

Zhaojin Mining Industry

2019 earnings stable YoY; financial expenses offset higher gold prices

Results Review

2019 earnings stable YoY

Zhaojin announced that its 2019 revenue fell 12% YoY to Rmb6.3bn and attributable net profit rose 1.1% YoY to Rmb479mn (Rmb0.15/sh), slightly below our expectation. Rising financial expenses and falling investment income from associates and joint-ventures offsets the boost from rising gold prices.

Gold output fell 5.1% YoY to 19.8t and declined 4.9% HoH to 9.6t in 2H19. 2019 copper output fell 32% YoY to 11,000t. International gold ASP rose 10% YoY, while USD/RMB exchange rate averaged 6.90 in 2019 (vs. 6.62 in 2018), boosting domestic gold ASP 13% YoY to Rmb307/g in 2019. 2019 financial expenses rose Rmb180mn YoY, with interest payment for corporate bonds and commercial papers up Rmb210mn YoY and Rmb70mn YoY, interest payment for bank borrowings and others down Rmb70mn YoY and gold leasing interest down Rmb60mn YoY. 2019 FX gains fell Rmb60mn YoY, while investment income from associates and joint-ventures dropped Rmb71mn to -Rmb48mn. 2019 minority interest fell Rmb140mn to -Rmb41mn. As of end-2019, net liabilities reached Rmb15bn and net gearing ratio was 86%.

Trends to watch

Gold prices affected by market fluctuations in near term; upside momentum in the medium term. Gold price has recently retreated from highs as investors increasingly preferred cash, risk-averse sentiment boosted USD and low oil price increased deflationary expectation. We estimate market fluctuation will affect gold prices in the near term, while we also see upside momentum in the medium term amid low-interest environment and possible rebound in inflation expectation.

Financials and valuation

Given changing assumption on 2020 domestic gold ASP and financial expenses, **we cut 2020 earnings forecast 8% to Rmb765mn and introduce 2021 forecast at Rmb809mn.** Zhaojin is trading at 27.9x 2020e P/E. **We maintain OUTPERFORM.** Given short-term market impact on gold prices, **we cut TP 23% to HK\$10** (37x 2020e P/E), implying 32% upside.

Risks

Disappointing gold prices.

Yan CHEN, CFA

Analyst
 yan3.chen@cicc.com.cn
 SAC Reg. No.: S0080515060002
 SFC CE Ref: ALZ159

James HU

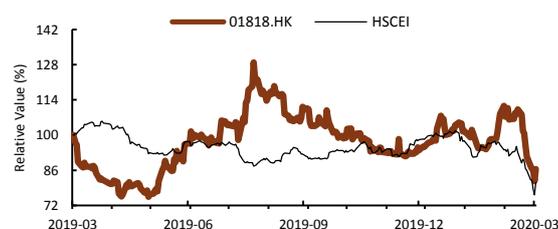
Analyst
 james.hu@cicc.com.cn
 SAC Reg. No.: S0080118050025
 SFC CE Ref: BGF975

Xuan LIN

Associate
 xuan.lin@cicc.com.cn
 SAC Reg. No.: S0080118090006

Maintain OUTPERFORM

Ticker	01818.HK
CICC investment rating	OUTPERFORM
Last close	HK\$7.57
CICC target	HK\$10.00
52wk price range	HK\$11.36~6.46
Market cap (bn)	HK\$25
Daily value (mn)	HK\$118.34
Shares outstanding (mn)	3,270
Free float (%)	32
Daily volume (mn sh)	13.68
Business sector	Nonferrous Metals



(Rmb mn)	2018A	2019A	2020E	2021E
Revenue	7,177	6,330	7,299	7,597
(+/-)	7.5%	-11.8%	15.3%	4.1%
Net profit	474	479	765	809
(+/-)	-26.3%	1.1%	59.7%	5.7%
EPS	0.15	0.15	0.23	0.25
BPS	4.07	4.27	4.44	4.58
DPS	0.04	0.04	0.06	0.10
CPS	0.52	0.34	0.68	0.81
P/E	45.8	46.3	27.9	26.3
P/B	1.6	1.6	1.5	1.4
EV/EBITDA	17.4	17.5	13.0	12.6
Dividend yield	0.6%	0.6%	1.0%	1.5%
ROAA	1.4%	1.3%	1.8%	1.8%
ROAE	3.6%	3.5%	5.4%	5.5%

