



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Company Report: HKEx (00388 HK)

公司报告: 港交所 (00388 HK)

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Tide Players of MMA in 2015, Reiterate 'Accumulate'

2015年市场互通互联的弄潮儿, 重申“收集”

- **FY14 net profit was up 13.5% yoy, in-line with expectation.** Total revenue was up 12.9% yoy. Operating profit rose by 14.8% yoy. EPS increased by 12.3% yoy to HKD4.438 per share.
- **CSRC approved to let mutual funds buy Hong Kong stocks via SH-HK Stock Connect.** In 2015, market focuses on two key factors, **mutual market access (MMA)** and **higher profit from LME**. The LME story has been widely expected and the market may have fully taken into account the increasing contribution from LME. Stock connect with Shenzhen Stock Exchange is likely to be launched in 2H15. The 2.0 version of SH-HK Stock Connect may be launched with new products like equity derivatives, commodities, fixed income, currencies and international equities, etc.
- **Key assumptions and earnings adjustment:** Revise up ADT in 2015 by 0.9%. **Raise 2015-2016 EPS by 4.7% and 3.8%** to HKD6.013 and HKD7.085, respectively. **Introduce 2017 EPS of HKD8.749.**
- **Maintain 'Accumulate' and revise up TP to HKD200.00.** Our TP represents 33.3x, 28.2x and 22.9x 2015-2017 PE. Potential share catalysts include: 1) further news flow on MMA; 2) monetary easing measures in the Mainland, leading to a likely rise in stock turnover; 3) stronger than expected LME contributions. Risks include slowdown of China's economy and more regulatory action or lawsuits on LME.
- **2014 年净利润同比升 13.5%，符合预期。**总收入同比上升 12.9%。经营利润同比上升 14.8%。每股盈利同比上升 12.3%至每股 4.438 港元。
- **中国证监会批准公募基金通过沪港通参与港股。**2015 年市场关注两个关键因素：**互通互联和 LME 更高的利润贡献。**我们认为 LME 的故事市场已广泛预期，并且估值或已充分反映其利润贡献的提高。深港通可能 2015 年下半年推出。而沪港通 2.0 版本或也将推出，伴随着新的产品如股票衍生品、大宗商品、固定收益产品、外汇及国际股票等。
- **关键假设和盈利调整：**上调 2015 年 ADT 假设 0.9%。分别上调 2015-2016 年每股盈利 4.7%和 3.8%至 6.013 港元和 7.085 港元。**预计 2017 年每股盈利为 8.749 港元。**
- **维持“收集”，上调目标价至 200.00 港元。**我们的目标价相当于 33.3 倍、28.2 倍和 22.9 倍 2015-2017 年市盈率。潜在股价催化剂包括：1) 进一步关于市场互通互联的消息；2) 内地宽松的货币政策可能导致的市场交易量提升；3) 好于预期的 LME 贡献。风险包括中国经济放缓及 LME 引发的更多监管行动或诉讼。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$200.00

Revised from 原目标价:

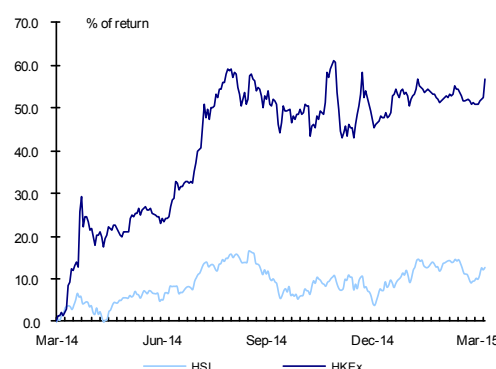
HK\$195.00

Share price 股价:

HK\$178.800

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	1.7	5.5	55.8
Rel. % to HS index 相对恒指变动 %	2.7	0.4	42.9
Avg. share price(HK\$) 平均股价 (港元)	177.3	177.3	164.9

Source: Bloomberg, Guotai Junan International.

