



China Equity Strategy 2023: Out of the maze

Equity Strategy - China | February 2023

Equity Strategy
China



Steven Sun*
(Reg No. S1700517110003)
Head of Research
HSBC Qianhai Securities Limited

Issuer of report: HSBC Qianhai
Securities Limited

Disclosures & Disclaimer: This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

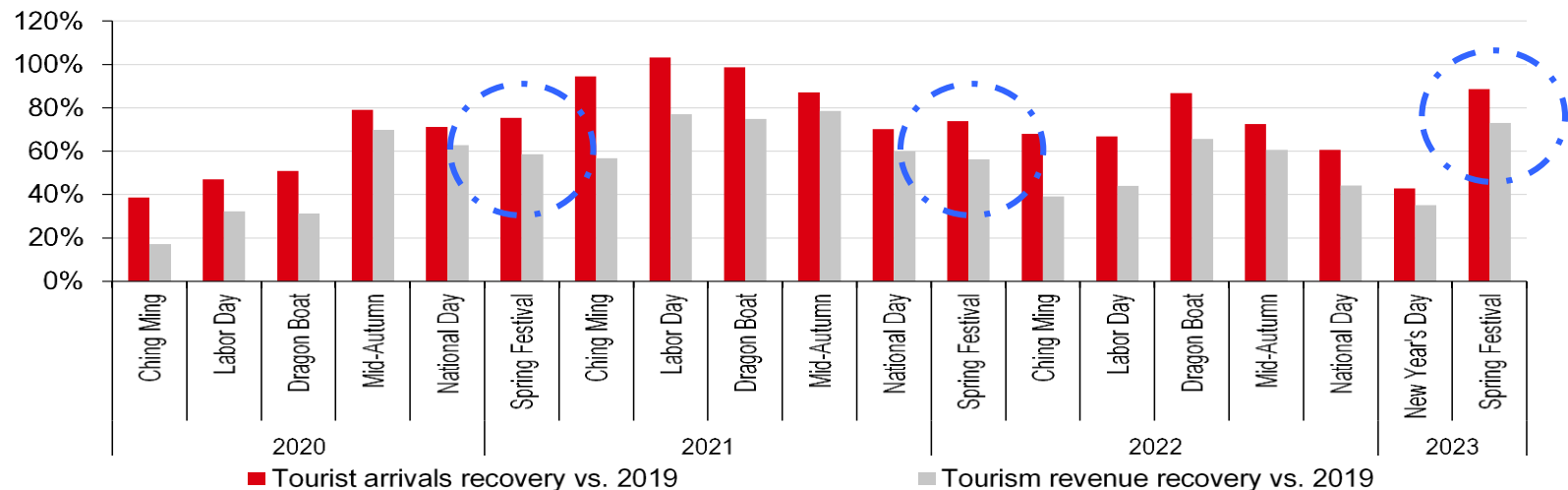
*Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations

Re-opening and recovery well on track, three months down the road

...while COVID-19 appears a non issue for now

- Compared with 2019 levels, over the Spring Festival holiday in 2023: 1) tourist arrivals recovered to 88.6% and tourism revenue recovered to 73.1%, better than 2021 and 2022; 2) passenger times recovered to 53.6%; 3) film box office recovered to 114.6%. Despite the slow and uneven process, we believe the consumption recovery is well on track with initial recovery in volume and traffic.

Exhibit 1. Tourism recovery during Spring Festival in 2023 is much better than in 2021 and in 2022

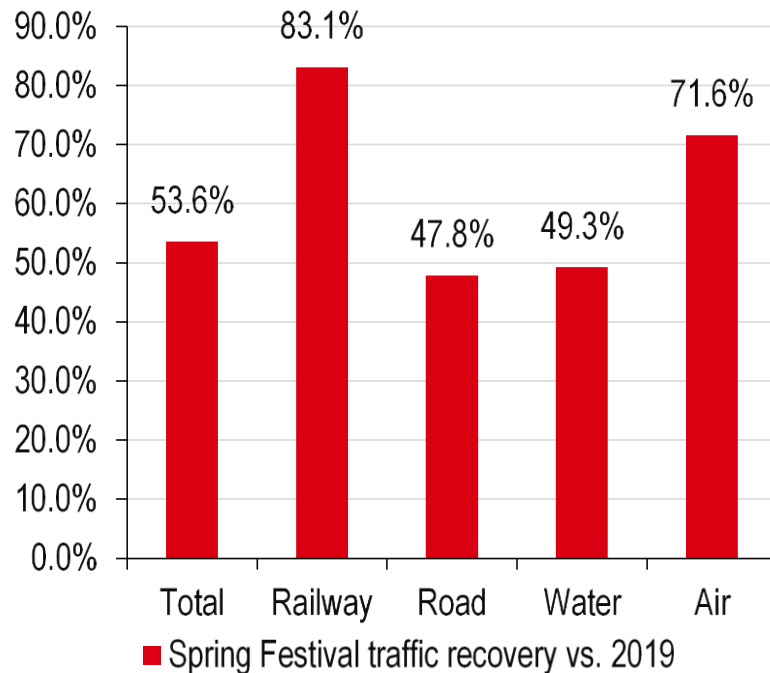


Note: Recovery benchmarks are corresponding data in 2019.

Source: Ministry of Culture and Tourism of PRC, HSBC Qianhai Securities

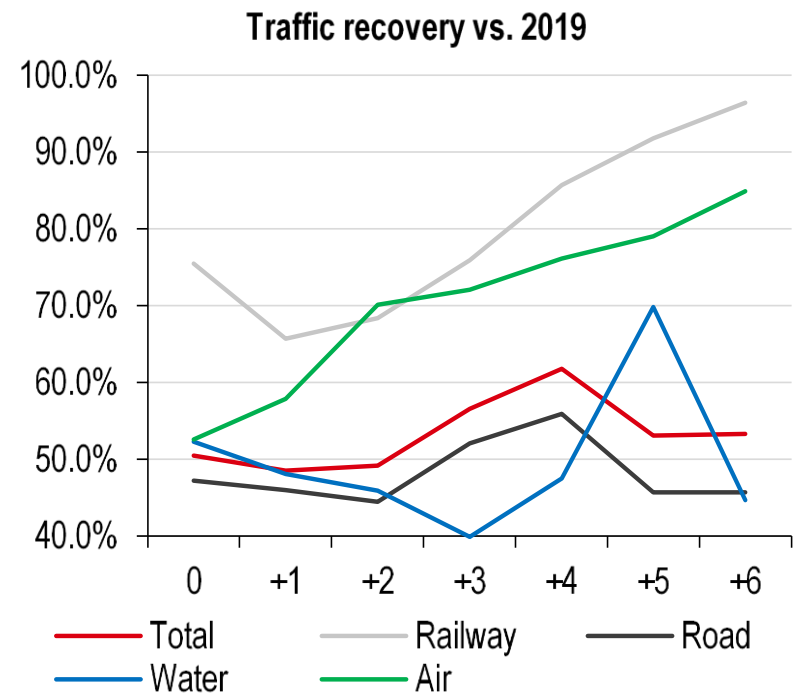
Re-opening and recovery well on track, three months down the road

Exhibit 1. Traffic recovery in 2023 Spring Festival: by means of transportation



Source: Ministry of Transportation of PRC, HSBC Qianhai Securities

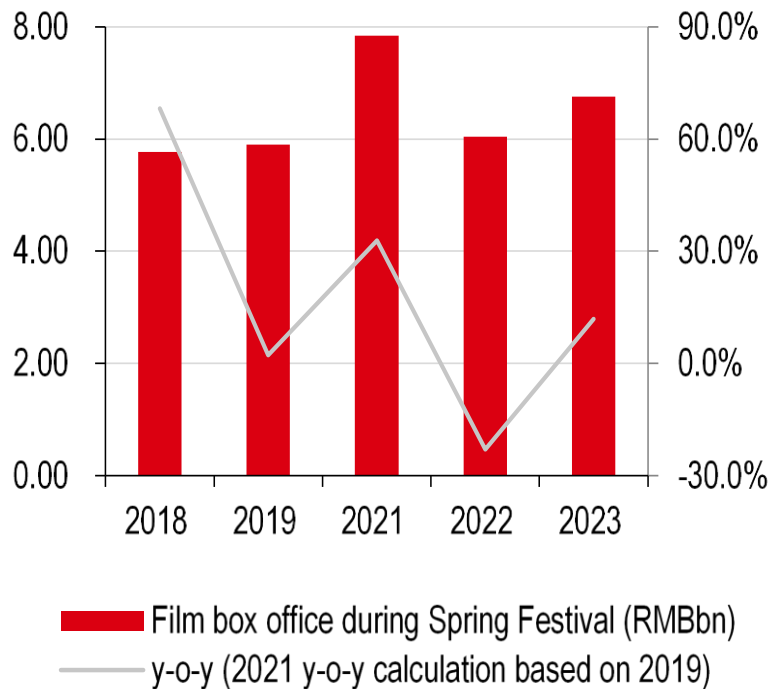
Exhibit 2. Traffic recovery in Spring Festival in 2023: by day



Source: Ministry of Transportation of PRC, HSBC Qianhai Securities

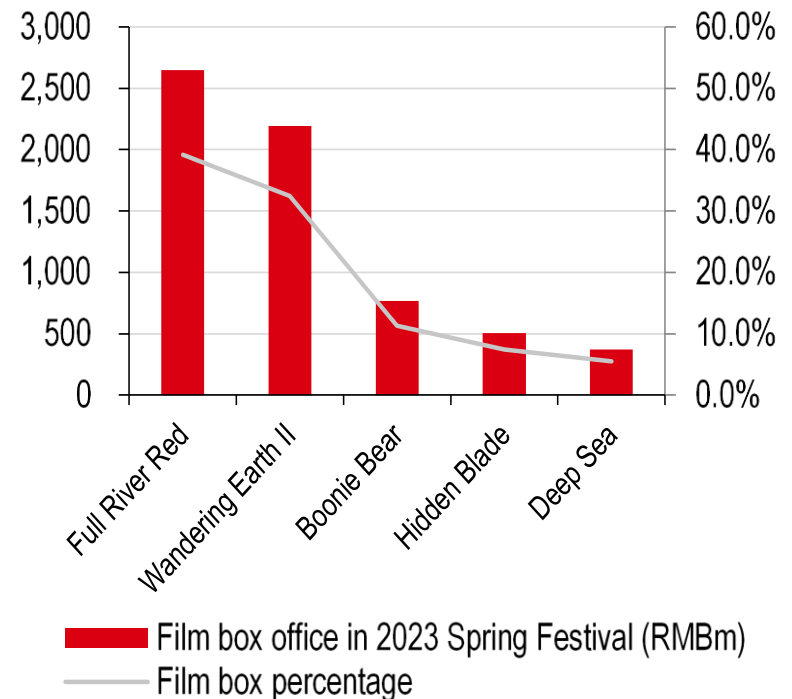
Re-opening and recovery well on track, three months down the road

