招銀国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

17 October 2022

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														
NIO Inc.	NIO US	Auto	BUY	19.6	802.1	11.8	28.0	138%	N/A	N/A	7.0	-30.5	N/A	Shi Ji/ Dou Wenjing
China Meidong Auto	1268 HK	Auto	BUY	12.8	118.7	10.6	25.0	137%	15.9	9.8	3.8	25.4	2.2%	Shi Ji/ Dou Wenjing
Zhejiang Jingsheng	300316 CH	Capital Goods	BUY	2.8	1.9	70.4	96.0	36%	31.1	24.9	8.3	32.4	0.6%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	4.8	14.8	7.0	14.6	109%	11.1	9.2	1.9	17.7	2.8%	Wayne Fung
Yancoal Australia	3668 HK	Coal	BUY	4.8	14.8	28.3	53.0	87%	2.0	2.4	0.7	39.0	17.1%	Wayne Fung
CR Gas	1193 HK	Gas	BUY	7.0	8.6	23.6	39.1	66%	8.6	7.8	1.3	11.9	N/A	Jack Bai/ Megan Xia
Bosideng	3998 HK	Consumer Disc.	BUY	5.9	12.2	4.2	5.9	40%	15.5	12.8	2.9	20.7	4.5%	Walter Woo
Nayuki	2150 HK	Consumer Disc.	BUY	1.1	1.0	4.9	7.4	52%	-62.9	30.3	N/A	-2.9	0.0%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	20.5	51.9	49.7	71.0	43%	31.0	27.8	4.5	15.0	1.3%	Joseph Wong
Budweiser APAC	1876 HK	Consumer Staples	BUY	31.5	17.2	18.7	28.4	52%	35.0	29.3	3.1	9.2	1.2%	Joseph Wong
CTGDF	601888 CH	Consumer Staples	BUY	53.5	282.6	186.9	253.0	35%	41.4	28.5	10.4	25.1	0.8%	Joseph Wong
Proya	603605 CH	Consumer Staples	BUY	6.9	36.9	175.2	184.0	5%	44.4	33.0	9.4	21.4	0.7%	Joseph Wong
Botanee	300957 CH	Consumer Staples	BUY	10.4	41.1	176.6	251.0	42%	63.8	45.9	13.9	21.7	0.5%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	4.9	31.1	25.3	52.6	108%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi Biologics	2269 HK	Healthcare	BUY	4.9	31.1	50.4	120.4	139%	38.2	28.6	4.7	12.9	N/A	Jill Wu/Benchen Huang
CPIC	2601 HK	Insurance	BUY	27.4	164.2	14.3	25.2	76%	N/A	N/A	N/A	9.9	5.7%	Gigi Chen
Kuaishou	1024 HK	Internet	BUY	24.9	16.8	48.0	120.0	150%	N/A	N/A	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	26.3	141.8	30.8	44.8	46%	7.1	N/A	1.0	14.3	5.0%	Jeffrey Zeng/ Miao Zhang
Goertek	002241 CH	Technology	BUY	27.9	43.7	26.5	44.7	69%	15.8	12.8	2.7	18.1	0.9%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	12.6	303.2	48.8	93.1	91%	31.1	20.3	N/A	8.1	0.3%	Lily Yang/ Alex Ng
Hikvision	002415 CH	Software & IT services	BUY	8.5	170.7	30.7	45.1	47%	3.8	3.2	N/A	25.0	0.0%	Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 14/10/2022

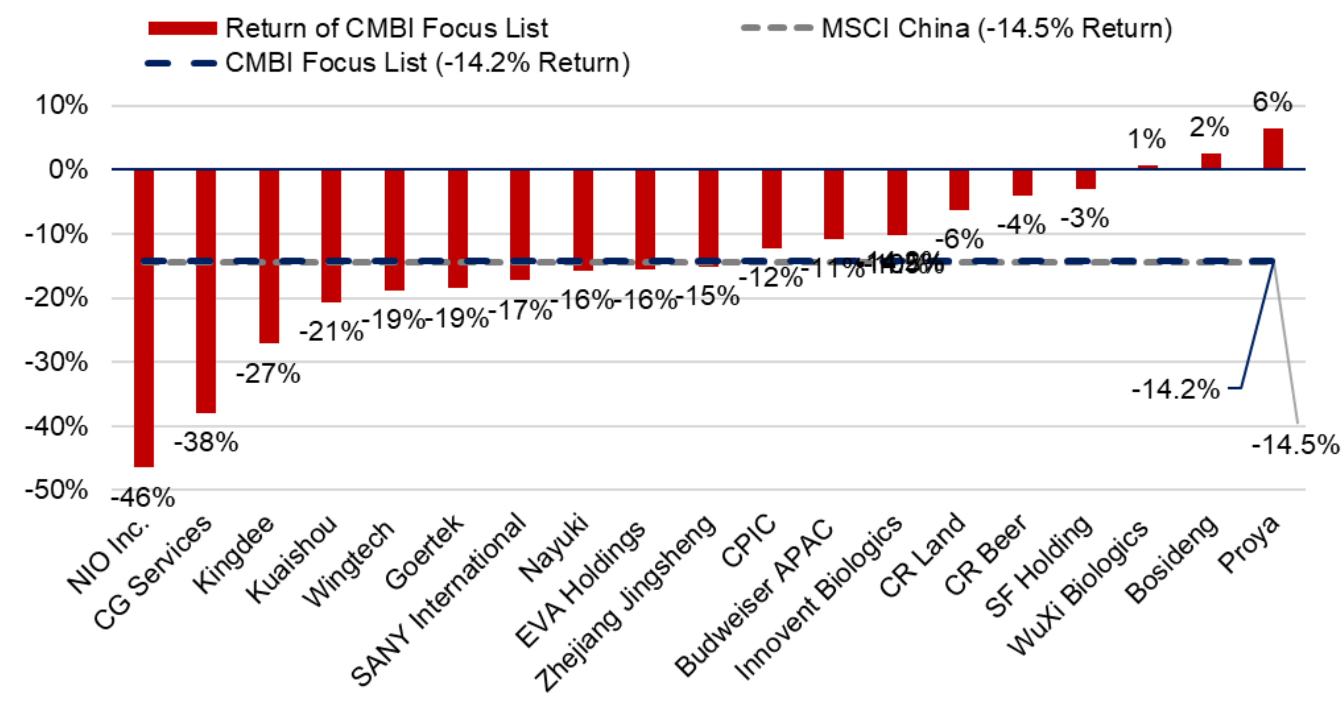
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
China Meidong Auto	1268 HK	Auto	BUY	Shi Ji/ Dou Wenjing	Could be oversold now for Meidong given its strongest management execution and better brand mix than its peers; 3Q22 operational data could beat market expectation especially for Porsche; higher incentives to BMW dealers in 4Q22; and possible share / CB buyback as catalyst.
Yancoal Australia	3668 HK	Coal	BUY	Wayne Fung	Good proxy to hedge geopolitical risks and strong dollar.
CR Gas	1193 HK	Gas	BUY	Jack Bai/ Megan Xia	We are optimistic about CRG for its attractive valuation with improved 3Q dollar margin, resilient gas connection, and solid comprehensive service
Botanee	300957 CH	Consumer Staples	BUY	Joseph Wong	Valuation is turning attractive.
CTGDF	601888 CH	Consumer Staples	BUY	Joseph Wong	Well 4Q travel peak.
Hikvision	002415 CH	Software & IT services	BUY	Marley Ngan	We now prefer company that is less vulnerable to macro uncertainties given
Deletions					
EVA Holdings	838 HK	Auto	BUY	Shi Ji/ Dou Wenjing	May lack of short-term catalysts.
SF Holding	002352 CH	Express Delivery	BUY	Wayne Fung	Slowdown of ASP growth versus the express delivery peers
CG Services	6098 HK	Property	BUY	Jeffrey Zeng/ Miao Zhang	The market is concerning about Country Garden’s lackluster sales and liquidity pressure, which may overshadow CGS’s earnings growth and
Kingdee	268 HK	Software & IT services	BUY	Marley Ngan	Investors’ appetite for loss-making growth stock declines during interest rate-

Source: CMBIGM

Performance of our recommendations

- In our last report dated 14 September, we highlighted a list of 19 long ideas.
- The basket (equal weighted) of these 19 stocks outperformed MSCI China index by 0.3ppt, delivering -14.2% return (vs MSCI China -14.5%).
- Proya delivered 6% of return, and 9 of our 19 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 14 Sep 2022 to 14 Oct 2022

Long Ideas

NIO Inc. (NIO US): NEV trio laggard with strong sequential sales improvement potential

Rating: BUY **| TP:** US$28.00 (138% 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 tier-2 brands compared with the NEV trio, they still need time to build customer trust, in our view. As pioneers, the NEV trio has their advantages and disadvantages. At this point, Li Auto's share price has factored much of the market expectation of the L9, whereas NIO, as a share-price laggard, probably has the strongest sequential sales-volume improvement potential in the following few months.

- **Our View:** We are of the view that NIO now is set to enjoy the highest sequential sales volume growth in 2H22, aided by the new *ET7*, *ES7* and *ET5*. Customer flows and leads increased substantially MoM in Sep 2022, aided by new models such as the *ET5*, based on our channel checks with a few NIO stores in 12 tier-1 and -2 cities. The pace of new order intake during the Golden Week did not change much compared with Sep 2022, based on our channel checks. The waiting time for the *ET5* is more than five months now. Customers also need to wait for about three months to get the *ET7* or *ES7* delivered.