Source: Wind, Bloomberg, Corporate filings, CICC Research



Financial summary

Financial statement (Rmb mn)	2018A	2019A	2020E	2021E	Financial ratios	2018A	2019A	2020E	2021E
Income statement					Growth ability				
Revenue	7,177	6,330	7,299	7,597	Revenue	7.5%	-11.8%	15.3%	4.1%
COGS	-4,695	-4,040	-3,885	-4,083	Operating profit	-7.1%	7.6%	56.4%	2.2%
Selling expenses	-56	-56	-95	-99	EBITDA	0.4%	3.6%	35.6%	3.9%
Administrative expenses	-942	-956	-1,073	-1,117	Net profit	-26.3%	1.1%	59.7%	5.7%
Other ops income (expense)	-711	-470	-511	-532	Profitability				
Operating profit	1,214	1,306	2,042	2,086	Gross margin	34.6%	36.2%	46.8%	46.3%
Finance costs	-481	-662	-762	-722	Operating margin	16.9%	20.6%	28.0%	27.5%
Other income (expense)	24	-48	-48	-48	EBITDA margin	31.3%	36.8%	43.2%	43.1%
Profit before income tax	757	596	1,231	1,316	Net margin	6.6%	7.6%	10.5%	10.7%
Income tax	-180	-157	-298	-329	Liquidity				
Minority interest	102	-41	168	178	Current ratio	0.76	0.96	1.19	1.46
Net profit	474	479	765	809	Quick ratio	0.41	0.61	0.85	1.10
EBITDA	2,245	2,327	3,154	3,277	Cash ratio	0.10	0.28	0.48	0.72
Recurrent net income	474	479	765	809	Liabilities / assets	53.2%	56.9%	58.8%	60.8%
Balance sheet					Net debt / equity	81.9%	86.8%	88.4%	86.2%
Cash and bank balances	1,143	3,508	5,812	8,865	Return				
Trade and bill receivables	2,702	3,346	3,767	3,897	RoA	1.4%	1.3%	1.8%	1.8%
Inventories	4,191	4,310	4,145	4,356	RoE	3.6%	3.5%	5.4%	5.5%
Other current assets	951	833	833	833	Per-share data				
Total current assets	8,986	11,997	14,558	17,951	EPS (Rmb)	0.15	0.15	0.23	0.25
Fixed assets and CIP	14,221	15,757	16,505	16,831	BPS (Rmb)	4.07	4.27	4.44	4.58
Intangible assets and others	12,680	12,498	12,824	13,083	DPS (Rmb)	0.04	0.04	0.06	0.10
Total non-current assets	26,901	28,254	29,329	29,914	Cash flow per share (Rmb)	0.52	0.34	0.68	0.81
Total assets	35,887	40,252	43,887	47,866	Valuation				
Short-term borrowings	8,366	8,895	8,895	8,895	P/E	45.8	46.3	27.9	26.3
Trade and bill payables	525	368	665	692	P/B	1.6	1.6	1.5	1.4
Other current liabilities	2,913	3,272	2,662	2,727	EV/EBITDA	17.4	17.5	13.0	12.6
Total current liabilities	11,804	12,535	12,223	12,314	Dividend yield	0.6%	0.6%	1.0%	1.5%
Long-term borrowings	6,546	9,691	12,915	16,138	Cash flow statement				
Other non-current liabilities	730	662	662	662	Pretax profit	757	596	1,231	1,316
Total non-current liabilities	7,276	10,354	13,577	16,800	Depreciation & amortization	1,031	1,021	1,113	1,191
Total liabilities	19,080	22,889	25,800	29,115	Change in working capital	-561	-901	-569	-249
Share capital	3,270	3,270	3,270	3,270	Others	479	410	465	393
Retained profit	10,028	10,679	11,236	11,721	Cash flow from operations	1,706	1,126	2,240	2,651
Shareholders' equity	13,298	13,950	14,506	14,992	Capital expenditure	-1,941	-2,718	-2,187	-1,776
Minority interest	3,509	3,413	3,581	3,759	Others	-1,089	442	0	0
Total liabilities & equity	35,887	40,252	43,887	47,866	Cash flow from investing	-3,030	-2,277	-2,187	-1,776
Cash flow statement					Equity financing	16,263	0	0	0
Pretax profit	757	596	1,231	1,316	Bank borrowings	-14,752	3,753	3,223	3,223
Depreciation & amortization	1,031	1,021	1,113	1,191	Others	-916	-713	-971	-1,046
Change in working capital	-561	-901	-569	-249	Cash flow from financing	595	3,040	2,252	2,178
Others	479	410	465	393	Foreign exchange gain (loss)	25	0	0	0
Cash flow from operations	1,706	1,126	2,240	2,651	Net changes in cash	-704	1,890	2,304	3,053
Capital expenditure	-1,941	-2,718	-2,187	-1,776					
Others	-1,089	442	0	0					
Cash flow from investing	-3,030	-2,277	-2,187	-1,776					
Equity financing	16,263	0	0	0					
Bank borrowings	-14,752	3,753	3,223	3,223					
Others	-916	-713	-971	-1,046					
Cash flow from financing	595	3,040	2,252	2,178					
Foreign exchange gain (loss)	25	0	0	0					
Net changes in cash	-704	1,890	2,304	3,053					

