

# China Brokerage Sector

## Optimism & reform suggest more earnings upsides

China brokers' Jun 2020 financial data doubled from May, while we now expect more upward surprise in coming quarter as growing optimism is driving market activity up close to post-2015 high, and we are just one step away from a more robust IPO and bond financing market. We therefore revise up China brokers' TP by an average of 40% to reflect both earnings upsides and fading pandemic shock. We **maintain OUTPERFORM** on the sector and **top picks CITICS (6030 HK), CSC (6066 HK) and CICC (3908 HK)**.

- Est. 19% YoY earnings growth for covered brokers in 1H20E; focus on reviving market activity and reform implementations in 3Q20E.** We would expect CSC, CGS and GFS to deliver positive QoQ earnings growth in 2Q20E. Soaring ADT in the past week likely set a more bullish tone for brokers' 3Q20E earnings, which will also lift the valuation for the whole sector, while we see strength in investment banking could drive divergence among brokers as IPO demands unlocked by ChiNext reforms and STAR Market will favor leading underwriters more.
- Raise earning forecast and TP on more promising market outlook.** We revise up FY20E net profit forecasts by an avg. 8% mainly to incorporate higher assumption of A-share ADT, margin balance and IPO underwriting amount (+18%/15%/32% vs. prev. est.), and raise TPs by 40% on avg. to reflect earnings upside and eased market uncertainties.
- Maintain OUTPERFORM.** Sector-wise rally in the past week may heighten near-term volatility, but we believe correction could provide good entry point to accumulate key beneficiaries in capital market reforms that have higher earnings visibility. **Our top picks are CITICS, CSC and CICC.** Recent news like granting brokers' investment banking license to commercial banks and potential merger of CITICS and CSC has again brought higher expectation for creating giant brokers in China. While we believe profitability should be first considered instead of size, market consolidation trend is likely to intensify going ahead. We think our top picks are in better position to survive fierce competition by enjoying current reform benefits.
- Key downside risks:** 1) a widespread second wave of COVID-19 batters economy and financial market, and 2) plunge in market ADT, margin balance and major indices.

### Valuation Table

Name	Ticker	Price (HK\$)	TP (HK\$)	Rating	P/B (x) FY20E	P/E (x) FY20E	Yield FY20E	ROE FY20E
CITICS	6030 HK	20.75	24.60	BUY	1.31	15.8	2.5%	8.7%
CSC	6066 HK	12.64	15.30	BUY	1.40	11.3	2.5%	14.8%
CICC	3908 HK	19.34	22.40	BUY	1.44	14.0	0.9%	10.8%
HTSC	6886 HK	16.00	18.80	BUY	1.00	12.5	3.2%	8.2%
HTS	6837 HK	8.82	10.20	BUY	0.68	10.7	2.8%	6.6%
GFS	1776 HK	10.54	11.60	HOLD	0.75	9.5	3.2%	8.1%
CGS	6881 HK	5.87	6.30	HOLD	0.71	8.5	3.5%	8.6%
<b>Average</b>					<b>1.04</b>	<b>11.8</b>	<b>2.7%</b>	<b>1.04</b>

Source: Bloomberg, CMBIS estimates

**OUTPERFORM**  
(Maintain)

### China Brokerage Sector

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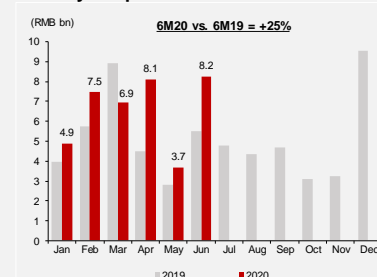
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### 1yr forward P/B of China brokers - H



Source: Bloomberg, CMBIS estimates

### Monthly net profit of tracked China brokers



Source: Bloomberg, CMBIS

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## Investment themes of our top picks

### CITICS (6030 HK, BUY, TP: HK\$24.60)

**Investment theme:** CITICS is a long-term conviction BUY idea among brokers we cover, given its market leading position across almost every business lines and is a principal beneficiary of capital market reform (esp. in investment banking and institutionalization) and market consolidation.

**Catalysts:** We expect a more back-loaded IPO underwriting pace for CITICS in FY20E, and its rich STAR Market (1st by no. of sponsorship) and ChiNext IPO pipeline (2nd by no. of sponsorship) could materialize in 2H20E. We also expect its synergy with oversea platform CLSA will gradually bear fruit to yield better ROE. And we think CITICS is exposed to lower EPS/ROE dilution risk in our forecast period, while CSC is planning an A-share private placement and CICC's A-share IPO is also underway.

**Downside risks:** slower-than-expected pace of IPO underwriting; higher-than-expected impairment write-offs.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	30,239	37,440	42,973	47,424	52,261
Net profit (RMB mn)	9,390	12,229	15,016	17,587	20,178
EPS (RMB)	0.77	1.01	1.18	1.36	1.56
EPS CHG (%)	(18)	30	17	16	15
Consensus EPS (RMB)	N/A	N/A	1.16	1.33	1.47
P/E (x)	24.0	18.4	15.8	13.7	11.9
P/B (x)	1.47	1.40	1.31	1.23	1.15
Yield (%)	1.9	2.9	2.5	2.9	3.4
ROE (%)	6.2	7.8	8.7	9.3	10.0
Financial leverage (x)	3.6	4.1	4.1	4.2	4.2

Source: Company data, Bloomberg, CMBIS estimates

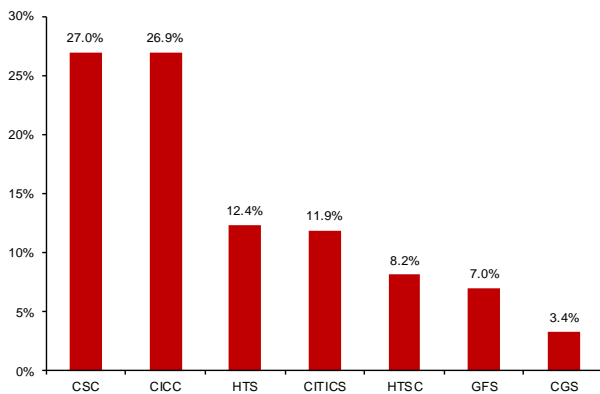
## CSC (6066 HK, BUY, TP: HK\$ 15.30)

**Investment theme:** CSC has dominant strength in domestic equity and debt underwriting market and has highest revenue exposure to investment banking business among broker we cover (27% in FY19), therefore is most sensitive to domestic underwriting amount changes, which makes it one of the best proxy to capture capital market reform opportunities.

**Catalysts:** Fundamentally, we estimate an FY20E ROE of 14.8% for CSC, highest among brokers we cover, mainly underpinned by stellar growth in investment banking fees (est. +63% YoY) and superior investment gains (est. +53% YoY). Technically, we are seeing some other factors that could drive further upside potential for the Company, 1) huge A/H premium (>300%) with rising Southbound shareholding, and 2) improving trading volume.

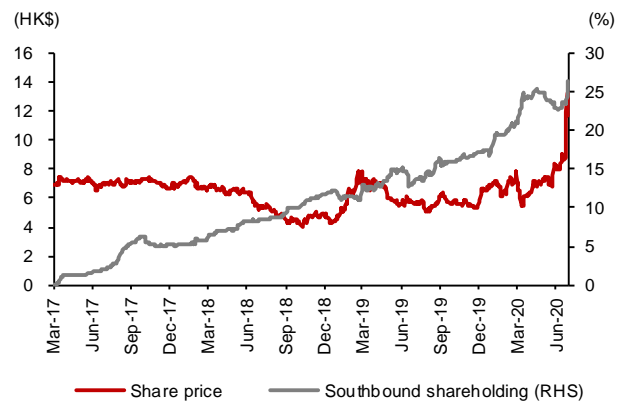
**Downside risks:** heightened competition in underwriting market that leads to market share loss or fee rate cut; volatility in stock and bond market that affects prop-trading gains.

**Figure 1: CSC has the highest investment banking revenue contribution among covered brokers in FY19**



Source: Company data, CMBIS

**Figure 2: Southbound has been accumulating CSC-H since its inclusion into Stock Connect**



Source: Wind, CMBIS

Note: data as of 7 Jul 2020.

## Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	10,911	13,652	19,608	21,203	23,711
Net profit (RMB mn)	2,793	5,130	7,290	7,921	8,935
EPS (RMB)	0.41	0.72	1.00	1.08	1.22
EPS CHG (%)	(25)	74	39	8	12
Consensus EPS (RMB)	N/A	N/A	0.80	0.90	0.99
P/E (x)	27.3	15.8	11.3	10.5	9.3
P/B (x)	1.82	1.53	1.40	1.28	1.16
Yield (%)	1.6	2.1	2.5	2.7	3.1
ROE (%)	7.3	11.5	14.8	14.4	13.5
Financial leverage (x)	3.4	3.8	4.1	4.0	3.9

Source: Company data, Bloomberg, CMBIS estimates

## CICC (3908 HK, BUY, TP: HK\$ 22.40)

**Investment theme:** 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 unwavering competitiveness in new economy companies' oversea listing and SOE giants' M&A.

**Catalysts:** CICC is in a predominant position in sponsoring for Red-chips, pre-profit companies and mega deals (>RMB 10bn) on STAR Market and ADRs homecoming listings. We expect potential upcoming deals to further catalyze its near-term performance and earnings. In addition, the Company's A-share IPO process is being advanced in a fast pace, and we expect the replenished capital could support its business expansion, as well as lift its valuation.

