CMBI Research Focus List

Our best high conviction ideas

22 November 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	16.7	810.4	10.0	25.0	150%	N/A	N/A	4.8	-30.5	N/A	Shi Ji/ Dou Wenjing
China Meidong Auto	1268 HK	Auto	BUY	2.1	5.1	12.7	25.0	97%	15.9	9.8	3.8	25.4	2.2%	Shi Ji/ Dou Wenjing
Zhejiang Jingsheng	300316 CH	Capital Goods	BUY	12.3	101.8	67.5	96.0	42%	31.0	24.7	8.3	32.4	0.6%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	3.1	2.0	7.7	13.2	71%	13.8	11.5	2.3	17.7	2.2%	Wayne Fung
Yancoal Australia	3668 HK	Coal	BUY	4.5	15.3	26.7	53.0	99%	1.8	2.1	0.6	39.0	19.8%	Wayne Fung
CR Gas	1193 HK	Gas	BUY	7.8	10.7	26.4	39.1	48%	8.6	7.8	1.3	11.9	N/A	Jack Bai/ Megan Xia
Bosideng	3998 HK	Consumer Disc.	BUY	5.2	14.2	3.8	5.9	57%	15.5	12.8	2.9	20.7	4.5%	Walter Woo
Yum China	9987 HK	Consumer Disc.	BUY	21.9	39.3	408.0	465.1	14%	45.3	25.8	N/A	6.2	0.6%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	19.7	67.4	47.4	72.4	53%	31.0	27.8	4.5	15.0	1.3%	Joseph Wong
Budweiser APAC	1876 HK	Consumer Staples	BUY	35.6	21.0	21.0	27.2	30%	32.2	27.8	2.9	9.2	1.2%	Joseph Wong
CTGDF	601888 CH	Consumer Staples	BUY	52.9	284.2	184.4	230.0	25%	37.3	26.0	9.4	25.1	0.8%	Joseph Wong
Proya	603605 CH	Consumer Staples	BUY	6.8	41.2	170.4	184.0	8%	42.4	31.5	9.0	21.4	0.7%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	6.0	41.3	30.4	52.6	73%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi Biologics	2269 HK	Healthcare	BUY	6.0	41.3	49.9	120.4	142%	44.9	33.7	5.5	12.9	N/A	Jill Wu/Benchen Huang
CPIC	2601 HK	Insurance	BUY	26.9	211.1	16.6	25.2	52%	N/A	N/A	N/A	9.9	5.8%	Gigi Chen
Tencent	700 HK	Internet	BUY	28.0	22.9	280.8	401.8	43%	24.0	18.8	N/A	N/A	N/A	Saiyi He
Alibaba	BABA US	Internet	BUY	344.6	1000.8	76.9	158.7	106%	N/A	N/A	N/A	6.5	N/A	Saiyi He
Kuaishou	1024 HK	Internet	BUY	28.0	22.9	52.2	80.0	53%	N/A	N/A	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	28.7	178.6	32.5	44.8	38%	7.1	N/A	1.0	14.3	5.0%	Jeffrey Zeng/ Miao Zhang
Luxshare	002475 CH	Technology	BUY	29.6	52.6	32.8	52.3	59%	23.3	18.9	4.2	18.2	0.5%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	32.6	292.3	56.9	88.6	56%	25.9	17.2	N/A	7.9	0.4%	Lily Yang/ Alex Ng
Hikvision	002415 CH	Software & IT services	BUY	9.9	165.5	32.3	37.4	16%	22.2	17.3	4.4	21	0.0%	Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 22/11/2022 11:30 am

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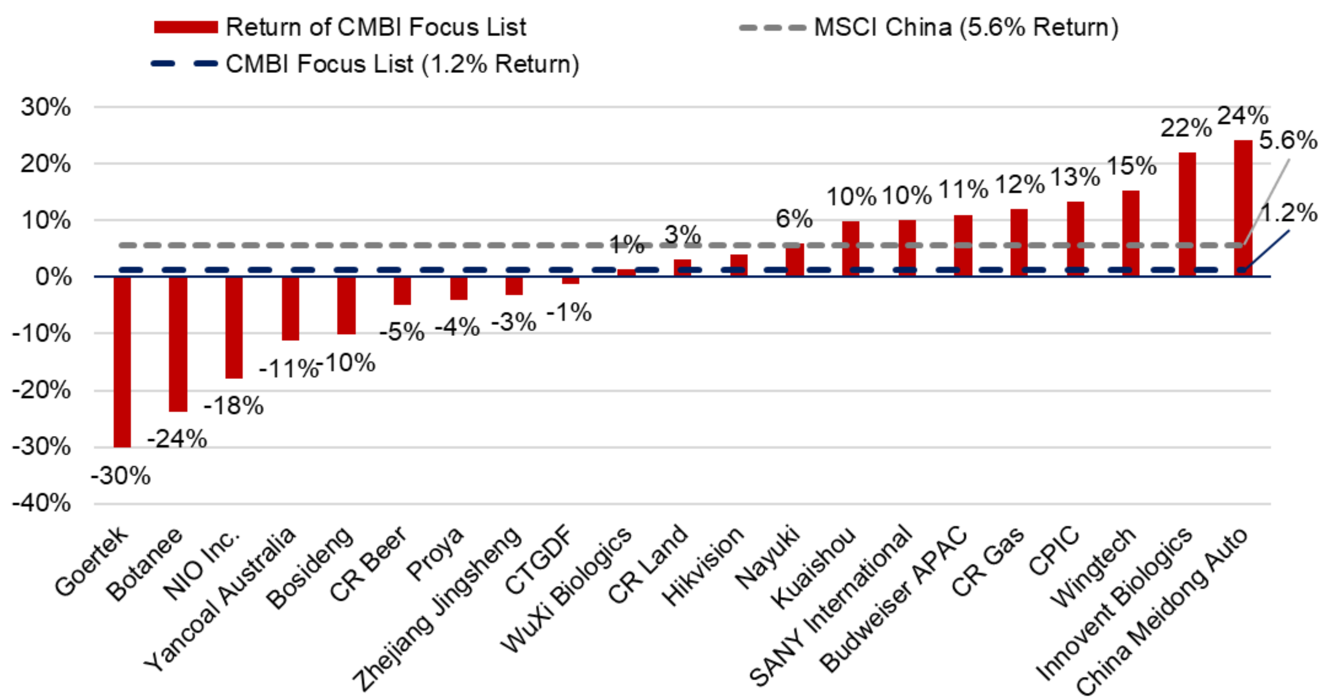
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Yum China	9987 HK	Consumer Disc.	BUY	Walter Woo	We believe it could benefit from greater buying power from: 1) stock connect programme and 2) potential inclusion into stock indices. It should also outperform the peers with the improving store economic.
Tencent	700 HK	Internet	BUY	Saiyi He	Tencent still has ample potential to enhance operating leverage via control in S&M expense and staff costs, which could support better-than-expected earnings growth. Current valuation of 14x 2023E PE if excluding strategic investment, vs. earnings growth of 14/13% YoY in FY23/FY24E, offering attractive value.
Alibaba	BABA US	Internet	BUY	Saiyi He	Streamline of new business and operating efficiency improvemeng have driven earnings back to growth track and propelled greater visibility on earnings growth. With current trading valuation of 9.5x FY24E PE (non-GAAP), risk-award is also attractive.
Luxshare	002475 CH	Technology	BUY	Alex Ng/ Lily Yang	We think Luxshare is poised to benefit from Apple's new products and share gain in iPhone's top module, Macbook/iPad's casing and Watch OEM) in 2H22E.
Deletions					
Nayuki	2150 HK	Consumer Disc.	BUY	Walter Woo	We have turned more pessimistic about sales and the potential operating deleverage due to the Covid-19 outbreaks in Guangzhou in the short run.
Botanee	300957 CH	Consumer Staples	BUY	Joseph Wong	We see potential earning downside risk post a lackluster 11.11.
Goertek	002241 CH	Technology	BUY	Alex Ng/ Lily Yang	Expect recent client order loss may lead to share price volatility in near term.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 17 October, we highlighted a list of 21 long ideas.
- The basket (equal weighted) of these 21 stocks underperformed MSCI China index by 4.4ppt, delivering 1.2% return (vs MSCI China 5.6%).
- China Meidong Auto and Innovent Biologics delivered over 20% of return, and 9 of our 21 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 17 Oct 2022 to 21 Nov 2022

