招銀国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

16 August 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) FY23E	P/E (x) FY24E	P/B (x) FY23E	ROE FY23E	Yield FY23E	Analyst
Long Ideas														
Li Auto Inc.	LI US	Auto	BUY	39.3	277.7	40.0	55.0	38%	34.3	17.3	5.5	17.6	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	12.6	50.4	9.8	14.5	49%	32.8	19.7	1.2	3.7	0.7%	Shi Ji/ Dou Wenjing
SANY International	631 HK	Capital Goods	BUY	4.9	6.0	12.1	16.2	34%	14.5	10.9	3.0	22.1	2.1%	Wayne Fung/ Katherine Ng
Zhejiang Dingli	603338 CH	Capital Goods	BUY	4.1	26.0	58.3	67.0	15%	19.7	15.9	3.5	19.2	1.0%	Wayne Fung
CR Power	836 HK	Energy	BUY	10.3	27.4	16.7	23.2	39%	7.0	5.9	0.9	14.1	N/A	Megan Xia/ Jack Bai
Atour	ATAT US	Consumer Discretionary	BUY	2.7	8.4	20.9	21.8	5%	33.6	20.7	10.8	38.3	0.0%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.5	0.1	3.1	4.7	50%	10.1	7.9	1.4	14.8	0.0%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	19.0	49.0	45.8	77.4	69%	27.0	24.1	4.9	18.5	1.5%	Joseph Wong
Tsingtao	168 HK	Consumer Staples	BUY	14.8	25.1	66.2	92.9	40%	17.3	14.4	2.8	16.0	3.7%	Joseph Wong
Prada SpA	1913 HK	Consumer Staples	BUY	18.1	7.3	55.4	72.1	30%	26.0	23.7	4.0	16.0	2.3%	Joseph Wong
Kweichow Moutai	600519 CH	Consumer Staples	BUY	312.4	531.5	1808.9	2440.0	35%	32.1	28.7	10.2	31.9	1.3%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	6.3	30.8	32.2	50.3	56%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
AIA	1299 HK	Insurance	BUY	104.6	206.8	71.0	118.0	66%	N/A	N/A	N/A	18.2	2.3%	Nika Ma/ Zhang Miao
Tencent	700 HK	Internet	BUY	407.6	826.9	333.6	455.0	36%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Pinduoduo	PDD US	Internet	BUY	103.0	740.6	81.5	109.0	34%	24.4	17.4	4.9	23.4	N/A	Saiyi He/ Frank Tao/ Wentao Lu
NetEase	NTES US	Internet	BUY	66.4	107.0	103.0	123.0	19%	17.9	16.3	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	238.0	1780.3	93.5	156.6	68%	23.0	14.1	N/A	7.4	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Kuaishou	1024 HK	Entertainment	BUY	35.7	169.5	64.5	97.0	50%	64.0	28.0	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	29.9	44.3	32.8	45.1	38%	6.1	5.6	0.8	13.3	5.1%	Miao Zhang/ Nika Ma
BYDE	285 HK	Technology	BUY	8.3	16.9	28.9	31.7	10%	16.5	13.4	2.8	11.5	0.6%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	7.7	105.8	44.9	88.6	97%	17.4	13.2	N/A	8.6	0.7%	Lily Yang/ Alex Ng
Kingdee	268 HK	Software & IT services	BUY	5.8	19.9	13.0	23.3	79%	N/A	N/A	N/A	N/A	0.0%	Saiyi He

Source: Bloomberg, CMBIGM, Price as of 15/8/2023, 10:30 am

Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Geely Automobile	175 HK	Auto	BUY	Shi Ji/ Dou Wenjing	The sales ramp-up of its Galaxy L7 PHEV has been faster than peers. The company will host Zeekr Tech Day and Geely Investor Day on 21-22 Aug, which could be a positive catalyst for its share price.
Vesync	2148 HK	Consumer Discretionary	BUY	Walter Woo	We expect Vesync to continue to outperform in 2H23E, as US home appliances sector began to turn around. Sales growth accelerated in 2Q23, a positive profit alert in 1H23E was announced and valuation is attractive.
BYDE	285 HK	Technology	BUY	Alex Ng/ Lily Yang	Stabilized Android biz and Apple share gain are major margin drivers, and robust growth in automobile biz will continue to improve revenue mix and drive profitability recovery in FY23-24E.
Deletions					
Great Wall Motor	2333 HK	Auto	BUY	Shi Ji/ Dou Wenjing	We believe its new PHEVs' sales performance has been largely priced in, over the short term.
CR Gas	1193 HK	Gas	BUY	Megan Xia/ Jack Bai	Jan-May industrial gas sales growth was weaker-than-expected, dragged by relatively slow economy recovery. Gas connection business growth slowed down. The improvement of industrial gas demand will take time.
Midea	000333 CH	Consumer Discretionary	BUY	Walter Woo	We are still optimistic on the mid-term growth of air-conditioner in China and overseas, but growth rate in Aug-Sep 2023E had already weakened due to the high base, hence we suggest to take profit.
Yum China	9987 HK	Consumer Discretionary	BUY	Walter Woo	It is still our preferred name, but we are have turned more cautious about catering sector in 2H23E, due to risks of consumption trade down, more price war, high base and rising raw material costs in Aug-Sep 23E.
AK Medical	1789 HK	Healthcare	BUY	Jill Wu/ Andy Wang	We think the nationwide heightened anti-corruption campaign would negatively impact the orthopedic surgery market especially joint implant which is regarded as a selective operation.
BOE Varitronix	710 HK	Technology	BUY	Alex Ng/ Lily Yang	Near-term concern on ASP/margin pressure remains an overhang. Limited catalysts in near term.

Source: CMBIGM

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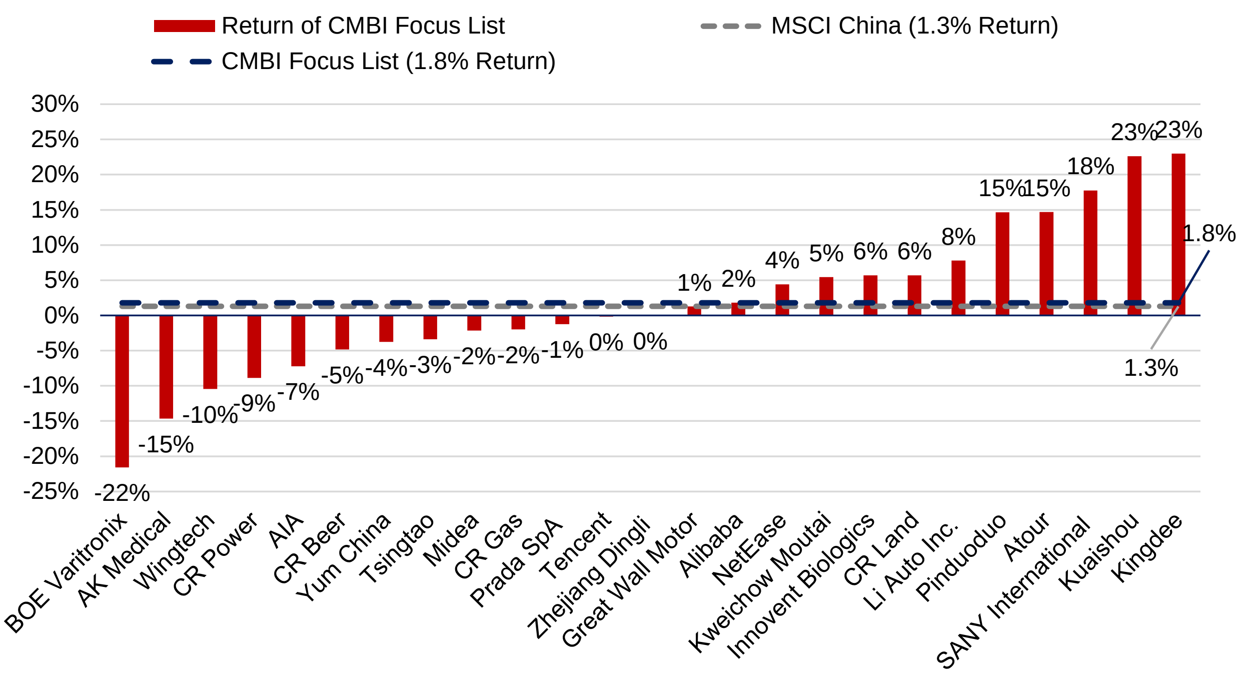
Performance of our recommendations

- In our last report dated 17 July, we highlighted a list of 25 long ideas.
- The basket (equal weighted) of these 25 stocks outperformed MSCI China index by 0.5ppt, delivering 1.8% return (vs MSCI China 1.3%).
- 5 of these stocks delivered 15% return or more, and 11 of our 25 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 11 Jul 2023 to 14 Aug 2023

Long Ideas

Li Auto Inc. (LI US) – A replica of FY20-21 Tesla?

Rating: BUY **| TP:** US$55.00 (38% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** Li Auto's strong 2Q23 earnings remind us of Tesla which turned profitable at the end of FY19 and enjoyed the highest net profit growth in FY21 (+666% YoY). We believe Li Auto's strong earnings growth could extend into FY24E, especially with four new model launches next year.

