

Xiaomi (1810 HK)

3Q20 beat; Global share gain to accelerate in 2021

Xiaomi reported stronger-than-expected 3Q20 adj. net profit of RMB4,128 (+19% YoY), 13%/20% above our/consensus estimates, driven by strong smartphone shipment (+45%), IoT recovery (+16%) and better operating leverage. 3Q20 revenue growth of 34% YoY slightly beat, backed by 48%/16%/9% YoY in smartphone/IoT/internet. Given accelerated R&D investment, "Smartphone x AIoT" ecosystem and overseas network expansion, we expect Xiaomi to continue share gain from Huawei and smartphone shipment will grow 25%/20% YoY to 186mn/223mn in FY21E/22E. We lifted FY20-22E EPS by 1-3% for higher market share in smartphone and better operating leverage, and raised TP to HK\$31.1 based on 35x FY21E P/E (prev. 25x) for sector re-rating and stronger earnings CAGR of 33% during FY20-22E.

- **Strong 3Q20 on better smartphone and IoT recovery.** We believe strong 3Q20 was a result of Xiaomi's strong execution of global expansion & premium strategy and IoT recovery despite weaker internet revenue. We think smartphone's improving mix (ASP +1.5% YoY) is a positive sign of share gain in premium segment (Mi 10 series), while internet biz delivered slower growth at 9% YoY due to weaker gaming/fintech in near term.
- **Rapid share gain in China/Europe/LATAM on Huawei restriction.** We believe Xiaomi will continue to benefit from Huawei's restriction in China/Europe in 2021 given Xiaomi's R&D efforts, offline channel expansion in China and operator/e-commerce partnership in Europe/LATAM. Overall, we expect Xiaomi smartphone shipment to grow 38% YoY in 4Q20E, and accelerate with 25%/20% YoY to 186mn/ 223mn in FY21E/22E. In addition, we expect share gain in premium segment in China/Europe will help drive internet monetization and improve overall profitability in 2021.
- **Our FY20-22E EPS are 15-18% above consensus; Raise TP to HK\$31.1.** We believe Xiaomi is set to boost market share in China and outperform its Chinese peers in overseas markets with stronger product portfolio and expanding omni-channel distribution network. We slightly lifted FY20-22 EPS by 1-3% to reflect rapid smartphone share gain and better GPM. Our new TP of HK\$31.1 is based on higher 35x FY21E P/E (prev. 25x) given sector re-rating and stronger FY20-22E EPS CAGR of 33%, and global share gain in smartphone. Upcoming catalysts include stronger shipment growth and faster internet recovery.

Earnings Summary

(YE31Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	174,915	205,839	249,659	323,983	414,370
YoY growth (%)	52.6	17.7	21.3	29.8	27.9
Adj. Net income (RMB mn)	8,743	11,532	13,486	19,014	23,761
Adj. EPS (RMB)	0.54	0.49	0.57	0.80	1.00
YoY growth (%)	-	(10.7)	16.5	41.0	25.0
Consensus EPS (RMB)	NA	NA	0.49	0.68	0.86
P/E (x)	55.6	50.1	43.0	30.5	24.4
P/B (x)	6.8	8.8	7.4	6.0	4.9
ROE (%)	19	12.3	16.4	18.8	18.5
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **HK\$31.1**
 (Previous TP **HK\$22.0**)
 Upside **15.0%**
 Current Price **HK\$27.15**

China Technology Sector

Alex Ng
 (852) 3900 0881
 alexng@cmbi.com.hk

Stock Data

Mkt. Cap. (HK\$m)	655,241
Avg. 3mths t/o (HK\$m)	5,156.15
52W High/Low (HK\$)	28.40/ 8.38
Total Issued Shares (mn)	17,639

Source: Bloomberg

Shareholding Structure

Smart Mobile Holdings Ltd	13.00%
Apoletto Ltd	4.85%
Qiming Corporate GP Ltd	4.72%

