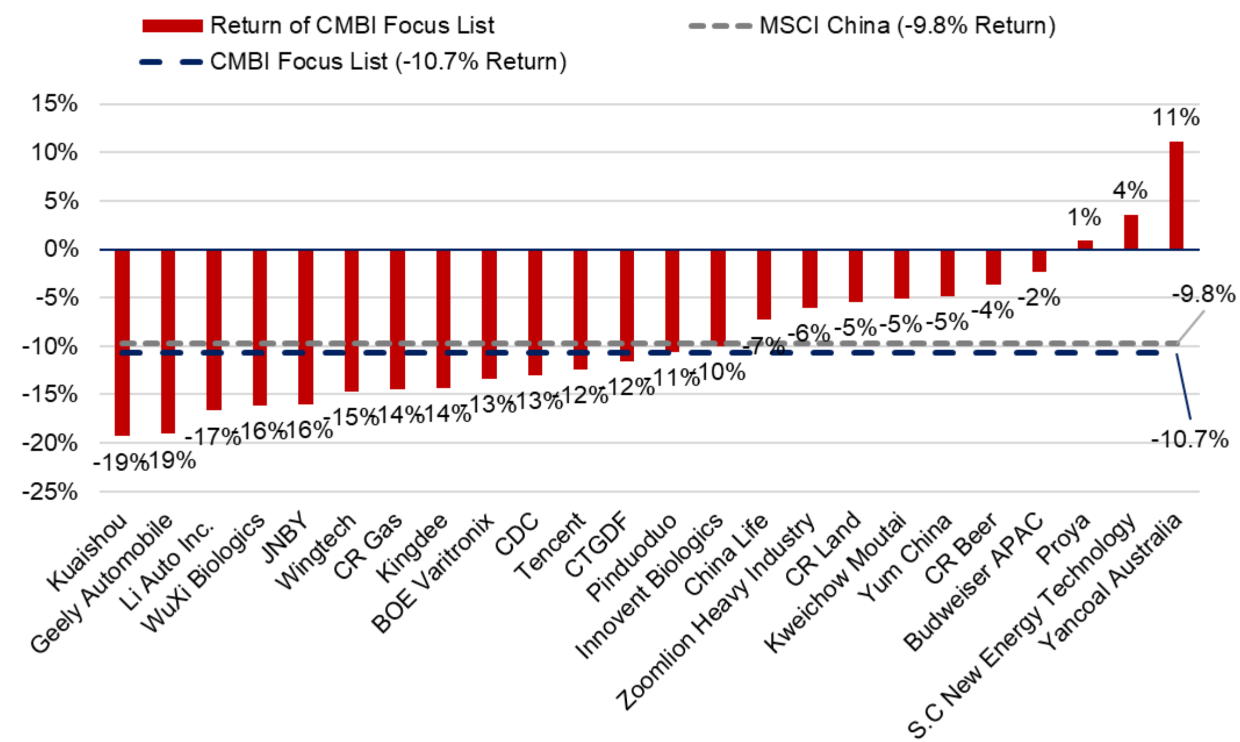
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
XBXB	520 HK	Consumer Discretionary	BUY	Walter Woo	Firstly, we believe the worst should have gone esp. after the profit warning. Secondly, we think the outlook for FY23E is still positive, aided by strong Jan-Feb 2023 performance. Thirdly, its valuation has become even more attractive at 16x FY23E P/E (vs industry average of 30x) after the recent share price retreat.
AK Medical	1789 HK	Healthcare	BUY	Jill Wu/ Cathy Wang	The orthopedic implant demand in China was negatively impacted by COVID-19 in 2022 and we believe the pent-up surgery demand would be unleashed in 2023E and lead to a rapid recovery of China's orthopedic implant market. AK medical is the biggest winner of joint VBP that has the largest allocation volume. Thus we expect it to witness accelerating growth in 2023E.
AIA	1299 HK	Insurance	BUY	Gigi Chen	Expect strong VNB momentum in HK/China markets to drive re-rating.
Deletions					
CDC	341 HK	Consumer Discretionary	BUY	Walter Woo	We think CDC may face limited short term catalysts, as the positive catalysts such as: 1) re-opening of China and HK border, 2) removal of the mask-wearing mandates, and 3) potential consumption vouchers, have all been announced already.
WuXi Biologics	2269 HK	Healthcare	BUY	Jill Wu/Benchen Huang	We think the growth of CXO subsector would slow down in 2023E due to the decrease of demand from downstream biotechs.
China Life	2628 HK	Insurance	BUY	Gigi Chen	Positive jumpstart performance already priced in.
Budweiser APAC	1876 HK	Consumer Staples	BUY	Joseph Wong	Taking out Budweiser as we think valuation is full given a 40% bull-run with the lack of near term catalysts to revise up earnings.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 14 February, we highlighted a list of 24 long ideas.
- The basket (equal weighted) of these 24 stocks underperformed MSCI China index by 0.9ppt, delivering -10.7% return (vs MSCI China -9.8%).
- 3 of these stocks delivered positive return, and 10 of our 24 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 14 Feb 2023 to 10 Mar 2023

Long Ideas

Li Auto Inc. (LI US): Still best positioned among NEV trio

Rating: BUY **|** TP: US$ 44.00 (106% upside) Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** We are of the view that China's auto industry has been experiencing drastic changes as consumers pursue new values from vehicles, which needs pioneers but not followers. We are pessimistic about most incumbent automakers' tech transformation. Among NEV start-ups, despite higher sales volume from some tier-2 brands compared with the NEV trio, they still need time to build customer trust, in our view. While the NEV trio all has more than RMB 30bn net cash to support them throughout 2024, we are of the view that Li Auto probably has a higher chance to be a long-term winner, in terms of sales and profitability.

- **Our View:** The automaker targets to double its market share to 20% in the SUV segment priced between RMB 300,000-500,000 in FY23, which translates into about 280,000-300,000 units. Management targets a monthly sales volume of 30,000 units by the end of 2Q23 when the Air version of the L7 starts to deliver.

- We maintain our FY23E sales volume forecast of 270,000 units. We are more conservative than the company, as we take possible sales cannibalization into consideration. We expect Li Auto to continue leading FY23E sales volume among the NEV trio. We still expect Li Auto to turn profitable in FY23E, the earliest among the NEV trio, thanks to the its superior product mix, cost control and management efficiency.

- **Catalysts:** 1) Strong sales volume YoY growth in 2Q23; 2) Possible milder sales cannibalization between the *L7* (delivery from Mar 2023), *L8* and *L9* than some investors' expectation; 2) first BEV (battery electric vehicle) model to be launched in 2023.

- **Valuation:** Our target price of US$ 44.00 is based on 3.0x FY23E P/S.

Link to latest reports:

Li Auto Inc. (LI US) – Well on track

China Auto Sector – 2023 Outlook: A critical year for long-term survival

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	27,010	45,287	96,925	119,550
YoY growth (%)	185.6	67.7	114.0	23.3
Net income (RMB mn)	(321)	(2,012)	1,280	1,248
EPS (RMB)	(0.2)	(1.0)	0.7	0.6
YoY growth (%)	N/A	N/A	N/A	(2.5)
P/S (x)	5.1	3.4	1.6	1.3
P/B (x)	3.3	3.9	3.7	3.6
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	(0.9)	(5.0)	3.1	2.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK): PHEV could be a positive surprise in FY23

Rating: BUY **|** TP: HK$ 16.50 (78% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** Geely is our top pick among incumbent automakers, due to Zeekr's progressive improvement and possible PHEV sales boom. We expect Zeekr to almost double its sales volume in FY23E, aided by a compact SUV model (*Zeekr X*). We are of the view that BYD's 2/3 market share in the PHEV segment is not sustainable and Geely is likely to be one of the automakers to grab market share from BYD. We project Geely's FY23E sales volume to rise 3% YoY to 1.5mn units, with almost 0.59mn units being NEVs. We expect Zeekr's net loss to narrow in FY23E.

- **Our View: Zeekr is on track for long-term development.** We project Zeekr's sales volume to double YoY to 0.14mn units in FY23E, aided by a new compact SUV (*Zeekr X*). We value Zeekr 2.5x (the same as our target valuation for Xpeng) FY23E core revenue (excluding Viridi's battery pack sales and R&D services), which would result in HK$ 109bn for 100% Zeekr's valuation. Despite lagging autonomous driving technologies, Zeekr's recent sales momentum and price positioning are stronger than Xpeng. **We project Geely's PHEV sales volume (incl. Lynk & Co) to reach 0.2mn units in FY23E.** With lessons learnt from the *Xingyue L* and *Emgrand L* PHEVs, we expect Geely's two new PHEVs (Galaxy series) in 2023 to be more successful.

- **Valuation:** Despite tripled sales volume for Geometry in FY22E compared with FY21, its loss-making and high ratio of ride-hailing fleets make us value it the least among Geely's NEV businesses. We estimate profitability for Geely's other businesses, including internal-combustion engine (ICE) vehicles, Lynk & Co, IP licensing and R&D services, to be stable in FY23E, aided by a larger portion of more premium models. We value Geely's all other businesses excluding Zeekr at 15x our FY23 P/E amid higher PHEV sales volume forecast.

Link to latest report: Geely Automobile (175 HK) – PHEV could be a positive surprise in FY23

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	101,611	143,630	157,650	167,000
YoY growth (%)	10.3	41.4	9.8	5.9
Net income (RMB mn)	4,847	4,708	5,567	7,027
EPS (RMB)	0.48	0.46	0.54	0.68
YoY growth (%)	(12.4)	(2.9)	18.2	26.2
P/E (x)	20.5	23.6	19.8	15.7
P/B (x)	1.4	1.5	1.4	1.3
Yield (%)	0.8	1.1	1.3	1.7
ROE (%)	7.3	6.6	7.4	8.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

S.C New Energy Technology (300724 CH): A key beneficiary of the transformation of solar cell technology

Rating: BUY **| TP:** RMB187 (47% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** SC is a leading solar power equipment supplier with a well-diversified product portfolio covering equipment with new technologies such as TOPCon, HJT and Perovskite solar cell (钙钛矿). Backed by the strong photovoltaics (PV) installation demand worldwide as well as the transformation from PERC technology, SC will continue to capture the capex up-cycle.

