招银国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

18 October 2023

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY23E	P/E (x) FY24E	P/B (x) FY23E	ROE FY23E	Yield FY23E	Analyst
Long Ideas														
Li Auto Inc.	LI US	Auto	BUY	35.4	248.4	33.4	55.0	65%	34.3	17.3	5.5	17.6	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	11.9	43.1	9.3	14.0	51%	24.9	18.1	1.1	4.7	1.0%	Shi Ji/ Dou Wenjing
Weichai Power	2338 HK	Capital Goods	BUY	15.2	8.3	11.4	16.1	41%	10.7	10.0	1.1	11.0	3.3%	Wayne Fung/ Katherine Ng
Zhejiang Dingli	603338 CH	Capital Goods	BUY	3.4	25.4	49.5	67.0	35%	17.9	14.6	3.2	19.2	1.1%	Wayne Fung
CR Power	836 HK	Energy	BUY	8.9	21.4	14.5	22.5	55%	5.4	4.5	0.7	14.6	N/A	Megan Xia
CR Gas	1193 HK	Energy	BUY	7.0	9.8	23.7	35.5	50%	8.6	7.3	1.3	11.2	N/A	Megan Xia
Anta	2020 HK	Consumer Discretionary	BUY	33.3	67.6	91.8	110.0	20%	22.5	18.2	5.6	28.0	1.6%	Walter Woo
JNBY	3306 HK	Consumer Discretionary	BUY	0.7	0.4	10.4	14.3	37%	6.7	5.8	2.1	33.9	11.0%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.7	0.6	4.6	6.7	47%	8.7	7.0	1.8	23.0	2.9%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	17.9	44.9	43.2	73.1	69%	24.4	19.3	4.3	18.9	1.6%	Joseph Wong
Tsingtao	168 HK	Consumer Staples	BUY	13.0	20.7	59.0	88.9	51%	19.0	16.8	2.9	16.6	3.5%	Joseph Wong
Kweichow Moutai	600519 CH	Consumer Staples	BUY	295.3	534.7	1718.8	2440.0	42%	30.8	26.9	9.9	31.9	1.4%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	8.8	47.9	42.9	48.1	12%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
China Life	2628 HK	Insurance	BUY	119.8	48.3	12.3	17.8	45%	N/A	N/A	0.6	9.9	6.2%	Nika Ma/ Zhang Miao
Ping An	2318 HK	Insurance	BUY	110.5	189.1	42.6	80.3	88%	0.5	0.4	0.8	14.4	6.2%	Nika Ma/ Zhang Miao
AIA	1299 HK	Insurance	BUY	101.1	266.7	68.9	118.0	71%	1.4	1.3	2.3	18.2	2.4%	Nika Ma/ Zhang Miao
Tencent	700 HK	Internet	BUY	363.1	699.2	298.2	460.0	54%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Pinduoduo	PDD US	Internet	BUY	132.6	872.8	104.9	109.0	4%	24.4	17.4	4.9	23.4	N/A	Saiyi He/ Frank Tao/ Wentao Lu
NetEase	NTES US	Internet	BUY	66.9	91.8	103.8	125.0	20%	20.1	18.8	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	213.4	1359.6	83.9	155.0	85%	10.8	8.6	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Kuaishou	1024 HK	Entertainment	BUY	33.3	156.4	59.9	97.0	62%	34.0	20.0	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	27.2	40.1	29.8	45.1	51%	5.4	4.9	0.7	13.3	5.7%	Miao Zhang/ Nika Ma
BYDE	285 HK	Technology	BUY	11.6	28.4	40.2	42.0	5%	20.7	16.8	3.6	12.0	0.2%	Alex Ng/ Hanqing Li
Wingtech	600745 CH	Technology	BUY	7.9	85.0	46.3	68.0	47%	20.8	15.0	N/A	6.3	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	4.5	21.2	10.2	17.0	67%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 18/10/2023, 10:00 a.m

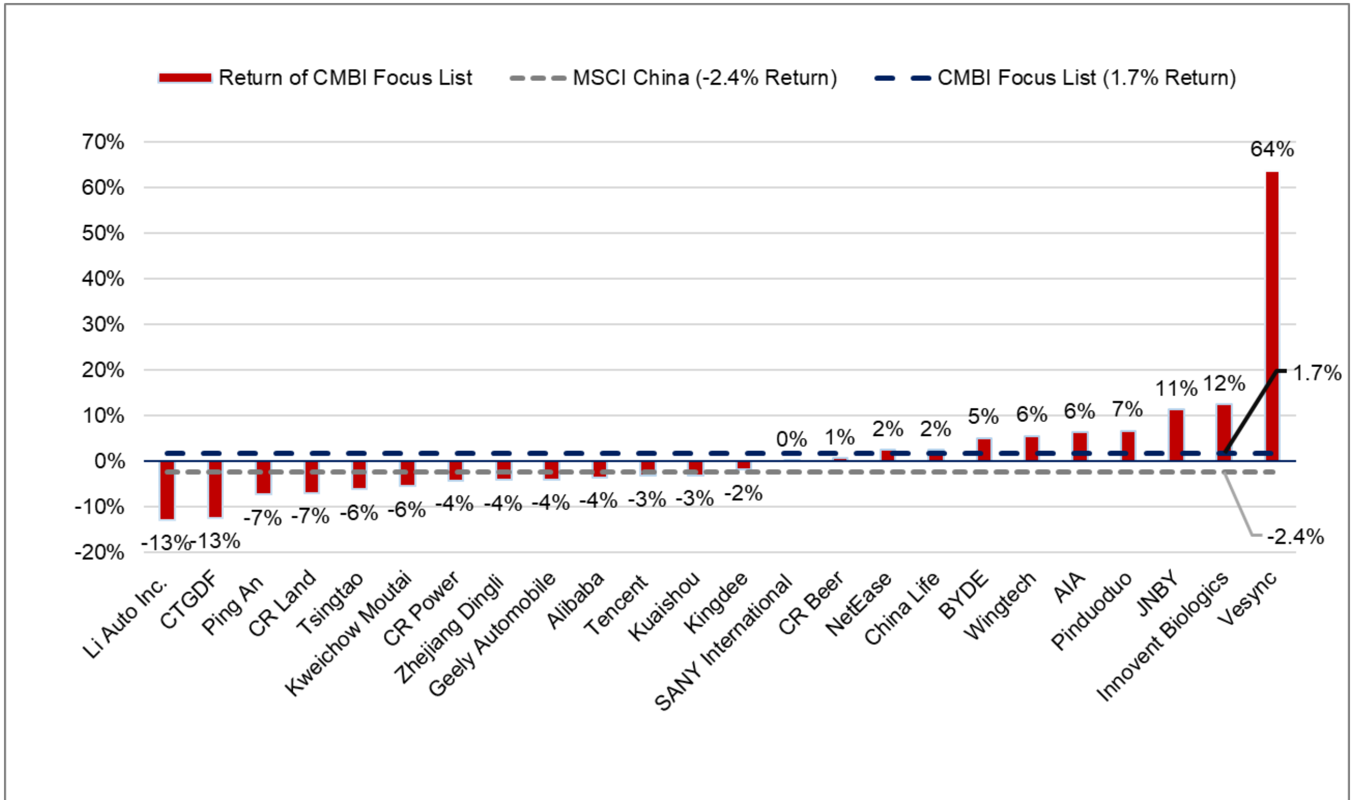
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Weichai Power	2338 HK	Capital Goods	BUY	Wayne Fung	We expect strong sales of gas-fueled truck engines to continue on the back of favourable gas/diesel price spread.
CR Gas	1193 HK	Energy	BUY	Megan Xia	Attractive valuation. Jan-Sep gas sales growth inline. For Sep, industrial and commercial gas sales boosted rapidly by 10% YoY and 18% YoY. Dollar margin achieved visible improvement of RMB0.6cbm in Sep, and we believe CRG can achieve its mgmt's full-year guidance of RMB0.5cbm. Robust growth of
Anta	2020 HK	Consumer Discretionary	BUY	Walter Woo	We believe FILA and Anta performed well in 3Q23 despite the tough macro. But with more positives from reforms, easier base and low expectations, we think the inflection point could be here and suggest investors to BUY in 4Q23E.
Deletions					
SANY International	631 HK	Capital Goods	BUY	Wayne Fung	While the structural growth story through product mix enhancement remains intact, we see a lack of catalyst in the very near term.
CTGDF	601888 CH	Consumer Staples	BUY	Joseph Wong	We take out CTGDF from the list and wrapped up our 10.1 short-term call.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 19 Sep, we highlighted a list of 24 long ideas.
- The basket (equal weighted) of these 24 stocks outperformed MSCI China index by 4.1ppt, delivering 1.7% return (vs MSCI China -2.4%).
- 3 of these stocks delivered 10% return or more, and 12 of our 24 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 19 Sep 2023 to 17 Oct 2023

Long Ideas

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

Rating: BUY **| TP:** US$55.00 (65% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** We expect Li Auto's earnings to beat in 3Q23E, and believe its strong earnings growth could extend into FY24E, especially with four new model launches next year. We believe the impact of EU's probe into China's subsidies for EV makers initiated in Sep 2023 could be minimal on Li Auto compared with peers. Li Auto's monthly deliveries are likely to exceed 40,000 units for the first time in Oct 2023.

- **2H23E outlook**. We expect Li Auto's FY23E sales-volume to slightly exceed our prior forecast of 0.36mn units. We estimate gross margin in 2H23E to widen HoH to around 23% amid the phase-out of the aging *Li One* and greater economies of scale, despite wider discounts amid competition. Accordingly, we project Li Auto's FY23E net profit to beat our prior forecast of RMB 8.8bn, with a potentially solid result in 3Q23E.

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

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

Links to latest reports: Li Auto Inc. (LI US) – A replica of FY20-21 Tesla?

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

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	27,010	45,287	122,453	199,650
YoY growth (%)	186	68	170	63
Net income (RMB mn)	(321)	(2,012)	8,790	17,591
EPS (RMB)	(0.2)	(1.0)	4.5	8.9
YoY growth (%)	N/A	N/A	N/A	100.1
P/S (x)	9.3	6.3	2.5	1.5
P/E (x)	N/A	N/A	34.3	17.3
P/B (x)	6.1	6.4	5.5	4.1
ROE (%)	(0.9)	(4.7)	17.6	27.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK) – More NEV models rollouts as a positive catalyst

Rating: BUY | TP: HK$ 14.00 (51% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** Geely is now well on track to achieve its full-year sales volume target of 1.65mn units this year, which could beat our prior expectation. We believe Geely's profitability of NEV models should be more resilient than some investors' expectation, thanks to the synergy across the group and platform technology. The company plans to roll out several new NEV models in 4Q23, including the *Galaxy E8* EV, Zeekr B-class sedan EV, Lynk & Co *06* PHEV and Jiyue *01* EV, which may be positive catalysts for its share price, in our view.

