



Company Report: Giordano International (00709 HK)

公司报告: 佐丹奴国际 (00709 HK)

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Strong 1Q18 Results, "Accumulate"

2018年1季度业绩强劲, “收集”

- 1Q18 revenue beat expectations.** Revenue grew by 13.4% YoY to HK\$1,457 million. Revenue from e-commerce business surged by 44.6% YoY and accounted for 5.6% of total revenue, up from 4.4% in 1Q17. Overall GPM dropped by 0.5 ppt YoY to 58.1%, below expectations, mainly due to higher revenue contribution from e-business and a late Chinese New Year, which lead to a longer promotion period. Overall CSS and CSGP improved YoY by 9.5% and 8.7% in 1Q18, respectively.
- Revise up 2018-2020 net profit forecasts by 8.9%, 8.8% and 6.6% to HK\$627 million, HK\$686 million and HK\$728 million, respectively.** 1Q18 revenue growth was very strong with solid improvement in CSS, which gives us confidence in the Company's business recovery for the full year of 2018. Therefore we revise up 2018-2020 revenue forecasts by 2.2%, 2.3% and 1.9%, respectively.
- Raise TP to HK\$5.60, but downgrade to "Accumulate".** We have observed strong recovery of the Company's business in 1Q18, which is expected to continue in the remaining months of 2018. Besides, the Company's high dividend payout ratio has lead to very attractive dividend yield. The new TP represents 14.0x, 12.8x and 12.1x 2018, 2019 and 2020 PER, respectively. Our new TP only represents 11.3% upside potential. Therefore we downgrade our rating from "Buy" to "Accumulate".
- 2018年1季度收入超预期。**收入同比增长13.4%至14.57亿港元。来自电商业务收入同比大幅增长44.6%并占总收入的5.6%，高于2017年1季度的4.4%。整体毛利率同比下滑0.5个百分点至58.1%，低于预期，主要是由于电商业务占比更高以及较迟的中国新年延长了促销时间。2018年1季度整体同店销售及同店毛利润分别同比改善9.5%及8.7%。
- 分别上调2018-2020年净利润预测8.9%、8.8%和6.6%至6.27亿港元、6.86亿港元和7.28亿港元。**2018年1季度的收入增长强劲，渠道同店销售明显改善，这使得我们对公司2018年全年的业务复苏保持信心。因此我们分别上调2018-2020年收入预测2.2%、2.3%和1.9%。
- 上调目标价至5.60港元但下调评级至“收集”。**我们观察到公司业务在2018年1季度有强劲复苏，并且预期在2018年剩余月份中将继续保持。此外，佐丹奴维持了非常高的派息比率，这使得公司的股息回报率非常具有吸引力。我们的新目标价分别相当于14.0倍、12.8倍和12.1倍2018年、2019年和2020年市盈率。我们的新目标价仅相当于11.3%的上升空间，因此我们将评级从“买入”下调至“收集”。

Rating:

Accumulate

Downgraded

评级:

收集 (下调)

6-18m TP 目标价:

HK\$5.60

Revised from 原目标价:

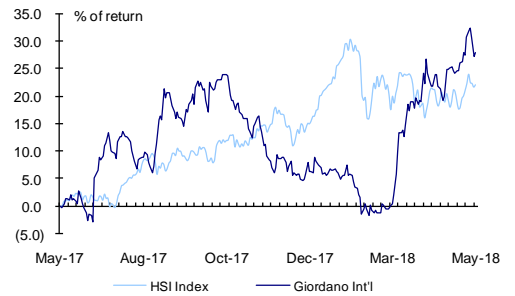
HK\$5.10

Share price 股价:

HK\$5.030

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 %	8.4	31.7	21.5
Rel. % to HS Index 相对恒指变动 %	7.6	32.6	0.7
Avg. Share price(HK\$) 平均股价 (港元)	4.9	4.6	4.3

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	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2016A	5,145	434	0.276	1.9	18.2	1.773	2.8	0.275	5.5	15.6
2017A	5,412	500	0.318	15.2	15.8	1.860	2.7	0.350	7.0	17.5
2018F	5,754	627	0.399	25.5	12.6	1.869	2.7	0.400	8.0	21.4
2019F	5,971	686	0.437	9.5	11.5	1.886	2.7	0.440	8.7	23.3
2020F	6,137	728	0.463	6.0	10.9	1.910	2.6	0.460	9.1	24.4

