CMBI Research Focus List

Our best high conviction ideas

7 May 2020

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) 2020E	P/E (x) 2021E	P/B (x) 2020E	ROE 2020E	Yield 2020E	Analyst
Long Ideas														
GAC Group	2238 HK	Auto	BUY	12.9	28.0	7.10	8.60	21%	8.0	7.5	0.7	9.5	3.8%	Jack Bai
Zhongsheng	881 HK	Auto	BUY	9.4	17.4	32.15	33.80	5%	12.0	10.5	2.6	2.2	1.7%	Jack Bai
PAB	000001 CH	Banking	BUY	37.3	207.8	13.77	19.80	44%	7.8	6.8	0.8	0.7	2.0%	Terry Sun
CICC	3908 HK	Brokerage	BUY	6.6	22.1	11.70	16.40	40%	9.5	8.4	0.9	9.7	0.9%	Karen Sui
SANY Heavy	600031 CH	Capital Goods	BUY	24.0	228.9	20.22	23.50	16%	10.7	10.0	2.5	2.1	2.9%	Wayne Fung
Anta	2020 HK	Consumer Disc.	BUY	22.6	89.6	64.35	77.39	20%	26.9	18.7	6.3	26.2	1.5%	Walter Woo
Jiumaojiu	9922 HK	Catering	BUY	2.1	9.8	11.66	*11.44	NA	73.7	28.3	5.7	14.4	0.0%	Walter Woo
Mengiu	2319 HK	Consumer Staple	BUY	14.0	40.8	28.05	34.20	22%	27.6	18.6	3.0	2.6	0.8%	Albert Yip
Hope Education	1765 HK	Education	BUY	2.0	3.6	2.19	2.80	28%	21.3	15.9	NA	13.1	1.4%	Albert Yip
Jinxin Fertility	1951 HK	Healthcare	BUY	3.1	14.1	9.83	13.30	35%	38.6	31.3	2.7	7.1	0.5%	Amy Ge
Tigermed	300347 CH	Healthcare	BUY	8.1	85.4	78.11	87.18	12%	69.6	49.9	12.1	15.5	0.4%	Jill Wu
China Pacific	2601 HK	Insurance	BUY	35.7	61.1	24.80	33.93	37%	NA	NA	1.0	15.7	5.7%	Wenjie Ding
Tongcheng-eLong	780 HK	Internet	BUY	3.4	8.7	12.5	15.0	20%	21.3	11.5	NA	4.6	0.0%	Sophie Huang
Meituan	3690 HK	Internet	BUY	81.6	352.5	108.00	120.0	11%	445.0	42.0	NA	NA	0.0%	Sophie Huang
A-Living	3319 HK	Property	BUY	7.2	29.8	41.55	*41.53	NA	40.2	28.4	11.1	24.6	1.2%	Chenyu Huang
China Aoyuan	3883 HK	Property	BUY	3.1	12.5	8.65	15.48	79%	3.3	2.8	1.1	33.8	12.2%	Chenyu Huang
Suntien	956 HK	Renewables	BUY	0.8	2.3	1.75	2.30	31%	4.0	3.7	0.4	11.0	10.0%	Robin Xiao
Xinyi Solar	968 HK	Renewables	BUY	5.4	26.2	5.04	6.31	25%	14.1	10.3	2.8	19.5	3.4%	Robin Xiao
Luxshare	002475 CH	Technology	BUY	35.6	536.4	47.51	55.40	17%	36.0	28.6	9.1	25.3	0.2%	Alex Ng
Short Ideas														
AAC Tech	2018 HK	Technology	SELL	5.9	74.5	37.95	29.00	-24%	26.2	17.9	2.3	8.7	2.6%	Alex Ng

Source: Bloomberg, CMBIS, Price as of 6/5/2020, * TP under review

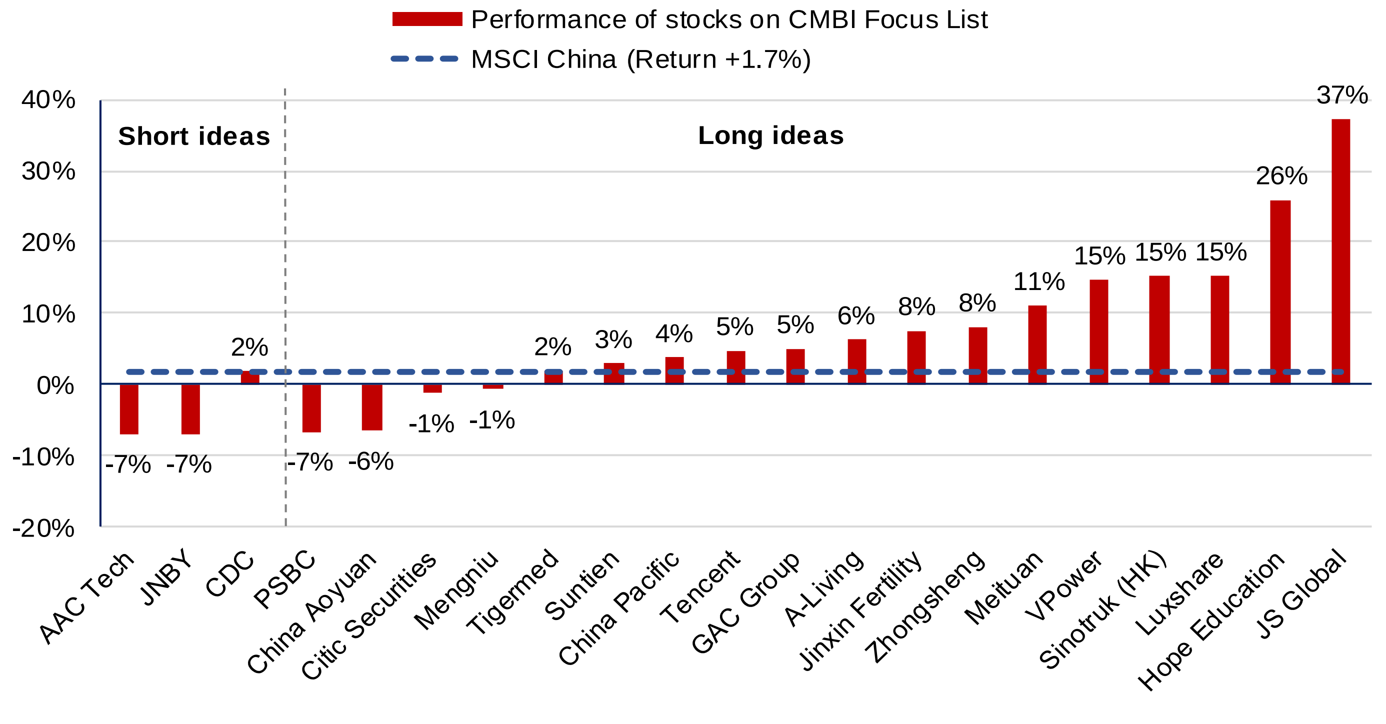
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst
Additions				
PAB	000001 CH	Banking	BUY	Terry Sun
SANY Heavy	600031 CH	Capital Goods	BUY	Wayne Fung
Anta	2020 HK	Consumer Disc.	BUY	Walter Woo
CICC	3908 HK	Brokerage	BUY	Karen Sui
Jiumaojiu	9922 HK	Catering	BUY	Walter Woo
Tongcheng-eLong	780 HK	Internet	BUY	Sophie Huang
Xinyi Solar	968 HK	Renewables	BUY	Robin Xiao
Deletions				
PSBC	1658 HK	Banking	BUY	Terry Sun
JS Global	1691 HK	Consumer Disc.	BUY	Walter Woo
Tencent	700 HK	Internet	BUY	Sophie Huang
Citic Securities	6030 HK	Brokerage	BUY	Karen Sui
VPower	1608 HK	Renewables	BUY	Robin Xiao
JNBY	3306 HK	Consumer Disc.	HOLD	Walter Woo
CDC	341 HK	Catering	HOLD	Walter Woo

Source: Bloomberg, CMBIS

Performance of our recommendations

- In our last report dated 8 April (link), we highlighted a list of 18 long and 3 short ideas.
- The basket (equal weighted) of these 21 stocks have outperformed MSCI China index by 570bps, with return of 16 out of 21 ideas outperforming benchmark.
- JS Global, Hope Education, Luxshare, Sinotruk (HK) and VPower delivered +15% return, while AAC Tech and JNBY saw 7% correction.



Source: Bloomberg, CMBIS; Note: Stock performance from 9 April to 6 May 2020

Long Ideas

GAC Group (2238 HK): Promising performance after the epidemic

Rating: BUY | **TP:** HK$8.6 (21% upside)

Analyst: Jack Bai

- **Investment Thesis:** GAC Group has good product quality and excellent supply chain management capability, which will lead to further market share expansion. Its three pillars, namely GAMC/Japanese JVs/GAC NEV, will support the sales recovery after COVID-19.
- **Our View:** We believe that delayed demand, strong product pipeline, and policy support will make GAC's sales volume soar after the epidemic.
- **Why do we differ vs consensus:** Our FY20 NP are 3% above consensus, as we believe the two Japanese JVs will continue to outperform overall markets. We also believe the GAMC will start to recover as the new generation of GS4 was rolled out recently.
- **Catalysts:** GAC Group has rolled out strong products in late 2019 and early 2020. A new generation of its star product GS4 was launched in Nov 2019. Breeze (皓影), the brand new vehicle of GAC Honda was launched in Nov 2019. Willander (威兰达), a new model of GAC Toyota, was officially launched online on 28 Feb 2020. In addition, Guangdong is one of the most advanced provinces in supporting auto consumption, which will benefit the GAC Group most.
- **Valuation:** We revised down our bottom-line forecast to RMB7.9bn (a 22% cut from previous forecast) in order to reflect the GPM drop from COVID-19 impact/operating deleverage. Therefore, we cut our TP to HK$8.6 (based on initial 9.6x 2020E P/E) with an upside of 22.4% from initial TP HK$10.9 (based on initial 9.6x 2020E P/E). The share price has a correction after GAC announced its FY19 results, providing a good entrance point given 1) local brand improvement and 2) swift recovery of two JVs. Reiterate BUY rating.

