CMBI Research Focus List

Our best high conviction ideas

12 Apr 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	Auto	BUY	67.9	441.7	168.7	282.0	67%	57.3	40.5	6.3	12.0	0.2%	Jack Bai/ Robin Xiao
CICC	3908 HK	Brokerage	BUY	26.5	63.2	18.9	23.0	22%	10.2	9.1	1.1	10.9	1.5%	Karen Sui
Far East Horizon	3360 HK	Leasing	BUY	5.0	5.6	9.3	11.1	20%	6.0	4.9	0.8	14.4	4.3%	Karen Sui
Zoomlion	1157 HK	Capital Goods	BUY	15.4	22.5	11.0	16.8	52%	8.3	7.0	1.4	18.7	4.7%	Wayne Fung
SANY International	631 HK	Capital Goods	BUY	3.7	9.2	9.2	11.9	29%	18.9	15.3	2.8	15.6	2.4%	Wayne Fung
Haier SH	6690 HK	Consumer Disc.	BUY	42.9	80.5	33.0	45.8	39%	19.3	17.2	3.4	18.8	2.1%	Walter Woo
Anta	2020 HK	Consumer Disc.	BUY	46.2	136.3	133.0	150.7	13%	39.6	30.5	10.0	29.2	0.6%	Walter Woo
WH Group	288 HK	Consumer Staples	BUY	12.9	40.3	6.8	9.6	41%	9.0	8.4	1.1	13.4	4.4%	Albert Yip
Hope Education	1765 HK	Education	BUY	2.6	22.0	2.5	3.9	53%	18.3	13.6	2.4	14.2	1.7%	Albert Yip
PA Good Doctor	1833 HK	Healthcare	BUY	14.4	120.6	97.7	142.8	46%	NA	NA	6.9	-8.3	0.0%	Jill Wu/ Sam Hu/ Jonathan Zhao
China Pacific Insurance	2601 HK	Insurance	BUY	47.0	91.8	28.9	39.2	36%	0.5	0.5	1.1	12.5	5.5%	Wenjie Ding
Meituan	3690 HK	Internet	BUY	223.3	1172.9	295.0	401.0	36%	NA	NA	NA	-44.8	0.0%	Sophie Huang/ Miriam Lu
CR Land	1109 Hk	Property	BUY	33.0	70.9	36.0	44.8	25%	7.3	6.7	1.1	14.6	4.6%	Jeffrey Zeng/ Bowen Li
CG Services	6098 HK	Property	BUY	28.1	91.1	73.0	84.6	16%	42.7	30.3	38.2	25.3	0.6%	Jeffrey Zeng/ Bowen Li
China Gas Holdings	384 HK	Renewables	BUY	21.3	23.1	31.8	37.1	17%	15.7	12.7	3.5	22.4	1.8%	Robin Xiao
China Hongqiao	1378 HK	Renewables	BUY	0.0	0.0	10.9	15.0	38%	6.1	6.1	0.7	17.2	7.6%	Robin Xiao
BYDE	285 HK	Technology	BUY	13.1	85.8	45.3	56.2	24%	16.3	15.0	5.1	21.6	0.6%	Alex Ng/ Lily Yang
ZTE	763 HK	Technology	BUY	18.4	36.3	19.5	28.1	44%	12.5	10.9	1.6	13.5	1.2%	Alex Ng/ Lily Yang
GDS	9698 HK	Software & IT services	BUY	14.4	17.9	75.0	119.4	59%	NA	NA	3.6	NA	NA	Marley Ngan
Chinasoft	354 HK	Software & IT services	BUY	3.1	26.9	8.4	11.6	37%	18.0	15.1	3.0	12.0	0.0	Marley Ngan

Source: Bloomberg, CMBIS, Price as of 12/4/2021 morning

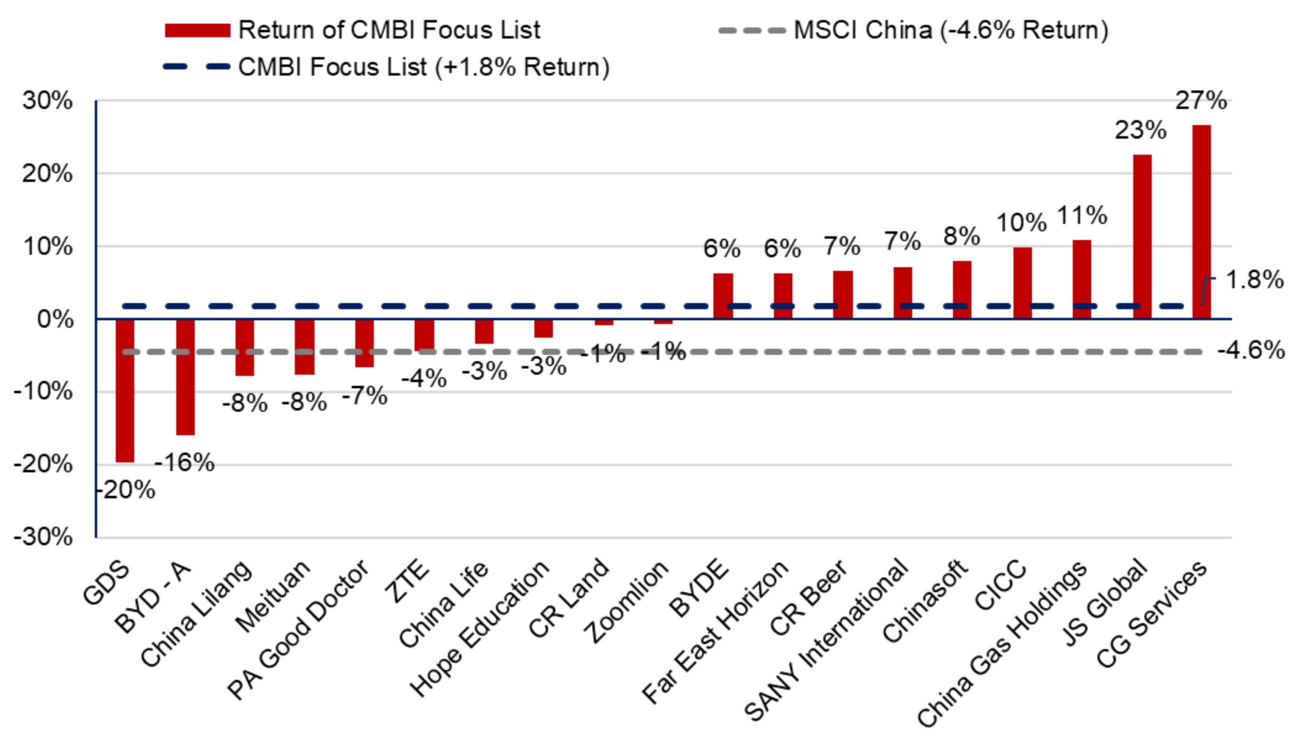
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
BYD – H	1211 HK	Auto	BUY	Jack Bai/ Robin Xiao	We believe BYD-H has more upside than BYD-A.
Haier SH	6690 HK	Consumer Disc.	BUY	Walter Woo	We believe Haier is still in its early stage of its post M&A reform and could deliver a rapid NP CAGR in FY20-23E. With 17x FY22E P/E, its risk reward is highly attractive.
Anta	2020 HK	Consumer Disc.	BUY	Walter Woo	We believe the recent retreat is an attractive entry point, as now is the key turning point for 3 of its 4 major segments (Anta, Descente and Amer) and alone the resilient FILA business and undemanding valuation.
WH Group	288 HK	Consumer Staples	BUY	Albert Yip	US govt moved up deadline for US adults to be eligible for vaccines to 19 Apr. This should accelerate re-opening of US economy and boost pork demand. We expect WH to post record high adj. NP in FY21E. The stock trades at 9.0x FY21E adj. P/E, below historical average of 11.0x. Valuation is attractive.
China Pacific Insurance	2601 HK	Insurance	BUY	Wenjie Ding	We expect CPIC Life will make further improvement upon the joining of new CEO. We also like CPIC's commitment to long-term initiatives to build health insurance ecosystem, enhance corporate governments, and generate returns for shareholders.
China Hongqiao	1378 HK	Renewables	BUY	Robin Xiao	We see aluminum price in good momentum with solid fundamental support. We expect the name to re-rate with strong earnings growth.
Deletions					
BYD – A	002594 CH	Auto	BUY	Jack Bai/ Robin Xiao	We believe BYD-H has more upside than BYD-A.
JS Global	1691 HK	Consumer Disc.	BUY	Walter Woo	We are still confident on its growth in FY21E, but we believe Haier could have a faster NP CAGR in FY20-23E, thanks to its greater margin improvement potential and higher certainty of growth.
China Lilang	1234 HK	Consumer Disc.	BUY	Walter Woo	Despite its attractive valuation and yield, share price may be more subdued because of its weaker-than-peers sales growth in 1Q21E and prudent FY21E target.
CR Beer	291 HK	Consumer Staples	BUY	Albert Yip	We remain positive on CR Beer's premiumization and production efficiency improvement trends. We believe the switch could provide better return.
China Life	2628 HK	Insurance	BUY	Wenjie Ding	We prefer CPIC over China Life.