- **Catalysts:** 1) sales volume MoM improvement in 4Q22; 2) 3Q22 gross margin beat.

- **Why do we differ vs consensus:** We are more optimistic about NIO's gross margin in 2H22, should sales volume meet management's expectation, given its luxurious brand image.

- **Valuation:** Our target price of US$ 28.00 is based on 3.5x FY23E P/S.

Link to our report: NIO Inc. (NIO US) – Strongest 4Q22 sales volume among NEV trio

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	36,136	53,591	93,104	117,788
YoY growth (%)	122.3	48.3	73.7	26.5
Net income (RMB mn)	(10,572)	(9,668)	(6,397)	(3,692)
EPS (RMB)	(6.72)	(5.77)	(3.78)	(2.16)
YoY growth (%)	N/A	N/A	N/A	N/A
P/S (x)	4.7	3.7	2.2	1.7
P/B (x)	4.9	7.0	8.3	8.7
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	(34.2)	(30.5)	(24.0)	(15.4)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

China Meidong Auto (1268 HK): 3Q22 operational data could beat expectation

Rating: BUY | **TP:** HK$25.00 (137% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** We are of the view that management capabilities and brand mix could become more important for dealers than ever before, as the auto industry in China experiences drastic changes amid electrification. Despite rising penetration of direct-sales model for NEV makers, we believe dealers still have its value in the franchise and could be oversold now for Meidong given its strongest management execution and better brand mix than its peers.

- **Our View:** Meidong now operates 20 Porsche 4S stores and showrooms in 15 cities after acquiring StarChase. There are 32 Porsche stores in total in these 15 cities. Meidong operates all the Porsche stores in 7 cities including cities like Qingdao and Jinan. Retail sales volume for Porsche in these 15 cities almost doubled in 3Q22, assuming 0 in 3Q21 for cities where StarChase stores are located as it was not consolidated last year. That means new-car sales volume for Porsche at Meidong could be more than doubled in 3Q22, given its Guangzhou store was not open in 3Q21 yet. Should such momentum continue in 4Q22, Meidong's Porsche new-car sales volume in FY22E could exceed our prior estimates of 12,000 units. Based on our channel checks, Meidong's new orders for BMW also outperformed the market during the Golden Week. Along with BMW's rising incentives to dealers in 4Q22 (a new subsidy of RMB8,000 per vehicle for locally-produced models and RMB11,000 per vehicle for imported models), BMW's new-car gross profit could also beat market expectation, in our view.

- **Catalysts:** 1) sequential sales volume increase for luxury cars in 4Q22; 2) Possible share / CB buyback; 3) Possible partnership with leading NEV start-ups.

- **Valuation:** Our target price of HK$ 25.00 is based on 15x our FY23E EPS estimates.

Link to our report: China Meidong Auto (1268 HK) – Positive early signals from StarChase

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB)	23,577	29,276	38,519	43,639
YoY growth (%)	36.1	18.7	38.9	17.0
Net income (RMB mn)	1,166	1,093	1,802	2,286
EPS (RMB)	0.92	0.86	1.39	1.74
YoY growth (%)	55.3	(6.2)	64.9	26.8
P/E (x)	0.0	15.9	9.8	7.9
P/B (x)	0.0	3.8	2.9	2.2
Yield (%)	2.7	2.2	5.6	6.9
ROE (%)	32.5	25.4	33.1	31.5
Net gearing (%)	Net cash	51.3	12.7	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Zhejiang Jingsheng (300316 CH): Solid growth of solar equipment; SiC gaining traction

Rating: BUY **| TP:** RMB96 (36% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Zhejiang Jingsheng is a leading supplier of crystal growing and processing equipment in solar power and semiconductor industry. The Company also offers sapphire products in the LED industry. Jingsheng is the key beneficiary of the capex growth of wafer makers, such as Zhonghuan (002129 CH, NR).

- **Our View:** We expect major wafer makers' continuous transformation to large-size wafer will boost the replacement demand, which offers further growth opportunities for Jingsheng. Besides, the war in Ukraine has continued to boost the export of solar products to the EU countries. On the other hand, the breakthrough on SiC will serve as a new growth engine for Jingsheng starting from this year.

- **Why do we differ vs consensus:** Our earnings forecast in 2022E/23E/24E is 6%/0%/-2% versus consensus estimates. We see upside to our earnings estimates given the aggressive capacity expansion plan of customers such as Shangji Automation (603185 CH, NR).

- **Catalysts:** (1) More favorable policies to support solar power in Europe; (2) upside on China solar installation; (3) further breakthrough on SiC.

- **Valuation:** Our TP is RMB96, based on 35x 2023E P/E. Our target P/E is based on 1x PEG on the back of 35% earnings CAGR in 2022E-24E.

Link to latest report:

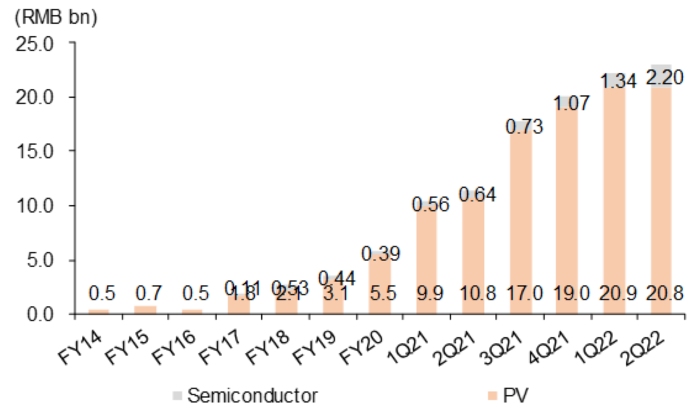
Zhejiang Jingsheng (300316 CH) – 2Q22 profit +1.4x YoY with strong cash flow; Raise earnings & TP on solid margin

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,961	10,934	14,758	17,578
YoY growth (%)	56	83	35	19
Net income (RMB mn)	1,712	2,848	3,595	4,268
EPS (RMB)	1.33	2.20	2.75	3.26
YoY growth (%)	99	65	25	19
Consensus EPS (RMB)	N/A	2.08	2.77	3.32
P/E (x)	51.4	31.1	24.9	20.9
P/B (x)	12.9	8.3	6.5	5.2
Yield (%)	0.4	0.6	0.8	1.0
ROE (%)	28.4	32.4	29.3	27.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Jingsheng's backlog



Source: Company data, CMBIGM estimates

SANY International (631 HK): Strong performance across all segments

Rating: BUY **| TP:** HK$14.6 (109% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The ongoing development of intelligent coal mines and ports will continue to offer opportunities for SANYI to gain market share through the launch of the intelligent machinery products. Besides, industrial robot and smart mining will serve as new growth drivers.
- **Our View:** We expect a strong year in 2022E: (1) Tight supply of coal will continue to attract higher spending on coal mines; (2) SANYI is confident of delivering 50%/100% revenue growth of mining equipment/logistics equipment in the overseas market; (3) Intelligent and electric products are gaining traction and the ratio is expected to further increase this year (2021: 15%), which will help improve gross margin; (4) Expansion into new energy business through potential M&A. All these reaffirm our positive stance on SANYI's structural growth story.
- **Why do we differ vs consensus:** Our earnings forecast in 2022E/23E is 1%/-6%/-16% versus consensus. We see upside to our earnings forecast given the strong backlog and cost reduction.
- **Catalysts:** (1) increase in coal mining capex; (2) launch of new products; (3) potential M&A
- **Valuation:** Our TP is HK$14.6 (based on 23x 2022E P/E, on the back of 23% earnings CAGR in 2022E-24E).

Link to latest report:

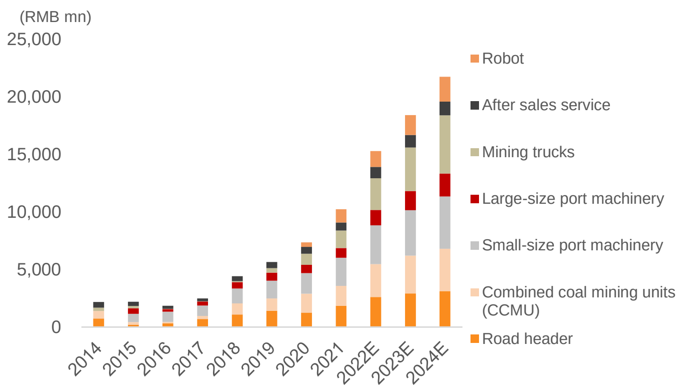
SANY International (631 HK) – Beat expectation: 2Q22 core profit +43% YoY on strong margin recovery

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	10,195	15,293	18,403	21,739
YoY growth (%)	38.4	50.0	20.3	18.1
Net income (RMB mn)	1,087	1,655	1,992	2,327
EPS (RMB)	0.35	0.53	0.63	0.74
YoY growth (%)	3.0	52.3	20.3	16.8
Consensus EPS (RMB)	N/A	0.52	0.67	0.89
EV/EBIDTA (x)	10.0	7.4	6.3	5.5
P/E (x)	14.4	11.1	9.2	7.8
P/B (x)	2.1	1.9	1.6	1.4
Yield (%)	2.1	2.8	3.4	4.0
ROE (%)	13.1	17.7	18.6	18.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: SANYI's revenue breakdown



Source: Company data, CMBIGM estimates

Yancoal Australia (3668 HK) – Scarcity value yet to be explored

Rating: BUY **| TP:** HK$53 (87% 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 and heavy rainfall in Australia, a key coal producing country. The strong coal price helped Yancoal Australia (YAL), the largest pure coal producer in Australia, reduce the net gearing ratio dramatically from 69% in 2020 to only 3% in Jun 2022, which paved the way for generous dividend distribution going forward.