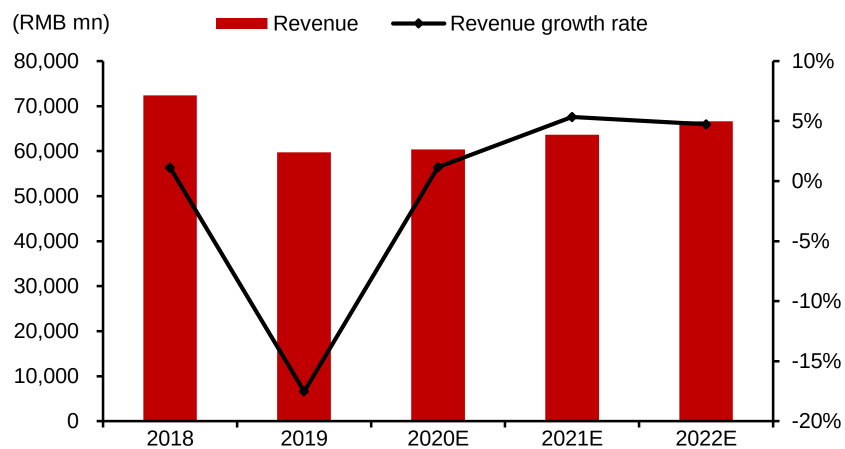
Link to latest report: GAC Group (2238 HK) – Expect earnings rebound from 2Q20E

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	59,704	60,392	63,620	66,628
YoY growth (%)	-17.51	1.15	5.35	4.73
Net income (RMB mn)	6,616	7,913	8,485	9,853
EPS (RMB)	0.65	0.78	0.84	0.98
YoY growth (%)	-39	21	7	16
Consensus EPS (RMB)	NA	0.77	0.95	1.02
P/E (x)	9.7	8.0	7.5	6.4
P/B (x)	0.78	0.74	0.69	0.64
Yield (%)	3.2	3.8	4.0	4.7
ROE (%)	8.4	9.5	9.6	10.4
Net gearing (%)	38	32	39	47

Source: Company data, Bloomberg, CMBIS estimates

Fig: GAC Group Revenue trend



Source: Company data, CMBIS estimates

Zhongsheng (881 HK): More certainty and profitably ahead

Rating: BUY **| TP:** HK$33.8 (5% upside)

Analyst: Jack Bai

- **Investment Thesis:** Zhongsheng Group is the 2nd largest auto dealer group in China. The Company has great corporate governance and operation capability among its peers. The strong brand mix and geographical layout will foster its future growth.

- **Our View:** We believe Zhongsheng will outperform the sector due to its great operation efficiency, large customer base and, cost control measures. In addition, we believe its bottom-line performance certainty gradually increases as the business tilts more to after-sales and value-added service. Furthermore, the proportion of luxury brands increased in the new car sales and after-sales market leading to more profitability ahead.

- **Why do we differ vs consensus:** Our FY20/21E NP are 7%/2% above consensus, as we believe the Company will tilt its business more on after-sales and value-added service. In addition, we believe the penetration rate of the used-car transaction will likely to increase at a fast pace in 2020E/21E.

- **Catalysts:** The Company significantly improved its financial condition by reducing the overall debt ratio. Therefore, Zhongsheng has a great advantage to utilize the low rate environment to achieve external growth through M&A will in 2020E.

- **Valuation:** We maintain our bottom-line forecast in 2020E at RMB5.5bn. In addition, we believe great governance and excellent operating capability was not affected by COVID-19 at all. Our TP maintained at HK$33.8 (based on initial 12.5x 2020E P/E) with an upside of 4.6%. Reiterate BUY.

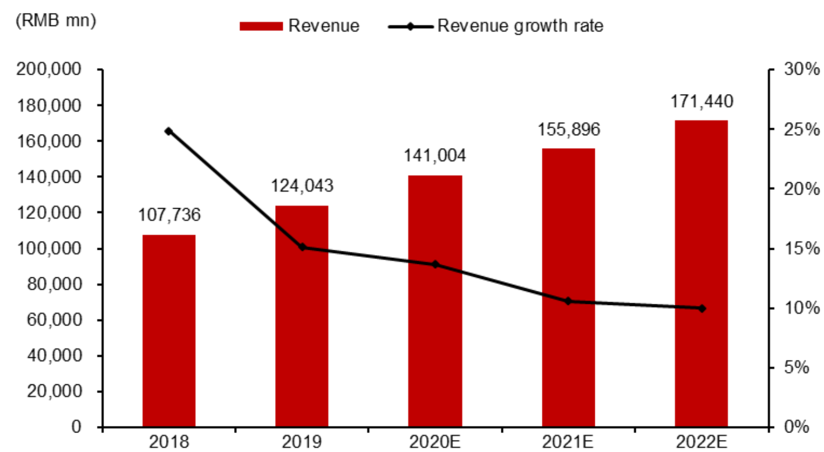
Link to latest report: Zhongsheng (881 HK) - More certainty and profitably ahead

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	124,043	141,004	155,896	171,440
YoY growth (%)	15.1	13.7	10.6	10.0
Net income (RMB mn)	4,502	5,516	6,258	7,479
EPS (RMB)	1.98	2.43	2.75	3.29
YoY growth (%)	24	23	13	20
Consensus EPS (RMB)	NA	2.16	2.65	3.09
P/E (x)	14.6	12.0	10.5	8.8
P/B (x)	3.0	2.6	2.2	1.9
Yield (%)	1.38	1.67	1.90	2.27
ROE (%)	22.5	23.7	22.8	23.2
Net gearing (%)	149	123	113	101

Source: Company data, Bloomberg, CMBIS estimates

Fig: Zhongsheng Revenue trend



Source: Company data, CMBIS estimates

PAB (000001 CH): 1Q20 results beat; Share price correction overdone

Rating: BUY **| TP:** RMB19.80 (44% upside)

Analyst: Terry Sun

- **Investment Thesis:** PAB achieved fastest 1Q20 earnings growth of 14.8% YoY among China banks under our coverage. Both NIM and NPL ratio were largely stable amid COVID-19's shock, beating market expectation. Down 15.3% YTD, the Bank appeared over-penalized for above-peers exposure to consumption related loans.

- **Our View:** We remain upbeat on PAB's mid-to-long term growth prospects, despite some near-term disruption from COVID-19. Successful retail transformation since 2016 lays a solid fundamental to withstand economic downturn and capture China's consumption upgrade cycle.

- **Why do we differ vs consensus:** Our FY20/21E NIM forecasts are 3-5bp higher than consensus, as we believe PAB's margin is more resilient on strong loan pricing and deposit mix optimization. Our net profit forecasts are in line with market expectation, but our credit cost estimates are higher, given that PAB would continue to strengthen provision buffer against potential macro uncertainty.

- **Catalysts:** 1) continued better-than-peers NIM and asset quality trend, thanks to greater retail exposure; 2) fast pick-up in corporate banking business, with support from Ping An Group; and 3) boost in wealth management business will make up the long-standing weakness in funding cost.

- **Valuation:** We derived our 12m TP of RMB19.80 based on 1.28x target P/B and FY20E BPS of RMB 15.5. We believe recent share price correction offers a good opportunity to accumulate the stock.

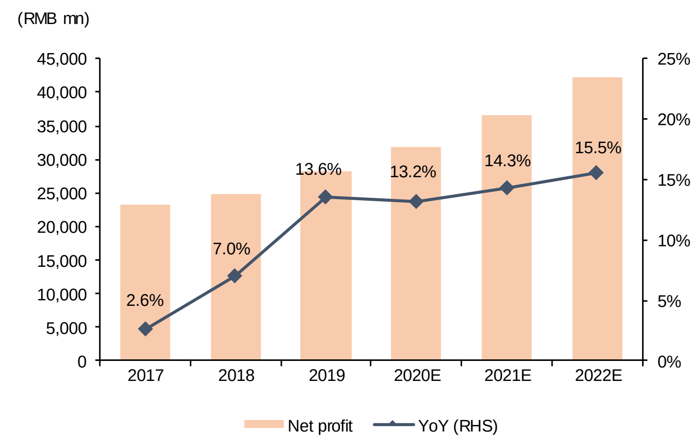
Link to latest report: PAB (000001 CH) - Solid earnings momentum; Asset quality trend is key to watch

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Operating income (RMB mn)	137,958	155,587	171,115	189,191
Net profit (RMB mn)	28,195	31,918	36,485	42,151
EPS (RMB)	1.54	1.60	1.84	2.13
EPS CHG (%)	10.3	4.0	14.7	15.9
Consensus EPS (RMB)	NA	1.64	1.89	2.13
P/E (x)	8.1	7.8	6.8	5.9
P/B (x)	0.89	0.81	0.73	0.66
Dividend yield (%)	1.7	2.0	2.3	2.6
ROE (%)	11.1	10.8	11.2	11.8
NPL ratio (%)	1.65	1.58	1.46	1.36
Provision coverage (%)	183	203	223	238

Source: Company data, Bloomberg, CMBIS estimates

Fig: PAB's net profit forecasts



Source: Company data, CMBIS estimates

CICC (3908 HK): All-round market leadership

Rating: BUY **| TP:** HK$16.40 (40% 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.

