



## Company Report: Chow Tai Fook Jewellery (01929 HK)

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公司报告: 周大福珠宝 (01929 HK)

# Sustainable Jewellery Sales Rebound, Upgrade to "Accumulate"

可持续的珠宝销售复苏, 上调至“收集”

- FY18 shareholders' profit increased by 34.0% YoY to HK\$4,095 million, slightly beating our expectation but missing market consensus.** Total revenue rose 15.4% YoY to HK\$59,156 million. SSSG was up 8.0% YoY and 10.2% YoY in mainland China and Hong Kong & Macau, respectively. Gross margin dropped 1.8 pts YoY, mainly due to higher proportion of sales of gold products and wholesale, while core operating margin improved by 0.4 pts thanks to rental reduction and operation leverage. The Company proposed final dividend of HK\$0.27 and special dividend of HK\$0.30 per share, implying payout ratio of 139%.
- Accelerating store expansion and adoption of multiple brands strategy.** In FY18, the Company net opened 199 POS in mainland China and 1 POS in Hong Kong and other markets. In FY19, the management guides to add a net 300 POS in mainland China and 5 POS in Hong Kong. In addition, the Company is launching more affordable jewellery products under new brands to capture market opportunities of young customers and those of lower-tier cities.
- We raise TP to HK\$11.80 and revise up investment rating to "Accumulate".** We believe that this round of rebound in the jewellery market is healthy and sustainable with real demand. We support the Company's active strategy and stable fundamentals and believe that the Company deserves a valuation premium over its peers. Our new TP is equal to 24.0x FY19 PER and 21.3x FY20 PER. Downside risks include slower-than-expected SSSG and lower-than-expected profit margin.
- 2018 财年股东净利润同比上升 34.0%至港币 4,095 百万元, 略好于我们预期但差于市场预期。** 总收入同比增长 15.4%至港币 59,156 百万元。同店销售增长在中国大陆市场和港澳市场分别为 8.0%和 10.2%。毛利率同比倒退 1.8 个百分点, 主要由于黄金饰品和批发的占比提升; 核心经营利润率同比则提升 0.5 个百分点, 由于租金削减以及经营杠杆。公司提议派发末期派息每股 0.27 港元以及特别股息每股 0.30 港元, 派息率 139%。
- 加速门店扩张并采用多品牌策略。** 2018 财年公司在大陆净新开 199 家并在香港以及其他市场净开店 1 家。2019 财年, 管理层指引在中国大陆净增加 300 家零售点, 在香港新开 5 家零售点。此外, 公司正推出更多在新品牌下的可负担珠宝产品, 以抓住年轻群体和低线城市消费者的市场机会。
- 上调目标价至 11.80 港元, 上调投资评级为“收集”。** 我们认为珠宝市场这一轮复苏是由真实需求引发并且健康可持续。我们看好公司的积极策略以及稳健的基本面, 我们相信公司相比其同业享有估值溢价。我们的新目标价相当于 24.0 倍 2019 财年市盈率以及 21.3 倍 2020 财年市盈率。下行风险包括低于预期的同店增长以及低于预期的利润率。

Rating:

**Accumulate**

Upgraded

评级:

收集 (上调)

6-18m TP 目标价:

**HK\$11.80**

Revised from 原目标价:

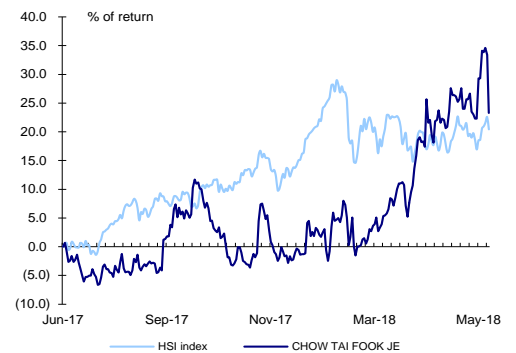
HK\$8.66

Share price 股价:

HK\$10.240

### 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 %	(2.3)	16.9	16.9
Rel. % to HS Index 相对恒指变动 %	(1.8)	17.0	(2.0)
Avg. Share price(HK\$) 平均股价 (港元)	10.5	9.9	8.7

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
03/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2017A	51,246	3,055	0.306	4.1	33.5	3.250	3.2	0.510	5.0	9.2
2018A	59,156	4,094	0.409	33.7	25.0	3.410	3.0	0.570	5.6	12.6
2019F	64,192	4,917	0.492	20.3	20.8	3.439	3.0	0.495	4.8	14.7
2020F	70,756	5,530	0.553	12.4	18.5	3.564	2.9	0.432	4.2	16.3
2021F	76,004	6,102	0.610	10.3	16.8	3.712	2.8	0.466	4.6	17.3

Shares in issue (m) 总股数 (m)		10,000.0	Major shareholder 大股东	CHOW TAI FOOK HOLDING 89.3%
Market cap. (HK\$ m) 市值 (HK\$ m)		102,400.0	Free float (%) 自由流通比率 (%)	10.7
3 month average vol. 3 个月平均成交股数 ('000)		4,381.7	FY19 Net gearing (%) FY19 净负债/股东资金 (%)	3.5
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)		11.540 / 7.870	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)	12.5

Source: the Company, Guotai Junan International.

**Key Takeaways from Analyst Presentation:**

**FY19 YTD SSSG performance remained positive.** According to the management, SSSG in mainland China in April and May slowed down to approximately 3%, compared with 6.8% in 4QFY18. The slowdown was mainly due to a higher base and the drag of unfavorable gem-set products. However, the decline in gem-set product sales growth has narrowed to mid-single digit percentages and the management guides gem-set SSSG to be flat or slightly negative in FY19. In the Hong Kong market, SSSG YTD was around 5%. Full-year performance is forecasted to be stable while the first half of the year will outperform the second half considering last year's base.

**Chow Tai Fook's ("CTF" or the "Company") is adopting a more aggressive expansion strategy in a rebounding environment.** The management believes that the recovering jewellery markets are currently different from the abnormal flourishing luxury markets 5-10 years ago, which represents real demand of luxury goods as the economy grows. The Company opened a net 199 POS in mainland China, 4 POS in the other markets and closed a net 3 POS in Hong Kong. The Company plans to further accelerate expansion pace in FY19, intending to open around 300 stores in mainland China, focusing more on the lower tier cities to catch the opportunities of consumption upgrade. In the Hong Kong market, 5 net POS are expected to open in FY19, mainly in residential areas.

**Profitability is expected to rise in FY19.** In FY18, sales proportion of gold products with lower gross margin compared with gem-set products increased to 59.4%, up 2.0 ppts YoY. On the other hand, the Company disposed of a number of loose diamonds to its wholesalers with negative gross margin. Therefore adjusted gross margin excluding the impact of unrealized hedging gain on gold loss declined 1.8 ppts YoY to 27.4%. The management mentioned that the abnormal gross margin will not appear in FY19 and expects adjusted gross margin to improve by 2.0 ppts YoY to 2.3 ppts YoY, similar to FY17, supported by higher non-gold sales proportion and normalized wholesale.

**High dividend payout ratio may be sustainable.** In FY18, the Company proposed final dividend of HK\$0.27 per share and special dividend of HK\$0.30 per share, representing dividend payout ratio of 139% in total. Looking forward, the management guided that standard dividend payout is related to free operating cash flow while special dividend depends on the Company's capital structure. The Company's ideal gearing ratio is less than 30% and thus the Company is likely to continue to propose special dividend in FY19 considering its healthy financial structure.

**The Company is adopting an omni-channel retailing sales strategy and multi-brand strategy.** In FY19, the Company's e-commerce retail sales volume ("RSV") jumped by 73.2% YoY, contributing 4.8% of total retail sales value and 12.5% retail sales volume. Online business is developing rapidly with over 2.1 million members and 0.39 million unique daily visitors. In addition, besides the classic jewellery offered under the brand of Chow Tai Fook, the Company launched Monologue as fashion jewellery for the new generation and Soinlove as affordable luxury bridal jewellery.