- **2H23E outlook**. We maintain our FY23E sales-volume forecast of 0.36mn units. We expect gross margin in 2H23E to widen to above 23% amid the phase-out of the aging *Li One* and greater economies of scale. We project Li Auto's 2H23E operating and net margins to be 6.5% (vs. 5.7% in 2Q23) and 7.4% (vs. 8.0% in 2Q23), respectively. Accordingly, we project Li Auto's FY23E net profit to be RMB 8.8bn, or RMB 5.6bn for 2H23E, after a solid result in 2Q23.

- **Strong earnings growth could continue in FY24E amid doubled number of models on sale.** The company plans to launch its flagship BEV model, the Mega, at the end of this year and another four new models (the *L6 EREV* and three BEVs). We project FY24E sales volume of 0.6mn units (+67% YoY), lower than the company's target to account for potential sales cannibalization and uncertainties of launch times. Accordingly, we estimate its FY24E net profit to double YoY to RMB 17.6bn.

- **Valuation.** We maintain our BUY rating and target price of US$ 55.00, based on 22x our FY24E P/E. Key risks to our rating and target price include slower autonomous driving development, lower sales volume and/or gross margin than our expectation, as well as a sector de-rating.

Links to latest reports:

Li Auto Inc. (LI US) – A replica of FY20-21 Tesla?

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	122,453	199,650
YoY growth (%)	186	68	170	63
Net income (RMB mn)	(321)	(2,012)	8,790	17,591
EPS (RMB)	(0.2)	(1.0)	4.5	8.9
YoY growth (%)	N/A	N/A	N/A	100.1
P/S (x)	9.3	6.3	2.5	1.5
P/E (x)	N/A	N/A	34.3	17.3
P/B (x)	6.1	6.4	5.5	4.1
ROE (%)	(0.9)	(4.7)	17.6	27.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK) – All eyes on the Galaxy

Rating: BUY **|** TP: HK$ 14.50 (49% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** We believe Galaxy series is key to Geely's valuation this year, which showed better-than-peers sales ramp-up in Jun-Jul. Geely is going to hold Zeekr Tech Day on 21 Aug and Geely's Investor Day on 22 Aug, which could be a positive catalyst for its share price. We estimate the vehicle business of Geely brand (including Geometry and Galaxy) to make loss in FY23E, the first time since at least FY10, while connected transactions (auto parts, R&D support and IP licensing) could make profit to support Geely brand's NEV transformation and Zeekr's development.

- **1H23E earnings preview.** We project Geely's total revenue to rise 32% YoY in 1H23E, driven by Zeekr's more than doubled sales volume. We expect 1H23E GPM to narrow by 2.3 ppts YoY to 12.3% amid wider discounts for all brands. We project SG&A ratio to narrow by 1.3 ppts YoY to 12.4% in 1H23E, due to greater economies of scale and cost control. Accordingly, we estimate Geely's 1H23E net profit to fall 35% YoY to RMB 1.0bn. We forecast Zeekr's net loss to be about RMB 1.1bn in 1H23E.

- **Galaxy series as key to Geely's valuation.** We project FY23E net profit to be RMB 2.8bn, implying 2H23E NP of RMB 1.8bn, driven by sequential sales volume increase and Zeekr's margin improvement. We estimate Geely's total NEV sales volume to rise 35% YoY to 0.45mn units in FY23E, or 29% of our projected Geely's total sales volume (1.52mn units). We expect such ratio to rise to 41% in FY24E. We still believe the Galaxy series is key to Geely's valuation (excluding Zeekr) this year.

- **Valuation.** We expect Geely's net profit to rise 63%YoY to RMB 4.6bn in FY24E, driven by NEV sales ramp-up. We value Zeekr at 2.0x FY24E core revenue (excluding Viridi's battery pack sales and R&D services), which would result in HK$ 100bn for 100% Zeekr's valuation. We value Geely's all other businesses excluding Zeekr at 15x our FY24E P/E. We maintain our BUY rating and target price of HK$ 14.50.

Link to latest report:

Geely Automobile (175 HK) – 1H23E earnings preview: All eyes on the Galaxy

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	101,611	147,965	176,620	192,815
YoY growth (%)	10.3	45.6	19.4	9.2
Net income (RMB mn)	4,847	5,260	2,830	4,622
EPS (RMB)	0.48	0.50	0.27	0.44
YoY growth (%)	(12.4)	8.5	(46.2)	63.3
P/E (x)	16.1	16.5	32.8	19.7
P/B (x)	1.1	1.1	1.2	1.1
Yield (%)	0.9	1.6	0.7	1.2
ROE (%)	7.3	7.3	3.7	5.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

SANY International (631 HK) – Firing on all cylinders

Rating: BUY | **TP:** HK$16.2 (34% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** The ongoing development of intelligent coal mines and ports will continue to offer opportunity for SANYI to gain market share through the launch of the intelligent machinery products. Besides, the expansion in lithium battery equipment and oil & gas equipment will serve as new growth drivers. We expect SANYI will further tap into solar and hydrogen equipment starting in 2H23E.

- **Our View:** We expect a strong year in 2023E: (1) Surprising demand for new mining trucks with diesel-electric hybrid power which we expect will generate RMB0.8bn/RMB1.5bn in 2023E/24E; (2) Wide-body mining truck to see both volume and ASP growth; (3) Significant improvement in port machinery's gross margin; (4) Earnings contribution from the completion of oil & gas equipment starting 2H23E (deal approved last week by shareholders).

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is 5%/6% above consensus. We see further upside to our forecast given the strong backlog and cost reduction.

- **Catalysts:** (1) Launch of new products; (2) announcement of the development of solar and hydrogen business plan

- **Valuation:** Our TP of HK$16.2 (based on 19x 2023E P/E, equivalent to high end of the trading range since the upcycle starting in 2017).

Link to latest report:

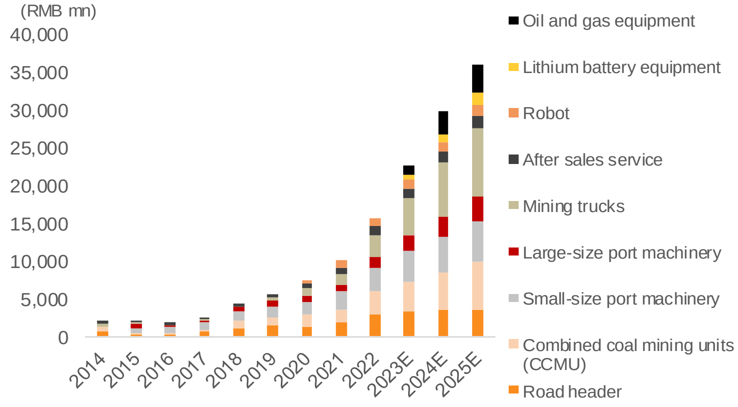
SANY International (631 HK) – Positive takeaways from Zhuhai plant visit

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	15,537	22,695	29,924	35,935
YoY growth (%)	52.4	46.1	31.9	20.1
Core net income (RMB mn)	1,665	2,434	3,227	3,875
Core EPS (RMB)	0.53	0.77	1.03	1.23
YoY growth (%)	53.2	46.2	32.6	20.1
Consensus EPS (RMB)	N/A	0.74	0.97	1.29
EV/EBITDA (x)	13.9	9.3	7.1	6.0
P/E (x)	20.2	14.5	10.9	9.1
P/B (x)	3.4	3.0	2.5	2.1
Yield (%)	1.6	2.1	2.8	3.4
ROE (%)	17.8	22.1	24.5	24.4
Net gearing (%)	Net cash	16.3	12.7	0.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: SANYI's revenue breakdown



Source: Company data, CMBIGM estimates

Zhejiang Dingli (603338 CH) – Margin expansion in 23E;Volume growth in 24E

Rating: BUY **| TP:** RMB67.0 (15% upside)

Analyst: Wayne Fung

- **Investment Thesis:** We believe aerial work platform (AWP) is still in a structural growth trajectory as the rising labor cost in China will make AWPs incrementally cost competitive compared with the traditional scaffolding. Besides, overseas demand is strong at present, driven by replacement demand and new factories construction. We believe Zhejiang Dingli remains a major beneficiary given its global presence, cost competitiveness, brand recognition and strong management execution.

- **Our View.** We believe the listing of **Horizon Construction (9930 HK, BUY)**, the major customer of Dingli in China market, will enhance the visibility of Dingli's AWP orders over the coming 1-2 years. Besides, we expect Dingli to deliver accelerating sales volume growth in 2024E upon the commencement of smart factory with annual capacity of 4,000 units of AWP. On the margin side, given the high overseas revenue (>50%), we expect Dingli to deliver meaningful gross margin expansion driven by the decline in freight rate and steel cost, as well as the appreciation of foreign currency against RMB.

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is -2%/2% versus consensus, as we expect growth to accelerate in 2024E given by new capacity.

- **Catalysts:** (1) further weakness in RMB rate; (3) recovery of China demand.