Year End 年结 12/31	Turnover 收入 (HKD m)	Net Profit 股东净利 (HKD m)	EPS 每股净利 (HKD)	EPS 每股净利变动 (%)	PER 市盈率 (x)	BPS 每股净资产 (HKD)	PBR 市净率 (x)	DPS 每股股息 (HKD)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2013A	8,723	4,552	3.951	5.3	45.3	17.712	10.1	3.552	2.0	23.8
2014A	9,849	5,165	4.438	12.3	40.3	18.280	9.8	3.990	2.2	24.7
2015F	12,890	7,011	6.013	35.5	29.7	20.274	8.8	5.405	3.0	31.1
2016F	14,655	8,278	7.085	17.8	25.2	21.925	8.2	6.369	3.6	33.5
2017F	17,261	10,242	8.749	23.5	20.4	24.273	7.4	7.864	4.4	37.9

Shares in issue (m) 总股数 (m)

1,168.3

Market cap. (HK\$ m) 市值 (HK\$ m)

206,230.1

3 month average vol. 3 个月平均成交股数 ('000)

3,870.5

52 Weeks high/low (HK\$) 52 周高/低

189.000 / 115.400

Major shareholder 大股东

HONG KONG SAR 5.9%

Free float (%) 自由流通比率 (%)

94.1

FY15 Net gearing (%) FY15 净负债/股东资金 (%)

Net cash

FY15 Est. NAV (HK\$) FY15 每股估值 (港元)

205.2

Source: the Company, Guotai Junan International.

FY14 results were in line with expectation. Trading fees and trading tariff was up 7% yoy to HKD3,760 million due to the increase of ADT and ADV of commodities and stock options contracts, partially offset by the decrease of average daily number of derivatives contracted traded on HKFE. 2014 cash market ADT was up 11% yoy to HKD69.5 billion, derivatives market ADV was up 8% yoy to 577,000 contracts, and commodities ADV rose by 4% yoy to 700,000 lots. Stock exchange listing fees rose by 8% yoy to HKD1,102 million, supported by the increase of newly listed DWs, CBBCs and IPOs. Annual listing fees increased due to more listed companies. Clearing and settlement fees surged to HKD1,998 million (2013: HKD1,631 million), mainly due to increase of ADT and contribution from LME Clear since September 2014.

Business prospects in 2015. Cash market: we think with the rally of market turnover in A-share market, turnover in HK market may catch up. We estimate turnover velocity to increase to 79.5% in 2017 from 68.4% in 2014. Derivatives: management expects to add equity derivatives and commodities to a trading scheme linking the two markets in Shanghai and Hong Kong within the year. Also, we think derivatives link-up with overseas markets (for example NASDAQ) might be the next. LME: continue to be an important profit growth contributor in 2015 on the ground of the trading fee hike and full year contribution of LME Clear. MMA: the successful launch of SH-HK Stock Connect and the introduction of covered short selling of SSE securities will continue to help drive ADT. Also, recent policy initiatives like "One Belt One Road" and the establishment of Asian Infrastructure Investment Bank (AIIB) will likely provide more Renminbi offshore liquidity. If Hong Kong is able to take part in the development, market liquidity and channel usage may continue to increase. We think market will likely focus on two key factors in 2015, mutual market access (MMA) and higher profit from LME. We think the LME story has been widely expected and the market may have fully taken into account the forecasted increasing contribution from LME. On the other hand, we expect a stock connect with Shenzhen Stock Exchange (SZSE) is likely to be launched in 2H15. Meanwhile, the 2.0 version of SH-HK Stock Connect may also be launched with new products like equity derivatives, commodities, fixed income, currencies and international equities, etc.

Addressing the needs in the Mainland markets. With the SH-HK Stock Connect already established, incremental improvements to the mechanisms in other cash market connect should be expected. We think cash market is far away from satisfying the capital flow needs in and out of the Mainland (or between the markets). Derivatives, like equity index futures, are vital for investors to hedge their risks. Difficulties that the commodities encounter are bigger, as the reality is that Renminbi capital account is still closed. However, China is trying to add Renminbi to SDR in IMF this year, which will accelerate the internationalization of Renminbi and opening up of capital account in the Mainland. The market connect with the Mainland commodities exchanges will then be easier. Moreover, China is accelerating the reform on interest rate and foreign exchange markets. We think the offshore Renminbi market, especially Hong Kong, is quite important for China to test the Renminbi related interest rate and currency derivatives. HKEx (00388 HK) is able to capture these opportunities to further raise the fees and tariff income, clearing and settlement revenue.