Shares in issue (m) 总股数 (m)	1,573.0	Major shareholder 大股东	BlackRock, Inc. 7.1%
Market cap. (HK\$ m) 市值 (HK\$ m)	7,912.2	Free float (%) 自由流通比率(%)	53.0
3 month average vol. 3个月平均成交股数('000)	6,578.1	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (HK\$) 52周高/低 (HK\$)	5.150 / 3.770	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	6.6

Source: the Company, Guotai Junan International.

1Q18 revenue beat expectations. Giordano International's ("Giordano" or the "Company") 1Q18 revenue increased by 13.4% YoY to HK\$1,457 million, better than expected. Excluding benefits from the depreciation of HKD, 1Q18 revenue grew by 7.9% YoY on a constant currency basis. Growth momentum in mainland China continued in 1Q18 with e-business growing by 41.2% YoY. Taiwan business recorded very strong YoY growth of 27.2% in 1Q18, mainly due to the execution of marketing programs and high growth of e-business. Sales increase in the rest of Asia Pacific was mainly driven by store expansion in Indonesia and the acquisition of Vietnam operations in July 2017. The Middle East market was challenging, with revenue declining 8.8% YoY, mainly due to the implementation of value-added tax and new economic policies in the United Arab Emirates and Saudi Arabia. In terms of channels, revenue from directly operated stores and wholesale channels increased YoY by 12.8% and 7.3%, respectively. Revenue from e-commerce business surged by 44.6% YoY and accounted for 5.6% of total revenue, up from 4.4% in 1Q17.

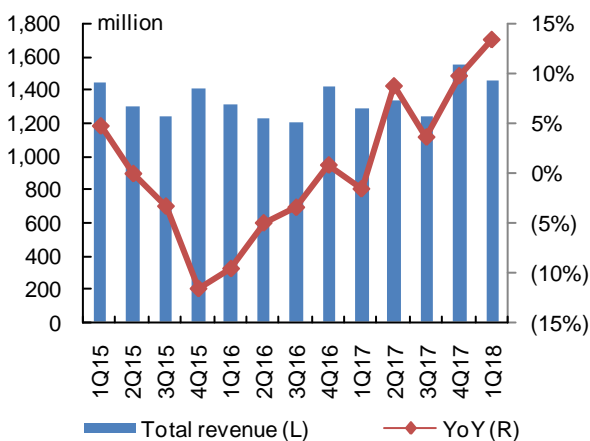
Overall GPM dropped by 0.5 ppt YoY to 58.1% in 1Q18, which was below expectations. GPM of retail channels dropped by 1.0 ppt YoY to 58.9%, while GPM of wholesale channels increased by 5.4 ppt YoY to 44.6%. GPM in mainland China dropped by 1.4 ppt YoY to 50.0%, primarily due to higher revenue contribution from e-business and a late Chinese New Year, which lead to a longer promotion period. GPM in Taiwan improved by 2.7 ppt YoY to 62.2% due to less clearance activities compared with last year.

Table-1: Giordano's 1Q18 Revenue Analysis

HK\$ mn	1Q17	1Q18	YoY	Constant-currency YoY
Mainland China	315	378	20.0%	9.0%
Hong Kong and Macau	239	248	3.8%	3.8%
Taiwan	158	201	27.2%	19.5%
The rest of Asia Pacific	347	422	21.6%	15.0%
The Middle East	147	134	(8.8%)	(8.8%)
Overseas franchisees	79	74	(6.3%)	(6.3%)
Total revenue	1,285	1,457	13.4%	7.9%

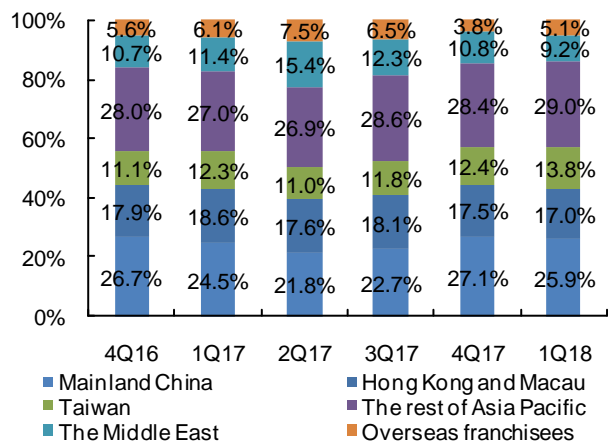
Source: the Company, Guotai Junan International.