**FY18 Annual Results Review**

**Chow Tai Fook's total revenue reached HK\$59,156 million in FY18, up 15.4% YoY.** Revenue from mainland China increased 18.7% YoY to HK\$36,795 million and revenue from Hong Kong, Macau and other markets increased by 10.5% YoY to HK\$22,361 million, respectively, showing strong rebound in both markets. SSSG recorded 8.0% in mainland China and 10.2% in Hong Kong and Macau. By product mix, gold products recorded rapid YoY growth of 17.9%, representing 59.4% of total retail sales, thanks to favorable gold prices during the period and the launch of good-value-for-money products; however, sales of gem-set jewellery grew by 6.7% YoY, which sold well in Hong Kong but underperformed with negative SSSG in mainland China. During the period, the Hong Kong market showed a strong rebound benefiting from more tourist arrivals in Hong Kong as well as attractive jewellery prices with low gold price and RMB appreciation.

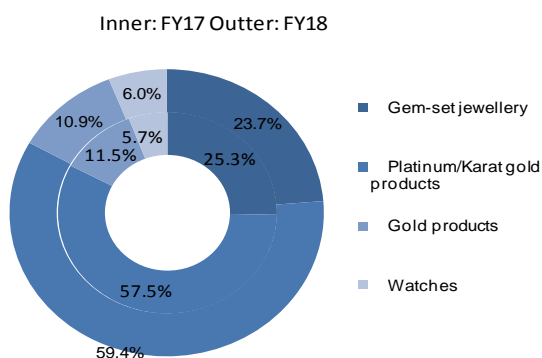
**Shareholders' profit rose 34.0% YoY to HK\$4,095 million, slightly beating our expectation but missing market consensus.** Profit margin decreased due to the product structure. In FY18, gross margin dropped 1.8 ppts to 27.4% and adjusted gross margin was down 1.3 ppts to 27.2% excluding the impact of the unrealized hedging loss. During the period, the proportion of gold products with lower gross margin increased by 2.0 ppts and the Company disposed of a number of loose diamonds to its wholesalers with negative gross margin to optimize its inventory structure, which led to a sharp decrease in gross margin. However, by lifting its operating leverage on a higher revenue base, the Company improved its core operating margin by 0.4 ppts YoY to 9.5%, of which staff costs to revenue declined 0.2 ppts YoY to 6.7%, and concessionaire fees to

revenue decreased 0.1 ppts YoY to 3.2%. In addition, rental expenses dropped by 12.7% YoY thanks to lease renewals in Hong Kong. Effective tax rate reached 27.9% due to withholding of dividend tax, higher than the average level of 25%.

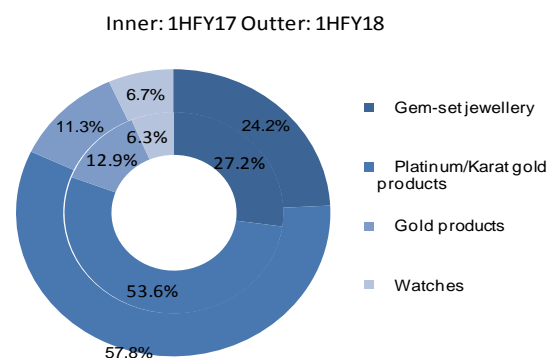
**Table-1: Chow Tai Fook's FY18 Results Review**

