CMBI Research Focus List

Our best high conviction ideas

17 January 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) FY22E	P/E (x) FY23E	P/B (x) FY22E	ROE FY22E	Yield FY22E	Analyst
Long Ideas														
Li Auto Inc.	LI US	Auto	BUY	23.4	245.9	22.5	44.0	96%	2.8	1.4	3.2	-5.2	N/A	Shi Ji/ Dou Wenjing
Geely Automobile	175 HK	Auto	BUY	15.1	115.1	11.7	16.5	41%	N/A	N/A	1.5	6.6	1.1%	Shi Ji/ Dou Wenjing
S.C New Energy Technology	300724 CH	Capital Goods	BUY	6.2	137.8	119.5	187.0	56%	38.8	32.4	5.6	15.6	0.3%	Wayne Fung/ Katherine Ng
Zoomlion Heavy Industry	1157 HK	Capital Goods	BUY	7.0	6.1	4.5	5.2	17%	12.3	9.7	0.6	5.0	3.6%	Wayne Fung/ Katherine Ng
Yancoal Australia	3668 HK	Coal	BUY	5.7	8.6	33.7	53.0	58%	2.0	2.3	1.0	59.7	17.9%	Wayne Fung
CR Gas	1193 HK	Gas	BUY	10.0	14.2	33.7	39.1	16%	8.6	7.8	1.3	11.9	N/A	Megan Xia/ Jack Bai
CDC	341 HK	Consumer Discretionary	BUY	1.1	1.4	14.1	15.1	7%	347.9	31.9	N/A	0.7	2.2%	Walter Woo
Yum China	9987 HK	Consumer Disc.	BUY	24.9	29.4	465.0	465.1	0%	53.2	30.2	N/A	6.2	0.5%	Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	25.1	72.5	60.5	72.4	20%	31.0	27.8	4.5	15.0	1.3%	Joseph Wong
Budweiser APAC	1876 HK	Consumer Staples	BUY	43.6	25.6	25.7	27.2	6%	32.2	27.8	2.9	9.2	1.2%	Joseph Wong
CTGDF	601888 CH	Consumer Staples	BUY	71.2	348.8	232.8	255.0	10%	58.6	40.1	11.7	20.0	0.5%	Joseph Wong
Proya	603605 CH	Consumer Staples	BUY	7.1	37.2	167.9	184.0	10%	42.4	31.5	9.0	21.4	0.7%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	8.3	51.5	42.1	52.6	25%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi Biologics	2269 HK	Healthcare	BUY	8.3	51.5	73.9	120.4	63%	55.4	41.5	6.7	12.9	N/A	Jill Wu/Benchen Huang
CPIC	2601 HK	Insurance	BUY	40.0	235.9	21.2	25.2	19%	N/A	N/A	N/A	9.9	4.7%	Gigi Chen
Tencent	700 HK	Internet	BUY	34.2	36.5	370.2	381.6	3%	30.7	24.1	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Alibaba	BABA US	Internet	BUY	453.4	1302.2	117.0	156.0	33%	N/A	N/A	N/A	6.5	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Kuaishou	1024 HK	Internet	BUY	34.2	36.5	71.5	*80	12%	N/A	N/A	N/A	N/A	0.0%	Sophie Huang
CR Land	1109 HK	Property	BUY	39.6	258.7	37.9	44.8	18%	9.1	8.3	1.0	10.5	5.2%	Jeffrey Zeng/ Miao Zhang
BOE Varitronix	710 HK	Technology	BUY	34.6	61.3	17.3	26.0	50%	20.7	16.8	22.2	74.0	2.0%	Alex Ng/ Lily Yang
Wingtech	600745 CH	Technology	BUY	1.8	3.0	56.9	88.6	56%	25.9	17.2	N/A	7.9	0.4%	Lily Yang/ Alex Ng
Kingdee	268 HK	Software & IT services	BUY	10.5	168.2	16.6	23.8	43%	-98.8	-214.3	N/A	-7	0.0%	Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 16/1/2023
Note: *TP under review

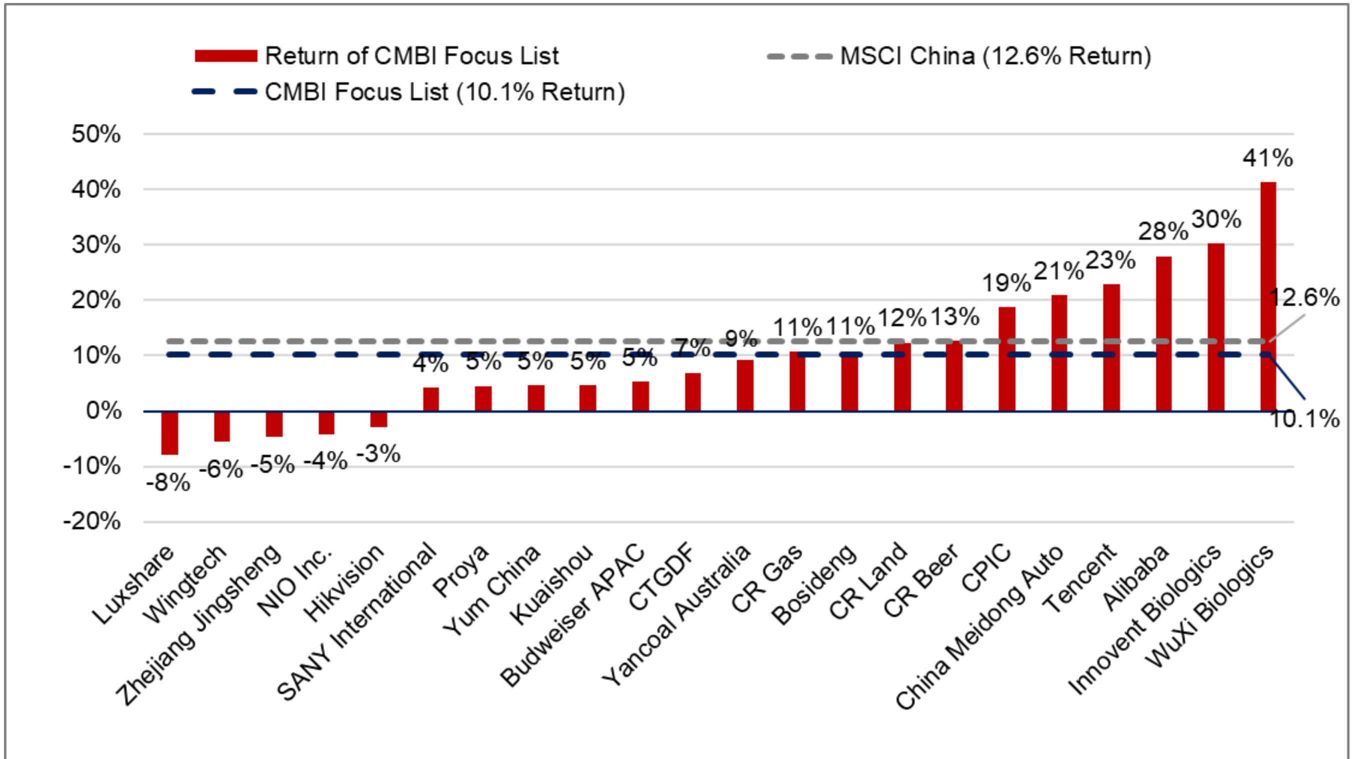
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Li Auto Inc.	LI US	Auto	BUY	Shi Ji/ Dou Wenjing	While the NEV trio all have more than RMB 30bn net cash to support them throughout 2024, we are of the view that Li Auto probably has a higher chance to be a long-term winner, in terms of sales and profitability.
Geely Automobile	175 HK	Auto	BUY	Shi Ji/ Dou Wenjing	Geely is our top pick among incumbent automakers, due to Zeekr's progressive improvement and possible PHEV sales boom.
S.C New Energy Technology	300724 CH	Capital Goods	BUY	Wayne Fung/ Katherine Ng	We expect solid growth of replacement demand for solar cell equipment, driven by rapid breakthrough on new solar power technologies.
Zoomlion Heavy Industry	1157 HK	Capital Goods	BUY	Wayne Fung/ Katherine Ng	We expect Zoomlion to offer more short-term upside potential driven by the recovery of construction machinery demand (turnaround story).
CDC	341 HK	Consumer Discretionary	BUY	Walter Woo	We believe it could experience both upward earnings revision and re-rating thanks to: 1) SSSG acceleration driven by low base last year, 2) better customer traffic after the earlier than expected re-opening of HK-China border and 3) more value for money nature under the relatively slower economic growth.
BOE Varitronix	710 HK	Technology	BUY	Alex Ng/ Lily Yang	Beneficiary of secular trends of automotive intelligence and smart-cockpit adoption.
Kingdee	268 HK	Software & IT services	BUY	Marley Ngan	Prefer growth name as China re-opens. Kingdee should benefit from software localization and higher enterprise IT spending when macro improves.
Deletions					
NIO Inc.	NIO US	Auto	BUY	Shi Ji/ Dou Wenjing	4Q22 sales volume missed our expectation.
China Meidong Auto	1268 HK	Auto	BUY	Shi Ji/ Dou Wenjing	Meidong's share price has rallied 87% since our report on 18 Dec 2022.
Zhejiang Jingsheng	300316 CH	Capital Goods	BUY	Wayne Fung	We believe solar cell equipment will offer more upside than wafer equipment.
SANY International	631 HK	Capital Goods	BUY	Wayne Fung	While we continue to like SANY International's structural growth story in the energy equipment space, we expect Zoomlion to offer more short-term upside potential driven by the recovery of construction machinery demand (turnaround story).
Bosideng	3998 HK	Consumer Disc.	BUY	Walter Woo	While we are still highly positive about its long-term growth, we have turned slightly pessimistic about its sales during this CNY due to the hotter than last year weather in Jan 2023.
Luxshare	002475 CH	Technology	BUY	Alex Ng/ Lily Yang	Prefer non-smartphone names in 1Q23 given overseas demand concerns.
Hikvision	002415 CH	Software & IT services	BUY	Marley Ngan	Lacks near term catalyst.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 22 November, we highlighted a list of 22 long ideas.
- The basket (equal weighted) of these 22 stocks underperformed MSCI China index by 2.4ppt, delivering 10.1% return (vs MSCI China 12.6%).
- 5 of these stocks delivered over 20% of return, and 7 of our 22 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 13 Dec 2022 to 13 Jan 2023

