



## Company Report: Shanghai Electric (02727 HK)

公司报告: 上海电气 (02727 HK)

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# Outlook Remains Bright, Reiterate "Buy"

前景依旧乐观, 重申“买入”

- **Net earnings in 2019 jumped YoY by 24.8%, beating expectations.** Sales and net earnings in 2019 jumped YoY by 26.0% and 24.8%, respectively. The operating results of Shanghai Electric in 2019 beat both the market and our expectation. Consolidated gross margin in 2019 went down by 1 ppt YoY to 17.2% mainly due to gross margin decline in all business segments. Net margin in 2019 stayed flat at 2.9%. Affected by the outbreak of COVID-19, the Company has decided not to distribute dividend for earnings in 2019.
- **New orders secured in 2019 hit RMB170.79 bn, up sharply by 30.6% YoY.** In particular, new orders from energy equipment, industrial equipment and integrated services accounted for 33.2%, 26.7% and 40.1%, respectively. Total orders on hand amounted to RMB240.86 bn (with orders of RMB69.59 bn not yet coming into effect) at the end of 2019, up YoY by 16.3%.
- **Although domestic power sector investment in 2M2020 experienced a sharp decline, we expect investment to speed up entering the 2<sup>nd</sup> quarter of 2020.** Nationwide power sector investment in 2M2020 reached RMB35.5 bn, down YoY by 27.1%. Of which, power engineering investment went down YoY by 10.7% to RMB21.7 bn while power grid investment was down YoY by 43.4% to RMB13.8 bn. We expect domestic power sector investment in 2020 to hit RMB900 bn, up 12.6% YoY.
- **We reiterate the "Buy" rating but revise TP to HK\$3.00.** We remain confident on the outlook of Shanghai Electric given its continued transformation and reform. Our TP corresponds to 10.0x/ 8.9x/ 7.9x FY20-FY22 PER or 0.6x/ 0.6x/ 0.6x FY20-FY22 PBR.
- **2019年净利润同比上升24.8%, 好于预期。** 2019年的收入和净利润分别同比增长26.0%和24.8%。公司于期内的业绩好于市场和我们的预期。2019年的综合毛利率同比下降1个百分点至17.2%，主要是由于期内各板块的毛利率均出现回落。2019年净利润率则持平在2.9%。受新冠疫情影响，公司决定对期内盈利不做派息。
- **2019年的新签订单同比大增30.6%至人民币1,707.9亿元。** 其中，能源装备、工业装备和集成服务板块分别贡献了33.2%、26.7%和40.1%的新增订单。截至报告期末，公司的在手订单总额为人民币2,408.6亿元（其中人民币695.9亿元尚未生效），同比上升16.3%。
- **尽管国内的电力板块投资于2020年前2个月急速下挫，但我们预计该投资将于2020年2季度开始全面提速。** 全国对电力板块的投资于2020年前2个月达人民币355亿元，同比跌27.1%。其中，电力工程投资同比下跌10.7%至人民币217亿元，而电网投资同比大跌43.4%至人民币138亿元。我们预计国内对电力板块的投资将于2020年突破人民币9,000亿元，同比上升12.6%。
- **我们重申“买入”的投资评级，但将目标价调整至3.00港元。** 鉴于上海电气的持续转型以及改革，我们对上海电气的前景仍充满信心。我们的目标价相当于10.0倍/8.9倍/7.9倍的2020年-2022年市盈率或0.6倍/0.6倍/0.6倍的2020年-2022年市净率。

Rating:

**Buy**

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

**HK\$3.00**

Revised from 原目标价:

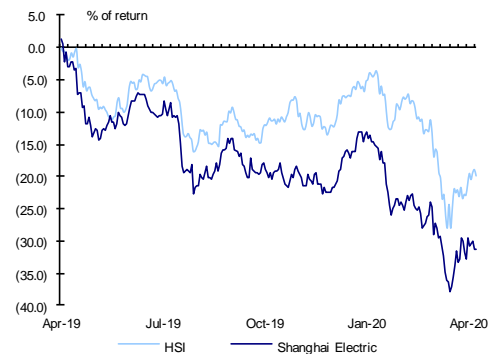
HK\$3.50

Share price 股价:

HK\$2.100

### Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1个月	3个月	1年
Abs. % 绝对变动 %	(2.8)	(19.5)	(32.7)
Rel. % to HS Index 相对恒指变动 %	(3.2)	(3.5)	(13.7)
Avg. share price (HK\$) 平均股价 (港元)	2.1	2.2	2.5

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	101,158	2,980	0.202	8.0	9.1	3.891	0.5	0.061	3.3	5.3
2019A	127,509	3,720	0.250	23.8	7.5	4.181	0.4	0.000	0.0	6.2
2020F	138,005	4,147	0.274	9.6	7.0	4.468	0.4	0.096	5.0	6.3
2021F	147,625	4,652	0.307	12.0	6.2	4.693	0.4	0.107	5.6	6.7
2022F	156,369	5,260	0.347	13.0	5.5	4.947	0.4	0.121	6.3	7.2

Shares in issue (m) 总股数 (m)	15,152.5	Major shareholder 大股东	SEC Group 60.9%
Market cap. (HK\$ m) 市值 (HK\$ m)	31,820.3	Free float (%) 自由流通比率 (%)	38.0
3 month average vol. 3个月平均成交股数 ('000)	6,714.8	FY20 Net gearing (%) FY20 净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52周高/低 (HK\$)	3.200 / 1.840	FY20 EV / EBITDA(x) FY20 企业值 / EBITDA (x)	6.6

Source: the Company, Guotai Junan International.

**Net earnings in 2019 jumped YoY by 24.8% YoY to RMB3,720 mn, beating market expectation.** Sales and net earnings in 2019 jumped YoY by 26.0% and 24.8%, respectively. The operating results of Shanghai Electric in 2019 beat both the market and our expectation. During the reporting period, the Company re-categorized and changed the composition of its businesses into 3 main business segments, namely 1) energy equipment; 2) industrial equipment; and 3) integrated services. Before the re-categorization, the Company operated via 4 business segments, namely 1) new energy and environmental protection equipment segment; 2) high efficiency clean energy segment; 3) industrial equipment segment; and 4) modern services segment. In 2019, energy equipment sales went up YoY by 10.8% to RMB41,988 mn, industrial equipment sales went up 10.7% YoY to RMB45,108 mn, and integrated services sales jumped 79.5% YoY to RMB40,316 mn. All business segments experienced double-digit revenue growth in 2019. Consolidated gross margin in 2019, net of unallocated cost of sales, went down by 1 ppt YoY to 17.2% mainly due to the YoY decline in margin of all 3 newly formed business segments. In which, energy equipment gross margin was down 1.4 ppt YoY to 13.7%, industrial equipment margin dropped 1.3 ppt to 17.3% and integrated services margin was down 1.6 ppt to 16.7%. Net margin in 2019 stayed flat and reached 2.9%. Affected by the outbreak of COVID-19, the Company decided not to distribute dividend for its earnings in 2019. Meanwhile, the proposed spin-off of SEWP, the subsidiary operating the wind power business, on the Science and Technology Innovation Board of Shanghai Stock Exchange set to take place in 2020 may further drive growth of the wind power business of Shanghai Electric following an IPO in Shanghai. Through a series of restructuring measures, merger and acquisitions and continued corporate transformation, the Company has managed to acquire a bunch of promising new assets over the past few years, which contributed positively to growth of the Company in recent years as well as to the better-than-expected operating results in 2019, and has grown bigger than ever before with total assets exceeding RMB280 bn and net cash position of more than RMB18.5 bn at the end of 2019. We believe that Shanghai Electric will further benefit from accelerated SOE reform and continued transformation in the foreseeable future. We expect the Company to quickly penetrate into new and emerging industries with high growth visibility and potential, such as energy storage, distributed energy, solid waste treatment, etc. Further, the Company is the direct beneficiary of the Belt & Road Initiative and of China's ambition on renewable energies. We remain optimistic about the outlook of Shanghai Electric despite the thermal downtrend in China as it continues to transform and evolve into an industrial and energy equipment giant not only in China but also in the region.