HK\$ million	FY17	FY18	YoY	Comments
Revenue	51,246	59,156	15.4%	China up 18.7%; Hong Kong & Macau up 10.5%
Cost of sales	(36,283)	(42,943)	18.4%	
Gross profit	14,963	16,213	8.4%	
Other income	330	408	23.8%	
Other gains	(286)	342	(219.8%)	Favorable foreign exchange rate
Selling and distribution costs	(8,011)	(8,239)	2.8%	Reduction in rental costs and staff expenses
Administrative expenses	(2,296)	(2,682)	16.8%	
Operating Profit	4,985	5,701	14.4%	
Finance costs	(237)	(244)	3.0%	
Profit before tax	4,378	5,832	33.2%	
Income tax	(1,227)	(1,629)	32.7%	Withholding dividend tax
Minority	(96)	(108)	13.2%	
Shareholders' Profit	3,055	4,095	34.0%	
EPS (HK\$)	0.306	0.409	34.0%	
DPS (HK\$)	0.510	0.570	11.8%	
Gross margin	29.2%	27.4%	-1.8 ppts	
Adjusted gross margin	28.5%	27.2%	-1.3 ppts	Proportion of gold products and wholesale up
Operating margin	9.7%	9.6%	-0.1 ppts	
Core operating margin	9.1%	9.5%	0.4 ppts	
Net margin	6.0%	6.9%	0.9 ppts	

Source: the Company, Guotai Junan International.

**Figure-1: CTF Revenue Breakdown by Region**


Source: the Company, Guotai Junan International.

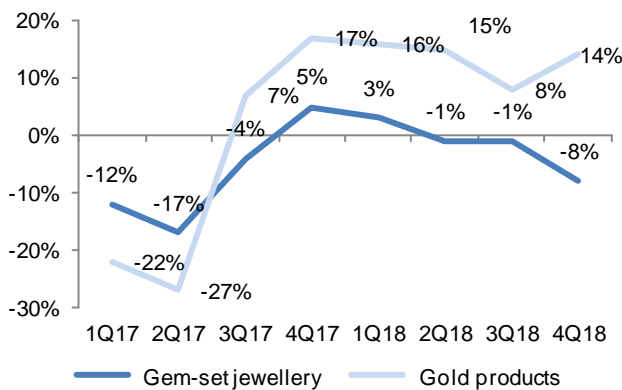
**Figure-2: CTF Revenue Breakdown by Product**


Source: the Company, Guotai Junan International.

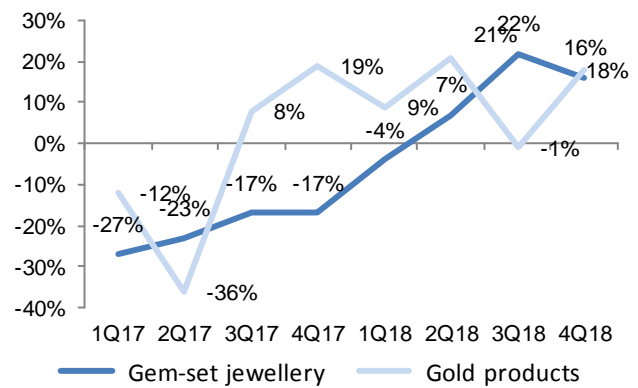
**Table-2: CTF Quarterly Products Contribution Breakdown**

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18
<i>Mainland China</i>								
Gem-set jewellery	29.0%	28.0%	24.0%	25.0%	27.0%	25.0%	23%	23%
Platinum/Karat gold products	51.0%	52.0%	60.0%	58.0%	54.0%	56.0%	62%	61%
Gold products	14.0%	14.0%	11.0%	12.0%	13.0%	13.0%	11%	12%
Watches	6.0%	6.0%	5.0%	5.0%	6.0%	6.0%	5%	4%
<i>Hong Kong and Macau</i>								
Gem-set jewellery	29.0%	27.0%	26.0%	26.0%	23.0%	24.0%	30%	24%
Platinum/Karat gold products	54.0%	54.0%	58.0%	57.0%	61.0%	60.0%	55%	59%
Gold products	12.0%	12.0%	10.0%	11.0%	10.0%	9.0%	9%	10%
Watches	5.0%	7.0%	6.0%	6.0%	7.0%	7.0%	5%	7%

Source: the Company.

