

## Company Report: Vinda International (03331 HK)

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公司报告: 维达国际 (03331 HK)

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# Strong Sales with Promising Profitability Recovery

销售强劲, 盈利能力复苏确定性强

- Vinda's 1H19 results beat expectations.** Vinda's 1H19 sales grew 7.6% YoY (organic growth was 13.0% YoY) to HK\$7,891 million, mainly attributable to volume expansion and product mix improvement. Tissue sales growth in mainland China was the major driver for Vinda, but personal care products sales were slightly disappointing. Though Vinda's gross margin was down 1.6 ppt YoY to 28.1% in 1H19, gross margin QoQ in 2Q2019 improved due to declining pulp price and product mix improvement. Due to well-controlled SG&A expenses and lower effective tax rate, Vinda's 1H19 shareholders' profit increased 5.4% YoY to HK\$440 million.
- Earnings is expected to recover greatly in 2H19.** In 1H19, Vinda not only achieved strong sales growth in e-commerce, Vinda also grew at double-digit percentage rate in its B2B channels and even achieved growth in traditional channels. Market competition is likely to become intense but a price war has not started yet as no player wants to move first. Thanks to low pulp price, we expect that the Company's gross margin will further improve in 2H19. Moreover, due to less impact from RMB depreciation and stable SG&A expenses ratio, we expect the Company's operating profit margin to exceed 8.5% in 2H19.
- Vinda is continuously gaining market share as it has taken advantage of channel dynamics, growing with winning channels (e-commerce), and closely followed by the premiumization trend by developing various innovative and high-value products.** In the short run, we expect that low pulp price will significantly improve the Company's profitability. **Therefore, we have maintained "Accumulate" and raised TP to HK\$18.00, which represents 22.0x 2019 PER, 18.3x 2020 PER and 15.8x 2021 PER.**
- 维达 2019 年上半年业绩好于预期。**维达 2019 年上半年销售同比增长 7.6% (有机增长为 13.0%) 至 78.91 亿港元, 主要归因于销售量增长和产品结构改善。大陆地区的纸巾销售增长为维达的主要驱动力, 不过个人护理产品的销售稍微令人失望。尽管维达上半年毛利率同比下降 1.6 个百分点至 28.1%, 但因为下降的木浆价格以及产品结构升级毛利率在第 2 季度环比改善。因为销售管理费用较好的控制以及更低的有效税率, 维达 2019 年上半年股东净利润同比增长 5.4% 至 4.40 亿港元。
- 下半年盈利回升空间巨大。**2019 年上半年, 维达不仅在电商渠道实现强劲增长, 其在 B2B 渠道也取得双位数增长, 而且甚至在传统渠道也实现增长。市场竞争可能变得更加激烈但价格战还没有开始出现, 因为没有公司想要第一个调价。因为低木浆价格, 我们预计公司毛利率将会在 2019 年下半年进一步改善。而且因为边际上更少来自人民币贬值的影响以及稳定的销售管理费用率, 我们预计公司经营利润率将会在 2019 年下半年超过 8.5%。
- 维达持续不断地在夺取市场份额, 因为其充分适应渠道变动, 与胜出的渠道 (电商) 共舞, 而且其紧跟高端化潮流, 推出不同的创新的高价值产品。**短期内, 我们预计低木浆价格将显著改善其盈利能力。**因此, 我们维持公司 "收集" 评级, 上调目标价至 18.00 港元, 相当于 22.0 倍, 18.3 倍和 15.8 倍 2019 年, 2020 年和 2021 年市盈率。**

Rating:

**Accumulate**

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

**HK\$18.00**

Revised from 原目标价:

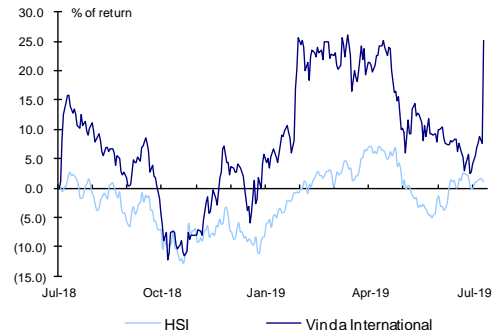
HK\$15.00

Share price 股价:

HK\$15.680

### 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 %	16.5	(0.1)	14.0
Rel. % to HS Index 相对恒指变动 %	15.6	4.9	12.3
Avg. share price (HK\$) 平均股价 (港元)	13.4	13.9	13.6

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\$)	(%)	(%)
2017A	13,486	621	0.526	(12.0)	30.5	7.316	2.2	0.190	1.2	8.0
2018A	14,879	649	0.544	3.4	29.4	7.309	2.2	0.200	1.2	7.4
2019F	16,448	979	0.819	50.6	19.6	7.701	2.1	0.287	1.8	10.9
2020F	18,412	1,176	0.984	20.1	16.3	8.408	1.9	0.345	2.2	12.2
2021F	20,466	1,364	1.141	16.0	14.0	9.404	1.7	0.399	2.5	12.8

Shares in issue (m) 总股数 (m)	1,194.9	Major shareholder 大股东	SCA 52.0%
Market cap. (HK\$ m) 市值 (HK\$ m)	19,142.3	Free float (%) 自由流通比率 (%)	26.0
3 month average vol. 3 个月平均成交股数 ('000)	367.2	FY19 Net gearing (%) FY19 净负债/股东资金 (%)	47.7
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	16.000 / 11.000	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)	18.1

Source: the Company, Guotai Junan International.

**Vinda's 1H2019 Interim Results Review**

**Vinda's 1H2019 results beat expectations.** In 1H2019, Vinda International's ("Vinda" or the "Company") revenue grew 7.6% YoY to HK\$7,891 million, while organic revenue growth recorded 13.0% YoY increase, mainly attributable to volume expansion and product mix improvement. The Company's sales in mainland China achieved strong growth, which reported organic growth of 15.0% YoY in 1H19. Tissue sales maintained strong performance, which rose 9.7% YoY to HK\$6,502 million (organic YoY growth was 15.5%). However, Vinda's personal care sales were slightly disappointing, which decreased 1.3% YoY to HK\$1,388 million (organic growth was 2.9% YoY). E-commerce channels were still the major sales driving force for Vinda with growth of around 30% YoY and contribution accounted for 26% among all channels.

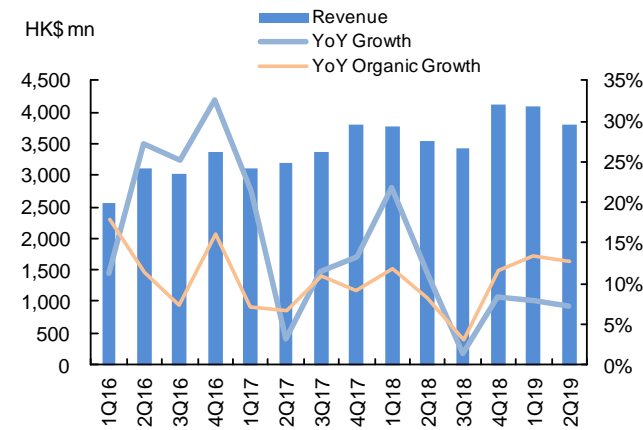
**Gross margin significantly improved QoQ due to falling pulp price.** Though Vinda's gross margin was down 1.6 ppt YoY to 28.1% in 1H19, its gross margin improved QoQ due to declining pulp price and product mix improvement. The Company's gross margin improved 3.7 ppt QoQ to 30.0% in 2Q2019. And in June 2019, Vinda's gross margin even recovered to 31.6%. Despite improving gross margin, the Company has not significantly increased promotional spending. Its SG&A expenses ratio declined 0.8 ppt YoY in 1H19. The Company's effective tax rate was down 5.1 ppt YoY to 16.0% due one-off deferred income tax. Overall, Vinda's 1H19 shareholders' profit increased 5.4% YoY to HK\$440 million, better than expected.

