招銀国际
CMB INTERNATIONAL

CMBI Research Focus List

Our best high conviction ideas

12 Oct 2021

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) FY21E	P/E (x) FY22E	P/B (x) FY21E	ROE FY21E	Yield FY21E	Analyst
Long Ideas														
BYD – H	1211 HK	NEV	BUY	106.9	324.5	258.8	405.0	56%	131.7	84.6	10.0	8.2	0.1%	Jack Bai/ Robin Xiao
Zhejiang Dingli	603338 CH	Capital Goods	BUY	5.5	79.0	72.9	87.0	19%	35.7	27.0	7.5	23.0	0.5%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	3.8	6.7	9.4	14.3	53%	17.9	14.8	2.7	16.1	2.5%	Wayne Fung
ZTO Express	2057 HK	Express Delivery	BUY	26.7	2.2	251.0	306.0	22%	35.9	27.1	3.2	9.3	0.9%	Wayne Fung
JS Global	1691 HK	Consumer Disc.	BUY	7.7	18.7	17.2	27.5	60%	13.1	11.2	2.2	15.9	3.3%	Walter Woo
Bosideng	3998 HK	Consumer Disc.	BUY	7.8	26.1	5.6	6.1	10%	28.8	22.9	4.3	16.1	2.6%	Walter Woo
CTGDF	601888 CH	Consumer Staples	BUY	79.9	518.8	263.5	350.0	33%	45.9	30.9	16.2	35.2	0.5%	Joseph Wong
Innovent Biologics	1801 HK	Healthcare	BUY	14.3	61.3	76.3	116.9	53%	NA	NA	6.8	-20.0	0.0%	Jill Wu/ Andy Wang/ Jonathan Zhao
China Pacific Insurance	2601 HK	Insurance	BUY	40.6	35.6	25.3	36.0	42%	NA	NA	0.8	12.4	7.0%	Gigi Chen
Meituan	3690 HK	Internet	BUY	218.6	977.4	277.4	383.0	38%	NA	NA	NA	-31.1	0.0%	Sophie Huang/ Miriam Lu
Bilibili	BILI US	Internet	BUY	27.3	426.4	71.0	110.0	55%	NA	NA	NA	-22.6	0.0%	Sophie Huang/ Miriam Lu
CR Land	1109 HK	Property	BUY	28.7	66.1	31.3	44.8	43%	4.8	4.4	1.1	14.6	4.6%	Jeffrey Zeng/ Xiao Xiao
CG Services	6098 HK	Property	BUY	26.0	115.4	63.0	91.2	45%	30.0	21.4	32.9	25.8	0.7%	Jeffrey Zeng/ Xiao Xiao
China Hongqiao	1378 HK	Materials	BUY	11.0	37.5	9.4	15.0	60%	3.8	3.6	0.7	22.2	12.4%	Robin Xiao
China Longyuan	916 HK	Renewables	BUY	15.5	48.2	15.0	19.0	27%	17.7	16.2	1.9	10.9	1.1%	Robin Xiao
BYDE	285 HK	Technology	BUY	7.7	32.7	26.8	49.5	85%	12.6	8.8	3.8	15.5	0.6%	Alex Ng/ Lily Yang
Willsemi	603501 CH	Technology	BUY	31.7	363.9	234.5	370.8	58%	46.0	34.3	13.4	28.5	0.0%	Lily Yang/ Alex Ng
Hikvision	002415 CH	Software & IT services	BUY	82.9	351.1	57.2	80.0	40%	30.3	24.7	8.1	29.0	0.0%	Marley Ngan

Source: Bloomberg, CMBIS, Price as of 11/10/2021

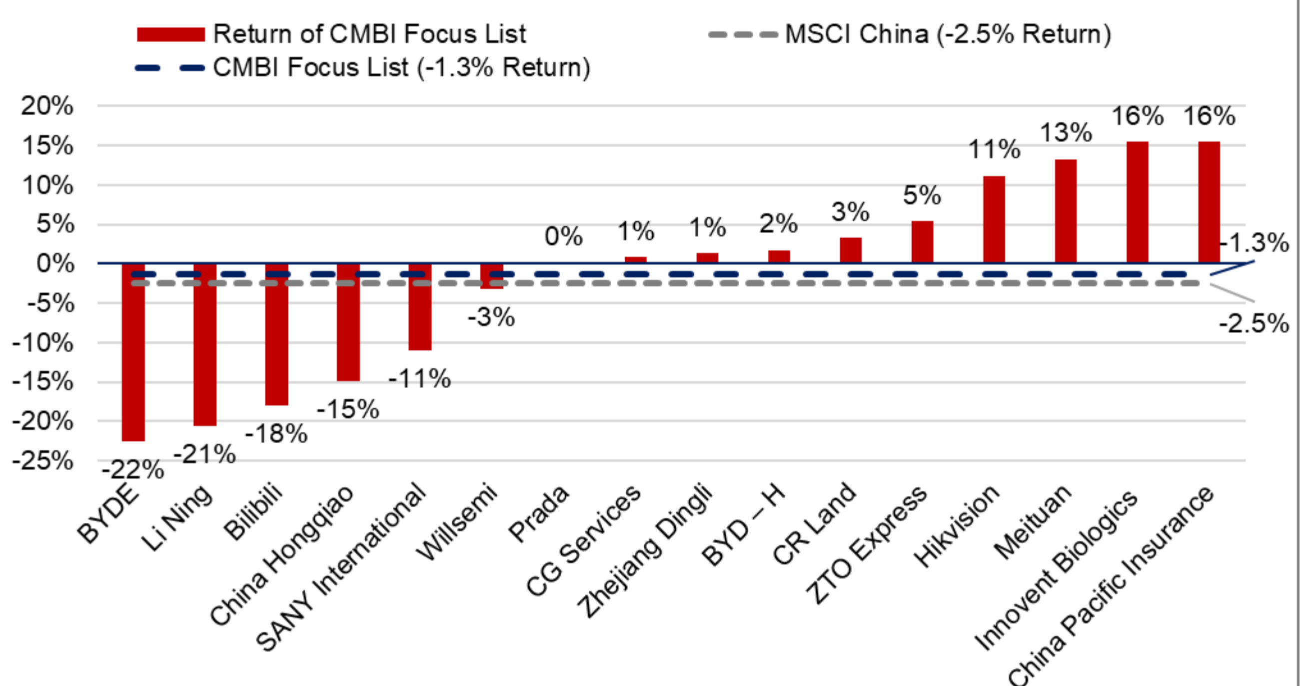
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
JS Global	1691 HK	Consumer Disc.	BUY	Walter Woo	Sales growth in 3Q21E should still be robust and far better than peers, hence with such solid fundamental, recent de-rating due to industry slowdown had made its current valuation highly attractive.
Bosideng	3998 HK	Consumer Disc.	BUY	Walter Woo	This year winter certainly comes late and warmer, but there is still some buffer given low base last year (because of COVID-19). Following the recent drop, valuation has become more attractive.
CTGDF	601888 CH	Consumer Staples	BUY	Joseph Wong	The stock is trading at 30.9x end-22E P/E, at par to its 3-year average but -2sd below its 1-year average, when the stock was re-rated on policy tailwind. We argue shares mean-reversion is likely to take place towards 4Q, not to mention value to be unlocked through its secondary H share listing on an expanded shareholder base.
China Longyuan	916 HK	Renewables	BUY	Robin Xiao	Add China Longyuan (916 HK) in Oct in view of positive power tariff policies and progress on A-share listing.
Deletions					
Li Ning	2331 HK	Consumer Disc.	BUY	Walter Woo	We are concerned about slowdown of retail sales growth in Sep-Oct 2021. Its relatively higher valuation may also imply a higher risk of de-rating.
Prada	1913 HK	Consumer Disc.	BUY	Walter Woo	Overseas sales growth should be fast thanks to recovery of tourism, but concerns over potential slowdown in China sales growth may continue to weigh on its valuation.

Source: CMBIS

Performance of our recommendations

- In our last report dated 6 Sep, we highlighted a list of 16 long ideas.
- The performance of the basket (equal weighted) with these 16 stocks outperformed MSCI China index by 1.2ppt, delivering -1.3% return (vs MSCI China -2.5%).
- China Pacific Insurance, Innovent Biologics, Meituan and Hikvision delivered 11% or above return, and 10 of our 16 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 3 Sep 2021 to 11 Oct 2021

Long Ideas

BYD – H (1211 HK): Long-term trend remains intact

Rating: BUY **| TP:** HK$405 (56% upside)

Analysts: Jack Bai/ Robin Xiao

- **Investment Thesis:** BYD's Sep NEV sales volume was 70,022 units, exhibiting a strong growth by 276% YoY. In 3Q21, BYD delivered 180,587 units of NEV, on track to our full year projection of 570k units in 2021E. We think DMi series PHEVs are the best EV series suits consumer demand in China, and we also observed newly launched "Dophin" model also realized eye-catching first month delivery figure (3,000 units). We maintain BYD as our top pick for NEV sector, and our TP remains unchanged at HK$405.