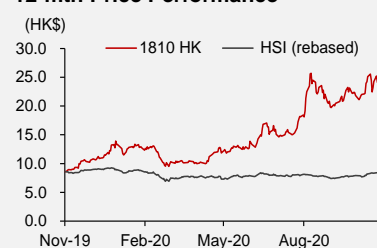
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	24.3%	16.5%
3-mth	47.2%	41.5%
6-mth	128.9%	97.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

Recent Reports:

1. Xiaomi (1810 HK, Buy) – 2Q beat on ASP and ads recovery - 27 Aug 2020
2. Xiaomi (1810 HK, Buy) - Beneficiary on Huawei weakness; Lift TP to HK\$21 – 24 Aug 2020
3. Xiaomi (1810 HK, Buy) - Strong 5G momentum to outweigh India impact – 23 Jun 2020
4. Xiaomi (1810 HK, Buy) - Strong 5G outlook and share gain; U/G to BUY – 21 May 2020

Focus Charts

Figure 1: Xiaomi revenue trend

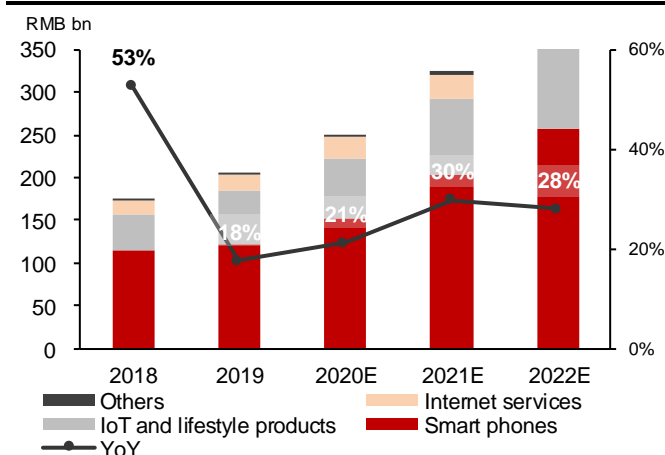


Figure 2: Xiaomi margin trend

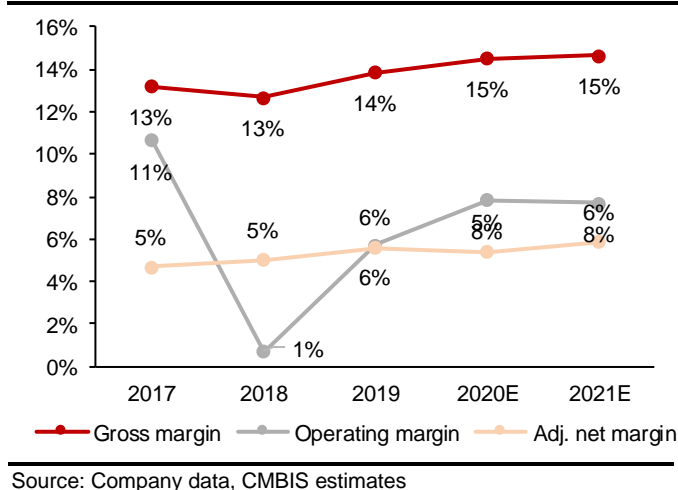


Figure 3: Xiaomi smartphone shipment forecast

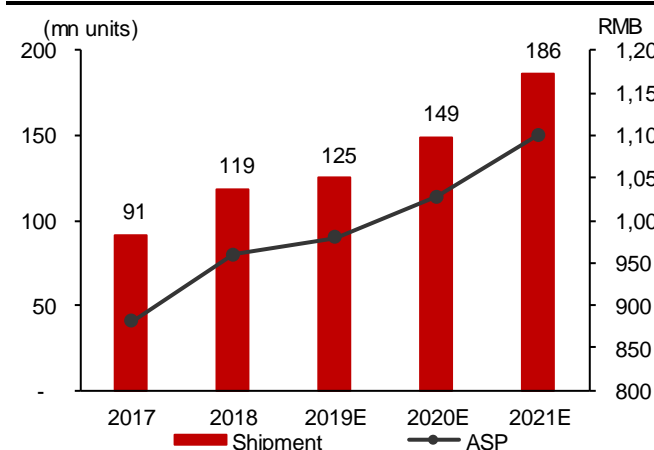


Figure 4: China smartphone market share in 3Q20

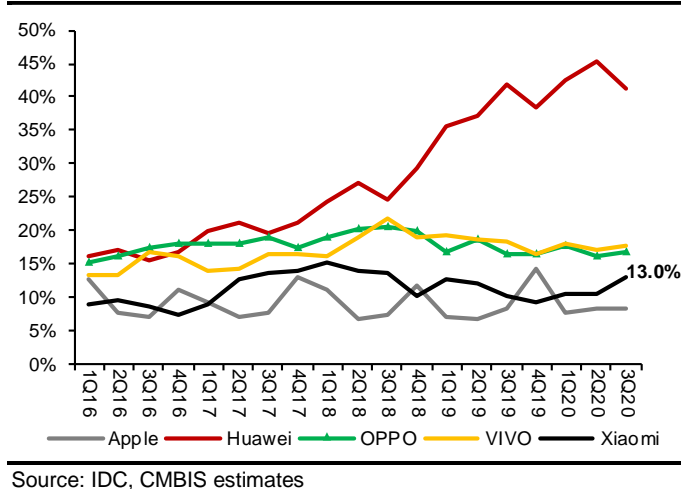


Figure 5: India smartphone market share in 3Q20

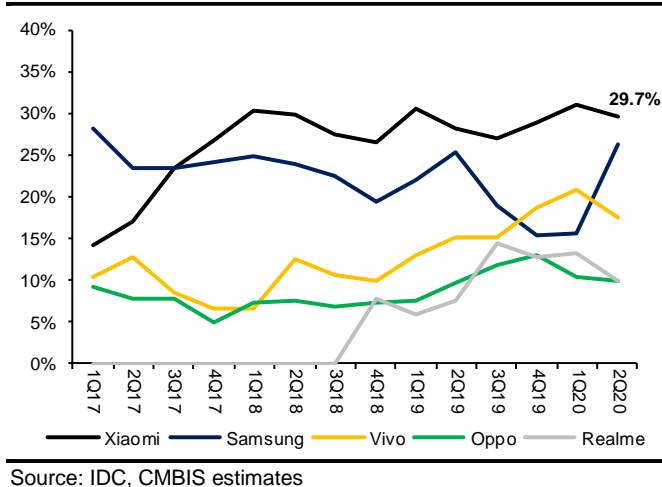
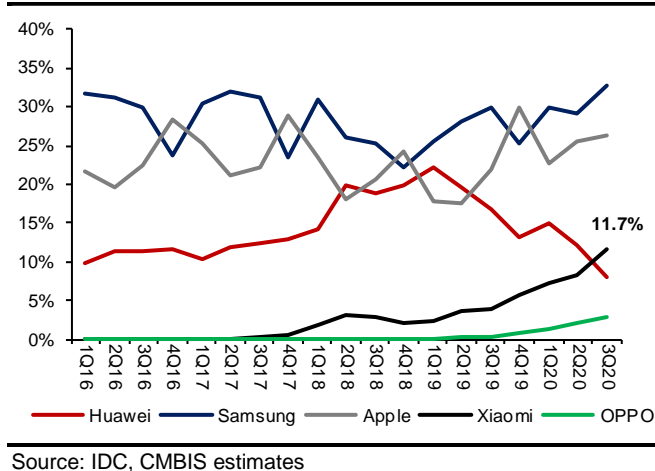