- **New NEV model launches on track, with resilient ICE profitability.** A good start of the *Galaxy L7* PHEV could lure more consumers for new models under the Galaxy series (the *Galaxy L6* PHEV and *E8* EV this year, and *Galaxry E7* EV / *E6* EV / *L5* PHEV in FY24E). Zeekr plans to unveil at least two new models (one A+ sedan and one SUV) in the next 15 months. While new NEV models are key to its valuation, Geely's resilient profitability from ICE vehicles is also crucial to its sustainability. It now only needs to rely on a few ICE models such as the *Xingyue L* and *Xingrui* to make profit. We think such profitability is likely to be sustained after experiencing a price war in 1H23.

- **Earnings and Valuation.** We maintain our FY23-24E net profit forecasts of RMB 3.6bn and RMB 4.9bn, respectively, which could be quite conservative. We value Zeekr at 2.0x FY24E core revenue (excluding Viridi's battery pack sales and R&D services), which would result in HK$ 100bn for 100% Zeekr's valuation. We value Geely's all other businesses excluding Zeekr at 15x our FY24E P/E. We maintain our BUY rating and TP of HK$ 14.00. Key risks to our rating and target price include lower sales volume, especially NEVs, than we expect.

Link to latest report: Geely Automobile (175 HK) – 1H23 GPM beat for both ICE and NEV

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	101,611	147,965	177,091	195,690
YoY growth (%)	10.3	45.6	19.7	10.5
Net income (RMB mn)	4,847	5,260	3,613	4,947
EPS (RMB)	0.48	0.50	0.34	0.47
YoY growth (%)	(12.4)	8.5	(31.3)	36.9
P/E (x)	16.1	16.5	24.9	18.1
P/B (x)	1.1	1.1	1.1	1.1
Yield (%)	0.9	1.6	1.0	1.3
ROE (%)	7.3	7.3	4.7	6.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Weichai Power (2338 HK) – Expect further market share gain on strong gas trucks sales

Rating: BUY | **TP:** HK$16.1 (41% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** Weichai is a key beneficiary of the strong demand for gas-fueled HDT, given its >50% market share in the gas HDT engine sector. On the other hand, we believe Weichai's increasingly diversified product portfolio, including (1) the consolidation of LOVOL Heavy (note: LOVOL has ~25% market share in the agricultural tractor segment), (2) the increase in installation of CVT engines for LOVOL, (3) fast-growing sales of large bore engines, (4) continuous investment in hydrogen fuel cell, will help reduce earnings volatility.

- **Our View:** The latest LNG price declined 40%+ from the peak in late 2022, while the diesel price dropped <20% during the period. Sales of natural gas HDT therefore has had a strong run since early this year, with the percentage of total HDT sales rising from 7% in Dec 2022 to 31% in Sep 2023. We believe the current price difference will continue to boost the sales of LNG trucks given the lower operating cost to truck owners.

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is 6%/2% above consensus. We are positive on the market share in the HDT engine segment.

- **Catalysts:** (1) expansion of gas/diesel price spread; (2) recovery of logistics and construction activities

- **Valuation:** Our SOTP-based TP is HK$16.1. The stock is trading at ~10x 2024E P/E, below the historical average of 12.4x.

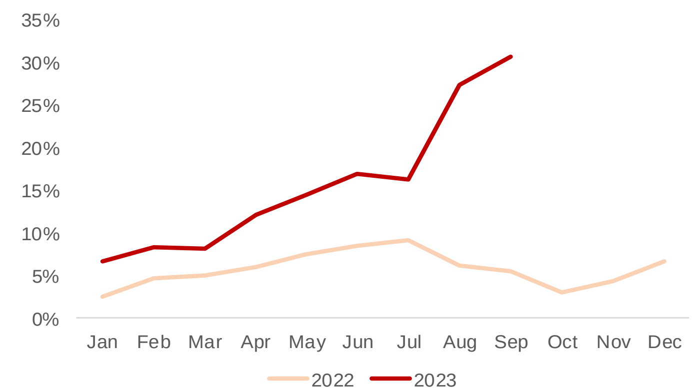
Link to latest report: Weichai Power (2338 HK) – 3Q23 earnings surged 120-200% YoY; Strong trucks sales continue to be key driver

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	175,158	210,553	227,062	239,855
YoY growth (%)	(13.9)	20.2	7.8	5.6
Core net income (RMB mn)	4,906	8,416	9,039	9,798
Core EPS (RMB)	0.56	0.96	1.04	1.12
YoY growth (%)	(47.0)	71.6	7.4	8.4
Consensus EPS (RMB)	N/A	0.91	1.02	1.11
P/E (x)	17.4	10.7	10.0	9.2
EV/EBITDA (x)	5.7	4.2	4.0	3.7
P/B (x)	1.2	1.1	1.1	1.0
Yield (%)	2.6	3.3	3.5	3.8
ROE (%)	6.8	11.0	11.0	11.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Natural gas HDT as % of total HDTs sold



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB67.0 (35% upside)

Analyst: Wayne Fung

- **Investment Thesis:** We believe aerial work platform (AWP) is still in a structural growth trajectory as the rising labor cost in China will make AWPs incrementally cost competitive compared with the traditional scaffolding. Besides, overseas demand is strong at present, driven by replacement demand and new factories construction. We believe Zhejiang Dingli remains a major beneficiary given its global presence, cost competitiveness, brand recognition and strong management execution.
- **Our View.** We believe the listing of **Horizon Construction (9930 HK, BUY)**, the major customer of Dingli in China market, will enhance the visibility of Dingli's AWP orders over the coming 1-2 years. Besides, we expect Dingli to deliver accelerating sales volume growth in 2024E upon the commencement of smart factory with annual capacity of 4,000 units of AWP. On the margin side, given the high overseas revenue (>60%), we expect Dingli to deliver meaningful gross margin expansion driven by the decline in freight rate and steel cost, as well as the appreciation of foreign currency against RMB.
- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is --6%/0% versus consensus, as we expect growth to accelerate in 2024E given by new capacity.
- **Catalysts:** (1) further weakness in RMB rate; (2) recovery of China's demand; (3) Sales of boom lifts in the US.
- **Valuation:** We set our TP at RMB67, based on 23x 2023E P/E (on the back of 23% earnings growth in 2024E). Our target multiple remains well below the historical average of 31x.

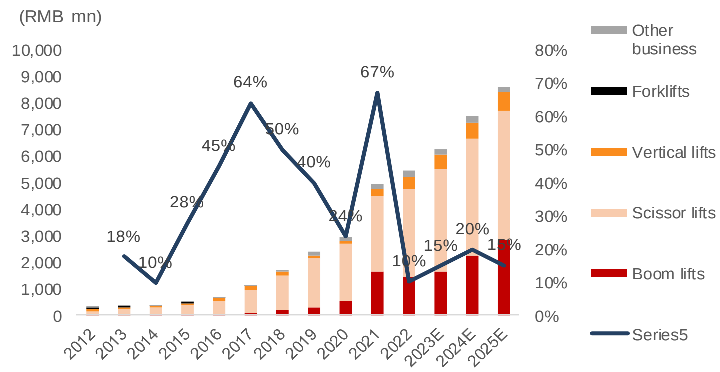
Link to latest report: Zhejiang Dingli – 2Q23 earnings +35% YoY in line; Boom lift in overseas the upcoming driver

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,445	6,251	7,488	8,620
YoY growth (%)	10.2	14.8	19.8	15.1
Net income (RMB mn)	1,257	1,472	1,814	2,136
EPS (RMB)	2.48	2.91	3.58	4.22
YoY growth (%)	36.3	17.0	23.3	17.7
Consensus EPS (RMB)	N/A	3.09	3.59	4.20
EV/EBIDTA (x)	19.6	14.4	11.5	9.8
P/E (x)	21.0	17.9	14.6	12.4
P/B (x)	3.7	3.2	2.7	2.3
Yield (%)	1.0	1.1	1.4	1.6
ROE (%)	19.3	19.2	20.1	20.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIGM estimates

CR Power (836 HK) – August operating data recap

Rating: BUY **|** **TP:** HK$22.53 (55% upside)

Analysts: Megan Xia

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

- **Our View:** We estimate the total domestic electricity consumption will continue to grow, and the lower upstream cost of thermal power and new energy power will benefit the power operators' profit. For CR Power, we think the valuation is still attractive as follows: 1) new energy business: CR Power targets to have 7,000 MW of newly-added installed capacity of wind and solar power in 2023. Lower upstream wind and solar power enable CRP to have higher installation willingness; 2)CR Power's wind power sales boosted by 13.3% YoY, and solar power sales increased significantly by 81.0% YoY in Jan-Jun 2023 based on favorable light conditions and larger effective installed capacity. 3) Thermal power segment: Lower thermal coal prices are expected to continue to improve the company's thermal power business profits and lower costs.

- **Valuation:** CR power is trading at 0.77x/0.69x PB for FY23/24E, which is lower than its peer's avg. PB of 1.2x/1.1x. The valuation is attractive. We arrive at a SOTP-based TP of HK$22.53 with a BUY rating, based on 1.3x FY23E PB of the renewable segment (~peers avg. PB of 1.2x in FY23E) and 0.7x FY23 forward PB of the thermal segment (~peers avg. PB of around 0.7x in FY23E).

- **Risks:** 1) continuous drop of thermal coal cost tends to be slow; 2) the new energy's installation progress was slower-than-expected; 3) thermal power and wind power generation growth was short of expectation.

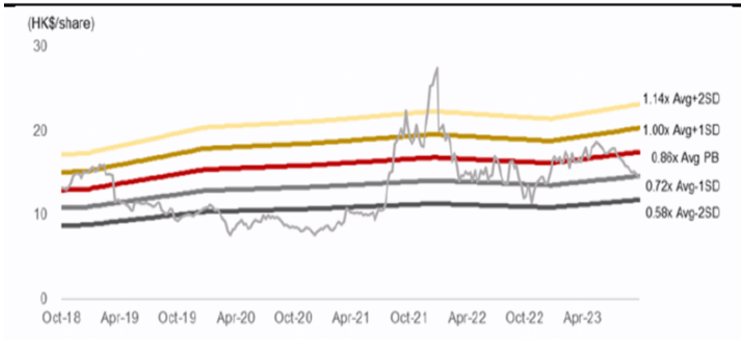
Link to latest report: CR Power (836 HK) – August operating data recap

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (HK$ mn)	103,305	112,885	120,914	129,326
Net profit (HK$ mn)	7,042.5	12,703.6	15,152.6	17,919.3
EPS (Reported) (HK$)	1.46	2.64	3.15	3.73
YoY growth (%)	342.2	80.4	19.3	18.3
Consensus EPS (HK$)	1.46	2.45	2.94	3.31
P/E (x)	10.5	5.4	4.5	3.8
P/B (x)	0.9	0.7	0.7	0.6
ROE (%)	8.3	14.6	15.6	16.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRP's PB band



Source: Company data, CMBIGM

CR Gas (1193 HK) – Sound operating data in Aug with steady growth outlook

Rating: BUY | **TP:** HK$35.48 (50% upside)

Analysts: Megan Xia

- **Investment Thesis:** CRG is now trading at around 9x FY23E PE, and the valuation is still attractive. We are optimistic about CRG, considering: 1) better C&I gas sales volume; 2) positive residential cost-cross policies release successively will be favourable for CRG's dollar margin improvement; 3) robust growth momentum of CRG's value-added services and comprehensive energy segment continues; and 4) superior financial resilience. Maintain BUY.

