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Equity Research
IT Solution/ China

# ChinaSoft Int'l (354 HK)


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## Company Update

# BUY

**UNCHANGED**

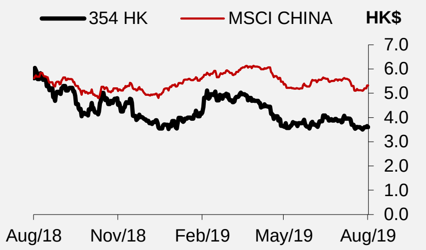
| | |
|---|---|
| **Close price:** | **HK$3.60** |
| **Target Price:** | **HK$5.50 (+53%)** |
| **Prior TP:** | **HK$6.14** |

### Key Data

| | | |
|---|---|---|
| HKEx code | | 354 |
| 12 Months High | (HK$) | 6.33 |
| 12 Month Low | (HK$) | 3.37 |
| 3M Avg Dail Vol. | (mn) | 12.71 |
| Issue Share | (mn) | 2,544.31 |
| Market Cap | (HK$mn) | 9,159.51 |
| Fiscal Year | | 12/2018 |
| Major shareholder (s) | | Dr. Chen Yu Hong (10.89%) |

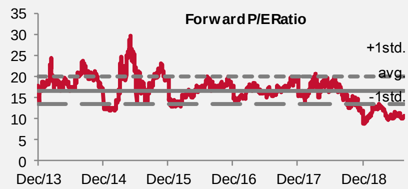
*Source: Company data, Bloomberg, OP Research*
*Closing price are as of 20/08/2019*

### Price Chart




| | 1mth | 3mth | 6mth |
|---|---|---|---|
| **Absolute %** | -7.2 | -4.5 | -18.6 |
| **Rel. MSCI CHINA %** | -2.7 | -4.0 | -12.2 |

### PE




### Company Profile

ChinaSoft is a global leading IT outsourcing and solution service company

## 1H19 results in line with expectations

- **CSI reported 1H19 revenue/adjusted net earnings up 15.0%/1.1% yoy to RMB5,538mn/RMB363mn respectively, in line with our expectations.**
- **We tune down our FY19/20E core earnings estimate by 5.4%/3.6% to RMB742mn/RMB918mn.**
- **Maintain BUY with TP revised down to HK$5.50 from HK$6.14 based on rolled forward FY20E 16x P/E (previously 20x FY19E PE).**

**1H19 results in line with expectations.** Chinasoft (CSI) reported 1H19 results with revenue up 15.0% yoy to RMB5,538mn, of which service revenue from TPG/IIG segment each contributed RMB4,748mn/RMB790mn respectively, representing 17.8%/0.7% yoy increase, in line with our expectations. Emerging business continues to drive the growth, of which Huawei still maintained double digit growth in 1H19, better than mgmt guidance in March (i.e. no growth for FY19E). Besides, BAT and Ping'An each registered over 50% yoy growth in revenue. GPM dropped 0.6ppts/3.8ppts yoy/hoh to 28.3% as uncertainty in Huawei orders resulted in more staff redundancy. As a result, 1H19 earnings increased by 1.1% yoy to RMB363mn.

The mgmt reiterated the FY19E full-year guidance of double digit growth and expected NP to stay flattish yoy as GPM will still be under pressure in 2H due to lingering impact from Huawei issue, but should see relief starting from 3Q19E.

**We tune down our FY19/20E core earnings estimates by 5.4%/3.6% to RMB742mn/RMB918mn.** We keep our FY19/20E revenue forecasts while tune down FY19/20E GPM by 0.3ppts/0.3ppts to 29.9%/29.9% to reflect the near-term margin pressure from (1) temporary staff redundancy due to uncertain external environment, and (2) the speeded up cloud migration. Besides, we revise down FY19/20E opex by 0.5%/1.5% to RMB2,627mn/RMB2,785mn respectively to reflect slower than expected growth in total headcount. As a result, our FY19/20E diluted EPS is tuned down by 9.3%/7.6% to HK$0.277/HK$0.343 respectively with updated exchange rate assumptions.