Figure 6: W.Europe smartphone market share in 3Q20



3Q20 Review

Figure 7: 3Q20 results review

RMB mn	3Q19	2Q20	3Q20	QoQ	YoY	CMBIS		Consensus	
						3Q20E	Diff %	3Q20E	Diff %
Revenue	53,661	53,538	72,163	34.8%	34%	71,457	1%	69,276	4%
Gross Profit	8,236	7,701	10,166	32.0%	23%	9,746	4%	9,994	2%
Operating Profit	3,113	5,413	6,697	23.7%	115%	3,524	90%	4,000	67%
Adj. net profit	3,472	3,373	4,128	22.4%	19%	3,643	13%	3,429	20%
Adj. EPS (RMB)	0.15	0.14	0.17	22.4%	19%	0.15	13%	0.13	31%
Gross Margin	15.3%	14.4%	14.1%	-0.8 ppt	-1.3 ppt	13.6%	0.4 ppt	14.4%	-0.3 ppt
Operating Margin	5.8%	10.1%	9.3%	5.4 ppt	3.5 ppt	4.9%	4.3 ppt	5.8%	3.5 ppt
Adj. Net Margin	6.5%	6.3%	5.7%	1.7 ppt	-0.7 ppt	5.1%	0.6 ppt	4.9%	0.8 ppt

Source: Company data, Bloomberg, CMBIS estimates

Figure 8: Revenue breakdown

RMB mn	FY18	FY19	1Q20	2Q20	3Q20	4Q20E	FY20E	FY21E	FY22E
Smart phones	113,800	122,095	30,325	31,628	47,604	43,671	153,191	204,361	256,615
...YoY	41%	7%	12%	-1%	48%	42%	25%	33%	26%
Shipment (mn)	118,655	124,700	29,200	28,300	46,600	45,000	149,100	185,783	223,144
...YoY	5%	5%	5%	-12%	45%	38%	20%	25%	20%
ASP (RMB)	959	979	1,038	1,116	1,022	970	1,027	1,100	1,150
IoT and lifestyle products	43,817	62,088	12,984	15,253	18,119	23,578	69,934	87,257	116,552
...YoY	87%	42%	8%	2%	16%	21%	13%	25%	34%
Smart TVs and laptops	18,200	24,200	4,694	4,800	5,800	9,086	24,380	28,037	33,644
...YoY	119%	33%	-8%	-13%	1%	15%	1%	15%	20%
Other IoTs	25,617	37,888	8,290	10,453	12,319	14,492	45,554	59,220	82,908
...YoY	69%	48%	20%	11%	25%	25%	20%	30%	40%
Internet services	15,956	19,842	5,901	5,908	5,772	6,512	24,092	29,190	37,075
...YoY	61%	24%	39%	29%	9%	14%	21%	21%	27%
Advertising services	10,100	10,676	2,661	3,086	3,311	3,512	12,570	14,456	16,624
...YoY	80%	6%	17%	23%	14%	18%	18%	15%	15%
Internet value-added services	5,855	9,166	3,239	2,821	2,461	3,000	11,522	14,734	20,451
...YoY	37%	57%	64%	36%	3%	10%	26%	28%	39%
Gaming	2,700	3,195	1,500	1,000	800	800	4,100	4,715	5,422
...YoY	-	18%	82%	48%	-3%	-9%	28%	15%	15%
Other (incl. Youpin fintech, etc)	3,200	5,971	1,739	1,821	1,661	2,200	7,422	10,019	15,029
...YoY	-	87%	51%	30%	5%	19%	24%	35%	50%
Others	1,343	1,814	493	750	668	532	2,442	3,175	4,127
...YoY	87%	35%	10%	85%	40%	10%	35%	30%	30%
Total	174,915	205,839	49,702	53,538	72,163	74,292	249,659	323,983	414,370
...YoY	53%	18%	14%	3%	34%	32%	21%	30%	28%
Gross Margin									
Smart phones	6.2%	7.2%	8.1%	7.2%	8.4%	8.0%	8.0%	8.5%	8.5%
IoT and lifestyle products	10.3%	11.2%	13.4%	11.4%	14.2%	14.0%	13.4%	13.5%	13.5%
Internet services	64.4%	64.7%	57.1%	60.3%	60.4%	60.5%	59.6%	61.5%	61.5%
Others	27.3%	-0.1%	-1.4%	15.0%	16.1%	16.0%	12.2%	12.0%	12.0%
Total	12.7%	13.9%	15.2%	14.4%	14.1%	14.6%	14.5%	14.7%	14.7%