Source: CMBIS

Performance of our recommendations

- In our last report dated 5 Mar, we highlighted a list of 19 long ideas.
- The performance of the basket (equal weighted) with these 19 stocks outperformed MSCI China index by 6.3ppt, delivering +1.8% return (vs MSCI China -4.6%).
- CG Services, JS Global, China Gas Holdings and CICC delivered 10%+ return, and 14 of our 19 long ideas outperformed the benchmark.



Source: Bloomberg, CMBIS; Note: Stock performance from 4 Mar 2021 to 9 Apr 2021

Long Ideas

BYD – H (1211 HK): Good opportunity for bottom fishing

Rating: BUY | **TP:** HK$282 (67% upside)

Analysts: Jack Bai/ Robin Xiao

- **Investment Thesis:** BYD released its FY2020 results. In 2020, the Company achieved a revenue of RMB156.6bn yuan, a growth of 23% YoY. NP was RMB4.2bn (vs CMBI estimate RMB5.2bn), up 162%YoY. We expect sales volume of the DM-i series will gradually increase from 2Q21E while BEV product matrix will be fully equipped with blade batteries, and both will open a new growth cycle. We raised our bottom-line forecast by 7% to RMB7.3bn in 2021E to reflect a higher GPM on auto segment. Reiterate BUY Rating and revised our TP to HK$282.0.

- **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.

- **Optimistic earnings outlook.** Maintain BUY with TP trimmed slightly to HK$282. Based on our revised EV sales projection, we raised our bottom-line forecast by 7% to RMB7.3bn in 2021E. We think recent weak market sentiment had created good opportunity to accumulate BYD. We remain optimistic on BYD's automotive sales in 2021E. We cut TP by 6% to HK$282 mainly on more conservative auto shipment volume assumption, maintain BUY.

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

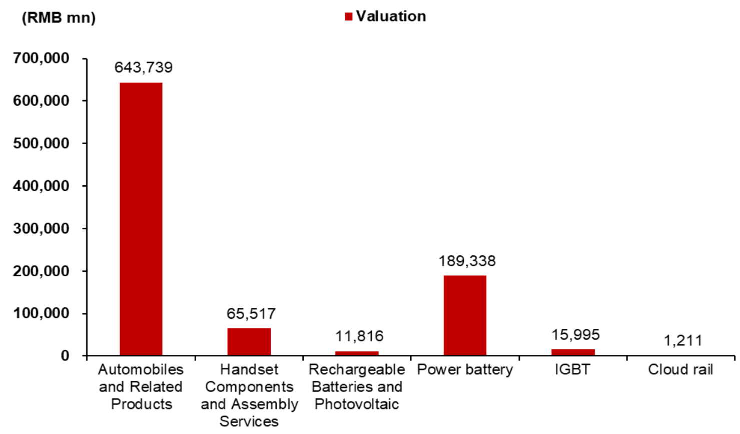
Link to latest report: BYD - H (1211 HK) – Strong DM-i growth ahead

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	127,739	156,598	193,400	245,620
YoY growth (%)	-1.78%	22.59%	23.50%	27.00%
Net income (RMB mn)	1,614	4,234	7,337	10,310
EPS (RMB)	0.50	1.47	2.51	3.55
YoY growth (%)	-47%	196%	70%	41%
Consensus EPS (RMB)	N/A	0.97	1.12	1.47
P/E (x)	288.88	97.54	57.30	40.51
P/B (x)	6.90	7.23	6.30	5.36
Yield (%)	0.04%	0.10%	0.18%	0.25%
ROE (%)	2.88%	7.45%	12.02%	14.53%
Net gearing (%)	79%	40%	42%	38%

Source: Company data, Bloomberg, CMBIS estimates

Fig: Valuation by business segments



Source: Company data, CMBIS estimates

CICC (3908 HK): Dual-engine growth – Institutionalization and WM

Rating: BUY **| TP:** HK$ 23.00 (22% upside)

Analyst: Karen Sui

- **Investment Thesis:** CICC is well positioned to capture incremental business opportunities from China's capital market reforms for its leading position in investment banking and institutionalization, and we believe the Company is also embracing a good timing to advance its WM transformation after acquisition and integration of CICC WM (prev. CIS) as more retail investors are investing into risk assets.
- **Our View:** CICC reported FY20 net profit of RMB 7.2bn, up 70% YoY, arriving at the midpoint of profit alert range. Operating revenue increased 53% YoY, fueled by stellar growth of both fee incomes and capital-based businesses, though impairment losses surged. We think CICC's outstanding franchise in IB and AM will enhance its competitiveness in the evolving capital market. After the completion of A-share IPO in Nov 2020, CICC's capital base is greatly enhanced, and the Company also obtained CSRC's approval to issue max. RMB 20bn perpetual bonds to further support its balance sheet expansion. Given CICC's high utilization of capital and stable investment performance, we believe the Company could well leverage the replenished capital base to drive further growth and help with the recovery of ROE.
- **Catalysts:** 1) Decent pipeline of mega IPOs in both oversea and domestic markets; 2) More fruit from wealth management transformation.
- **Valuation:** Our 3-stage DDM derived TP is HK$ 23.00, implying 1.25x FY21E P/B.

Link to latest report:

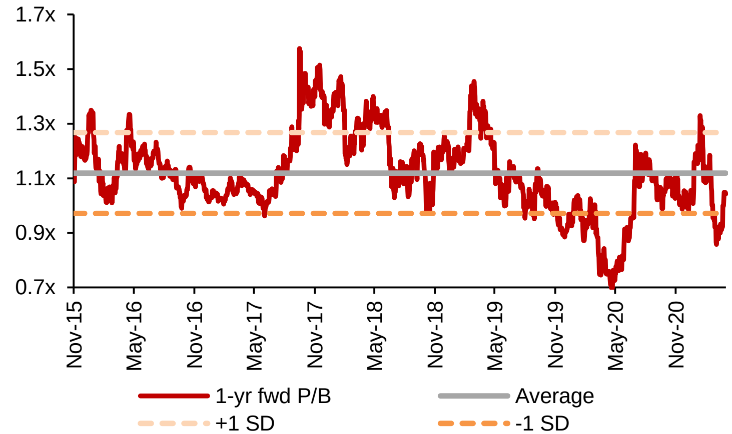
CICC (3908 HK) - Outstanding FY20 results across the board
China Brokerage Sector – 3Q20 results wrap: growth on robust fee incomes
CICC (3908 HK) – 3Q20 results boosted by strong fee growth

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Adj. op. revenue (RMB mn)	23,624	26,455	28,313	31,052
Net income (RMB mn)	7,207	7,681	8,596	9,524
EPS (RMB)	1.62	1.58	1.77	1.96
YoY growth (%)	64	(3)	12	11
Consensus EPS (RMB)	N/A	1.72	1.97	N/A
P/E (x)	9.9	10.2	9.1	8.2
P/B (x)	1.17	1.06	0.90	0.82
Yield (%)	1.5	1.5	1.6	1.8
ROE (%)	12.6	10.9	11.0	11.1
Adj. financial leverage (%)	6.3	6.2	6.0	5.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: CICC's 1-yr fwd P/B now at historical avg. -1SD level



Source: Bloomberg, CMBIS estimates

Far East Horizon (3360 HK): Lease + Industrial operation; well placed to enjoy a post-pandemic recovery in FY21E

Rating: BUY **| TP:** HK$ 11.10 (20% upside)

Analyst: Karen Sui

- **Investment Thesis:** For leasing business, FEH is the 2nd largest finance lease company in China, focusing on selectively nine major industries, with top 3 industries less cyclical ones. For industrial operations, FEH owns one of the largest equipment rental companies, HCD and the 2nd largest hospital group in terms of beds-in-operation in China, both rooting in industries with great growth potential. We believe the well synergized business model makes FEH less cyclical and well placed to welcome a post-pandemic recovery in FY21E.

- **Our View:** FEH reported FY20 net profit of RMB 4.7bn, up 5% YoY, 4%/1% higher than CMBIS/consensus estimates. Top-line came in above expectation at RMB 29.0bn (+8% YoY) mainly on higher IEA growth and wider NIM expansion, as well as better hospital and equipment operation income. We expect industrial operation to increase 27% YoY (vs. 17% of financial business) in FY21E on recovering demand for healthcare and infrastructure construction post-pandemic, and fuel further upward re-rating.

- **Catalysts:** 1) Release of 1Q21E operating data; 2) Progress of HCD's spin-off listing; 3) Southbound's increasing shareholding.

- **Valuation:** Our SOTP-derived TP of HK$ 11.10 implies 0.97x FY21E P/B and 7.2x FY21E P/E.