Long Ideas

Li Auto Inc. (LI US): Still best positioned among NEV trio

Rating: BUY **|** TP: US$ 44.00 (96% upside) Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** We are of the view that China's auto industry has been experiencing drastic changes as consumers pursue new values from vehicles, which needs pioneers but not followers. We are pessimistic about most incumbent automakers' tech transformation. Among NEV start-ups, despite higher sales volume from some tier-2 brands compared with the NEV trio, they still need time to build customer trust, in our view. As pioneers, the NEV trio has their advantages and disadvantages. While the NEV trio all has more than RMB 30bn net cash to support them throughout 2024, we are of the view that Li Auto probably has a higher chance to be a long-term winner, in terms of sales and profitability.

- **Our View:** Li Auto finished 2022 with the highest sales volume among the NEV trio only with two models. We expect Li Auto's 4Q22E GPM to beat management's guidance of 20%. We project the company to turn net profit in 4Q22E from net loss of RMB 1.6bn in 3Q22, despite higher R&D and SG&A expenses QoQ.

- We expect Li Auto to continue leading FY23E sales volume among the NEV trio. We project Li Auto's FY23E sales volume to be 0.25mn units, a bit more conservative than management's guidance of 0.3mn units amid the overall industry headwinds and potential product cannibalization. We still expect Li Auto to turn profitable in FY23E, the earliest among the NEV trio, thanks to the its superior product mix, cost control and management efficiency.

- **Catalysts:** 1) Strong sales volume YoY growth in 1H23; 2) Possible milder sales cannibalization between the *L7* (to be delivered in Mar 2023), *L8* and *L9* than some investors' expectation; 2) first BEV (battery electric vehicle) model to be launched in 2023.

- **Valuation:** Our target price of US$ 44.00 is based on 3.3x FY23E P/S.

Link to latest report:

Li Auto Inc. (LI US) – Still best positioned among NEV trio

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

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB)	27,010	45,170	90,650	129,950
YoY growth (%)	185.6	67.2	100.7	43.4
Net income (RMB mn)	(321)	(2,084)	517	2,730
EPS (RMB)	(0.17)	(1.08)	0.27	1.38
YoY growth (%)	N/A	N/A	N/A	428.2
P/E (x)	4.1	2.8	1.4	1.0
P/B (x)	2.7	3.2	3.1	3.0
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	(0.9)	(5.2)	1.3	6.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Geely Automobile (175 HK): PHEV could be a positive surprise in FY23

Rating: BUY | TP: HK$ 16.50 (41% upside)

Analysts: Shi Ji/ Dou Wenjing

- **Investment Thesis:** Geely is our top pick among incumbent automakers, due to Zeekr's progressive improvement and possible PHEV sales boom. We expect Zeekr to almost double its sales volume in FY23E, aided by a compact SUV model. We are of the view that BYD's 2/3 market share in the PHEV segment is not sustainable and Geely is likely to be one of the automakers to grab market share from BYD. We project Geely's FY23 sales volume to rise 3% YoY to 1.5mn units, with almost 0.59mn units being NEVs. We expect Zeekr's net loss to narrow in FY23E.

- **Our View: Zeekr is on track for long-term development.** Zeekr ended the year of 2022 with sales volume of around 72,000 units, beating its sales target of 70,000 units, which exceeded many investors' initial expectation. We project Zeekr's sales volume to double in FY23E, aided by a new compact SUV. We value Zeekr 2.5x (the same as our target valuation for Xpeng) FY23E core revenue (excluding Viridi's battery pack sales and R&D services), which would result in HK$ 109bn for 100% Zeekr's valuation. Despite lagging autonomous driving technologies, Zeekr's recent sales momentum and price positioning are stronger than Xpeng. The gross margin improvement at Zeekr could also be key for valuation next year. **We project Geely's PHEV sales volume (incl. Lynk & Co) to reach 0.2mn units in FY23E.** With lessons learnt from the *Xingyue L* and *Emgrand L* PHEVs, we expect Geely's two new PHEVs in 1H23 to be more successful.

- **Valuation:** Despite tripled sales volume for Geometry in FY22E compared with FY21, its loss-making and high ratio of ride-hailing fleets make us value it the least among Geely's NEV businesses. We estimate profitability for Geely's other businesses, including internal-combustion engine (ICE) vehicles, Lynk & Co, IP licensing and R&D services, to be stable in FY23E, aided by a larger portion of more premium models. We value Geely's all other businesses excluding Zeekr at 15x (prior 10x) our revised FY23 P/E amid higher PHEV sales volume forecast.

Link to latest report: Geely Automobile (175 HK) – PHEV could be a positive surprise in FY23

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	101,611	143,630	157,650	167,000
YoY growth (%)	10.3	41.4	9.8	5.9
Net income (RMB mn)	4,847	4,708	5,567	7,027
EPS (RMB)	0.48	0.46	0.54	0.68
YoY growth (%)	(12.4)	(2.9)	18.2	26.2
P/S (x)	20.5	23.6	19.8	15.7
P/B (x)	1.4	1.5	1.4	1.3
Yield (%)	0.8	1.1	1.3	1.7
ROE (%)	7.3	6.6	7.4	8.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

S.C New Energy Technology (300724 CH): A key beneficiary of the transformation of solar cell technology

Rating: BUY **| TP:** RMB187 (56% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** SC is a leading solar power equipment supplier with a well-diversified product portfolio covering equipment with new technologies such as TOPCon, HJT and Perovskite solar cell (钙钛矿). Backed by the strong photovoltaics (PV) installation demand worldwide as well as the transformation from PERC technology, SC will continue to capture the capex up-cycle.

- **Our View:** SC won meaningful size of PE-poly route TOPCon turnkey contracts in overseas in 2022, which indicates that such technology has already gained client recognition. Key advantages of PE-Poly route include better solar cell efficiency, higher production efficiency and yield, which can help achieve mass scale production of TOPCon solar cell. Besides, we believe SC's early-mover advantage in developing HJT and Perovskite solar cell will enable it to enjoy the uptrend in equipment demand regardless of any potential change in technology.

- **Why do we differ vs consensus:** While our 2022E/23E/24E EPS estimates are 3%/-6%/-3% versus consensus, we see potential earnings upside given the faster-than-expected technological-driven equipment replacement.

- **Catalysts:** (1) Industry: Announcement of more solar cell capacity expansion plans; (2) Company: Breakthrough in HJT/ Perovskite solar cell technology.

- **Valuation:** Our TP of RMB187 is based on 52x P/E (1SD above the historical average of 36x to reflect the breakthroughs in the new equipment).

Link to latest report:

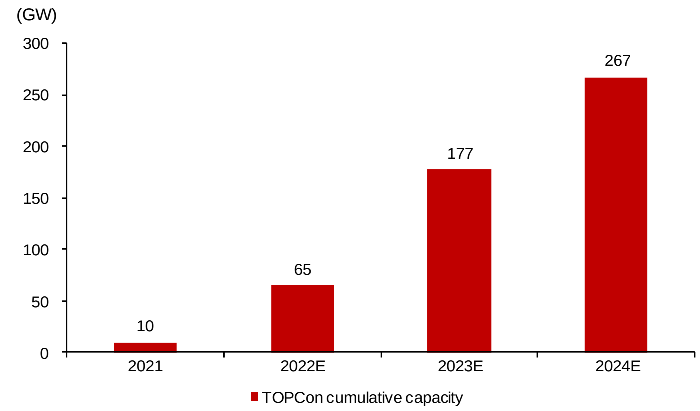
S.C New Energy Technology (300724 CH) – 3Q22 net profit +1.2x YoY; A clean beat

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,047	5,813	7,552	9,812
YoY growth (%)	25	15	30	30
Net income (RMB mn)	717	1,042	1,251	1,643
EPS (RMB)	2.14	2.99	3.59	4.72
YoY growth (%)	31	40	20	31
Consensus EPS (RMB)	N/A	2.91	3.83	4.88
P/E (x)	54.2	38.8	32.4	24.6
P/B (x)	6.5	5.6	4.9	4.1
Yield (%)	0.2	0.3	0.3	0.4
ROE (%)	15.5	15.6	16.1	18.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Planned TOPCon capacity in China (cumulative)



Source: CMBIGM estimates

Zoomlion Heavy Industry (1157 HK): A strong recovery play trading at valuation discount

Rating: BUY | **TP:** HK$5.24 (17% upside)

Analysts: Wayne Fung/ Katherine Ng

- **Investment Thesis:** Zoomlion is leading construction machinery manufacturer in China. The Company has identified construction machinery, agricultural machinery + intelligent agriculture, and materials as the key business lines. The diversification strategy on both product level (AWP & excavator) and industry level (materials) will help smooth the revenue stream.