Source: Corporate filings, CICC Research

Company description

Zhaojin Mining Industry Co Ltd is engaged in the exploration, mining, ore processing, smelting, and sales of gold and other metallic products. The company operates as an integrated mining enterprise that specializes in the production of gold. It principally produces Au9999 and Au9995 gold bullions under the "Zhaojin" brand. The company is structured into three major segments: gold mining & smelting operations; copper mining & smelting operations; and other investment activities.



Figure 1: Annual results

(Rmb mn)	2018A	2019E	2019A	2019A YoY	vs CICC estimate	2020E	2020E YoY
Revenue	7,177	6,284	6,330	-11.8%	0.7%	7,299	15.3%
Gross profit	2,482	2,471	2,290	-7.7%	-7.3%	3,414	49.1%
Operating profit	1,214	1,597	1,306	7.6%	-18.2%	2,042	56.4%
Net profit attributable to equity shareholders	474	608	479	1.1%	-21.2%	765	59.7%
Fully-diluted EPS (Rmb)	0.15	0.19	0.15	1.1%	-21.2%	0.23	59.7%
Gross margin	34.6%	39.3%	36.2%	1.6ppt	-3.1ppt	46.8%	10.6ppt
Operating margin	16.9%	25.4%	20.6%	3.7ppt	-4.8ppt	28.0%	7.3ppt
Net margin	6.6%	9.7%	7.6%	1ppt	-2.1ppt	10.5%	2.9ppt