- **Auto sales to pick up from Apr.** DM-i series to become hit product. DM-i series equip with 1.5L Xiaoyun engine, with 43.4% thermal efficiency and running with less than 3.8L fuel consumption per 100km. Whole DM-i series are equipped with dedicated high power blade battery, and have same price as ICE vehicles with extraordinary using experience as EV. We think the high cost performance of DM-I will drive strong retail demand growth. Mgmt. disclosed Qin Plus DM-i has accumulated orders of more than 50K units. We expect cumulative orders to be delivered gradually in 2Q-4Q21E as the dedicated blade battery release capacity output.

- **Suggest to buy on dips.** We think recent share price retreat offer good opportunities to accumulate the stock, as we expect market sentiment will be boosted on 1) auto sales volume boom as DM-I capacity release, and 2) BYD to launch more cooperation for external power battery supply. BYD's current valuation is significantly lower than peers (3x P/S on NEV sales vs. NEV new forces 6x – 12x P/S). We expect BYD's valuation will re-rate with increasing NEV sales proportion and earnings release.

- **Future catalyst:** 1) NEV sales growth to accelerate; 2) power battery to realize external shipment; 3) Semiconductor business to have new update.

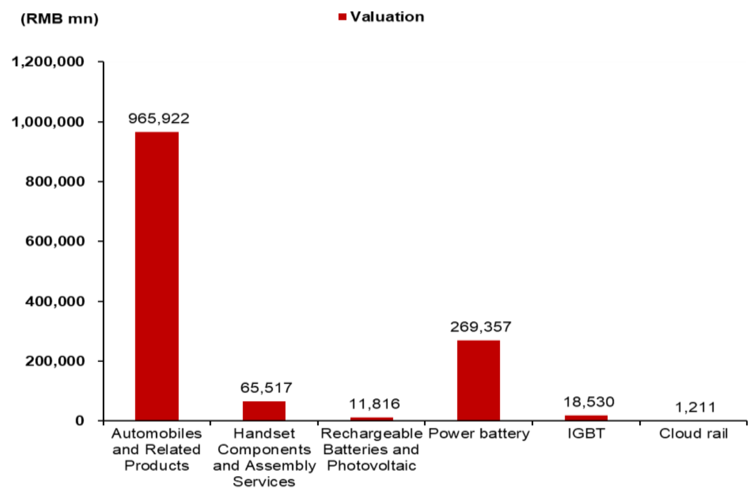
Link to latest report: BYD - H (1211 HK) – 缺芯低点已过，四季度产销两旺可期

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	156,598	224,413	292,785	356,006
YoY growth (%)	22.59%	43.31%	30.47%	21.59%
Net income (RMB mn)	4,234	4,871	7,494	11,616
EPS (RMB)	1.47	1.64	2.56	4.00
YoY growth (%)	196%	12%	56%	56%
Consensus EPS (RMB)	0.97	1.12	1.47	2.47
P/E (x)	147.10	131.70	84.56	54.12
P/B (x)	10.90	9.96	8.78	7.41
Yield (%)	0.07%	0.08%	0.12%	0.19%
ROE (%)	7.45%	8.18%	11.28%	15.06%
Net gearing (%)	39.7	43.9	46.5	48.3

Source: Company data, Bloomberg, CMBIS estimates

Fig: Valuation by business segment



Source: Company data, CMBIS estimates

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Zhejiang Dingli (603338 CH): Margin concerns priced-in; Anti-dumping duties results better than expectation

Rating: BUY | **TP:** RMB87.0 (19% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Aerial working platform (AWP) is entering a structural growth trajectory as the rising labor cost in China will make AWPs incrementally cost competitive compared with the traditional scaffolding. We believe Zhejiang Dingli, as a pure AWP manufacturer, remains a major beneficiary given its global presence, cost competitiveness, brand recognition and strong management execution.

- **Our View.** We upgraded Dingli to **BUY** from Hold in late Aug. While Dingli's net profit in 2Q21 grew only 17% YoY as gross margin contraction offset the strong revenue growth of 59%, we believe the results provide investors with an indication of the margin level amid the high steel cost and freight rate. On the other hand, in Sep, the preliminary results from the US Department of Commerce suggest the anti-dumping duties to be imposed on Dingli's AWP product is only 7.07% which is much lower than other Chinese peers.

- **Why do we differ vs consensus:** Our earnings forecast in 2021E/22E is -1%/+2% versus consensus.

- **Catalysts:** We see positives drivers going forward: (1) ambitious AWP fleet size expansion by **Far East Horizon (3360 HK, BUY)**, the major customer of Dingli, should help boost Dingli's AWP volume growth over the coming years; (2) significant upside of steel and freight cost seems to be less likely, which should help stabilize the gross margin.

- **Valuation:** We set our TP at RMB87, based on 44x 2021E target P/E (on the back of ~44% earnings growth in 2021E).

Link to latest report:

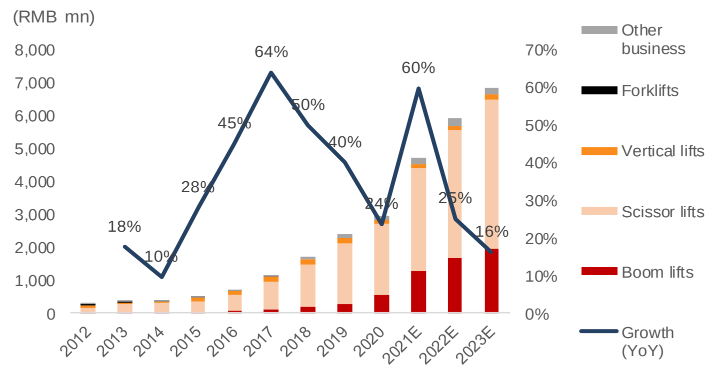
Zhejiang Dingli (603338 CH) – Satisfactory results in 2Q; Negatives priced in; U/G to BUY

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,957	4,721	5,908	6,868
YoY growth (%)	23.7	59.7	25.2	16.2
Net income (RMB mn)	664	958	1,270	1,497
EPS (RMB)	1.37	1.97	2.62	3.08
YoY growth (%)	-4.3	44.3	32.5	17.9
Consensus EPS (RMB)	N/A	1.99	2.57	3.17
EV/EBIDTA (x)	41.5	31.6	23.1	19.8
P/E (x)	51.5	35.7	27.0	22.9
P/B (x)	9.1	7.5	6.0	4.9
Yield (%)	0.4	0.5	0.7	0.8
ROE (%)	19.1	23.0	24.8	23.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Dingli's revenue breakdown



Source: Company data, CMBIS estimates

SANY International (631 HK): Intelligent products and robotic business to drive sustainable growth

Rating: BUY **| TP:** HK$14.3 (53% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The ongoing development of intelligent coal mines and ports will continue to offer opportunity for SANYI to gain market share through the launch of the intelligent machinery products. Besides, industrial robot and smart mining will serve as new growth drivers for SANYI. On the other hand, the commencement of lighthouse factories in Sep/Oct will enhance SANYI's competitive edge.

- **Our View:** SANYI has taken effective measures to mitigate the impact of power suspension: (1) The Company has already shifted more than half of the production process to nighttime which is free from power outage; (2) The switch to suppliers outside Liaoning will help secure component supplies. We believe SANYI demonstrates good crisis management and put the capacity utilization rate back to normal within a short period of time. On the other hand, the Company saw good order intakes of road headers and other coal mining machines.

- **Why do we differ vs consensus:** Our earnings forecast in 2021E/22E is +1/-2% versus consensus estimates. There is only a limited number of analysts covering the stock.

- **Catalysts:** (1) Launch of new products; (2) Strong mining capex; (3) easing power shortage.

- **Valuation:** Our TP of HK$14.3 (based on 23x P/E, on the back of 23% earnings CAGR in 2021E-23E). We believe potential M&A will offer additional upside.

