

China gold sector

Domestic gold prices catching up

| | Ticker | Rec | Mkt cap | | Price | PT | Up/ dn (%) | PER | | PBR | | EV/EBITDA | |
|---------|---------|-----|---------|-----|-------|------|---------------|-------|-------|-------|-------|-----------|-------|
| | | | (US\$b) | Ccy | | | | 2016E | 2017E | 2016E | 2017E | 2016E | 2017E |
| Zijin | 2899 HK | OP | 9.9 | HKD | 2.38 | 3.00 | 26.0 | 23.9 | 19.3 | 1.4 | 1.4 | 16.1 | 14.4 |
| Zhaojin | 1818 HK | IL | 2.3 | HKD | 5.98 | 6.00 | 0.3 | 39.9 | 38.5 | 1.1 | 1.1 | 14.3 | 13.7 |

Source: Bloomberg, Company data, CSCI Research estimate

- **Gold continues to trade at around USD1,250/oz after the US Fed signaled hesitation to hike interest rates amid slowing global economic growth. From China's perspective, the Shanghai gold price has continued to catch up with the international gold market's price with rising influence on the global gold market which will support global gold prices, in our view.**
- **While we have revised down our earnings estimates for both Zijin and Zhaojin, we have raised the target multiples for the counters as we foresee the gold price will bottom out. We believe Zijin's current valuation remains undemanding, thus reiterate Outperform on Zijin (2899 HK, PT HKD3.0).**

Beneficiary of China's rising pricing power on gold

While gold's appeal as a safe-haven remained intact amid persisting market concerns over global economic growth, major central banks' monetary policies appear to have reached their limits. From China's perspective, we believe the volatile stock market and recent tightening policy to rein in local property prices would prompt money to flow back into the gold market. In mid-term, the launch of RMB-denominated gold on the Shanghai Gold Exchange would likely trigger potential investment attraction of gold for the fund managers -in diversification of their investment portfolios. Thus, we believe China's rising pricing power on gold prices will support global gold prices.

Earnings outlook and revision for Zijin and Zhaojin

Both Zijin and Zhaojin's FY15 results were distorted by one-off impairment charges. Based on latest results, we reiterate our view that Zijin will see brighter growth prospects relative to Zhaojin in light of (1) Zijin's planned 19% increase in gold production versus Zhaojin's expected production decline, while the shrinking production will be unfavourable for Zhaojin in terms of its future sales strategy after inventory drawdown, (2) Zijin's unit mined costs have dropped 6%, versus a 4% increase for Zhaojin in 2015. Meanwhile, Zijin's overall ROE has deteriorated by a lesser extent due to its cost efficiency and diversified asset portfolio as compared to Zhaojin. (3) In our sensitivity test, for a 1% increase in average selling price, Zijin's net profit would subsequently improve by 30% as compared to only 7% for Zhaojin, and (4) Zijin has maintained a relatively low net gearing ratio of 87% versus 121% for Zhaojin as at end of 2016. Accordingly, we foresee Zijin to deliver a net profit growth of about 19% per annum during 2016-2017 (for details, please refer to Figure 1 and Figure 2), and owing to a lack of new mined production growth, we expect Zhaojin's net profit to grow at 14% per annum in both 2016 and 2017.

PT for Zijin and Zhaojin raised, reiterate Outperform on Zijin and upgrade Zhaojin to Neutral

With gold prices likely to bottom out, we have raised our target multiples previously applied to both counters based on a trough cycle valuation (details refer to Figure 3) to a discount to their 5-year historical average PBR multiples. We believe Zijin deserves a valuation premium over Zhaojin for its higher ROE and better dividend outlook as management has indicated a potential interim dividend. We reiterate our Outperform rating on Zijin and upgrade Zhaojin to Neutral from Underperform, and revise up our price targets for Zijin and Zhaojin to HKD3.0 and HKD6.0 respectively. Zijin remains our preferred sector pick.

Duncan Chan
(CE No.: ALH659)
 duncanchan@csci.hk
 +852 3465 5654

Earnings revision

For Zijin, we have revised up our revenue estimates by 24-27% for 2016 and 2017, on higher production volume and gold and copper prices. However, we have revised down our net profit estimates by 8-9% for both years to reflect higher SG&A expenses. Our net profit estimates are 10% and 13% lower than consensus forecasts for the same period. Zijin's net profit growth after revision is estimated at 14% and 24%, respectively.