Source: Corporate filings, Wind Info, CICC Research

Figure 2: Quarterly results

(Rmb mn)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	QoQ	YoY	2018	2019	YoY
Sales revenue	1,293	1,576	1,691	2,618	1,456	1,362	1,816	1,696	-6.6%	-35.2%	7,177	6,330	-11.8%
COGS	715	963	1,111	1,906	833	914	1,083	1,211	11.8%	-36.5%	4,695	4,040	-13.9%
Gross profit	577	614	580	711	623	448	733	485	-33.8%	-31.8%	2,482	2,290	-7.7%
Other income	39	128	-139	412	31	127	-136	476	n.a.	15.3%	440	498	13.1%
Selling expenses	11	12	15	17	14	20	10	12	12.7%	-31.0%	56	56	0.4%
G&A expenses	194	248	151	349	230	213	218	294	34.9%	-15.6%	942	956	1.5%
Other expenses	37	132	-28	569	44	81	24	321	1250.8%	-43.7%	711	470	-33.9%
Operating profit	374	349	303	189	366	261	345	334	-3.1%	77.1%	1,214	1,306	7.6%
Finance cost	157	79	184	61	186	130	237	109	-54.1%	78.9%	481	662	37.8%
Share of profits of associates	6	-8	32	-8	14	0	12	-74	-720.4%	n.a.	24	-48	-303.5%
Profit before tax	223	262	151	120	193	131	119	151	26.9%	26.1%	757	596	-21.3%
Income tax	45	54	41	41	60	9	14	75	444.3%	82.4%	180	157	-12.7%
Net profit for the period	179	208	110	79	133	123	106	77	-27.4%	-3.0%	576	438	-24.0%
Minority interests	45	40	56	-40	1	16	28	-86	-410.6%	n.a.	102	-41	-140.2%
Net profit for shareholders	134	168	54	119	132	107	78	162	108.2%	36.8%	474	479	1.1%
Diluted EPS (Rmb)	0.04	0.05	0.02	0.04	0.04	0.03	0.02	0.05	108.2%	36.8%	0.15	0.15	1.1%
Gross margin	44.7%	38.9%	34.3%	27.2%	42.8%	32.9%	40.4%	28.6%	-11.8ppt	1.4ppt	34.6%	36.2%	1.6ppt
EBIT margin	28.9%	22.1%	17.9%	7.2%	25.1%	19.2%	19.0%	19.7%	-0.2ppt	12.5ppt	16.9%	20.6%	3.7ppt
Net margin	10.3%	10.7%	3.2%	4.5%	9.1%	7.8%	4.3%	9.6%	-3.6ppt	5ppt	6.6%	7.6%	1ppt
Selling expenses ratio	0.9%	0.8%	0.9%	0.7%	0.9%	1.4%	0.6%	0.7%	-0.9ppt	0ppt	0.8%	0.9%	0.1ppt
G&A ratio	15.0%	15.7%	8.9%	13.3%	15.8%	15.7%	12.0%	17.4%	-3.7ppt	4ppt	13.1%	15.1%	2ppt
Financial cost ratio	21.9%	8.2%	16.5%	3.2%	22.4%	14.2%	21.9%	9.0%	7.7ppt	5.8ppt	10.2%	16.4%	6.2ppt
Effective tax rate	19.9%	20.6%	27.1%	34.1%	31.1%	6.7%	11.5%	49.3%	4.8ppt	15.2ppt	23.8%	26.4%	2.6ppt