Long Ideas

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

Rating: BUY | **TP:** US$25.00 (150% 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:** The company plans to launch five new models, including the new-generation *ES8*, *ES6* and *EC6* by Jun 2023. The other two new models should include a SUV version of the *ET5*, which could be well received by consumers based on the current order backlog for the *ET5*, in our view. Therefore, we project NIO's sales volume to rise 80% YoY to 230,000 units in FY23E, regaining market share.

- **Catalysts:** 1) sales volume MoM improvement in 4Q22; 2) new models launching on the coming NIO Day.

- **Why do we differ vs consensus:** We are more conservative about NIO's breakeven point than consensus. However, its current cash should be more than enough to support its operation at least throughout FY24, when the prices of battery materials could decline significantly to improve margins.

- **Valuation:** Our target price of US$ 25.00 is based on 3.5x FY23E P/S.

Link to our report: NIO Inc. (NIO US) – Five new models in 1H23 to regain market share

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	36,136	53,591	79,050	102,068
YoY growth (%)	122.3	48.3	47.5	29.1
Net income (RMB mn)	(10,572)	(9,668)	(9,052)	(6,809)
EPS (RMB)	(6.72)	(5.77)	(5.35)	(3.99)
YoY growth (%)	N/A	N/A	N/A	N/A
P/S (x)	3.3	2.6	1.8	1.4
P/B (x)	3.4	4.8	6.4	8.0
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	(34.2)	(30.5)	(35.8)	(34.5)
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 (97% 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 opened 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 (42% 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:

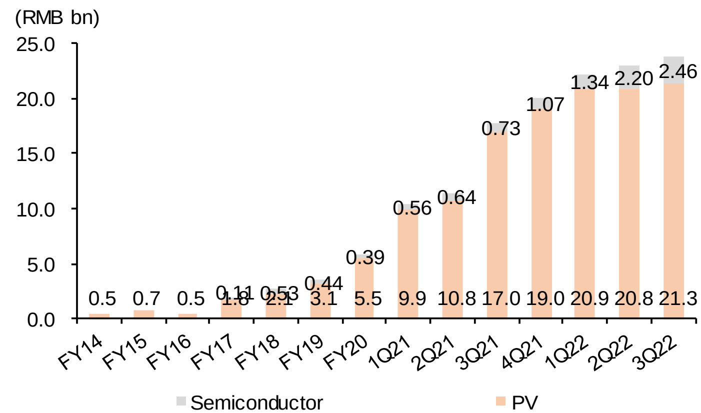
Zhejiang Jingsheng (300316 CH) – 2Q22 profit +1.4x YoY with strong cash flow; Raise earnings & TP on solid margin

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)	51.1	31.0	24.7	20.8
P/B (x)	12.8	8.3	6.5	5.1
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$13.2 (71% 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) 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; (3) 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$13.2 (based on 23x 2022E P/E).

Link to latest report:

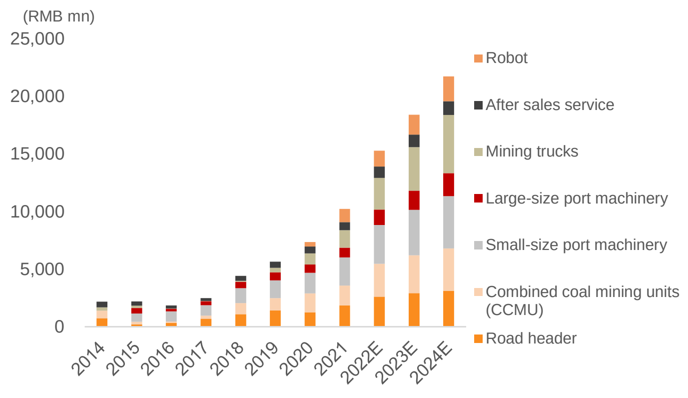
SANY International (631 HK) – Key takeaways from post-results call and NDR

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)	11.3	8.4	7.1	6.3
P/E (x)	16.1	13.8	11.5	9.9
P/B (x)	2.3	2.3	2.0	1.8
Yield (%)	1.9	2.2	2.7	3.1
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 (99% 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) reopening of China to trigger increase in regional price.

- **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 1.5x 2022E P/E or 23% yield. Reiterate **BUY** with NPV-based TP of HK$53.

Link to latest report: Yancoal Australia – 3Q thermal coal ASP way above benchmark; a positive surprise

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)	2.9	0.8	1.0	1.1
P/E (x)	7.3	1.5	1.8	2.1
P/B (x)	0.9	0.7	0.6	0.6
Yield (%)	11.3	23.7	19.8	16.9
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 (48% upside)

Analyst: Jack Bai/ Megan Xia

- **Investment Thesis:** CRG is now trading at around 9x FY23 forward PE. The stock price has been up c.13% since we issued our coverage resumption report. The valuation is still relatively attractive. Recently, China has issued a positive property policy and improved pandemic control measures, stimulating gas distributors' gas connection business and C&I's gas demands. In addition, given CRG's 3Q improved dollar margin, stable gas connection growth, and solid comprehensive service surge, we believe CRG still has the growth potential. Maintain BUY.
- **Our View:** With the increasing heating demand during winter, the need of gas may boost in 4Q22. Meanwhile, two recent positive factors bolster the gas distributors sector in the short term. First, China announces to improve the pandemic control measures, bringing good signals to domestic economic growth. Economic growth may lift the gas demand of the C&I segment consequently. Second, the recent supportive policy on China's property industry may benefit the gas connection business. For CRG, we maintain strong faith in CRG's stable gas connection, improved dollar margin and solid comprehensive service growth. Thus, we hold a positive view for CRG.
- **How do we differ:** Market concern lies on 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 improved dollar margin management ability, 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 improved 3Q dollar margin, steady gas connection business and comprehensive services growth.

