

## Hong Kong

### ADD (no change)

Consensus ratings\*: Buy 19 Hold 2 Sell 0

Current price:	HK\$207.4
Target price:	HK\$373.0
Previous target:	HK\$697.0
Up/downside:	79.8%
CGI / Consensus:	-47.7%

Reuters:	9626.HK
Bloomberg:	9626 HK
Market cap:	US\$10,287m
	HK\$80,386m
Average daily turnover:	US\$50.91m
	HK\$401.8m
Current shares o/s:	384.1m
Free float:	46.9%

\*Source: Bloomberg

#### Key changes in this note

- FY22F EPS decreased by 47.0%.
- FY23F EPS decreased by 45.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-18.5	-53.9	
Relative (%)	-7.6	-46.1	

Major shareholders	% held
Rui Chen	13.0
Tencent entities	11.6
Taobao China Holding Limited	6.3

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## Bilibili Inc

### Focus changed to revenue growth and cost control

- Bilibili reported 4Q21 revenue of Rmb5.78bn, up 50.5% yoy, in line with our expectation, and a non-GAAP net loss of Rmb1,877m, higher than the loss of Rmb669m in 4Q20, slightly below our expectation, because of lower margins.
- Bilibili plans to gradually reduce the sales and marketing expenses ratio starting in FY22F and to improve its gross margin to 30%, with non-GAAP net profit expected to break even in FY24F.
- Reiterate Add with lower DCF-based TP of HK\$373.

#### High costs remain an issue

4Q21 sales growth for the mobile game, value-added services (VAS, including live broadcasting), advertising and e-commerce segments was 14.7%, 51.9%, 119.8% and 35.4% yoy, respectively (3Q21: 9.1%, 94.9%, 110.2% and 77.5% yoy). VAS was the largest revenue contributor in FY21, accounting for 36% of total revenue, while the contribution from mobile games dropped to 26%. The gross margin dropped by 5.6% pts yoy to 19.0%, mainly because of an increase in revenue-sharing payments to hosts and content creators, and an increase in payments to distribution channels, as Bilibili expanded its mobile game and VAS offerings. The sales and marketing expenses ratio was up by 3.9% pts yoy, attributable primarily to brand building and promotional expenses for mobile games. The G&A and R&D expenses ratios increased 0.4% and 1.2% pts yoy, respectively, driven mainly by an increase in staff, share-based compensation and rent. In 1Q22F, management guided revenue of Rmb5.3–5.5bn, up 36–41% yoy, with mobile game and advertising revenue up 10% and 70% yoy, respectively. Bilibili plans to gradually reduce the sales and marketing expenses ratio starting in FY22F and to improve its gross margin to 30%, with non-GAAP net profit breaking even in FY24F.

#### Robust user base and user engagement growth

User growth maintained strong momentum in 4Q21, with DAU growing 33.7% yoy to 72.2m, MAU growing 34.5% yoy to 271.7m (3Q21: 267.2m), mobile MAU up 35.3% yoy to 252.4m, and MPU up 36.9% yoy to 24.5m. Bilibili's user daily time spent reached 82min (a historical high for 4Q) and the average number of social interactions increased 116% yoy to 10.1bn in 4Q21, reflecting high user stickiness and engagement. In Jan 2022, Bilibili's MAU reached 300m with a record-high time spent of over 90min. Management maintained its previous guidance of 400m MAU by the end of 2023.

#### Revenue outlook and cost-control measures

Bilibili will focus more on revenue growth than user growth in the next few years. In FY21, revenue growth from advertising and live broadcasting were both over 100%, and management expects the high growth trend to continue. In FY21, advertising revenue was 23% of total revenue; management expects it to be over 30% in FY24F. Mobile game revenue growth is expected to be flat yoy in FY22F, with the main contribution from overseas markets, given the continued suspension of new game licenses in China. Bilibili plans to strengthen cost control to improve profitability. It will improve revenue per MAU and enhance internal circulation between content creators and live broadcasting hosts to minimize its dependence on expensive external hosts, thus improving the gross margin. Revenue per MAU increased by 20% yoy in FY21, driven by more value-added services for users. In FY22F, Bilibili plans to gradually cut its selling and marketing expenses ratio by reducing unnecessary promotion spending in the unfavorable policy environment. But it will not reduce its R&D expenses, as it is focusing on self-developed mobile games and hopes to see some progress in this segment in FY23F. New staff recruitment will be low, as the self-developed game team is adequate for the next few years.

#### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	11,999	19,384	26,254	35,943	48,160
Operating EBITDA (Rmbm)	(1,485)	(3,905)	(4,394)	(1,540)	2,122
Net Profit (Rmbm)	(3,007)	(6,244)	(7,348)	(5,121)	(1,469)
Core EPS (Rmb)	(8.70)	(16.44)	(19.34)	(13.48)	(3.87)
Core EPS Growth	118%	89%	18%	(30%)	(71%)
FD Core P/E (x)	NA	NA	NA	NA	NA
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	NA	NA	26.20
P/FCFE (x)	NA	NA	NA	NA	22.03
Net Gearing	(55%)	(52%)	(37%)	(56%)	(105%)
P/BV (x)	7.63	2.94	4.44	6.90	8.21
ROE	(41.0%)	(42.6%)	(40.8%)	(43.4%)	(17.3%)
% Change In Core EPS Estimates			(47.0%)	(45.7%)	
CGI/consensus EPS (x)			1.31	1.28	

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

# Focus changed to revenue growth and cost control

## Advertising revenue expected to maintain strong growth

Advertisement revenue grew by 145% and 120% yoy in FY21 and 4Q21, and management expects this fast growth trend to continue in FY22F. We now expect advertisement revenue to grow by 70% and 60% yoy in 1Q22F and FY22F. The advertisement segment contributed 23% of total revenue in FY21, up from 13% in FY20, and management expects the revenue contribution to improve to over 30% in FY24F. Bilibili launched story mode, which is a relatively short video format with horizontal screen. Story mode is an extension of Bilibili's PUGV ecosystem, and the creator of story mode is the creator of its PUGV. Currently, story mode has reached a DAU penetration rate of over 20%, and management expects it to reach 50% in the future. The development of story mode provides a new format for Bilibili to further commercialize its advertising business. Management said the growth drivers for its advertising business include 1) increasing the user base and revenue per user; 2) improving user quality to attract more diversified brands to use Bilibili's advertising services; in 4Q21, the top five industries that used Bilibili's advertising services were the game, e-commerce, 3C, food and beverage, and automobile industries; 3) more advertising adopting the video format; and 4) the further expansion of Bilibili's Sparkle Platform to better connect brands and content creators.

## Reiterate Add with lower DCF-based TP of HK\$373

We cut our FY22–23F EPS forecasts by 47.0% and 45.7%, respectively, to reflect lower margins. We rolled over our forecasts to FY24F and reiterate our Add rating, since we expect Bilibili to improve its margins by better control of costs and expenses starting in FY22F and to continue to attract more high-quality users by offering high-quality content. Key risks include 1) a slowdown in user base growth, and a decrease in user activity and stickiness; 2) the weakening of the platform ecosystem and community environment; 3) the short-video platform threat to the attention of Bilibili users; and 4) government policies regarding copyright and content supervision.

Figure 1: Bilibili earnings revisions

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	28,417	26,254	-7.6%	38,272	35,943	-6.1%	N/A	48,160	N/A
Gross margin	24.6%	19.0%	-5.6% pts	26.9%	23.0%	-3.9% pts	N/A	28.0%	N/A
Operating margin	-17.4%	-27.0%	-9.6% pts	-8.6%	-13.0%	-4.4% pts	N/A	-2.8%	N/A
Net income	-5,051	-7,348	45.5%	-3,551	-5,121	44.2%	N/A	-1,469	N/A
EPS (Rmb)	-13.16	-19.34	-47.0%	-9.25	-13.48	-45.7%	N/A	-3.87	N/A