- **Our View:** We like CICC's strong franchise in investment banking business both domestically and overseas, esp. incomparable strength in new economy companies oversea listing and SOE giants' M&A. The Company also maintains good and stable investment yield track record against market volatility, with high utilization of capital to drive industry leading ROE. In addition, we think the recent distressed share price performance has priced in impact negative news of Luckin Coffee's frauds, while currently we think the issue has limited impact on its operation and profitability in FY20E.

- **Why do we differ vs consensus:** we possibly have a more cautious view on the Company's prop-trading gains growth due to current market turmoil and higher opex assumptions.

- **Catalysts:** 1) Upbeat 1Q20E results; 2) A-share IPO; 3) More fruit from wealth management transformation and cooperation with its strategic shareholder Tencent and Alibaba.

- **Valuation:** Our 3-stage DDM derived TP is HK$ 16.40, implying 1.25x FY20E P/B, slightly higher than its historical average of 1.17x. The Company now trades at 0.88x 1-year forward P/B, close to its historical trough. CICC's valuation premium over peers has also fallen below historical average level.

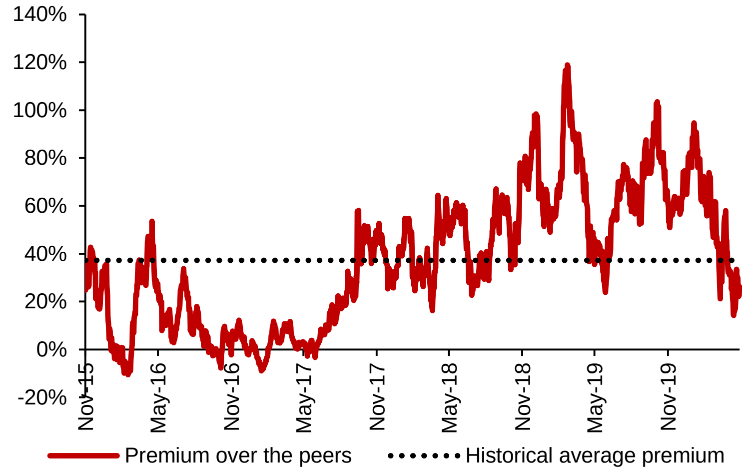
Link to latest report: CICC (3908 HK) – FY19 results in-line; aims to scale up going forward

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Adj. op. revenue (RMB mn)	15,761	17,502	19,508	21,268
Net income (RMB mn)	4,239	4,883	5,511	6,100
EPS (RMB)	0.99	1.10	1.25	1.38
YoY growth (%)	19	12	13	11
Consensus EPS (RMB)	N/A	1.19	1.37	1.58
P/E (x)	10.6	9.5	8.4	7.6
P/B (x)	0.97	0.89	0.81	0.73
Yield (%)	0.0	2.1	2.4	2.6
ROE (%)	9.5	9.7	10.0	10.2
Adj. financial leverage (%)	6.0	6.1	6.0	6.0

Source: Company data, Bloomberg, CMBIS estimates

Fig: CICC's valuation premium over peers



Source: Company data, CMBIS estimates

SANY Heavy (600031 CH): Expect demand in 2Q to exceed expectations

Rating: BUY | **TP:** RMB23.5 (16% upside)

Analyst: Wayne Fung

- **Investment Thesis:** SANY is the largest excavator manufacturer in China. The Company also has the largest producing capacity of concrete pumps in China and has established itself as one of the major players in the world. On the back of rapid enhancement in product quality, precise marketing strategy, commitment on R&D spending, solid track record and excellent management execution, SANY has been raising its market share and is set to emerge as a world class player to compete in the global market, offering earnings upside over the coming years..

- **Our View:** We believe SANY's earnings upcycle to continue in 2020E-21E, driven by rising infrastructure spending, introduction of new emission standard and continuous market share.

- **Why do we differ vs consensus:** We have higher sales volume assumptions.

- **Catalysts:** We expect infrastructure spending to accelerate, driven by the significant increase in local government special bond issuance in China (+56% YoY in 1Q20). Our check suggests that machinery demand in 2Q will likely be far above market expectation.

- **Valuation:** Our TP of RMB23.5 is based on 14.3x 2020E PE, 30% premium to the average PE since 2017 (the beginning of the upcycle).

Link to latest reports:

China Construction Machinery and HDT Sector – HDT sales +43% YoY in Apr; Expect robust growth for other machinery

SANY Heavy Industry – A (600031 CH) – 2019 net profit +83% YoY in line; Expect a strong 2Q20

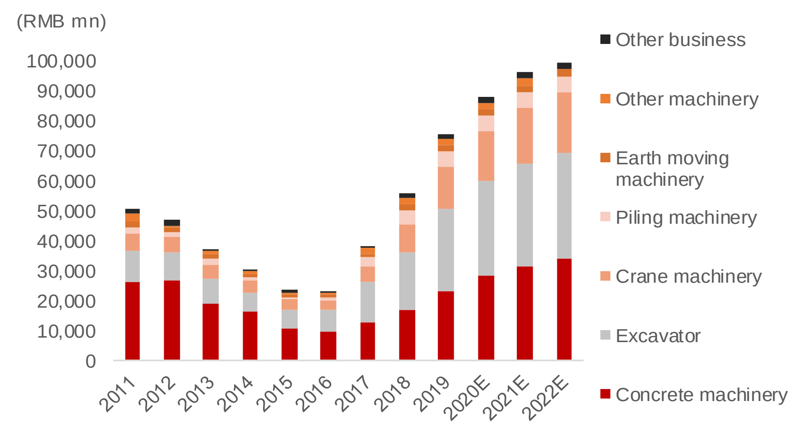
China Construction Machinery and HDT Sector – Lift forecast on excavator on strong demand; BUY SANY & Hengli

Financials and Valuations

(YE 31 Dec)	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	75,666	88,022	96,234	101,903
YoY growth (%)	36	16	9	6
Net income (RMB mn)	11,207	13,692	15,503	16,511
EPS (RMB)	1.36	1.62	1.84	1.96
YoY growth (%)	71.4	19.8	13.2	6.5
Consensus EPS (RMB)	-	1.57	1.75	-
EV/EBITDA (x)	11.7	9.5	8.6	8.3
P/E (x)	14.5	12.1	10.7	10.0
P/B (x)	3.7	3.0	2.5	2.1
Yield (%)	2.2	2.6	2.9	3.1
ROE (%)	29.5	27.7	25.8	23.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: SANY Heavy's sales volume projection



Source: Company data, CMBIS estimates

Anta (2020 HK): Strong beat in 1Q and likely turnaround in 2Q

Rating: BUY | **TP:** HK$77.39 (20% upside)

Analyst: Walter Woo

- **Investment Thesis:** Despite short term disruptions from COVID-19 outbreak, the Company could actually gain more market shares from industry consolidation in the long run. Anta is the owner of various 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 are confident on the Company's prompt actions to assist its distributors, manage its inventory level and cash flow, as well as regaining the growth momentum, evidenced by strong recovery in Mar-Apr 2020 and FILA's e-commerce growth. We are not too worried about Amer sports amid the virus outbreak, as the Company do have ample financial capacity to ensure its cash flow and there are also rooms for cut in capex and costs.

- **Why do we differ vs consensus:** For FY20E/ 21E, our sales forecasts are 5%/ 1% higher than consensus and our net profit forecasts are 2% lower / 2% higher than street as we are more optimistic on FILA's sales growth, Anta's GP margin but more losses from Amer Sports.

- **Catalysts:** 1) more stimulus (e.g. consumption coupons) by local and central government; 2) better than expected operating numbers (including industry and peers' data); and 3) low raw material costs environment stay.

- **Valuation:** We derived our 12m TP of HK$77.39 based on 33x FY21E P/E. We believe sales recovery in China will help improving sentiment, hence driving re-rating. The stock is trading at 27x FY20E and 19x FY21E P/E.

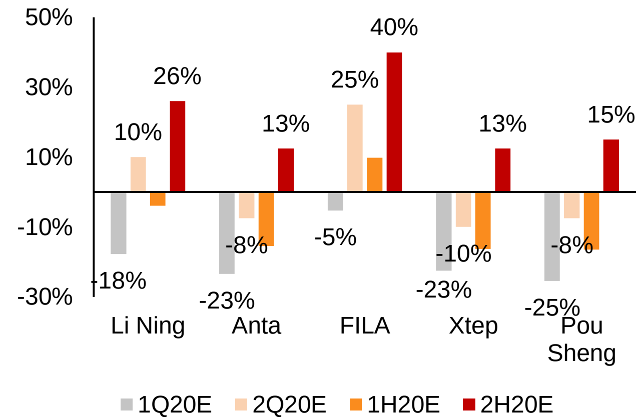
Link to latest report: Anta (2020 HK) - Strong beat in 1Q and likely turnaround in 2Q

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (RMB mn)	33,928	38,586	46,504	52,698
YoY change (%)	40.8	13.7	20.5	13.3
Net profit (RMB mn)	5,344	5,754	8,246	9,845
EPS - Fully diluted (RMB)	1.917	2.064	2.958	3.531
YoY change (%)	25.7	7.7	43.3	19.4
Consensus EPS (RMB)	n/a	2.133	2.932	3.605
P/E (x)	28.9	26.9	18.7	15.7
P/B (x)	7.5	6.3	5.3	4.7
Yield (%)	1.1	1.5	3.7	4.5
ROE (%)	29.8	26.2	31.5	32.6
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

Jiumaojiu (9922 HK): Speedy recovery indicates rare popularity

Rating: BUY | **TP:** HK$11.44 (under review)

Analyst: Walter Woo

- **Investment Thesis:** Catering sector was hit hard by COVID-19 outbreak, but its recovery could also be the quickest. Top brands like Tai Er shall gain market shares through consolidation in the long run. Jiumaojiu has 143 Jiu Mao Jiu (Northwestern Chinese cuisine), 126 Tai Er (Sauerkraut fish cuisine) and 67 other restaurants (336 in total) in FY19. Growth drivers are: 1) Tai Er's rapid store expansion, 2) Ramp up of Tai Er's sales per stores and margins, and 3) successful reforms for Jiu Mao Jiu.