For Zhaojin, we have revised down our revenue estimates by 8-14% for 2016 and 2017, mainly on lower production volume guidance. Accordingly, we have revised down our net profit estimates by 16-29% for the forecasted period. Our net profit estimates are 20% and 31% below the consensus forecasts for both years. Zhaojin's net profit growth after revision is estimated at 26% and 4%, respectively.

Figure 1: Changes to our estimates

| YE Dec | Zijin | | Zhaojin | |
|------------------|------------|-------------|-------------|-------------|
| RMB mn | 2016E | 2017E | 2016E | 2017E |
| Revenue | | | | |
| Prior | 62,249 | 64,925 | 6,311 | 6,906 |
| New | 78,977 | 80,628 | 5,787 | 5,968 |
| % revised | 27% | 24% | -8% | -14% |
| Net profit | | | | |
| Prior | 2,045 | 2,564 | 462 | 570 |
| New | 1,883 | 2,329 | 389 | 403 |
| % revised | -8% | -9% | -16% | -29% |
| EPS | | | | |
| Prior | 0.09 | 0.12 | 0.16 | 0.19 |
| New | 0.09 | 0.11 | 0.13 | 0.14 |
| % revised | -3% | -10% | -18% | -29% |

Source: CSCI Research estimate

Figure 2: Consensus versus our estimates

| YE Dec | Zijin | | Zhaojin | |
|-------------------|-------------|-------------|-------------|-------------|
| RMB mn | 2016E | 2017E | 2016E | 2017E |
| Revenue | | | | |
| Consensus | 74,679 | 78,968 | 5,989 | 6,494 |
| CSCI | 78,977 | 80,628 | 5,787 | 5,968 |
| % deviated | 6% | 2% | -3% | -8% |
| Net profit | | | | |
| Consensus | 2,085 | 2,677 | 487 | 586 |
| CSCI | 1,883 | 2,329 | 389 | 403 |
| % deviated | -10% | -13% | -20% | -31% |
| EPS | | | | |
| Consensus | 0.09 | 0.12 | 0.16 | 0.19 |
| CSCI | 0.09 | 0.11 | 0.13 | 0.14 |
| % deviated | -7% | -12% | -20% | -30% |

Source: Bloomberg

With gold prices likely to bottom out, we have raised our target multiples based on their trough cycle valuations, by applying a 10% discount to Zijin's 5-year historical average, while maintaining a valuation discount to Zijin at down cycle for Zhaojin. Zijin's management has explained that due to the ongoing procedure of non-public A-share issuance, they are considering to skip FY15 dividend, but instead proposed a FY16 interim dividend. As such, we believe Zijin's current valuation remains undemanding, and deserves a valuation premium over Zhaojin for its higher ROE at 6.7% for 2016 and better dividend outlook (our estimated dividend yield of 2.9%), versus Zhaojin's estimated ROE of 4.4% and 0.8% yield.

Figure 3: Changes to our valuation multiples

| | Zijin | Note | Zhaojin | Note |
|---------------------|-------|--------------------------|---------|------------------------------------|
| FY16E BVPS (RMB) | 1.49 | | 4.01 | adjusted for perpetual capital |
| Target PBR multiple | | | | |
| Prior (x) | 12 | | 0.8 | |
| Target price (HKD) | 2.1 | | 4.0 | |
| Rating | OP | | UP | |
| New (x) | 17 | 10% discount to 5YR mean | 13 | 25% discount to Zijin at downcycle |
| Target price (HKD) | 3.0 | | 6.0 | |
| Up/dn (%) | 26.1% | | 0.3% | |
| Rating | OP | | IL | |

Source: CSCI Research estimate

Zijin's Financial Summary

Income statement (RMBm)