**Maintain BUY.** We revise down TP HK$5.50 from HK$6.14 based on rolled forward 16x FY20x P/E (previously 20x FY19E PE). Despite the turbulence in external environment, we view CSI well-positioned in the top-down initiatives of domestic substitution in China's governmental and industrial IT procurement. Maintain BUY.

**Risks:** (1) slower than expected revenue growth in emerging services; (2) higher than expected staff costs; (3) concentrated customer mix.

**Exhibit 1: Forecast and Valuation**

| Year to Dec (RMB mn) | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| Revenue | 9,244 | 10,585 | 11,880 | 13,125 | 14,161 |
| Growth (%) | 36 | 15 | 12 | 10 | 8 |
| Adj. Net Profit | 716 | 769 | 742 | 918 | 1,035 |
| Growth (%) | 45 | 7 | (4) | 24 | 13 |
| Diluted Adj EPS (HK$) | 0.328 | 0.332 | 0.277 | 0.343 | 0.387 |
| Adj EPS growth (%) | 33 | 1 | (16) | 24 | 13 |
| Change to previous EPS (%) | | | (9.3) | (7.6) | |
| Consensus EPS (HK$) | | | 0.351 | 0.406 | |
| ROE (%) | 15.2 | 13.8 | 11.5 | 12.5 | 12.6 |
| P/E (x) | 11.0 | 10.8 | 13.0 | 10.5 | 9.3 |
| P/B (x) | 1.4 | 1.2 | 1.2 | 1.0 | 0.9 |
| Yield (%) | 0.5 | 0.7 | 0.6 | 0.7 | 0.8 |
| DPS (HK$) | 0.018 | 0.026 | 0.022 | 0.027 | 0.030 |

*Source: Bloomberg, OP Research*

## Exhibit 2: Earnings revision

| | FY19E | | | FY20E | | | |
|---|---|---|---|---|---|---|---|
| **(RMB mn)** | **New** | **Old** | **% Chg** | **New** | **Old** | **% Chg** | **OP Comment** |
| **Revenue** | **11,880** | **11,880** | **0.0** | **13,125** | **13,125** | **0.0** | |
| Gross profit | 3,552 | 3,588 | (1.0) | 3,929 | 3,964 | (0.9) | |
| Gross margin | 29.9% | 30.2% | (0.3) | 29.9% | 30.2% | (0.3) | |
| Opex | (2,627) | (2,641) | (0.5) | (2,785) | (2,827) | (1.5) | Due to lower headcount growth |
| EBIT | 987 | 1,009 | (2.2) | 1,213 | 1,201 | 1.0 | |
| EBIT Margin | 8.3% | 8.5% | (0.2) | 9.2% | 9.1% | 0.1 | |
| Adj. Net Profit | 742 | 784 | (5.4) | 918 | 952 | (3.6) | |
| Diluted EPS (HK$) | 0.277 | 0.306 | (9.3) | 0.343 | 0.371 | (7.6) | With updated exchange rate assumptions |