- **Our View:** CRG's 2023 guidance is relatively conservative but optimistic as it expects gas demand recovery and better gas cost-cross progress ahead. The improvement will be mainly driven by: 1) The growth of overall gas sales volume was 7.4% YoY. In particular, industrial and commercial gas sales were up by 6.5% YoY and 8% YoY. For Aug, CRG recorded rapid gas sales growth of 10.5% YoY, with 10% YoY and over 18% YoY industrial/commercial gas sales growth. 2) For dollar margin, the positive residential cost-cross policies are actively releasing (CRG's residential clients base is huge), and its total dollar margin for the first nine months was RMB0.53-0.54/cbm in 2023; 3) We expect CRG's new residential users will be 3.5mn. 4) The comprehensive service business maintains robust growth. Thus, we stay optimistic on CRG and regard the valuation as attractive.

- **Valuation:** For 2023, considering economic recovery and lower gas costs, we forecast the total gas sales volume will achieve 8% growth and the dollar margin will rebound to RMB0.5/cbm. Additionally, we expect CRG's comprehensive service to continue to show resilient growth. CRG is trading at around 9x PE in FY23E, close to -1SD of its 3-year historical average PE. The valuation is still attractive. We maintain our TP of HK$35.48, based on 13x FY23E PE (~close to 3-year avg. PE) and FY23E EPS of HK$2.73/share. Reiterate a BUY rating.

- **Risks:** 1) the progress of cost-cross measures is slower-than-expected; and 2) fluctuation of upstream gas cost.

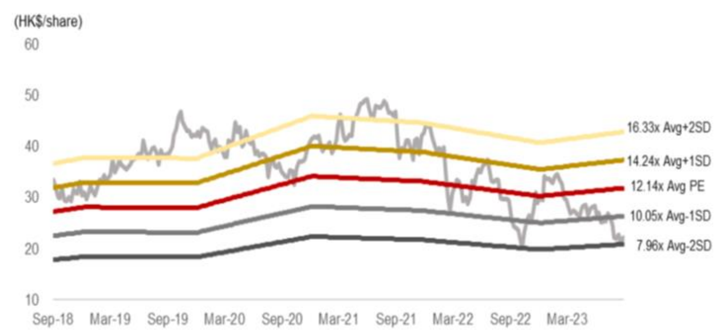
Link to latest report: CR Power (836 HK) – Sound operating data in Aug with steady growth outlook

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (HK$ mn)	94,338	95,912	98,573	104,413
Net profit (HK$ mn)	4,733.5	6,189.6	7,225.6	7,706.0
EPS (Reported) (HK$)	2.09	2.73	3.19	3.40
Consensus EPS (HK$)	2.77	3.03	3.39	3.61
P/E (x)	15.2	8.6	7.3	6.9
P/B (x)	1.8	1.3	1.2	1.1
ROE (%)	8.9	11.2	12.0	11.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRP's PB band



Source: Company data, CMBIGM

Anta (2020 HK): Earnings cut and de-rating may end here

Rating: BUY **| TP:** HK$109.99 (20% upside)

Analyst: Walter Woo

- **Investment Thesis:** Despite the short-term pressure in FY23E, we are still optimistic about sportswear's long-term growth in China. Anta group, thanks to its well-diversified portfolio, we are confident that it can deliver stable and consistent growth onwards (esp. vs Li Ning). It is the owner of many top tier sports brands, such as Anta, FILA, Solomon and Arc'teryx (through Amer Sports), etc. Growth drivers include: 1) Anta brand reform, 2) FILA's momentum, 3) Descente to yield profits, 4) Amer's big brands, China and DTC initiatives.

- **Our View:** We do think the inflection point has come (no more earnings cut and de-rating), because of the turnaround for Anta/FILA and the decent momentum form Descente/ Kolon and Amer sports. Anta sales growth could accelerate and outperform Li Ning, thanks to: 1) low base in 4Q22, 2) more innovative product launches (esp. after the management change), 3) resumption of wholesales growth. FILA sales growth had been excellent and may sustain into FY24E, thanks to: 1) resilient e-commerce growth and 2) successful products reform (new products, including the functional and footwear products).

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our net profit forecasts are 4%/ 7%/ 7% higher than the street given a better FILA sales growth and operating leverage.

- **Catalysts:** 1) solid long-term retail guidance, 2) better than expected reforms, 2) strong 4Q23E data, 3) positive peers and industry data points.

- **Valuation:** We derived our 12m TP of HK$109.99 based on 27x FY22E P/E. We believe the reforms of Anta/ FILA can yield better growth onwards and may drive further re-rating. The stock is trading at 23x FY22E.

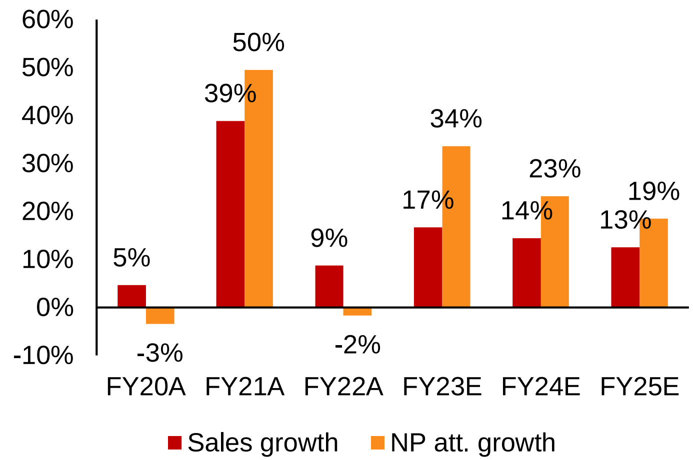
Link to latest report: Anta (2020 HK) – Earnings cut and de-rating may end here

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	53,651	62,611	71,670	80,675
YoY change (%)	8.8	16.7	14.5	12.6
Net profit (RMB mn)	7,590.0	10,144.2	12,499.7	14,814.6
EPS - Fully diluted (RMB)	2.72	3.64	4.48	5.31
YoY change (%)	(1.7)	33.7	23.2	18.5
Consensus EPS (RMB)	N/A	3.515	4.186	4.926
P/E (x)	30.0	22.5	18.2	15.4
P/B (x)	6.7	5.6	4.6	3.9
Yield (%)	1.4	1.6	2.3	3.0
ROE (%)	24.6	28.0	28.6	28.3
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

JNBY (3306 HK): An all-rounded beat and an optimistic outlook

Rating: BUY **| TP:** HK$14.26 (37% upside)

Analyst: Walter Woo

- **Investment Thesis:** JNBY is a leading designer brand in China, owning brands like JNBY, CROQUIS, less and jnby by JNBY, etc.. We believe its FY26E target of RMB 6.0bn/ RMB 900mn is robust (10%/ 13% sales/ NP CAGR during FY23-26E) and achievable enough (we only priced in 95%). Growth drivers include: 1) industry consolidation, 2) upgrades in products and branding, 3) store revamps, 4) ramp up of its digital related and e-commerce sales, 5) store expansion and 6) development of new brands.

- **Our View:** We think the 10%+ sales/ net profit growth guidance is highly achievable, because of: 1) robust retail sales growth in Jul 2023, 2) the low base since Sep 2023, 3) improvements and upgrades in member management and customer services (on both online and offline) have just started to ramp up after China's re-opening and 4) growth momentum is still strong on new social media platforms. Margin-wise, as we expect retail discounts and channel mix to stay healthy and GP margin should be at 65% or above. Also, while we expect JNBY to invest heavily on brand building by acquiring more talents and spending more in A&P, there could still be some leverage from the continual increase in per store productivity.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 2%/ -2%/ -5% vs consensus and our net profit forecasts are 12%/ 9%/ 5% higher than street as we are more conservative on sales growth but more optimistic on its OP margin expansion.

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

- **Valuation:** We derived our 12m TP of HK$14.26 based on a 10x FY6/24E P/E. We believe JNBY can re-rate more as the rapid growth sustain in 2023. The stock is trading at ~6x FY6/24E P/E and 13% FY6/24E yield.

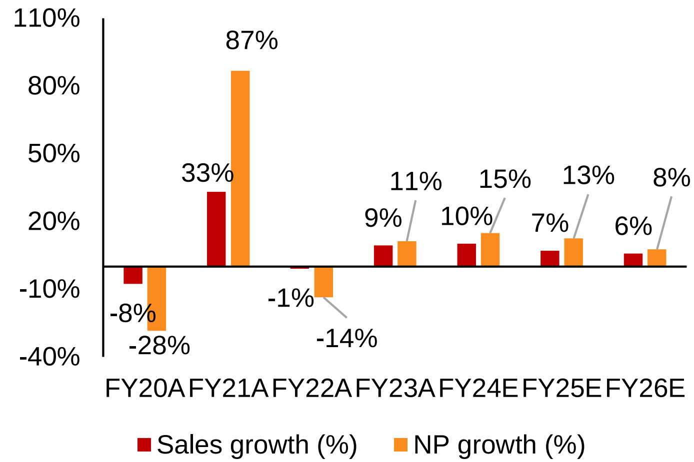
Link to latest report: [JNBY Design (3306 HK) – An all-rounded beat and an optimistic outlook]

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Sales (RMB mn)	4,465	4,914	5,261	5,559
YoY change (%)	9.3	10.1	7.1	5.7
Adj. Net profit (RMB mn)	621	713	803	864
EPS - Fully diluted (RMB)	1.222	1.403	1.579	1.699
YoY change (%)	9.8	14.8	12.5	7.6
Consensus EPS (RMB)	N/A	1.254	1.460	1.63
P/E (x)	6.7	5.8	5.2	4.8
P/B (x)	2.1	1.9	1.7	1.6
Yield (%)	11.0	12.9	14.5	15.6
ROE (%)	33.9	34.1	34.5	33.7
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth, yearly



Source: Company data, CMBIGM estimates

Vesync (2148 HK): An all-rounded beat and a bullish outlook

Rating: BUY | **TP:** HK$6.71 (47% upside)

Analyst: Walter Woo

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

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

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our net profit forecasts are +36%/ +28%/ +25% vs street as we are more confident in margins in FY23E but more conservative onwards in FY24E-25E.