- **Valuation:** We set our TP at RMB67, based on 23x 2023E P/E (on the back of 23% earnings growth in 2024E). Our target multiple remains well below the historical average of 31x.

Link to latest report:

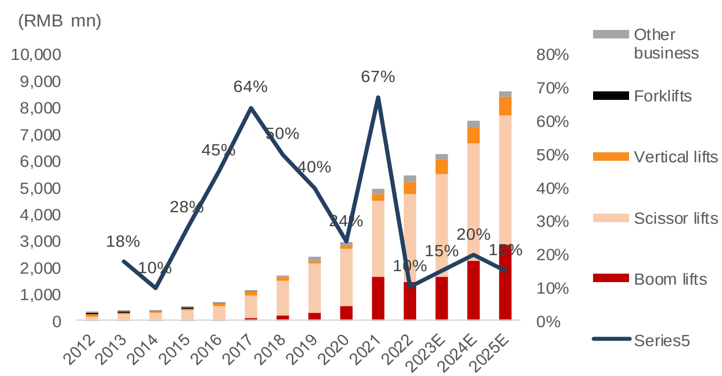
Zhejiang Dingli – Record high quarterly profit in 2Q23E

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,445	6,251	7,488	8,620
YoY growth (%)	10.2	14.8	19.8	15.1
Net income (RMB mn)	1,257	1,472	1,814	2,136
EPS (RMB)	2.48	2.91	3.58	4.22
YoY growth (%)	36.3	17.0	23.3	17.7
Consensus EPS (RMB)	N/A	1.86	2.44	3.12
EV/EBIDTA (x)	21.6	15.9	12.7	10.8
P/E (x)	23.0	19.7	15.9	13.5
P/B (x)	4.1	3.5	3.0	2.5
Yield (%)	0.9	1.0	1.3	1.5
ROE (%)	19.3	19.2	20.1	20.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIGM estimates

CR Power (836 HK) – Unlock potential value

Rating: BUY **| TP:** HK$23.2 (39% upside)

Analysts: Megan Xia/ Jack Bai

- **Investment Thesis**: CRP is now trading at around 0.9x FY23E PB, we stay optimistic about CRP's profit improvement of thermal power business and the new energy business, considering: 1) active signing of long-term coal contracts with higher implementation rate; 2) robust wind power and solar power sales growth in Jan-Jun2023; 3) better thermal power tariff based on electricity market reforms; 4) resilient growth momentum of CRP's new energy segment, strengthening installation willingness as lower upstream cost of wind and solar power; 5) spin-off of its new energy business to A shares will unlock the potential value. **Maintain BUY.**

- **Our View:** We estimated the total domestic electricity consumption will rebound, and the lower upstream cost of thermal power and new energy power will benefit power operators profit. For CR power, we think the valuation is still attractive as following: 1) new energy business: CR Power targets to have 7,000 MW of newly-added installed capacity of wind and solar power in 2023. Lower upstream wind and solar power enable CRP to have better installation willingness; 2) CR Power's wind power sales boosted by 15.3%YoY, and solar power sales increased significantly by 50.9%YoY in Jan-Jun 2023 based on favorable light condition and larger effective installed capacity. 3) Thermal power segment: Lower thermal coal prices is expected to improve the company's thermal power business profits and lower costs; Besides, flexible thermal power tariff policy enables power operators to better reflect and digest the changes of thermal coal cost.

- **Valuation:** CR power is trading at 0.90x/0.81x PB for FY23/24E, which is lower than its peer's avg. PB of 1.4x/1.2x. The valuation is attractive. We arrive at a SOTP-based TP of HK$23.2 with BUY rating, based on 1.4x FY23E PB of renewable segment (~peers avg.PB of 1.4x in FY23E) and 0.7x FY23 forward PB of thermal segment (~peers avg.PB of around 0.8x in FY23E).

- **Risk:** 1) continued drop of thermal coal cost may lead to the adjustment of thermal power tariff policies; 2) the new energy's installation progress was slower than expectation.

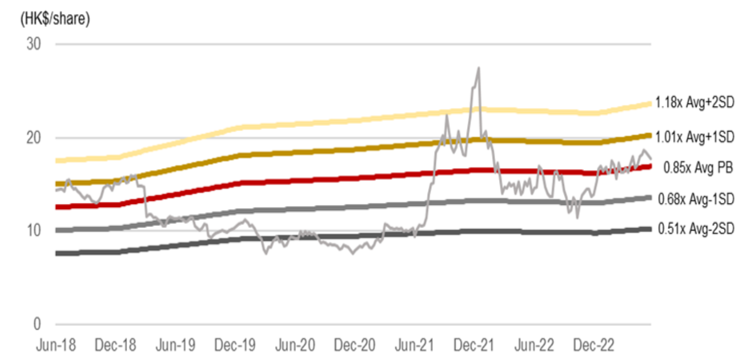
Link to latest report: CR Power (836 HK) – Unlock potential value

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (HK$ mn)	103,305	112,940	121,074	129,603
Net profit (HK$ mn)	7,042.5	12,299.3	14,803.9	17,634.0
EPS (Reported) (HK$)	1.46	2.56	3.08	3.67
YoY growth (%)	342.2	74.6	20.4	19.1
Consensus EPS (HK$)	1.46	2.45	2.94	3.31
P/E (x)	5.4	7.0	5.9	5.1
P/B (x)	0.7	0.9	0.8	0.7
ROE (%)	8.3	14.1	15.3	16.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRP's PB band



Source: Company data, CMBIGM

Atour (ATAT US) – Top-rated & fast-growing with the right strategy

Rating: BUY **| TP:** US$21.83 (5% upside)

Analyst: Walter Woo

- **Investment Thesis:** We still believe hotel industry (esp. mid to upscale segment) is in the upcycle (despite high base and weakening demand in near term), because of its structurally limited supply. Atour is the largest hotel group in upper midscale hotel group in China with ~10% market shares in 2021. It has six brands (A.T. House/ Atour S/ Z Hotel/ Atour/ Atour X/ Atour Light), 932 hotels with over 100K rooms in FY22.

- **Our View:** We believe 1) China manufacturing PMI contraction (below 50) in 2Q23 vs 1Q23 and 2) RevPAR recovery slowdown in Jun 2023 (CMBI est. of 100%+) vs ~130% during Labour day 2023 had led to recent retreat in share prices (earning cuts and de-rating). But we are still cautiously positive about 2H23E, as we expect Atour to deliver YoY improvement in recovery rate (CMBI est. at ~100% vs 84% in 2H22), supported by its 1)"standardized" approach to personalized services, 2) younger focus and customer-centric culture and 3) localization strategy. We also think its guidance is conservative enough so further cuts in earnings is unlikely.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our net profit forecasts are 14%/ 16%/ 1% lower than street due to slightly weaker than expected recovery trend and higher than expected incentive expenses.

- **Catalysts:** 1) stronger than expected tourism data during summer, 2) better than expected peers' result, 3) faster than expected new store opening, 5) stronger than expected PMI and 6) sector re-rating.

- **Valuation:** We derived our 12m TP of US$21.83 based on 35x FY23E P/E. We think that is well justified by its faster than peers sales and EBITDA growth, plus its higher mix from manachised hotels. Atour is trading at 28x FY23E P/E, which is not demanding in our view.

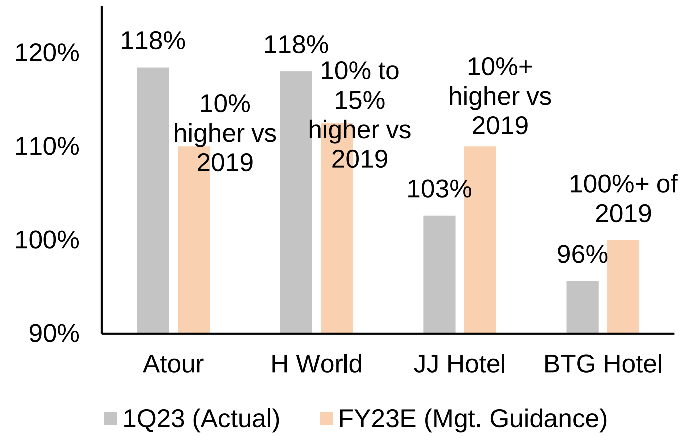
Link to latest report: Atour Lifestyle (ATAT US) – Top-rated & fast-growing with the right strategy

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	2,263	3,681	4,736	6,017
YoY change (%)	5.4	62.7	28.6	27.1
Net profit (RMB mn)	98	562	910	1,314
EPS - Fully diluted (RMB)	0.771	4.307	6.980	10.073
YoY change (%)	58.1	458.5	62.1	44.3
Consensus EPS (RMB)	N/A	5.620	8.008	9.850
P/E (x)	187.5	33.6	20.7	14.4
P/B (x)	15.9	10.8	7.1	4.7
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	11.2	38.3	41.3	39.6
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: RevPAR recovery rate, by company



Source: Company data, CMBIGM estimates

Vesync (2148 HK): Signs of turnaround are forming in 1Q23

Rating: BUY **| TP:** HK$4.70 (50% upside)

Analyst: Walter Woo

- **Investment Thesis:** Vesync is a leading small appliance player in online market in US, ranked 3rd/ 5th by sales on Amazon/ all online channels in 2019. It has three major brands (Levoit, Cosori and Etekcity) which focus on home environment, cooking and health monitoring & outdoor appliances. we believe Vesync could continue to outperform, thanks to: 1) its leadership in online channel, 2) its expansion into other categories (e.g. humidifiers) and 3) penetration into the EU and offline channel.