- **Our View:** SC won meaningful size of PE-poly route TOPCon turnkey contracts in overseas in 2022, which indicates that such technology has already gained client recognition. Key advantages of PE-Poly route include better solar cell efficiency, higher production efficiency and yield, which can help achieve mass scale production of TOPCon solar cell. Besides, we believe SC's early-mover advantage in developing HJT and Perovskite solar cell will enable it to enjoy the uptrend in equipment demand regardless of any potential change in technology.

- **Why do we differ vs consensus:** While our 2022E/23E/24E EPS estimates are 2%/-8%/-6% versus consensus, we see potential earnings upside given the faster-than-expected technological-driven equipment replacement.

- **Catalysts:** (1) Industry: Announcement of more solar cell capacity expansion plans; (2) Company: Breakthrough in HJT/ Perovskite solar cell technology.

- **Valuation:** Our TP of RMB187 is based on 52x P/E (1SD above the historical average of 36x to reflect the breakthroughs in the new equipment).

Link to latest report:

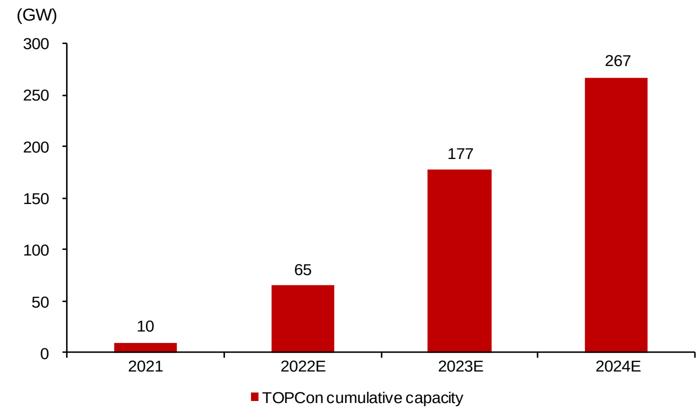
S.C New Energy Technology (300724 CH) – 3Q22 net profit +1.2x YoY; A clean beat

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,047	5,813	7,552	9,812
YoY growth (%)	25	15	30	30
Net income (RMB mn)	717	1,042	1,251	1,643
EPS (RMB)	2.14	2.99	3.59	4.72
YoY growth (%)	31	40	20	31
Consensus EPS (RMB)	N/A	2.93	3.92	5.03
P/E (x)	59.7	42.7	35.6	27.1
P/B (x)	7.2	6.2	5.3	4.5
Yield (%)	0.1	0.2	0.3	0.4
ROE (%)	15.5	15.6	16.1	18.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Planned TOPCon capacity in China (cumulative)



Source: CMBIGM estimates

Zoomlion Heavy Industry (1157 HK): Spin-off of AWP unit to unlock value

Rating: BUY | **TP:** HK$5.24 (18% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** Zoomlion is leading construction machinery manufacturer in China. The Company has identified construction machinery, agricultural machinery + intelligent agriculture, and materials as the key business lines. The diversification strategy on both product level (AWP & excavator) and industry level (materials) will help smooth the revenue stream.

- **Our View.** Zoomlion is set to benefit from the continuous growth of infrastructure spending and the reduction of property sector risk. We view Zoomlion as a strong recovery play in 2023E following the earnings decline in 2021 & 2022. . Besides, we believe the upcoming spin-off of Zoomlion Aerial Machinery, through asset injection into Shenzhen RoadRover Tech (002813 CH) can help Zoomlion unlock the value of the AWP business. Meanwhile, Zoomlion effectively implemented the share buyback scheme. In Aug-Dec 2022, Zoomlion spent RMB1.55bn to buyback ~260mn A-shares (~3% of total o/s shares; average price: ~RMB5.99/share). We note that Zoomlion has a good track record on share buyback in the past.

- **Why do we differ vs consensus:** Our 2023E/24E earnings forecast is 1%/-3% versus consensus. We see further earnings upside in 2023E.

- **Catalysts:** (1) Stabilization of property sector (+ve to tower crane & concrete machinery demand), (2) Spin-off of AWP unit.

- **Valuation:** Our TP of HK$5.24 is based on 11.5x 2023E P/E (0.5 SD above the average of 10x since the upcycle starting 2019). Our above-average target valuation is to reflect the earnings recovery for the first time in two years. Stock is trading at ~10x 2023E P/E, the lowest among peers.

Link to latest report:

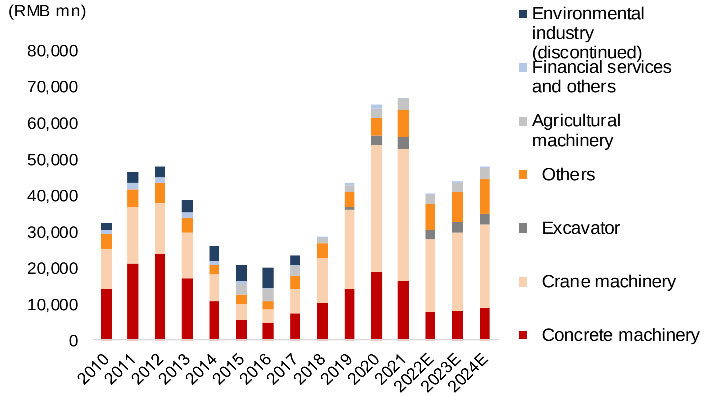
Zoomlion Heavy Industry (1157 HK) – Spin-off of AWP business to unlock value

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	67,132	40,419	43,970	47,885
YoY growth (%)	3.1	(39.8)	8.8	8.9
Net income (RMB mn)	6,303	2,824	3,598	4,118
EPS (RMB)	0.76	0.33	0.41	0.47
YoY growth (%)	(21.7)	(57.1)	27.4	14.5
Consensus EPS (RMB)	N/A	0.31	0.41	0.49
EV/EBIDTA (x)	4.3	8.9	6.8	6.1
P/E (x)	4.8	12.2	9.6	8.4
P/B (x)	0.6	0.6	0.6	0.6
Yield (%)	8.8	3.6	4.6	5.2
ROE (%)	12.2	5.0	6.4	7.0
Net gearing (%)	Net cash	6.8	6.9	5.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIGM estimates

Yancoal Australia (3668 HK) – Inclusion in Stock Connect a re-rating driver

Rating: BUY | TP: HK$48 (33% upside)

Analyst: Wayne Fung

- **Investment Thesis:** We expect a resilient demand for seaborne coal as many countries have put energy security top of the priority, while the coal supply has remained tight due to miners' capex discipline. The strong coal price helped Yancoal Australia (YAL), the largest pure coal producer in Australia, turn the net gearing dramatically from 69% in 2020 to a net cash position in Jul 2022, which paved the way for generous dividend distribution going forward.

- **Our View:** HKEx announced earlier the updated list of stock eligible for the Stock Connect. For the first time, foreign companies are included and YAL is one of them. The inclusion will come into effect on 13 Mar. We expect it will boost the trading volume and potentially trigger a re-rating, given that YAL offers scarcity value for Mainland investors who are looking for opportunities in seaborne coal sector, high yield and low multiple. Going forward, we expect the re-opening of China will continue to lend support to the regional coal price. Besides, we expect the improved relations between China and Australia (resumption of the import of Australian coal recently) will help Australian coal miners to gain market share.

- **Why do we differ vs consensus:** There is only limited number of analysts covering the stock. We believe the market has yet to realize the potential of the Company.

- **Catalysts:** (1) Recovery of coal production as a result of improved weather; (2) Reopening of China to trigger an increase in regional price; (3) Inclusion in Stock Connect.

- **Valuation**. The stock is attractively trading at 19% yield (Final dividend: A$0.7/share; ex-dividend on 14 Mar) and 2.4x 2023E P/E. Reiterate **BUY** with NPV-based TP of HK$48.

Link to latest report: Yancoal Australia (3668 HK) – Inclusion in Stock Connect a re-rating driver

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (A$ mn)	5,403	10,548	10,386	9,576
YoY growth (%)	55.6	95.2	(1.5)	(7.8)
Net income (A$ mn)	791	3,587	3,576	3,143
EPS (A$)	0.60	2.72	2.71	2.38
YoY growth (%)	N/A	355.0	(0.3)	(12.1)
Consensus EPS (A$)	N/A	N/A	N/A	N/A
EV/EBITDA (x)	3.0	1.0	1.1	1.2
P/E (x)	9.8	2.3	2.4	2.7
P/B (x)	1.3	1.0	0.9	0.8
Yield (%)	8.4	19.3	14.6	12.9
ROE (%)	13.9	50.6	40.0	29.6
Net gearing (%)	31.6	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates
Note 1: Thermal coal price assumptions: A$300/250 per tonne in FY23E/24E.
Note 2: Dividend yield is net of dividend tax of 30%.

Fig: NPV sensitivity to LT coal price and WACC

WACC	LT coal thermal coal price (A$/t)				
	80	100	**120**	140	160
4.6%	20	35	50	65	80
5.6%	22	36	49	63	76
6.6%	24	36	**48**	61	73
7.6%	25	36	47	59	70
8.6%	26	36	47	57	68

Note: Assuming LT thermal coal price = A$120/t

WACC	LT metallurgical coal price (A$/t)				
	120	140	**160**	180	200
4.6%	45	47	50	53	56
5.6%	44	47	49	52	54
6.6%	44	46	**48**	51	53
7.6%	43	45	47	50	52
8.6%	43	45	47	49	50

Note: Assuming LT metallurgical coal price = A$160/t

Source: CMBIGM estimates

CR Gas (1193 HK): Oct-Nov 2022 dollar margin in line; optimistic gas sales outlook for 2023

Rating: BUY | **TP:** HK$39.13 (30% upside)

Analysts: Megan Xia/ Jack Bai

- **Investment Thesis:** CRG is now trading at 12x FY23 PE, its stock price has been up around 40% since we issued last report to the resume coverage. We are still optimistic about CRG, considering: 1) the optimization of pandemic control measures in 2023 is expected to boost domestic gas demand. Reflecting this situation, CRG's gas sale vol. growth and dollar margin management may improve afterwards; 2) sustained M&A provides great support for the stable development of CRG's gas connection business; 3) stick to "1+2+N" strategy, the robust growth momentum of CRG's value-added services continues; and 4) superior financial resilience. Maintain BUY.

