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CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

22 November 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	43.2	200.1	40.8	50.0	23%	32.2	20.3	5.3	18.1	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	12.0	35.8	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	17.4	12.6	14.1	16.1	15%	13.5	12.5	1.4	11.0	2.6%	Wayne Fung/ Katherine Ng
Zhejiang Dingli	603338 CH	Capital Goods	BUY	3.5	26.6	49.3	70.0	42%	14.9	12.9	3.0	21.7	1.3%	Wayne Fung
CR Power	836 HK	Energy	BUY	9.7	18.9	15.8	22.5	43%	5.4	4.5	0.7	14.6	N/A	Megan Xia
CR Gas	1193 HK	Energy	BUY	7.5	9.4	25.3	35.5	40%	8.6	7.3	1.3	11.2	N/A	Megan Xia
JNBY	3306 HK	Consumer Discretionary	BUY	0.7	0.5	9.9	14.3	44%	7.2	6.3	2.3	33.9	10.2%	Walter Woo
JS Global	1691 HK	Consumer Discretionary	BUY	0.6	6.5	1.3	1.8	39%	2.3	5.8	0.3	8.4	15.8%	Walter Woo
Vesync	2148 HK	Consumer Discretionary	BUY	0.7	0.8	4.9	6.7	36%	10.2	8.3	2.1	23.0	2.4%	Walter Woo
Kweichow Moutai	600519 CH	Consumer Staples	BUY	313.1	569.4	1781.0	2440.0	37%	30.8	26.9	9.9	31.9	1.4%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	8.8	61.2	42.4	57.4	35%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
AIA	1299 HK	Insurance	BUY	106.6	234.1	72.7	118.0	62%	1.5	1.4	2.7	11.3	2.3%	Nika Ma/ Zhang Miao
Tencent	700 HK	Internet	BUY	393.4	665.2	322.8	465.0	44%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Pinduoduo	PDD US	Internet	BUY	148.4	881.6	117.3	131.8	12%	23.8	17.7	N/A	30.0	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Netflix	NFLX US	Entertainment	BUY	207.9	2211.5	475.0	512.0	8%	38.9	30.2	N/A	25.0	0.0%	Sophie Huang
Kuaishou	1024 HK	Entertainment	BUY	33.5	145.4	60.1	97.0	62%	26.0	17.0	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	27.6	36.0	30.2	45.1	50%	5.4	4.9	0.7	13.3	5.7%	Miao Zhang/ Nika Ma
BYDE	285 HK	Technology	BUY	10.4	31.1	36.0	44.2	23%	19.9	15.9	3.2	13.4	0.3%	Alex Ng/ Hanqing Li
Innolight	300308 CH	Technology	BUY	11.0	457.4	97.9	109.3	12%	44.1	32.5	N/A	12.6	N/A	Lily Yang/ Kevin Zhang
Kingdee	268 HK	Software & IT services	BUY	5.2	20.8	11.7	17.0	45%	N/A	N/A	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu

Source: Bloomberg, CMBIGM, Price as of 22/11/2023, 2:30 p.m

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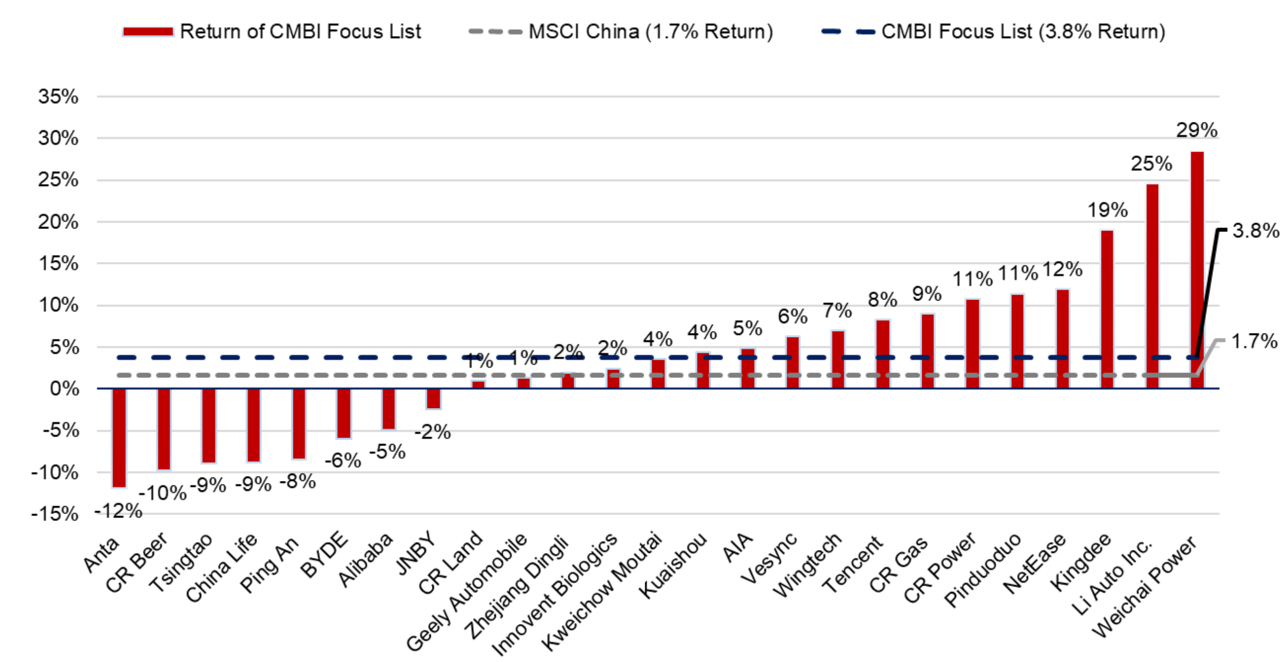
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
JS Global	1691 HK	Consumer Discretionary	BUY	Walter Woo	The consumer sector and capital market may still be under pressure in Nov and Dec 2023, and hence we would prefer names with distressed value and high dividend.
Netflix	NFLX US	Entertainment	BUY	Sophie Huang	Netflix demonstrated strong net adds, resilient margin guidance (22%-23% OPM in FY24E, +2~3ppts YoY) and increasing FCF in its 3Q23, and we expect upbeat result to continue. With competition to pull back and strikes to settle, we think it is a good time to accumulate.
Innolight	300308 CH	Technology	BUY	Lily Yang/ Kevin Zhang	We have observed continously strong momentum in the ongoing AI tech development following the hyperscalers' 3Q23 results, which suggests resilient capex in 2024-25 and bright outlook for further cloud growth. Innolight will directly benefit from the heightened demand and deliver strong full-year growth.
Deletions					
Anta	2020 HK	Consumer Discretionary	BUY	Walter Woo	We still think the inflection point for Anta has come in 4Q23E, but de-stocking by Li Ning and Xtep, plus the weak macro could still drag down the entire industry.
CR Beer	291 HK	Consumer Staples	BUY	Joseph Wong	4Q is slack season.
Tsingtao	168 HK	Consumer Staples	BUY	Joseph Wong	4Q is slack season.
China Life	2628 HK	Insurance	BUY	Nika Ma/ Zhang Miao	Regulatory tightening impacts kicked in; H-shares liquidity and investment resilience affect market sentiment.
Ping An	2318 HK	Insurance	BUY	Nika Ma/ Zhang Miao	Continued property-related concerns hinder the company's valuation rebound.
NetEase	NTES US	Internet	BUY	Saiyi He/ Wentao Lu/ Frank Tao	We see limited catalysts in the coming 1-2 months and the valuation is already fair.
Alibaba	BABA US	Internet	BUY	Saiyi He/ Frank Tao/ Wentao Lu	Potential valuation rerating coming from "1+6+N" reorganization tends to be limited after the company decided not to proceed with a full spin-off for Alibaba Cloud, although the decision is likely to benefit long-term business development of Alibaba. In addition, Alibaba lacks visible near-term catalysts, consumption recovery and approval on license of financial holding company likely still take time.
Wingtech	600745 CH	Technology	BUY	Lily Yang/ Kevin Zhang	Although we are optimistic on the Company's ongoing growth strategy on product mix enhancement, we do not see immediate catalysts.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 18 Oct, we highlighted a list of 25 long ideas.
- The basket (equal weighted) of these 25 stocks outperformed MSCI China index by 2.1 ppts, delivering 3.8% return (vs MSCI China 1.7%).
- 6 of these stocks delivered 10% return or more, and 15 of our 25 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 18 Oct 2023 to 21 Nov 2023

