招銀国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

4 Dec 2020

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) FY20E	P/E (x) FY21E	P/B (x) FY20E	ROE FY20E	Yield FY20E	Analyst
Long Ideas														
BYD - A	002594 CH	Auto	BUY	68.9	1034.0	171.1	223.8	31%	95.4	71.3	7.5	8.7	11.0%	Jack Bai/ Robin Xiao
PSBC	1658 HK	Banking	BUY	62.7	34.3	4.5	6.5	45%	5.9	5.5	0.6	11.4	5.4%	Terry Sun
CICC	3908 HK	Brokerage	BUY	33.1	30.2	18.5	22.4	21%	13.4	12.4	1.4	10.8	1.1%	Karen Sui
Zoomlion	1157 HK	Capital Goods	BUY	11.8	9.9	9.5	9.4	na	9.8	8.9	1.5	16.3	4.4%	Wayne Fung
S.C New Energy	300724 CH	Capital Goods	BUY	5.8	54.2	112.9	138.0	22%	62.8	39.9	11.8	20.4	0.2%	Karen Sui/ Wayne Fung
Bosideng	3998 HK	Consumer Disc.	BUY	4.8	19.4	3.4	4.2	24%	27.3	20.1	3.1	12.0	2.8%	Walter Woo
JS Global	1691 HK	Consumer Disc.	BUY	7.3	11.3	16.1	19.6	22%	20.1	18.0	3.0	15.9	3.5%	Walter Woo
Moutai	600519 CH	Consumer Staple	BUY	342.1	748.4	1749.0	2153.3	23%	47.6	38.0	12.3	31.1	1.2%	Albert Yip
Hope Education	1765 HK	Education	BUY	2.0	5.8	2.1	3.4	62%	22.2	15.6	na	na	2.0%	Albert Yip
Jinxin Fertility	1951 HK	Healthcare	BUY	4.4	24.5	14.3	15.5	9%	89.3	55.2	3.9	4.5	0.2%	Jill Wu/ Sam Hu
China Life	2628 HK	Insurance	BUY	149.0	115.7	17.9	28.1	57%	na	na	1.0	0.9	4.2%	Wenjie Ding
Meituan	3690 HK	Internet	BUY	216.9	791.4	275.8	348.0	26%	294.0	104.0	na	1.6	0.0%	Sophie Huang
China Aoyuan	3883 HK	Property	BUY	2.7	7.1	7.9	15.5	97%	2.8	2.5	1.0	34.7	14.2%	Samson Man
Excellence CM	6989 HK	Property	BUY	1.5	13.7	9.4	13.3	41%	24.6	19.8	3.2	11.9	1.0%	Bowen Li
China Gas	384 HK	Renewables	BUY	19.4	26.9	29.0	37.1	28%	16.5	14.3	3.8	23.2	1.7%	Robin Xiao
China Longyuan	916 HK	Renewables	BUY	7.1	17.7	7.1	7.4	5%	10.3	8.5	1.0	9.3	1.9%	Robin Xiao
Xiaomi	1810 HK	Technology	BUY	78.8	638.8	25.3	31.1	23%	40.1	28.4	6.9	16.4	0.0%	Alex Ng
BYDE	285 HK	Technology	BUY	11.0	74.1	38.00	49.50	30%	14.0	12.5	4.4	25.0	0.8%	Alex Ng

Source: Bloomberg, CMBIS, Price as of 3/12/2020, * TP under review

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Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
PSBC	1658 HK	Banking	BUY	Terry Sun	With strong macro recovery and easing policy guidance for profit concession, we believe it is time to revisit laggard retail-oriented big banks. Consensus earnings for PSBC seem too conservative and are likely to be revised up.
Bosideng	3998 HK	Consumer Disc.	BUY	Walter Woo	Following 1H21 beat and share price consolidation in Dec, we believe the risk-reward is returned. We foresee the weather to turn more favorable as La Nina comes in 2020-2021 winter. Together with stronger store, product upgrades and opex savings, GPM expansion and operating leverage should kick in.
JS Global	1691 HK	Consumer Disc.	BUY	Walter Woo	Given impressive sales growth for SharkNinja in overseas and stabilizing Joyoung's sales growth in China in 2H20E, aided by strong 71% growth during double 11, we find the stock's risk-reward attractive.
Moutai	600519 CH	Consumer Staple	BUY	Albert Yip	We remain positive on Mengniu's growth outlook but after recent rally we think Moutai could provide better return.
Excellence CM	6989 HK	Property	BUY	Bowen Li/ Samson Man	We have conviction in Excellence in terms of 1) strong earnings growth in the commercial segment and 2) increasing market recognition in the commercial mgmt. idea. On top of this, recent corrections have revealed further value.
China Gas	384 HK	Renewables	BUY	Robin Xiao	We see CGH's structural opportunity in winter gas sales. We expect CGH to have strong gas sales growth in 2HFY21, while abundant gas supply will help enlarge overall margin. We expect the structural play can sustain until Feb-2020.
S.C New Energy	300724 CH	Capital Goods	BUY	Karen Sui/ Wayne Fung	The Company is the key beneficiary of the solar power capex up-cycle in 2021E.
Xiaomi	1810 HK	Technology	BUY	Alex Ng	We believe Xioami can benefit from global share gain amid US restriction on Huawei, and product upgrade will drive internet monetization and profitability in 2021.
Deletions					
PAB	000001 CH	Banking	BUY	Terry Sun	We remain upbeat on PAB's mid-to-long term prospect, but quality is largely in the price after 30% rally since Oct.
Anta	2020 HK	Consumer Disc.	BUY	Walter Woo	Although we remain positive on Anta/FILA retail sales growth in 4Q20E, its risk-reward have been normalized after recent rally of 23% in Dec 2020, and valuation was re-rated from 27x to 33x FY21E P/E.
Midea	000333 CH	Consumer Disc.	BUY	Walter Woo	Although we expect Midea to remain competitive in FY21E and continue to outperform the industry, its risk-reward have been normalized after recent rally of 11% in Dec 2020, and valuation was re-rated from 18x to 20x FY21E P/E.
Mengniu	2319 HK	Consumer Staple	BUY	Albert Yip	We think price hike could happen in 1Q21E and this would be a catalyst for the stock.
A-Living	3319 HK	Property	BUY	Bowen Li/ Samson Man	We think A-Living is good value for money given its undemanding valuation; however in the near term we prefer names that are thematically more attractive.
Xinyi Solar	968 HK	Renewables	BUY	Robin Xiao	We remove XYS (968 HK) in Dec given profit taking activities, and lacking of short-term catalyst until Mar-2021. Our outlook for XYS remain unchanged, and XYS is still out solar sector top pick in 2021.
Jiangsu Hengli	601100 CH	Capital Goods	BUY	Wayne Fung	We like the structural growth story of Hengli but the risk-reward profile has become less attractive (50x 21E P/E) after the recent rally.
Luxshare	002475 CH	Technology	BUY	Alex Ng	We believe risk-reward is less attractive given strong YTD performance and lack of near-term catalysts.

Source: CMBIS

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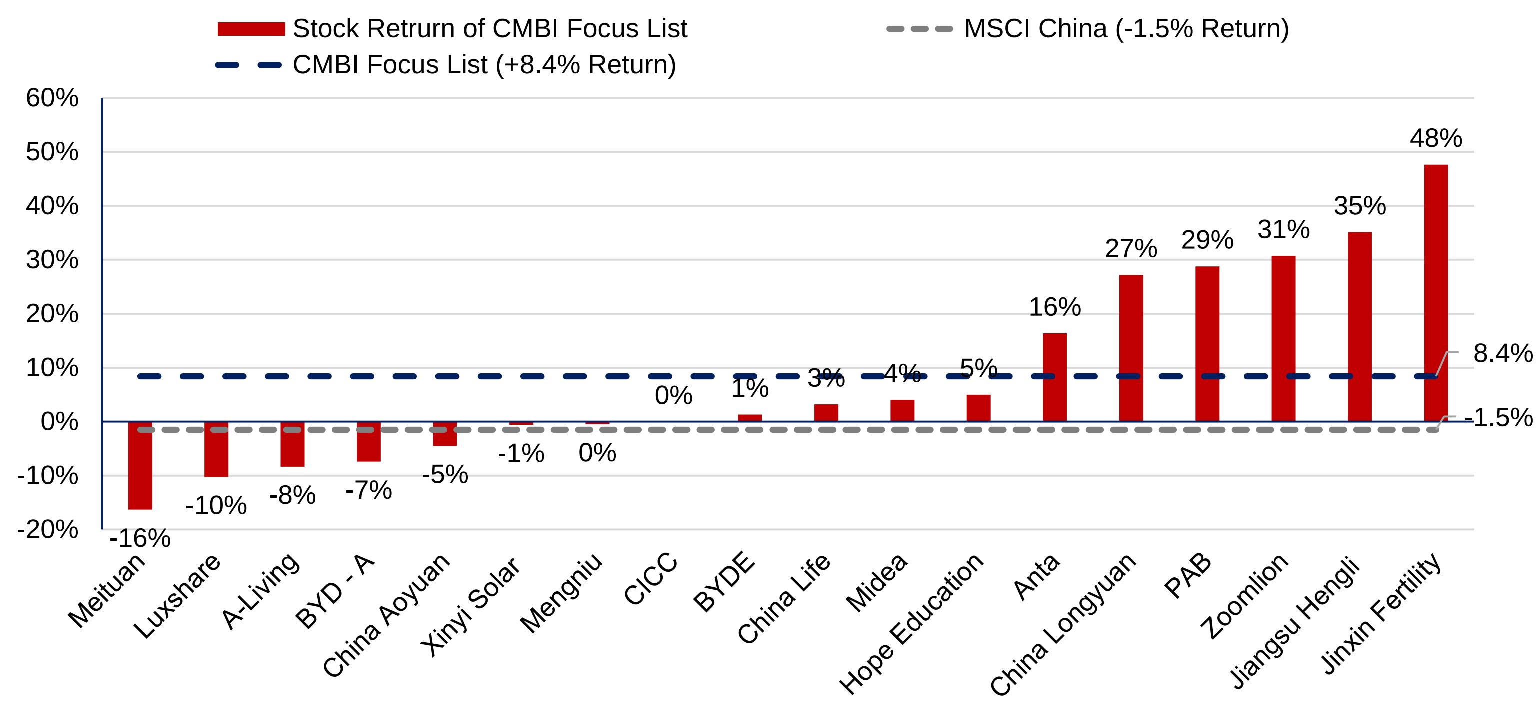
Performance of our recommendations