- **Our View:** Impressive delivery sales for Tai Er in Mar-Apr 2020 is a solid evidence for its popularity (generated up to 40% of sales per store at one point, a very industry leading contribution). Therefore Tai Er's recovery, in our view, is much quicker than its peers, should have reached 100% of early Jan 2020 level (80%/ 20% for dine-in/ delivery) by Apr 2020. Jiu Mao Jiu may experience a slower recovery, but we believe investors are less worried as they will assign a lower P/E for that business.

- **Why do we differ vs consensus:** For FY20E/ 21E, our sales forecasts are 6%/ 4% higher than consensus and our net profit forecasts are 36%/ 17% higher than street as we are more optimistic on 1) sales recovery, 2) operating leverage for Tai Er and 3) rental costs in FY21E.

- **Catalysts:** 1) more stimulus (e.g. consumption coupons) by local and central government; 2) better than expected operating numbers (including industry and peers' data); and 3) faster than expected store openings.

- **Valuation:** We derived our 12m TP of HK$11.44 based on 10x JMJ and 35x Tai Er FY21E P/E. We believe leading catering brands are one of the best China recovery play, hence driving re-rating. The stock is trading at 28x FY21E P/E.

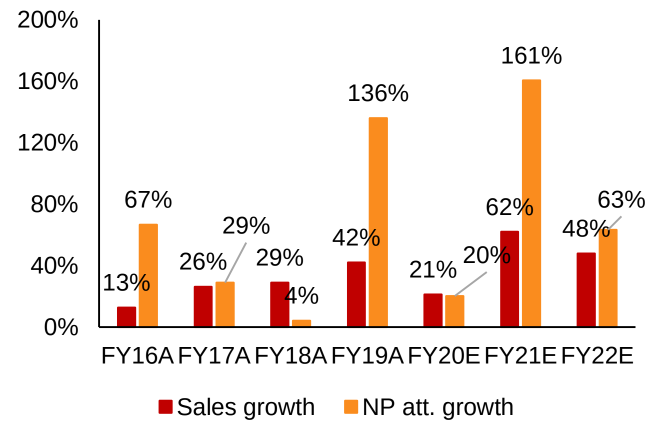
Link to latest report: Jiumaojiu (9922 HK) – Speedy recovery indicates rare popularity

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Sales (RMB mn)	2,687	3,257	5,276	7,801
YoY change (%)	42.0	21.2	62.0	47.9
Net profit (RMB mn)	164	197	514	840
EPS - Fully diluted (RMB)	0.119	0.143	0.372	0.607
YoY change (%)	136.1	20.1	160.6	63.4
Consensus EPS (RMB)	n/a	0.103	0.317	0.458
P/E (x)	88.5	73.7	28.3	17.3
P/B (x)	85.3	5.7	4.7	3.8
Yield (%)	0.0	0.0	1.1	1.7
ROE (%)	87.9	14.4	18.1	24.4
Net debt/ equity (%)	187.9	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Sales/ NP att. growth, full year



Source: Company data, CMBIS estimates

Mengniu (2319 HK): Resume double-digit revenue growth in 2H20E

Rating: BUY | **TP:** HK$34.20 (22% upside)

Analyst: Albert Yip

- **Investment Thesis:** MN would benefit from continuing sector consolidation. We expect MN to deliver OPM expansion thanks to continuing momentum of high-margin products (Milk Deluxe and Just Yoghurt) and improvement of non-A&P selling expenses ratio. The recovery of dairy sector from epidemic is encouraging because milk is necessity good and consumers believe drinking milk could strengthen immunity.

- **COVID-19 impact:** COVID-19 outbreak mainly affected sales in Feb and Mar, especially UHT milk. Chilled milk and fresh milk is expected to resume normal growth beginning Apr. Because of extra marketing expenses for inventory destocking in channels, expenses for epidemic prevention as well as cash and supplies donation (~RMB740mn), we expect 1H20E net profit to be affected

- **Enhance brand equity.** Mengniu's donation amount ranked No.1 in FMCG sector. It also initiated a campaign with National Association of Healthy Industry and Enterprise Management to propose drinking milk everyday to strengthen immunity. Such investments should enhance consumers' recognition of MN's brand and its sales..

- **FY20E outlook.** Management expects revenue to drop slightly in 1H20E and then resume YoY low-teens growth and OPM improvement in 2H20E, excluding contribution from Bellamy's Organic and Lion Dairy. Management also targets to achieve double-digit revenue CAGR next five years. It peer, Yili, also expects sales to fully recover by Jun 20.

- **Valuation:** Our TP of HK$34.20 is based on 28.0x average FY20E and FY21E EPS, which is the high-end of 18-30x 1-yr forward P/E range since Mengniu resumed double-digit revenue growth in FY16.

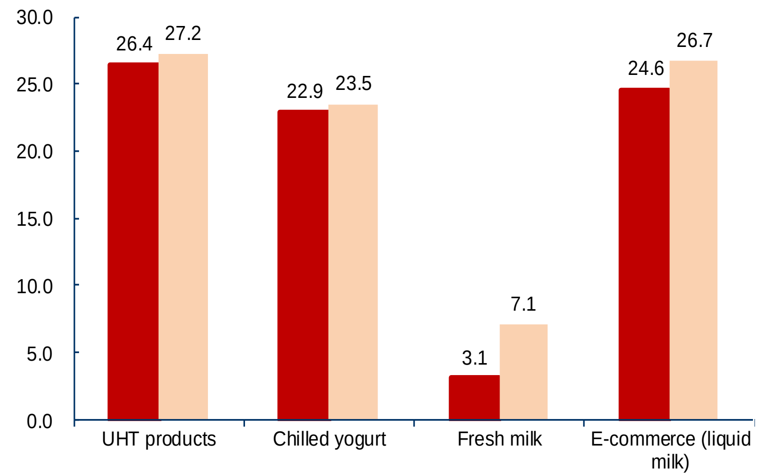
- **Link to latest report:** Mengniu (2319 HK) – Resume double-digit revenue growth in 2H20E

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	79,030	71,615	83,179	93,327
YoY growth (%)	15	(9)	16	12
Net profit (RMB mn)	4,105	3,464	5,152	6,282
Adj. net profit (RMB mn)	3,867	3,464	5,152	6,282
Adj. EPS (RMB)	0.988	0.880	1.309	1.597
YoY growth (%)	31	(11)	49	22
Consensus EPS (RMB)	na	1.057	1.321	1.730
Adj. P/E (x)	24.6	27.6	18.6	15.2
P/B (x)	3.3	3.0	2.6	2.3
Yield (%)	0.7	0.8	1.2	1.5
ROE (%)	14.2	11.4	15.1	16.2

Source: Company data, Bloomberg, CMBIS estimates

Fig: Increasing market shares



Source: Company data, Nielsen

Hope Education (1765 HK): Multiple growth drivers

Rating: BUY **| TP:** HK$2.80 (28% upside)

Analyst: Albert Yip

- **Investment Thesis:** Hope Education has strong organic and M&A growth drivers. The Company made five acquisitions over the past twelve months. . Because it had solid track record in improving performance of acquired colleges, we expect the Company to deliver above peers' growth. We think MOE's accelerating conversion of independent colleges is a re-rating catalyst of higher education sector.
- **Strong organic and M&A growth drivers.** For organic growth, it will benefit from (1) growing admission quota of vocational colleges and diploma-to-degree; (2) synergies and cost savings from acquisitions of Yichuan schools and Inti Education; and (3) three self-built vocational colleges to be opened in Sep 2021 as long-term drivers. For M&A, it plans to acquire universities (RMB2.3bn cash on hand).
- **Opportunities of unpeg of independent colleges:** MOE has speeded up conversion of independent colleges into universities this year. This would increase sector M&A and earnings enhancement opportunities. The Company pays RMB150mn/year as management fees. Management hopes to settle "termination fees" within RMB500mn, equivalent to ~4x P/E acquisition.
- **Better visibility than peers.** (1) Its provision of 15% income tax for Sichuan colleges in advance in FY19 has released most risk of rising tax rate in future; (2) Its organic growth is mainly driven by student enrollment growth rather than ASP growth. Amid softening economic growth, the sector could limit tuition fee growth in 2020-21 school year.
- **Valuation:** Our TP of HK$2.80 is based on 28.7x FY20E P/E. We forecast the Company to post 28.7% EPS CAGR in FY20-22E, which is stronger than peers' average of 19%

Link to latest report: Hope Education (1765 HK) – Strong 1HFY20; mulitiple growth drivers

Financials and Valuations

(YE 31 Dec/Aug)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,331	1,607	2,190	2,735
YoY growth (%)	29	na	36	25
Net profit (RMB mn)	490	528	707	893
Adj. net profit (RMB mn)	474	585	783	969
Adj. EPS (RMB)	0.071	0.088	0.117	0.145
YoY growth (%)	26	na	34	24
Consensus EPS (RMB)	0.069	0.092	0.117	0.149
Adj. P/E (x)	25.8	21.3	15.9	12.9
Yield (%)	1.2	1.4	1.8	2.3
ROE (%)	10.9	13.1	16.0	17.7
Net cash (RMB mn)	255	1,147	802	1,136