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Long Ideas

Li Auto Inc. (LI US) – Mega could be a positive catalyst

Rating: BUY **| TP:** US$50.00 (23% upside) Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis.** Li Auto is our top pick. We believe its upcoming flagship model, the Mega, could be a positive catalyst for share price, as its controversial design could lure more attention and lower the product cannibalization. We believe its strong earnings growth could extend into FY24E, especially with four new model launches next year.

- ***Mega* could be a positive catalyst for share price.** Although the flagship model Mega's exterior design looks controversial, we take it as positive, as it reminds us of the debut of the Tesla Cybertruck. It could also lower the cannibalization with the *Li L9*. Management guidance for *Mega*'s monthly sales volume is 5,000 units, although it anticipates more than this. We also project *Mega*'s gross margin to be the highest among all the models, should it reach such sales volume, although details including pricing are not available yet.

- **We expect FY24E net profit to surge 61% YoY despite accelerated R&D investments.** We expect Li Auto's FY24E sales volume forecast to rose 65% YoY to 0.61mn units. We expect its gross margin to be resilient in FY24E, aided by falling battery prices, greater economies of scale and the *Mega*. Management guides RMB 18bn for FY24E R&D expenses, RMB 4bn higher than our prior forecast. Therefore, we cut our FY24E net profit by RMB 3bn to RMB 14.5bn with a net margin of 7.4%.

- **Valuation/Risks.** We maintain our BUY rating but lower our target price from US$ 55.00 to US$ 50.00, based on 25x (previously 22x) our revised FY24E P/E. We think such multiple is justified by its fast sales growth and potential earnings upside surprise amid economies of scale. 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) – Mega could be a positive catalyst

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	123,147	196,350
YoY growth (%)	186	68	172	59
Net income (RMB mn)	(321)	(2,012)	9,045	14,514
EPS (RMB)	(0.2)	(1.0)	4.6	7.3
YoY growth (%)	N/A	N/A	N/A	60.5
P/S (x)	8.9	6.0	2.4	1.5
P/E (x)	N/A	N/A	32.2	20.3
P/B (x)	5.9	6.1	5.3	4.2
ROE (%)	(0.9)	(4.7)	18.1	23.1
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 007 EV, and Lynk & Co *06* PHEV, 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 (*Zeekr 007* 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) – Strong momentum of gas trucks sales continues

Rating: BUY **| TP:** HK$16.1 (15% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** Weichai is a key beneficiary of the strong demand for gas-fueled HDT, given its >60% 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:** Despite an increase of gas/diesel price ratio to 0.74x (mid-Nov) from 0.63x a month ago, our payback period analysis suggests that gas HDT remains a better choice for truck buyers (LNG: 3.1 years, diesel: 3.7 years). Our key assumptions include: (1) purchase price (VAT-included) of RMB468k for LNG HDT and RMB374k for diesel HDT; and (2) average daily transportation distance of 500km. For truck buyers, based on the current price of LNG (RMB5.5/kg) and diesel (RMB7.4/litre), the annual net profit of RMB151k generated from LNG truck is better than that of diesel truck (RMB100k).

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is 4%/1% 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. After a strong rally over the past month, the stock is trading at ~12.5x 2024E P/E, similar to the historical average of 12.4x.

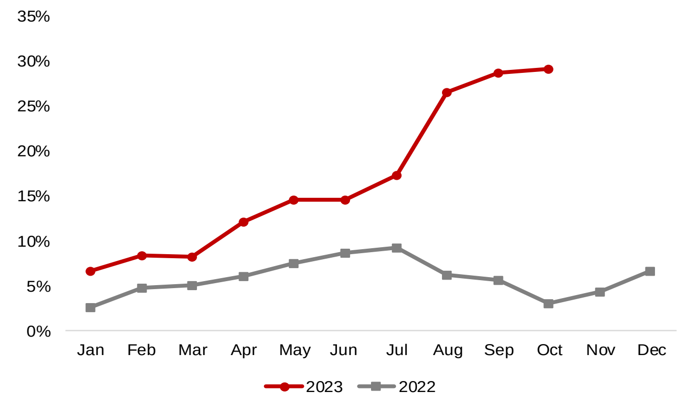
- **Link to latest report:** [China Heavy Duty Truck Sector – Weichai's multi—cylinder engine sales +71%YoY in Oct; Market share gain continues]

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)	21.9	13.5	12.5	11.6
EV/EBITDA (x)	7.1	5.3	4.9	4.7
P/B (x)	1.5	1.4	1.3	1.2
Yield (%)	2.0	2.6	2.8	3.0
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) – Promising growth in the US and emerging countries

Rating: BUY **| TP:** RMB70.0 (42% 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 wide range of product offerings, together with clear strategies in overseas including the penetration into tier-one leasing companies in the US and the expansion to emerging countries, will help Dingli differentiate itself from peers. 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.

- **Why do we differ vs consensus:** Our earnings forecast in 2023E/24E is 8%/7% versus consensus, as we revised up the gross margin assumptions following the very strong results in 3Q23.

- **Catalysts:** (1) Weakness in RMB rate; (2) recovery of China demand; (3) Sales of boom lifts in the US.

- **Valuation:** We set our TP at RMB70, based on 18x 2024E P/E (1SD below the historical average of 31x).

