

## Company Report: Colour Life (01778 HK)

公司报告: 彩生活 (01778 HK)

Van Liu 刘斐凡  
(86755) 2397 6672  
liufeifan@gtjas.com  
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# Accelerated Revenue from Value-added Services Alongside Profit Accretion from Assets Injection, Upgrade to "Buy"

加速的增值服务收入以及资产注入带来的利润增厚, 上调至“买入”

- **The Company will expand its contracted GFA and cooperation area through platform output, along with accelerated revenue from value-added services.** The Company's contracted GFA is expected to increase by approximately 60 mn sq.m. each year during 2018-2020. The cooperation area will increase at a CAGR of 11.5% during 2018-2020.
- **The Company has a sustainable revenue growth outlook with gross margin improvement.** During 2017-2020, revenue of property management services is estimated to increase at a CAGR of 37.2%. Revenue from engineering services is likely to maintain stable growth. We expect community leasing, sales and other value-added services business to maintain fast growth.
- **The Company will acquire a property management company from its parent Company, which could lead to profit accretion.** During Jan.-Oct. 2017, Wanxiangmei recorded net profit of approximately RMB235.0 mn.
- 2017 net profit increased 70.8% YoY to RMB321 mn, in line with our expectation. As we revise up net profit, we revise up target price from HK\$6.00 to HK\$8.00, representing a 22.1% discount to our DCF derived NAV of HK\$10.27 per share, and equivalent to 14.5x, 11.3x and 9.0x 2018-2020 PER, respectively. **We upgrade to "Buy".** Risks include lower-than-expected contracted GFA growth and failing to recover all payments on behalf of residents.
- 公司将会扩大其合约管理面积并通过平台输出增加合作面积且伴随加快的增值服务收入。在 2018-2020 年, 合约管理面积预计每年增加约 60 百万平方米。合作面积在 2018-2020 年的复合增长率将达到 11.5%。
- 公司将会有一个毛利率改善下的持续收入增长前景。2017-2020 年物管服务收入预计以 37.2% 的复合增长率增长。工程服务业务很有可能保持稳定增长。我们预期社区租赁、销售以及其他增值服务业务保持快速发展。
- 公司计划从其母公司收购一个物业管理公司, 这能够帮助增加公司的收入。2017 年 1-10 月, 万象美录得净利润人民币 2.350 亿元。
- 2017 年净利润同比上升 70.8% 到人民币 3.21 亿元, 符合预期。由于我们上调了净利润, 我们将目标价从 6.00 港元上调至 8.00 港元, 相当于较我们现金流折现法得出的 10.27 港元每股净资产有 22.1% 的折让, 也分别相当于 14.5 倍、11.3 倍和 9.0 倍的 2018 年、2019 年和 2020 年市盈率。我们上调至“买入”。风险: 低于预期的合约管理面积增长和未能覆盖代居民所付款项。

Rating:

**Buy**  
Upgraded

评级:

买入 (上调)

6-18m TP 目标价:

**HK\$8.00**

Revised from 原目标价:

HK\$6.00

Share price 股价:

HK\$6.870

## Stock performance

股价表现



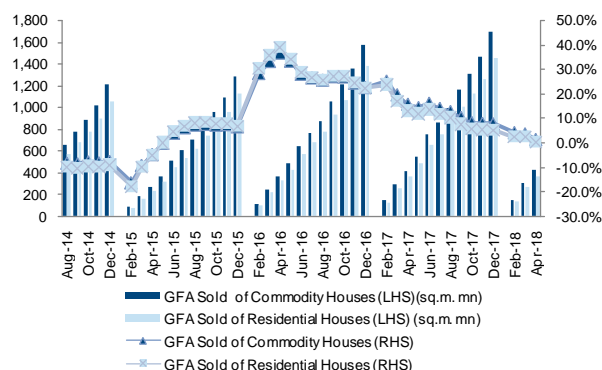
Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	3.3	47.4	58.1
Rel. % to HS Index 相对恒指变动 %	1.2	48.6	34.8
Avg. Share price(HK\$) 平均股价 (港元)	6.5	6.3	5.3

Source: Bloomberg, Guotai Junan International.