Key assumptions and earnings estimation revision. Revise up 2015 ADT estimate by 0.9% due to the likely increase in market turnover from MMA. Trim down 2015 derivative market ADV by 0.6%. Turnover velocity estimate in 2015 is revised up by 2.0 ppts to 77.0%. LME trading volumes are expected to be 187.8 million lots in 2015. Revise up 2015-2016 total revenue by 4.2% and 4.1% to HKD12,890 million and HKD14,655 million. Introduce 2017 total revenue of HKD17,261 million. Revise up 2015-2016 EPS by 4.7% and 3.8% to HKD6.013 and HKD7.085, respectively. 2017 EPS is expected to be HKD8.749. ROE is expected to rise over 30% in 2015. 2015-2017 ROE are expected to be 31.1%, 33.5% and 37.9%, respectively.

Maintain 'Accumulate' and revise up TP to HKD200.00. Currently HKEx (00388 HK) is trading at 40.7x 2014 PE and 30.0x 2015 forward PE. Comparing with ten-year historical PE of 31.0x and six-year historical PE of 32.2x (after the financial crisis), current valuation is above the average. Current price implying 3.0% yield is fair but a dividend hike is likely if earnings beat. Expected ROE is higher than those of peer companies, thus justifying its higher valuation. Our TP represents 33.3x, 28.2x and 22.9x 2015-2017 PE. Potential share catalysts include: 1) further news flow on MMA; 2) monetary easing measures in the Mainland, leading to a likely rise in stock turnover; 3) stronger than expected LME contributions. Risks include slowdown of China's economy and more regulatory action or lawsuits on LME.

Table-1: Key operating assumptions revision

	New estimates			Old estimates			Change		
	2015F	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
ADT, cash market (bn HKD)	83.0	87.3	96.6	82.2	88.7	n.a.	0.9%	-1.6%	n.a.
ADV, derivative market ('000)	687.1	819.1	1,001.4	691.5	792.8	n.a.	-0.6%	3.3%	n.a.
market cap of HK stock market (bn HKD)	26,400.6	27,060.6	29,766.7	26,836.1	27,507.0	n.a.	-1.6%	-1.6%	n.a.
Turnover velocity	77.0%	79.0%	79.5%	75.0%	79.0%	n.a.	2.0 ppt	0.0 ppt	n.a.
IPO fund raising (bn HKD)	297.4	371.6	464.4	280.5	350.4	n.a.	6.0%	6.1%	n.a.
Number of newly listed securities	20,378	23,286	30,181	23,468	26,911	n.a.	-13.2%	-13.5%	n.a.
LME trading volumes (million lots)	187.8	200.9	213.0	208.9	231.9	n.a.	-10.1%	-13.4%	n.a.

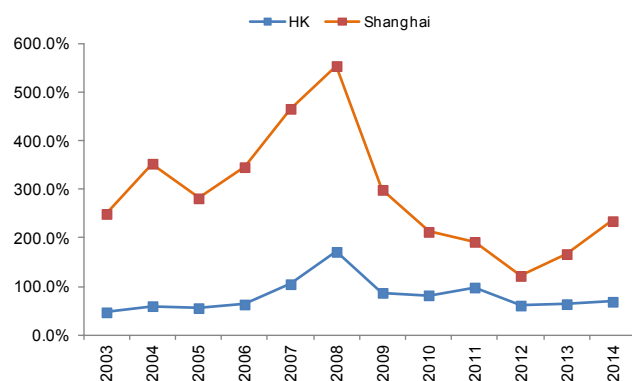
Source: Guotai Junan International.

Table-2: Financial Highlights

	2014	2013	YoY	Note
Earnings summary				
Trading Fees and Trading Tariff	3,760	3,509	7.2%	increase of ADT and ADV of commodities and stock options contracts
Clearing and Settlement Fees	1,998	1,631	22.5%	contribution from LME Clear since September 2014
Depository, Custody and Nominee	725	629	15.3%	
Stock Exchange Listing Fee	1,102	1,016	8.5%	newly listed DWs, CBBCs and IPOs
Market Data Fees	769	737	4.3%	greater demand for non-display data services
Other Revenue	788	620	27.1%	throttle sales due to Stock Connect
Net Investment Income	707	581	21.7%	fair value gains partially offset by reduced gains on LCH
Total Revenue	9,849	8,723	12.9%	increase of trading volumes & related revenue and contribution from LME
Operating profit	6,244	5,439	14.8%	
Profit after tax	5,138	4,546	13.0%	
Non-controlling interests	(27)	(6)	350.0%	
Profit attributable to shareholders	5,165	4,552	13.5%	
Basic EPS	4.438	3.951	12.3%	
DPS	3.990	3.552	12.3%	
Financial ratios				
Operating margin (%)	63.3	62.2	1.1	
EBITDA margin (%)	70.0	68.2	1.8	
Net profit margin (%)	52.4	52.2	0.3	
Debt / Equity	32.9	33.7	(0.8)	
Payout ratio	89.9	89.9	0.0	
Cost to income ratio	36.6	37.6	(1.0)	