- **Our View.** Zoomlion is set to benefit from the continuous growth of infrastructure spending and the reduction of property sector risk. We view Zoomlion as a strong recovery play in 2023E following the earnings decline in 2021 & 2022. Meanwhile, Zoomlion has continued to implement the share buyback scheme. In Aug-Dec 2022, Zoomlion spent RMB1.55bn to buyback ~260mn A-shares (~3% of total o/s shares; average price: ~RMB5.99/share). We note that Zoomlion has a good track record on share buyback. To recap, the Company carried out a large scale buyback scheme in 2019 (spent a total of RMB2.1bn), before the beginning of the industry upcycle.

- **Why do we differ vs consensus:** Our 2022E/23E/24E earnings forecast is 4%/1%/7% below consensus. That said, we believe market will put the focus on the trend of earnings recovery in 2023E.

- **Catalysts:** (1) Stabilization of property sector (positive to tower crane & concrete machinery demand), (2) acceleration of AWP demand, (3) continuous cost reduction.

- **Valuation:** Our TP of HK$5.24 is based on 11.5x 2023E P/E (0.5 SD above the average of 10x since the upcycle starting 2019). Our above-average target valuation is to reflect the earnings recovery for the first time in two years. Stock is trading at ~10x 2023E P/E, the lowest among peers.

Link to latest report:

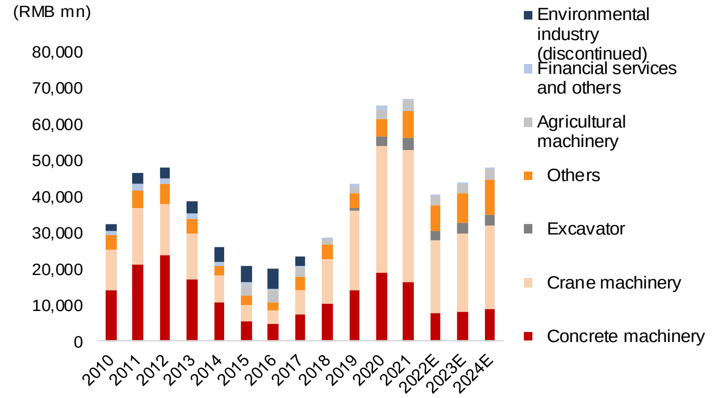
China Construction Machinery – Prefer AWP to excavator in the near term

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	67,132	40,419	43,970	47,885
YoY growth (%)	3.1	(39.8)	8.8	8.9
Net income (RMB mn)	6,303	2,824	3,598	4,118
EPS (RMB)	0.76	0.33	0.41	0.47
YoY growth (%)	(21.7)	(57.1)	27.4	14.5
Consensus EPS (RMB)	N/A	0.34	0.42	0.51
EV/EBIDTA (x)	4.3	8.9	6.9	6.1
P/E (x)	4.8	12.3	9.7	8.5
P/B (x)	0.6	0.6	0.6	0.6
Yield (%)	8.8	3.6	4.5	5.2
ROE (%)	12.2	5.0	6.4	7.0
Net gearing (%)	Net cash	6.8	6.9	5.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** HK$53 (58% upside)

Analyst: Wayne Fung

- **Investment Thesis:** We expect a resilient demand for seaborne coal as many countries have put energy security top of the priority, while the coal supply has remained tight due to miners' capex discipline. The strong coal price helped Yancoal Australia (YAL), the largest pure coal producer in Australia, turn the net gearing dramatically from 69% in 2020 to a net cash position in Jul 2022, which paved the way for generous dividend distribution going forward.

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

- **Why do we differ vs consensus:** There is only limited number of analysts covering the stock. We believe the market has yet to realize the potential of the Company.

- **Catalysts:** (1) Further increase in coal price due to tight supply; (2) Reopening of China to trigger an increase in regional price.

- **Valuation** We forecast net profit in 2H22E to grow 2x YoY and 60% HoH, taking the full year profit to A$4.5bn (+4.7x YoY). We expect >A$4bn of free cash flow this year, representing ~50% of free cash yield at the current price. The stock is attractively trading at 2x 2022E P/E or 18% yield. Reiterate **BUY** with NPV-based TP of HK$53.

Link to latest report: Yancoal Australia (3668 HK) – 3Q thermal coal ASP way above benchmark; a positive surprise

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (A$ mn)	5,403	11,293	10,311	9,501
YoY growth (%)	55.6	109.0	(8.7)	(7.9)
Net income (A$ mn)	791	4,538	3,800	3,245
EPS (A$)	0.60	3.44	2.88	2.46
YoY growth (%)	N/A	475.7	(16.3)	(14.6)
Consensus EPS (A$)	N/A	N/A	N/A	N/A
EV/EBITDA (x)	3.9	1.1	1.3	1.5
P/E (x)	9.6	2.0	2.3	2.7
P/B (x)	1.2	1.0	0.9	0.7
Yield (%)	8.5	17.9	15.0	12.8
ROE (%)	13.9	59.7	39.0	29.1
Net gearing (%)	31.6	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates
Note 1: Thermal coal price assumptions: A$350/300/250 per tonne in FY22E/23E/24E. Note 2: Dividend yield is net of dividend tax of 30%.

Fig: NPV sensitivity to LT coal price and WACC

WACC	LT coal thermal coal price (A$/t)				
	80	100	**120**	140	160
3.9%	22	38	53	68	83
4.9%	26	40	53	66	80
5.9%	29	41	**53**	65	77
6.9%	31	42	52	63	74
7.9%	33	42	52	61	71

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

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

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

CR Gas (1193 HK): Oct-Nov 2022 dollar margin in line; optimistic gas sales outlook for 2023

Rating: BUY **| TP:** HK$39.13 (16% upside)

Analyst: Megan Xia/ Jack Bai

- **Investment Thesis:** CRG is now trading at 12x FY23 PE, its stock price has been up around 40% since we issued last report to the resume coverage. We are still optimistic about CRG, considering: 1) the optimization of pandemic control measures in 2023 is expected to boost domestic gas demand. Reflecting this situation, CRG's gas sale vol. growth and dollar margin management may improve afterwards; 2) sustained M&A provides great support for the stable development of CRG's gas connection business; 3) stick to "1+2+N" strategy, the robust growth momentum of CRG's value-added services continues; and 4) superior financial resilience. Maintain BUY.

- **Our View:** Two positive factors bolster the gas distributors sector in the past few months. First, China improves its pandemic control measures, bringing good signals to domestic economic growth and gas demand. Second, recent positive stimulus policy on property industry may benefit the gas connection business. For CRG, given the attractive valuation and improved dollar margin previously, its stock price has rebounded significantly. Next, we are optimistic about CRG, considering: 1) its better-than-peers' stable gas connection; 2) Q3 dollar margin improved to over RMB0.55/cbm, and dollar margin in Oct 2022 and Nov 2022 were inline (~RMB0.47/cbm and RMB0.48/cbm); and 3) robust comprehensive service growth. We believe CRG's stock price still has growth space, but need to be cautious as the valuation starts to look a bit rich.

- **Valuation:** Considering optimistic gas sales outlook for 2023, inline Oct-Nov 2022 dollar margin, and steady gas connection business and comprehensive services growth. We maintain our TP unchanged at HK$39.13 and give BUY rating, which is based on 12x FY23 forward PE (equivalent to around-1SD from its two-year historical average PE).

- **Risk:** 22Q4 gas sales growth may miss due to domestic weak economic data during the spread of the epidemic; Valuation looks a bit rich as a definitive re-opening is partly priced in.

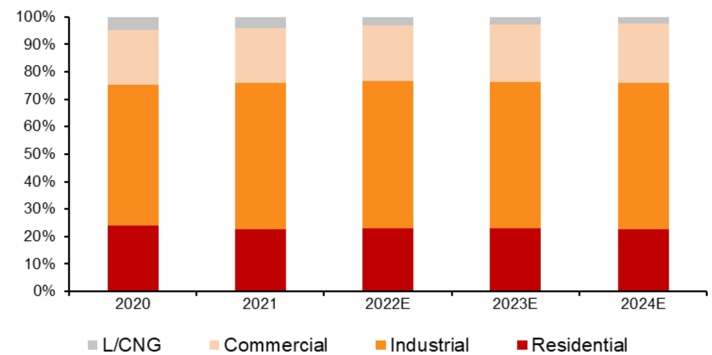
Link to latest report: CR Gas (1193 HK) – Eyes on 4Q gas dollar margin and solid comprehensive service growth

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (HK$ mn)	78,175	102,507	110,986	121,343
Net profit (HK$ mn)	6,395.1	6,828.1	7,524.7	8,562.1
EPS (Reported) (HK$)	2.82	3.01	3.32	3.77
Diluted EPS (HK$)	2.82	3.01	3.32	3.77
Consensus EPS (HK$)	N/A	2.77	3.03	3.39
P/E (x)	8.78	8.60	7.82	7.7
P/B (x)	1.48	1.34	1.2	1.1
ROE (%)	12.7	11.9	11.7	11.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CRG's gas sales volume mix (2020-24E)



Source: Company data, CMBIGM

CDC (341 HK): Light at the end of the tunnel

Rating: BUY | **TP:** HK$15.12 (7% upside)

Analyst: Walter Woo

- **Investment Thesis:** CDC is the largest quick service restaurant group in HK. It owns 364/ 136 restaurants in HK/ China and generated HKD 7.5bn sales and HKD 21mn net profit in FY3/22. In our view, HK retail is likely to bottom out, thanks to the re-opening of HK-China border and the resumption of social activities and CDC is a major beneficiary. We also believe CDC's sales and net profit could recover faster than the industry, because of: 1) industry consolidation, 2) upgrades in products and branding, 3) more contracts won with schools, hospital and other public/ private institutions and 4) quick recovery in the southern China region.

