



Company Report: PICC P&C (02328 HK)

公司报告: 中国财险 (02328 HK)

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1-3Q2019 Results Above Expectation, Maintain "Neutral"

2019年前三季度业绩好于预期, 维持“中性”

- PICC P&C's (02328 HK) unaudited 1-3Q2019 results were above our expectation.** GWP increased 8.6% to RMB96.8 bn in 3Q2019, dragging down 1-3Q2019 growth to 13.1%. Motor premiums experienced 2.0% yoy decline in 3Q2019, whereas non-motor premiums maintained robust growth. We expect 3Q2019 underwriting performance to improve, driven by the reduction in motor insurance commission rate. Benefiting from normalization of effective tax rate, net profit realized 2.51x growth to RMB5.1 bn in 3Q2019. The results were above our expectation due to underwriting improvement.
- PICC P&C plans to achieve integration of technology innovation and business model innovation and integration of policy-based business and commercial business.** On the investor day, the management of PICC P&C introduced a strategy of two integrations: 1/ technology innovation and business model innovation, and 2/ policy-based business and commercial business. In our view, the Company is improving customer experience through cooperation with the government, leveraging its SOE background. Such business strategy is not easy for peer companies to copy.
- Lift target price to HK\$10.56, but maintain "Neutral" rating to reflect concerns on motor insurance.** We lift 2019F P/B target to 1.33x, equivalent to target price of HK\$10.56. Despite that underwriting performance saw some improvements, our concern for motor insurance remains. Moreover, motor premium deregulation is expected to bring pressure to motor underwriting in the long term. Hence, we maintain "Neutral" investment rating for PICC P&C.
- 中国财险(02328 HK)的未经审计的2019年前三季度业绩好于我们的预期。**总保费在2019年第三季度同比增长8.6%至人民币968亿元,将2019年前三季度保费增长拖至13.1%。车险保费在2019年第三季度录得2.0%的同比下滑,非车险保费则保持快速增长。我们预计2019年第三季度的承保表现出现了改善,主要是受到车险手续费率下降的驱动。受益于税率正常化,净利润在2019年第三季度实现了2.51倍的增长,达到人民币51亿元。该业绩因为承保改善而好于我们的预期。
- 中国财险计划实现技术变革与商业模式变革的融合以及政策性业务与商业性业务的融合。**在投资者开放日上,中国财险的管理层介绍了公司的两个融合策略:1/技术变革与商业模式变革的融合,和2/政策性业务与商业性业务的融合。我们认为,公司凭借其国企背景通过与政府的合作改善客户体验。对于同业公司而言,这种商业模式并不容易模仿。
- 我们调高目标价至10.56港元但维持“中性”的投资评级以反映车险上的担忧。**我们将2019年目标市净率提高至1.33倍,相当于10.56港元的目标价。尽管承保表现出现了一些改善,我们对于车险的担忧依旧存在。此外,车险费率改革预计将在长期内给车险承保带来压力。因此,我们维持对于中国财险的“中性”投资评级。

Rating:

Neutral

Maintained

评级:

中性 (维持)

6-18m TP 目标价:

HK\$10.56

Revised from 原目标价:

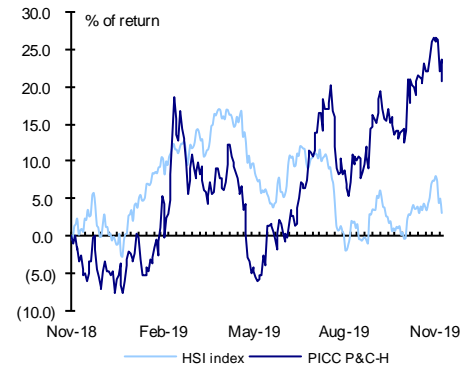
HK\$9.60

Share price 股价:

HK\$9.700

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 % | 2.6 | 13.6 | 17.6 |
| Rel. % to HS Index 相对恒指变动 % | 2.5 | 8.6 | 14.0 |
| Avg. Share price(HK\$) 平均股价 (港元) | 9.8 | 9.3 | 8.5 |