Link to latest report:

Far East Horizon – FY20 results slight beat; recovery in industrial operation to lead the growth in FY21E

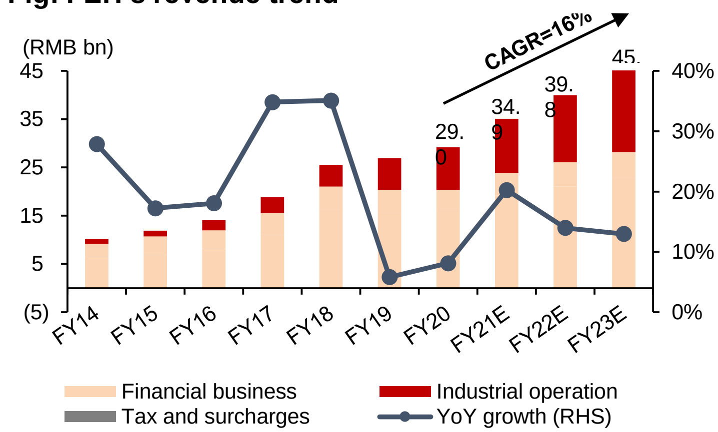
Far East Horizon (Initiation) – Rooting in finance, thriving on industrial operation

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	29,042	34,928	39,812	44,984
Net income (RMB mn)	4,732	5,194	6,358	7,380
EPS (RMB)	1.20	1.27	1.54	1.80
YoY growth (%)	5	6	21	17
Consensus EPS (RMB)	N/A	1.33	1.51	N/A
P/E (x)	6.3	6.0	4.9	4.2
P/B (x)	0.89	0.80	0.71	0.63
Yield (%)	4.0	4.3	5.2	6.1
ROE (%)	14.2	14.4	15.3	15.8
NPL ratio (%)	1.10	1.09	1.07	1.06
Provision coverage (%)	256	266	275	278
Net gearing (%)	81.7	81.1	80.8	80.4

Source: Company data, Bloomberg, CMBIS estimates

Fig: FEH's revenue trend



Source: Company data, CMBIS estimates

Zoomlion Heavy Industry (1157 HK): Higher certainty with upbeat guidance

Rating: BUY | **TP:** HK$16.8 (52% upside)

Analyst: Wayne Fung

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

- **Our View.** We are bullish on Zoomlion given: (1) High certainty on concrete machinery growth in 2021E (15% YoY growth for the industry as a whole), driven by more infrastructure projects entering the construction stage this year; (2) Explosive growth of excavator sales will continue and we forecast >70% YoY growth in 2021E; (3) Agricultural machinery and intelligent agriculture will offer new growth opportunity, on the back of supporting government policy

- **Why do we differ vs consensus:** We have higher assumptions on the machinery demand projection. We believe the consensus remains conservative and our net profit forecast for 2021E/22E are 10%/17% above that.

- **Catalysts:** Better-than-expected machinery demand in 2Q21E.

- **Valuation:** Stock is still attractively trading at ~8x 2021E P/E, on the back of 20%/18% estimated EPS growth (diluted) in 2021E/22E. Our TP of HK$16.8 is based on 12x 2020E P/E. We benchmark our target multiple close to the peak level in the previous upcycle (12-13x in 2011).

Link to latest report:

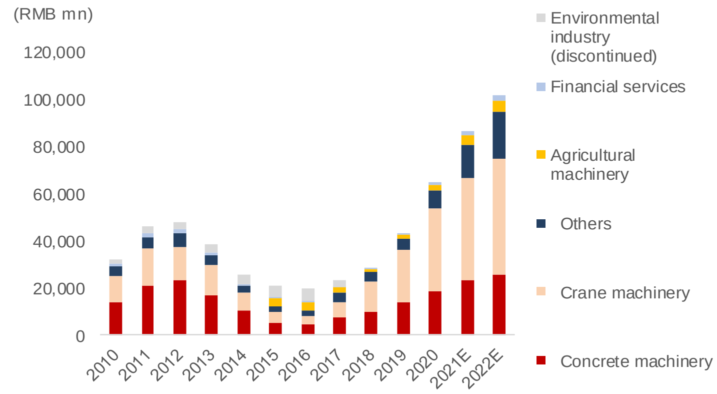
Zoomlion (1157 HK, BUY) – Unjustified share price pullback offers buying opportunity

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	43,307	65,109	86,459	101,722
YoY growth (%)	50.9	50.3	32.8	17.7
Net income (RMB mn)	4,381	7,296	9,829	11,870
EPS (RMB)	0.58	0.97	1.17	1.38
YoY growth (%)	119.2	65.9	20.9	18.3
Consensus EPS (RMB)	-	-	1.07	1.19
EV/EBITDA (x)	12.0	8.7	6.9	5.9
P/E (x)	17.8	10.5	8.3	7.0
P/B (x)	2.1	1.7	1.4	1.3
Yield (%)	0.0	5.2	4.7	5.7
ROE (%)	11.4	17.1	18.7	19.0
Net gearing (%)	31.3	9.9	Net cash	Net cash

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

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIS estimates

SANY International (631 HK): Product mix enhancement to drive further valuation upside

Rating: BUY **| TP:** HK$11.9 (29% 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, we believe the fast-growing mining trucks sales will enable SANYI to benefit from the rising metal prices. What's more, new business development such as industrial robot and crusher will serve as new growth drivers for SANYI. The gradual commencement of light tower plants will enhance SANYI's competitive edge.

- **Our View:** We believe the continuous introduction of new products will help SANYI achieve sustainable growth which will lift valuation.

- **Why do we differ vs consensus:** While our earnings forecast in 2020E-22E is 10-19% below consensus estimates (mainly due to the change in product mix and lower assumptions on government subsidies), we believe market has already priced in that to a certain extent given the limited number of analysts covering the stock.

- **Catalysts:** (1) Launch of new products; (2) Recovery of mining capex; (3) potential M&A.

- **Valuation:** SANYI's share price recently broke the valuation range of 8-13x which has been maintained for four years. We believe the breakthrough was driven by (1) strong coal and base metal prices; and (2) the Company's new business initiative. We expect the re-rating to continue as we forecast SANYI's earnings growth to accelerate in 2021E/22E. Our TP is HK$11.90, based on 24x 2021E P/E, on the back of 24% earnings CAGR.

Link to latest report:

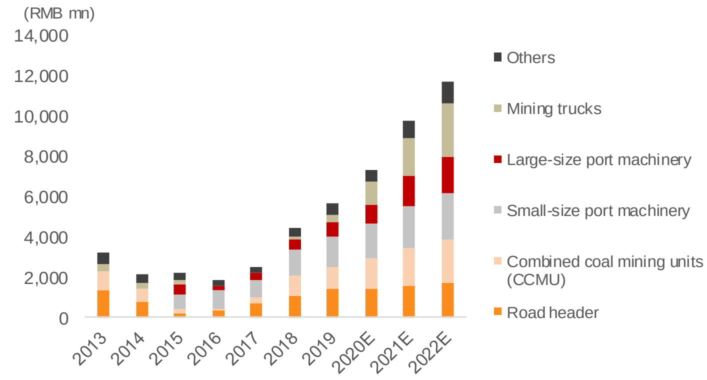
SANY International (631 HK) – Robotic business a surprise; More growth drivers ahead

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	5,656	7,364	9,718	12,006
YoY growth (%)	28.1	30.2	32.0	23.5
Net income (RMB mn)	920	1,045	1,295	1,603
EPS (RMB)	0.30	0.34	0.41	0.51
YoY growth (%)	51.3	12.5	23.3	23.8
Consensus EPS (RMB)	-	-	0.47	0.61
EV/EBITDA (x)	17.5	15.4	12.6	10.4
P/E (x)	28.6	24.3	18.9	15.3
P/B (x)	3.7	3.2	2.8	2.5
Yield (%)	1.3	1.6	2.4	2.9
ROE (%)	13.6	14.0	15.6	17.4
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

Haier SH (6690 HK): Outperforming by various self-upgrades

Rating: BUY **| TP:** HK$45.83 (39% upside)

Analyst: Walter Woo

- **Investment Thesis:** Haier has been consistently gaining market shares in the past 10 years and thanks to recent M&A, there should be a meaningful boost in competitiveness and efficiency to drive a faster NP CAGR in FY20-23E. It is a global leader in home appliances, owning 7 major brands (Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, Aqua and Candy) and ranked #1 in market shares for fridges, washing machines and water heaters in the world. Growth drivers includes premiumization (selling more high end products) and category expansions (e.g. AC, kitchen appliances).
- **Our View:** We are confident on its strong growth momentum for both domestic and overseas in 4Q20 to sustain into FY21E, thanks to: 1) healthy channel inventory level with ample room for ASP growth, 2) more high-tech products launches, 3) more promotion of the "three winged bird" brand to push more sales of smart home system and categories cross-selling and 4) resilient stay-home demand in overseas. We also expect efficiency gains through digitalization of services, management system and use of super factory to offset the raw material prices pressure.
- **Why do we differ vs consensus:** For FY21E/ 22E/ 22E, our NP forecasts is 4% lower / 2% lower/ 2% higher than street as we are more conservative in GP margin in FY21E-22E but a better opex in FY23E.
- **Catalysts:** 1) robust 1Q21E data point, 2) stronger than expected exports, 3) better than expected ASP increases and 4) better than expected raw material costs.
- **Valuation:** We derived our 12m TP of HK$45.83 based on 23x FY22E P/E. We believe premiumization, product and services upgrades, efficiency gains from digitalization and synergies can drive decent growth onwards. The stock is only trading at 17x FY22E P/E.

