CICC 中金公司

CICC Research
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CICC Daily Focus

TODAY'S KEY TOPICS

Ping An Bank (000001.SZ): To enjoy growth curve after breakthrough in retail banking business -- Maintain OUTPERFORM

Ping An Bank (PAB) is poised to make a breakthrough in the retail banking business, building on its successful transformation in 2016–2019. We expect the private banking and wealth management businesses to enter a rapid growth stage. In addition to higher revenue from intermediate businesses, this breakthrough should also considerably increase access to low-cost funds with lower credit costs. We believe this will help PAB register high and stable profitability. By 2022, we expect PAB to join China Merchant Bank as the second commercial bank in China to enjoy a sound retail banking business model.

**Shuaishuai ZHANG, SAC Reg. No.: S0080516060001, SFC CE Ref: BHQ055; Victor WANG, SAC Reg. No.: S0080517120002, SFC CE Ref: ALE841; Jiahui YAN, SAC Reg. No.: S0080518110004, SFC CE Ref: BNF177

http://research.cicc.com.cn/report/pdf/1026463-1

Shiji Information Technology (002153.SZ): Commitment to overseas expansion and cloud PMS remains -- Maintain OUTPERFORM

We believe that Shiji Information Technology will grow into a platform provider for hospitality sector. We expect the firm to seize the opportunity presented by global upscale hotels adopting next-generation cloud-based property management systems (PMS). We believe this will reshape global competitive landscape and allowing Shiji to become a leading provider of IT systems for hotels. As we expect Shiji to increase investments in overseas markets, we cut our 2020 and 2021 forecasts for net profit attributable to shareholders 7.6% and 8.8% to Rmb407mn (+6.2% YoY) and Rmb574mn (+41.1% YoY). Based on SOTP valuation method, we maintain OUTPERFORM and our TP of Rmb45, offering 49% upside.

**Bingyan HUANG, SAC Reg. No.: S0080519050003; Kai QIAN, SAC Reg. No.: S0080513050004, SFC CE Ref: AZA933

http://research.cicc.com.cn/report/pdf/1026417-1

Yunnan Energy New Material (002812.SZ): Private placement to ensure capacity expansion and ease gearing ratio -- Maintain OUTPERFORM

Yunnan Energy New Material (YENM) plans to raise up to Rmb5bn via a non-public offering of shares. It plans to spend Rmb1.5bn on expansion of Jiangxi Tongrui Phase I, Rmb2bn on capacity expansion of Wuxi Phase II, and Rmb1.5bn in replenishing current assets. We think the private placement will ease debt pressure, boost capacity expansion, and optimize balance sheet. We leave our 2020 and 2021 earnings forecasts unchanged at Rmb1.11bn and Rmb1.42bn. We maintain an OUTPERFORM rating and TP of Rmb60, implying 43.5x 2020e and 34x 2021e P/E and offering 39% upside.

**Tao ZENG, SAC Reg. No.: S0080518040001; Yuchen ZHAO, SAC Reg. No.: S0080119050029; Jun LIU, SAC Reg. No.: S0080518010001, SFC CE Ref: AVM464

http://research.cicc.com.cn/report/pdf/1026890-1

China Merchants Bank (03968.HK): High-quality management team and business guard against rising risks -- Maintain OUTPERFORM

China Merchants Bank (CMB) held its 2019 result conference on March 23 to discuss the impact from COVID-19 and the falling loan prime rate (LPR), as well as its strategies for the future. COVID-19 weighs on retail credit lending but full-year pressure controllable. Assets and liabilities to maintain steady growth in 2020; guided to increase 10%. We keep our 2020 and 2021 earnings forecasts unchanged. CMB-A/H trades at 1.2x/1.1x 2020e P/B. We maintain OUTPERFORM and target prices for CMB A-shares at Rmb51 (2.0x 2020e P/B, 69.1% upside) and H-shares at HK$57 (1.9x 2020e P/B, 79.8% upside).

**Victor WANG, SAC Reg. No.: S0080517120002, SFC CE Ref: ALE841; Shuaishuai ZHANG, SAC Reg. No.: S0080516060001, SFC CE Ref: BHQ055; Jiahui YAN, SAC Reg. No.: S0080518110004, SFC CE Ref: BNF177