Exhibit 1. Film box office of Spring Festival in 2023 is the second best in history



Source: Maoyan Pro, HSBC Qianhai Securities

Exhibit 2. ...thanks to a strong movie pipeline

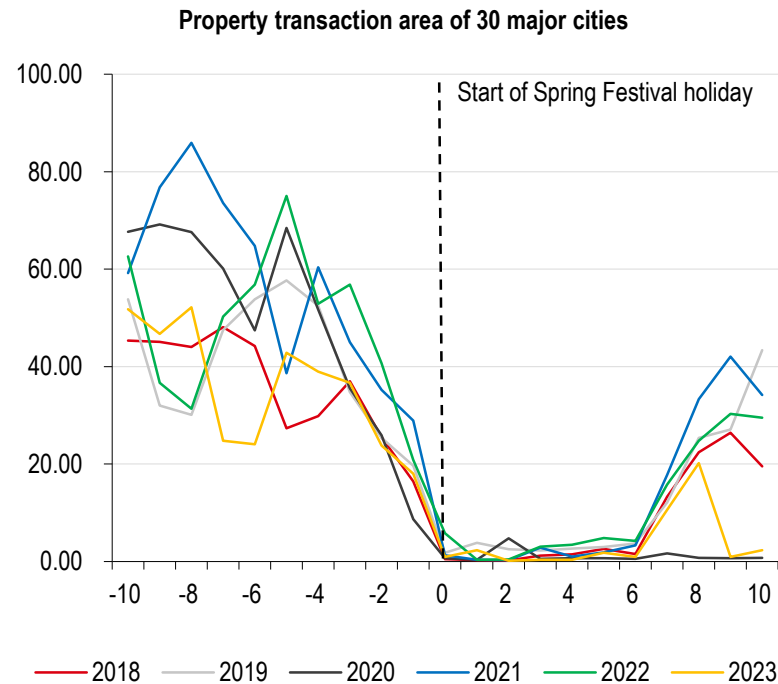


Source: Maoyan Pro, HSBC Qianhai Securities

Re-opening and recovery well on track, three months down the road

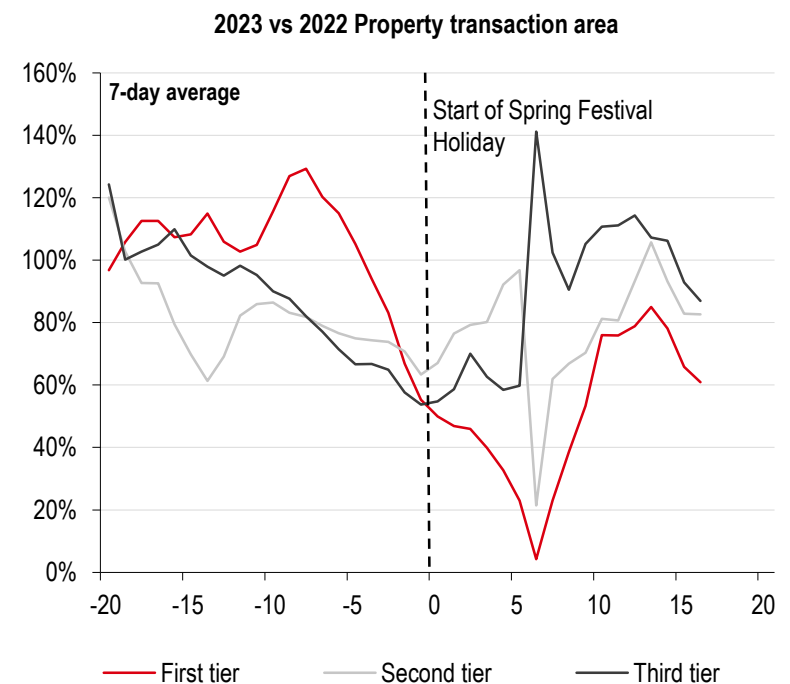
...yet property transactions remain weak and skewed towards 3rd-tier cities

Property transactions remain weak around the Lunar New Year holiday



Source: Wind, HSBC Qianhai Securities

Property transaction area: by tiers of cities



.Source: Wind, HSBC Qianhai Securities

Re-opening and recovery well on track, three months down the road

Manufacturing rose from 47.0 to 50.1, consistent with Bloomberg consensus

Table 1. China NBS manufacturing PMI

Summary of China's NBS Manufacturing PMI			
	Jan-23	Dec-22	Nov-22
Headline	50.1	47.0	48.0
Production	49.8	44.6	47.8
New orders	50.9	43.9	46.4
New export orders	46.1	44.2	46.7
Backlog orders	44.5	43.1	43.4
Finished goods inventory	47.2	46.6	48.1
Purchases	50.4	44.9	47.1
Imports	46.7	43.7	47.1
Purchasing price	52.2	51.6	50.7
Producer Price Index	48.7	49.0	47.4
Raw material inventory	49.6	47.1	46.7
Employment	47.7	44.8	47.4
Suppliers' delivery time	47.6	40.1	46.7
Production & Business Expectations	55.6	52.6	48.9
Large enterprise	52.3	48.3	49.1
Medium enterprise	48.6	46.4	48.1
Small enterprise	47.2	44.7	45.6
Above 50, rising	Below or equal to 50, rising		
Above 50, falling or unchanged	Below or equal to 50, falling or unchanged		

Source: CEIC, HSBC

PMI staged broadly-based rebound in January to expansionary

Non-manufacturing surged to 54.4, beating the Bloomberg consensus of 52.0

Table 2. China NBS non-manufacturing PMI

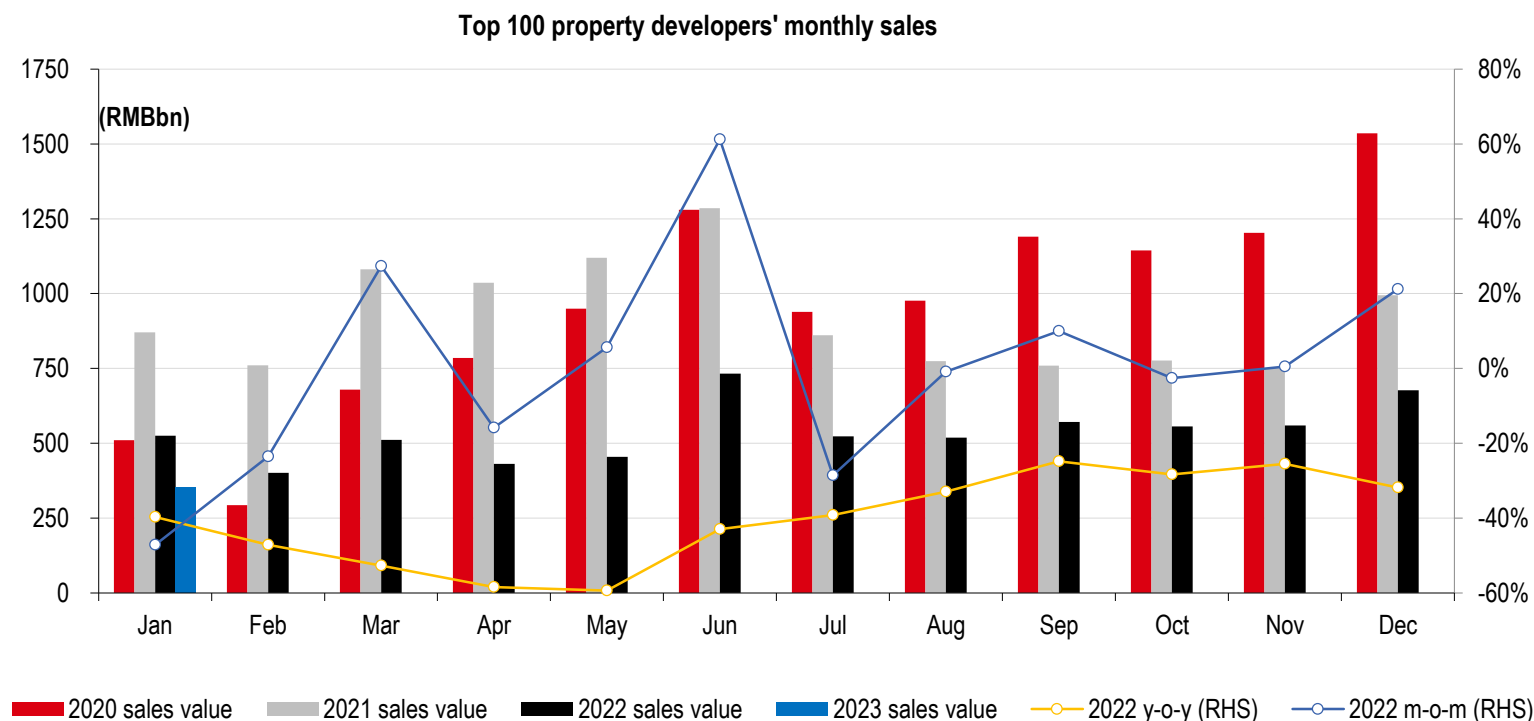
Summary of NBS Non-Manufacturing PMI (SA)			
	Jan-23	Dec-22	Nov-22
Business Activity	54.4	41.6	46.7
Services	54.0	39.4	45.1
Construction	56.4	54.4	55.4
New Business	52.5	39.1	42.3
New Export Order	45.9	44.5	46.1
Backlog Order	43.3	43.0	43.2
Inventory	47.7	45.4	45.6
Input Price	51.5	49.2	49.9
Sales Price	48.3	47.5	48.7
Employment	46.7	42.9	45.5
Suppliers' Delivery Time	49.7	40.4	45.0
Business Expectation	64.9	57.9	54.1
Above 50, rising	Below or equal to 50, rising		
Above 50, falling or unchanged	Below or equal to 50, falling or unchanged		

Source: CEIC, HSBC

The property market – lukewarm near-term recovery

- Top 100 property developers' monthly sales were RMB354.29bn in Jan 2023, down 32.5% y-o-y and 47.7% m-o-m.