- In our last report dated 6 Nov, we highlighted a list of 18 long ideas.
- The performance of the basket (equal weighted) with these 18 stocks outperformed MSCI China index by 9.9ppt, delivering 8.4% return (vs MSCI China -1.5%).
- Jinxin Fertility, Jiangsu Hengli, and Zoomlion delivered 30%+ return, and 13 of our 18 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 6 Nov to 3 Dec 2020

Long Ideas

BYD – A (002594 CH): Momentum to maintain with NEV sales

Rating: BUY | **TP:** RMB223.8 (31% upside)

Analyst: Jack Bai/ Robin Xiao

- **Investment Thesis:** BYD's share price experienced some decline from year high in Nov. Although the Company intends to have H-share placement, we expect dilution impact will be lower than 6%. We expect Nov NEPV sales figure to boost market sentiment again, as Han EV sales exceeded 10k mark, getting close to Model 3.Based on our SOTP framework, we believe market is currently pricing the NEV segment at 5.0x FY21E P/S ratio. After peers' recent share prices rally, we believe BYD's NEV valuation is significantly lower than peers average of 10.1x FY21E P/S.
- **Auto sales on track; Oct NEPV sales + 83.1%YoY/18.5% MoM.** BYD announced that total auto sales volume achieved 48Kunits in Oct, an increase of 16.1% YoY. Among these, NEPV achieved 22K units, an increase of 83.1% YoY/ 18.5% MoM. Flagship model Han EV recorded sales of 7,545. As capacity of blade battery continue to be release in Nov-Dec, we expect Han EV's will accelerate its delivery pace.
- **Optimistic earnings outlook.** Based on increasing high-end EV model mix and BYD's 9M20 GPM, we revise up BYD's NEV ASP and margin outlook. We lift FY20-21E earnings forecasts by 24%/30% to RMB5,220/6,884mn.
- **Sentiment driven re-rating on the NEV segment.** We think BYD's re-rating was mainly sentiment driven on optimistic outlook for the NEV segment. Based on our SOTP framework, we believe market is currently pricing the NEV segment at 5.5x FY21E P/S ratio. In our risk-reward analysis, we think BYD can trade to RMB263/146 based on 9x/3x FY21E P/S bull/bear cases valuation on the NEV segment. Our base case TP is RMB223.8 based on 7x forward P/S multiple.
- **Future catalyst:** 1) NEV sales growth to accelerate; 2) power battery to realize external shipment; 3) Semiconductor business to have new update.

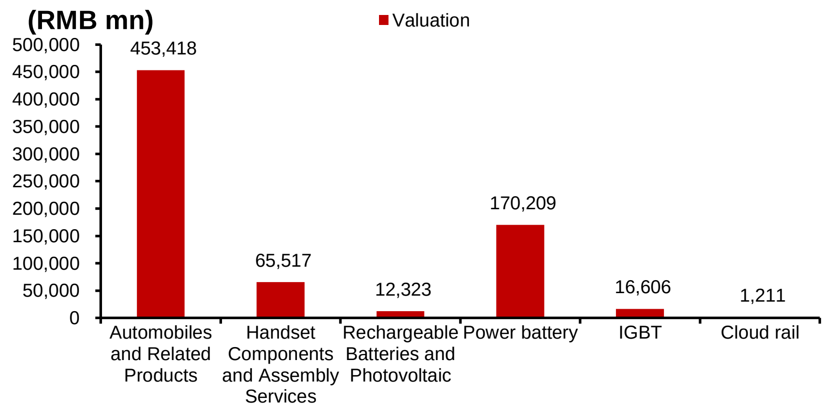
Link to latest report: BYD - A (002594 CH) – Expect high growth of NEV in 2H20E / BYD - A (002594 CH) – Hidden giant in the cave

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	127,739	156,971	208,657	272,410
YoY growth (%)	-1.8%	22.9%	32.9%	30.6%
Net income (RMB mn)	1,614	5,210	6,884	10,606
EPS (RMB)	0.50	1.81	2.43	3.79
YoY growth (%)	-47%	265%	34%	56%
Consensus EPS(RMB)	N/A	0.97	1.12	1.47
P/E (x)	348.0	95.4	71.3	45.6
P/B (x)	8.3	7.5	6.7	5.8
Yield (%)	0.03%	0.11%	0.15%	0.22%
ROE (%)	2.88%	8.73%	10.38%	13.96%
Net gearing (%)	79%	86%	78%	72%

Source: Company data, Bloomberg, CMBIS estimates

Fig: Valuation by business segments



Source: Company data, CMBIS estimates

PSBC (1658 HK): Well positioned for earnings recovery

Rating: BUY | **TP:** HK$6.50 (45% upside)

Analyst: Terry Sun

- **Investment Thesis:** As the only retail-oriented big bank, PSBC should enjoy faster-than-peers credit growth and earnings rebound amid post-pandemic economic recovery. Recent announcement of private placement plan would narrow the capital adequacy gap with Big-5 peers and greatly reduce the risk of dividend payout cut.

- **Our View:** 1) Macro recovery is the key driver for banks' profitability, and retail banks will see faster asset quality and earnings turnaround. 2) We expect marginally tighter liquidity condition in FY21, as temporary policy stimuli gradually exit. This should be positive for NIM outlook of PSBC, which is an interbank liquidity supplier and has >95% funding from deposits. 3) PSBC's 403% provision coverage (as of 3Q20) is 2nd highest among nationwide banks, and should support earnings release when policy intervention abates.

- **Why do we differ vs consensus:** We expect PSBC's FY20 net profit to grow 0.5 YoY to RMB61.7bn, 7% higher than consensus estimate of RMB57.6bn. As 9M20 earnings run rate already reached 92%, we believe consensus estimate is too conservative and will likely be revised up.

- **Catalysts:** 1) Better-than-expected macro indicators, e.g. PMI, retail sales, industrial production. 2) Stable interest rate, e.g. MLF/reverse repo rates and LPR, and marginal liquidity tightening. 3) Upward revision in consensus earnings forecasts.

- **Valuation:** Our TP of HK$6.50 is based on 0.85x target P/B and FY21E BVPS of RMB6.7.

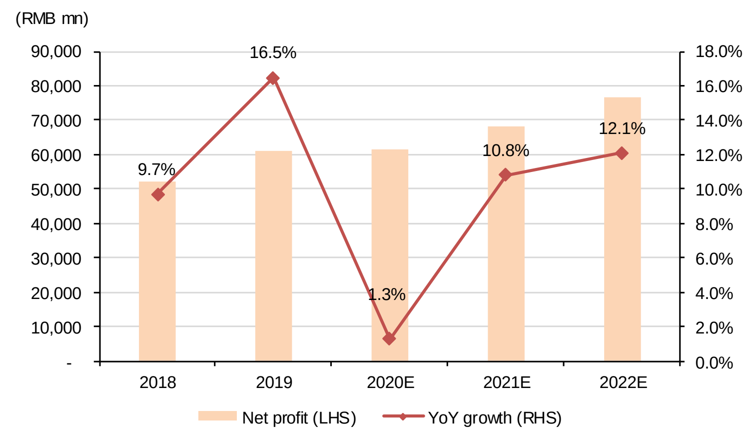
Link to latest report: PSBC (1658 HK) – Decent asset quality backs earnings turnaround

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	277,116	295,215	322,254	353,037
Net profit (RMB mn)	60,933	61,711	68,385	76,652
EPS (RMB)	0.72	0.68	0.73	0.80
EPS CHG (%)	16.9	(5.0)	7.4	9.3
Consensus EPS (RMB)	NA	0.66	0.73	0.82
P/E (x)	5.5	5.9	5.5	5.1
P/B (x)	0.68	0.63	0.59	0.54
Dividend yield (%)	5.4	5.4	5.6	6.3
ROE (%)	12.7	11.4	11.4	11.5
NPL ratio (%)	0.86	0.88	0.87	0.87
Provision coverage (%)	389	408	434	447

Source: Company data, Bloomberg, CMBIS estimates

Fig: PSBC's net profit forecasts



Source: Company data, CMBIS estimates

CICC (3908 HK): A-share IPO in sight, a major near-term catalyst

Rating: BUY | **TP:** HK$ 22.40 (21% upside)

Analyst: Karen Sui

- **Investment Thesis:** CICC is well positioned to capture incremental business opportunities from China's capital market reforms for its leading position in investment banking and institutionalization, and we believe the Company has unique and incomparable strength in new economy companies' oversea listing and SOE giants' M&A.