Source: Corporate filings, Wind Info, CICC Research



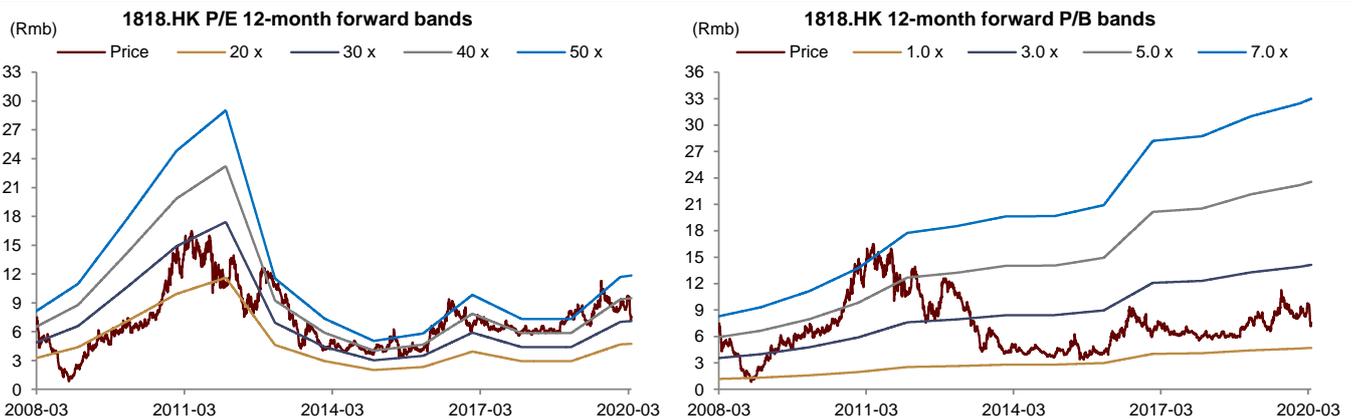
Figure 3: Key assumptions

Assumptions	2020 New	2020 Old	Chg	2021E
Gold production (kg)	31,453	31,904	-1%	32,351
Self production	17,960	18,000	0%	18,858
Smelting and processing gold	12,928	13,338	-3%	12,928
Gold price (Rmb/g)	346	325	6%	346
Average cash cost (Rmb/g)	113	103	9%	112
Gross margin (Rmb/g)	233	222	5%	233

Financials	2020 New	2020 Old	Chg	2021E
Sale revenue	7,299	6,728	8%	7,597
COGS	3,885	3,947	-2%	4,083
Gross profit	3,414	2,781	23%	3,514
G&A expenses	1,073	895	20%	1,117
Finance costs	762	591	29%	722
Profit before tax	1,231	1,260	-2%	1,316
Profit attributable to shareholders	765	830	-8%	809
EPS (Rmb)	0.23	0.26	-8%	0.25

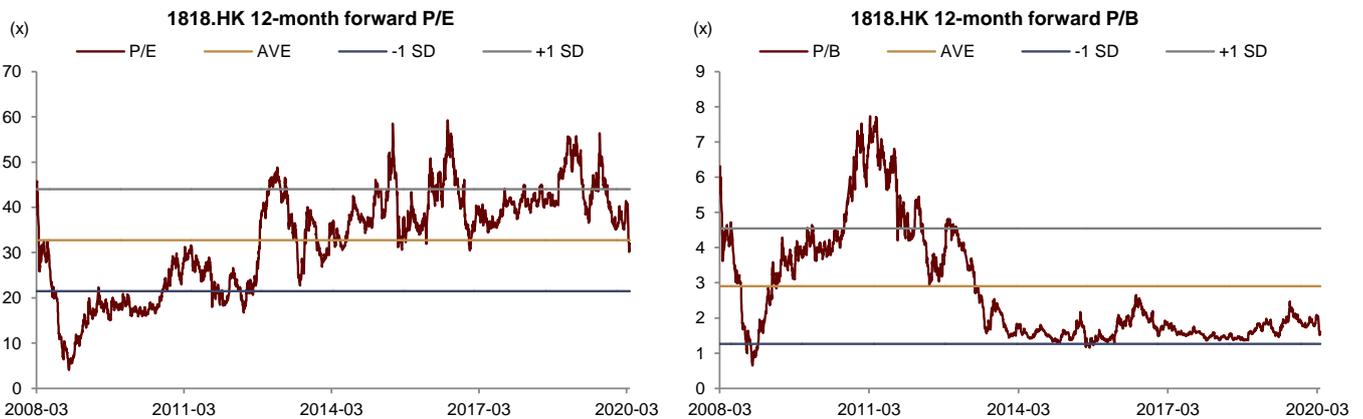
Source: Corporate filings, CICC Research