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Daily Themes

- CICC COVID-19 Daily: Pandemic escalates in the US; Fed promised larger and enhanced QE: Daily Pulse Check (March 24)
- China Economy: Fiscal revenue sharply declining; fiscal deficit significantly expanding: Review of January-February fiscal data
- Machinery: CEUI: Sales volume falls as expected in January-February amid COVID-19
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- Basic Materials: COVID-19 weakening packaging paper demand; scrap paper prices fall
- Health Care: Pay attention to opportunities in oversold H-share healthcare names
- Longfor Group (00960.HK): 2019: Continues to make progress -- Maintain OUTPERFORM
- China Telecom (00728.HK): 2019 results stable; 5G opportunities and pressures coexist -- Maintain NEUTRAL
- Anta Sports Products (02020.HK): Another year of +40% sales growth; visible path into troublesome 2020 -- Maintain OUTPERFORM
- Zijin Mining (02899.HK): 2019 earnings rise YoY; benefit from rising gold prices and falling AI -- Maintain OUTPERFORM
- Tingyi (00322.HK): COVID-19 impact manageable; upbeat on long-term prospects -- Maintain OUTPERFORM
- China National Building Material (03323.HK): Strong OCF in 2019; to deleverage and improve quality in 2020 -- Maintain OUTPERFORM
- Hualan Biological (002007.SZ): Quadrivalent influenza vaccines continue to increase rapidly -- Maintain OUTPERFORM
- China Conch Venture (00586.HK): 2019 results in line; environmental protection business growing rapidly -- Maintain OUTPERFORM
- Three-Circle Group (300408.SZ): COVID-19 to weigh on 1Q20 earnings; MLCC to support growth -- Maintain OUTPERFORM
- Agile Group (03383.HK): 2019 results miss; growth prospects still lack visibility -- Maintain NEUTRAL
- Huafeng Spandex (002064.SZ): Demand pressured; limited downside in spandex and adipic acid profit -- Maintain OUTPERFORM
- Offshore Oil Engineering (600583.SH): Overseas projects hurt earnings in 2019; domestic market improving -- Maintain OUTPERFORM
- Suofeiya Home Collection (002572.SZ): 2019 net profit up 12%; pay attention to transformation effects in 2020 -- Maintain OUTPERFORM
- Sinopec Engineering (02386.HK): 2019 results slightly miss; dividend better than our expectation -- Maintain OUTPERFORM
- Ever Sunshine Lifestyle Services (01995.HK): A fruitful 2019; bright long-term outlook ahead -- Maintain OUTPERFORM
- Anton Oilfield Services (03337.HK): 2019 results in line; existing business mix resilient -- Maintain OUTPERFORM
- So-Young International (SY.US): We expect a strong recovery on resilient traffic despite COVID-19 -- Maintain OUTPERFORM

China Economy

CICC COVID-19 Daily: Pandemic escalates in the US; Fed promised larger and enhanced QE: Daily Pulse Check (March 24)

Overseas: COVID-19 deteriorated further in the US (+8000 DoD); cumulative cases worldwide reached 288k (+33k DoD); new cases continued to pile up in Europe, but growth of new cases moderated. China: production resumption rate edged up. Overseas: high-yield spreads still widening; US stocks edge down despite Fed's unlimited QE proposal; China's import freight index stayed anemic. UK imposed nationwide "lockdown"; containment measures tightened further globally. Overseas: US Fed promised larger & enhanced QE, and pledged to purchase corporate bonds; US fiscal stimulus yet to be approved.

**Eva YI, SAC Reg. No.: S0080515050001, SFC CE Ref: AMH263; Yue YUAN, SAC Reg. No.: S0080118090059, SFC CE Ref: BOK326; Peng ZHOU, SAC Reg. No.: S0080119080009; Liu LIU, SAC Reg. No.: S0080512120001, SFC CE Ref: BEI881; Hong LIANG, SAC Reg. No.: S0080513050005, SFC CE Ref: AJD293

http://research.cicc.com.cn/report/pdf/1026972-1

China Economy: Fiscal revenue sharply declining; fiscal deficit significantly expanding: Review of January-February fiscal data

Fiscal revenue sharply declined in January-February 2020. Growth of fiscal expenditure sharply decelerated. Land sales revenue sharply declined. Fiscal deficit significantly expanded YoY. We think China needs to significantly expand fiscal deficit in 2020, and believe that monetary policy easing is also needed to give full play to the effects of fiscal policies.

**Liu LIU, SAC Reg. No.: S0080512120001, SFC CE Ref: BEI881; Eva YI, SAC Reg. No.: S0080515050001, SFC CE Ref: AMH263; Hong LIANG, SAC Reg. No.: S0080513050005, SFC CE Ref: AJD293

http://research.cicc.com.cn/report/pdf/1026986-1

Sector Update

Machinery: CEUI: Sales volume falls as expected in January-February amid COVID-19

The delayed construction resumption due to the COVID-19 outbreak is weighing on short-term demand for construction machinery. We have updated the CICC Excavator Utilization Index (CEUI). The utilization hours of major construction machinery slumped in January-February 2020. We expect YoY declines in utilization hours and sales volume to narrow substantially in March thanks to improving demand. We maintain our view that construction machinery may post steady growth in 2020. We recommend Sany and Hengli, and suggest watching XCMG Construction Machinery. We keep our earnings forecasts and target prices for companies in our coverage universe unchanged. Sany Heavy Industry is trading at 8.8x 2020e and 7.7x 2021e P/E, Hengli Hydraulic at 25.3x 2020e and 20.6x 2021e P/E. Valuations are relatively low. We are upbeat on Sany, and Hengli, and suggest watching XCMG Construction Machinery (not covered).