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 | (RMB m) | (RMB m) | (RMB) | (Δ %) | (x) | (RMB) | (x) | (RMB) | (%) | (%) |
| 2017A | 350,314 | 19,807 | 0.891 | 10.0 | 9.1 | 5.985 | 1.3 | 0.225 | 2.8 | 15.7 |
| 2018A | 388,769 | 15,485 | 0.696 | (21.9) | 12.2 | 6.362 | 1.3 | 0.272 | 3.2 | 11.3 |
| 2019F | 429,083 | 26,454 | 1.189 | 70.8 | 7.3 | 7.279 | 1.2 | 0.416 | 4.8 | 17.4 |
| 2020F | 475,161 | 24,667 | 1.109 | (6.7) | 7.9 | 7.972 | 1.1 | 0.388 | 4.4 | 14.5 |
| 2021F | 520,197 | 27,108 | 1.219 | 9.9 | 7.2 | 8.803 | 1.0 | 0.427 | 4.9 | 14.5 |

| | | | |
|--|----------------|------------------------------------|------------------|
| Shares in issue (m) 总股数 (m) | 22,242.0 | Major shareholder 大股东 | PICC Group 69.0% |
| Market cap. (HK\$ m) 市值 (HK\$ m) | 215,747.4 | Free float (%) 自由流通比率 (%) | 31.0% |
| 3 month average vol. 3个月平均成交股数 ('000) | 24,165.3 | FY19 Target P/B (x) FY19 目标市净率 (x) | 1.3 |
| 52 Weeks high/low (HK\$) 52周高/低 (HK\$) | 10.260 / 7.470 | FY19 Combined Ratio FY19 综合成本率 | 98.0% |

Source: the Company, Guotai Junan International.

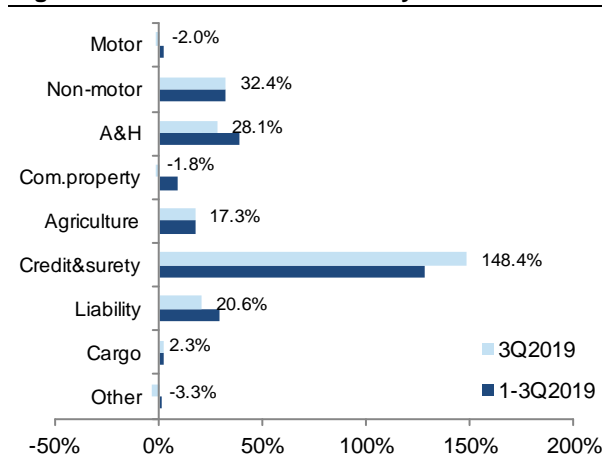
PICC P&C's (02328 HK or the "Company") unaudited 1-3Q2019 results beat our expectation thanks to underwriting improvement. Gross written premiums (GWP) increased 8.6% to RMB96.8 bn in 3Q2019, dragging down 1-3Q2019 growth to 13.1%. Motor premiums experienced 2.0% yoy decline in 3Q2019, whereas non-motor premiums maintained robust growth supported by 1.48x growth in credit insurance. Combined ratio (COR) for 1-3Q2019 was 97.9%, while underwriting profit stood at RMB375.4 bn. Although detailed information on underwriting has not been disclosed, we expect underwriting performance to improve in 3Q2019, driven by the reduction in motor insurance commission rate. As for investment, investment income remained flat in 3Q2019. Benefiting from normalization of effective tax rate as a result of decline in commission rate, net profit realized 2.51x growth to RMB5.1 bn in 3Q2019. The results were above our expectation due to underwriting improvement, which we attribute to the reduction in commission rate in motor underwriting.