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

- **Valuation:** The TP of HK$ 6.71 is based on 14x FY23E P/E, vs 3 years average of 12x, given the upcycle and 20% sales CAGR in FY22-25E. The stock is fairly cheap at ~9x FY23E P/E.

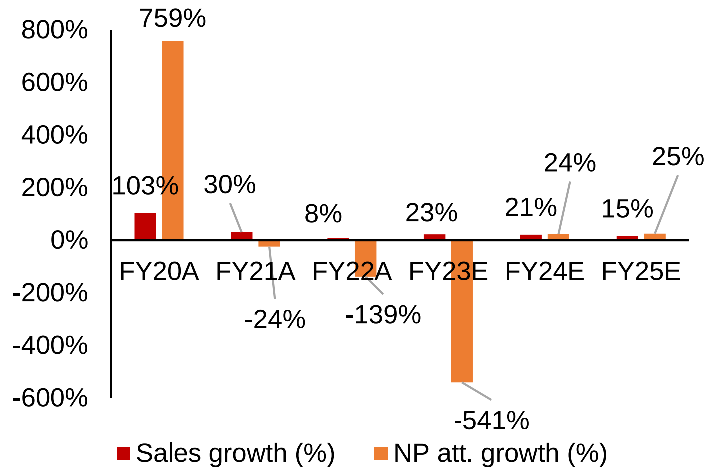
Link to latest report: Vesync (2148 HK) – An all-rounded beat and a bullish outlook

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (US$ k)	490,378	602,523	727,094	839,165
YoY change (%)	8.0	22.9	20.7	15.4
Adj. Net profit (US$ k)	(16,317)	72,039	89,208	111,798
EPS - Fully diluted (US$)	(0.014)	0.062	0.077	0.096
YoY change (%)	(138.6)	(541.5)	23.8	25.3
Consensus EPS (US$)	N/A	0.045	0.060	0.078
P/E (x)	(38.1)	8.7	7.0	5.6
P/B (x)	2.2	1.8	1.4	1.14
Yield (%)	0.0	2.9	3.6	4.5
ROE (%)	(5.5)	23.0	22.6	22.6
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) – 1H Rev/EBIT +13%/26%; Heineken grew 60%

Rating: BUY **| TP:** HK$73.1 (69% upside)

Analyst: Joseph Wong

- CR Beer's 13.6% 1H revenue growth comprised of 9.0% beer revenue growth and a RMB977mn baijiu revenue, of which was reported and consolidated for the first time. While the former seems to be slightly below our estimate of low-teen growth, a beer gross margin of 45.2% was 1.5pp ahead of us, thanks to raw material cost savings, and a better-than-expected sales mix. Of note, Heineken recorded 60% YoY shipment growth, and now sub-premium+ (Super-x and above) contributed to 22% of total shipment over the reporting period. The strength also translated into a 26.6% recurring EBIT margins that kicked-in 1.5pp above us. Separately, the baijiu business reported a RMB71mn EBIT, negligible to the Group's total as expected (RMB395mn should we exclude amortization from intangible assets arising from Jinsha acquisition).

- **Outlook.** Management remains upbeat in the momentum of beer premiumization in the next few years, and sees revolutions in bottle size, flavours and alcohol content to be the major catalysts to the trend. Meanwhile, management commented that they are satisfied with what Heineken (+60%) and Snow (+26%) are performing in China. SuperX performance was relatively lukewarm due to rather limited upside price hike, and yet management looks forward to any room of improvement should price levels of the formers continue to go up. Overall, 20%+ growth in sub-premium+ is maintained for 2023E.

- **Earnings change.** We have included our financial forecasts for Jinsha in our model, in which we assume an RMB3.0bn revenue and a muted EBIT contribution. Meanwhile, we also lifted our 2023E gross margins by 1.8pp to reflect the results. All these explained a 11% increase in our recurring EBIT estimate for 2023E.

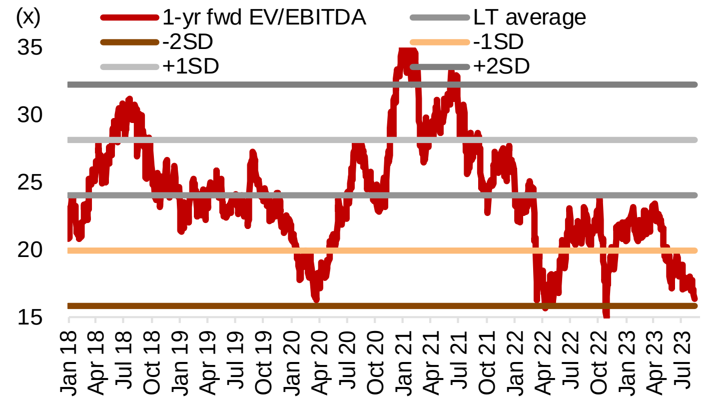
Link to latest report: [CR Beer (291 HK) – 1H rev/EBIT +13%/26%; Heineken grew 60%]

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	33,387	35,263	41,449	44,196
YoY growth (%)	6.2	5.6	17.5	6.6
Net income (RMB mn)	4,587.0	4,344.0	5,461.1	6,858.9
EPS (RMB)	119.1	(5.3)	25.7	25.6
YoY growth (%)	1.41	1.34	1.68	2.11
Consensus EPS (RMB)	N/A	N/A	1.67	2.02
P/E (x)	N/A	N/A	24.4	19.3
P/B (x)	N/A	N/A	4.3	3.6
Div yield (%)	N/A	N/A	1.6	2.0
ROE (%)	20.1	16.9	18.9	20.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward EV/EBITDA



Source: Company data, CMBIGM estimates

Tsingtao (168 HK) – 2Q rev/np +8%/14% on recurring strengths

Rating: BUY **| TP:** HK$ 88.9 (51% upside)

Analyst: Joseph Wong

- Tsingtao reported 14% growth in 2Q net profits to RMB2.0bn. Driven by 3% volume growth and 5% ASP uptick, revenue stood at RMB11bn, up 8% YoY. This compared to HSD% of CR Beer and 20% of Budweiser. Gross/EBIT margins was up approximately 2pp to 33%/21%, respectively, and we expect recurring strengths in both premiumization and cost efficiency to fuel margins expansion into 2H.

- Specifically, during the analyst call, management commented that they have been taking the initiative to conduct ongoing price reviews. Like-for-like price hikes are unlikely to take place this year, given a faltering purchasing power. This is, however, Tsingtao has selectively lifted prices in the areas where the brand has stronger pricing power, and there should be similar opportunities in 2H. Meanwhile, mix improvement, as another engine of ASP uptick, should prevail and the 15% sub-premium+ shipment growth in 1H (to 39% of total) should hold through the reminder of the year.

- On the cost side, management acknowledged that there will be room for raw material cost savings over 2H, and even next year, when they are now able to procure barley from Australia at a lower cost, relative to that from the US at a higher price. These should substantiate our current earnings forecasts and hence our buy call.

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

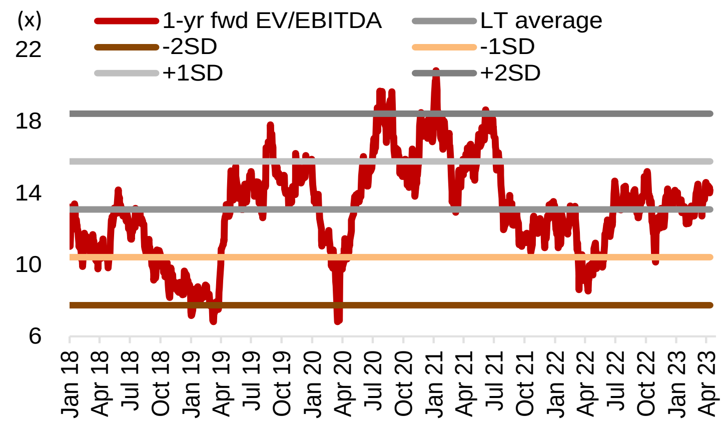
Link to latest report: Tsingtao Brewery (168 HK) – 2Q rev/np +8%/14% on recurring strengths

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	30,167	32,172	35,702	38,307
YoY growth (%)	8.7	6.6	11.0	7.3
Net income (RMB mn)	3,155.5	3,710.6	4,391.2	4,922.1
EPS (US$)	43.3	17.6	18.3	12.1
YoY growth (%)	2.3	2.7	3.2	3.6
Consensus EPS (RMB)	N/A	N/A	3.2	3.7
P/E (x)	N/A	N/A	19.0	16.8
P/B (x)	N/A	N/A	2.9	2.7
Div yield (%)	N/A	N/A	3.5	4.0
ROE (%)	14.5	15.3	16.6	17.3
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

Kweichow Moutai (600519 CH) – 2Q Rev/NP +20%/21% as pre-announced

Rating: BUY | **TP:** RMB2,440 (42% upside)

Analyst: Joseph Wong

- Moutai announced 2Q results that matched with its pre-announcement, and we do not expect the numbers to be eventful to near-term share price. While Moutai has been a laggard of the recent baijiu sector rally in response to a positive market takeaway from the recent politburo meeting, the company remains a solid defensive name which shields itself from any malignant price competition through its brand scarcity.
- Our recent channel check with distributors indicated that prices of sealed/unpacked Feitian Moutai steadied at RMB2,940/2,740 per bottle by end-July, largely unchanged from that we observed in early June, not to mention a healthy 15-day inventory level.
- Forward-looking into 3Q in which gifting season begins with the Mid-Autumn festival, we see every reason for Moutai to sustain its high-teen growth trajectory. We remain Buyer of Moutai.
- **Earnings change/Valuation.** We moderately adjust our forecasts on back of an in-line 2Q results. Our TP is still based on 41.0x end-23E P/E, which represents long-term average since 2019. Our methodology reflects our relative optimism (vis-a-vis other F&B diversified of which target multiples are based on -1sd below long term average) on Moutai that it is one of the core beneficiaries of China's reopened economy with high certainty in earnings delivery.