Figure 4: P/E and P/B bands



Source: Corporate filings, Wind Info, CICC Research

Figure 5: P/E and P/B bands



Source: Corporate filings, CICC Research



Figure 6: Valuations of comparable companies

Company	Ticker	Trade currency	Reporting currency	Rating	Target price	Last price	EPS (Report CY)			P/E			BPS (Report CY)			P/B		
							2019A/E	2020E	2021E	2019A/E	2020E	2021E	2019A/E	2020E	2021E	2019A/E	2020E	2021E
ZIJIN MINING*	601899.SH	CNY	CNY	OUTPERFORM	5.50	3.46	0.16	0.20	0.24	21.0	17.0	14.4	1.98	2.11	2.27	1.7	1.6	1.5
ZIJIN MINING*	02899.HK	HKD	CNY	OUTPERFORM	4.80	2.66	0.16	0.20	0.24	14.5	11.3	9.5	1.98	2.11	2.27	1.2	1.1	1.0
ZHAOJIN MINING*	01818.HK	HKD	CNY	OUTPERFORM	10.00	7.57	0.15	0.23	0.25	46.3	27.9	26.3	4.27	4.44	4.58	1.6	1.5	1.4
SD-GOLD*	600547.SH	CNY	CNY	OUTPERFORM	45.00	30.10	0.42	0.67	0.74	71.7	45.2	40.8	7.32	7.88	8.46	4.1	3.8	3.6
ZHONGJIN GOLD*	600489.SH	CNY	CNY	NEUTRAL	10.00	7.69	0.06	0.08	0.09	130.8	101.5	89.2	3.99	4.04	4.10	1.9	1.9	1.9
HUNAN GOLD*	002155.SZ	CNY	CNY	NEUTRAL	9.00	7.19	0.12	0.14	0.21	61.3	52.8	34.9	4.10	4.21	4.39	1.8	1.7	1.6
MMG*	01208.HK	HKD	USD	OUTPERFORM	2.00	1.15	-0.03	0.00	0.01	N.A.	38.9	18.5	0.13	0.13	0.14	1.2	1.1	1.1
JCCL*	600362.SH	CNY	CNY	OUTPERFORM	19.00	12.61	0.72	0.82	0.77	17.6	15.5	16.4	14.89	15.48	16.01	0.8	0.8	0.8
JIANGXI COPPER*	00358.HK	HKD	CNY	OUTPERFORM	12.00	6.78	0.72	0.82	0.77	8.6	7.2	7.6	14.89	15.48	16.01	0.4	0.4	0.4
CHALCO*	601600.SH	CNY	CNY	NEUTRAL	3.80	2.96	0.06	0.09	0.10	48.6	32.8	31.0	3.14	3.23	3.33	0.9	0.9	0.9
CHALCO*	02600.HK	HKD	CNY	NEUTRAL	3.10	1.51	0.06	0.09	0.10	22.4	14.4	13.6	3.14	3.23	3.33	0.4	0.4	0.4
CH ZN&GE*	600497.SH	CNY	CNY	NEUTRAL	3.30	3.44	0.15	0.02	0.03	22.5	146.6	137.5	2.93	2.83	2.85	1.2	1.2	1.2
NONFEMET*	000060.SZ	CNY	CNY	NEUTRAL	3.35	3.61	0.24	0.11	0.14	15.1	32.2	25.9	3.06	3.10	3.21	1.2	1.2	1.1
CMOC*	603993.SH	CNY	CNY	OUTPERFORM	5.83	3.58	0.08	0.13	0.15	42.2	27.6	23.5	1.87	1.96	2.04	1.9	1.8	1.8
CMOC*	03993.HK	HKD	CNY	OUTPERFORM	5.26	2.19	0.08	0.13	0.15	23.3	14.6	12.4	1.87	1.96	2.04	1.1	1.0	0.9
ZHANGYUAN TUNGSTEN*	002378.SZ	CNY	CNY	NEUTRAL	6.00	4.20	-0.31	-0.11	0.02	N.A.	N.A.	242.2	1.82	1.71	1.73	2.3	2.5	2.4
GANFENGLITHIUM*	002460.SZ	CNY	CNY	OUTPERFORM	72.00	40.37	0.37	0.62	1.20	108.1	65.6	33.6	6.19	6.69	7.71	6.5	6.0	5.2
GANFENGLITHIUM*	01772.HK	HKD	CNY	OUTPERFORM	42.00	23.70	0.37	0.62	1.20	57.4	33.2	17.0	6.19	6.69	7.71	3.5	3.1	2.6
TIANQI LITHIUM*	002466.SZ	CNY	CNY	NEUTRAL	25.00	23.22	-2.10	-0.30	0.26	N.A.	N.A.	89.4	6.61	6.31	6.57	3.5	3.7	3.5
JDCMOLY*	601958.SH	CNY	CNY	NEUTRAL	7.50	6.12	0.18	0.19	0.21	33.3	32.8	28.6	4.12	4.09	4.08	1.5	1.5	1.5