**Downside risks:** slower-than-expected WM transformation and cooperation with strategic shareholders.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	12,876	15,484	19,881	20,944	23,765
Net profit (RMB mn)	3,492	4,239	5,461	5,895	6,830
EPS (RMB)	0.83	0.99	1.24	1.34	1.55
EPS CHG (%)	9	19	25	8	16
Consensus EPS (RMB)	N/A	N/A	1.18	1.39	1.59
P/E (x)	20.9	17.5	14.0	13.0	11.2
P/B (x)	1.77	1.60	1.44	1.31	1.17
Yield (%)	0.9	0.0	1.1	1.2	1.3
ROE (%)	8.9	9.5	10.8	10.6	11.1
Financial leverage (x)	5.5	6.0	6.2	6.2	6.0

Source: Company data, Bloomberg, CMBIS estimates

## Growing market optimism to boost sector earnings while reforms will sustain valuation divergence

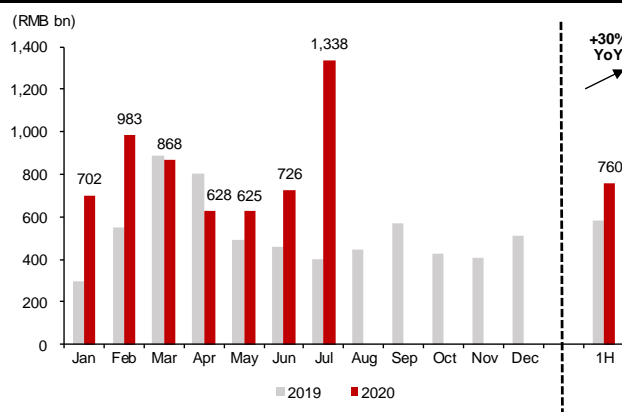
With stronger-than-expected economic data and steady roll-out of market reforms measures, A-share market sentiment restored significantly. ADT has stayed above RMB 1tn since Jul 2020, with margin balance and CSI 300 Index reaching 5-year high. As brokerage commission, net interest income and prop-trading gains together accounted for 68% of covered brokers' FY19 revenue, the recovering market condition will be translated into brokers' profitability in 3Q20E.

The current situation remembered the market of the upswing and collapse in 2015. This time, we think the relatively bullish sentiment could likely be more sustainable than that in 2015 due to:

1) active retail investor and leveraged funds engagement while at a more reasonable level (margin balance at ~2% vs. ~5% back in 2015); the regulators have been cracking down on the illegal OTC margin financing and tightening regulations on in-exchange margin financing for years, and we believe the risks of massive sell-off triggered by de-leveraging would be much smaller than in 2015;

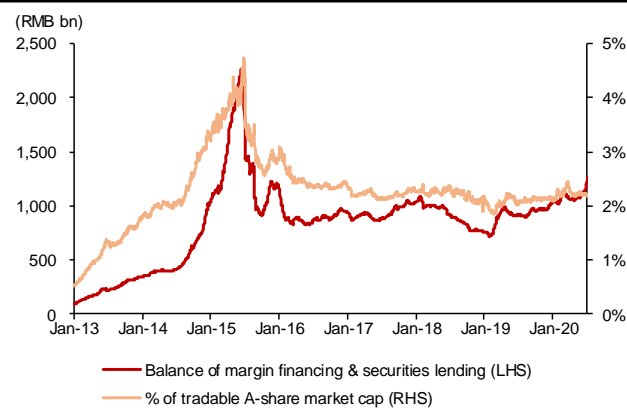
2) higher proportion and continuous inflow of institutional funds into the market, e.g. Northbound's flowing into A-share market, surging issuance of mutual funds and potential more funds from bank's WMPs investing into stocks given an unsatisfying return from domestic bond market.

**Figure 3: A-share market ADT returned to above RMB 1tn level since Jul-20**



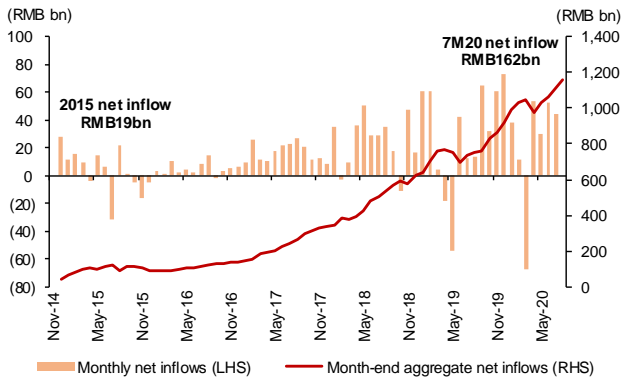
Source: Wind, CMBIS  
Note: data as of 8 Jul 2020.

**Figure 4: Margin financing and securities lending balance kept rising but at a reasonable level**



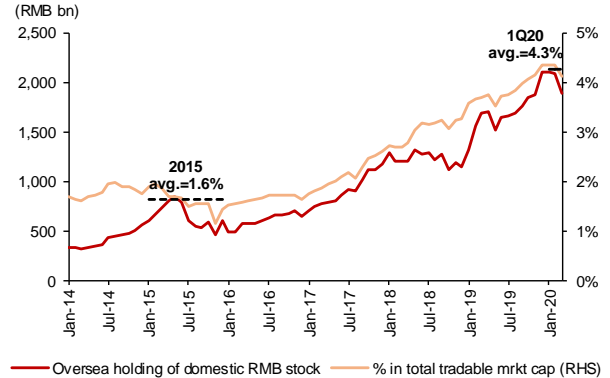
Source: Wind, CMBIS  
Note: data as of 7 Jul 2020.

**Figure 5: Annual Northbound net inflows grew 7.7x in 5.5 years**



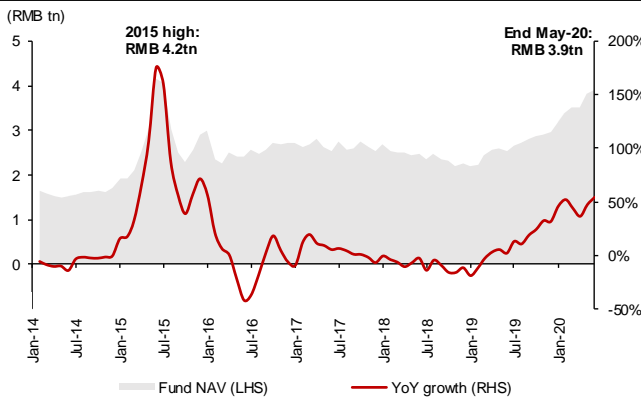
Source: Wind, CMBIS  
Note: data as of 5 Jul 2020.

**Figure 6: Oversea investors' holding in domestic RMB stock increased significantly**



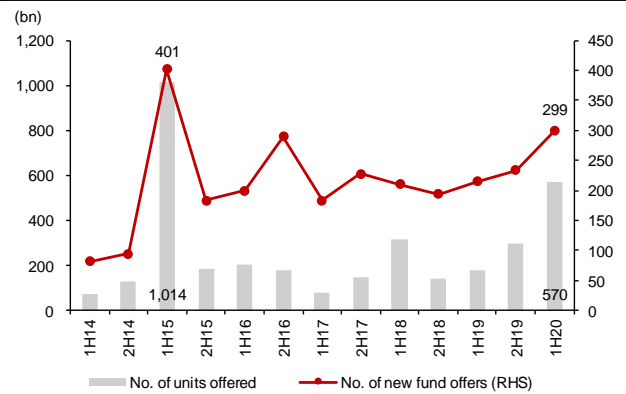
Source: Wind, CMBIS  
Note: data as of Mar 2020.

**Figure 7: NAV of open-end equity & mixed mutual funds was returning close to 2015 high**



Source: Wind, CMBIS  
Note: data as of May 2020.

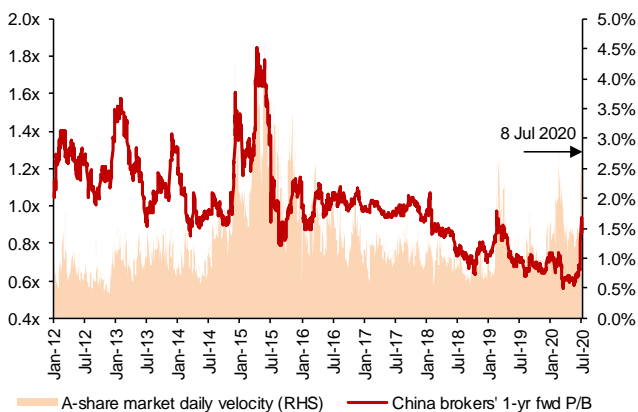
**Figure 8: Total units offered of equity-related new mutual funds reached post-2015 high in 1H20**



Source: Wind, CMBIS  
Note: data as of Jun 2020.

