

Weekly Equity Focus

Must-read reports

Hundsun Technologies Inc (600570 CH)

China capital market reforms bolster Hundsun's growth

Recent changes like the anti-monopoly law as well as global tensions have raised market concerns. We chewed over recent news flow from the SFC and Germany's financial industry and share our thoughts on implications of China's capital market reforms and Hundsun's future growth prospects.

China Electronics

High-speed connectors in a growth cycle on the back of the IOV revolution

In the Internet of Vehicles (IOV) era, demand for automotive data transmission is emerging. With the focus on electronic connections technology, we are optimistic about high-speed connector suppliers. We recommend Electric Connector Technology (300679 CH, BUY).

泡泡玛特 (9992 HK)

泡泡玛特中报超预期，线上线下新老 IP 发力

自有 IP 21H1 收入 9 亿元，yoy+220.7%，主要由于 Molly 和 Dimoo 的收入贡献较高，及新的 IP Skull Panda 的收入贡献。独家 IP 收入 21H1 为 3.94 亿元，yoy+44.5%，主要由于 The Monsters 的收入贡献。非独家 IP 收入 21H1 为 2.88 亿元，yoy+115.9%，主要由于新系列产品的发售以及 IP 数量的增加。21H1，Molly/Dimoo 收入 2.04/2.05 亿元，yoy+81.9%、74.5%。占总收入前五的 IP 还有 Skull Panda (1.83 亿元)、The Monsters (1.46 亿元)、PUCKY (1.07 亿元)。其中，4 月推出 Skull Panda 第 2 款熊猫热潮系列 21H1 销售额达到 0.92 亿元，且仍在持续增长。由公司内部设计师团队 (Pop Design Center) 推出的小甜豆，21H1 收入超 0.64 亿元。

Other research reports published over last week

Zhejiang Yasha Decoration (002375 CH)

Initiating coverage: impairment loss dragged profit; order structure adjustment could bring a performance rebound

We initiate coverage of Yasha Decoration with an ACCUMULATE call and PT of RMB7.75 (7.6% upside potential). 1H21 revenue came to RMB5.31bn, up 36.77% yoy, net profit was RMB99m, down 18.39%yoy, and core net profit fell 17.76%. 2Q revenue was RMB3.38bn, up 40.55% yoy, and net profit was RMB30m, down 54.67%yoy. Given the assembly and decoration industry boom, we expect its sufficient order book to sustain long-term net profit growth.

KBC Corporation (688598 CH)

Initiating coverage: high-growth prospects for carbon-based composite materials market leader

Founded in 2005, KBC is the main supplier of photovoltaic (PV) silicon wafer consumables' thermal carbon-carbon services. In the past three years, it has had a revenue CAGR of 50% and a net profit CAGR of 69%. Its management comes with a tech background and it has a strong R&D team. With a current product gross profit margin of about 60%+ and net profit margin of 30%+, KBC is at the industry forefront in profitability terms.

Equity Focus

China

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Guangzhou Baiyun International Airport (600004 CH)**Initiating coverage: 2Q pandemic resurgence pressured short-term operating performance**

1H21 revenue came to RMB2.4bn, up 1.79% yoy; net loss deepened to RMB410m, with a core net loss of RMB431m. Looking ahead to 3Q, the domestic impact of C19 could continue with operating pressure on the airport industry. We believe airport investment is a long-term play. We note the short-term impact, while being mindful of a commercial business consumption lift on a pandemic recovery. We initiate coverage with ACCUMULATE.

Jonjee Hi-tech Industrial & Commercial Holding (600872 CH)**Downgrade to NEUTRAL: multiple factors dragged 1H; internal fundamentals being improved**

In 1H21, Jonjee Hi-tech generated revenue of RMB2.32bn, down 9.34% yoy, and net profit of RMB280m, down 38.51% yoy; 2Q revenue was RMB1.05bn, down 24.85% yoy, with net profit at RMB105m, down 57.86% yoy. We downgrade to NEUTRAL (from BUY).

Anhui Jinhe Industrial (002597 CH)**Initiating coverage: pioneer and global market leader in a sweet spot; potential growth in multiple segments**

Jinhe is set to roll out the production of 5,000 tons of sucralose in 2021E and 5,000 tons of methyl ethyl maltol in 2022E. Several products under its Dingyuan project to begin production in 2022-23E would contribute revenue and profit. We initiate coverage with BUY call on this stock.

Golden Solar New Energy Technology Holdings (1121 HK)**Initiating coverage: cast-mono silicon business enters new phase with heterojunction solar cells in PV market**

We are optimistic about Golden Solar's core competitiveness and growth potential in this industry. We initiate coverage with a BUY rating and a target price of HKD31.16.

Chengdu RML Technology (301050 CH)**Initiate coverage: radar precision guidance system core components supplier rides the guided weapons boom**

We initiate coverage with BUY and a PT of RMB420. RML leads the precision guidance market with its active mm-wave phased-array microsystems technology. With a scheduled uptrend in batch production models, volume is set to increase gradually, and as informatization and intelligentization of weapons and equipment continues, we expect its R&D model pipeline to be finalized and produced in batches, driving long-term rapid growth.