- **Our View:** Vesync already reported a 24%/ 33% gross sales growth in 1Q23/ 2Q23 and a 70%-120% net profit growth in 1H23E. This is at least inline with its FY23E guidance (20%+ sales growth and 10%+ NP margin). US home appliances sales growth already turned positive in Jun 2023 and may speed up in 2H23E, aided by low base and stabilizing property market. Inventory days are still climbing for peers like SEB, Helen of Troy, De'Longhi, and retailers like Amazon, but we do expect a gradual peak out in 2H23E. More importantly, guidance by its peers are all improving. We do expect Vesync's sales to grow rapidly, boosted by new products, markets and channels, and its margin to rocket, supporting by higher ASP, raw material and transportation costs, plus stronger operating leverage.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our net profit forecasts are +5%/ 0%/ -2% differ from street as we are more confident in margins in FY23E but more conservative onwards in FY24E-25E.

- **Catalysts:** 1) better than expected product launches, 2) improvement in efficiency and costs, and 3) strong property market rebound.

- **Valuation:** The TP of HK$ 4.70 is based on 14x FY23E P/E, vs 3 years average of 12x, given the upcycle and 16% sales CAGR in FY22-25E. The stock is fairly cheap at ~9x FY23E P/E.

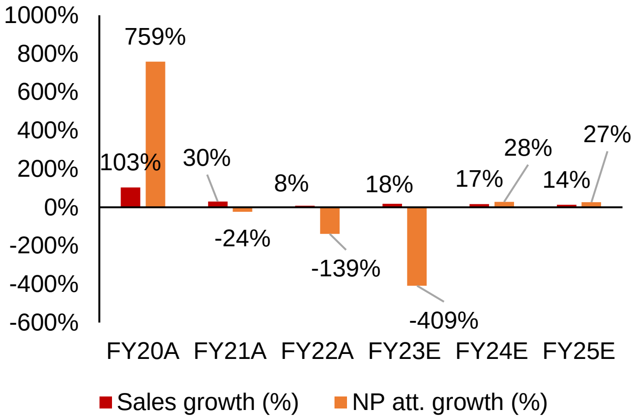
Link to latest report: Vesync (2148 HK) – Signs of turnaround are forming in 1Q23

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (US$ k)	490,378	578,817	676,899	769,205
YoY change (%)	8.0	18.0	16.9	13.6
Adj. Net profit (US$ k)	(16,317)	50,401	64,314	81,784
EPS - Fully diluted (US$)	(0.014)	0.043	0.055	0.070
YoY change (%)	(138.6)	(408.9)	27.6	27.2
Consensus EPS (US$)	n/a	0.042	0.057	0.076
P/E (x)	(31.1)	10.1	7.9	6.2
P/B (x)	1.6	1.4	1.2	1.0
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(5.2)	14.8	16.1	17.3
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

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

Rating: BUY | **TP:** HK$77.4 (69% upside)

Analyst: Joseph Wong

- Initial 2023 outlook. Management remains confident in 2023, and guides for HSD growth in revenue, contributed by 1) LSD volume growth driven by ~20% sub-premium/ premium SKUs that accelerate from mid-teen growth in 2022, 2) 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% YoY 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 YoY 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:

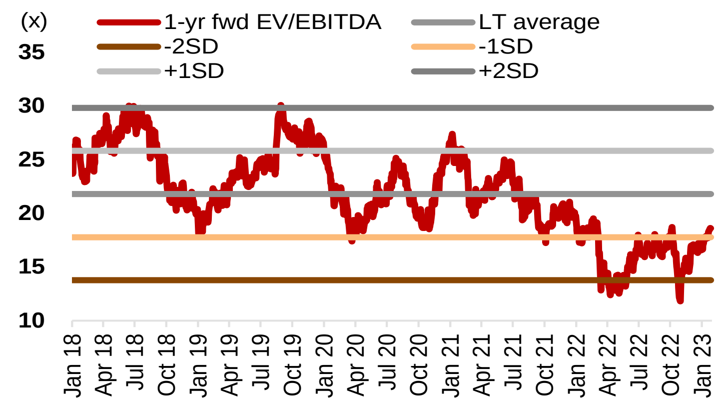
CR Beer (291 HK) – Another positive year for 2023; our preferred pick for China's re-opening

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	N/A	1.6	1.9
P/E (x)	N/A	N/A	27.0	24.1
P/B (x)	N/A	N/A	4.9	3.9
Div yield (%)	N/A	N/A	1.5	1.8
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

Tsingtao (168 HK) – Stronger ahead

Rating: BUY | **TP:** HK$ 92.9 (40% upside)

Analyst: Joseph Wong

- Tsingtao's solid 1Q and takeaway from briefing again convinced us that the Company is dedicated to its premiumization effort along with a more cost-effective operation. Despite market talks about soft beer sales in April, Tsingtao's low-teen sales growth of the month was encouraging, considering also the mid-double-digit volume growth in Classic & above. Looking ahead, 2Q is an important quarter for beer consumption, as the quarter's restocking momentum typically provides a good gauge to peak season demand, and therefore any earnings upside for Tsingtao.

- **2Q outlook.** 1Q momentum has largely extended into April with low-teen sales growth. Approaching the end of May, we should be able to obtain incremental information about the demand for Dragon Boat Festival and more importantly, for the upcoming summer strong season. For now, we assert a similar, if not better, growth trajectory for the quarter as our base case scenario. Long term, Tsingtao's management targets to maintain double-digit sales growth thanks to sustainable drivers such as price hike, mix upgrade and cost initiatives.

- **A re-ramped product/ regional strategy.** Tsingtao plans to reshape its product structure to diamond-shaped, having mass market products (mainly Classic) contributing a large part of the mix, followed by that of super-premium. Low end SKUs will represent the smallest shares. By region, Tsingtao will maintain its lead in Shangdong, Shaanxi, Gansu, and will look for regaining market share in weaker regions such as Guangdong.

- **Valuation.** Our revised TP is still based on 15.0x roll-forward end-23E EV/EBITDA which still represents +1sd above long term average since 2018.

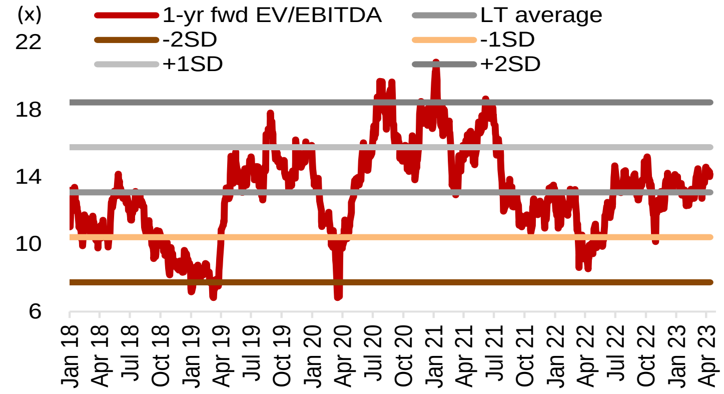
Link to latest report: Tsingtao Brewery (168 HK) – Stronger ahead

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	32,172	35,852	39,475	43,570
YoY growth (%)	6.6	11.4	10.1	10.4
Net income (RMB mn)	3,711	4,398	5,081	5,861
EPS (US$)	2.7	3.2	3.7	4.3
YoY growth (%)	17.4	18.5	15.5	15.3
Consensus EPS (RMB)	N/A	3.3	3.6	4.0
P/E (x)	N/A	17.3	14.4	12.6
P/B (x)	N/A	2.8	2.6	2.5
Div yield (%)	N/A	3.7	4.1	4.8
ROE (%)	14.6	16.0	17.2	18.3
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

Prada SpA (1913 HK) – Re-rating is not over when Prada remains hugely sub-scale to its global peers; initiate at Buy

Rating: BUY **| TP:** HK$72.1 (30% upside)

Analyst: Joseph Wong

- Subsequent to top management rotations in the last three years, which included personnel changes in the creative team (2020), Head of Miu Miu (2020), Head of Fine Jewelry (2021), a new CFO (2022) and lastly a new Prada brand/ Prada Group CEO (2023), Prada is back to shape and has made every right decision to fuel a neat business turnaround. The refocusing of retail business, termination of in-store discount, and increasing efficiency of marketing campaigns etc., in our view, have begun to manifest into strong financial metrics with 4Q22 probably just being one of the milestones of this upcycle. Prada's re-rating has yet to be over. Comparing to its soft luxury peers, Prada's sales is just 10% of LVMH and approximately <50% of Hermes and Gucci etc. Given a parallel reputation and brand appeal, we still see room for Prada to catch up globally.

