



Company Report: Sino Land (00083 HK)

公司报告: 信和置业 (00083 HK)

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Strong Net Cash Position with Special Dividend

强大的净现金及派发特别股息

- **Underlying net profit in the Company's FY18 interim results increased 218.1% yoy to HKD8,736 million, beating market expectations.** Sino Land's (00083 HK) FY18 interim revenue dropped 63.8% yoy to HKD3,928 million due to a reduction of property sale business. During the period, property leasing revenue increased 2.3% yoy to HKD1,555 million while property sales revenue decreased 84.3% yoy to HKD1,303 million.
- **Sino Land acquired 5 residential development projects in Hong Kong during the interim period from various channels.** The 5 projects will provide an attributable plot ratio area of 965,134sq.ft. for sale in the next 4 to 5 years. We expect that Sino Land will continue to look for more projects in the second half of the fiscal year based on the strong net cash position HKD21,090 million as at 31 December 2017.
- **We raise our TP to HKD16.45 and maintain our "Accumulate" investment rating.** We believe the special dividend will be the potential catalysts for Sino Land's share price. Moreover, Sino Land's strong net cash position looks optimistic for future land acquisitions. We revise up our TP to HKD16.45, representing a 45% discount to the FY18 NAV estimate of HKD29.9 per share. Our TP implies 14.2% upside from the current stock price. Our TP implies 8.1x/19.8x/18.7x FY18/FY19/FY20 underlying PER and 0.75x/0.73x/0.72x FY18/FY19/FY20 PBR.
- **2018 财年中期的核心净利润按年增长 218.1%至 87.36 亿港元, 好于市场预期。** 信和置业 (00083 HK) 2018 财年中中期营业收入按年下跌 63.8%至 39.28 亿港元, 主要由于物业销售业务下跌。期内, 物业租赁收入按年增长 2.3%至 15.55 亿港元, 而物业销售收入按年下降 84.3%至 13.03 亿港元。
- **信和置业于期内从多个渠道收购 5 个香港的住宅发展项目。** 这 5 个项目为公司提供可建面积 965,134 平方呎土地储备以供未来 4-5 年内销售。基于公司截至 2017 年 12 月 31 日强劲的净现金 210.90 亿港元, 我们预计信和置业将于下半年继续寻求更多新项目。
- **我们将目标价上调至 16.45 港元, 并维持投资评级“收集”。** 我们认为公司派发特别股息将成为推动股价上升的催化剂。此外, 强劲的净现金持有有助于信和置业在未来购买更多土地。我们将目标价上调至 16.45 港元, 该目标价相对于我们 2018 财年的每股估值 29.9 港元有 45% 的折让。我们的目标价较当前股价有 14.2% 的上涨空间。我们的目标价相当于 8.1/19.8/18.7 倍 2018/2019/2020 财年的核心市盈率 和 0.75/0.73/0.72 倍 2018/2019/2020 财年的市净率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$16.45

Revised from 原目标价:

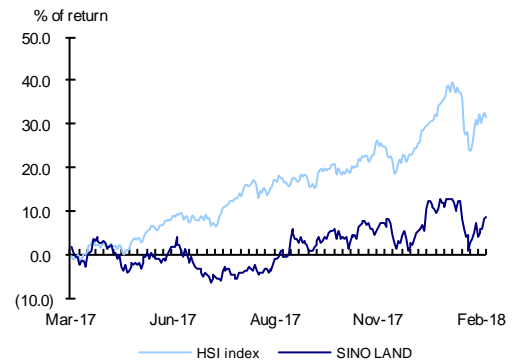
HK\$14.76

Share price 股价:

HK\$14.400

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 %	(1.8)	2.1	6.0
Rel. % to HS Index 相对恒指变动 %	3.1	(4.6)	(24.5)
Avg. share price (HK\$) 平均股价 (港元)	13.8	14.0	13.3