**Table-1: 2019 Operating Results and Comments**

(RMB mn)	2019	2018	YoY Δ	Comments
Revenue	127,509	101,158	+26.0%	All the 3 newly formed business segments recorded a rise in sales
COGS	(105,518)	(82,708)	+27.6%	
Gross profit	21,991	18,450	+19.2%	
Selling expense	(2,898)	(2,759)	+5.0%	
General & admin expense	(14,534)	(11,174)	+30.1%	Admin expenses surged 18.4% YoY; net impairment loss on financial assets jumped sharply to RMB1.73 bn
EBIT	4,559	4,516	+0.9%	
Other income and gains	3,258	1,765	+84.5%	Mainly due to a rise in gains on assets disposal and subsidy income
Finance income / (cost)	(1,313)	(940)	+39.7%	Total borrowings surged YoY by 32.4% to RMB43.3 bn
Share of affiliate / JV	759	666	+14.0%	
Profit before tax	7,263	6,008	+20.9%	
Income tax	(1,279)	(677)	+89.0%	
Minority interest	(2,264)	(2,351)	-3.7%	
Net income	3,720	2,980	+24.8%	
Basic EPS (RMB)	0.2495	0.2024	+23.3%	
<b>Margins (YoY)</b>				
			<b>YoY ppt Δ</b>	
Gross margin	17.2%	18.2%	-1.0 ppt	Affected by the lower priced thermal equipment and elevator delivered in 2019
EBIT margin	3.6%	4.5%	-0.9 ppt	
PBT margin	5.7%	5.9%	-0.2 ppt	
Net margin	2.9%	2.9%	Unchanged	

Source: the Company, Guotai Junan International.

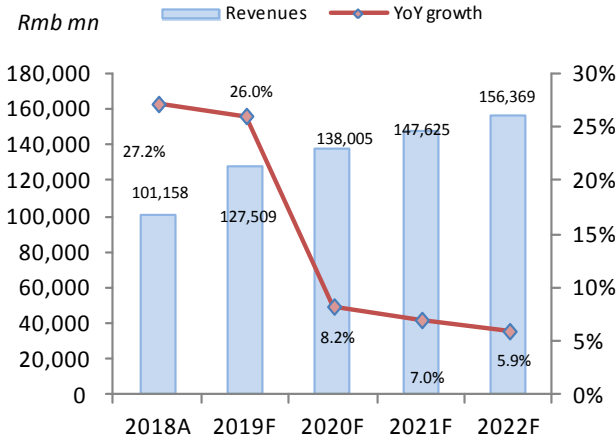
**New orders signed in 2019 hit RMB170.79 bn, up sharply by 30.6% YoY.** In particular, new orders from energy equipment, industrial equipment and integrated services accounted for 33.2%, 26.7% and 40.1%, respectively. Total orders on hand amounted to RMB240.86 bn (with orders of RMB69.59 bn not yet coming into effect) at the end of 2019, implying a YoY increase of 16.3% from the end of 2018. Of which, new energy, industrial equipment and integrated services accounted for 48.1%/ 3.1%/ 48.8% of total orders on hand, respectively. It is worth noting that both the new orders and orders backlog of coal-fired power equipment (thermal equipment) in 2019 recorded significant double-digit YoY decline, with orders backlog amounting to RMB50.41 bn (approximately 21% of total orders backlog) at the end of 2019. Contribution from thermal equipment kept declining (either in

new orders or orders backlog), implying that the risks and negative impacts associated with thermal equipment business may very soon be eliminated. Meanwhile, the new orders of wind power equipment in 2019 reached RMB22.4 bn, up 72.2% YoY. Among which, sea-based wind equipment new orders surged 66.1% in 2019 to RMB12.25 bn. The Company has managed to maintain its market leading position in the sea-based wind equipment market in 2019. Total wind equipment orders backlog amounted to RMB29.81 bn at the end of 2019, up YoY by 49.8%. Furthermore, gas turbine new orders surged 630.7% YoY to RMB6.55 bn, energy engineering and services new orders went up 27.1% YoY to RMB55.62 bn, and environmental protection engineering and services new orders jumped 111.3% YoY to RMB10.15 bn. We expect renewable energy equipment, environmental protection engineering and services, and energy engineering services to drive growth for Shanghai Electric's new orders going forward, which is expected to mitigate the risks associated with the thermal downtrend in China.