Table-1: PICC P&C's Results Summary

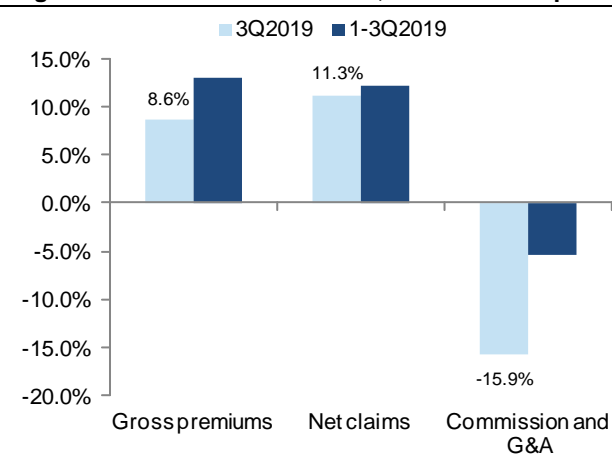
| (RMB mn) | 3Q2019 | YOY% | 1-3Q2019 | YOY% |
|----------------------------|--------|--------|----------|-------|
| Gross written premiums | 96,772 | 8.6 | 332,808 | 13.1 |
| Net premiums earned | 99,201 | 8.3 | 280,186 | 7.5 |
| Net claims | 61,637 | 11.3 | 169,292 | 12.2 |
| Commission and G&A expense | 30,765 | (15.9) | 94,124 | (5.5) |
| Investment income | 5,045 | 12.0 | 17,052 | 11.3 |
| Profit before tax | 6,149 | 32.4 | 21,361 | 1.6 |
| Net profit | 5,131 | 251.7 | 21,985 | 66.7 |

Source: the Company, Guotai Junan International.

Note: Results are based on PRC Accounting Standards for Enterprise Business.

Figure-1: PICC P&C's Premiums by Line


Source: the Company.

Figure-2: PICC P&C's Premiums, Claims and Expense YoY


Source: the Company.

Under "3411 Project", PICC P&C plans to achieve two integrations ,1/ integration of technology innovation and business model innovation, and 2/ integration of policy-based business and commercial business. PICC Group held its investor day on November 1, in which the management introduced PICC P&C's strategy of two integrations: 1/ technology innovation and business model innovation, and 2/ policy-based business and commercial business. The Company also presented its success in motor insurance digitalization in Jiangsu and their unique collaborative platform with traffic police, which improves motor insurance customer experience. Regarding the business in rural areas, the Company also tried to explore opportunities for commercial business based on strong presence in policy-based agriculture insurance. In our view, PICC P&C is improving customer experience through cooperation with the government, leveraging its SOE background. Such business strategy is not easy for peer companies to copy. As the market leader in rural areas, it is also exploring opportunities of selling commercial insurance to customers of policy-based insurance. Except for strategy, the management also gave two medium to long-term operational targets: commercial business COR target of 95.0% and non-motor premiums contribution target of 60.0%.

Despite commission rate having declined significantly, motor premiums deregulation will bring pressure on premiums growth. Due to suspension of motor premiums sales in 11 local branches, 3Q2019 motor premiums decreased 2.0% to RMB61.7 bn. Detailed underwriting data has not been disclosed. However, as commission rate declined notably, we expect underwriting performance to improve in 3Q2019. The improvement in commission rate was attributable to the tightened supervision on motor underwriting commission and the P&C industry's self-discipline on motor insurance commission. We

expect such trend to persist in 4Q2019. Despite that the increase in net claims was higher than that of GWP, we believe that non-motor claims hike was the reason and motor claims should remain stable. In addition, we expect motor COR to remain high due to distortion led by increasing unearned premiums reserves. Going forward, motor premiums growth deceleration is expected thanks to the continuous premiums deregulation as well as sluggish china auto market performance.

Non-motor premiums expansion was supported by A&H and credit insurance, whereas underwriting deteriorated due to more claims. Non-motor premiums increased 32.4% to RMB34.0 bn in 3Q2019. A&H and credit insurance were the growth drivers, of which credit insurance was up 148.4% in 3Q2019 premiums. However, other lines all saw slowdown in premiums growth in 3Q2019. The management said that non-motor claims deterioration was due to natural disasters and African swine fever. Thus, COR should deteriorate with loss ratio increasing. The management continued to emphasize the principle of policy-based insurance of slight profitability. Moreover, they also mentioned to explore a combination of policy-based insurance and commercial insurance due to large exposure in policy-based insurance, such as social security insurance and agriculture insurance. Hence, robust growth is expected to be sustained, especially under the situation of motor premiums expansion slowdown.

