

China Lilang (1234 HK)

A transition year but with attractive yield

Sales growth in FY21E could be muted due to business model change, but we think that could be the bottom and gradual improvement in FY22E is fairly likely. Given the attractive yield, we maintain BUY but lowered TP to HK\$ 6.27, based on 8x FY22E P/E (rolled over from 9x FY21E). Current valuation is still cheap at 8x FY21E/ 6x 22E P/E and 10% FY21E / 12% FY22E yield.

- 1H21 results slightly missed.** China Lilang's 1H21 net profit was RMB 271mn, similar to RMB 269mn in 1H20, which slightly missed as it only accounted for 37% of FY21E BBG est. net profit (vs 5-year average of 46%). However, this was, in our view, mostly due to the delay of sales and net profit recognition as 40% of LILANZ core brands' distributor stores were converted from wholesale to consignment model.
- Sales growth in 2H21E might be muted due to change of business model.** For 2H21E, we expect the listed co sales growth to slow down to 0% YoY from 24% YoY in 1H21, because: 1) sales consolidation due to smart casual collection business model change (from consignment into direct-to-retail) will be faded out and 2) sales recognition will be delayed as those LILANZ stores being converted into consignment model (sales will now be booked when sold to retail customers in Jan-Feb, instead of Nov-Dec).
- Retail end demand stayed strong and FY21E growth target revised up to 15%+, from 10%+.** However, on the demand side, retail sales growth was strong in 1H21 at 25-30% (30-35% in 1Q and 25-30% in 2Q). Despite short term drags in Aug 2021 (but luckily Aug is a low season), management is still confident to achieve rapid growth in FY21E and even raised its growth target from 10%+ to 15%+. Noted that sell through rate in 1Q21/ 2Q21 was fairly healthy at 75%/ 68%, much better than 1Q20/ 2Q20's 60%/ 65%.
- FY21E should be the bottom and we are casually optimistic for FY22E and onwards.** We are more confident on the mid-term outlook, thanks to: 1) decent retail sale growth, 2) improving GP margins (wholesale discounts for LILANZ increased from 59% to 60% since 1Q21), 3) better store productivity (better motivated distributors under consignment model and more efficient inventory sharing). But meanwhile, opex will also be higher as staffs and depreciation costs of new headquarters and logistic centre to be kicked in.
- Maintain BUY but cut TP to HK\$ 6.27.** We maintain BUY but lowered TP to HK\$ 6.27, based on 8x FY22E P/E (rolled over from 9x FY21E). The counter is cheap at 6x FY22E P/E and 12% FY22E yield. We cut our FY21E/ 22E/ 23E net profit estimates by 17%/ 11%/ 6% to factor in 1) delay in sales booking, 2) higher-than-expected opex but 3) better GP margin.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	3,658	2,681	2,949	3,421	3,763
YoY growth (%)	15.5	(26.7)	10.0	16.0	10.0
Net income (RMB mn)	812	557	620	782	901
EPS (RMB)	0.678	0.465	0.517	0.650	0.749
YoY growth (%)	8.1	(31.4)	11.1	25.8	15.1
Consensus EPS (RMB)	n/a	n/a	0.622	0.718	0.815
P/E (x)	6.3	8.7	7.7	6.1	5.3
P/B (x)	1.4	1.3	1.3	1.2	1.1
Yield (%)	12.2	9.3	9.7	12.2	14.1
ROE (%)	22.5	15.3	16.2	19.1	20.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$6.27
(Previous TP)	HK\$6.76)
Up/Downside	+30.6%
Current Price	HK\$4.80

China Apparel Sector

Walter Woo

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	5,748
Avg 3 mths t/o (HK\$ mn)	10.30
52w High/Low (HK\$)	6.75/4.06
Total Issued Shares (mn)	1,197.5

Source: Bloomberg

Shareholding Structure

Mr Wang & Family	67.51%
Value Partners	4.98%
Free Float	27.51%

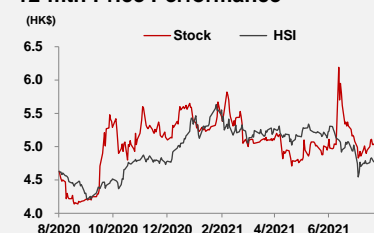
Source: Bloomberg, HKEx

Share Performance

	Absolute	Relative
1-mth	-5.5%	2.8%
3-mth	0.8%	14.3%
6-mth	-11.9%	7.4%
12-mth	3.4%	3.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- China Lilang (1234 HK, BUY) – A prudent retail sales target but attractive yield - 19 Mar 2021
- China Lilang (1234 HK, BUY) - Positive growth resumed and attractive yield - 20 Aug 2020
- China Lilang (1234 HK, BUY) - Virus impact inevitable but attractive yield – 20 Mar 2020