- **Our View:** Two positive factors bolster the gas distributors sector in the past few months. First, China improves its pandemic control measures, bringing good signals to domestic economic growth and gas demand. Second, recent positive stimulus policy on property industry may benefit the gas connection business. For CRG, given the attractive valuation and improved dollar margin previously, its stock price has rebounded significantly. Next, we are optimistic about CRG, considering: 1) its better-than-peers' stable gas connection; 2) Q3 dollar margin improved to over RMB0.55/cbm, and dollar margin in Oct 2022 and Nov 2022 were inline (~RMB0.47/cbm and RMB0.48/cbm); and 3) robust comprehensive service growth. We believe CRG's stock price still has growth space, but need to be cautious as the valuation starts to look a bit rich.

- **Valuation:** Considering optimistic gas sales outlook for 2023, inline Oct-Nov 2022 dollar margin, and steady gas connection business and comprehensive services growth. We maintain our TP unchanged at HK$39.13 and give BUY rating, which is based on 12x FY23 forward PE (equivalent to around-1SD from its two-year historical average PE).

- **Risk:** 22Q4 gas sales growth may miss due to domestic weak economic data during the spread of the epidemic; Valuation looks a bit rich as a definitive re-opening is partly priced in.

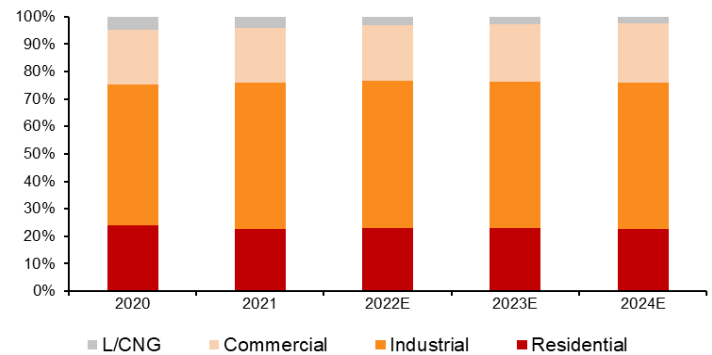
Link to latest report: CR Gas (1193 HK) – Eyes on 4Q gas dollar margin and solid comprehensive service growth

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (HK$ mn)	78,175	102,507	110,986	121,343
Net profit (HK$ mn)	6,395.1	6,828.1	7,524.7	8,562.1
EPS (Reported) (HK$)	2.82	3.01	3.32	3.77
Diluted EPS (HK$)	2.82	3.01	3.32	3.77
Consensus EPS (HK$)	N/A	2.77	3.03	3.39
P/E (x)	8.78	8.60	7.82	7.7
P/B (x)	1.48	1.34	1.2	1.1
ROE (%)	12.7	11.9	11.7	11.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRG's gas sales volume mix (2020-24E)



Source: Company data, CMBIGM

XBXB (520 HK): Dragged by 4Q22 but FY23E outlook still bright

Rating: BUY **| TP:** HK$11.20 (61% upside)

Analyst: Walter Woo

- **Investment Thesis:** Xiabu Xiabu Catering is the 2nd largest hotpot restaurant group in China, with ~1.2% market shares in 2021. It has three brands (Xiabu Xiabu (“XBXB”), Cou Cou and Shao Hot). As at FY21, it had 841 XBXB/ 183 Cou Cou restaurants and generated RMB 6.15bn sales and RMB 0.29bn net loss. We believe it has multiple growth drivers such as: 1) transformation of XBXB brand, 2) margin improvements thru better store economics and new incentive scheme, 3) store expansion to the Southern China and even overseas, 4) ramp up of the new brand Shao Hot.

- **Our View:** Sales did miss a bit in FY22E, but we do think it was more like one-off and the outlook in FY23E is still good, based on: 1) significant margin improvement in 2H22E and 2) decent sales growth in 2023 YTD (combined Jan-Feb already). Esp. after the recent share price retreat, it is fairly attractive now, at 16x FY23E P/E vs industry’s average of 30x.

- **Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our sales forecasts are -14%/ 3%/ 3% higher than consensus and our net profit forecasts are 82%/ 61%/ 52% above street as we are more confident on its 1) SSSG recovery, 2) GP margin as well as 3) store productivity improvement.

- **Catalysts:** 1) better than expected SSS recovery, 2) more than expected improvement from the recent reforms, 3) faster than expected store openings and 4) successful store expansion for Shao Hot.

- **Valuation:** We derived our 12m TP of HK$11.20 based on SOTP valuation (21x/ 35x for XBXB/ Cou Cou), also implied a 27x FY23E P/E, ~15% discount to industry average. We believe its current valuation at ~16x FY23E P/E is still cheap given the various reforms and recovery.

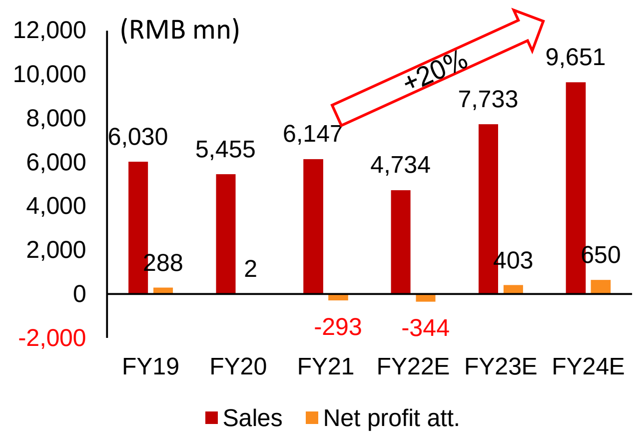
Link to latest report: [XBXB (520 HK) – Dragged by 4Q22 but FY23E outlook still bright]

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	6,147	4,734	7,733	9,651
YoY change (%)	12.7	(23.0)	63.3	24.8
Adj. Net profit (RMB mn)	(293)	(344)	403	650
EPS - Fully diluted (RMB)	(0.273)	(0.317)	0.371	0.597
YoY change (%)	(16,628.4)	6.0	(217.0)	61.1
Consensus EPS (RMB)	N/A	(0.174)	0.217	0.403
P/E (x)	(20.3)	(19.1)	16.3	10.1
P/S (x)	3.0	4.0	3.2	2.5
Yield (%)	1.0	0.9	2.1	3.9
ROE (%)	1.6	8.9	11.9	27.7
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit



Source: Company data, CMBIGM estimates

招銀国际 CMB INTERNATIONAL

Yum China (9987 HK): Robust recovery and store expansion ahead

Rating: BUY | **TP:** HK$554.61 (17% upside)

Analyst: Walter Woo

- **Investment Thesis:** YUMC is the largest restaurant group in China by sales. It owns 11,788 stores in FY21 (8,168 KFC/ 2,590 Pizza Hut/ 1,030 other brands) and generated USD 9.8bn sales and USD 990mn net profit in FY21. In our view, it is even benefiting from pandemic, thru market shares gains and structural margin improvements, driven by: 1) innovative and successful product launches, 2) more automations and efficient use of labour, 3) smaller-sized stores and 4) less depreciation due to lower capex.

- **Our View:** A soft 4Q22 was well expected and we are positive on FY23E outlook and turnaround, thanks to: 1) decent start in CNY (MSD SSSG) had by, better than Tai Er/ Cou Cou/ HDL's 3%/ 0%/ -10%, 2) refined store economics (can achieve breakeven even with just 80% of the same store sales in 2019 level, 2) decent room for upward revision on the opening plan (1,100 -1,300, implying 8% to 10% YoY growth, no acceleration from the 10% last year but many peers have already announced accelerated expansion plans). Moreover, greater buying power from 1) the stock connect programme (as it had competed its primary listing in HKEX) and 2) potential inclusion into the stock indices are all meaningful supports.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 3%/ 4%/ 7% below consensus and our net profit forecasts are 6%/ 6%/ 14% above street as we are more confident on its operational competitiveness and OP margin expansion.

- **Catalysts:** 1) better than expected product launches, 2) further improvement in store economics and 3) more policy relaxations.

- **Valuation:** Our new TP is based on 33x FY23E P/E (up from 30x), close to 2 s.d. above the 5 years average of 27x, given the upcycle and 32% NP CAGR during FY22-25E. The stock is trading at ~27x FY23E P/E.

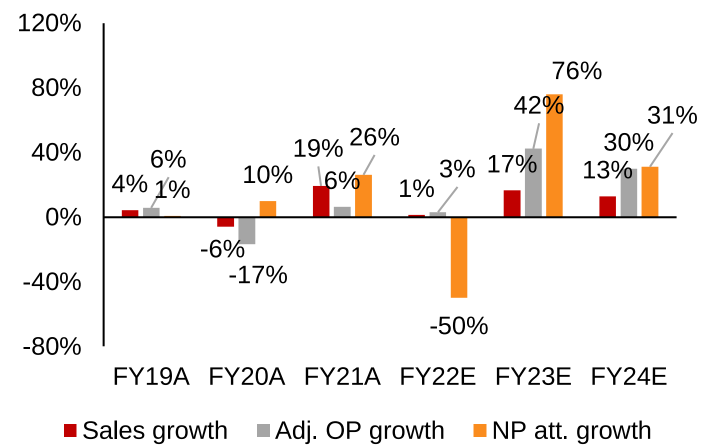
Link to latest report: [Yum China (9987 HK) – Robust recovery and store expansion ahead]

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	9,569	11,072	12,414	13,938
YoY change (%)	(2.9)	15.7	12.1	12.3
Adj. net profit (RMB mn)	442	881	1,087	1,363
EPS - fully diluted (RMB)	1.04	2.17	2.68	3.36
YoY change (%)	(54.4)	108.6	23.4	25.4
Consensus EPS (RMB)	N/A	1.91	2.36	3.06
P/E (x)	25.6	56.1	26.9	21.8
P/S (x)	3.2	3.3	3.0	2.7
Yield (%)	0.8	0.9	1.1	1.4
ROE (%)	13.8	5.9	11.7	13.2
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

JNBY (3306 HK): Eyes on the recovery and risk-reward

Rating: BUY **| TP:** HK$11.76 (21% upside)

Analyst: Walter Woo

- **Investment Thesis:** JNBY is a leading designer brand in China, owning brands like JNBY, CROQUIS, less and jnby by JNBY, etc.. We believe its FY25E target of RMB 6.0bn/ RMB 900mn is robust (14%/ 17% sales/ NP CAGR) and achievable enough (we only priced in 90% of it). Growth drivers include: 1) industry consolidation, 2) upgrades in products and branding, 3) store revamps, 4) ramp up of its digital related and e-commerce sales, 5) store expansion and 6) development of new brands.