Link to latest report:

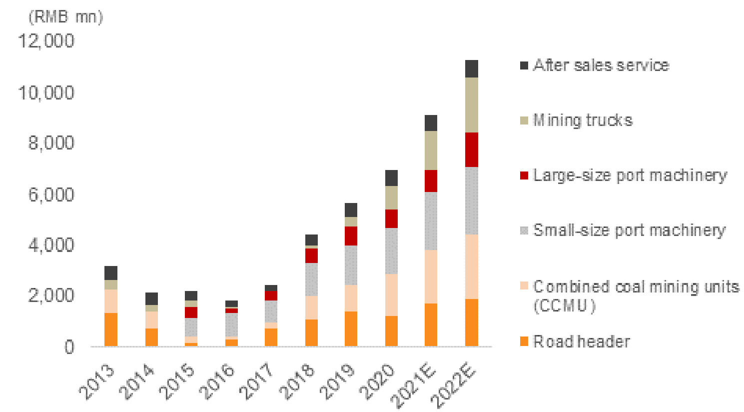
SANY International (631 HK) – Good crisis management to remove impact of power suspension; Solid coal mining equipment order intakes

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	7,364	10,171	12,562	15,089
YoY growth (%)	30.2	38.1	23.5	20.1
Net income (RMB mn)	1,045	1,341	1,623	1,960
EPS (RMB)	0.34	0.43	0.52	0.63
YoY growth (%)	12.5	27.7	21.0	20.8
Consensus EPS (RMB)	N/A	0.42	0.53	0.65
EV/EBITDA (x)	15.0	12.1	10.0	8.5
P/E (x)	23.8	17.9	14.8	12.2
P/B (x)	3.2	2.7	2.4	2.2
Yield (%)	1.6	2.5	3.0	3.7
ROE (%)	14.0	16.1	17.5	18.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: SANYI's revenue breakdown



Source: Company data, CMBIS estimates

ZTO Express (2057 HK): Cut-throat price war likely come to an end

Rating: BUY | **TP:** HK$306 (22% upside)

Analyst: Wayne Fung

- **Investment Thesis:** A consultation paper released by the State Administration for Market Regulation in early Jul stated that dumping products at low prices to exclude competitors will be subject to five times the unlawful earnings. On the other hand, in late Aug, the major express delivery operators, namely ZTO, YTO, STO, BEST, Yunda and J&T Express, decided to revise up the dispatch fee by RMB0.1/parcel in order to support the authority's opinions regarding the protection of couriers' interest. We believe the government's strong intervention in the express deliver industry has already stopped the prolonged cut-throat price war. We start to see some express delivery operators shift the strategy focus from volume to profitability.

- **Our View:** On the back of proven track record of market share gain, strong operational efficiency and cost advantage, ZTO is not only able to mitigate the impact of price war, but also capable to take the opportunity to achieve further share gain and stand out as a long-term winner.

- **Why do we differ vs consensus:** Our earnings forecast in 2021E-23E is 0-5% above consensus estimates. We see upside to our earnings forecast in 2021E, due to potentially better ASP in 2H21E.

- **Catalysts:** (1) Improvement of industry-wise profitability; (2) Further increase in ASP; (3) Better-than-expected volume growth.

- **Valuation:** ZTO has been trading at a forward P/E range between 30x-45x since early 2020. Our TP of HK$306 is based on 45x 2021E P/E (historical peak level), to reflect the Company's continuous market share gain and the potential to become a long-term winner in the express delivery market.

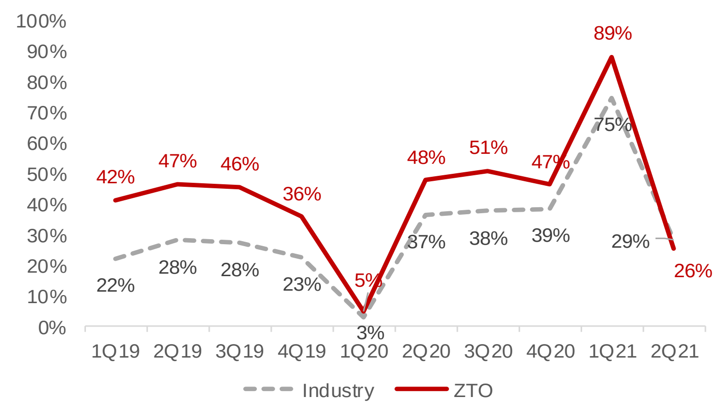
Link to latest report: ZTO (2057 HK) – Solid 1Q21 volume with resilient ASP

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	25,214	32,382	40,686	47,668
YoY growth (%)	14	28	26	17
Net income (RMB mn)	4,312	4,727	6,249	7,778
EPS (RMB)	5.43	5.66	7.49	9.32
YoY growth (%)	-14.5	4.3	32.2	24.5
Consensus EPS (RMB)	N/A	5.65	7.10	8.97
EV/EBITDA (x)	22.9	18.8	14.0	11.4
P/E (x)	39.8	35.9	27.1	21.8
P/B (x)	3.7	3.2	3.0	2.7
Yield (%)	0.8	0.9	1.1	1.4
ROE (%)	9.9	9.3	11.4	13.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: ZTO's parcel volume growth versus industry



Source: Company data, CMBIS

JS Global (1691 HK): Rapid growth and stable margin are achievable

Rating: BUY | **TP:** HK$27.54 (60% upside)

Analyst: Walter Woo

- **Investment Thesis:** The COVID-19 outbreak in FY20, in our view, was definitely a push for Joyoung and SharkNinja due to greater interest on home cooking and online shopping. However, its existing competitiveness is a more important factor behind its rapid growth. It is #3 and #2 small appliances brand owner in China and US, owing brands like Joyoung, Shark and Ninja. Growth drivers include launches of more innovative products and expansion to other categories (e.g. hair dryer, cookware, air purifier, coffee makers) and regions (e.g. EU, Japan, Australia).

- **Our View:** Small appliances industry sales growth may face a high base in 2H21E, but demand could still be healthy due to wealth effect (property and stock prices are still appreciating in US and EU). We continue to think Shark and Ninja can outperform its peers in 2H21E and FY22E. On the costs side, it had prepared well and is agile enough to cope with strong CNY, raw material prices and freight rate hike. Moreover, Mr. Wang (Chairman and CEO) had purchased shares at HK$16.0- 16.8 in early Sep.

- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 3% higher/ 3%/ 9% lower than BBG est. and our adj. NP forecasts are 11%/ 3% higher/ 1% lower than street as we are less optimistic on SharkNinja's sales but expecting a much better and sustainable operating leverage FY21E-22E.

- **Catalysts:** 1) stronger than expected small appliances exports; 2) stronger than expected Black Friday and Christmas sales, 3) successful launch of new and innovative products and 4) easing of raw material costs.

- **Valuation:** We derived our 12m TP of HK$27.54 based on 20x FY22E P/E. We believe new product cycle, category and region expansion can provide loads of growth ahead. The stock is only trading at 13x FY22E P/E.

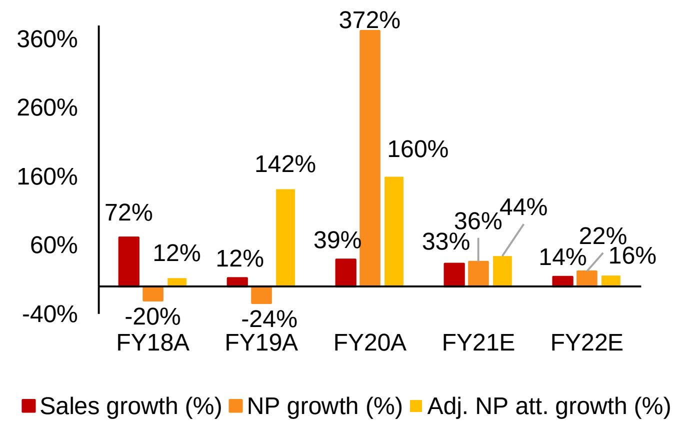
Link to latest report: JS Global (1691 HK) – Rapid growth and stable margin are achievable

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Sales (US$ mn)	4,196	5,589	6,376	7,081
YoY change (%)	39.1	33.2	14.1	11.1
Adj. Net profit (US$ mn)	378	545	634	739
Adj. EPS - Fully diluted (US$)	0.106	0.153	0.178	0.207
YoY change (%)	153.9	44.3	16.2	16.7
Consensus EPS (US$)	N/A	0.138	0.173	0.208
Adj. P/E (x)	21.9	15.2	13.1	11.2
P/B (x)	3.5	2.8	2.2	1.7
Yield (%)	1.5	2.3	3.3	3.9
ROE (%)	15.0	16.5	15.9	14.9
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and adj. net profit growth forecasts



Source: Company data, CMBIS estimates

Bosideng (3998 HK): Agility and brand elevation are key strategies

Rating: BUY **| TP:** HK$6.13 (10% upside)

Analyst: Walter Woo

- **Investment Thesis:** Bosideng with superior fashion, digital capability and efficiency should gain more market shares in the long run, especially when the domestic fashion becoming the main stream in China. 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:** Winter certainly came late and warmer in 2021 (average temperature in Beijing was ~17 degrees during 1-5 Oct (vs 8 degrees last year), but there is still some buffer given low base last year (because of COVID-19). Moreover, with series of marketing ahead (e.g. new brand ambassador, new high end products) and expansion of product categories (e.g. outdoor products), we believe a 15%+ YoY sales growth and 1-2ppt OP margin improvements in FY22E are totally achievable. Our base case assumption is a mild winter in 2021-2022 as there is a 70-80% chance of Li Nina, reported by NOAA.
- **Why do we differ vs consensus:** For FY21E/ 22E/ 23E, our sales forecasts are 5%/ 10%/ 14% lower than consensus and our net profit forecasts are 6%/ 13%/ 14% below street as we are more conservative on its volume growth and GP margin expansion sustainability.
- **Catalysts:** 1) better than expected weather, 2) positive feedback on its fashion shows or crossovers and 3) rising appetite for domestic fashion.
- **Valuation:** We derived our 12m TP of HK$6.13 based on 23x FY23E P/E. We believe better and colder weather ahead can drive positive sentiments and avoid de-rating. The stock is trading at 20x FY23E P/E.