**Although power sector investment in the first 2 months of 2020 experienced a sharp decline, we expect its investment to speed up entering the 2<sup>nd</sup> quarter of 2020.** According to CEC, nationwide newly installed power generating capacity in the first 2 months of 2020 reached 7.9 GW, down YoY by 33.6%. In which, thermal, hydro, nuclear, wind and solar contributed 5.17 GW, 0.74 GW, 0.0 GW, 0.99 GW and 1.07 GW, respectively, of newly installed capacity in 2M2020. Except for growth seen in hydro power, all other power sources recorded YoY decline in new installations. Meanwhile, nationwide power sector investment in 2M2020 reached RMB35.5 bn, down YoY by 27.1%. Of which, power engineering investment went down YoY by 10.7% to RMB21.7 bn while power grid investment was down YoY by 43.4% to RMB13.8 bn. In 2M2020, thermal, hydro and nuclear investment went down YoY by 22.7%, 40.9% and 39.6%, while that of wind power investment jumped YoY by 142.4% to RMB8.0 bn. It is important to note that wind power engineering investment surged 82.4% YoY in 2019 and hit RMB117.1 bn, breaking the RMB100 bn milestone after 4 years mainly due to the wind power installation rush in China. As domestic wind installation rush is expected to continue in 2020, we expect domestic wind power investment to break RMB100 bn again in 2020 with newly installed wind power capacity of between 30 GW and 35 GW for the year, benefiting leading wind power equipment suppliers in China such as Shanghai Electric. Although power sector investment in the first 2 months of 2020 experienced sharp decline, we expect its investment to speed up entering the 2<sup>nd</sup> quarter of 2020. In a bid to stimulate economic growth, we expect domestic power sector investment in 2020 to hit RMB900 bn, up 12.6% YoY. More precisely, we expect power engineering investment in China in 2020 to be no less than RMB350 bn (+11.5% YoY), while the spending on power grid to be no less than RMB550 bn (+13.3% YoY).

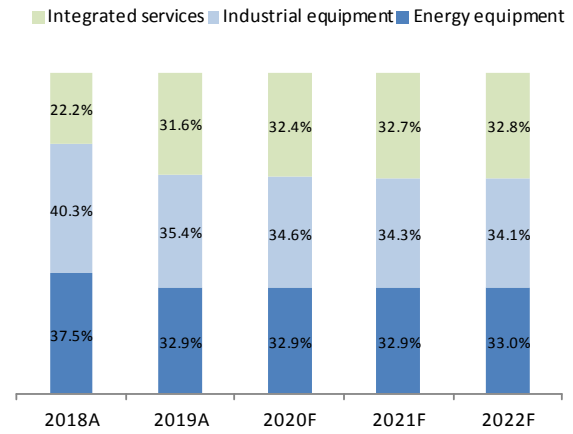
**We reiterate the "Buy" investment rating but adjust our TP to HK\$3.00.** We expect Shanghai Electric to benefit from SOE reforms, continued corporate transformation (to penetrate into new and emerging industries), and the expected surge in spending on renewable energies and environmental protection in the domestic market over time. Domestic demand on environmental protection equipment and services, on renewable energies, on energy storage systems and intelligent manufacturing equipment are set to rise over time from a national development strategy perspective. We expect Shanghai Electric to capture these new opportunities considering its continued transformation and corporate reform. Shanghai Electric achieved CAGR of 10.7% and 8.2% for its revenue and net earnings, respectively, for the period from 2014 to 2019. We expect total sales of the Company to increase YoY by 8.2%/ 7.0%/ 5.8% from 2020 to 2022, respectively. Under the assumption of gradual gross margin recovery of the Company's key products and services, the estimated consolidated gross margin of Shanghai Electric from 2020 to 2022 is 17.3%/ 17.8%/ 18.0%, respectively. Our revised EPS estimates from 2020 to 2022 are RMB0.274, RMB0.307 and RMB0.347, respectively. Since we are quite bullish on the outlook of Shanghai Electric, we reiterate our investment rating of "Buy" but we adjust our TP to HK\$3.00. The new TP implies an upside of 43% and corresponds to 10.0x/ 8.9x/ 7.9x FY20-FY22 PER or 0.6x/ 0.6x/ 0.6x FY20-FY22 PBR.