**Lingxin KONG, SAC Reg. No.: S0080514080006, SFC CE Ref: BDA769; Ziding ZHANG, SAC Reg. No.: S0080517090002; Weikang SHU, SAC Reg. No.: S0080118080014

http://research.cicc.com.cn/report/pdf/1026579-1

Technology Hardware: China smartphone monitor (March): Cuts in second forecast on COVID-19

To factor in the spread of COVID-19 across the world, we cut our forecast for global smartphone shipments again. We believe global smartphone shipments will fall 7.0% YoY in full-year 2020 and are likely to decline 26% YoY in 2Q20 due to the spread of COVID-19. We believe earnings of domestic smartphone component suppliers will be affected by a sharp decline in overseas demand in 2Q20 and the next several quarters. Since the A-share market resumed trading on February 3, the total market cap of A-share and H-share smartphone component firms has fallen 20%. We believe share prices of consumer electronics firms may fall further. We suggest keeping an eye on buying opportunities presented by companies with healthy balance sheets, such as Sunny Optical, Three-Circle, and Luxshare.

**Leping HUANG, SAC Reg. No.: S0080518070001, SFC CE Ref: AUZ066; Yujing HU, SAC Reg. No.: S0080517100004, SFC CE Ref: BMN486; Xudong CHEN, SAC Reg. No.: S0080519120006, SFC CE Ref: BPH392; Yingying LIU, SAC Reg. No.: S0080119080056

http://research.cicc.com.cn/report/pdf/1026708-1

Telecom Services: Charting the telecom market: Reasons behind decline in mobile users

The Ministry of Industry and Information Technology (MIIT) released operating data of the telecom industry for January-February. 1) Telecom service revenue in January-February rose 1.5% YoY to Rmb224.2bn, with fixed-line business growing 8.7% YoY and mobile business declining 1.8% YoY. 2) The three major carriers' revenue in January-February grew 16.7% YoY, driven by industrial internet applications such as internet data centers, big data, and cloud computing. 3) Mobile data traffic in January-February increased 44.2% YoY, and traffic per user in February increased 45.5% YoY to 8.9GB. We keep earnings forecasts unchanged. We are upbeat about infrastructure service providers that benefit from 5G construction, namely China Tower and China Communications Services. We also suggest paying attention to China Mobile and China Telecom given their low valuations and high dividends.

**Kai QIAN, SAC Reg. No.: S0080513050004, SFC CE Ref: AZA933; Zhenyang CHEN, SAC Reg. No.: S0080518070012, SFC CE Ref: BNE480

http://research.cicc.com.cn/report/pdf/1026917-1

Real Estate: Weekly panorama No.186: Land price premium in downward trend

Of the 60 cities we track, 36 disclosed home sales data. New home GFA sold grew 14% WoW and fell 28% YoY last week (down 28% MTD, vs. down 73% in February). Residential land area transacted fell 25% YoY last week (-38% MTD) and average land price premium trended downward to 10%. We favor Vanke, Poly, and Gemdale in A shares, and suggest watching Yango and Zhongnan among high-beta names. We favor Sunac, Shimao, CIFI, CR Land, COLI, and Longfor among H shares. Our pecking order in the property management sector is Poly PPT DEV, EverSunshine, CG Services, and COPH.

**Eric Yu ZHANG, SAC Reg. No.: S0080512070004, SFC CE Ref: AZB713; Yuanqi SUN, SAC Reg. No.: S0080118060056, SFC CE Ref: BOW951; Pu WANG, SAC Reg. No.: S0080117100019, SFC CE Ref: BOL362

http://research.cicc.com.cn/report/pdf/1026907-1

Tourism, Hotels & Restaurants: Culture & tourism industry resumes operation; local tourism recovering

The culture & tourism industry has gradually resumed business recently thanks to effective domestic COVID-19 control. The number of people visiting urban parks has recovered markedly. Local governments are encouraging tourist attractions to resume operation in an orderly manner. Local tourism is gradually recovering; however, long-distance travel across provinces and cities has not recovered. We stay upbeat on Fu Shou Yuan as it is slightly affected by COVID-19 and may maintain steady growth. In addition, we are upbeat on Songcheng, given its new format of culture & tourism business. We are optimistic about Huangshan Tour and Emei Shan given their stable earnings models.