Figure-1: Giordano's Quarterly Revenue and YoY Growth



Source: the Company, Guotai Junan International.

Figure-2: Giordano's Revenue - by Region



Source: the Company, Guotai Junan International.

Comparable store sales (CSS) and comparable store gross profit (CSGP) both recovered in 1Q18. The Company's overall CSS improved by 9.5% YoY in 1Q18, which was the highest growth rate in the past three years. CSS recorded positive growth in all markets except for the Middle East. The strongest growth rate came from Taiwan, where CSS growth reached 19.6%. CSS in mainland China and Kong Kong grew YoY by 16.2% and 9.0%, respectively. Overall CSGP in 1Q18 also increased by 8.7% YoY, mainly driven by improvement in mainland China, Taiwan and Hong Kong. During the first two quarters of 2018, CSS and CSS growth continued to improve by 10.5% and 9.7%, respectively. We expect the improving trend in overall store efficiency to continue in the remaining months of 2018.

Table-2: Giordano's Comparable Store Sales Growth (YoY)

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Mainland China	(1.7%)	(5.7%)	3.1%	0.1%	8.6%	7.9%	n.a.	16.2%
Hong Kong and Macau	1.4%	2.8%	1.4%	3.3%	10.1%	5.2%	n.a.	9.0%
Taiwan	(4.9%)	(5.0%)	(4.0%)	(10.0%)	(3.7%)	5.6%	n.a.	19.6%
The rest of Asia Pacific	7.1%	(0.7%)	8.1%	2.7%	11.4%	(1.2%)	n.a.	3.6%
The Middle East	7.1%	(8.0%)	3.0%	6.1%	15.6%	(7.3%)	n.a.	(7.3%)
South Korea (a joint venture)	(3.8%)	(8.0%)	(5.0%)	(5.0%)	(7.1%)	(10.2%)	n.a.	0.5%
CSS Growth - Overall	1.8%	(2.9%)	3.1%	0.5%	9.1%	2.3%	9.3%	9.5%

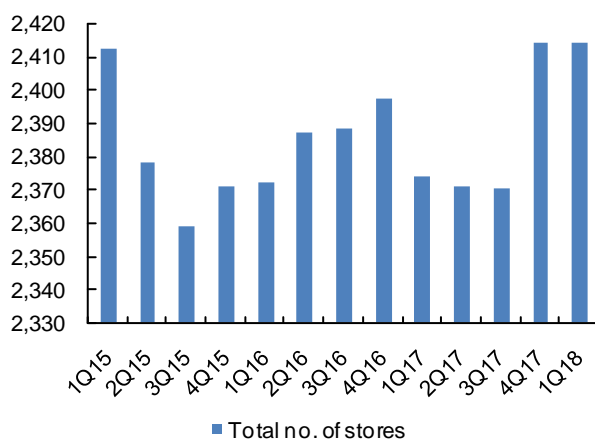
Source: the Company, Guotai Junan International.

Table-3: Giordano's Comparable Store Gross Profit Growth (YoY)