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Underlying Net Profit	Underlying EPS	Underlying EPS	Underlying PER	BPS	PBR	DPS	Yield	Underlying ROE
年结	收入	核心净利	核心每股净利	核心每股净利	核心市盈率	每股净资产	市净率	每股股息	股息率	核心净资产
06/30	(HKD m)	(HKD m)	(HKD)	(△%)	(x)	(HKD)	(x)	(HKD)	(%)	(%)
FY16A	10,804	5,351	0.875	(0.1)	16.5	19.811	0.7	0.510	3.5	4.4
FY17A	18,334	5,527	0.887	1.3	16.2	20.473	0.7	0.530	3.7	4.4
FY18F	12,214	12,937	2.042	130.2	7.1	21.981	0.7	0.980	6.8	9.7
FY19F	8,592	5,273	0.832	(59.2)	17.3	22.500	0.6	0.530	3.7	3.8
FY20F	8,742	5,587	0.882	6.0	16.3	22.937	0.6	0.530	3.7	3.9

Shares in issue (m) 总股数 (m)	6,448.5	Major shareholder 大股东	Robert Ng Chee Siong 55.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	92,857.9	Free float (%) 自由流通比率 (%)	44.8
3 month average vol. 3 个月平均成交股数 ('000)	4,659.5	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (HK\$) 52 周高/低	15.060 / 12.440	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	29.9

Source: the Company, Guotai Junan International.

Underlying net profit in Sino Land's ("the Company") FY18 interim results increased 218.1% yoy to HKD8,736 million, better than market expectations. Sino Land's (00083 HK) FY18 interim revenue dropped 63.8% yoy to HKD3,928 million due to a reduction in property sale business. Underlying net profit increased 218.1% yoy to HKD8,736 million due to the disposal of 80% interest in the development project The Palazzo, Chengdu. The disposal created for Sino Land a gain of HKD6,545 million. During the period, property leasing revenue increased 2.3% yoy to HKD1,555 million while property sales revenue decreased 84.3% yoy to HKD1,303 million. As at 31 December 2017, Sino Land was in net cash position of HKD21,090 million.

Property sales revenue decreased 84.3% yoy to HKD1,303 million. Property sales at the subsidiary level mainly during the interim period consisted of residential units in Botanica Bay, Mayfair by The Sea I and II, Goodwood Park and Dynasty Park in Zhangzhou. The management reported that sales of residential units at the Dynasty Park in Zhangzhou achieved gross margin of over 50%.

Property rental revenue grew steadily at 2.3% yoy to HKD1,555 million. Overall occupancy rate for Sino Land investment property portfolio stayed at 96%, down 1 ppt yoy. Occupancy rates of retail, office and industrial properties were 97%, 96% and 93%, respectively.

Table-1: Breakdown of Sino Land's Revenue in the Interim Results of FY18

Segmental Revenue	HKD million	yoy change
Property sales	1,303	-84.3%
Property rental	1,555	2.3%
Property management and other services	540	-5.5%
Hotel operations	467	7.9%
Investments in securities	36	-31.1%
Financing	27	215.6%
Total	3,928	-63.8%

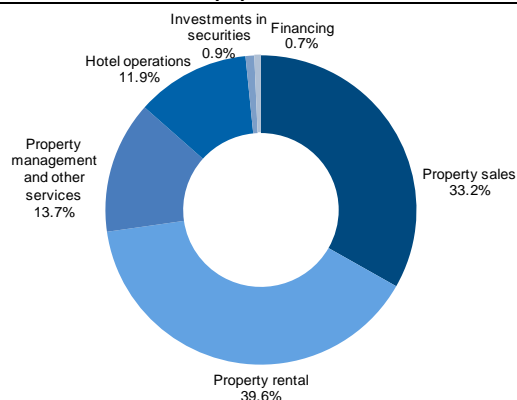
Source: the Company, Guotai Junan International.

Table-2: Breakdown of Sino Land's Segmental Results in the Interim Result of FY18

Segmental Result (Profit Before Tax by Segment)	HKD million	yoy change
Property sales	557	-74.2%
Property rental	1,340	1.9%
Property management and other services	131	-2.9%
Hotel operations	176	4.0%
Investments in securities	36	-31.1%
Financing	27	215.6%
Total	2,267	-40.9%

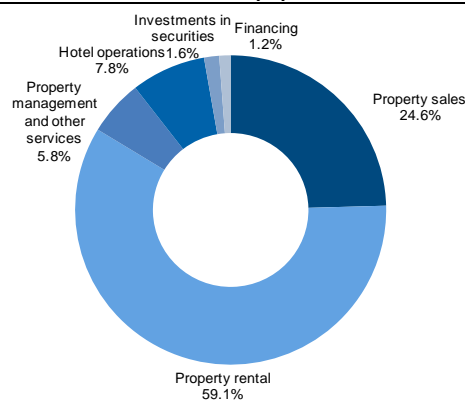
Source: the Company, Guotai Junan International.