CanSino Biologics (688185 CH)**Upgrading to BUY: on top of 1H turnaround, equity incentives highlight its confidence in long-term growth**

CanSino's C19 adenoviral vector vaccine was approved for conditional listing in China on 25 Feb 2021. 1H21 revenue came to RMB2.06bn, up 51,057.67%yoy, with net profit at RMB937m, up 1,016.94%yoy, and core net profit at RMB899m, up 873.54%yoy. We upgrade the stock to BUY (from Neutral).

Yonghui Superstores (601933 CH)**Downgrade to ACCUMULATE: new business format + profit pressure but warehouse stores start new growth path**

Yonghui Superstores realized 1H21 revenue of RMB46.83bn (-7.3% yoy), a net loss of RMB1.08bn (-158.4% yoy) and a core net loss of RMB930m (-166.4%). A 1Q/2Q breakdown has revenue at RMB26.33bn/20.49bn (-10.0%/-3.6% yoy) and net profit at +RMB20m/-1.11bn. Emerging new retail formats are making a dent in the offline-dominated supermarket industry. We downgrade Yonghui to ACCUMULATE. We believe its low-cost goods and operating cost advantages are conducive to general retail demand in the long term.

Shanghai Zijiang Enterprise Group (600210 CH)**Initiation coverage: packaging business steady while aluminum-plastic film benefits from domestic substitution**

In its traditional packaging segment, Zijiang's key profit drivers are PET bottles and preforms, and color paper/plastic packaging printing. Its new R&D-based aluminum-plastic film business, via subsidiary Zijiang New Materials, is set to roll out new capacities in 4Q21E: 1.8m sqm per month in Ma On Shan and 6m sqm in Shanghai. We initiate coverage with a BUY call.

Ligao Foods (300973 CH)**Upgrade to BUY: 1H21 net profit up 79.95% yoy on frozen baked goods performance and multi-channel expansion**

1H21 revenue came to RMB1.25bn, up 86.79% yoy, with net profit of RMB137m, up 79.95% yoy, and core net profit of RMB137m, up 79.95%. 1Q/2Q revenues were RMB579m/673m, increasing 130.54%/60.59% yoy, with net profit at RMB73m/64m, increasing 300.50%/10.18% yoy. We upgrade our rating to BUY (from ACCUMULATE).

Genscript Biotech Corporation (1548 HK)**Initiate coverage: steady growth momentum**

GenScript, one of China's earliest life sciences service companies, applies its proprietary technology to multiple other fields, including transformational biomedicine R&D, industrial synthesis products and cell therapy solutions. 19 years of gene synthesis tech capabilities and project experience have made it the world's leader in life sciences R&D services and products. We initiate coverage with a BUY call and a PT of HKD45.39.

Amoy Diagnostics (300685 CH)**Initiating coverage: 1H performance in line with our expectations; overseas market ramp-up continues**

We initiate coverage of Amoy Diagnostics with a BUY call. It generated 1H21 revenue of RMB399m, a yoy increase of 40.96%, net profit of RMB111m, up 37.77%, and core net profit of RMB101m, up 55.98%. We expect its overseas business expansion to continue and initiate coverage with a BUY call.

Xiamen Meiya Pico Information (300188 CH)**Initiation coverage: significant 1H21 lift in gross margin; new industry expansion yielded initial results**

We initiate coverage with BUY call. Meiya reported 1H21 revenue of RMB790m, up 29.25% yoy, with net profit at RMB8.09m, up 116.02% yoy, but it had a core net loss of RMB7.64m (1H20 net loss: RMB8.77m).

Wuxi Boton Technology (300031 CH)**1H21 results maintain growth trend, driving Boton's integrated global research and transportation business**

Boton's 1H21 revenue came to RMB1.33bn, up 1.63% yoy, with net profit of RMB249m, up 5.77% yoy, and core net profit of RMB242m, up 4.68% yoy. It has made breakthroughs in the internet industry, which have paved the way for the globalization of its integrated research and transportation businesses, advancing its VR/AR strategic buildout. Its rich product pipeline for 2Q21, with plans to launch proprietary and agency products one after another, would provide new impetus for growth sustainability. We maintain our BUY call.

Jiayou International Logistics (603871 CH)**Initiation coverage: 1H growth despite the odds; we anticipate the African highway roll-out in 2H21E**

1H21 revenue came to RMB1.49bn, up 4.50% yoy, with net profit at RMB157m, up 1.82% yoy, and core net profit at RMB149m, up 2.06% yoy. We initiate coverage with ACCUMULATE call.

