

ZTE Corporation | 763 HK

The best 4G play

- ➔ Best proxy for China 4G telecom capex up-cycle
- ➔ Smartphone sales recovery on track
- ➔ Government and enterprise business (GEB) for long-term growth

Direct beneficiary amid China's 4G capex up-cycle

We expect a robust 4G network roll-out roadmap in China led by China Mobile (CM) and China Telecom (CT) to be a huge positive to ZTE. We expect the Big Three telecom carriers to add 550k/700k 4G base stations in 2014F/15F, which leads to our FY14F/15F PRC mobile equipment sales forecast of RMB17.8b/19.9b for ZTE. More importantly, we expect PRC 4G equipment order to command much higher GPM of >40% VS 30% company level.

Multiple catalysts in sight

We expect ZTE smartphone shipments to recover strongly in 2H14 given the robust overseas sales performance, especially in the US. We forecast ZTE shipments of 50m/65m smartphones in 2014F/15F (up 39%/ 30% YoY) with improved margins. We also expect new business segments like ZTE's Smart City product, enterprise IT solutions and wireless charging for new energy vehicles to support growth beyond 2016F.

Maintain Outperform and target price of HK\$24.00

As China's second-largest telecom equipment maker, ZTE is one of the best proxies for investment in China's 4G capex cycle. We maintain our Outperform rating and target price of HK\$24.00, still basing it on 20x 2015F P/E. We expect the smartphone business to improve and look for ZTE to gain traction in government and enterprise business, supporting our positive stance on the company.

Forecast and valuation

Year to 31 December	2012	2013	2014F	2015F	2016F
Revenue (RMB m)	84,119	75,234	81,709	88,329	95,580
YoY (%)	(2.5)	(10.6)	8.6	8.1	8.2
Net profit (RMB m)	(2,841)	1,358	2,622	3,218	3,754
YoY (%)	N/A	N/A	93.1	22.8	16.6
Fully diluted EPS (RMB)	(0.83)	0.39	0.76	0.94	1.09
YoY (%)	N/A	N/A	93.1	22.8	16.6
P/E (x)	N/A	36.3	19.0	15.5	13.3
DPS (HK\$)	–	0.04	0.24	0.30	0.35
Dividend yield (%)	–	0.2	1.3	1.6	1.9
P/B (x)	2.3	2.2	2.0	1.8	1.6
ROAE (%)	(12.4)	6.2	11.0	12.2	12.9
Net debt/equity (%)	32.1	29.9	31.4	20.1	8.8

Source: CCBIS

Company rating: **Outperform** (maintained)
 Price: **HK\$18.34** (as at 30 October 2014)
 Target: **HK\$24.00** (maintained)

Trading data

52-week range	HK\$13.80 – 18.42
Market capitalization (m)(H share)	HK\$11,471/US\$1,517
Market capitalization (m)(A share)	RMB 40,378/US\$6,619
Shares outstanding (m) (A share/H share)	2,808/630
Free float (%)	62
3M average daily T/O (m share)	5
3M average daily T/O (US\$ m)	10
Expected return (%) – 12 month	31

Source: Bloomberg, CCBIS

Stock price vs. HSCEI



Source: Bloomberg

Stock performance

Performance over	1M	3M	12M
Absolute	3	12	7
Relative (%) to HSCEI	6	18	6

Source: CCBIS

Ronnie Ho
(852) 2533 2486
ronnieho@ccbintl.com

Rocky Zhang
(852) 2533 2411
rockyz@ccbintl.com

ZTE – 3Q14 snapshot

(RMB m)	3Q14	2Q14	QoQ	3Q13	YoY
Revenue	21,103	18,645	13.2%	17,083	23.5%
Gross Profit	6,410	5,796	10.6%	5,351	19.8%
GPM (%)	30.4%	31.1%		31.3%	
OPEX	-5,624	-5,964	-5.7%	-5,709	-1.5%
OPEX / Sales %	-26.6%	-32.0%		-33.4%	
Operating profit	1,995	1,213	64.5%	679	193.7%
OPM (%)	9.5%	6.5%		4.0%	
PBT	1,059	872	21.3%	271	290.3%
PBT (%)	5.0%	4.7%		1.6%	
Net Profit	703	506	39.0%	242	191.1%
NPM (%)	3.3%	2.7%		1.4%	

