CMBI Research Focus List

Our best high conviction ideas

14 September 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	36.3	992.7	21.8	28.0	29%	N/A	N/A	7.0	-30.5	N/A	Shi Ji/ Dou Wenjing
EVA Holdings	838 HK	Auto	BUY	15.2	121.9	1.5	3.0	99%	6.9	4.3	0.7	11.5	4.4%	Shi Ji/ Dou Wenjing
Zhejiang Jingsheng	300316 CH	Capital Goods	BUY	3.5	2.1	80.6	96.0	19%	37.2	29.7	9.9	32.4	0.5%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	36.3	136.0	8.6	14.6	70%	13.1	10.8	2.2	17.7	2.4%	Wayne Fung
SF Holding	002352 CH	Express Delivery	BUY	36.3	136.0	51.4	94.0	83%	32.5	22.3	2.9	9.2	0.6%	Wayne Fung
Bosideng	3998 HK	Consumer Disc.	BUY	5.8	16.4	4.2	5.9	42%	15.3	12.7	2.9	20.7	4.6%	Walter Woo
Nayuki	2150 HK	Consumer Disc.	BUY	1.3	1.6	6.1	7.4	22%	-73.4	35.4	N/A	-2.9	N/A	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	22.2	57.6	53.8	71.0	32%	31.0	27.8	4.5	15.0	1.3%	Joseph Wong
Budweiser APAC	1876 HK	Consumer Staples	BUY	36.9	19.0	21.9	28.4	30%	35.0	29.3	3.1	9.2	1.2%	Joseph Wong
Proya	603605 CH	Consumer Staples	BUY	6.6	40.0	160.2	184.0	15%	44.4	33.0	9.4	21.4	0.7%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	5.6	49.7	28.6	52.6	84%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi Biologics	2269 HK	Healthcare	BUY	5.6	49.7	53.4	120.4	125%	54.1	40.6	6.6	12.9	N/A	Jill Wu/Benchen Huang
CPIC	2601 HK	Insurance	BUY	29.0	191.7	16.9	25.2	49%	N/A	N/A	N/A	9.9	5.7%	Gigi Chen
Kuaishou	1024 HK	Internet	BUY	27.2	21.8	63.3	120.0	90%	N/A	N/A	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	34.6	199.5	33.9	44.8	32%	7.1	N/A	1.0	14.3	5.0%	Jeffrey Zeng/ Miao Zhang
CG Services	6098 HK	Property	BUY	30.8	44.7	15.7	47.6	203%	7.6	5.7	4.3	30.2	3.3%	Jeffrey Zeng/ Miao Zhang
Goertek	002241 CH	Technology	BUY	6.8	77.7	32.7	48.0	47%	18.9	15.6	2.9	18.5	1.0%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	16.1	374.3	60.1	93.1	55%	31.1	20.3	N/A	8.1	0.3%	Lily Yang/ Alex Ng
Kingdee	268 HK	Software & IT services	BUY	10.8	269.6	13.3	23.8	79%	N/A	N/A	N/A	-7.0	0.0%	Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 9/9/2022

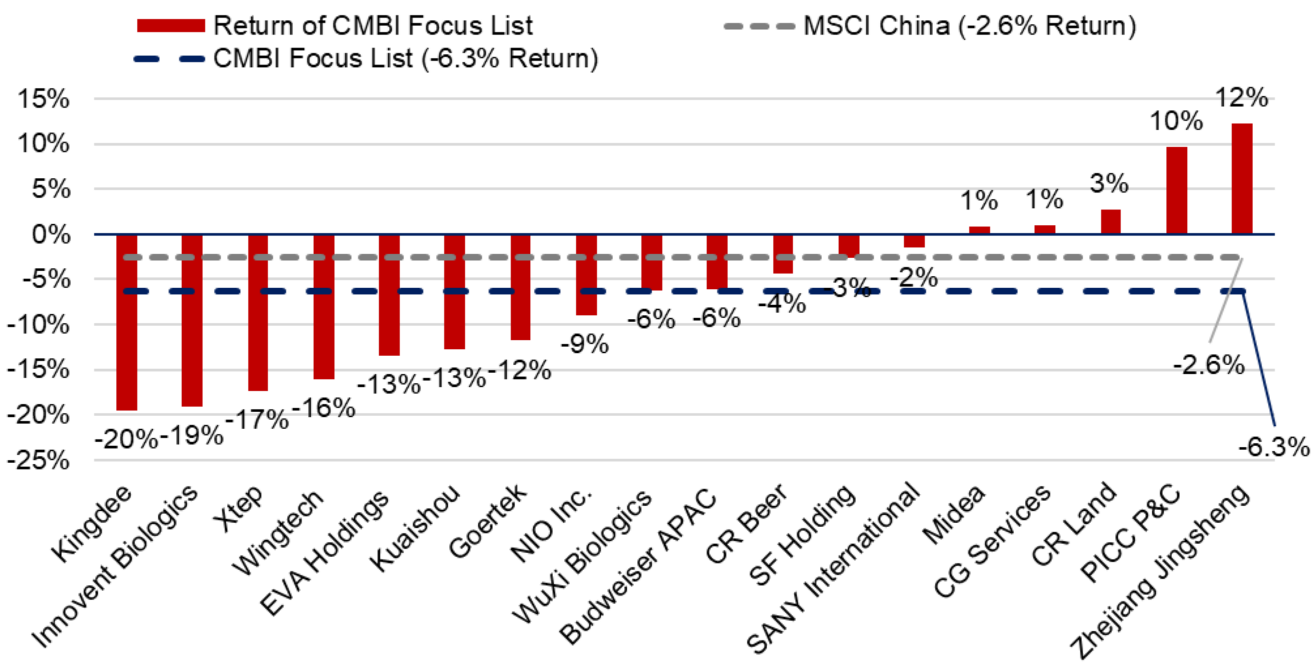
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Bosideng	3998 HK	Consumer Disc.	BUY	Walter Woo	Winter is near and we are looking forward to launches of innovative products. We also believe its strategy of growing volume should perform well under current economic conditions.
Nayuki	2150 HK	Consumer Disc.	BUY	Walter Woo	By tapping into the low-mid end tea drink market, together with a decent margin, efficiency gains through digitalization and easing of COVID-19, sales and net profit growth shall resume nicely in 2H22E.
Proya	603605 CH	Consumer Staples	BUY	Joseph Wong	Steady 3Q and high online contribution
CPIC	2601 HK	Insurance	BUY	Gigi Chen	We expect CPIC's new business value growth to turn positive in 3Q22. Our channel check suggests that CPIC recorded double-digit growth of agency FYP in July-Aug. We expect the recovery of life VNB growth could drive stock re-rating. Reiterate BUY.
Deletions					
Xtep	1368 HK	Consumer Disc.	BUY	Walter Woo	Even though the sales trend in 2H22E should be recovering, but investors' expectation is already high and catalysts are slightly limited in the short run.
Midea	000333 CH	Consumer Disc.	BUY	Walter Woo	Still positive for Midea to outperform in the long run, but sales trend may ease after a blooming summer (esp. for air-cons), and catalysts may also be slightly limited in the short run.
PICC P&C	2328 HK	Insurance	BUY	Gigi Chen	We still like PICC P&C for its continual improvement in underwriting margin and solid premiums growth. But we see more near-term +VE catalysts on CPIC side and shift the top pick to CPIC.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 12 August, we highlighted a list of 18 long ideas.
- The basket (equal weighted) of these 18 stocks underperformed MSCI China index by 3.7ppt, delivering -6.3% return (vs MSCI China -2.6%).
- PICC P&C and Zhejiang Jingsheng delivered over 10% of return, and 5 of our 18 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 12 Aug 2022 to 9 Sep 2022