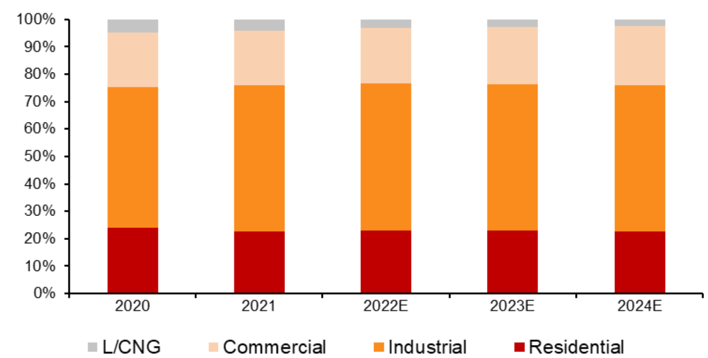
Link to latest report: CR Gas(1193 HK) – Eyes on 4Q gas dollar margin and solid comprehensive service growth

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

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

Rating: BUY **| TP:** HK$5.89 (57% upside)

Analyst: Walter Woo

- **Investment Thesis:** With superior fashion, digital capability and efficiency, Bosideng should gain more market shares in the long run, especially when the domestic fashion becomes the main stream 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:** We believe Bosideng's net profit growth is still inline during the double 11 (resilient sales but a decent ASP and retail discounts). We maintained our 16% sales growth estimate in FY23E (including ~10% volume growth), thanks to 1) product innovations, 2) new categories, 3) increase in store productivity and 4) store expansions. We think the headwinds for Bosideng's GP margin (rising raw materials, potentially less ASP hike, less room for retail discounts and more rebates to distributors) is less severe than expected and should be more than offset by substantial savings on opex, and lead to OP margin expansions in FY23E.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 1%/ 4%/ 8% lower than consensus but our net profit forecasts are 2%/ 4%/ 4% higher than 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 new products 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.

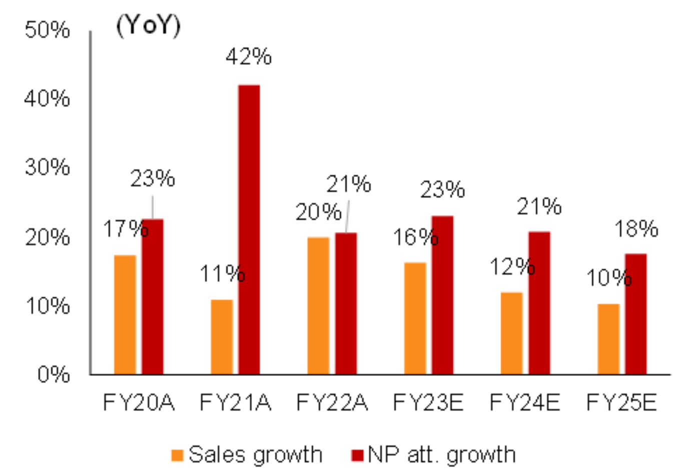
Link to latest report: Bosideng (3998 HK) – Our view on three major investors' concerns

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: Sales and net profit growth



Source: Company data, CMBIGM estimates

Yum China (9987 HK): Consumer corporate day takeaways

Rating: BUY **| TP:** HK$465.05 (14% upside)

Analyst: Walter Woo

- **Investment Thesis:** YUMC is the largest restaurant group in China by sales. It owns 11,788 stores in FY21 (8,168 KFC/ 2,590 Pizza Hut/ 1,030 other brands) and generated US$ 9.8bn sales and US$ 990mn net profit in FY21. In our view, it is even benefiting from the covid-19 outbreaks, thru market shares gains and structural improvements in margin, driven by: 1) innovative and successful product launches, 2) more automations and efficient use of labour, 3) smaller-sized stores and 4) less depreciation as a result of lower capex.

- **Our View:** Yum China did really well in 3Q22 (excellent SSSG during the peak season (Jul-Aug 2022) and achieved the highest restaurant level OP margin since 2018). And even with a tougher Covid-19 situation in Sep-Oct 2022, we still believe it can outperform the peers, thanks to: 1) higher than peers off-premises sales mix, 2) extremely value for money new products (whole chicken, beef burger, etc.), 3) greater use of automations (hence less staff costs pressure). Moreover, more buying power from 1) the stock connect programme (as it had competed its primary listing in HKEX) and 2) potential inclusion into the stock indices are all meaningful support.

- **Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our sales forecasts are 0%/ 2%/ 3% lower than consensus and our net profit forecasts are 5%/ 5%/ 11% above street as we are more confident on its delivery sales growth and OP margin expansion.

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

- **Valuation:** We derived our 12m TP of HK$465.05 based on a 30x FY23E P/E. We believe it can continue to outperform peers with or without the Covid-19 outbreaks. The stock is trading at ~27x FY23E P/E.

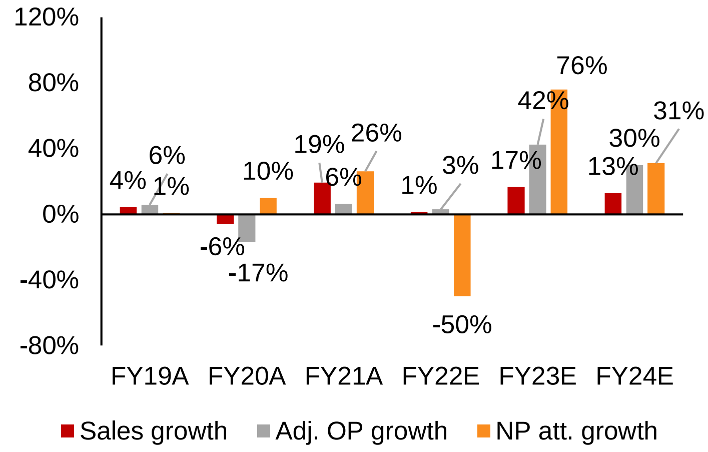
Link to latest report: [Yum China (9987 HK) – 2022 Consumer corporate day takeaways]

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	9,853	9,987	11,636	13,131
YoY change (%)	19.2	1.4	16.5	12.8
Adj. net profit (RMB mn)	990	496	873	1,145
EPS - fully diluted (RMB)	2.27	1.14	2.00	2.62
YoY change (%)	19.9	(49.9)	75.9	31.1
Consensus EPS (RMB)	N/A	1.09	1.91	2.35
P/E (x)	22.7	45.3	25.8	19.7
P/S (x)	2.7	2.6	2.4	2.2
Yield (%)	1.0	0.6	1.0	1.3
ROE (%)	13.8	6.2	10.2	12.1
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 move to tap into the baijiu market; yet with near-term challenges

Rating: BUY | **TP:** HK$72.4 (53% upside)

Analyst: Joseph Wong

- We take a neutral stance on the takeover, although it seems to be a value accretive move for CRB to expand into the baijiu segment (instead of any greenfield projects) in the long term. Without any track record, we think CRB will have to prove itself in managing a baijiu business (R&D, pricing and distribution), and achieving synergy between the beer and baijiu businesses. Jinsha is a masstige baijiu brand that prices its products ranging from RMB120 to RMB1,000 per bottle per our survey on JD.com. We think the segment looks to be in a lukewarm position, when consumption upgrade decelerates, or polarizes. High inventory and over-supply also represent near-term headwinds that CRB would have to overcome.

- The RMB11.27bn consideration will likely be funded by the combination of internal resources and debt financing, either bond issuance or bank facilities. Management has not mentioned its intention to opt for equity financing during the call.