Source: OP Research

**Exhibit 3: 1H19 results review**

| **Results Summary** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| RMB mn | **1H18** | **2H18** | **1H19A** | **1H19E** | **Act./Est. (%)** | **FY18A** | **FY19E** | **yoy%** |
| **Revenue** | **4,814** | **5,771** | **5,538** | **5,346** | **3.6%** | **10,585** | **11,880** | **12.2%** |
| COGS | (3,424) | (3,917) | (3,971) | (3,849) | 3.2% | (7,340) | (8,328) | 13.5% |
| **Gross profit** | **1,390** | **1,855** | **1,567** | **1,497** | **4.7%** | **3,245** | **3,552** | **9.5%** |
| Other income & gains | 23 | 36 | 60 | 30 | 101.1% | 58 | 62 | 6.1% |
| Selling exp | (233) | (263) | (266) | (230) | 15.6% | (496) | (563) | 13.5% |
| Admin exp | (680) | (411) | (833) | (802) | 3.9% | (1,091) | (1,209) | 10.8% |
| R&D | 0 | (739) | 0 | 0 | n.a. | (739) | (778) | 5.3% |
| Other opex | (37) | (32) | (42) | (40) | 6.2% | (68) | (77) | 12.2% |
| Finance costs | (59) | (66) | (88) | (50) | 75.8% | (125) | (170) | 35.8% |
| Profit after financing costs | 404 | 380 | 398 | 405 | -1.7% | 783 | 817 | 4.3% |
| Associated cos | (15) | 15 | (8) | (15) | -47.7% | 0 | 0 | n.a. |
| Provision for other items | 0 | (23) | 0 | 0 | n.a. | (23) | 0 | -100.0% |
| Pre-tax profit | 388 | 372 | 390 | 390 | 0.0% | 760 | 817 | 7.4% |
| Tax | (33) | (12) | (31) | (34) | -8.6% | (44) | (82) | 84.5% |
| Minority interests | 3 | (3) | 4 | 3 | 24.3% | (0) | (4) | 899.0% |
| **Adj. Net profit** | **385** | **384** | **369** | **359** | **2.8%** | 769 | 742 | **-3.5%** |
| **Reported Net profit** | **359** | **357** | **363** | **359** | **1.0%** | **716** | **732** | **2.2%** |
| | | | | | | | | |
| **Key ratios** | | | | | (in ppts) | | | (in ppts) |
| GPM | 28.9% | 32.1% | 28.3% | 28.0% | 0.29 | 30.7% | 29.9% | (0.76) |
| S&G / sales | 4.8% | 4.5% | 4.8% | 4.3% | 0.50 | 4.7% | 4.7% | 0.05 |
| Admin / sales | 14.1% | 7.1% | 15.0% | 15.0% | 0.04 | 10.3% | 10.2% | (0.13) |
| EIT | 8.4% | 3.1% | 8.0% | 9.0% | (1.00) | 5.8% | 10.0% | 4.18 |
| Adj. net margin | 8.0% | 6.7% | 6.7% | 6.5% | 0.15 | 6.8% | 6.2% | (0.60) |
| | | | | | | | | |
| **% HoH** | | | | | | | | |
| Revenue | -6% | 20% | -4% | -7% | | | | |
| Gross profit | -14% | 33% | -16% | -19% | | | | |
| Adj. Net profit | -3% | 0% | -4% | -9% | | | | |
| | | | | | | | | |
| **% YoY** | | | | | | | | |
| Revenue | 16% | 13% | 15% | 11% | | 15% | 12% | |
| Gross profit | 22% | 15% | 13% | 8% | | 18% | 9% | |
| Adj. Net profit | 21% | -4% | -4% | -9% | | 27% | 2% | |

*Source: OP Research*

# Financial Summary

| Year to Dec | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **Income Statement (RMB mn)** | | | | | |
| TPG | 7,616 | 9,022 | 10,285 | 11,417 | 12,330 |
| ITG | 1,192 | 1,317 | 1,422 | 1,536 | 1,659 |
| Sales of hardware | 436 | 246 | 172 | 172 | 172 |
| **Turnover** | **9,244** | **10,585** | **11,880** | **13,125** | **14,161** |
| YoY% | 36 | 15 | 12 | 10 | 8 |
| COGS | (6,493) | (7,340) | (8,328) | (9,196) | (9,922) |
| **Gross profit** | **2,750** | **3,245** | **3,552** | **3,929** | **4,239** |
| Gross margin | 29.8% | 30.7% | 29.9% | 29.9% | 29.9% |
| Other income | 96 | 58 | 62 | 69 | 73 |
| Selling & distribution | (370) | (496) | (563) | (602) | (646) |
| Admin | (1,086) | (1,091) | (1,209) | (1,253) | (1,321) |
| R&D | (567) | (739) | (778) | (846) | (909) |
| Other opex | (82) | (68) | (77) | (85) | (92) |
| **Total opex** | **(2,105)** | **(2,395)** | **(2,627)** | **(2,785)** | **(2,968)** |
| **Operating profit (EBIT)** | **742** | **909** | **987** | **1,213** | **1,344** |
| Operating margin | 8.0% | 8.6% | 8.3% | 9.2% | 9.5% |
| Provisions | (6) | (23) | 0 | 0 | 0 |
| Finance costs | (103) | (125) | (170) | (188) | (188) |
| Profit after financing costs | 633 | 760 | 817 | 1,025 | 1,156 |
| Associated companies & JVs | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 633 | 760 | 817 | 1,025 | 1,156 |
| Tax | (71) | (44) | (82) | (102) | (116) |
| Minority interests | 4 | (0) | (4) | (5) | (5) |
| **Adj. Net profit** | **716** | **769** | **742** | **918** | **1,035** |
| YoY% | 45 | 7 | (4) | 24 | 13 |
| Net margin | 7.7% | 7.3% | 6.2% | 7.0% | 7.3% |
| **Reported Net profit** | **566** | **716** | **732** | **918** | **1035** |
| **EBITDA** | **913** | **1,088** | **1,091** | **1,299** | **1,416** |
| EBITDA margin | 9.9% | 10.3% | 9.2% | 9.9% | 10.0% |
| **EPS (RMB)** | **0.273** | **0.277** | **0.241** | **0.298** | **0.337** |
| YoY% | 33 | 1 | (13) | 24 | 13 |
| DPS (HK$) | 0.018 | 0.026 | 0.022 | 0.028 | 0.031 |