- **Our View:** 1H6/23 was a miss, due to weaker than expected SSSG in Nov-Dec 2022, as well as the surge in staff costs and A&P expenses. Therefore the FY6/23E guidance has now been revised down (LSD sales growth and low-teens net profit drop). Because of the pandemic, its long-term target has also been shifted to FY6/26E. However, thanks to: 1) strong SSSG rebound in YTD 2023, 2) low base last year, 3) revamp of many store images, 4) product and brand upgrades, 5) further improvements in customer experience and 6) penetration into new social media platforms like Tik Tok and XiaoXiaohongShu, etc.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 0%/ 3%/ 6% lower than consensus and our net profit forecasts are 1%/ 2%/ 2% below street as we are more conservative on its SSSG but more optimistic on its GP and OP margin expansion.

- **Catalysts:** 1) better than expected product and branding upgrades and 2) faster than expected store expansion.

- **Valuation:** We derived our 12m TP of HK$11.76 based on a 10x FY6/23E P/E. We believe JNBY can re-rate more once the growth accelerate further in 2023. The stock is trading at ~9x FY6/23E P/E and 9% FY6/23E yield.

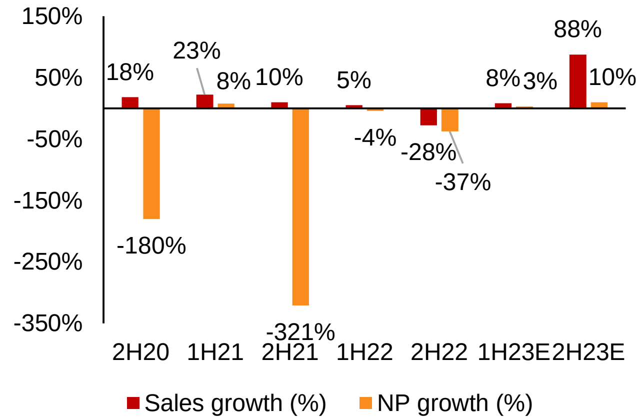
Link to latest report: JNBY Design (3306 HK) – Eyes on the recovery and risk-reward

Financials and Valuations

(YE 30 Jun)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	4,086	4,220	4,606	4,923
YoY change (%)	(1.0)	3.3	9.1	6.9
Adj. Net profit (RMB mn)	559	495	589	694
EPS - Fully diluted (RMB)	1.113	0.978	1.163	1.372
YoY change (%)	(13.6)	(12.1)	18.9	17.9
Consensus EPS (RMB)	N/A	1.210	1.403	1.641
P/E (x)	7.1	8.6	7.2	6.1
P/S (x)	2.4	2.5	2.3	2.1
Yield (%)	11.0	9.3	11.1	13.1
ROE (%)	32.9	28.9	32.3	34.8
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, half-yearly



Source: Company data, CMBIGM estimates

CR Beer (291 HK): Another positive year for 2023; our preferred pick for China's re-opening

Rating: BUY | **TP:** HK$77.4 (27% upside)

Analyst: Joseph Wong

- Initial 2023 outlook. Management remains confident in 2023, and guides for a HSD growth in revenue, contributed by 1) a LSD volume growth driven by ~20% sub-premium/ premium SKUs that accelerate from mid-teen growth in 2022, 2) a MSD to HSD ASP growth thanks to regional price hike and product mix upgrade. Meanwhile, input cost pressure is easing (~RMB500mn increase vs RMB1bn+ in 2022) and should fuel GPM to expand further from 2022. Opex ratio will continue to decline, as the company will continue to optimize production structure and focus on premium SKUs. More exercises on capacity optimization, in our view, is reasonable and looks to be ongoing within 2023.

- A lackluster 4Q22. Subsequent to a strong 3Q, 4Q volume has been unexciting partly due to slow season and lockdowns. Compared to a 0.7% y-y decline in 1H, management expects FY volume to hover at break-even. Premium/ sub-premium growth continued to outperform group average at ~10% within 2H (and hence FY) thanks to Heineken. ASP-wise, management expected a FY MSD increase y-y and this came in consistent to our expectation. The growth should also lead to a stable GPM for the period, when cost hike should have largely been mitigated, in our view. SG&A continued to decline in 2H, but at a slower pace than what we saw in 1H, due to expense incurred for capacity optimization.

- Earnings change and valuation. To reflect the above, we raise our 2022/23E revenue by 3.2/ 6.6%, GPM by 0.0/ 0.4pp, and these lead to a 2.6/ 8.1% increase in our net profits assumptions, respectively. Our new TP is based on an updated 26.0x (from previous 27.0x) roll-forward end-23E P/E which still represents +1sd above long-term average since 2018.

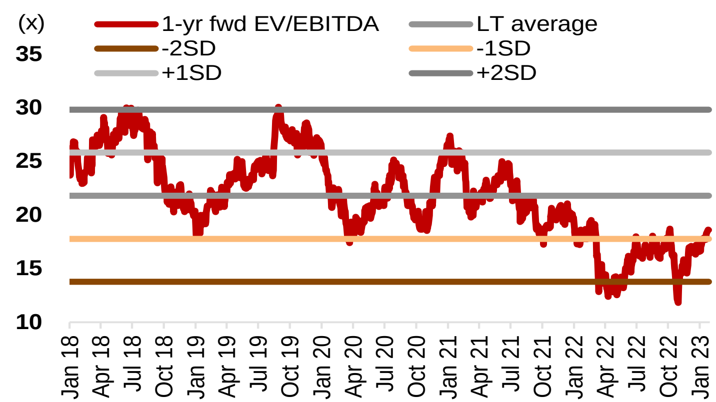
Link to latest report: CR Beer (291 HK) – Another positive year for 2023; our preferred pick for China's re-opening

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	33,387	35,617	38,825	42,619
YoY growth (%)	6.2	6.7	9.0	9.8
Net income (RMB mn)	4,587	4,299	5,024	5,736
EPS (RMB)	1.0	1.3	1.5	1.8
YoY growth (%)	21.0	20.0	16.9	14.2
Consensus EPS (RMB)	N/A	1.3	1.6	1.9
P/E (x)	N/A	38.1	32.6	28.6
P/B (x)	N/A	6.4	5.7	5.0
Div yield (%)	N/A	1.0	1.2	1.4
ROE (%)	14.1	17.2	18.5	18.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward EV/EBITDA



Source: Company data, CMBIGM estimates

Kweichow Moutai (600519 CH): Proxy of China's consumption-led recovery; buying into any weakness for the next recovery wave

Rating: BUY | **TP:** RMB2,440 (38% upside)

Analyst: Joseph Wong

- As the proxy of China consumption, we think Moutai is undoubtedly well-positioned to benefit from the current consumption-driven recovery. This will not only be underpinned by reopening of restaurants and resumption of social events, but also company specific catalysts. These include 1) platform extension through i-Moutai (with the launch of 100ml “Flying Fairy” a.k.a “Feitian” SKU) registering RMB15bn 2022 revenue (~16% of total) with 30mn active users, and 2) a more diversified sales mix from Series baijiu with core products such as Moutai 1935, Moutai Prince Classics (茅台王子酒酱香经典), Moutai Prince Gold (茅台金王子) etc. Meanwhile, we are wary of the capacity bottleneck of both Moutai/ Series baijiu, which has been a known drag to growth. That said, without a legit substitute, we view this an ongoing opportunity for Moutai to monetize this excess demand through gradual price hike, until the announced capacity expansion (Moutai/ Series baijiu to 71k/ 56k ton) completes. Compounding with our reopening thesis, this happening expansion improvises a multi-year growth story (in both price and volume) in which we project 16%/ 17% 3-year revenue/ net profits CARG between 2022-25E, respectively, with a steadily improving GPM. We are buy-rated with a refreshed TP at RMB2,440 upon coverage transfer. We think shares could take a breather after the bull-run but we would recommend buying into any weakness for the next recovery wave in which growth likely to re-accelerate from 2Q onwards.
- Valuation. Our TP is based on 41.0x end-23E P/E, which represents long-term average since 2019. Our methodology reflects our relative optimism (vis-a-vis other F&B diversified of which target multiples are based on -1sd below long term average) that Moutai is one of the core beneficiaries standing at the forefront of China's reopening with high certainty in earnings support.

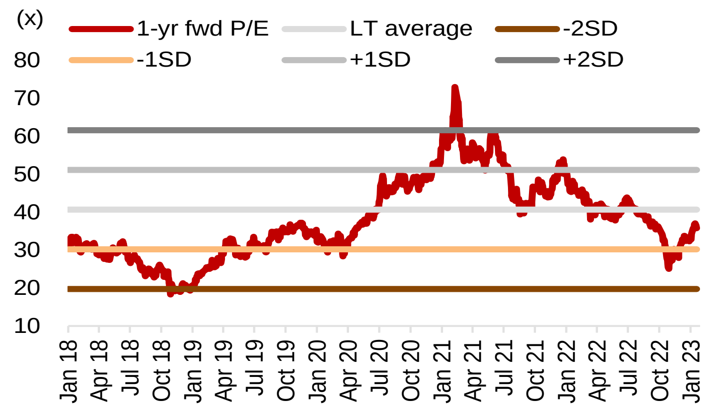
Link to latest report: Kweichow Moutai (600519 CH) – Proxy of China's consumption-led recovery; buying into any weakness for the next recovery wave

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	109,464	127,215	149,786	172,710
YoY growth (%)	11.7	16.2	17.7	15.3
Net income (RMB mn)	52,460	62,593	74,579	86,626
EPS (RMB)	41.8	49.8	59.4	69.0
YoY growth (%)	12.3	19.3	19.1	16.2
Consensus EPS (RMB)	N/A	50.0	62.0	70.0
P/E (x)	N/A	37.0	31.1	26.7
P/B (x)	N/A	10.3	9.9	8.2
Div Yield (%)	N/A	2.7	1.6	1.9
ROE (%)	27.7	27.9	31.9	30.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

CTGDF (601888 CH) – At the forefront of China's reopening

Rating: BUY | **TP:** RMB255 (37% upside)

Analyst: Joseph Wong

- Travel bans and any social distancing measures are likely to weigh on 4Q domestic travel momentum. That said, when the fatality rate associated with the pandemic gradually dies down and policy rhetoric is turning more liberal, we see scope for domestic travel to start normalizing into 1Q23, particularly when the quarter is clustered with the CNY break that catalyze family touristing. CTGDF is the largest domestic duty-free operator with c80% market share in 2022, and is therefore poised to be the major beneficiary of this recovery trajectory. The stock is trading at 40.0x end-23E P/E, still 25% below its 3-year average. We argue shares mean-reversion is likely to take place within 2023E, not to mention further value to be unlocked through its secondary H share listing on an expanded shareholder base. We maintain our Buy rating and CTGDF is our top pick for China's reopening along with CRB (291HK, Buy), and Proya (603605CH, Buy).
- The opening of the Haikou DFS mall on Oct 28. With a total of 280k sq m, the mall covers 800+ global luxury brands and 25 of them, including YSL, Prada, Burberry, BV, Moncler etc, had their first footstep in Hainan. On the other hand, according to our survey, customer could enjoy 20% for every 2 cosmetic items purchased. For other popular brands like Shisedo, La Mer, Dior, discount ranges from 28-32% off MSRP.
- Earnings change. Barring any fine-tune in housekeeping items, our forecasts are largely unchanged for now. Our current forecast implies 4Q22E revenue/ net profits to be RMB17.7bn/2.2bn, with a 37% GPM.
- Valuation. Our new TP of RMB255 is based on an updated 50.0x (from previously 45.0x) end-23E P/E, which still represents its average since June 2020, when market started to re-rate the stock for a series of policy tailwind. We believe our methodology has appropriately priced-in the recent market sentiment about China's gradual reopening progress.