**Aaron Wei HE, SAC Reg. No.: S0080512010001, SFC CE Ref: BBH812; Jun CHU, SAC Reg. No.: S0080119080067

http://research.cicc.com.cn/report/pdf/1026886-1

Basic Materials: COVID-19 weakening packaging paper demand; scrap paper prices fall

As scrap paper recycling resumes, domestic scrap paper prices have dropped Rmb200-400/t from the previous high. Packaging paper prices have also fell Rmb200-300/t WoW last week as COVID-19 affected demand and cost support weakened. For full year 2020, we expect COVID-19 to affect packaging paper demand and we are optimistic about the printing and writing paper market with a favorable competitive landscape. We expect printing and writing paper companies' 1H20 earnings to improve thanks to the widening price difference between pulp and paper prices. We like Sun Paper with an improving gross margin this year and sustained growth in the medium term.

**Coral Keyue LI, CFA, SAC Reg. No.: S0080517070004, SFC CE Ref: BKW500; Yan CHEN, CFA, SAC Reg. No.: S0080515060002, SFC CE Ref: ALZ159; Qing GONG, SAC Reg. No.: S0080118090071

http://research.cicc.com.cn/report/pdf/1026803-1

Health Care: Pay attention to opportunities in oversold H-share healthcare names

Global stock markets have tanked amid the rapid spread of COVID-19 around the world. We notice that the valuations of some high-quality pharmaceutical companies listed in Hong Kong are nearing the historical bottom. We see long-term investment value in these companies with limited downside risks, and suggest investors pay attention to value investment opportunities in low-valuation stocks. We recommend low-valuation H-share healthcare names, including CSPC Pharmaceutical, HEC ChangJiang Pharmaceutical, 3SBio, Livzon Pharmaceutical, Sinopharm, Shanghai Pharmaceuticals, China Resources Pharmaceutical, China Isotope & Radiation Corp, and SSY Group.

**Bo YU, SAC Reg. No.: S0080519010002, SFC CE Ref: BJC515; Yanyin ZHU, SAC Reg. No.: S0080517120001, SFC CE Ref: BIH554; Peng ZOU, SAC Reg. No.: S0080513090001, SFC CE Ref: BCC313

http://research.cicc.com.cn/report/pdf/1026747-1

Company Update

Longfor Group (00960.HK): 2019: Continues to make progress -- Maintain OUTPERFORM

Core net profit grew 21% YoY to Rmb15.5bn in 2019, in line with consensus. Full-year DPS was Rmb1.2/sh, implying a stable payout ratio of 45%. We conservatively cut our 2020 and 2021 earnings forecasts 3% and 3% to Rmb18.7bn (+20% YoY) and Rmb22.4bn (+20% YoY) considering the possible impact from COVID-19 on delivery, and predict earnings from rental income will contribute 13–14% of group profit in 2020–2021 (vs. 12% in 2019). Keep OUTPERFORM and cut TP 5% to HK$39.16 (9x 2021e P/E, 20% NAV discount, 18% upside) on EPS changes and volatile sentiments amid the coronavirus epidemic.

**Eric Yu ZHANG, SAC Reg. No.: S0080512070004, SFC CE Ref: AZB713; Huijing WANG, SAC Reg. No.: S0080116110020, SFC CE Ref: BND383; Yuanqi SUN, SAC Reg. No.: S0080118060056, SFC CE Ref: BOW951

http://research.cicc.com.cn/report/pdf/1027001-1

China Telecom (00728.HK): 2019 results stable; 5G opportunities and pressures coexist -- Maintain NEUTRAL

China Telecom (CT) announced 2019 results: revenue slowed 0.4% YoY to Rmb375.7bn and service revenue rose 2.0% YoY. EBITDA reached Rmb117bn, remained flat excluding impact from IFRS16. Net profit declined 3.3% YoY to Rmb20.5bn, in line with our forecast. We maintain our 2020 and 2021 earnings forecasts and NEUTRAL rating. We lower our TP 16.7% to HK$3.00, as average valuation has tumbled in a volatile market.

**Kai QIAN, SAC Reg. No.: S0080513050004, SFC CE Ref: AZA933; Zhenyang CHEN, SAC Reg. No.: S0080518070012, SFC CE Ref: BNE480

http://research.cicc.com.cn/report/pdf/1027038-1

Anta Sports Products (02020.HK): Another year of +40% sales growth; visible path into troublesome 2020 -- Maintain OUTPERFORM

Revenue rose 40.8% YoY to Rmb33,928mn. Net profit rose 30.3% to Rmb5,344mn (Rmb1.98/sh), in line with our forecast. Net of the impact from JV losses, profit for the year grew 47.8%. We lower 2020 and 2021 EPS forecasts 23.3% and 12.8% to Rmb2.06 and Rmb2.86 to reflect the impact from COVID-19. We maintain OUTPERFORM but lower our TP 24.3% to HK$71.64 (30.0x 2020 P/E, 33.5% upside) on the lowered earnings forecast. We expect Anta to leverage its experience as the first sporting goods brand in China to recover from the inventory crisis in 2012 and show business resilience during these challenging times.