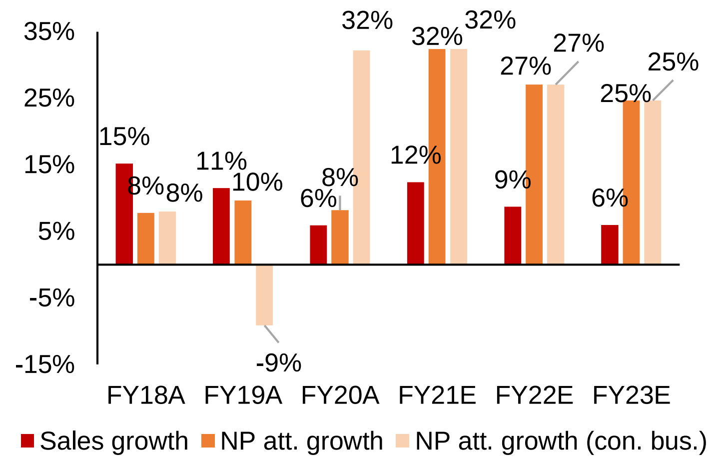
Link to latest report: Haier Smart Home (6690 HK) – Outperforming by various self-upgrades

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Sales (RMBmn)	209,703	235,711	256,184	271,478
YoY change (%)	5.9	12.4	8.7	6.0
Adj. Net profit (RMBmn)	8,877	11,752	14,932	18,616
Adj. EPS - Fully diluted (RMB)	1.335	1.476	1.654	2.062
YoY change (%)	8.2	12.5	12.1	24.7
Consensus EPS (RMB)	N/A	1.334	1.641	1.950
Adj. P/E (x)	21.7	19.3	17.2	13.8
P/B (x)	3.1	3.4	2.9	2.5
Yield (%)	1.7	2.1	2.3	2.9
ROE (%)	16.3	18.8	20.4	23.3
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and net profit growth



Source: Company data, CMBIS estimates

Anta (2020 HK): Multiple short and long-term growth drivers

Rating: BUY **| TP:** HK$150.66 (13% upside)

Analyst: Walter Woo

- **Investment Thesis:** We believe China sportswear sector could rebound meaningfully in FY21E, after a low base in FY20E due to COVID-19 and consolidation shall accelerate (ample support for distributors, optimizing trade fair orders and inventory, shifting sales to online, etc.). It is the owner of many top tier sports brands, such as Anta, FILA, Solomon and Arc'teryx (through Amer Sports), etc. Growth drivers includes: 1) sales per store growth via area and item per tickets growth, 2) more online and direct retail sales, 3) news brands (mainly those under Amer) penetrating into China.

- **Our View:** We turn more positive on FY21E, as 1) Anta may resume its industry leading growth by its rebranding project (DTC development, 10th generation stores, launch of a new high-end sub brand, further online penetration, sales mix to reach 40% in 5 years from ~25% in FY20), 2) FILA's GP margin improves as retail discounts gradually normalize (still MSD higher currently), and 3) decent profit growth from Descente begins to kick in (sales +60% with a higher than 8% OP margin achieved in FY20). Moreover, holding on with Amer's 5 years target is highly encouraging.

- **Why do we differ vs consensus:** For FY21E/ 22E, our net profit forecasts are 1%/ 2% higher than street as given a better GP margin and operating leverage, but 1% lower in FY23E due to a more prudent sales growth.

- **Catalysts:** 1) upcoming 1Q21E data point, 2) better than expected peers and industry data points, 3) sector-wise recovery and re-rating.

- **Valuation:** We derived our 12m TP of HK$150.66 based on 34x FY22E P/E. We believe recovery (both China and overseas) could be better than expected and also the improved sentiment may drive further re-rating. The stock is trading at 31x FY22E.

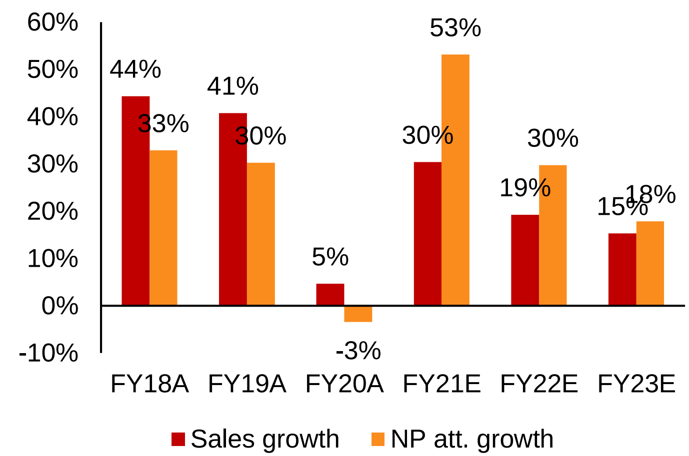
Link to latest report: Anta (2020 HK) – Multiple short and long-term growth drivers

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Sales (RMB mn)	35,512	46,308	55,242	63,705
YoY change (%)	4.7	30.4	19.3	15.3
Net profit (RMB mn)	5,162	7,905	10,260	12,094
EPS - Fully diluted (RMB)	1.850	2.834	3.678	4.335
YoY change (%)	(3.5)	53.1	29.8	17.9
Consensus EPS (RMB)	N/A	2.860	3.698	4.512
P/E (x)	61.5	39.6	30.5	25.9
P/B (x)	12.8	10.0	8.2	7.1
Yield (%)	0.5	0.6	2.0	2.3
ROE (%)	23.4	29.2	30.4	30.2
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales and net profit growth



Source: Company data, CMBIS estimates

WH Group (288 HK): Expect record high adj. NP in 2021E led by strong recovery in US market

Rating: BUY **| TP:** HK$9.60 (41% upside)

Analyst: Albert Yip

- **Investment Thesis:** FY20 adj. NP fell 29% because the pandemic affected US market results. The Company recorded huge exceptional losses in FY20. As US economy is continuing to open up and 2021 hog forward futures prices are strong. We expect US market results should have a strong recovery in FY21E. The stock trades at 9.0x FY21E adj. P/E, lower than historical average of 11.0x. We forecast WH to post record high adj. NP in FY21E. Share price is 31% below record high. Maintain Buy on undemanding valuation.

- **FY20 results missed due to exceptional items.** The weak FY20 results was mainly due to missed US market results. US segment profit slumped 55% to US$415mn, mainly due to US$820mn COVID-19 expenses, ~US$110mn one-off items (litigation compensation and pension related) and ~US$187mn increase of inventory provision. The pandemic reduced pork demand which caused low prices of pork and hog in 2020.

- **US segment profit to surge 108% in FY21E.** Firstly, management expects COVID-19 related costs to be reduced by US$650-700mn in FY21E. Secondly, in FY20, the US$110mn litigation compensation and pension related expenses were one-off. Thanks to strong hog forward futures prices, we expect hog production business could be breakeven at least (vs US$197mn loss in FY20) despite rising feed costs.

- **China segment profit to grow 5% in FY21E.** Management expects hog price to drop in FY21E. Packaged meat OP/tonne would increase steady on declining hog price.

- **Valuation.** Our SOTP-based TP of HK$9.60 represents 12.9x FY21E adj. P/E. Catalysts: (1) acceleration of vaccinations in US; (2) hog price drops in China.

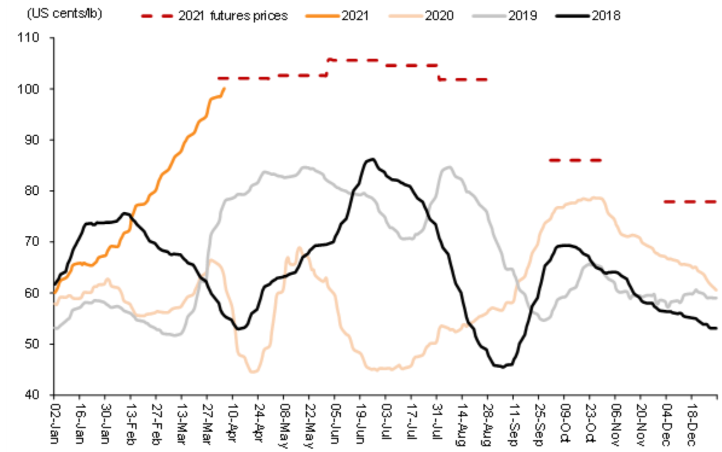
Link to latest report: [WH Group (288 HK) – Expect record high adj. NP in 2021E led by strong recovery in US market]

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (US$ mn)	25,589	27,200	28,209	29,499
YoY growth (%)	6	6	4	5
Net profit (US$ mn)	973	1,415	1,524	1,639
Adj. net profit (US$ mn)	973	1,415	1,524	1,639
YoY growth (%)	(29)	45	8	8
Adj. EPS (US$)	0.066	0.096	0.103	0.111
YoY growth (%)	(30)	45	8	8
Consensus EPS (US$)	NA	0.094	0.105	0.110
Adj. P/E (x)	13.1	9.0	8.4	7.8
P/B (x)	1.3	1.1	1.1	1.0
Yield (%)	2.6	4.4	4.8	5.1

Source: Company data, Bloomberg, CMBIS estimates

Fig: US 2021 hog forward futures trade well above 2018-2020 cash hog prices



Source: Company data, CMBIS estimates

Hope Education (1765 HK): Several positive catalysts in 1-2 years

Rating: BUY **| TP:** HK$3.88 (53% upside)

Analyst: Albert Yip

- **Investment Thesis:** We see several positive catalysts ahead as the progress of independent colleges conversion is earlier than expectation and the Company looks for five acquisitions in 1-2 years. We forecast the Company to deliver 27.3% EPS CAGR in FY21-23E. If these catalysts materialize, the EPS CAGR should be even stronger. Maintain Buy.