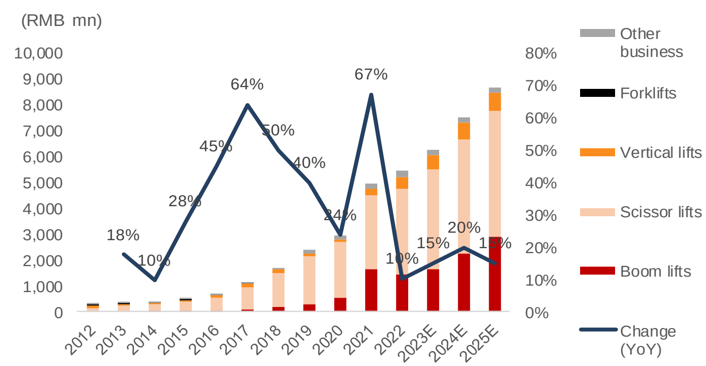
Link to latest report: Zhejiang Dingli – 3Q23 earnings +53% YoY; A clean beat on a surprising margin expansion

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,445	6,267	7,508	8,646
YoY growth (%)	10.2	15.1	19.8	15.2
Net income (RMB mn)	1,257	1,693	1,963	2,229
EPS (RMB)	2.48	3.34	3.88	4.40
YoY growth (%)	36.3	34.7	16.0	13.6
Consensus EPS (RMB)	N/A	3.11	3.62	4.23
EV/EBIDTA (x)	18.7	12.3	10.2	9.0
P/E (x)	20.1	14.9	12.9	11.3
P/B (x)	3.6	3.0	2.5	2.1
Yield (%)	1.0	1.3	1.6	1.8
ROE (%)	19.3	21.7	21.1	20.2
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 (43% 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, strengthening installation willingness as lower upstream cost of wind and solar power; 5) spin-off of its new energy business to A shares will unlock the potential value. Maintain BUY.

- **Our View:** We estimate the total domestic electricity consumption will continue to grow, and the lower upstream cost of thermal power and new energy power will benefit from power operators' profit. For CR Power, we think the valuation is still attractive: 1) new energy business: CR Power targets to have 7,000 MW of newly-added installed capacity of wind and solar power in 2023. Lower upstream wind and solar power enable CRP to have better installation willingness; 2)CR Power's wind power sales boosted by 12.4% YoY, and solar power sales increased significantly by 92.6.0% YoY in Jan-Sep 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; 4) CR Power announced special dividend of RMB0.5/share;

- **Valuation:** CR power is trading at 0.79x/0.71x PB for FY23/24E, 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).

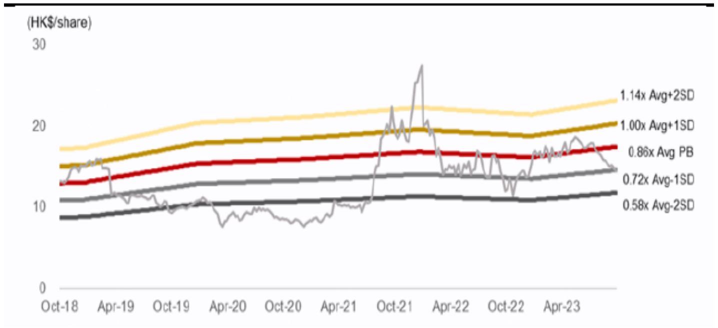
- **Risks:** 1) continuous drop of thermal coal cost tends to be slow; 2) the new energy's installation progress was slower than expected;3) thermal power and wind power generation growth were short of expectation.

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

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

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

Rating: BUY **| TP:** HK$35.48 (40% 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) 7.6% YoY growth of overall gas sales volume in Jan-Oct. In particular, industrial and commercial gas sales were up by 6.7% YoY and 8.3% YoY. For Oct, CRG obtained rapid gas sales growth of 10.7% YoY, with 11% YoY and 18.5% 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 ten months was RMB0.54-0.55/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 the 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 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 at 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; 2) fluctuation of upstream gas cost.

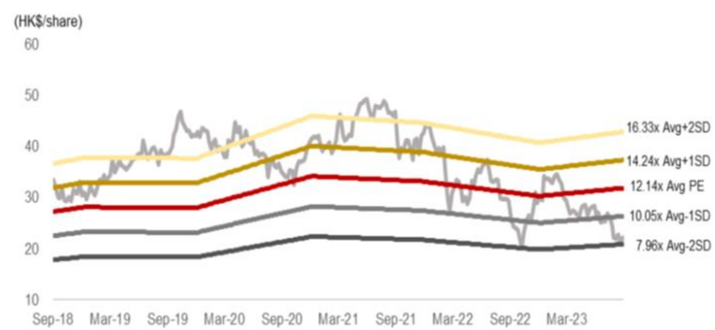
Link to latest report: CR Power (836 HK) – Sound operating data in Aug with steady growth outlook

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

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

Rating: BUY **| TP:** HK$14.26 (44% 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 (10%/ 13% sales/ NP CAGR during FY23-26E) are 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: 1) of robust retail sales growth in Jul to Oct 2023, 2) the low base since Sep 2023, 3) improvements and upgrades in member management and customer services (on both online and offline) has 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 12% FY6/24E yield.

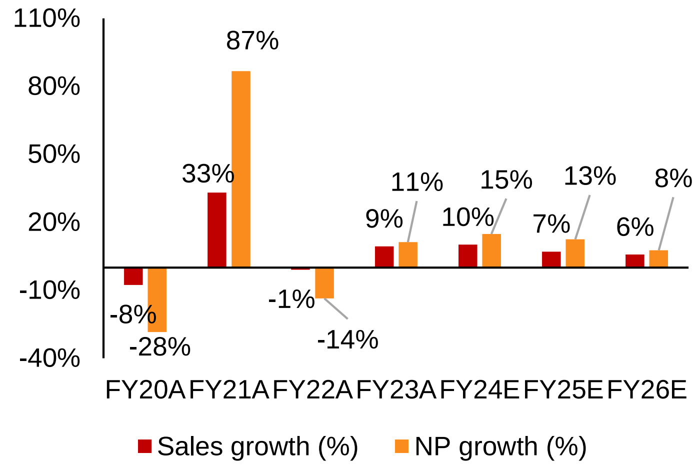
Link to latest report: JNBY Design (3306 HK) – An all-rounded beat and an optimistic outlook

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)	7.2	6.3	5.6	5.2
P/B (x)	2.3	2.1	1.9	1.7
Yield (%)	10.2	11.9	13.4	14.4
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

JS Global (1691 HK): Distressed valuation and potential turnaround

Rating: BUY **| TP:** HK$1.84 (39% upside)

Analyst: Walter Woo

- **Investment Thesis:** Shark Ninja has been listed in the US successfully on 31 Jul 2023 and the latest market cap is at about US$ 6.1bn, trading at about 26x FY22 P/E, way higher than JS global's 9x in Jun 2023. In FY22, the retained group will only consist of 67% of Joyoung's shares and Shark Ninja's APAC business, where the sales and net profit were at around US$ 1.6bn and US$ 138mn. In addition, Shark Ninja APAC accounted for roughly 6%/6% of sales/ net profit of the retained group in FY22.