| Year to Dec | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **Cash Flow (RMB mn)** | | | | | |
| EBITDA | 913 | 1,088 | 1,091 | 1,299 | 1,416 |
| Chg in working cap | (687) | (894) | (121) | (132) | (109) |
| Others | 154 | 49 | 234 | 0 | 0 |
| **Operating cash** | **380** | **243** | **1,204** | **1,167** | **1,307** |
| Tax | (48) | (82) | (125) | (82) | (102) |
| **Net cash from operations** | **332** | **161** | **1,079** | **1,085** | **1,204** |
| Capex | (160) | (151) | (169) | (187) | (201) |
| Investments | (51) | (37) | (42) | (46) | (50) |
| Dividends received | 1 | 1 | 0 | 0 | 0 |
| Sales of assets | 4 | 9 | 0 | 0 | 0 |
| Interests received | 6 | 12 | 15 | 22 | 25 |
| Others | (34) | (2) | 0 | 0 | 0 |
| **Investing cash** | **(234)** | **(167)** | **(196)** | **(211)** | **(226)** |
| **FCF** | **98** | **(6)** | **883** | **874** | **978** |
| Issue of shares | 943 | 109 | 0 | 0 | 0 |
| Buy-back | 0 | (76) | 0 | 0 | 0 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (25) | (37) | (44) | (48) | (59) |
| Net change in bank loans | (431) | 984 | 631 | 0 | 0 |
| Interests paid | (75) | (85) | (170) | (188) | (188) |
| Others | 21 | (41) | 0 | 0 | 0 |
| **Financing cash** | **432** | **853** | **417** | **(236)** | **(247)** |
| **Net change in cash** | **530** | **847** | **1,300** | **638** | **731** |
| Exchange rate or other Adj | (44) | 14 | 0 | 0 | 0 |
| Opening cash | 1,299 | 1,785 | 2,646 | 3,947 | 4,585 |
| **Closing cash** | **1,785** | **2,646** | **3,947** | **4,585** | **5,316** |
| **CFPS (HK$)** | **0.152** | **0.070** | **0.421** | **0.424** | **0.470** |