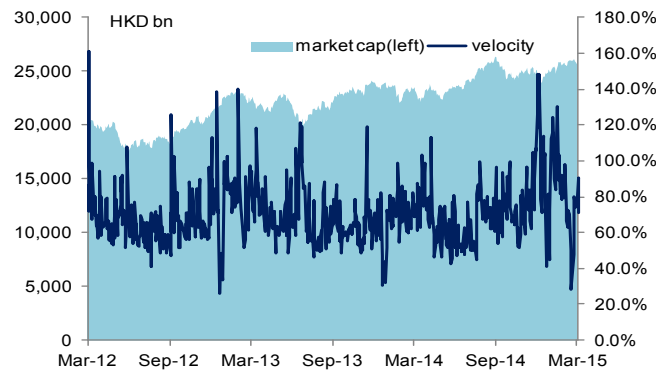
Source: the Company, Guotai Junan International.

Figure-1: Velocity in HK and Shanghai stock market



Source: the Company, SSE, Guotai Junan International.
Note: velocity = turnover / free-floating market cap.

Figure-2: Daily velocity in HK market



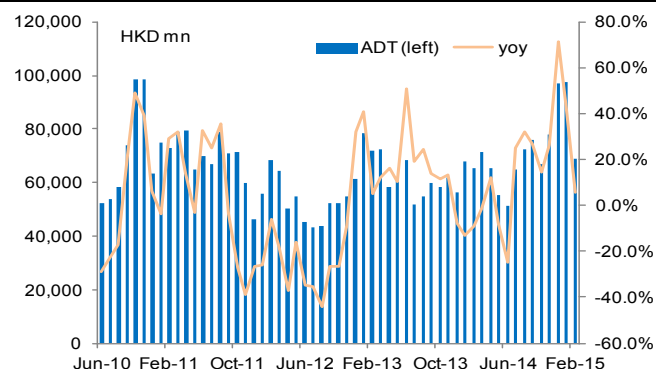
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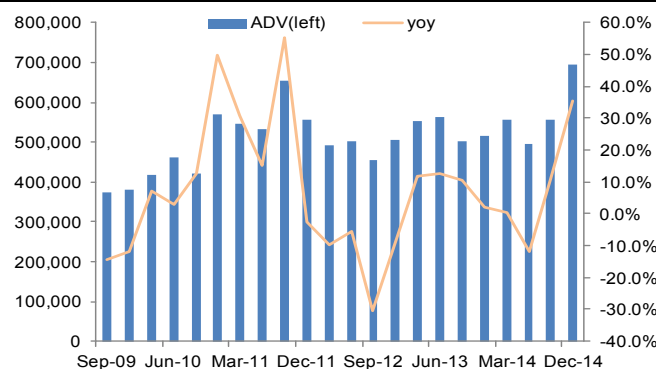
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Figure-3: ADT in HK cash market, monthly



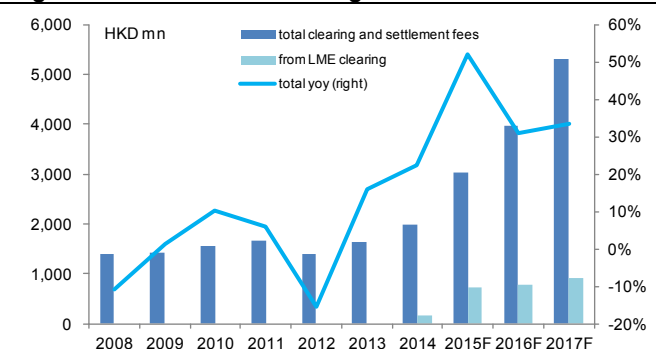
Source: the Company, Guotai Junan International.

Figure-4: ADV in HK derivative market, quarterly



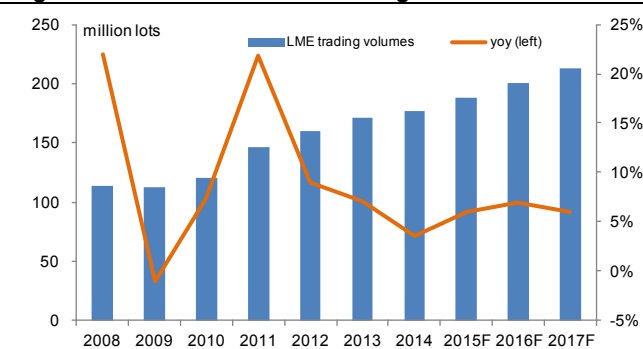
Source: the Company, Guotai Junan International.