**Haiyan GUO, SAC Reg. No.: S0080511080006, SFC CE Ref: AIQ935; Jinfeng QIN, SAC Reg. No.: S0080519060001; Wenhui SONG, SAC Reg. No.: S0080119080073

http://research.cicc.com.cn/report/pdf/1027019-1

Zijin Mining (02899.HK): 2019 earnings rise YoY; benefit from rising gold prices and falling AI -- Maintain OUTPERFORM

2019 revenue rose 28% YoY to Rmb136.1bn, and attributable net profit rose 4.6% YoY to Rmb4.28bn or Rmb0.17/sh, in line with preannouncement. Given changing assumption on metal prices (Figure 3), we trim 2019-2020 earnings forecast 30% and 22% to Rmb3.6bn and Rmb4.8bn. The H- and A- share is trading at 16.5x and 26.1x 2020e P/E. For H-share we maintain OUTPERFORM and our TP of HK$3.20 (19.2x 2020 P/E), offering 16.4% upside from the current price. For A-shares we maintain OUTPERFORM and our TP of Rmb4.00 (27.9x 2020 P/E), offering 7.0% upside from the current price.

**Yan CHEN, CFA, SAC Reg. No.: S0080515060002, SFC CE Ref: ALZ159; Aobo ZHAN, SAC Reg. No.: S0080518070002, SFC CE Ref: BLZ827; James HU, SAC Reg. No.: S0080118050025, SFC CE Ref: BGF975; Xuan LIN, SAC Reg. No.: S0080118090006

http://research.cicc.com.cn/report/pdf/1027004-1

Tingyi (00322.HK): COVID-19 impact manageable; upbeat on long-term prospects -- Maintain OUTPERFORM

Tingyi announced its FY19 results: Revenue rose 2.1% YoY to Rmb61.98bn and net profit grew 35.2% YoY to Rmb3.33bn, beating market and our expectations thanks to higher-than-expected one-off asset disposal gains (Rmb980mn in 2019). Excluding asset disposal gains and impairment losses, pretax profit increased 8.6%, better than market expectations thanks to the 2H19 beverage revenue recovery and gross margin improvement. Excluding one-off gains, we lower our 2020 and 2021 net profit forecasts 12.0% and 8.8%. Tingyi is trading at 8.4x 2020e and 7.4x 2021e EV/EBITDA. We cut TP 7.4% to HK$16.20, implying 11.5x 2020e P/E and 10.2x 2020e EV/EBITDA, and 30.6% upside. We maintain an OUTPERFORM rating.

**Wenbo CHEN, SAC Reg. No.: S0080518090003, SFC CE Ref: BNK779; Ruochen LV, CFA, SAC Reg. No.: S0080514080002, SFC CE Ref: BEE828

http://research.cicc.com.cn/report/pdf/1026920-1

China National Building Material (03323.HK): Strong OCF in 2019; to deleverage and improve quality in 2020 -- Maintain OUTPERFORM

China National Building Material (CNBM) announced its 2019 results: Revenue rose 15.7% YoY to Rmb253.4bn and attributable net profit grew 38.4% YoY to Rmb10.97bn, slightly missing our forecast as impairment exceeded our expectations by Rmb3bn. Core earnings were in line with our expectations after adding back asset impairment, and cash flow was strong in 2019. We leave our 2020 and 2021 EPS forecasts unchanged at Rmb1.60 and Rmb1.59. The stock is trading at 4.0x 2020e and 4.1x 2021e P/E. Given falling average valuation for H-shares, we cut our TP 10% to HK$10.77 (implying 6.1x 2020e and 6.1x 2021e P/E) and offering 44% upside. Maintain OUTPERFORM.

**Coral Keyue LI, CFA, SAC Reg. No.: S0080517070004, SFC CE Ref: BKW500; Yan CHEN, CFA, SAC Reg. No.: S0080515060002, SFC CE Ref: ALZ159; Qing GONG, SAC Reg. No.: S0080118090071

http://research.cicc.com.cn/report/pdf/1026935-1

Hualan Biological (002007.SZ): Quadrivalent influenza vaccines continue to increase rapidly -- Maintain OUTPERFORM

Hualan Biological Engineering announced its 2019 results: Revenue rose 15% YoY to Rmb3.7bn, and attributable net profit grew 13% YoY to Rmb1.28bn, implying an EPS of Rmb0.91/share, in line with our expectations. PH4 accounted for an increased proportion of Hualan's revenue from plasma products. The firm's inventory of plasma products has declined. Quadrivalent influenza vaccines continue to drive high growth of vaccines business. McAb R&D is progressing smoothly. We maintain our 2020 and 2021 earnings forecast.The stock is trading at 47.8x 2019 and 38.5x 2020e P/E. We maintain OUTPERFORM and TP of Rmb45, implying 49.2x 2019 and 39.6x 2020e P/E and offering 2.9% upside.