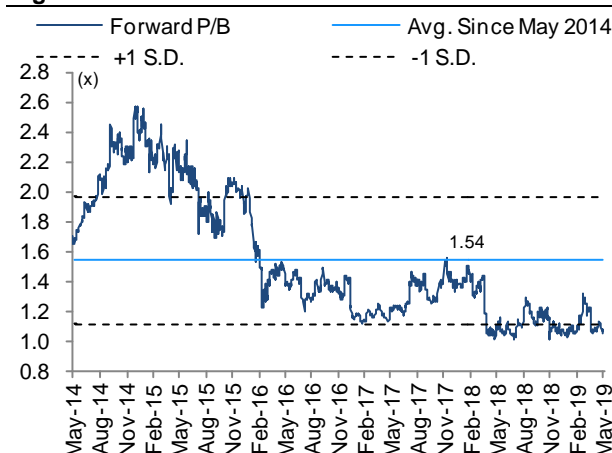
We lift underwriting profit forecasts on motor insurance, leading to a 14.6% increase in 2019F shareholders' profit. Considering volume decline and commission rate improvement in 3Q2019, we have revised down 2H2019 motor premiums growth forecast and revise up 2H2019 motor underwriting profit forecast. The non-motor premiums forecast for 2H2019 has been increased to reflect steady growth in 3Q2019. On underwriting, non-motor COR has been slightly adjusted. Investment forecast remains unchanged. Benefiting from motor underwriting profit improvement, shareholders' profit forecast for 2019F has been lifted by 14.6% compared to our previous forecasts.

Table-2: Earnings Forecasts

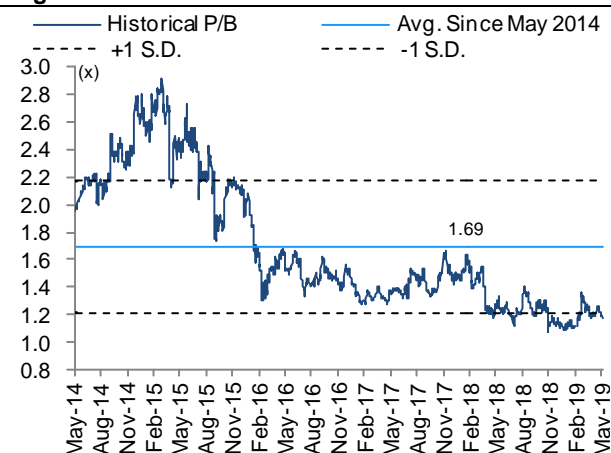
| (RMB mn) | Updated | | | Previous | | | Change | | |
|-------------------------|---------|---------|---------|----------|---------|---------|--------|--------|--------|
| | 2019F | 2020F | 2021F | 2019F | 2020F | 2021F | 2019F | 2020F | 2021F |
| Gross written premiums | 429,083 | 475,161 | 520,197 | 434,757 | 476,099 | 516,137 | (1.3%) | (0.2%) | 0.8% |
| Underwriting profit | 7,181 | 11,997 | 14,581 | 2,821 | 9,032 | 10,133 | 154.6% | 32.8% | 43.9% |
| Total investment income | 22,000 | 22,107 | 22,826 | 22,223 | 22,695 | 23,870 | (1.0%) | (2.6%) | (4.4%) |
| Profit before tax | 26,988 | 31,625 | 34,979 | 22,851 | 29,248 | 31,573 | 18.1% | 8.1% | 10.8% |
| Shareholders' profit | 26,454 | 24,667 | 27,108 | 23,082 | 22,813 | 24,469 | 14.6% | 8.1% | 10.8% |
| EPS (RMB) | 1.189 | 1.109 | 1.219 | 1.038 | 1.026 | 1.100 | 14.6% | 8.1% | 10.8% |
| BPS (RMB) | 7.279 | 7.972 | 8.803 | 7.128 | 7.790 | 8.531 | 2.1% | 2.3% | 3.2% |

Source: Guotai Junan International.