- **Our View:** We believe the worst should be gone for CDC and its SSSG should turn positive to ~14% in 2H3/23E, thanks to: 1) low base in Jan-Mar 2022, 2) re-opening of HK-China border, 3) removal of all social distancing measures (benefit its institutional catering and fast-casual dining even more) and 4) more new product launches (more plant-based SKUs) and successful social media marketing campaign. We also believe the margin to continue to climb, driven by: 1) ASP hike, 2) ease in rental pressure and 3) operating leverage. Moreover, there are other positives like: 1) acceleration in store expansion and 2) turnaround in mainland China.

- **Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our sales forecasts are 2%/ 3%/ 0% higher than consensus and our net profit forecasts are 6%/ 4%/ 0% above street as we are more confident on its SSSG and OP margin expansion.

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

- **Valuation:** We derived our 12m TP of HK$15.12 based on a 22x FY3/24E P/E. We believe it the positives from HK-China border re-opening were not fully priced in. The stock is trading at ~21x FY3/24E P/E.

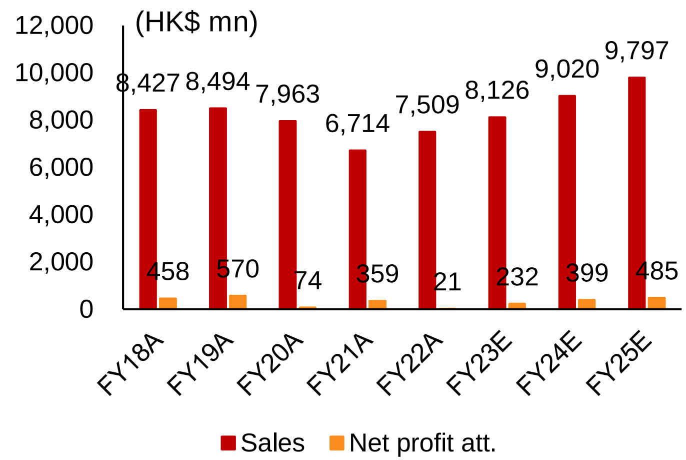
Link to latest report: CDC (341 HK) – Light at the end of the tunnel

Financials and Valuations

(YE 31 Mar)	FY22A	FY23E	FY24E	FY25E
Sales (RMB mn)	7,508.8	8,125.9	9,019.8	9,797.2
YoY change (%)	11.8	8.2	11.0	8.6
Adj. Net profit (RMB mn)	21.2	231.6	398.7	485.1
EPS - Fully diluted (RMB)	0.04	0.40	0.69	0.84
YoY change (%)	(94.1)	991.7	72.2	21.7
Consensus EPS (RMB)	N/A	0.38	0.66	0.84
P/E (x)	347.9	31.9	18.5	15.2
P/S (x)	2.6	2.5	2.3	2.1
Yield (%)	2.2	2.2	3.7	4.6
ROE (%)	0.7	8.0	13.0	14.6
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit



Source: Company data, CMBIGM estimates

Yum China (9987 HK): Consumer corporate day takeaways

Rating: BUY | **TP:** HK$465.05 (0% upside)

Analyst: Walter Woo

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

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

- **Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our sales forecasts are 2%/ 3%/ 3% higher than consensus and our net profit forecasts are 6%/ 6%/ 14% above street as we are more confident on its operational competitiveness and OP margin expansion.

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

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

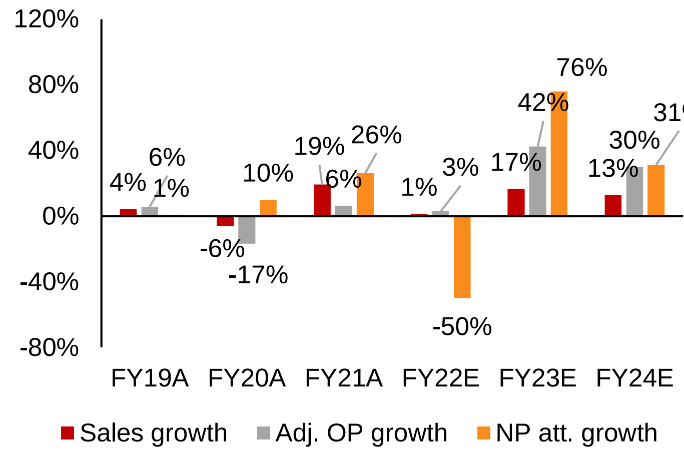
Link to latest report: Yum China (9987 HK) – 2022 Consumer corporate day takeaways

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	9,853	9,987	11,636	13,131
YoY change (%)	19.2	1.4	16.5	12.8
Adj. net profit (RMB mn)	990	496	873	1,145
EPS - fully diluted (RMB)	2.27	1.14	2.00	2.62
YoY change (%)	19.9	(49.9)	75.9	31.1
Consensus EPS (RMB)	N/A	1.06	1.91	2.34
P/E (x)	26.7	53.2	30.2	23.1
P/S (x)	3.2	3.1	2.8	2.6
Yield (%)	0.8	0.5	0.8	1.1
ROE (%)	13.8	6.2	10.2	12.1
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

CR Beer (291 HK): Another move to tap into the baijiu market; yet with near-term challenges

Rating: BUY **| TP:** HK$72.4 (20% upside)

Analyst: Joseph Wong

- We take a neutral stance on the takeover, although it seems to be a value accretive move for CRB to expand into the baijiu segment (instead of any greenfield projects) in the long term. Without any track record, we think CRB will have to prove itself in managing a baijiu business (R&D, pricing and distribution), and achieving synergy between the beer and baijiu businesses. Jinsha is a masstige baijiu brand that prices its products ranging from RMB120 to RMB1,000 per bottle per our survey on JD.com. We think the segment looks to be in a lukewarm position, when consumption upgrade decelerates, or polarizes. High inventory and over-supply also represent near-term headwinds that CRB would have to overcome.
- The RMB11.27bn consideration will likely be funded by the combination of internal resources and debt financing, either bond issuance or bank facilities. Management has not mentioned its intention to opt for equity financing during the call.
- The acquisition represents CRB's second notable move to tap into the baijiu market, after its investment in Shandong Jinzhi Baijiu on 26 Aug 2021. The market size of baijiu industry was approximately RMB603bn in 2021, growing at a CAGR of 8.7% from 2010 to 2021. Sauce-flavor baijiu industry contributed approximately 31.5% of the baijiu industry with market size of approximately RMB190bn in 2021, growing at a CAGR of 17.3% from 2015 to 2021. The weighted average gross profit margin and net profit margin of sauce-flavor baijiu companies in 2021 were approximately 82% and 41%.
- **Valuation.** Our TP is based on 27.0x mid-23E EV/ EBITDA which represents +1sd above mean since 2018.

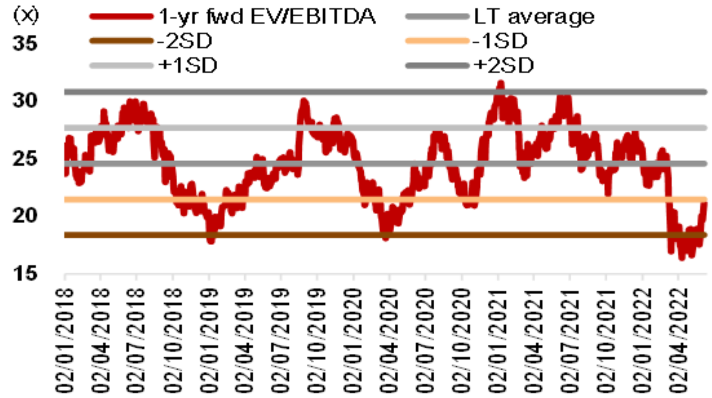
Link to latest report: CR Beer (291 HK) – Another move to tap into the baijiu market; yet with near-term challenges

Financials and Valuations

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

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward EV/EBITDA



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** HK$27.2 (6% upside)

Analyst: Joseph Wong

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

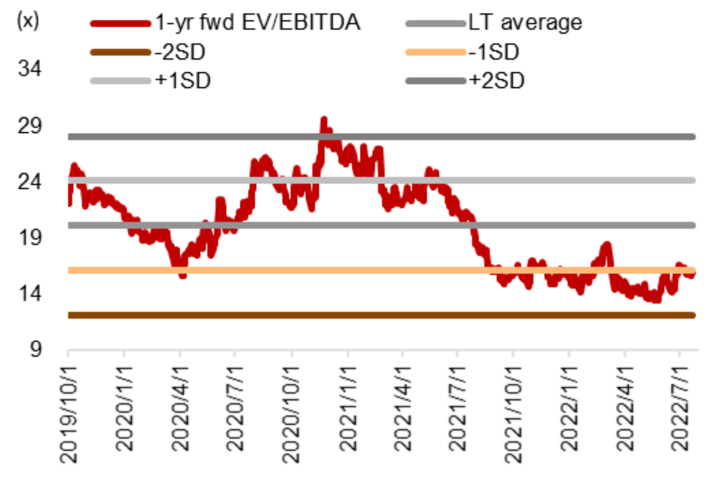
Link to latest report: Budweiser APAC (1876 HK) – A relieving 3Q; China's price hike and APAC East outperformance remain key growth drivers