Source: Company data, CMBIS estimates

Earnings Revision

Our FY20-22E EPS are 15-18% above consensus

We adjusted FY20-22E EPS by 1-3% to reflect higher smartphone shipment. Our FY20-22E EPS are 15-18% above consensus given our more positive view on smartphone market share and better GPM ahead.

Figure 9: CMBIS earnings revision

RMB mn	New			Old			Change (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	249,659	323,983	414,370	236,460	309,376	394,868	6%	5%	5%
Gross Profit	36,245	47,483	60,843	34,287	45,932	58,428	6%	3%	4%
Operating Profit	19,592	25,005	30,336	16,928	22,636	27,373	16%	10%	11%
Adj. net profit	13,486	19,014	23,761	13,263	18,844	23,022	2%	1%	3%
Adj. EPS (RMB)	0.57	0.80	1.00	0.56	0.79	0.97	2%	1%	3%
Gross Margin	14.5%	14.7%	14.7%	14.50%	14.8%	14.8%	0 ppt	-0.2 ppt	-0.1 ppt
Operating Margin	7.8%	7.7%	7.3%	7.16%	7.3%	6.9%	0.7 ppt	0.4 ppt	0.4 ppt
Adj. Net Margin	5.4%	5.9%	5.7%	5.61%	6.1%	5.8%	-0.2 ppt	-0.2 ppt	-0.1 ppt

Source: Company data, CMBIS estimates

Figure 10: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	249,659	323,983	414,370	242,388	315,264	384,815	3%	3%	8%
Gross Profit	36,245	47,483	60,843	34,929	45,884	56,400	4%	3%	8%
Operating Profit	19,592	25,005	30,336	14,270	18,890	23,678	37%	32%	28%
Adj. net profit	13,486	19,014	23,761	11,755	16,131	20,739	15%	18%	15%
Adj. EPS (RMB)	0.57	0.80	1.00	0.49	0.68	0.86	15%	18%	16%
Gross Margin	14.5%	14.7%	14.7%	14.4%	14.6%	14.7%	0.1 ppt	0.1 ppt	0 ppt
Operating Margin	7.8%	7.7%	7.3%	5.9%	6.0%	6.2%	2 ppt	1.7 ppt	1.2 ppt
Adj. Net Margin	5.4%	5.9%	5.7%	4.8%	5.1%	5.4%	0.6 ppt	0.8 ppt	0.3 ppt

Source: Bloomberg, CMBIS estimates

Figure 11: P&L forecast

RMB mn	FY19	1Q20	2Q20	3Q30	4Q20E	FY20E	FY21E	FY22E
Revenue	205,839	49,702	53,538	72,163	74,292	249,659	323,983	414,370
...YoY	18%	14%	3%	34%	32%	21%	30%	28%
Cost of sales	(177,285)	(42,144)	(45,836)	(61,997)	(63,473)	(213,414)	(276,500)	(353,527)
Gross profit	28,554	7,558	7,701	10,166	10,819	36,245	47,483	60,843
GPM (%)	13.9%	15.2%	14.4%	14.1%	14.6%	14.5%	14.7%	14.7%
...YoY	29%	45%	6%	23%	38%	27%	31%	28%
SG&A	(13,482)	(3,406)	(4,060)	(4,453)	(4,606)	(16,526)	(19,439)	(24,448)
...% of rev	-6.5%	-6.9%	-7.6%	-6.2%	-6.2%	-6.6%	-6.0%	-5.9%
R&D	(7,493)	(1,871)	(1,958)	(2,321)	(2,972)	(9,122)	(12,311)	(15,332)
...% of rev	-3.6%	-3.8%	-3.7%	-3.2%	-4.0%	-3.7%	-3.8%	-3.7%
Operating profit	11,760	2,323	5,413	6,697	5,159	19,592	25,005	30,336
OPM (%)	5.7%	4.7%	10.1%	9.3%	6.9%	7.8%	7.7%	7.3%
...YoY	883%	-36%	132%	115%	91%	67%	28%	21%
Adj. net profit	11,532	2,301	3,373	4,128	3,353	13,486	19,014	23,761
NPM (%)	5.6%	4.6%	6.3%	5.7%	4.5%	5.4%	5.9%	5.7%
...YoY	35%	11%	-7%	19%	43%	17%	41%	25%