- **Conversion of independent colleges.** The Company expects to complete conversion of its four independent colleges by 2021, earlier than previous expectation of each two in 2021 and 2022. In FY20, the Company paid RMB160mn management fees (28% of adj. NP) so the earnings impact by conversion is significant. We estimate conversion of four independent colleges could enhance 18% adj. NP in FY23E.

- **M&A pipelines.** The Company agreed to acquire Gongqing College at a consideration of RMB500mn and targets to grow its NP at 40% CAGR in five years. The Company plans to acquire three domestic universities and two highly value-for-money vocational colleges in 1-2 years. The Company had RMB3bn cash as at 31 Aug 2020 and received more than RMB1bn tuition fees afterwards. In addition to internal resources, it plans to arrange onshore and offshore loans financing for the acquisitions.

- **Strong overseas study demand.** The Company admitted 18,000 students in 2020-21 school year for studying degree and master abroad in future, and targets to admit 30,000 students in 2021-22 school year. This should strongly supply Chinese students to Inti Education in future.

- **Valuation:** Our TP of HK$3.88 is based on 27.3x FY21E P/E or 1x FY21E PEG. **Catalysts:** (1) M&A; (2) conversion of independent colleges.

Link to latest report: Hope Education (1765 HK) – Acquisition of Gongqing College

Financials and Valuations

(YE 31 Aug)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	1,568	2,468	3,223	3,760
YoY growth (%)	NA	57	31	17
Net profit (RMB mn)	456	783	1,080	1,320
Adj. NP (RMB mn)	576	857	1,154	1,394
Adj. EPS (RMB)	0.086	0.118	0.158	0.191
YoY growth (%)	NA	38	34	21
Consensus EPS (RMB)	NA	0.113	0.143	0.183
Adj. P/E (x)	27.5	18.3	13.6	11.3
Yield (%)	0.4	1.7	2.3	2.8
Net cash (RMB mn)	329	634	921	1,680

Source: Company data, Bloomberg, CMBIS estimates

Fig: Peers' valuation table

		Mkt Cap		Year		P/E (x)	
	Ticker	(US$ m)	Price	end	FY1	FY2	FY3
Higher Education services providers							
China Education	839 HK	4,074	13.94	Aug-20	19.5	15.7	13.6
Yuhua Education	6169 HK	2,580	5.98	Aug-20	13.1	11.4	10.4
Hope Education	1765 HK	2,666	2.60	Aug-20	18.3	13.6	11.3
Kepei Education	1890 HK	1,387	5.35	Dec-20	11.7	9.9	7.9
Cahtay Media	1981 HK	1,486	6.96	Dec-20	21.8	16.8	13.8
Edvantage	382 HK	1,057	7.67	Aug-20	15.7	11.1	8.9
New Higher Education	2001 HK	918	4.50	Aug-20	10.1	7.9	6.7
JH Educational Tech	1935 HK	768	3.73	Dec-20	16.5	14.9	na
Minsheng Education	1569 HK	776	1.43	Dec-20	8.7	7.2	5.8
Xinhua Education	2779 HK	480	2.32	Dec-20	8.1	7.0	5.6
Huali University	1756 HK	390	2.53	Aug-20	6.4	5.2	4.4
Neusoft Education	9616 HK	437	5.10	Dec-20	11.3	9.1	6.1
Average					**13.4**	**10.8**	**8.6**

Source: Bloomberg estimates, Company data, CMBIS estimates

PA Good Doctor (1833 HK): Building comprehensive healthcare ecosystem

Rating: BUY **| TP:** HK$142.77 (46% upside) Analyst: Jill Wu/ Sam Hu/ Jonathan Zhao

- **Investment Thesis:** PA Good Doctor is one of the leading Chinese internet healthcare players that provide online medical services, consumer healthcare services, and operates an online health mall offering drugs, medical devices and other health-related products. As of 2020, PA Good Doctor recorded 372.8mn registered users (+18.3% YoY), generated 1,004.2mn consultation records (+49.0% YoY). And its MAUs (monthly active users) reached 72.6mn in 2020 (8.5% YoY), which is the largest mobile medical application in China in terms of coverage.

- **Our View:** We expect total revenue to grow 36%/ 38%/ 39% YoY to RMB9.35bn/ RMB12.93bn/RMB18.03bn in FY21E/22E/23E, mainly driven by the fast-growing online medical services, which is believed that will become the major revenue source and contribute 32%/ 41%/ 50% of the Company's total revenue in FY21E/22E/23E and the proportion of revenue from health mall business to be 46%/ 38%/ 31% in FY21E/22E/23E. On 2 Nov 2020, National Healthcare Security Administration (NHSA) released detailed policies on allowing reimbursement for online medical services. This is the first detailed guideline with a specific timeline about implementing the reimbursement policies for online services. As a first-mover benefiting from regulatory loosening, the Company has successfully received medical reimbursement qualifications in seven cities/ provinces. The Company will continue to benefit from the gradually-expanding reimbursement coverage for online medical services, in our view.

- **Why do we differ vs consensus:** Our FY21E/22E/23E revenue are +5.7%/7.1%/13.0% different from consensus, as we are positive on the Company's growth, especially in its fast-growing online medical services, under the background of gradually-loosening policies and -expanding reimbursement coverage for that, in our view.

- **Catalysts:** Faster-than-expected user growth; regulatory loosening.

- **Valuation:** We maintain TP of HK$142.77 based on a 10-year DCF model (WACC:9.3%, terminal growth rate: 4.0%).

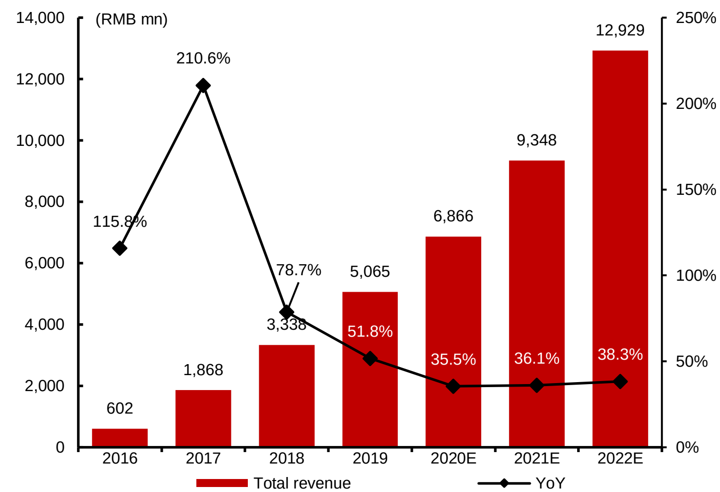
Link to latest report: PA Good Doctor (1833 HK) – Emphasis on its core online medical service capabilities

Financials and Valuations

(YE 31 Dec)	FY21E	FY22E	FY23E
Revenue (RMB mn)	9,348	12,929	18,029
YoY growth (%)	36	38	39
Net profit (RMB mn)	(1,261)	(1,016)	(730)
EPS (RMB)	(1.10)	(0.89)	(0.64)
Consensus EPS (RMB)	(0.82)	(0.60)	0.11
P/S (x)	10.8	7.8	5.6
ROE (%)	(8.3)	(7.1)	(5.4)
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): Fostering new growth engines

Rating: BUY **| TP:** HK$39.21 (36% upside)

Analyst: Wenjie Ding

- **Investment Thesis.** While COVID-19 weighed particularly on life insurance business growth, CPIC exhibited overall resilience and embarked on long-term endeavors regarding health insurance, technology deployment and corporate governance.
- **CPIC reported in-line 2020 results. Results positives. 1)** Operating profit increased 11.7% to RMB31.14bn, excluding short-term volatility and one-off items. **2)** Maintained P&C underwriting profitability. Combined ratio of CPIC P/C was 99%, up only 0.6ppt and better than industry average. Auto insurance combined ratio remained stable at 97.9%, although some non-auto business lines recorded temporary underwriting loss during the pandemic. **3)** The Company raised dividend payout ratio to 50.9% to share growth of the Company with shareholders.
- **Results negatives. 1)** Amid aftershocks of COVID-19, NBV of life insurance business declined 27.5% YoY to RMB17.8bn. NBV margin went down 4.4ppt to 38.9% whereas FYAP decreased 19.1% YoY. **2)** Persistency ratio of life insurance customers declined more abruptly in 2020, with 13-month and 25-month persistency ratios down 4.6/4.1ppt to 85.7%/85.1%, respectively.
- **Fostering new drivers for long-term growth. 1)** Deepening participation in the Healthy China Initiative. **2)** Progressing in technology deployment and innovation. **3)** Optimizing shareholder structure via GDR and paving way for better corporate governance. **4)** The Company elected former CEO of AIA China, Mr. John CAI as CEO of CPIC Life during the 26 Mar Board meeting. We expect Mr. CAI will contribute to improving the sales agent force and overall enhancement of CPIC Life.
- **Valuation.** We roll over valuation basis to YE21 and lift target price to HK$39.21 accordingly. The stock is trading at 0.5x/0.45x FY21/22E P/EV, with attractive yield at above 5%. CPIC remains our sector top pick.