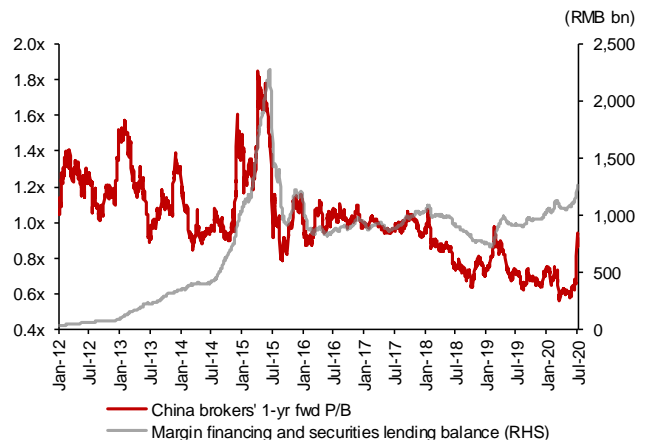
Currently, the sector trades at 0.92x 1-year forward P/B, still slightly lower than historical average of 1.0x; and this valuation is ~15% below that when market activity was at similar level back in 2015. So should the momentum sustain, we would expect further upward rerating of broker sector.

**Figure 9: China H-share brokers' P/B vs. A-share daily velocity**



Source: Wind, Bloomberg, CMBIS estimates

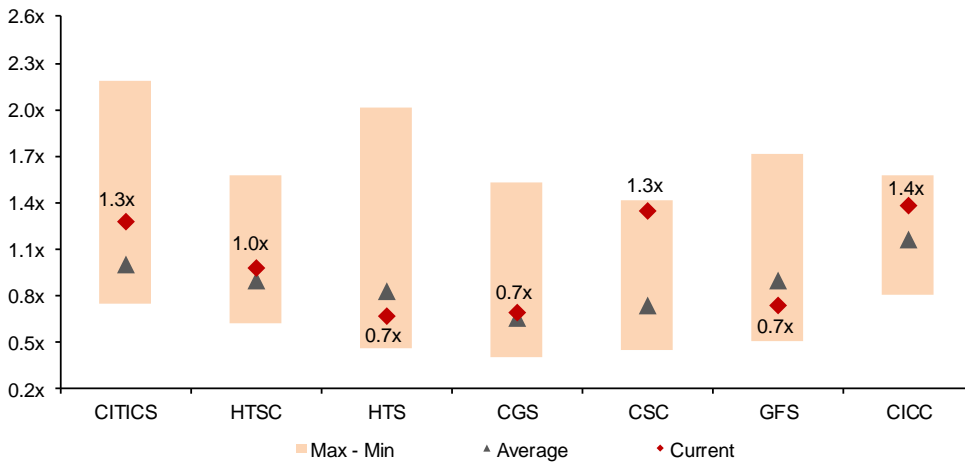
**Figure 10: China H-share brokers' P/B vs. margin financing and securities lending balance**



Source: Wind, Bloomberg, CMBIS estimates

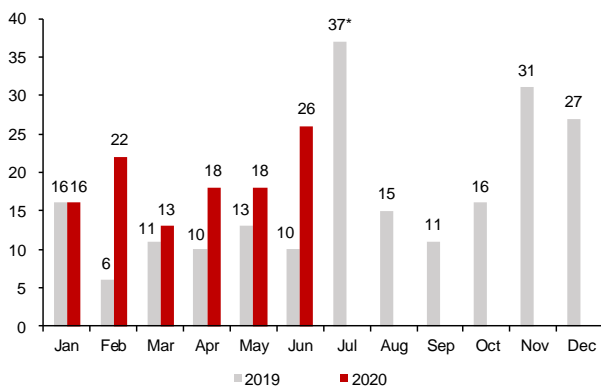
Though most brokers listed before 2015 market rally had achieve their peak P/B at similar level (1.5x-2.2x) in mid-2015, currently, leaders are trading at almost doubled valuation of the laggards (1.3-1.4x vs. 0.7x). We think this could be explained by their different position in enjoying capital market reforms which affect their mid-term growth prospectus. As shown in Fig. 15-16, CITICS, CSC and CICC are in dominant place in riding policy tailwinds, and we would expect the valuation gap to sustain as IPO issuance pace will significantly speed up in 2H20E.

**Figure 11: Comparison of China H-share brokers' historical P/B**



Source: Bloomberg, CMBIS estimates

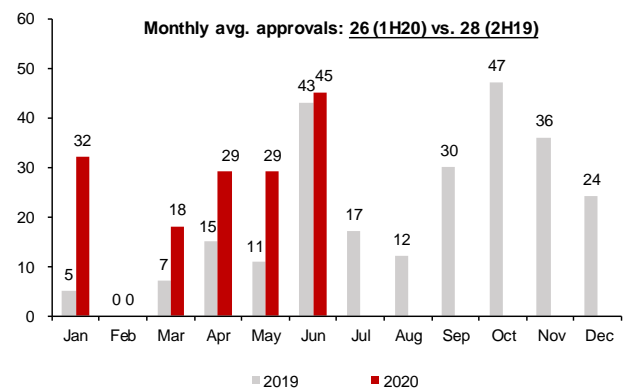
**Figure 12: 1H20 no. of IPOs slightly fell short of our expectation while we expect a strong comeback in 2H20E...**



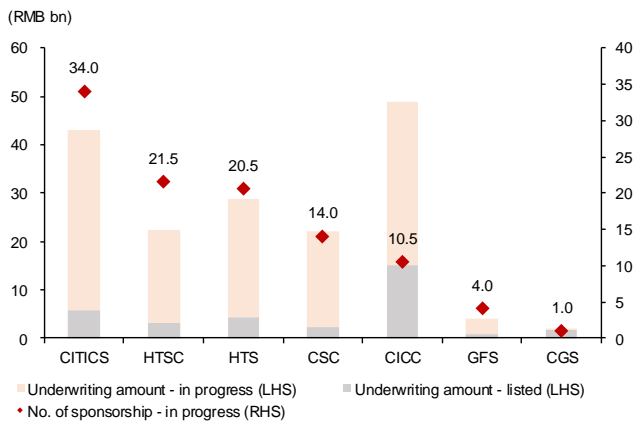
Source: Wind, CMBIS

\*: Including 25 first batch STAR Market IPOs.

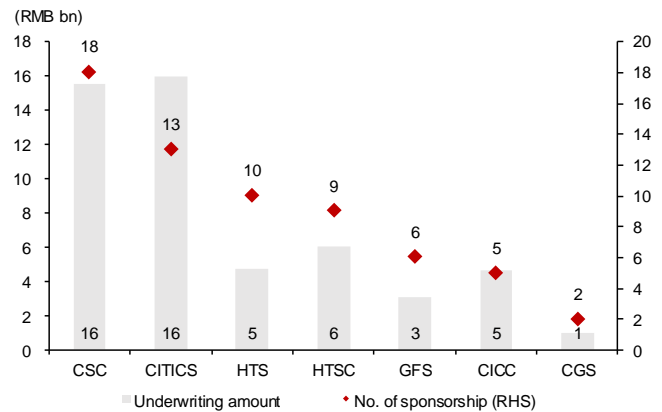
**Figure 13: ... as approval pace sped up in 2Q20 and first batch of IPOs after ChiNext reforms likely to be seen in 3Q20**



Source: Wind, CMBIS

**Figure 14: CITICS dominates by no. of STAR Market IPOs while CICC ranked 1st by underwriting amount**


Source: Wind, CMBIS

**Figure 15: ChiNext IPO pipeline after reform; CSC and CITICS in leading positions**


Source: Wind, CMBIS

**Figure 16: Covered brokers' FY20E revenue sensitivity; CGS most sensitive to domestic ADT changes while CSC and CICC are more sensitive to investment banking volume changes**

	Domestic stock and fund ADT +/-10%	Equity financing underwriting amount +/-10%	Investment yield +/-1.0ppt
CITICS	1.1%	0.4%	9.9%
CSC	1.8%	1.0%	7.0%
CICC	1.5%	0.8%	10.8%
HTSC	1.9%	0.3%	10.5%
HTS	1.4%	0.2%	9.9%
GFS	2.4%	0.3%	10.4%
CGS	3.6%	0.1%	7.9%

Source: CMBIS estimates

Note: our regression model suggests that 10% increase/decrease of CSI 300 Index will add/reduce 11% of revenue on average for covered brokers.

**Figure 17: Jun 2020 major H-share China brokers' financial data (parent company level)**

Company	Ticker	Revenue (RMB mn)				Net profit (RMB mn)			
		Jun-20	MoM	6M20	YoY	Jun-20	MoM	6M20	YoY
CITICS	6030 HK	2,873	149%	16,033	40%	1,018	129%	6,587	37%
GTJA	2611 HK	2,780	77%	11,170	-3%	1,174	74%	4,810	-5%
HTS	6837 HK	1,987	187%	8,735	4%	662	232%	4,092	-4%
HTSC	6886 HK	2,474	106%	10,435	33%	973	114%	4,470	36%
GFS	1776 HK	2,453	93%	9,080	14%	1,096	168%	3,915	15%
CMS	6099 HK	1,473	28%	8,818	24%	732	52%	4,070	36%
SWHY	6806 HK	1,855	131%	7,910	15%	937	173%	3,697	27%
CSC	6066 HK	2,042	162%	8,979	62%	1,005	221%	4,248	86%
CGS	6881 HK	1,149	62%	7,420	21%	627	73%	3,442	44%
<b>Total</b>		<b>19,086</b>	<b>104%</b>	<b>88,581</b>	<b>22%</b>	<b>8,225</b>	<b>123%</b>	<b>39,330</b>	<b>25%</b>

Source: Company data, CMBIS

Note: Revenue and net profit are the sum of parent company and reported subsidiaries, excluding dividends from subsidiaries.