Source: Company data, CMBIS estimates

Valuation

Maintain BUY and raised TP of HK\$31.1

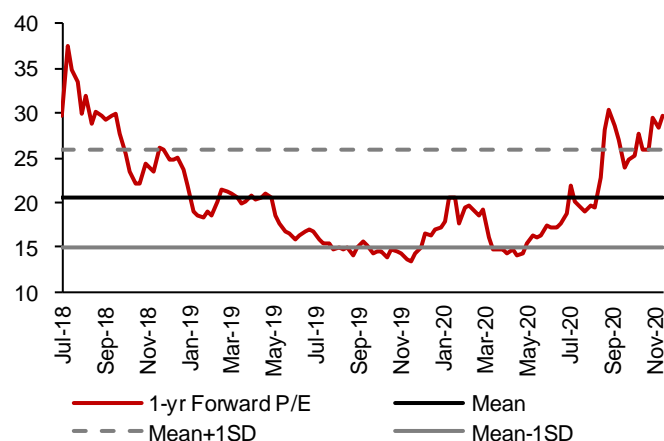
Our new 12m TP of HK\$ 31.1 is based on higher 35x FY21E P/E (vs prev 25x). We think it is justified given sector re-rating, accelerated share gain and stronger earnings CAGR of 33% during F20-22E. Catalysts include stronger shipment, share gain and internet revenue recovery.

Figure 12: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
HK-listed												
Xiaomi	1810 HK	Buy	84,532	27.2	31.1	15%	42.7	30.4	5.9	4.8	13.9	15.9
Sunny Optical	2382 HK	Buy	22,301	157.6	*146.1	N/A	36.1	26.6	9.4	7.2	26.0	27.1
AAC Tech	2018 HK	Hold	6,657	42.7	43.2	1%	35.1	23.5	2.3	2.2	6.5	9.3
BYDE	285 HK	Buy	11,090	38.2	49.5	30%	14.0	12.5	3.5	2.8	25.1	22.4
FIT Hon Teng	6088 HK	Buy	2,436	2.7	4.1	50%	14.5	10.0	1.1	1.0	7.3	9.8
Tongda	698 HK	Buy	435	0.5	0.6	8%	10.6	6.5	0.5	0.5	4.7	7.7
Q tech	1478 HK	Buy	1,555	10.3	16.6	61%	13.5	11.2	3.0	2.4	22.0	21.8
TK Group	2283 HK	Buy	264	2.5	*2.3	N/A	4.4	3.8	1.6	1.6	35.7	41.7
Average							23.8	17.3	3.7	3.0	15.1	16.3
Smartphone												
Apple	AAPL US	NR	1,946,366	114.5	NA	NA	35.3	29.1	31.4	39.1	70.7	127.8
Lenovo	992 HK	NR	8,882	5.7	NA	NA	13.9	10.0	2.1	1.9	18.5	24.1
Samsung	005930 KS	NR	363,710	67,700.0	NA	NA	16.4	12.7	1.7	1.5	10.2	12.2
LG Elec	066570 KS	NR	13,048	88,600.0	NA	NA	8.3	7.7	1.0	0.9	12.1	11.9
Average							18.5	14.9	9.1	10.9	27.9	44.0
IoT												
Skyworth	751 HK	NR	771	2.2	NA	NA	6.1	6.2	0.3	0.3	6.2	5.2
Hisense	600060 CH	NR	2,245	11.3	NA	NA	18.7	15.6	1.0	0.9	5.6	6.3
Midea	000333 CH	NR	96,568	90.7	NA	NA	25.1	21.5	5.4	4.7	22.4	22.6
Gree	000651 CH	NR	60,965	66.8	NA	NA	20.3	15.8	3.4	3.0	16.6	19.2
Huami	HMI US	NR	811	13.1	NA	NA	16.7	12.2	2.0	1.7	19.5	24.3
Fitbit	FIT US	NR	1,958	7.2	NA	NA	-	-	5.2	6.2	(37.2)	(66.1)
Average							17.4	14.3	2.9	2.8	5.5	1.9
Internet												
Tencent	700 HK	-	722,125	584.0	-	-	38.4	31.1	8.4	6.7	23.8	22.6
Alibaba	BABA US	-	747,162	276.2	-	-	36.8	28.1	6.6	5.3	21.7	18.1
Baidu	BIDU US	-	45,373	133.0	-	-	14.9	13.8	1.6	1.5	12.0	10.7
JD	JD US	-	138,626	88.6	-	-	54.0	38.2	7.6	6.6	17.1	14.2
Average							36.0	27.8	6.1	5.0	18.7	16.4