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (US$ mn)	6,788	6,865	7,595	8,111
YoY growth (%)	21.5	1.1	10.6	6.8
Net income (US$ mn)	950	1,047	1,251	1,357
EPS (US$)	0.07	0.08	0.09	0.10
YoY growth (%)	84.7	10.2	19.5	8.5
Consensus EPS (US$)	N/A	0.08	0.10	0.12
P/E (x)	N/A	32.2	27.8	24.7
P/B (x)	N/A	2.9	2.8	2.7
Div yield (%)	N/A	1.2	1.4	1.6
ROE (%)	8.7	9.2	10.3	10.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

CTGDF (601888 CH) – At the forefront of China's reopen

Rating: BUY | **TP:** RMB255 (10% upside)

Analyst: Joseph Wong

Travel bans and any social distancing measures are likely to weigh on 4Q domestic travel momentum. That said, when the fatality rate associated with the pandemic gradually dies down and policy rhetoric is turning more liberal, we see scope for domestic travel to start normalizing into 1Q23, particularly when the quarter is clustered with the CNY break that catalyze family touristing. CTGDF is the largest domestic duty-free operator with c80% market share in 2022, and is therefore poised to be the major beneficiary of this recovery trajectory. The stock is trading at 40.0x end-23E P/E, still 25% below its 3-year average. We argue shares mean-reversion is likely to take place within 2023E, not to mention further value to be unlocked through its secondary H share listing on an expanded shareholder base. We maintain our Buy rating and CTGDF is our top pick for China's reopening along with CRB (291HK, Buy), and Proya (603605CH, Buy).

- The opening of the Haikou DFS mall on Oct 28. With a total of 280k sq m, the mall covers 800+ global luxury brands and 25 of them, including YSL, Prada, Burberry, BV, Moncler etc, had their first footstep in Hainan. On the other hand, according to our survey, customer could enjoy 20% for every 2 cosmetic items purchased. For other popular brands like Shisedo, La Mer, Dior, discount ranges from 28-32% off MSRP.
- Hainan's duty-free related sales target. We also adjusted our number from previously RMB80bn to RMB55bn, based on a c80% market share (2021: c90%) that CTGDF could achieve on the island. Meanwhile, for 2023E, we envisage the island could achieve RMB75bn duty-free store sales for now.
- Our new TP of RMB255 is based on an updated 50.0x (from previously 45.0x) end-23E P/E, which still represents its average since June 2020, when market started to re-rate the stock for a series of policy tailwind. We believe our methodology has appropriately priced-in the recent market sentiment about China's gradual reopening progress.

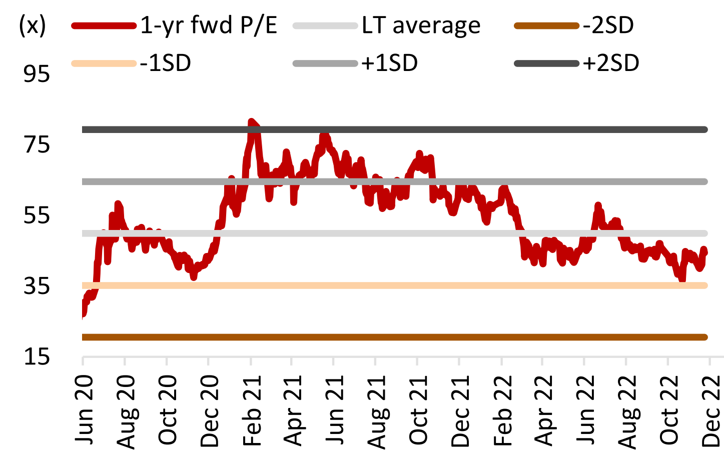
Link to latest report: CTGDF (601888 CH) – At the forefront of China's reopen

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	67,676	57,080	73,409	101,991
YoY growth (%)	28.7	(15.7)	28.6	38.9
Net income (RMB mn)	9,654	6,830	9,976	13,224
EPS (US$)	4.9	3.5	5.1	6.8
YoY growth (%)	57.2	(29.3)	44.7	32.5
Consensus EPS (RMB)	N/A	4.9	7.3	9.3
P/E (x)	N/A	58.6	40.1	30.3
P/B (x)	N/A	11.7	9.8	8.0
Div yield (%)	N/A	0.5	0.8	1.1
ROE (%)	32.6	20.0	24.3	26.4
Net gearing (%)	32.8	49.5	52.0	53.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

Proya (603605 CH) – 3Q a small beat; but the implied 4Q numbers look unexciting given the current guidance

Rating: BUY | **TP:** RMB184 (10% upside)

Analyst: Joseph Wong

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

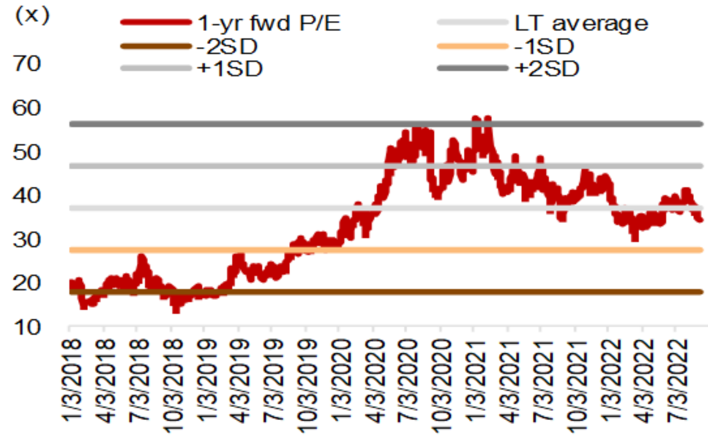
Link to latest report: Proya (603605 CH) - 3Q a small beat; but the implied 4Q looks unexciting given the current management guidance

Financials and Valuations

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

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

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

Rating: BUY **|** **TP:** HK$52.59 (25% upside) Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Innovent currently has eight commercial products. We expect 1L GC and 1L ESCC of sintilimab to be included in NRDL from 2023E, and the sNDA for 2L EGFRm nsq-NSCLC to be approved in China in 1H23E. Retsevmo (RET) was approved for NSCLC/MTC/TC in China late last year, becoming the eighth commercial product of Innovent. Additionally, already approved for 2L GC in China, CYRAMZA (VEGFR2) was further approved for 2L HCC. In Jun 2022, NDAs of IBI326 (BCMA CART) for r/r MM and IBI306 (PCSK9) for nFH/HeFH was accepted by CDE, which are expected to be approved in 1H23E. IBI-362 (GLP-1/GCGR), another potential blockbuster, has started Ph3 studies for obesity and diabetes in Nov 2022. Within the next five years, Innovent targets to launch over 15 products in China which will support RMB20bn annual product revenue.

- **Our View:** Innovent has competitive early-stage pipelines with global rights. IBI-110 (LAG3) continues to demonstrate positive signals in 1L sq-NSCLC and 1L GC patients in Ph1b studies. IBI-939, a differentiated IgG4 mAb targeting TIGIT (vs IgG1 mAb for other TIGIT candidates), has shown promising benefits in ORR and PFS in combination with sintilimab in a randomized Ph1b study in PD-L1 TPS≥50% NSCLC. Additionally, IBI-322 (CD47/PD-L1) is expected to have PoC data in lymphoma in early 2023.

- **Why do we differ vs consensus:** we expect the company to have better sales performance in 2H22 vs 1H22. In 2Q22, Innovent generated over RMB1.0bn product revenue, and in 3Q22, the revenue reached over RMB1.1bn. Eli Lilly reported US$73.6mn (-14% QoQ) and US$76.8mn (+4% QoQ) sales from sintilimab in 2Q22 and 3Q22, respectively. The sales performance in 1H22 was temporarily impacted by the COVID-19 lockdown and restructuring of the commercial team. With the completion of commercial team reorganization, we expect the product sales to gradually regain strong momentum in the near future.