Lift target price to HK\$10.56, but maintain "Neutral" rating to reflect concerns on motor insurance. We lift target 2019F P/B from 1.12x to 1.33x, equivalent to target price of HK\$10.56. Despite that underwriting performance saw some improvements, our concerns for motor premiums growth remained due to continuous deepening motor premiums deregulation as well as sluggish auto market in China. Meanwhile, motor deregulation is expected to lower premiums per policy and increase claims per policy, bringing pressure to motor underwriting in the long term. Hence, we maintain "Neutral" investment rating for PICC P&C.

Figure-3: PICC P&C's 5-Year Forward P/B


Source: Bloomberg, Guotai Junan International.

Figure-4: PICC P&C's 5-Year Historical P/B


Source: Bloomberg, Guotai Junan International.

Table-3: Peers Comparison

| Company | Stock Code | Currency | Last price (in local \$) | PE (fiscal year) | | | | PB (fiscal year) | | | | ROE(%) | D/Y(%) | Mkt Cap |
|------------------------------|------------|----------|-----------------------------|------------------|------|-------|------|------------------|-----|-----|-----|--------|--------|-----------|
| | | | | 18A | 19F | 20F | 21F | 18A | 19F | 20F | 21F | 19F | 19F | HKD mn |
| PICC Property & Casualty-H | 02328 HK | HKD | 9.70 | 11.8 | 7.8 | 8.0 | 7.3 | 1.3 | 1.2 | 1.1 | 1.0 | 16.4 | 4.4 | 215,755 |
| Manulife Financial Corp | 00945 HK | HKD | 154.40 | 10.9 | 8.8 | 8.3 | 7.8 | 1.3 | 1.1 | 1.0 | 1.0 | 12.9 | 3.8 | 300,904 |
| China Taiping Insurance Hold | 00966 HK | HKD | 18.60 | 10.1 | 7.0 | 6.6 | 6.0 | 1.1 | 0.9 | 0.8 | 0.7 | 13.9 | 0.9 | 66,849 |
| AIA Group Ltd | 01299 HK | HKD | 77.75 | 45.9 | 18.9 | 16.9 | 14.9 | 3.1 | 2.5 | 2.3 | 2.1 | 14.9 | 1.7 | 939,904 |
| New China Life Insurance C-H | 01336 HK | HKD | 32.30 | 10.7 | 6.6 | 7.2 | 6.3 | 1.3 | 1.2 | 1.0 | 0.9 | 18.0 | 3.8 | 143,642 |
| People's Insurance Co Grou-H | 01339 HK | HKD | 3.23 | 9.1 | 6.1 | 6.4 | 6.3 | 0.8 | 0.7 | 0.6 | 0.6 | 12.4 | 2.7 | 349,381 |
| China Reinsurance Group Co-H | 01508 HK | HKD | 1.28 | 12.0 | 8.9 | 8.0 | 7.0 | 0.6 | 0.6 | 0.6 | 0.5 | 7.0 | 5.1 | 53,949 |
| Ping An Insurance Group Co-H | 02318 HK | HKD | 91.45 | 12.8 | 9.3 | 9.3 | 8.2 | 2.6 | 2.2 | 1.9 | 1.6 | 25.7 | 2.9 | 1,744,649 |
| Prudential Plc | 02378 HK | HKD | 135.10 | 11.0 | 9.1 | 9.1 | 8.3 | 2.0 | 1.9 | 1.7 | 1.4 | 22.2 | 3.0 | 351,249 |
| China Pacific Insurance Gr-H | 02601 HK | HKD | 29.45 | 12.5 | 8.3 | 8.6 | 7.8 | 1.6 | 1.4 | 1.3 | 1.2 | 18.0 | 5.4 | 331,223 |
| China Life Insurance Co-H | 02628 HK | HKD | 20.75 | 44.9 | 9.4 | 12.0 | 10.7 | 1.6 | 1.4 | 1.3 | 1.2 | 15.4 | 3.7 | 958,259 |
| ZhongAn Online P&C Insuran-H | 06060 HK | HKD | 23.65 | n.a. | n.a. | 181.9 | 40.1 | 2.0 | 2.1 | 2.0 | 1.9 | (3.2) | 0.0 | 34,761 |
| Simple Average | | | | 17.4 | 9.1 | 23.5 | 10.9 | 1.6 | 1.4 | 1.3 | 1.2 | 14.5 | 3.1 | |
| Weighted Average | | | | 23.5 | 10.5 | 11.7 | 9.7 | 2.1 | 1.8 | 1.6 | 1.4 | 18.8 | 3.1 | |

Source: Bloomberg, Guotai Junan International. Prices as at November 13, 2019.