- **Our View:** Despite the spin-off of Shark Ninja (ex-APAC), JS global could still be attractive to the investors, because of: 1) potential turnaround of Joyoung, 2) rapid growth from Shark Ninja APAC and 3) rather distressed valuation (even after considering the small cap, holding and A/H discounts). We still give it a BUY rating with TP of HK$ 1.84, based on 8x FY24E P/E, 40% discount to industry average of 13.3x. The current valuation is at 5.4x (or 3.2x ex-cash) FY24E P/E.

- **Why do we differ vs consensus:** For FY23E/ 24E/ 25E, our sales forecasts are 17%/ -35%/ -34% vs street and net profit forecasts are 255%/ 10%/ -9% vs street, as some of the sell-side analysts had not fully updated the spin off, but it is true that we are slightly more optimistic on margins.

- **Catalysts:** 1) increase in the payout ratio, 2) potential stock repurchases or privatization, 3) better than expected Joyoung's results.

- **Valuation:** We derived our 12m TP of HK$1.84 based on 8x FY24E P/E, about 40% to industry average of 13x. The Company is only trading at 6x FY24E P/E, about 56% discount to industry average.

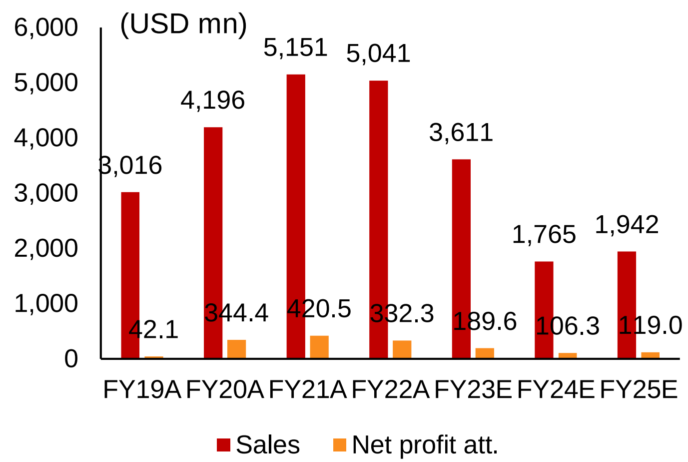
Link to latest report: [JS Global Lifestyle (1691 HK) – Distressed valuation and potential turnaround]

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	5,041	3,611	1,765	1,942
YoY change (%)	(2.1)	(28.4)	(51.1)	10.0
Net profit (RMB mn)	394	266	104	116
EPS - Fully diluted (RMB)	0.114	0.076	0.029	0.033
YoY change (%)	(15.8)	(33.8)	(61.0)	12.2
Consensus EPS (RMB)	N/A	0.040	0.028	0.036
P/E (x)	1.5	2.3	5.8	5.2
P/B (x)	0.3	0.3	0.2	0.2
Yield (%)	0.0	15.8	8.9	9.9
ROE (%)	16.1	8.4	4.3	4.5
Net debt/ equity (%)	16.2	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** HK$6.71 (36% upside)

Analyst: Walter Woo

- **Investment Thesis:** Vesync is a leading small appliance player in online market in the 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 on 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 24%/ 33% gross sales growth in 1Q23/ 2Q23 and 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 ~10x FY23E P/E.

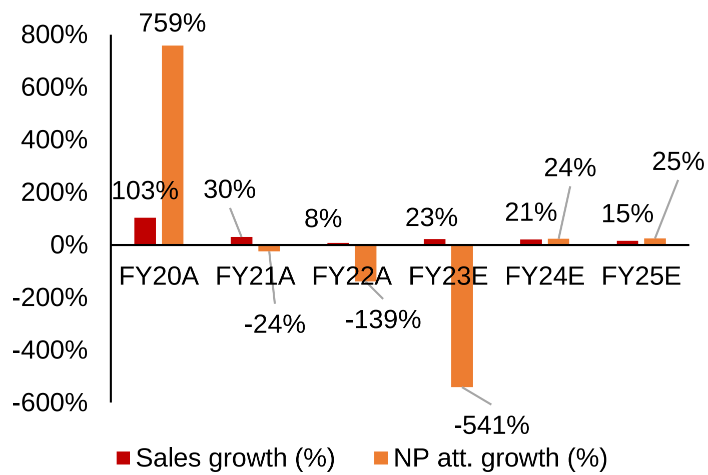
Link to latest report: Vesync (2148 HK) – An all-rounded beat and a bullish outlook

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)	(44.8)	10.2	8.3	6.6
P/B (x)	2.6	2.1	1.7	1.34
Yield (%)	0.0	2.4	3.0	3.8
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

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

Rating: BUY | **TP:** RMB2,440 (37% 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.

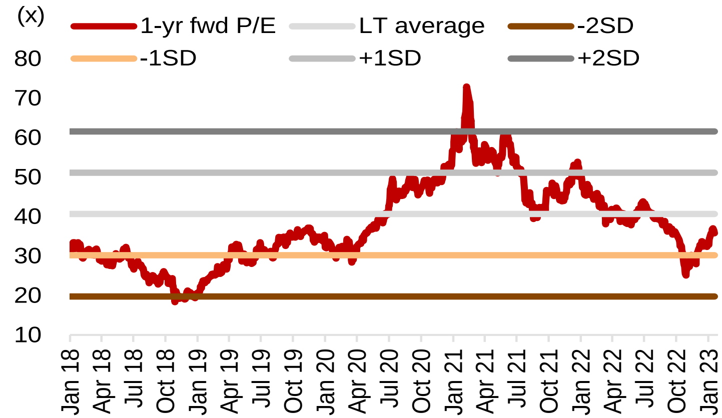
Link to latest report: Kweichow Moutai (600519 CH) – 2Q Rev/NP +20%/21% as pre-announced