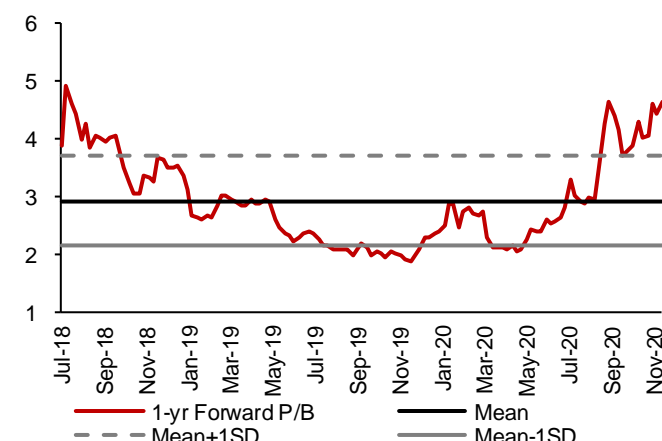
Source: Bloomberg, CMBIS, * TP under review

Figure 13: 12M forward P/E band



Source: Bloomberg, CMBIS

Figure 14: 12M forward P/B band



Source: Bloomberg, CMBIS

Financial Summary

Income

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	174,915	205,839	249,659	323,983	414,370
COGS	(152,723)	(177,285)	(213,414)	(276,500)	(353,527)
Gross profit	22,192	28,554	36,245	47,483	60,843
Selling and marketing	(7,993)	(10,378)	(13,164)	(15,227)	(19,061)
Administrative	(12,099)	(3,104)	(3,362)	(4,212)	(5,387)
R&D	(5,777)	(7,493)	(9,122)	(12,311)	(15,332)
Other operating exp.	4,874	4,181	8,995	9,273	9,273
Operating profit	1,196	11,760	19,592	25,005	30,336
Financial cost	216	402	(1,641)	1,218	1,718
Other income/(losses)	12,514	-	-	-	-
Pre-tax profit	13,927	12,163	17,951	26,223	32,055
Tax	(449)	(2,060)	(2,032)	(3,724)	(4,808)
Minority interest	(76)	59	(38)	(53)	(65)
Net profit	13,554	10,044	15,957	22,553	27,311
Adj. Net profit	8,743	11,532	13,486	19,014	23,761