**Figure-3: CTF Quarterly SSSG in Mainland China**


Source: the Company, Guotai Junan International.

**Figure-4: CTF Quarterly SSSG in HK and Macau**


Source: the Company, Guotai Junan International.

## Earnings Forecasts Revisions

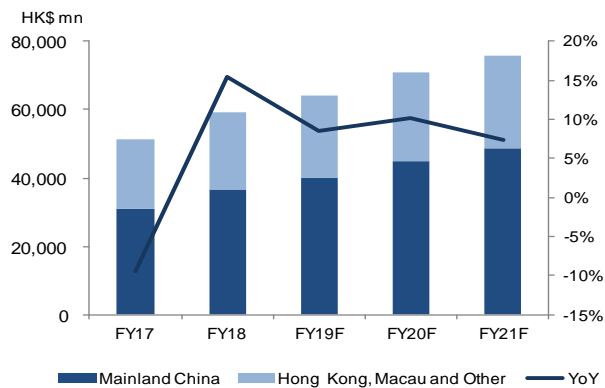
**We revise up total revenue forecasts in FY19 and FY20 by 7.0% YoY and 10.7% YoY, respectively.** We have seen that the luxury market has been recovering with healthy demand. Moreover, Chow Tai Fook is launching affordable jewellery and the Company recorded relatively high SSSG in both mainland China and Hong Kong in 4QFY18. In FY19, we saw that visitor arrivals in Hong Kong kept increasing at double-digit percentage growth in April, and we believe the trend may continue in the coming months. However, the advantage of RMB appreciation and falling gold price may not show again. Thus, we do not expect that SSSG in Hong Kong will be as high as it was in FY18, but mid-to-high single digit percentage growth can be expected. In mainland China, YTD SSSG was slower due to underperforming jewellery sales. Nevertheless, Chow Tai Fook plans to accelerate the pace of stores opening by adding around 300 stores in FY19, which will support revenue growth. Overall, we forecast revenue to increase 8.3% YoY in mainland China and 8.9% YoY in Hong Kong and other markets in FY19, respectively, representing 8.5% YoY growth in total revenue.

**Raise EPS in FY19 and FY20 by 12.2% and 14.0% to HK\$0.492 and HK\$0.553, respectively.** Gross margin eroded in FY18 mainly due to strong sales of gold products and wholesale. However, gem-set jewellery sales is expected to rebound and the negative impact of diamond wholesale will be eliminated in FY19, which will bring gross margin to a normal level. Operating expenses ratio recorded decrease, benefiting from operating leverage with revenue growth and rental cuts in Hong Kong. In FY19, the management guides that rental expenses will further experience low single-digit decline. Thus we lower operating expenses ratio by 0.2 pts YoY in FY19 and FY20. We now forecast shareholders' profit to be HK\$4,917 million in FY19, representing 20.1% YoY growth, and HK\$5,530 million in FY20, representing 12.4% YoY growth.

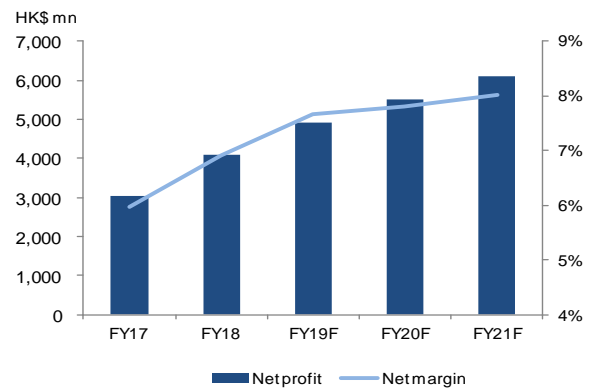
**Table-3: Key Figure Revisions for CTF**