Figure 18: Jun 2020 market data recap

Item	Jun-20			6M20	
	Amount	MoM change	YoY change	Amount	YoY change
<b>Trading data (RMB bn)</b>					
A-share ADT	726	16%	58%	760	30%
A-share T/O	14,524	29%	66%	89,786	30%
A-share trading days	20	11%	5%	118	0%
Northbound net inflows	53	75%	24%	118	23%
Margin financing & securities lending (daily avg. balance)	1,118	4%	23%	1,080	24%
<b>Index performance (month-end)</b>					
CSI 300 Index	4,164	8%	7%	4,164	7%
ChiNext Index	2,438	17%	58%	2,438	58%
ChinaBond Aggregate Return Index	128	-1.0%	1.9%	127.9	1.9%
<b>Underwriting amount (RMB bn)</b>					
Equity financing	135	34%	252%	711	15%
Incl. IPO	26	63%	148%	139	130%
Incl. Placement & rights issue	72	25%	215%	377	22%
Debt financing	655	-13%	12%	4,312	36%
Incl. Enterprise bonds	27	25%	29%	190	24%
Incl. Corporate bonds	256	34%	43%	1,610	55%
Incl. ABS	157	216%	-11%	613	-13%

Source: Wind, CMBIS

## Earnings revision and TP changes

We made the following revision to our key market indicator assumptions in 2020E-22E to incorporate 1H20 actual market data (which was mostly beyond our prev. estimates) and to reflect our more positive view on 2H20E market condition.

- 1) We revise up A-share ADT by 13% for each year during 2020E to 2022E to incorporate better-than-expected trend in 1H20 (prev. est. RMB 647bn in 2020E vs. RMB 760bn in 1H20) and expected continuous strong momentum in 2H20E (RMB 1,338bn in 2H20TD);
- 2) We lift margin financing and securities lending YE balance by 15%/20%/20% for 2020E/21E/22E to reflect sharpening risk appetite and more leveraged retail engagement in stock market;
- 3) We expect 32%/38%/39% higher IPO underwriting amount than our prev. estimates, after incorporating a faster pace of STAR Market IPOs and the official launch of registration-based IPO system on ChiNext. We now factor in an estimated RMB 30bn ChiNext IPO in 2H20E, which will contribute to 16% of total IPO underwriting amount, while we believe STAR Market will continue to be the main IPO contributor, especially given a few mega deals are being rolled out (e.g. SMIC raising RMB 46bn). We make slight downward adjustment on follow-on offering underwriting amount, mainly to reflect lower-than-expected underwriting amount in 1H20;
- 4) We also expect 10%/18%/22% higher debt financing underwriting amount vs. prev. estimates, as we believe enterprise and corporate bond market will become increasingly robust under strong policy support.

Figure 19: Revision of major market indicator assumptions

(RMB bn)	1H20	2H20E	2020E			2021E			2022E			YoY change		
			New	Old	Diff	New	Old	Diff	New	Old	Diff	2020E	2021E	2022E
Stock and fund trading ADT	802	800	801	711	13%	897	796	13%	987	876	13%	43%	12%	10%
Incl. A-share ADT	760	761	761	647	18%	843	717	18%	918	788	16%	48%	11%	9%
Commission rate (bps)	2.7	2.7	2.7	2.7	0%	2.6	2.6	0%	2.5	2.5	0%	-5%	-4%	-4%
Margin financing & securities lending (YE balance)	1,164	1,284	1,284	1,121	15%	1,425	1,188	20%	1,525	1,272	20%	26%	11%	7%
Equity financing underwriting	711	968	1,679	1,737	-3%	1,867	1,914	-2%	2,061	2,108	-2%	8%	11%	10%
IPO	139	192	331	251	32%	384	279	38%	431	310	39%	31%	16%	12%
Follow-on offering	572	775	1,347	1,486	-9%	1,482	1,635	-9%	1,630	1,798	-9%	4%	10%	10%
Debt financing underwriting	4,312	4,743	9,056	8,253	10%	10,686	9,078	18%	12,182	9,986	22%	24%	18%	14%

Source: CMBIS estimates

**Figure 20: Revenue growth est. by business lines of covered brokers**

Company	Ticker	Brokerage commission			Investment banking fee			Asset mgmt. fee		
		FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
CITICS	6030 HK	26%	10%	9%	16%	21%	18%	11%	8%	9%
CSC	6066 HK	39%	13%	10%	63%	13%	10%	16%	7%	14%
CICC	3908 HK	35%	9%	11%	21%	11%	10%	21%	11%	10%
HTSC	6886 HK	29%	10%	11%	25%	14%	16%	4%	5%	11%
HTS	6837 HK	29%	9%	7%	15%	3%	10%	8%	5%	5%
GFS	1776 HK	27%	10%	10%	-20%	-8%	15%	6%	9%	12%
CGS	6881 HK	54%	12%	8%	31%	13%	9%	-6%	7%	5%

Company	Ticker	Net interest income			Prop-trading gains		
		FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
CITICS	6030 HK	-22%	34%	10%	19%	7%	9%
CSC	6066 HK	16%	7%	14%	53%	2%	15%
CICC	3908 HK	17%*	-2%*	-11%*	26%	11%	13%
HTSC	6886 HK	-3%	17%	5%	8%	20%	12%
HTS	6837 HK	6%	9%	10%	-21%	26%	10%
GFS	1776 HK	6%	3%	11%	-30%	19%	12%
CGS	6881 HK	10%	7%	6%	4%	10%	11%

Source: CMBIS estimates

\*: refers to net interest loss for CICC.

Based on new market matrix assumptions, we revised up covered brokers FY20E/FY21E/FY22E net profit forecasts by 5%/7%/9% on average. Our estimates are 6-7% higher than consensus estimates, as we adopt higher assumption for 2H20E.

**Figure 21: Net profit forecast revision**

Company	Ticker	Net profit			New est. vs. Old est.			Diff vs. consensus		
		FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
CITICS	6030 HK	15,016	17,587	20,178	5%	5%	5%	5%	7%	8%
CSC	6066 HK	7,661	8,292	9,307	27%	25%	28%	29%	27%	20%
CICC	3908 HK	5,461	5,895	6,830	12%	7%	12%	3%	-6%	-2%
HTSC	6886 HK	10,405	12,004	13,500	11%	12%	15%	4%	8%	10%
HTS	6837 HK	8,516	10,080	11,466	-15%	-10%	-7%	-11%	-8%	-7%
GFS	1776 HK	7,570	8,378	9,501	2%	2%	4%	-1%	-1%	-1%
CGS	6881 HK	6,279	7,022	7,718	13%	13%	14%	16%	23%	24%

Source: Bloomberg, CMBIS estimates

As the COVID-19 shock gradually fades and economic recovery optimism buoys market sentiment, we now apply lower COE assumptions to covered brokers (expected market return from 10.0% to 9.2%, back to pre-coronavirus level). Especially for CSC, we apply higher 2nd-stage growth rate of 10% from 8%, to reflect its strength in gaining investment banking market shares amid reforms. As a result, we raised our TPs by 40% on average and maintain ratings unchanged.

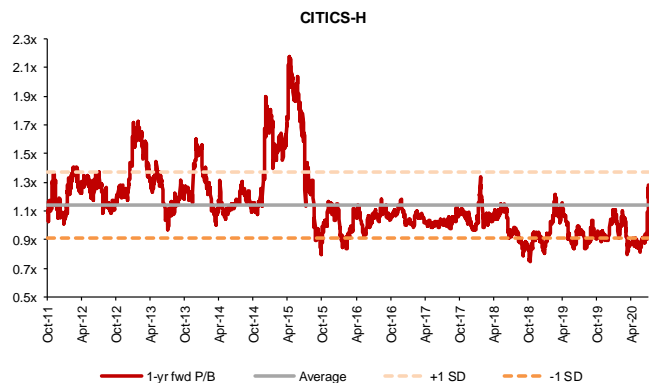
**Figure 22: Target price and rating changes**

Company	Ticker	TP (HK\$)			Rating		COE assumption		
		New	Old	Change	New	Old	New	Old	Change
CITICS	6030 HK	24.60	18.90	30%	BUY	BUY	9.5%	10.4%	-9%
CSC	6066 HK	15.30	7.90	94%	BUY	BUY	9.8%	10.7%	-8%
CICC	3908 HK	22.40	16.40	37%	BUY	BUY	9.5%	10.4%	-9%
HTSC	6886 HK	18.80	14.60	29%	BUY	BUY	9.5%	10.4%	-9%
HTS	6837 HK	10.20	9.40	9%	BUY	BUY	9.8%	10.7%	-8%
GFS	1776 HK	11.60	8.90	30%	HOLD	HOLD	10.1%	11.1%	-9%
CGS	6881 HK	6.30	4.20	50%	HOLD	HOLD	10.1%	11.1%	-9%