Figure-1: Breakdown of Sino Land's Revenue in the Interim Results of FY18 (%)



Source: the Company, Guotai Junan International.

Figure-2: Breakdown of Sino Land's Segmental Results in the Interim Results of FY18 (%)



Source: the Company, Guotai Junan International.

Sino Land acquired 5 residential development projects in Hong Kong during the interim period from various channels.

Sino Land actively seeks for chances to replenish its land bank. During the interim period, Sino Land bought 2 plots of land from government land auctions, 2 redevelopment projects from the Urban Renewal Authority and, surprisingly, 1 redevelopment project of land from CLP Holdings. The 5 projects will provide an attributable plot ratio area of 965,134sq.ft. for sale in the next 4 to 5 years. Given Sino Land's strong net cash position of HKD21,090 million as at 31 December 2017, we expect that Sino Land will continue to look for more projects in the second half of the fiscal year to strengthen its project pipeline. Nevertheless, Sino Land's properties under development are shrinking remarkably due to the disposal of the development project The Palazzo, Chengdu; the management reiterated that they will consider to add new land bank in mainland China in the future, especially in the Greater Bay Area (粤港澳大湾区).

Table-3: Sino Land's land acquisition since July 2016

Date	Project Site	Sino Land's Interest	Usage	Attributable Plot Ratio Area (sq.ft.)	Land Premium (HKD per sq.ft.)
13/7/2016	TPTL 228, Pak Shek Kok	100%	Residential	412,530	3,932
12/10/2016	AIL 462, Wong Chuk Hang	60%	Commercial	170,967	8,873
25/10/2016	NKIL6558, Sham Shui Po	100% ¹	Residential/Retail	52,571	N/A
5/1/2017	The Fullerton Hotel Ocean Park Hong Kong	60%	Hotel	262,017	N/A ²
1/3/2017	IL 9064, Peel St./Graham St. (Site A)	100% ¹	Residential	84,260	N/A
2/5/2017	T102-0262, Qianhai, Shenzhen	50%	Serviced Apartment	247,572	3,049
5/5/2017	KCTL 524, Kwai Chung	100%	Industrial	176,906	2,548
26/5/2017	Package One Kam Sheung Road Station	33.3% ³	Residential	412,247	6,735
21/7/2017	STTL 611, Whitehead, Ma On Shan	100%	Residential	119,351	11,588
15/11/2017	NKIL 6549, Cheung Sha Wan	22.5%	Residential	222,258	17,501
5/12/2017	Ail 467 Site B, Wong Chuk Hang Station Package Two Property Development	50.0% ³	Residential	246,496	10,548
13/12/2017	139-147 Argyle Street, Ho Man Tin	100.0% ⁴	Residential	309,707	N/A
18/12/2017	Kil 11254, Reclamation Street Mongkok	60.0% ¹	Residential	67,322	N/A

Source: the Company.

Notes :

N/A: not disclosed.

¹ URA's project.

² Total development cost is estimated to be approximately HKD7,000 per sq.ft.

³ MTR's project

⁴ Tender from CLP Holdings

Table-4: Breakdown of Sino Land's Land Bank

Gross floor area (million sq.ft)	FY12	FY13	FY14	FY15	FY16	FY17	Dec.2017 [#]
Properties under development	28.3	27.8	26.7	24.1	19.1	20.2	9.7
yoy change	0.9%	-1.8%	-4.0%	-10.0%	-20.6%	5.7%	-52.0%
Investment properties (hotels excluded)	10.7	10.6	10.6	10.8	10.8	10.9	11.9*
yoy change	-3.1%	-1.1%	-0.2%	1.8%	0.6%	0.8%	9.2%
Hotels investment	0.7	0.7	0.8	0.8	0.9	1.0	n.a.
yoy change	0.0%	0.0%	6.2%	0.0%	20.5%	9.9%	n.a.
Completed properties for sale	1.0	1.0	1.0	2.2	1.5	0.7	0.7
yoy change	10.6%	9.2%	-1.7%	115.2%	-30.9%	-54.0%	0.0%
Total	40.7	40.2	39.1	37.8	32.4	32.8	22.3
yoy change	0.0%	-1.3%	-2.7%	-3.3%	-14.3%	1.4%	-32.0%

Source: the Company, Guotai Junan International.