- **Our View:** We are encouraged by Yancoal's decision to repay US$1bn (~A$1.56bn) of debt in Oct in advance. We estimate the interest cost savings will lift net profit in 2022E/23E/24E by 0.3%/1%/1%. Most importantly, it will significantly reduce the potential risk arising from the strong US$ and interest rate hike. We estimate the prepayment will not hinder Yancoal from achieving 50% dividend payout ratio this year, given the strong free cash flow (~A$4bn based on our estimate).

- **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) Further increase in coal price due to tight supply; (2) better-than-expected 3Q operating data; (3) Mounting geographical tension.

- **Valuation** We forecast net profit in 2H22E to grow 2x YoY and 60% HoH, taking the full year profit to A$4.5bn (+4.7x YoY). We expect >A$4bn of free cash flow this year, representing ~50% of free cash yield at the current price. The stock is attractively trading at 1.7x 2022E P/E or 21% yield. Reiterate **BUY** with NPV-based TP of HK$53.

Link to latest report: Yancoal Australia – Further risk reduction after prepayment of US$1bn debts

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (A$ mn)	5,403	11,293	10,311	9,501
YoY growth (%)	55.6	109.0	(8.7)	(7.9)
Net income (A$ mn)	791	4,538	3,800	3,245
EPS (A$)	0.60	3.44	2.88	2.46
YoY growth (%)	N/A	475.7	(16.3)	(14.6)
Consensus EPS (A$)	N/A	N/A	N/A	N/A-
EV/EBITDA (x)	3.4	1.0	1.2	1.3
P/E (x)	8.4	1.7	2.0	2.4
P/B (x)	1.1	0.9	0.7	0.7
Yield (%)	9.8	20.5	17.1	14.6
ROE (%)	13.9	59.7	39.0	29.1
Net gearing (%)	31.6	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates
Note 1: Thermal coal price assumptions: A$350/300/250 per tonne in FY22E/23E/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
3.9%	22	38	53	68	83
4.9%	26	40	53	66	80
5.9%	29	41	**53**	65	77
6.9%	31	42	52	63	74
7.9%	33	42	52	61	71

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

WACC	LT metallurgical coal price (A$/t)				
	120	140	**160**	180	200
3.9%	47	50	53	56	58
4.9%	48	50	53	55	58
5.9%	48	51	**53**	55	57
6.9%	48	50	52	54	56
7.9%	48	50	52	54	55

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

Source: CMBIGM estimates

CR Gas(1193 HK): Eyes on 4Q gas dollar margin and solid comprehensive service growth

Rating: BUY **| TP:** HK$39.13 (66% upside)

Analyst: Jack Bai/ Megan Xia

- **Investment Thesis:** CRG is now trading at 8.6x FY22 forward PE, closest to the 10-year lowest PE. The valuation is relatively attractive. Previously, the market worried about its lower 1H22 dollar margin and weaker retail gas sales growth. However, as CRG announced latest 3Q dollar margin of over RMB0.55/cbm and positive year-on-year 3Q gas connection growth, the market concerns have partially alleviated. In addition, we are still confident in CRG's resilient comprehensive service growth and gas connection business. Maintain BUY.

- **Our View:** Despite weaker-than-expected retail gas sales growth of Sep, we see CRG's improving 3Q dollar margin and robust gas connection development as good signs. Besides, we also maintain strong faith in comprehensive service growth. Thus, we hold positive view on CRG.

- **How do we differ:** Market concern lies in CRG's dollar margin management capability and weaker gas demand outlook. However, we saw CRG's better dollar margin management capability as its 3Q dollar margin was over RMB0.55/cbm, although the 4Q dollar margin may still be challenging. We are still optimistic about CRG's further improvement, given its better 3Q dollar margin, better than peers' gas connection growth and rapid comprehensive services growth.

- **Valuation:** To factor in prudent gas sales growth and challenging dollar margin targets in FY22, we set our TP at HK$39.13, which is based on 13x FY22 forward PE (equivalent to around-1SD from its two-year historical average PE). However, we maintain BUY rating, on the back of CRG's improving 3Q dollar margin, solid gas connection business and comprehensive services growth. In addition, the valuation is attractive.

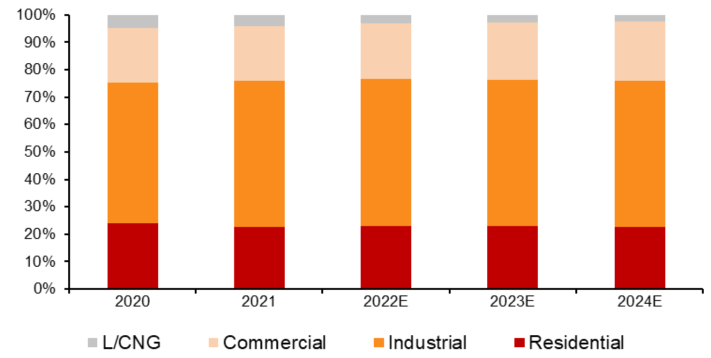
Link to latest report: CR Gas(1193 HK) – Eyes on 4Q gas dollar margin and solid comprehensive service growth

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 estimates

Bosideng (3998 HK): Our view on three major investors' concerns

Rating: BUY **| TP:** HK$5.89 (40% upside)

Analyst: Walter Woo

- **Investment Thesis:** Bosideng, with superior fashion, digital capability and efficiency, should gain more market shares in the long run, especially when the domestic fashion becoming the mainstream in China. Bosideng is not only the largest down apparel brand in China, but also a leading manufacturer in the world. It owns the BOSIDENG, SNOWFLYING, BENGEN brands, etc. and has over 5,300 offline stores. Growth drivers include: 1) sales per store growth (both ASP and volume), 2) more online and direct retail sales, 3) gradual penetration of down apparel in China.

- **Our View:** Thanks to cool weather during 10-1 golden week, we believe retail sales are resilient with double digit growth, on track to achieve our est. of 16% in FY23E (including ~10% volume growth, thanks to 1) product innovations, 2) new categories, 3) increasing store productivity and 4) store expansions. But headwinds for Bosideng's GP margin (rising raw materials, potentially less ASP increases, less room for retail discounts and more rebates to distributors) should still be more than offset by substantial savings on opex, leading to OP margin expansions in FY23E.

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 1%/4%/8% lower than consensus but our net profit forecasts are 2%/4%/4% higher than the street as we are more conservative on its volume growth but more aggressive on OP margin expansion.

- **Catalysts:** 1) better than expected weather, 2) positive feedback on its new product launches or fashion shows and 3) rising appetite for domestic fashion.

- **Valuation:** We derived our 12m TP of HK$5.89 based on 18x FY24E P/E. We believe better and colder weather ahead can drive positive sentiments and re-rating. The stock is trading at 13x FY24E P/E.

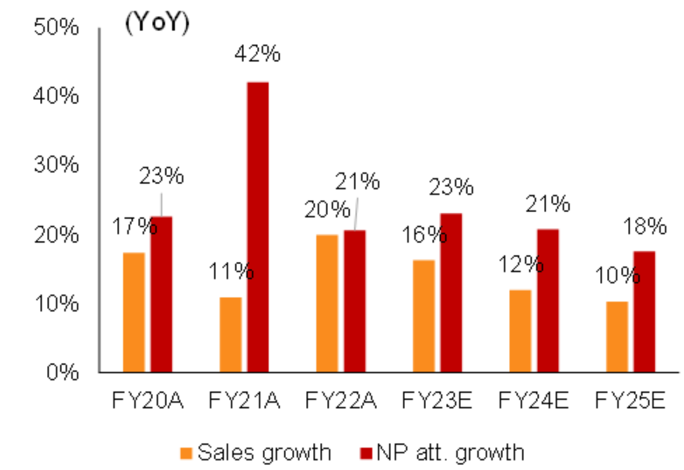
Link to latest report: Bosideng (3998 HK) – Our view on three major investors' concerns

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	16,214	18,862	21,114	23,277
YoY change (%)	20.0	16.3	11.9	10.2
Net profit (RMB mn)	2,062	2,538	3,067	3,605
EPS - fully diluted (RMB)	0.183	0.225	0.272	0.319
YoY change (%)	22.8	23.1	20.8	17.6
Consensus EPS (RMB)	N/A	0.234	0.279	0.320
P/E (x)	19.0	15.5	12.8	10.9
P/B (x)	3.2	2.9	2.7	2.4
Yield (%)	4.4	4.5	5.5	6.4
ROE (%)	18.0	20.7	23.0	24.5
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Retail sales growth (CMBI est.) by brands



Source: Company data, CMBIGM estimates

Nayuki (2150 HK): Breakeven achieved with more flexible costing

Rating: BUY | **TP:** HK$7.38 (52% upside)

Analyst: Walter Woo

- **Investment Thesis:** Nayuki is a leading and premium modern teahouse chain in China, mainly selling tea drinks and baked goods in an upscale space. In our view, it should continue to deliver rapid growth, breakeven in the short run and generate decent profit margin in the long run, thanks to: 1) top notch products and environment, 2) great variety of products (prices ranged from RMB9 to 39), 3) store expansions, 4) digitalization and automation through tea making machines and shift scheduling system. It has c.817 Nayuki branded stores and generated RMB4.3bn sales in FY21.