Link to latest report: China Pacific Insurance (2601 HK) – Fostering new growth drivers

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
GWP (RMB mn)	362,064	378,388	401,670	423,736
YoY growth (%)	4.2	4.5	6.2	5.5
Total income (RMB mn)	418,964	421,245	448,841	475,861
Net profit (RMB mn)	24,584	27,648	30,598	33,554
EPS (RMB)	2.63	2.96	3.27	3.59
YoY Growth (%)	(14.14)	12.46	10.67	9.66
Consensus EPS (RMB)	N/A	2.92	3.28	3.72
P/B (x)	1.14	1.07	0.99	0.91
P/EV (x)	0.55	0.51	0.47	0.43
Yield (%)	4.97	5.50	6.08	6.67
ROE (%)	12.31	12.48	12.86	12.96

Source: Company data, Bloomberg, CMBIS estimates

Meituan (3690 HK): Reinvestment on new initiatives

Rating: BUY | **TP:** HK$401 (36% upside)

Analysts: Sophie Huang/ Miriam Lu

- **Investment Thesis:** We keep positive on Meituan Dianping ("MD")'s secular growth, and see high visibility for MD to continuously strengthen its local life leadership. Given its better-than-expected recovery pace and above-peer performance, we keep confident on its secular growth and expanding TAM. We believe MD is well-positioned to capture long-term opportunities from rising online consumption, new initiatives benefits (e.g. community ecommerce), and digital operation.
- **Our View:** Meituan delivered upbeat 4Q20 topline, while bottom line slightly missed (but largely expected by market for dynamic investment in groceries). Looking ahead, we expect food delivery & in-store rev with triple-digit YoY growth in 1Q21E. Meituan will step up investment in groceries with low-tier cities penetration, user expansion and infrastructure enhancement, suggesting net loss in next few quarters. We believe its reinvestment on new initiatives has well anticipated, and long-term TAM expansion would unlock its valuation.
- **Why do we differ vs consensus:** Market concern lies on groceries investment, competition landscape and Anti-trust law impact. We believe near-term concern have been priced in recent soft stock price, and we are more positive on its advantage in merchants connection and supply chain, and to continuously gain share in local life and size the booming demand of community ecommerce.
- **Catalysts:** 1) food delivery, in-store & hotel decent recovery; 2) new initiatives to expand TAM; and 3) cross-selling effect to unlock revenue.
- **Valuation:** Maintain BUY with SOTP-based TP of HK$401, implying 8x FY22E P/S. With 41% FY20- 23E revenue CAGR and expanding TAM, MD deserves higher P/S multiple than most of peers, in our view.

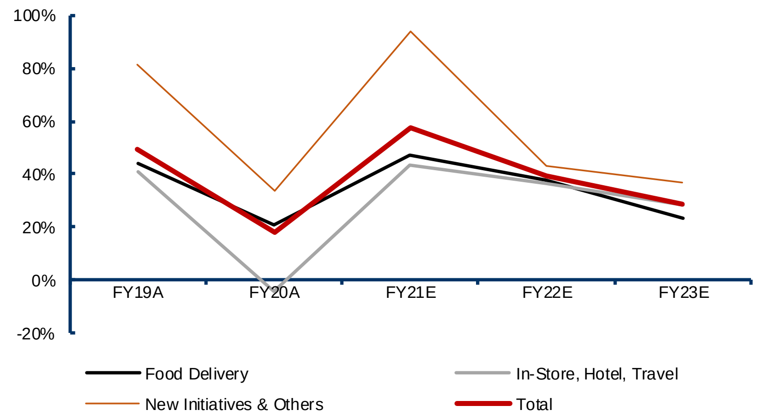
Link to latest report: Meituan (3690 HK) – Reinvestment on new initiatives

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	114,795	180,899	251,721	323,195
YoY growth (%)	18	58	39	28
Net income (RMB mn)	3,121	(20,379)	(1,224)	14,096
EPS (RMB)	0.52	(3.30)	(0.19)	2.16
YoY growth (%)	(34)	(736)	(94)	(691)
Consensus EPS (RMB)	NA	1.12	3.63	5.56
P/E (x)	489	NA	NA	118
P/S (x)	12.9	8.2	5.9	4.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	5.0	(44.8)	(17.0)	9.9
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

招銀国际 CMB INTERNATIONAL

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

Rating: BUY **| TP:** HK$44.79 (25% upside)

Analysts: Jeffrey Zeng/ Bowen Li

- **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 7x 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 13x 2021E P/E.

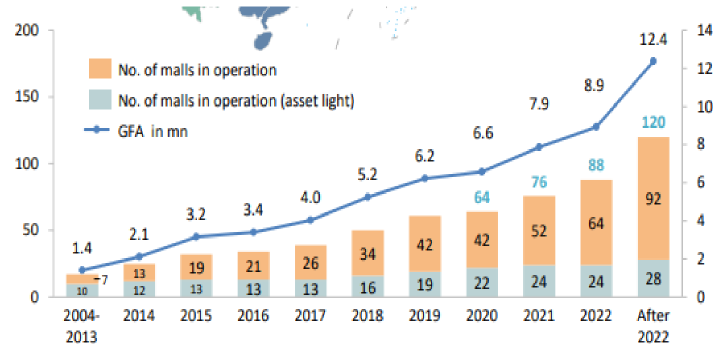
Link to latest report:
China Property Sector – A good entry point after market over-reaction on property loan cap

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)	6.5	8.8	7.3	6.7
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$84.6 (16% upside)

Analysts: Jeffrey Zeng/ Bowen Li

- **Investment Thesis:** We expect CGS to cement the sector leader position via first-move advantage in high-margin-VAS acquisitions. With its booming retail business, rich capital and strong integration capability, CGS has huge growth potential in VAS, up 48% CAGR in 2019-22E. Also, recently company has announced the acquisition of Languang Justbon at 7x 2022E PE and we think it's very positive as 1) Languang's strong presence in Southwest (60% of managed GFA) would fill the gap for CGS (only 3% in the region). 2) Financially, the acquisition would boost CGS 2021/22E earnings by 13% assuming 65% stake acquisition. **Catalysts**: 2020E earnings beat in March; announcement of 15% tax policy renewed.

- **Our View:** We expect managed GFA to grow at a stable 30% CAGR in 2019-2022E 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 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$84.6/share by using 35x 2022E PE based on the score card. It's currently trading at 30x 2022E PE, However, it has further rerating opportunity from boosted Community VAS and remains our top pick.

Link to latest report: CG Service (6098 HK) – Acquisition of Languang: more positive on lower-than-expected purchase price

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	9,645	15,600	22,361	29,790
YoY growth (%)	106.3	61.7	34.1	33.2
Net income (RMB mn)	1,671	2,686	4,143	5,440
EPS (RMB)	0.63	0.98	1.53	2.01
YoY growth (%)	69.8	55.7	71.4	31.3
Consensus EPS (RMB)	N.A.	N.A.	1.39	1,98
P/E (x)	N.A.	67.2	42.7	30.3
P/B (x)	N.A.	23.1	38.2	24.3
Yield (%)	N.A.	0.3	0.6	0.8
ROE (%)	31.1	18.4	25.3	28.0
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

招银国际 CMB INTERNATIONAL

China Gas Holdings (384 HK): Supportive rural development policies reconfirm growth prospect

Rating: BUY **| TP:** HK$37.12 (17% upside)

Analyst: Robin Xiao

- **Investment Thesis:** Our recent communication with CGH indicates the Company realized high double digit gas sales volume during winter heating season, reaffirm out positive outlook on CGH's gas sales potential. In the policy end, Central government's rural development policy exhibited strong support for township gas infrastructure development plan, which is in line with CGH's micro smart grid strategy. After Two Sessions meeting in Mar, we expect local government to release more policy details for rural gas development, and we thing that will boost CGH's valuation.

- **Strong gas sales volume growth during winter heating season.** Preliminary information indicates Dec – Feb gas sales volume grew 30% YoY. Strong gas volume growth was driven by 1) significant increased township users, 2) active industrial activities, 3) recovering commercial businesses and 4) low base in 1Q20. We think FY21E retail gas sales volume could reach up to 20%, significant higher than mgmt. guidance during interim results.

- **Major shareholder increasing shareholdings.** CGH's Chairman, Mr. Liu Minghui and major shareholder, Mr. Chiu Tat Jung had increased shareholdings in Feb 2, 2021. We think the action indicated key shareholders' confidence in the Company's gas sales performance in winter. We believe the share purchase in the market also release positive signal to the market.

- **Re-rating to continue.** The Company is currently trading at 15.7x/12.7x FY21/22E PER, significantly lower than peers. We expect the recent re-rating trend to continue with CGH. Maintain BUY with DCF based TP unchanged at HK$37.12. Our TP reflects 18.2/14.7x FY21/22E PER.