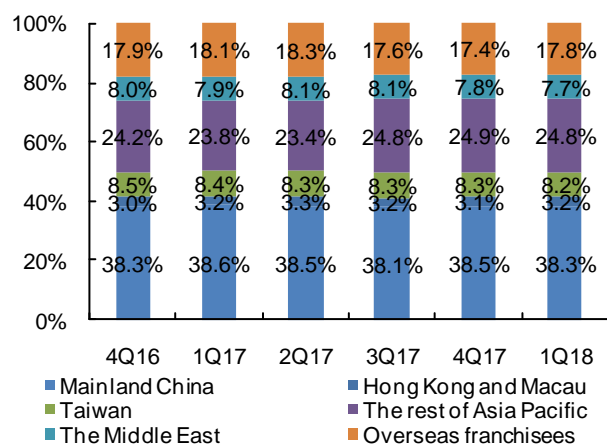
	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Mainland China	(3.4%)	(6.2%)	6.5%	0.4%	11.4%	8.7%	n.a.	15.1%
Hong Kong and Macau	3.1%	5.2%	8.8%	5.5%	10.1%	2.7%	n.a.	8.3%
Taiwan	(7.5%)	(3.2%)	(0.2%)	(6.6%)	3.1%	8.5%	n.a.	25.1%
The rest of Asia Pacific	4.7%	(0.2%)	13.7%	4.4%	13.2%	(1.5%)	n.a.	4.1%
The Middle East	6.7%	(7.2%)	3.5%	4.9%	14.5%	(9.4%)	n.a.	(12.2%)
South Korea (a joint venture)	(2.6%)	(4.0%)	2.4%	(4.3%)	(2.5%)	(8.3%)	n.a.	4.9%
CSS Growth - Overall	1.0%	(1.8%)	7.8%	2.2%	11.1%	1.5%	6.5%	8.7%

Source: the Company, Guotai Junan International.

More focus on wholesale channels. Total store count reached 2,414 as at 31 March 2018, which was flat to the end of last year. The Company has been shifting its channel mix by increasing wholesale channels. As a result, the proportion of franchised stores increased by 1.2 ppt YoY to 32.4% in 1Q18. The channel shift was mainly in mainland China, where the proportion of franchised stores increased from 61.7% in 1Q17 to 65.3% in 1Q18. The management of the Company indicated that the franchise model has lower risk and is more suitable for network expansion in different regions, as the local partners have a better understanding of local markets and consumers. Therefore, Giordano will continue to increase the proportion of wholesale channels over the next few years. The Company is also planning to develop new wholesale markets, including in India and Pakistan.

Figure-3: Total No. of Stores of Giordano


Source: the Company, Guotai Junan International.

Figure-4: Giordano's Retail Stores - Region


Source: the Company, Guotai Junan International.

Revise up 2018-2020 net profit forecasts by 8.9%, 8.8% and 6.6% to HK\$627 million, HK\$686 million and HK\$728 million, respectively, on higher revenue forecasts. 1Q18 revenue growth was very strong with solid improvement in CSS, which gives us confidence in the Company's business recovery for the full year of 2018. Therefore, we revise up 2018-2020 revenue forecasts by 2.2%, 2.3% and 1.9%, respectively. 1Q18 GPM was lower than expected due to fast growth in e-commerce business. We slightly revise down 2018-2020 GPM forecasts by 0.2 ppt, 0.2 ppt and 0.2 ppt to 59.5%, 59.7% and 59.8%, respectively. We revise up 2018-2020 net margin forecasts by 0.7 ppt, 0.7 ppt and 0.5 ppt to 10.9%, 11.5% and 11.9%, respectively.