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 continued in 3Q

Rating: BUY **| TP:** HK$57.35 (35% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Strong sales growth momentum with improving cost efficiency. In 3Q23, Innovent realized more than RMB1.6bn of product sales, increasing 45%+ YoY. The product sales in 9M23 has reached RMB4.1bn, +29% YoY. According to Eli Lilly, in 3Q23, sales of sintilimab grew strongly by 11% QoQ or 50% YoY, even in a challenging anti-corruption environment, which was mainly driven by the broad NRDL and channel coverage. Innovent continued to improve cost efficiency in 1H23. Innovent's gross margin increased by 2.2 ppt to 80.8% in 1H23. The Company was able to further improve its cost efficiency in 1H23, with the SG&A ratio decreasing to 64.6% in 1H23 (vs 80.8% in 1H22). The R&D expenses decreased by 21% YoY to RMB923mn in 1H23. In 3Q23 and beyond, we expect Innovent to continue to improve its cost efficiency.
- **Our View:** Mazdutide to become one of the best GLP-1 drugs for obesity in China. Innovent released the 48-week results of mazdutide (9mg) in Ph2 study in Chinese obesity patients. After 48 weeks of treatment, the placebo-adjusted mean percent change in body weight from baseline was -18.6% (-17.8kg). Recall in May 2023, mazdutide (9mg) met the primary endpoint of its Ph2 trial, showing 15.4% placebo-adjusted weight loss at week 24 (vs 12.0% of tirzepatide 15mg and 8.0% of semaglutide, in cross-trial comparison). Mazdutide showed global BIC efficacy potential with the highest placebo-adjusted weight loss percentage among the major competing GLP-1 drugs in Chinese subjects. Tirzepatide realized 17.4% (15mg) and 11.5% (10mg) placebo-adjusted weight loss at week 48 in its China Ph3 trial (link) and semaglutide showed 9.9% weight loss in its Asian Ph3 trial (link) at week 44. Mazdutide demonstrated significant improvement in multiple cardiometabolic indicators. After 24-week treatment, mazdutide reduced subjects' liver fat content (baseline liver fat content ≥5%) by 73.3% (vs -6.5% in placebo). Innovent expects to submit NDA of mazdutide (6mg) for obesity to NMPA in late 2023 or early 2024, and to initiate a Ph3 obesity study (9mg) by end-2023.
- **Why do we differ:** We see the BIC potential of mazdutide for the treatment of obesity in China, and anticipate continuous revenue growth of Innovent.
- **Valuation:** We derive our target price of HK$57.35 based on DCF valuation (WACC: 9.6%, terminal growth rate: 4.0%).

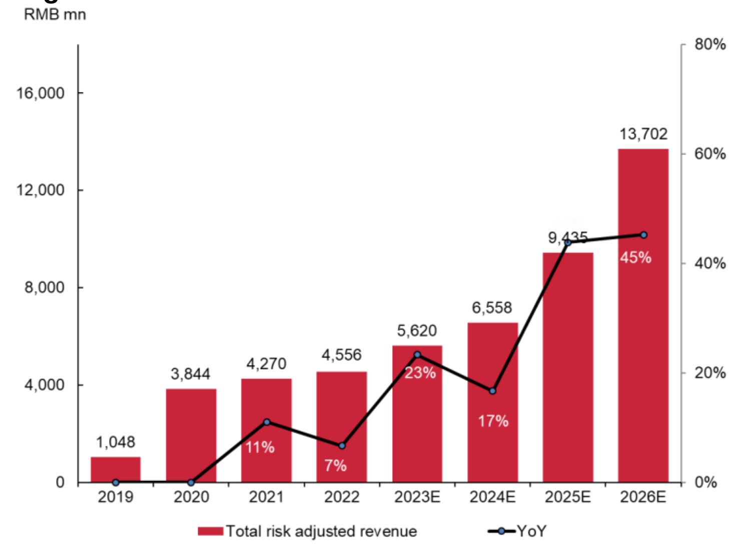
Link to latest report: Innovent Biologics (1801 HK) – Mazdutide (9mg) continues to show its BIC potential with 48-week results

Financials and Valuations

(YE 31 Dec)	FY23E	FY24E	FY25E
Revenue (RMB mn)	5,620	6,558	9,435
YoY growth (%)	23	17	44
Net loss (RMB mn)	(1,656)	(1,003)	(221)
EPS (RMB)	(1.08)	(0.65)	(0.14)
Consensus EPS (RMB)	(0.71)	(0.41)	0.26
R&D expenses (RMB mn)	(2,200)	(2,295)	(2,831)
Capex (RMB mn)	(500)	(400)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** HK$118 (62% upside) Analysts: Nika Ma/ Zhang Miao

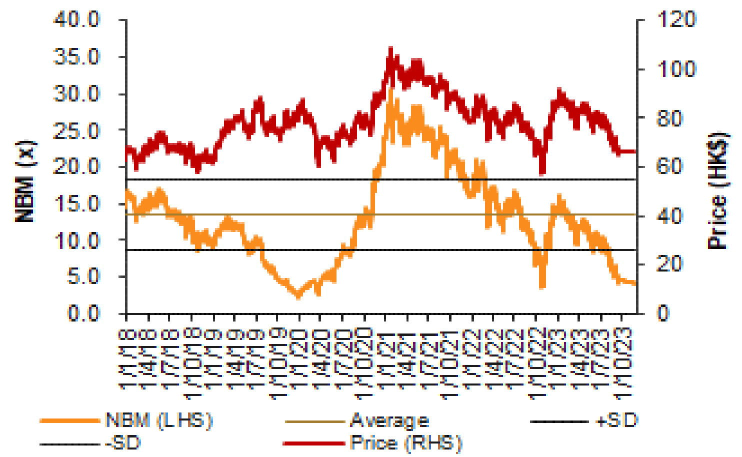
- **Investment Thesis:** With strong momentum retained to 3Q23, the insurer reported solid VNB growth by +35%/+36% YoY in 3Q/9M23, with the long-concerned margin improved by +1.7pct QoQ from 1H23. MCV business remained strong in 3Q contributing to ~50% of AIA HK's new business, better than market-wide estimates. Given continued robust performance, we expect the Group's VNB growth in FY23E to reach ~30% in FY23E. The rationales include: 1) AIA China delivered strong VNB growth of 20%+ in 3Q by shifting focus from savings to critical illness products, driving the margin sequentially improved over the third quarter. In addition, progressive geographical expansions approved by Chinese regulatory paved the way for deepening exploration in mainland market potential. 2) asset resilience secured the Group's consistent givebacks for shareholder returns through dividends and share buybacks. 3) TATA AIA Life, an 49% share-holding joint venture in India, grew in double-digit since beginning of the year driving a second growth curve alongside the Group's ASEAN business.
- By channels, premier agency continued driving robust VNB growth, and the partnerships implied strong results from IFA and banks. For AIA China, the newly launched operations in Henan and recently approved Shijiazhuang license upgrade enriched coverage from city to the whole of Hebei province, reaffirming the insurer's expansion initiatives to untapped affluent demands. Besides, given a light legacy in China bancassurance, the recent notice on regulating the commission fees on product sales through bancassurance left limited impacts compared to peers. On product front, a focus shift to critical illness products matched the group's long-persistent strategy on premier agency, which at the meanwhile benefited to the VNB margin growth.
- **Valuation:** AIA's stock is trading at 1.4x FY24E P/EV, near historical trough and lower than a 2-year/5-year historical avg. at 1.6x/1.8x. Looking ahead, we remain constructive on AIA China's structural growth and MCV business in Hong Kong. Reiterate BUY, and maintain FY24E target price at HK$118.0.