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Profit before taxation	13,927	12,163	17,951	26,223	32,055
Depreciation	748	2,192	1,092	1,565	2,171
Change in working capital	(13,396)	9,641	1,176	10,958	3,881
Others	(2,693)	(186)	(2,032)	(3,724)	(4,808)
Net cash from operating	(1,415)	23,810	18,187	35,022	33,298
Capex	(3,758)	(4,117)	(4,993)	(6,480)	(8,287)
Other	(3,750)	(27,453)	-	-	-
Net cash from investing	(7,508)	(31,570)	(4,993)	(6,480)	(8,287)
Net bank borrowings	(236)	-	-	-	-
Dividend paid	-	-	-	-	-
Other	26,810	3,121	-	-	-
Net cash from financing	26,574	3,121	-	-	-
Net change in cash	17,652	(4,639)	13,194	28,543	25,011
Cash at beginning of the yr	11,563	30,230	25,920	39,114	67,656
Exchange difference	1,015	328	-	-	-
Cash at the end of the year	30,230	25,920	39,114	67,656	92,667

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Current assets	106,013	137,539	141,168	199,855	219,826
Cash & equivalents	30,230	25,920	39,114	67,656	92,667
Account receivables	5,598	6,949	9,515	11,850	15,476
Inventories	29,481	32,585	20,454	48,264	39,597
ST bank deposits	1,366	21,523	21,523	21,523	21,523
Other	39,337	50,562	50,562	50,562	50,562
Non-current assets	39,215	46,090	49,991	54,906	61,023
PPE	5,068	6,992	10,894	15,808	21,925
Deferred income tax	1,312	1,283	1,283	1,283	1,283
Intangibles	2,061	1,672	1,672	1,672	1,672
Other	30,774	36,142	36,142	36,142	36,142
Total assets	145,228	183,629	191,160	254,761	280,848
Current liabilities	61,940	92,181	83,792	124,894	123,735
Short-term borrowings	3,075	12,837	12,837	12,837	12,837
Account payables	46,287	59,528	51,139	92,241	91,082
Tax payable	662	479	479	479	479
Other	11,916	19,337	19,337	19,337	19,337
Non-current liabilities	12,038	9,791	9,791	9,791	9,791
Long-term borrowings	7,856	4,787	4,787	4,787	4,787
Deferred tax liability	778	580	580	580	580
Other	3,404	4,424	4,424	4,424	4,424
Total liabilities	73,978	101,972	93,583	134,685	133,526
Share capital	0	0	0	0	0
Reserves	71,323	81,330	97,287	119,840	147,151
Minority interest	(73)	327	289	236	171
Shareholders' equity	71,250	81,658	97,577	120,077	147,323
Total equity/liabilities	145,228	183,629	191,160	254,761	280,848

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Smart phones	65	59	61	63	62
IoT and lifestyle products	25	30	28	27	28
Internet services	9	10	10	9	9
Others	1	1	1	1	1
Growth (%)					
Revenue	52.6	17.7	21.3	29.8	27.9
Gross profit	46.4	28.7	26.9	31.0	28.1
Operating profit	-	882.9	66.6	27.6	21.3
Adj. Net profit	63.1	31.9	16.9	41.0	25.0
Profit & loss ratio (%)					
Gross margin	12.7	13.9	14.5	14.7	14.7
Operating margin	0.7	5.7	7.8	7.7	7.3
Net profit margin	7.7	4.9	6.4	7.0	6.6
Balance sheet ratio					
Net debt/total equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	1.7	1.5	1.7	1.6	1.8
Receivable turnover days	32	30	30	30	30
Inventory turnover days	7	8	8	8	8
Payable turnover days	4	4	4	4	4
Profitability (%)					
ROE	19.0	12.3	16.4	18.8	18.5
ROA	9.3	5.5	8.3	8.9	9.7
Per share data (RMB)					
Adj. EPS	0.54	0.49	0.57	0.80	1.00
DPS	-	-	-	-	-

Source: Company data, CMBIS estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

CMBIS Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIS

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.