- The acquisition represents CRB's second notable move to tap into the baijiu market, after its investment in Shandong Jinzhi Baijiu on 26 Aug 2021. The market size of baijiu industry was approximately RMB603bn in 2021, growing at a CAGR of 8.7% from 2010 to 2021. Sauce-flavor baijiu industry contributed approximately 31.5% of the baijiu industry with market size of approximately RMB190bn in 2021, growing at a CAGR of 17.3% from 2015 to 2021. The weighted average gross profit margin and net profit margin of sauce-flavor baijiu companies in 2021 were approximately 82% and 41%.

- **Valuation.** Our TP is based on 27.0x mid-23E EV/ EBITDA which represents +1sd above mean since 2018.

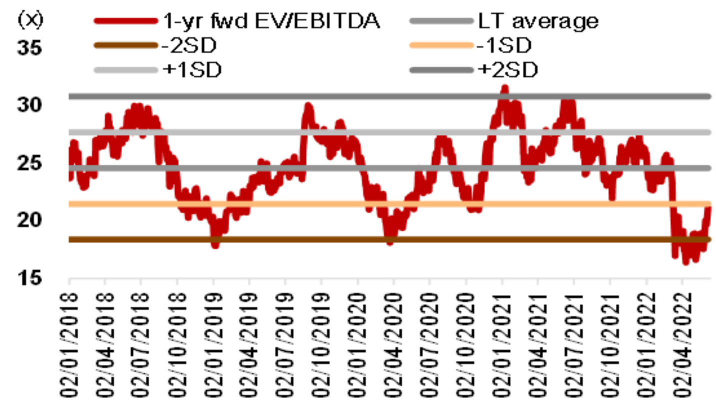
Link to latest report: [CR Beer (291 HK) – Another move to tap into the baijiu market; yet with near-term challenges]

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): A relieving 3Q; China's price hike and APAC East outperformance remain key growth drivers

Rating: BUY **| TP:** HK$27.2 (30% upside)

Analyst: Joseph Wong

- 3Q normalized EBITDA came in above consensus at US$593m, up 1.6% YoY. APAC East performance, especially which in South Korea, continued to surprise under a more liberal social distancing policy.
- September China nightlife opening ratio went further to the south to 60%/95%, respectively, from c.75%/ 95%+ in July. The restrictions were mostly concentrated in Bud APAC's premium footprints, especially in southeast Fujian, Zhejiang and North Beijing, Tianjin, and then the northwest area. Going forward, the Company continues to expect sporadic but shorter lockdowns with the current dynamic zero policy. To mitigate the impact, management developed digitalized tracking platform that enables quick calculation of channel impact by city and allocates inventory in a dynamic way.
- Bud APAC announced a price hike effective from 1 Nov for its premium and super premium SKU in China. The magnitude, according to the management, will benchmark to the country's CPI on an average level. While this is likely the first price hike announced for 4Q, we expect other brands to follow suit in the next few months, given slow sales season (during winter time) has been a good window for distributor to absorb the impact.
- Strong potential in India with its demographic advantage. The optimization progress has been satisfactory and management looks beyond DD growth but doubling of the total size of the market size for its brand. For instance, Corona is now available in over 15 states in India.
- **Valuation:** Upon changes in housekeeping items, our revised TP of HK$27.2 (from HK$28.0) is still based on 20.0x end-23E EV/ EBITDA, which represents 3-year average.

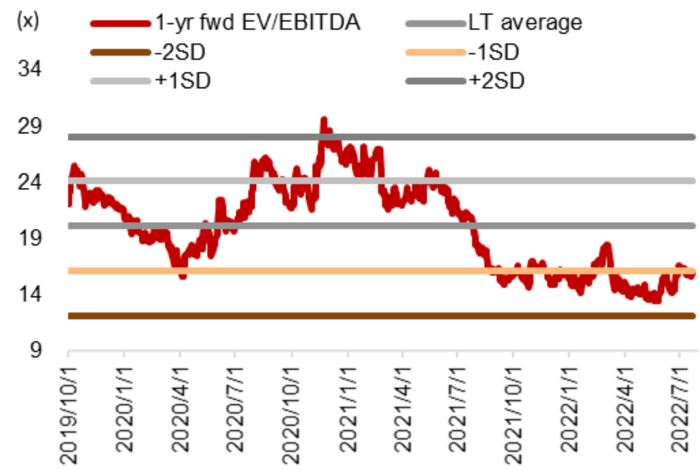
Link to latest report: Budweiser APAC (1876 HK) – A relieving 3Q; China's price hike and APAC East outperformance remain key growth drivers

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	32.2	27.8	24.7
P/B (x)	N/A	2.9	2.8	2.7
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) – A weak 3Q on Sanya's lockdown; resilient online sales made up the gap but unavoidably diluted GPM

Rating: BUY **| TP:** RMB230 (25% upside) Analyst: Joseph Wong

- Sanya's lockdown weighed on CTGDF's 3Q results as we expected, with recurring net profits standing at RMB656mn, down ~45%, as we exclude non-core Beijing airport rental concession and Hainan tax cut impact. Despite this, revenue of the quarter rose 8% QoQ to RMB11.7bn, when online sales with Sunrise Shanghai made up most of the offline hiccups. The change in sales mix also led to an almost 10pp/11pp QoQ decline in GPM/ OPM to 24.7%/ 12.5%, respectively.

- **Key takeaways from management calls.**

1) Forex impact: management has taken a few initiatives to mitigate the adverse impact from a strengthening USD (against RMB).

2) Synergy with Swire Property: A piece of land was jointly acquired for the expansion of Haitang Bay Phase 1, and both CTGDF and Swire will work out the expansion of Haitang Bay Phase 2&3 together.

3) The opening of the Haikou DFS mall on 28 Oct: with a total of 280k sq m, the mall covers 800+ global luxury brands and 25 of them, including YSL, Prada, Burberry, BV, Moncler, etc., had their first footstep in Hainan.

- **Earnings change.** To reflect the 3Q results, we cut our 2022/23E revenue by 16.6%/ 23.8%, GPM by 1.6/0.9pp, leading to an average 23% cut in net profits for the periods. For now, we assume Hainan will generate RMB54bn/75bn sales from duty-free operators (DF plus non-DF) in 2022/23 and CTGDF will share ~80%/~77% of it.

- **Valuation:** Our revised TP is based on an unchanged 45.0x roll-forward end-23E P/E which still represents 2-year average since 2020.