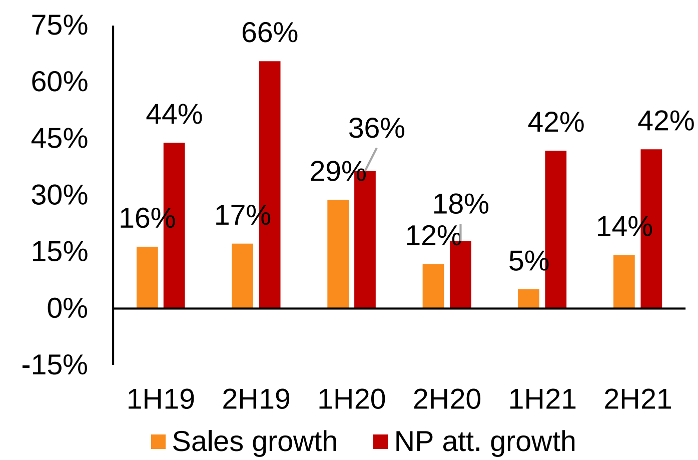
Link to latest report: Bosideng (3998 HK) – Agility and brand elevation are key strategies

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	13,517	15,526	17,404	19,103
YoY change (%)	10.9	14.9	12.1	9.8
Net profit (RMB mn)	1,710	2,108	2,472	2,883
EPS - Fully diluted (RMB)	0.153	0.188	0.221	0.258
YoY change (%)	49.5	25.5	17.3	16.6
Consensus EPS (RMB)	N/A	0.201	0.253	0.300
P/E (x)	28.8	22.9	19.6	16.8
P/B (x)	4.3	3.9	3.6	3.3
Yield (%)	2.6	3.1	3.6	4.2
ROE (%)	16.1	18.4	20.0	21.5
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

CTGDF (601888 CH): Shares likely mean-revert on sequentially better 4Q tourist traffic

Rating: BUY **| TP:** RMB350.0 (33% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Travel bans in view of the outbreak of Delta Variant in Guangzhou and Nanjing is likely to weigh on 3Q domestic travel momentum. That said, when the pandemic gradually dies down and when vaccination surpasses 2.1bn times, we see scope for domestic travel to normalize into 4Q, particularly when the quarter is clustered with various festivals and campaigns that catalyze leisure travelling and shopping.

- **Our View:** CTGDF is the largest domestic duty-free operator with 90%+ market share in 2020, and is therefore poised to be the major beneficiary of this recovery trajectory. The stock is trading at 30.9x end-22E P/E, at par to its 3-year average but -2sd below its 1-year average, when the stock was re-rated on policy tailwind. We argue shares mean-reversion is likely to take place towards 4Q, not to mention value to be unlocked through its secondary H share listing on an expanded shareholder base.

- **Catalysts:** Potential earnings upside on rental renegotiation and tax concession. We believe rental renegotiation for Beijing airport could enhance operating leverage, while Hainan's potential tax concession approval could boost 2021/22E net profits by approximately 8%, in our estimate. Separately, owing to a rising online/ lower-margins SKU mix, we expect pressure to gross margins to prevail until 2022E when a more centralized procurement strategy, recovering offline traffic and the SKU mix upgrade could revive the trend

- **Valuation:** Our target price of RMB350.0 is based on 43.0x end-22E P/E, which represents +1sd above the average of the last 3 years. Our multiple is also benchmarked to the average valuation of 44.0x since July 2020. This explains our near-term expectation for CTGDF's share price to mean-revert as if domestic travel and spending were to recover as we are heading to a more festive 4Q.

Link to latest report: CTGDF (601888 CH) – At near term trough; Shares likely mean-revert on sequentially better 4Q tourist traffic; Initiate at Buy

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	52,597	78,379	114,404	151,491
YoY growth (%)	9.7	49.0	46.0	32.4
Net income (RMB mn)	6,390	10,681	15,873	21,255
EPS (RMB)	3.3	5.5	8.1	10.9
YoY growth (%)	63.6	69.4	50.3	33.9
Consensus EPS (RMB)	N/A	5.6	7.8	10.1
P/E (x)	N/A	45.9	30.9	23.1
P/B (x)	N/A	16.2	11.5	8.3
Div Yield (%)	N/A	0.5	0.7	1.0
ROE (%)	28.6	35.2	37.2	35.9
Net gearing (%)	54.6	46.6	45.8	49.4

Source: Company data, Bloomberg, CMBIS estimates

Fig: 1-year forward P/E since Jun 2020

Source: Company data, CMBIS estimates

Innovent Biologics (1801 HK): Building world-leading innovation platform

Rating: BUY **| TP:** HK$116.89 (53% upside)   Analysts: Jill Wu/ Andy Wang/ Jonathan Zhao

- **Investment Thesis:** Innovent is a leading integrated biopharma company with comprehensive innovative pipelines including mAbs, bsAbs, small molecules and CAR-Ts, covering oncology, autoimmune and metabolic diseases. Besides 5 marketed products (sintilimab, three biosimilars and pemigatinib), Innovent has 6 innovative drugs in pivotal clinical stage, including IBI306 (PCSK9 mAb), IBI310 (CTLA-4 mAb), IBI376 (PI3Kδ inhibitor), IBI326 (BCMA-CART), taletrectinib (ROS1/NTRK inhibitor) and HQP1351 (olverembatinib, 3rd-generation BCR-ABL TKI). In addition, Innovent has established a comprehensive innovative portfolio covering next-generation I/O targets, including KRAS G12C, CD47/SIRPα, TIGIT, LAG3, 4-1BB, etc. It's worth noting that Innovent is an early mover in CD47-SIRPα pathway with three assets under development, including clinical-stage IBI188 (CD47 mAb) and IBI322 (PD-L1/CD47 bsAb), and preclinical stage IBI397 (AL008, SIRPα mAb). As the Company's major source of revenue during recent years, we expect Tyvyt to realize RMB5,974mn and US$1,507mn of peak sales in China and overseas markets, respectively.

- **Our View:** We expect Tyvyt, Byvasda (bevacizumab biosimilar), Sulinno (adalimumab biosimilar) and Halpryza (rituximab biosimilar) will contribute the majority of revenue in the near future. We forecast total revenue to reach RMB3,882mn/ RMB6,098mn/ RMB8,578mn in FY2021E/22E/23E, representing a YoY change of 1%/57%/41%, respectively. We forecast Tyvyt to contribute 74% of Innovent's total revenue in FY21E while the three biosimilars accounting for 26% of the total revenue.

- **Why do we differ vs consensus:** Although our FY21E/22E/23E revenue are -9%/-8%/-3% different from consensus, we are positive on the Company's growth, especially in its fast-growing sales from I/O therapies. With more and more products launch in the near future (commercialization of IBI375, IBI306, IBI310 and IBI376 in China during 2022-23E) and the NDRL inclusion of Tyvyt's large indications in 2021E, we are very optimistic on the Company's profitability.

- **Valuation:** We derive our target price of HK$116.89 based on a 15-year DCF valuation (WACC: 9.30%, terminal growth rate: 4.0%).