- Beyond the strong performance in ready-to-wear and footwear, we expect leather goods (c.50% of sales) to catch up based on management's vision of having a balanced growth portfolio. Prada is also looking into entering new categories in fine jewelry (debuted in 4Q22) and personal beauty (first fragrance launched in 4Q22). We think the new initiatives should act as emerging drivers by creating synergy with existing business lines in promoting customer loyalty. Prada is the only global luxury play listed in HK. With its investment scarcity and ongoing turnaround, we initiate Prada at BUY.

- **Management guidance.** Prada's management targets to reach EUR4.5bn revenue with a 20% adjusted EBIT margin (attained already) in the medium term. Considering a strong start for 2023, thanks to China's reopening, we envisage Prada to reach the revenue target this year, and extent the momentum to 2025E at a cFX 10% 3-year CAGR.

Link to latest report:

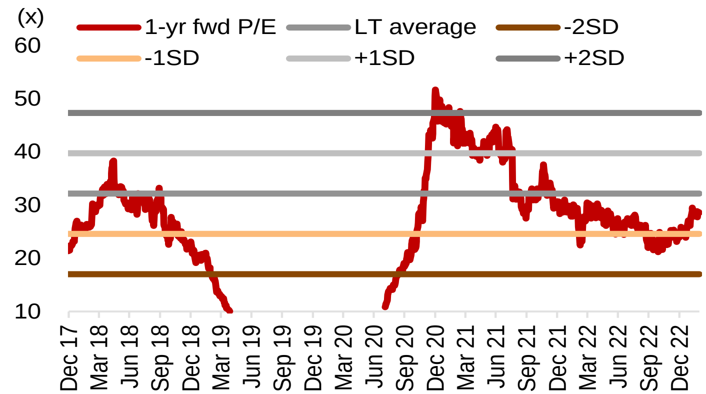
Prada SpA (1913 HK) – Re-rating is not over when Prada remains hugely sub-scale to its global peers; initiate at Buy

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (EUR mn)	4,201	4,599	5,046	5,552
YoY growth (%)	24.8	9.5	9.7	10.0
Net income (EUR mn)	465.2	562.2	624.7	695.8
EPS (EUR)	58.1	20.9	11.1	11.4
YoY growth (%)	58.1	20.9	11.1	11.4
Consensus EPS (EUR)	N/A	N/A	0.24	0.27
P/E (x)	N/A	N/A	26.0	23.7
P/B (x)	N/A	N/A	4.0	3.7
Div yield (%)	N/A	N/A	2.3	2.6
ROE (%)	14.1	15.5	16.0	16.5
Net gearing (%)	(15.4)	(19.6)	(23.2)	(26.6)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Kweichow Moutai (600519 CH) – 1Q came in higher than we expected

Rating: BUY **| TP:** RMB2,440 (35% 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 is likely to re-accelerate from 2Q onwards.

- Moutai released its 1Q preliminary financial data that beat expectation with revenue/ net profits growing by 18/19%, respectively. The data tracked above the 15% management guidance given for the numbers for the full year of 2023. We attribute the strength mainly to the incremental sales growth from iMoutai and a strong premiumization effort.

Link to latest report:

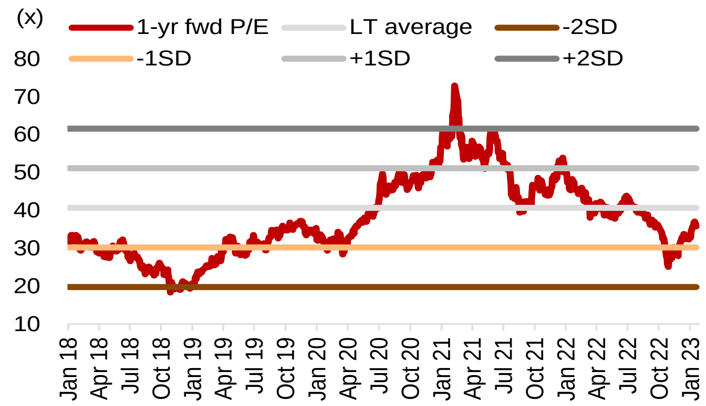
Kweichow Moutai (600519 CH) – 1Q came in slightly higher than we expected

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	N/A	62.0	70.0
P/E (x)	N/A	N/A	32.1	28.7
P/B (x)	N/A	N/A	10.2	8.4
Div Yield (%)	N/A	N/A	1.3	1.8
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

Innovent Biologics (1801 HK) – Best-in-class of IBI362 for obesity in China

Rating: BUY | **TP:** HK$50.34 (56% upside) Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** With product sales imcreased 35%+ in 2Q23, we expect Innovent to resume strong product sales growth from 2023E. Sintilimab has additional large indications (1L GC and 1L ESCC) added to the NRDL since Mar 2023. With stable pricing and better NRDL coverage, the sales of sintilimab grew 41% YoY or 70% QoQ in 2Q23 (as per Lilly's report), and we expect sales of sintilimab to resume healthy growth in 2023E. Innovent's three biosimilars contributed a significant proportion of total product revenue in FY22 (approximately 50%). We do not expect nationwide volume-based procurement (VBP) for biosimilars in 2023, while provincial VBP could lead to moderate price cuts. With COVID-19 impact diminishing and contribution from new products such as cyramza, pemigatinib and olverembatinib, we expect Innovent to regain solid sales growth in 2023 and beyond.
- **Our View:** IBI362 to become the best GLP-1 drug for obesity in China. Ph2 study of IBI362 (9mg) for obesity met primary endpoint at 24 weeks of treatment with 15.4% or 14.7kg placebo-adjusted weight loss, which was much better than other weekly administrated GLP-1 targeted peers. In cross-trial comparisons, tirzepatide achieved 9.0%, 11.5% and 12.0% placebo-adjusted weight loss (or 7.1kg, 13.0kg and 13.0kg in weight loss) in the 5mg, 10mg and 15mg treatment groups in its Ph3 SURMOUNT-1 trial at week 24; semaglutide demonstrated 8.0% weight loss versus placebo (or 7.7kg) in its Ph3 STEP-1 trial. The 15.4% weight loss of IBI362 (9mg) demonstrated its BIC potential for obesity, in our view. The Ph2 obesity study of IBI362 (9mg) is still in progress with detailed safety data to be disclosed, while IBI362 (9mg) is overall well-tolerable. In the Ph2 study, the drop-out rate of the IBI362 group was lower than the placebo group, and there was no subject in the IBI362 group discontinued due to AE. However, in the Ph3 studies of tirzepatide (15mg) and semaglutide, 6.2% and 7.0% of subjects discontinued due to AE. Additionally, there was no SAE in the Ph2 trial of IBI362 (9mg), while the rates of SAE were 5.1% and 9.8% for tirzepatide (15mg) and semaglutide.
- **Why do we differ:** We see the BIC potential of IBI362 for the treatment of obesity, and look forward to the revenue growth recovery of Innovent.
- **Valuation:** we derive our target price of HK$50.34 based on DCF valuation (WACC: 10.0%, terminal growth rate: 3.0%).

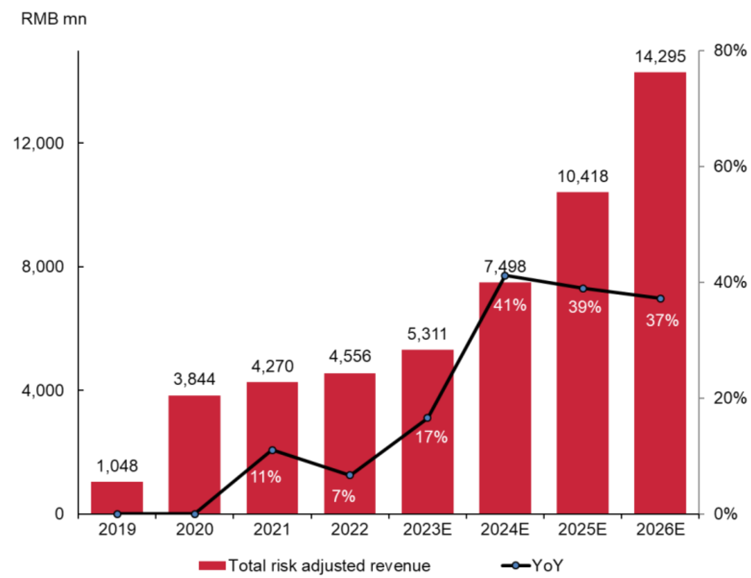
Link to latest report: Innovent Biologics (1801 HK) – Mazdutide (IBI362) to become the best GLP-1 drug for obesity in China

Financials and Valuations

(YE 31 Dec)	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,311	7,498	10,418
YoY growth (%)	17%	41%	39%
Net loss (RMB mn)	(2,788)	(1,924)	(479)
EPS (RMB)	(1.82)	(1.25)	(0.31)
Consensus EPS (RMB)	(1.26)	(0.73)	0.10
R&D expenses (RMB mn)	(3,000)	(2,999)	(2,917)
Capex (RMB mn)	(500)	(400)	(300)

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 (66% upside) Analysts: Nika Ma/ Zhang Miao