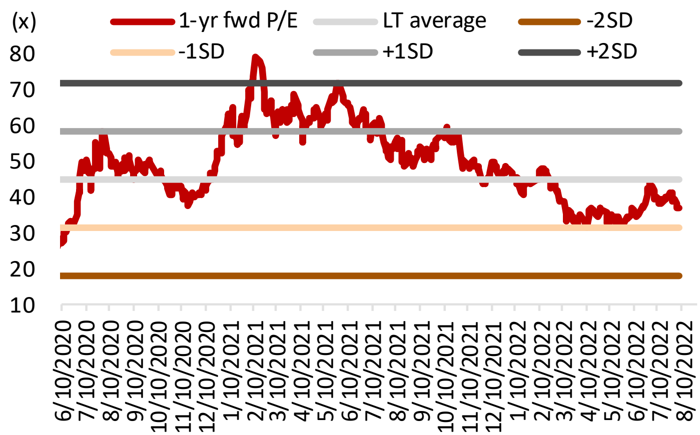
- **Link to latest report:** CTGDF (601888 CH) – A weak 3Q on Sanya's lockdown; resilient online sales made up the gap but unavoidably diluted GPM

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	67,676	68,404	96,391	134,166
YoY growth (%)	28.7	1.1	40.9	39.2
Net income (RMB 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 (RMB)	N/A	4.9	7.3	9.3
P/E (x)	N/A	37.3	26.0	18.7
P/B (x)	N/A	9.4	7.5	6.0
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) – 3Q a small beat; but the implied 4Q numbers look unexciting given the current guidance

Rating: BUY | **TP:** RMB184 (8% upside)

Analyst: Joseph Wong

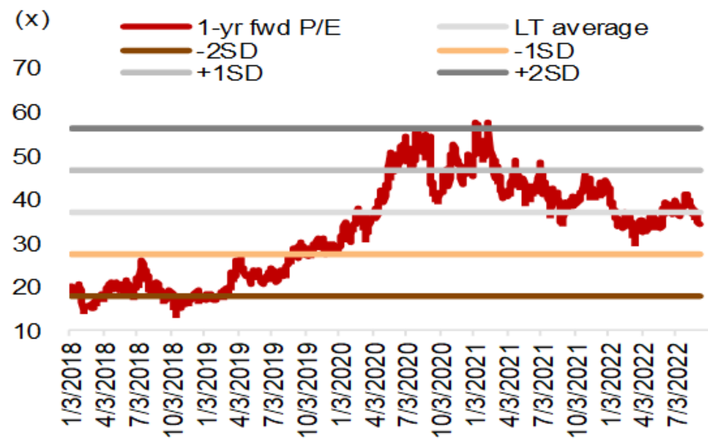
- Proya pre-announced its 3Q operating data, with revenue and net profits growing at 14-23%/ 30-45% YoY to RMB1.25bn to RMB1.35bn/ RMB180mn to RMB200mn, respectively. The trajectory was in line with our expectation that 3Q sales moderate from 1H when part of July's demand has been pulled forward to 618, and momentum for Aug and Sep should have normalised to positive growth. On the other hand, net profit was a beat. Without much detail, and excluding any non-core items, we estimate this would likely be contributed by better margins, as a result of both mix upgrade and marketing cost savings.
- If 3Q22 results eventually kick-in at the high end of the announcement, 4Q revenue and net profit would grow at ~14% and ~7%, respectively, assuming management maintains its full year guidance (details see below). We consider this a bit low and we see possibilities that Proya could achieve higher growth, depending on the sales momentum of Double 11.
- Proya has announced six hero products during a top tier KOL live-streaming for the upcoming Double 11. Of note, the volume of gifts was comparable to that of last year, and we think the magnitude of discounts is unlikely to be undisciplined.
- During the 2Q earnings call, Proya management maintained its full-year guidance of 25% revenue/ net profits growth. Considering 30-40% online sales growth for 2022E, the target implies offline sales growth would remain negative throughout 2H. Separately, Proya management has initiated a new ESOP plan in July this year with vesting condition stipulated to be no less than 25%/ 23%/ 22% revenue/ net profit growth YoY for 2022-24E. To-date, management remains confident to achieve the target.
- **Link to latest report:** Proya (603605 CH) - 3Q a small beat; but the implied 4Q looks unexciting given the current management guidance

Financials and Valuations

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

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** HK$52.59 (73% 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 Ph3 studies for obesity and diabetes in Nov 2022. Within the next five years, Innovent targets to launch over 15 products in China which will support 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, and in 3Q22, the revenue reached over RMB1.1bn. Eli Lilly reported US$73.6mn (-14% QoQ) and US$76.8mn (+4% QoQ) sales from sintilimab in 2Q22 and 3Q22, respectively. The sales performance in 1H22 was temporarily impacted by the COVID-19 lockdown and restructuring of the commercial team. With the completion of commercial team reorganization, we expect the product sales to gradually regain strong momentum in the near future.

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

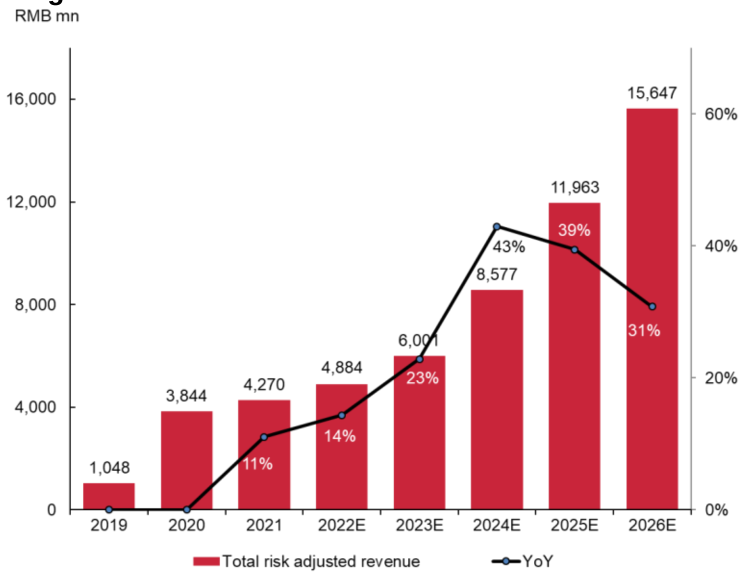
Link to latest report: Innovent Biologics (1801 HK) – Fast expanding commercial product portfolio

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)	(1.51)	(0.92)	(0.20)
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 (142% 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%).

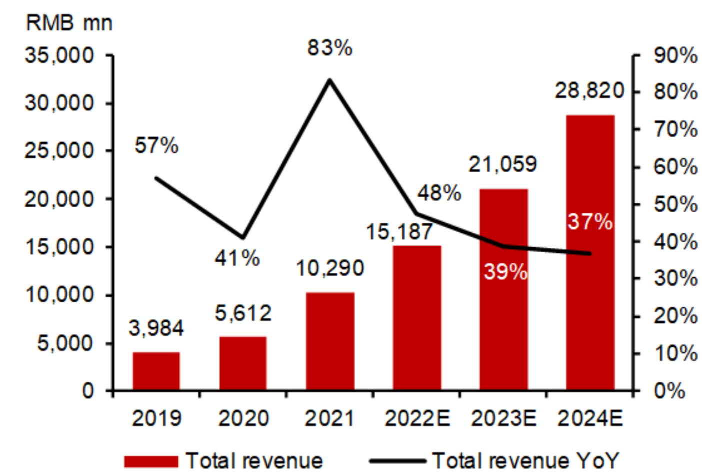
Link to latest report: WuXi Biologics (2269 HK) – Non-COVID projects driving long-term growth

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)	44.9	33.7	25.7
P/B (x)	5.5	4.7	3.9
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 (52% upside) Analyst: Gigi Chen