Table-4: Key Assumptions and Adjustments

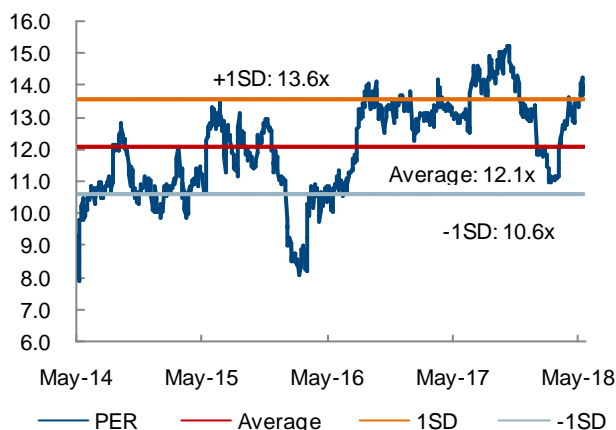
HK\$ mn	OLD			NEW			CHANGE		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Revenue	5,632	5,838	6,023	5,754	5,971	6,137	2.2%	2.3%	1.9%
Gross profit	3,362	3,495	3,615	3,426	3,564	3,671	1.9%	2.0%	1.6%
Operating profit	751	819	884	815	888	941	8.5%	8.5%	6.4%
Net profit	576	631	682	627	686	728	8.9%	8.8%	6.6%
Basic EPS (HK\$)	0.367	0.402	0.434	0.399	0.437	0.463	8.9%	8.8%	6.6%
Gross margin	59.7%	59.9%	60.0%	59.5%	59.7%	59.8%	(0.2) ppt	(0.2) ppt	(0.2) ppt
% SG&A of turnover	48.2%	47.6%	47.1%	47.2%	46.6%	46.2%	(1.0) ppt	(1.1) ppt	(0.9) ppt
Operating margin	13.3%	14.0%	14.7%	14.2%	14.9%	15.3%	0.8 ppt	0.8 ppt	0.7 ppt
Net margin	10.2%	10.8%	11.3%	10.9%	11.5%	11.9%	0.7 ppt	0.7 ppt	0.5 ppt

Source: the Company, Guotai Junan International.

Raise TP to HK\$5.60, but downgrade to "Accumulate". We have observed strong recovery of the Company's business in 1Q18, which is expected to continue in the remaining months of 2018. The recovery will be driven by fast growing e-business and wholesale channels, mainly in mainland China, Taiwan and the rest of Asia Pacific. Besides, the Company's high dividend payout ratio leads to very attractive dividend yield. We raise TP from HK\$5.10 to HK\$5.60 to reflect adjustment in earnings forecasts. The new TP represents 14.0x, 12.8x and 12.1x 2018, 2019 and 2020 PER, respectively. The Company's stock price has already partially reflected the better outlook and our new TP only represents 11.3% upside potential. Therefore we downgrade our rating from "Buy" to "Accumulate".

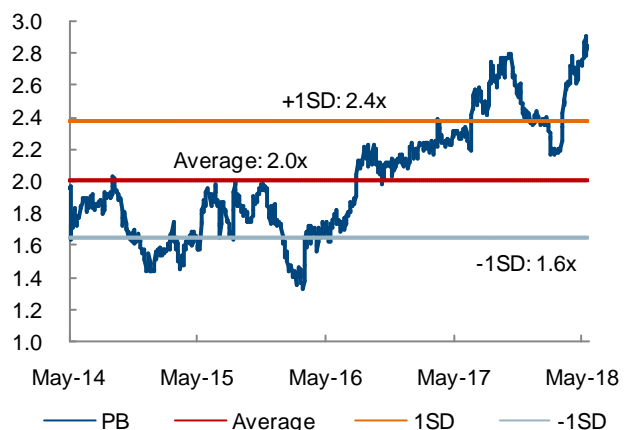
Risks: 1) lower growth in global apparel industries, 2) competition from other brands, and 3) unexpected fluctuations in exchange rate between RMB, HKD, and other currencies.

Figure-5: Giordano's P/E Ratio (Next 4 Quarters)



Source: Bloomberg, Guotai Junan International.

Figure-6: Giordano's PB Ratio (Current Annual)



Source: Bloomberg, Guotai Junan International.