**Peng ZOU, SAC Reg. No.: S0080513090001, SFC CE Ref: BCC313; Jin ZHANG, SAC Reg. No.: S0080517040001, SFC CE Ref: BHM689; Lijian ZHAO, SAC Reg. No.: S0080118090075

http://research.cicc.com.cn/report/pdf/1026926-1

China Conch Venture (00586.HK): 2019 results in line; environmental protection business growing rapidly -- Maintain OUTPERFORM

Conch Venture announced that its 2019 revenue rose 77% YoY to Rmb5.12bn, and net profit grew 17.6% YoY to Rmb7bn. Excluding profit of Rmb6bn from an associate company, net profit of its principal business rose 47% YoY to Rmb1bn, in line with our expectation. Revenue from the waste incineration business more than doubled thanks to project expansion. Revenue from the solid waste treatment business is slightly lower than expected, but gross margin remains solid. Conch Venture has effective cost control thanks to its effective management. Liability-asset ratio remains low, providing funding support for further project expansion. New project expansion is progressing smoothly; new orders and on-stream production of new projects may beat expectations in 2020. We keep our 2020 & 2021 earnings forecasts unchanged. The stock is trading at 6.7x 2020e and 5.8x 2021e P/E. We maintain OUTPERFORM and TP of HK$42.50 (8.7x 2020e P/E and 7.5x 2020e P/E), offering 29.6% upside.

**Jiani LIU, SAC Reg. No.: S0080117010012, SFC CE Ref: BNJ556; Jun LIU, SAC Reg. No.: S0080518010001, SFC CE Ref: AVM464; Song WANG, SAC Reg. No.: S0080117120052, SFC CE Ref: BLE051; Yixuan ZHU, SAC Reg. No.: S0080118080042

http://research.cicc.com.cn/report/pdf/1026947-1

Three-Circle Group (300408.SZ): COVID-19 to weigh on 1Q20 earnings; MLCC to support growth -- Maintain OUTPERFORM

Three-Circle announced its 2019 results: Revenue fell 27.3% YoY to Rmb2.73bn and net profit attributable to shareholders declined 33.9% YoY to Rmb0.87bn, in line with its preannounced earnings and our expectation. In 4Q19, revenue at Three-Circle fell 20.0% YoY to Rmb0.73bn and its net profit fell 47.2% YoY to Rmb0.2bn. Given the negative impact of COVID-19 on production at Three-Circle and demand for its products (e.g., ceramic substrates ad PKG), we cut our 2020 and 2021 EPS forecasts 15% and 8% to Rmb0.66 and Rmb0.97. The stock is trading at 29.5x 2020e and 20.0x 2021e P/E. We maintain OUTPERFORM. Given falling valuations in the industry, we cut our TP 21% to Rmb27 (41.0x 2020e and 27.9x 2021e P/E), offering 39% upside.

**Yujing HU, SAC Reg. No.: S0080517100004, SFC CE Ref: BMN486; Leping HUANG, SAC Reg. No.: S0080518070001, SFC CE Ref: AUZ066; Yingying LIU, SAC Reg. No.: S0080119080056

http://research.cicc.com.cn/report/pdf/1026896-1

Agile Group (03383.HK): 2019 results miss; growth prospects still lack visibility -- Maintain NEUTRAL

Agile Group Holdings reported 2019 results: Core net profit (CICC calculation) fell 3.6% YoY to Rmb6.4bn, primarily due to a decline in GPM. Full-year dividend per share (DPS) was HK$1 (flat YoY, final DPS at HK$0.4), for a payout ratio of 47% on attributable net profit. We cut our 2020 earnings forecast 17% to Rmb6.8bn (+5% YoY), and introduce 2021 earnings of Rmb7.5bn (+10% YoY). We keep a NEUTRAL rating and cut TP 17% to HK$10.1 (5x 2020e P/E, 40% NAV discount, 28% upside) considering EPS revisions and volatility in overseas markets. The firm now trades at 3.9x 2020e P/E and 53% NAV discount.