- **Investment Thesis:** We like CPIC for its proactive agency reform, and we noted the insurer saw a turnaround in new business growth in 3Q22, ahead of major peers, as we forecasted in our previous reports. CPIC delivered 2.5% VNB growth YoY in 3Q22 (vs. 45.3% YoY decline in 1H22), as the insurer proactively upgraded its agency model. The momentum of both agency first-year premiums (FYP) and agency first-year regular premiums (FYRP) turned positive to 24.7% YoY and 37.5% YoY respectively in 3Q22, given enhanced agency productivity and stabilizing scale of high productivity agents. On P&C front, combined ratio decreased 1.9ppt YoY to 97.8% in 9M22, translating into approx. 1.5ppt YoY improvement in 3Q22. Group net profit increased 30% YoY in 3Q22, outperforming listed peers, thanks to the turnaround in life new business momentum and stable investment yields. Looking forward, we expect the recovery of life new business momentum to sustain in 4Q22 and 2023. We believe the recovery of life new business momentum may support valuation. Reiterate BUY on CPIC-H.
- **Catalysts:** We expect CPIC's positive VNB growth to sustain into 2023 jumpstart and 1Q23, along with YoY improvement in P&C underwriting margin.
- **Valuation:** The stock is trading at 0.2x P/EV FY23E or 0.6x P/BV FY23E, with over 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 3Q22

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

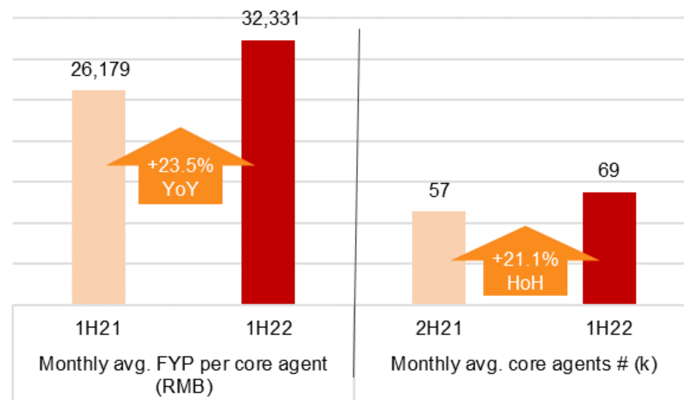
CPIC (2601 HK) – Re-energizing agency force

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	0.6	0.6	0.5
P/EV (x)	0.3	0.3	0.2	0.2
Yield (%)	6.8	5.8	6.9	8.4
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

Tencent (700 HK): Return to earnings growth track

Rating: BUY **| TP:** HK$401.80 (43% upside)

Analysts: Saiyi He

- **Investment Thesis:** Tencent is deploying its WeChat ecosystem, which we expect will disrupt consumer internet industry competition and partially offset slowing macro impact. Infrastructure to support real economy industries, such as enterprise and fintech services, overseas markets development will be Tencent's growth drivers for the long run. Due to revenue exposure to high ROE consumer internet business, revenue recovery coupled with Opex optimization will stabilize earning from 2023 onwards.

- **Our View:** 3Q22 non-IFRS net income grew 1.6% YoY after the decline for four consecutive quarters, and reached RMB32.3bn in 3Q22, beating consensus estimate by 7%. The earning beat was mostly helped by effective control in S&M expenses (-32% YoY) & staff costs (low single-digit YoY growth excl. one-off severance costs). We get more upbeat on the recovery of ad business (driven by deepening of video account and Wechat ecosystem monetization), and improving operating efficiency, which shall drive strong earnings rebound in 4Q22E and FY23E.

- **Why do we differ:** We see Tencent still has ample potential to unleash operating leverage via control in S&M expense and staff costs, which could support better-than-expected earnings growth.

- **Catalysts:** 1) stronger than expected operating leverage; 2) accelerating monetization of Weixin Video Account; 3) macro recovery supports rebound of ad, fintech and enterprise services businesses. 4) normalization of Banhao approval.

- **Valuation:** Our SOTP-derived TP is HK$401.8. Tencent currently trades at 19x 2023E PE (or 14x 2023E PE if excluding strategic investment and net cash), vs. earnings growth of 14/13% in 2023/2024E.

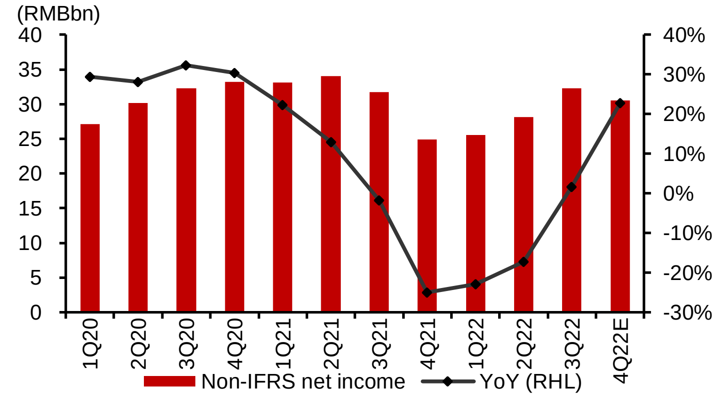
- **Link to latest report:** Tencent (700 HK) - Return to earnings growth track

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	560,118	555,781	611,886	662,553
YoY growth (%)	16.2	(0.8)	10.1	8.3
Gross margin (%)	43.9	42.9	42.9	43.1
Adj. net profit (RMB mn)	123,788	116,501	132,904	149,933
YoY growth (%)	0.9	(5.9)	14.1	12.8
EPS (Adjusted) (RMB)	12.99	12.21	13.92	15.70
Consensus EPS (RMB)	12.99	11.89	14.26	17.05
P/S (x)	4.5	4.5	4.1	3.8
P/E (x)	19.1	24.0	18.8	16.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

招銀国际 CMB INTERNATIONAL

Alibaba (BABA US): consolidating strength, growing new horizons

Rating: BUY **| TP:** US$158.7 (106% upside) Analysts: Saiyi He

- **Investment Thesis:** Alibaba's earnings recovery will be aided by the streamlining of new businesses and operation optimization across business lines. Macro headwinds and low consumption sentiment dampened Alibaba's GMV growth of China commerce marketplace in 1H22, but we do expect gradual recovery in 2023, which could provide additional support for earnings recovery. International expansion and cloud business remain on track for long-term development, despite some short-term challenges. With current trading valuation of 9.5x FY24E PE (non-GAAP), risk-award is attractive.

- **Our View:** Alibaba is investing in its core China commerce marketplace to enhance customer experience, which helps fending off competition. With strategic move to focus more on both scale and efficiency, we expect steady non-GAAP net profit growth to sustain in the rest of FY23. Combined losses narrowed by RMB4.9bn for Taobao Deals, Taocaicai, and Freshippo in 2QFY23. In addition, adjusted EBITA loss from international commerce/local consumer services narrowed by RMB1.5/3.0bn YoY in 2QFY23. We expect steady EBITA growth to continue in 2HFY23, and forecast overall adjusted EBITA to grow 17% YoY to RMB153bn in FY23E.

- **Why do we differ vs consensus:** We are more positive on Alibaba's earnings generation driven by streamline of new businesses and operating efficiency improvement across business lines. Our FY23-25E non-GAAP net income forecast is 1-5% higher than Bloomberg consensus.

- **Catalysts:** 1) consumption recovery; 2) stronger than expected earnings growth driven by better than expected operating efficiency improvement.

- **Valuation:** SOTP based valuation of US$158.7, which translates into 18.0x FY24E PE.