**Table-1: Vinda's 1H19 Interim Results Review**

HK\$ million	Income Statement					
	1H18	1H19	YoY	2H18	1H19	YoY
Tissue	5,928	6,502	9.7%	6,184	6,502	5.2%
Personal Care	1,407	1,388	-1.3%	1,360	1,388	2.1%
<b>Revenue</b>	<b>7,334</b>	<b>7,891</b>	<b>7.6%</b>	<b>7,544</b>	<b>7,891</b>	<b>4.6%</b>
COGS	(5,156)	(5,673)	10.0%	(5,535)	(5,673)	2.5%
<b>Gross profit</b>	<b>2,178</b>	<b>2,217</b>	<b>1.8%</b>	<b>2,009</b>	<b>2,217</b>	<b>10.4%</b>
Other income/gains	3	3	-10.0%	(31)	3	-108.0%
Selling and marketing costs	(1,164)	(1,230)	5.7%	(1,216)	(1,230)	1.2%
Administrative expenses	(373)	(360)	-3.6%	(385)	(360)	-6.7%
<b>Operating profit</b>	<b>643</b>	<b>630</b>	<b>-2.1%</b>	<b>376</b>	<b>630</b>	<b>67.4%</b>
Finance income, net	(105)	(109)	4.1%	(111)	(109)	-2.1%
FOEX	(10)	3		4	3	-26.9%
<b>Profit before income tax</b>	<b>529</b>	<b>524</b>	<b>-1.0%</b>	<b>269</b>	<b>524</b>	<b>94.9%</b>
Income tax	(112)	(84)	-25.0%	(37)	(84)	127.9%
<b>Net profit</b>	<b>417</b>	<b>440</b>	<b>5.4%</b>	<b>232</b>	<b>440</b>	<b>89.6%</b>
<b>EPS</b>	<b>0.349</b>	<b>0.368</b>	<b>5.4%</b>	<b>0.194</b>	<b>0.368</b>	<b>89.5%</b>
<b>Gross margin</b>	<b>29.7%</b>	<b>28.1%</b>	<b>-1.6 ppt</b>	<b>26.6%</b>	<b>28.1%</b>	<b>1.5 ppt</b>
- Tissue	29.4%	28.2%	-1.2 ppt	25.9%	28.2%	2.3 ppt
- Personal Care	30.8%	27.7%	-3.1 ppt	30.0%	27.7%	-2.3 ppt
<b>Operating margin</b>	<b>8.8%</b>	<b>8.0%</b>	<b>-0.8 ppt</b>	<b>5.0%</b>	<b>8.0%</b>	<b>3 ppt</b>
<b>Net margin</b>	<b>5.7%</b>	<b>5.6%</b>	<b>-0.1 ppt</b>	<b>3.1%</b>	<b>5.6%</b>	<b>2.5 ppt</b>

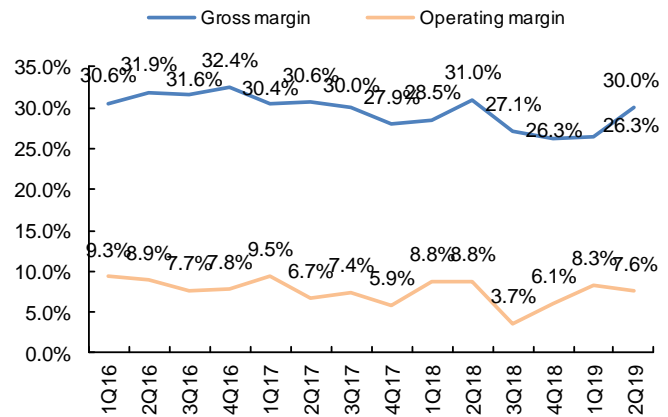
Source: the Company, Guotai Junan International.

Figure-1: Vinda's Quarterly Revenue & Growth



Source: the Company, Guotai Junan International.

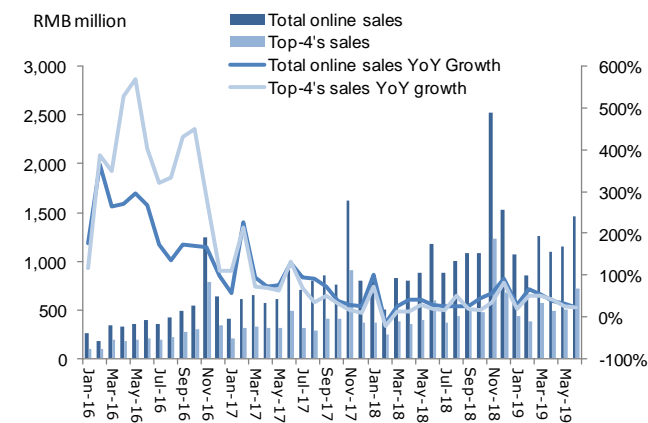
Figure-2: Vinda's Quarterly Gross Margin and Operating Margin



Source: the Company, Guotai Junan International.