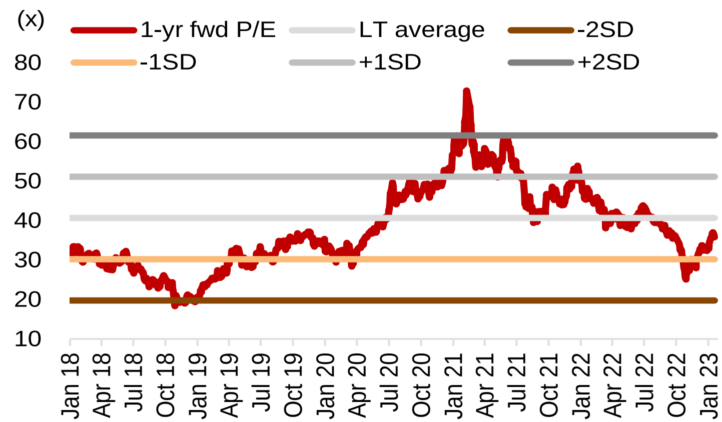
Link to latest report: Kweichow Moutai (600519 CH) – 2Q Rev/NP +20%/21% as pre-announced

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	109,464	127,215	149,786	172,710
YoY growth (%)	11.7	16.2	17.7	15.3
Net income (RMB mn)	52,460	62,593	74,579	86,626
EPS (RMB)	41.8	49.8	59.4	69.0
YoY growth (%)	12.3	19.3	19.1	16.2
Consensus EPS (RMB)	N/A	N/A	62.0	70.0
P/E (x)	N/A	N/A	30.8	26.9
P/B (x)	N/A	N/A	9.9	8.0
Div Yield (%)	N/A	N/A	1.4	1.9
ROE (%)	27.7	27.9	31.9	30.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Innovent Biologics (1801 HK) – Strong sales growth with improved cost efficiency

Rating: BUY **| TP:** HK$48.13 (12% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Strong sales growth momentum with improving cost efficiency. In 1H23, Innovent realized RMB2.5bn product sales, regaining strong sales with a +20% YoY growth rate (vs the -2% YoY in 2H22). The strong growth was driven by the strong performance of sintilimab and other products. According to Eli Lilly, in 2Q23, sales of sintilimab grew strongly by 70% QoQ or +41% YoY, which was mainly driven by the NRDL inclusion of sintilimab for 1L GC and 1L ESCC without price cut since Mar 2023. With 7 indications approved and 6 included in NRDL, covering large indications of NSCLC, HCC, GC, and ESCC, we expect sintilimab's sales momentum to continue in 2H23 and beyond. Innovent continued to improve cost efficiency in 1H23. Under non-IFRS, Innovent's gross margin of product sales increased by 2.2 ppt to 80.8% in 1H23 from 78.6% in 1H22, thanks to improved production efficiency and higher proportion of high-margin products. The Company was able to further improve its cost efficiency in 1H23, with the ratio of selling and marketing expense to product revenue decreasing to 54.5% in 1H23 (vs 66.7% in 1H22), and the admin ratio reduced to 10.1% in 1H23 (vs 14.1% in 1H22). The R&D expenses decreased by 21% YoY to RMB923mn in 1H23. Innovent recorded a net loss of RMB190mn in 1H23, narrowing by 83% YoY, vs a loss of RMB1,085mn in 1H22. We expect Innovent to continue to improve its cost efficiency and to achieve EBITDA breakeven in 2025E. As of Jun 2023, Innovent had a strong cash balance of RMB8.5bn.
- **Our View:** IBI362 to become the best GLP-1 drug for obesity in China. Ph2 study of IBI362 (9mg) for obesity met primary endpoint at 24 weeks of treatment with 15.4% or 14.7kg placebo-adjusted weight loss, which was much better than other weekly administrated GLP-1 targeted peers. Semaglutide and tirzepatide have filed NDA in China for obesity in Jun and Aug 2023, respectively, while IBI362 is expected to file NDA by end-2023/early-2024. Additionally, Innovent expects to read out 48-week treatment data of IBI362 from Ph2 trial (9mg) in obesity in 2H23 and to initiate a Ph3 study of IBI362 (9mg) by end-2023.
- **Why do we differ:** We see the BIC potential of IBI362 for the treatment of obesity, and look forward to the revenue growth recovery of Innovent.
- **Valuation:** We derive our target price of HK$48.13 based on DCF valuation (WACC: 10.0%, terminal growth rate: 3.0%).

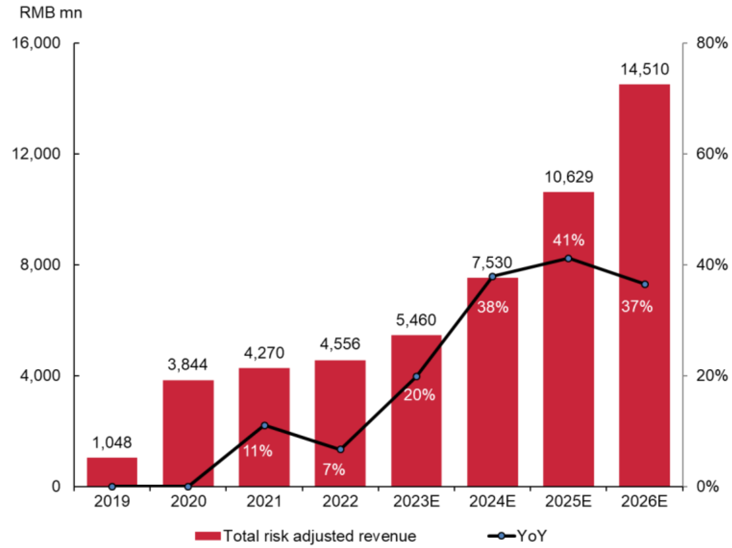
Link to latest report: Innovent Biologics (1801 HK) – Strong sales growth with improved cost efficiency

Financials and Valuations

(YE 31 Dec)	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,460	7,530	10,629
YoY growth (%)	20	38	41
Net loss (RMB mn)	(1,691)	(1,211)	(325)
EPS (RMB)	(1.10)	(0.79)	(0.21)
Consensus EPS (RMB)	(0.80)	(0.40)	0.27
R&D expenses (RMB mn)	(2,200)	(2,636)	(3,189)
Capex (RMB mn)	(500)	(400)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

China Life (2628 HK): First mover in FY24 jumpstart sales; expect to outperform

Rating: BUY **| TP:** HK$17.81 (45% upside) Analysts: Nika Ma/ Zhang Miao

- **Investment Thesis:** Ensuing to a turnaround in VNB growth in 1H23, the sales momentum on the liability side is likely to continue, in conjunction with the rise of 2024 jumpstart sales. We expect the VNB growth to sustain in double-digit at a mid-to-high teen level in FY23E, mainly driven by: 1) more balanced product mix and deepening agency reform that had shown resilience in 1H23, and 2) earlier-than-before jumpstart sales initiated in September (vs Oct in previous years), leading the industry to gain China Life with first-mover advantages whilst most peers were still in the grip of a 2-3 month product transition period. On asset front, the recent regulatory release on optimizing the solvency standards for insurance companies benefit pure life insurers most. The reduced risk factor in equity investment to CSI 300 Index and the STAR Market would drive more upside potential on the insurer's asset front when earnings and valuation rebounded, as a double play. Positioned as a life insurance leader, China Life took 20.2% market share in 1H23 and will continue to lead in 2H23 with a potentially outperformed jumpstart sales result, in our view. The 2024 jumpstart sales initiated with provisions of whole-life, endowment annuities, and pension annuities with 3-yr and 5-yr payment period that matched the savings and wealth management demands of specific group, such as the elderly. The strong sales force and capability will continue to back momentum release.
- **Catalysts:** 2024 jumpstart sales progress and results; the knock-on effect of the new solvency standard regulation release to rebounds on asset-side.
- **Valuation:** The stock is trading at 0.3x P/EV FY23E, with A/H premiums reaching to historical high whereas A-share at 0.8x P/EV FY23E. Looking forward, we expect the rebound in asset and liability will resonate towards year end, which will underpin the insurer's valuation uptick. Reiterate BUY.

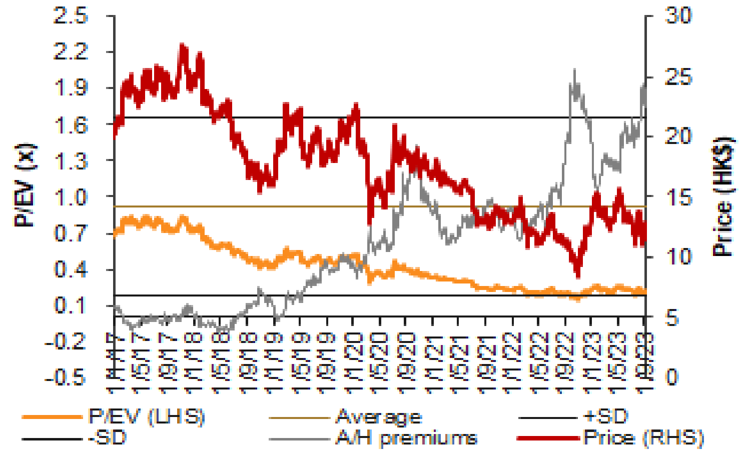
Link to latest report: China Life (2628 HK) – Outpaced VNB growth in 1H23; short-term NP pushback not affect value growth

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Net profit (RMB mn)	32,082	47,345	52,667	58,253
EPS (Reported) (RMB)	1.1	1.7	1.9	2.1
YoY growth (%)	(36.7)	46.9	11.2	10.6
Consensus EPS (RMB)	N/A	1.6	2.0	2.1
VNB/share (RMB)	1.3	1.5	1.7	1.8
Group EV/share (RMB)	43.5	46.0	48.8	51.70
P/B (x)	0.8	0.6	0.5	0.5
P/Embedded value (x)	0.3	0.3	0.2	0.2
Dividend yield (%)	4.2	6.2	6.9	7.7
ROE (%)	7.0	9.9	9.3	8.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 12M forward P/EV; historical high A/H premiums



Source: CMBIGM estimates

Ping An (2318 HK): Bear fruit of channel reform and group-wide synergies

Rating: BUY **| TP:** HK$80.3 (88% upside)