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 49,772 | 58,761 | 74,304 | 78,977 | 80,628 |
| COGS | (41,566) | (51,720) | (68,817) | (72,404) | (72,700) |
| Gross profit | 8,206 | 7,040 | 5,486 | 6,572 | 7,928 |
| Selling expenses | (526) | (906) | (692) | (1,020) | (1,145) |
| General and administrative | (2,166) | (2,175) | (2,621) | (3,158) | (3,546) |
| Other opex | (760) | 268 | 717 | 540 | 351 |
| EBITDA | 6,226 | 6,452 | 6,585 | 6,984 | 8,215 |
| Depreciation & Amortization | (2,394) | (2,650) | (3,240) | (3,542) | (4,034) |
| EBIT | 3,832 | 3,802 | 3,345 | 3,441 | 4,182 |
| Interest income | 507 | 725 | 521 | 527 | 485 |
| Interest expense | (1,240) | (1,493) | (1,466) | (1,576) | (1,709) |
| JVs and associates | (87) | (136) | 142 | 151 | 154 |
| Others | - | - | - | - | - |
| Pretax profit | 3,835 | 3,324 | 2,086 | 2,036 | 2,518 |
| Taxation | (973) | (689) | (743) | (509) | (630) |
| Minority interests | (736) | (290) | 313 | 356 | 440 |
| Net profit | 2,125 | 2,345 | 1,656 | 1,883 | 2,329 |
| Net profit (adjusted) | 2,125 | 2,345 | 1,656 | 1,883 | 2,329 |
| Basic EPS (RMB) | 0.10 | 0.11 | 0.08 | 0.09 | 0.11 |
| Diluted EPS (RMB) | 0.10 | 0.11 | 0.08 | 0.09 | 0.11 |
| DPS (RMB) | 0.08 | 0.08 | - | 0.06 | 0.08 |

Cash flow statement (RMBm)

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|----------------------------------|----------------|----------------|-----------------|-----------------|----------------|
| EBIT | 3,832 | 3,802 | 3,345 | 3,441 | 4,182 |
| Depreciation & amortisation | 2,394 | 2,650 | 3,240 | 3,542 | 4,034 |
| Net interest | 733 | 768 | 946 | 1,049 | 1,224 |
| Taxes paid | (973) | (689) | (743) | (509) | (630) |
| Changes in working capital | 1,984 | (367) | 471 | (725) | (85) |
| Others | 873 | 166 | (2,204) | (2,455) | (2,887) |
| Cash flow from operations | 8,842 | 6,321 | 5,054 | 4,344 | 5,837 |
| Capex | (8,621) | (7,540) | (11,000) | (10,000) | (9,000) |
| Acquisitions | (1,424) | (2,340) | - | - | - |
| Disposals | 170 | 719 | - | - | - |
| Others | 395 | (91) | - | - | - |
| Cash flow from investing | (8,480) | (9,252) | (11,000) | (10,000) | (9,000) |
| Dividends | (3,687) | (3,034) | - | (1,318) | (1,630) |
| Issue of shares | - | - | - | - | - |
| Change in debt | 57 | 3,701 | 3,000 | 3,000 | 3,000 |
| Others | 1,035 | 1,747 | - | - | - |
| Cash flow from financing | (2,595) | 2,414 | 3,000 | 1,682 | 1,370 |
| Change in cash | (2,232) | (517) | (2,946) | (3,974) | (1,793) |
| Free cash flow | 222 | (1219) | (5,946) | (5,656) | (3,163) |

Balance sheet (RMBm)