Table-5: Peers Comparison Table

Company	Stock Code	Currency	Last price	Market Cap HKD mn	PE(x)				PB(x)				ROE(%)	D/Y(%)	EV/EBITDA(x)	Gross Margin(%)	Operating Margin(%)
					17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F	18F	18F
Apparel																	
Giordano Intl	709 HK	HKD	5.03	7,912	15.8	12.6	11.5	10.9	2.7	2.7	2.7	2.6	21.4	8.0	6.6	59.5	14.2
H&M*	HMB SS	SEK	144.54	214,013	14.8	16.5	16.0	15.5	4.0	4.0	4.0	3.9	24.7	6.2	8.8	53.5	9.1
Inditex*	ITX SM	EUR	27.09	776,953	26.7	25.0	23.8	21.4	6.6	6.2	5.6	5.2	25.7	2.6	15.8	56.3	17.0
Fast Retailing*	6288 HK	HKD	33.60	356,407	40.9	35.2	30.7	27.5	6.7	5.8	5.0	4.4	17.7	0.8	17.0	49.0	10.9
China Lilang	1234 HK	HKD	10.98	13,143	18.8	14.5	12.6	10.8	3.5	3.1	2.9	2.6	23.1	5.0	10.5	41.3	26.4
Trinity	891 HK	HKD	0.78	2,805	n.a.	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosideng	3998 HK	HKD	0.82	8,760	16.8	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
La Chapelle	6116 HK	HKD	9.05	10,447	8.0	7.2	6.5	n.a.	n.a.	0.9	0.9	n.a.	13.3	8.4	n.a.	62.2	8.3
Cosmo Lady	2298 HK	HKD	4.46	9,549	25.0	18.8	14.8	12.7	2.4	2.0	1.8	1.5	11.0	1.8	10.0	43.9	10.1
Koradior	3709 HK	HKD	9.31	4,528	15.5	n.a.	n.a.	n.a.	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
I.T*	999 HK	HKD	4.74	5,668	18.2	12.5	11.1	9.2	1.9	1.7	1.6	1.4	13.7	3.7	4.9	62.3	8.9
Esprit*	330 HK	HKD	2.69	5,077	89.7	n.a.	28.9	14.5	0.5	0.5	0.5	0.5	(4.7)	0.7	n.a.	51.9	(2.2)
Simple Average					20.1	17.8	17.3	15.3	3.0	3.0	2.8	2.8	16.2	4.1	10.5	53.3	11.4
Weighted Average					28.1	25.9	24.0	21.8	6.1	5.6	5.1	4.7	23.1	2.8	14.8	53.8	14.1
Sportswear																	
Anta	2020 HK	HKD	45.60	122,426	33.8	26.8	22.2	18.4	7.4	6.4	5.7	4.9	25.5	2.7	17.6	50.5	23.5
361 Degrees	1361 HK	HKD	2.54	5,252	10.0	8.1	7.4	7.3	0.8	0.7	0.7	0.7	8.6	4.8	3.2	41.8	17.8
Xtep	1368 HK	HKD	4.91	10,973	22.6	14.7	13.1	11.9	1.7	1.6	1.5	1.5	11.5	3.9	6.4	44.0	16.7
Li Ning	2331 HK	HKD	9.15	19,984	36.9	25.3	19.4	16.0	3.2	3.0	2.7	2.4	13.1	0.7	12.8	48.0	7.3
China Dongxiang	3818 HK	HKD	1.41	8,299	8.4	8.3	8.1	8.7	0.7	0.7	0.6	0.6	8.1	7.3	7.1	56.5	63.9
Simple Average					22.3	16.6	14.0	12.5	2.8	2.5	2.2	2.0	13.4	3.9	9.4	48.2	25.8
Weighted Average					31.4	24.3	20.1	16.8	6.0	5.2	4.6	4.0	21.7	2.8	15.3	49.8	22.9

Source: Bloomberg, Guotai Junan International.

* The financial year end date of Esprit (330 HK), H&M (HMB SS), Inditex (ITX SM), Fast Retailing (6288 HK) and I.T. (999 HK) is not 31st December. For easier comparison with peers, "17A" means "FY18A" and "18F" means FY19F and so on for the aforementioned companies.

Note: Esprit (00330 HK) is excluded in the calculation of 17A and 18F PER.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (HK\$ m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	5,145	5,412	5,754	5,971	6,137
Cost of Sales	(2,090)	(2,191)	(2,328)	(2,407)	(2,466)
Gross Profit	3,055	3,221	3,426	3,564	3,671
Other Income	85	112	103	105	107
Distribution Expense	(2,299)	(2,390)	(2,466)	(2,538)	(2,599)
Administrative Expense	(273)	(254)	(248)	(243)	(239)
Operating Profit	568	689	815	888	941
Finance Expenses	(1)	(4)	(4)	(4)	(5)
Profit of Jointly Controlled Companies	43	59	65	70	74
Profit Before Tax	610	744	875	954	1,009
Income Tax	(122)	(175)	(175)	(191)	(202)
Profit After Tax	488	569	700	763	808
Non-controlling Interest	(54)	(69)	(73)	(77)	(80)
Shareholders' Profit / Loss	434	500	627	686	728
Basic EPS	0.276	0.318	0.399	0.437	0.463
YoY	1.9%	15.2%	25.5%	9.5%	6%