Long Ideas

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

Rating: BUY | **TP:** US$28.00 (29% 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. As pioneers, the NEV trio has their advantages and disadvantages. At this point, Li Auto's share price has factored in 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*. We estimate that NIO's current order backlog for the *ET7* and *ES7* is already enough to meet our 4Q22 sales assumption. We also believe that the market has priced in NIO's possible earnings weakness in 2Q22. The share price could also be oversold by investors, triggered by Grizzly's short report, which, in our view, has little understanding of how BaaS works.

- **Catalysts:** 1) sales volume MoM improvement in 4Q22; 2) *ET5* deliveries.

- **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.

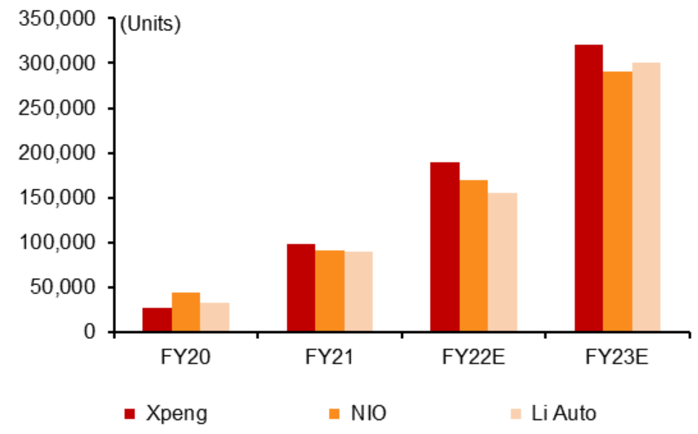
Link to our report: NIO Inc. (NIO US) – Strongest 4Q22 sales volume among NEV trio

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

Fig: Sales volume comparison of NEV trio



Source: Company data, CMBIGM estimates

EVA Holdings (838 HK): Auto parts' inflection point has arrived

Rating: BUY **| TP:** HK$3.00 (99% upside)   Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** We are of the view that EVA's penetration into Tesla and other leading Chinese automakers could lift its revenue and margins. We see an inflection point for EVA especially its auto components business, which could be overlooked by investors. Its key growth engine from Tesla is immune to potential supply chain disruptions caused by lockdowns in China, as such business is in North America.

- **Our View:** EVA has become Tesla's supplier for its front-seat frames of all the models produced in North America since Jul 2021. We expect EVA's revenue from Tesla to more than quadruple to HK$ 130mn in FY22E and triple again in FY23E, as EVA has secured new parts from Tesla. EVA also benefits from Tesla's strong growth as a tier-2 supplier through Faurecia, as Faurecia is the sole supplier of the rear seat assembly for the *Model Y* in North America, and EVA is the sole supplier for Faurecia in such business. EVA's revenue from Great Wall could also rise significantly in FY23E, as its Jingmen plant ramps up and a new plant in Daye may start production in 2023. EVA's new businesses, including components for new OEMs like BYD and for data server, energy storage etc., may start to bear fruit from 2H22.

- **Catalysts:** 1) Supplier nominations from new OEMs; 2) Tesla US sales ramp-up, especially in the Austin plant.