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 4,492 | 4,140 | 5,498 | 1,524 | (269) |
| Short term investments | - | - | - | - | - |
| Accounts receivables | 2,572 | 1,805 | 1,480 | 1,746 | 1,782 |
| Inventory | 8,200 | 10,354 | 10,951 | 11,206 | 11,250 |
| Other current assets | 2,668 | 3,320 | 3,865 | 4,113 | 4,136 |
| Total current assets | 17,932 | 19,618 | 21,795 | 18,589 | 16,900 |
| PP&E | 19,353 | 25,004 | 29,359 | 35,817 | 40,783 |
| Intangible Assets | 8,498 | 9,385 | 10,284 | 10,284 | 10,284 |
| Total investments | 5,378 | 5,842 | 7,913 | 7,913 | 7,913 |
| Other long term assets | 15,737 | 15,311 | 14,563 | 14,563 | 14,563 |
| Total long term assets | 48,967 | 55,541 | 62,119 | 68,577 | 73,543 |
| TOTAL ASSETS | 66,898 | 75,160 | 83,914 | 87,166 | 90,443 |
| Short term debt | 2,774 | 4,551 | 5,394 | 6,640 | 7,885 |
| Accounts payables | 4,594 | 4,011 | 4,443 | 4,447 | 4,464 |
| Other current liabilities | 12,592 | 14,942 | 21,689 | 21,728 | 21,729 |
| Total current liabilities | 19,960 | 23,504 | 31,526 | 32,815 | 34,078 |
| Long term debt | 6,998 | 8,339 | 9,251 | 11,006 | 12,761 |
| Deferred tax | 1,449 | 1,723 | 2,908 | 2,908 | 2,908 |
| Bonds payable | 5,406 | 7,924 | 8,300 | 8,300 | 8,300 |
| Other long term liabilities | - | - | - | - | - |
| Total long term liabilities | 13,853 | 17,987 | 20,459 | 22,214 | 23,969 |
| TOTAL LIABILITIES | 33,813 | 41,491 | 51,986 | 55,029 | 58,047 |
| Shareholders' funds | 27,612 | 28,059 | 27,537 | 28,102 | 28,801 |
| Minority Interests | 5,473 | 5,609 | 4,391 | 4,035 | 3,595 |
| TOTAL LIAB AND EQUITY | 66,898 | 75,160 | 83,914 | 87,166 | 90,443 |
| Net cash / (debt) | (10,686) | (16,675) | (17,447) | (24,421) | (29,214) |

Key ratios

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|--------------------------|-------|------|-------|-------|-------|
| Operating ratios | | | | | |
| Gross margin | 16.5 | 12.0 | 7.4 | 8.3 | 9.8 |
| EBITDA margin (%) | 12.5 | 11.0 | 8.9 | 8.8 | 10.2 |
| Effective tax rate (%) | 25.4 | 20.7 | 35.6 | 25.0 | 25.0 |
| Revenue growth (%) | 2.8 | 18.1 | 26.5 | 6.3 | 2.1 |
| Net income growth (%) | 125.6 | 10.3 | - | 13.7 | 23.7 |
| EPS growth adj (%) | 125.8 | 11.2 | - | 13.7 | 23.7 |
| DPS growth (%) | - | 0.4 | - | - | - |
| Efficiency ratios | | | | | |
| ROE (%) | 7.7 | 8.4 | 6.0 | 6.7 | 8.1 |
| ROCE (%) | 8.2 | 7.4 | 6.4 | 6.3 | 7.4 |
| Asset turnover (x) | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 |
| Op cash / EBIT (x) | 2.3 | 1.7 | 1.5 | 1.3 | 1.4 |
| Depreciation / CAPEX (x) | 0.3 | 0.4 | 0.3 | 0.4 | 0.4 |
| Accounts receivable days | 22.1 | 19.0 | 13.2 | 12.0 | 13.1 |
| Accounts payable days | 41.8 | 32.9 | 24.1 | 24.0 | 24.0 |
| Leverage ratios | | | | | |
| Net gearing (%) | 38.7 | 59.4 | 63.4 | 86.9 | 101.4 |
| Net debt / EBITDA (x) | 1.7 | 2.6 | 2.6 | 3.5 | 3.6 |
| Interest cover (x) | 5.2 | 5.0 | 3.5 | 3.3 | 3.4 |
| Current ratio (x) | 0.9 | 0.8 | 0.7 | 0.6 | 0.5 |
| Valuation | | | | | |
| PER (x) | 21.4 | 19.2 | 27.2 | 23.9 | 19.3 |
| EV/EBITDA (x) | 12.7 | 13.9 | 15.9 | 16.1 | 14.4 |
| PBR (x) | 1.4 | 1.3 | 1.4 | 1.4 | 1.4 |
| Dividend yield (%) | 3.8 | 3.8 | - | 2.9 | 3.6 |

Source: Company, CSC Research estimate

Zhaojin's Financial Summary

Income statement (RMBm)