Note: CICC covers the companies marked * and we use our estimates, time weighted average forecasts used

As of the market close on 03/20/2020 (Beijing Time)

Source: Wind Info, Bloomberg, Corporate filings, CICC Research



Important legal disclosures

General Disclosures

This report has been produced by China International Capital Corporation Hong Kong Securities Limited (CICCHK). This report is based on information available to the public that we consider reliable, but CICCHK and its associated company(ies)(collectively, hereinafter "CICC") do not represent that it is accurate or complete. The information and opinions contained herein are for investors' reference only and do not take into account the particular investment objectives, financial situation, or needs of any client, and are not an offer to buy or sell or a solicitation of an offer to buy or sell any securities/financial products or to participate in any particular trading strategy. Under no circumstances shall the information contained herein or the opinions expressed herein constitute a personal recommendation to anyone. Investors should make their own independent evaluation of the information contained in this report, consider their own individual investment objectives, financial situation and particular needs. CICC does not provide tax, accounting, or legal advice to our clients, and all investors are advised to consult with their tax, accounting, or legal advisers regarding any potential investment. Neither CICC nor its related persons shall be liable in any manner whatsoever for any consequences of any reliance thereon or usage thereof.

The performance information (including any expression of opinion or forecast) herein reflect the most up-to-date opinions, speculations and forecasts at the time of the report's production and publication. Such opinions, speculations and forecasts are subject to change and may be amended without any notification. At different periods, CICC may release reports which are inconsistent with the opinions, speculations and forecasts contained herein.

The analysts named in this report may have from time to time discussed with our clients, including CICC salespeople, traders, and other professionals, or may discuss in the report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the securities or the financial products discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such securities or the financial products. Any such trading strategies are distinct from and do not affect the analysts' fundamental rating for such securities or the financial products as described herein.

CICC's salespeople, traders, and other professionals may provide oral or written market commentary or trading ideas that may be inconsistent with, and reach different conclusions from, the recommendations and opinions presented in this report. Such ideas or recommendations reflect the different assumptions, views and analytical methods of the persons who prepared them, and CICC is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report. CICC's asset management area, proprietary trading desks and other investing businesses may make investment decisions that are inconsistent with the recommendations or opinions expressed in this report.

Unless stated otherwise, any performance data quoted represents past performance. Past performance is not an indicator of future performance. No representation or warranty is made that any returns indicated will be achieved. Certain assumptions may have been made in this analysis which has resulted in any returns detailed herein. Changes to the assumptions may have a material impact on any returns detailed.

To the extent this material is provided to any recipient, this material is provided solely on the basis that the recipient has the capability to independently evaluate investment risk and is exercising independent judgment in evaluating investment decisions in that its investment decisions will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations.

This report is distributed in Hong Kong by CICCHK, which is regulated by the Securities and Futures Commission. Queries concerning CICC Research from readers in Hong Kong should be directed to our Hong Kong sales representatives. The CE numbers of SFC licensed authors of this report are disclosed by the authors' names on the cover page.

This report is distributed in Singapore only to accredited investors and/or institutional investors, as defined in the Securities and Futures Act, by China International Capital Corporation (Singapore) Pte. Limited ("CICCSG"), which is regulated by the Monetary Authority of Singapore. By virtue of distribution by CICCSG to these categories of investors in Singapore, disclosure under Section 36 of the Financial Adviser Act (which relates to disclosure of a financial adviser's interest and/or its representative's interest in securities) is not required. This report is not intended for and should not be distributed or passed on, directly or indirectly, to any other person in the jurisdiction of Singapore. Recipients of this report in Singapore should contact CICCSG in respect of any matter arising from or in connection with this report.