Note:[#]Changes in land bank as at December 2017 is compared to the figures in FY17.

*Investment properties of GFA of 11.9 million sq.ft. as at December 2017 includes hotel investment properties.

The declaration of special dividend surprised us. Sino Land sold The Palazzo, Chengdu for approximately HKD10,510 million in September 2017 and the management confirmed that the relevant sale proceeds had been transferred to Sino Land. However, Sino Land spent over HKD10 billion on land premiums on land acquisition, according to our estimate, and repaid about HKD39 billion for its medium-term note during the interim period, which resulted in a net cash position of HKD21,089.8 million as of 31 December 2017. We would like to note that the HKD21,089.8 million net cash position is actually lower than the net cash position of HKD27,221 million six month ago, but we believe that Sino Land may be expecting a marked increase in cash holdings after their sale activities of the Kwun Tong Town Centre development project (Sino Land is expecting to launch pre-sale of the first phase in the second half of 2018) is launched. In our view, the special dividend of HKD45 cents per share is a clear signal to the market that Sino Land is confident in its project pipeline in the next few years.

We have revised up FY18 estimates to incorporate the disposal of the Palazzo, Chengdu but revised down the estimates in FY19-FY20 to reflect the latest construction schedule. We have revised up our estimate of underlying net profit in FY18F to HKD12,937 to reflect a one-off gain of HKD5,653 million (excluding the fair value gain) from the disposal of Chengdu project. We expect Sino Land to stay in a net cash position over the next 3 years.

Table-5: Revision of Estimates

Items, HKD million	Revised Estimates			Original Estimates			Changes		
	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
Total revenue	12,214	8,592	8,742	12,106	12,286	9,669	0.9%	-30.1%	-26.3%
Gross profit	6,035	5,025	5,945	5,889	6,421	5,770	2.5%	-21.7%	-19.6%
Operating profit	13,943	5,320	6,518	5,790	7,272	6,675	140.8%	-26.8%	-38.3%
Net profit	14,996	6,973	7,396	7,708	8,215	7,859	94.5%	-15.1%	-40.2%
Underlying net profit	12,937*	5,273	5,587	5,889	6,391	6,011	119.7%	-17.5%	-27.1%
Gross margin (%)	49.4	58.5	68.0	48.6	52.3	59.7	0.8ppts	6.2ppts	8.3ppts
Operating profit margin (%)	114.2	61.9	74.6	47.8	59.2	69.0	66.4ppts	2.7ppts	5.6ppts
Net profit margin (%)	122.8	81.2	84.6	63.7	66.9	81.3	59.1ppts	14.3ppts	3.3ppts
Underlying net margin (%)	105.9*	61.4	63.9	48.6	52.0	62.2	57.3ppts	9.4ppts	1.7ppts
ROA (underlying) (%)	8.2*	3.2	3.3	3.8	4.0	3.6	4.4ppts	(0.8ppts)	(0.3ppts)
ROE (underlying) (%)	9.7*	3.8	3.9	4.5	4.8	4.4	5.2ppts	(1.0ppts)	(0.5ppts)
Net gearing ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash	n.a.	n.a.	n.a.

Source: Guotai Junan International.

Note: The underlying net profit in FY18F includes the one-off gain from the disposal of Chengdu project.

We raise our TP to HKD16.45 and maintain our “Accumulate” investment rating. We believe that the special dividend will act as a catalyst to Sino Land’s share price. The disposal of the Chengdu project significantly shortened the project’s payback period at a reasonable price. Sino Land has demonstrated a disciplined approach in land bank replenishment while diversifying its land sources through various channels. Also, Sino Land’s strong net cash position provides great flexibility for the Company in future land acquisitions. We revise up our TP to HKD16.45, representing a 45% discount to the FY18 NAV estimate of HKD29.9 per share. Our TP implies 14.2% upside from the current stock price. Our TP implies 8.1x/19.8x/18.7x FY18/FY19/FY20 underlying PER and 0.75x/0.73x/0.72x FY18/FY19/FY20 PBR.