**Eric Yu ZHANG, SAC Reg. No.: S0080512070004, SFC CE Ref: AZB713; Huijing WANG, SAC Reg. No.: S0080116110020, SFC CE Ref: BND383; Yuanqi SUN, SAC Reg. No.: S0080118060056, SFC CE Ref: BOW951

http://research.cicc.com.cn/report/pdf/1026901-1

Huafeng Spandex (002064.SZ): Demand pressured; limited downside in spandex and adipic acid profit -- Maintain OUTPERFORM

Huafeng Spandex's stock price fell sharply in the past month. We attribute this to the market's view that weak textile and apparel exports amid the COVID-19 pandemic could affect the firm's spandex and polyurethane (PU) resin sales. We think the impact of COVID-19 on domestic demand has largely faded, although there may be downside risks to external demand in late 1Q20 and 2Q20. We keep our 2019 earnings forecast largely unchanged at Rmb1.74bn, cut our 2020 forecast 20.2% to Rmb1.68bn due to COVID-19, and trim 2021 forecast 0.8% to Rmb2.74bn. The stock is trading at 13.8x 2020e and 8.4x 2021e P/E. We maintain OUTPERFORM and lower our TP 17% to Rmb7.00 (18x 2020e P/E), offering 40% upside.

**Di WU, SAC Reg. No.: S0080519040001, SFC CE Ref: BPK521; Xuan LI, SAC Reg. No.: S0080515080008, SFC CE Ref: BGG514

http://research.cicc.com.cn/report/pdf/1026876-1

Offshore Oil Engineering (600583.SH): Overseas projects hurt earnings in 2019; domestic market improving -- Maintain OUTPERFORM

Offshore Oil Engineering (COOEC) announced 2019 results: Revenue increased 33% YoY to Rmb14.7bn and net profit attributable to shareholders was Rmb27.93mn (vs. Rmb80mn in 2018), in line with our expectations. We think the following factors weighed on earnings in 2019. The Saudi Arabian 3648 project made a loss of Rmb363mn and COOEC made Rmb394mn of provisions for impairment loss of this project. The Nigerian Dangote project recorded a loss of Rmb174mn and COOEC made Rmb56mn of provisions for impairment loss of this project. In addition, JV COOEC-Fluor recorded Rmb180mn in investment loss (up Rmb130mn YoY). Domestic market continues to improve; watch potential risks. A relative high operating leverage. We raise our 2020 and 2021 revenue forecasts, but keep 2020 earnings forecast largely unchanged as we have cut our gross margin assumption considering price recovery slower than our expectation. We lower 2021 earnings forecast by 17% to Rmb1.3bn. Given the market sentiment, we cut target valuation multiple by 18% to 1.2x 2020e P/B and lower TP by 18% to Rmb6.3 (34% upside). We maintain OUTPERFORM rating. Stock is trading at 0.9x 2020e P/B.

**Nelson WANG, SAC Reg. No.: S0080519050001, SFC CE Ref: AXN241; Chen LU, SAC Reg. No.: S0080519060003, SFC CE Ref: BKH244; Yuhao HU, SAC Reg. No.: S0080119070037, SFC CE Ref: BNJ944

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Suofeiya Home Collection (002572.SZ): 2019 net profit up 12%; pay attention to transformation effects in 2020 -- Maintain OUTPERFORM

In 2019, Suofeiya's (SFY) revenue rose 5.1% YoY to Rmb7.686bn, and its attributable net profit and recurring attributable net profit grew 12.3% and 5.9% YoY to Rmb1.077bn and Rmb971mn, in line with our expectations. Expanded home furnishing product lines and multiple sales channels helped revenue grow steadily. Profitability remained stable. Pay attention to sales channel, management and product transformation efforts in 2020. We keep our earnings forecasts unchanged. Stock is trading at 13x 2020e and 12x 2021e P/E. We maintain OUTPERFORM and TP of Rmb23.6, implying 19x 2020e and 17x 2021e P/E and offering 45% upside.

**Junhao FAN, SAC Reg. No.: S0080513080004, SFC CE Ref: BDO986; Yao LIN, SAC Reg. No.: S0080519100004

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Sinopec Engineering (02386.HK): 2019 results slightly miss; dividend better than our expectation -- Maintain OUTPERFORM

Sinopec announced its 2019 revenue grew 11% YoY to Rmb52.26bn, in line with our forecast. Net profit attributable to shareholders grew 30% YoY to Rmb2.18bn, slightly below our forecast due to higher than expected R&D expenses. Gross margin in 2019 edged down 0.5ppt YoY to 10.5%, due to higher prices for materials and equipment, and higher subcontracted labor costs. Considering increasing R&D expenses, we cut our 2020 and 2021 earnings forecasts 16% and 15% to Rmb2.01bn and Rmb2.03bn. In light of poor market sentiment, we lower our target valuation 20% to 8x 2020e P/E. Thus, we cut our TP 30% to HK$4.20, offering 56% upside. Maintain OUTPERFORM.