Results Summary

Figure 1: Results summary – Half Year

Half yearly (RMB mn)	1H20	2H20	1H21	2H21E	1H20 YoY	2H20 YoY	1H21 YoY	2H21 E YoY
Revenue	1,093	1,587	1,354	1,595	-29%	-25%	24%	0%
COGS	(662)	(815)	(683)	(853)				
Gross profit	431	773	671	741	-32%	1%	56%	-4%
GP margins	39.4%	48.7%	49.5%	46.5%				
Other income & gains	46	59	17	71				
S & D expenses	(111)	(381)	(317)	(298)	-36%	61%	186%	-22%
S & D exp / sales	-10.2%	-24.0%	-23.4%	-18.7%				
Admin expenses	(54)	(54)	(62)	(73)	9%	0%	14%	36%
Admin exp / sales	-5.0%	-3.4%	-4.6%	-4.6%				
Other opex	-5	-52	-1	-16				
Operating profit (EBIT)	307	345	308	424	-34%	-33%	0%	23%
OP margins	28.1%	21.7%	22.7%	26.6%				
Other items	0	0	0	0				
Net finance income	20	24	19	23				
Net finance income / sales	1.8%	1.5%	1.4%	1.4%				
Profit after financing costs	327	368	327	448				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	327	368	327	448	-34%	-31%	0%	22%
Tax	(58)	(80)	(56)	(99)				
Tax / sales	-5.3%	-5.0%	-4.1%	-6.2%				
Effective tax rate	-17.6%	-21.7%	-17.0%	-22.2%				
Minority interests	0	0	0	0				
Net profit att.	269	288	271	348	-31%	-32%	1%	21%
NP margins	24.6%	18.2%	20.0%	21.8%				

Source: Company data, CMBIS estimates

Figure 2: Result summary - Full Year

Full yearly (Rmb mn)	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
Revenue	2,681	2,949	3,421	-27%	10%	16%
COGS	(1,477)	(1,537)	(1,759)			
Gross profit	1,204	1,412	1,662	-14%	17%	18%
GP margins	44.9%	47.9%	48.6%			
Other income & gains	106	88	103			
S & D expenses	(492)	(615)	(686)	20%	25%	11%
S & D exp / sales	-18.3%	-20.9%	-20.1%			
Admin expenses	(108)	(135)	(141)	4%	25%	4%
Admin exp / sales	-4.0%	-4.6%	-4.1%			
Other opex	-58	-18	-21			
Operating profit (EBIT)	651	732	917	-34%	12%	25%
OP margins	24.3%	24.8%	26.8%			
Other items	0	0	0			
Net finance income	43	43	48			
Net finance income / sales	1.6%	1.4%	1.4%			
Profit after financing costs	695	775	965			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
Pre-tax profit	695	775	965	-32%	12%	25%
Tax	(138)	(155)	(183)			
Tax / sales	-5.1%	-5.3%	-5.4%			
Effective tax rate	-19.8%	-20.0%	-19.0%			
Minority interests	0	0	0			
Net profit att.	557	620	782	-31%	11%	26%
NP margins	20.8%	21.0%	22.8%			

Source: Company data, CMBIS estimates

Earnings revision

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	2,949	3,421	3,763	3,181	3,616	3,905	-7.3%	-5.4%	-3.6%
Gross profit	1,412	1,662	1,858	1,286	1,473	1,600	9.8%	12.9%	16.1%
EBIT	732	917	1,058	904	1,034	1,130	-19.0%	-11.3%	-6.4%
Net profit att.	620	782	901	748	877	961	-17.1%	-10.8%	-6.2%
Diluted EPS (RMB)	0.517	0.650	0.749	0.623	0.730	0.798	-17.1%	-10.8%	-6.2%
Gross margin	47.9%	48.6%	49.4%	40.4%	40.7%	41.0%	7.5ppt	7.9ppt	8.4ppt
EBIT margin	24.8%	26.8%	28.1%	28.4%	28.6%	28.9%	-3.6ppt	-1.8ppt	-0.8ppt
Net profit att. margin	21.0%	22.8%	24.0%	23.5%	24.2%	24.6%	-2.5ppt	-1.4ppt	-0.7ppt