Property sales remained weak in Jan 2023 due to Lunar New Year holidays

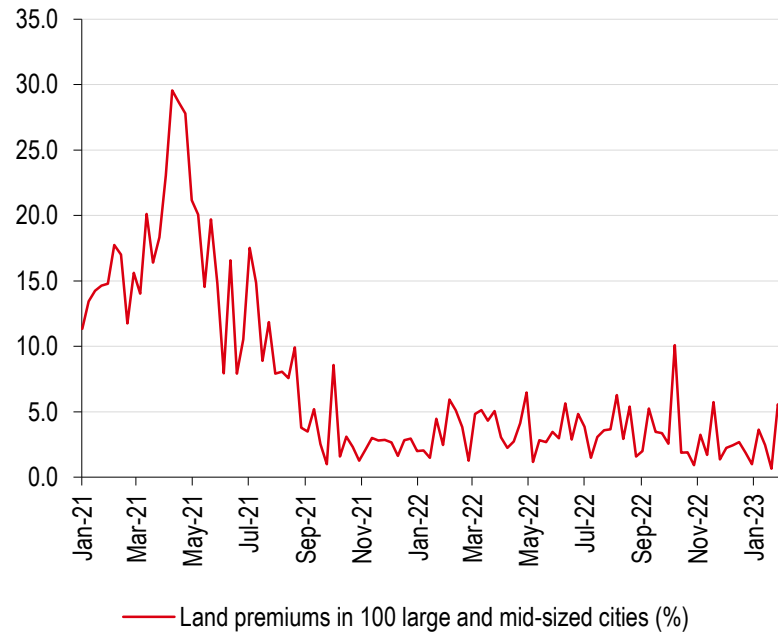


Source: CRIC, HSBC Qianhai Securities

The property market – lukewarm near-term recovery

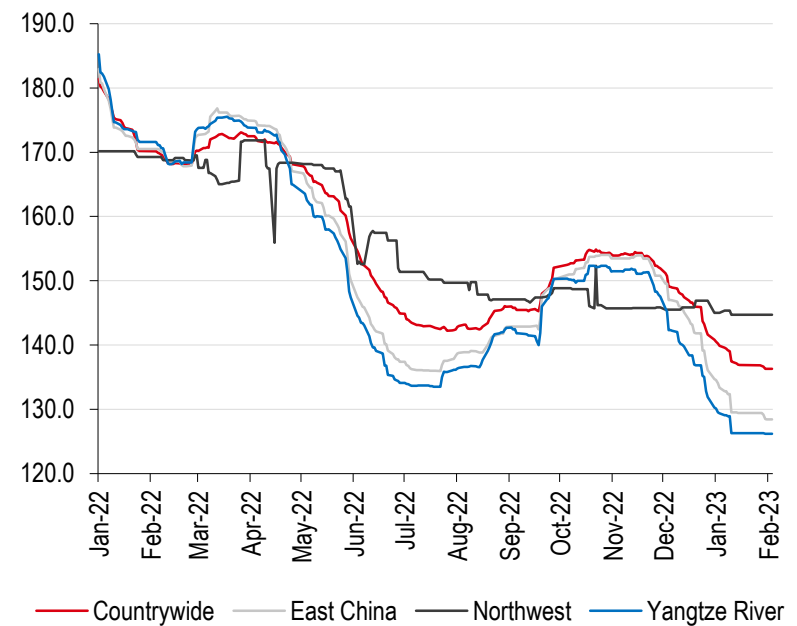
...so is land transaction and new construction

Land transaction premiums were mostly below 5% in YTD 2023



Source: Wind, HSBC Qianhai Securities

Countrywide cement price index experienced a 3.8% drop in YTD 2023

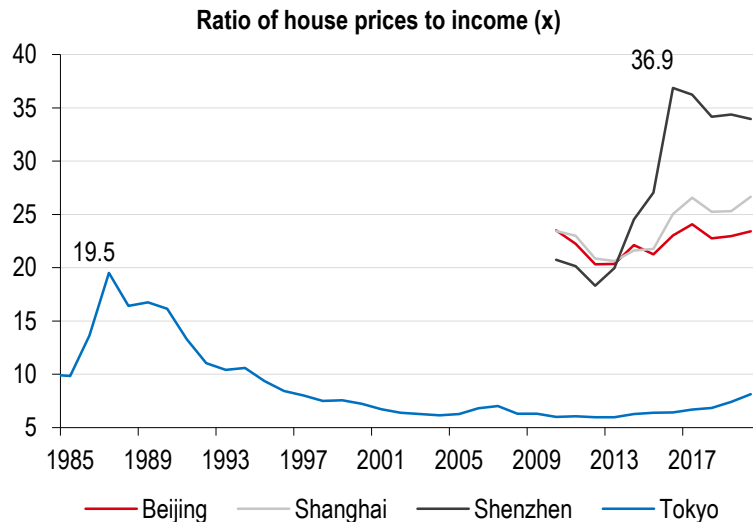


Source: Wind, HSBC Qianhai Securities

The property market – longer-term challenge

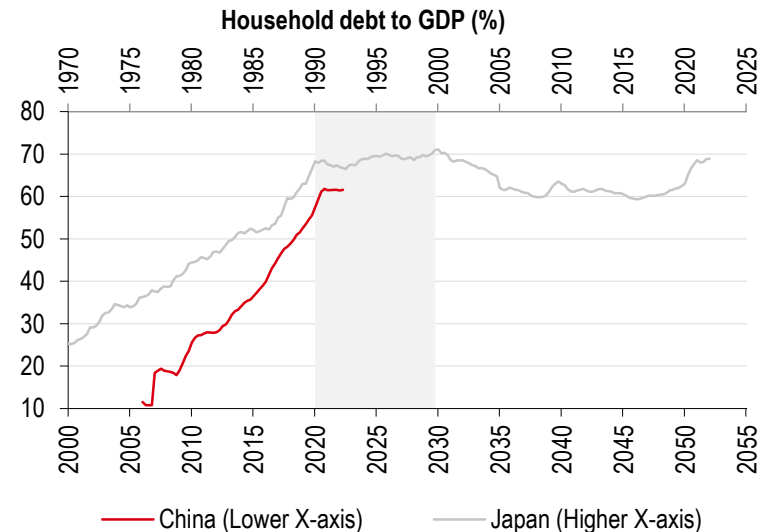
- We stress that the property sector still faces a big demand-side problem.

China's current house-price-to-income-ratio in first-tier cities is much higher than Tokyo's peak level



Source: Wind, BIS, OECD, Cabinet Office of Japan, HSBC Qianhai Securities

China's current household debt level is lower than that of Japan in the 1990s, but is ramping up faster



Note: Shaded region indicates China (2020s) and Japan (1990s).

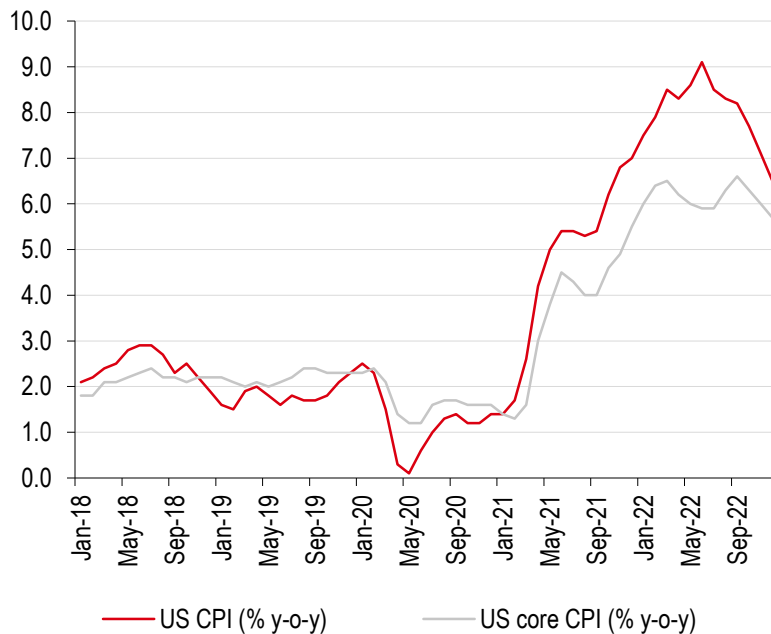
Source: BIS, HSBC Qianhai Securities

The Fed's policy tone

Fed is trying to deliver a hawkish guidance...

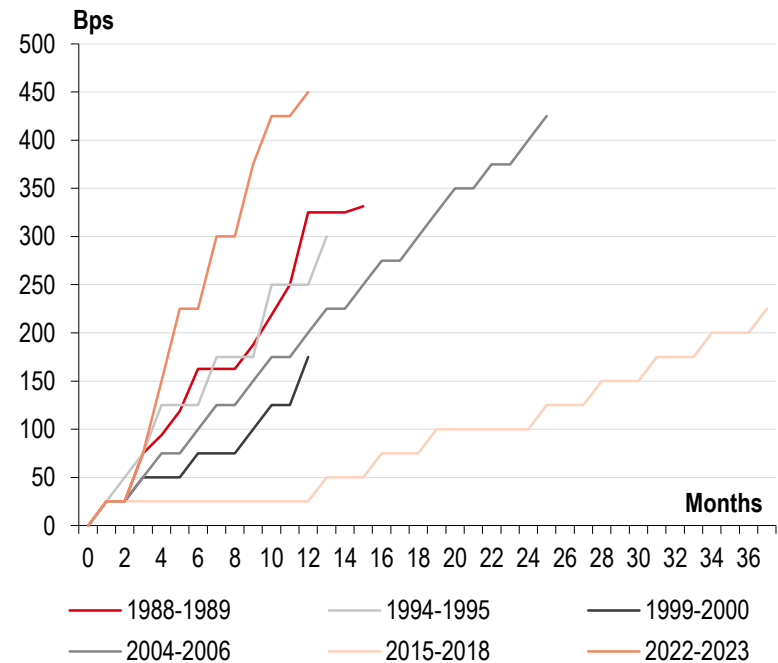
- Fed decided to raise fed fund rate by 25bp on 1 Feb 2023.
- Fed Chair Powell clearly said more rate hikes ahead to bring down inflation, and he doesn't expect the Fed to cut rate in 2023.