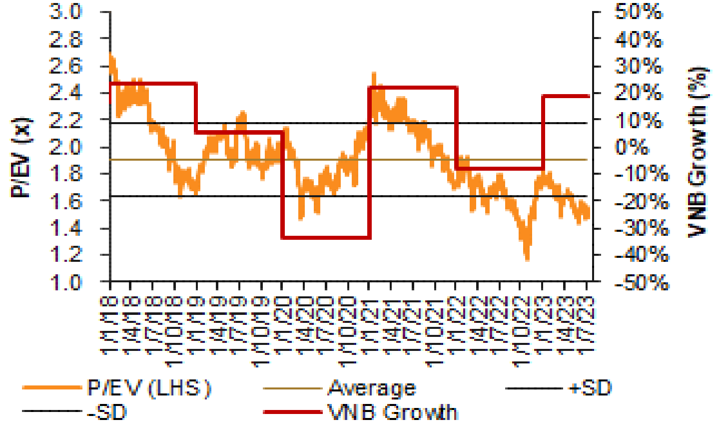
- **Investment Thesis:** Following the mild recovery in 2H22, we expect the VNB growth of the group will rebound to ~20% in FY23E, primarily driven by 1) the recovery of MCV (mainland visitors) business in HK on the back of pent-up demand post border reopening, and 2) robust growth of AIA China fueled 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:** continued strong demand-driven sales growth of life insurance after the HK/China border-reopening; new accounting rules of IFRS 9 &17.
- **Valuation:** The stock is trading at 1.3x P/EV FY24E, below a 2-year/5-year historical average P/EV at 1.6x/1.8x. 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.

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	0.59	0.67	0.76
P/BV (x)	2.8	2.4	2.2	1.9
P/EV (x)	1.6	1.5	1.3	1.2
Yield (%)	2.1	2.3	2.7	3.0
ROE (%)	0.6	18.2	18.4	18.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: AIA VNB growth driving valuation multiples



Source: CMBIGM estimates

Links to latest reports:

[AIA Group Ltd. (1299 HK) – 2H22 recovery in line; Upbeat trend in HK and China in 2M23 (13 Mar 2023)]

[AIA Group Ltd. (1299 HK) – Pent-up demands to boost HK growth; Raise TP (1 Jan 2023)]

[AIA Group Ltd. (1299 HK) – Initiation: Long-term growth intact, expect 2H22 recovery (2 Nov 2022)]

Tencent (700 HK) – Expecting strong recovery ahead

Rating: BUY | **TP:** HK$455.0 (36% upside)

Analysts: Saiyi He/ Wentao Lu/ Frank Tao

- **Investment Thesis:** We are upbeat on Tencent's earnings rebound in FY23 driven by improved fundamental of its core business lines: 1) recovering gaming business on resilient performance of legacy titles and strong game pipeline (15+ titles with licenses approved); 2) 15% online ad revenue growth supported by enhanced Video Account monetization and macro tailwind; 3) reaccelerating revenue growth and expanding margin of FBS segment thanks to improved consumption sentiment and strategic adjustment of cloud business.

- **Our View:** We expect a strong 2Q23 with total revenue/non-IFRS net income up by 12/25% YoY to RMB149.9/35.2bn, driven by solid recovery of ads/fintech businesses and operating leverage. Its current valuation of 20x FY23 PE (or 16x FY23 PE if excluding strategic investment) offers attractive risk-reward given its robust earnings growth. Maintain BUY.

- **Catalysts:** 1) accelerating monetization of Weixin Video Account; 2) normalization of Banhao approval accelerates game revenue growth; 3) macro recovery supports rebound of ad, fintech and enterprise services businesses; 4) re-rating of fintech business under normalized regulatory environment; 5) MaaS solutions and AI deployment will not only capture the rising enterprise demand for model training and AI applications, but also become growth multipliers for its own business lines; 6) stronger than expected operating leverage.

- **Valuation:** Our SOTP-derived target price of HK$455.0 comprises: HK$186/29/48/99/22 for gaming/SNS/advertising/fintech/cloud business and HK$60/9 for strategic investment/net cash.

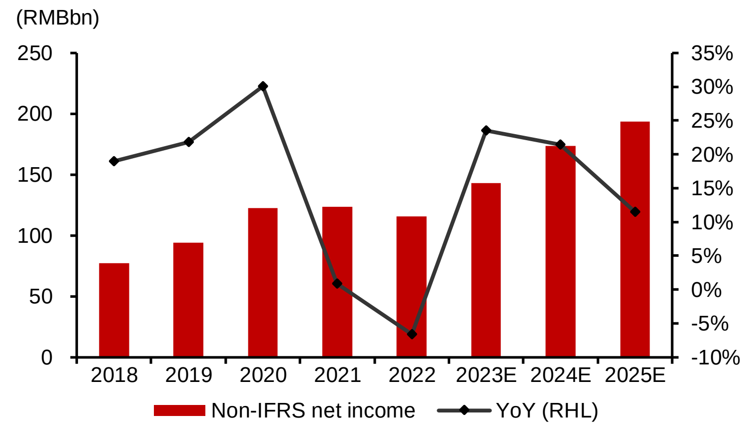
Link to latest report: Tencent (700 HK) – Expecting strong recovery ahead

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	554,552	616,035	671,342	723,336
YoY growth (%)	(1.0)	11.1	9.0	7.7
Gross margin (%)	43.1	44.7	45.4	46.3
Adj. net profit (RMB mn)	115,649	142,908	173,514	193,498
YoY growth (%)	(6.6)	23.6	21.4	11.5
EPS (Adjusted) (RMB)	12.13	14.76	17.92	19.98
Consensus EPS (RMB)	12.13	15.12	17.96	20.37
Non-GAAP P/E (x)	25.0	20.2	16.7	14.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – Core business delivered quality growth

Rating: BUY **| TP:** US$109.0 (34% 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:** The strong beat in 1Q23 results echoed our view that PDD still has the potential to drive for robust GMV growth through incorporation of branded products and high ASP product, and PDD's monetization has potential to further increase given its relatively better ROI compared with peers. PDD is entering a growth stage that focuses more on growth quality, which in our view indicating a more stable margin profile for PDD's domestic business, while overseas expansion of Temu could help unlock long-term development potential.

- **Where do we differ vs consensus:** market has been concerned on the pace and potential of PDD's monetization rate expansion, we think incremental monetization potential unleashed from commission revenue can aid further increase of monetization rate. We are also more positive than consensus on PDD's GMV growth potential supported by its well established consumer mindshare on value for money products.

- **Catalysts:** 1) stronger than expected GMV and earnings growth driven by enhanced user stickiness; 2) more rapid than expected ramp up of international business.

- **Valuation:** DCF based valuation of USD109.0, which translates into 22x 2023E PE.

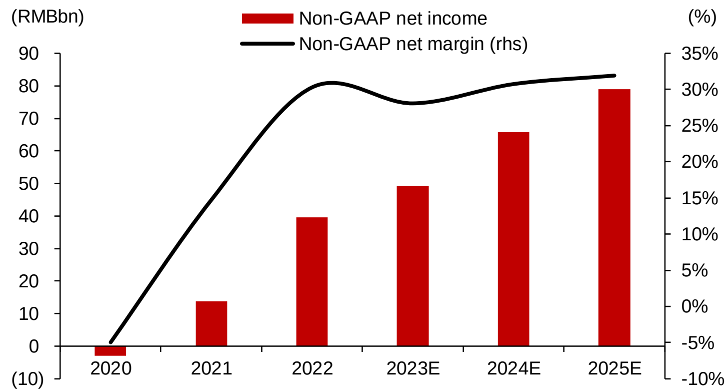
Link to latest report: Pinduoduo (PDD US) – Core business delivered quality growth

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	130,558	164,496	195,189	223,878
YoY growth (%)	39.0	26.0	18.7	14.7
Net profit (RMB mn)	31,538.1	32,788.9	45,911.2	55,936.0
Adjusted net profit (RMB mn)	39,529.7	41,394.4	55,722.3	66,733.9
EPS (Adjusted) (RMB)	N/A	28.74	38.69	46.33
Consensus EPS (RMB)	N/A	29.35	36.49	43.14
P/E (x)	15.4	24.4	17.4	14.3
P/B (x)	4.1	4.9	3.7	2.8
ROE (%)	32.7	23.4	24.1	22.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

NetEase (NTES US) – Strong mobile games and margin improvement

Rating: BUY **| TP:** US$123.0 (19% upside) Analysts: Saiyi He/Wentao LU/Frank Tao

- **Investment Thesis:** With the normalization of domestic game license approval and a clearer timeline for the new game launches, we are upbeat on NetEase's games revenue growth in FY23/24. Several highly-anticipated games are lined up for launch in June and will drive revenue growth in 2023, including *Justice Mobile*, *Racing Master, and Badlanders.* We also expect improved profitability due to the optimized game channel costs.

- **Our View:** We are positive on the game pipeline and the performance of NetEase's legacy games in FY23, and forecast total revenue/operating income to grow 9/10% YoY in FY23. We expect NetEase games revenue YoY growth to accelerate in 2H23 on a easier base and more games launch. Maintain BUY.