- **Our View:** Sep numbers were not great, but it is still decently improving if we take out COVID-19 affected Shenzhen. We upgraded our call to BUY for Nayuki, based on 2 critical changes: 1) newly introduced lower-priced products can tap into the way larger customer group in China, and with their brand equity and high-quality ingredient, it is value for money enough to gain more shares and the fear of GP margin is not true (GP margin in 1H22 was high at ~68%), 2) the use of automated tea-drink makers (since Jun 2022), which significantly reduces per store staff (from 12 to 8 or even lower), this will yield a great deal of benefit from 2H22E onwards.

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 4% higher/ 5% lower/ 5% lower than consensus and our net profit forecasts are 44% below/ 14% above/ 11% above street as we are more conservative on its sales per store growth and OP margin expansion.

- **Catalysts:** 1) better than expected product launches, 2) further gains in efficiency and 3) price war easing and industry further consolidate.

- **Valuation:** We derived our 12m TP of HK$7.38 based on DCF method (implying a ~43x FY23E P/E and ~1.5x P/S). We believe taking the lead in mid-end tea drink market can drive positive sentiments and rating. The stock is trading at ~30x FY23E P/E and ~1.1x P/S.

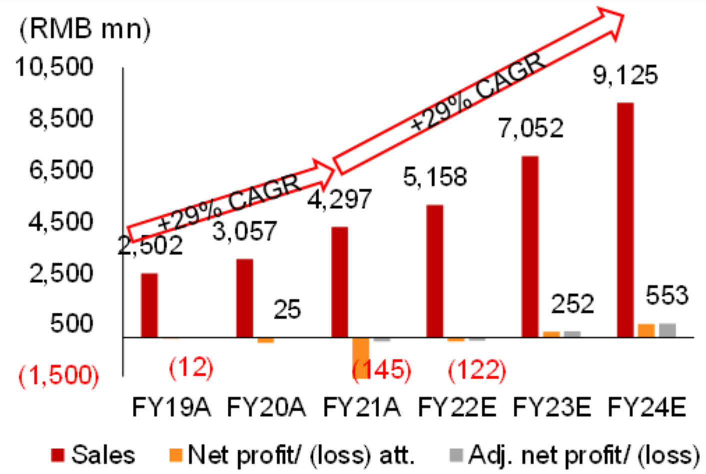
Link to latest report: Nayuki (2150 HK) - Breakeven achieved with more flexible costing

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	4,297	5,158	7,052	9,125
YoY change (%)	40.5	20.1	36.7	29.4
Adj. net profit (RMB mn)	(144)	(120)	249	547
EPS - fully diluted (RMB)	(0.084)	(0.070)	0.145	0.319
YoY change (%)	(662.7)	(18.5)	(307.4)	119.4
Consensus EPS (RMB)	N/A	(0.134)	0.132	0.294
P/E (x)	(51.2)	(62.9)	30.3	13.8
P/S (x)	1.7	1.5	1.1	0.8
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(91.5)	(2.9)	4.6	9.4
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Retail sales growth (CMBI est.) by brands



Source: Company data, CMBIGM estimates

CR Beer (291 HK): 1H22 beat on better cost efficiency; our top pick over 2H22

Rating: BUY **| TP:** HK$71.0 (43% upside)

Analyst: Joseph Wong

- **1H22 beat.** Recurring EBIT came in at RMB5.2bn, up 17% YoY, above our estimates. Given 7% revenue growth (to RMB21bn) and a stable GPM YoY (42.3%), growth in recurring EBIT looks to be mainly underpinned by a 3.4pp lower SG&A. We attribute this to higher operation efficiency and more optimized resources allocation, when the company scaled back its investment pace and advertising expense over the challenging 1H.

- **Major financial indicators are in line with us.** Shipment/ ASP/ GPM all came in in line with us/ market expectation. Of note, a 7.7% ASP uptick not only neutralized a 1% decline in shipment but also mitigated higher raw material costs and stabilized GPM. Premium/ sub-premium shipment grew 10% YoY, and was consistent to our NDR takeaway.

- **Overall sales volume recovery has been well on track since Jun,** helped by hot weather across many regions in China, with YTD volume growth back to positive in Jul and MTD growth to high teens in Aug.

- **Earnings revision and valuation.** While 1H typically contributes 85%+ of full year NI, and taking into account a strong summer sales momentum, we consider CR Beer's earnings risk as rather limited for 2H. We raised our 2022/23E recurring EBIT by 8.4%/ 8.9%, which lead to 9.4%/ 8.6% increase in NI over the same period. Our new TP is based on 27.0x (from 28.0x) mid-23E EV/ EBITDA which represents +1sd above mean since 2018.

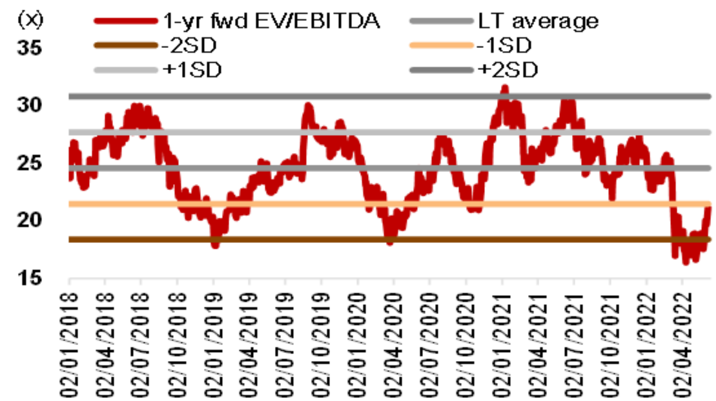
Link to latest report: CR Beer (291 HK) – 1H22 beat on better cost efficiency; our top pick over 2H22

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	33,387	34,494	35,849	38,426
YoY growth (%)	6.2	3.3	3.9	7.2
Net income (RMB mn)	4,587	3,832	4,281	5,042
EPS (RMB)	1.0	1.2	1.3	1.6
YoY growth (%)	21.0	18.7	11.7	17.8
Consensus EPS (RMB)	N/A	1.3	1.6	1.9
P/E (x)	N/A	31.0	27.8	23.6
P/B (x)	N/A	4.5	4.1	3.7
Div yield (%)	N/A	1.3	1.4	1.7
ROE (%)	14.1	15.0	15.4	16.3
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

Budweiser APAC (1876 HK): 2Q results largely in line; solid premiumization efforts mitigated volume headwind

Rating: BUY **| TP:** HK$28.4 (52% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Budweiser reported 2Q normalised EBITDA at US$569mn, down 5.6% YoY, along with a 5% decline in revenue to US$1.8bn, despite the challenging operation environment for its China business. City-wise lockdown has weighed on the region's sales volume with a 6.5% decline in 2Q, which translated to a 13.7% organic decrease in EBITDA, considering rising raw material costs and operation deleverage. Despite that, Bud APAC remained capable of delivering double-digit growth for its super-premium/ premium SKUs for non-COVID area in June. We still look for 2H China volume to revive to positive LSD growth with a steady 2%+ ASP uptick, and these would bring the region's FY revenue flattish YoY with a slightly lower normalised EBITDA margins at 35-36%. Meanwhile, we continue to expect the company's APAC business to recover, especially that in Korea, where all lockdown restrictions in on-premise channels now lifted.

- **China:** volumes and revenue declined by 5.5% and 3.2% in 1H22 (2Q: -6.5% and -4.9%), dragged by channel disruptions and an unfavorable geographic mix amid heightened lockdown measures across various cities. However, performance has been improving MoM according to management. Channel disruptions peaked in Apr and gradually eased since May with the reopening of Covid cities. ASP still grew 2.4% YoY in 1H22, and volumes recovered to HSD growth in Jun, with premium and super premium portfolios bouncing back to DD growth. Management expected the trend to continue in 2H, supported by consumer demand which remained strong and steady premiumization momentum.

- **Valuation:** Our new TP of HK$28.4 is based on an updated 20.0x (from previously 22.0x) roll-forward end-23E EV/ EBITDA which still represents 3-year average.