*Source: Company, OP Research*

| Year to Dec | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **Ratios** | | | | | |
| Gross margin (%) | 29.8 | 30.7 | 29.9 | 29.9 | 29.9 |
| Operating margin (%) | 8.0 | 8.6 | 8.3 | 9.2 | 9.5 |
| Adj. Net margin (%) | 7.7 | 7.3 | 6.2 | 7.0 | 7.3 |
| Selling & dist'n exp/Sales (%) | 4.0 | 4.7 | 4.7 | 4.6 | 4.6 |
| Admin exp/Sales (%) | 11.8 | 10.3 | 10.2 | 9.5 | 9.3 |
| R&D exp/Sales (%) | 6.1 | 7.0 | 6.6 | 6.4 | 6.4 |
| Payout ratio (%) | 5.5 | 7.8 | 7.8 | 7.8 | 7.8 |
| Effective tax (%) | 11.3 | 5.8 | 10.0 | 10.0 | 10.0 |
| Total debt/equity (%) | 32.9 | 43.8 | 47.1 | 41.8 | 37.1 |
| Net debt/equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Current ratio (x) | 2.55 | 2.26 | 2.11 | 2.22 | 2.35 |
| Quick ratio (x) | 2.54 | 2.25 | 2.10 | 2.20 | 2.33 |
| Inventory T/O (days) | 1 | 3 | 3 | 3 | 3 |
| AR T/O (days) | 78 | 90 | 90 | 90 | 90 |
| AP T/O (days) | 89 | 74 | 74 | 74 | 74 |
| Cash conversion cycle (days) | (10) | 19 | 19 | 19 | 19 |
| Asset turnover (x) | 1.16 | 1.11 | 1.06 | 1.04 | 1.03 |
| Financial leverage (x) | 1.69 | 1.71 | 1.74 | 1.72 | 1.66 |
| EBIT margin (%) | 8.0 | 8.6 | 8.3 | 9.2 | 9.5 |
| Interest burden (x) | 0.85 | 0.84 | 0.83 | 0.84 | 0.86 |
| Tax burden (x) | 1.13 | 1.01 | 0.91 | 0.90 | 0.90 |
| **Return on equity (%)** | **15.2** | **13.8** | **11.5** | **12.5** | **12.6** |
| **ROIC (%)** | **13.8** | **15.4** | **14.5** | **17.1** | **18.3** |

| Year to Dec | FY17A | FY18A | FY19E | FY20E | FY21E |
|---|---|---|---|---|---|
| **Balance Sheet (RMB mn)** | | | | | |
| Fixed assets | 853 | 838 | 935 | 1,049 | 1,179 |
| Intangible assets & goodwill | 1,176 | 1,155 | 1,149 | 1,160 | 1,184 |
| Associated companies & JVs | 133 | 144 | 144 | 144 | 144 |
| Long-term investments | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 141 | 127 | 127 | 127 | 127 |
| **Non-current assets** | **2,303** | **2,264** | **2,355** | **2,480** | **2,635** |
| Inventories | 26 | 64 | 72 | 80 | 86 |
| AR | 1,972 | 2,607 | 2,926 | 3,233 | 3,488 |
| Prepayments & deposits | 1 | 1 | 1 | 1 | 1 |
| Other current assets | 2,620 | 2,740 | 2,740 | 2,740 | 2,740 |
| Cash | 1,785 | 2,646 | 3,947 | 4,585 | 5,316 |
| **Current assets** | **6,404** | **8,059** | **9,686** | **#####** | **#####** |
| AP | 1,584 | 1,497 | 1,698 | 1,875 | 2,023 |
| Tax | 158 | 125 | 82 | 102 | 116 |
| Accruals & other payables | 20 | 45 | 51 | 56 | 61 |
| Bank loans & leases | 686 | 1,676 | 2,541 | 2,541 | 2,541 |
| CB & other debts | 59 | 216 | 216 | 216 | 216 |
| Other current liabilities | 0 | 0 | 0 | 0 | 0 |
| **Current liabilities** | **2,507** | **3,560** | **4,588** | **4,791** | **4,957** |
| Bank loans & leases | 0 | 0 | 0 | 0 | 0 |
| CB & other debts | 954 | 720 | 486 | 486 | 486 |
| Deferred tax & others | 16 | 11 | 11 | 11 | 11 |
| MI | 64 | 65 | 68 | 73 | 78 |
| **Non-current liabilities** | **1,034** | **796** | **565** | **570** | **575** |
| **Total net assets** | **5,166** | **5,967** | **6,888** | **7,758** | **8,734** |
| **Shareholder's equity** | **5,166** | **5,967** | **6,888** | **7,758** | **8,734** |
| Share capital | 110 | 113 | 113 | 113 | 113 |
| Reserves | 5,056 | 5,854 | 6,775 | 7,645 | 8,621 |
| **BVPS (HK$)** | **2.58** | **2.90** | **3.25** | **3.66** | **4.12** |
| Total debts | 1,699 | 2,612 | 3,243 | 3,243 | 3,243 |
| Net cash/(debts) | 87 | 34 | 703 | 1,342 | 2,073 |