Source: Company, CCBIS

China technology sector valuation matrix

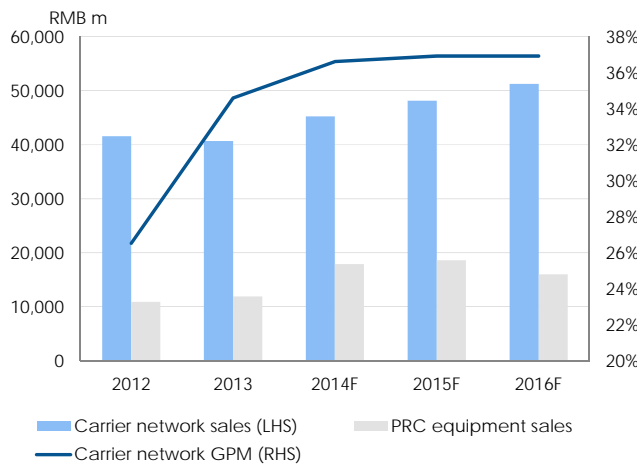
Company	Stock code	CCBIS rating	Share price* (local currency)	Market cap (US\$ m)	EPS growth (%)			P/E (x)		
					CY14F	CY15F	CY16F	CY14F	CY15F	CY16F
China handset brands										
Lenovo	992 HK	Neutral	11.48	15,666	20.6	8.0	8.2	15.5	14.4	13.3
ZTE	763 HK	Outperform	18.34	8,361	93.1	22.8	16.6	19.0	15.5	13.3
HTC	2498 TT	Not Rated	133.00	3,678	N/A	N/A	N/A	NM	NM	NM
Coolpad	2369 HK	Neutral	1.63	907	104.3	21.0	13.7	9.7	8.0	7.0
TCL Communication	2618 HK	Neutral	7.10	1,109	237.9	13.6	3.1	7.9	6.9	6.7
Average								13.0	11.2	10.1
Handset components and other										
MEDIATEK	2454 TT	Not Rated	428.50	22,338	N/A	7.8	4.6	14.1	13.1	12.5
LARGAN PRECISION	3008 TT	Not Rated	2,095.00	9,313	81.4	22.4	17.9	16.2	13.3	11.3

AAC	2018 HK	Neutral	45.15	7,192	-0.6	24.7	16.6	17.0	13.6	11.7
FIH	2038 HK	Not Rated	4.05	4,048	57.1	45.5	3.1	23.7	16.3	15.8
TPK	3673 TT	Not Rated	175.00	1,852	-88.2	291.7	16.7	65.8	16.8	14.4
TRULY	732 HK	Not Rated	3.94	1,472	-2.8	22.8	12.8	7.0	5.7	5.1
UNIMICRON	3037 TT	Not Rated	22.90	1,149	N/A	35.6	20.7	25.2	18.6	15.4
BYD ELECTRONIC	285 HK	Not Rated	9.39	2,840	72.9	23.1	18.3	15.1	12.3	10.4
Sunny Optical	2382 HK	Outperform	12.64	1,815	24.0	26.2	20.3	18.6	14.7	12.2
Merry Electronics	2439 TT	Not Rated	114.50	728	N/A	34.6	29.2	13.9	10.4	8.0
Tongda Group	698 HK	Outperform	1.00	712	16.9	34.1	20.9	11.7	8.8	7.2
Average								20.8	13.0	11.3