**Figure-1: Historical and Projected Revenues**



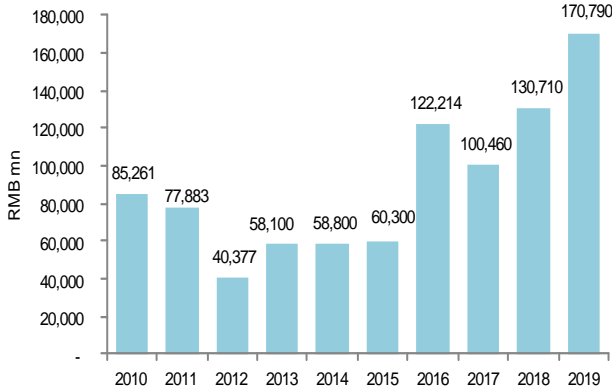
Source: the Company, Guotai Junan International.

**Figure-2: Historical and Projected Revenue Breakdown**



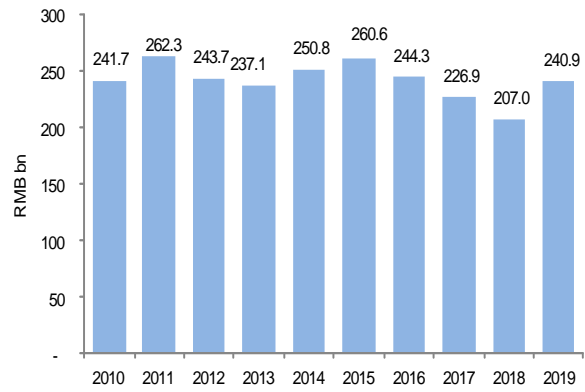
Source: the Company, Guotai Junan International.

**Figure-3: Historical New Orders**



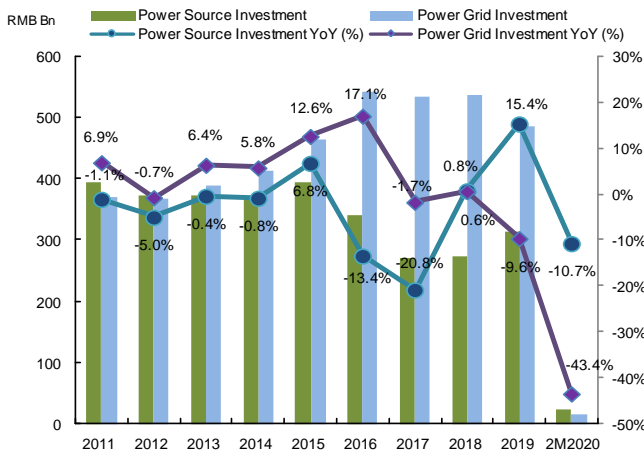
Source: the Company, Guotai Junan International.

**Figure-4: Historical Orders Backlog**



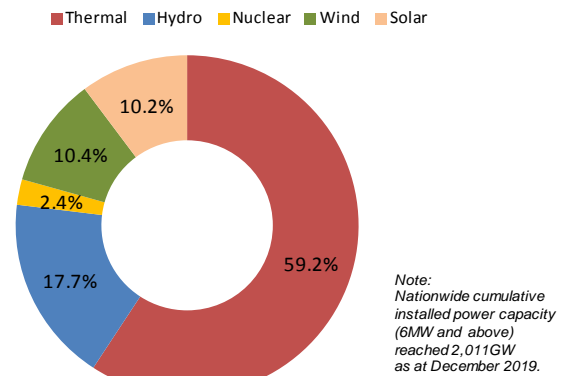
Source: the Company, Guotai Junan International.