## Exhibit 4: Peer Group Comparison

| Company | Ticker | Price | Mkt cap (US$m) | 3-mth avg t/o (US$m) | PER Hist (x) | PER FY1 (x) | PER FY2 (x) | EPS FY1 YoY% | EPS FY2 YoY% | 3-Yr EPS Cagr (%) | PEG (x) | Div yld Hist (%) | Div yld FY1 (%) | P/B Hist (x) | P/B FY1 (x) | EV/ Ebitda Hist | EV/ Ebitda Cur Yr | Net gearing Hist (%) | Gross margin Hist (%) | Net margin Hist (%) | ROE Hist (%) | ROE FY1 (%) | Sh px 1-mth % | Sh px 3-mth % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Chinasoft Intl** | **354 HK** | **3.60** | **1,168** | **6.1** | **10.7** | **12.8** | **10.3** | **(16.4)** | **23.7** | **5.3** | **2.42** | **0.7** | **0.6** | **1.22** | **1.14** | **8.0** | **7.6** | **Net cash** | **30.7** | **6.8** | **13.8** | **11.5** | **(7.2)** | **0.1** |
| HSI | | 26,231.54 | | | 10.4 | 10.5 | 9.8 | (0.6) | 7.2 | 4.8 | 2.18 | 3.7 | 3.9 | 1.18 | 1.14 | | | | | | 11.3 | 10.9 | (8.8) | (5.6) |
| HSCEI | | 10,132.77 | | | 8.2 | 8.1 | 7.6 | 0.9 | 7.3 | 5.7 | 1.44 | 3.9 | 4.1 | 0.99 | 1.00 | | | | | | 12.1 | 12.3 | (7.1) | (4.7) |
| CSI300 | | 3,787.73 | | | 13.9 | 12.1 | 10.6 | 14.8 | 14.3 | 3.3 | 3.60 | 2.3 | 2.5 | 1.76 | 1.63 | | | | | | 12.7 | 13.5 | (0.5) | 4.7 |
| **Adjusted sector avg*** | | | | | **27.2** | **20.7** | **18.1** | **(53.0)** | **225.5** | **10.5** | **1.53** | **1.3** | **1.0** | **3.47** | **2.13** | **13.6** | **36.5** | **0.0** | **34.9** | **19.1** | **17.3** | **13.7** | **(3.6)** | **(3.4)** |
| Infosys Ltd | INFO IN | 792.50 | 48,240 | 85.6 | 22.4 | 20.7 | 18.5 | (73.3) | 352.0 | 10.1 | 2.06 | 2.7 | N/A | 5.99 | N/A | 15.8 | 60.5 | 0.0 | 34.8 | 18.6 | 26.6 | N/A | 0.9 | 9.7 |
| Tata Consultancy | TCS IN | 2,190.00 | 114,589 | 83.4 | 26.4 | 24.2 | 21.9 | (73.4) | 353.0 | 9.8 | 2.47 | 1.4 | N/A | 8.99 | N/A | 19.9 | 74.3 | 0.0 | 41.9 | 21.5 | 36.0 | N/A | 5.4 | 2.1 |
| Cognizant Tech-A | CTSH US | 61.86 | 34,165 | 290.5 | 17.1 | 15.6 | 14.4 | (70.9) | 308.1 | 9.5 | 1.65 | 1.3 | 0.3 | 3.23 | 2.78 | 9.9 | 38.0 | 0.0 | 39.0 | 13.0 | 19.6 | 21.9 | (5.0) | 3.1 |
| Wipro Ltd-Adr | WIT US | 3.76 | 22,693 | 7.5 | N/A | 16.4 | 15.3 | N/A | 354.3 | N/A | N/A | 0.3 | N/A | N/A | N/A | 11.4 | N/A | 0.0 | 29.5 | 15.4 | 17.0 | N/A | (9.8) | (17.9) |
| Travelsky Tech-H | 696 HK | 15.24 | 5,686 | 8.3 | 17.4 | 15.1 | 13.3 | 14.7 | 13.6 | 14.1 | 1.08 | 2.0 | 2.2 | 2.36 | 2.13 | 11.1 | 9.7 | 0.0 | N/A | 31.1 | 14.3 | 14.6 | (6.4) | (8.3) |
| Kingdee Intl Sft | 268 HK | 7.75 | 3,277 | 23.2 | 52.9 | 61.7 | 51.7 | (62.1) | 170.0 | 9.0 | 6.83 | 0.1 | N/A | 4.14 | N/A | 26.9 | N/A | 0.0 | 81.7 | 14.7 | 6.5 | N/A | (0.1) | (1.8) |
| Neusoft Corp-A | 600718 CH | 11.08 | 1,950 | 15.7 | 123.1 | 31.9 | 25.0 | 285.6 | 27.7 | 78.3 | 0.41 | N/A | 0.4 | 1.60 | 1.48 | | | 0.0 | 29.3 | 1.6 | 1.0 | 4.7 | (10.1) | (10.5) |