* Price as at close on 30 October 2014

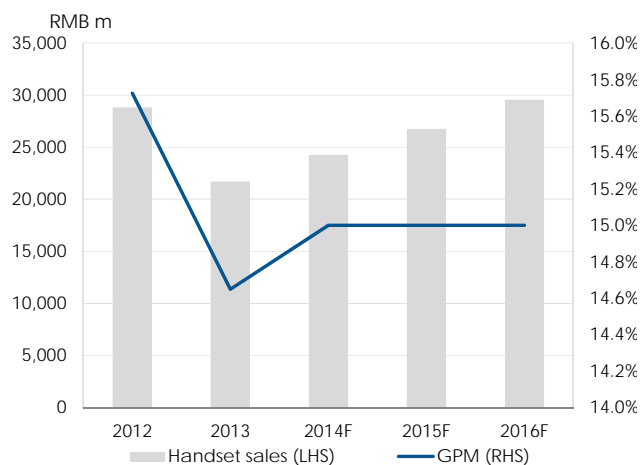
Source: Bloomberg, CCBIS

ZTE PRC eq. sales vs. carriers' network GPM 12-16F



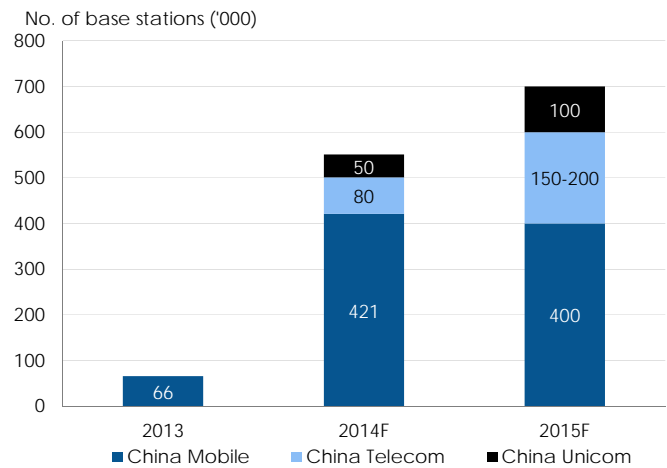
Source: Company, CCBIS

ZTE handset division sales vs. GPM 2012-2016F



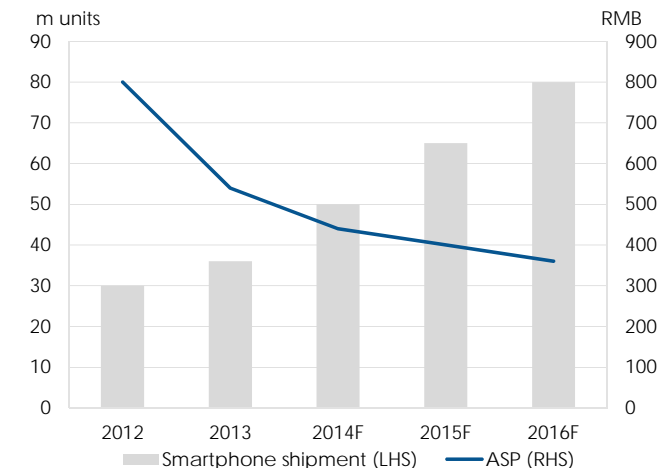
Source: Company, CCBIS

Big-3 telecom 4G base station expansion plan



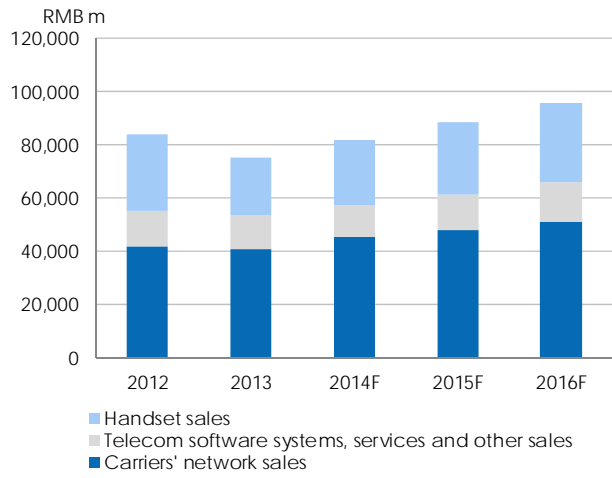
Source: Company, CCBIS

ZTE smartphone unit sales & ASP 2012-2016F



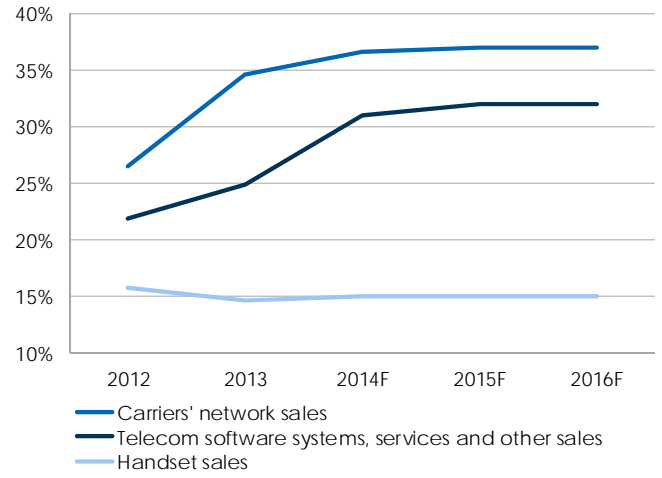
Source: Company, CCBIS

Sales revenue breakdown per division 2012-2016F



Source: Company, CCBIS

Gross profit margin per division 2012-2016F



Source: Company, CCBIS

ZTE Corporation – income statement

FYE 31 December (RMB m)	2012	2013	2014F	2015F	2016F	1H13	2H13	1H14	2H14F
Revenue	84,119	75,234	81,709	88,329	95,580	37,576	37,658	37,697	44,011
Carrier networks	41,603	40,696	45,265	48,166	51,276	19,051	21,645	21,836	23,429
Terminals	28,819	21,702	24,250	26,750	29,550	12,461	9,241	10,406	13,844
Telecommunication software systems, services and other products	13,698	12,836	12,194	13,414	14,755	6,065	6,771	5,455	6,739
Cost of revenue	-65,545	-54,775	-57,574	-62,235	-67,341	-27,925	-26,850	-26,576	-30,998
Gross profit	18,573	20,459	24,135	26,094	28,240	9,651	10,808	11,121	13,014
Gross profit margin (%)	22.1	27.2	29.5	29.5	29.5	25.7	28.7	29.5	29.6