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)	2.5	2.7	2.5	2.3
P/EV (x)	1.6	1.5	1.4	1.3
Yield (%)	2.1	2.3	2.5	2.8
ROE (%)	6.6	11.3	16.6	17.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: New business multiplier (NBM) heralds price growth



Source: CMBIGM estimates

Tencent (700 HK): 3Q23 earnings beat on strong operating leverage and business innovation

Rating: BUY **| TP:** HK$465.0 (44% upside)   Analyst: Saiyi He/Wentao LU/Frank Tao

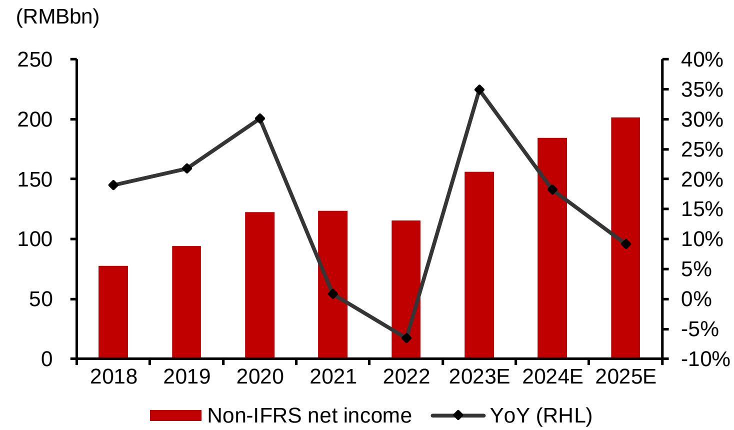
- **Investment Thesis:** We are upbeat on Tencent's earnings growth in FY23/24 driven by: 1) solid GPM expansion on strong operating leverage and incremental revenue from higher-margin innovative businesses; 2) resilient ad revenue growth supported by enhanced Weixin ad monetization; 3) reaccelerating revenue growth and expanding margin of FBS segment thanks to macro recovery, strategic adjustment of cloud business and incremental revenue from live streaming e-commerce.
- **Our View:** Tencent's 3Q23 result was a strong beat on operating leverage and business innovation. 3Q23 GPM expanded by 5.2ppt YoY to 49.5% (vs. consensus' 47.5%) on the strong operating leverage and incremental revenue from higher-margin innovative businesses (i.e. Mini Games and Video Accounts etc). The record-high GPM since 2019 proved Tencent's operating leverage in its consumer internet business model and its competitive edges. Tencent's current valuation implies 19/16x FY23/24E Non-IFRS PE, vs FY23/24E earnings growth estimate of 35/18% YoY, offering attractive value.
- **Catalysts:** 1) better-than-expected GPM expansion on operating leverage and business innovation; 2) accelerating monetization of Weixin ad properties; 3) resilient FBS revenue growth and margin expansion; 4) better-than-expected grossing performance of new game titles such as Dream Stars; 5) strong performance of Mini Games.
- **Valuation:** Our SOTP-derived TP is HK$465.0, comprising HK$192.9/18.8/57.5/107.6/18.9 for games/SNS/ads/Fintech/ cloud business and HK$6.8/62.5 for net cash/strategic investments.
- **Link to latest report:** Tencent (700 HK) - 3Q23 earnings beat on strong operating leverage and business innovation

Financials and Valuations

(YE 31 Dec)	FY22	FY23E	FY24E	FY25E
Revenue (RMB mn)	554,552	611,875	664,724	716,952
YoY growth (%)	(1.0)	10.3	8.6	7.9
Gross margin (%)	43.1	47.8	48.8	49.0
Adj. net profit (RMB mn)	115,649	156,029	184,531	201,484
YoY growth (%)	(6.6)	34.9	18.3	9.2
EPS (Adjusted) (RMB)	12.13	16.11	19.05	20.81
Consensus EPS (RMB)	12.13	15.48	18.16	20.58
Non-GAAP P/E (x)	25.2	18.7	15.8	14.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Pinduoduo (PDD US) – Rapid overseas business expansion

Rating: BUY **| TP:** US$131.8 (12% 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:** We remain positive on PDD Holdings' (PDD) long-term growth prospect, mainly given: 1) domestic business could maintain healthy revenue and earnings growth in 2023, aided by the incorporation of more branded products and high ASP products, as well as the increase in monetization, aided by the increase in percentage of paid traffic volume; 2) Temu, the overseas e-commerce business operated under the "fully-entrusted" model, leveraging strong domestic supply chain and PDD's strong execution capability, has seen robust GMV and revenue growth, which is on track to support PDD's long-term revenue and earnings growth, and will likely propel a further valuation rerating

- **Where do we differ vs consensus:** the 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) 3Q23 results in late November; 2) more rapid than expected ramp up of international business.

- **Valuation:** DCF based valuation of US$131.8.

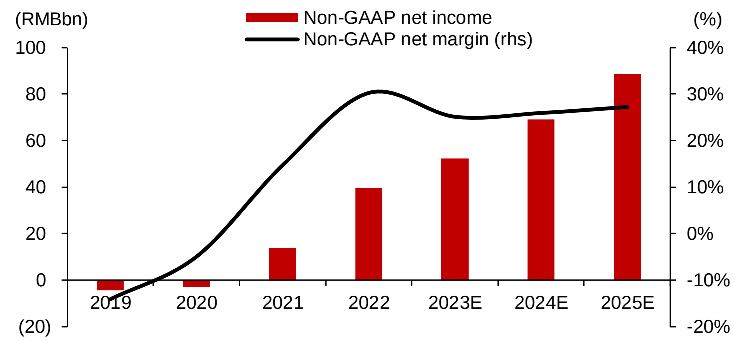
- **Link to latest report**: Pinduoduo (PDD US): Rapid overseas business expansion

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	130,558	208,026	265,939	325,104
YoY growth (%)	39.0	59.3	27.8	22.2
Net profit (RMB mn)	31,538.1	43,604.5	58,881.2	76,184.8
Adjusted net profit (RMB mn)	39,529.7	52,300.2	69,038.6	88,590.4
EPS (Adjusted) (RMB)	27.45	35.96	47.47	60.92
Consensus EPS (RMB)	27.45	33.88	42.24	54.32
P/E (x)	15.4	23.8	17.7	13.6
ROE (%)	32.7	30.0	28.4	26.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PDD's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Netflix (NFLX US): Entering the AVOD space

Rating: BUY **| TP:** US$512 (TP under review) (8% upside)