Source: CMBIS estimates

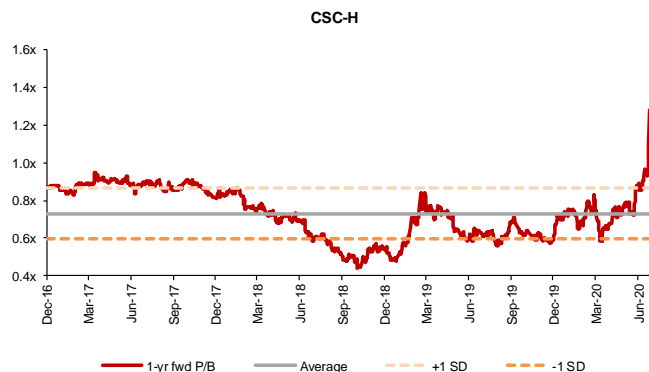
## Valuation of H-share China brokers

**Figure 23: CITICS's 1-year forward P/B**



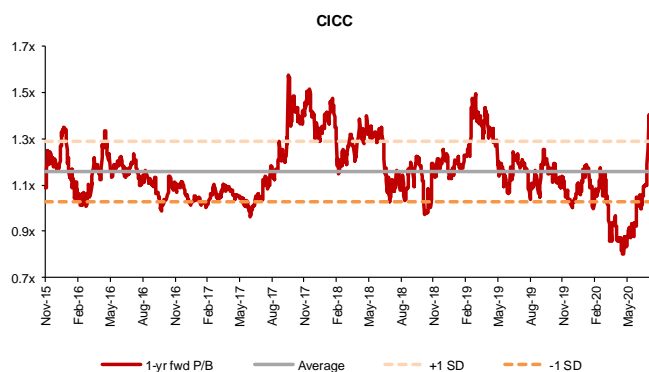
Source: Bloomberg, CMBIS estimates

**Figure 24: CSC's 1-year forward P/B**



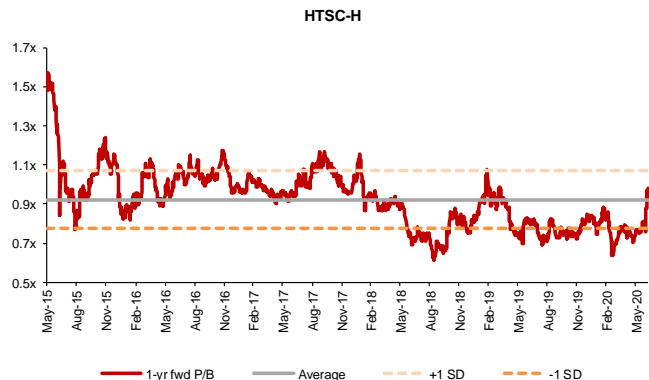
Source: Bloomberg, CMBIS estimates

**Figure 25: CICC's 1-year forward P/B**



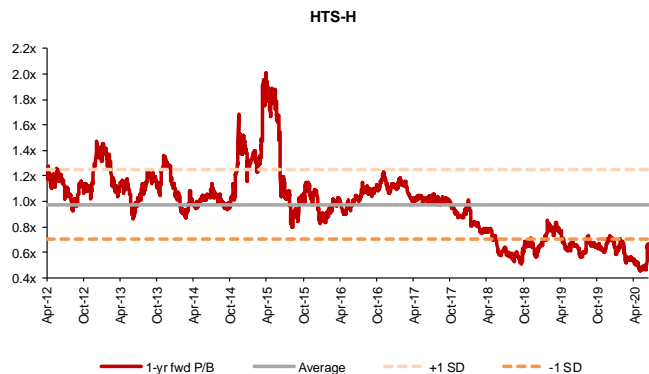
Source: Bloomberg, CMBIS estimates

**Figure 26: HTSC's 1-year forward P/B**



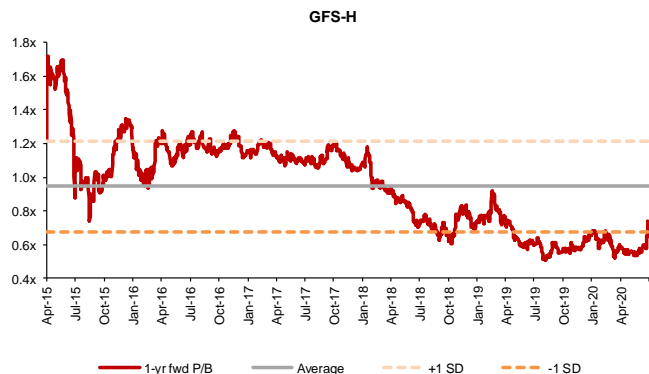
Source: Bloomberg, CMBIS estimates

**Figure 27: HTS's 1-year forward P/B**



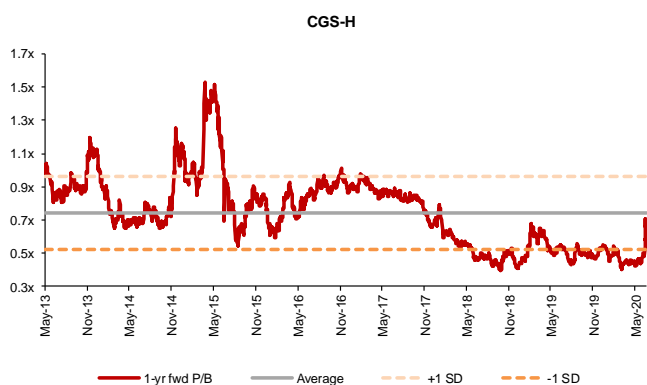
Source: Bloomberg, CMBIS estimates

**Figure 28: GFS's 1-year forward P/B**



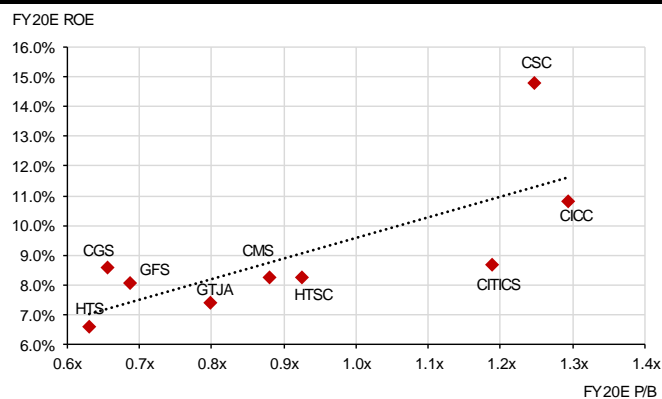
Source: Bloomberg, CMBIS estimates

**Figure 29: CGS's 1-year forward P/B**



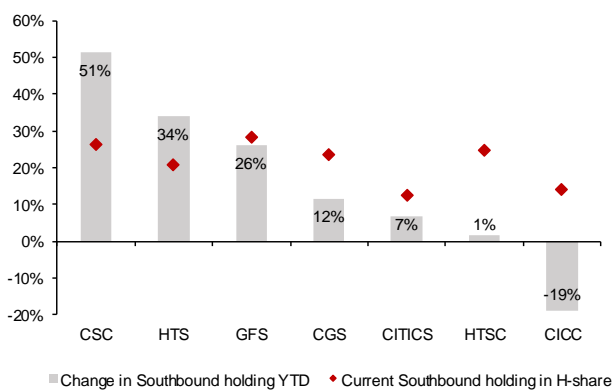
Source: Bloomberg, CMBIS estimates

**Figure 30: China brokers' P/B vs. ROE**



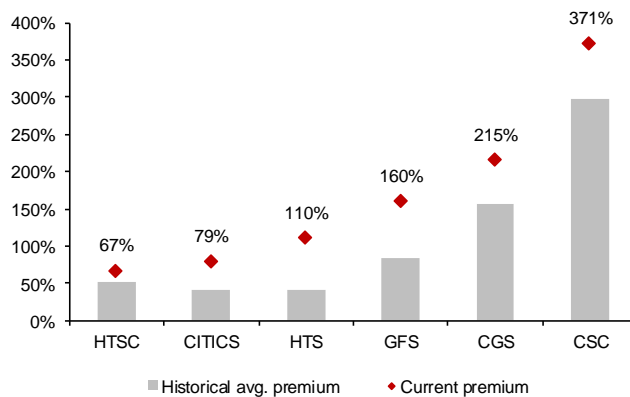
Source: Bloomberg, CMBIS estimates

**Figure 31: Change of Southbound holding in China brokers' H-share**



Source: Wind, CMBIS

**Figure 32: Covered China brokers' A/H premium**



Source: Bloomberg, CMBIS

## Individual broker's financial summary

**CITICS (6030 HK, BUY, TP: HK\$ 24.60)**

### Financial Summary

#### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	7,429	7,414	9,352	10,275	11,155
Investment banking fee	3,639	4,465	5,202	6,285	7,423
Asset management fee	5,834	5,707	6,348	6,886	7,504
Net interest income	2,422	2,045	1,600	2,146	2,350
Prop-trading gains	8,046	15,891	18,953	20,216	22,096
Others	2,869	1,918	1,519	1,615	1,732
<b>Adj. op. revenue</b>	<b>30,239</b>	<b>37,440</b>	<b>42,973</b>	<b>47,424</b>	<b>52,261</b>
Adj. op. expenses	(15,563)	(17,855)	(20,525)	(22,171)	(23,909)
PPoP	14,676	19,585	22,449	25,253	28,351
Provision	(2,211)	(2,590)	(2,374)	(1,787)	(1,434)
Pre-tax profit	12,466	16,995	20,075	23,467	26,917
Income tax expense	(2,589)	(4,346)	(4,626)	(5,402)	(6,212)
Minority interests	(487)	(420)	(434)	(478)	(527)
<b>Attributable net profit</b>	<b>9,390</b>	<b>12,229</b>	<b>15,016</b>	<b>17,587</b>	<b>20,178</b>

#### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	74,291	95,417	132,168	148,159	162,389
Clearing reserves	24,922	32,692	45,575	51,089	55,996
Margin accounts	57,198	70,674	83,395	91,735	96,321
Reverse repos	67,370	58,830	62,360	66,101	71,390
Financial investments	299,297	395,312	454,608	500,069	550,076
Other assets	130,054	138,798	138,975	145,377	150,575
<b>Total assets</b>	<b>653,133</b>	<b>791,722</b>	<b>917,082</b>	<b>1,002,531</b>	<b>1,086,748</b>
Customer brokerage deposits	97,774	123,352	171,818	191,125	209,482
Short-term debts	164,700	235,126	258,639	284,503	315,064
Long-term debts	118,082	126,394	145,296	164,135	175,597
Other liabilities	115,746	141,400	153,657	163,293	173,748
<b>Total liabilities</b>	<b>496,301</b>	<b>626,273</b>	<b>729,410</b>	<b>803,055</b>	<b>873,891</b>
<b>Total shareholders' equity</b>	<b>153,141</b>	<b>161,625</b>	<b>183,733</b>	<b>195,418</b>	<b>208,677</b>
Incl. Perpetual bonds	0	0	0	0	0
Minority interest	3,691	3,825	3,939	4,058	4,179

#### Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	25%	20%	22%	22%	21%
Investment banking fee	12%	12%	12%	13%	14%
Asset management fee	19%	15%	15%	15%	14%
Net interest income	8%	5%	4%	5%	4%
Prop-trading gains	27%	42%	44%	43%	42%
Others	9%	5%	4%	3%	3%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-8%	0%	26%	10%	9%
Investment banking fee	-17%	23%	16%	21%	18%
Asset management fee	2%	-2%	11%	8%	9%
Net interest income	1%	-16%	-22%	34%	10%
Prop-trading gains	-37%	98%	19%	7%	9%
<b>Adj. op. revenue</b>	<b>-14%</b>	<b>24%</b>	<b>15%</b>	<b>10%</b>	<b>10%</b>
PPoP	-18%	33%	3%	12%	12%
<b>Net profit</b>	<b>-18%</b>	<b>30%</b>	<b>23%</b>	<b>17%</b>	<b>15%</b>
Total assets	4%	21%	16%	9%	8%
<b>Efficiency</b>					
Cost-to-income ratio	51%	47%	47%	46%	45%
<b>Leverage</b>					
Adj. financial leverage (x)	3.6	4.1	4.1	4.2	4.2
Investment/ equity	195%	245%	247%	256%	264%
<b>Profitability</b>					
ROE	6.2%	7.8%	8.7%	9.3%	10.0%
ROA	1.5%	1.7%	1.8%	1.8%	1.9%
<b>Per share</b>					
EPS (RMB)	0.77	1.01	1.18	1.36	1.56
DPS (RMB)	0.35	0.53	0.46	0.54	0.62
BVPS (RMB)	12.64	13.34	14.21	15.12	16.14

Source: Company data, CMBIS estimates

## CSC (6066 HK, BUY, TP: HK\$ 15.30)

### Financial Summary

#### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	2,291	2,847	3,957	4,464	4,908
Investment banking fee	3,135	3,685	6,014	6,770	7,423
Asset management fee	961	1,070	1,025	1,072	1,212
Net interest income	1,993	1,559	1,807	1,926	2,189
Prop-trading gains	2,417	4,407	6,743	6,909	7,917
Others	114	85	62	62	62
<b>Adj. op. revenue</b>	<b>10,911</b>	<b>13,652</b>	<b>19,608</b>	<b>21,203</b>	<b>23,711</b>
Adj. op. expenses	(5,706)	(6,558)	(9,456)	(10,329)	(11,550)
PPoP	5,205	7,094	10,152	10,874	12,161
Provision	(1,154)	59	(181)	(79)	(48)
Pre-tax profit	4,051	7,154	9,971	10,795	12,113
Income tax expense	(948)	(1,624)	(2,273)	(2,463)	(2,761)
Minority interests	(16)	(28)	(36)	(40)	(45)
<b>Attributable net profit</b>	<b>2,793</b>	<b>5,130</b>	<b>7,290</b>	<b>7,921</b>	<b>8,935</b>

#### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	29,288	47,315	59,504	68,226	73,040
Clearing reserves	7,628	9,662	14,876	16,447	18,936
Margin accounts	25,148	27,806	31,143	34,257	36,998
Reverse repos	23,797	21,119	21,752	22,840	25,124
Financial investments	88,482	127,400	149,058	168,435	181,910
Other assets	20,739	52,367	47,047	43,182	42,004
<b>Total assets</b>	<b>195,082</b>	<b>285,669</b>	<b>323,379</b>	<b>353,388</b>	<b>378,012</b>
Customer brokerage deposits	35,039	54,626	71,404	82,553	88,378
Short-term debts	51,453	83,181	92,816	99,751	105,736
Long-term debts	44,853	56,885	61,435	66,350	69,668
Other liabilities	15,875	34,083	35,265	36,502	39,384
<b>Total liabilities</b>	<b>147,219</b>	<b>228,775</b>	<b>260,921</b>	<b>285,157</b>	<b>303,166</b>
<b>Total shareholders' equity</b>	<b>47,577</b>	<b>56,582</b>	<b>62,114</b>	<b>67,870</b>	<b>74,474</b>
Incl. Perpetual bonds	5,000	9,981	9,981	9,981	9,981
Minority interest	286	313	344	361	372

#### Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	21%	21%	20%	21%	21%
Investment banking fee	29%	27%	31%	32%	31%
Asset management fee	9%	8%	5%	5%	5%
Net interest income	18%	11%	9%	9%	9%
Prop-trading gains	22%	32%	34%	33%	33%
Others	1%	1%	0%	0%	0%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-25%	24%	39%	13%	10%
Investment banking fee	-6%	18%	63%	13%	10%
Asset management fee	-19%	11%	-4%	5%	13%
Net interest income	50%	-22%	16%	7%	14%
Prop-trading gains	0%	82%	53%	2%	15%
<b>Adj. op. revenue</b>	<b>-3%</b>	<b>25%</b>	<b>44%</b>	<b>8%</b>	<b>12%</b>
PPoP	-4%	36%	43%	7%	12%
<b>Attributable net profit</b>	<b>-30%</b>	<b>84%</b>	<b>42%</b>	<b>9%</b>	<b>13%</b>
Total assets	-5%	46%	13%	9%	7%
<b>Efficiency</b>					
Cost-to-income ratio	52%	47%	48%	48%	48%
<b>Leverage</b>					
Adj. financial leverage (x)	3.4	3.8	4.1	4.0	3.9
Investment/ equity	186%	225%	240%	248%	244%
<b>Profitability</b>					
ROE	7.3%	11.5%	14.8%	14.4%	13.5%
ROA	1.5%	2.3%	2.5%	2.5%	2.5%
<b>Per share</b>					
EPS (RMB)	0.41	0.72	1.00	1.08	1.22
DPS (RMB)	0.18	0.24	0.29	0.31	0.35
BVPS (RMB)	6.22	7.40	8.12	8.88	9.74

Source: Company data, CMBIS estimates

## CICC (3908 HK, BUY, HK\$ 22.40)

### Financial Summary

#### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	2,617	2,979	4,007	4,361	4,852
Investment banking fee	3,171	4,248	5,716	5,101	6,210
Asset management fee	618	754	910	1,011	1,114
Net interest income	(284)	(1,095)	(1,277)	(1,246)	(1,104)
Prop-trading gains	4,871	6,959	8,753	9,673	10,884
Others	1,883	1,641	1,771	2,044	1,810
<b>Adj. op. revenue</b>	<b>12,876</b>	<b>15,484</b>	<b>19,881</b>	<b>20,944</b>	<b>23,765</b>
Adj. op. expenses	(8,415)	(10,023)	(12,740)	(13,312)	(14,990)
PPoP	4,462	5,461	7,141	7,632	8,775
Provision	(74)	(160)	(256)	(181)	(138)
Pre-tax profit	4,387	5,302	6,885	7,451	8,637
Income tax expense	(853)	(1,054)	(1,446)	(1,582)	(1,836)
Minority interests	(42)	(9)	22	26	29
<b>Attributable net profit</b>	<b>3,492</b>	<b>4,239</b>	<b>5,461</b>	<b>5,895</b>	<b>6,830</b>

#### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	31,267	40,960	61,790	65,419	72,558
Clearing reserves	8,885	10,964	23,480	25,895	28,721
Margin accounts	17,716	23,190	25,509	27,805	30,307
Reverse repos	19,553	14,299	15,443	16,524	17,681
Financial investments	150,485	197,178	230,698	253,768	276,607
Other assets	47,514	58,380	69,368	70,419	72,636
<b>Total assets</b>	<b>275,421</b>	<b>344,971</b>	<b>426,288</b>	<b>459,829</b>	<b>498,509</b>
Customer brokerage deposits	41,318	48,338	92,685	98,128	108,836
Short-term debts	71,246	70,031	82,185	89,936	96,879
Long-term debts	61,993	79,391	91,300	97,691	104,529
Other liabilities	58,487	98,680	106,236	115,025	123,104
<b>Total liabilities</b>	<b>233,044</b>	<b>296,440</b>	<b>372,406</b>	<b>400,781</b>	<b>433,349</b>
<b>Total shareholders' equity</b>	<b>42,184</b>	<b>48,294</b>	<b>53,620</b>	<b>58,774</b>	<b>64,876</b>
Incl. Perpetual bonds	1,000	1,000	1,000	1,000	1,000
Minority interest	193	238	262	275	283

#### Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	20%	19%	20%	21%	20%
Investment banking fee	25%	27%	29%	24%	26%
Asset management fee	5%	5%	5%	5%	5%
Net interest income	-2%	-7%	-6%	-6%	-5%
Prop-trading gains	38%	45%	44%	46%	46%
Others	15%	11%	9%	10%	8%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-6%	14%	35%	9%	11%
Investment banking fee	14%	34%	35%	-11%	22%
Asset management fee	1%	22%	21%	11%	10%
Net interest income	-1%	286%	17%	-2%	-11%
Prop-trading gains	22%	43%	26%	11%	13%
<b>Adj. op. revenue</b>	<b>15%</b>	<b>20%</b>	<b>28%</b>	<b>5%</b>	<b>13%</b>
PPoP	26%	22%	31%	7%	15%
<b>Attributable net profit</b>	<b>26%</b>	<b>21%</b>	<b>29%</b>	<b>8%</b>	<b>16%</b>
Total assets	16%	25%	24%	8%	8%
<b>Efficiency</b>					
Cost-to-income ratio	65%	64%	63%	63%	62%
<b>Leverage</b>					
Adj. financial leverage (x)	5.5	6.0	6.2	6.2	6.0
Investment/ equity	357%	408%	430%	432%	426%
<b>Profitability</b>					
ROE	8.9%	9.5%	10.8%	10.6%	11.1%
ROA	1.4%	1.4%	1.4%	1.3%	1.4%
<b>Per share</b>					
EPS (RMB)	0.83	0.99	1.24	1.34	1.55
DPS (RMB)	0.16	0.00	0.16	0.16	0.16
BVPS (RMB)	9.82	10.83	12.04	13.22	14.85

Source: Company data, CMBIS estimates



## HTSC (6886 HK, BUY, HK\$ 18.80)

### Financial Summary

#### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	3,386	4,108	5,284	5,824	6,482
Investment banking fee	1,949	1,947	2,432	2,779	3,219
Asset management fee	2,624	2,952	3,069	3,229	3,587
Net interest income	3,015	2,122	2,065	2,419	2,542
Prop-trading gains	3,250	9,180	9,907	11,839	13,289
Others	1,400	3,513	3,293	3,376	3,610
<b>Adj. op. revenue</b>	<b>15,624</b>	<b>23,822</b>	<b>26,049</b>	<b>29,465</b>	<b>32,730</b>
Adj. op. expenses	(8,307)	(11,519)	(12,324)	(14,032)	(15,471)
PPoP	7,317	12,303	13,725	15,433	17,259
Provision	(868)	(717)	(602)	(534)	(336)
Pre-tax profit	6,449	11,586	13,123	14,899	16,922
Income tax expense	(1,288)	(2,529)	(2,689)	(3,056)	(3,384)
Minority interests	(128)	(56)	(29)	(34)	(38)
<b>Net profit</b>	<b>5,033</b>	<b>9,002</b>	<b>10,405</b>	<b>12,004</b>	<b>13,500</b>

#### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	42,902	67,245	93,740	102,387	109,715
Clearing reserves	19,068	22,471	32,223	33,028	34,743
Margin accounts	46,189	69,006	75,907	83,498	90,177
Reverse repos	43,557	18,466	20,313	21,329	22,608
Financial investments	148,975	284,893	316,232	338,368	362,054
Other assets	67,975	100,099	103,727	104,252	106,842
<b>Total assets</b>	<b>368,666</b>	<b>562,181</b>	<b>642,142</b>	<b>682,860</b>	<b>726,139</b>
Customer brokerage deposits	59,492	89,818	126,549	138,222	149,212
Short-term debts	70,048	173,231	195,010	206,711	217,066
Long-term debts	64,589	65,467	73,221	77,564	82,933
Other liabilities	69,786	108,010	113,673	118,450	126,115
<b>Total liabilities</b>	<b>263,916</b>	<b>436,526</b>	<b>508,454</b>	<b>540,946</b>	<b>575,326</b>
<b>Total shareholders' equity</b>	<b>103,394</b>	<b>122,538</b>	<b>130,259</b>	<b>138,142</b>	<b>146,928</b>
Incl. Perpetual bonds	0	0	0	0	0
Minority interest	1,356	3,117	3,429	3,772	3,885

#### Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	22%	17%	20%	20%	20%
Investment banking fee	12%	8%	9%	9%	10%
Asset management fee	17%	12%	12%	11%	11%
Net interest income	19%	9%	8%	8%	8%
Prop-trading gains	21%	39%	38%	40%	41%
Others	9%	15%	13%	11%	11%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-20%	21%	29%	10%	11%
Investment banking fee	-4%	0%	25%	14%	16%
Asset management fee	14%	12%	4%	5%	11%
Net interest income	-16%	-30%	-3%	17%	5%
Prop-trading gains	-60%	182%	8%	20%	12%
<b>Adj. op. revenue</b>	<b>-28%</b>	<b>52%</b>	<b>9%</b>	<b>13%</b>	<b>11%</b>
PPoP	-38%	68%	12%	12%	12%
<b>Net profit</b>	<b>-46%</b>	<b>79%</b>	<b>16%</b>	<b>15%</b>	<b>12%</b>
Total assets	-3%	52%	14%	6%	6%
<b>Efficiency</b>					
Cost-to-income ratio	52%	48%	47%	47%	47%
<b>Leverage</b>					
Adj. financial leverage (x)	3.0	3.9	4.0	3.9	3.9
Investment/ equity	144%	232%	243%	245%	246%
<b>Profitability</b>					
ROE	5.3%	8.0%	8.2%	8.9%	9.5%
ROA	1.3%	1.9%	1.7%	1.8%	1.9%
<b>Per share</b>					
EPS (RMB)	0.66	1.04	1.15	1.32	1.49
DPS (RMB)	0.33	0.30	0.46	0.53	0.59
BVPS (RMB)	12.53	13.50	14.35	15.22	16.19

Source: Company data, CMBIS estimates

## HTS (6837 HK, BUY, TP: HK\$ 10.20)

### Financial Summary

#### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	3,006	3,571	4,618	5,017	5,392
Investment banking fee	3,217	3,457	3,985	4,095	4,519
Asset management fee	1,925	2,395	2,579	2,721	2,866
Net interest income	4,820	4,148	4,397	4,779	5,257
Prop-trading gains	3,484	11,450	9,051	11,399	12,509
Others	2,321	2,947	1,940	1,817	1,817
<b>Adj. op. revenue</b>	<b>18,772</b>	<b>27,968</b>	<b>26,570</b>	<b>29,828</b>	<b>32,361</b>
Adj. op. expenses	(9,555)	(11,257)	(10,738)	(12,110)	(12,815)
PPoP	9,218	16,711	15,832	17,718	19,546
Provision	(1,647)	(2,839)	(3,228)	(2,835)	(2,677)
Pre-tax profit	7,570	13,872	12,603	14,883	16,869
Income tax expense	(1,800)	(3,331)	(2,969)	(3,572)	(4,048)
Minority interests	(560)	(1,017)	(1,119)	(1,231)	(1,354)
<b>Net profit</b>	<b>5,211</b>	<b>9,523</b>	<b>8,516</b>	<b>10,080</b>	<b>11,466</b>

#### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	62,319	76,179	97,676	107,740	120,079
Clearing reserves	7,647	8,611	11,100	12,432	13,855
Margin accounts	48,861	52,798	59,662	64,435	68,301
Reverse repos	82,679	57,485	60,359	63,377	66,546
Financial investments	208,248	249,155	279,054	306,959	325,377
Other assets	164,870	192,566	189,125	189,066	193,582
<b>Total assets</b>	<b>574,624</b>	<b>636,794</b>	<b>696,976</b>	<b>744,008</b>	<b>787,740</b>
Customer brokerage deposits	71,894	87,464	112,682	123,901	138,090
Short-term debts	134,552	163,499	177,784	193,198	204,696
Long-term debts	183,434	179,075	187,967	195,947	201,857
Other liabilities	54,559	65,636	68,930	72,126	75,224
<b>Total liabilities</b>	<b>444,438</b>	<b>495,675</b>	<b>547,363</b>	<b>585,172</b>	<b>619,867</b>
<b>Total shareholders' equity</b>	<b>117,859</b>	<b>126,091</b>	<b>133,083</b>	<b>140,653</b>	<b>149,143</b>
Incl. Perpetual bonds	0	0	0	0	0
Minority interest	12,327	15,028	16,531	18,184	18,729

#### Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	16%	13%	17%	17%	17%
Investment banking fee	17%	12%	15%	14%	14%
Asset management fee	10%	9%	10%	9%	9%
Net interest income	26%	15%	17%	16%	16%
Prop-trading gains	19%	41%	34%	38%	39%
Others	12%	11%	7%	6%	6%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-24%	19%	29%	9%	7%
Investment banking fee	-3%	7%	15%	3%	10%
Asset management fee	-8%	24%	8%	5%	5%
Net interest income	31%	-14%	6%	9%	10%
Prop-trading gains	-63%	229%	-21%	26%	10%
<b>Adj. op. revenue</b>	<b>-23%</b>	<b>49%</b>	<b>-5%</b>	<b>12%</b>	<b>8%</b>
PPoP	-37%	81%	-5%	12%	10%
<b>Net profit</b>	<b>-40%</b>	<b>83%</b>	<b>-11%</b>	<b>18%</b>	<b>14%</b>
Total assets	7%	11%	9%	7%	6%
<b>Efficiency</b>					
Cost-to-income ratio	50%	40%	40%	40%	39%
<b>Leverage</b>					
Adj. financial leverage (x)	4.3	4.4	4.4	4.4	4.4
Investment/ equity	177%	198%	210%	218%	218%
<b>Profitability</b>					
ROE	4.4%	7.8%	6.6%	7.4%	7.9%
ROA	0.9%	1.6%	1.3%	1.4%	1.5%
<b>Per share</b>					
EPS (RMB)	0.45	0.83	0.74	0.88	1.00
DPS (RMB)	0.15	0.25	0.22	0.26	0.30
BVPS (RMB)	10.25	10.96	11.57	12.23	12.97