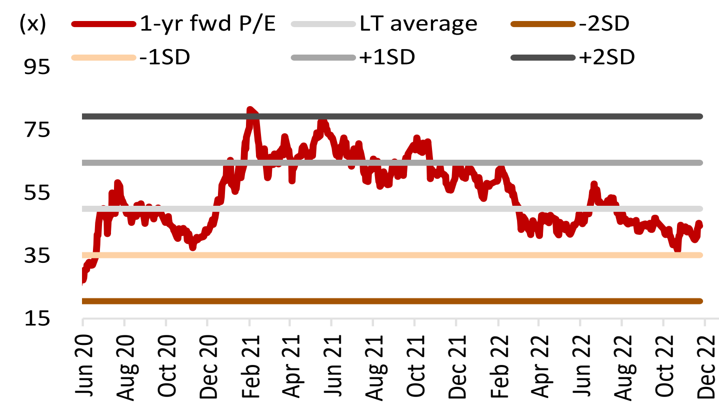
Link to latest report: CTGDF (601888 CH) – At the forefront of China's reopening

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	67,676	57,080	73,409	101,991
YoY growth (%)	28.7	(15.7)	28.6	38.9
Net income (RMB mn)	9,654	6,830	9,976	13,224
EPS (US$)	4.9	3.5	5.1	6.8
YoY growth (%)	57.2	(29.3)	44.7	32.5
Consensus EPS (RMB)	N/A	4.9	7.3	9.3
P/E (x)	N/A	58.6	40.1	30.3
P/B (x)	N/A	11.7	9.8	8.0
Div yield (%)	N/A	0.5	0.8	1.1
ROE (%)	32.6	20.0	24.3	26.4
Net gearing (%)	32.8	49.5	52.0	53.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Proya (603605 CH) – 3Q a small beat; but the implied 4Q numbers look unexciting given the current guidance

Rating: BUY | **TP:** RMB184

Analyst: Joseph Wong

- Proya pre-announced its 3Q operating data, with revenue and net profits growing at 14-23%/ 30-45% YoY to RMB1.25bn to RMB1.35bn/ RMB180mn to RMB200mn, respectively. The trajectory was in line with our expectation that 3Q sales moderate from 1H when part of July's demand has been pulled forward to 618, and momentum for Aug and Sep should have normalised to positive growth. On the other hand, net profits was a beat. Without much detail, and excluding any non-core items, we estimate this would likely be contributed by better margins, as a result of both mix upgrade and marketing cost savings.
- If 3Q22 results eventually kick-in at the high end of the announcement, 4Q revenue and net profit would grow at ~14% and ~7%, respectively, assuming management maintains its full year guidance (details see below). We consider this a bit low and we see possibilities that Proya could achieve higher growth, depending on the sales momentum of Double 11.
- Proya has announced 6 hero products during a top tier KOL live-streaming for the upcoming Double 11. Of note, the volume of gifts was comparable to that of last year, and we think the magnitude of discounts is unlikely to be undisciplined.
- During the 2Q earnings call, Proya management maintained its full-year guidance of 25% revenue/ net profits growth. Considering a 30-40% online sales growth for 2022E, the target implies offline sales growth would remain negative throughout 2H. Separately, Proya management has initiated a new ESOP plan in July this year with vesting condition stipulated to be no less than 25%/ 23%/ 22% revenue/ net profit growth YoY for 2022-24E. To-date, management remains confident to achieve the target.

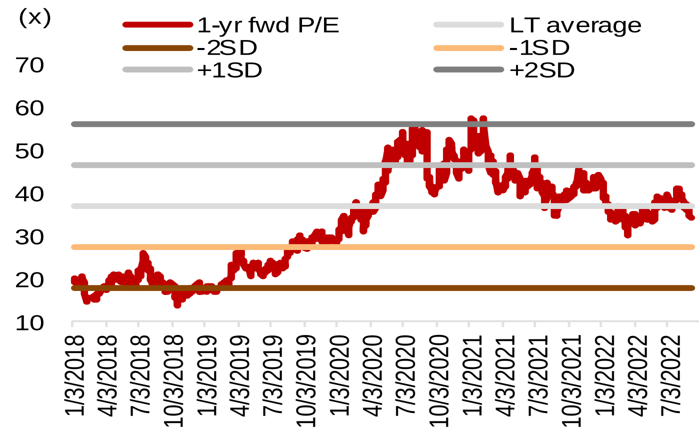
Link to latest report: Proya (603605 CH) – 3Q a small beat; but the implied 4Q looks unexciting given the current management guidance

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,633	5,812	7,337	9,181
YoY growth (%)	23.5	25.4	26.2	25.1
Net income (RMB mn)	627	724	976	1,249
EPS (US$)	2.9	3.6	4.9	6.2
YoY growth (%)	21.2	25.6	34.8	28.0
Consensus EPS (RMB)	N/A	2.6	3.5	4.4
P/E (x)	N/A	42.4	31.5	23.3
P/B (x)	N/A	9.0	7.4	6.1
Div yield (%)	0.5	0.7	0.9	1.2
ROE (%)	21.8	21.4	24.0	25.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Innovent Biologics (1801 HK): Fast expanding commercial product portfolio

Rating: BUY **| TP:** HK$52.59 (34% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Innovent currently has eight commercial products and is continuing to expand its product portfolio. Additional large indications of sintilimab (1L GC and 1L ESCC) was added to the NRDL at no price cut, effective since Mar 2023, which was a major catalyst for the drug's future sales ramp-up. Additionally, we expect the sNDA of sintilimab (2L EGFRm nsq-NSCLC) to be approved in 1H23E. Cyramza (VEGFR2) was officially launched in 4Q22 for 2L GC and 2L HCC. In Jun 2022, NDAs of IBI326 (BCMA CART) and IBI306 (PCSK9) was accepted by CDE, which are expected to be approved in 1H23E. In Jan 2023, IBI376 (PI3Kδ) was filed for marketing as well. IBI-362 (GLP-1/GCGR), another potential blockbuster, has started Ph3 studies for obesity and diabetes in Nov 2022. Within the next five years, Innovent targets to launch over 15 products in China which will support its RMB20bn annual product revenue target.

- **Our View:** Innovent has competitive early-stage pipelines with global rights. IBI-110 (LAG3) continues to demonstrate positive signals in 1L sq-NSCLC and 1L GC patients in Ph1b studies. IBI-939, a differentiated IgG4 mAb targeting TIGIT (vs IgG1 mAb for other TIGIT candidates), has shown promising benefits in ORR and PFS in combination with sintilimab in a randomized Ph1b study in PD-L1 TPS≥50% NSCLC. Additionally, IBI-322 (CD47/PD-L1) is expected to have PoC data in lymphoma in early 2023.

- **Why do we differ vs consensus:** Eli Lilly reported US$57.5mn (-25% QoQ) sales from sintilimab in 4Q22, which was largely impacted by the COVID situation in China, similar to the impact of COVID to other Chinese biopharma companies. With COVID being stabilized, due to the NRDL coverage extension and favorable NRDL price negotiation, we expect sales of sintilimab to ramp-up quickly in 2023.

- **Valuation:** we derive our target price of HK$52.59 based on DCF valuation (WACC: 9.9%, terminal growth rate: 3.0%).

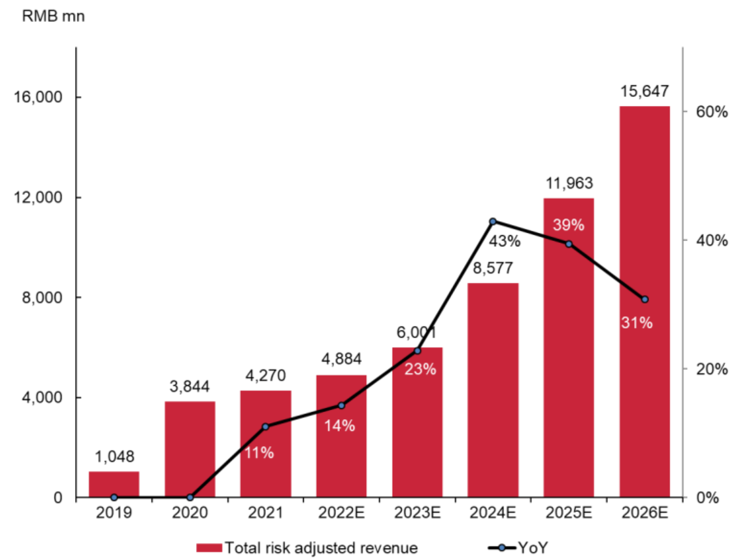
Link to latest report: Innovent Biologics (1801 HK) – Fast expanding commercial product portfolio

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,884	6,001	8,577
YoY growth (%)	14	23	43
Net loss (RMB mn)	(2,070)	(1,816)	(663)
EPS (RMB)	(1.35)	(1.19)	(0.43)
Consensus EPS (RMB)	(1.57)	(1.00)	(0.34)
R&D expenses (RMB mn)	(2,500)	(2,300)	(2,144)
Capex (RMB mn)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

AK Medical (1789 HK): Accelerating import substitution, positive outlook of 2023E

Rating: BUY **| TP:** HK$11.44 (26% upside)

Analysts: Jill Wu/ Cathy Wang

- **Investment Thesis:** AK Medical is the leading orthopedic joint manufacturer and the first mover in the 3D-printed orthopedic implant market in China with a comprehensive product portfolio including primary hip and knee system, revision products and 3D-printed customized implants etc. As the big winner of the national VBP of joint implants which was implemented in April 2022, AK Medical ranked first among all brands with an allocation of approximately 81,000 pieces, accounting for 15.1% of the total purchase volume of VBP. The tender wins lead to the expansion of hospital coverage and drive strong volume growth after VBP. In 1H22, sales volume of primary hip system and primary knee system increased by 70% and 64% YoY respectively.