- **Why do we differ:** Business and stock price performance of online game stocks are usually resilient amid macro headwind. We view NetEase as an hedge against current macro and market uncertainty. NetEase's quality game pipeline will create additional support to its current valuation.

- **Catalysts:** 1) stronger-than-expected games revenue and earnings growth; 2) faster-than-expected game approvals; 3) robust grossing performance of Justice Mobile.

- **Valuation:** Our SOTP derived target price is US$123.0, comprising: US$116.6/0.4/2.4/1.9/1.7 for online game/Youdao/Cloud Music/innovative business/net cash.

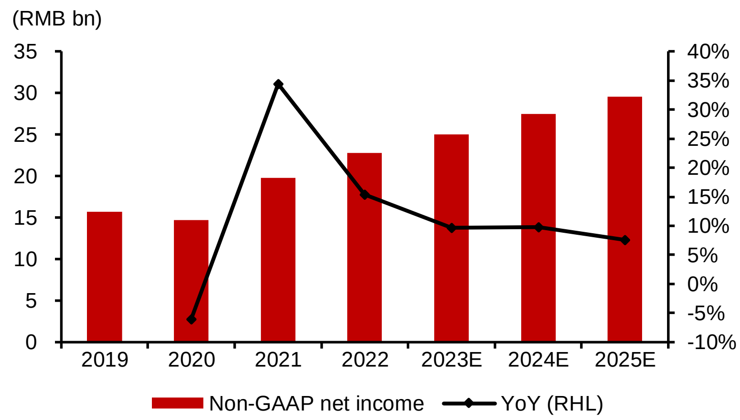
Link to latest report: NetEase (NTES US) – Solid mobile games and margin improvement support strong 1Q23 results

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	96,496	104,992	112,612	118,105
Gross margin (%)	54.7	57.8	58.3	58.6
Adjusted net profit (RMB mn)	22,808	25,025	27,460	29,556
EPS (Adjusted) (RMB)	35.0	38.4	42.2	45.4
Consensus EPS (RMB)	35.0	33.8	37.4	41.9
P/S (x)	4.6	4.3	4.0	3.8
P/E (x)	19.6	17.9	16.3	15.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-GAAP net income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – In progress to enhance shareholder value

Rating: BUY **| TP:** US$156.60 (68% upside)

Analysts: Saiyi He/Frank Tao/Wentao LU

- **Investment Thesis:** 1) "1+6+N" reorganization will improve overall business agility and innovation capability, therefore enhancing shareholder value in the long-run; 2) potential full-spin off of Cloud intelligence group, as well as other capital market activities of different business units likely to give more information on business development and propel a valuation rerating when market sentiment recovers; 3) Alibaba is likely to benefit from the ongoing consumption recovery throughout the year; and 4) valuation is not demanding.

- **Our View:** Alibaba's 1QFY24 results, in our view, demonstrated BAB's early-stage success in Taobao and Tmall business transformation to focus on quality user growth and better user retention through product supply and merchants ROI enhancement, which in turn improved number of daily active paying merchants for CMR business.

- **Where do we differ vs consensus:** We are expecting both better than expected revenue growth and earnings growth in FY24, which we believe can be driven by the reorganization, the implementation of "user first strategy", and Alibaba's cost optimization initiatives.

- **Catalysts:** 1) more business development update for each of the business units post reorganization, especially for those that are seeking for external financing or IPO; 2) better than expected consumption recovery.

- **Valuation:** SOTP based valuation of USD156.6, which translates into 17.5x FY24E PE.

Link to latest report: Alibaba (BABA US) – User first strategy delivered early-stage result

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	868,687	963,125	1,048,813	1,122,311
YoY growth (%)	1.8	10.9	8.9	7.0
Net profit (RMB mn)	72,509	119,042	128,333	137,865
Adjusted net profit (RMB mn)	143,991	163,346	175,529	187,246
EPS (Adjusted) (RMB)	54.91	62.22	66.80	71.19
Consensus EPS (RMB)	53.41	59.11	66.51	79.96
P/E (x)	23.0	14.1	13.1	12.2
ROE (%)	7.4	10.4	9.4	9.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

Business	Method	Target PS	Valuation (USDmn)	Valuation per ADS (USD)	As % of total valuation
Core business (ex-cloud, Cainiao, and local consumer services)	DCF		276,521	104.7	66.8
Cainiao	Last round financing valuation, 63% shareholding		17,664	6.7	4.3
Local consumer services	PS, based on FY24 revenue	1.7	14,468	5.5	3.5
Alibaba Cloud	PS, based on FY24 revenue	5.2	66,309	25.1	16.0
Strategic investments	Market valuation, 30% holding discount applied to all investment		38,856	14.7	9.4
Total			**413,818**	**156.6**	

Source: Company data, CMBIGM estimates

CMB INTERNATIONAL

Kuaishou (1024 HK): Share gain to continue, with earnings upside

Rating: BUY **| TP:** HK$97 (50% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We are confident on KS's ads recovery, and share gain in ecommerce and livestreaming. We are more bullish on its 2Q23E momentum (forecasting rev +26% YoY), supported by: 1) ads acceleration (+28% YoY) with external ads resuming growth; and 2) ecommerce share gain with higher take rate (GMV/rev +34%/55% YoY). After its 1H23E earnings alert, we think there is still further earnings upside. Suggest to buy on dips, for its stronger ads & ecommerce and better margin outlook.

- **Our View:** Given eye-catching 618 promotions, we are more positive on KS's ecommerce growth in 2Q23E (forecasting GMV/rev +34%/55% YoY), backed by its mechanism enhancement and higher merchants ROI. We forecast ecommerce GMV >20% CAGR in FY23-25E, with rising penetration, richer offerings and algorithm optimization, and shelf-based mall would unlock its TAM (mall feature entered into Level I access testing in 2Q23). Ads share gain continued in 2Q23E, in which externals ads resumed positive YoY growth with multiple verticals recovery (e.g. game, online services), and internal ads delivered higher growth than GMV.

- **Why do we differ vs consensus:** Market concern lies on Tencent Video Accounts threat on ads and potential selling from Tencent. 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) upside from shopping mall, 2) strong 2Q23E result and guidance, and 3) better margin outlook.

- **Valuation:** Maintain BUY with SOTP-based TP at HK$97 (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.

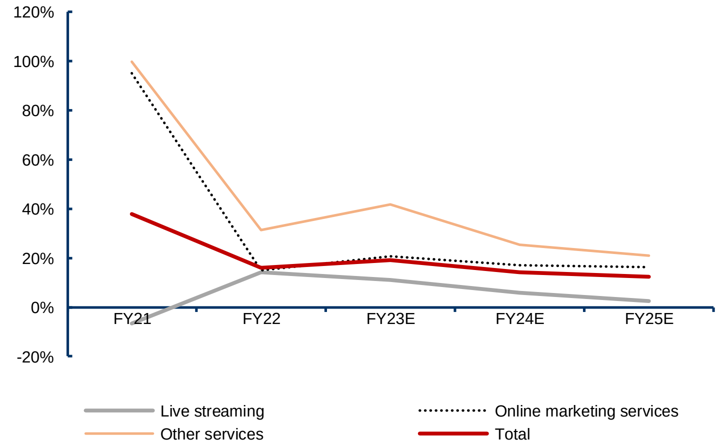
Link to latest report: Kuaishou (1024 HK) – Share gain to continue, with earnings upside

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	94,183	112,326	128,336	144,335
YoY growth (%)	16.2	19.3	14.3	12.5
Net income (RMB mn)	(5,751)	4,176	9,634	17,228
EPS (RMB)	(1.3)	0.9	2.1	3.6
YoY growth (%)	N/A	N/A	131	79
Consensus EPS (RMB)	N/A	0.8	2.6	4.5
P/E (x)	N/A	64	28	15
P/S (x)	2.8	2.4	2.1	1.8
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: Kuaishou's revenue growth estimates



Source: Company data, CMBIGM estimates

CR Land(1109 HK): Promising FY23E and not-far-fetching FY25E target

Rating: BUY **| TP:** HK$45.10 (38% upside) Analysts: Miao Zhang/ Nika Ma

- **Investment Thesis:** We like CR Land as its visible earnings growth acceleration (8%/11%/12.8% YoY in 2023-25E) driven by robust rental income (20-30% CAGR) and sales back to teens growth in 2023E. This would help not only widen its gap with others (FY22 -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 more Tier 1&2 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 2023 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 2022 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. 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 to bring impacts on high-end malls development.

- **Valuation:** The company currently trades at 6.1x 2023E P/E vs. historical 5-YR average of 8x. Our TP stay unchanged at HK$45.10, reflecting 50% discount to NAV.