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

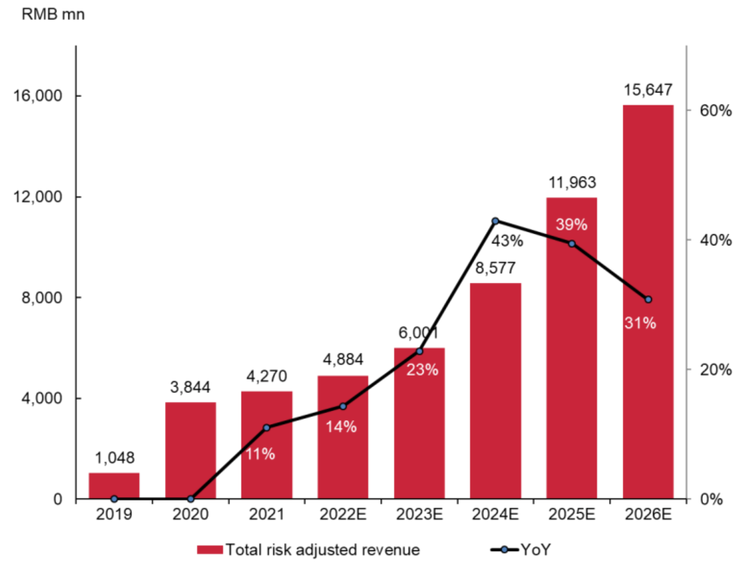
Link to latest report: Innovent Biologics (1801 HK) – Fast expanding commercial product portfolio

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,884	6,001	8,577
YoY growth (%)	14%	23%	43%
Net loss (RMB mn)	(2,070)	(1,816)	(663)
EPS (RMB)	(1.35)	(1.19)	(0.43)
Consensus EPS (RMB)	(1.51)	(0.92)	(0.20)
R&D expenses (RMB mn)	(2,500)	(2,300)	(2,144)
Capex (RMB mn)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY | **TP:** HK$120.39 (63% upside) Analysts: Jill Wu/ Benchen Huang

- **Investment Thesis:** WuXi Bio is a world leading biologics CDMO which provides one-stop services of biologics discovery, development and manufacturing for global clients. With capabilities covering mAB, BsAB, ADC, fusion protein and vaccines, WuXi Bio has built a rich pipeline containing a total of 588 projects, including 300 in preclinical stage, 37 in Ph3 stage and 17 in commercial stage, as of Dec 2022 . The Company adopts a "Follow-the-molecule" strategy to attract and foster early-stage projects and a "Win-the-Molecule" Strategy to win valuable late-stage projects. As a result of pipeline expansion, WuXi Bio's backlog reached to US$18.5bn as of Jun 2022, a guarantee for future revenue growth.

- **Our View:** WuXi Bio has well demonstrated its all-round service quality and speed amid the COVID-19 pandemic. COVID-19 projects (vaccine + neutralizing mAb) contributed ~30% or ~RMB3bn of WuXi Bio's total revenue in 2021, and are expected to generate revenue of ~RMB3bn/ RMB1bn in 2022/23E. However, we see stronger revenue growth from its non-COVID projects. We expect that WuXi Bio's non-COVID revenue will grow by 67%/65% YoY in 2022E/23E (vs 48%/39% YoY for total revenue), respectively, mainly driven by CMO (commercial) projects. Note that non-COVID revenue increased by 73% YoY in 1H22 and is expected to increase by ~65%/60% YoY in 2022E/23E. Year 2021 marked the banner year of commercial manufacturing business for WuXi Bio. Revenue from Phase III and commercial stage projects accounted for only 22% of 2020 total revenue, which substantially increased to 48%/44% of 2021/1H22 total revenue.

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

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

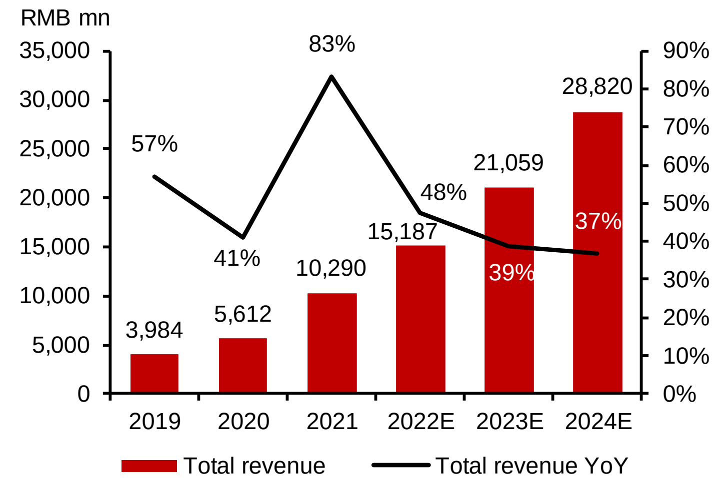
Link to latest report: WuXi Biologics (2269 HK) – Non-COVID projects driving long-term growth

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	15,187	21,059	28,820
Revenue YoY growth (%)	48	39	37
Net income (RMB mn)	4,469	5,962	7,804
Adjusted net income (RMB mn)	5,109	7,006	9,409
EPS (RMB)	1.16	1.60	2.15
EPS YoY growth (%)	46	37	34
Consensus EPS (RMB)	1.12	1.50	2.02
P/E (x)	55.4	41.5	31.7
P/B (x)	6.7	5.8	4.9
ROE (%)	12.9	15.0	16.7
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK): Expect VNB growth recovery to sustain into 1Q23

Rating: BUY | **TP:** HK$25.19 (19% upside)

Analyst: Gigi Chen

- **Investment Thesis:** We like CPIC for its proactive agency reform, and we noted the insurer saw a turnaround in new business growth in 3Q22, ahead of major peers, as we forecasted in our previous reports. CPIC delivered 2.5% VNB growth YoY in 3Q22 (vs. 45.3% YoY decline in 1H22), thanks to enhanced agency productivity and stabilizing scale of high productivity agents as the insurer proactively upgraded its agency model. Our channel check also suggests the insurer's 2023 jumpstart sales YTD are decent. On P&C front, combined ratio decreased 1.9ppt YoY to 97.8% in 9M22, translating into approx. 1.5ppt YoY improvement in 3Q22. Group net profit increased 30% YoY in 3Q22, outperforming listed peers, thanks to the turnaround in life new business momentum and stable investment yields. Looking forward, we expect the recovery of life new business momentum to sustain in 4Q22 and 2023. We believe the recovery of life new business momentum may support valuation. Reiterate BUY on CPIC-H.
- **Catalysts:** We expect CPIC's positive VNB growth to sustain into 2023 jumpstart and 1Q23, along with YoY improvement in P&C underwriting margin.
- **Valuation:** The stock is trading at 0.3x P/EV FY24E or 0.6x P/BV FY24E, with around 6% dividend yield, well below historical average valuation. We believe the rebound of VNB momentum will support share price performance. Reiterate BUY.

Links to latest report:

CPIC (2601 HK) – VNB growth turned positive in 3Q22

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

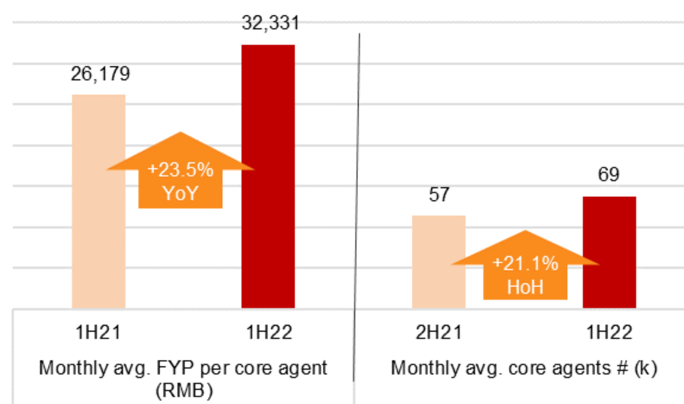
CPIC (2601 HK) – Re-energizing agency force

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
VNB (RMB mn)	13,412	9,226	9,881	11,208
YoY growth (%)	(24.8)	(31.2)	7.1	13.4
Group EV (RMB mn)	498,309	538,724	595,249	658,428
Net profit (RMB mn)	26,834	22,741	27,284	33,150
EPS (RMB)	2.79	2.36	2.84	3.45
YoY growth (%)	9.2	(15.3)	20.0	21.5
Consensus EPS (RMB)	N/A	2.6	3.1	3.4
P/BV (x)	0.8	0.7	0.7	0.6
P/EV (x)	0.3	0.3	0.3	0.3
Yield (%)	5.6	4.7	5.7	6.9
ROE (%)	12.1	9.9	11.3	12.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CPIC core agency force scale and productivity



Source: Company data, Bloomberg, CMBIGM estimates

Tencent (700 HK): Return to earnings growth track

Rating: BUY | **TP:** HK$381.6 (3% upside)

Analysts: Saiyi He/ Wentao Lu/ Frank Tao

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

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

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

- **Catalysts:** 1) stronger than expected operating leverage; 2) accelerating monetization of Weixin Video Account; 3) macro recovery supports rebound of ad, fintech and enterprise services businesses. 4) normalization of Banhao approval accelerates game revenue growth in FY23E

- **Valuation:** Our SOTP-derived TP is HK$381.6. Tencent currently trades at 24x 2023E PE (or 19x 2023E PE if excluding strategic investment and net cash), vs. earnings growth of 14/13% in 2023/2024E.