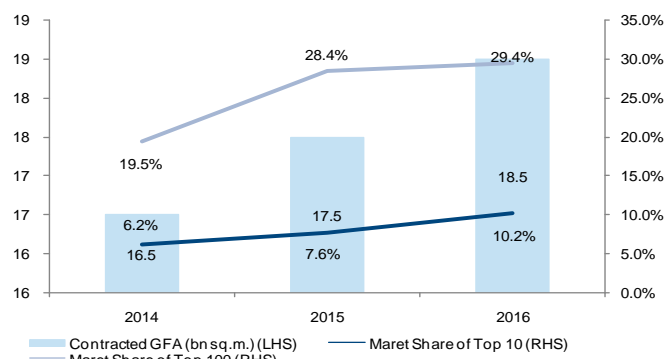
Year End 年结	Turnover 收入	Net Profit 股东净利	EPS 每股净利	EPS 每股净利变动	PER 市盈率	BPS 每股净资产	PBR 市净率	DPS 每股股息	Yield 股息率	ROE 净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	1,342	188	0.188	11.9	32.8	1.459	4.2	0.085	1.4	13.8
2017A	1,629	321	0.322	71.3	17.3	1.727	3.2	0.087	1.6	20.2
2018F	3,439	587	0.446	38.5	12.5	3.897	1.4	0.118	2.1	17.1
2019F	3,848	753	0.572	28.3	9.7	4.321	1.3	0.149	2.7	13.9
2020F	4,286	944	0.717	25.3	7.8	4.855	1.1	0.183	3.3	15.6
Shares in issue (m) 总股数 (m)					1,316.5	Major shareholder 大股东	Fantasia Holdings Group 72.6%			
Market cap. (HK\$ m) 市值 (HK\$ m)					9,052.8	Free float (%) 自由流通比率 (%)	27.4			
3 month average vol. 3 个月平均成交股数 ('000)					3,319.8	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net Cash			
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)					7.870 / 4.326	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	10.3			

Source: the Company, Guotai Junan International.

**The property management sector is expected to maintain fast growth and increase in concentration.** During Jan.-Apr. 2018, commodity house sales amounted to 421.9 mn sq.m., which maintained a considerable absolute value. In addition, GFA completed is expected to extend upside momentum, which will ultimately translate into increasing contracted GFA. Moreover, we expect the property management sector to increase in concentration due to economies of scale, which will allow larger property management companies to spread out SG&A costs over a larger revenue base.

**Figure 1: Cumulative House Sales GFA in China**


Source: National Bureau of Statistics of China, Guotai Junan International.

**Figure 2: Contracted GFA and Market Share in Property Management Sector**


Source: China Index Academy, Guotai Junan International.

**Colour Life (the "Company") continued to increase contracted GFA and cooperation area through platform output.** Due to economies of scale and an increasing concentration trend in the property management sector, the Company will still strive to increase its contracted GFA. Meanwhile, to develop its value-added services, the Company launched platform output strategy. Through providing Caizhiyun platform with collaborative partners, Caizhiyun platform could approach more families and communities not managed by the Company. In 2017, the Company successively established cooperation with 50 property management companies.

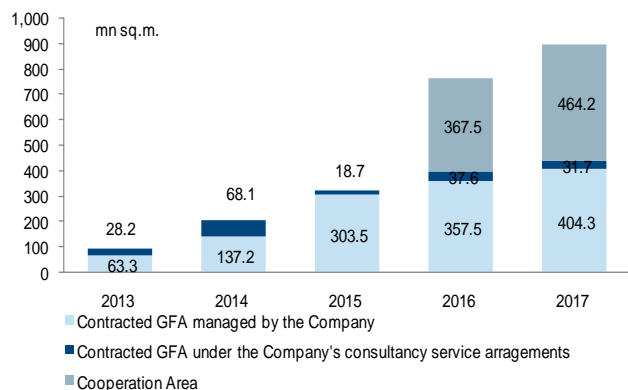
**Table 1: Colour Life's Contracted GFA, Number of Residential Communities Managed and Consultancy Services projects, and Commission Rate As at 31 Dec. 2017**