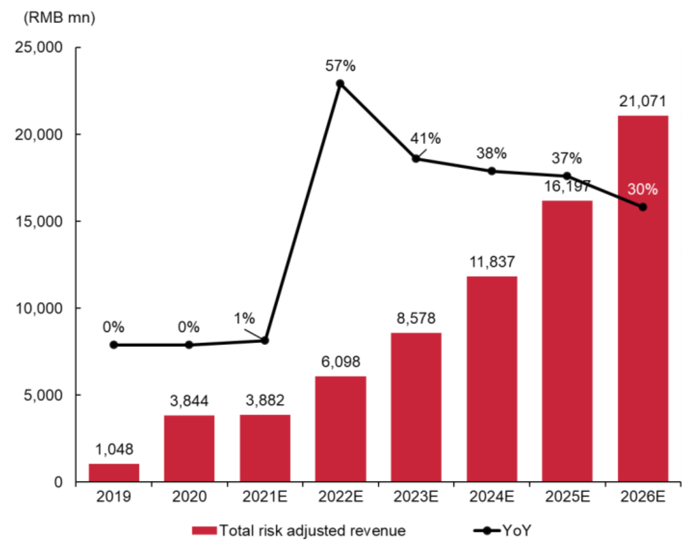
Link to latest report: Innovent Biologics (1801 HK) – Building world-leading innovation platform

Financials and Valuations

(YE 31 Dec)	FY21E	FY22E	FY23E
Revenue (RMB mn)	3,882	6,098	8,578
YoY growth (%)	(1)	(57)	(41)
Net profit (RMB mn)	(2,177)	(1,225)	(307)
EPS (RMB)	(1.49)	(0.84)	(0.21)
Consensus EPS (RMB)	(1.03)	(0.46)	0.43
P/S (x)	6.8	7.1	6.8
ROE (%)	(20)	(12)	(3)
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Revenue trend



Source: Company data, CMBIS estimates

China Pacific Insurance (2601 HK): Re-energizing agency force

Rating: BUY | **TP:** HK$35.96 (42% upside)

Analyst: Gigi Chen

- **Investment Thesis:** 1H21 agency new business momentum was better than major peers in spite of a decline in agent headcount, as the insurer continued to focus on agency business and regular pay products. Agency FYP grew 18.5% YoY in 1H21, with agency FYRP up 34%YoY, outperforming the major peers (agency FYP -8% for China Life, +5% for Ping An). Agent productivity increased 41.6% YoY, and average first-year commission income rose 15.1% YoY. The insurer also achieved double-digit growth of health insurance business, outpacing the industry average momentum in 1H21. Looking into 2H21 and 2022, we expect the new initiatives launched at the life arm to improve agent activity and increase top-up sales to existing customers. We also notice the insurer is progressing in technology deployment and innovation which will support growth and improve efficiency, in our view.
- **Long-term growth outlook remains intact:** Given the increasing demand of pension on the back of aging population, we believe that the long-term growth outlook of commercial life insurance remains intact. And we expect insurers with consistent focus on productivity and value to outperform amid the industry-wide agency transformation.
- **Catalysts:** (1) We expect new business momentum to turn around in 2H21 on a low base in 1H20; (2) the new CEO of CPIC Life, Mr. John CAI has conducted his field research over the past months, and we expect to see new strategic initiatives from the management in 2H21.
- **Valuation:** Our PO is based on adjusted appraisal value under the assumptions of (1) 3.0% long-term investment return, (2) 11% risk discount rate, (3) 35% write-down of corporate bonds and non-standard debt investments and (4) 15x NB multiple. The stock is trading at 0.4x FY22E P/EV or 0.8x FY22E P/B, with attractive yield at above 7.5%. Reiterate BUY.

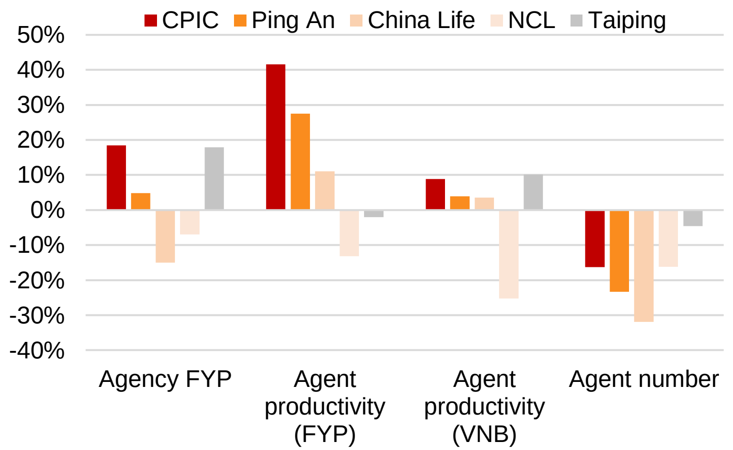
Link to latest report: China Pacific Insurance (2601 HK) – Re-energizing agency force

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
GWP (RMB mn)	362,064	379,880	404,464	428,514
YoY growth (%)	4.2	4.9	6.5	5.9
Total income (RMB mn)	418,964	422,765	451,759	480,925
Net profit (RMB mn)	24,584	27,441	30,243	32,957
EPS (RMB)	2.6	2.9	3.2	3.5
YoY Growth (%)	(14.1)	11.6	10.2	9.0
Consensus EPS (RMB)	N/A	2.9	3.2	3.6
P/B (x)	0.9	0.8	0.8	0.7
P/EV (x)	0.4	0.4	0.4	0.3
Yield (%)	6.3	7.0	7.7	8.4
ROE (%)	12.5	12.4	12.7	12.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: Chinese insurers 1H21 agency YoY changes



Source: Company data, Bloomberg, CMBIS estimates

Meituan (3690 HK): Relative defensive despite temporary risks

Rating: BUY **| TP:** HK$383 (38% upside)

Analysts: Sophie Huang/ Miriam Lu

- **Investment Thesis:** We keep positive on Meituan Dianping's ("MD") secular growth, backed by rising online consumption, new initiatives (e.g., community e-commerce), and digital operation. Despite ST pressure from regulation and epidemic, Meituan could be relatively defensive with well-guided financials, optimized and compliant system, and limited exposure to upcoming content supervision. **Our bear case analysis (excl. new biz valuation) indicates HK$180 as fundamental price floor.** Suggest to buy the dips for attractive valuation and potential catalysts from anti-trust fine.
- **Our View:** We expect Meituan's food delivery orders +25% YoY in 3Q21E, with AOV flat QoQ and OPM diluted to 3% by epidemic, natural disasters, and higher subsidies. Given low market expectation, we view such deceleration and margin volatility as acceptable. We anticipate in-store, hotel and travel rev to +31% YoY with OPM at 40% in 3Q21E, due to one-off impact from COVID-19 and flood. As Meituan focuses on LT capability investment for new initiatives, we estimate new biz loss to be RMB10.5bn in 3Q21E (Meituan Select ~RMB7.5bn) with improving UE.
- **Why do we differ vs consensus:** Market concern lies on anti-trust law, social insurance impact, and potential threat from Douyin. We believe near-term concern have been priced in and more prudent monetization outlook was well-guided.
- **Catalysts:** 1) regulation overhangs to lift ; 2) new initiatives to expand TAM (e.g. ride hailing).
- **Valuation:** Maintain BUY with SOTP-based TP of HK$383, implying 8x FY22E P/S. Valuation is attractive, given its 41% FY20- 23E rev CAGR and expanding TAM, in our view.

Link to latest report: Meituan (3690 HK) – Regulation & epidemic impact manageable

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	114,795	183,818	253,252	325,206
YoY growth (%)	18	60	38	28
Net income (RMB mn)	3,305	(16,281)	(1,827)	16,092
EPS (RMB)	0.52	(2.64)	(0.29)	2.46
YoY growth (%)	(34)	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(2.59)	(0.12)	2.68
P/E (x)	369	NA	NA	78
P/S (x)	10.6	6.4	4.8	3.9
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.0	(31.1)	(11.2)	11.7
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

Bilibili (BILI US): Full-year growth intact

Rating: BUY | **TP:** US$110 (55% upside)

Analysts: Sophie Huang/ Miriam Lu

- **Investment Thesis:** We keep bullish on BILI's LT user expansion and monetization enhancement, backed by vibrant community, unique PUGC, strong user stickiness, and enriched offerings. FY21E MAU and rev growth target intact, while segment guidance updated to games/ non-games rev +12~13%/90% YoY (vs. priori +25%/80% YoY). Regarding minor protection, we believe game sector de-rating has priced in regulatory headwinds, while soft video and social sentiment may bring short-term pressure despite limit financial impact.

- **Our View:** Given new games delay, we expect games rev +15% YoY in 3Q21E (vs. prior 24%). In-house game development would be LT strategic priority, while 2H21E eyes on contribution from overseas games and key titles (e.g. *Time Studio*, *Eternal Tree*). Mgmt. expect manageable regulation impact from teenager gaming anti-addiction (1% grossing mix from minors). We expect non-games biz +85% YoY in 3Q21E, and blended GPM -2ppts QoQ to 20% before slightly improving in 4Q21E with LPL rev contribution.