Source: Company data, CMBIS estimates

## GFS (1776 HK, HOLD, TP: HK\$ 11.60)

### Financial Summary

#### Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	3,453	4,198	5,347	5,866	6,460
Investment banking fee	1,216	1,438	1,149	1,052	1,210
Asset management fee	3,743	3,911	4,160	4,529	5,082
Net interest income	3,689	3,168	3,356	3,449	3,836
Prop-trading gains	571	6,687	4,684	5,587	6,258
Others	1,363	1,084	1,410	1,561	1,561
<b>Adj. op. revenue</b>	<b>14,035</b>	<b>20,486</b>	<b>20,107</b>	<b>22,044</b>	<b>24,406</b>
Adj. op. expenses	(7,727)	(9,528)	(9,209)	(10,206)	(11,176)
PPoP	6,308	10,957	10,898	11,837	13,231
Provision	(303)	(681)	(477)	(381)	(267)
Pre-tax profit	6,004	10,276	10,421	11,456	12,964
Income tax expense	(1,372)	(2,166)	(2,223)	(2,371)	(2,683)
Minority interests	(332)	(571)	(627)	(707)	(780)
<b>Net profit</b>	<b>4,300</b>	<b>7,539</b>	<b>7,570</b>	<b>8,378</b>	<b>9,501</b>

#### Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	39,515	58,366	75,382	84,993	94,074
Clearing reserves	17,900	19,548	24,122	27,198	30,104
Margin accounts	45,355	54,787	60,814	65,071	68,975
Reverse repos	36,813	20,689	18,620	19,551	20,528
Financial investments	185,492	193,368	228,175	246,429	261,214
Other assets	64,030	47,632	43,797	42,889	42,994
<b>Total assets</b>	<b>389,106</b>	<b>394,391</b>	<b>450,910</b>	<b>486,130</b>	<b>517,891</b>
Customer brokerage deposits	58,445	79,681	98,750	111,341	123,237
Short-term debts	127,216	114,299	128,623	135,563	140,903
Long-term debts	74,170	86,213	103,102	111,273	117,702
Other liabilities	40,646	20,062	21,095	22,186	22,946
<b>Total liabilities</b>	<b>300,477</b>	<b>300,254</b>	<b>351,571</b>	<b>380,363</b>	<b>404,789</b>
<b>Total shareholders' equity</b>	<b>85,018</b>	<b>91,234</b>	<b>96,291</b>	<b>102,568</b>	<b>109,742</b>
Incl. Perpetual bonds	0	0	0	0	0
Minority interest	3,611	2,903	3,048	3,200	3,360

#### Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	25%	20%	27%	27%	26%
Investment banking fee	9%	7%	6%	5%	5%
Asset management fee	27%	19%	21%	21%	21%
Net interest income	26%	15%	17%	16%	16%
Prop-trading gains	4%	33%	23%	25%	26%
Others	10%	5%	7%	7%	6%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-20%	22%	27%	10%	10%
Investment banking fee	-56%	18%	-20%	-8%	15%
Asset management fee	-6%	4%	6%	9%	12%
Net interest income	685%	-14%	6%	3%	11%
Prop-trading gains	-94%	1071%	-30%	19%	12%
<b>Adj. op. revenue</b>	<b>-35%</b>	<b>46%</b>	<b>-2%</b>	<b>10%</b>	<b>11%</b>
PPoP	-48%	74%	-1%	9%	12%
<b>Net profit</b>	<b>-50%</b>	<b>75%</b>	<b>0%</b>	<b>11%</b>	<b>13%</b>
Total assets	9%	1%	14%	8%	7%
<b>Efficiency</b>					
Cost-to-income ratio	54%	46%	45%	46%	45%
<b>Leverage</b>					
Adj. financial leverage (x)	3.9	3.4	3.7	3.7	3.6
Investment/ equity	218%	212%	237%	240%	238%
<b>Profitability</b>					
ROE	5.1%	8.6%	8.1%	8.4%	8.9%
ROA	1.2%	1.9%	1.8%	1.8%	1.9%
<b>Per share</b>					
EPS (RMB)	0.56	0.99	0.99	1.10	1.25
DPS (RMB)	0.00	0.50	0.30	0.33	0.37
BVPS (RMB)	11.16	11.97	12.63	13.46	14.40

Source: Company data, CMBIS estimates

## CGS (6881 HK, HOLD, TP: HK\$ 6.30)

## Financial Summary

## Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Brokerage commission	3,464	4,551	7,005	7,826	8,457
Investment banking fee	531	480	629	708	773
Asset management fee	747	634	595	640	672
Net interest income	3,445	3,492	3,842	4,094	4,341
Prop-trading gains	946	4,897	5,078	5,610	6,245
Others	107	266	249	231	254
<b>Adj. op. revenue</b>	<b>9,239</b>	<b>14,320</b>	<b>17,399</b>	<b>19,108</b>	<b>20,744</b>
Adj. op. expenses	(5,149)	(7,079)	(8,947)	(9,789)	(10,562)
PPoP	4,090	7,241	8,452	9,319	10,182
Provision	(408)	(410)	(373)	(305)	(251)
Pre-tax profit	3,682	6,830	8,079	9,014	9,932
Income tax expense	(750)	(1,580)	(1,777)	(1,988)	(2,185)
Minority interests	(45)	(22)	(23)	(26)	(29)
<b>Net profit</b>	<b>2,887</b>	<b>5,228</b>	<b>6,279</b>	<b>7,022</b>	<b>7,718</b>

## Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Deposit held on behalf of clients	42,529	60,282	77,592	85,931	94,058
Clearing reserves	12,687	11,276	21,654	23,981	26,249
Margin accounts	44,632	58,721	68,117	75,610	81,658
Reverse repos	39,967	30,438	31,047	31,978	33,257
Financial investments	92,477	121,437	153,011	165,252	175,167
Other assets	19,072	33,511	32,486	34,407	43,480
<b>Total assets</b>	<b>251,363</b>	<b>315,666</b>	<b>383,906</b>	<b>417,159</b>	<b>453,869</b>
Customer brokerage deposits	56,695	80,509	98,542	108,273	127,918
Short-term debts	39,833	86,468	118,265	130,692	137,282
Long-term debts	79,501	64,023	76,828	82,206	86,316
Other liabilities	8,996	12,744	13,601	14,083	14,714
<b>Total liabilities</b>	<b>185,025</b>	<b>243,744</b>	<b>307,236</b>	<b>335,255</b>	<b>366,232</b>
<b>Total shareholders' equity</b>	<b>65,982</b>	<b>70,896</b>	<b>75,593</b>	<b>80,773</b>	<b>86,472</b>
Incl. Perpetual bonds	0	0	0	0	0
Minority interest	356	1,026	1,077	1,131	1,165

## Key Ratios

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Operating revenue mix</b>					
Brokerage commission	37%	32%	40%	41%	41%
Investment banking fee	6%	3%	4%	4%	4%
Asset management fee	8%	4%	3%	3%	3%
Net interest income	37%	24%	22%	21%	21%
Prop-trading gains	10%	34%	29%	29%	30%
Others	1%	2%	1%	1%	1%
Total	100%	100%	100%	100%	100%
<b>Growth, YoY</b>					
Brokerage commission	-27%	31%	54%	12%	8%
Investment banking fee	-5%	-10%	31%	13%	9%
Asset management fee	7%	-15%	-6%	7%	5%
Net interest income	15%	1%	10%	7%	6%
Prop-trading gains	-58%	418%	4%	10%	11%
<b>Adj. op. revenue</b>	<b>-18%</b>	<b>55%</b>	<b>22%</b>	<b>10%</b>	<b>9%</b>
PPoP	-26%	77%	17%	10%	9%
<b>Net profit</b>	<b>-27%</b>	<b>81%</b>	<b>20%</b>	<b>12%</b>	<b>10%</b>
Total assets	-1%	26%	22%	9%	9%
<b>Efficiency</b>					
Cost-to-income ratio	55%	49%	51%	50%	50%
<b>Leverage</b>					
Adj. financial leverage (x)	3.0	3.3	3.8	3.8	3.8
Investment/ equity	140%	171%	202%	205%	203%
<b>Profitability</b>					
ROE	4.4%	7.6%	8.6%	9.0%	9.2%
ROA	1.1%	1.8%	1.8%	1.8%	1.8%
<b>Per share</b>					
EPS (RMB)	0.28	0.52	0.62	0.69	0.76
DPS (RMB)	0.09	0.16	0.19	0.21	0.23
BVPS (RMB)	6.51	6.99	7.46	7.97	8.53

Source: Company data, CMBIS estimates

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