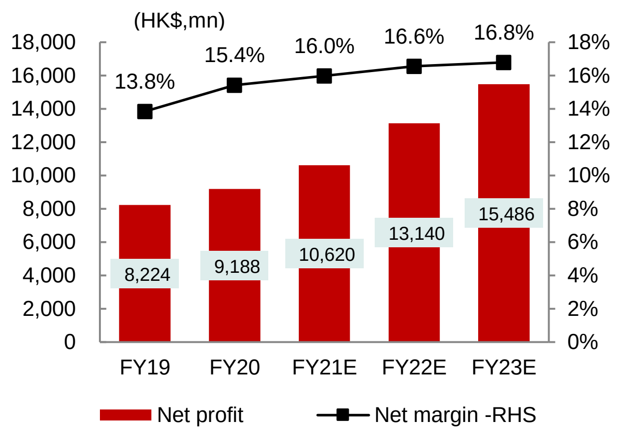
Link to latest report: China Gas Holdings (384 HK) – Enforcing residential gas connection strategy(page.23)

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Revenue (HK$ mn)	59,540	66,999	80,020	93,045
YoY growth (%)	0.3	12.5	19.4	16.3
Net income (HK$ mn)	9,188	10,669	13,206	15,568
EPS (HK$)	1.76	2.04	2.53	2.93
YoY growth (%)	8.1	16.1	23.8	15.7
Consensus	N/A	2.06	2.38	2.65
P/E (x)	18.3	15.7	12.7	11.0
P/B (x)	4.2	3.5	2.9	2.5
Yield (%)	1.6	1.8	2.2	2.6
ROE (%)	23.2	22.4	22.9	22.9
Net gearing (%)	81.5	69.0	45.8	28.3

Source: Company data, Bloomberg, CMBIS estimates

Fig: CGH's net profit and net profit margin



Source: Company data, CMBIS estimates

China Hongqiao (1378 HK): Re-rating to continue on strong fundamentals

Rating: BUY **| TP:** HK$15.0 (38% upside)

Analyst: Robin Xiao

- **Investment Thesis:** CHQ's FY20 earnings was stronger than our estimates on better-than-expected effective tax rate. Looking ahead in 2021E, we think CHQ's fundamentals are solidified as 1) debt repayment is on track; 2) share placement removed short-term overhang for further dilution; and 3) aluminum price stays strong for limited supply. We lift our FY21/22E aluminum ASP by 7.7%/6.7%, which boost earnings projection by 19.1%/13.0%. We think aluminum ASP still has upside given that current price is still 6.8% higher than our assumption in 2021E.

- **Fundamentals support aluminum price to stand high.** We think new captive power plant based aluminum capacity expansion will be limited, while CHQ's hydro-power based capacity may gain some edges. We lift our aluminum ASP outlook by 5.7%/6.7% in 2021/22E to RMB16,000/tonne.

- **Secondary aluminum business to contribute future capacity growth.** CHQ formed JV with Scholz Recycling Group for developing secondary aluminum business in Shandong in Sep 2020. The JV plans to have long term annual capacity to process 50k units end-of-life vehicles and to produce 500k tonnes green aluminum. We think the JV will boost CHQ's secondary aluminum business, and contribute aluminum sales volume growth in the near future from 2022E.

- **Revise earnings up by 23.3%/27.3% in 2021/22E.** Based on our updated ASP outlook, however, we lift CHQ's earnings outlook by 19.1%/13.0% in 2021/22E to RMB13.95/14.25bn. Our earnings model is highly sensitive to aluminum price and coal price. We estimate 1) every 1% increase in aluminum price will bring c.3.6% earnings growth at current level; and 2) every 1% coal price decline will bring c.1.2% net profit growth. Aluminum price is now 6.8% higher than ASP assumption.

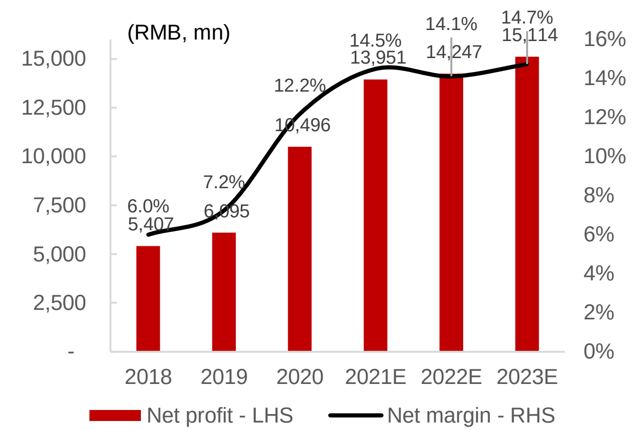
Link to latest report: China Hongqiao(1378 HK) – Re-rating to continue on strong fundamentals

Financials and Valuations

(YE 31 Mar)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	86,145	96,259	100,974	102,602
YoY Growth （%）	2.33	11.74	4.90	1.61
Net Income (RMB mn)	10,496	13,951	14,247	15,114
EPS (RMB)	1.22	1.55	1.56	1.66
EPS CHG (%)	72.3	27.0	0.8	6.1
Consensus EPS (RMB)	1.12	1.60	1.77	2.26
PE (x)	7.8	6.1	6.1	5.8
PB (x)	0.80	0.71	0.65	0.60
Yield (%)	5.62	7.61	7.88	8.36
ROE (%)	15.2	17.2	15.9	15.4
Net gearing (%)	39.7	21.7	9.7	-1.9

Source: Company data, Bloomberg, CMBIS estimates

Fig: CHQ's net profit vs. net margin



Source: Company data, CMBIS estimates

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

Rating: BUY | **TP:** HK$56.2 (24% 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 are positive on BYDE's product roadmap, share gain in major brands and expansion into medical segment (e-cigarette). 1) Xiaomi**:** We expect BYDE's EMS share allocation from Xiaomi to increase to 40% in FY21E from 10-20% in FY20E, and its revenue from Xiaomi will jump almost 3 times to RMB20bn in FY21E. 2) Apple: We believe BYDE will expand its iPad share allocation to 30-40% in 2021 (vs 20-30% for one model in FY20, and we estimate Apple revenue will jump 3 times in FY21E. As we believe Apple will continue to diversify component suppliers, 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.

- **Why do we differ vs consensus:** Our FY21-22E EPS are 18%/13% above consensus given faster share gain and better margin.

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

- **Valuation:** Our prior SOTP-based TP of HK$56.2 implies 17.9x FY21E P/E, which reflect BYDE's business diversification with different growth profiles and visibility.

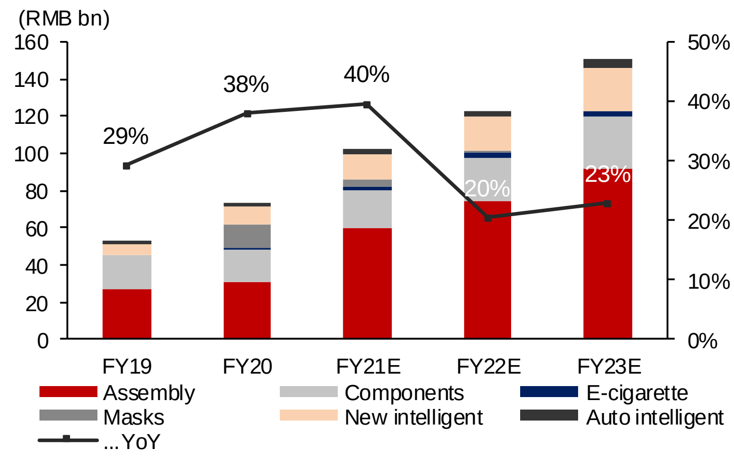
Link to latest report: BYDE (285 HK) – FY20 in-line; Reiterate BUY with multiple drivers ahead

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	73,121	102,033	122,932	151,077
YoY growth (%)	37.9	39.5	20.5	22.9
Net profit(RMB mn)	5,441	5,878	6,404	7,448
EPS (RMB)	2.41	2.61	2.84	3.31
YoY growth (%)	240.6	8.0	9.0	16.3
Consensus EPS (RMB)	2.45	2.21	2.51	3.30
P/E (x)	17.6	16.3	15.0	12.9
P/B (x)	6.4	5.1	4.2	3.5
Yield (%)	0.6	0.6	0.7	0.8
ROE (%)	24.9	21.6	19.4	18.8
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

ZTE (763 HK): Best proxy of global 5G momentum

Rating: BUY **| TP:** HK$28.14 (44% upside) Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** We believe global 5G deployment will accelerate in FY21-22E following COVID-19 delay, and ZTE is well leveraged to benefit from multi-year 5G investment cycle. We are positive on ZTE's outlook driven by strong 5G product portfolio, global share gain, solid R&D capability and improving profitability.

- **Our View:** ZTE is our top pick for telco supply chain. For 2021, we expect ZTE to continue to benefit from share gain/5G rollout in China, 4G upgrade in Asia and optical network upgrade in Europe. We expect revenue to grow 15% YoY in FY21E, driven by domestic carrier business (+16%) and gov./enterprise business (+24%). We expect GPM to improve to 33.9% vs. 31.6% in FY20, thanks to improving cost structure and self-developed chips from Sanechip. We expect next batch of 5G BTS tender to kick off in late March/April, and we estimate China telco capex in 2021 will grow at mid-to-low single digit. We think ZTE's 5G market share in China will expand to 35% in 2021/22 (vs 31% in 2020), given ZTE's stronger product positioning and cost advantage for 5G network rollout in 2nd/3rd tier cities. In addition, on the back of global tech decoupling and localization in China, we are positive on Sanechips (中兴微电子)'s self-developed chips to help improve technology sufficiency and optimize cost structure in the long term.