Table-6: Sino Land's 2018 NAV Breakdown

NAV Summary	HKD million
<u>Investment Properties</u>	
Residential & Serviced Apartments	1,354
Commercial	46,910
Hotel	7,470
Industrial	7,736
Office	32,778
Car Park	2,648
Subtotal	98,896
Development Properties for Sale	46,713
<u>Investment Properties under development</u>	
Commercial	7,015
Hotel	3,148
Industrial	551
Office	2,365
Subtotal	13,079
Gross Asset Value	158,687
Net Cash/(Debt)	30,153
NAV	188,840
Number of shares (million)	6,316
NAV per share (HKD)	29.9

Source: Guotai Junan International.

Table-7: Peers Comparison

Company	Stock Code	Currency	Last price	Market cap (mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)	
					16A	17F	18F	19F	16A	17F	18F	19F	17F	17F		
HK listed local developers																
Wharf Holdings Ltd	4 HK	HKD	29.900	90,855	4.2	9.7	13.6	12.8	0.3	0.7	0.7	0.6	4.2	2.8		
Henderson Land Development	12 HK	HKD	51.400	205,659	9.4	13.7	15.3	14.0	0.8	0.8	0.7	0.7	5.5	3.3		
Hysan Development Co	14 HK	HKD	43.700	45,703	37.6	12.6	18.4	17.4	0.7	0.7	0.6	0.6	5.3	3.3		
Sun Hung Kai Properties	16 HK	HKD	131.800	381,813	11.7	9.1	12.7	11.8	0.8	0.8	0.7	0.7	8.6	3.6		
New World Development	17 HK	HKD	12.140	122,603	12.8	15.2	15.7	13.8	0.6	0.6	0.5	0.5	4.2	4.6		
Wheelock & Co Ltd	20 HK	HKD	58.300	119,034	7.3	9.8	9.6	8.8	0.6	0.5	0.5	0.5	5.6	2.3		
Great Eagle Holdings Ltd	41 HK	HKD	39.450	27,166	9.6	3.1	14.2	13.7	0.5	0.5	0.5	0.4	3.3	2.8		
Sino Land Co	83 HK	HKD	14.400	92,858	12.4	12.1	16.1	18.2	0.7	0.7	0.7	0.7	5.9	4.1		
Hang Lung Properties Ltd	101 HK	HKD	18.900	85,004.2	13.7	10.4	18.2	18.3	0.7	0.6	0.6	0.6	6.2	3.9		
Chinese Estates Holdings Ltd	127 HK	HKD	12.320	23,502	3.7	6.3	n.a.	n.a.	0.8	0.6	n.a.	n.a.	11.2	1.7		
Kerry Properties Ltd	683 HK	HKD	35.600	51,559	7.9	8.9	10.2	9.1	0.6	0.6	0.6	0.5	6.7	3.8		
Fortune Reit	778 HK	HKD	9.320	17,842	14.1	5.6	17.8	17.6	0.7	0.7	0.6	0.6	12.4	5.3		
Link Reit	823 HK	HKD	68.650	148,946	9.5	8.7	27.7	26.0	1.2	1.1	1.0	1.0	13.3	4.2		
Ck Asset Holdings Ltd	1113 HK	HKD	69.000	255,127	13.7	12.9	11.6	10.7	1.0	0.9	0.9	0.8	7.4	2.5		
Swire Properties Ltd	1972 HK	HKD	26.750	156,488	10.4	20.2	19.8	20.2	0.7	0.7	0.7	0.7	3.5	2.8		
Wharf Real Estate Investment	1997 HK	HKD	53.750	163,197	18.8	18.0	18.0	17.3	0.8	0.8	0.8	0.8	4.5	3.5		
Champion Reit	2778 HK	HKD	5.580	32,492	10.1	2.9	20.7	20.8	0.6	0.5	0.6	0.6	20.1	4.2		
Simple Average					12.2	10.5	16.2	15.6	0.7	0.7	0.7	0.7	7.5	3.5		