- **Our View:** CICC posted stronger-than-expected 3Q20 results, on robust brokerage and investment banking incomes. The Company's leverage stayed flat QoQ at 7.4x despite the issuance of RMB 5.0bn perpetual bonds, demonstrating its high utilization of balance sheet. On 2 Nov, CICC was successfully listed on Main Board of SSE, raising RMB 13.2bn. We believe the replenished capital base could further support CICC's business expansion and help with the recovery of ROE. Despite the delayed IPO process of Fintech giant, CICC is still in a predominant position in sponsoring Red-chips, pre-profit companies and mega deals as well as ADRs homecoming listings. We expect potential upcoming deals to further catalyze its near-term performance and earnings.

- **Catalysts:** 1) Decent pipeline of mega IPOs in both oversea and domestic markets; 2) More fruit from wealth management transformation and cooperation with its strategic shareholder Tencent and Alibaba.

- **Valuation:** Our 3-stage DDM derived TP is HK$ 22.40, implying 1.5x FY21E P/B.

Link to latest report:

China Brokerage Sector – 3Q20 results wrap: growth on robust fee incomes

CICC (3908 HK) – 3Q20 results boosted by strong fee growth

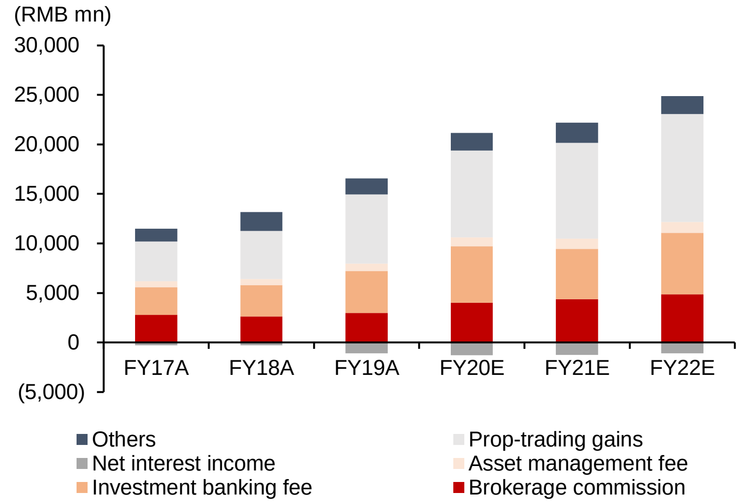
China Brokerage Sector – Optimism & reform suggest more earnings upsides

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	15,484	19,881	20,944	23,765
Net income (RMB mn)	4,239	5,461	5,895	6,830
EPS (RMB)	0.99	1.24	1.34	1.55
YoY growth (%)	19	25	8	16
Consensus EPS (RMB)	N/A	1.29	1.48	1.74
P/E (x)	16.8	13.4	12.4	10.7
P/B (x)	1.53	1.38	1.26	1.12
Yield (%)	0.0	1.1	1.2	1.4
ROE (%)	9.5	10.8	10.6	11.1
Adj. financial leverage (%)	6.0	6.2	6.2	6.0

Source: Company data, Bloomberg, CMBIS estimates

Fig: CICC's revenue trend



Source: Company data, CMBIS estimates

Zoomlion Heavy Industry (1157 HK): Solid up-cycle in 2021E

Rating: BUY | **TP:** HK$9.39*

Analyst: Wayne Fung

- **Investment Thesis:** Zoomlion is the major beneficiary of the infrastructure spending growth and property construction. We expect a promising upcycle of concrete machinery, driven by organic replacement cycle, upgrade of National Emission Standard (NES) and the strict policy to crackdown of illegal truck modification. Besides, we see a structural growth opportunity of mid-to-large size tower crane, driven by rising application of prefabricated construction. In addition, fast-growing excavator and aerial working platform (AWP) segments along with improving margin will serve as new growth drivers.

- **Our View.** The growth story of Zoomlion is driven by both the upcycle of existing business and aggressive new business development. Besides, the construction of smart factories and continuous investment in R&D will further strengthen Zoomlion's competitive edge.

- **Why do we differ vs consensus:** We have higher assumptions on the machinery demand projection.

- **Catalysts:** (1) A strong set of 4Q20 results; (2) strong monthly industry data; (3) management's subscription of H-share in 2021E.

- **Valuation:** Stock is still attractively trading at <9x 2021E P/E, on the back of 50%/9%/14% estimated EPS growth in 2020E/21E/22E. Our TP of HK$10.5 is based on 12x 2020E P/E. What's more, we see re-rating potential on Zoomlion's AWP business.

Link to latest report:

Zoomlion (1157 HK, BUY) – Margin risk priced in; Good buying opportunity

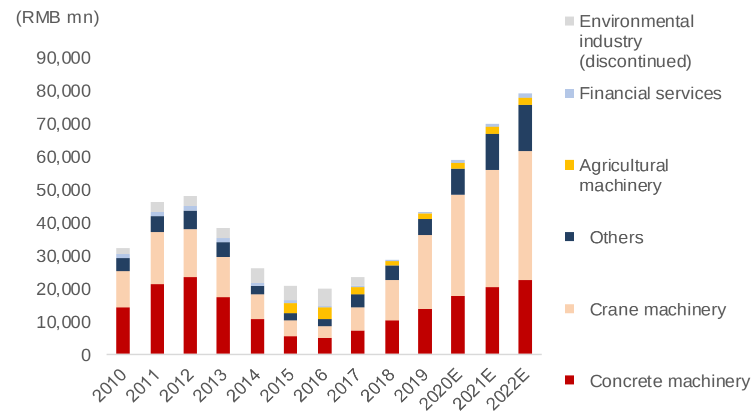
* TP under review

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	43,307	63,942	76,025	84,903
YoY growth (%)	50.9	47.6	18.9	11.7
Net income (RMB mn)	4,381	6,887	8,727	9,928
EPS (RMB)	0.58	0.87	0.96	1.09
YoY growth (%)	119.2	50.0	9.3	13.7
Consensus EPS (RMB)	-	0.88	0.88	0.96
EV/EBITDA (x)	11.6	8.7	7.1	6.4
PE (x)	14.3	9.8	8.9	7.6
P/B (x)	1.7	1.5	1.3	1.2
Yield (%)	0.0	4.4	4.5	5.2
ROE (%)	11.4	16.3	16.8	16.1
Net gearing (%)	31.3	20.8	4.7	3.6

Note: We model the dilution impact arising form potential A-share placement starting from 2021E
Source: Company data, Bloomberg, CMBIS estimates

Zoomlion's revenue breakdown



Source: Company data, CMBIS estimates

S.C New Energy Technology (300724 CH): A comprehensive leader of solar cell equipment

Rating: BUY | **TP:** RMB138 (22% upside) Analyst: Karen Sui / Wayne Fung

- **Investment Thesis:** Backed by strong photovoltaics (PV) installation demand worldwide, solar component makers' ambitious capacity expansion plans and emerging disruptive technologies, Chinese solar power equipment suppliers are set to be the key beneficiaries of the downstream capex up-cycle.

- **Our View:** We like S.C for its market leadership, its broad product offerings that cover >70% equipment CAPEX for mainstream PERC technology, as well as its early-mover advantage in developing HJT production equipment, that enables it to enjoy the uptrend in equipment demand regardless of the change in technology. We project a 47% CAGR for S.C's net profit in FY19-22E.

- **Why do we differ vs consensus:** Our FY21E/FY22E EPS estimates are 5%/5% higher than consensus as we are more confident on the Company's revenue growth backed by strong order inflows amid PERC capacity expansion.

- **Catalysts:** (1) Continuous order intakes; (2) Breakthrough in HJT product development, (3) Completion of A-share placement.