**Figure-5: Historical Power Sector Investment in PRC**



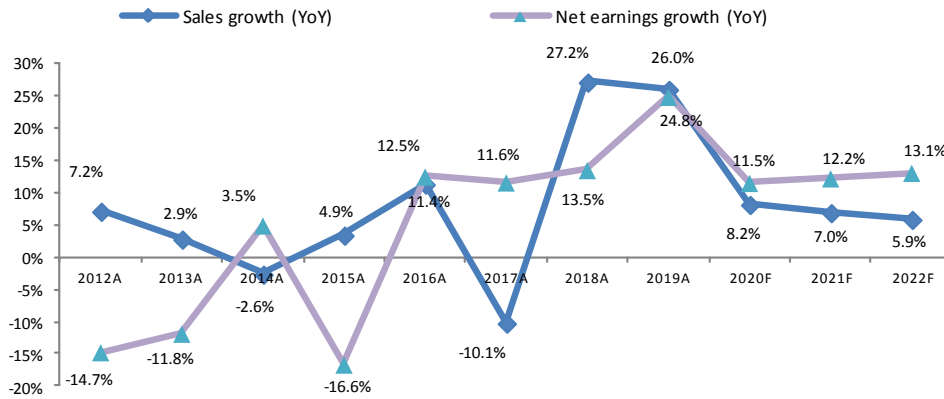
Source: NEA, Guotai Junan International.

**Figure-6: Power Structure in PRC, December 2019**



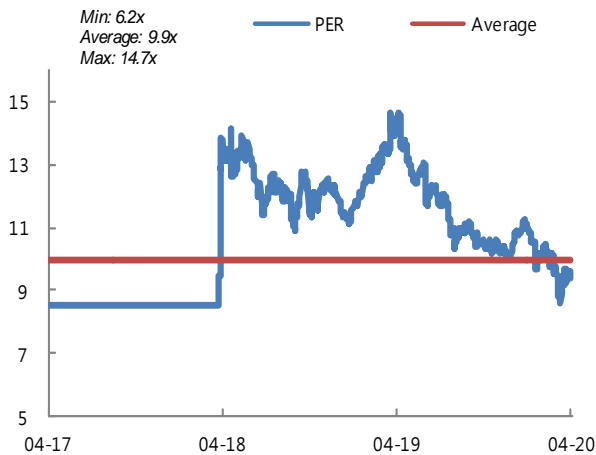
Source: NEA, Guotai Junan International.

Figure-7: Growth Analysis for Shanghai Electric



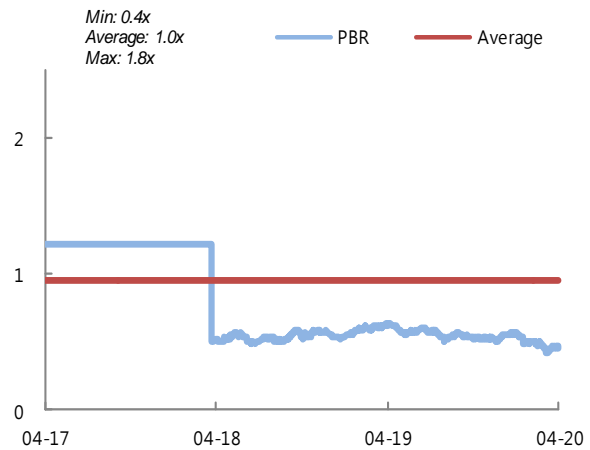
Source: the Company, Guotai Junan International.

Figure-8: Forward PER of Shanghai Electric



Source: Bloomberg, Guotai Junan International.

Figure-9: Forward PBR of Shanghai Electric



Source: Bloomberg, Guotai Junan International.