- **Why do we differ vs consensus:** We are now the only broker to provide data for Bloomberg consensus.

- **Valuation:** Our target price of HK$ 3.00 is based on sum-of-the-parts valuation, as we value HK$ 2.34 per share for its auto components business, based on 20x our FY22E P/E; and HK$ 0.66 per share for its office automation equipment, based on 8.5x our FY22E P/E.

Link to our report: EVA Holdings (838 HK) – Auto components inflection point has arrived

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (HK$ mn)	5,109	6,353	8,238	9,777
YoY growth (%)	27.4	24.4	29.7	18.7
Net income (HK$ mn)	155	340	545	787
EPS (HK$)	0.09	0.19	0.30	0.43
YoY growth (%)	N/A	119.0	60.4	44.4
P/E (x)	14.7	6.9	4.3	3.1
P/B (x)	0.8	0.7	0.6	0.5
Yield (%)	2.0	4.4	6.9	9.8
ROE (%)	5.7	11.5	16.3	20.2
Net gearing (%)	17.5	5.9	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Our estimated revenue from major auto clients

Client	FY21A (HK$ mn)	FY22E (HK$ mn)	YoY
Faurecia	~400	540	35.0%
Great Wall	~290	600	106.9%
Tesla	~30	150	400.0%

Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB96 (19% 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-sized 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 11%/5%/4% above 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:

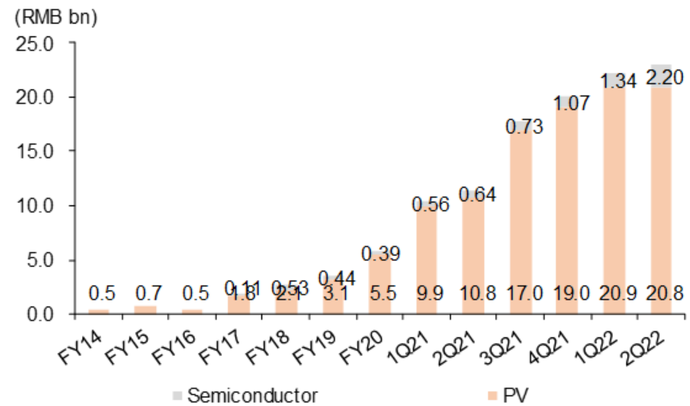
Zhejiang Jingsheng (300316 CH) – 2Q22 profit +1.4x YoY with strong cash flow; Raise earnings & TP on solid margin

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	1.98	2.62	3.13
P/E (x)	61.3	37.2	29.7	25.0
P/B (x)	15.4	9.9	7.8	6.2
Yield (%)	0.3	0.5	0.7	0.8
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 (70% 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 4%/3% 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:

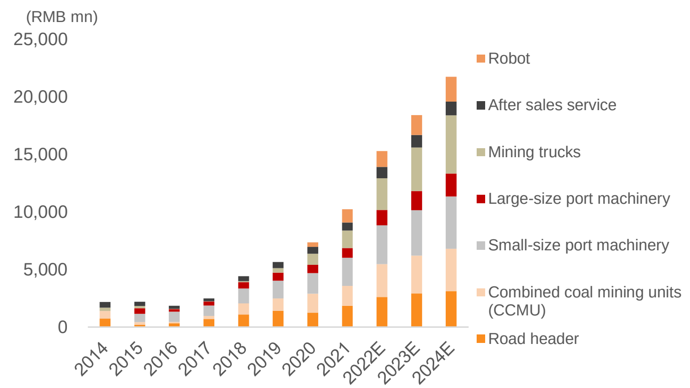
SANY International (631 HK) – Beat expectation: 2Q22 core profit +43% YoY on strong margin recovery

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	0.50	0.61	0.74
EV/EBIDTA (x)	12.0	8.9	7.6	6.6
P/E (x)	17.0	13.1	10.8	9.3
P/B (x)	2.5	2.2	1.9	1.6
Yield (%)	1.8	2.4	2.9	3.3
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

SF Holding (002352 CH): Set to deliver strong earnings recovery in 2022E

Rating: BUY **| TP:** RMB94 (83% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The Chinese government's strong intervention in the express delivery industry through policies and regulations in 2021 successfully put the bloody price war to an end and brought the industry development back to the right track. From corporate perspective, major players have already shifted from pricing to capex optimization, quality service and profit oriented strategy. Looking ahead, we expect ASP increase will continue to serve as sector catalyst in 2022E. In addition, we expect expansion to integrated logistics model, will become a trend over the medium term.

- **Our View:** Following the completion of share placement and the spin-off of **SF REIT (2191 HK, NR)** and the intra-city business unit, SF completed the major fund-raising exercise in 2021. Going forward, with a focus on premium delivery service, SF is set to become a major beneficiary given that the industry focus has already moved from pricing to service quality. Meanwhile, SF's strategic shift from scale to profitability, together with the consolidation of **Kerry Logistics (636 HK, NR),** will boost significant earnings recovery in 2022E. What is more, the potential market share gain in the premium e-commerce delivery segment will boost SF's economy express volume.

- **Why do we differ vs consensus:** Our earnings forecast in 2022E-23E is 9-12% above consensus estimates, due to higher ASP assumptions.

- **Catalysts:** (1) further increase in ASP; (2) efficiency enhancement through network integration.

- **Valuation:** Our TP of RMB94 is based on 61x 2022E P/E, 1SD above the historical average of 44x. We believe SF deserves a valuation premium, given the strong earnings recovery in 2022E-23E.