- **Our View:** AK Medical has demonstrated that the strong volume growth after VBP has more than offset the negative impact of price cuts. Driven by the strong demand of artificial joint after VBP, the revenue growth of AK Medical was expected to reach over 35% YoY in 2022E and the attributable net profit was expected to increase by over 100% YoY. Though the outbreak of COVID-19 in late 2022 negatively impacted the orthopedic surgery market, we believe the pent-up surgery demand would be unleashed in 2023E and lead to a rapid recovery of China's orthopedic implant market. Besides, since the gap of joint implant penetration rate between China and developed countries is still large, we think the price cut after VBP would accelerate the market growth. Moreover, the high-margin 3D-printed products, such as ICOS customized products, are safe from VBP and have huge growth potential.

- **Why do we differ vs consensus:** Our FY22E/23E/24E revenue forecasts are largely in-line with consensus. We expect the VBP to boost AK Medical's market share. As market expands and share gains, we expect a solid growth of AK Medcal's revenue at a CAGR of 29.6% from 2023E to 2025E.

- **Valuation:** We derive our target price of HK$11.44 based on DCF valuation (WACC: 9.54%, terminal growth rate: 3.0%).

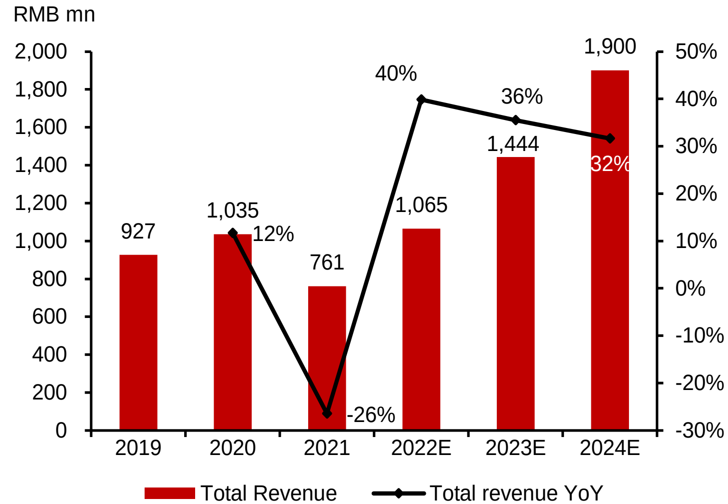
Link to latest report: AK Medical (1789 HK) – Accelerating import substitution, positive outlook of 2023E

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	1,065	1,444	1,900
Revenue YoY growth (%)	39.9	35.5	31.6
Net profit (RMB mn)	193	273	377
YoY growth (%)	108.7	41.1	38.1
EPS (Reported) (RMB)	0.17	0.24	0.34
YoY growth (%)	108.1	41.1	38.1
Consensus EPS (RMB)	0.18	0.25	0.34
P/E (x)	43.5	30.8	22.3
ROE (%)	9.2	11.9	14.7
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

AIA (1299 HK): Upbeat trend in HK and mainland China

Rating: BUY **| TP:** HK$118 (40% upside)

Analyst: Gigi Chen

- **Investment Thesis:** Following the mild recovery in 2H22, we expect the VNB growth of the group will rebound to ~20% in FY23E, primarily driven by 1) the recovery of MCV (mainland visitors) business in HK on the back of pent-up demand post border reopening, and 2) robust growth of AIA China fueled by geographical expansion. The management indicated that the VNB from MCV business in HK more than trebled in 2022, with strong momentum sustained into 2M23, as AIA has retained its premier agency with a MCV-specialized team of 6,800 agents, similar in scale to that of 2018, which enabled it to well capture the pent-up demands post the border reopening. In Mainland China, AIA saw double-digit VNB growth in Jul-Nov 2022. Despite an occasional interruption given resurgence of COVID cases in Dec 2022-Jan 2023, the new business momentum of AIA China immediately bounced back to double digit once again in Feb, turning the 2M23 VNB growth to positive. With smooth transition to IFRS 9&17 and sound capital position under PCR basis, we expect the recovery of VNB growth will drive a upward re-rating of AIA.
- **Catalysts:** AIA will report 1Q23 operating performance in late April. We expect to see strong quarterly VNB growth in HK/China markets.
- **Valuation:** The stock is trading at 1.5x P/EV FY24E, below a 2-year/5-year historical average P/EV at 1.7x/1.9x. Looking forward, we expect the uptick in HK and mainland China business will continue underpin a strong VNB growth for AIA throughout FY23. Reiterate BUY.

Link to latest reports:

AIA Group Ltd. (1299 HK) – 2H22 recovery in line; Upbeat trend in HK and China in 2M23

AIA Group Ltd. (1299 HK) – Pent-up demands to boost HK growth; Raise TP

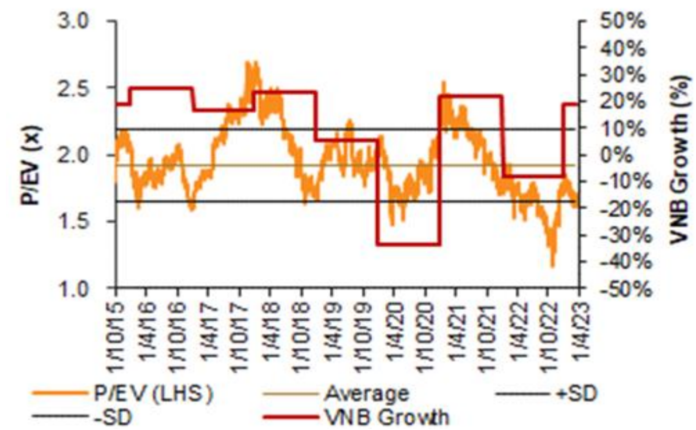
AIA Group Ltd. (1299 HK) – Initiation: Long-term growth intact, expect 2H22 recovery

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
VNB/share (US$)	0.26	0.32	0.38	0.45
YoY growth (%)	(18.5)	22.6	20.2	18.7
Group embedded value / share (US$)	5.9	6.3	6.9	7.8
Net profit (US$ mn)	282	7,442	8,266	9,198
EPS (Reported)(US$)	0.02	0.64	0.73	0.83
Consensus EPS (US$)	N/A	0.62	0.70	0.82
P/BV (x)	3.2	2.7	2.5	2.2
P/EV (x)	1.8	1.6	1.5	1.3
Yield (%)	1.9	2.1	2.4	2.6
ROE (%)	0.6	18.2	18.4	18.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: AIA: VNB growth drive valuation multiple



Source: CMBIGM estimates

Tencent (700 HK): Solid business recovery in FY23

Rating: BUY **| TP:** HK$450.0 (31% upside)

Analysts: Saiyi He/ Wentao Lu/ Frank Tao

- **Investment Thesis:** Tencent is deploying its WeChat ecosystem, which we expect will disrupt consumer internet industry competition and support Tencent's earning growth in FY23/24E. Infrastructure to support real economy industries, such as enterprise and fintech services, overseas markets development will be Tencent's growth drivers for the long run. Due to revenue exposure to high ROE consumer internet business, revenue recovery coupled with opex optimization will stabilize earning from 2023 onwards.
- **Our View:** We expect Tencent's 4Q22E non-IFRS net income to increase by 21% YoY (3Q22: +2% YoY) on improved operating efficiency and easy base. We are upbeat on the revenue and earnings recovery trajectory in FY23/24E, due to consumption recovery, incremental contribution from Video Account monetization, and quality games pipeline.
- **Why do we differ:** We see Tencent still has ample potential to unleash operating leverage via enhanced monetization of Video Account, recovery of high-margin gaming business, and control in opex, which could support better-than-expected earnings growth.
- **Catalysts:** 1) stronger than expected operating leverage; 2) accelerating monetization of Weixin Video Account; 3) normalization of Banhao approval accelerates game revenue growth; 4) macro recovery supports rebound of ad, fintech and enterprise services businesses; 5) re-rating of fintech business under normalized regulatory environment.
- **Valuation:** Our SOTP-derived TP is HK$450.0. Tencent currently trades at 20x 2023E PE (or 16x 2023E PE if excluding strategic investment and net cash), vs. earnings growth of 16/14% in FY23/24E.

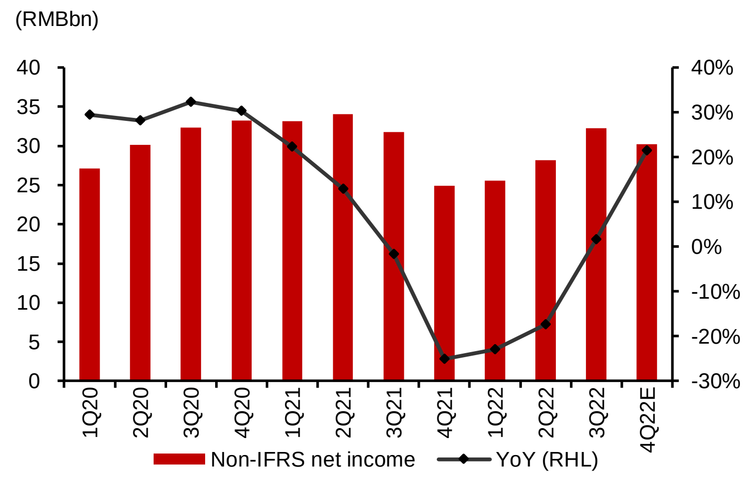
Link to latest report: Tencent (700 HK) – What next to look forward to?