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	2,949	3,421	3,763	3,295	3,699	4,086	-10.5%	-7.5%	-7.9%
Gross profit	1,412	1,662	1,858	1,371	1,605	1,762	3.0%	3.6%	5.4%
EBIT	732	917	1,058	838	974	1,089	-12.6%	-5.8%	-2.9%
Net profit att.	620	782	901	729	844	963	-14.9%	-7.3%	-6.4%
Diluted EPS (RMB)	0.517	0.650	0.749	0.622	0.718	0.815	-16.9%	-9.4%	-8.1%
Gross margin	47.9%	48.6%	49.4%	41.6%	43.4%	43.1%	6.3ppt	5.2ppt	6.3ppt
EBIT margin	24.8%	26.8%	28.1%	25.4%	26.3%	26.7%	-0.6ppt	0.5ppt	1.5ppt
Net profit att. margin	21.0%	22.8%	24.0%	22.1%	22.8%	23.6%	-1.1ppt	0ppt	0.4ppt

Source: Company data, CMBIS estimates

Valuation

Figure 5: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
H shares Apparel															
China Lilang	1234 HK	BUY	6.27	4.80	31%	5,748	Dec-20	7.7	6.1	1.2	1.1	15.6	0.4	9.7	
Bosideng Int'l	3998 HK	BUY	6.13	5.72	7%	61,985	Mar-21	23.7	19.0	4.1	3.7	16.1	1.0	3.0	
Jnby Design	3306 HK	BUY	15.32	17.78	-14%	9,223	Jun-20	13.5	12.1	4.5	4.1	22.9	0.4	6.2	
Cosmo Lady	2298 HK	NR	n/a	0.77	n/a	1,732	Dec-20	8.5	6.4	0.6	0.5	(4.8)	(0.0)	3.9	
Giordano	709 HK	NR	n/a	1.55	n/a	2,446	Dec-20	14.1	11.1	n/a	n/a	5.2	(0.1)	7.1	
Koradior	3709 HK	NR	n/a	10.02	n/a	7,055	Dec-20	10.4	8.8	1.5	1.4	13.7	0.0	4.8	
Esprit Holdings	330 HK	NR	n/a	0.68	n/a	1,925	Dec-20	n/a	n/a	n/a	n/a	(77.0)	0.0	n/a	
La Chapelle	6116 HK	NR	n/a	0.74	n/a	1,091	Dec-20	n/a	n/a	n/a	n/a	n/a	0.0	n/a	
Bauhaus Intl	483 HK	NR	n/a	0.80	n/a	294	Mar-21	n/a	n/a	n/a	n/a	20.3	0.0	n/a	
								Avg.	13.0	10.6	2.4	2.1	1.5	0.2	5.8
								Med.	11.9	9.9	1.5	1.4	14.6	0.0	5.5
A-shares Apparel															
Ningbo Peacebird	603877 CH	NR	n/a	49.29	n/a	28,251	Dec-20	23.5	19.2	5.3	4.7	23.8	0.8	2.4	
Joeone Co Ltd	601566 CH	NR	n/a	14.83	n/a	10,246	Dec-20	20.2	17.9	2.0	2.0	9.4	2.4	n/a	
Fujian Septwolves	002029 CH	NR	n/a	6.10	n/a	5,542	Dec-20	17.4	15.1	0.7	0.7	5.3	1.1	2.1	
Hla Corp Ltd	600398 CH	NR	n/a	6.95	n/a	36,093	Dec-20	10.1	8.7	2.0	1.7	16.5	0.3	5.7	
Jiangsu Hongdou	600400 CH	NR	n/a	2.89	n/a	8,802	Dec-20	37.5	34.8	1.9	1.9	3.7	1.9	n/a	
Lancy Co Ltd	002612 CH	NR	n/a	34.37	n/a	18,283	Dec-20	59.5	44.0	4.9	4.6	8.0	1.2	0.9	
Shenzhen Huijie	002763 CH	NR	n/a	9.06	n/a	4,466	Dec-20	n/a	n/a	n/a	n/a	15.2	0.0	n/a	
Ellassay Fashion	603808 CH	NR	n/a	15.29	n/a	6,785	Dec-20	14.0	11.9	2.1	1.9	13.3	2.1	2.8	
Bobalton Co	002776 CH	NR	n/a	2.45	n/a	1,585	Dec-20	n/a	n/a	n/a	n/a	(17.3)	0.0	n/a	
								Avg.	26.0	21.7	2.7	2.5	8.7	1.1	2.8
								Med.	20.2	17.9	2.0	1.9	9.4	1.1	2.4
International Apparel															
Hugo Boss	BOSS GR	NR	n/a	47.88	n/a	30,832	Dec-20	36.1	21.0	3.8	3.3	0.1	(0.2)	1.5	
Ted Baker	TED LN	NR	n/a	147.70	n/a	2,916	Jan-21	n/a	21.4	n/a	n/a	(57.5)	0.0	0.0	
Next	NXT LN	NR	n/a	7940.00	n/a	112,877	Jan-21	16.5	14.7	9.9	7.9	52.0	0.4	2.3	
Hennes & Mauritz	HMB SS	NR	n/a	177.68	n/a	263,060	Nov-20	28.4	19.2	4.8	4.4	11.1	0.2	3.4	
Industria De Diseno	ITX SM	NR	n/a	29.80	n/a	849,535	Jan-21	26.7	23.2	5.9	5.6	13.7	0.5	3.2	
Ovs Spa	OVS IM	NR	n/a	1.69	n/a	4,484	Jan-21	21.6	10.5	0.6	0.6	4.7	1.7	0.0	
Pvh Corp	PVH US	NR	n/a	105.21	n/a	58,505	Jan-21	15.3	12.4	1.5	1.5	1.3	(0.1)	0.1	
Vf Corp	VFC US	NR	n/a	77.07	n/a	235,809	Mar-21	23.8	20.3	7.7	7.2	32.9	0.4	2.6	
Marks & Spencer	MKS LN	NR	n/a	163.90	n/a	34,317	Apr-21	12.2	10.2	1.3	1.2	(6.6)	(0.1)	0.9	
								Avg.	22.6	17.0	4.4	4.0	5.7	0.3	1.5
								Med.	22.7	19.2	4.3	3.9	4.7	0.2	1.5