US inflation is easing from the 40-year highs, but at a slower pace



Source: Wind, HSBC Qianhai Securities

Fed has raised the policy rate by 450bp since Mar 2022, the fastest ever



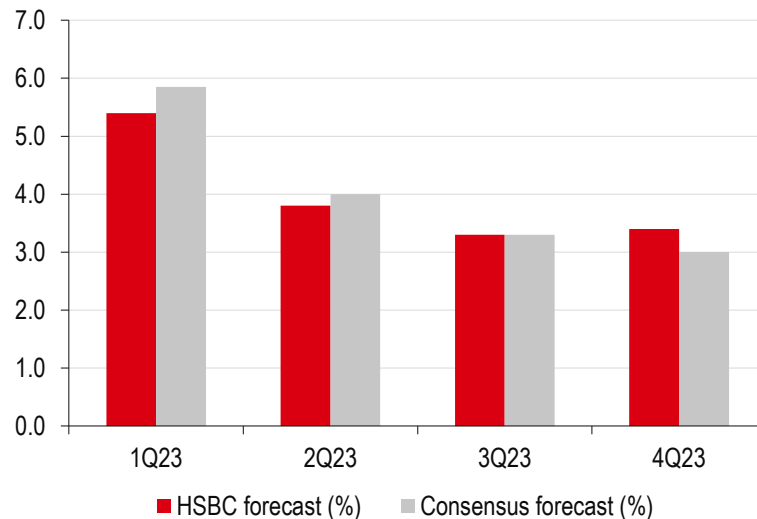
Source: Wind, HSBC Qianhai Securities

The Fed's policy tone

...but market had a dovish expectation

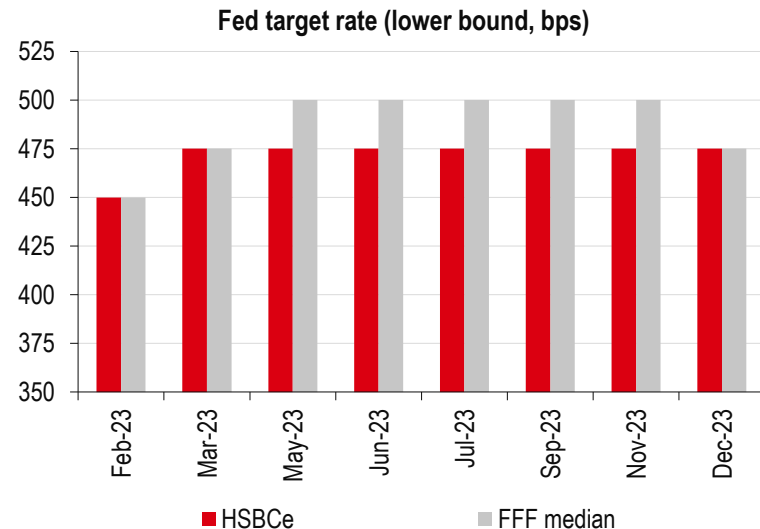
- US market basically ignored the hawkish guidance as Fed Funds Futures imply the final rate hike in May 2023 and foresees a rate cut by the end of 2023.
- HSBC's US Economics team expects the Fed to slow down its pace of tightening and pause the rate hikes from 2Q23e.

US CPI y-o-y figure forecasts: HSBC vs consensus



Source: HSBC estimates, Bloomberg estimates, HSBC Qianhai Securities

Fed Fund Futures imply a 25bp rate cut in Dec 2023



Source: HSBC estimates, CME Fed Watch Tool, HSBC Qianhai Securities

The Fed's policy tone

Why does this matter?

- Ultimately, the US Fed and US market have different views on inflation and rates. A softening US dollar index and peaking 10-year Treasury yield are always good for EM, especially China, as well as style rotation in favour of growth
- So the risk remains whether and when these two positive developments may reverse

The US dollar index is down over 9% from the peak



Source: Wind, HSBC Qianhai Securities

The US 10Y Treasury yield has fallen off its peak



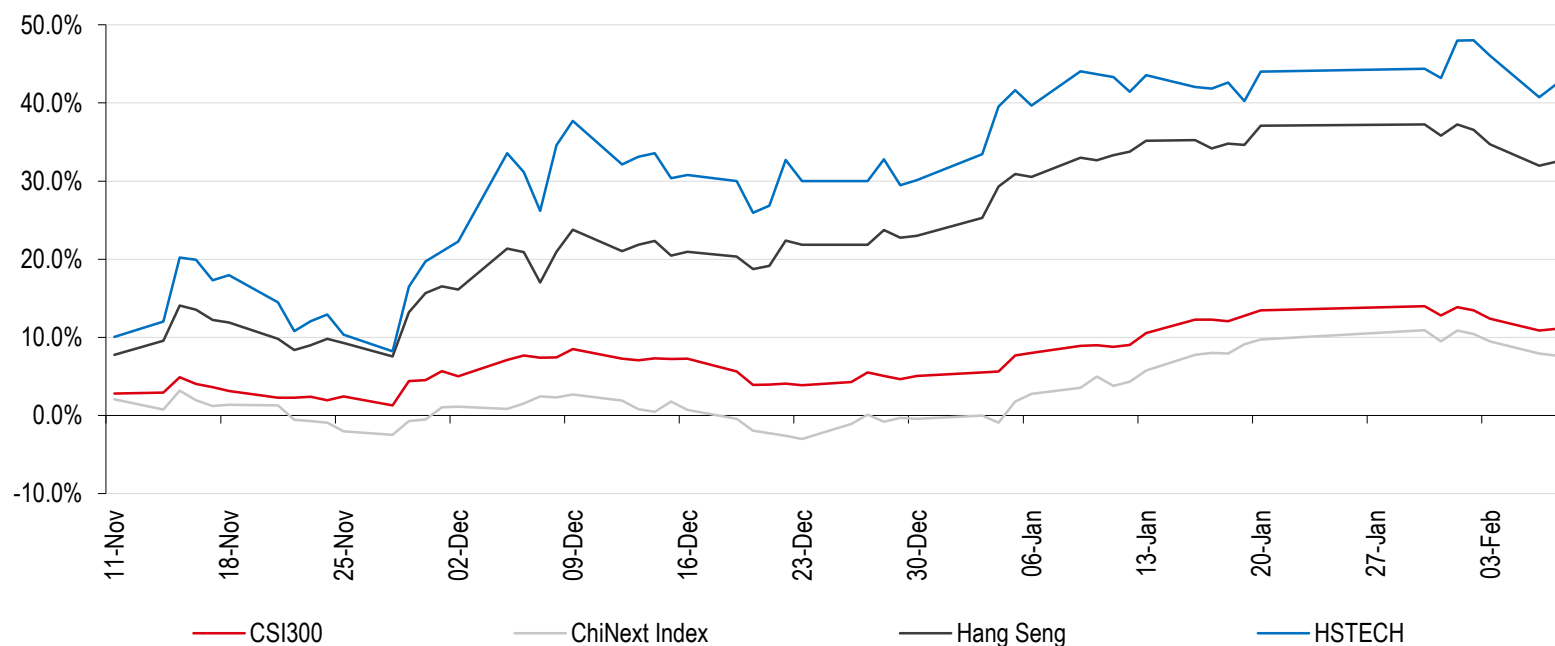
Source: Wind, HSBC Qianhai Securities

A-share market a big laggard vs. HK since re-opening from 11 Nov

...which indicates divergent views between offshore and onshore investors

- As the HK market quickly prices in reopening optimism, the need to take some profits and seek long-term growth would prompt both international and domestic investors to increase their positions in the A-share market, which could also be verified by recent strong northbound inflows and lacklustre southbound inflows

Since 11 Nov 2022, A-shares have lagged behind the HK market



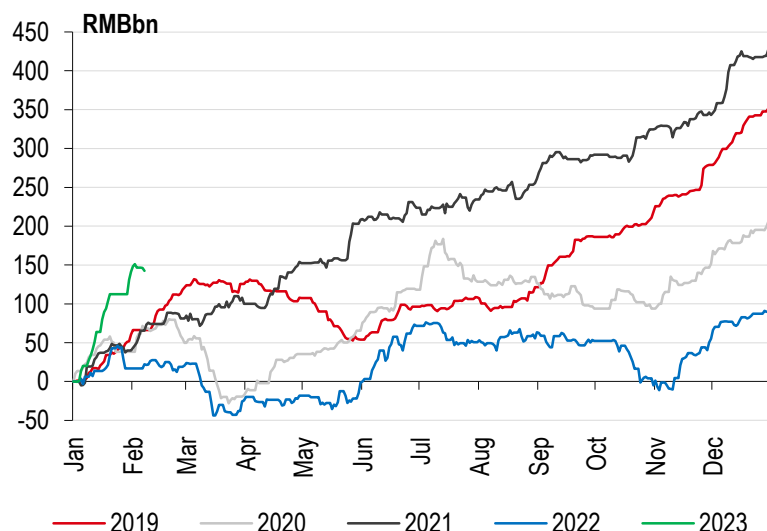
Source: Wind, HSBC Qianhai Securities

Market liquidity

Northbound channel inflows up seven folds

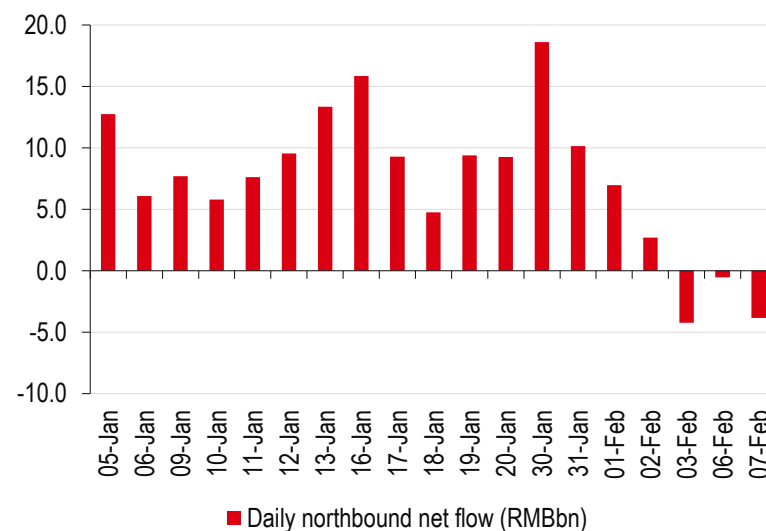
- As of 7 February 2023, northbound net inflows had a strong start with **y-t-d net flows of RMB142.3bn, up 537.4% y-o-y.**
- In L3M, northbound channel **net bought RMB237.4bn.**