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	560,118	551,995	611,483	661,991
YoY growth (%)	16.2	(1.5)	10.8	8.3
Gross margin (%)	43.9	43.0	43.1	43.4
Adj. net profit (RMB mn)	123,788	116,153	134,112	152,672
YoY growth (%)	0.9	(6.2)	15.5	13.8
EPS (Adjusted) (RMB)	12.99	12.17	14.05	15.99
Consensus EPS (RMB)	12.99	12.07	14.57	17.10
P/S (x)	4.9	5.0	4.5	4.1
Non-GAAP P/E (x)	22.0	23.5	20.4	17.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Pinduoduo (PDD US): Resilient GMV growth to sustain in 2023

Rating: BUY | **TP:** US$116.9 (36% upside)

Analysts: Saiyi He/ Frank Tao/ Wentao Lu

- **Investment Thesis:** 1) PDD has established strong consumer mindshare in FMCG and fresh grocery categories, and is expanding its branded products pool, which could drive resilient GMV growth in 2023; 2) strong user stickiness could support optimization in operating expenses and aid margin expansion; 3) leveraging strong domestic supply chain, overseas expansion is on track to support PDD's long-term revenue and earnings growth.
- **Our View:** We are positive on PDD's GMV and revenue growth in 2023, aided by established advantage in core categories and incorporation of more branded products. Core domestic business should maintain high profitability and provide strong support for overseas expansion.
- **Why do we differ vs consensus:** We are more positive on PDD's GMV growth supported by enhanced consumer mindshare gain, which could aid robust growth in order frequency.
- **Catalysts:** 1) 4Q22 results; 2) stronger than expected GMV and earnings growth driven by enhanced user stickiness; 3) more rapid than expected ramp up of international business.
- **Valuation:** DCF based valuation of US$116.9, which translates into 26x 2023E PE.

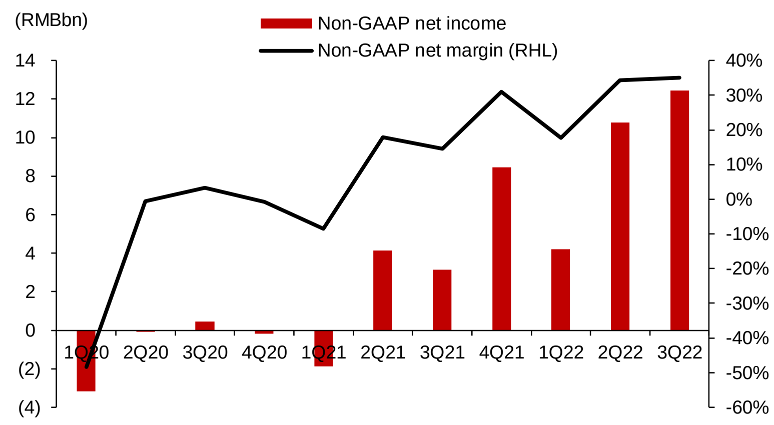
Link to latest report: Pinduoduo (PDD US) – Resilient GMV growth to sustain in 2023

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	93,950	133,532	170,104	203,026
YoY growth (%)	57.9	42.1	27.4	19.4
Net profit (RMB mn)	7,768.7	32,066.8	36,030.9	49,780.3
Adjusted net profit (RMB mn)	13,829.5	39,370.9	44,928.3	59,983.6
EPS (Adjusted) (RMB)	9.56	27.44	31.31	41.81
Consensus EPS (RMB)	N/A	26.67	30.09	36.95
P/E (x)	123.0	25.8	23.0	16.6
ROE (%)	11.5	33.7	26.2	26.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK): Solid 4Q22E with better margin outlook

Rating: BUY **| TP:** HK$94 (80% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We reiterate our confidence in its resilient growth, share gain and margin improvement in the long run. Kuaishou would deliver resilient 4Q22E, with upbeat ads & livestreaming and better margin (overseas narrowing loss to offset lower GPM and higher S&M). We are positive on its operating leverage and disciplined cost in FY23E (forecasting group breakeven in FY23E).

- **Our View:** We think KS is one of the few companies that would achieve rev acceleration and better margin in 4Q22E, as epidemic resurgence should dampen industrial growth. We expect rev +11% YoY in 4Q22E (in line with consensus, but above previous guidance), with stronger-than-expected ads and livestreaming to offset moderate ecommerce take rate. With effective cost control of overseas biz, we are more positive on its margin outlook. Looking into FY23E, we expect ads to recover to double-digit growth and ecommerce kept resilient momentum (forecasting GMV +25% YoY).

- **Why do we differ vs consensus:** Market concern lies on e-commerce slowdown after reopening and Tencent Video Accounts threat on ads. We think short-term impact from Tencent Video would be limited, as KS focus more on performance-based ads with high ROI, while Tencent Video Accounts prioritize on brands ads. Ecommerce momentum would be resilient, and might see upside from shopping mall function.

- **Catalysts:** 1) launch of online shopping mall, 2) FY23E group breakeven, and 3) better-than-expected ads recovery with reopening.

- **Valuation:** Maintain BUY with SOTP-based TP at HK$94 (implying 3.3x FY23E P/S), by assigning 1x/2x FY23E EV/sales to livestreaming/ad biz, and 0.16x P/GMV to ecommerce biz. Valuation is not demanding.

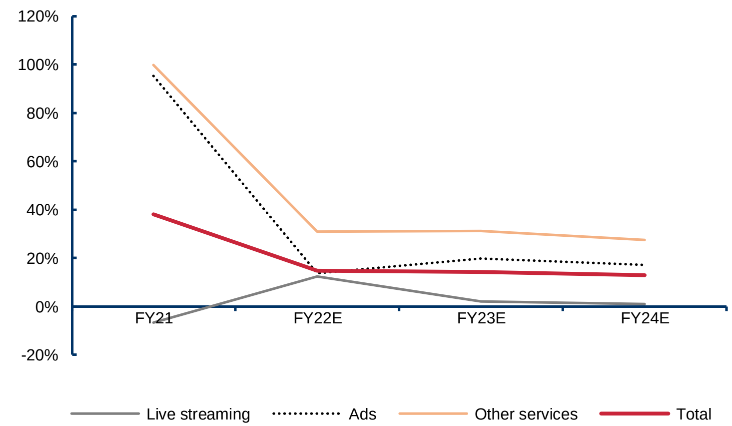
Link to latest report: Kuaishou (1024 HK) – Solid 4Q22E with better margin outlook

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,082	93,006	106,317	120,109
YoY growth (%)	37.9	14.7	14.3	13.0
Net income (RMB mn)	(18,852)	(5,953)	220	4,896
EPS (RMB)	(4.6)	(1.3)	0.0	1.1
YoY growth (%)	N/A	N/A	N/A	2,124
Consensus EPS (RMB)	N/A	(1.9)	(0.1)	1.9
P/E (x)	N/A	N/A	N/A	40
P/S (x)	2.4	2.1	1.8	1.6
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: KS's revenue growth estimates



Source: Company data, CMBIGM estimates

CR Land (1109 HK): Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

Rating: BUY **| TP:** HK$45.10 (30% upside)

Analysts: Jeffrey Zeng/ Miao Zhang

- **Investment Thesis:** We suggest investors to accumulate CR Land after the recent pull back. its visible earnings growth acceleration (1%/11%/17% YoY in 2022-24E) driven by robust rental income (20-30% CAGR) and sales back to teens growth in 2023E. This would help not widen its gap with others (FY22E -20% YoY on average), but also make its 14th Five Year target closer to reach on the contracted sales side (+15% 2020-2025E CAGR), especially with the chance of policy relaxation in Tier 1 cities. If so, it may further drive its valuation to 8-10x long-term PE range as the clear winner of this crisis.

- **Our View:** We expect CR Land to deliver a flattish FY22E and 2023E sales to grow double digit: CR Land finished 2022 with only 5% sales YoY decline, the second best among all major developers. It is mainly attributed to 85% of its sellable resources in Tier 1-2 cities. Looking into 2023E, we expect 10-15% YoY gross sales growth to reach RMB330-350bn due to 1) strong anti-land acquisitions in 2022E with land/sales at 42%, one of the highest in the industry to provide enough sellable resources in high-tier cities. 2) Gradually recovering market sentiment after reopening. 3) Potential policy relaxation in Tier 1 cities to benefit CR Land most.

- **How do we differ:** ST Risks include:1) liability/asset ratio is slightly over SASAC's redline of 70%; 2) oversea traveling and Daigo after reopen to bring impacts on high-end malls development.

- **Valuation:** The company currently trades at 7.5x 2022E P/E vs. historical 5-YR average of 8x. We raised TP by 1% to reflect the ASP increase (mixed change) in our NAV calculation with target discount unchanged at 50%.

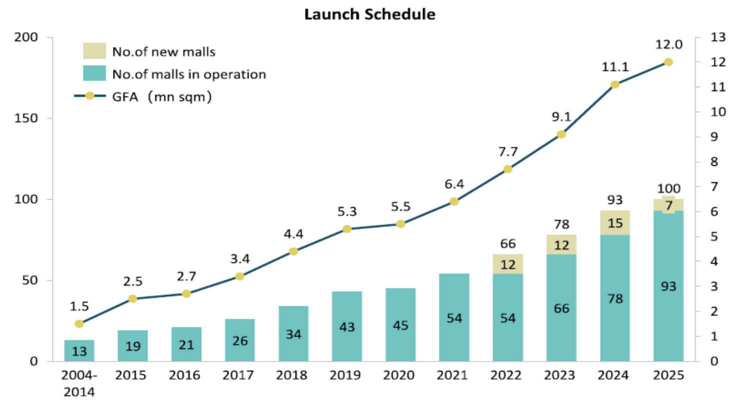
Link to latest report: CR Land (1109 HK) – Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

Financials and Valuations

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E
Revenue (RMB mn)	179,587	212,108	233,738	253,314
YoY growth (%)	21.2	18.1	10.2	0.7
Net income (RMB mn)	29,810	32,401	26,914	29,826
EPS (RMB)	3.39	3.73	4.18	4.90
YoY growth (%)	N/A	10.2	1.2	10.8
Consensus EPS (RMB)	N/A	N/A	3.89	4.22
P/E (x)	9.3	8.5	8.4	7.6
P/B (x)	1.1	0.99	0.94	0.87
Yield (%)	4.0	4.4	5.3	5.9
ROE (%)	14.7	14.3	11.2	11.5
Net gearing (%)	29.5	24.4	27.7	26.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's opening plan



Source: Company data, CMBIGM

BOE Varitronix (710 HK): Beneficiary of smart-cockpit and auto intelligence

Rating: BUY | **TP:** HK$26.01 (56% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** BOE Varitronix (BOEVx) is the global largest automotive display leader capturing 18% market share in 1H22 (by shipment area). Leveraging BOE Group's leading technology and strong client base, BOEVx is rapidly transforming into an integrated automotive smart cockpit display solution provider. Backed by its industry leadership and solid product roadmap, we believe BOEVx is well positioned to benefit from upgrade trend in the booming smart cockpit market.