Source: Company data, Bloomberg, CMBIS estimates

Fig: Peers' valuation table

	Ticker	Mkt Cap (US$ mn)	Price	Year end	P/E (x) FY1	FY2	FY3	PEG (x) FY1
Higher Education services providers								
China Education	839 HK	3,439	13.20	Aug-19	26.1	22.2	18.8	1.46
Yuhua Education	6169 HK	3,274	7.60	Aug-19	24.9	18.8	16.7	1.13
Hope Education	1765 HK	1,850	2.08	Aug-19	21.3	15.9	12.9	0.74
Kepei Education	1890 HK	1,228	4.76	Dec-19	14.5	11.9	10.5	0.83
New Higher Education	2001 HK	813	4.09	Dec-19	10.9	9.5	8.2	0.70
Edvantage	382 HK	701	5.34	Aug-19	15.9	13.0	10.7	0.72
Minsheng Education	1569 HK	632	1.22	Dec-19	10.0	8.6	7.9	0.79
Xinhua Education	2779 HK	479	2.31	Dec-19	10.4	9.4	8.6	1.04
Huali University	1756 HK	512	3.31	Aug-19	11.7	9.2	7.4	0.46

Source: Bloomberg estimates, Company data, CMBIS estimates

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

Rating: BUY **| TP:** HK$13.3 (35% upside)

Analyst: Amy Ge/ Jill Wu

- **Investment Thesis:** Jinxin Fertility is a leading player in assisted reproductive services (ARS) industry in China and the US with promising growth outlook thanks to strong organic growth momentum and abundant acquisition opportunities. In 2018, Jinxin ranked the first among non-state-owned assisted reproductive technology (ART) medical institutions in China and ranked the first in the western US ARS market.

- **Our View:** We expect Jinxin to deliver 19.5% CAGR in revenue FY19-22E, mainly thanks to solid organic growth and good integration of acquisition. By end-2019, Jinxin had RMB3.3bn cash on hand which provides sufficient capital for future acquisitions**.** We believe, Jinxin may accelerate its geographic expansion during the COVID-19 outbreak through acquisitions.

- **Why do we differ vs consensus:** Our FY20/21E revenue are 6%/8% below consensus, and NP are 9%/10% below consensus, as we are conservative on IVF cycle growth forecasts compared to market and in view of the impact from COVID-19 on US business operation.

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

- **Valuation:** We derived our 12m TP of HK$13.3 based on 52.4x FY20E P/E. We believe this is justified as Jinxin Fertility's leading position in ART market and high visibility growth in next 3-5 years.

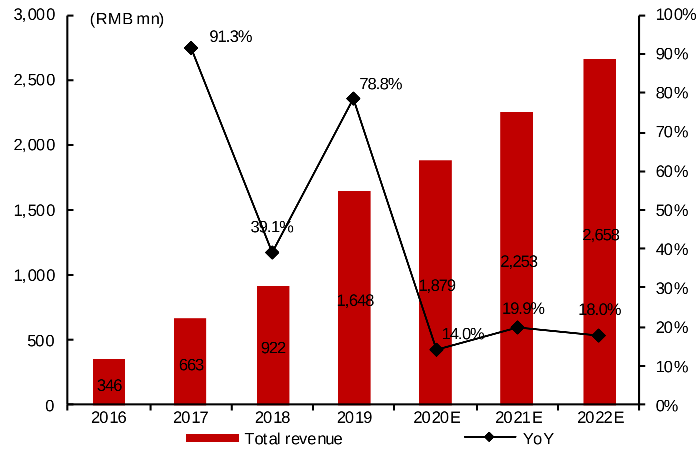
Link to latest report: Jinxin Fertility (1951 HK) – Expect accelerating geographic expansion

Financials and Valuations

(YE 31 Dec)	FY20E	FY21E	FY22E
Revenue (RMB mn)	1,879	2,253	2,658
YoY growth (%)	14	20	18
Net profit (RMB mn)	556	691	837
EPS (RMB)	0.23	0.28	0.34
YoY growth (%)	23	24	21
Consensus EPS (RMB)	0.26	0.32	0.40
P/E (x)	38.6	31.3	25.7
P/B (x)	2.7	2.5	2.3
Yield (%)	0.52	0.64	0.78
ROE (%)	7.1	8.3	9.3
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: Revenue trend



Source: Company data, CMBIS estimates

Tigermed (300347 CH): Global excellence, China expertise

Rating: BUY **| TP:** RMB87.18 (12% upside)

Analyst: Jill Wu

- **Investment Thesis:** Tigermed is the largest clinical CRO service provider in China, with an employee team of over 4,000 staff, providing full-services covering I-IV phase clinical trials. After the "722" event, the strict regulatory environment in China has led to strong demand for high quality CRO services. Tigermed, as a leading full-service clinical CRO in China, has consolidated market share from small peers and dominate the clinical CRO market in China.

- **Our View:** Tigermed is our top pick for A-share heathcare sector. We see multiple growth drivers: 1) Strong demand in high-quality clinical CRO in China after the "722" event, 2) Chinese authorities opened up the clinical trial institution recognition through filling system, which relieves bottleneck in clinical trial resources, 3) Globalization opens up room for long-term growth, and 4) Tigermed recorded additional backlog of RMB4.2bn in 2019, up 28% YoY and had total backlog of RMB5.0bn by end-2019, up 36% YoY.

- **Catalysts:** COVID-19 outbreak in China is largely curbed and under control, while overseas situation remains an overhang. Clinical trials in many hospitals in China have resumed from Mar and we believe COVID-19 impact on domestic business is minimal, while overseas orders could face some delay and pressure. Near-term catalyst includes earlier than expect end of COVID-19 outbreak. Risk includes larger impact from COVID-19 outbreak.

- **Valuation:** We derived our 12m TP of RMB87.18 based on 55.7x FY21E P/E. We believe this is justified as Tigermed continues to deliver strong earnings growth, market share gain in China and global market.

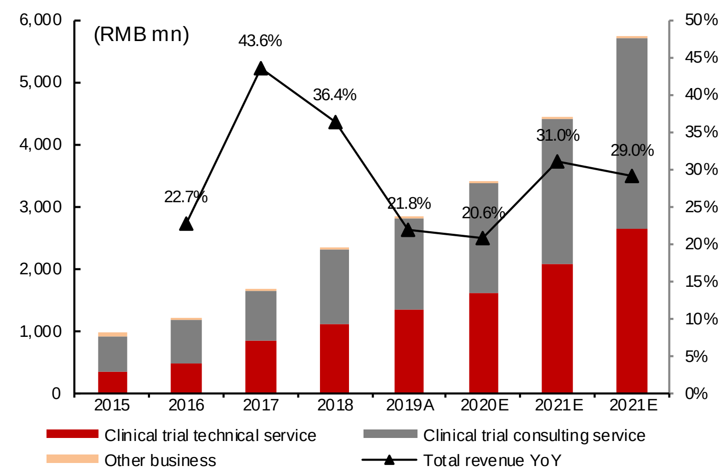
Link to latest report: Tigermed (300347 CH) – To continue strong earnings momentum

Financials and Valuations

(YE 31 Dec)	FY20E	FY21E	FY22E
Revenue (RMB mn)	3,381	4,428	5,711
YoY growth (%)	20.60	30.96	29.00
Net income (RMB mn)	841	1,172	1,591
EPS (RMB)	1.12	1.56	2.12
EPS YoY growth (%)	-0.69	39.37	35.72
P/E (x)	69.60	49.94	36.80
P/B (x)	12.05	10.20	8.44
Yield (%)	0.36	0.50	0.67
ROE (%)	15.50	18.46	20.93
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Revenue trend



Source: Company data, CMBIS estimates

China Pacific (2601 HK): Steadfast moves in face of difficulties

Rating: BUY **| TP:** HK$33.93 (37% upside)

Analyst: Wenjie Ding

- **Investment Thesis:** The Group's life business was under pressure in 1Q like peers. However, improving agent quality during the past and orientation towards value creation bode well for business recovery in 2Q and onward. The stock has rebounded over 25% since the Company's announced 2018 annual result. The H-share is now trading at 0.47x FY20E P/EV, which we think has priced in the worst 1Q. .

- **1Q20 result highlights. 1)** Robust investment performance. Although capital market volatilities incurred fair value loss of RMB 83mn on trading securities vs. RMB 1.07bn positive gain in the same period last year, we believe realized gains on equity securities as well as dividend and interest income remained robust to boost net profit. Net investment yield and total investment yield recorded 4.2%/4.5%, down 20bp/10bp YoY, respectively. **2)** P&C premium growth increased 32.5% for non-automobile insurance since the Company accelerated online sales and services and developed innovative health and liability insurance to capture demand..

- **1Q20 negatives mainly involved life business growth**, which decelerated more than expected. Individual channel FYP declined 31.1% while FYRP dropped 37.7%. The Company did not announce NBV growth in 1Q report. However, since NBV margin may go down a bit due to product mix shifting towards shorter term during the onset of COVID-19, we estimate NBV decline in 1Q20 could be worse than FYRP decline. We expect with the containment of COVID-19, life FYRP growth will gradually resume in 2Q.