Northbound inflows had a very strong start in 2023



Source: Wind, HSBC Qianhai Securities

During L1M, northbound inflows remained strong, but at a slower pace



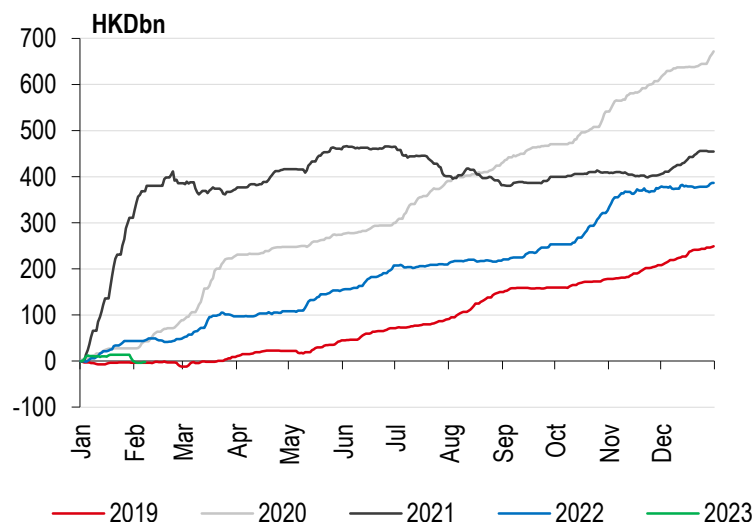
.Source: Wind, HSBC Qianhai Securities

Market liquidity

Southbound channel inflows almost zero in January

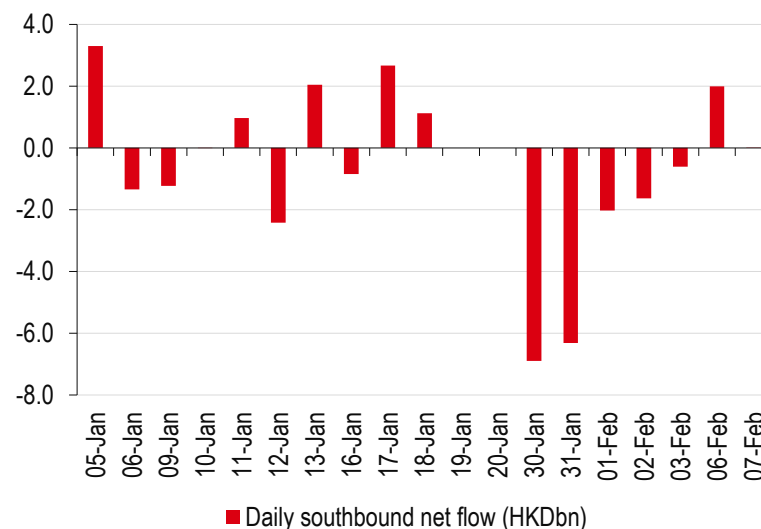
- By contrast, as of 7 February 2023, y-t-d southbound channel **has turned negative (HKD-2.0bn), down 104.3% y-o-y.**
- In L3M, southbound net inflows had only **HKD24.0bn.**

Y-t-d southbound flows have turned negative (HKD-2.0bn), down 104.3% y-o-y



Source: Wind, HSBC Qianhai Securities

During L1M, southbound daily net flows are weakening dramatically

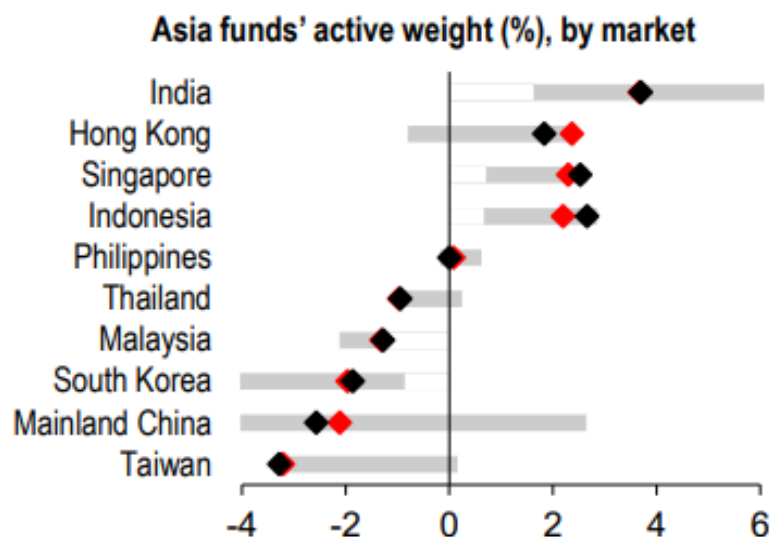


Source: Wind, HSBC Qianhai Securities

Strong inflows to A-shares to continue

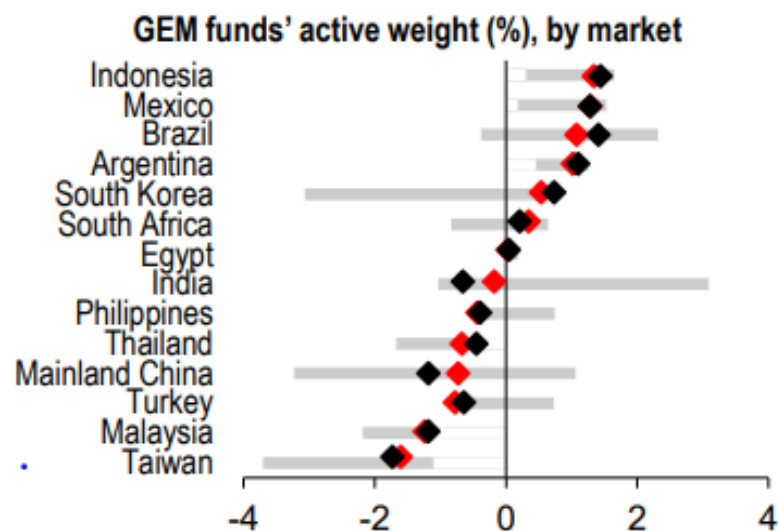
...as Asia fund and GEM funds are still UW, while global and international equities lag even further

Exhibit 12. Asia funds' active weight: by market



Notes: The red dot shows the active fund weight with respect to the neutral benchmark; the black dot shows the same three months ago; and the grey bar represents the five-year range.
Source: EPFR Global, FTSE Russell, FactSet, HSBC (data as of 30 December 2022), HSBC Qianhai Securities

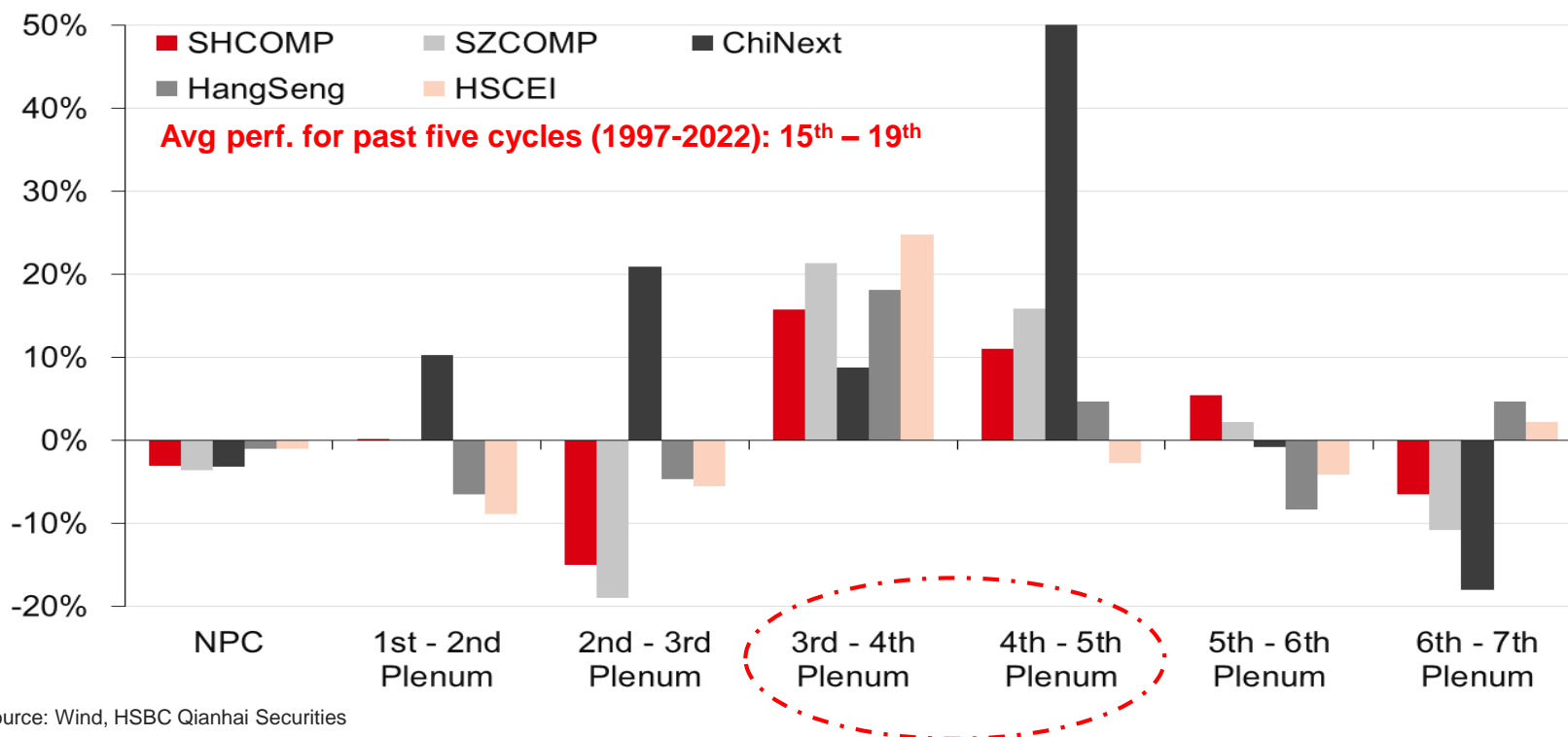
Exhibit 13. GEM funds' active weight: by market



Note: The red dot shows the active fund weight with respect to the neutral benchmark; the black dot shows the same three months ago; and the grey bar represents the five-year range.
Source: EPFR Global, FTSE Russell, FactSet, HSBC (data as of 30 December 2022), HSBC Qianhai Securities

Why the best time to invest in Chinese equities is NOW?