- **Our View:** BOEVx is our top pick for H-share tech sector, due to secular trend of auto display upgrade, Chengdu plant capacity expansion and client base expansion. Mgmt. are positive on automotive intelligence and smart-cockpit, and expected limited impact from China NEV subsidy expiry and Tesla price cut, thanks to its focus on both traditional and NEV customers, pricing strategy and cost advantage. We estimate revenue/ earnings to grow at 33%/47% CAGR over 2021-24E, driven by 37% CAGR in automotive display.

- **Why do we differ vs consensus:** Our FY22-24E EPS are 5-8% above consensus, and current valuation of 16.2x FY23E is attractive, compared to 37%/37% EPS growth in FY23/24E.

- **Catalysts:** Upcoming catalysts include capacity expansion, technology upgrade and product penetration.

- **Valuation:** We derived our 12m TP of HK$26.01 based on 25x FY23E P/E, given 47% 2021-24E EPS CAGR and improving ROE to 22% in 2024E (vs 15% in 2022).

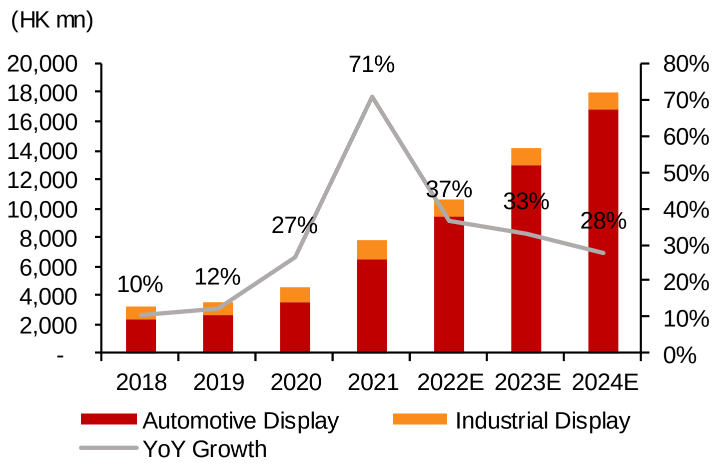
Link to latest report: BOE Varitronix (710 HK) – NDR Takeaways: Chengdu auto display capacity ramp-up on track; auto intelligence to drive growth

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (HK$ mn)	7,738	10,565	14,081	18,011
YoY growth (%)	70.9	36.5	33.3	27.9
Net income (HK$ mn)	327.8	553.7	756.4	1,032.4
EPS (HK$)	0.45	0.76	1.04	1.42
YoY growth (%)	377.6	68.9	36.6	36.5
Consensus EPS (HK$)	N/A	0.72	0.98	1.36
P/E (x)	36.0	21.3	15.6	11.4
P/B (x)	2.1	2.0	1.5	1.3
Yield (%)	93.7	77.0	192.4	262.6
ROE (%)	9.8	14.7	17.7	20.8
Net gearing (%)	-2.1	14.4	37.7	47.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BOEVx Revenue trend



Source: Company data, CMBIGM estimates

Wingtech (600745 CH): Diversified hardware play with bright outlook

Rating: BUY | **TP:** RMB88.6 (72% upside)

Analysts: Lily Yang/ Alex Ng

- **Investment Thesis:** We hold an optimistic view as Wingtech has expanded into the semi IDM and optical imaging module market successfully in recent years, transitioning from a top ODM manufacturer. Wingtech emerges as a more resilient hardware play with more diversified and lucrative businesses. We believe Wingtech can enjoy synergies created from integration of three business segments (Semi IDM, optical imaging module and ODM).
- **Our View:** 3Q22 results confirmed the resilience of Wingtech's power semi business. Riding the tailwind of vehicle electrification, the Company's power semi unit will continue to be the growth engine in 2023.
- The latest NWF divesture order will have trivial impact on operation. The order would reinforce China's semiconductor self-sufficiency trend, which makes Wingtech's semi IDM business more valuable as future acquisitions of global semi assets by Chinese companies seem impossible. Following the localization trend, we think Wingtech's semi IDM business is more valuable due to supply chain security and resource scarcity.
- **Why do we differ vs consensus:** In our Oct. report (link), we have pointed out that "**the market is overly concerned** on Wingtech's performance, which is valid and understandable given some of its business units are still in transition…**the share is mispriced** at 12.1x 2023E P/E, significantly low compared to its peers. **This represents attractive buying opportunity**."
- **Catalysts:** 1) new 12-inch factory to begin production; 2) ODM and optical modules' new projects to begin mass production.
- **Valuation:** Our TP is RMB88.6, based on 25x 2023E P/E, close to 1-SD below its 2-year mean.

Link to latest reports:

Wingtech (600745 CH) – Mispriced business represents attractive buying opportunity

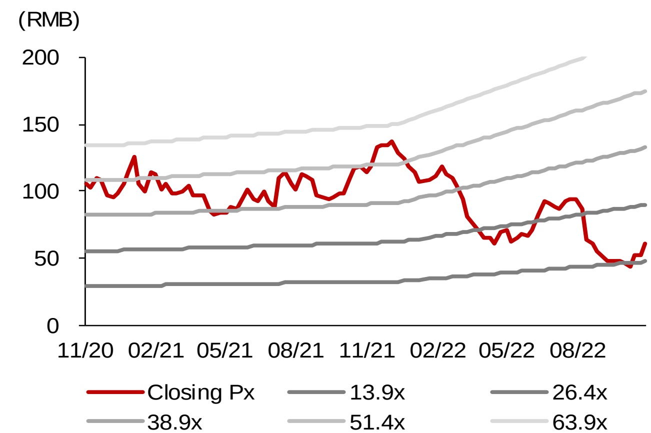
Wingtech (600745 CH) – NWF divesture order will have trivial impact on operation; Will reinforce self-sufficiency trend

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	52,729	56,400	70,609	88,943
YoY growth (%)	2.0	7.0	25.2	26.0
Gross margin (%)	16.2	18.9	19.0	19.2
Net profit (RMB mn)	2,612	2,926	4,416	5,892
EPS (RMB)	2.11	2.35	3.54	4.73
YoY growth (%)	2.4	11.3	50.9	33.4
Consensus EPS (RMB)	N/A	2.83	4.01	4.92
P/E (x)	24.0	21.6	14.3	10.6
Yield (%)	0.4	0.5	0.7	0.9
ROE (%)	7.7	7.9	10.6	12.3
Net gearing (%)	Net cash	5.6	9.2	9.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Kingdee (268 HK): Domestic ERP SaaS leader

Rating: BUY **| TP:** HK$23.56 (58% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China with 14.26% market share in 1H21, according to IDC. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 19% revenue CAGR in FY21-24E reaching RMB7,031mn.
- **Our View:** Kingdee announced profit warning on 21 Feb, FY22 result was in-line with our estimates. Compared to Yonyou's weaker than expected performance, we are encouraged to see Kingdee delivered a good SaaS migration progress. In particular, Kingdee's cloud subscription ARR rose +35-40% YoY despite the pandemic impact. This reaffirmed our view that Kingdee's SaaS product is more standardized and earnings visibility (and thus valuation) should be higher than Yonyou. Despite near-term correction pressure after >60% rally in share price since Oct 2022, we remain positive on the long-term software substitution trend.
- **Why do we differ vs consensus:** Our recent channel check suggested that ERP is being put in a core direction in the Xinchuang initiative since FY2H22. We believe Kingdee, as the early mover in cloud migration among the domestic ERP vendors, is likely to win more SOEs/ large enterprise bidding with its mature cloud-native product. This is in-line with our observation in SOEs/ large enterprise bidding data. In FY22, based on dollar amount, Kingdee's total bidding won was up 82% YoY.
- **Catalysts:** Winning large SOEs Xinchuang bidding. Supportive policies related to "Xinchuang" implementation.
- **Valuation:** We derive our target price of HK$23.56 on 11.0x FY23E EV/sales, in-line with its 3-year mean.

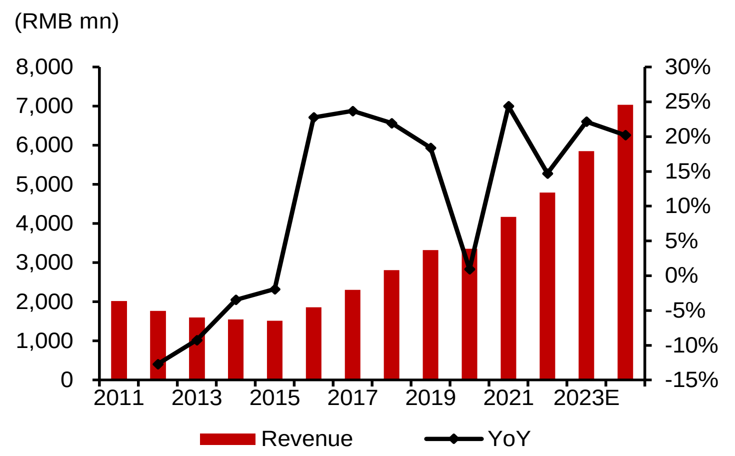
Link to latest report: Kingdee (268 HK) – Bidding data implied accelerated software substitution

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,174	4,788	5,849	7,031
YoY growth (%)	24.4	14.7	22.2	20.2
Net profit (RMB mn)	(302.3)	(394.6)	(263.5)	27.4
EPS (RMB)	(9.23)	(11.37)	(7.59)	0.79
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	(9.23)	(12.80)	(7.90)	0.00
EV/sales (x)	N/A	N/A	N/A	1761.8
P/E (x)	11.1	9.6	7.9	6.5
Dividend Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(3.9)	(5.3)	(3.7)	0.4
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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