- **Increased shareholding by Shanghai SASAC.** The third largest shareholder of the Company, Shanghai State-owned Assets Operation Co., Ltd. has accumulated 42.3 million shares during 1Q20, increasing its shareholding from 5.58% to 6.05%. We believe the Group will be able to embrace more opportunities arising from Shanghai's SOE reform and integration of the Yangtze River Delta Region.

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
GWP (RMB mn)	347,517	358,220	378,698	397,616
YoY growth (%)	8.0	3.1	5.7	5.0
Total income (RMB mn)	382,682	392,272	413,893	433,226
Net profit (RMB mn)	27,741	29,546	31,063	32,465
EPS (RMB)	3.06	3.26	3.43	3.58
YoY Growth	53.95	6.51	5.13	4.51
Consensus EPS (RMB)	N.A.	2.75	3.09	3.49
P/B (x)	1.13	1.02	0.92	0.84
P/EV (x)	0.51	0.47	0.43	0.39
Yield (%)	5.39	5.74	6.04	6.31
ROE (%)	16.92	15.69	14.90	14.14

Source: Company data, Bloomberg, CMBIS estimates

Link to latest report: CPIC (2601 HK) – Steadfast moves in face of difficulties

Tongcheng-eLong (780 HK): Recovery in sight

Rating: BUY **| TP:** HK$15 (20% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We expect Tongcheng-Elong ("TC") to deliver better-than-feared 1Q20E results, with revenue at -44% YoY and positive earnings of RMB50mn. We think TC's above-industry performance would ease market concern on COVID-19, and we keep confident on a sooner recovery with stabilization of domestic market, travel recovery in lower-tier cities and policy support.

- **Our View:** We keep positive on TC's recovery and cost saving in next few quarters. We expect its transportation revenue to be flat in 2Q20E, while overall revenue to see positive YoY growth in 3Q20E. User metrics would see short-term fluctuation, but intact in the long run on cross selling and membership loyalty program. We think TC's worst time was over, and recovery in sight.

- **Why do we differ vs consensus:** Market concern lies on COVID-19 impact and competition landscape. We believe TC would see faster recovery than peers, mainly on: 1) lower exposure to international tourism (<5%); and 2) lower-tier cities to see faster recovery for less travel limitation.

- **Catalysts:** 1) transportation, hotel gradual recovery with stabilization of domestic market; 2) faster recovery in lower-tier cities; 3) policy support; and 4) cross-selling effect.

- **Valuation:** Maintain BUY with DCF-based TP of HK$15, implying 14x FY21E P/E, slightly lower than industry average. With COVID-19 headwinds priced in, we suggest to buy on dips.

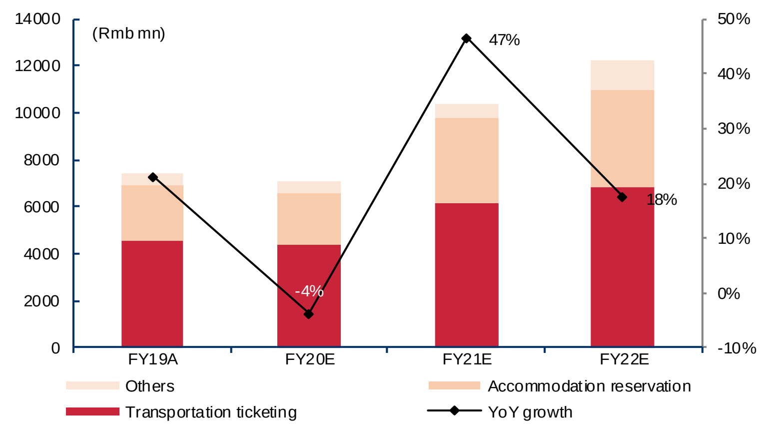
- **Link to latest report:** Tongcheng-Elong (780 HK) – 1Q20E Preview: recovery in sight

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	7,393	7,113	10,427	12,254
YoY growth (%)	NA	-3.8	46.6	17.5
Net income (RMB mn)	1,544	1,088	2,012	2,449
EPS (RMB)	0.74	0.52	0.97	1.18
YoY growth (%)	68.6	-29.5	84.9	21.7
Consensus EPS (RMB)	NA	0.66	1.00	1.05
P/E (x)	15.0	21.3	11.5	9.5
P/S (x)	0.9	0.9	0.8	0.7
Yield (%)	0.0	0.0	1.0	2.0
ROE (%)	5.6	4.6	8.2	10.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: TC's revenue growth estimates



Source: Company data, CMBIS estimates

Meituan (3690 HK): Short-term pain, long-term intact

Rating: BUY | **TP:** HK$120 (11% upside)

Analyst: Sophie Huang

- **Investment Thesis:** We keep positive on Meituan Dianping ("MD")'s secular growth, and see high visibility for MD to continuously strengthen its local life leadership. Despite short-term pain from COVID-19, we believe its online consumption demand would be still intact, and MD is well-positioned to capture long-term opportunities from rising online consumption, new initiatives benefits, cross-selling effect and industrial consolidation.

- **Our View:** We are bullish on MD's strong topline growth and margin improvement, backed by its sizable users, one-stop lifestyle services, unique UGC and powerful logistic network. 1Q20E guidance was better than feared, with 15% revenue YoY decline and net loss of RMB1.2bn. Food delivery might see positive YoY revenue growth in 2Q20E, if domestic market epidemic stabilizes, while in-store would recover until 3Q20E. We expect MD to long-term benefit from user expansion and stronger engagement in the midst of the epidemic.

- **Why do we differ vs consensus:** Market concern lies on COVID-19 impact and competition landscape. We believe near-term delivery, in-store, hotel business have been priced in recent weak stock price, and we are more positive on its advantage in merchants connection and supply chain, and to continuously gain share in local life.

- **Catalysts:** 1) food delivery, in-store, hotel gradual recovery after work resumption; 2) new initiatives to benefit from COVID-19; and 3) cross-selling effect to unlock revenue.

- **Valuation:** Maintain BUY with DCF-based TP of HK$120, implying 4.4x FY21E P/S, or 48x FY21E P/E. With 26% FY19- 22E revenue CAGR and remarkable margin enhancement, MD deserves higher P/S multiple than most of peers, in our view.

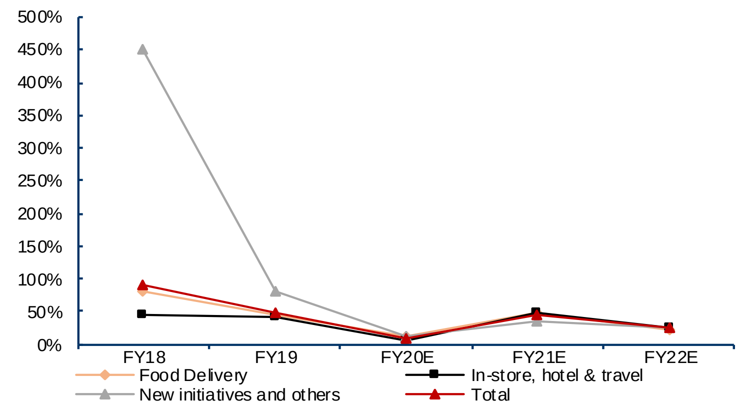
Link to latest report: Meituan Dianping (3690 HK) – Looking beyond 1H20E

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	97,529	107,841	157,310	195,165
YoY growth (%)	50	11	46	24
Net income (RMB mn)	4,657	1,277	14,012	22,383
EPS (RMB)	0.79	0.21	2.24	3.47
YoY growth (%)	NA	(73)	967	55
Consensus EPS (RMB)	NA	0.89	2.52	3.85
P/E (x)	119	445	42	27
P/S (x)	5.6	5.1	3.5	2.8
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	3.7	(1.9)	10.0	16.0
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

A-Living (3319 HK): Undemanding valuation with rapid growth

Rating: BUY **| TP:** HK$41.53 (under review)

Analyst: Chengyu Huang/ Samson Man

- **Investment Thesis:** A-Living has made a new 3-year planning for FY20-22. The key drivers in the future will be 1) developing the potential existing projects, 2) expanding actively in market with both third party expansion and participating in mixed-ownership reform of SOEs, and 3) developing innovative and new business segments. A-Living aims to achieve 730-750mn sq m contracted GFA and 600mn sq m GFA by end-FY22, and earnings CAGR from FY19 to FY22 at 30%..

- **Our View:** A-Living is our top pick for Property Management sector, due to its undemanding valuation, high earnings visibility and potential surprises from M&A consolidation in FY20. The business scale and profit amount of A-Living is tier-1 standard but its valuation is largely lagging behind due to its M&A emphasized expansion strategy. However, A-Living is switching to organic expansion strategy after the mega M&A deal. We expect A-Living to have a re-rating opportunity in FY20.

- **How do we differ:** We emphasized more on the immediate financial contribution from M&A of CMIG/New CMIG in FY20. We believe after the consolidation, the bottom line has a good chance to beat the current consensus, creating a catalyst for re-rating.

- **Valuation:** We derived our 12m TP of HK$41.53 based on 28x FY20E P/E, average of sector P/E. With its scale continue to grow faster than peers, we expect a further re-rating in the future.