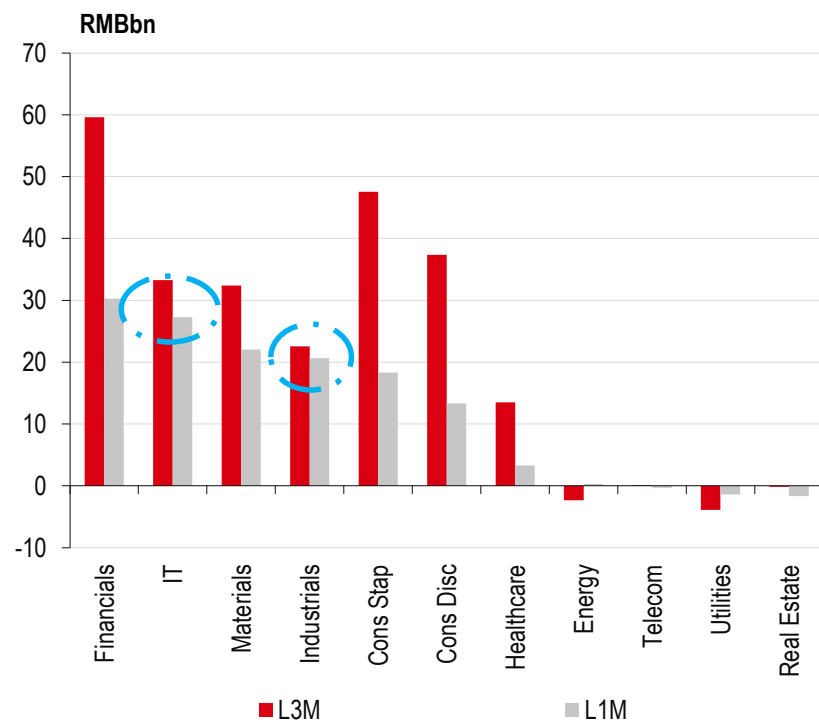
- We wrote a report in 2012 to discuss relations between stock market performance in China and political cycle. In a five-year term, the CCP hosts one National Party Congress and seven plenary sessions, each dedicated to a specific agenda: NPC – election of central committee members; 1st plenum – election of senior party leaders; 2nd plenum – selection of government leaders; **3rd plenum – economic reform**; 4th plenum – party governance; **5th plenum – five year plan**; 6th plenum – theory innovation; 7th plenum – preparation of NPC.



Market flows and positioning

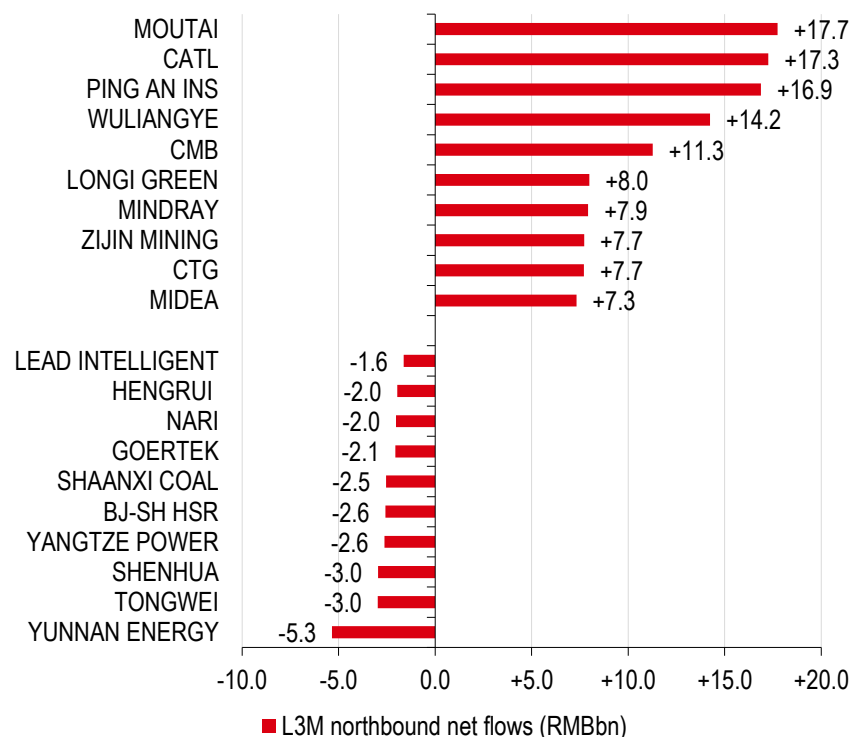
Northbound – renewed interests in growth sectors in L1M (IT and industrials)

At a sector level, northbound funds mainly bought Financials and Cons Stap and sold Utilities over L3M



Source: Wind, HSBC Qianhai Securities

At a stock level, northbound funds over L3M sold Yunnan Energy significantly, and bought names like Moutai, CATL, and Ping An



Source: Wind, HSBC Qianhai Securities

Market flows and positioning

Northbound – buying back what's sold

Most sold stocks during the sell-off: are they bought back?

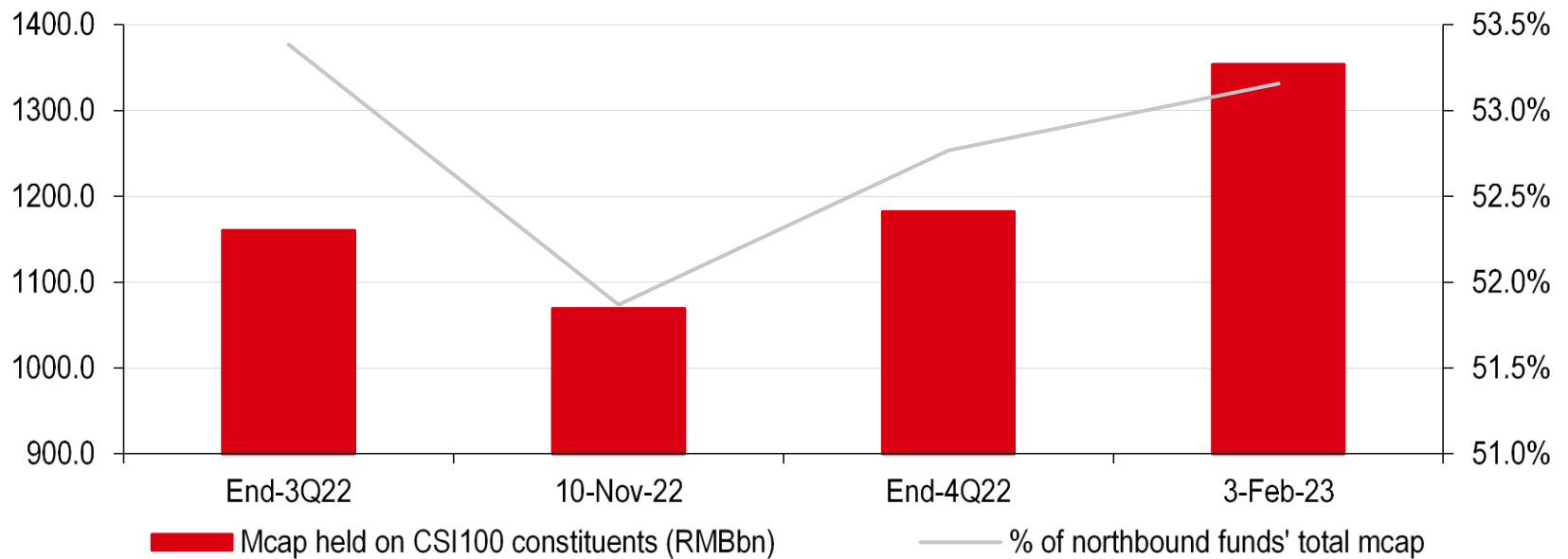
#	Code	Company	Sector	1 Oct 2022-10 Nov 2022	Since 11 Nov 2022	
				Net buy/sell (RMBbn)	Net buy/sell (RMBbn)	Rank↓
1	600519 CH	MOUTAI	Cons Stap	-19.3	17.9	1
2	600900 CH	YANGTZE POWER	Utilities	-3.8	-1.6	2438
3	000001 CH	PINGAN BANK	Financials	-3.5	3.5	16
4	600887 CH	YILI GROUP	Cons Stap	-3.4	3.1	17
5	300059 CH	EAST MONEY INFO	Financials	-3.1	4.0	13
6	000858 CH	WULIANGYE	Cons Stap	-3.1	15.2	3
7	601318 CH	PING AN INS	Financials	-2.8	15.4	2
8	300124 CH	INOVANCE	Industrials	-2.2	1.6	38
9	603259 CH	WUXI APPTec	Healthcare	-2.1	1.5	42
10	000651 CH	GREE	Cons Disc	-2.1	4.1	12

Source: Wind, HSBC Qianhai Securities

Market flows and positioning

Northbound – renewed interest in big-cap

Exhibit 1. Northbound funds' exposure to CSI100 constituents increased since the bottom of Northbound net flows (10 Nov 2022)

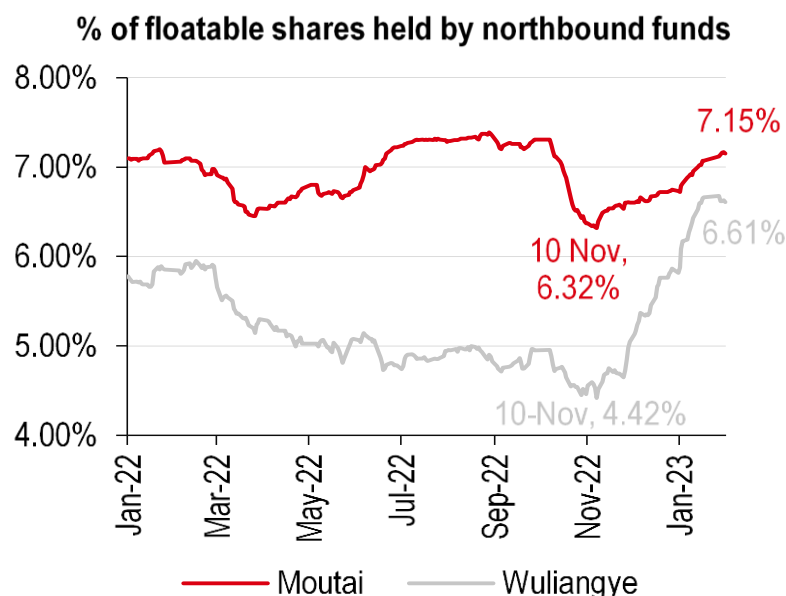


Source: Wind, HSBC Qianhai Securities

Market flows and positioning

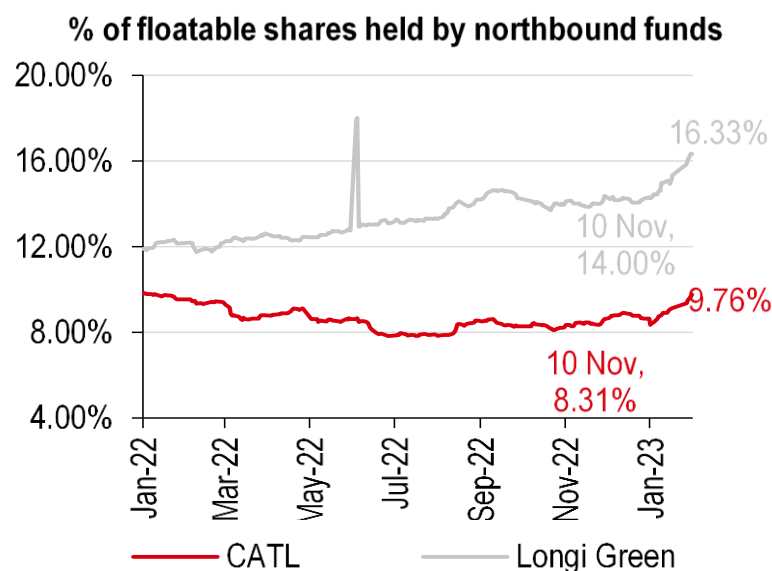
Northbound – renewed interests in staples, new energy and solar

Exhibit 1. Percentage of floatable shares held by northbound funds had a recovery in Baijiu industry



Source: Wind, HSBC Qianhai Securities

Exhibit 2. ... remained constructive in new energy names...