HK\$ million	New			Old		Change	
	2018F	2019F	2020F	2019F	2020F	2019F	2020F
Revenue	64,192	70,756	76,004	59,974	63,911	7.0%	10.7%
-Mainland China	39,850	44,834	48,857	38,253	41,755	4.2%	7.4%
-Hong Kong & others	24,342	25,922	27,147	21,721	22,155	12.1%	17.0%
Gross profit	18,727	20,718	22,280	17,532	18,926	6.8%	9.5%
SG&A	-12,142	-13,345	-14,262	-11,465	-12,216	5.9%	9.2%
Operating profit	7,013	7,822	8,491	6,430	7,092	9.1%	10.3%
Profit before tax	6,730	7,568	8,352	5,947	6,581	13.2%	15.0%
Taxation	-1,683	-1,892	-2,088	-1,427	-1,579	17.9%	19.8%
Minority	-130	-146	-162	-136	-150	-4.0%	-2.4%
Shareholders' profit	4,917	5,530	6,102	4,384	4,851	12.2%	14.0%
EPS (HK\$)	0.492	0.553	0.610	0.438	0.485	12.2%	14.0%
Gross margin	29.2%	29.3%	29.3%	29.2%	29.6%	0.0 ppt	-0.3 ppts
SG&A ratio	(18.9%)	(18.9%)	(18.8%)	(19.1%)	(19.1%)	-0.2 ppts	-0.2 ppts
Operating margin	10.9%	11.1%	11.2%	10.7%	11.1%	0.2 ppts	0.0 ppt
Net margin	7.7%	7.8%	8.0%	7.3%	7.6%	0.4 ppts	0.2 ppts

Source: Guotai Junan International.

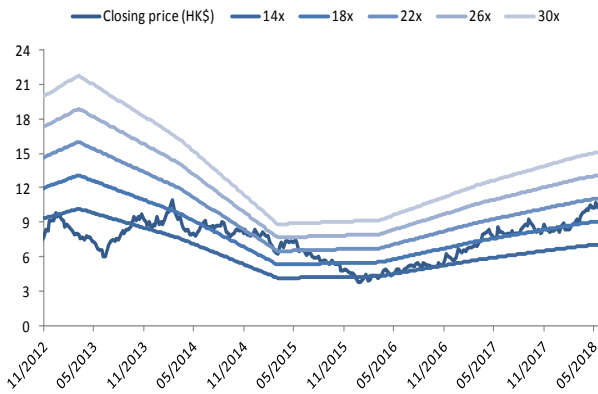
**Figure-5: Revenue and YoY Growth of CTF**


Source: the Company, Guotai Junan International.

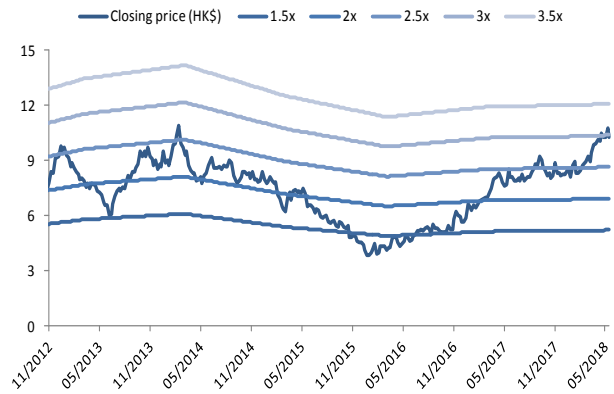
**Figure-6: Net Profit and Net Margin of CTF**


Source: the Company, Guotai Junan International.

**Raise investment rating to "Accumulate" and revise up TP to HK\$11.80.** We now turn to a more bullish view towards the Company's valuation as 1) this round of rebound in the luxury market is healthy and sustainable, driven by real demand, different to the situation years ago. 2) Chow Tai Fook is adopting a multiple brand strategy and launching affordable jewellery products to attract the younger generation. In addition, the Company is expanding to lower-tier cities to catch opportunities of consumption upgrade. We have confidence in the Company's active strategy and stable fundamentals. The Company experienced a stock price dive due to missing consensus results. However, we believe that most of the negative impact factors are one-off and we expect strong bottom-line growth in FY19. Our new TP of HK\$11.80 is equal to 24.0x FY19 PER and 24.0x FY19 PER and 21.3x FY20 PER. Downside risks include slower-than-expected SSSG and lower-than-expected profit margin.