	Managed by the Company ( <sup>'000</sup> sq.m.)		Under the Company's consultancy service arrangement ( <sup>'000</sup> sq.m.)		(RMB/ sq.m./month)	
	Total Contracted GFA	Number	Total Contracted GFA	Number	Under commission basis	Under lump sum basis
Shenzhen	9,644	130	754	18	0.4–10.0	1.0–8.0
Southern China (excluding Shenzhen)	75,153	508	7,621	23	0.5–5.6	0.7–8.0
Eastern China	115,318	744	11,357	31	0.4–9.4	0.8–6.5
Southwestern China	83,778	352	2,163	6	0.4–6.1	0.3–6.3
Northeastern China	11,358	59	3,758	17	0.4–3.3	2.0–5.0
Northwestern China	14,594	68	275	2	0.5–3.9	1.1–3.0
Northern China	17,853	79	2,585	7	0.6–4.5	1.0–7.9
Central China	75,544	277	3,202	9	0.6–2.7	0.9–4.8
Non-Mainland China	40	16	0	0	4.2–20.9	n.a.
Singapore	987	38	0	0	1.2	n.a.
Total	404,269	2,271	31,715	113	n.a.	n.a.

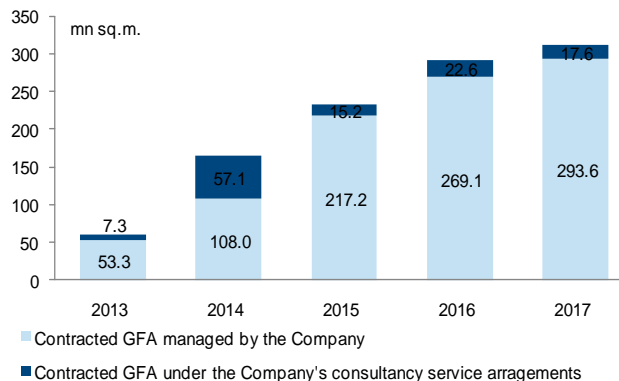
Source: the Company, Guotai Junan International.

**We expect that the Company's service area of Caizhiyun platform will increase at a fairly fast rate in 2018-2020.** During 2017, the Company increased its contracted GFA to 436.0 mn sq.m., a 10.34% YoY increase. The Company plans to increase contracted GFA by approximately 60 mn sq.m. each year from 2018 to 2020 (CAGR of 11.4%) through organic growth as well as

acquisitions. We estimate that the Company's revenue from property management services will increase by a CAGR of 32.7% during 2018-2020, considering the acquisition of Wanxiangmei. In addition, the cooperation area reached was 464.2 mn sq.m. as at the end of 2017. The cooperation area will increase at a CAGR of 11.5% during 2018-2020. The increase in cooperation area could help increase the Company's revenue from value-added services through the Caizhiyun application ("app").

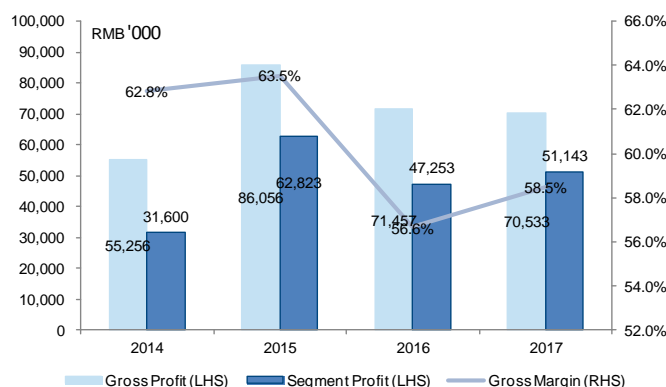
**Figure 3: Colour Life's Total Contracted GFA and Cooperation Area**


Source: the Company.

**Figure 4: Colour Life's Profitable Contracted GFA**


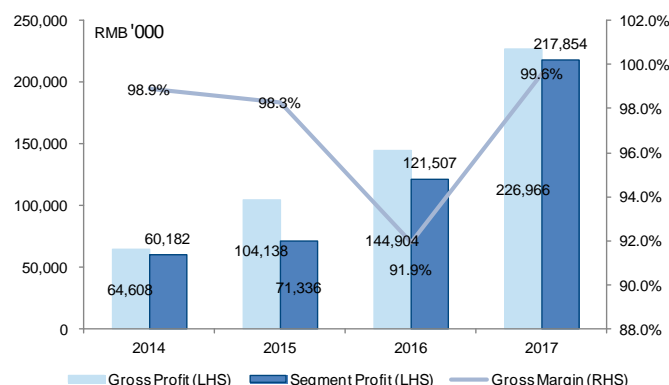
Source: the Company.