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 6,344 | 5,606 | 5,887 | 5,787 | 5,968 |
| COGS | (4,104) | (3,434) | (3,656) | (3,647) | (3,727) |
| Gross profit | 2,240 | 2,172 | 2,231 | 2,141 | 2,241 |
| Selling expenses | (97) | (120) | (98) | (76) | (79) |
| General and administrative | (821) | (907) | (957) | (858) | (885) |
| Other opex | (7) | 26 | (98) | 26 | 27 |
| EBITDA | 1,919 | 1,837 | 1,712 | 1,936 | 2,069 |
| Depreciation & Amortization | (617) | (691) | (723) | (85) | (880) |
| EBIT | 1,302 | 1,146 | 989 | 1,121 | 1,189 |
| Interest income | 501 | 463 | 41 | 64 | 92 |
| Interest expense | (843) | (977) | (567) | (628) | (704) |
| JVs and associates | 21 | 26 | 3 | 3 | 3 |
| Others | - | - | - | - | - |
| Pretax profit | 994 | 683 | 555 | 672 | 696 |
| Taxation | (226) | (176) | (55) | (168) | (174) |
| Minority interests | (33) | (51) | (91) | (115) | (120) |
| Net profit | 734 | 455 | 308 | 389 | 403 |
| Net profit (adjusted) | 734 | 455 | 308 | 389 | 403 |
| Basic EPS (RMB) | 0.25 | 0.15 | 0.10 | 0.13 | 0.14 |
| Diluted EPS (RMB) | 0.25 | 0.15 | 0.10 | 0.13 | 0.14 |
| DPS (RMB) | 0.10 | 0.05 | 0.04 | 0.04 | 0.04 |

Balance sheet (RMBm)

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 1036 | 1255 | 2,033 | 3,167 | 4,422 |
| Short term investments | - | - | - | - | - |
| Accounts receivables | 190 | 103 | 67 | 83 | 86 |
| Inventory | 2,504 | 3,172 | 3,439 | 3,297 | 3,370 |
| Other current assets | 1,208 | 1,314 | 993 | 993 | 993 |
| Total current assets | 4,938 | 5,843 | 6,533 | 7,541 | 8,872 |
| PP&E | 9,476 | 11,145 | 12,820 | 14,005 | 15,124 |
| Intangible Assets | 4,874 | 5,301 | 9,645 | 9,645 | 9,645 |
| Total investments | 416 | 450 | 423 | 423 | 423 |
| Other long term assets | 3,669 | 3,661 | 1,635 | 1,635 | 1,635 |
| Total long term assets | 18,435 | 20,557 | 24,521 | 25,706 | 26,826 |
| TOTAL ASSETS | 23,372 | 26,400 | 31,054 | 33,247 | 35,698 |
| Short term debt | 6,850 | 4,716 | 8,025 | 9,375 | 10,726 |
| Accounts payables | 648 | 479 | 583 | 530 | 542 |
| Other current liabilities | 3,224 | 5,540 | 3,863 | 3,722 | 3,759 |
| Total current liabilities | 10,724 | 10,735 | 12,471 | 13,627 | 15,026 |
| Long term debt | 1,117 | 2,174 | 1,733 | 2,382 | 3,032 |
| Deferred tax | 1,019 | 1,051 | 1,069 | 1,069 | 1,069 |
| Bonds payable | 192 | 2,690 | 2,141 | 2,141 | 2,141 |
| Other long term liabilities | - | - | - | - | - |
| Total long term liabilities | 3,327 | 5,915 | 4,942 | 5,592 | 6,242 |
| TOTAL LIABILITIES | 14,050 | 16,650 | 17,413 | 19,219 | 21,268 |
| Shareholders' funds | 8,426 | 8,667 | 8,594 | 8,866 | 9,148 |
| Minority Interests | 897 | 1,083 | 5,047 | 5,162 | 5,282 |
| TOTAL LIAB AND EQUITY | 23,372 | 26,400 | 31,054 | 33,247 | 35,698 |
| Net cash / (debt) | (8,122) | (8,325) | (9,865) | (10,731) | (11,476) |

Source: Company, CSCI Research estimate

Cash flow statement (RMBm)