Other income & gains	4,460	4,549	3,980	4,218	4,393	2,597	1,952	2,191	1,789
Sell & distribution costs	-11,341	-10,159	-10,622	-11,306	-12,139	-4,740	-5,418	-4,806	-5,816
G&A expense	-2,449	-2,259	-2,533	-2,650	-2,772	-1,085	-1,174	-1,143	-1,390
R&D expense	-8,829	-7,384	-8,661	-9,186	-9,749	-3,628	-3,756	-4,127	-4,535
Other operating Income/expenses	-706	-2,119	-1,634	-1,767	-1,912	-1,346	-773	-1,052	-583
Operating profit	-292	3,088	4,665	5,403	6,061	1,449	1,638	2,185	2,480
Operating margin (%)	-0.3	4.1	5.7	6.1	6.3	3.9	4.4	5.8	5.6
Net finance cost	-1,739	-1,294	-1,250	-1,200	-1,150	-678	-616	-500	-750
JCE & associates income	48	34	50	50	50	-30	64	-40	90
PBT	-1,983	1,828	3,465	4,253	4,961	742	1,086	1,644	1,821
Tax	-621	-394	-676	-829	-967	-413	18	-473	-203
MI	-236	-76	-167	-205	-240	-19	-57	-43	-124
Profit to shareholders	-2,841	1,358	2,622	3,218	3,754	310	1,048	1,128	1,493
Net profit margin (%)	-3.4	1.8	3.2	3.6	3.9	0.8	2.8	3.0	3.4
EPS (RMB)	-0.83	0.39	0.76	0.94	1.09	0.09	0.30	0.33	0.43
EPS (HK\$)	-1.03	0.51	0.97	1.18	1.38	0.12	0.39	0.42	0.56
EPS growth (%)	N/A	N/A	93.1	22.8	16.6	26.6	NA	263.9	42.6
GPM (%)	22.1	27.2	29.5	29.5	29.5	25.7	28.7	29.5	29.6
OPM (%)	-0.3	4.1	5.7	6.1	6.3	3.9	4.4	5.8	5.6
NPM (%)	-3.4	1.8	3.2	3.6	3.9	0.8	2.8	3.0	3.4
ROE (%)	-12.6	5.7	10.0	11.1	11.6	-	-	-	-
Net debt/equity (%)	32.1	29.9	31.4	20.1	8.8	-	-	-	-
Smartphone unit shipment (m)	30	36	50	65	80	19	17	20	30