This report is distributed in the United Kingdom by China International Capital Corporation (UK) Limited ("CICCUK"), which is authorized and regulated by the Financial Conduct Authority. The investments and services to which this report relates are only available to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. This report is not intended for retail clients. In other EEA countries, the report is issued to persons regarded as professional investors (or equivalent) in their home jurisdiction.

This report will be made available in other jurisdictions pursuant to the applicable laws and regulations in those particular jurisdictions.

Continued on next page



Special Disclosures

CICC does and seeks to do business with companies covered in CICC Research. As a result, investors should be aware that CICC and/or its associated persons may have a conflict of interest that could affect the objectivity of this report.

Disclosures in relation to the Companies contained this report could be found at <https://research.cicc.com/footer/disclosures>, or in the published latest company-specific research.

Guide to the CICC Fundamental Equity Research Rating System:

Our analysts use a stock rating framework in which they rate stocks as OUTPERFORM, NEUTRAL or UNDERPERFORM (see definitions below).

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as OVERWEIGHT, EQUAL-WEIGHT or UNDERWEIGHT (see definitions below).

CICC does not assign ratings of BUY, HOLD or SELL to the stocks we cover. OUTPERFORM, NEUTRAL or UNDERPERFORM are not the equivalent of BUY, HOLD or SELL. Investors should carefully read the definitions of all ratings used in CICC Research. In addition, since CICC Research contains more complete information concerning the analyst's views, investors should carefully read CICC Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Explanation of Stock Ratings:

- OUTPERFORM: Our analysts expect the stock's return to exceed the return of the corresponding CICC sector index over the next 6~12 months;
- NEUTRAL: Our analysts expect the stock's return to be in line with the return of the corresponding CICC sector index over the next 6~12 months;
- UNDERPERFORM: Our analysts expect the stock's return to be below the return of the corresponding CICC sector index over the next 6~12 months.

Explanation of Industry Ratings:

- OVERWEIGHT: Our analysts expect the sector to outperform the market by 10% or more over the next 6~12 months;
- EQUAL-WEIGHT: Our analysts expect the sector to end up between 10% below and 10% above the market over the next 6~12 months;
- UNDERWEIGHT: Our analysts expect the sector to fall behind the market by 10% or more over the next 6~12 months.

Distribution of ratings is available at <https://research.cicc.com/footer/disclosures>.

Copyright of this report belongs to CICC. Any form of unauthorized distribution, reproduction, publication, release or quotation is prohibited without CICC's written permission.

V190624

Translation: Jian LIU

Editing: Jonathan BARLOW, Andrew CHENG



China International Capital Corporation Limited

28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing 100004, P.R. China

Tel: (+86-10) 6505 1166

Fax: (+86-10) 6505 1156

United States

CICC US Securities, Inc

32th Floor, 280 Park Avenue

New York, NY 10017, USA

Tel: (+1-646) 7948 800

Fax: (+1-646) 7948 801

United Kingdom

China International Capital Corporation (UK) Limited

25th Floor, 125 Old Broad Street

London EC2N 1AR, United Kingdom

Tel: (+44-20) 7367 5718

Fax: (+44-20) 7367 5719

Singapore

China International Capital Corporation (Singapore) Pte. Limited

6 Battery Road, #33-01

Singapore 049909

Tel: (+65) 6572 1999

Fax: (+65) 6327 1278

Hong Kong

China International Capital Corporation (Hong Kong) Limited

29th Floor, One International Finance Centre

1 Harbour View Street Central, Hong Kong

Tel: (+852) 2872 2000

Fax: (+852) 2872 2100

Shanghai

China International Capital Corporation Limited – Shanghai Branch

32nd Floor Azia Center

1233 Lujiazui Ring Road

Shanghai 200120, P.R. China

Tel: (+86-21) 5879 6226

Fax: (+86-21) 5888 8976

Shenzhen

China International Capital Corporation Limited – Shenzhen Branch

72th Floor, PingAn Finance Center

5033 Yitian Road, Futian District

Shenzhen, 518048, P.R. China

Tel: (+86-755) 8319 5000

Fax: (+86-755) 8319 9229



CICC
中金公司