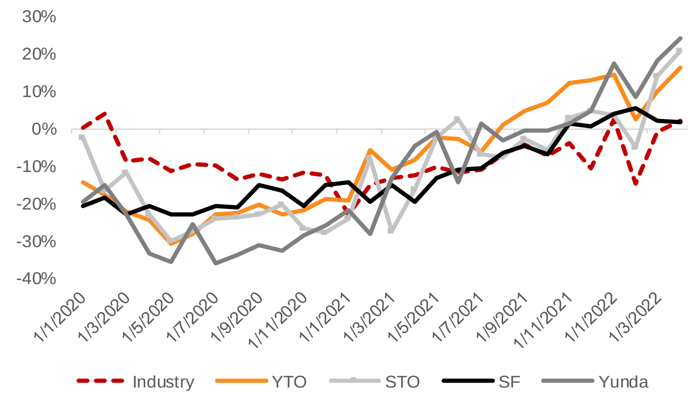
Link to latest report: SF Holding (002352 CH) – Core net profit in 4Q21 below expectation but recovery trend will continue

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	153,987	216,220	279,808	320,407
YoY growth (%)	37	40	29	15
Net income (RMB mn)	6,883	2,785	7,594	11,081
EPS (RMB)	1.54	0.61	1.55	2.26
YoY growth (%)	37.2	(60.6)	154.9	45.9
Consensus EPS (RMB)	N/A	N/A	1.45	1.99
EV/EBITDA (x)	18.9	20.6	12.8	9.8
P/E (x)	32.7	83.0	32.5	22.3
P/B (x)	4.1	3.1	2.9	2.6
Yield (%)	0.7	0.2	0.6	0.9
ROE (%)	13.9	4.1	9.2	12.2
Net gearing (%)	Net cash	2.1	5.8	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: ASP trend for major express delivery players



Source: The State Post Bureau, Company data, CMBIGM

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

Rating: BUY **| TP:** HK$5.89 (42% 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:** There are certainty headwinds for Bosideng's GP margin (rising raw materials, potentially less ASP increases, less room for retail discounts and more rebates to distributors) but the substantial savings on opex, should lead to OP margin expansions in FY23E. Moreover, thanks to 1) product innovations, 2) new categories, 3) increase in store productivity and 4) store expansions, it should be able to drive ~10% volume growth (hence ~16% sales growth) in FY23E.

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 1%/ 4%/ 7% lower than consensus and our net profit forecasts are 1%/ 2%/ 3% higher 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.

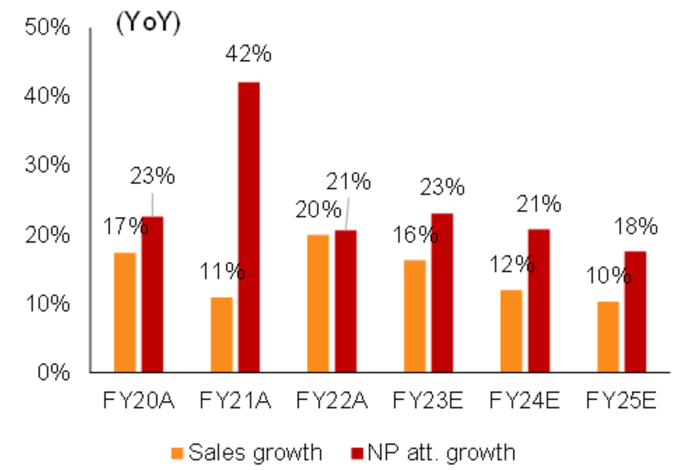
Link to latest report: Bosideng (3998 HK) – Our view on three major investors' concerns

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
Adj. net profit (RMB mn)	2,062	2,538	3,067	3,605
Adj. 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	0.231	0.273	0.353
P/E (x)	18.9	15.3	12.7	10.8
P/B (x)	3.1	2.9	2.6	2.4
Yield (%)	4.5	4.6	5.5	6.5
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

招银国际 CMB INTERNATIONAL

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

Rating: BUY | **TP:** HK$7.38 (22% 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 about 817 Nayuki branded stores and generated RMB4.3bn sales in FY21.
- **Our View:** We upgraded our call to BUY for Nayuki, based on two critical changes: 1) introducing more lower-priced products, enabling it to tap into the way larger customer group in China, and given their brand equity and high-quality ingredient, their product value for money enough to take more market shares and the fear of GP margin is not true (GP margin in 1H22 was as high as ~68%), 2) the use of automated tea-drink makers (since Jun 2022), which is able to reduce per store staff numbers a lot (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 9%/ 12%/ 8% lower than consensus and our net profit forecasts are 80%/ 15%/ 3% below street as we are more conservative on its sales per store growth and OP margin expansion.
- **Catalysts:** 1) better than expected product launches (esp. cheaper price items), 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 ~35x FY23E P/E and ~1.3x P/S.