- **Valuation:** We rate S.C BUY and set our TP at RMB 138, based on 51x FY21E diluted EPS of RMB 2.72. We have factored in the potential EPS dilution impact from A-share private placement. Our target P/E is generated from 1.3x PEG on the back of 39% diluted EPS CAGR in FY20E-22E.

Link to latest report:

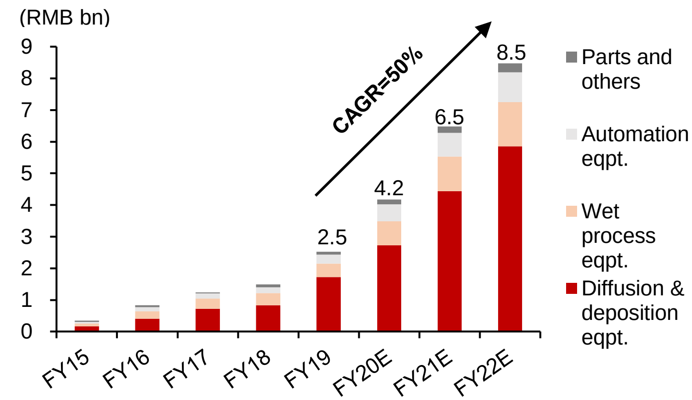
Solar Power Equipment – Picks and Shovels in the Solar Gold Rush

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	2,527	4,169	6,478	8,472
YoY growth (%)	69	65	55	31
Net income (RMB mn)	382	572	902	1,210
EPS (RMB)	1.19	1.78	2.81	3.77
YoY growth (%)	7	49	58	34
Consensus EPS (RMB)	N/A	1.84	2.68	3.59
P/E (x)	93.8	62.8	39.9	29.7
P/B (x)	14.0	11.8	9.3	7.2
Yield (%)	0.2	0.2	0.3	0.3
ROE (%)	16.0	20.4	26.0	27.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

S.C New Energy's revenue breakdown



Source: Company data, CMBIS estimates

Bosideng (3998 HK): Stay confident on 2H21E after strong beat

Rating: BUY | **TP:** HK$4.23 (24% upside)

Analyst: Walter Woo

- **Investment Thesis:** The COVID-19 outbreak actually speeded up industry consolidation, Companies like Bosideng with superior fashion, digital capability and efficiency can gain more market shares in long run. Bosideng is not only the largest down apparel brand in China, but also a leading manufacturer in the world. It owns the BOSIDENG, SNOWFLYING, BENGEN brands, etc. and has over 5,300 offline stores. Growth drivers includes: 1) sales per store growth (both ASP and Volume), 2) more online and direct retail sales, 3) gradual penetration of down apparel in China.

- **Our View:** The excellent 1H21 results beat our already bullish estimates. Despite relatively prudent guidance, we are still confident on a strong 2H21E with sales/ net profit to grow by 26%/ 39%. Driven by: 1) meaningful GP margin expansion, 2) low channel inventories and strong re-orders, 3) operating leverage and effective cost savings and 4) low base (~10% annual sales missing in Feb-Mar 2020). We also stay hopeful for a cold winter in 2020-2021 as there is a 95% chance of Li Nina, by NOAA.

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 1% higher / 2%/ 3% lower than consensus and our net profit forecasts are 3% higher / 6%/ 12% below street as we are more conservative on its self-own sales and GP margin expansion sustainability.

- **Catalysts:** 1) colder than last year weather, 2) positive feedback about its fashion shows or crossovers and 3) sector-wise recovery and re-rating.

- **Valuation:** We derived our 12m TP of HK$4.23 based on 23x FY22E P/E. We believe gradual improvement of apparel sector can drive positive sentiments and further re-rating. The stock is trading at 18x FY22E P/E.

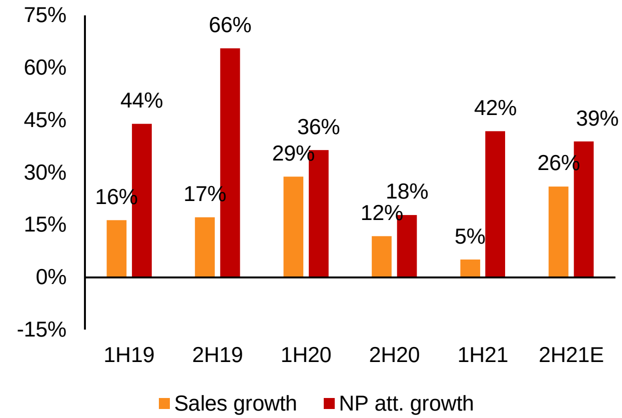
Link to latest report: Bosideng (3998 HK) - Stay confident on 2H21E after strong beat

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Sales (RMB mn)	12,191	14,433	16,389	18,251
YoY change (%)	17.4	18.4	13.6	11.4
Net profit (RMB mn)	1,203	1,681	1,881	2,181
EPS - Fully diluted (RMB)	0.111	0.150	0.168	0.195
YoY change (%)	12.8	35.9	11.9	15.9
Consensus EPS (RMB)	n/a	0.146	0.178	0.221
P/E (x)	27.3	20.1	18.0	15.5
P/B (x)	3.1	3.0	2.8	2.6
Yield (%)	2.8	3.5	3.9	4.5
ROE (%)	12.0	15.9	16.7	18.1
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Retail sales growth (CMBI est.) by brands



Source: Company data, CMBIS estimates

JS Global (1691 HK): A robust growth momentum but a mild margin drag

Rating: BUY **| TP:** HK$19.57 (22% upside)

Analyst: Walter Woo

- **Investment Thesis:** Both Joyoung and SharkNinja may be adversely affected amid the virus outbreak in short run, but this crisis, in our view, will force more consumers online and build greater interest on home cooking. Therefore the Company will benefit from industry consolidation in longer run. It is #3 and #2 small appliances brand owner in China and US, owing brands like Joyoung, Shark and Ninja. Growth drivers include ramp up of online sales and innovative products and expansion to other regions.

- **Our View:** FX might be a mild headwind, (as CNY appreciated by 5% YoY in Oct 2020), but we are still confident on SharkNinja's highly robust exports orders, due to: 1) stable US and EU demand and 2) China replacing other regions' productions under the third wave. Demand for small appliances in China did slow down in Oct 2020, but performance during double 11 was encouraging, as Joyoung's GMV had surged by 71% YoY (vs Midea's 67% and Supor's 59%), hence we continue to be optimistic on Joyoung's FY20E target. We do expect Shark and Ninja's innovative products to drive meaningful operating leverage ahead.

- **Why do we differ vs consensus:** For FY20E/ 21E/ 22E, our sales forecasts are 1%/ 4%/ 8% lower than BBG est. and our adj. NP forecasts are 2%/ 13%/ 23% lower than street as we are less optimism on SharkNinja sales and OP margin's sustainability into FY21E-22E.

- **Catalysts:** 1) stronger than expected stay-home demand; 2) stronger than expected new customer conversation, 3) decent reception of new products and 4) better than expected raw material costs.

- **Valuation:** We derived our 12m TP of HK$19.57 based on 28x FY21E Adj. P/E. We believe new product cycle, category and region expansion can provide loads of growth. The stock is only trading at 23x FY21E Adj. P/E.

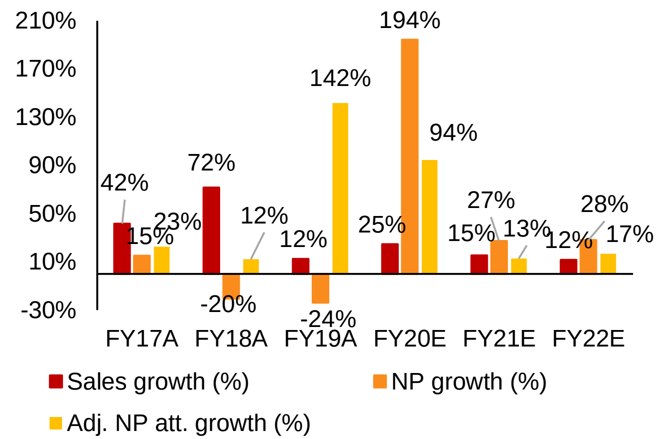
Link to latest report: JS Global (1691 HK) - A robust growth momentum but a mild margin drag

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (USDmn)	3,016	3,759	4,334	4,840
YoY change (%)	12.5	24.6	15.3	11.7
Adj. Net profit (USDmn)	145	283	318	371
Adj. EPS - Fully diluted (USD)	0.042	0.079	0.089	0.104
YoY change (%)	136.6	89.9	12.6	16.6
Consensus EPS (USD)	n/a	0.081	0.103	0.135
Adj. P/E (x)	50.1	26.3	23.3	20.0
P/B (x)	4.7	3.4	2.9	2.4
Yield (%)	3.5	0.9	1.4	2.0
ROE (%)	2.7	9.2	10.3	11.3
Net debt/ equity (%)	39.1	2.5	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and adj. net profit growth forecasts



Source: Company data, CMBIS estimates

Moutai (600519 CH): Price hike the next catalyst

Rating: BUY **| TP:** RMB2153.3 (23% upside)

Analyst: Albert Yip

- **Investment Thesis:** The Company is the white wine market leader in terms of brand equity, market share and retail price. Moutai liquor has investment attributes because of its limited supply and quality. The wide price spread between wholesale price and ex-factory price certainly offers the Company opportunities to raise ex-factory price.