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| EBIT | 1,302 | 1,146 | 989 | 1,121 | 1,189 |
| Depreciation & amortisation | 617 | 691 | 723 | 85 | 880 |
| Net interest | 342 | 514 | 526 | 564 | 612 |
| Taxes paid | (226) | (176) | (155) | (168) | (174) |
| Changes in working capital | (526) | (588) | 146 | (69) | (27) |
| Others | (635) | (519) | (961) | (1013) | (1104) |
| Cash flow from operations | 875 | 1,068 | 1,268 | 1,250 | 1,376 |
| Capex | (2,630) | (2,178) | (2,000) | (2,000) | (2,000) |
| Acquisitions | (134) | (158) | - | - | - |
| Disposals | 8 | 75 | - | - | - |
| Others | (686) | 996 | - | - | - |
| Cash flow from investing | (4,442) | (2,264) | (2,000) | (2,000) | (2,000) |
| Dividends | (807) | (420) | (119) | (117) | (121) |
| Issue of shares | - | - | - | - | - |
| Change in debt | 3,170 | 447 | 2,000 | 2,000 | 2,000 |
| Others | 891 | 1,388 | - | - | - |
| Cash flow from financing | 3,254 | 1,415 | 1,881 | 1,883 | 1,879 |
| Change in cash | (313) | 219 | 1,150 | 1,134 | 1,255 |
| Free cash flow | (1,755) | (1,109) | (732) | (750) | (624) |

Key ratios

| Year end: Dec | 2013 | 2014 | 2015E | 2016E | 2017E |
|--------------------------|--------|--------|-------|-------|-------|
| Operating ratios | | | | | |
| Gross margin | 35.3 | 38.8 | 37.9 | 37.0 | 37.5 |
| EBITDA margin (%) | 30.3 | 32.8 | 29.1 | 33.5 | 34.7 |
| Effective tax rate (%) | 22.8 | 25.8 | 27.9 | 25.0 | 25.0 |
| Revenue growth (%) | (16.6) | (11.6) | 5.0 | (17) | 3.1 |
| Net income growth (%) | - | - | - | 26.1 | 3.6 |
| EPS growth adj (%) | - | - | - | - | - |
| DPS growth (%) | - | - | - | - | - |
| Efficiency ratios | | | | | |
| ROE (%) | 8.7 | 5.3 | 3.6 | 4.4 | 4.4 |
| ROCE (%) | 10.3 | 7.3 | 5.3 | 5.7 | 5.7 |
| Asset turnover (x) | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Op cash / EBIT (x) | 0.7 | 0.9 | 1.3 | 1.1 | 1.2 |
| Depreciation / CAPEX (x) | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| Accounts receivable days | 9.5 | 9.5 | 5.3 | 4.7 | 5.2 |
| Accounts payable days | 58.1 | 221.8 | 220.6 | 230.3 | 212.2 |
| Leverage ratios | | | | | |
| Net gearing (%) | 96.4 | 96.1 | 114.8 | 121.0 | 125.4 |
| Net debt / EBITDA (x) | 4.2 | 4.5 | 5.8 | 5.5 | 5.5 |
| Interest cover (x) | 3.8 | 2.2 | 1.9 | 2.0 | 1.9 |
| Current ratio (x) | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 |
| Valuation | | | | | |
| PER (x) | 211 | 34.0 | 50.3 | 39.9 | 38.5 |
| EV/EBITDA (x) | 14.4 | 16.2 | 15.7 | 14.3 | 13.7 |
| PBR (x) | 1.7 | 1.6 | 1.1 | 1.1 | 1.1 |
| Dividend yield (%) | 1.9 | 1.0 | 0.8 | 0.8 | 0.8 |