- **Why do we differ vs consensus:** Our FY20-22E EPS is slightly higher than consensus and we think upcoming catalysts of 5G BTS tenders and rapid overseas recovery will boost share price in near term.

- **Catalysts:** Near-term catalysts include China 5G BTS tenders.

- **Valuation:** Our TP of HK$28.14 is based on 17.5x FY21E P/E, in-line with 2-year historical forward P/E.

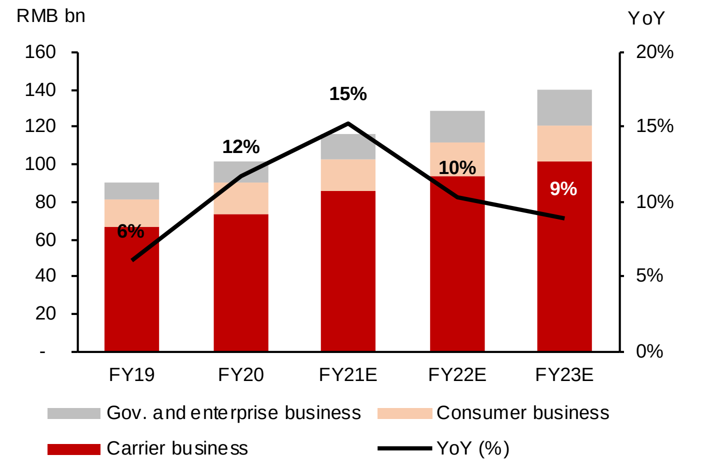
Link to latest report: ZTE-H (763 HK) – 1Q21 beat on solid revenue and better margin; Reiterate BUY

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	101,451	116,995	129,070	140,524
YoY growth (%)	11.8	15.3	10.3	8.9
Adj. Net profit(RMB mn)	4,260	6,181	7,097	8,903
Adj. EPS (RMB)	0.92	1.34	1.54	1.93
YoY growth (%)	-24.8	45.6	14.8	25.4
Consensus EPS (RMB)	0.99	1.29	1.54	1.78
P/E (x)	18.2	12.5	10.9	8.7
P/B (x)	1.8	1.6	1.4	1.3
Yield (%)	0.8	1.2	1.4	1.7
ROE (%)	11.8	13.5	13.9	15.6
Net gearing (%)	43.8	50.1	50.5	41.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: ZTE Revenue trend



Source: Company data, CMBIS estimates

GDS (9698 HK): IDC growth momentum to remain strong

Rating: BUY **|** **TP:** HK$119.43 (59% upside) Analyst: Marley Ngan

- **Investment Thesis:** GDS is the largest carrier-neutral data center service provider in China with 21.9% market share in 2019. We expect GDS to deliver 35% FY20-22E revenue CAGR mainly on capacity expansion (area in service +60%).
- **Our View:** Alibaba/ Tencent announced RMB200bn/ RMB500bn New Infrastructure Plan in the coming 3-5 years. We believe GDS is the best IDC to benefit from the multi-year investment cycle given its market leading position with Alibaba/ Tencent being largest customers. Meanwhile, higher utilization and better operating leverage should drive further EBITDA margin improvement to 48.7% by FY22E, offsetting -4% Monthly Service Revenue decrease in FY20-22E amid expansion in edge tier-1 cities.
- **Why do we differ vs consensus:** Although cloud service providers are building their own hyperscale data centers in rural areas, they will still rely on IDC to compute and store latency sensitive data in tier-1 cities.
- **Catalysts:** Near-term catalysts include new data center construction plans, customer design wins and better than expected EBITDA margin trend.
- **Valuation:** We derived our target price of US$123.34 per ADS/ HK$119.43 per share (based on 32x FY22E EV/EBITDA), 30% above its 3-year average as continuous EBITDA margin improvement will drive re-rating.

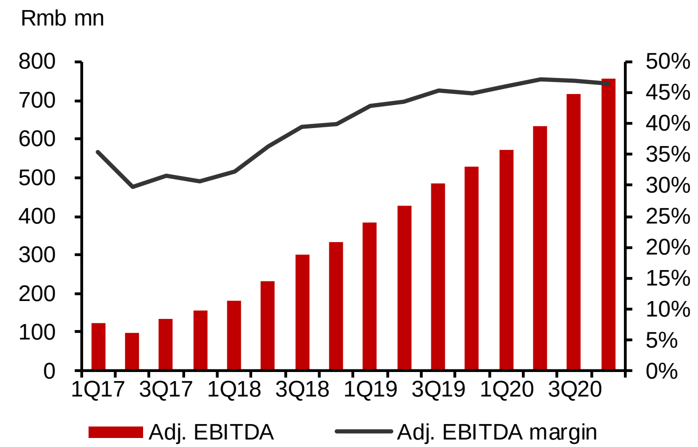
Link to latest report: GDS (GDS US) – Growth momentum to remain strong

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY21E	FY22E
Revenue (RMB mn)	5,739	7,934	10,521	13,989
YoY growth (%)	39%	38%	33%	33%
Adj. EBITDA (RMB mn)	2,681	3,796	5,126	6,964
YoY growth (%)	47%	42%	35%	36%
Consensus EBITDA (RMB)	2,570	3,683	5,032	6,747
Net income (RMB mn)	(669)	(934)	(358)	653
EPS (RMB)	(0.59)	(0.79)	(0.33)	(0.48)
YoY growth (%)	N/A	N/A	N/A	-247%
EV/EBITDA	37.5	30.0	24.1	18.7
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	N/A	N/A	N/A	0.0

Source: Company data, Bloomberg, CMBIS estimates

Fig: GDS EBITDA margin trend



Source: Company data, CMBIS estimates

Chinasoft (354 HK): Accelerating growth in FY21E

Rating: BUY **| TP:** HK$11.57 (37% upside)

Analyst: Marley Ngan

- **Investment Thesis:** Chinasoft is an IT service provider with 70,000 employees in China. IT outsourcing business accounted for 83% of revenue in 2019 while the remaining 17% came from emerging managed cloud services. Huawei is the largest customer contributing >55% of revenue. We expect Chinasoft to achieve 20% revenue and net profit CAGR in FY20-22E.

- **Our View:** We believe Huawei is undergoing transformation from hardware to more software/service focus (e.g. Harmony OS/ IoT products/ Huawei cloud). Meanwhile, we expect non-Huawei revenue to grow at 25% CAGR, driven by cloud and serving more large internet clients (Alibaba, Tencent, Ping An, Bytedance, Bilibili), reflected from its +17% YoY employees in 2020. We expect Huawei revenue contribution to lower to 46% in FY22E (vs. 55% in FY19). Chinasoft also provide Managed Cloud Services (cloud consultation, migration, operation and maintenance) for enterprises which deploy on Huawei Cloud. According to Canalys, Huawei IaaS market share jumped to 14.1% in China in 1Q20. We expect Chinasoft emerging cloud business revenue to grow at 42% CAGR during FY20-22E.

- **Why do we differ vs consensus:** We are more positive on non-Huawei business diversification that revenue from large cloud/ internet providers (Alibaba/ Tencent/ Ping An) growing at >40% YoY

- **Catalysts:** Successful CDR listing on A-share, US easing Huawei ban

- **Valuation:** We derive our target price of HK$11.57 on 22x FY22 P/E, 50% above 5 year mean as net profit growth accelerates and diversification in non-Huawei large enterprises.

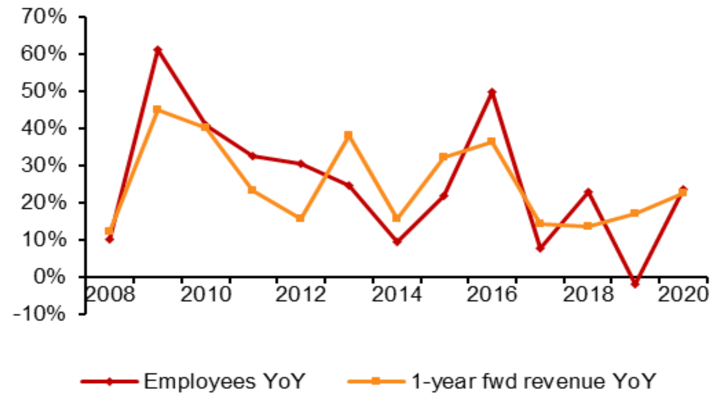
Link to latest report: Chinasoft (354 HK) – Accelerating growth in FY21E

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	14,101	17,308	20,298	23,530
YoY growth (%)	15%	24%	18%	16%
Net income (RMB mn)	955	1,156	1,383	1,639
EPS (RMB)	0.32	0.39	0.46	0.55
YoY growth (%)	13%	21%	20%	19%
Consensus EPS (RMB)	0.35	0.44	0.54	0.65
P/E (x)	23.0	18.0	15.1	12.7
EV/Sales (x)	1.4	1.0	0.8	0.6
Yield (%)	0.00	0.00	0.00	0.00
ROE (%)	12%	12%	13%	14%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Forward revenue and employees trend



Source: Company data, CMBIS estimates

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