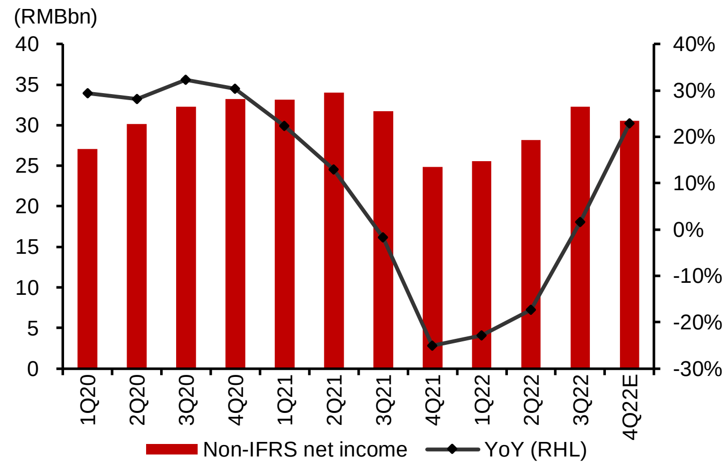
Link to latest report: Tencent (700 HK) – Return to earnings growth track

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	560,118	555,781	611,886	662,553
YoY growth (%)	16.2	(0.8)	10.1	8.3
Gross margin (%)	43.9	42.9	42.9	43.1
Adj. net profit (RMB mn)	123,788	116,501	132,904	149,933
YoY growth (%)	0.9	(5.9)	14.1	12.8
EPS (Adjusted) (RMB)	12.99	12.21	13.92	15.70
Consensus EPS (RMB)	12.99	11.89	14.26	17.05
P/S (x)	5.5	5.5	5.0	4.6
P/E (x)	19.1	30.7	24.1	21.6

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Alibaba (BABA US): Looking beyond pandemic impact

Rating: BUY **| TP:** US$156.0 (33% upside) Analysts: Saiyi He/ Frank Tao/ Wentao Lu

- **Investment Thesis:** Although pandemic impact will weigh on revenue growth recovery in 1Q23, BABA's China retail marketplace GMV growth should recover along with overall consumption recovery aided by economic stimulus policy in 2023, in our view. Prudent cost control and strategic move to drive operating efficiency improvement are bearing fruit, and the potential recovery in revenue growth could fuel steady earnings growth in 2023. The clearer regulatory guidelines could aid sustainable development of BABA's fintech business arm.

- **Our View:** We remain positive on BABA's long-term development aided by international expansion and cloud business. Leveraging strong supply chain capability and enhancing fulfilment capability, the development of international commerce business is on track.

- **Why do we differ vs consensus:** We are more positive on Alibaba's earnings generation driven by streamline of new businesses and operating efficiency improvement across business lines. Our FY23 and FY24E non-GAAP net income forecasts are both 2% higher than Bloomberg consensus.

- **Catalysts:** 1) consumption recovery; 2) stronger than expected earnings growth driven by better than expected operating efficiency improvement; 3) clearer regulatory guidelines on Fintech busiensses; 4) reacceleartion in revenue growth in international and cloud businesses.

- **Valuation:** SOTP based valuation of USD156.0, which translates into 17.9x FY24E PE.

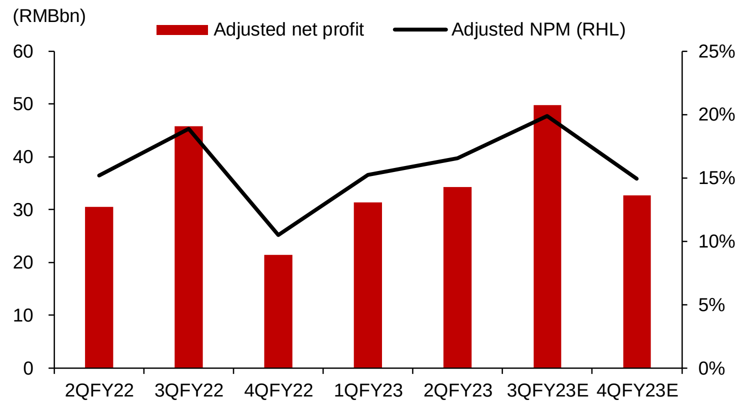
Link to latest report: Alibaba (BABA US) – Looking beyond pandemic impact

Financials and Valuations

(YE 31 Mar)	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	853,062	874,769	980,794	1,074,759
YoY growth (%)	18.9	2.5	12.1	9.6
Net profit (RMB mn)	62,249.0	56,542.0	120,157.1	131,281.9
Adj. net profit (RMB mn)	143,515.0	140,860.3	164,292.8	178,571.3
EPS (Adjusted) (RMB)	53.26	52.22	60.85	66.07
Consensus EPS (RMB)	53.26	48.39	56.26	61.81
ROE (%)	6.5	5.5	10.1	9.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba's adjusted net profit and adjusted NPM



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK): Resilient growth with FY23E group breakeven

Rating: BUY | **TP:** HK$80*

Analyst: Sophie Huang

- **Investment Thesis:** Kuaishou would be one of the beneficiaries of reopening. We reiterate our confidence in its resilient growth, share gain and margin improvement in the long run. 4Q22E would see ads & ecommerce acceleration and continuous loss narrowing. We are positive on its operating leverage and disciplined cost in FY23E (forecasting group breakeven in FY23E).

- **Our View:** Compared to other players, KS would be more defensive in 4Q22E, for: 1) rev acceleration (forecasting +10% YoY) on stronger ecommerce and ads recovery; and 2) better margin with narrowing loss. Thanks to "11.6" promotion and higher ecommerce penetration, we forecast GMV +31% YoY in 4Q22E (annual GMV target of RMB900bn intact). Ads would rebound to +8% YoY in 4Q22E, backed by internal ads acceleration and external ads recovery, in our estimates. Looking into FY23E, we expect ads to recover to double digit growth and ecommerce kept resilient momentum (forecasting GMV +25% YoY).

- **Why do we differ vs consensus:** Market concern lies on competition from Tencent's Video Accounts and potential selling from pre-IPO investors. We think PE potential selling would be digested by 1-2 quarters. We see high visibility for FY23E to see ads reacceleration and resilient GMV, with full-year positive profit. Video Accounts monetization accelerated, but we think KS's ads recovery should not be disrupted, and both on share gain trajectory.

- **Catalysts:** 1) 4Q acceleration of ecommerce &ads, 2) FY23E group breakeven and better margin outlook, and 3) ads recovery with reopening.

- **Valuation:** Maintain BUY. Valuation is not demanding, given its resilient growth and better margin outlook, in our view.

Link to latest report: Kuaishou (1024 HK) – Resilient growth with FY23E group breakeven

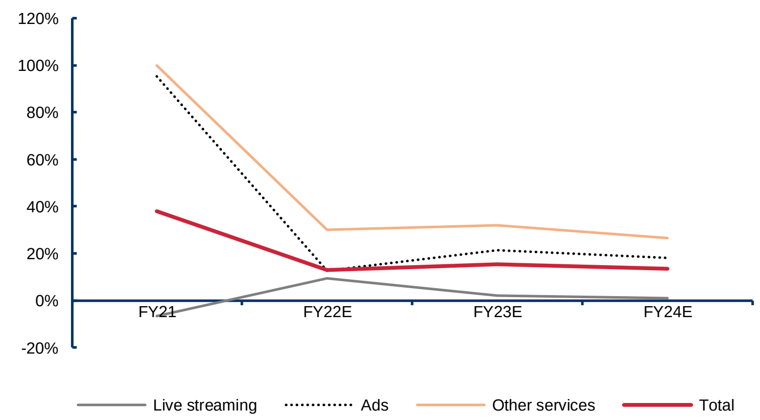
*TP under review

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,082	92,656	105,946	119,716
YoY growth (%)	37.9	14.3	14.3	13.0
Net income (RMB mn)	(18,852)	(6,054)	72	4,764
EPS (RMB)	(4.6)	(1.4)	0.0	1.0
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(2.1)	(0.4)	2.1
P/E (x)	N/A	N/A	N/A	62
P/S (x)	3.7	3.2	2.8	2.5
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: KS's revenue growth estimates



Source: Company data, CMBIGM estimates

CR Land (1109 HK): Rental income to ride on consumption V-shape

Rating: BUY **| TP:** HK$44.79 (18% upside) Analysts: Jeffrey Zeng/ Miao Zhang

- **Investment Thesis:** Rental income to be boosted by consumption recovery after eased pandemic measures and we expect it to grow at 30% YoY in 2023E without impact from rental relief. For the property development, sales are outperforming the peers and the active land acquisition will support further market share gain.

- **Our View:** We see irreversible trend of pandemic easing to drive consumption into recovery channel. Rental income is bottom out.

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

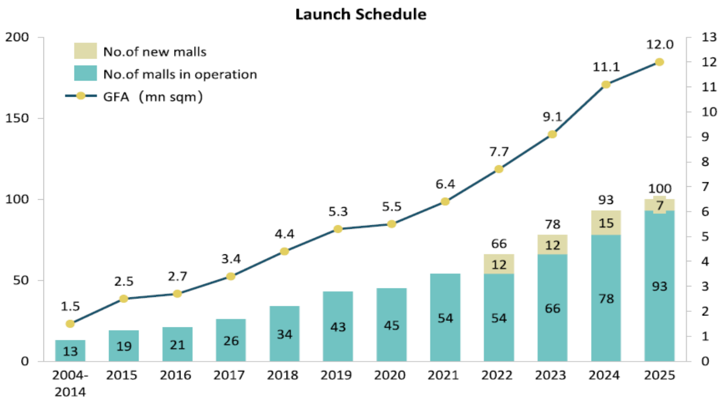
- **Valuation:** The Company currently trades at 9x 2022E P/E vs. historical average of 9x. Moreover, the increase in revenue share of rent collection business could trigger re-rating.