- **Price hike could happen in 1Q21.** We assume the Company would raise ex-factory price to distributor from RMB969 to RMB1,199 in 1Q21. Currently, the price spread between wholesale price and ex-factory price is much greater than the Company's gross profit. Historically, price hike usually happened in first year of FYP and 1Q. We believe the Company might raise its ex-factory price in 1Q21 at the earliest to have a good start in the 14th FYP.

- **Central Commission for Discipline Inspection's article will not block price hike.** On 22 Sept, the Commission posted an article to alert the recent tide of price hikes of high-end white wines might bring back corruption and improper publicly-funded dining. In July 2017, we saw the Commission posted an article to alert government officials' consumption of Moutai and Wuliangye through business banquets with private companies owners and by public-funding. That said, the Company still raised price in Jan 2018.

- **Valuation.** We forecast the Company to post 18% EPS CAGR from FY19-22E. Our TP is set at RMB2,153.30, representing 46.8x FY21E P/E, at 15% premium on other segment leaders' average of 40.7x.

- **Link to latest report:** Unrivalled market leader; price hike the next catalyst

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	85,430	95,142	116,842	133,183
YoY growth (%)	16	11	23	14
Net profit (RMB mn)	41,206	46,146	57,799	66,861
YoY growth (%)	17	12	25	16
EPS (RMB)	32.80	36.73	46.01	53.23
YoY growth (%)	17	12	25	16
Consensus EPS (RMB)	na	37.25	44.9	52.98
P/E (x)	53.3	47.6	38.0	32.9
P/B (x)	14.5	12.3	10.1	8.5
Yield (%)	1.1	1.2	1.5	1.8
ROE (%)	33.1	31.1	32.5	31.4

Source: Company, Bloomberg, CMBIS

Fig: Historically price hike usually happened in first year of FYP and 1Q

Date	RMB
10/8/2001	218
1/10/2003	268
10/2/2006	308
1/3/2007	358
11/1/2008	438
1/1/2010	499
1/1/2011	619
1/9/2012	819
1/1/2018	969

Source: Company, CMBIS

Hope Education (1765 HK): Strong organic growth outlook

Rating: BUY **| TP:** HK$3.41 (62% upside)

Analyst: Albert Yip

- **Investment Thesis:** Hope Education has strong organic and M&A growth drivers. For organic, total student enrollment jumped 39% to 194,554 in FY21E. Management targets to achieve 15-20% revenue CAGR and a faster NP CAGR, in 3-5 year. For M&A, it had outstanding track record in improving performance of acquired colleges. The Company had RMB3.1bn cash and will look for domestic university as top priority. The Company paid RMB291mn deposit for acquisition, suggesting acquisition target was secured.
- **Strong overseas study demand to drive Inti Education's growth.** The Company saw enrollments for its overseas programs (including Intl. Education and other programs) soared from 1,964 in FY19 to 17,315 in FY20. These enrollments will gradually become overseas students in 2-3 years. Management targets to achieve 40% net profit CAGR from 2018 to 2024E for Intl. Education.
- **Conversion of four independent colleges to lift earnings.** In FY20, total management fees paid by the independent colleges was RMB170m, representing 29% of adj. NP in FY20. Management expects to convert two independent colleges by end of 2021 and another two by end of 2022. We estimate these conversion could further lift FY23E NP by 19%.
- **Valuation:** Our TP of HK$3.41 is based on 25.4x FY21E P/E. We forecast the Company to post 25.4% EPS CAGR in FY21-23E, which is stronger than peers' average of 22%. **Catalysts:** (1) M&A; (2) conversion of independent colleges.

Link to latest report: Strong organic growth outlook

Financials and Valuations

(YE 31 Aug)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	1,568	2,468	3,095	3,590
YoY growth (%)	na	57	25	16
Net profit (RMB mn)	456	785	1,053	1,278
Adj. NP (RMB mn)	576	859	1,127	1,352
Adj. EPS (RMB)	0.086	0.119	0.156	0.187
YoY growth (%)	na	39	31	20
Consensus EPS (RMB)	na	0.09	0.124	0.143
Adj. P/E (x)	22.2	15.6	11.9	9.9
Yield (%)	0.4	2.0	2.7	3.2
Net cash (RMB mn)	329	759	947	1,561

Source: Company, Bloomberg, CMBIS

Fig: Peers' valuation table

	Ticker	Mkt Cap (US$ m)	Price	Year end	P/E (x) FY1	FY2	FY3
Higher Education services providers							
China Education	839 HK	4,239	15.28	Aug-19	28.5	21.1	17.0
Yuhua Education	6169 HK	3,076	7.14	Aug-19	22.7	15.7	13.7
Hope Education	1765 HK	1,978	2.12	Aug-19	23.0	15.8	12.0
Kepei Education	1890 HK	1,544	5.94	Dec-19	16.4	12.9	11.1
Cahtay Media	1981 HK	1,156	5.40	Dec-19	25.3	17.3	13.6
Edvantage	382 HK	1,058	8.05	Aug-19	23.2	17.8	13.9
New Higher Education	2001 HK	953	4.69	Dec-19	12.0	9.5	7.9
Minsheng Education	1569 HK	609	1.12	Dec-19	11.3	7.7	6.8
Xinhua Education	2779 HK	513	2.47	Dec-19	10.5	9.4	8.6
Huali University	1756 HK	458	2.96	Aug-19	9.8	7.3	5.9
Neusoft Education	9616 HK	443	5.14	Dec-19	16.6	12.5	9.8
Average					**18.1**	**13.4**	**10.9**

Source: Bloomberg estimates, Company, CMBIS

Jinxin Fertility (1951 HK): To become a global leading ARS provider

Rating: BUY **| TP:** HK$15.51 (9% upside)

Analyst: Jill Wu/ Sam Hu

- **Investment Thesis:** Jinxin Fertility is a leading player in assisted reproductive services (ARS) industry in China and the US with promising growth outlook thanks to strong organic growth momentum and abundant acquisition opportunities. Company's existing network hospitals delivered solid performance amid challenging environment during COVID-19.

- **Our View:** We expect Jinxin to deliver 24.1% CAGR in revenue FY19-22E, mainly thanks to. By 30 Jun 2020, Jinxin had RMB3.2bn csolid organic growth and good integration of acquisitionash on hand which provides sufficient capital for future acquisitions**.** Jinxin announced the acquisition of an ARS provider in Laos and Wuhan Huangpu Hospital (武汉黄浦中西医结合妇产医院, Wuhan Hospital) in March and July, respectively. Through acquisitions, Jinxin has expanded its footprint from Chengdu city to Shenzhen city, the US, Laos and Wuhan. The Company will continue to expand its geographic network through acquisitions, in our view.

- **Why do we differ vs consensus:** Our FY20/21E revenue are -10%/+2% different from consensus and NP are -23%/-5% below consensus, as we are more conservative on IVF cycle growth forecasts in 2020E in view of the impact from COVID-19 on US business, while we remain positive on the Company's long-term growth prospects driven by both strong organic growth and acquisition opportunities.

- **Catalysts:** Catalyst includes earlier than expected end of COVID-19 outbreak and acquisitions of more quality assets and hospitals.

- **Valuation:** Our DCF-based TP is HK$15.51 (WACC: 10.2%, terminal growth rate: 3.0%). We believe this is justified as Jinxin Fertility's leading position in ART market and high visibility growth in next 3-5 years.

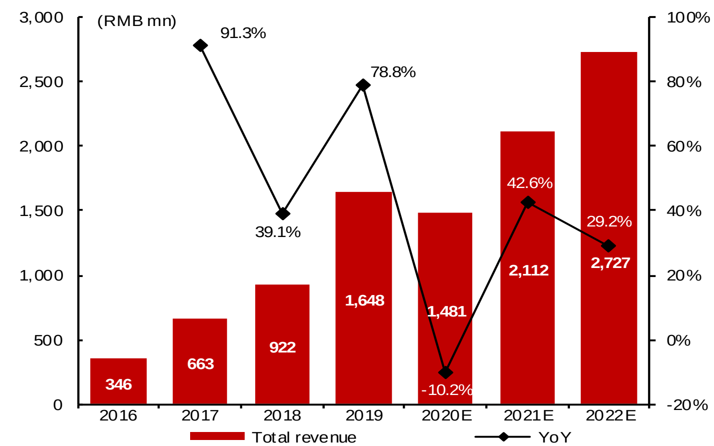
Link to latest report: Enhancing leading position by strong organic growth and efficient M&As

Financials and Valuations

(YE 31 Dec)	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,481	2,112	2,727
YoY growth (%)	(10)	43	29
Net profit (RMB mn)	345	558	768
EPS (RMB)	0.14	0.23	0.32
YoY growth (%)	(24)	62	38
Consensus EPS (RMB)	0.21	0.26	0.32
P/E (x)	89.3	55.2	40.1
P/B (x)	3.9	3.7	3.4
Yield (%)	0.22	0.36	0.50
ROE (%)	4.5	6.9	8.8
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Revenue trend



Source: Company data, CMBIS estimates

China Life (2628 HK): Resilient against headwinds and robust recovery

Rating: BUY | **TP:** HK$28.14 (57% upside) Analyst: Wenjie Ding

- **Investment Thesis.** China Life has been showing great resilience amid the COVID-19 and vigorous recovery in post-pandemic era, compared to major life insurance peers. In 9M20, NBV increased 2.7% YoY while major peers suffered negative growth.