Figure-5: 2015F-2017F clearing and settlement fees



Source: the Company, Guotai Junan International.

Figure-6: 2015F-2017F LME trading volumes



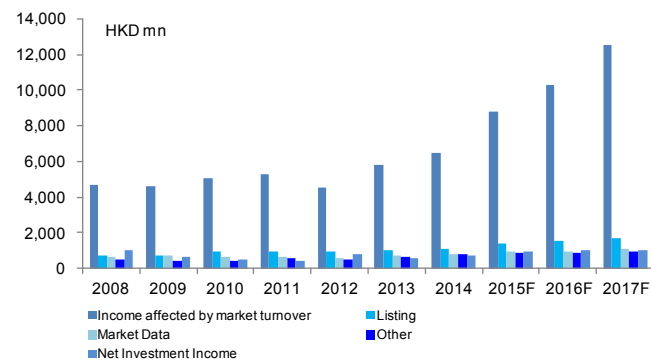
Source: the Company, Guotai Junan International.

Figure-7: 2015F-2017F revenue affected by turnover



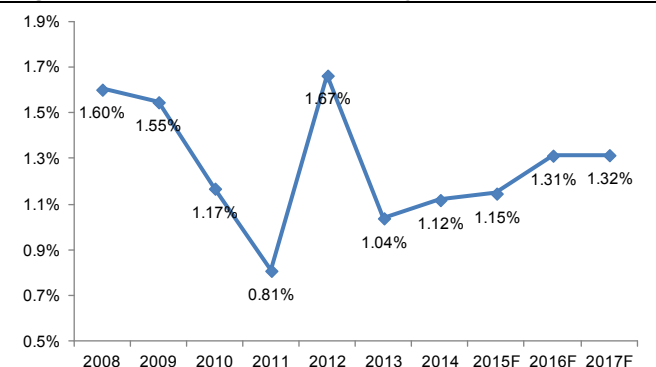
Source: the Company, Guotai Junan International.

Figure-8: 2015F-2017F total revenue estimates



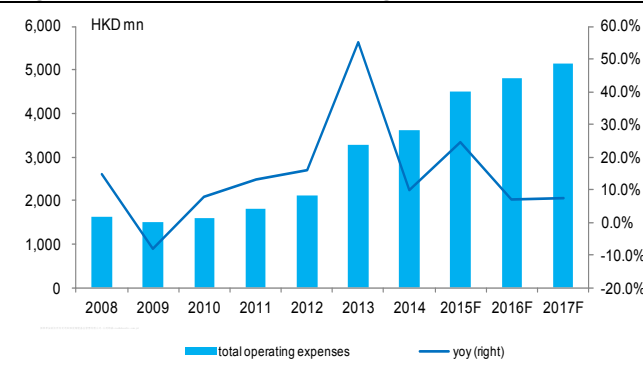
Source: the Company, Guotai Junan International.

Figure-9: 2015F-2017F investment yield



Source: the Company, Guotai Junan International.

Figure-10: 2015F-2017F operating expenses



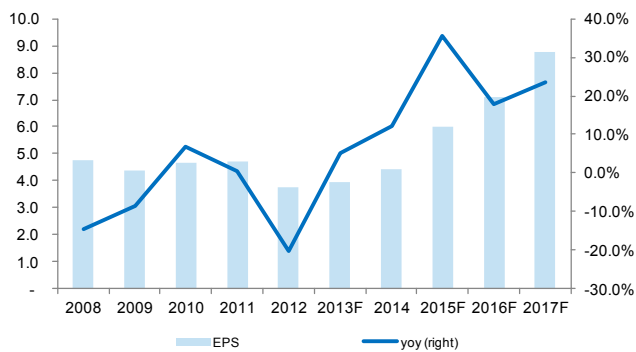
Source: the Company, Guotai Junan International.