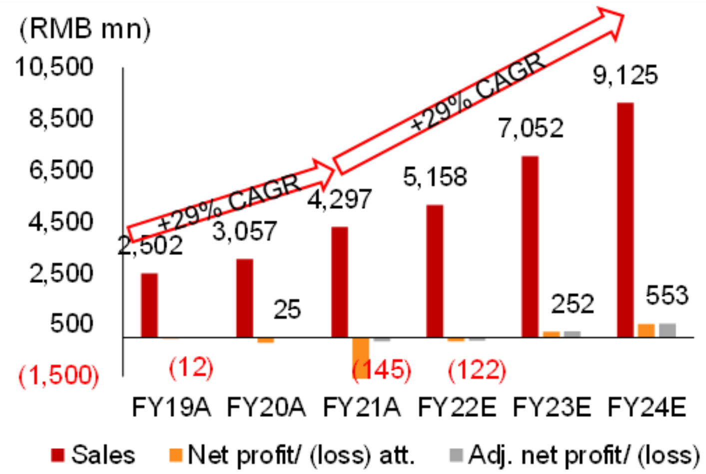
Link to latest report: Nayuki (2150 HK) - Breakeven achieved with more flexible costing

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
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	0.201	0.253	0.300
P/E (x)	(59.8)	(73.4)	35.4	16.1
P/S (x)	2.0	1.7	1.3	1.0
Yield (%)	N/A	N/A	N/A	N/A
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 (32% 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.

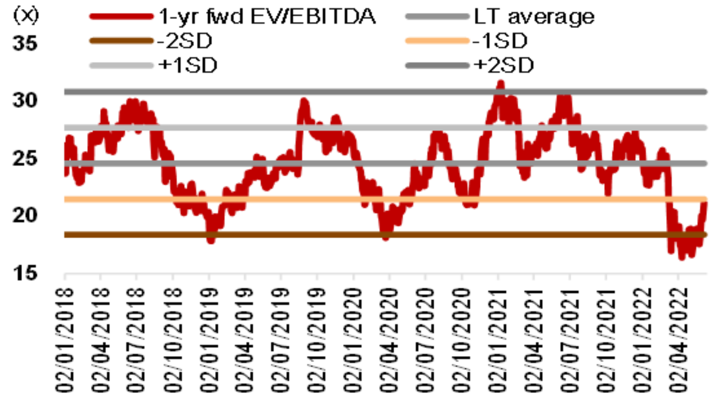
Link to latest report: CR Beer (291 HK) – 1H22 beat on better cost efficiency; our top pick over 2H22

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 (30% 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.

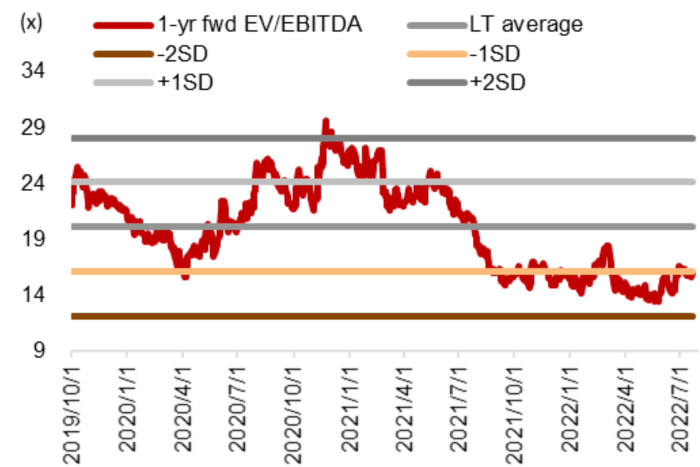
Link to latest report: [Budweiser APAC (1876 HK) – 2Q results largely in line; solid premiumization efforts mitigated volume headwind]

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

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

Rating: BUY **| TP:** RMB184 (15% upside)

Analyst: Joseph Wong

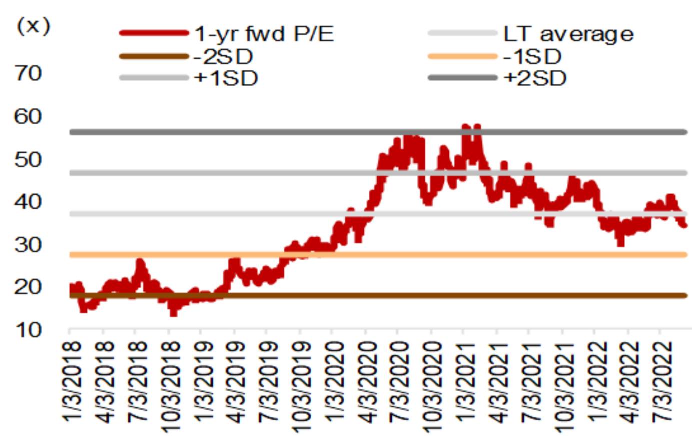
- 2Q results came in at the high range of the preliminary financial data announcement, with revenue and net profits standing at RMB 1.37bn (+35.5% YoY) and RMB 139mn (+19.2% YoY), respectively.
- Of note, the sequentially lower revenue growth (1Q: 38.5%) was mainly dragged by a 16% decline in offline 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

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

Rating: BUY **| TP:** HK$52.59 (84% upside) Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Innovent currently has seven 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. NDAs of Retsevmo (RET) for NSCLC/MTC/TC were accepted by CDE in Aug 2021 with the approval expected in 2H22E, which will become the eighth commercial product of Innovent. Additionally, already approved for 2L GC in China, CYRAMZA (VEGFR2) may receive approval for 2L HCC in 2H22E. 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, is expected to enter Ph3 studies for obesity and 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. 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%).