- **Our view. 1)** NBV deceleration is not a major concern. Although NBV growth decelerated a bit to +2.7% YoY in 9M20 from +6.7% in 1H20, it still outpaced industry average and major peers. Such deceleration was also a result of the Company strategically slowing its pace of expansion in 3Q in order to enhance business quality and agent productivity. **2)** Product mix improved further, represented by rising proportions of FYRP with payment duration of 10+ years and designated protection-oriented products. **3)** The Company has started kickoff season earlier than peers to better prepare for business development in 2021. It also pledges to serve customer demand for both savings and protection products.

- **How do we differ?** We are more optimistic with respect to sustainability of the Company's outstanding performance, which not only is due to a relatively weak base, but also is a result of the Company's increasing level of business vitality following its reform initiatives. In terms of financials, our estimate of net profit and NBV growth likely exceeded market consensus.

- **Short-term catalysts.** 1) Strong premium growth during kickoff season; 2) Booming sentiment of the stock market.

- **Valuation.** We peg target price at HK$28.14, which corresponds to 0.68x FY20E P/EV. The Company's H-share is trading at 0.43x/0.4x FY20/21E P/EV, or ~67% discount to its A-share's value.

Link to latest report: <u>China Life (2628 HK) – 3Q20 in line despite NBV growth deceleration</u>

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
GWP (RMB mn)	567,086	614,350	668,525	724,298
YoY growth (%)	5.8	8.3	8.8	8.3
Total income (RMB mn)	729,474	803,451	862,609	921,859
Net profit (RMB mn)	58,287	51,513	60,524	67,358
EPS (RMB)	2.05	1.79	2.11	2.35
YoY Growth (%)	421.2	-12.7	17.7	11.5
Consensus EPS (RMB)	N.A.	1.71	1.94	2.31
P/B (x)	1.08	0.99	0.89	0.80
P/EV (x)	0.46	0.42	0.39	0.35
Yield (%)	4.6	4.2	4.9	5.5
ROEV (%)	19.1	11.4	11.2	11.2

Source: Company data, Bloomberg, CMBIS estimates

Meituan (3690 HK): Upbeat 3Q20; Eyes on new initiatives

Rating: BUY **| TP:** HK$348 (26% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We keep positive on Meituan Dianping ("MD")'s secular growth, and see high visibility for MD to continuously strengthen its local life leadership. Given its better-than-expected recovery pace and above-peer performance, we turn more bullish on its 4Q20E outlook and secular growth. We believe MD is well-positioned to capture long-term opportunities from rising online consumption, new initiatives benefits (e.g. community group-purchase), and digital operation.

- **Our View:** We are confident on MD's strong topline growth and margin improvement, backed by its sizable users, one-stop lifestyle services and powerful logistic network. MD delivered upbeat 3Q20, and all segments trend well. We are bullish on TAM of community group-purchase, and expect Meituan Select to bring further upside, by leveraging its supply chain and traffic advantage. 4Q20 rev would continuously accelerate.

- **Why do we differ vs consensus:** Market concern lies on groceries investment, competition landscape and Anti-trust law impact. We believe near-term concern have been priced in recent soft stock price, and we are more positive on its advantage in merchants connection and supply chain, and to continuously gain share in local life and size the booming demand of community group-purchase.

- **Catalysts:** 1) food delivery, in-store & hotel decent recovery in 4Q20E; 2) new initiatives to expand TAM; and 3) cross-selling effect to unlock revenue.

- **Valuation:** Maintain BUY with SOTP-based TP of HK$348, implying 9.7x/7.3x FY21/22E P/S. With 34% FY19- 22E revenue CAGR and remarkable margin enhancement, MD deserves higher P/S multiple than most of peers, in our view.

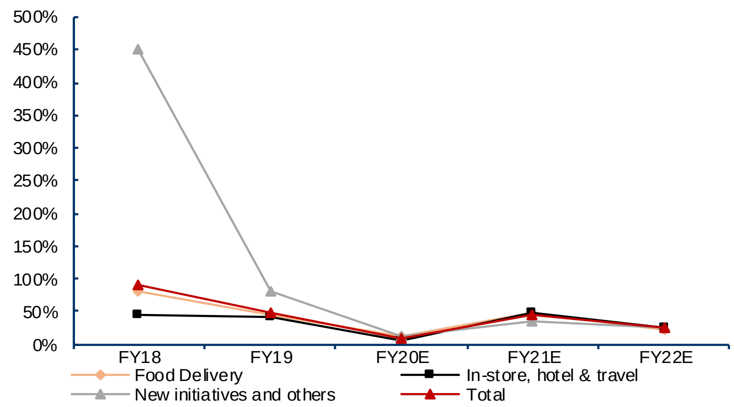
- **Link to latest report:** Upbeat 3Q20; Eyes on new initiatives

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	97,529	114,545	178,025	236,437
YoY growth (%)	50	17	55	33
Net income (RMB mn)	4,657	5,060	14,751	25,257
EPS (RMB)	0.79	0.84	2.39	3.97
YoY growth (%)	NA	7	183	66
Consensus EPS (RMB)	NA	0.90	2.78	4.70
P/E (x)	316	294	104	62
P/S (x)	14.8	12.6	8.1	6.1
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	3.7	1.6	9.9	16.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: MD's revenue growth estimates



Source: Company data, CMBIS estimates

China Aoyuan (3883 HK): Ambitious goal of RMB200.0bn in 2022

Rating: BUY **| TP:** HK$15.48 (97% upside)

Analyst: Samson Man/Bowen Li

- **Investment Thesis:** As of Jun 2020, Aoyuan invested 317 property projects in 90 mainland and overseas cities with total GFA of 48.74mn sq m (attributable ratio of 78%) and total saleable resources amounted to RMB501.5bn. In addition, the Company participates in over 50 urban redevelopment projects (URP) with estimated saleable GFA of 17.59mn sq m, of which 95% are located in GBA. In 11M20, contracted sales amount and GFA increased by 12% to RMB113.8bn and 9% to 11.0mn sq m, respectively. Hit rate was around 86% based on RMB132bn sales target.

- **Our View:** Aoyuan is one of our top picks in Property sector for its undemanding valuation, competitive land bank, and national coverage with GBA focused layout. Success in conversing URP will raise its competitive advantage. In Sep, the Company and Henderson Land (12 HK) won the bid of the Guangzhou Panyu Nitrogenous Fertilizer Plant redevelopment project, which has saleable GFA of 0.3mn sq m. In addition, it became the implementation developer of Dongguan Shimei Tea Town redevelopment project which has saleable GFA of 0.15mn sq m in Sep.

- **How do we differ:** The market sentiment is adversely affected by the allegation that the Company bears large hidden debt disguised by fake equity, and profit is inflated accordingly. Funding channel of Aoyuan is no difference with other peers. Instead of looking at the liabilities, we focus on the assets (land bank) and sales performance. Furthermore, its Chairman Guo Ziwen acquired 1mn shares at HK$7.56 per share to increase its stake to 55.1% in early Nov. This would enhance market confidence.

- **Valuation:** We derive our FY20-end NAV forecast at HK$30.95 per share. Given 50% discount, we raise our TP is HK$15.48.