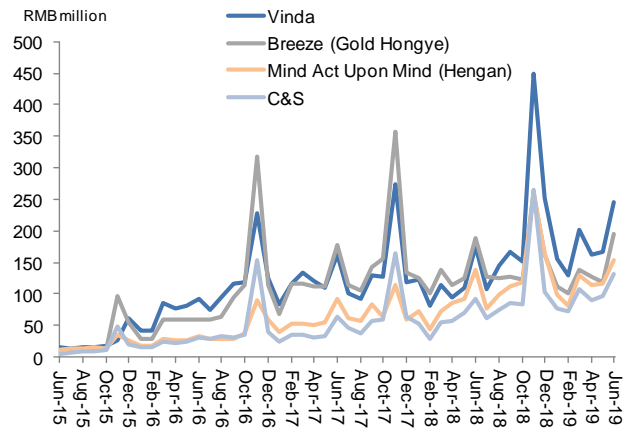
**All channels achieved satisfying results.** Vinda not only achieved strong sales growth in e-commerce, it also grew at double-digit percentage rate in B2B channels, which achieved the same operating profit margin as the overall level. The Company even achieved moderate growth in traditional channels, which has been shrinking for years. During 618 online shopping festival, Vinda's sales grew robustly, and topped sales on the major online shopping platforms. Vinda maintained its leading position in online channels due to its first-mover advantage and strong online promotion ability. Though other players are quickly catching up by placing emphasis on online channels, we believe that Vinda's position through online channels is solid as its product mix is highly competitive, which caters to younger and higher-income shoppers who are mainstream consumers on e-commerce platform.

Figure-3: Online Sales of Tissue Paper on Taobao and Tmall



Source: Majija.com.

Figure-4: Online Sales of Tissue Paper on Taobao and Tmall

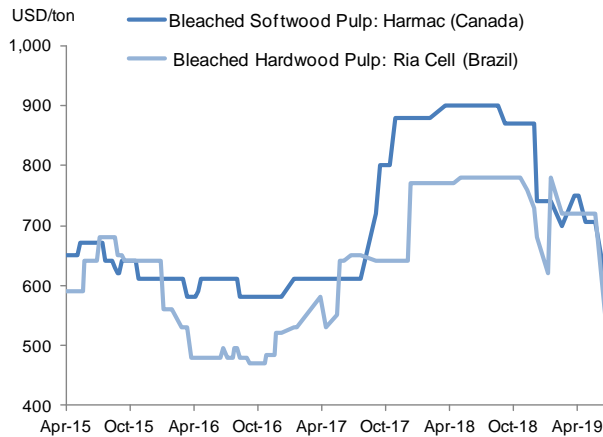


Source: Majija.com.

**Market competition will become intense but a price war has not started yet.** Vinda raised prices twice last year, notably higher than its key competitor which only slightly adjusted once. As pulp price has been declining, market competition is expected to become intense according to historical trends. We have noticed some small tissue paper manufacturers have trimmed down price, but no major players have lowered price on a large scale yet as no one is willing to be the first mover. High pulp price last year significantly hurt tissue paper manufacturers' profitability, which is on track to reach normal levels. Vinda is disciplined in pricing, its next move depends on its competitors.

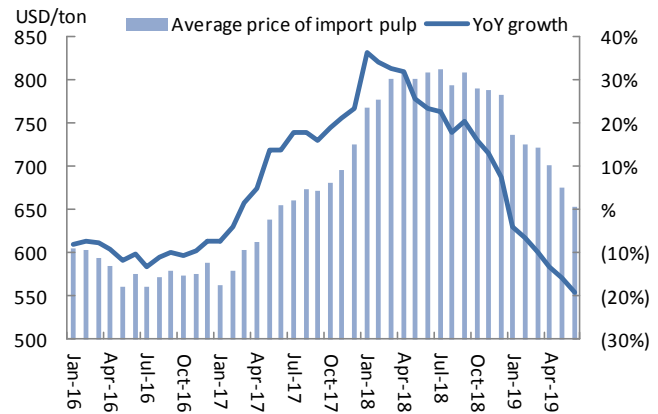
**Decline in pulp prices beat expectation.** Due to slower demand growth, abundant supplies from South America and less marginal effect from limitation on import of waste paper, pulp prices witnessed great decline since the end of 2018. As at June 2019, Canada long fiber price and Brazil short fiber price decreased 21.7% YoY and 32.1% YoY, respectively. Looking forward, we expect that pulp prices may not regain upward momentum. In 1-6M2019, China's average price of imported pulp declined 11.9% YoY. We expect that the decline in pulp price will further improve Vinda's gross margin in 2H19 and 2020. And Vinda may purchase more low priced pulp as inventory in case pulp price picks up.