Analyst: Sophie Huang

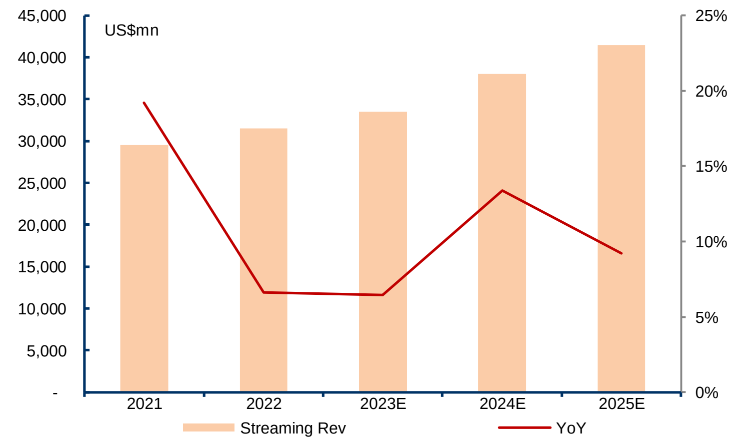
- **Investment Thesis:** We remain positive on Netflix's long-term subs trend, AVOD expansion, paid-sharing rollout and margin expansion, backed by its vibrant original content pipeline and efficient investment. After its better-than-feared 3Q23 results, Netflix demonstrated strong net adds, resilient margin guidance (22%-23% OPM in FY24E, +2~3ppts YoY) and increasing FCF, partly alleviating market concerns about content spending and competition. Looking ahead, we forecast Netflix to deliver 11%/24% rev/earnings CAGR during FY23-25E, with 7.6% subs CAGR. With competition to pull back and strikes to settle, we think it is a good time to accumulate.
- **Our View:** Netflix prides itself on exclusive high-quality original content, further enhancing its leadership and price hike (seven times in 2011-23, forecasting ARM at 3.4% CAGR in FY23-25E). We are bullish on Netflix's AVOD expansion, and expect positive impact on both net adds and ARPU. With TAM of 380mn AVOD subs worldwide, we expect Netflix's AVOD subs to rise to 32mn in FY25E (11% subs mix), at 51% CAGR. Moreover, we expect paid-sharing initiatives to bring ~30mn extra subs by 2025E (6% rev mix) , with >100mn password-sharing users in Netflix.
- **Why do we differ vs consensus:** Market concerns lie on competition, strike impact, and potential rise in content cost. We think competition has pulled back as peers prioritize cost control. With strike to settle, content would pick up from 4Q23E, and Netflix is more resilient for its extensive content library and globalization. We think industrial wave of price increases and globalization would offset rising content cost.
- **Catalysts:** 1) content to pick up after strikes; 2) resilient net adds from paid-sharing and AVODs penetration; and 3) margin improvement.
- **Valuation:** initiate BUY with DCF-based TP of US$512, implying 33x FY24E P/E, 15% below historical P/E mean of 38.8x.
- **Link to latest report**: Netflix (NFLX US) – Entering the AVOD space

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	31,616	33,580	37,981	41,488
YoY growth (%)	6.5	6.2	13.1	9.2
Net income (RMB mn)	4,492	5,397	6,825	8,351
EPS (US)	9.9	12.0	15.5	19.1
YoY growth (%)	(11.5)	20.7	28.8	23.9
Consensus EPS (US$)	N/A	12.2	16.0	19.4
P/E (x)	N/A	38.9	30.2	24.4
P/S (x)	N/A	6.1	5.4	4.9
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	24.5	25.0	27.8	28.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: NFLX's revenue growth estimates



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK): Upbeat margin to continue

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. Looking into 4Q23E, we expect resilient momentum to continue (forecasting rev +15% YoY), supported by: 1) resilient ads (+20% YoY) with external ads acceleration; and 2) strong ecommerce (GMV/rev +29.5%/40% YoY). Even after its upward revision on earnings guidance, we think there is still further earnings upside. Suggest to buy on dips.

- **Our View:** We forecast 4Q23E revenue +15% YoY (largely in line), and bottom line at RMB2.8bn (9% above consensus). We are positive on its long-term ecommerce upside, boosted by deeper MAC penetration, higher traffic efficiency, and shelf-based mall expansion. Thanks to 11.11 outperformance (highest GMV growth among key platforms), we expect its ecommerce GMV/others rev +29.5%/40% YoY in 4Q23E. Ads would see above-industry growth in 4Q23E (forecasting +20% YoY). Its price saw short-term pullback for mkt concern on Tencent's potential sell-off (or dividends). Mgmt. clarified that Tencent has yet discussed the plan and stated no intention to reduce stakes in the latest AGM.

- **Why do we differ vs consensus:** Market concerns lie on competitor threat on ads and potential selling from PE investors. 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 may see upside from shopping mall function.

- **Catalysts:** 1) upside from shopping mall, 2) strong 4Q23E results, and 3) better margin outlook.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$97 (implying 29x 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.

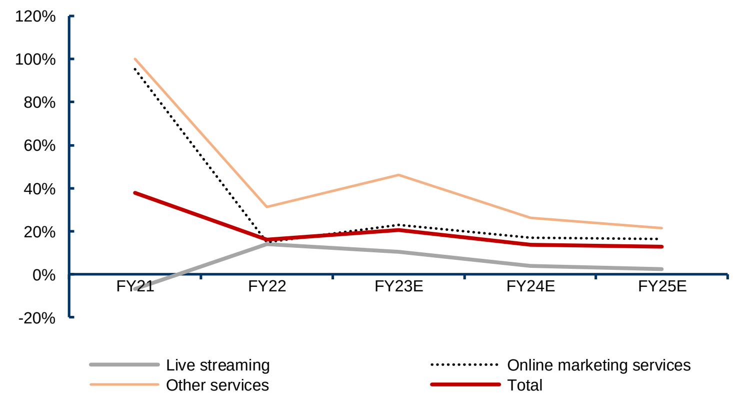
- **Link to latest report**: Kuaishou (1024 HK) – Upbeat margin to continue

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	94,183	113,527	129,143	145,562
YoY growth (%)	16.2	20.5	13.8	12.7
Net income (RMB mn)	(5,751)	8,752	13,566	21,538
EPS (RMB)	(1.3)	1.9	2.9	4.6
YoY growth (%)	N/A	N/A	55	59
Consensus EPS (RMB)	N/A	1.7	3.2	4.8
P/E (x)	N/A	26	17	11
P/S (x)	2.5	2.0	1.8	1.6
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 (50% 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 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) overseas 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.

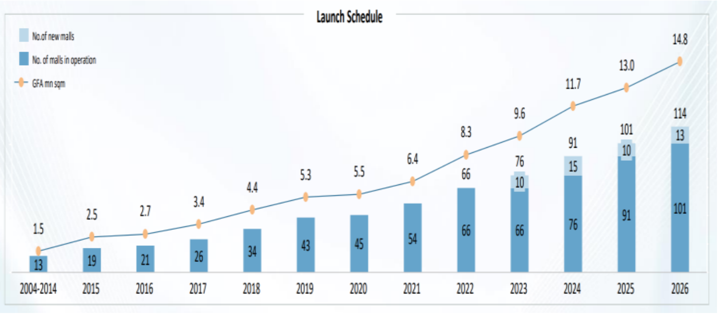
Link to latest report: CR Land (1109 HK) – Outperforming FY22E, promising FY23E and not-far-fetching FY25E target

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	4.2	4.5
P/E (x)	5.3	6.1	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$44.2 (23% 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, Huawei/Honor, 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, new NEV products and Android/US clients' share gain/upgrade, and Jabil's iPhone casing synergies in 2024/25E. 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 8.9% in FY25E (vs 5.9%/8.1%/8.4% in FY22/23/24E), while NPM will expand to 3.6% in FY25E (vs 1.7%/3.1%/3.3% in FY22/23/24E).