Financial Statements and Ratios

| Income Statement | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Year end 31 Dec (RMB m) | 2017A | 2018A | 2019F | 2020F | 2021F |
| Gross written premiums | 350,314 | 388,769 | 429,083 | 475,161 | 520,197 |
| Net premiums earned | 309,076 | 344,124 | 360,868 | 400,473 | 432,918 |
| Claims incurred | (192,520) | (213,303) | (233,042) | (258,150) | (280,462) |
| Costs and expenses | (107,851) | (125,517) | (120,645) | (130,326) | (137,875) |
| Underwriting profit | 8,705 | 5,304 | 7,181 | 11,997 | 14,581 |
| Investment income | 15,382 | 16,635 | 17,046 | 17,593 | 18,279 |
| Net realised gains and FV gains | 1,136 | (1,226) | 818 | 67 | (233) |
| Non-underwriting expenses | (2,637) | (1,030) | (2,193) | (2,479) | (2,429) |
| Share of profit of associates | 4,575 | 4,482 | 4,136 | 4,447 | 4,780 |
| Loss on deemed disposal of an associate | 0 | (737) | 0 | 0 | 0 |
| Profit before tax | 27,161 | 23,428 | 26,988 | 31,625 | 34,979 |
| Income tax | (7,353) | (7,942) | (535) | (6,957) | (7,870) |
| Profit after tax | 19,808 | 15,486 | 26,454 | 24,667 | 27,108 |
| Non-controlling interest | 1 | 1 | 0 | 0 | 0 |
| Shareholders' profit / loss | 19,807 | 15,485 | 26,454 | 24,667 | 27,108 |
| Basic EPS | 0.891 | 0.696 | 1.189 | 1.109 | 1.219 |
| Diluted EPS | 0.891 | 0.696 | 1.189 | 1.109 | 1.219 |

| Cash Flow Statement | | | | | |
|--|----------|----------|-----------|-----------|----------|
| Year end 31 Dec (RMB m) | 2017A | 2018A | 2019F | 2020F | 2021F |
| Operating activities | | | | | |
| Profit before tax | 27,161 | 23,428 | 26,988 | 31,625 | 34,979 |
| Investment income | (15,382) | (16,635) | (17,046) | (17,593) | (18,279) |
| Change in insurance contract liability | 30,476 | 37,326 | (343,584) | 202,075 | 19,862 |
| Others | (20,848) | (34,240) | 340,592 | (199,304) | (16,881) |
| Cash from Operating Activities | 21,407 | 9,879 | 6,952 | 16,803 | 19,680 |
| Investing activities | | | | | |
| Interest received | 13,232 | 14,312 | 11,156 | 11,593 | 12,029 |
| Purchase of debt and equity securities | (27,199) | (7,382) | 819 | (11,184) | (14,718) |
| Others | 6,444 | (15,662) | (4,170) | (5,040) | (5,372) |
| Cash from Investing Activities | (7,523) | (8,732) | 7,805 | (4,631) | (8,060) |
| Financing activities | | | | | |
| Right issue | 0 | 0 | 0 | 0 | 0 |
| Debts issue | 0 | 0 | 0 | 0 | 0 |
| Interest paid | (1,849) | (1,904) | (2,451) | (2,561) | (2,689) |
| Dividends paid | (4,582) | (5,012) | (6,050) | (9,259) | (8,634) |
| Others | 2,091 | 4,878 | (4,981) | 1,388 | 1,612 |
| Cash from Financing Activities | (4,340) | (2,038) | (13,482) | (10,431) | (9,711) |
| Net Changes in Cash | 9,544 | (891) | 1,274 | 1,741 | 1,909 |
| Cash at Beg of Year | 25,144 | 34,688 | 33,797 | 35,071 | 36,812 |
| Cash at End of Year | 34,688 | 33,797 | 35,071 | 36,812 | 38,722 |

Source: the Company, Guotai Junan International.