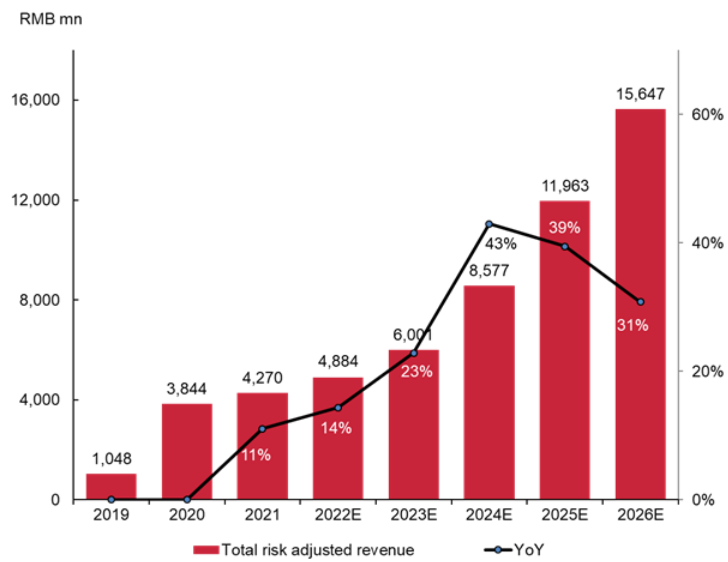
Link to latest report: Innovent Biologics (1801 HK) – Fast expanding commercial product portfolio

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)	(1.48)	(0.88)	(0.15)
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

招銀国际 CMB INTERNATIONAL

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

Rating: BUY **|** **TP:** HK$120.39 (125% 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%).

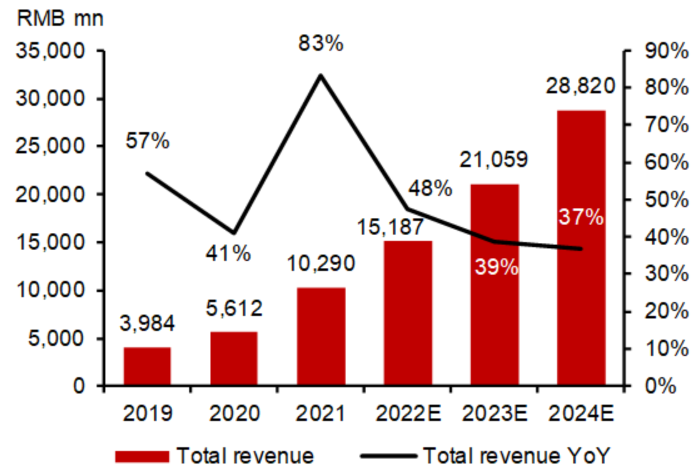
Link to latest report: WuXi Biologics (2269 HK) – Non-COVID projects driving long-term growth

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)	1.05	1.40	1.83
EPS YoY growth (%)	29	33	31
Consensus EPS (RMB)	1.12	1.51	2.03
P/E (x)	54.1	40.6	31.0
P/B (x)	6.6	5.6	4.8
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 (49% 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

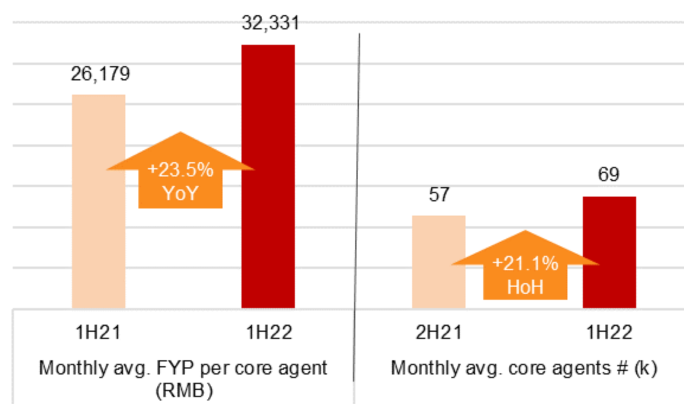
CPIC (2601 HK) – Re-energizing agency force

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	2.61	3.11	3.44
P/BV (x)	0.6	0.6	0.6	0.5
P/EV (x)	0.3	0.3	0.2	0.2
Yield (%)	6.7	5.7	6.8	8.2
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 (90% 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 -9%), with domestic biz still profitable in 2H22E. 3Q22E guidance was 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) potential upbeat 3Q22E; 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.

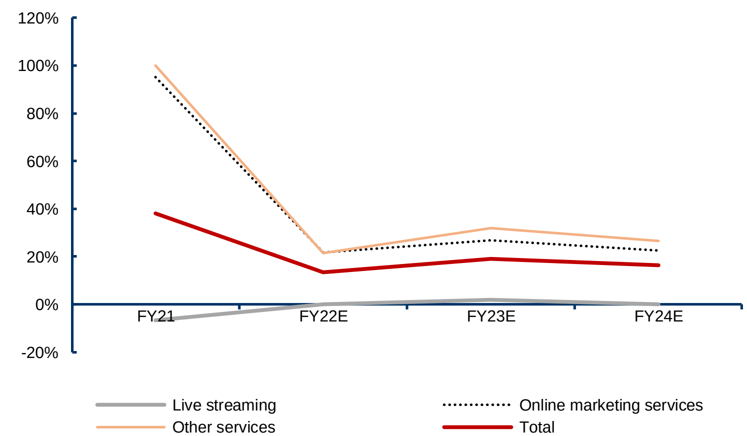
- **Link to latest report**: Kuaishou (1024 HK) – Another upbeat quarter; 2H22E outlook on track

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)	3.4	2.9	2.5	2.2
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 (32% 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.