Weighted Average					12.0	12.1	15.6	14.9	0.8	0.8	0.7	0.7	7.0	3.4		
HK listed large developers with major revenue from mainland																
Yuexiu Property Co Ltd	123 HK	HKD	1.660	20,586	11.4	7.9	7.2	5.9	0.6	0.5	0.5	0.5	5.8	4.5		
Shui On Land Ltd	272 HK	HKD	2.210	17,817	13.5	8.4	8.8	7.1	0.4	0.3	0.3	0.3	4.3	2.8		
Yuexiu Real Estate Investment	405 HK	HKD	5.200	15,674	17.8	9.2	14.1	16.9	1.0	0.9	0.9	0.9	10.3	6.5		
Soho China Ltd	410 HK	HKD	4.540	23,606	22.2	53.4	48.8	41.7	0.6	0.6	0.6	0.6	1.3	28.3		
Beijing North Star Co Ltd-H	588 HK	HKD	2.700	16,804	9.6	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.		
Shenzhen Investment Ltd	604 HK	HKD	3.330	26,835	7.9	7.4	7.3	6.5	0.8	0.7	0.7	0.6	10.3	6.2		
China Overseas Land & Invest	688 HK	HKD	27.700	303,487	7.6	8.4	7.3	6.3	1.4	1.2	1.1	0.9	15.3	3.1		
Hopson Development Holdings	754 HK	HKD	7.570	16,847	4.4	12.8	12.0	11.8	0.3	n.a.	n.a.	n.a.	n.a.	2.4		
Shimao Property Holdings Ltd	813 HK	HKD	20.350	68,926	11.6	7.7	6.3	5.2	1.2	0.9	0.8	0.8	12.7	4.7		
China Jinmao Holdings Group	817 HK	HKD	4.850	56,147	17.5	11.6	9.3	7.3	1.6	1.3	1.2	1.0	11.5	4.7		
Longfor Properties	960 HK	HKD	23.000	136,050	12.5	11.2	9.0	7.4	1.9	1.6	1.4	1.2	15.2	3.2		
China Resources Land Ltd	1109 HK	HKD	27.950	193,720	9.9	10.3	8.6	7.4	1.7	1.5	1.3	1.1	15.4	2.8		
Kwg Property Holding Ltd	1813 HK	HKD	11.540	36,410	8.6	7.9	6.3	5.0	1.3	1.1	1.0	0.8	14.1	4.7		
Country Garden Holdings Co	2007 HK	HKD	14.320	311,315	23.5	12.8	8.9	6.6	3.9	2.9	2.3	1.8	24.5	2.6		
Bbmj Corp-H	2009 HK	HKD	3.880	63,896	13.3	10.2	7.6	6.9	0.8	0.7	0.7	0.6	7.1	1.6		
China Vanke Co Ltd-H	2202 HK	HKD	34.900	434,618	15.7	11.4	9.2	7.7	3.0	2.4	2.0	1.7	21.2	3.6		
Guangzhou R&F Properties - H	2777 HK	HKD	18.440	59,420	7.5	6.0	4.9	4.3	1.2	0.9	0.8	0.7	16.3	7.0		
China Evergrande Group	3333 HK	HKD	23.300	306,938	53.6	7.9	6.3	5.5	6.5	2.6	2.1	1.8	42.1	2.9		
Sino-Ocean Group Holding Ltd	3377 HK	HKD	5.620	42,636	9.8	8.8	7.0	6.0	0.9	0.7	0.7	0.6	8.6	4.9		
Agile Group Holdings Ltd	3383 HK	HKD	13.900	54,447	20.2	9.5	7.9	6.7	1.4	1.1	1.0	0.9	11.4	4.5		
Greentown China Holdings	3900 HK	HKD	11.920	25,839	11.5	11.0	10.0	8.9	0.9	0.8	0.7	0.7	6.7	1.6		
Simple Average					14.7	11.7	10.3	9.1	1.5	1.2	1.1	0.9	13.4	5.1		
Weighted Average					19.5	10.5	8.5	7.1	2.7	1.8	1.6	1.3	20.3	3.7		

Source: Bloomberg, 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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