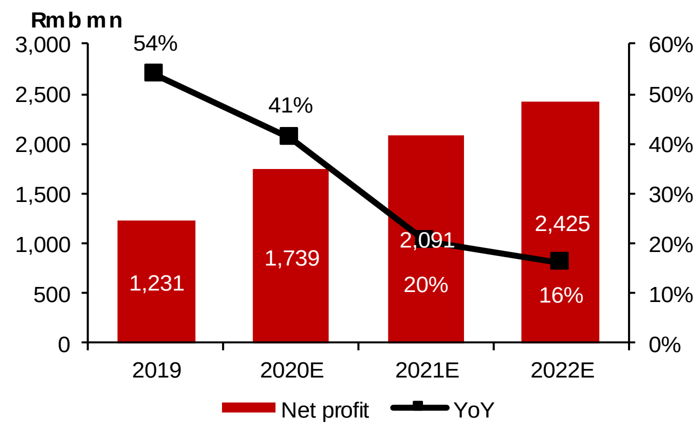
Link to latest report: A-Living (3319 HK) – Looking forward to next 3-year development

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	5,127	11,086	13,707	16,084
YoY growth (%)	51.8	116.2	23.7	17.3
Net income (RMB mn)	1,231	1,739	2,091	2,425
EPS (RMB)	0.92	1.30	1.57	1.82
YoY growth (%)	48.9	41.3	20.2	16.0
Consensus EPS (RMB)	NA	1.29	1.67	2.16
P/E (x)	59.8	40.2	28.4	23.7
P/B (x)	11.7	11.1	11.5	9.6
Yield (%)	0.8	1.2	1.8	2.1
ROE (%)	19.9	24.6	25.8	26.0
Net gearing (%)	net cash	net cash	net cash	net cash

Source: Company data, Bloomberg, CMBIS estimates

Fig: A-Living profit trend



Source: Company data, CMBIS estimates

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

Rating: BUY **| TP:** HK$15.48 (79% upside)

Analyst: Chengyu Huang/ Samson Man

- **Investment Thesis:** By end-FY19, Aoyuan's land bank reached 45.03mn sq m (attri: 81%) with a saleable value of RMB458.5bn, of which 22.3% of value was attributable to GBA. Moreover, Aoyuan now has over 30 urban redevelopment projects at different phases with total GFA of 14.25mn sq m and saleable resources of RMB226bn. Of which, saleable resources from GBA contribute RMB201.9bn. Aoyuan announced the FY20 sales target is 12% growth from FY19 sales, which is RMB132.0bn. Although FY20 target is not thrilling, Aoyuan is still confident of accelerating sales growth in FY21/22 and achieving RMB200.0bn sales by FY22. For 4M19, Aoyuan achieved contracted sale RMB23.0bn, completing 17% of sales target. bi

- **Our View:** Aoyuan is one of our top picks in Property sector for its undemanding valuation, competitive land bank, and national coverage with GBA focused layout. Saleable value of Tier 1&2 plus international cities together accounted for 55% of total value. Furthermore, with more high margin and GBA located urban redevelopment projects to be added to the pipeline and land bank in the future, the Company has a good positioning in GBA.

- **How do we differ:** The market sentiment is adversely affected by the allegation that the Company bears large hidden debt disguised by fake equity, and profit is inflated accordingly. Funding channel of Aoyuan is no difference with other peers. Instead of looking at the liabilities, we focus on the assets (land bank) and sales performance. We believe Aoyuan's land bank is genuine and appealing, which supports its sales performance and it meeting financial obligation. Its long successful land replenishment channel, M&A (accounts for 80% of new land), ensures a comfortable cost level. The Company's Average land cost/ FY19 ASP is 25.1%.

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

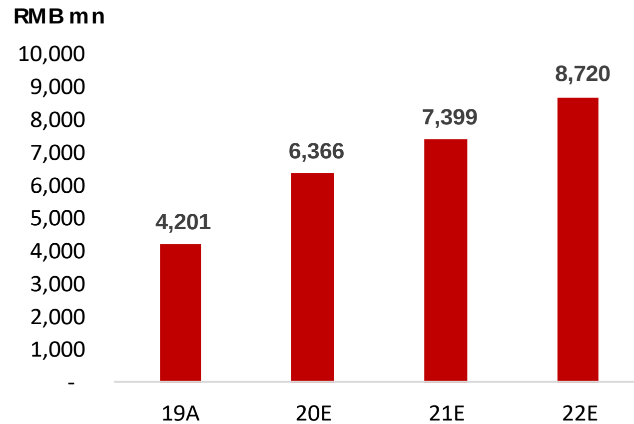
Link to latest report: China Aoyuan (3883 HK) – Ambitious LT goal w/ cautious FY20 target

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	50,531	82,856	96,702	117,850
YoY growth (%)	63.0	64.0	16.7	21.9
Net income (RMB mn)	4,201	6,366	7,399	8,720
EPS (RMB)	1.56	2.37	2.75	3.24
YoY growth (%)	74.0	51.2	16.2	17.9
Consensus EPS (RMB)	N.A.	2.31	2.95	3.56
P/E (x)	5.0	3.3	2.8	2.4
P/B (x)	1.4	1.1	0.9	0.7
Yield (%)	7.1	12.2	14.2	16.7
ROE (%)	27.9	33.8	31.8	30.6
Net gearing (%)	74.9	73.7	78.3	72.5

Source: Company data, Bloomberg, CMBIS estimates

Fig: Aoyuan profit trend



Source: Company data, CMBIS estimates

Suntien (956 HK): Valuation to rebound after panic sell for dvd cut

Rating: BUY **| TP:** HK$2.30 (31% upside)

Analyst: Robin Xiao

- **Investment Thesis:** Suntien is on track towards a more balanced earnings contribution from both wind power and gas distribution business. The Company is proceeding for A-share listing with 3Q20 as target timeline. We believe both A-share listing and increasing gas sales exposures will trigger re-rating.

- **Our View:** Suntien's FY19 earnings increased 8.4% YoY, in line with our estimates. The Company didn't announce final dividend with FY19 results release as for complying to CSRC listing requirements. Mgmt. explained dividend distribution of FY19 is not cancelled by delayed, and Suntien will maintain ~40% payout after A-share listing. We think market overreacted to the dividend delay, which created perfect entry point.

- **Resilient FY20 outlook:** We expect Suntien's will have resilient earnings performance in 2020, albeit economy of Hebei may suffer quite severe impacts from COVID-19. We believe continues c968oal to gas conversion and new gas pipeline will boost gas sales and profit contribution.

- **Catalysts:** 1) Potential A-share listing in 3Q20, with CSRC's approval will likely come out in 2Q20; 2) wind and gas' monthly performance beat mgmt. conservative guidance in 2Q20; and 3) dividend distribution outlook to resume after Suntien obtained CSRC approval.

- **Valuation:** Suntien is trading at FY20E 3.2x/0.4x PER/PBR, respectively. We think the valuation reflected market had been over panic on the Company. Our SOTP TP is trimmed to HK$2.30 based on gas segment multiple revised down to 10x. Reiterate BUY.

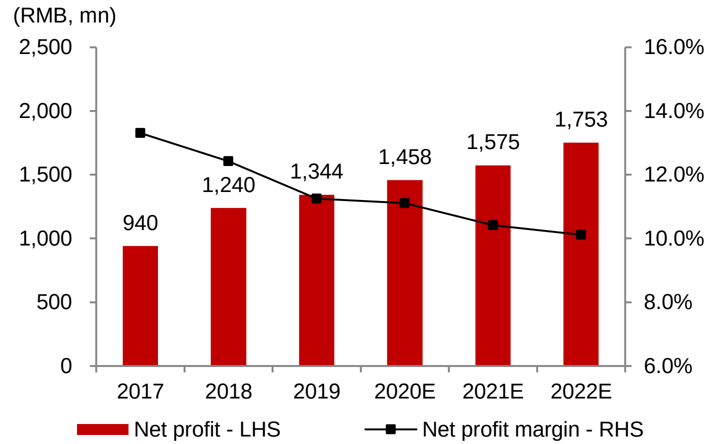
Link to latest report: Suntien (956 HK) – A-share listing is top priority

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Turnover (RMB mn)	11,943	13,130	15,124	17,326
YoY growth (%)	19.73	9.93	15.19	14.56
Net Income (RMB mn)	1,344	1,458	1,575	1,753
EPS (RMB)	0.36	0.39	0.42	0.47
EPS CHG (%)	8.39	8.51	7.99	11.30
Consensus EPS (RMB)	0.39	0.40	0.44	0.46
PE (x)	4.35	4.01	3.72	3.34
PB (x)	0.50	0.44	0.41	0.38
Yield (%)	0.00	9.97	10.76	11.98
ROE (%)	11.37	10.99	11.04	11.39
Net gearing (%)	199	216	251	275

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect Suntien's earnings will be resilient in FY20E



Source: Company data, CMBIS estimates

Xinyi Solar (968 HK):Installation rush to boost market sentiment

Rating: BUY **| TP:** HK$6.31 (25% upside)

Analyst: Robin Xiao

- **Investment Thesis:** We think market is following supply chain data of China solar sector week by week for pricing and inventory level update. With China domestic PV installation recover from 2Q20 and a boost with a short term installation rush by 30 Jun this year, we believe there would be a sentimental support from both solar demand and ASP, which would buy time for a further recovery for overseas solar market in Europe and US.

- **Market leaders likely benefit from short term pricing pressure.** PV glass price had declined 17.2% from RMB29/sqm in 1Q20 to RMB24/sqm since May. At current price, we think second tier players will likely running tough and turning to cold repair for certain capacity for the next 6-8months. Market leaders such as XYS and FLG (6865 HK) will gain more market shares while maintaining relatively stable profitability as they have better costs structure and costs saving potential from government stimulus policies.

- **Long-term profitability stands out:** We think PV glass prices are resilient comparing with other PV products within the supply chain. XYS' earnings growth may be dragged slightly slower due to COVID-19 caused pricing pressure; but profitability will likely recover quick when epidemic dissipated.

- **Catalysts:** 1) PV glass price to reverse falling trend in 2Q20; 2) domestic module demand hit high with rising product prices; 3) overseas PV demand to recover in late 2Q20.