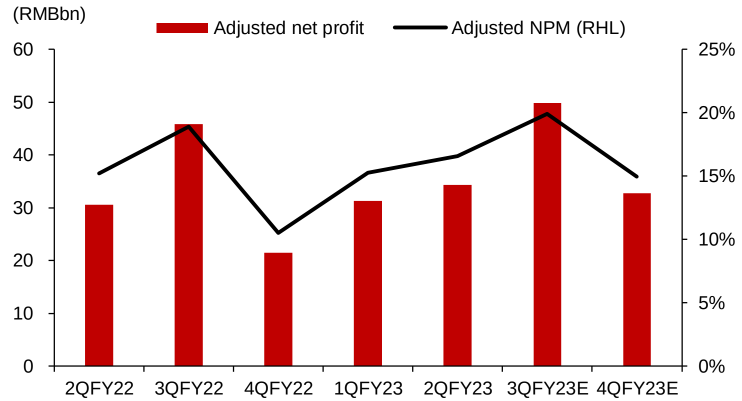
- **Link to latest report:** Alibaba (BABA US)- Earnings back on growth track

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	853,062	882,040	987,864	1,083,297
YoY growth (%)	18.9	3.4	12.0	9.7
Net profit (RMB mn)	62,249.0	61,169.5	122,534.7	134,762.2
Adj. net profit (RMB mn)	143,515.0	148,226.8	166,988.6	182,427.3
EPS (Adjusted) (RMB)	53.26	54.95	61.84	67.49
Consensus EPS (RMB)	53.26	51.80	59.13	66.52
ROE (%)	6.5	5.9	10.2	9.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK):Share gain intact with enhanced ecosystem

Rating: BUY | **TP:** HK$80 (53% upside)

Analyst: Sophie Huang

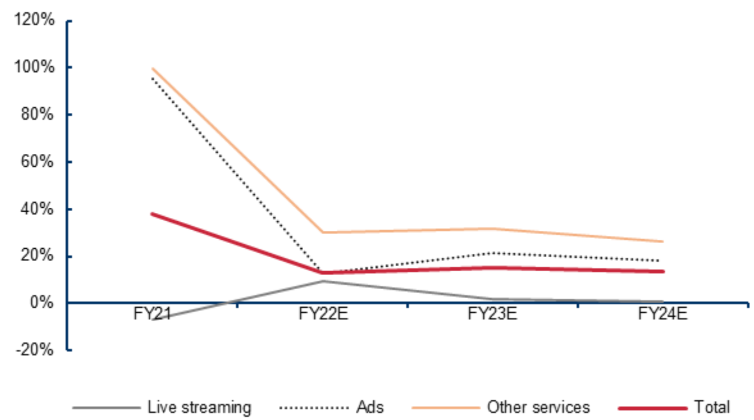
- **Investment Thesis:** Despite soft macro and epidemic, we expect KS to be relatively resilient on its ads and ecommerce share gain. We are positive on its operating leverage and disciplined cost in FY22E (forecasting adj. NPM at -7%), with domestic biz still profitable in 2H22E. 3Q22E would be better-than-feared, and we suggest to look into ads and ecommerce acceleration in 4Q22E. We reiterate our confidence in its resilient growth, share gain and narrowing loss in the long run.
- **Our View:** We expect 3Q22E to be a better-than-feared quarter (well-guided), in which ecommerce strong momentum continued (forecasting GMV+25% YoY), livestreaming stayed resilient at +9% YoY, but ads saw slower recovery on epidemic resurgence (+5% YoY, vs, prior +12% YoY). We reiterate our confidence in its annual GMV target of RMB900bn, and expect 4Q22E acceleration ahead, backed by "11.6" promotion (traffic support & subsidies offering) and cases stabilization. We expect ads to slightly rebound in 4Q22E (+8% YoY), for external ads recovery and internal ads acceleration. Ads sentiment was dampened by epidemic and macro uncertainty, but we believe KS's ads gain share remained intact.
- **Why do we differ vs consensus:** Market concern lies on mixed 3Q, potential selling from pre-IPO investors and slower ads recovery in FY23E. We think 3Q22E was well anticipated and PE potential selling would be digested by 1-2 quarters. We see high visibility for FY23E to see ads reacceleration and resilient GMV, with full-year positive profit. 4Q could be a good buying point, given its attractive valuation and limited downside risk.
- **Catalysts:** 1)4Q acceleration of ecommerce &ads, 2)better margin outlook, 3) enhanced ecosystem & monetization, and 4) potential reopening.
- **Valuation:** Maintain BUY with SOTP-based TP of HK$80. Valuation is attractive, given its resilient growth and narrowing loss, in our view.
- **Link to latest report**: Kuaishou (1024 HK) – Share gain intact with enhanced ecosystem

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,082	91,636	105,665	119,976
YoY growth (%)	37.9	13.0	15.3	13.5
Net income (RMB mn)	(18,852)	(6,711)	72	4,757
EPS (RMB)	(4.6)	(1.5)	0.0	1.0
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(1.8)	(0.2)	2.3
P/E (x)	N/A	N/A	N/A	45
P/S (x)	2.6	2.3	2.0	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: 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 (38% upside)

Analysts: Jeffrey Zeng/ Miao Zhang

- **Investment Thesis:** We still expect CR Land to deliver positive growth in 2022E earnings, especially as the pandemic measures are towards easing 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.

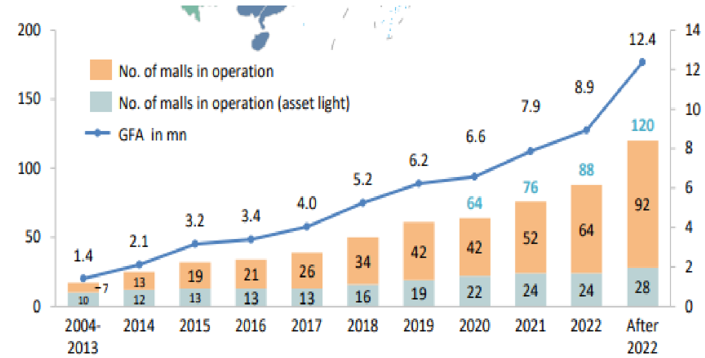
Link to latest report: China Property Sector – Bumpy road ahead despite better-than-feared 2M22 data

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

Luxshare (002475 CH): Reiterate BUY on stronger 2H22 growth

Rating: BUY | **TP:** RMB52.3 (59% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** We believe Luxshare is poised to benefit from Apple's new products and margin recovery in 2H22E. Following several strategic M&As in 2020/21, we believe Luxshare will start to bear fruits from share gain in iPhone's top module, Macbook/iPad's casing and Watch OEM. We also think recent strategic cooperation with Chery to pave way for auto tier-1 business, capturing growth opportunities in smart EVs trend ahead.
- **Our View:** Luxshare is our top pick for A-share tech sector, due to strong execution, high earnings visibility and beneficiary of Apple's multiple product cycle. In particular, we are positive on 1) share gain of top module in iPhone models, 2) blended ASP hike of iPhone 14pro/pro max, and 3) share gain of Watch/Airpods OEM. As profitability continues to improve into 2H22E, we forecast earnings growth will accelerate to 59%/54% YoY in 3Q/4Q22E (vs 14%/34% YoY in 2Q/1Q22).
- **Why do we differ vs consensus:** Our FY22/23E EPS are largely in-line with consensus, but we believe recent correction is overdone as it now trade at 1-SD below 5-year historical average P/E.
- **Catalysts:** Catalysts include iPhone share gain, Watch/Airpods shipment upside and NEV business progress.
- **Valuation:** We derived our 12m TP of RMB 52.3 based on 30x FY23E P/E. We believe this is justified as Luxshare continues to deliver strong earnings growth, market share gain and product expansion to capture Apple and NEV opportunities in next 3-5 years.