Table-2: Peers Comparison

Company	Stock Code	Currency	Last price (in local \$)	PE (fiscal year)				PB (fiscal year)				ROE (%)	D/Y (%)	Market Cap HKD mn
				19A	20F	21F	22F	19A	20F	21F	22F			
<b>HK - Listed Peers</b>														
Dongfang Electric Corp - H	01072 HK	HKD	4.01	8.6	7.9	7.1	6.4	0.4	0.4	0.4	0.4	4.9	6.2	28,229
Harbin Electric	01133 HK	HKD	2.03	28.0	15.5	11.5	9.5	0.2	0.2	0.2	0.2	1.5	0.0	3,464
Shanghai Electric - H	02727 HK	HKD	2.10	7.4	9.3	9.0	n.a.	0.4	0.5	0.4	n.a.	5.2	3.2	67,725
Xinjiang Goldwind	02208 HK	HKD	7.33	12.6	8.1	7.4	7.3	1.0	0.8	0.8	0.7	11.6	3.7	43,433
Simple Average				14.2	10.2	8.8	7.7	0.5	0.5	0.4	0.4	5.8	3.3	
Weighted Average				9.7	8.8	8.2	7.1	0.6	0.5	0.5	0.6	7.0	3.9	
<b>Offshore - Listed Peers</b>														
Alstom	ALO.FP	EUR	38.57	12.6	19.2	18.5	15.2	2.1	2.6	2.4	2.2	12.3	1.6	73,871
Bharat Heavy Electricals	BHEL	INR	22.15	8.0	9.7	8.1	6.7	0.2	0.2	0.2	0.2	2.6	5.4	7,822
Doosan Heavy Industries	034020 KS	KRW	4,080.00	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	6,567
General Electric	GE US	USD	6.93	n.a.	15.8	10.9	9.1	2.1	2.2	2.8	1.8	7.7	0.6	469,523
Hyundai Heavy Industries	009540 KS	KRW	82,400.00	37.7	26.5	17.5	15.4	0.5	0.5	0.5	0.5	1.7	1.3	37,080
Mitsubishi Heavy Industries	7011 JT	JPY	2,665.50	8.8	8.7	8.9	8.6	0.6	0.6	0.6	0.6	7.1	5.6	64,915
Siemens Ag	SIE GY	EUR	80.40	12.5	14.7	11.6	9.7	1.4	1.4	1.3	1.2	9.1	4.7	579,216
Wartsila Oyj Abp	WRT1V FH	EUR	6.79	18.4	14.0	12.2	10.8	1.7	1.7	1.6	1.6	11.5	6.1	34,053
Simple Average				16.3	15.5	12.5	10.8	1.1	1.3	1.4	1.2	7.4	3.6	
Weighted Average				13.6	15.4	11.8	9.9	1.6	1.7	1.9	1.4	8.5	3.0	

Source: Bloomberg, Guotai Junan International. Prices as at April 15<sup>th</sup>, 2020.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Total Revenue	101,158	127,509	138,005	147,625	156,369	PPE	16,179	24,039	25,793	27,579	29,352
COGS	(82,708)	(105,518)	(114,082)	(121,384)	(128,283)	Investment in affiliates	13,563	15,119	16,026	17,148	18,348
Gross profit	18,450	21,991	23,924	26,241	28,086	Intangible & goodwill	6,333	6,183	5,783	5,399	5,024
Selling expense	(2,759)	(2,898)	(3,105)	(3,484)	(3,596)	Other non-current assets	30,719	35,982	37,868	39,542	41,195
Admin expense	(11,174)	(14,534)	(15,719)	(16,844)	(17,826)	Total Non-current Assets	66,794	81,323	85,470	89,668	93,919
Operating Profit	4,516	4,559	5,100	5,913	6,664	Cash & Cash Equivalents	39,195	42,431	43,162	46,490	49,288
Other income	1,765	3,258	3,355	3,307	3,331	Inventories	27,929	27,004	32,513	37,022	38,998
Gain from affiliates & JVs	666	759	809	873	943	Trade receivable	24,644	35,909	34,777	38,383	42,220
Finance income	(940)	(1,313)	(1,435)	(1,580)	(1,650)	Other current assets	59,960	93,856	94,138	96,979	100,612
Profit Before Tax	6,008	7,263	7,829	8,513	9,288	Total Current Assets	151,728	199,201	204,590	218,874	231,118
Income Tax	(677)	(1,279)	(1,283)	(1,305)	(1,306)	Total Assets	218,522	280,524	290,060	308,542	325,036
Profit After Tax	5,331	5,984	6,547	7,208	7,982	Short-term debts	10,351	20,403	22,705	22,930	22,967
Non-controlling Interest	(2,351)	(2,264)	(2,400)	(2,556)	(2,722)	Bonds, ST	0	4,688	4,188	3,938	3,688
Shareholders' Profit / Loss	2,980	3,720	4,147	4,652	5,260	Trade payable	45,268	66,430	62,745	67,975	73,121
Basic EPS (RMB)	0.202	0.250	0.274	0.307	0.347	Advances & deposits	16,847	24,032	24,979	27,163	28,616
DPS (RMB)	0.061	0.000	0.096	0.107	0.121	Others	47,157	48,509	50,575	52,328	53,979
						Total Current Liabilities	119,623	164,061	165,192	174,334	182,371
						Long-term debts	9,589	11,268	12,068	14,568	15,568
						Corporate bond	12,749	6,918	7,418	7,918	8,418
						Others	2,924	6,687	7,041	7,410	7,794
						Total Non-current Liabilities	25,262	24,873	26,527	29,896	31,780
						Total Liabilities	144,885	188,934	191,719	204,230	214,151
						Total Shareholders' Equity	57,290	63,346	67,698	71,112	74,964
						Minority Interest	16,346	28,243	30,643	33,199	35,921
						Total Equity	73,637	91,589	98,342	104,311	110,885
						BPS (RMB)	3.891	4.181	4.468	4.693	4.947