- **Valuation:** XYS is currently trading at 14.8x FY20E PER, and the valuation move down to 10.3x FY21E PER. Once the market starts to review post-epidemic recovery, we think investors valuation reference will likely move forward, implying cheap valuation for now. Reiterate BUY.

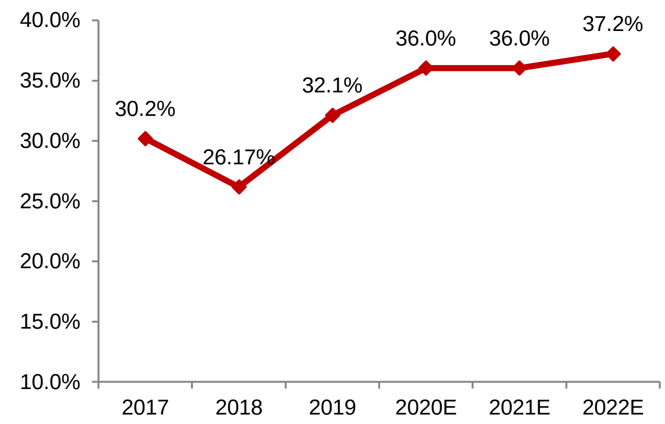
Link to latest report: Xinyi Solar (968 HK) – FY19 earnings in line; new capacity delay by 1Q

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (HKD mn)	9,096	10,864	14,939	18,448
YoY growth(%)	18.6	19.4	37.5	23.5
Net Income (HKD mn)	2,416	2,891	3,958	5,326
EPS (HKD)	0.30	0.36	0.49	0.66
EPS CHG (%)	22	18	37	35
Consensus EPS (HKD)	0.31	0.40	0.49	0.49
PE (x)	16.7	14.1	10.3	7.7
PB (x)	3.1	2.8	2.4	2.0
Yield (%)	2.8	3.4	4.7	6.3
ROE (%)	18.4	19.5	23.1	26.3
Net gearing	35.9	50.0	38.4	29.8

Source: Company data, Bloomberg, CMBIS estimates

Fig: We expect XYS' GPM to maintain improving trend



Source: Company data, CMBIS estimates

Luxshare (002475 CH): Well-positioned in 5G cycle

Rating: BUY **| TP:** RMB55.4 (17% upside)

Analyst: Alex Ng

- **Investment Thesis:** Luxshare is the major beneficiary of Apple's 5G product cycle and going wireless strategy (Watch/AirPod). It is also well-placed to capture growth opportunities in 5G era backed by its solid product roadmap, including 1) massive MIMO and compact filter-antenna and 2) optical solutions in datacenter/telecom.

- **Our View:** Luxshare is our top pick for A-share tech sector, due to strong execution, high earnings visibility and beneficiary of 5G cycle. We see multiple growth drivers: 1) share gain in acoustics/haptic, 2) strong Airpods momentum and SiP packaging in next-gen Airpods, 3) wireless charging adoption, 4) share/content gain in LCP/MPI antenna and 5) solid multi-year growth in communication/automobile segments.

- **Why do we differ vs consensus:** Our FY20/21E NP are 21%/16% above consensus, as the street is expecting significant Airpod/iPhone supply disruption in 1H20E, but we think Luxshare production is recovering rapidly given its high automation level and capacity ramp in Vietnam plants.

- **Catalysts:** Although COVID-19 impact and potential iPhone launch delay remain an overhang, we expect Luxshare to outperform, given Airpod upside and Apple 5G cycle. Near-term catalysts include stronger AirPods shipment, launch of iPhone in 2H20E and China 5G subs ramp.

- **Valuation:** We derived our 12m TP of RMB55.4 based on 42x FY20E P/E, 10% premium to its peers of 37.8x. We believe this is justified as Luxshare continues to deliver strong earnings growth, market share gain and product expansion to capture 5G and wireless opportunities in next 3-5 years.

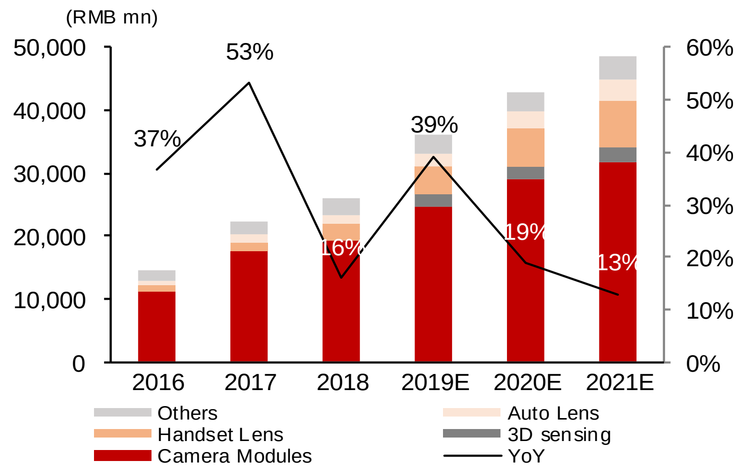
Link to latest report: Luxshare (002475 CH) – Strong 2019 finish; Well-positioned in 5G cycle

Financials and Valuations

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E
Revenue (RMB mn)	35,850	62,380	92,759	113,375
YoY growth (%)	57.1	74.0	48.7	22.2
Net income (RMB mn)	2,723	4,721	7,074	8,911
EPS (RMB)	0.51	0.88	1.32	1.66
YoY growth (%)	61.0	73.4	49.8	26.0
Consensus EPS (RMB)	NA	NA	1.22	1.65
P/E (x)	93.6	54.0	36.0	28.6
P/B (x)	15.3	12.0	9.1	7.0
Yield (%)	0.1	0.2	0.2	0.3
ROE (%)	16	22.3	25.3	24.6
Net gearing (%)	40	26	25	28

Source: Company data, Bloomberg, CMBIS estimates

Fig: Luxshare Revenue trend



Source: Company data, CMBIS estimates

Short Ideas

AAC Tech (2018 HK): Profit warning affirms our cautious view; Maintain Sell

Rating: SELL | **TP:** HK$29.0 (24% downside)

Analyst: Alex Ng

- **Investment Thesis:** AAC is the global acoustics/haptics leader for both Apple/Android smartphone brands. It also offers handset casing, antennas and MEMs products. In order to expand into fast-growing optics industry, AAC launched plastic handset lens products in 2016 and WLG hybrid lens in 2017. AAC will benefit from 5G-driven smartphone cycle in 2020-23E.

- **Our View:** We maintain Sell rating with TP of HK$29.0 for our cautious view on iPhone launch delay, aggressive optics guidance, share loss to Luxshare and casing ASP/margin pressure. Although recent share price correction has priced in 1H20 iPhone weakness and COVID-19 impact, we believe there is still downside on consensus earnings due to product launch delays and demand weakness. We are also cautious on AAC's optics guidance of 100kk/m plastic lens monthly shipment by July 2020 (vs 45kk/m in 4Q19).

- **Why do we differ vs consensus:** Our FY20/21E net profit are 27%/19% below consensus, given 1) deteriorated landscape in acoustics/haptics, 2) slower optics ASP/shipment ramp, and 3) lack of major acoustics/haptics upgrade in 2H20 iPhone.

- **Catalysts:** 1) 2Q20 results miss, 2) weak iPhone shipment in 2Q/3Q20E, 3) soft guidance amid COVID-19 outbreak.

- **Valuation:** We derived our 12m TP of HK$29.0 based on 18x FY20E P/E, (15% below 5-yr avg). Since most positives from Apple recovery are reflected and we are conservative on optics guidance, we believe current valuation is too high vs 21.0x 5-yr avg.

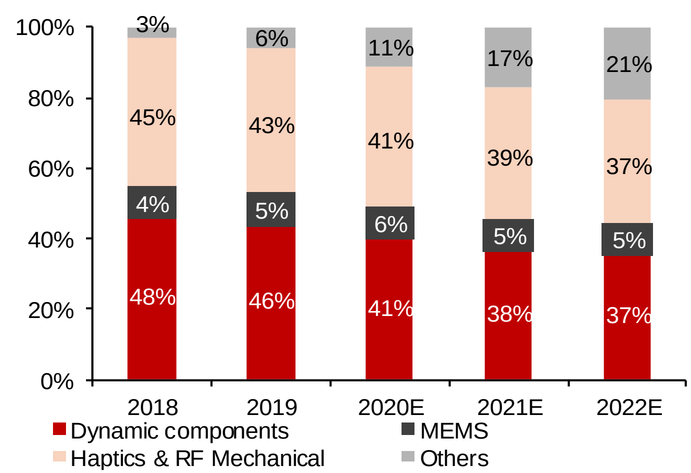
Link to latest report: AAC Tech (2018 HK) – Profit warning affirms our cautious view; Maintain Sell

Financials and Valuations

(YE 31 Dec)	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	17,884	16,456	19,424	20,928
YoY growth (%)	(1.4)	(8.0)	18.0	7.7
Net income (RMB mn)	2,222	1,751	2,561	2,881
EPS (RMB)	1.84	1.45	2.12	2.38
YoY growth (%)	(41.1)	(21.2)	46.2	12.5
Consensus EPS (RMB)	NA	1.99	2.62	3.00
P/E (x)	20.6	26.2	17.9	15.9
P/B (x)	2.3	2.3	2.1	1.9
Yield (%)	3.7	2.6	2.0	2.2
ROE (%)	11.3	8.7	11.7	12.2
Net gearing (%)	15	11	16	1

Source: Company data, Bloomberg, CMBIS estimates

Fig: AAC Revenue Breakdown



Source: Company data, CMBIS estimates

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