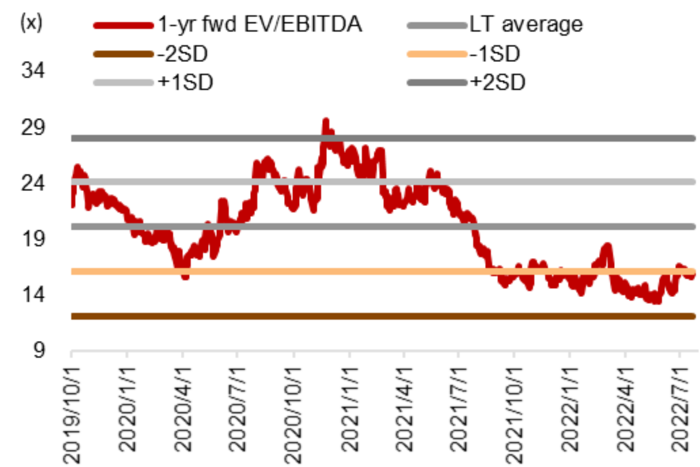
Link to latest report: Budweiser APAC (1876 HK) – 2Q results largely in line; solid premiumization efforts mitigated volume headwind

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (US$ mn)	6,788	6,865	7,595	8,111
YoY growth (%)	21.5	1.1	10.6	6.8
Net income (US$ mn)	950	1,047	1,251	1,357
EPS (US$)	0.07	0.08	0.09	0.10
YoY growth (%)	84.7	10.2	19.5	8.5
Consensus EPS (US$)	N/A	0.08	0.10	0.12
P/E (x)	N/A	35.0	29.3	27.0
P/B (x)	N/A	3.1	2.9	2.8
Div yield (%)	N/A	1.2	1.4	1.6
ROE (%)	8.7	9.2	10.3	10.4
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) – Lockdown in Sanya likely represents yet another entry opportunity

Rating: BUY | **TP:** RMB253 (35% upside)

Analyst: Joseph Wong

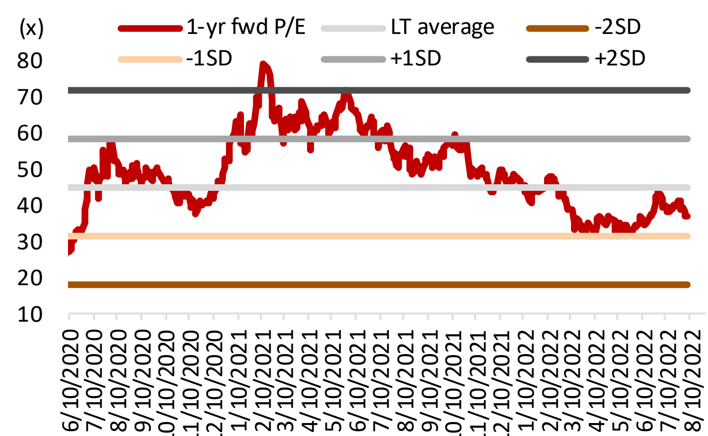
- **Investment Thesis:** Sanya's Omicron subvariant BA.5.1.2 outbreak has led to ~700 positive cases as of yesterday, and has prompted the City to initiate lockdown again subsequent to the one in April this year. In response to the this, CTGDF has suspended its Sanya operation (Sanya DFS Mall phase 1 and 2) starting from Aug 5 (same day as the lockdown was initiated) until further notice. Judging from past experience, we estimate that Sanya's social distancing policies will last for a month or so. This would undoubtedly put a pause on the recovery that we have seen in June and July, when August is at the core of the summer travel season. That said, similar to many other outbreaks in the past, any disruptions from lockdowns to tourist traffic would likely represent temporary drags to share price, in our view. If the situation gets under control within August, we still see scope for travel demand to recover sequentially into 4Q, particularly when the quarter is seasonally clustered with festivals and shopping campaigns. We remain buy-rated.
- **Solid July momentum.** The Department of Commerce of Hainan Province reported over RMB5bn (+21% y-y) sales for offshore duty-free operators with RMB4bn duty-free sales (+9% y-y). The number extended from the strength in June in which CTGDF reported a 13% y-y sales growth.
- **Valuation:** Our new TP is based on an updated 45.0x (from 46.5x) roll-forward mid-23E P/E (from end-22E) which still represents 2-year average since 2020. We raised our target multiple in our last upgrade report to reflect the potential re-rating driven by the sequentially recovering, though bumpy, domestic tourist traffic over 2H22.
- **Link to latest report:** CTGDF (601888 CH) – Lockdown in Sanya likely represents yet another entry opportunity

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (US$ mn)	67,676	68,404	96,391	134,166
YoY growth (%)	28.7	1.1	40.9	39.2
Net income (US$ mn)	9,654	8,952	12,969	17,858
EPS (US$)	4.9	4.6	6.6	9.1
YoY growth (%)	57.2	(7.3)	44.9	37.7
Consensus EPS (US$)	N/A	4.9	7.3	9.3
P/E (x)	N/A	41.4	28.5	20.7
P/B (x)	N/A	10.4	8.3	6.5
Div yield (%)	N/A	0.8	1.1	1.5
ROE (%)	32.6	25.1	29.1	31.5
Net gearing (%)	32.8	48.6	50.1	53.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Proya (603605 CH) – 2Q in line; full year guidance maintained

Rating: BUY | **TP:** RMB184 (5% upside)

Analyst: Joseph Wong

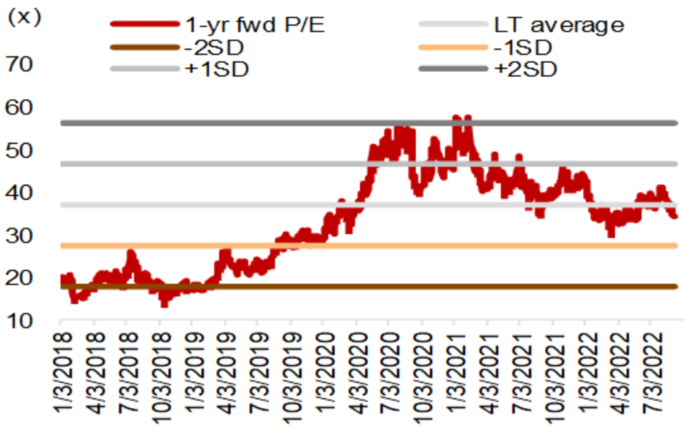
- 2Q results came in at the high range of the preliminary financial data announcement, with revenue and net profits standing at RMB 1.37bn (+35.5% YoY) and RMB 139mn (+19.2% YoY), respectively.
- Of note, the sequentially lower revenue growth (1Q: 38.5%) was mainly dragged by a 16% decline in offline sales. Meanwhile, the continuous ASP uptick to RMB 261 in 1H22 (from RMB205 for 2021) fuelled GPM to expanded to 68.6%, up 5.5pp YoY and 1.0pp QoQ.
- Despite this, 2Q net margins declined to 10.1% (vs 1Q 12.6%), owing to approximately RMB 70mn expenses incurred for the recall and return of sunscreen serum in May. Since the event has been fully accounted for, we expect net margins to normalise to ~12% starting from 3Q.
- Management maintained its full-year guidance of 25% revenue/ net profits growth. Considering 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.
- Management expects 3Q sales to moderate from 1H when demand in July has been pulled forward to 618. Momentum for Aug and Sep should normalise, and further edge up for Double 11.
- **Link to latest report:** Proya (603605 CH) - 2Q in line; full year guidance maintained

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	44.4	33.0	25.8
P/B (x)	N/A	9.4	7.8	6.4
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

Botanee (300957 CH) – 2Q in line; new brands in anti-aging and baby care to sustain growth

Rating: BUY | **TP:** RMB251 (42% upside)

Analyst: Joseph Wong

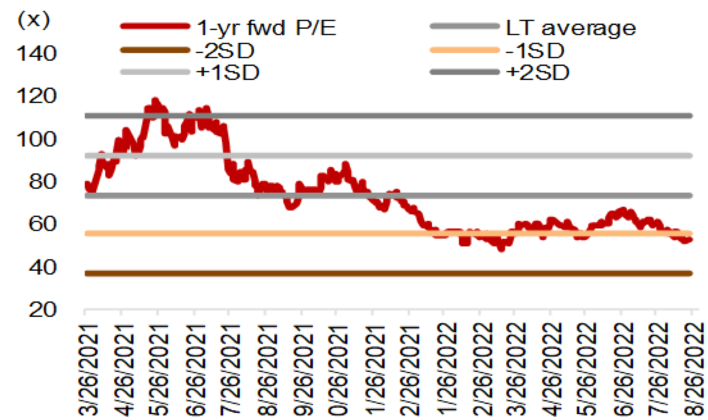
- 2Q slightly below us but in line with consensus. Both net profits (RMB 249mn, +35% YoY) and revenue (RMB 1.2bn +37% YoY) came in 3% below us but largely in line with consensus. 1H total revenue of RMB 2bn was mainly driven by 60% YoY growth in DTC and 37% YoY growth in offline distribution, respectively. By product, skincare/ color make-up/ medical devices grew 45%/ flattish/ 55% YoY.
- Core brands and hero products maintained steady momentum in 1H22. Sun screen and serum series also performed brightly, with Winona Sunblock Milk becoming the brand's 2nd largest product and 400k+ units of anti-sensitive serums sold in 6.18. The company targets to achieve RMB15bn sales in functional skincare in 3-5y.
- **Winona Baby**, which is expanding steadily, ranked No.5 in baby skin care on Tmall in 6.18 and is among the key brand to promote in the upcoming Double 11, in preparation of which, a series of new products will be launched in Sep, including 4 product series for 0-3y babies. The company targets to become the largest brand in China's baby care segment, which is expected to grow at from RMB32bn to RMB46bn in 2021-26E based on Euromonitor.
- Anti-aging luxury brand **Aoxmed** could become new growth driver. Aoxmed targets to become the leading domestic luxury brand in China's anti-aging segment, which is expected to grow from RMB55bn to RMB125bn in 2021-26E (17.8% CAGR). The brand will launch 2 collections (Zhuanyan and Cuiyan) in Sep for 2B channels and 1 (Meiyan) for 2C channels in 1H23.
- **Valuation.** We keep our earnings unchanged for now given largely in line results. Our TP is still based on 2.0x end-22E PEG given the fast-growth outlook but short listing history of the company.
- **Link to latest report:** Botanee Biotech (300957 CH) – 2Q in line; new brands in anti-aging and baby care to sustain growth