Cash Flow Statement					
Year end 31 Dec (RMB m)	2018A	2019F	2020F	2021F	2022F
Operating activities					
Net income	2,980	3,720	4,147	4,652	5,260
D&A	2,184	2,782	3,011	3,266	3,544
Change in working capital	102	(17,316)	(5,160)	(2,426)	(1,650)
Others	(4,317)	6,703	2,703	2,851	3,039
Cash from Operating Activities	949	(4,111)	4,700	8,343	10,193
Investing activities					
Capital expenditure	(3,374)	(8,817)	(4,830)	(5,167)	(5,473)
Others	567	3,704	(2,071)	(2,010)	(2,035)
Cash from Investing Activities	(2,807)	(5,113)	(6,902)	(7,177)	(7,508)
Financing activities					
Debt raised / (repaid)	10,972	16,419	2,603	2,475	787
Dividend paid	(1,354)	(905)	0	(1,451)	(1,628)
Bonds issued / (repaid)	2,691	(5,832)	500	500	500
Others	(1,162)	2,777	(171)	638	455
Cash from Financing Activities	11,147	12,460	2,932	2,162	113
Net Changes in Cash	9,289	3,236	730	3,329	2,798
Adjustments	(3,485)	0	0	0	0
Cash at Beg of Year	33,391	39,195	42,431	43,162	46,490
Cash at End of Year	39,195	42,431	43,162	46,490	49,288

Financial Ratios					
	2018A	2019A	2020F	2021F	2022F
Gross margin(%)	18.2%	17.2%	17.3%	17.8%	18.0%
EBIT margin (%)	4.5%	3.6%	3.7%	4.0%	4.3%
EBITDA margin (%)	6.6%	5.8%	5.9%	6.2%	6.5%
Net margin(%)	2.9%	2.9%	3.0%	3.2%	3.4%
ROE(%)	5.3%	6.2%	6.3%	6.7%	7.2%
ROA(%)	1.4%	1.5%	1.5%	1.6%	1.7%
Net gearing(%)	NetCash	NetCash	NetCash	NetCash	NetCash
Inventory turnover (day)	124.0	93.7	102.6	109.8	109.4
AR turnover (day)	131.3	85.5	90.7	93.6	97.2
AP turnover (day)	187.5	190.5	198.0	201.6	205.2
EV/EBITDA(x)	4.6	5.2	6.0	5.6	5.1
Quick ratio (x)	0.5	0.5	0.5	0.5	0.5
Current ratio (x)	1.3	1.2	1.2	1.3	1.3

Source: the Company, Guotai Junan International.

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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