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2016A	2017A	2018F	2019F	2020F
Profit Before Taxation	610	744	875	954	1,009
D&A	185	172	199	209	220
Other Adjustments	(62)	24	(8)	(4)	(4)
Changes in Working Capital	0	(114)	37	(2)	(300)
Interest Paid	(1)	4	4	4	5
Income Tax Paid	(114)	(94)	(175)	(190)	(200)
Cash from Operating Activities	618	736	933	972	730
Purchase of PP&E	(104)	(130)	(115)	(119)	(123)
Increase in Leasehold Land and Rental					
Prepayments	(59)	(49)	(63)	(72)	(74)
Other Investing Activities	(50)	0	(54)	(45)	(33)
Cash from Investing Activities	(213)	(178)	(232)	(236)	(229)
Dividends Paid	(424)	(471)	(612)	(660)	(691)
Other Financing Activities	247	(42)	(17)	(38)	(22)
Cash from Financing Activities	(177)	(513)	(629)	(698)	(713)
Net Changes in Cash	228	45	72	39	(212)
Cash at Beg of Year	939	1,156	1,228	1,294	1,328
Foreign Exchange Effect	(11)	27	(6)	(5)	(7)
Cash at End of Year	1,156	1,228	1,294	1,328	1,109

Balance Sheet					
Year end 31 Dec (HK\$ m)	2016A	2017A	2018F	2019F	2020F
Property, Plant and Equipment	221	234	225	214	205
Goodwill	546	546	546	546	546
Interest in Joint ventures	480	563	580	597	615
Leasehold Land and Rental					
Prepayments	192	147	138	131	123
Other Non-current Assets	240	258	234	236	238
Total Non-current Assets	1,679	1,748	1,723	1,724	1,727
Inventories	447	524	498	508	518
Leasehold Land and Rental					
Prepayments	51	58	58	60	58
Trade and Other Receivables	544	527	538	549	859
Deposits with Maturities > 3 months	237	237	273	300	315
Cash & Cash Equivalents	1,156	1,228	1,294	1,328	1,109
Total Current Assets	2,435	2,574	2,661	2,745	2,859
Total Assets	4,114	4,322	4,383	4,469	4,585
Trade and Other Payables	538	484	506	525	546
Put Option Liabilities	102	121	115	113	110
Bank Loans	298	298	253	215	194
Taxation	87	145	154	161	168
Total Current Liabilities	1,025	1,048	1,028	1,015	1,018
Put Option Liabilities	19	6	6	6	6
Deferred Tax Liabilities	103	127	121	116	112
Total Non-current Liabilities	122	133	127	122	118
Total Liabilities	1,147	1,181	1,154	1,137	1,136
Share Capital	79	79	79	79	79
Reserves	2,470	2,528	2,527	2,522	2,528
Proposed Dividends	236	314	330	361	393
Total Shareholders' Equity	2,785	2,921	2,936	2,963	2,999
Minority Interest	182	220	293	370	450
Total Equity	2,967	3,141	3,229	3,333	3,449

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Gross Margin (%)	59.4	59.5	59.5	59.7	59.8
Operating Margin (%)	11.0	12.7	14.2	14.9	15.3
Net Margin (%)	8.4	9.2	10.9	11.5	11.9
ROE (%)	15.6	17.5	21.4	23.3	24.4
ROA (%)	10.9	11.9	14.4	15.5	16.1
ROCE (%)	32.7	39.4	47.8	55.6	56.3
Payout Ratio (%)	99.5	109.8	100.2	100.7	99.3
Inventory Days	81.9	80.9	80.1	76.2	76.0
A/C Receivable Days	38.5	36.1	33.8	33.2	41.9
A/C Payable Days	95.8	85.1	77.6	78.2	79.3
Overall turnover cycle	24.6	31.9	36.3	31.3	38.5
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current Ratio (x)	2.4	2.5	2.6	2.7	2.8

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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