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,022	6,062	8,368	11,582
YoY growth (%)	52.6	50.7	38.0	38.4
Net income (RMB mn)	863	1,241	1,727	2,400
EPS (US$)	2.1	2.9	4.1	5.7
YoY growth (%)	37.0	38.0	39.2	38.9
Consensus EPS (RMB)	N/A	3.0	4.4	5.9
P/E (x)	N/A	63.8	45.9	33.0
P/B (x)	N/A	13.9	11.3	9.0
Div yield (%)	N/A	0.5	0.6	0.7
ROE (%)	18.1	21.7	24.7	27.3
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 (108% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Innovent currently has eight commercial products. We expect 1L GC and 1L ESCC of sintilimab to be included in NRDL from 2023E, and the sNDA for 2L EGFRm nsq-NSCLC to be approved in China in 2H22E. Retsevmo (RET) was recently approved for NSCLC/MTC/TC in China, which becomes the eighth commercial product of Innovent. Additionally, already approved for 2L GC in China, CYRAMZA (VEGFR2) was recently approved for 2L HCC. In Jun 2022, NDAs of IBI326 (BCMA CART) for r/r MM and IBI306 (PCSK9) for nFH/HeFH was accepted by CDE. IBI-362 (GLP-1/GCGR), another potential blockbuster, has started a Ph3 study for obesity and is expected to enter Ph3 study for diabetes in end 2022 or early 2023. Within the next five years, Innovent targets to launch over 15 products in China which will support RMB20bn annual product revenue.

- **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 with updated data release planned in 2H22. 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, with internal data readout expected in end 2022/ early 2023. Additionally, IBI-322, a CD47/PD-L1 BsAb, is expected to have PoC data in lymphoma in end 2022/ early 2023.

- **Why do we differ vs consensus:** we expect the company to have better sales performance in 2H22 vs 1H22. In 2Q22, Innovent generated over RMB1.0bn product revenue. Eli Lilly reported US$73.6mn sales from sintilimab in 2Q22, down 14% QoQ. The sales performance was temporarily impacted by the COVID-19 lockdown and restructuring of the commercial team. With the completion of commercial team reorganization, we expect product sales to regain strong momentum in 2H22.

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

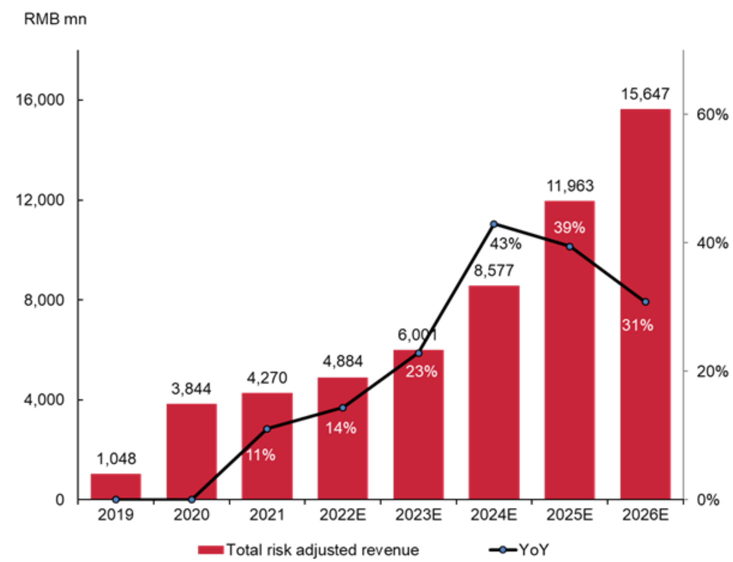
Link to latest report: Innovent Biologics (1801 HK) – Fast expanding commercial product portfolio

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)	(1.47)	(0.87)	(0.12)
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

WuXi Biologics (2269 HK): Non-COVID projects driving long-term growth

Rating: BUY | **TP:** HK$120.39 (139% upside) Analysts: Jill Wu/Benchen Huang

- **Investment Thesis:** WuXi Bio is a world leading biologics CDMO which provides one-stop services of biologics discovery, development and manufacturing for global clients. With capabilities covering mAB, BsAB, ADC, fusion protein and vaccines, WuXi Bio has built a rich pipeline containing a total of 534 projects, including 287 in preclinical stage, 29 in Ph3 stage and 14 in commercial stage, as of Jun 2022. The Company adopts a "follow-the-molecule" strategy to attract and foster early-stage projects and a "Win-the-Molecule" Strategy to win valuable late-stage projects. As a result of pipeline expansion, WuXi Bio's backlog reached US$18.5bn as of Jun 2022, a guarantee for future revenue growth.

- **Our View:** WuXi Bio has well demonstrated its all-round service quality and speed amid the COVID-19 pandemic. COVID-19 projects (vaccine + neutralizing mAb) contributed ~30% or ~RMB3bn of WuXi Bio's total revenue in 2021, and are expected to generate revenue of ~RMB3bn/ RMB1bn in 2022/23E. However, we see stronger revenue growth from its non-COVID projects. We expect that WuXi Bio's non-COVID revenue will grow by 67%/65% YoY in 2022E/23E (vs 48%/39% YoY for total revenue), respectively, mainly driven by CMO (commercial) projects. Note that non-COVID revenue increased by 73% YoY in 1H22. Year 2021 marked the banner year of commercial manufacturing business for WuXi Bio. Revenue from Phase III and commercial stage projects accounted for only 22% of 2020 total revenue, which substantially increased to 48%/44% of 2021/1H22 total revenue.

- **Why do we differ vs consensus:** Our FY22E/23E/24E revenue forecasts are in-line with consensus and we are positive on the Company's non-COVID related projects besides its strong capability to win new COVID-19 contracts. We also think that WuXi Bio will largely mitigate geopolitical risks on its business with its global manufacturing network covering the US, Ireland, Germany and Singapore.

- **Valuation:** We derive our target price of HK$120.39 based on DCF valuation (WACC: 10.17%, terminal growth rate: 3.0%).

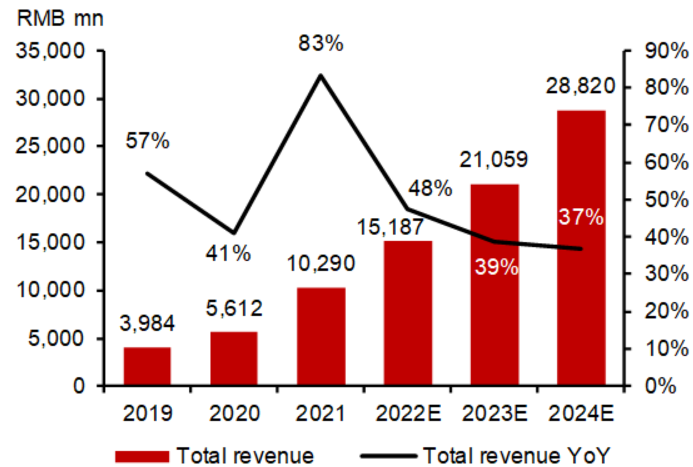
Link to latest report: WuXi Biologics (2269 HK) – Non-COVID projects driving long-term growth

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	15,187	21,059	28,820
Revenue YoY growth (%)	48	39	37
Net income (RMB mn)	4,469	5,962	7,804
Adjusted net income (RMB mn)	5,109	7,006	9,409
EPS (RMB)	1.16	1.60	2.15
EPS YoY growth (%)	46	37	34
Consensus EPS (RMB)	1.12	1.52	2.04
P/E (x)	38.2	28.6	21.9
P/B (x)	4.7	4.0	3.4
ROE (%)	12.9	15.0	16.7
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK): Expect VNB growth to turn positive in 3Q22

Rating: BUY **| TP:** HK$25.19 (76% upside)

Analyst: Gigi Chen

- **Investment Thesis:** We like CPIC for its proactive agency reform, and we expect the insurer to see a turnaround in new business growth ahead of major peers. Life new business momentum sequentially improved in 2Q22 in spite of headwinds from COVID restrictions, and monthly VNB growth even turned positive in June, as the insurer proactively upgrades its agency force. And according to our channel check, CPIC saw double digits growth of agency FYP in July-Aug as well. We expect the recovery of VNB momentum will sustain into 2H22, as the scale and productivity of CPIC's core agent team trended up. On P&C front, both auto and non-auto business reported YoY expansion of underwriting margins in 1H22, along with 12% YoY premium income growth (vs industry average of 9%). Core solvency margins of group/life/P&C arms remained safely above 150% at end-1H22, reflecting sound capital position to support stable dividend payout. We think the recovery of life new business momentum in 2H22 could drive stock re-rating. Reiterate BUY.
- **Catalysts:** CPIC will report 3Q22 results in late October. We expect CPIC's VNB growth to turn positive in 3Q22, along with YoY improvement in P&C underwriting margin.
- **Valuation:** The stock is trading at 0.3x P/EV FY22E or 0.6x P/BV FY22E, with around 6% dividend yield, well below historical average valuation. We believe the rebound of VNB momentum will support share price performance. Reiterate BUY.