Guangdong Dongpeng Holdings (003012 CH)**Initiating coverage: brand upgrades, product leadership and green manufacture boost bid to reach carbon peak**

We initiate coverage with a BUY call. Dongpeng's nationwide marketing network provides brand and retail channel advantages. It also keeps raising brand awareness and capacities to enhance economies of scale. 1H21 revenue was RMB3.63bn, up 39.02% yoy, with 1Q/2Q revenue at RMB1.13bn/2.5bn, up 135.28%/17.22% yoy. 1H net profit rose 79.26% to RMB387m, with 1Q/2Q net profit up 147.55%/3.05% yoy to RMB52m/335m.

UE Furniture (603600 CH)**Downgrade to ACCUMULATE: private labels had a strong showing; multiple measures reduced costs**

We downgrade UE to ACCUMULATE. In 1H21, revenue was RMB2.4bn, up 96.86% yoy, with 1/2Q at RMB1.07bn/1.34bn, up 148.25%/68.97% yoy. 1H21 net profit was RMB114m, up 8.46% yoy, with 1Q/2Q at RMB55m/59m, +90.46%/-22.34% yoy. 1H core net profit was RMB96m, up 1.33% yoy, with 1Q/2Q at RMB42m/54m, +49.88%/-19.20% yoy.

哔哩哔哩 (BILI US)**用户、收入符合预期，非游戏带动商业化增长——哔哩哔哩 (BILI.US/9626.HK) 二季度点评及全年展望**

2 季度，B 站用户数、收入持续超彭博一致预期。B 站总收入为 44.95 亿元，超出此前指引范围上限（42.5 亿~43.5 亿）3.33%（YoY+72%；QoQ +15%），超出彭博一致预期（43.0 亿）4.53%。同比增长 72%，环比增长 15%。毛利率为 22%，符合彭博一致预期。MAU 达 2.37 亿（YoY+38%，QoQ+6%），DAU 达 0.63 亿（YoY24%，QoQ+4%）。MAU、DAU 增长持续略超彭博一致预期（MAU2.28 亿，DAU 0.62 亿）。

Wangli Security & Surveillance Product (605268 CH)**Initiating coverage: China's first listed security door and lock player becomes a smart manufacturing leader**

Bolstered by strong product R&D and brand power, Wangli is expanding its engineering and distribution drivers. Its core security doors business includes permutations such as wooden security doors and smart locks. We initiate coverage with a BUY rating and a price target of RMB21.97.

Shandong Ruifeng Chemical (300243 CH)**Initiating coverage: 1H profit rose 135% and one-step PLA pilot a success**

We initiate coverage with a BUY call. Ruifeng on 28 Aug reported 1H21 revenue of RMB922m, up 76.13% yoy, and net profit of RMB73.32m, up 134.52% yoy. 2Q revenue was RMB524m, up 31.66% qoq and up 64.26% yoy; with net profit at RMB42.07m, up 34.62% qoq and up 108.68% yoy.

Henan Jindan Lactic Acid Technology (300829 CH)**Initiating coverage: 2Q net profit grew 52% qoq; we anticipate a sustainable net profit uptrend**

We initiate coverage with a BUY call. Jindan reported 1H21 revenue of RMB658m on 27 Aug, up 39.25% yoy, and net profit of RMB70.32m, +7.55% yoy. 2Q revenue lifted 6.09% qoq to RMB339m, +25.91% yoy, while net profit rose 51.99% qoq to RMB42.42m, +51.11% yoy.

Caissa Tosun Development (000796 CH)**Initiating coverage: post-C19 restructure toward new retail; merger integration and duty-free business add to growth**

Caissa benefits directly from an outbound travel market recovery and outlying island tax exemption policies. Its merger with Zhongxin Tourism unifies its outbound and domestic travel business, as it expands its duty-free and other businesses to maximize scale advantages. We initiate coverage with a BUY rating.

BGI Genomics (300676 CH)**Initiating coverage: high growth resumes in conventional business; expanding in whole-genome sequencing tests**

1H21 revenue came to RMB3.65bn, down 11.24% yoy, while net profit fell 34.24% to RMB1.09bn; core net profit was RMB1.03bn, down 35.83% yoy. The growth decreases were due to the high base in 1H20. Given its restructuring into conventional business, we expect the leading player in precision genomic medicine to grow with sustainable market demand for tests. We initiate coverage with a NEUTRAL rating.

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Stock investment ratings	within 6 months from the report issuance date, increase or decrease relative to the Index of the jurisdiction of the Stock in the same period	Buy	Expected relative return over stock price above 20%
		Accumulate	Expected relative return over stock price between 10% and 20%
		Neutral	Expected relative return over stock price between -10% and 10%
		Sell	Expected relative return over stock price below -10%
Industry investment ratings	within 6 months from the report issuance date, increase or decrease relative to the Index of the jurisdiction of the Industry in the same period	Outperform	Expected increase of industry index over 5%
		Neutral	Expected increase of industry index between -5% and 5%
		Underperform	Expected increase of industry index below -5%

Jurisdictions	Index Used for Ratings Definitions
China Mainland	CSI 300 Index
China-Hong Kong	Hang Seng Index
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