**Nelson WANG, SAC Reg. No.: S0080519050001, SFC CE Ref: AXN241; Chen LU, SAC Reg. No.: S0080519060003, SFC CE Ref: BKH244; Yuhao HU, SAC Reg. No.: S0080119070037, SFC CE Ref: BNJ944

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Ever Sunshine Lifestyle Services (01995.HK): A fruitful 2019; bright long-term outlook ahead -- Maintain OUTPERFORM

2019 revenue rose 75% YoY to Rmb1.88bn; net profit attributable to shareholders rose 123% YoY to Rmb224mn (Rmb0.15/sh), beating our estimate by 5%. We maintain our 2020 and 2021 earnings forecasts. Maintain OUTPERFORM. Keep target price of HK$10.0 unchanged (28x 2021e P/E; 49% upside). The stock trades at 27x and 19x 2020 and 2021e P/E.

**Yiyu WANG, SAC Reg. No.: S0080117080111, SFC CE Ref: BOR985; Eric Yu ZHANG, SAC Reg. No.: S0080512070004, SFC CE Ref: AZB713

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Anton Oilfield Services (03337.HK): 2019 results in line; existing business mix resilient -- Maintain OUTPERFORM

Anton released its 2019 results on March 22. Revenue rose 22% YoY to Rmb3.59bn, and net profit attributable to shareholders grew 21% YoY to Rmb269mn, largely in line with our forecasts of Rmb278mn. In the Chinese market, 80% of Anton's businesses are natural gas related, and current low oil prices should have only a moderate impact on Anton. Although the company's overseas oilfield-management projects are immune to low oil prices, we are closely monitoring for possible risks to its well drilling, completion and engineering projects. Anton's debt-servicing ability remains strong, but financial expenses are likely to rise YoY. We keep our earnings forecasts unchanged and suggest investors pay attention to recurring earnings in 2020. Given current sentiment and risks to new orders, we reduce our target 2020e P/E to 8x and cut our target price 38% to HK$1.0. We maintain an OUTPERFORM rating. The stock is trading at 3.7x 2020e P/E.

**Nelson WANG, SAC Reg. No.: S0080519050001, SFC CE Ref: AXN241; Chen LU, SAC Reg. No.: S0080519060003, SFC CE Ref: BKH244; Yuhao HU, SAC Reg. No.: S0080119070037, SFC CE Ref: BNJ944

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So-Young International (SY.US): We expect a strong recovery on resilient traffic despite COVID-19 -- Maintain OUTPERFORM

So-Young reported 4Q19 results: Revenue grew 95.7% YoY to Rmb358mn, beating consensus by 5% and high-end of guidance. Non-GAAP net income recorded Rmb86mn, roughly in-line with consensus. The company's 1Q20 revenue guidance of Rmb160-180mn (13-22% YoY decline) reflects the potential impact from COVID-19. We cut our 2020 revenue and non-GAAP NI forecasts by 12.8% and 28.3% on COVID-19 impact, and introduce 2021 revenue and non-GAAP NI at Rmb2.8bn and Rmb721mn. Maintain OUTPERFORM rating but trim TP by 12% to US$15 (72% upside, implying 15x 2021E non-GAAP P/E) due to the pressure from COVID-19. The stock trades at 9x 2021E non-GAAP P/E.

**Natalie Yue WU, CFA, SAC Reg. No.: S0080515100002, SFC CE Ref: BDI411; Junhui KANG, SAC Reg. No.: S0080118090078

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Editing: Jincheng HUANG

China International Capital Corporation Limited
28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing 100004, P.R. China
Tel: (+86-10) 6505 1166
Fax: (+86-10) 6505 1156

United States
CICC US Securities, Inc
32th Floor, 280 Park Avenue
New York, NY 10017, USA
Tel: (+1-646) 7948 800
Fax: (+1-646) 7948 801

United Kingdom
China International Capital Corporation (UK) Limited
25th Floor, 125 Old Broad Street
London EC2N 1AR, United Kingdom
Tel: (+44-20) 7367 5718
Fax: (+44-20) 7367 5719

Singapore
China International Capital Corporation (Singapore) Pte. Limited
6 Battery Road,#33-01
Singapore 049909
Tel: (+65) 6572 1999
Fax: (+65) 6327 1278

Hong Kong
China International Capital Corporation (Hong Kong) Limited

29th Floor, One International Finance Centre
1 Harbour View Street Central, Hong Kong
Tel: (+852) 2872 2000
Fax: (+852) 2872 2100

Shanghai
China International Capital Corporation Limited – Shanghai Branch
32nd Floor Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, P.R. China
Tel: (+86-21) 5879 6226
Fax: (+86-21) 5888 8976

Shenzhen
China International Capital Corporation Limited – Shenzhen Branch
72th Floor,PingAn Finance Center
5033 Yitian Road, Futian District
Shenzhen, 518048, P.R. China
Tel: (+86-755) 8319 5000
Fax: (+86-755) 8319 9229

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中金公司