Figure-5: Global Pulp Prices



Source: Wind, Guotai Junan International.

Figure-6: Average Price of Imported Pulp



Source: China Customs, Guotai Junan International.

**Earnings are expected to recover greatly in 2H19.** We expect that RMB depreciation will have much less YoY impact on Vinda in 2H19 as the RMB has already depreciated greatly in 2H18. Given the current pulp price, we expect that the Company's gross margin will further improve in 2H19. If market competition has not become more intense, Vinda is expected to continue to tighten selling expenses spending. The Company aims at achieving 8%-10% operating profit margin with the help of low pulp price. Moreover, though tax savings in 1H19 was partly due to one-off deferred income tax, the Company can still enjoy low tax rate as more subsidiaries are qualified for the High and New Technology Enterprises program and can enjoy tax deduction of R&D expenses. The effective tax rate in 2H19 will not exceed 20%. Overall we expect that Vinda's operating profit margin will exceed 8.5% in 2H19 and shareholders' profit will double.

#### Earnings Forecasts Assumptions and Revisions

**We have revised up our earnings forecasts.** We have slightly revised down our forecasted revenue in 2019 by 0.3% due to weaker forecasts on personal care sales, but revised up our forecast revenue in 2020 and 2021 by 1.6% and 4.5%, with consideration to volume growth and product mix improvement. We have slightly revised up 2019 and 2020 gross margin by 0.1 ppt and 0.3 ppt, respectively, due to lower pulp prices. We expect that SG&A expenses ratio will remain flat if market competition does not greatly intensify. Effective tax rate is expected to decline. Overall, we have revised up our earnings forecasts in 2019, 2020 and 2021 by 15.6%, 12.4% and 1.5%, respectively.

Table-2: Earnings Estimates Revisions

	NEW			OLD			CHANGE		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Revenue	16,448	18,412	20,466	16,497	18,116	19,587	-0.3%	1.6%	4.5%
Gross profit	4,838	5,560	6,210	4,829	5,424	5,928	0.2%	2.5%	4.8%
Operating profit	1,375	1,645	1,869	1,257	1,502	1,668	9.4%	9.5%	12.0%
Net profit	979	1,176	1,364	848	1,046	1,344	15.4%	12.4%	1.5%
EPS (HK\$)	0.819	0.984	1.141	0.709	0.876	1.125	15.6%	12.4%	1.5%
Gross margin	29.4%	30.2%	30.3%	29.30%	29.90%	30.30%	0.1 ppt	0.3 ppt	0 ppt
Operating margin	8.4%	8.9%	9.1%	7.60%	8.30%	8.50%	0.8 ppt	0.6 ppt	0.6 ppt
Net margin	6.0%	6.4%	6.7%	5.10%	5.80%	6.90%	0.9 ppt	0.6 ppt	-0.2 ppt

Source: Guotai Junan International.

**Maintain "Accumulate" and raise TP to HK\$18.00.** Vinda is continuously gaining market share as it has taken advantage of channel dynamics, growing with the winning channels (e-commerce), and closely followed premiumization trend by developing innovative and high-value products. In the short run, we expect that low pulp price will significantly improve its profitability. Therefore, we have maintained "Accumulate" and raise TP to HK\$18.00, which represents 22.0x 2019 PER, 18.3x 2020 PER and 15.8x 2021 PER.