Source: Historical data from the company, forecasts by CCBIS

ZTE Corporation | 763 HK – financial summary

Profit and loss

FYE 31 December (RMB m)	2012	2013	2014F	2015F	2016F
Revenue	84,119	75,234	81,709	88,329	95,580
COGS	(65,545)	(54,775)	(57,574)	(62,235)	(67,341)
Gross profit	18,573	20,459	24,135	26,094	28,240
Other income	4,460	4,549	3,980	4,218	4,393
Operating expenses	(23,325)	(21,920)	(23,450)	(24,909)	(26,571)
EBIT	(292)	3,088	4,665	5,403	6,061
Net financial inc. (exp.)	(1,739)	(1,294)	(1,250)	(1,200)	(1,150)
JVs & associates	48	34	50	50	50
Profit before tax	(1,983)	1,828	3,465	4,253	4,961
Tax	(621)	(394)	(676)	(829)	(967)
Total profit	(2,605)	1,434	2,789	3,424	3,994
Minority interest	(236)	(76)	(167)	(205)	(240)
Net profit attributable to shareholders	(2,841)	1,358	2,622	3,218	3,754
Core profit	(2,841)	1,358	2,622	3,218	3,754
Reported EPS (HK\$)	(1.03)	0.51	0.97	1.18	1.38
Diluted EPS (RMB)	(0.83)	0.39	0.76	0.94	1.09
Core EPS (RMB)	(0.83)	0.39	0.76	0.94	1.09
Dividend (RMB)(m)	–	103	655	805	939
DPS (RMB)	–	0.03	0.19	0.23	0.27

Cash flow

FYE 31 December (RMB m)	2012	2013	2014F	2015F	2016F
Profit before tax	(1,983)	1,828	3,465	4,253	4,961
Amortization & depreciation	1,549	1,745	1,993	2,241	2,489
Net financial charge adj.	1,739	1,294	1,250	1,200	1,150
Non-cash items adjusted	(658)	519	(50)	(50)	(50)
Change in working capital	(660)	(6,110)	(3,029)	(1,586)	(1,739)
Tax paid	(958)	(525)	(676)	(829)	(967)
Other	2,844	1,695	(2,646)	(1,460)	(1,519)
Operating cash flow	1,873	447	307	3,769	4,325
Disposal of fixed assets	42	6	–	–	–
Capex	(2,378)	(2,337)	(1,454)	(1,454)	(1,454)
Other	(2,041)	1,160	–	–	–
Investment cash flow	(4,377)	(1,171)	(1,454)	(1,454)	(1,454)
Change in borrowings	(1,659)	2,918	(539)	(485)	(436)
Other	6,195	(3,964)	–	–	–
Financing cash flow	4,537	(1,045)	(539)	(485)	(436)
Change in cash flow	2,033	(1,769)	(1,686)	1,830	2,434
Cash & equivalents, begin	20,662	22,660	20,118	18,432	20,262
Forex	(35)	(772)	–	–	–
Cash & equivalents, ending	22,660	20,118	18,432	20,262	22,696
Free cash flow	(505)	(1,890)	(1,148)	2,314	2,870