**Figure-7: Historical Forward PER of CTF**


Source: Bloomberg, Guotai Junan International.

**Figure-8: Historical Forward PBR of CTF**


Source: Bloomberg, Guotai Junan International.

**Table-4: Peers Comparison**

Company	Stock Code	Currency	Last price	PE (fiscal year)				PB (fiscal year)				ROE(%)	D/Y(%)	Market Cap
				16A	17F	18F	19F	16A	17F	18F	19F			
<b>HK Listed</b>														
Chow Tai Fook Jewellery	1929 HK	HKD	10.240	25.0	20.7	18.1	16.2	3.1	3.0	2.9	2.8	14.9	3.3	102,400
Luk Fook Holdings	590 HK	HKD	35.650	17.7	15.5	14.1	n.a.	2.2	2.1	1.9	n.a.	13.9	3.3	20,930
Chow Sang Sang	116 HK	HKD	16.560	12.8	11.7	10.5	9.5	1.1	1.1	1.0	0.9	9.2	3.4	11,218
Emperor Watch & Jewellery	887 HK	HKD	0.530	23.0	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	3,643
Hengdeli Holdings	3389 HK	HKD	0.390	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	1,823
Oriental Watch Holdings	398 HK	HKD	2.710	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,546
Simple Average				19.7	16.0	14.3	12.8	1.5	2.1	1.9	1.8	12.6	3.3	
Weighted Average				22.9	19.1	16.9	15.5	2.7	2.7	2.6	2.6	14.2	3.3	
<b>PRC Listed</b>														
Lao Feng Xiang	600612 CH	CNY	37.400	17.2	14.4	12.7	11.9	3.5	3.0	2.6	2.2	21.4	2.7	19,949
Tesiro Jewelry	603900 CH	CNY	25.930	28.3	22.2	18.1	15.1	3.9	3.4	2.9	2.4	15.1	0.6	10,812
Zhejiang Ming Jewelry	002574 CH	CNY	6.440	37.9	28.0	25.8	22.2	1.1	1.1	1.0	1.0	3.7	1.4	4,164
Fiyta Holding	200026 CH	HKD	5.980	16.2	10.9	9.0	7.5	0.9	0.8	0.7	0.7	7.4	n.a.	4,971
Simple Average				24.9	18.9	16.4	14.2	2.3	2.0	1.8	1.6	11.9	1.6	
Weighted Average				22.3	17.5	15.0	13.3	3.0	2.6	2.3	1.9	16.1	1.9	
<b>Global Listed</b>														
Cie Financiere Richemont	CFR SW	CHF	92.260	39.7	37.5	22.5	21.1	3.1	3.0	2.8	2.6	8.1	2.6	421,859
Swatch Group	UHR SW	CHF	492.500	35.5	25.8	22.2	19.4	2.3	2.2	2.1	1.8	8.5	1.7	209,261
Tiffany & Co	TIF US	USD	132.190	37.0	44.5	27.9	24.8	5.5	5.1	4.8	4.3	11.8	1.8	128,862
Simple Average				37.4	35.9	24.2	21.8	3.6	3.4	3.2	2.9	9.5	2.0	
Weighted Average				38.1	35.5	23.3	21.3	3.3	3.2	2.9	2.7	8.8	2.2	