Analysts: Nika Ma/ Zhang Miao

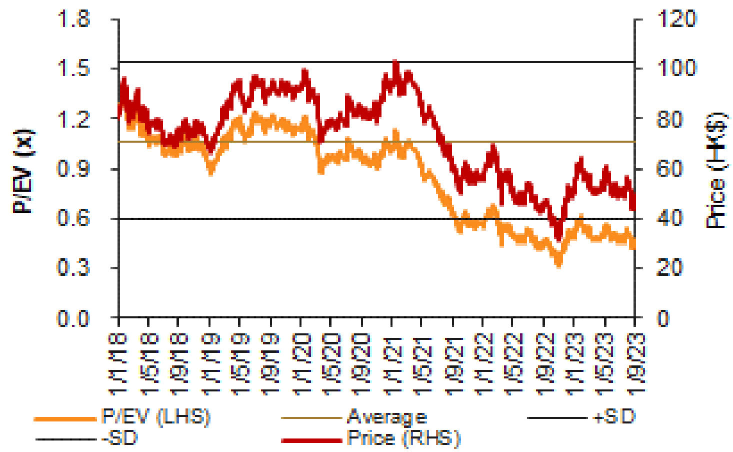
- **Investment Thesis:** Following a strong NBV beat in 1H23, we expect the insurer to outperform with approx. 25% NBV growth to achieve in FY23E. By bearing fruit of channel reform and the Group-wide synergies to be further untapped, the insurer is confirmed with a NBV turnaround evident in first half entitled with leading-peers advantages, i.e. exceptional bancassurance margin close to ~20%, and effective healthcare ecosystem that empowered customer acquisitions (~30% new retail customers) and cross-sales value generation (68% of Life NBV), whereas other peers are still exploring the synergies at initial stage. The management reaffirmed the NBV growth will stand out among peers in full year with optimized channel mix, and limited impacts on product transition under the policy of declined guaranteed interests from 3.5% to 3.0%, given 1) critical illness products will remain at one-third to one-quarter of total underwriting sales, and 2) 2024 jumpstart sales will maintain in same pace as prior years to initiate in Nov. We regard the effects on sales for the 2-3 month product transition period were priced in by market to the company's share price, and believe recent regulatory releases on financial support for resolving property debts will drive recovery in market sentiment on the insurer's asset risk exposure.
- **Catalysts:** continued product transition in Aug-Sep and sales momentum rebound in the 2024 jumpstart since Nov; impacts of the recent regulatory notice on unifying the commission fees of bancassurance products to the insurer's channel expansions (10.9% share of NBV contribution in 1H23).
- **Valuation:** The company's stock is trading at 0.5x P/EV FY23E, stay flat/ below 2-year/5-year historical average P/EV at 0.5x/0.8x. Looking forward, we expect NBV growth to continue to outperform, given a head of steam built up on its channel mix and intra-group synergies, and the pressure release on asset side is likely to further shore up market sentiment. Reiterate BUY.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Net profit (RMB mn)	83,774	129,778	152,547	171,970
EPS (Reported) (RMB)	4.8	7.1	8.3	9.4
Consensus EPS (RMB)	N/A	7.2	8.4	9.4
VNB/share (RMB)	1.6	2.0	2.3	2.7
Group EV/share (RMB)	77.9	82.5	91.6	102.5
P/B (x)	0.9	0.8	0.7	0.7
P/EV (x)	0.5	0.5	0.4	0.4
Dividend yield (%)	6.2	6.2	7.2	8.2
ROE (%)	9.3	14.4	15.3	15.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 12M forward P/EV, below Avg-1SD stays attractive



Source: CMBIGM estimates

Link to latest report: Ping An (2318 HK) – 1H23 NBV beat consensus; interim dividend up 1.1% YoY reinforcing a long-run growth story

AIA (1299 HK) – Remain constructive over growth from MCV biz in 2H23

Rating: BUY | **TP:** HK$118 (71% upside)

Analysts: Nika Ma/ Zhang Miao

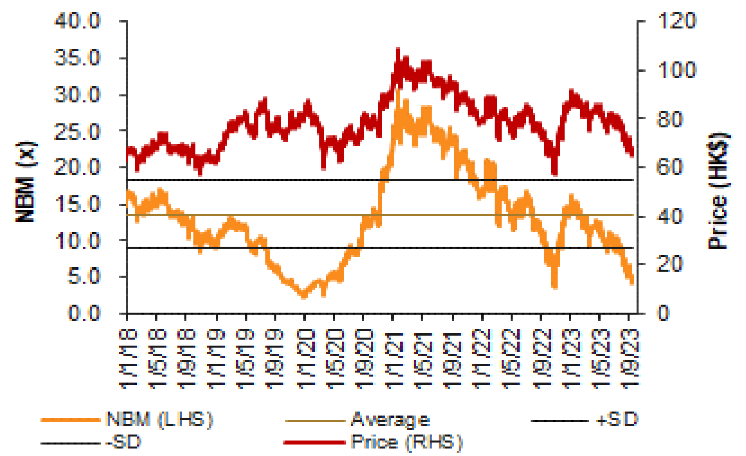
- **Investment Thesis:** With strong recovery of 37% VNB growth in 1H23 mainly driven by the uplift in MCV business, we expect the VNB growth of the group will sustain outstanding growth as ~20% in FY23E. The rationale includes: 1) structural demands for asset allocation of MCVs remain strong, where the USD-denominated savings and protection products still gain traction bucking the trend of USD/CNY appreciation against relatively low and volatile returns from domestic asset allocations into i.e. bank deposits, wealth management products and equity investment in stocks and funds; 2) progressive geographical expansions of AIA China underpin resilient VNB growth by +29% YoY in 2M-6M23; 3) consistent givebacks for shareholder returns through dividends and buybacks. By channels, the group's premier agency continued driving robust VNB growth as of +27% YoY in 1H23. The partnerships showed even stronger results with the IFA and banks by +165%/+62% YoY respectively. The newly launched operations in Henan reaffirmed group's expansion initiatives to the untapped affluent potential. On product front, however, despite a margin disturbance in mainland market in 1H23, the insurer completed >50% of total no. of new policies in protections and critical illness VNB +7% YoY, advancing peers by cutting the increasing sum-assured whole-life (IWL) product sales in agency and releasing the industry-first tax-deductible pension benefit plan. We believe the short-term fluctuations in VNB margin indicting debates on savings versus protection do not represent AIA's long-term value growth, given both push-and-pull effects on structural demands and distinctive product offerings.
- **Catalysts:** 3Q sales momentum in MCV business; agent recruitment and geographic expansions in AIA China; continued effects on product mix shifts.
- **Valuation:** AIA's stock is trading at 1.3x P/EV FY24E, near historical trough, significantly lower than a 2-year/5-year historical avg. at 1.6x/1.8x. Looking ahead, we remain constructive on value growth in HK MCV biz, and regard recent choppy stock price as temporary, which underrated AIA's long-term value generation. Reiterate BUY.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
VNB/share (US$)	0.26	0.32	0.38	0.45
YoY growth (%)	(18.5)	22.6	20.2	18.7
Group embedded value / share (US$)	5.9	6.3	6.9	7.8
Net profit (US$ mn)	282	7,442	8,266	9,198
EPS (Reported) (US$)	0.02	0.64	0.73	0.83
Consensus EPS (US$)	N/A	0.53	0.63	0.71
P/BV (x)	2.7	2.3	2.1	1.9
P/EV (x)	1.5	1.4	1.3	1.1
Yield (%)	2.2	2.4	2.8	3.1
ROE (%)	0.6	18.2	18.4	18.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: New business multiplier (NBM) heralds price growth



Source: CMBIGM estimates

Tencent (700 HK): Expect steady 3Q23 despite macro uncertainty

Rating: BUY **| TP:** HK$460.0 (54% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

- **Investment Thesis:** We are upbeat on Tencent's earnings rebound in FY23 driven by improved fundamental of its core business lines: 1) recovering gaming business on resilient performance of legacy titles and strong game pipeline; 2) 22% online ad revenue growth in FY23 supported by enhanced Video Account monetization and macro tailwind; 3) reaccelerating revenue growth and expanding margin of FBS segment thanks to macro recovery, strategic adjustment of cloud business and incremental revenue contribution from live streaming e-commerce.

- **Our View:** Tencent will report 3Q23 financial results on 15 Nov. We expect 3Q23 total revenue/adjusted net income to grow by 10/26% YoY to RMB153.5/40.6bn (consensus estimates: RMB155.5/39.8bn). Supported by operating leverage improvement from its consumer internet business segments, Tencent is able to deliver solid earnings growth amid macro headwinds. Tencent's current valuation implies 18x FY23E Non-IFRS PE, vs FY23/24E earnings growth estimate of 30/19% YoY, offering attractive value.

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

- **Valuation:** Our SOTP-derived TP is HK$460.0, comprising HK$193.6/27.4/54.3/95.4/21.9 for games/SNS/ads/Fintech/ cloud business and HK$7.1/60.4 for net cash/strategic investments.

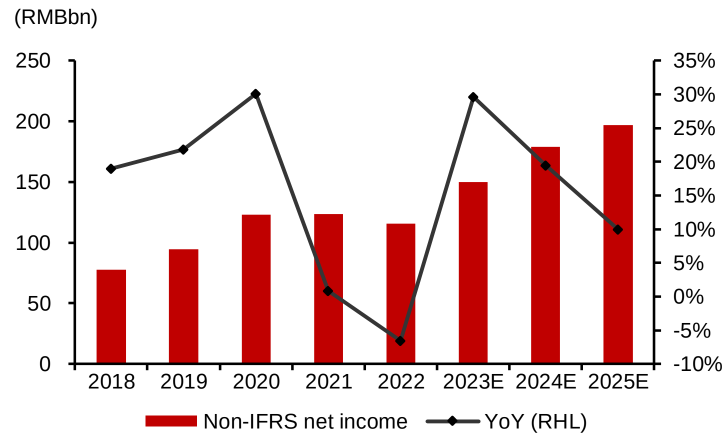
- **Link to latest report:** Tencent (700 HK) - Expect steady 3Q23 despite macro uncertainty

Financials and Valuations

(YE 31 Dec)	FY22	FY23E	FY24E	FY25E
Revenue (RMB mn)	554,552	609,886	661,978	713,460
YoY growth (%)	(1.0)	10.0	8.5	7.8
Gross margin (%)	43.1	46.4	47.0	47.8
Adj. net profit (RMB mn)	115,649	149,907	179,076	196,832
YoY growth (%)	(6.6)	29.6	19.5	9.9
EPS (Adjusted) (RMB)	12.13	15.48	18.49	20.32
Consensus EPS (RMB)	12.13	15.44	18.10	20.64
Non-GAAP P/E (x)	23.0	17.7	14.8	13.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – Consumer wallet share gain strategy boosted revenue and earnings growth

Rating: BUY | **TP:** US$109.0 (4% upside)

Analysts: Saiyi He/ Frank Tao/ Wentao Lu

- **Investment Thesis:** 1) PDD has established strong consumer mindshare in FMCG and fresh grocery categories, and is expanding its branded products pool, which could drive resilient GMV growth in 2023; 2) strong user stickiness could support optimization in operating expenses and aid margin expansion; 3) leveraging strong domestic supply chain, overseas expansion is on track to support PDD's long-term revenue and earnings growth.

- **Our View:** The strong beat in 2Q23 results echoed our view that in the ecommerce sector PDD has relatively more proactive room to drive GMV growth through targeting bigger consumer wallet share, and further increasing monetization rate given its relatively better ROI compared with peers.

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

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

- **Valuation:** DCF based valuation of US$109.0.

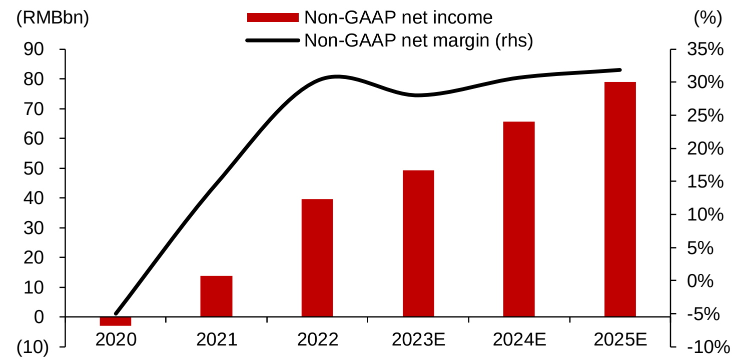
- **Link to latest report**: Pinduoduo (PDD US): Consumer wallet share gain strategy boosted revenue and earnings growth

Financials and Valuations

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

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

NetEase (NTES US) – Upbeat on games rev growth and margin expansion in 2H23E

Rating: BUY | **TP:** US$125.0 (20% upside)

Analysts: Saiyi He/Wentao LU/Frank Tao

- **Investment Thesis:** Supported by quality games launched, we expect NetEase games revenue to show accelerated growth in 2H23E. Recent new games like Justice Mobile, Racing Masters and Dunk City Dynasty all delivered better-than-expected performance at early stage, despite intensifying competition in the gaming market. We also expect improved profitability due to the optimized game channel costs.