Financials and Valuations

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E
Revenue (RMB mn)	179,587	212,108	233,738	243,185
YoY growth (%)	21.2	18.1	10.2	4.0
Net income (RMB mn)	29,810	32,401	25,177	27,618
EPS (RMB)	4.18	4.54	3.53	3.87
YoY growth (%)	1.3	8.7	(22.3)	9.7
Consensus EPS (RMB)	N/A	N/A	3.90	4.21
P/E (x)	7.7	7.1	9.1	8.3
P/B (x)	1.1	1.0	1.0	0.9
Yield (%)	3.9	4.3	5.2	5.2
ROE (%)	14.7	14.3	10.5	10.8
Net gearing (%)	29.5	24.4	28.3	31.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's opening plan



Source: Company data, CMBIGM

BOE Varitronix (710 HK): Beneficiary of smart-cockpit and auto intelligence

Rating: BUY **| TP:** HK$26.01 (50% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** BOE Varitronix (BOEVx) is the global largest automotive display leader capturing 18% market share in 1H22 (by shipment area). Leveraging BOE Group's leading technology and strong client base, BOEVx is rapidly transforming into an integrated automotive smart cockpit display solution provider. Backed by its industry leadership and solid product roadmap, we believe BOEVx is well positioned to benefit from upgrade trend in the booming smart cockpit market.

- **Our View:** BOEVx is our top pick for H-share tech sector, due to secular trend of auto display upgrade, Chengdu plant capacity expansion and client base expansion. Mgmt. are positive on automotive intelligence and smart-cockpit, and expected limited impact from China NEV subsidy expiry and Tesla price cut, thanks to its focus on both traditional and NEV customers, pricing strategy and cost advantage. We estimate revenue/ earnings to grow at 33%/47% CAGR over 2021-24E, driven by 37% CAGR in automotive display.

- **Why do we differ vs consensus:** Our FY22-24E EPS are 5-8% above consensus, and current valuation of 16.2x FY23E is attractive, compared to 37%/37% EPS growth in FY23/24E.

- **Catalysts:** Upcoming catalysts include capacity expansion, technology upgrade and product penetration.

- **Valuation:** We derived our 12m TP of HK$26.01 based on 25x FY23E P/E, given 47% 2021-24E EPS CAGR and improving ROE to 22% in 2024E (vs 15% in 2022).

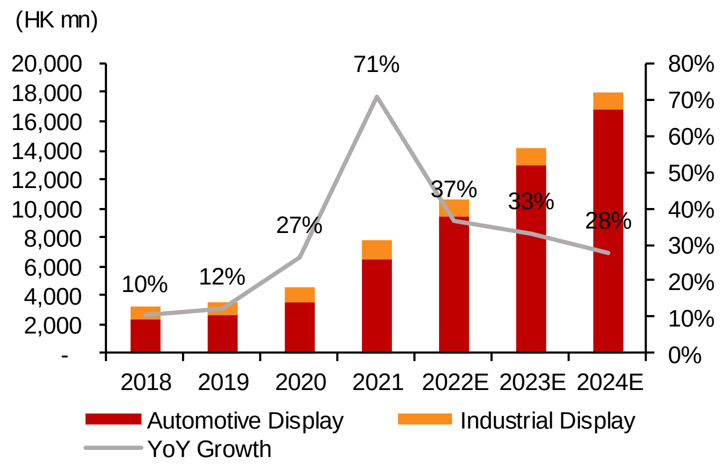
Link to latest report: BOE Varitronix (710 HK) – NDR Takeaways: Chengdu auto display capacity ramp-up on track; auto intelligence to drive growth

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (HK$ mn)	7,738	10,565	14,081	18,011
YoY growth (%)	70.9	36.5	33.3	27.9
Net income (HK$ mn)	327.8	553.7	756.4	1,032.4
EPS (HK$)	0.45	0.76	1.04	1.42
YoY growth (%)	377.6	68.9	36.6	36.5
Consensus EPS (HK$)	0.45	0.71	0.98	1.35
P/E (x)	29.2	20.7	16.8	14.1
P/B (x)	14.2	22.2	16.2	11.9
Yield (%)	0.8	2.0	1.5	1.4
ROE (%)	236.7	74.0	184.9	252.4
Net gearing (%)	10.7	15.6	18.8	22.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BOEVx Revenue trend



Source: Company data, CMBIGM estimates

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

Rating: BUY **| TP:** RMB88.6 (56% upside)

Analysts: Lily Yang/ Alex Ng

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

Link to latest report:

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

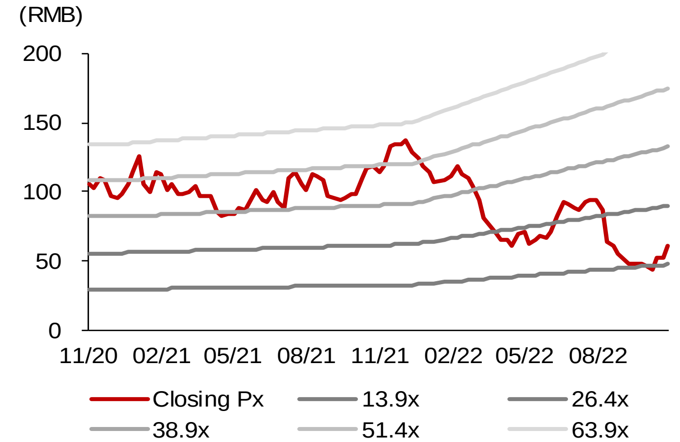
Wingtech (600745 CH) – NWF divesture order will have trivial impact on operation; Will reinforce self-sufficiency trend

Financials and Valuations

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E
Revenue (RMB mn)	52,729	56,400	70,609	88,943
YoY growth (%)	2.0	7.0	25.2	26.0
Gross margin (%)	16.2	18.9	19.0	19.2
Net profit (RMB mn)	2,612	2,926	4,416	5,892
EPS (RMB)	2.11	2.35	3.54	4.73
YoY growth (%)	2.4	11.3	50.9	33.4
Consensus EPS (RMB)	N/A	2.83	4.01	4.92
PE (x)	28.9	25.9	17.2	12.9
Yield (%)	0.3	0.4	0.6	0.8
ROE (%)	7.7	7.9	10.6	12.3
Net gearing (%)	Net cash	5.6	9.2	9.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Kingdee (268 HK): Domestic ERP SaaS leader

Rating: BUY **| TP:** HK$23.83 (43% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Kingdee is the largest enterprise application SaaS vendor in China with 5.8% market share in 1H20, according to IDC. We like Kingdee for its continuous SaaS transition in SME market while new opportunities in large enterprise market are emerging with domestic substitution trend. We expect Kingdee to deliver 19% revenue CAGR in FY21-24E reaching RMB7,091mn.

- **Our View:** We think it is a good time now to compare the cloud transition performance among domestic ERP leaders – Kingdee, Yonyou and Inspur as each of them has accumulated 3 years of SaaS data. Kingdee launched first cloud-native platform Cloud Galaxy in 2014 while Yonyou/ Inspur are late joiners in 2019. We like Kingdee most given its strong footprint in medium-sized enterprise market where customers have higher acceptance level to standardized SaaS/ subscription model. ARR accounted for 38% of Kingdee FY21 revenue, vs. 18% for Yonyou, although Yonyou reported a 2x larger cloud revenue.

- **Why do we differ vs consensus:** Domestic substitution has helped Kingdee penetrate into large corporates such as Huawei, Vanke, China Merchants Group. Meanwhile, it will be difficult for Yonyou, who launched first cloud-native platform 5 years later than Kingdee, to gain share in the medium-sized enterprise market.

- **Catalysts:** Winning large SOEs Xinchuang bidding. Supportive policies related to "Xinchuang" implementation.

- **Valuation:** We derive our target price of HK$24.37 on 11.0x FY23E EV/sales, in-line with its 3-year mean. Kingdee deserves re-rating given increasing subscription revenue and hence better cash flow visibility.

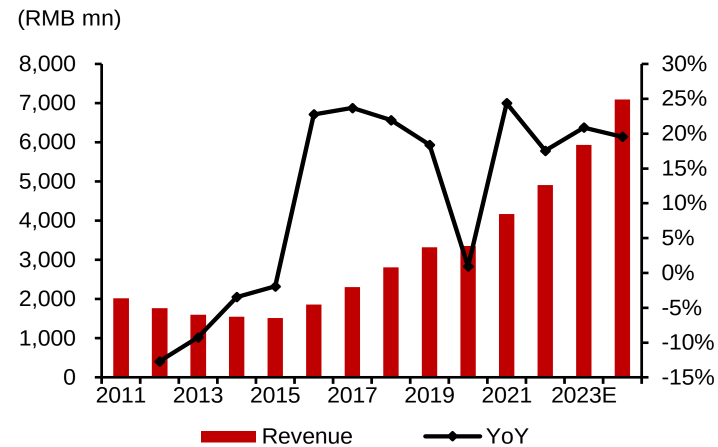
Link to latest report: Kingdee (268 HK) – Cloud on track with improved earnings quality – 22 Aug 2022

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	4,174	4,906	5,931	7,091
YoY growth (%)	24	18	21	20
Net profit (RMB mn)	(302)	(513)	(237)	32
EPS (RMB)	(0.09)	(0.15)	(0.07)	0.01
YoY growth (%)	(1)	64	(55)	(113)
Consensus EPS (RMB)	(0.09)	(0.09)	(0.04)	0.04
EV/sales (x)	11.7	10.0	8.2	6.8
P/E (x)	(167.7)	(98.8)	(214.3)	1603.0
Dividend Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	(4)	(7)	(3)	0
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Kingdee revenue and YoY



Source: Company data, CMBIS estimates

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