Source: Company data, CCBIS estimates

Balance sheet

FYE 31 December (RMB m)	2012	2013	2014F	2015F	2016F
Cash & equivalents	22,660	20,118	18,432	20,262	22,696
Pledge dep., restricted cash	1,380	709	709	709	709
Receivables	35,743	33,107	35,829	38,802	42,060
Inventory	11,442	12,434	19,717	21,313	23,062
Other current assets	13,879	12,454	13,499	14,567	15,737
Total current assets	85,104	78,822	88,186	95,653	104,263
Property, plant & equipment	8,011	7,698	7,217	6,568	5,751
Intangible assets	2,625	3,081	3,024	2,886	2,668
JVs & associates	456	478	528	578	628
Other non-current assets	13,716	12,393	12,624	12,860	13,118
Total non-current assets	24,808	23,651	23,392	22,892	22,166
Total assets	109,911	102,473	111,579	118,545	126,429
Short-term borrowings	18,430	15,343	15,343	15,343	15,343
Trade & bills payable	44,428	40,302	47,641	51,498	55,722
Other current liabilities	12,566	7,720	13,690	14,307	14,985
Total current liabilities	75,424	63,364	76,673	81,148	86,050
Long-term borrowings	990	5,386	4,847	4,362	3,926
Other non-current liabilities	10,905	10,097	3,747	3,955	4,183
Total non-current liabilities	11,895	15,483	8,594	8,317	8,110
Total liabilities	87,319	78,847	85,267	89,465	94,160
Share capital	3,440	3,438	3,438	3,438	3,438
Reserves and retained profits	18,017	19,095	21,614	24,177	27,126
Shareholders' equity	21,457	22,533	25,051	27,614	30,564
Minority interest	1,136	1,093	1,260	1,466	1,705
Total equity	22,593	23,626	26,312	29,080	32,269
Total equity and liabilities	109,911	102,473	111,579	118,545	126,429

Ratios

FYE 31 December	2012	2013	2014F	2015F	2016F
Growth (%)					
Revenue	(2.5)	(10.6)	8.6	8.1	8.2
EBITDA	(75.2)	284.6	37.8	14.8	11.8
EBIT	N/A	N/A	51.1	15.8	12.2
Net profit	N/A	N/A	93.1	22.8	16.6
Core net profit	N/A	N/A	93.1	22.8	16.6
Profitability (%)					
Gross margin	22.1	27.2	29.5	29.5	29.5
EBITDA margin	1.5	6.4	8.1	8.7	8.9
EBIT margin	(0.3)	4.1	5.7	6.1	6.3
Net margin	(3.4)	1.8	3.2	3.6	3.9
Core net margin	(3.4)	1.8	3.2	3.6	3.9
Tax rate	(31.3)	21.6	19.5	19.5	19.5
Efficiency (days)					
Inventory turnover	74	80	102	120	120
Trade receivables	116	124	116	116	115
Trades payable	173	182	179	193	192
Returns & leverage (%)					
ROAA	(2.6)	1.3	2.4	2.8	3.1
ROAE	(12.4)	6.2	11.0	12.2	12.9
Net debt (cash)/equity	32.1	29.9	31.4	20.1	8.8
Liquidity (x)					
Current ratio	1.1	1.2	1.2	1.2	1.2
Quick ratio	1.0	1.0	0.9	0.9	0.9

Rating definitions:**Outperform (O) – expected return > 10% over the next twelve months****Neutral (N) – expected return between -10% and 10% over the next twelve months****Underperform (U) – expected return < -10% over the next twelve months****Analyst certification:**

The author(s) of this document, hereby declare that: (i) all of the views expressed in this document accurately reflect his personal views about any and all of the subject securities or issuers and were prepared in an independent manner; and (ii) no part of any of his compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this document; and (iii) he receives no insider information/non-public price-sensitive information in relation to the subject securities or issuers which may influence the recommendations made by him. The author(s) of this document further confirm that (i) neither he nor his respective associate(s) (as defined in the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the Hong Kong Securities and Futures Commission) has dealt in or traded in the securities covered in this document within 30 calendar days prior to the date of issue of this document or will so deal in or trade such securities within 3 business days (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) after the date of issue of this document; (ii) neither he nor his respective associate(s) serves as an officer of any of the companies covered in this document; and (iii) neither he nor his respective associate(s) has any financial interests in the securities covered in this document.