Research

LIU Taisheng, Steven
TMT
(852) 3465 5652
stevenliu@csci.hk

SO Lai Shan, Jennifer
Consumer
(852) 3465 5781
jenniferso@csci.hk

CHAN Ka Yeung, Duncan
Commodity
(852) 3465 5654
duncanchan@csci.hk

TIAN Yang
Automotive
(852) 3465 5775
tianyong@csci.hk

SUN Lingxiao, Roger
Industrials
(852) 3465 5785
rogersun@csci.hk

XU Bo, Albert
Financials
(852) 3465 5789
albertxu@csci.hk

ZHU Kexin
Renewable energy
(852) 3465 5653
zhukexin@csci.hk

DUAN Xiaoxin, Joyce
Consumer
(852) 3465 5790
joyceduan@csci.hk

Institutional Sales & Trading

XIANG Xinrong, Ron
(852) 3465 5633
ronxiang@csci.hk

CAO Xiaogang, Glen
(852) 3465 5658
caoxiaogang@csci.hk

YUAN Zhefei, Annie
(852) 3465 5657
annieyuan@csci.hk

ZHANG Meng, Maurice
(852) 3465 5656
mauricezhang@csci.hk

HO Wen Hao, Jack
(852) 3465 5685
jackho@csci.hk

HO Hung Wei
(852) 3465 5687
hohungwei@csci.hk

LEE Ying Ju, Rose
(852) 3465 5707
roselee@csci.hk

AO Yiyu, Diana
(852) 3465 5708
dianaao@csci.hk

WANG Fei, Sophie
(852) 3465 5709
sophiewang@csci.hk

XIA Tian
(852) 3465 5670
xiatian@csci.hk

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

| | |
|---------------------|-------------------------------------|
| Outperform | Relative Performance >10% |
| Neutral | Relative Performance is -10% to 10% |
| Underperform | Relative Performance <10% |

Disclosure of Interests

As of the date of this report,

1. The research analysts primarily responsible for the preparation of all or part of this report hereby certify that:
 - (i) the views expressed in this research report accurately reflect the personal views of each such analyst about the subject securities and issuers; and
 - (ii) no part of the analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.
2. The research analysts primarily responsible for the preparation of all or part of this report, or his/her associate(s), do not have any interest (including any direct or indirect ownership of securities, arrangement for financial accommodation or serving as an officer) in any company mentioned in this report,
3. This report has been produced in its entirety by China Securities (International) Brokerage Company Limited ("China Securities (International)") (CE Number: BAU373, regulated by the Securities and Futures Commission in Hong Kong)
4. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities have no financial interest, in aggregate, equal to or more than 1% of the market capitalization in the stocks reviewed in this report.
5. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities have not received compensation from or mandates for investment banking services in the past 12 months from listed corporations whose stocks are being reviewed by China Securities (International) in this report.
6. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities do not have any individual employed by or associated with them serving as an officer of a listed corporation whose stocks are being reviewed by China Securities (International) in this report.
7. China Securities (International) and each of its group companies that carry on a business in Hong Kong in investment banking, proprietary trading or agency broking in relation to securities are not market makers in the stocks reviewed by China Securities (International) in this report.

Disclaimer

This report is for information purposes only and should not be construed as an offer to sell or to solicitation of an offer to buy or sell any securities in any jurisdiction. The securities referred to in this research report may not be eligible for sale in some jurisdictions. This information contained in this report has been compiled by China Securities (International) from sources that it believes to be reliable and the opinions, analysis, forecasts, projections and expectations contained in this report are based on such information and are expressions of belief only and no representation, warranty or guarantee is made or given by China Securities (International) or any its accuracy or completeness. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of China Securities (International) as of the date of this report only and are subject to change without notice. Such opinions and estimates may be different from or contrary to the opinions presented by the other business departments, units or affiliates of China Securities (International), as different assumptions and standards, different views and analytical methods may be adopted in the preparation of such other materials, and China Securities (International) is under no obligation to bring such other materials to the attention of any recipient of this report. Neither China Securities (International) nor its holding companies and affiliates accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report or otherwise arising in connection therewith.

Any investment referred to herein may involve significant risk, may be illiquid and may not be suitable for all investors. The value of or income from any investment referred to herein may fluctuate and be affected by changes in exchange rates. Past performance is not indicative of future results. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors are expected to make their own investment decision without relying on this publication. Before entering into any transactions in any securities referred to in this research report investor should consider their own individual investment objectives and financial situation and seek professional financial, tax and legal advice, as necessary.

This report is strictly confidential to the recipient. It is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. The distribution of this report in other jurisdictions may be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restrictions. By accepting this report you agree to be bound by the foregoing instructions.

China Securities (International) Research

18/F, Two Exchange Square, Central, Hong Kong

Tel: (852) 34655600 Fax: (852)21809495