- **Why do we differ vs consensus:** Our FY23/24E EPS are 13%/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 Huawei/Xiaomi/Apple product launches.

- **Valuation:** Our SOTP-based TP of HK$44.2 implies 18.2x FY24E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

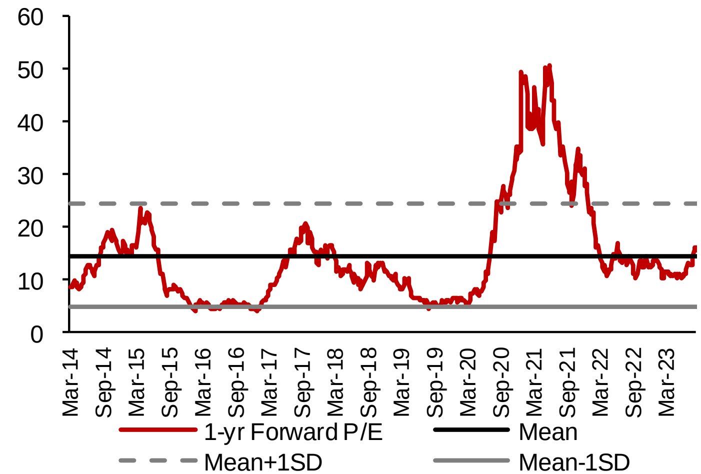
Link to latest report: BYDE (285 HK) – NDR Takeaways: Android upside, NEV ramp up and Jabil synergies

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	107,186	129,576	151,936	179,241
YoY growth (%)	20.4	20.9	17.3	18.0
Net profit(RMB mn)	1,858	3,968	4,971	6,493
EPS (RMB)	0.82	1.76	2.21	2.88
YoY growth (%)	(19.6)	113.6	25.3	30.6
Consensus EPS (RMB)	N/A	1.59	2.10	2.74
P/E (x)	42.5	19.9	15.9	12.2
P/B (x)	3.7	3.2	2.8	2.4
Yield (%)	0.5	0.3	0.6	0.8
ROE (%)	7.2	13.4	14.6	16.3
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

Innolight (300308 CH): True AI beneficiary has more to offer

Rating: BUY **| TP:** RMB109.30 (12% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment Thesis:** Innolight posted strong 3Q23 results with revenue/NP growth at 14.9%/89.5% YoY and 39.7%/88.4% QoQ, respectively. The robust growth was mainly contributed by the heightened industry-wide demand for the Company's 400G/800G optical transceivers. Additionally, the Company's gross margin showed consistent improvement across the first three quarters of 2023, climbing from 29.5%/31.1% in 1Q/2Q to 33.5% in 3Q. The Company is well-positioned to deliver full year of promising growth, with backlog orders for its high performance optical transceivers stretching into early-2024 as AI tech developments continue to accelerate.
- **Our View:** We consider Innolight to be a major beneficiary of the ongoing surge in AI tech. The company stands out as one of the few domestic suppliers capable of meeting the increasing demand. The current stock price is becoming appealing due to several factors: 1) transceivers are essential in AI data centers, and there's a robust global demand for AI infrastructure that is expected to continue into 2024; 2) the recent US restrictions are anticipated to have minimal effects on the Company's revenue in the short-to-medium term.
- **Catalysts:** 1) faster-than-expected ramp-up of 800G optical transceivers, and 2) slower-than-expected decline of non-AI revenue.
- **Valuation:** Our TP is RMB109.30, corresponding to 35x 2025E P/E.

Links to latest reports:

Innolight (300308 CH)– Expect higher contribution from AI revenue in 3Q; Upgrade to Buy

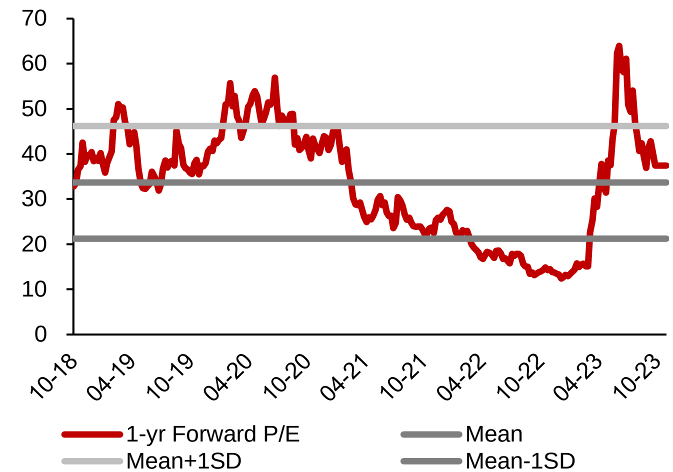
Innolight (300308 CH) – Strong 3Q results on accelerating AI revenue

Financials and Valuations

(YE 31 Dec)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	9,642	11,386	14,819	15,690
YoY growth (%)	25.3	18.1%	30.2	5.9
Gross margin (%)	29.3	31.3%	31.8	31.7
Net profit (RMB mn)	1,224	1,708	2,321	2,501
YoY growth (%)	39.6	39.5	35.9	7.7
EPS (RMB)	1.54	2.13	2.90	3.12
EPS (Consensus)	1.54	2.14	4.33	5.45
P/E (x)	61.1	44.1	32.5	30.1
ROE (%)	10.2	12.6	14.8	13.9

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 (45% upside)

Analyst: Saiyi He/Frank Tao/Wentao Lu

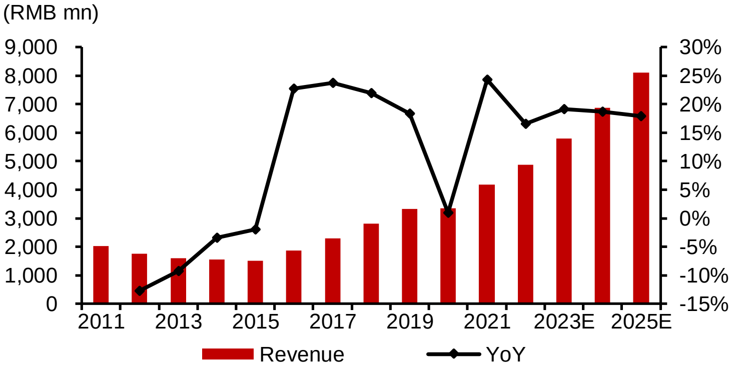
- **Investment Thesis:** Kingdee is the largest enterprise resource management (ERM) vendor in China. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 19% revenue 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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