**Revenue from engineering services in 2017 amounted to RMB146.2 mn, up 9.5% YoY, and is likely to increase at a rate lower than other business segments during 2018-2020.** To provide services with higher efficiency and quality, the Company will optimize community services with innovative use of mobile technology. By implementing the functions of e-repair, e-lift, e-cleaning, e-security and e-gardening, the Company initially realized order orientation of fundamental property services and further enhanced its service efficiency. As a result, the Company will continuously outsource some repair and maintenance services and charge corresponding online platform usage fees from e-repair business, which was classified as an online value-added service. This will lead to a decrease in revenue from engineering services. On the other hand, contracted GFA will maintain stable growth. Overall, we expect engineering services revenue growth to increase at a lower than other business segments. Therefore, we estimate the Company's revenue of engineering services to increase by a CAGR of 21.8% during 2017-2020.

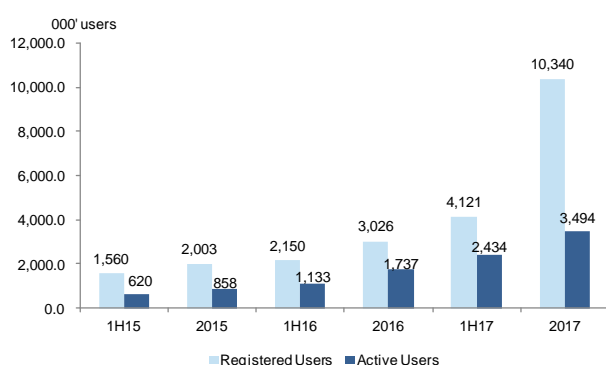
**Figure 5: Colour Life's Engineering Services Profit**


Source: the Company.

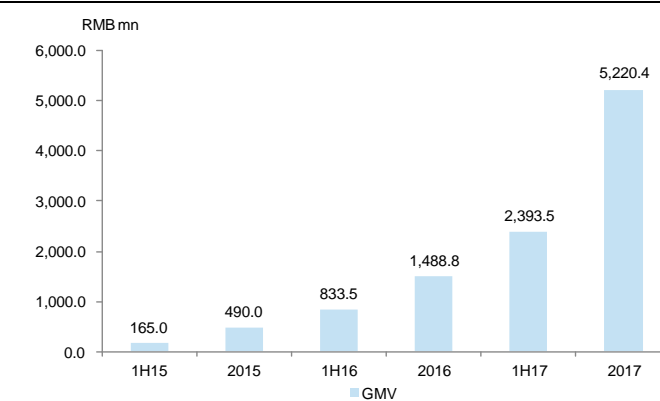
**In 2017, community leasing, sales and other value-added services revenue amounted to RMB227.0 mn, up 56.6%; the Company's mobile app achieved fast monetization along with the increasing cooperation area.** As at 31 Dec. 2017, registered users of the Caizhiyun app increased by 241.7% YoY to 10,340,000, of which, over 3,494,000 were active users, up 101.2% YoY. In 2017, Caizhiyun app's accumulated gross merchandise volume (GMV) reached RMB7,614.0 mn, of which Included RMB5,681.2 mn for the "Colour Wealth Life value-added plan" and RMB367.0 mn for e-repairs. For e-lift, 100,000 units of lifts have been in operation and more than 70% of them were from communities not managed by the Company. In addition, the Company will continue to focus on platform output. With increasing platform service areas (including contracted GFA), we expect community leasing, sales and other value-added services business to maintain fast growth with a CAGR of 48.2% during 2017-2020.

**Figure 6: Colour Life's Value-Added Services Profit**


Source: the Company.

**Figure 7: Colour Life's Registered and Active Users on Caizhiyun APP**


Source: the Company.

**Figure 8: Colour Life's GMV on Caizhiyun APP**


Source: the Company.