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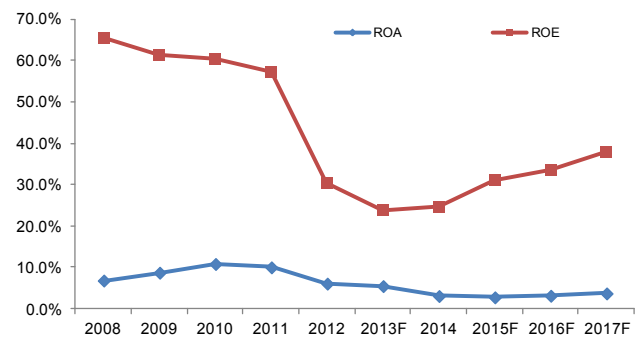
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Figure-11: 2015F-2017F EPS



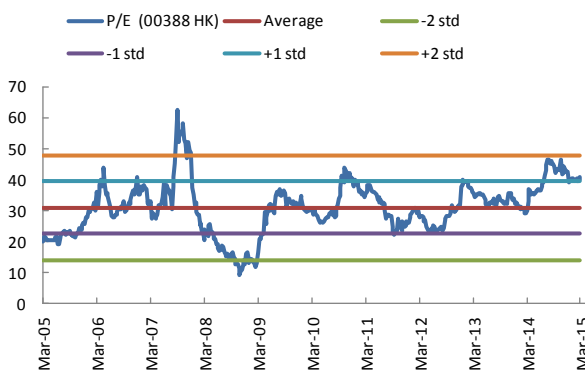
Source: the Company, Guotai Junan International.

Figure-12: 2015F-2017F ROA and ROE



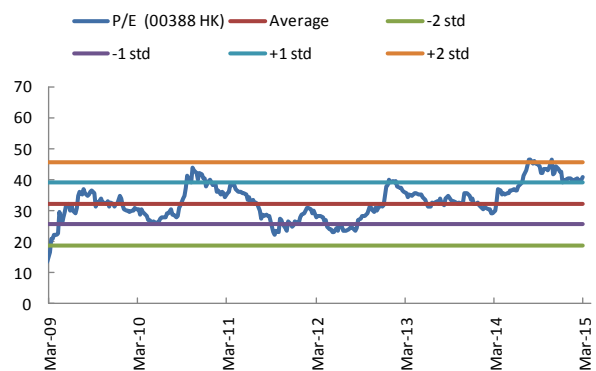
Source: the Company, Guotai Junan International.

Figure-13: 10-year historical PE



Source: Bloomberg, Guotai Junan International.

Figure-14: 6-year historical PE



Source: Bloomberg, Guotai Junan International.

Table-3: Peers comparison

Company	Stock Code	Currency	Last price	Market Cap	PE					PB				ROE (%)	D/Y (%)	Operating Margin (%)	Net Margin (%)
					HKD mn	14A	15F	16F	17F	14A	15F	16F	17F				
Hong Kong Exchanges & Clear	388 HK	HKD	180.80	211,230.4	40.7	31.0	27.2	24.1	9.9	9.5	9.0	8.4	31.5	2.9		68.8	56.6
Cme Group Inc	CME US	USD	97.34	254,641.4	28.9	24.8	22.4	20.5	1.6	1.5	1.5	1.5	6.1	3.9		61.4	39.0
Deutsche Boerse Ag	DB1 GR	EUR	75.88	124,155.5	18.3	18.8	17.2	15.7	4.1	3.8	3.4	3.0	20.5	2.9		48.6	34.1
Intercontinental Exchange In	ICE US	USD	234.31	202,979.8	27.2	19.4	16.5	14.5	2.1	2.0	1.8	1.6	9.8	1.1		58.6	40.1
Bm&Fbovespa Sa	BVMF3 BZ	BRL	10.94	49,040.7	20.6	14.0	12.5	10.2	1.0	1.0	1.0	1.0	7.1	4.6		60.2	71.9
London Stock Exchange Group	LSE LN	GBp	2,575.00	103,028.5	45.6	21.1	18.4	15.9	3.5	3.6	3.2	2.8	18.1	1.2		33.9	21.5
Asx Ltd	ASX AU	AUD	42.81	50,657.7	21.6	20.8	19.9	18.8	2.3	2.2	2.2	2.1	10.8	4.3		71.9	57.5
Singapore Exchange Ltd	SGX SP	SGD	8.07	49,058.3	26.9	25.4	22.5	19.7	9.4	9.0	8.5	8.2	36.1	3.6		52.8	45.1
Japan Exchange Group Inc	8697 JP	JPY	3,580.00	63,704.3	32.9	30.2	26.5	24.6	5.0	4.4	4.1	3.8	15.4	1.5		47.8	31.2
Nasdaq Omx Group/The	NDAQ US	USD	50.17	65,683.1	20.5	14.9	13.5	12.6	1.5	1.4	1.3	1.3	9.1	1.2		44.8	26.7
Dubai Financial Market	DFM UH	AED	1.61	27,193.2	16.9	23.7	17.9	13.8	1.5	1.5	1.5	1.5	5.7	4.4		75.4	82.7
Moscow Exchange Micex-Rts	MOEX RM	RUB	69.00	21,129.8	9.6	8.2	8.8	8.4	1.7	1.6	1.5	1.4	18.9	6.7		71.6	56.1
Tmx Group Ltd	X CN	CAD	54.34	18,262.1	29.4	13.8	12.3	n.a.	1.0	1.0	0.9	n.a.	6.9	2.9		39.1	27.9
Bolsa Mexicana De Valores Sa	BOLSAA MM	MXN	26.45	8,141.3	31.4	19.6	17.5	15.8	2.9	2.8	2.7	2.9	14.0	4.4		43.7	31.0
Bursa Malaysia Bhd	BURSA MK	MYR	8.59	9,711.5	23.1	22.5	21.0	19.2	6.1	5.9	5.9	6.0	26.4	4.5		53.9	40.1
Simple Average					26.2	20.6	18.3	16.7	3.6	3.4	3.2	3.3	15.8	3.3		55.5	44.1
Weighted Average					29.2	22.8	20.2	17.9	3.9	3.8	3.6	3.3	15.8	2.8		57.1	42.5