** Outliners and "N/A" entries are in red and excl. from the calculation of averages*

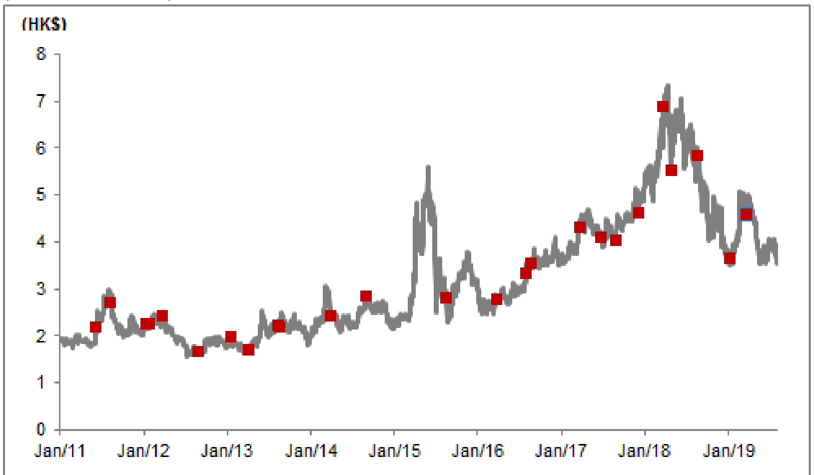
*Source: Bloomberg, OP Research*

# Our recent reports

| Date | Company / Sector | Stock Code | Title | Rating | Analyst |
|---|---|---|---|---|---|
| **Date** | **Company / Sector** | **Ticker** | **Title** | **Rating** | **Analyst** |
| 20/08/2019 | Regal Intl Airport | 357 | Franchise revenue retreated on competition | BUY | Yuji Fung/Dallas Cai |
| 19/08/2019 | Ausnutria Dairy | 1717 | Response to short-sell allegations | BUY | Dallas Cai/Megan Jin |
| 16/08/2019 | CH Display OPT | 334 | Downgrade on robust shipment growth at the cost of squeezed dollar margin | HOLD | Yuji Fung/Dallas Cai |
| 16/08/2019 | Kingdee Intl | 268 | 1H19 results in line with previous profit warnings | SELL | Yuji Fung/Dallas Cai |
| 16/08/2019 | Sunny Optical | 2382 | Positive surprise on handset lens sets margin | BUY | Yuji Fung/Dallas Cai |
| 15/08/2019 | Ausnutria Dairy | 1717 | Inventory surge on one-off events | BUY | Dallas Cai/Megan Jin |
| 15/08/2019 | Li Ning | 2331 | Higher visibility for wholesale channel optimization | BUY | Dallas Cai/Megan Jin |
| 13/08/2019 | Q Tech | 1478 | Comeback with upbeat margin | BUY | Yuji Fung/Dallas Cai |
| 13/08/2019 | China Youzan | 8083 | Sign of net loss narrowing | BUY | Yuji Fung/Dallas Cai |
| 31/07/2019 | Ausnutria Dairy | 1717 | 1H19E preview: investment thesis intact | BUY | Dallas Cai/Megan Jin |
| 24/07/2019 | Xtep Intl | 1368 | Upgrade on improved investor confidence | BUY | Dallas Cai/Megan Jin |
| 23/07/2019 | Anta Sports | 2020 | Upgrade on 1H19E profits surprise | BUY | Dallas Cai/Megan Jin |
| 17/07/2019 | 361 Degrees Intl | 1361 | 2Q19E online sales slowed on product mix shift | BUY | Megan Jin |
| 15/07/2019 | Xtep Intl | 1368 | 2Q19E keeps up robust growth momentum | BUY | Dallas Cai/Megan Jin |
| 12/07/2019 | Anta Sports | 2020 | 2Q19E operations on track | BUY | Dallas Cai/Megan Jin |
| 10/07/2019 | Anta Sports | 2020 | Clearing up Muddy Waters | BUY | Dallas Cai/Megan Jin |
| 08/07/2019 | Kingdee Intl | 268 | Downgrade on unexpected profit warning | SELL | Yuji Fung/Dallas Cai |
| 01/07/2019 | Q Tech | 1478 | Upgrade on better downstream demand outlook | BUY | Yuji Fung/Dallas Cai |