Links to latest report:

CPIC (2601 HK) – VNB growth turned positive in June

China Insurance – 1H22 results preview

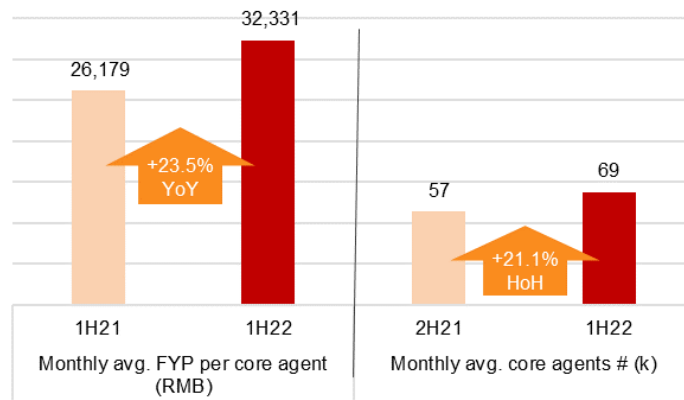
CPIC (2601 HK) – Re-energizing agency force

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
VNB (RMB mn)	13,412	9,226	9,881	11,208
YoY growth (%)	(24.8)	(31.2)	7.1	13.4
Group EV (RMB mn)	498,309	538,724	595,249	658,428
Net profit (RMB mn)	26,834	22,741	27,284	33,150
EPS (RMB)	2.79	2.36	2.84	3.45
YoY growth (%)	9.2	(15.3)	20.0	21.5
Consensus EPS (RMB)	N/A	2.6	3.1	3.4
P/BV (x)	0.6	0.5	0.5	0.4
P/EV (x)	0.3	0.2	0.2	0.2
Yield (%)	7.9	6.7	8.1	9.8
ROE (%)	12.1	9.9	11.3	12.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CPIC core agency force scale and productivity



Source: Company data, Bloomberg, CMBIGM estimates

Kuaishou (1024 HK):2H22E outlook on track

Rating: BUY | **TP:** HK$120 (Under Review)

Analyst: Sophie Huang

- **Investment Thesis:** Despite soft macro and epidemic, we expect KS to be relatively resilient on its ads and ecommerce share gain. We are positive on its operating leverage and disciplined cost in FY22E (forecasting adj. NPM at -9%), with domestic biz still profitable in 2H22E. 3Q22E guidance largely in line, and we suggest to look into ads and ecommerce rebound in 2H22E after lockdown relaxation. We reiterate our confidence in its resilient growth, share gain and narrowing loss in the long run.

- **Our View:** After 2Q22 topline trough, we expect 2H22E to see solid recovery, with 3Q22/4Q22E rev +12%/15% YoY. 3Q22E DAU would still see sequential growth, estimating at 360mn (+12.5% YoY). We forecast its ecommerce GMV +26% YoY in 3Q22E, in which GMV achieved >30% YoY growth in Jul, then stabilized at mid-twenties YoY in Aug and Sep. Full-year GMV target at RMB900bn was intact, in which 4Q22E +30% YoY. Take rate would slightly improve in 3Q22E. For ads segment, we forecast ads +12% YoY in 3Q22E, in which internal ecommerce ads & brand ads trend were healthy while external ads flat YoY. Despite ads challenges, we keep our positive view on its share gain trend.

- **Why do we differ vs consensus:** Market concern lies on 2H22E expenses trend and potential selling from pre-IPO investors. We think 2H22E margin would be better-than-feared and PE potential selling could create good buying point, given its attractive valuation and share gain. Downside risk is limited.

- **Catalysts:** 1) 2H22E recovery; 2) Meituan synergies to expand TAM; and 3) ecommerce to outperform.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$120. Valuation is attractive, given its resilient growth and narrowing loss, in our view.

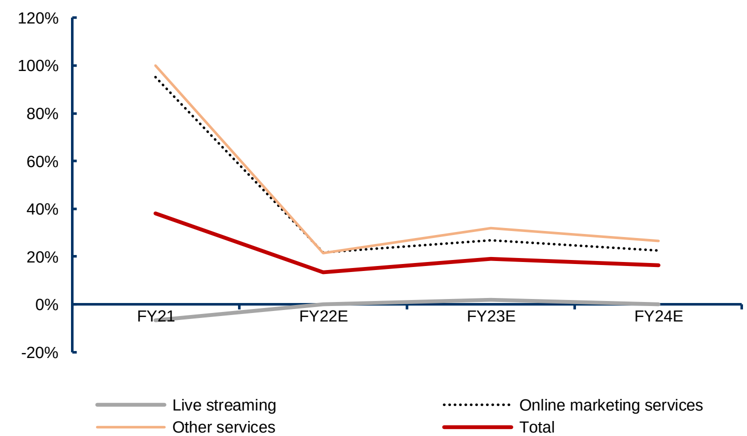
- **Link to latest report**: Kuaishou (1024 HK) – Another upbeat quarter; 2H22E outlook on track

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,082	93,594	110,185	127,165
YoY growth (%)	37.9	15.4	17.7	15.4
Net income (RMB mn)	(18,852)	(8,820)	(3,727)	3,295
EPS (RMB)	(4.6)	(2.0)	(0.8)	0.7
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(2.7)	(0.5)	1.9
P/E (x)	N/A	N/A	N/A	83
P/S (x)	2.2	1.9	1.6	1.4
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): Rental income to ride on consumption V-shape

Rating: BUY | **TP:** HK$44.79 (46% upside) Analysts: Jeffrey Zeng/ Miao Zhang

- **Investment Thesis:** We still expect CR Land to deliver double digit growth in 2022E earnings, especially as the pandemic measures have eased significantly which may drive the rental income growth back to 15% YoY. For the property development, its sales are currently outperforming the peers and we expect the booking of CR City this year to support earnings and margin as well.

- **Our View:** We see the promotion of CR City Phase IV in Dec 2020 to support 2022E earnings. Also, rental income could bottom out after the easing of pandemic.

- **How do we differ:** Overall, we see the market as over-concerned on 1) further policy tightening and 2) decline in property demand. We think the high saving rate and wealth effect of 2020 would help drive consumption recovery, which would benefit major shopping mall runners in the property space (i.e. CR Land) to accelerate rental income growth.

- **Valuation:** The Company currently trades at 7x 2022E P/E vs. historical average of 9x. Moreover, the increase in revenue share of rent collection business could trigger re-rating.

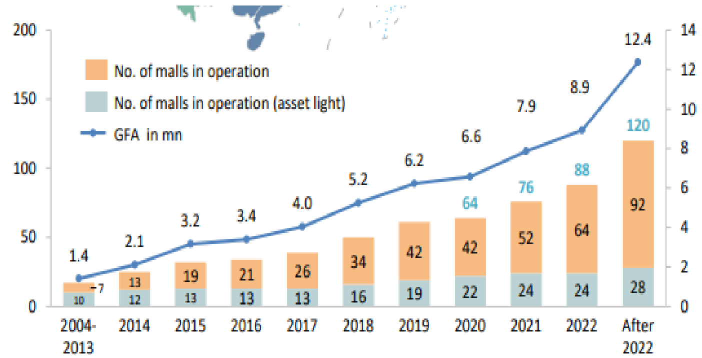
Link to latest report: China Property Sector – Bumpy road ahead despite better-than-feared 2M22 data

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21A	FY22E
Revenue (RMB mn)	147,736	179,587	242,568	271,335
YoY growth (%)	21.9	21.2	35.1	11.9
Net income (RMB mn)	28,672	29,810	31,809	34,666
EPS (RMB)	4.12	4.18	4.46	4.86
YoY growth (%)	17.7	1.5	6.7	9.0
Consensus EPS (RMB)	N/A	N/A	4.05	4.63
P/E (x)	8.2	8.1	7.6	7.1
P/B (x)	1.4	1.3	1.1	1.0
Yield (%)	3.1	3.6	4.4	5.0
ROE (%)	16.5	13.7	14.6	14.3
Net gearing (%)	30.3	32.1	31.6	34.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's opening plan



Source: Company data, CMBIGM

Goertek (002241 CH): Strong VR momentum into 2H22E; Maintain BUY

Rating: BUY | **TP:** RMB44.69 (69% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** Goertek is the global leader in precision components (acoustics, microelectronic), wearables products (Airpods) and AR/VR products (Oculus, Pico, Sony VR). We believe it is well-positioned to capture growth opportunities backed by solid product roadmap and market share gain in key products, such as AR/VR, gaming console, smart watch.

- **Our View:** We are positive on Goertek's product portfolio and strong momentum in VR/gaming console in FY22-23E. We believe Goertek's VR/AR and gaming segment will continue to be major growth drivers (51%/55% of FY22/23E sales), which will grow at 62%/26% YoY in FY22/23E, backed by new product cycle from Oculus Quest 2 Pro and Sony PS VR 2 in 2H22E, as well as share gain in Sony PS 5. In addition, mgmt. maintained positive view with AR/VR/MR shipment target of 50-60mn unit in 2025, backed by a new wave of product launches from Meta, Pico and Apple in next two years. Overall, we expect Goertek to remain the major beneficiary of AR/VR product cycle in 2023E, and deliver 28%/23% YoY earnings growth in FY22/23E.