Source: Wind, HSBC Qianhai Securities

Market flows and positioning

Most held stocks by active mutual funds and northbound funds at end-4Q22

Active mutual funds				
#	Code	Company	Sector	MV held (RMBbn)
1	600519 CH	MOUTAI	Cons Stap	101.8
2	300750 CH	CATL	Industrials	71.2
3	000568 CH	LUZHOU LAOJIAO	Cons Stap	48.6
4	000858 CH	WULIANGYE	Cons Stap	46.9
5	0700 HK	TENCENT	Info Tech	39.9
6	603259 CH	WUXI APPTec	Healthcare	30.5
7	3690 HK	MEITUAN	Cons Disc	30.2
8	300014 CH	EVE ENERGY	Industrials	28.6
9	300760 CH	MINDRAY	Healthcare	27.9
10	600809 CH	SHANXI FEN WINE	Cons Stap	27.8

Northbound funds				
#	Code	Company	Sector	MV held (RMBbn)
1	600519 CH	MOUTAI	Cons Stap	146.4
2	000333 CH	MIDEA	Cons Disc	74.2
3	300750 CH	CATL	Industrials	67.5
4	600036 CH	CMB	Financials	56.1
5	601888 CH	CTGDF	Cons Disc	45.8
6	601012 CH	LONGI GREEN	Info Tech	45.6
7	300760 CH	MINDRAY	Healthcare	44.8
8	000858 CH	WULIANGYE	Cons Stap	41.1
9	300124 CH	INOVANCE	Industrials	38.8
10	600900 CH	YANGTZE POWER	Utilities	34.3

Source: Wind, HSBC Qianhai Securities

Market flows and positioning

Most bought/sold stocks during 4Q22

Active mutual funds

#	Code	Company	Sector	Net buy/sell (RMBbn)
1	0700 HK	TENCENT	Info Tech	17.6
2	2269 HK	WUXI BIO	Healthcare	4.4
3	300124 CH	INOVANCE	Industrials	4.2
4	002352 CH	SF HOLDING	Industrials	4.1
5	601899 CH	ZIJIN MINING	Materials	3.9
6	0388 HK	HKEX	Financials	3.8
7	603899 CH	M&G	Industrials	3.0
8	603259 CH	WUXI APPTec	Healthcare	2.9
9	688008 CH	MONTAGE	Info Tech	2.9
10	1024 HK	KUAISHOU	Info Tech	2.8

Northbound funds

#	Code	Company	Sector	Net buy/sell (RMBbn)
1	000333 CH	MIDEA	Cons Disc	8.2
2	300760 CH	MINDRAY	Healthcare	7.1
3	000858 CH	WULIANGYE	Cons Stap	6.4
4	601899 CH	ZIJIN MINING	Materials	5.3
5	600036 CH	CMB	Financials	3.4
6	002271 CH	ORIENTAL YUHONG	Materials	3.2
7	300750 CH	CATL	Industrials	3.0
8	601318 CH	PING AN INS	Financials	3.0
9	601888 CH	CTGDF	Cons Disc	2.8
10	002050 CH	SANHUA	Industrials	2.0

Active mutual funds

#	Code	Company	Sector	Net buy/sell (RMBbn)
1	601012 CH	LONGI GREEN	Info Tech	-7.8
2	600519 CH	MOUTAI	Cons Stap	-7.5
3	300750 CH	CATL	Industrials	-6.2
4	002466 CH	TIANQI LITHIUM	Materials	-5.0
5	002371 CH	NAURA TECH	Info Tech	-4.8
6	600522 CH	ZHONGTIAN	Info Tech	-4.0
7	002049 CH	GUOXIN MICRO	Info Tech	-3.4
8	603799 CH	HUAYOU COBALT	Materials	-3.2
9	600188 CH	YANZHOU COAL	Energy	-2.8
10	600809 CH	SHANXI FEN WINE	Cons Stap	-2.8

Northbound funds

#	Code	Company	Sector	Net buy/sell (RMBbn)
1	600519 CH	MOUTAI	Cons Stap	-14.2
2	002812 CH	YUNNAN ENERGY	Materials	-6.2
3	600900 CH	YANGTZE POWER	Utilities	-4.7
4	600887 CH	YILI GROUP	Cons Stap	-2.3
5	601816 CH	BJ-SH HSR	Industrials	-2.3
6	600276 CH	HENGRUI	Healthcare	-2.2
7	002241 CH	GOERTEK	Info Tech	-2.1
8	000001 CH	PINGAN BANK	Financials	-2.0
9	002352 CH	SF HOLDING	Industrials	-2.0
10	300073 CH	EASPRING	Materials	-1.8

Source: Wind, HSBC Qianhai Securities

Market flows and positioning

Industry allocation adjustments: more divergence in non-ferrous metal and household appliance

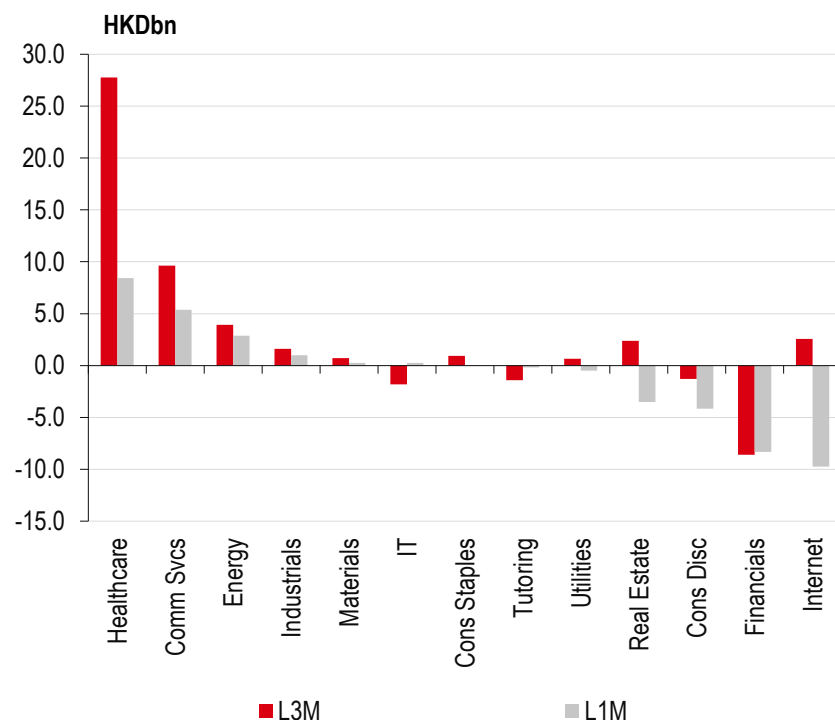
Active mutual funds				Northbound funds			
	4Q22 allocation	3Q22 allocation	Adjustment		4Q22 allocation	3Q22 allocation	Adjustment
Pharmacy	11.7%	9.8%	+1.9%	Pharmacy	9.2%	8.3%	+0.9%
Comp Software	4.2%	3.0%	+1.1%	Comp Software	3.3%	2.8%	+0.5%
Mechan Equi	2.6%	2.1%	+0.5%	Mechan Equi	4.4%	3.9%	+0.5%
Building Matl	0.9%	0.6%	+0.3%	Building Matl	1.9%	1.7%	+0.3%
NB Financials	1.3%	1.0%	+0.3%	NB Financials	4.9%	4.4%	+0.5%
Light Manufact	1.0%	0.7%	+0.3%	Light Manufact	0.8%	0.8%	+0.1%
Chemicals	3.6%	3.4%	+0.2%	Chemicals	2.8%	3.0%	-0.2%
Banks	3.0%	2.8%	+0.2%	Banks	7.6%	7.1%	+0.5%
Media	0.7%	0.5%	+0.2%	Media	1.5%	1.2%	+0.3%
Social Services	1.1%	0.9%	+0.2%	Social Services	0.5%	0.5%	+0.1%
Utilities	0.9%	0.7%	+0.1%	Utilities	2.5%	3.0%	-0.5%
Env Prot	0.3%	0.3%	+0.1%	Env Prot	0.2%	0.2%	+0.0%
Beauty Care	0.9%	0.8%	+0.0%	Beauty Care	0.8%	0.8%	+0.0%
Transportation	2.9%	2.8%	+0.0%	Transportation	3.0%	3.0%	+0.0%
Steel	0.3%	0.3%	+0.0%	Steel	0.8%	0.7%	+0.1%
Textile&Apparel	0.3%	0.3%	+0.0%	Textile&Apparel	0.2%	0.2%	+0.0%
Conglomerate	0.0%	0.0%	+0.0%	Conglomerate	0.0%	0.0%	+0.0%
Retail	1.6%	1.6%	+0.0%	Retail	2.3%	2.0%	+0.3%
Constr Decor	0.6%	0.6%	-0.0%	Constr Decor	1.2%	1.2%	+0.0%
Food and Bev	15.5%	15.7%	-0.1%	Food and Bev	14.4%	15.5%	-1.1%
Autos	3.6%	3.8%	-0.2%	Autos	2.7%	2.8%	-0.1%
Agriculture	1.6%	1.9%	-0.2%	Agriculture	1.1%	1.2%	-0.1%
Petro	0.8%	1.0%	-0.3%	Petro	1.1%	1.2%	-0.1%
Defense	4.3%	4.7%	-0.3%	Defense	0.8%	0.8%	+0.0%
Household Appli	1.8%	2.1%	-0.3%	Household Appli	6.2%	5.7%	+0.4%
Electronics	8.6%	9.0%	-0.4%	Electronics	5.1%	5.3%	-0.2%
Telecom	1.0%	1.4%	-0.4%	Telecom	0.9%	0.9%	+0.0%
Real Estate	2.3%	2.7%	-0.5%	Real Estate	1.2%	1.3%	-0.0%
Coal	0.7%	1.4%	-0.7%	Coal	1.5%	1.9%	-0.3%
N-ferrous Metal	4.2%	5.0%	-0.9%	N-ferrous Metal	3.2%	2.7%	+0.5%
Electrical Equiprr	17.7%	18.9%	-1.1%	Electrical Equiprr	13.9%	16.0%	-2.1%