SOURCES: CGIS RESEARCH

**Figure 2: Bilibili results review**

	4Q20	4Q21	yoy	2020	2021	yoy
Mobile games	1,130	1,295	14.7%	4,803	5,091	6.0%
Value-added services	1,247	1,895	51.9%	3,846	6,935	80.3%
Advertising	722	1,588	119.8%	1,843	4,523	145.5%
E-commerce and others	741	1,003	35.4%	1,507	2,834	88.1%
<b>Total revenue</b>	<b>3,840</b>	<b>5,781</b>	<b>50.5%</b>	<b>11,999</b>	<b>19,384</b>	<b>61.5%</b>
Costs of revenues	(2,896)	(4,683)	61.7%	(9,159)	(15,341)	67.5%
<b>Gross profit</b>	<b>944</b>	<b>1,098</b>	<b>16.3%</b>	<b>2,840</b>	<b>4,043</b>	<b>42.4%</b>
<b>GP margin</b>	<b>25%</b>	<b>19%</b>	<b>-6% pts</b>	<b>24%</b>	<b>21%</b>	<b>-3% pts</b>
Sales and marketing expenses	(1,021)	(1,762)	72.6%	(3,492)	(5,795)	65.9%
% of revenue	27%	30%	4% pts	29%	30%	1% pts
General and administrative expenses	(343)	(538)	57.0%	(976)	(1,838)	88.3%
% of revenue	9%	9%	0% pts	8%	9%	1% pts
Research and development expenses	(484)	(798)	64.8%	(1,513)	(2,840)	87.7%
% of revenue	13%	14%	1% pts	13%	15%	2% pts
<b>Operating loss</b>	<b>(903)</b>	<b>(2,000)</b>	<b>121.3%</b>	<b>(3,141)</b>	<b>(6,429)</b>	<b>104.7%</b>
<b>OP margin</b>	<b>-24%</b>	<b>-35%</b>	<b>-11% pts</b>	<b>-26%</b>	<b>-33%</b>	<b>-7% pts</b>
Investment income, net (including impairments)	9	(93)	-1135.2%	28	(194)	-788.5%
Interest income	15	27	77.3%	83	70	-15.5%
Interest expense	(35)	(50)	44.2%	(109)	(155)	43.2%
Exchange gains/(losses)	13	4	-69.7%	42	(16)	-137.2%
Others, net	72	49	-31.2%	96	10	-89.1%
Loss before income tax	(829)	(2,063)	148.9%	(3,001)	(6,713)	123.7%
Income tax expenses	(15)	(33)	122.1%	(53)	(95)	78.5%
Net income	(844)	(2,096)	148.4%	(3,054)	(6,809)	122.9%
Non-controlling interests	20	8	-61.6%	47	20	-58.1%
<b>Net income attributable to ordinary shareholder</b>	<b>(828)</b>	<b>(2,088)</b>	<b>152.2%</b>	<b>(3,012)</b>	<b>(6,789)</b>	<b>125.4%</b>
<b>NP margin</b>	<b>-22%</b>	<b>-36%</b>	<b>-15% pts</b>	<b>-25%</b>	<b>-35%</b>	<b>-10% pts</b>
<b>Non-GAAP net income</b>	<b>(669)</b>	<b>(1,877)</b>	<b>180.8%</b>	<b>(2,560)</b>	<b>(5,478)</b>	<b>114.0%</b>
<b>Non-GAAP NP margin</b>	<b>-17%</b>	<b>-32%</b>	<b>-15% pts</b>	<b>-21%</b>	<b>-28%</b>	<b>-7% pts</b>

SOURCES: CGIS RESEARCH, COMPANY DATA

**Figure 1: Bilibili DCF valuation**

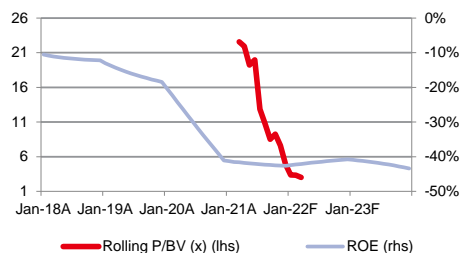
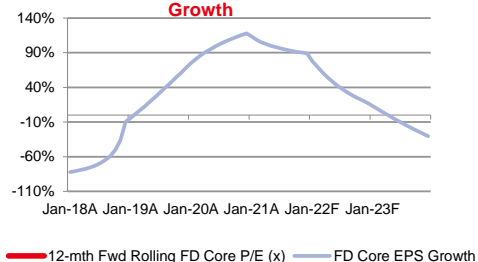
(RMB m)	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
EBIT	(7,097)	(4,683)	(1,363)	136	409	1,227	3,066	7,666	13,799	24,838	44,708
Add: Depreciation & amortization	802	943	1,085	1,117	1,151	1,185	1,221	1,257	1,295	1,334	1,374
Less: Tax	(351)	(467)	(135)	14	41	122	304	761	1,370	2,466	4,438
Less: Capex	500	500	500	515	530	546	563	580	597	615	633
Less: Net change in working capital	(1,285)	(3,366)	(2,396)	(2,468)	(2,542)	(2,618)	(2,697)	(2,778)	(2,861)	(2,947)	(3,035)
Unlevered FCF	(5,158)	(406)	1,753	3,193	3,530	4,362	6,117	10,360	15,988	26,038	44,046
Terminal value	-	-	-	-	-	-	-	-	-	-	418,187
DCF	(4,444)	(302)	1,121	2,042	1,946	2,071	2,503	3,653	4,857	6,815	9,934