Source: Bloomberg, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Mar (HK\$ m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Mar (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Total Revenue	51,246	59,156	64,192	70,756	76,004	Property, plant and equipment	4,666	5,341	5,879	6,121	6,219
Cost of sales	(36,283)	(42,943)	(45,465)	(50,038)	(53,724)	Investment properties	250	234	245	257	270
Gross profit	14,963	16,213	18,727	20,718	22,280	Deferred tax assets	313	293	308	323	339
Other income	330	408	428	450	472	Goodwill and other intangible assets	614	564	564	564	564
Selling and distribution costs	(8,011)	(8,239)	(9,380)	(10,501)	(11,331)	Others	1,904	2,391	2,334	2,343	2,353
Administrative expenses	(2,296)	(2,682)	(2,762)	(2,845)	(2,930)	Total Non-current Assets	7,133	8,258	8,767	9,044	9,182
Operating Profit	4,985	5,701	7,013	7,822	8,491	Cash & Cash Equivalents	7,943	7,944	6,696	4,886	4,176
Other gain/loss	(286)	342	(63)	(2)	93	Trade and Other Receivables	5,057	6,410	6,419	7,217	7,752
Other expenses	(215)	(48)	(105)	(122)	(92)	Inventories	29,259	34,929	36,589	40,189	43,019
Gain/lost from a JV & associate	(10)	0	2	5	7	Others	9	29	14	17	20
Finance costs, net	(97)	(163)	(118)	(135)	(147)	Total Current Assets	42,269	49,312	49,718	52,309	54,966
Profit Before Tax	4,378	5,832	6,730	7,568	8,352	Total Assets	49,402	57,570	58,485	61,354	64,148
Income Tax	(1,227)	(1,629)	(1,683)	(1,892)	(2,088)	Accounts payable	5,693	8,359	8,345	9,269	10,033
profit After Tax	3,151	4,203	5,048	5,676	6,264	Gold loan	3,216	5,335	6,419	7,076	7,600
Non-controlling Interest	(96)	(108)	(130)	(146)	(162)	Short-term borrowings	6,193	5,823	5,765	5,707	5,650
Shareholders' Profit / Loss	3,055	4,094	4,917	5,530	6,102	Tax payable	596	1,102	710	803	872
Basic EPS	0.306	0.409	0.492	0.553	0.610	Others	90	101	90	90	90
						Total Current Liabilities	15,788	20,719	21,329	22,945	24,245
Cash Flow Statement						Financial Ratios					
Year end 31 Mar (HK\$ m)	2017A	2018A	2019F	2020F	2021F		2017A	2018A	2019F	2020F	2021F
PBT	4,378	5,832	6,730	7,568	8,352	Gross margin	29.2%	27.4%	29.2%	29.3%	29.3%
Income tax	(1,227)	(1,629)	(1,683)	(1,892)	(2,088)	Net margin	6.0%	6.9%	7.7%	7.8%	8.0%
Adjust for depre.&amort.	866	851	972	1,069	1,113	ROE	9.2%	12.6%	14.7%	16.3%	17.3%
Change in WC	1,452	(2,948)	(1,683)	(3,474)	(2,601)	ROA	9.2%	12.6%	14.7%	16.2%	17.2%
Others	783	1,858	329	475	493	Net gearing	Net Cash	Net Cash	3.5%	8.4%	9.9%
Cash from Operating Activities	6,252	3,964	4,666	3,747	5,268						
Capital expenditure	(994)	(1,084)	(1,500)	(1,300)	(1,200)						
Others	(153)	0	0	0	0						
Cash from Investing Activities	(1,147)	(1,084)	(1,500)	(1,300)	(1,200)						
Net bank borrowings	(4,135)	3,250	1,026	599	468						
Interest paid	(251)	(244)	(275)	(292)	(302)						
Dividend paid	(5,148)	(5,700)	(4,950)	(4,318)	(4,661)						
Others	(238)	(186)	(214)	(246)	(283)						
Cash from Financing Activities	(9,771)	(2,880)	(4,414)	(4,257)	(4,779)						
Net Changes in Cash	(4,667)	1	(1,248)	(1,810)	(710)						
Foreign Exchange Effect	(392)	0	0	0	0						
Cash at Beg of Year	13,001	7,943	7,944	6,696	4,886						
Cash at End of Year	7,943	7,944	6,696	4,886	4,176						

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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