Source: Wind, HSBC Qianhai Securities

Market flows and positioning

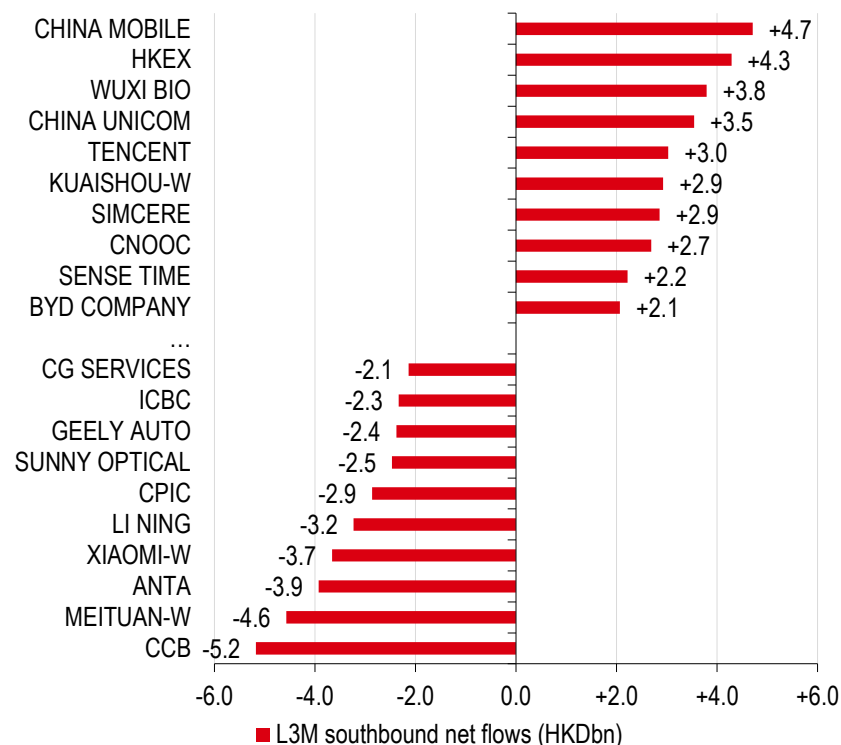
Southbound channel

At a sector level, southbound funds mainly bought Healthcare and Telecom, and sold Financials and IT in L3M



Source: Wind, HSBC Qianhai Securities

At a stock level, southbound funds mainly bought China Mobile, HKEX and Wuxi Bio, and sold names like CCB and Meituan in L3M



Source: Wind, HSBC Qianhai Securities

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Steven Sun, CFA

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 31 December 2022, the distribution of all independent ratings published by HSBC is as follows:

Buy	59%	(14% of these provided with Investment Banking Services in the past 12 months)
Hold	34%	(13% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(7% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at <http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures>.

To view a list of all the independent fundamental ratings disseminated by HSBC during the preceding 12-month period, please use the following links to access the disclosure page:

Clients of HSBC Private Banking: www.research.privatebank.hsbc.com/Disclosures

All other clients: www.research.hsbc.com/A/Disclosures

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Non-U.S. analysts may not be associated persons of HSBC Securities (USA) Inc, and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts.

Economic sanctions imposed by the EU, the UK, the USA and certain other jurisdictions generally prohibit transacting or dealing in any debt or equity issued by Russian SSI entities on or after 16 July 2014 (Restricted SSI Securities). Economic sanctions imposed by the USA also generally prohibit US persons from purchasing or selling publicly traded securities issued by companies designated by the US Government as “Chinese Military-Industrial Complex Companies” (CMICs) or any publicly traded securities that are derivative of, or designed to provide investment exposure to, the targeted CMIC securities (collectively, Restricted CMIC Securities). This report does not constitute advice in relation to any Restricted SSI Securities or Restricted CMIC Securities, and as such, this report should not be construed as an inducement to transact in any Restricted SSI Securities or Restricted CMIC Securities.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research. HSBC Private Banking clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

- 1 This report is dated as at 08 February 2023.
- 2 All market data included in this report are dated as at close 06 February 2023, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.
- 5 This report may be a translation of a report authored in another language. If so, and if there is any discrepancy between versions, the original-language version shall prevail.
- 6 At the time of publication of this report, HSBC Qianhai Securities Limited does not hold 1% or more of a class of common equity securities of this company.

Disclaimer

Legal entities as at 25 May 2022:

'UAE' HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Securities (Canada) Inc.; 'France' HSBC Continental Europe; 'Spain' HSBC Continental Europe, Sucursal en España; 'Italy' HSBC Continental Europe, Italy; 'Sweden' HSBC Continental Europe Bank, Sweden Filial; 'DE' HSBC Trinkaus & Burkhardt GmbH, Düsseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; HSBC Bank plc, London, Tel Aviv; 'US' HSBC Securities (USA) Inc., New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR; The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch; PT Bank HSBC Indonesia; HSBC Qianhai Securities Limited; Banco HSBC SA

Issuer of report

HSBC Qianhai Securities Limited

Block 27 A&B, Qianhai Enterprise Dream Park, 63 Qianwan Yi Road, Shenzhen-Hong Kong Cooperation Zone, Shenzhen, China

Phone number: +86 755 8898 3288

Website: www.hsbcqh.com.cn

In the People's Republic of China ("PRC") (Excluding special administrative regions of Hong Kong and Macao), this document is issued and approved by HSBC Qianhai Securities Limited for the information of its clients only; it is not intended for and should not be distributed to retail customers in the PRC. HSBC Qianhai Securities Limited is regulated by the China Securities Regulatory Commission ("CSRC") and is qualified to engage in Securities Investment Advisory Business in the PRC [91440300MA5EPLHG1B]. All inquiries by recipients must be directed to the HSBC Qianhai Securities Limited contact in the PRC. If it is received by a customer of an affiliate of HSBC Qianhai Securities Limited, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. This document is being supplied to you solely for your information and may not be redistributed or passed on, directly or indirectly, to any other person, in whole or in part, for any purpose. This document is not and should not be construed as an offer to sell or solicitation of an offer to purchase or subscribe for any investment. HSBC Qianhai Securities Limited has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC Qianhai Securities Limited makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The decision and responsibility on whether or not to purchase, subscribe or sell (as applicable) must be taken by the investor. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. Any form of written or verbal commitment on the sharing of gains or losses from the securities investment between the investors and the HSBC Qianhai Securities Limited arising from the research services provided are not permitted and shall be invalid. Expressions of opinion are those of the Research Division of HSBC Qianhai Securities Limited only and are subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC Qianhai Securities Limited and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment) to the extent permitted by law. HSBC Qianhai Securities Limited and its affiliates may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies and may also be represented on the supervisory board or any other committee of those companies. This document may contain hyperlinks to external websites for convenience of its recipients. HSBC Qianhai Securities Limited are not responsible for any content therein. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

The Hongkong and Shanghai Banking Corporation Limited owns 90% and Qianhai Financial Holdings Co., Ltd. ("QFH") owns 10% of shares in HSBC Qianhai Securities Limited, which prepared and/or contributed to this research report. HSBC Qianhai Securities Limited has established policies and procedures reasonably designed to prevent QFH from exercising direct or indirect influence over the content of HSBC Qianhai Securities Limited research reports and the choice of companies that will be the subject of research reports. Furthermore, HSBC Qianhai Securities Limited has established additional policies and procedures reasonably designed to prevent any person or entity, whether from within HSBC Qianhai Securities Limited, QFH or otherwise, from influencing the activities of the HSBC Qianhai Securities Limited's research analysts or the content of research reports.

The information and opinions in this research report were distributed by The Hongkong and Shanghai Banking Corporation Limited in Hong Kong, which accepts legal responsibility for its contents. This research report is intended to provide information to The Hongkong and Shanghai Banking Corporation Limited's institutional and professional investor (as defined in Schedule 1 to the Securities and Future Ordinance (Cap. 571)) ("SFO") customers only; it is not intended for and should not be distributed to customers in Hong Kong who are not "professional investors". The Hongkong and Shanghai Banking Corporation Limited is regulated by the Hong Kong Monetary Authority. The Hongkong and Shanghai Banking Corporation Limited makes no representations that the products or services mentioned in this document are available to persons in Hong Kong. Any enquiries with respect to any matters arising from, or in connection with, this research report should be directed to the recipient's contact person at The Hongkong and Shanghai Banking Corporation Limited. The analyst(s) named in this research report who is(are) not employed by and/or accredited to The Hongkong and Shanghai Banking Corporation Limited is(are) not licensed to carry on any regulated activities in Hong Kong under the SFO. The analyst(s) is(are) only named in this research report as being a source of the information contained herein and does(do) not purport to carry on any regulated activities in Hong Kong under the SFO or hold himself/herself(they/themselves) out as being able to do so.

HSBC Securities (USA) Inc., a US-registered broker-dealer and member of FINRA, accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All US persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report. In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports pursuant to Regulation 32C(1)(d) of the Financial Advisers Regulations. This publication is not a prospectus as defined in the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595). The respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR.

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services.

In Japan, this publication has been distributed by HSBC Securities (Japan) Limited. It may not be further distributed in whole or in part for any purpose. In Korea, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. HBAP SLS is regulated by the Financial Services Commission and the Financial Supervisory Service of Korea.

In Canada, this document has been distributed by HSBC Securities (Canada) Inc. (member IIROC), and/or its affiliates. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offense. In Brazil, this document has been distributed by Banco HSBC SA ("HSBC Brazil"), and/or its affiliates. As required by Resolution No. 20/2021 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures".

If you are an HSBC Private Banking ("PB") customer with approval for receipt of relevant research publications by an applicable HSBC legal entity, you are eligible to receive this publication. To be eligible to receive such publications, you must have agreed to the applicable HSBC entity's terms and conditions for accessing research and the terms and conditions of any other internet banking service offered by that HSBC entity through which you will access research publications ("the Terms"). Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. If you do not meet the aforementioned eligibility requirements please disregard this publication and, if you are a customer of PB, please notify your Relationship Manager. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by PB.

© Copyright 2023, HSBC Qianhai Securities Limited. ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Qianhai Securities Limited. MCI (P) 017/01/2023, MCI (P) 027/10/2022