| 25/06/2019 | Li Ning | 2331 | Upgrade on surprise in revenue growth | BUY | Dallas Cai/Megan Jin |
| 24/06/2019 | 361 Degrees Intl | 1361 | Rebranding starts from building basketball half-courts | BUY | Megan Jin |
| 21/06/2019 | Q Tech | 1478 | Kunshan reverse road show takeaways | SELL | Yuji Fung/Dallas Cai |
| 19/06/2019 | Sunny Optical | 2382 | Conference call takeaways | BUY | Yuji Fung/Dallas Cai |
| 18/06/2019 | TCL Electronics | 1070 | Overseas shipments keep steam | BUY | Yuji Fung/Dallas Cai |
| 12/06/2019 | Sunny Optical | 2382 | May shipments on track | BUY | Yuji Fung/Dallas Cai |
| 11/06/2019 | 361 Degrees Intl | 1361 | President ups stakes in light of rebranding strategy | BUY | Megan Jin |
| 11/06/2019 | Ausnutria Dairy | 1717 | Penetrating into probiotics business | BUY | Dallas Cai/Megan Jin |

## Historical recommendations and target price: Chinasoft Intl (354 HK)

*(as of 20/08/2019)*




| | DATE | RATING | TP | CLOSE | | DATE | RATING | TP | CLOSE |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 20 Aug 2013 | HOLD | 1.9 | 2.19 | 9 | 28 Jun 2017 | BUY | 6.20 | 4.15 |
| 2 | 28 Mar 2014 | HOLD | 2.70 | 2.46 | 10 | 28 Aug 2017 | BUY | 6.30 | 4.07 |
| 3 | 02 Sep 2014 | HOLD | 3.40 | 2.87 | 11 | 07 Dec 2017 | BUY | 7.50 | 4.65 |
| 4 | 20 Aug 2015 | BUY | 3.30 | 2.85 | 12 | 28 Mar 2018 | BUY | 8.80 | 6.93 |
| 5 | 24 Mar 2016 | HOLD | 3.04 | 2.79 | 13 | 26 Apr 2018 | BUY | 8.80 | 5.57 |
| 6 | 04 Aug 2016 | HOLD | 4.50 | 3.36 | 14 | 23 Aug 2018 | BUY | 8.50 | 5.87 |
| 7 | 24 Aug 2016 | BUY | 5.80 | 3.57 | 15 | 08 Jan 2019 | BUY | 6.23 | 3.55 |
| 8 | 29 Mar 2017 | BUY | 6.67 | 4.36 | 16 | 22 Mar 2019 | BUY | 6.14 | 4.68 |

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| | |
|---|---|
| **Buy (B)** | We expect this stock outperform the relevant benchmark greater than 15% over the next 12 months. |
| **Hold (H)** | We expect this stock to perform in line with the relevant benchmark over the next 12 months. |
| **Sell (S)** | We expect this stock to underperform the relevant benchmark greater than 15% over the next 12 month. |
| **Relevant Benchmark** | Represents the stock closing price as at the date quoted in this report. |



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