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 6: China Lilang's key assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by segment (RMB mn)					
LILANZ	3,260	2,215	2,226	2,535	2,718
Smart Casual	398	466	723	885	1,045
Total	3,658	2,681	2,949	3,421	3,763
Sales by segment growth (%)					
LILANZ	12.9%	-32.1%	0.5%	13.9%	7.2%
Smart Casual	42.3%	17.0%	55.1%	22.5%	18.0%
Total	15.5%	-26.7%	10.0%	16.0%	10.0%
Sales network by segment					
LILANZ	2,525	2,466	2,406	2,466	2,506
Smart Casual	290	295	305	325	355
Total	2,815	2,761	2,711	2,791	2,861
Sales network by segment growth (%)					
LILANZ	2.7%	-2.3%	-2.4%	2.5%	1.6%
Smart Casual	36.8%	1.7%	3.4%	6.6%	9.2%
Total	5.4%	-1.9%	-1.8%	3.0%	2.5%
Trade fair sales growth (%)					
Spring Summer	23.0%	-40.0%	20.0%	13.0%	10.0%
Fall	21.0%	-10.0%	15.0%	11.5%	10.0%
Winter	11.5%	-5.0%	10.0%	16.5%	10.0%
GP margins by segment	38.4%	44.9%	47.9%	48.6%	49.4%
Opex breakdown					
Staff costs	1.3%	2.1%	2.9%	3.0%	3.0%
D & A	1.0%	1.1%	1.4%	1.3%	1.3%
R & D	3.7%	4.5%	3.6%	3.4%	3.4%
Provision (write back)	0.0%	0.0%	0.0%	0.0%	0.0%
A & P	9.0%	10.3%	8.5%	8.0%	8.0%
Selling & distribution costs / sales	11.2%	18.3%	20.9%	20.1%	19.6%
Admin expenses / sales	2.8%	4.0%	4.6%	4.1%	4.0%
OP margins	26.8%	24.3%	24.8%	26.8%	28.1%
Effective tax rate	20.7%	19.8%	20.0%	19.0%	19.0%
NP att. margins	22.2%	20.8%	21.0%	22.8%	24.0%
NP att. growth (%)	8.1%	-31.4%	11.2%	26.1%	15.3%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	3,658	2,681	2,949	3,421	3,763
LILANZ	3,260	2,215	2,226	2,535	2,718
L2	-	-	-	-	-
Smart Casual	398	466	723	885	1,045
Cost of goods sold	(2,255)	(1,477)	(1,537)	(1,759)	(1,905)
Gross profit	1,403	1,204	1,412	1,662	1,858
Other income	116	106	88	103	113
Operating expenses	(539)	(658)	(768)	(847)	(913)
D & A	(22)	(22)	(99)	(101)	(92)
Staff costs	(52)	(62)	(91)	(103)	(114)
S & D costs (ex-staff,	(377)	(452)	(556)	(618)	(664)
Admin exp. (ex-staff,	(61)	(63)	(5)	(4)	(21)
Other operating	(26)	(58)	(18)	(21)	(23)
EBIT	980	651	732	917	1,058
Finance costs, net	44	43	43	48	55
JVs & associates	-	-	-	-	-
Exceptional	-	-	-	-	-
Pre-tax profit	1,024	695	775	965	1,113
Income tax	(212)	(138)	(155)	(183)	(211)
Less: Minority interests	0	0	0	0	0
Net profit	812	557	620	782	901