**Assumptions**

PV for the forecasted period	30,197	Risk-free Rate of Return	3.0%
PV for the terminal value	94,314	Equity Risk Premium	9.0%
Enterprise Value	124,511	Company Beta	1.5
Minus: Net debt + Minority interest	6,791	Cost of Equity	16.5%
NPV to equity shareholders	117,719	Pre-tax Cost of Debt	1.8%
Divided by: # of shares outstanding	380	Tax Rate	1%
NPV per share to equity shareholders (RMB)	310	After-tax Cost of Debt	1.8%
HK\$/CNY	0.83	Target debt to total capital	3%
<b>NPV per share to equity shareholders (HK\$)</b>	<b>373</b>	WACC	16.1%
		Terminal growth ("g")	5%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS

**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**


### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>11,999</b>	<b>19,384</b>	<b>26,254</b>	<b>35,943</b>	<b>48,160</b>
<b>Gross Profit</b>	<b>2,840</b>	<b>4,588</b>	<b>4,980</b>	<b>8,256</b>	<b>13,470</b>
<b>Operating EBITDA</b>	<b>(1,485)</b>	<b>(3,905)</b>	<b>(4,394)</b>	<b>(1,540)</b>	<b>2,122</b>
Depreciation And Amortisation	(1,656)	(1,979)	(2,702)	(3,143)	(3,485)
<b>Operating EBIT</b>	<b>(3,141)</b>	<b>(5,884)</b>	<b>(7,097)</b>	<b>(4,683)</b>	<b>(1,363)</b>
Financial Income/(Expense)	(25)	(85)	(105)	(105)	(105)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	166	(199)	184	114	114
<b>Profit Before Tax (pre-EI)</b>	<b>(3,001)</b>	<b>(6,168)</b>	<b>(7,017)</b>	<b>(4,673)</b>	<b>(1,353)</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>(3,001)</b>	<b>(6,168)</b>	<b>(7,017)</b>	<b>(4,673)</b>	<b>(1,353)</b>
Taxation	(53)	(95)	(351)	(467)	(135)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>(3,054)</b>	<b>(6,264)</b>	<b>(7,367)</b>	<b>(5,141)</b>	<b>(1,488)</b>
Minority Interests	47	20	20	20	20
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(3,007)</b>	<b>(6,244)</b>	<b>(7,348)</b>	<b>(5,121)</b>	<b>(1,469)</b>
Recurring Net Profit	(3,007)	(6,244)	(7,348)	(5,121)	(1,469)
<b>Fully Diluted Recurring Net Profit</b>	<b>(3,007)</b>	<b>(6,244)</b>	<b>(7,348)</b>	<b>(5,121)</b>	<b>(1,469)</b>

### Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>(1,485)</b>	<b>(3,905)</b>	<b>(4,394)</b>	<b>(1,540)</b>	<b>2,122</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	1,487	(4,981)	1,285	3,366	2,396
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	598	0	0	0	0
Other Operating Cashflow	231	(744)	184	114	114
Net Interest (Paid)/Received	(25)	(85)	(105)	(105)	(105)
Tax Paid	(53)	(95)	(351)	(467)	(135)
<b>Cashflow From Operations</b>	<b>753</b>	<b>(9,811)</b>	<b>(3,380)</b>	<b>1,369</b>	<b>4,392</b>
Capex	(602)	(1,157)	(500)	(500)	(500)
Disposals Of FAs/subsidiaries	25,057	0	0	0	0
Acq. Of Subsidiaries/investments	(38,900)	(11,704)	0	0	0
Other Investing Cashflow	5,538	(2,890)	(2,000)	(1,000)	(1,000)
<b>Cash Flow From Investing</b>	<b>(8,907)</b>	<b>(15,751)</b>	<b>(2,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>
Debt Raised/(repaid)	5,695	10,575	0	0	0
Proceeds From Issue Of Shares	2,641	19,007	0	0	0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	0	(1,177)	0	0	0
<b>Cash Flow From Financing</b>	<b>8,335</b>	<b>28,406</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Cash Generated	182	2,844	(5,880)	(131)	2,892
<b>Free Cashflow To Equity</b>	<b>(2,459)</b>	<b>(14,986)</b>	<b>(5,880)</b>	<b>(131)</b>	<b>2,892</b>
<b>Free Cashflow To Firm</b>	<b>(8,045)</b>	<b>(25,406)</b>	<b>(5,725)</b>	<b>23</b>	<b>3,047</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	12,755	30,216	24,336	24,205	27,097
Total Debtors	1,054	1,382	1,917	2,600	3,452
Inventories					
Total Other Current Assets	1,931	4,848	4,848	4,848	4,848
<b>Total Current Assets</b>	<b>15,740</b>	<b>36,447</b>	<b>31,101</b>	<b>31,653</b>	<b>35,398</b>
Fixed Assets	762	1,350	1,048	605	20
Total Investments	2,233	5,503	5,503	5,503	5,503
Intangible Assets	3,653	6,174	6,274	5,074	3,674
Total Other Non-Current Assets	1,478	2,580	2,580	2,580	2,580
<b>Total Non-current Assets</b>	<b>8,126</b>	<b>15,606</b>	<b>15,405</b>	<b>13,761</b>	<b>11,777</b>
Short-term Debt	100	1,232	1,232	1,232	1,232
Current Portion of Long-Term Debt					
Total Creditors	3,074	4,361	5,233	7,850	9,420
Other Current Liabilities	4,217	6,478	7,426	8,858	10,537
<b>Total Current Liabilities</b>	<b>7,392</b>	<b>12,071</b>	<b>13,891</b>	<b>17,940</b>	<b>21,189</b>
Total Long-term Debt					
Hybrid Debt - Debt Component	8,341	17,784	17,784	17,784	17,784
Total Other Non-Current Liabilities	351	482	482	482	482
<b>Total Non-current Liabilities</b>	<b>8,692</b>	<b>18,266</b>	<b>18,266</b>	<b>18,266</b>	<b>18,266</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>16,083</b>	<b>30,337</b>	<b>32,157</b>	<b>36,206</b>	<b>39,455</b>
Shareholders' Equity	7,600	21,704	14,356	9,235	7,766
Minority Interests	182	12	(7)	(27)	(46)
<b>Total Equity</b>	<b>7,782</b>	<b>21,716</b>	<b>14,349</b>	<b>9,208</b>	<b>7,720</b>

**Key Ratios**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	77.0%	61.5%	35.4%	36.9%	34.0%
Operating EBITDA Growth	281%	163%	13%	(65%)	N/A
Operating EBITDA Margin	(12.4%)	(20.1%)	(16.7%)	(4.3%)	4.4%
Net Cash Per Share (Rmb)	12.48	29.48	14.00	13.66	21.27
BVPS (Rmb)	21.98	57.13	37.79	24.31	20.44
Gross Interest Cover	(28.94)	(37.85)	(45.91)	(30.30)	(8.82)
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	27.43	22.93	22.93	22.93	23.00
Inventory Days	-	-	-	-	-
Accounts Payables Days	99.47	91.71	82.30	86.23	91.10
ROIC (%)	(163%)	(371%)	(129%)	(117%)	136%
ROCE (%)	(22.2%)	(21.1%)	(18.6%)	(14.7%)	(4.4%)
Return On Average Assets	(15.4%)	(16.3%)	(14.7%)	(11.0%)	(3.0%)

**Key Drivers**

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Average MAU growth	0.6	0.3	0.3	0.3	0.3
User paying rate	0.1	0.1	0.1	0.1	0.1
Average monthly ARPPU for mobile games growth	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)
Average monthly ARPPU for value-added services gro	0.1	0.2	0.1	0.1	0.1
Average monthly ARPU for advertising growth	0.4	0.8	0.3	0.2	0.1
Average monthly ARPPU for e-commerce and others gr	0.0	0.2	0.0	0.0	0.0

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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CGS-CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

As of the end of the month immediately preceding the date of publication of this report, CGS-CIMB Securities (USA) Inc. beneficially owns 1% or more of any class of common equity securities of .

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2021		
619 companies under coverage for quarter ended on 31 Dec 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

**Spitzer Chart for stock being researched ( 2 year data )**

**Bilibili Inc (9626 HK)**

## RECOMMENDATION FRAMEWORK

### Stock Ratings

#### Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

#### Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

#### Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

## Analyst Certification

The analyst who is primarily responsible for the content of this report, in whole or in part, certifies that with respect to the securities or issuer 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 the 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 securities 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 securities covered in this research report three 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.

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