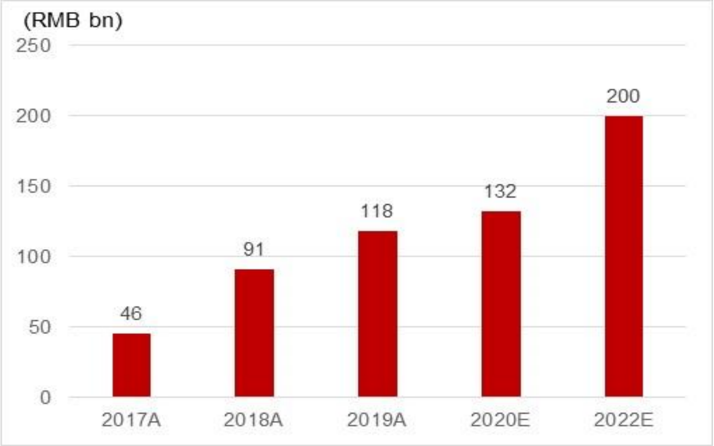
Link to latest report: China Aoyuan (3883 HK) – One of our top picks

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	50,531	82,856	96,702	117,850
YoY growth (%)	63.0	64.0	16.7	21.9
Net income (RMB mn)	4,201	6,577	7,399	8,720
EPS (RMB)	1.56	2.44	2.75	3.24
YoY growth (%)	74.0	56.2	12.5	17.9
Consensus EPS (RMB)	N/A	2.30	2.91	3.45
P/E (x)	4.4	2.8	2.5	2.1
P/B (x)	1.2	1.0	0.8	0.6
Yield (%)	8.0	14.2	16.0	18.8
ROE (%)	27.9	34.7	31.6	30.4
Net gearing (%)	74.9	64.4	70.2	65.5

Source: Company data, Bloomberg, CMBIS estimates

Fig: Aoyuan contracted sales



Source: Company data, CMBIS estimates

Excellence CM (6989 HK): Commercial PMC with trio growth engines

Rating: BUY | **TP:** HK$13.34 (41% upside)

Analyst: Bowen Li/Samson Man

- **Investment Thesis:** Commercial PM is veritably a blue ocean with high entry barriers, premium fees with room for hikes, and service differentiation. As a commercial PMC specializing in premium services for office buildings, we believe Excellece CM ("ECM") has strong potential with 1) trio growth engines in GFA expansion, fee hikes and VAS expansion, and 2) more market recognition of the CM idea. Our TP is HK$13.34, equivalent to 28x 21E P/E.

- **Our View:** We believe earnings of ECM will be driven by 1) managed GFA expansion, 2) commercial management fee hikes and 3) VAS business expansion. We forecast total managed GFA grow with a 22.0% CAGR in 2019-22E, with 46% contribution from Excellence Group. Average Pm fees was RMB 15.5/sq m/month as of 31 May 2020, and we expect it to grow by 10-12% every two years upon contract renewal. In terms of VAS, we look favorably at ECM's property sales agency and urban redevelopment project operations services, and forecast VAS to contribute to 23% of revenue by 2022, compared to 11% in 2019.

- **How do we differ:** We believe commercial management (especially office building operations) will be better recognized as new and expected listings (e.g. KWG Living, CR Mixc Life) brings more market exposure to the idea. Looking at the big picture, we believe PM companies with differentiated services are likely to outperform in the long run. Few such ideas exist currently, and commercial PM is the most solid one and is therefore worth standing behind.

- **Valuation:** ECM is a leading commercial PMC and deserved a premium valuation to peers. We set TP at HK$13.34, representing 28x FY21E P/E, which is roughly peers average + 1x standard deviation.

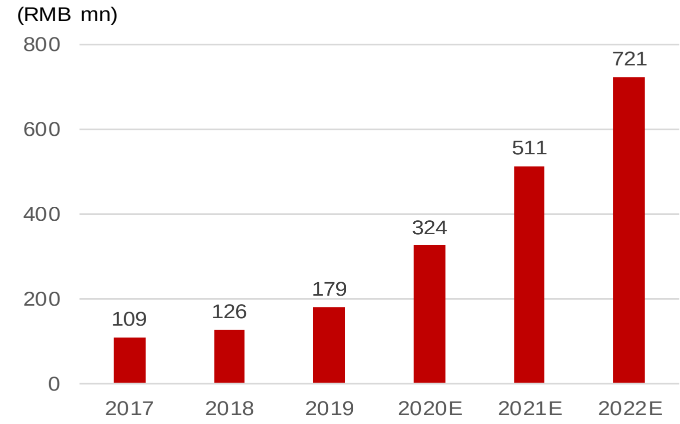
Link to latest report:
Excellence Commercial Property (6989 HK) – Trio growth engines

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,836	2,835	3,837	4,867
YoY growth (%)	50	54	35	27
Net income (RMB mn)	179	324	511	721
EPS (RMB)	N/A	0.34	0.42	0.59
YoY growth (%)	N/A	N/A	24.6	41.0
Consensus EPS (RMB)	N/A	N/A	N/A	N/A
P/E (x)	N/A	24.6	19.8	14.0
P/B (x)	N/A	3.2	3.3	2.8
Yield (%)	N/A	1.0	1.5	2.2
ROE (%)	59.8	11.9	17.9	20.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Excellence CM's net profit growth



Source: Company data, CMBIS estimates

China Gas Holdings (384 HK):Price hike once again in Nov

Rating: BUY **| TP:** HK$37.12 (28% upside)

Analyst: Robin Xiao

- **Investment Thesis:** CGH reported 1HFY20 results on Nov 27, with results highlights of 1) core earnings increased 5.5% to HK$5,193mn, 2) residential connection maintained largely flat at 2.83mn households, and 3) free cash flow turned positive and reached ~HK$3.8bn. We think market sentiment has been improving on economic and social activities recovery from Oct, and we think strongly improved cash flow will further strengthen market sentiment on CGH.

- **Retail gas sales to accelerate in 2HFY21.** CGH realized 10.5% retail gas sales volume growth in 1HFY21. Mgmt. maintained full year retail gas sales growth target at 15% unchanged, implying gas volume growth to accelerating in 2HFY21. Other then gas sales, CGH reiterate its residential connection at 5.5-6.0mn household; VAS gross profit to increase 30%; and core profit growth to 15-20% YoY in FY21E.

- **Free cash flow turned positive.** As CGH had another 1.5mn households ignited piped gas operation, mgmt. maintained full year CTG receivable collection of HK$8-9bn unchanged with high confidence. Supported by strong cash flow performance in 1HFY21 and accelerating receivable collections, we think it won't be difficult to maintain positive free cash flow for FY21E, and we expect that will boost market sentiment on CGH.

- **Re-rating to continue.** The Company is currently trading at 14.3x/11.5x FY21/22E PER, significantly lower than peers. We expect the recent re-rating trend to continue with CGH. Maintain BUY with DCF based TP unchanged at HK$37.12. Our TP reflects 18.2/14.7x FY21/22E PER.

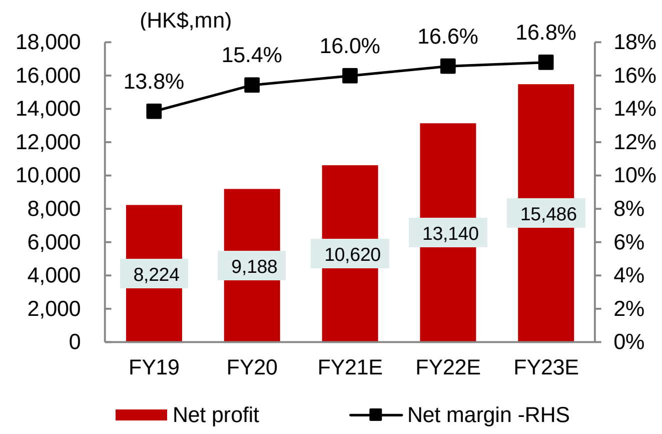
- **Link to latest report:** China Gas Holdings (384 HK) – Outstanding 1HFY20 performance

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Revenue (HK$ mn)	59,540	66,471	79,360	92,248
YoY growth (%)	0.3	11.6	19.4	16.2
Net income (HK$ mn)	9,188	10,620	13,140	15,486
EPS (HK$)	1.76	2.04	2.52	2.91
YoY growth (%)	8.1	15.6	23.7	15.6
Consensus	n/a	2.06	2.38	2.65
P/E (x)	16.5	14.3	11.5	10.0
P/B (x)	3.8	3.2	2.6	2.3
Yield (%)	1.7	2.0	2.5	2.9
ROE (%)	23.2	22.3	22.9	22.9
Net gearing (%)	81.5	69.7	46.3	28.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: CGH's net profit and net profit margin



Source: Company data, CMBIS estimates

China Longyuan (916 HK): Await for policy support

Rating: BUY **| TP:** HK$7.38 (5% upside)

Analyst: Robin Xiao

- **Investment Thesis:** Backed by President Xi's ambitious carbon neutral commitment by 2060, we think China is going to accelerate its renewables development plan with positive policies for capacity installation as solving the ties from subsidy shortfall. As the largest wind farm operators accumulated the largest scale of subsidy receivables, we expect CLY to benefit the most among wind peers for positive policies.
- **9M20 results on track. CLY's** 9M20 net profit of RMB3,718mn was up 11.7%, on track with our 2020E earnings growth projection of 11.7%.
- **Subsidy collection was RMB3bn**. CLY collected RMB3bn subsidy receivables in 9M20. The figure was significantly accelerated comparing with 1H20. Mgmt. addressed that a subsidy cap is now fixed by end-2020, which could be seen as a meaningful sign for a total solution for renewable subsidy funding shortfall. Mgmt. saw chance for accelerating collection from 2021E.
- **Renewables capacity to double by 2025.** CLY set ambitious target in 14th FYP to accelerate wind and solar projects investments. The Company expected renewables capacity to reach 40GW by 2025, implying capacity to double from existing level.
- **Accelerating subsidy collection will boost valuation.** With no acceleration in subsidy collection, we estimate base value of CLY would be HK$6.00. On top of that, we think each RMB10bn subsidy collection will release another HK$1.38 to CLY's valuation. Our TP for CLY is HK$7.38, implying subsidy collection of RMB10bn.
- **Catalysts:** potential release of 14TH FYP/ accelerating subsidy collection