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	980	651	732	917	1,058
D & A	32	31	145	148	135
Change in working capital	(205)	175	(209)	68	(99)
Income tax paid	(207)	(155)	(155)	(183)	(211)
Others	9	71	45	50	57
Net cash from operating	609	773	558	1,000	939
Capex & investments	(94)	(225)	(88)	(103)	(113)
Associated companies	-	-	-	-	-
Interest received	52	45	-	-	-
Others	(43)	(11)	-	-	-
Net cash from investing	(85)	(191)	(88)	(103)	(113)
Equity raised	-	-	-	-	-
Net change in bank loans	-	-	-	-	-
Dividend paid	(612)	(521)	(457)	(514)	(623)
Others	(5)	(69)	(2)	(2)	(2)
Net cash from financing	(617)	(590)	(459)	(516)	(625)
Net change in cash	(93)	(8)	11	381	202
Beginning cash balance	1,843	1,751	1,739	1,750	2,131
Exchange difference	1	(4)	-	-	-
Cash at the end of the year	1,751	1,739	1,750	2,131	2,332

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	1,033	1,394	1,337	1,291	1,269
Fixed asset	714	924	869	825	804
Intangible assets &	150	130	128	127	125
Prepaid lease payments	8	3	3	3	3
Interest in joint ventures	-	-	-	-	-
Other non-current assets	160	337	337	337	337
Current assets	3,531	3,618	3,433	3,838	4,199
Cash and cash equivalents	1,751	1,739	1,750	2,131	2,332
Inventories	689	667	632	675	731
Trade and other	1,082	1,210	1,050	1,031	1,134
Prepayments	-	-	-	-	-
Other current assets	9	2	2	2	2
Current liabilities	935	1,288	884	975	1,035
Bank loans	27	37	37	37	37
Trade payables	756	1,036	632	723	783
Accruals & other payables	-	-	-	-	-
Tax payables	152	152	152	152	152
Others	1	62	62	62	62
Non-current liabilities	22	70	70	70	70
Bank loans	-	-	-	-	-
Deferred income	-	-	-	-	-
Deferred tax	22	8	8	8	8
Others	-	62	62	62	62
Minority Interest	-	-	-	-	-
Total net assets	3,606	3,654	3,817	4,085	4,363
Shareholders' equity	3,606	3,654	3,817	4,085	4,363

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
LILANZ	89.1	82.6	75.5	74.1	72.2
L2	-	-	-	-	-
Smart Casual	10.9	17.4	24.5	25.9	27.8
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	38.4	44.9	47.9	48.6	49.4
Operating margin	26.8	24.3	24.8	26.8	28.1
Pre-tax margin	28.0	25.9	26.3	28.2	29.6
Net margin	22.2	20.8	21.0	22.8	24.0
Effective tax rate	20.7	19.8	20.0	19.0	19.0
Balance sheet ratios					
Current ratio (x)	2.7	2.7	2.7	2.7	2.7
Quick ratio (x)	2.5	2.4	2.4	2.4	2.5
Cash ratio (x)	1.9	1.4	2.0	2.2	2.3
Inventory turnover days	112	165	150	140	140
Trade receivables days	108	165	130	110	110
Trade payables days	122	256	150	150	150
Total debt / total equity ratio (%)	1	3	3	2	2
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	22.5	15.3	16.2	19.1	20.7
ROA	17.8	11.1	13.0	15.2	16.5
Per share					
EPS (RMB)	0.68	0.47	0.52	0.65	0.75
DPS (RMB)	0.52	0.38	0.39	0.49	0.56
BVPS (RMB)	3.01	3.05	3.18	3.40	3.62

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.

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 and/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.

This report is intended for distribution in the United States to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, and may not be furnished to any other person in the United States. Each major US, institutional investor that receives a copy of this research report by its acceptance hereof represents and agrees that it shall not distribute or provide this research report to any other person.

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.