CCBI Group has had an investment banking relationship with ZTE (763 HK) within the past 12 months.

Disclaimers:

This document is prepared by CCB International Securities Limited. CCB International Securities Limited is a wholly-owned subsidiary of CCB International (Holdings) Limited ("CCBIH") and China Construction Bank Corporation ("CCB"). Information herein has been obtained from sources believed to be reliable but CCB International Securities Limited, its affiliates and/or subsidiaries (collectively "CCBIS") do not guarantee, represent and warrant (either express or implied) its completeness or accuracy or appropriateness for any purpose or any person whatsoever. Opinions and estimates constitute our judgment as of the date of this document and are subject to change without notice. CCBIS seeks to update its research as appropriate, but various regulations may prevent it from doing so. Besides certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate according to the analyst's judgment. Forecasts, projections and valuations are inherently speculative in nature and may be based on a number of contingencies. Readers should not regard the inclusion of any forecasts, projections and valuations in this document as a representation or warranty by or on behalf of CCBIS that these forecasts, projections or valuations or their underlying assumptions will be achieved. Investment involves risk and past performance is not indicative of future results. Information in this document is not intended to constitute or be construed as legal, financial, accounting, business, investment, tax or any professional advice for any prospective investors and should not be relied upon in that regard. This document is for informational purposes only and should not be treated as an offer or solicitation for the purchase or sale of any products, investments, securities, trading strategies or financial instruments of any kind in any jurisdiction. CCBIS makes no representations on the availability of the securities covered in this document (or related investment) to the recipients. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Neither CCBIS nor any other persons accept any liability whatsoever for any loss or damages (whether direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential) arising from any use of this document or its contents or otherwise arising in connection therewith. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. The opinions and recommendations herein do not take into account prospective investors' financial circumstances, investment objectives, or particular needs and are not intended as recommendations of particular securities, financial instruments or strategies to any prospective investors. The recipients of this document should consider this document as only a single factor in marking their investment decision and shall be solely responsible for making their own independent investigation of the business, financial condition and prospects of *companies* referred to in this document. Readers are cautioned that (i) the price and value of securities referred to in this document and the income derived from them may fluctuate; (ii) past performance is not a guide to future performance; (iii) any analysis, ratings and recommendations made in this document are intended for long-term (at least for 12 months) and is not linked to a near-term assessment of the likely performance of the securities or companies in question. In any event, future actual results may differ materially from those set forth in any forward-looking statements herein; (iv) future returns are not guaranteed, and a loss of original capital may occur; and (v) fluctuations in exchange rates may adversely affect the value, price or income of any security or related instrument referred to in this document. It should be noted that this document covers only those securities or companies as specified herein and does not extend to any derivative instruments thereof, the value of which may be affected by many factors and may not correspond with the value of the underlying securities. Trading in these instruments is considered risky and are not suitable for all investors. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forward-looking statements, opinions and expectations contained herein are based on fair and reasonable assumptions, CCBIS has not been able to verify independently such facts or assumptions and CCBIS shall not be liable for the accuracy, completeness or correctness thereof and no representation or warranty is made, express or implied, in this regard. All pricing referred to in this document is as of the close of local market for the securities discussed, unless otherwise stated and for information purposes only. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect CCBIS' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions could result in substantially different results. Any statements which may be contained herein attributed to a third-party represent CCBIS' interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have

not been reviewed or endorsed by the third party. Reproduction and distribution of these third party contents in any form is prohibited except with the prior written consent of such third party. The recipients must make their own assessments of the relevance, accuracy and adequacy of the information contained in this document and make such independent investigation as they may consider necessary or appropriate for such purpose.