- **Our View:** We expect a strong 2H23E, supported by the launch of new games and enhanced margin. NetEase's new games Justice Mobile/Dunk City Dynasty delivered better-than-expected performance, ranking among the top 10/20 on China iOS game grossing chart since their launch.

- **Why do we differ:** Business and stock price performance of online game stocks are usually resilient amid macro headwind. We expect NetEase continues to outperform under current macro and market uncertainty. NetEase's quality game pipeline will support its current valuation.

- **Catalysts:** 1) stronger-than-expected games revenue growth; 2) better-than-expected GPM expansion on optimized channel costs; 3) normalization of game license approvals.

- **Valuation:** Our SOTP derived target price is US$125.0, comprising: US$117.7/0.9/2.3/2.5/1.7 for online game/Youdao/Cloud Music/innovative business/net cash.

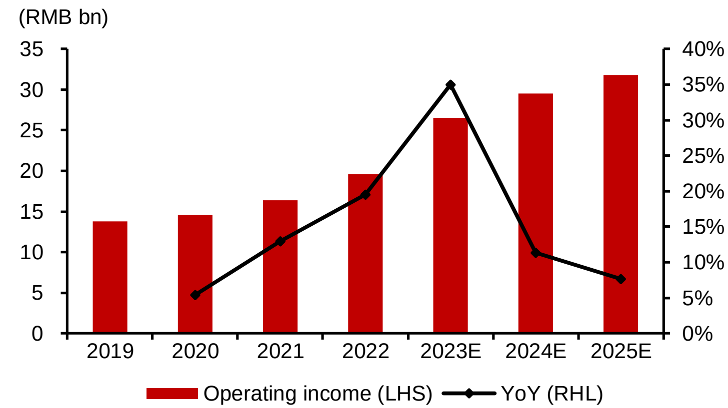
- **Link to latest report:** NetEase (NTES US) - Upbeat on games revenue growth and margin expansion in 2H23E

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	96,496	105,038	112,431	117,689
Gross margin (%)	54.7	59.3	59.7	60.1
Adjusted net profit (RMB mn)	22,808.4	27,482.4	29,381.4	31,370.8
EPS (Adjusted) (RMB)	34.95	42.20	45.11	48.17
Consensus EPS (RMB)	34.95	39.98	43.57	44.73
P/S (x)	5.0	4.6	4.3	4.1
P/E (x)	19.2	20.1	18.8	17.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Operating income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US) – Driving for group improvement

Rating: BUY **| TP:** US$155.0 (85% upside) Analysts: Saiyi He/Frank Tao/Wentao LU

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

- **Our View:** Alibaba's customer management revenue (CMR) growth and cloud revenue growth will take time to recover under current macro backdrop, while the group is trying to revitalize growth via empowering each of the six main units. Taobao and Tmall's "user first" strategy is delivering results, increasing merchants' willingness to invest in advertising. Although Alibaba's near-term domestic business development faces hindrance due to macro uncertainties, operating efficiency improvement across business lines, as well as international business revenue growth likely remain as bright spots. With a more efficient and more agile organization structure, Alibaba is better-positioned to enhance competitiveness of individual business unit in the long term.

- **Where do we differ vs consensus:** We are expecting better-than-expected earnings growth in FY24, which we believe can be driven by Alibaba's cost optimization initiatives.

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

- **Valuation:** SOTP based valuation of US$155.0, which translates into 15.7x FY24E PE.

- **Link to latest report**: Alibaba (BABA US) – Driving for group improvement

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	868,687	965,615	1,078,714	1,175,846
YoY growth (%)	1.8	11.2	11.7	9.0
Net profit (RMB mn)	72,509.0	135,015.7	154,846.1	170,544.7
Adjusted net profit (RMB mn)	143,991.0	175,056.2	187,207.5	205,820.0
EPS (Adjusted) (RMB)	54.91	68.67	73.37	80.58
Consensus EPS (RMB)	54.56	66.54	73.32	82.52
P/E (x)	10.8	8.6	8.1	7.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (US$mn)	Valuation method	FY24E Rev (US$mn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. RMB mn	Val. US$m	$/share	Value split
1	Taobao and Tmall Group	8.0x FY24E P/E; 20% tax rate on adjusted EBITA	65,097	23,157	8.0		1,282,913	185,258	72.2	47%
2	International Digital Commerce Group	3.0x FY24E EV/S	14,224			3.0	295,513	42,673	16.6	11%
3	Local Services Group	1.7x FY24 EV/S	9,036			1.7	106,379	15,362	6.0	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63% shareholding	14,074				135,024	19,498	7.6	5%
5	Cloud Intelligence Group	4.2x FY24 EV/S on revenue before intersegment elimination	15,625			4.2	457,706	66,095	25.8	17%
6	Digital Media and Entertainment Group	1.7x FY24 EV/S, inline with iQIYI target EV/S	3,137			1.7	36,933	5,333	2.1	1%
7	All others	1.0x FY24 EV/PS	27,977			1.0	193,743	27,977	10.9	7%
	Total Alibaba business						**2,508,210**	**362,196**	**141.2**	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% shareholding					187,143	27,024	10.5	
2	Others	Market valuation					162,987	23,536	9.2	
	Total investment (with 30% holding discount)									**13.8**
	Total (US$mn)								**155.0**	
	#s of diluted ADS (mn)								2,565	

Source: Company data, CMBIGM estimates

Kuaishou (1024 HK): More upside from ecommerce and earnings

Rating: BUY **| TP:** HK$97 (62% upside) Analyst: Sophie Huang

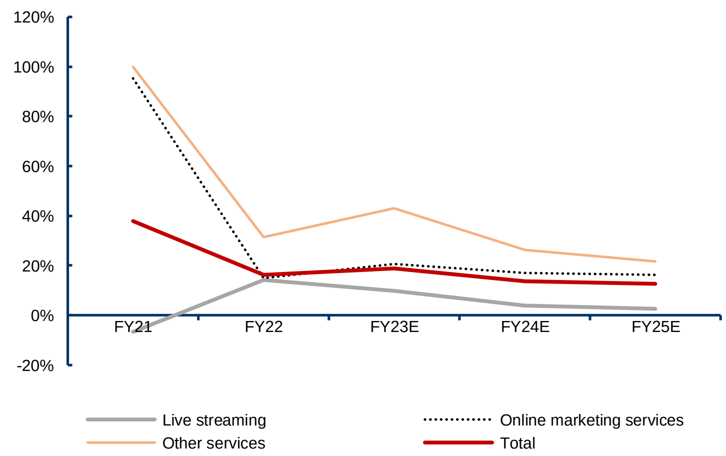
- **Investment Thesis:** We are confident on KS's ads recovery, share gain in ecommerce and better margin outlook. We are more positive on its 3Q23E momentum (forecasting rev +19% YoY), supported by: 1) resilient ads (+25% YoY) with external ads acceleration; and 2) strong ecommerce (GMV/rev +30%/36% YoY). Even after its upward revision on earnings guidance, we think there is still further earnings upside. Suggest to buy on dips.
- **Our View:** Looking into 3Q23E, we are confident on KS ecommerce share gain, with GMV/rev +30%/36% YoY in 3Q23E, despite challenging macro and competition. Shelf-based mall and upgraded ecosystem would bring more upside. Upcoming 11.11 will see further promotion of Shelf-based mall. We forecast ads +25% YoY in 3Q23E, in which external ads to accelerate. Mgmt targets ads market share of up to 10% in the long run, based on 2023 investor day. Livestreaming might slow down to +5%/0% YoY in 3Q23/4Q23E, but posing limited impact in valuation. We are more bullish on its margin expansion, with higher GPM and ROI-driven S&M.
- **Why do we differ vs consensus:** Market concern lies on competitor threat on ads and potential selling from PE investor. We think short-term impact from Video Accounts would be limited, as KS focuses more on performance-based ads with high ROI, while Video Accounts prioritize on brands ads. Ecommerce momentum would be resilient, and might see upside from shopping mall function.
- **Catalysts:** 1) upside from shopping mall, 2) strong 3Q23E results and guidance, and 3) better margin outlook.
- **Valuation:** Maintain BUY with SOTP-based TP of HK$97 (implying 30x FY24E P/E), by assigning 1x/2x FY23E EV/sales to livestreaming/ad biz, and 0.16x P/GMV to ecommerce biz. Valuation is not demanding.
- **Link to latest report**: Kuaishou (1024 HK) – 2023投资日：夯实内容生态，变现韧性增长

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	94,183	111,959	127,322	143,471
YoY growth (%)	16.2	18.9	13.7	12.7
Net income (RMB mn)	(5,751)	7,402	12,408	20,185
EPS (RMB)	(1.3)	1.6	2.7	4.3
YoY growth (%)	N/A	N/A	68	63
Consensus EPS (RMB)	N/A	1.1	2.9	4.9
P/E (x)	N/A	34	20	12
P/S (x)	2.7	2.2	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: Kuaishou's revenue growth estimates



Source: Company data, CMBIGM estimates

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

Rating: BUY **|** **TP:** HK$45.10 (51% upside) Analysts: Miao Zhang/ Nika Ma

- **Investment Thesis:** We like CR Land for its visible earnings growth (8-15% YoY in 2023-25E) driven by robust rental income (20-30% CAGR) and solid sales growth in 2023E. This would help not only widen its gap with others (FY22 -20% YoY on average), but also make its 14th Five Year target closer to reach on the contracted sales side (+15% 2020-2025E CAGR), especially with the continuous policy relaxation in more higher tier cities. If so, it may further drive its valuation to 8-10x long-term PE range as the clear winner of this crisis.

- **Our View:** We expect CR Land to deliver a robust 2023 sales: CR Land finished 1H23 with +41% sales YoY growth, the second best among all major developers. It is mainly attributed to 90% of its sellable resources in tier 1-2 cities and +18% YoY ASP hike. Looking into 2023E, we expect 10-15% YoY gross sales growth to reach RMB330-350bn due to 1) strong land acquisitions in 1H23 with land/sales at 60%, one of the highest in the industry to provide enough sellable resources in high-tier cities (93% in tier 1/2); 2) gradually recovering market sentiment; and 3) potential policy relaxation in more tier 1 cities to benefit CR Land the most.