- **Why do we differ vs consensus:** Our FY22-24E EPS are largely in-line with consensus, but we expect AR/VR recovery will drive re-rating.

- **Catalysts:** Near-term catalysts include product launches, China demand recovery and client order wins.

- **Valuation:** Our TP of RMB$44.69 is based on 28x FY22E P/E, based on 7-year historical avg. P/E.

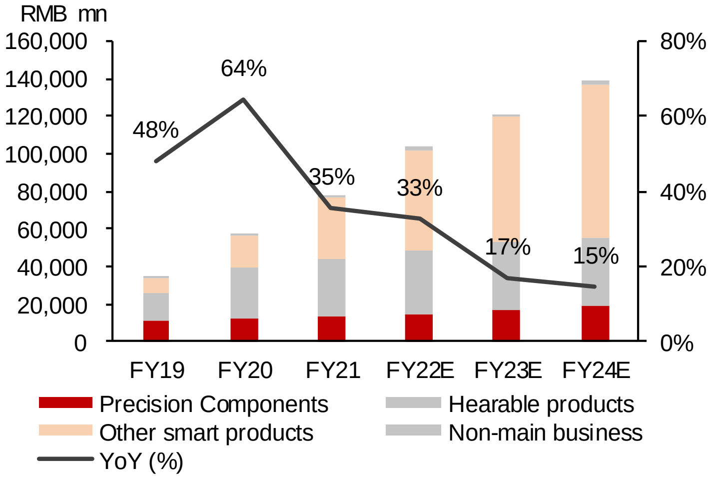
Link to latest report: Goertek (002241 CH) – Strong 2Q22 in-line; Lower TP on margin weakness

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	78,221	103,714	121,299	138,907
YoY growth (%)	35.5	32.6	17.0	14.5
Net profit (RMB mn)	4,275	5,453	6,725	8,315
EPS (RMB)	1.29	1.60	1.97	2.43
YoY growth (%)	44.9	23.7	23.3	23.6
Consensus EPS (RMB)	1.29	1.66	2.12	2.57
P/E (x)	19.6	15.8	12.8	10.4
P/B (x)	3.1	2.7	2.3	1.9
Yield (%)	0.8	0.9	1.2	1.4
ROE (%)	15.3	18.1	18.5	18.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Goertek revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** RMB93.12 (91% 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:** Wingtech successfully enters new markets with big TAMs and better growth outlook. 1) Riding on the localization tailwind in China with a global footprint of factories and diversified client base, we expect the semi IDM business will continue to deliver stellar results (semi IDM rev CAGR of 41.6% in 2022-2024E). 2) For optical module business, Wingtech has shipped products to tier-1 clients and passed its rigorous verification process in 2021. We expect this segment will return to profitability in 2022. 3) The Company also reduces its reliance on smartphone ODM and moves to other diversified ODM markets (e.g. AIoT, auto). We expect revenue to have a rebound with higher growth starting from 2022 as contributions from new BUs to grow faster.
- **Why do we differ vs consensus:** Share price looks attractive as most bad news are priced in. Wingtech's share price has been corrected by 41.9% YTD vs CSI300 down by 9.6%. We talked to mgmt. recently and believe the Company's operation remains normal. In our view, the current share price has already factored in many uncertainties and looks attractive with forward P/E at 2SD below its historical mean.
- **Catalysts:** 1) Better-than-expected earnings result; 2) new 12-inch factory to begin production in 2H; 3) ODM's new projects to contribute in 2H.
- **Valuation:** Our TP is RMB93.12, implying ~25x 2023E P/E, which looks attractive.

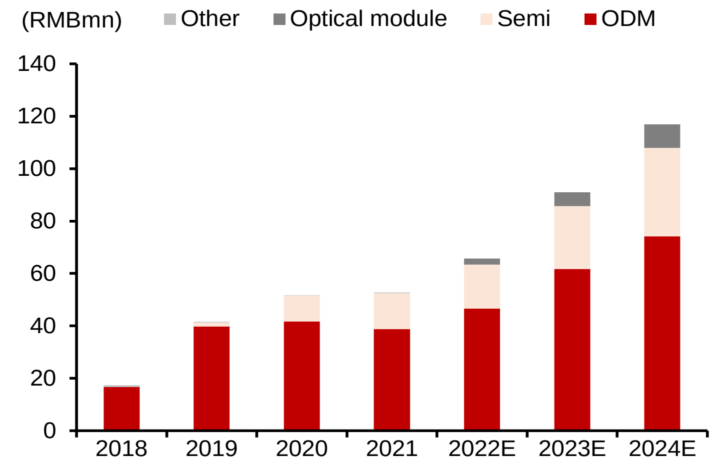
Link to latest report: Wingtech (600745 CH) – Diversified hardware play with bright outlook

Financials and Valuations

(YE 31 Dec)	FY21A	FY22	FY23E	FY24E
Revenue (RMB mn)	52,729	65,658	90,941	116,979
YoY growth (%)	2.0	24.5	38.5	28.6
Gross margin (%)	16.2	17.2	17.2	17.5
Net profit (RMB mn)	2,612	3,024	4,642	6,512
EPS (RMB)	2.11	2.43	3.72	5.23
YoY growth (%)	2.4	15.0	53.5	40.3
Consensus EPS (RMB)	N/A	3.08	4.19	5.30
PE (x)	35.8	31.1	20.3	14.4
Yield (%)	0.3	0.3	0.5	0.7
ROE (%)	7.7	8.1	11.5	13.9
Net gearing (%)	Net cash	Net cash	13.5	16.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Wingtech revenue trend



Source: Company data, CMBIGM estimates

Hikvision (002415 CH): Safer name with ample cash on hand

Rating: BUY **| TP:** RMB45.08 (47% upside)

Analyst: Marley Ngan

- **Investment Thesis:** We like Hikvision for its continuous business transformations. Innovative business, accounting for 19% of revenue, delivered steady growth of +26% YoY to RMB7bn in FY1H22 despite macro headwinds. Also, overseas business strong growth momentum (+19% YoY in FY1H22) reflects Hikvision's hardly-replicable advantages in technology, supply chain and sales network.

- **Our View:** Business recovery is still uneasy with rising geopolitical risk and COVID-19 uncertainties in China. Hikvision has maintained a high inventory strategy (+37% YoY in FY1H22) to minimize the impacts from supply chain disruption. Also, Hikvision R&D has reached a new level (RMB2.6bn in FY2Q22, +19% YoY). This will drive innovative business growth (smart home/ robotics/ thermal etc.) and hence better revenue mix in the long term.

- **Why do we differ vs consensus:** We think current valuation has over-reacted to the newly imposed U.S. sanctions as Hikvision is not involved in advanced computing. The new restrictions in advanced computing chips/ manufacturing equipment export will have little impact to Hikvision. Also, RMB/ USD depreciation should benefit Hikvision which derived 31% revenue from overseas in FY1H22.

- **Catalysts:** On 16 Sep, Hikvision announced share repurchase plan of no less than RMB2-2.5bn in the coming 12 months.

- **Valuation:** We derive our target price of RMB45.08 on 20x FY23E P/E, 1-SD below its 3-year mean.

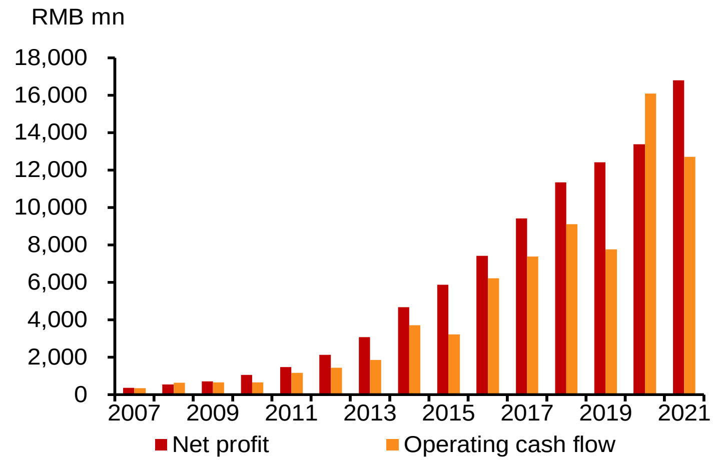
Link to latest report: China Software & IT Services – Which stocks are less vulnerable to market volatility?

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,420	91,373	106,231	122,405
YoY growth (%)	28%	12%	16%	15%
Net profit (RMB mn)	16,800	17,256	21,264	22,822
EPS (RMB)	1.80	1.83	2.25	2.42
YoY growth (%)	26%	2%	23%	7%
Consensus EPS (RMB)	1.80	2.02	2.43	2.90
EV/sales (x)	16.4	16.1	13.1	12.2
PE (x)	4.3	3.8	3.2	2.8
Dividend yield (%)	0.03	0.03	0.03	0.04
ROE (%)	29	25	27	25
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Hikvision net profit & operating cash flow



Source: Company data, CMBIGM estimates

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