**Gross margin is likely to decrease in 2018 and bottom out in 2019.** Alongside the acquisition of Wanxiangmei, we expect gross margin to decrease to 42.5% in 2018. With the Company's shift in strategy, the Company will reduce capital expenditure for scale expansion. Therefore, we expect the Company to reduce the scale of increasing contracted GFA through acquisitions, which adds GFA mainly on a lump sum basis, and instead focus more on increasing its GFA on a commission basis. Revenue from contracted GFA on a commission basis has higher gross margin than that under lump sum basis. In addition, cooperation area increase will raise the proportion of revenue from value-added services to total revenue. Revenue from value-added services has higher gross margin of over 80.0%. Therefore, we expect that the Company's gross margin bottomed out. We expect gross margin to increase to 45.7% and 48.9% in 2019 and 2020, respectively.

**Colour Life will acquire Wanxiangmei Property Management Co., Ltd. (formerly known as Wanda Property Management Co., Ltd.) ("Wanxiangmei"), which could help boost the Company's net profit.** On 14 Nov. 2017, Colour Life proposed the acquisition of 100% interest in Shenzhen Wanxiang and 100% interest in the Target Company from Fantasia and its subsidiaries for a total consideration of RMB2,013 mn. During Jan.-Oct. 2017, Wanxiangmei recorded total revenue of approximately RMB1,236.0 mn, gross profit of approximately RMB412.2 mn and net profit of approximately RMB235.0 mn, respectively. Gross profit margin of Wanxiangmei increased from 21.4% for 2016 to 33.4% for Jan.-Oct. 2017. Meanwhile, the prepayment of property management fees received by Wanxiangmei for the period from January to October 2017 substantially increased by 51.4% to RMB318.8 million, indicating the relatively high satisfaction rate of homeowners towards the revamped community of Colour Life. The consideration implied PE is estimated to be around 7.3x. Therefore, this acquisition is cheap. This acquisition could reinforce Colour Life's position in the property management sector and boost its net profit. In addition, the related result data will be reflected in the Company's 2018 Interim Report.

**2017 net profit was in line with our expectation.** Total revenue increased by 21.4% YoY to RMB1,629 mn in 2017. Gross profit amounted to RMB731 mn, up 24.7% YoY. Net profit increased 70.8% YoY to RMB321 mn, which was in line with our expectation. Due to increasing gross margin of property management services under lump sum basis, gross margin increased 1.3 ppts. Net gearing ratio amounted to 1.5%. But the Company still maintained a low leverage ratio. Total debt increased by 9.7% comparing with that as at the end of 2016.

**Table 2: Comparison of the Company's Balance Sheet and Income Statement in 2016 and 2017**

RMB mn	2016	2017	Change
Total revenue	1,342	1,629	21.4%
Revenue from property management services	1,059	1,231	16.3%
Revenue from engineering services	126	121	-4.4%
Revenue from community leasing, sales and other value-added services	157	277	76.5%
Gross profit	586	731	24.7%
GPM	43.6%	44.9%	1.3 ppts
Net profit	188	321	70.8%
NPM	14.0%	19.7%	5.7 ppts
DPS (RMB )	0.085	0.087	2.8%
EPS (RMB )	0.188	0.322	71.4%
Bank balance and cash	1,248	1,234	-1.1%
Total assets	4,023	4,661	15.9%
PPE	181	169	-6.7%
Total debt	660	725	9.7%
Shareholders' equity	1,459	1,721	18.0%
ROE	13.8%	20.2%	6.4 ppts
Net gearing ratio	Net cash	1.5%	n.a.

Source: the Company, Guotai Junan International.

**We revise up net profit forecasts.** We expect the Company's contracted GFA to grow steadily; revenue from property management services in 2017 was higher than our expectations. Therefore, we slightly revise down 2018F and 2019F revenue forecasts from property management services. However, we expect fast monetization of the Company's mobile app and the strategy of platform output. We slightly revise up the 2018F and 2019F community leasing, sales and other value-added services. As contracted GFA will maintain stable growth, we revise up 2018F and 2019F engineering services revenue forecasts. Overall, we slightly revise down the 2018F and 2019F total revenue forecast by 5.1% and 6.9% to RMB3,439 mn and RMB3,848 mn, respectively. Gross profit in 2017 was higher than our previous assumption. We expect contracted GFA under the lower margin lump sum basis as a percentage of revenue from property management services to decrease. In addition, we expect higher growth in community leasing, sales and other value-added services revenue, all of which have high gross margin, over 59.7%. We revise up our gross margin forecast. Overall, we revise up 2018F and 2019F net profit forecast by 37.5% and 44.1% to RMB587 mn and RMB753 mn, respectively.