- **Why do we differ vs consensus:** Market concern lies on regulations and rising content cost. BILI's stock price might see continuous volatility for sector de-rating, protection for young gamers, and live streaming regulation headwinds, but we are positive on its long-term topline outlook and user trend.

- **Catalysts:** 1) solid user metrics and topline in 3Q21E; and 2) new games to further boost game rev.

- **Valuation:** We barely changed our full-year estimates but lowered TP to US$110 (8.5x FY22E P/S, vs. prior 11x FY22E P/S) to reflect sector de-rating. Maintain BUY.

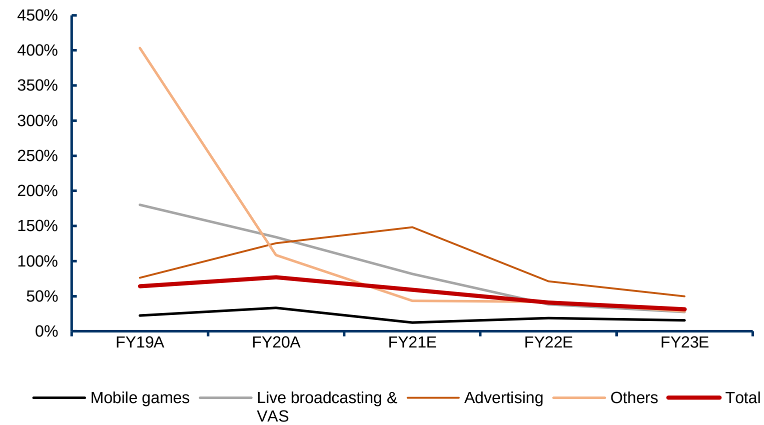
- **Link to latest report:** Bilibili (BILI US) – Full-year growth intact

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	11,999	19,119	26,991	35,416
YoY growth (%)	64	59	41	31
Net income (RMB mn)	(2,622)	(4,380)	(5,284)	(5,039)
EPS (RMB)	(7.46)	(13.52)	(15.11)	(14.27)
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(11.98)	(10.60)	(6.82)
P/E (x)	N/A	N/A	N/A	N/A
P/S (x)	12.1	7.0	5.4	4.1
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	(38.56)	(22.6)	N/A	N/A
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: BILI's revenue growth estimates



Source: Company data, CMBIS estimates

CR Land (1109 HK): Rental income to ride on consumption recovery

Rating: BUY **| TP:** HK$44.79 (43% upside) Analysts: Jeffrey Zeng/ Xiao Xiao

- **Investment Thesis:** In 2021, we favor 1) Names with high % of rent-bearing mall property: We expect a personal spending boom in 2021 on a) high deposit rate (1 - expenditure-to-income ratio) in 2020, b) wealth effect of the stock market, and c) the gradual distribution of COVID-19 vaccines. 2) "Borderline green-zone" names: Under current tight policy and stable market, sales growth depends on an increase in goods value, which in turn depends on an increase in corresponding debt. "Green-zone" (those meeting all three red lines) and "borderline green-zone" (those that can meet all three by YE20) names will have 5-10% edge in debt growth. Such a gap could widen given restricted land cost and rising sales GP margin.

- **Our View:** Investment highlights for CR Land are 1) 30%+ growth in mall rent collection in 2021, 2) CR City Phase IV boosting Shenzhen's sales share and overall GPM. 3) Spin-off of rent collection business to generate value. We see the promotion of CR City Phase IV in Dec 2020 and upcoming results announcement as major catalysts.

- **How do we differ:** Overall, we see the market as over-concerned on 1) further policy tightening and 2) decline in property demand. We think the high saving rate and wealth effect of 2020 would help drive consumption recovery, which would benefit major shopping mall runners in the property space (i.e. CR Land) to accelerate rental income growth.

- **Valuation:** The Company currently trades at 4.8x 2021E P/E vs. historical average of 9x. Moreover, the increase in revenue share of rent collection business could trigger re-rating: see Longfor (960 HK) which currently trades close to 10x 2021E P/E.

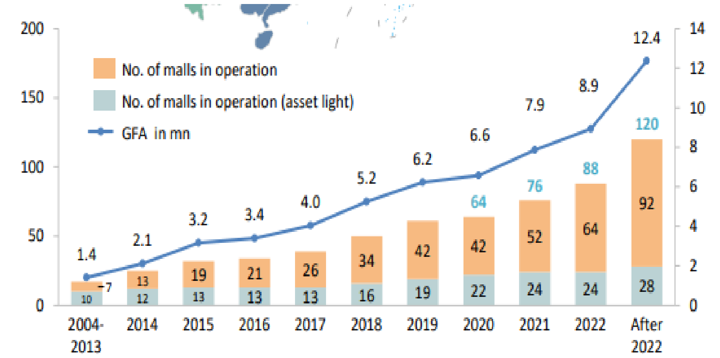
Link to latest report: China Property Sector – Better wait until 4Q to position the sector

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	147,736	179,587	242,568	271,335
YoY growth (%)	21.9	21.2	35.1	11.9
Net income (RMB mn)	28,672	29,810	31,809	34,666
EPS (RMB)	4.12	4.18	4.46	4.86
YoY growth (%)	17.7	1.5	6.7	9.0
Consensus EPS (RMB)	N/A	N/A	4.05	4.63
P/E (x)	5.2	5.1	4.8	4.4
P/B (x)	1.1	1.2	1.1	1.0
Yield (%)	4.0	3.8	4.6	5.1
ROE (%)	16.5	13.7	14.6	14.3
Net gearing (%)	30.3	32.1	31.6	34.4

Source: Company data, Bloomberg, CMBIS estimates

Fig: CR Land's opening plan



Source: Company data, CMBIS

CG Services (6098 HK): 13-20% earnings boost from Languang acquisition

Rating: BUY | **TP:** HK$91.2 (45% upside)

Analysts: Jeffrey Zeng/ Xiao Xiao

- **Investment Thesis:** We are very confident on its >RMB100bn revenue target by 2025E (50% CAGR) as 1) contracted GFA to exceed 1.3bn sq m in 2021E after acquiring Languang; 2) step into commercial property managements which is another blue sea; 3) fast-growing VAS via offering more comprehensive services (e.g. community group shopping, insurance) to increase VAS/sq m to RMB30; and 4) city services to further widen BtoG and BtoB business connection. As a result, we revise up 2021/22E earnings by 10-17% and lift TP to HK$91.2. Reiterate CGS as our Top Pick on growth visibility and VAS. **Catalysts**: 1H21 results beat

- **Our View:** We with high visibility as its parentco could achieve >70mn GFA sales per year. Unlike most players, CGS has turned its M&A focus to community VAS expansion, reflected in City-Media (elevator ads), Hopefluent (real estate agency) and Wenjin International (insurance) acquisitions. Together with CGS' own booming retail business (with the help of its Parentco sourcing), we believe expect managed GFA to grow at a stable 30% CAGR in 2019-2022E the Company would be the key winner in VAS growth.

- **How do we differ:** We value CGS' potential in VAS which the market has not yet recognized. With CGS's strong capital and execution, we think the Company can improve its VAS per sq m from current RMB3/sq m to RMB30/sq m in the future, getting closer to the level of RMB50-56 in US and Japan. We think its Community VAS could contribute as much as RMB5bn net income in the mid-to-long run, and may be worth RMB150bn valuation alone by assigning 30x PE.

- **Valuation:** We derive the target price of HK$91.2/share by using 35x 2022E PE based on the score card. It's currently trading at 21x 2022E PE and looks attractive. We think it will rerate after better-than-expected 1H21 results.

Link to latest report:
China Property Service Sector – Long-term thesis stays unchanged; Pair trade opportunities amid macro and parentco risks

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	9,645	15,600	27,265	39,683
YoY growth (%)	106.3	61.7	74.8	45.5
Net income (RMB mn)	1,671	2,686	4,649	6,479
EPS (RMB)	0.63	0.98	1.57	2.20
YoY growth (%)	69.8	55.7	61.3	39.4
Consensus EPS (RMB)	N.A.	N.A.	1.28	1,75
P/E (x)	74.7	48.0	30.0	21.4
P/B (x)	N/A	23.1	32.9	20.9
Yield (%)	N/A	0.3	0.7	1.0
ROE (%)	31.1	18.4	25.8	28.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: CGS has first-move advantage in VAS acquisitions

Date	Target company	Business	Stake	Consideration (RMB mn)
Apr-20	Wenjin Insurance I	Insurance	100%	84
Apr-20	Hopefluent	Property agency	100%	92
Jul-20	City Media	Elevator ads	100%	1,500

Source: Company data, CMBIS estimates

China Hongqiao (1378 HK): No impacts from power shortage; 2H21E to aim higher for earnings growth

Rating: BUY **| TP:** HK$15.0 (60% upside)

Analyst: Robin Xiao

Investment Thesis: Cyclical names experienced share price correction from power shortage concerns. We think market had overreacted on CHQ. According to our recent update with management, CHQ suffered no impact from power outage, and maintain 5.8mn tons aluminum production target in FY21E. In terms of coal costs, we think CHQ could pass-through costs impacts to downstream, since aluminum price is now standing above RMB22,000/ton. At current valuation, we believe CHQ's downside is limited, and has attractive dividend yield. Maintain BUY with TP unchanged at HK$15.0.