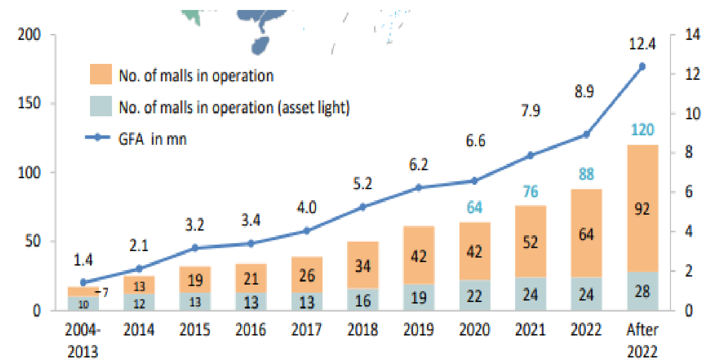
Link to latest report: China Property Sector – Bumpy road ahead despite better-than-feared 2M22 data

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

CG Services (6098 HK): Strong beneficiary of eased pandemic on Community VAS

Rating: BUY **| TP:** HK$47.6 (203% upside)

Analysts: Jeffrey Zeng/Miao Zhang

- **Investment Thesis:** CGS may face short-term volatility after adjusting its 2022E NP growth to 40% from 50%, together with declining margin and high trade receivables. However, we think the downside is limited given the attractive valuation at 14x 2022E and benefits from eased lockdown. Also management promised not to do placement for M&A and margin/receivables will improve in 2022E after the M&A dilution was mainly reflected in 2021.

- **Our View:** Unlike most players, CGS has turned its M&A focus to community VAS expansion, reflected in City-Media (elevator ads), Hopefluent (real estate agency) and Wenjin International (insurance) acquisitions. Together with CGS' own booming retail business (with the help of its Parentco sourcing), we expect managed GFA to grow at a stable 30% CAGR in 2019-2022E, and the Company would be the key winner in VAS growth.

- **How do we differ:** We value CGS' potential in VAS which the market has not yet recognized. With CGS's strong capital and execution, we think the Company can improve its VAS per sq m from current RMB3/sq m to RMB30/sq m in the future, getting closer to the level of RMB50-56 in the US and Japan. We think its Community VAS could contribute as much as RMB5bn net income in the mid-to-long run, and may be worth RMB150bn valuation alone by assigning 30x PE.

- **Valuation:** It is currently trading at 7x 2022E PE and looks attractive.

Link to latest report: CG Service (6098 HK) – Keeping low for its second takeoff

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	15,600	28,843	44,337	56,977
YoY growth (%)	61.7	84.9	53.7	28.5
Net income (RMB mn)	2,686	4,033	5,747	7,600
EPS (RMB)	0.98	1.28	1.72	2.27
YoY growth (%)	55.7	31.1	34.2	32.2
Consensus EPS (RMB)	N/A	N/A	1.75	2.75
P/E (x)	N/A	10.2	7.6	5.7
P/B (x)	N/A	5.3	4.3	3.2
Yield (%)	N/A	2.3	3.3	4.4
ROE (%)	18.4	11.1	30.2	30.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CGS has first-mover advantage in VAS acquisitions

Date	Target company	Business	Stake	Consideration (RMB mn)
Apr-20	Wenjin Insurance I	Insurance	100%	84
Apr-20	Hopefluent	Property agency	100%	92
Jul-20	City Media	Elevator ads	100%	1,500

Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** RMB48.0 (47% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** Goertek is 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. For 1H22E, company pre-announced net profit of RMB2.08-2.42bn, up 20-40% YoY, implying 2Q22 NP growth of 59-99% YoY. We think the profit alert alleviated market concerns on AirPods weakness, COVID-19 impact and VR momentum in 2022. Looking into 2H22E, we believe Goertek's growth momentum will continue with multiple product launches from new-gen AirPods, Quest 2 Pro and PS VR2. Overall, we expect Goertek's earnings to grow 33%/21% in FY22/23E, backed by 62%/26% growth in smart product segment (VR, gaming console, smart watch). We believe recent pullback provides good buying opportunity, given its solid product roadmap and high earnings visibility in AR/VR and gaming console biz.

- **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$48.0 is based on 28x FY22E P/E, based on 7-year historical avg. P/E.

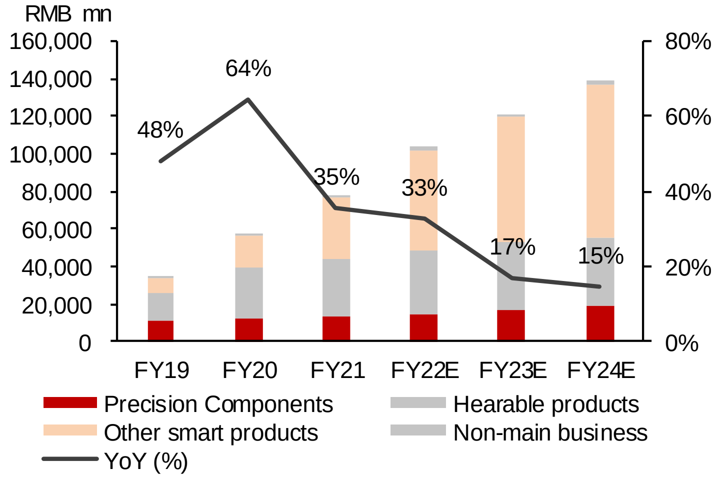
Link to latest report: Goertek (002241 CH) – Strong VR momentum into 2H22E; Maintain BUY

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	78,221	103,687	121,268	138,872
YoY growth (%)	35.5	32.6	17.0	14.5
Net profit (RMB mn)	4,275	5,853	7,086	8,610
EPS (RMB)	1.29	1.71	2.07	2.52
YoY growth (%)	44.9	32.8	21.1	21.5
Consensus EPS (RMB)	1.29	1.66	2.10	2.59
P/E (x)	25.1	18.9	15.6	12.9
P/B (x)	4.0	3.4	2.9	2.4
Yield (%)	0.6	0.8	1.0	1.2
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 (55% 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 will 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.