**Table 3: Revisions to 2018-2020 Profit Forecasts**

RMB mn	New Forecast			Old Forecast			Change		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Total revenue	3,439	3,848	4,286	3,625	4,131	n.a.	-5.1%	-6.9%	n.a.
-Property management services	2,852	3,016	3,182	3,073	3,384	n.a.	-7.2%	-10.9%	n.a.
-Engineering services fees	146	178	218	131	133	n.a.	11.7%	34.0%	n.a.
-Community leasing, sales and other value-added services	441	654	886	421	614	n.a.	4.7%	6.5%	n.a.
Gross profit	1,470	1,775	2,114	1,519	1,777	n.a.	-3.2%	-0.1%	n.a.
Operating profit	1,070	1,301	1,568	873	1,016	n.a.	22.5%	28.1%	n.a.
Net profit	587	753	944	427	522	n.a.	37.5%	44.1%	n.a.
Gross margin	44.9%	46.1%	49.3%	41.9%	43.0%	n.a.	2.9 ppts	3.1 ppts	n.a.
Operating profit margin	33.3%	33.8%	36.6%	24.1%	24.6%	n.a.	9.2 ppts	9.2 ppts	n.a.
Net profit margin	19.7%	19.6%	22.0%	11.8%	12.6%	n.a.	7.9 ppts	6.9 ppts	n.a.
ROE	20.2%	13.9%	15.6%	9.9%	11.4%	n.a.	10.3 ppts	2.5 ppts	n.a.
ROCE	16.5%	14.0%	16.6%	8.7%	10.6%	n.a.	7.8 ppts	3.4 ppts	n.a.
ROA	6.9%	6.6%	7.5%	4.1%	4.8%	n.a.	2.8 ppts	1.8 ppts	n.a.
Net gearing ratio	Net	Net	Net	1.9%	1.1%	n.a.	n.a.	n.a.	n.a.

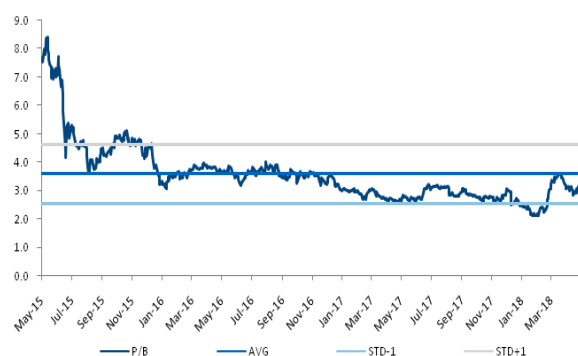
Source: Guotai Junan International.

**Upgrade to "Buy".** Colour Life has a fairly fast revenue growth outlook, as contracted GFA and platform output continue to increase. In addition, the Company's mobile app achieved fast monetization along with the increasing cooperation area. We expect that the Company's gross margin will bottom out since 2019. The acquisition of Wanxiangmei will lead to profit accretion. As revising up underlying net profit, we revise up our target price from HK\$6.00 to HK\$8.00, which represents a 22.1% discount to our DCF derived NAV of HK\$10.27 per share and is equivalent to 14.5x, 11.3x and 9.0x 2018-2020 PER, respectively. We upgrade Colour Life's investment rating to "Buy". Risk factors include lower-than-expected contracted GFA growth and failing to recover total payments from residents.

**Table 4: Breakdown of Colour Life's 2018 NAV**

Sum of PV FCFF (RMB mn)	6,225
+ PV terminal value (RMB mn)	4,398
Enterprise value (RMB mn)	10,623
- Net debt/(Cash) (RMB mn)	70
Equity value (RMB mn)	10,694
Assume RMB/HK\$	0.810
Equity value (HK\$ mn)	13,202
Shares outstanding (mn)	1,316
NAV per share (HK\$)	10.03

Source: Bloomberg, the Company, Guotai Junan International.