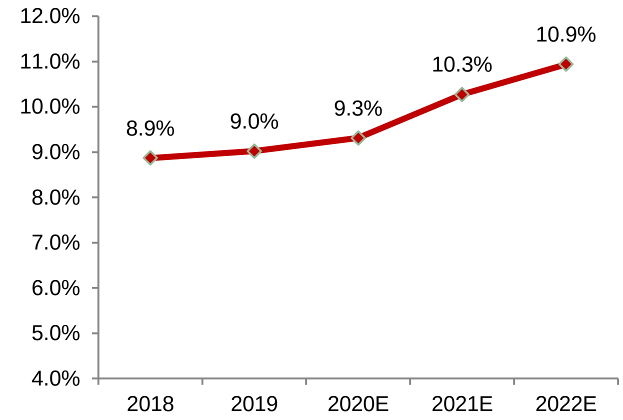
Link to latest report: China Longyuan (916 HK) – 9M20 results on track; seeing silver lining for accelerating subsidy collection

Financials and Valuations

(YE Dec 31)	FY19A	FY20E	FY21E	FY22E
Revenue (HK$ mn)	27,541	28,526	31,424	34,239
YoY growth（%）	4.4	3.6	10.2	9.0
Net Income (HK$.mn)	4,325	4,832	5,831	6,831
EPS (HK$)	0.54	0.60	0.73	0.85
EPS CHG (%)	10.22	11.7	20.7	17.1
Consensus EPS(HK$)	N/A	0.58	0.65	0.72
PE (x)	11.51	10.30	8.54	7.3
PB (x)	1.04	0.96	0.88	0.80
Yield (%)	1.7	1.9	2.3	2.7
ROE (%)	9.0	9.3	10.3	10.9
Net gearing (%)	156	167	163	144

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect CLY's ROE to improve gradually in 2020-22E



Source:Company data, CMBIS estimates

Xiaomi (1810 HK): Global market share gain to accelerate in 2021

Rating: BUY | **TP:** HK$31.1 (23% upside)

Analyst: Alex Ng

- **Investment Thesis:** Xiaomi is global market leader in smartphones and IoT ecosystems, adopting an efficient business model to monetize through internet services. It is also well-positioned to capture growth opportunities in 5G backed by its solid product roadmap, including 1) fast-mover in 5G smartphones, 2) expanding IoT product offerings (wearables) and 3) more diversified internet service (games, fintech, ecommerce).

- **Our View:** Xiaomi is our top pick for H-share tech sector, as we are positive on Xiaomi's strong 5G product portfolio and share gain from Huawei in 2021E. Given accelerated R&D investments, offline channel expansion in China and operator/e-commerce partnership in Europe/LATAM, we expect Xiaomi smartphone shipment to grow 38% YoY in 4Q20E, and accelerate with 25%/20% YoY to 186mn/ 223mn in FY21E/22E. In addition, we expect share gain in premium segment in China/Europe will help drive internet monetization and improve overall profitability in 2021.

- **Why do we differ vs consensus:** Our new FY20-22E EPS are 15-18% above consensus given better margins and share gain from overseas.

- **Catalysts:** Near-term catalysts include 5G product launches, India recovery, and overseas share gain.

- **Valuation:** Our TP of HK$31.1 is based on 35x FY21E P/E. We think it is justified given share gain in smartphone market, sector re-rating and stronger FY20-22E EPS CAGR of 33%.

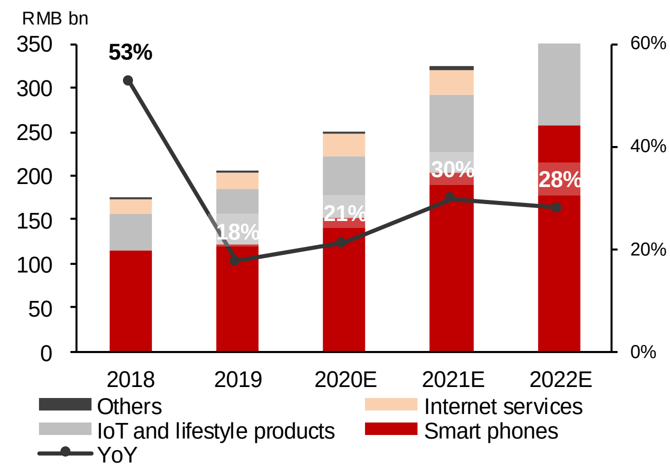
Link to latest report: Xiaomi (1810 HK) – 3Q20 beat; Global share gain to accelerate in 2021

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	205,839	249,659	323,983	414,370
YoY growth (%)	17.7	21.3	29.8	27.9
Adj. Net profit(RMB mn)	11,532	13,486	19,014	23,761
Adj. EPS (RMB)	0.49	0.57	0.80	1.00
YoY growth (%)	(10.7)	16.5	41.0	25.0
Consensus EPS (RMB)	NA	0.49	0.68	0.86
P/E (x)	46.7	40.1	28.4	22.8
P/B (x)	8.2	6.9	5.6	4.6
Yield (%)	0	0	0	0
ROE (%)	12.3	16.4	18.8	18.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Xiaomi Revenue trend



Source: Company data, CMBIS estimates

BYDE (285 HK): Partnership with Xiaomi to fuel new wave of growth

Rating: BUY | **TP:** HK$49.5 (30% upside)

Analyst: Alex Ng

- **Investment Thesis:** BYDE is the leading vertically integrated handset assembly/component supplier in China. Its major clients include Xiaomi, apple, Huawei and other handset/PC brands. We believe BYDE will benefit from OEM industry consolidation, Apple/Xiaomi's supplier diversification strategy and strong demand from medical masks in 2020-22E.

- **Our View:** We are positive on its industry leadership, spec upgrade, share gain from major handset brands and resilient medical business. 1) Xiaomi**:** We expect BYDE's EMS share allocation from Xiaomi to increase to 40% in FY21E from 10-20% in FY20E, and its revenue from Xiaomi will jump almost 3 times to RMB20bn in FY21E. We think new orders from fast-growing Xiaomi can mitigate the Huawei impact. 2) Apple: We believe BYDE will start to ship with 20-30% share allocation in latest iPad model in 2H20E, and it will expand to 30-40% share for all iPad products in 2021. Overall, we estimate Apple revenue will increase 280% YoY to RMB38bn in FY21E (37% of sales). We forecast Apple revenue will reach RMB50bn in FY22E.

- **Why do we differ vs consensus:** Our FY21-22E EPS are 28%/38% above consensus given faster share gain and better margin.

- **Catalysts:** Near-term catalysts include faster share gain, stronger mask and Xiaomi/Apple product launches.

- **Valuation:** Our SOTP-based TP of HK$49.5 implies 16.3x FY21E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

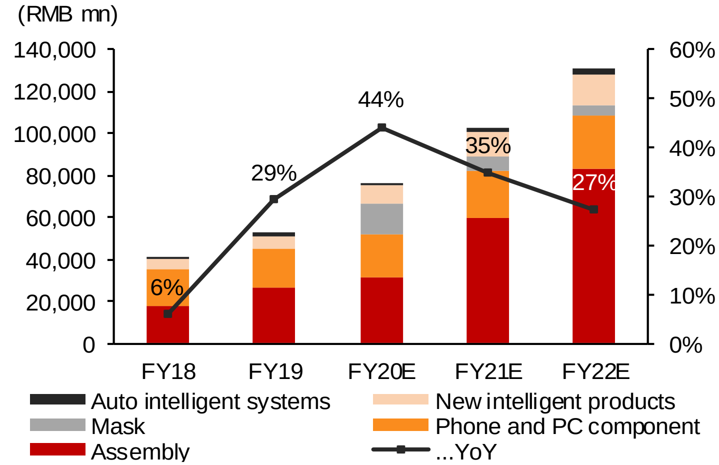
Link to latest report: BYDE (285 HK) – Partnership with Xiaomi to fuel new wave of growth

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	53,028	76,422	102,923	130,941
YoY growth (%)	29.2	44.1	34.7	27.2
Net profit(RMB mn)	1,598	5,489	6,148	6,627
EPS (RMB)	0.71	2.44	2.73	2.94
YoY growth (%)	(25.5)	243.6	12.0	7.8
Consensus EPS (RMB)	NA	2.55	2.13	2.42
P/E (x)	48.1	14.0	12.5	11.6
P/B (x)	5.6	4.4	3.5	2.9
Yield (%)	0.2	0.7	0.8	0.9
ROE (%)	9.4	25.0	22.0	20.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: BYDE Revenue trend



Source: Company data, CMBIS estimates

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