Source: Bloomberg, Guotai Junan International.

Financial statements and ratios

Income statement					
year-end Dec, HKD mn	2013A	2014A	2015F	2016F	2017F
Revenue by segment					
Trading	3,509	3,760	4,977	5,416	6,258
Clearing and Settlement	1,631	1,998	3,036	3,971	5,303
Depository, Custody and Nominee	629	725	795	871	975
Listing	1,016	1,102	1,388	1,534	1,694
Market Data	737	769	910	960	1,076
Others	620	788	868	892	921
Revenue	8,142	9,142	11,973	13,644	16,228
Net Investment Income	581	707	918	1,012	1,033
Total Revenue	8,723	9,849	12,890	14,655	17,261
Staff Costs	(1,495)	(1,716)	(2,052)	(2,233)	(2,427)
IT Maintenance Expenses	(549)	(510)	(545)	(565)	(588)
Premises Expenses	(302)	(294)	(323)	(341)	(360)
D&A	(507)	(647)	(1,022)	(1,057)	(1,112)
Other Operating Expenses	(431)	(438)	(548)	(602)	(660)
Operating profit	5,439	6,244	8,400	9,856	12,114
Finance costs	(183)	(196)	(201)	(203)	(204)
JV profit / (loss)	(10)	(10)	(15)	(13)	(13)
Non-recurring expenses	0	0	0	0	0
Profit before tax	5,246	6,038	8,184	9,641	11,896
Taxation	(700)	(900)	(1,195)	(1,379)	(1,666)
Profit after tax	4,546	5,138	6,989	8,261	10,230
Non-controlling interests	(6)	(27)	(22)	(17)	(12)
Profit attributable to shareholders	4,552	5,165	7,011	8,278	10,242
Basic EPS (HKD)	3.951	4.438	6.013	7.085	8.749
DPS (HKD)	3.552	3.990	5.405	6.369	7.864

Cash flow statement					
year-end Dec, HKD mn	2013A	2014A	2015F	2016F	2017F
Profit before tax	5,246	6,038	8,184	9,641	11,896
adjustments					
Interest expenses/(income), net	(399)	(588)	(1,548)	(1,911)	(2,043)
Net fair value (gains) loss	(185)	(109)	(852)	(437)	(456)
D&A	507	647	1,022	1,057	1,112
financing cost	183	196	200	202	203
Others	112	48	(25)	(57)	(73)
change in WC	(244)	(1,310)	(3,586)	(1,749)	(2,552)
HK profit tax paid	(701)	(903)	(1,195)	(1,379)	(1,666)
Others	469	654	2,158	2,097	2,245
Operating cash flow	4,988	4,673	4,359	7,464	8,665
Capital investment	(797)	(665)	(351)	(300)	(300)
Acquisitions	0	0	0	0	0
Other investing activities	274	1,447	5	(95)	(293)
Investing cash flow	(523)	782	(346)	(395)	(593)
Issuance of shares	1	12	2	2	2
Issuance of bonds and notes	769	737	0	0	0
Change of bank borrowings	(775)	(737)	0	0	0
Dividends Paid	(2,320)	(3,234)	(4,643)	(6,302)	(7,442)
Others	161	(496)	96	(140)	(22)
Financing cash flow	(2,164)	(3,718)	(4,545)	(6,441)	(7,462)
Net Change in Cash	2,301	1,737	(533)	628	610
Cash balance—house, beginning	4,035	6,375	8,067	7,531	8,135
FX adjustments	39	(45)	(3)	(24)	(14)
Cash balance—house, ending	6,375	8,067	7,531	8,135	8,731