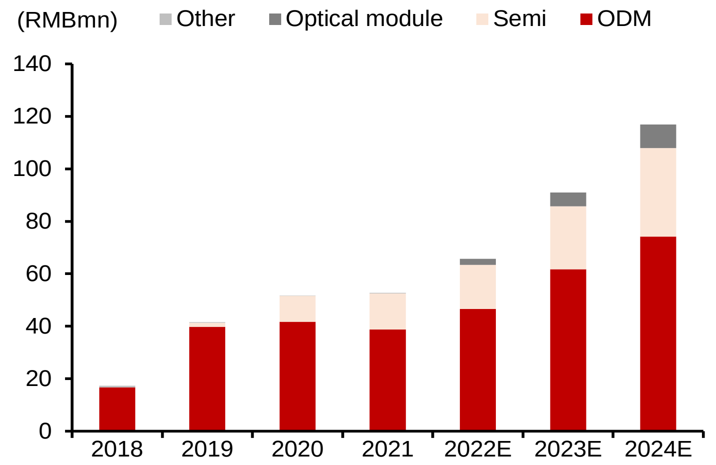
Link to latest report: [Wingtech (600745 CH) – Diversified hardware play with bright outlook]

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

Kingdee (268 HK): Domestic ERP SaaS leader

Rating: BUY **| TP:** HK$23.83 (79% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Kingdee is the largest enterprise application SaaS vendor in China with 5.8% market share in 1H20, according to IDC. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 19% revenue CAGR in FY21-24E reaching RMB7,091mn.
- **Our View:** We think it is a good time now to compare the cloud transition performance among domestic ERP leaders – Kingdee, Yonyou and Inspur as each of them has accumulated three years of SaaS data. Kingdee launched first cloud-native platform Cloud Galaxy in 2014 while Yonyou/ Inspur are late joiners in 2019. We like Kingdee most given its strong footprint in medium-sized enterprise market where customers have higher acceptance level to standardized SaaS/ subscription model. ARR accounted for 38% of Kingdee FY21 revenue, vs. 18% for Yonyou, although Yonyou reported a 2x larger cloud revenue.
- **Why do we differ vs consensus:** Domestic substitution has helped Kingdee penetrate into large corporates such as Huawei, Vanke, China Merchants Group. Meanwhile, it will be difficult for Yonyou, who launched first cloud-native platform five years later than Kingdee, to gain share in the medium-sized enterprise market.
- **Catalysts:** Better than expected cloud revenue growth in 2H22. Supportive policies related to "Xinchuang" implementation.
- **Valuation:** We derive our target price of HK$23.83 on 11.0x FY23E EV/sales, in-line with its 3-year mean. Kingdee deserves re-rating given increasing subscription revenue and hence better cash flow visibility.

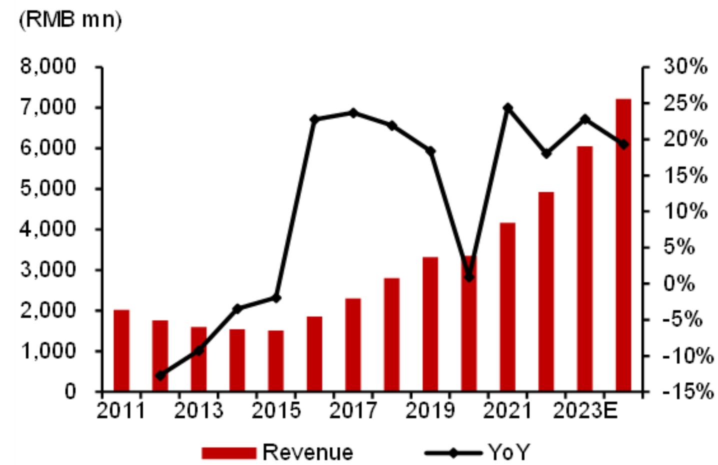
Link to latest report: Kingdee (268 HK) – Cloud on track with improved earnings quality

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,174	4,906	5,931	7,091
YoY growth (%)	24	18	21	20
Net profit (RMB mn)	(302)	(513)	(237)	32
EPS (RMB)	(0.09)	(0.15)	(0.07)	0.01
YoY growth (%)	(1)	(64)	(55)	(113)
Consensus EPS (RMB)	(0.09)	(0.09)	(0.04)	0.04
EV/sales (x)	8.8	7.5	6.2	5.1
PE (x)	N/A	N/A	N/A	1226.0
Dividend yield (%)	0.00	0.00	0.00	0.00
ROE (%)	(4)	(7)	(3)	0
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months

HOLD : Stock with potential return of +15% to -10% over next 12 months

SELL : Stock with potential loss of over 10% over next 12 months

NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months

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

UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Disclosures & Disclaimers

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this document may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This document has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this document. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this document and CMBIGM will not assume any responsibility in respect thereof. This document is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I)falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time)(“The Order”) or (II) are persons falling within Article 49(2) (a) to (d) (“High Net Worth Companies, Unincorporated Associations, etc.,) of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.