| Balance Sheet | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|
| Year end 31 Dec (RMB m) | 2017A | 2018A | 2019F | 2020F | 2021F |
| Cash & cash equivalents | 34,688 | 33,797 | 35,071 | 36,812 | 38,722 |
| Term deposits | 61,300 | 73,963 | 76,752 | 80,562 | 84,740 |
| Debts securities | 153,728 | 143,499 | 148,910 | 156,302 | 164,408 |
| Equity securities | 64,701 | 74,102 | 76,896 | 80,713 | 84,899 |
| Other investment assets | 101,091 | 108,861 | 112,966 | 118,573 | 124,723 |
| Total investment assets | 415,508 | 434,222 | 450,595 | 472,962 | 497,492 |
| Non-investment assets | 109,058 | 116,397 | 162,201 | 199,076 | 243,795 |
| Total assets | 524,566 | 550,619 | 612,796 | 672,038 | 741,287 |
| Insurance contracts liabilities | 264,748 | 275,781 | 306,257 | 343,584 | 386,802 |
| Policyholders' deposits | 2,296 | 1,956 | 2,015 | 2,105 | 2,211 |
| Bonds payable | 23,262 | 23,420 | 31,420 | 32,834 | 34,476 |
| Other liabilities | 101,146 | 107,959 | 111,198 | 116,202 | 122,012 |
| Total liabilities | 391,452 | 409,116 | 450,890 | 494,724 | 545,500 |
| Total shareholders' equity | 133,107 | 141,495 | 161,898 | 177,306 | 195,779 |
| Minority interest | 7 | 8 | 8 | 8 | 8 |
| Total equity | 133,114 | 141,503 | 161,906 | 177,314 | 195,787 |

| Financial Ratios | | | | | |
|------------------------------|-------|--------|-------|-------|-------|
| (RMB m, except %) | 2017A | 2018A | 2019F | 2020F | 2021F |
| Insurance operation (%) | | | | | |
| GWP growth | 12.6 | 11.0 | 10.4 | 10.7 | 9.5 |
| Motor GWP growth | 10.5 | 3.9 | 0.6 | 2.5 | 1.5 |
| Non-motor GWP growth | 18.2 | 28.5 | 29.8 | 23.5 | 19.7 |
| Underwriting profits growth | 73.3 | (39.1) | 35.4 | 67.1 | 21.5 |
| Shareholders' profits growth | 9.9 | (21.8) | 70.8 | (6.8) | 9.9 |
| Loss ratio | 62.3 | 62.0 | 64.6 | 64.5 | 64.8 |
| Expense ratio | 34.9 | 36.5 | 33.4 | 32.5 | 31.8 |
| Combined ratio | 97.2 | 98.5 | 98.0 | 97.0 | 96.6 |
| Investments (%) | | | | | |
| Investment income growth | 2.1 | 8.1 | 2.5 | 3.2 | 3.9 |
| Investment assets growth | 9.4 | 4.5 | 3.8 | 5.0 | 5.2 |
| Profitability (%) | | | | | |
| ROAE | 15.7 | 11.3 | 17.4 | 14.5 | 14.5 |
| ROAA | 4.0 | 2.9 | 4.5 | 3.8 | 3.8 |
| Per share data (RMB) | | | | | |
| EPS (adjusted) | 0.9 | 0.7 | 1.2 | 1.1 | 1.2 |
| BPS (adjusted) | 6.0 | 6.4 | 7.3 | 8.0 | 8.8 |
| DPS (adjusted) | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 |
| Dividend payout ratio | 25.3 | 39.1 | 35.0 | 35.0 | 35.0 |
| Valuation metrics (x) | | | | | |
| Current P/E | 9.1 | 12.2 | 7.3 | 7.9 | 7.2 |
| Current P/B | 1.3 | 1.3 | 1.2 | 1.1 | 1.0 |
| TP P/E | 9.9 | 13.3 | 8.0 | 8.6 | 7.8 |
| TP P/B | 1.5 | 1.5 | 1.3 | 1.2 | 1.1 |
| Dividend yield (%) | 2.8 | 3.2 | 4.8 | 4.4 | 4.9 |

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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