**Table-3: Peers Comparison**

Company	Ticker	\$	Share Price	Market Cap (HK\$ mn)	PER (x)			PBR (x)	ROE (%)	Yield (%)	Gross Margin (%)	Operating Margin (%)
					FY19F	FY20F	FY21F	FY19F	FY19F	FY19F	FY19F	FY19F
<b>HK Listed Household Products Companies</b>												
Vinda International	3331 HK	HKD	15.68	18,738	22.7	18.8	16.0	2.0	10.5	1.9	29.8	8.4
Hengan International	1044 HK	HKD	56.20	66,860	14.1	13.1	12.5	3.3	23.5	5.1	39.2	25.8
<b>Simple Average</b>					<b>18.4</b>	<b>16.0</b>	<b>14.3</b>	<b>2.6</b>	<b>17.0</b>	<b>3.5</b>	<b>34.5</b>	<b>17.1</b>
<b>Weighted Average</b>					<b>16.0</b>	<b>14.4</b>	<b>16.0</b>	<b>3.0</b>	<b>20.6</b>	<b>4.4</b>	<b>37.2</b>	<b>22.0</b>
<b>China Household Products Listed Companies</b>												
Shandong Sun Paper	002078 CH	CNY	6.74	19,834	8.3	7.1	6.2	1.2	14.9	1.4	22.1	11.8
C&S Paper	002511 CH	CNY	12.43	18,439	30.3	24.6	20.1	4.2	15.2	0.8	36.2	10.0
<b>Simple Average</b>					<b>19.3</b>	<b>15.8</b>	<b>13.2</b>	<b>2.7</b>	<b>15.0</b>	<b>1.1</b>	<b>29.1</b>	<b>10.9</b>
<b>Weighted Average</b>					<b>18.9</b>	<b>15.5</b>	<b>12.9</b>	<b>2.7</b>	<b>15.0</b>	<b>1.1</b>	<b>28.9</b>	<b>10.9</b>
<b>Global Listed Household Products Companies</b>												
Johnson & Johnson	JNJ US	USD	132.07	2,739,514	15.3	14.5	13.5	5.6	37.2	3.0	72.7	33.3
Procter & Gamble	PG US	USD	115.44	2,262,229	25.8	24.3	22.9	4.5	21.2	2.6	49.5	21.9
Unilever Plc	ULVR LN	GBp	5,065.00	1,307,734	22.4	20.4	19.1	12.0	58.9	3.2	44.0	19.7
Kimberly-Clark Corp	KMB US	USD	137.54	369,424	20.4	19.4	18.4	(143.6)	(1,237.5)	3.1	34.3	18.1
Kao Corp	4452 JP	JPY	8,118.00	284,502	24.4	22.6	21.3	4.4	18.4	1.8	44.1	14.8
Unicharm Corp	8113 JP	JPY	3,143.00	141,876	29.3	26.2	23.5	3.9	14.5	1.0	39.9	14.0
<b>Simple Average</b>					<b>22.9</b>	<b>21.2</b>	<b>19.8</b>	<b>6.0</b>	<b>30.0</b>	<b>2.4</b>	<b>47.4</b>	<b>20.3</b>
<b>Weighted Average</b>					<b>20.9</b>	<b>19.5</b>	<b>18.3</b>	<b>6.4</b>	<b>35.2</b>	<b>2.8</b>	<b>56.2</b>	<b>25.2</b>

Source: Bloomberg.

**Financial Statements and Ratios**

Income Statement					
Year end 31 Dec (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Total Revenue	13,486	14,879	16,448	18,412	20,466
Cost of sales	(9,486)	(10,692)	(11,610)	(12,852)	(14,256)
Gross profit	4,000	4,187	4,838	5,560	6,210
Selling and marketing costs	(2,352)	(2,380)	(2,665)	(3,038)	(3,377)
Administrative expenses	(727)	(759)	(789)	(884)	(982)
Other income and expense	62	(27)	(7)	9	21
Operating profit	984	1,020	1,375	1,645	1,869
Net finance costs	(187)	(216)	(187)	(183)	(175)
FOREX & others	(27)	(6)	3	0	0
Profit before tax	769	798	1,191	1,461	1,694
Income Tax	(149)	(148)	(212)	(285)	(330)
Profit after tax	621	649	979	1,176	1,364
Non-controlling Interest	0	0	0	0	0
Shareholders' Profit / Loss	621	649	979	1,176	1,364
Basic EPS	0.526	0.544	0.819	0.984	1.141