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

- **Valuation:** The company currently trades at 5.4x 2023E P/E vs. historical 5-YR average of 8x. Our TP stays unchanged at HK$45.10, reflecting 50% discount to NAV.

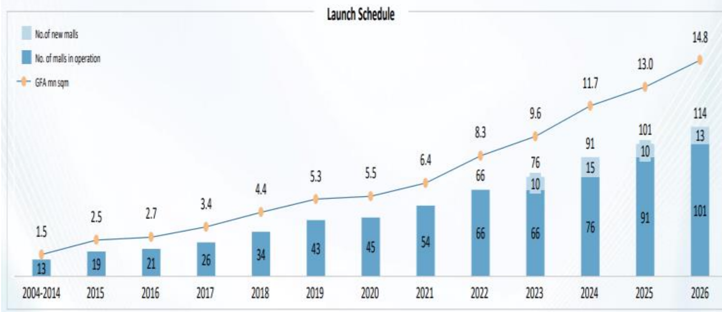
Link to latest report: CR Land (1109 HK) – Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	212,108	207,061	227,400	252,488
YoY growth (%)	18.1	(2.4)	9.8	11.0
Net income (RMB mn)	32,401	28,092	32,199	35,462
EPS (RMB)	4.54	3.94	4.52	4.97
YoY growth (%)	8.69	(13.30)	14.62	10.13
Consensus EPS (RMB)	N/A	N/A	4.1	4.5
P/E (x)	5.4	6.2	5.4	4.9
P/B (x)	0.8	0.7	0.7	0.7
Yield (%)	5.7	5.7	5.7	6.6
ROE (%)	14.3	11.5	13.3	13.8
Net gearing (%)	24.4	35.0	38.6	47.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's malls opening plan



Source: Company data, CMBIGM

BYDE (285 HK): Positive on margin recovery and Jabil mobility's synergies

Rating: BUY **| TP:** HK$41.98 (5% upside)

Analyst: Alex Ng/ Hanqing Li

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

- **Our View:** BYDE is our top pick for H-share tech sector, as we are positive on high-end Android recovery, share gain in iPad OEM/components, synergies from Jabil's mobility acquisition and rapid growth in household energy storage and NEV biz in 2H23/2024E. In addition, we believe Android recovery and rising UTR will boost segment margin in 2H23E. In addition, high-end model from major Android client and favourable product mix will drive overall profitability. We expect GPM to improve to 7.8% in FY25E (vs 5.9%/7.1%/7.5% in FY22/23/24E), while NPM will expand to 3.1% in FY25E (vs 1.7%/2.7%/2.9% in FY22/23/24E).

- **Why do we differ vs consensus:** Our new FY23/24E EPS are 18%/5% above consensus given our more positive view on margin rebound and operating efficiency

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

- **Valuation:** Our SOTP-based TP of HK$41.98 implies 18.4x FY24E P/E, which reflects BYDE's business diversification with different growth profiles and visibility.

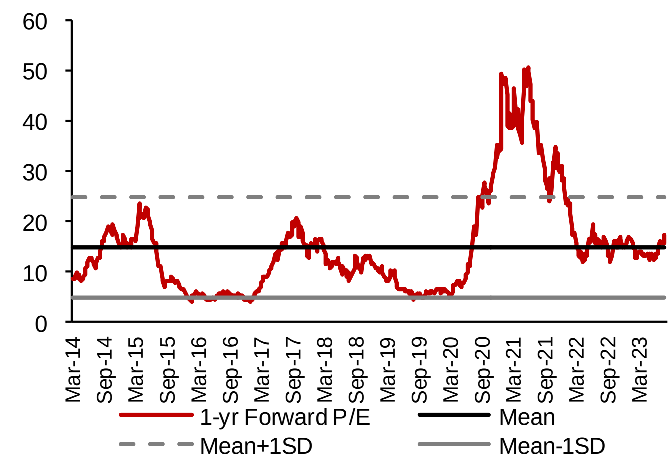
Link to latest report: BYDE (285 HK) – Scenario analysis of Jabil biz suggested 5-10% earnings upside in FY24/25E; Reiterate BUY

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	107,186	123,327	141,246	156,988
YoY growth (%)	20.4	15.1	14.5	11.1
Net profit(RMB mn)	1,858	3,477	4,273	5,320
EPS (RMB)	0.82	1.54	1.90	2.36
YoY growth (%)	(19.6)	87.2	22.9	24.5
Consensus EPS (RMB)	N/A	1.55	2.09	2.73
P/E (x)	38.8	20.7	16.8	13.5
P/B (x)	4.1	3.6	3.2	2.8
Yield (%)	0.5	0.2	0.6	0.7
ROE (%)	7.2	12.0	13.0	14.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIGM estimates

Wingtech (600745 CH): Attractive valuation on continuing margin expansion

Rating: BUY | **TP:** RMB68.0 (47% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment Thesis:** We maintained BUY rating on Wingtech with adjusted TP at RMB68. The Company posted revenue and NP growth of 2.5% and 7.2% YoY respectively. Regarding segment revenue, ODM/semi sales grew 6.2%/-0.3% YoY. Overall GPM was resilient at 17% amid broader weak consumer demand. The Company's ODM segment turned profitable in 2Q23, marking a significant step forward in the Company's growth trajectory and alleviating investors' concern over a slowdown in its legacy business.
- **Our View:** The Company's semi business displayed resilience driven by growth in the auto sector, effectively offsetting declining sales in other segments like mobile and computing. Additionally, the ODM and optical business achieved profitability in the 2Q23, thanks to capacity ramp-up and an expanding customer base. These developments will help to lift profit margin in the future.
- We think the Company's valuation at the current level looks attractive (trading 15x 2024 P/E), as most negative news have been priced in already.
- **Upside catalysts:** 1) new 12-inch factory to begin production; 2) ODM and optical modules' new projects to begin mass production.
- **Downside risks:** 1) macro challenges such as overseas inflation and slowdown in economic growth; and 2) delay/disruption in operations; 3) further share selling from major shareholders.
- **Valuation:** Our TP is RMB68.0, based on 25x 2024E P/E, slightly below avg. 1-year forward P/E multiple.

Link to latest report:

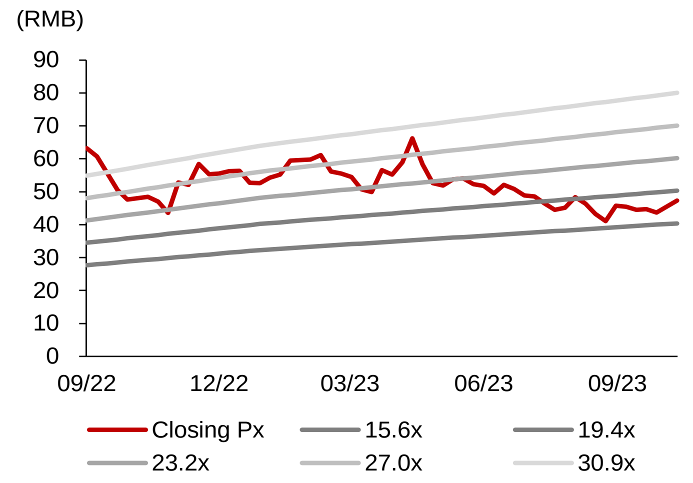
Wingtech (600745 CH) – Strong 2Q23 results on ODM business turning profitable

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	58,079	61,488	69,601	79,784
YoY growth (%)	10.1	5.9	13.2	14.6
Gross margin (%)	18.2	17.9	18.9	19.7
Net profit (RMB mn)	1,460	2,458	3,407	4,527
YoY growth (%)	(44.1)	68.4	38.6	32.9
EPS (RMB)	1.17	1.97	2.73	3.63
P/E (x)	35.1	20.8	15.0	11.3
ROE (%)	4.1	6.3	7.8	9.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Kingdee (268 HK): Domestic ERP SaaS leader

Rating: BUY | **TP:** HK$17.0 (67% upside)

Analyst: Saiyi He/Frank Tao/Wentao Lu

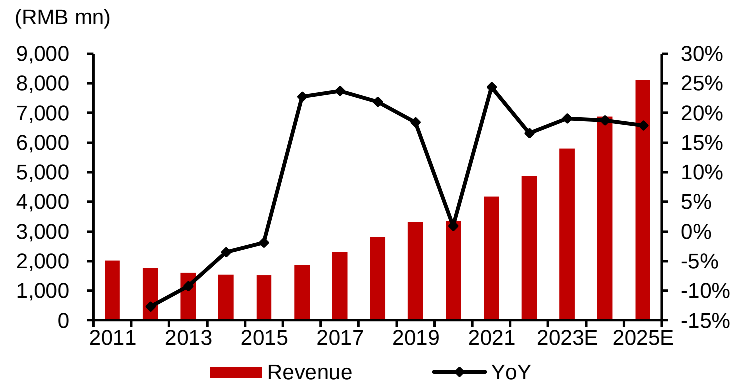
- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 19% revenue CAGR in FY22-25E reaching RMB8.1bn.
- **Our View:** Kingdee's net loss of RMB284mn in 1H23 was 8% narrower than consensus estimate, indicating an on-track loss reduction. Core SaaS product Galaxy's ARR growth momentum remained healthy with 28.6% YoY growth in subscription ARR. Meanwhile, domestic substitution trend continues to drive solid large enterprise revenue growth (+38.4% YoY). Although we expect demand recovery will take time amid current macro backdrop, digitalization and domestic substitution remain vital long-term trends, and Kingdee is well-positioned to benefit from the trend, in our view.
- **Why do we differ vs consensus:** Huawei's self-developed ERP (MetaERP) could be negative to the China ERP market as competition heats up but the impacts to Yonyou and Inspur will be larger than Kingdee as the formers are more large-enterprises/ SOEs focused. Also, Huawei has to consider the potential implications to its Cloud business as Kingdee/ Yonyou/ Inspur may scale down their cloud resources usage with Huawei Cloud given direct competition in ERP.
- **Catalysts:** Winning large SOEs Xinchuang bidding. Supportive policies related to "Xinchuang" implementation.
- **Valuation:** We maintain BUY with new TP of HK$17.0, based on 8.4x 2023E EV/Sales, in line with one-year mean.
- **Link to latest report:** Kingdee (268 HK) – Loss reduction on track

Financials and Valuations

(YE 31 Dec)	FY22	FY23E	FY24E	FY25E
Revenue (RMB mn)	4,866	5,795	6,880	8,110
YoY growth (%)	16.6	19.1	18.7	17.9
Net profit (RMB mn)	(389.2)	(198.5)	(39.9)	167.7
EPS (RMB cents)	(11.21)	(5.71)	(1.15)	4.83
EV/sales (x)	7.1	6.0	5.0	4.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIGM estimates

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NOT RATED	: Stock is not rated by CMBIGM

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