**Figure 9: Colour Life 3-Year Historical P/B**


Source: Bloomberg, Guotai Junan International.

**Figure 10: Colour Life 3-Year Historical P/E**


Source: Bloomberg, Guotai Junan International.



**Table 5: Peers Comparison**

Company	Stock Code	Currency	Mkt Cap (HKD m)	Last Price HKD	PE			PB			D/Y%	ROE
					2018F	2019F	2020F	2018F	2019F	2020F		
HK Listed Property Management Companies												
Colour Life Serv	01778 HK	HKD	9,052.8	6.870	13.7	11.3	8.8	2.6	2.3	2.1	3.1	22.4
Synergis Holding	02340 HK	HKD		0.770	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kongshumunion	08181 HK	HKD		0.365	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Overseas P	02669 HK	HKD	8,545.8	2.600	21.1	17.6	14.9	7.3	5.6	4.3	1.5	38.1
ZhongAo Home Gr	01538 HK	HKD		0.950	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greentown Servic	02869 HK	HKD	20,444.4	7.360	31.5	23.5	18.2	7.4	6.1	5.0	1.1	25.2
Clifford Modern	03686 HK	HKD		0.700	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
A-Living Servi-H	03686 HK	HKD	15,973.3	11.980	18.7	12.3	9.3	2.5	2.1	1.8	1.6	19.4
Median					21.1	17.6	14.9	7.3	5.6	4.3	1.5	25.2
Simple Average					22.1	17.4	14.0	5.8	4.7	3.8	1.9	28.6
Weighted Average					23.7	18.2	14.4	5.9	4.8	4.0	1.6	26.0
HK Listed Real Estate Investment Companies												
Great Eagle	00041 HK	HKD	27,479.4	39.750	15.1	14.7	n.a.	0.5	0.4	n.a.	2.0	2.9
Wharf Hldg	00004 HK	HKD	79,036.6	25.950	11.3	10.5	10.1	0.5	0.5	0.5	3.0	4.8
Hysan Dev	00014 HK	HKD	47,699.9	45.600	16.9	17.8	17.1	0.7	0.6	0.6	3.1	3.5
Swireproperties	01972 HK	HKD	171,112.5	29.250	21.0	21.3	20.3	0.7	0.6	0.6	2.7	3.2
Median					16.0	16.2	17.1	0.6	0.6	0.6	2.9	3.3
Simple Average					16.1	16.1	15.8	0.6	0.6	0.6	2.7	3.6
Weighted Average					17.6	17.6	15.6	0.6	0.6	0.5	2.8	3.6
HK Listed Lodging Companies												
Hk&S Hotels	00045 HK	HKD	18,973.0	11.940	25.1	24.4	23.4	n.a.	n.a.	n.a.	1.8	n.a.
Shangri-La Asia	00069 HK	HKD	54,280.4	15.140	29.7	24.4	21.0	1.0	1.0	1.0	1.4	3.7
Asia Standard	00292 HK	HKD		0.495	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shanghai Jin J-H	02006 HK	HKD	19,035.7	3.420	22.1	17.1	13.3	1.5	1.4	n.a.	2.8	8.6
Median					25.1	24.4	21.0	1.3	1.2	1.0	1.8	6.1
Simple Average					25.6	22.0	19.2	1.3	1.2	1.0	2.0	6.1
Weighted Average					26.9	22.6	19.7	0.9	0.9	0.6	1.8	3.9
Other Listed Lodging Companies												
Mandarin Orientl	MAND SP	USD	3,239.7	2.570	46.7	37.2	36.2	n.a.	n.a.	n.a.	1.2	n.a.
China Lodgin-Ads	HTHT US	USD	12,672.4	173.930	46.1	33.9	27.1	10.0	7.8	6.0	0.4	24.6
Median					46.4	35.6	31.7	10.0	7.8	6.0	0.8	24.6
Simple Average					46.4	35.6	31.7	10.0	7.8	6.0	0.8	24.6
Weighted Average					46.2	34.6	29.0	8.0	6.2	4.8	0.5	19.6