- **1H21 profitability beat our expectation.** The Company recognized fair value loss of RMB1,166mn during 1H21, mainly due to non-cash and non-business CB valuation impact. Profit of the period was RMB8,424mn, up 200.4% YoY, in line with CHQ's positive profit alert. Stripping out fair value impact, CHQ's 1H21 core earnings would be RMB9.3bn, significantly beating our expectation.

- **Earnings to boom higher with good aluminum pricing**. 1H21 aluminum sales volume was largely stable, while we estimate realized ASP (VAT incl.) exhibited a significant jump to RMB17.4k/ton. In 2H21E, with reference to recent good performing aluminum price(above RMB20,200/ton), we expect ASP to increase by another 11.5% to RMB19.36k/ton(VAT incl.).Given capacity expansion is largely curb due to China's tightening carbon emission controls, we are now more optimistic on 2022-23 aluminum prices.

- **Maintain BUY with TP unchanged at HK$15.0.** We lifted FY21-23E earnings by 17.4-19.8% to RMB19.0/20.4/21.4bn respectively on higher aluminum ASP outlook. CHQ is only trading at 4.0/3.8x FY21/22E PER, and the Company is paying generous dividend ratio（48% payout）with potential yield to reach 11.7%/12.6% respectively. **We maintain our conviction view on CHQ strong fundamentals. TP is unchanged at HK$15.0.**

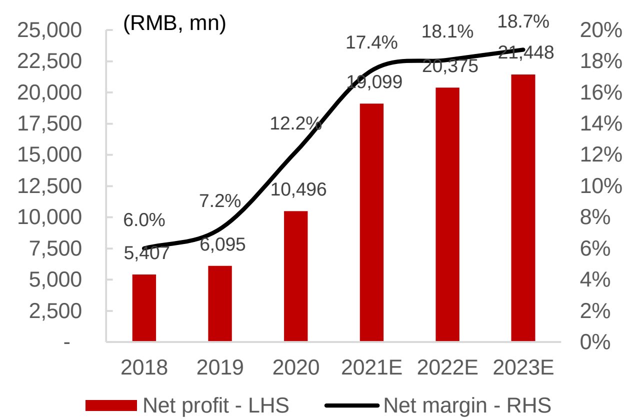
Link to latest report: China Hongqiao (1378 HK) – Outstanding 1H21 profitability; aim higher with support from good pricing in 2H21

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	86,145	109,768	112,659	114,443
YoY Growth (%)	2.33	27.42	2.63	1.58
Net Income (RMB mn)	10,496	19,099	20,375	21,448
EPS (RMB)	1.22	2.12	2.23	2.35
EPS CHG (%)	72.3	73.8	5.3	5.3
Consensus EPS (RMB)	1.12	1.60	1.77	2.26
PE (x)	6.6	3.8	3.6	3.4
PB (x)	0.80	0.67	0.59	0.53
Yield (%)	6.69	12.4	13.4	14.1
ROE (%)	15.2	22.2	20.6	19.4
Net gearing (%)	39.7	19.9	3.7	-9.9

Source: Company data, Bloomberg, CMBIS estimates

Fig: CHQ's net profit vs. net margin



Source: Company data, CMBIS estimates

China Longyuan (916 HK): Strong momentum to drive re-rating in 4Q21E

Rating: BUY | **TP:** HK$19.0 (27% upside)

Analyst: Robin Xiao

Investment Thesis: We think China State Council's power tariff market trading policy update will be a catalyst to sustain China Wind Operators' re-rating. Among peers, we believe 1) CLY to benefit more from higher proportion of electricity market direct sales; 2) the Company's returning to A-share comes closer as CLY completed the first round Q&A for CSRC. Given recent power supply shortage in China, we think market will place more focus on wind power output data, especially for high wind season in 4Q21E. We also expect market to price in further expectation for green electricity with higher project return outlook and overall earnings performance.

- **Wind tariff to increase with new market trading policy.** CLY recorded electricity direct market sales of 24.75%/29.78% in 1H21/2020, respectively. Those direct market sales came with significant discount (20-30%) to baseline coal-power tariff, and we expect the discount level will be narrowed or even trade at premium in view of tighten electricity supply. We believe CLY's earnings performance will improve with potential tariff increment.

- **On track to return A-share market.** CLY released announcements on Oct 8 for the first round CSRC Q&A. CSRC had 27 questions. We think most of them were general inquiry, and CLY had made detail responses. We believe CLY's pace for A-share listing is on track and coming closer with a potential time frame to be done by end-2021.

- **Market sentiment to be strengthened.** We think surging wind power output in 4Q could be one of the cures for power shortage. Moreover, we also think market has increasing expectation for wind operators to realize better tariff and return outlook through "Green Electricity" trading as China to adopt tighten energy consumption controls.

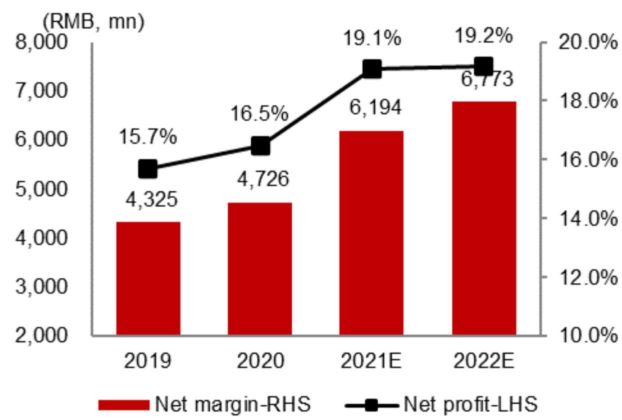
Link to latest report: China Longyuan (916 HK) – Strong momentum to drive re-rating in 4Q21E

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	28,667	32,446	35,312	39,577
YoY Growth (%)	4.1	13.2	8.8	12.1
Net Income (RMB mn)	4,726	6,194	6,773	7,848
EPS (RMB)	0.59	0.77	0.84	0.98
EPS CHG (%)	9.3	31.0	9.4	15.9
Consensus EPS (RMB)	N/A	0.74	0.84	1.0
PE (x)	23.3	17.7	16.2	14.0
PB (x)	2.13	1.93	1.76	1.60
Yield (%)	0.9	1.1	1.2	1.4
ROE (%)	9.2	10.9	10.9	11.4
Net gearing (%)	165	175	189	199.3

Source: Company data, Bloomberg, CMBIS estimates

Fig: CLY's net profit vs. net margin



Source: Company data, CMBIS estimates

BYDE (285 HK): Strong outlook with multiple drivers ahead

Rating: BUY **| TP:** HK$49.5 (85% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** BYDE is the leading vertically integrated handset assembly/component supplier in China. Its major clients include Xiaomi, Apple, Oppo 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 products in 2021-23E.

- **Our View:** We believe share gain in Xiaomi /iPad OEM, smart/automobile products and e-cigarette ramp remain on track in 2H21E despite near-term headwinds on chip shortage. 1) Xiaomi**:** We expect BYDE's EMS share allocation from Xiaomi to increase to 40% in FY21E from 10-20% in FY20E. 2) Apple: We believe BYDE will expand its iPad share allocation to 30-40% in 2021. We expect BYDE to gain share in iPhone/Watch ceramic products and also penetrate into iPad metal casing and front glass. We forecast Apple revenue will reach RMB50bn in FY23E. 3) e-cigarette: 40 automated production line for e-cigarette products have been installed, and total shipment can reach 4mn per day at full utilization in 2022E.

- **Why do we differ vs consensus:** We expect revenue will accelerate to 22%/30% YoY growth in 3Q/4Q21E (vs +8% in 2Q21), driven by Android flagship launches and iPad ramp. We also expect earnings growth to resume at 32% YoY in 4Q21E after 55% YoY decline in 3Q21E.

- **Catalysts:** Near-term catalysts include faster share gain and Xiaomi/Apple product launches, and e-cigarette progress.