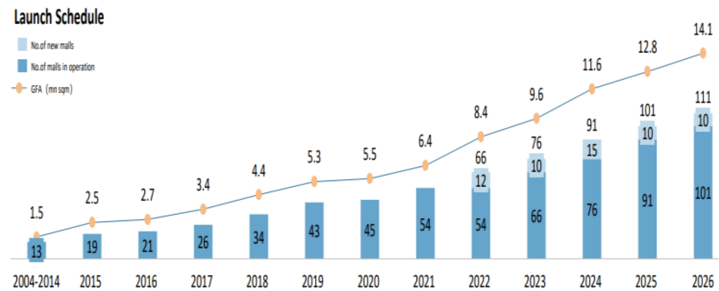
Link to latest report: CR Land (1109 HK) – Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	212,108	207,061	235,314	264,990
YoY growth (%)	18.1	(2.4)	13.6	12.6
Net income (RMB mn)	32,401	28,092	29,826	34,959
EPS (RMB)	4.54	3.94	4.18	4.90
YoY growth (%)	8.69	(13.30)	6.1	17.2
Consensus EPS (RMB)	N/A	N/A	4.1	4.5
P/E (x)	6.1	7.0	6.1	5.6
P/B (x)	0.9	0.8	0.8	0.8
Yield (%)	5.0	5.0	5.1	5.8
ROE (%)	14.3	11.5	13.3	13.8
Net gearing (%)	24.4	35.0	38.6	47.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's malls opening plan



Source: Company data, CMBIGM

BYDE (285 HK): Clear path to margin recovery

Rating: BUY | **TP:** HK$31.67 (10% upside)

Analyst: Alex Ng/ Lily Yang

- **Investment Thesis:** BYDE is a global leader in platform-based high-end manufacturing, focusing on smartphone/NB, new intelligent product, auto intelligent system and medical devices. Its major clients include Apple, Xiaomi, Honor/Huawei, BYD and other OEM brands. We believe BYDE will benefit from OEM industry consolidation, Apple supplier diversification, and fast-growing NEV/new intelligent products in 2023-25E.

- **Our View:** BYDE is our top pick for H-share tech sector, as we are positive on its industry leadership, Android recovery, Apple share gain, fast-growing residential energy storage, and strong orders from automotive segment. In addition, we believe stabilized Android business and Apple share gain in iPad OEM/components are major margin drivers in FY23E, and improving revenue mix of fast-growing NEV/ intelligent products will boost overall margin in FY24/25E. We expect GPM to improve to 7.8% in FY25E (vs 5.9%/7.1%/7.5% in FY22/23/24E), while NPM will expand to 3.1% in FY25E (vs 1.7%/2.7%/2.9% in FY22/23/24E).

- **Why do we differ vs consensus:** Our new FY23/24E EPS are 18%/3% above consensus given our more positive view on margin rebound and operating efficiency

- **Catalysts:** Near-term catalysts include Apple share gain, better margins and Xiaomi/Apple product launches.

- **Valuation:** Our SOTP-based TP of HK$31.67 implies 17.9 FY23E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

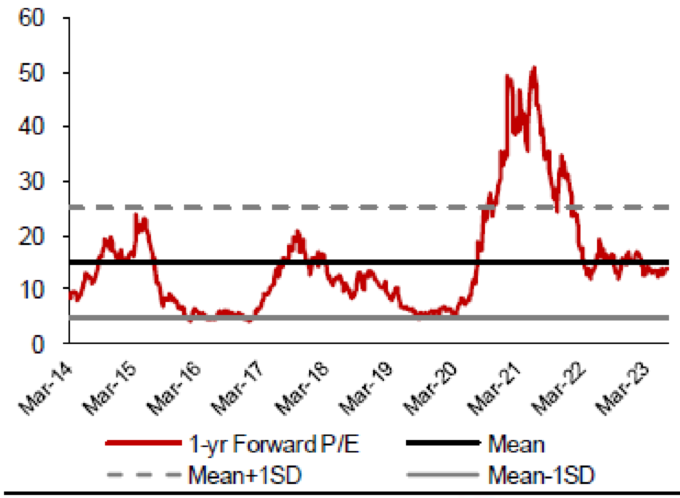
Link to latest report: BYDE (285 HK) – Clear path to margin recovery; Upgrade to BUY

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	107,186	122,746	141,695	157,140
YoY growth (%)	20.4	14.5	15.4	10.9
Net profit(RMB mn)	1,858	3,289	4,058	4,872
EPS (RMB)	0.82	1.46	1.80	2.16
YoY growth (%)	(19.6)	77.1	23.4	20.1
Consensus EPS (RMB)	0.82	1.25	1.76	2.33
P/E (x)	29.3	16.5	13.4	11.2
P/B (x)	3.1	2.8	2.4	2.1
Yield (%)	0.7	0.6	0.7	0.9
ROE (%)	7.2	11.5	12.5	13.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIS estimates

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

Rating: BUY **| TP:** RMB88.6 (97% 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.

Links to latest reports:

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

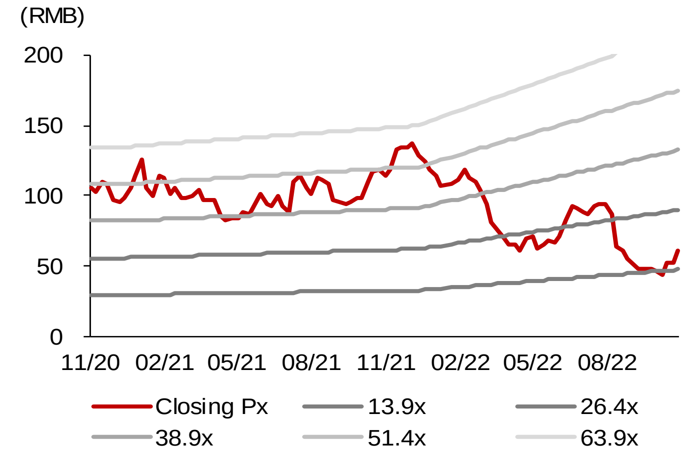
Wingtech (600745 CH) – NWF divesture order will have trivial impact on operation; Will reinforce self-sufficiency trend

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	52,729	58,078	69,173	83,563
YoY growth (%)	2.0	10	19	21
Gross margin (%)	16.2	18.9	17.55	17.46
Net profit (RMB mn)	2,612	3,414	4,678	4,929
EPS (RMB)	2.11	1.18	2.81	3.71
YoY growth (%)	2.4	(44)	138	32%
Consensus EPS (RMB)	N/A	N/A	2.81	3.71
P/E (x)	61.3	44.6	17.4	13.2
Yield (%)	0.4	0.5	0.7	0.9
ROE (%)	7.7	4.2	8.6	10.7
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

招銀国际 CMB INTERNATIONAL

Kingdee (268 HK): Domestic ERP SaaS leader

Rating: BUY | **TP:** HK$23.28 (79% upside)

Analyst: Saiyi He

- **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 18% revenue CAGR in FY22-25E reaching RMB7,962mn.
- **Our View:** Kingdee reported in-line FY22 results with strong growth in subscription ARR (+31.2% YoY). Compared to Yonyou's weaker than expected performance, we are encouraged to see Kingdee's better SaaS migration progress. This reaffirmed our view that Kingdee's SaaS product is more standardized and earnings visibility (and thus valuation) should be higher than Yonyou.
- **Why do we differ vs consensus:** Huawei's self-developed ERP (MetaERP) could be negative to the China ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the formers are more large-enterprises/ SOEs focused. Also, Huawei has to consider the potential implications to its Cloud business as Kingdee/ Yonyou/ Inspur may scale down their cloud resources usage with Huawei Cloud given direct competition in ERP.
- **Catalysts:** 1H23 results, Winning large SOEs Xinchuang bidding. Supportive policies related to "Xinchuang" implementation.
- **Valuation:** We derive our target price of HK$23.28 on 11.0x FY23E EV/sales, in-line with its 3-year mean.

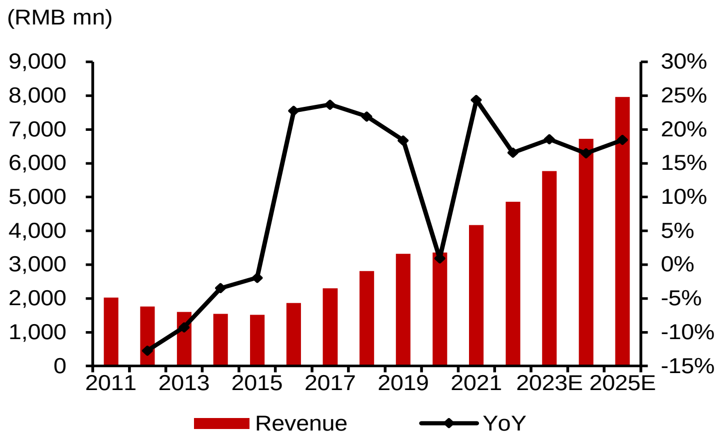
Link to latest report: Kingdee (268 HK) – SaaS and Xinchuang both in good shape

Financials and Valuations

(YE 31 Dec)	FY22	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,866	5,769	6,720	7,962
YoY growth (%)	17%	19%	16%	18%
Net profit (RMB mn)	(389)	(257)	(174)	(3)
EPS (RMB)	(0.11)	(0.07)	(0.05)	0.00
YoY growth (%)	34	(33)	(32)	(98)
Consensus EPS (RMB)	(0.11)	(0.08)	0.00	0.00
EV/sales (x)	6.0	5.1	4.3	3.6
P/E (x)	(79.3)	(155.1)	(281.9)	450.4
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	(5)	(4)	(3)	0
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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