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2017A	2018A	2019F	2020F	2021F
PBT	769	798	1,191	1,461	1,694
DD&A	702	819	671	695	729
Change in working capital	(371)	(258)	(5)	206	(361)
Others	350	401	294	287	276
Cash generated from operations	1,450	1,760	2,152	2,648	2,337
Income and interest tax paid	(464)	(428)	(408)	(498)	(542)
Cash from Operating Activities	986	1,332	1,744	2,151	1,795
Investing activities					
Capital expenditure	(1,244)	(1,173)	(1,200)	(1,200)	(1,200)
Others	(33)	(11)	(3)	(4)	5
Cash from Investing Activities	(1,277)	(1,184)	(1,203)	(1,204)	(1,195)
Financing activities					
Loans changes	(422)	206	(248)	(202)	0
Dividend paid	(203)	(239)	(251)	(331)	(173)
Decrease in amounts due to a related party	0	0	(98)	2	0
Others	324	(23)	0	0	0
Cash from Financing Activities	(300)	(57)	(596)	(531)	(173)
Net Changes in Cash	(591)	91	(55)	416	426
Foreign exchange effect	110	(51)	(10)	0	0
Cash at Beg of Year	1,015	535	574	509	925
Cash at End of Year	535	574	509	925	1,352

Balance Sheet					
Year end 31 Dec (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Property, plant and equipment	8,740	8,997	9,335	9,825	10,280
Intangible assets	2,914	2,823	2,686	2,605	2,527
Others	1,399	1,462	1,437	1,513	1,585
Total Non-current Assets	13,052	13,282	13,458	13,943	14,392
Cash & Cash Equivalents	535	574	509	925	1,352
Inventories	3,048	2,746	3,552	3,068	4,275
Bills receivable	2,310	2,428	2,371	3,002	2,970
Others	29	37	38	40	42
Total Current Assets	5,922	5,785	6,470	7,035	8,639
Total Assets	18,974	19,068	19,928	20,978	23,032
Short-term debts	690	1,023	960	908	908
Bills payable	4,494	4,436	5,181	5,536	6,352
Accrued expenses and other payables	4	2	2	2	2
Others	98	189	190	211	231
Total Current Liabilities	5,286	5,649	6,333	6,657	7,493
Net current liabilities	636	136	138	378	1,146
Total assets less current liabilities	13,688	13,418	13,596	14,321	15,539
Long-term debts	3,310	3,005	2,820	2,669	2,669
Loan from a related party	1,236	1,218	1,120	1,122	1,122
Others	1,642	1,684	1,575	1,605	1,632
Total Non-current Liabilities	4,952	4,688	4,395	4,275	4,302
Total Liabilities	10,237	10,338	10,727	10,932	11,795
Share capital	119	119	119	119	119
Reserves	8,617	8,610	9,081	9,927	11,117
Total Shareholders' Equity	8,736	8,730	9,201	10,046	11,237
Minority Interest	0	0	0	0	0
Total Equity	8,736	8,730	9,201	10,046	11,237

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Turnover Growth (%)	11.9	10.3	10.5	11.9	11.2
Gross Profit Growth (%)	4.8	4.7	15.6	14.9	11.7
EBIT Growth (%)	-2.4	3.7	34.9	19.6	13.6
Net Profit Growth (%)	-5.0	4.6	50.8	20.1	15.9
Gross Margin (%)	29.7	28.1	29.4	30.2	30.3
EBIT Margin (%)	7.3	6.9	8.4	8.9	9.1
Net Margin (%)	4.6	4.4	6.0	6.4	6.7
ROE (%)	8.0	7.4	10.9	12.2	12.8
ROA (%)	3.6	3.4	5.0	5.8	6.2
Inventory turnover days	93.0	98.9	99.0	94.0	94.0
Account receivable days	56.7	53.9	53.3	53.3	53.3
Account payable days	151.6	152.4	151.2	152.2	152.2
Cash conversion cycle	-1.9	0.4	1.1	-4.9	-4.9
Current ratio (x)	1.1	1.0	1.0	1.1	1.2
Quick ratio (x)	0.5	0.5	0.5	0.6	0.6
Net gearing (%)	53.8	53.5	47.7	37.6	29.8
Net interest cover (x)	5.3	4.7	7.3	9.0	10.7
Payout ratio (%)	36.1	36.8	35.0	35.0	35.0

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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