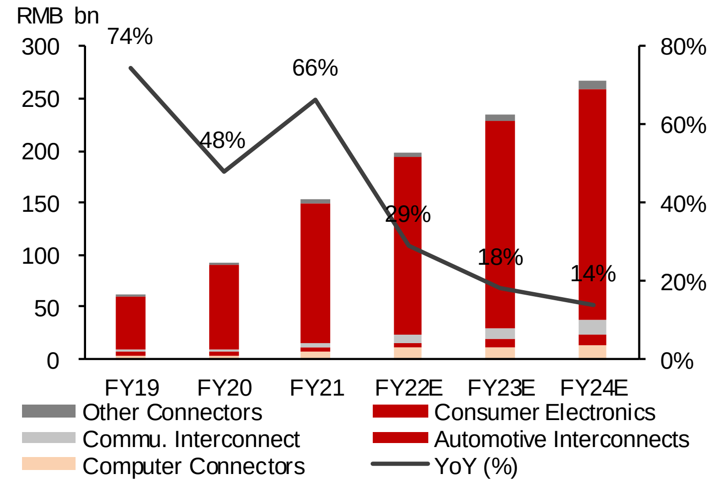
Link to latest report: Luxshare (002475 CH) - Reiterate BUY on stronger 2H22 growth; Recent correction is overdone

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	153,946	198,768	234,917	267,788
YoY growth (%)	66.4	29.1	18.2	14.0
Net income (RMB mn)	7,071	9,998	12,348	14,711
EPS (RMB)	1.00	1.41	1.74	2.08
YoY growth (%)	(2.8)	40.7	23.5	19.1
Consensus EPS (RMB)	N/A	1.39	1.84	2.25
P/E (x)	32.8	23.3	18.9	15.8
P/B (x)	5.1	4.2	3.5	2.9
Yield (%)	0.0	0.5	0.6	0.7
ROE (%)	15.4	18.2	18.6	18.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Luxshare revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB88.6 (56% 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 player with more diversified and lucrative businesses. We believe Wingtech can enjoy synergies created from integration of three business segments (Semi IDM, optical imaging module and ODM).
- **Our View:** 3Q22 results confirmed the resilience of Wingtech's power semi business. Riding the tailwind of vehicle electrification, the Company's power semi unit will continue to be the growth engine in 2023.
- The latest NWF divesture order will have trivial impact on operation. The order would reinforce China's semiconductor self-sufficiency trend, which makes Wingtech's semi IDM business more valuable as future acquisitions of global semi assets by Chinese companies seem impossible. Following the localization trend, we think Wingtech's semi IDM business is more valuable due to supply chain security and resource scarcity.
- **Why do we differ vs consensus:** In our Oct. report (link), we have pointed out that "**the market is overly concerned** on Wingtech's performance, which is valid and understandable given some of its business units are still in transition…**the share is mispriced** at 12.1x 2023E P/E, significantly low compared to its peers. **This represents attractive buying opportunity**."
- **Catalysts:** 1) new 12-inch factory to begin production; 2) ODM and optical modules' new projects to begin mass production.
- **Valuation:** Our TP is RMB88.6, based on 25x 2023E P/E, close to 1-SD below its 2-year mean.

Link to latest report:

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

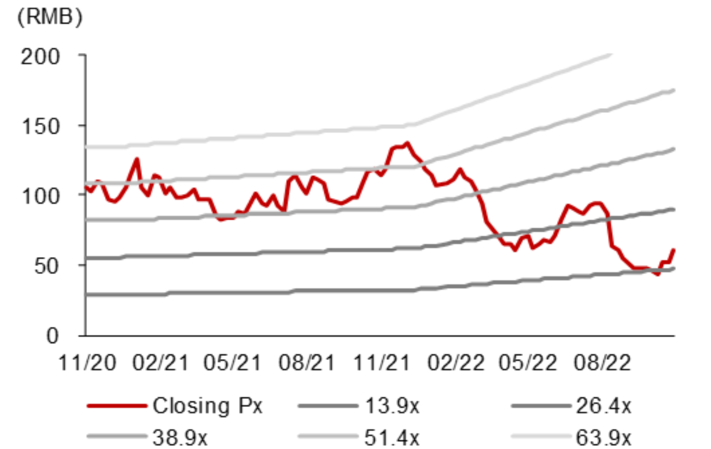
Wingtech (600745 CH) – NWF divesture order will have trivial impact on operation; Will reinforce self-sufficiency trend

Financials and Valuations

(YE 31 Dec)	FY21A	FY22	FY23E	FY24E
Revenue (RMB mn)	52,729	56,400	70,609	88,943
YoY growth (%)	2.0	7.0	25.2	26.0
Gross margin (%)	16.2	18.9	19.0	19.2
Net profit (RMB mn)	2,612	2,926	4,416	5,892
EPS (RMB)	2.11	2.35	3.54	4.73
YoY growth (%)	2.4	11.3	50.9	33.4
Consensus EPS (RMB)	N/A	2.83	4.01	4.92
PE (x)	28.9	25.9	17.2	12.9
Yield (%)	0.3	0.4	0.6	0.8
ROE (%)	7.7	7.9	10.6	12.3
Net gearing (%)	Net cash	5.6	9.2	9.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** RMB37.44 (16% 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 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 RMB37.44 on 20x FY23E P/E, 1-SD below its 3-year mean.

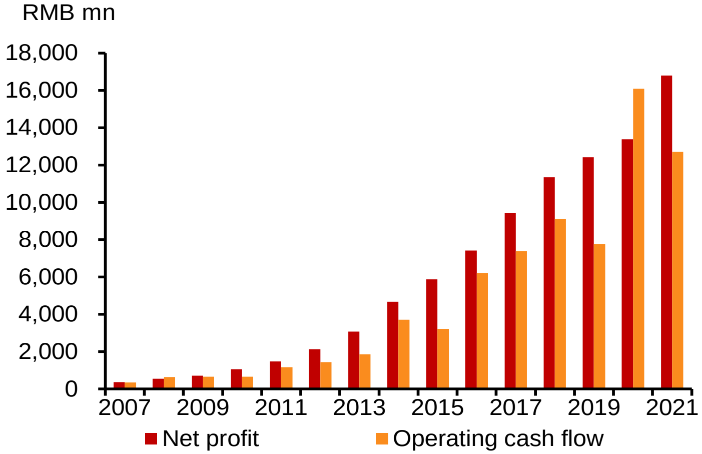
Link to latest report: China Software & IT Services – Which stocks are less vulnerable to market volatility?

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,420	86,749	95,369	113,414
YoY growth (%)	28	7	10	19
Net profit (RMB mn)	16,800	13,770	17,661	20,306
EPS (RMB)	1.80	1.46	1.87	2.15
YoY growth (%)	26	(19)	28	15
Consensus EPS (RMB)	1.80	1.88	2.26	2.66
PE (x)	18.0	22.2	17.3	15.1
PB (x)	4.8	4.4	3.8	3.3
Dividend yield (%)	0.02	0.03	0.02	0.03
ROE (%)	29	21	23	23
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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