Recipients should seek independent legal, financial, accounting, business, investment and/or tax advice if they have any doubt about the contents of this document and satisfy themselves prior to making any investment decision that such investment is in line with their own investment objectives and horizons.

Use of hyperlinks to other internet sites or resources (if any) as referred to in this document is at users' own risk. They are provided solely for the purpose of convenience and information and the content of these internet sites or resources does not in any way form part of this document. The contents, accuracy, opinion expressed, and other links provided at these sites are not investigated, verified, monitored, or endorsed by CCBIS. CCBIS expressly disclaims any responsibility for and does not guarantee, represent and warrant (either express or implied) the completeness, accuracy, appropriateness, availability or security of information found on these websites. Users of these websites are solely responsible for making all enquiries, investigation and risk assessment before proceeding with any online or offline access or transaction with any of these third parties. All activities conducted by users via or at these websites are at their own risk. CCBIS does not guarantee the security of any information users may forward or be requested to provide to any third parties via these websites. Users are deemed to have irrevocably waived any claims against CCBIS for any loss or damage suffered as a result of any access to or interaction with any of these websites.

Upon request CCBIS may provide specialized research products or services to certain customers focusing on the prospects for specific securities as compared with other covered securities over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, CCBIS has procedures in place to prevent selective disclosure and will update the relevant readers when our views has changed. CCBIS also has procedures in place to identify and manage potential conflicts of interest that may arise in connection with its research business and services. Chinese Wall procedures are also in place to ensure that any confidential and/or price sensitive information is properly handled. CCBIS will use its best endeavors to comply with the relevant laws and regulations in this respect. Nevertheless, the recipients should be aware that CCB, CCBIS, their affiliates and/or their officers, directors and employees may do business with the issuer(s) of the securities covered in this document, including investment banking business or direct investment business or may hold interest in (and/or later add or dispose) such securities (or in any related investment) for themselves and/or on behalf of their clients from time to time. As a result, investors should be aware that CCBIS may have a conflict of interest that could affect the objectivity of this document and CCBIS will not assume any responsibility in respect thereof. Further, the information contained herein may differ or be contrary to opinions expressed by other associates of CCBIS or other members of the CCB or CCBIH group of companies.

This document is for the information of the institutional and professional customers of CCBIS only and should not be distributed to retail customers. This document is not directed at you if CCBIS is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that CCBIS is permitted to provide research material concerning investments to you and that you are permitted and entitled to receive and read the document under relevant legislation and regulations. In particular, this document is only distributed to certain US Persons to whom CCBIS is permitted to distribute according to US securities laws, but cannot otherwise be distributed or transmitted, whether directly or indirectly, into the US or to any other US person. This document also cannot be distributed or transmitted, whether directly or indirectly, into Japan and Canada and not to the general public in the People's Republic of China (for the purpose of this document, excluding Hong Kong, Macau and Taiwan) unless under applicable laws.

Any unauthorized reproduction or redistribution by any means to any persons, in whole or in part of this document is strictly prohibited and CCBIS accepts no liability whatsoever for the actions of third parties in distributing this research report.

If this document has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. CCBIS therefore does not accept liability for any errors or omissions in the contents of this document, which may arise as a result of electronic transmission.

The disclosures contained in this document prepared by CCBIS shall be governed by and construed in accordance with the laws of Hong Kong.

Copyright 2014 CCBIS. The signs, logos and insignia used in this research report and the company name "CCB International Securities Limited" are the registered and unregistered trademarks of CCB, CCBIH and/or CCBIS. All rights are hereby reserved. All material presented in this document, unless indicated otherwise, is under copyright to CCBIS. This document or any portion hereof may not be reproduced, sold or redistributed without the written consent of CCBIS.

CCB International Securities Limited
12/F, CCB Tower, 3 Connaught Road, Central, Hong Kong
Tel: (852) 2532 6100 / Fax: (852) 2537 0097