Source: the Company, Guotai Junan International.

Balance sheet					
year-end Dec, HKD mn	2013A	2014A	2015F	2016F	2017F
Cash and equivalents	41,452	136,778	132,619	145,512	151,602
financial assets at fair value	3,902	62,686	17,396	18,135	18,961
financial assets at amortized cost	9,046	10,256	68,027	63,665	67,068
A/R, prepayments and deposits	10,946	22,523	21,902	24,901	29,328
Intangibles	18,680	17,901	17,390	16,683	15,892
Fixed assets	1,753	1,603	1,763	1,764	1,744
lease premium for land	23	23	23	23	23
interest in a JV	87	77	62	49	36
Others	54	13	5	5	5
Total assets	85,943	251,860	259,188	270,738	284,658
Margin deposits and cash collateral	39,793	129,484	135,832	142,808	150,563
A/P, accruals and other liabilities	12,834	22,849	25,270	26,777	28,916
Deferred revenue	593	646	590	610	615
Taxation payable	379	348	595	679	808
Clearing House Funds	3,884	9,426	10,647	12,027	13,493
Borrowings	6,921	7,026	7,108	7,190	7,273
Other liabilities	6	59,680	55,178	54,693	54,214
	1,015	1,042	263	291	325
Total liabilities	65,425	230,501	235,483	245,074	256,206
Shareholders' equity	20,518	21,359	23,705	25,664	28,452
Non-controlling interests	113	86	64	47	35
Total liabilities and shareholder equity	85,943	251,860	259,188	270,738	284,658

Key assumptions					
	2013A	2014A	2015F	2016F	2017F
ADT on the cash market (bn HKD)	62.56	69.50	82.97	87.26	96.59
ADV on the derivative market ('000)	532.91	576.68	687.05	819.07	1,001.38
HK stock market cap (bn HKD)	24,043	25,072	26,401	27,061	29,767
Turnover velocity	63.5%	68.4%	77.0%	79.0%	79.5%
total equity funds raised (bn HKD)	378.90	942.70	1,044.25	1,142.43	1,260.08
through IPO raising (bn HKD)	169.00	232.50	297.42	371.65	464.40
Number of newly listed securities	16,492	17,845	20,378	23,286	30,181
LME trading volumes (million lots)	171.10	177.15	187.78	200.93	212.98
HKEx's annualized investment yield	1.04%	1.12%	1.15%	1.31%	1.32%

Key financial ratios					
	2013A	2014A	2015F	2016F	2017F
Operating margin (%)	62.2	63.3	65.1	67.2	70.1
EBITDA margin (%)	68.2	70.0	73.1	74.5	76.6
Net profit margin (%)	52.2	52.4	54.4	56.5	59.3
Cost to income ratio (%)	37.6	36.6	34.8	32.7	29.8
Debt / Equity (%)	33.7	32.9	30.0	28.0	25.6
Net gearing (%)	2.0	(5.0)	(1.8)	(3.8)	(5.2)
Payout ratio (%)	89.9	89.9	89.9	89.9	89.9
Dividend yield (%)	2.0	2.2	3.0	3.6	4.4
Total revenue growth (%)	21.0	12.9	30.9	13.7	17.8
Operating profit growth (%)	6.7	14.8	34.5	17.3	22.9
Net profit growth (%)	11.5	13.5	35.7	18.1	23.7
EPS growth (%)	5.3	12.3	35.5	17.8	23.5
ROAA (%)	5.5	3.1	2.7	3.1	3.7
ROAE (%)	23.8	24.7	31.1	33.5	37.9
P/E (x)	45.3	40.3	29.7	25.2	20.4
P/B (x)	10.1	9.8	8.8	8.2	7.4

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

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

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