- **Valuation:** Our prior SOTP-based TP of HK$49.5 implies 16.4x FY22E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

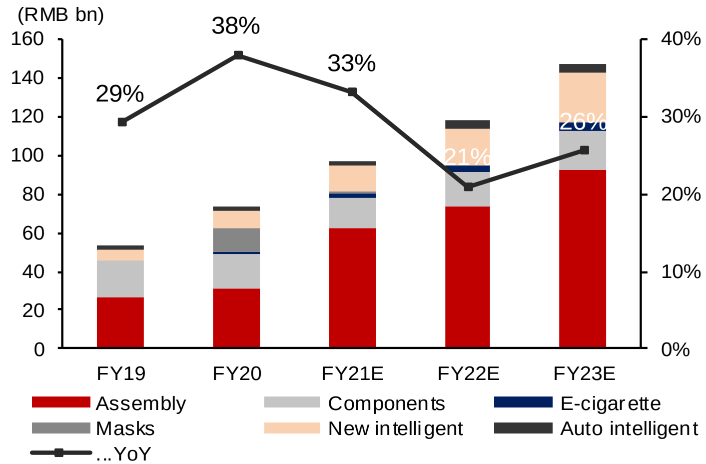
Link to latest report: BYDE (285 HK) – Outlook intact despite NT headwinds; Maintain BUY

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	73,121	97,307	117,744	147,850
YoY growth (%)	37.9	33.1	21.0	25.6
Net profit (RMB mn)	5,441	3,937	5,643	7,306
EPS (RMB)	2.41	1.75	2.50	3.24
YoY growth (%)	240.6	(27.6)	43.3	29.5
Consensus EPS (RMB)	NA	1.96	2.57	3.15
P/E (x)	9.1	12.6	8.8	6.8
P/B (x)	4.4	3.8	3.2	2.6
Yield (%)	0.8	0.6	0.8	1.1
ROE (%)	24.9	15.5	18.5	19.7
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

Willsemi (603501 CH): A diversified & established global CIS player

Rating: BUY **| TP:** RMB370.75 (58% upside)

Analysts: Lily Yang/ Alex Ng

- **Investment Thesis:** Willsemi is a top 3 manufacturer in global CIS market. We forecast Willsemi's revenue/NP to grow at 32%/43% 2020-23E CAGR, driven by strong demand for CIS from mobile, automotive, VR/AR and other fast-growing end markets. We believe Chinese CIS players will be major beneficiaries of China semi localization and expanding global CIS market (7.2% 21E-26E CAGR).

- **Our View:** We view recent correction as an attractive opportunity for investors to gain exposure to quality Chinese semi fabless names that can ride strategic trends. During recent correction, the stock now trades at attractive valuation of 32.4x FY22E P/E, more than 1-SD below 2-year historical fwd P/E. We maintain BUY with 12m TP of RMB370.75, as we think Willsemi is an established player with diversified product portfolio.

- **Why do we differ vs consensus:** Although there are mixed views on smartphone camera spec, we believe mobile CIS will continue to deliver solid results on smartphone updates. Meanwhile, we would like to emphasize the greater potentials beyond mobile market, which has stronger demand and higher GPM. We believe earnings contribution from non-mobile CIS will surpass mobile CIS in FY22E thanks to rapid growth in automobile, security, AR/VR and medical.

- **Catalysts:** Near-term catalysts include Q3 results and new VR products to be released by Oculus.

- **Valuation:** Our TP of RMB370.75 by applying 50x FY22E P/E, in-line with 1SD above 2-year historical forward P/E.

Link to latest report:

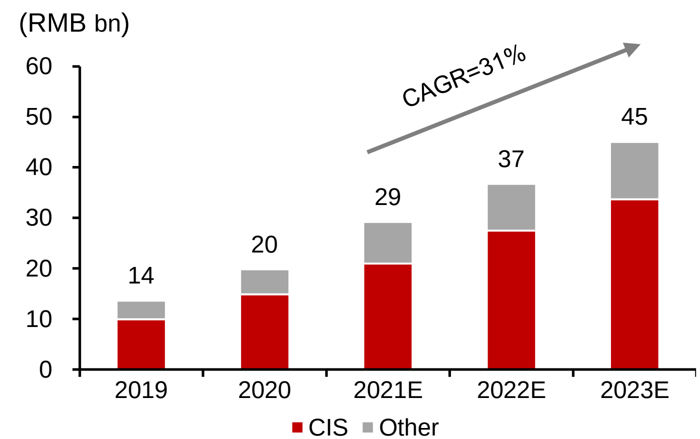
- Willsemi (603501 CH) – The next chapter beyond mobile CIS is coming
- China CIS market – Beginning of multi-year growth cycle; Initiate BUY

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (US$ mn)	19,824	29,203	36,723	45,061
YoY growth (%)	45.4%	47.3%	25.7%	22.7%
Gross margin (%)	29.9%	32.5%	33.2%	33.3%
Net profit (US$ mn)	2,706	4,838	6,487	7,904
EPS (US$)	3.21	5.58	7.48	9.11
YoY growth (%)	322.4%	73.7%	34.1%	21.8%
Consensus EPS (US$)	3.21	5.30	6.78	8.58
PE (x)	79.9	46.0	34.3	28.2
PB (x)	19.2	13.4	9.8	7.3
ROE (%)	23.5%	28.5%	27.8%	25.4%
Net gearing (%)	6.7%	Net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Willsemi Revenue trend



Source: Company data, CMBIS estimates

Hikvision (002415 CH): Intelligent camera leader

Rating: BUY **|** **TP:** RMB80.00 (40% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Hivision is more than a surveillance camera provider as camera applications are expanded by embedding AI/ sensor technology. Hikvision products cover 70 industries and EBG (enterprise) is replacing PBG (public security) as the new growth driver. We expect Hikvision to deliver 22% net profit CAGR in FY20-23E.

- **Our View:** We like Hikvision for its camera technology leadership and continuous margin improvement. Given diversified customer mix, Hikvision can achieve stable growth and face less policy risk. Hikvision Innovative business segments (smart home products/ robotics/ thermal/ x-ray products etc.) is gaining traction, revenue was up +122% YoY to RMB5.6bn in FY1H21 and contributed 16% of total revenue. Gross margin is also improving (+3.1 pct pts to 41.6% in FY1H21), narrowing the gap with core surveillance GPM of 47.2%.

- **Why do we differ vs consensus:** Hikvision has adopted high inventory level strategy since Hisilicon ban in 2019. This helps secure customers and gain market share amid global raw material shortage, especially for SMBG (SME customers) and overseas business.

- **Catalysts:** Accelerating enterprise digitalization, public security projects bidding grow faster than expected.

- **Valuation:** We derive our target price of RMB80.00 on 36x FY22E P/E, 50% above its 3-year mean. Hikvision deserves re-rating as 1) supply chain risk is mitigated after two years of product re-design and 2) strong growth in innovative business proves Hikvision transformation to an intelligent camera solution provider.

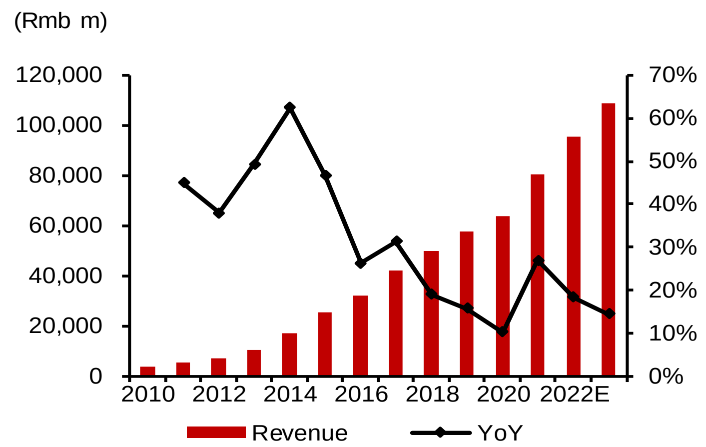
Link to latest report: Hikvision (002415 CH) – Innovative business gaining momentum

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	63,503	80,603	95,313	109,022
YoY growth (%)	10%	27%	18%	14%
Net profit (RMB mn)	13,386	16,969	20,747	24,187
EPS (RMB)	1.43	1.82	2.22	2.59
YoY growth (%)	8%	27%	22%	17%
Consensus EPS (RMB)	1.43	1.79	2.16	2.55
PE (x)	38.4	30.3	24.7	21.2
PB (x)	9.6	8.1	6.9	5.9
Dividend Yield (%)	0.01	0.01	0.02	0.02
ROE (%)	27%	29%	30%	30%
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Hikvision revenue and YoY growth



Source: Company data, CMBIS estimates

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