Source: the Company, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	1,342	1,629	3,439	3,848	4,286	PPE	181	169	356	398	444
- Property Management Services Fees	1,059	1,231	2,852	3,016	3,182	Intangible Assets	210	241	1,071	1,101	1,131
- Engineering Services Fees	126	121	146	178	218	Investment Properties	93	71	74	78	82
- Community Leasing, Sales and Other Value-Added Services	157	277	441	654	886	Goodwill	750	917	3,229	3,241	3,245
Cost of Sales	(756)	(898)	(1,969)	(2,072)	(2,171)	Deposits for Acquisition of Subsidiaries	143	53	26	29	32
Gross Profit	586	731	1,470	1,775	2,114	Other Non-current Assets	194	318	383	439	504
- Other Gains, Net	(11)	48	31	23	23	Total Non-current Assets	1,570	1,769	5,139	5,286	5,437
- SG&A	(311)	(303)	(497)	(561)	(630)	Cash & Cash Equivalents	755	857	877	1,265	1,798
- Expenses Recharged to Residential	66	67	66	63	60	Trade Receivables	271	382	828	914	1,006
Operating Profit	330	542	1,070	1,301	1,568	Other Receivables and Prepayments	196	316	818	897	982
- Finance income/(costs), net	(38)	(90)	(155)	(160)	(164)	Payments on Behalf of Residents	260	407	859	961	1,070
- Others	6	5	5	5	5	Restricted Bank Deposits	493	377	390	402	416
Profit before Tax	298	457	919	1,146	1,409	Other Current Assets	479	554	1,624	1,723	1,814
Income Tax	(82)	(106)	(275)	(332)	(399)	Total Current Assets	2,453	2,892	5,396	6,162	7,086
Profit after Tax	216	351	644	814	1,010	Total Assets	4,023	4,661	10,534	11,448	12,523
Non-controlling Interest	(28)	(30)	(57)	(61)	(65)	Other Payables and Accruals	596	625	2,070	2,142	2,207
Shareholders' Profit / Loss	188	321	587	753	944	Receipts on Behalf of Residents	156	158	334	373	416
Basic EPS	0.188	0.322	0.446	0.572	0.717	Short-term Borrowings	214	513	427	444	462
						Other current liabilities	316	464	1,268	1,366	1,474
						Total Current Liabilities	1,282	1,760	4,099	4,326	4,558
						Long-term borrowings	1,124	992	1,055	1,123	1,195
						Other long-term liabilities	84	82	86	88	88
						Total Non-current Liabilities	1,208	1,074	1,142	1,211	1,284
						Total Liabilities	2,490	2,834	5,241	5,536	5,842
						Total Shareholders' Equity	1,459	1,721	5,131	5,688	6,392
						Minority Interest	74	106	163	224	289
						Total Equity	1,532	1,827	5,294	5,912	6,681
						Financial Ratios					
							2016A	2017A	2018F	2019F	2020F
						Revenue Growth (%)	62.2	21.4	111.2	11.9	11.4
						Gross Profit Growth (%)	28.9	24.7	101.2	20.8	19.1
						Reported Net Profit Growth (%)	11.5	70.8	83.1	28.2	25.5
						Gross Margin (%)	43.6	44.9	42.7	46.1	49.3
						Operating Profit Margin (%)	24.6	33.3	31.1	33.8	36.6
						Net Margin (%)	14.0	19.7	17.1	19.6	22.0
						ROE (%)	13.8	20.2	17.1	13.9	15.6
						ROA (%)	5.4	6.9	5.6	6.6	7.5
						Net Gearing Ratio	Net Cash	1.5	Net Cash	Net Cash	Net Cash
						Debt to Equity Ratio	71.9	73.3	23.9	22.7	21.4
						P/E (Basic) (x)	32.8	17.3	12.5	9.7	7.8
						P/E (Diluted) (x)	32.8	17.3	12.5	9.7	7.8
						P/B (x)	4.2	3.2	1.4	1.3	1.1
						Dividend Yield (%)	1.4	1.6	2.1	2.7	3.3

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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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.  
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793  
 Website: www.gtja.com.hk