

Company Report: Ctrip.com International (CTRP US)

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公司报告: 携程旅行网 (CTRP US)

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Slower Top-Line Growth Offset by Higher Margin

收入增长放缓被利润率上升所抵消

- Ctrip's 2Q19 non-GAAP operating income increased 43.4% yoy to RMB1.726 billion, surpassing the management's RMB1.5 bn to RMB1.7 bn guidance range, thanks to improvements in operational efficiency. Net revenue increased 18.7% yoy, in line with previous guidance. Net loss was RMB403 mn, which was mainly due to RMB1.3 bn loss from equity investments.
- Ctrip's management guides for 3Q19 revenue yoy growth of between 10% to 15% (lower than expected) and for non-GAAP operating income to be between RMB2.3 bn and RMB2.6 bn (higher than expected). We have lowered our revenue forecasts but have increased our operating income forecasts on higher margin. Excluding share-based compensation expense gain or loss from equity investments, we forecast 2019-2021 non-GAAP operating income of RMB6.9 bn, RMB9.5 bn and RMB11.5 bn, respectively, reflecting growth of 60.0%, 37.1% and 21.3%, and fully diluted earnings per ADR of RMB10.46, RMB10.50 and RMB13.26, respectively, reflecting growth of 414.9%, 0.4% and 26.2%.
- We increase our target price from US\$48.00 to US\$49.00 and reiterate our "Buy" investment rating. Downside risk is significant, that slow revenue growth could persist for longer than expected. However, we think that Ctrip will outperform thanks to its long-term strategy and focus, making now an attractive entry point for patient investors (Ctrip's share price could remain under pressure for some time), in our view.
- 携程 2019 年第 2 季度非通用会计准则营业利润同比增长 43.4%至 17.26 亿元人民币, 好于管理层此前 15 亿元人民币至 17 亿元人民币的指引, 此增长得益于公司运营效率的提升。携程净收入同比增长 18.7%, 符合管理层此前的指引。净亏损为 4.03 亿元人民币, 主要来自 13 亿元人民币的股权投资亏损。
- 携程管理层对 2019 年第 3 季度收入同比增长率的指引区间为 10%至 15% (低于预期), 对非通用会计准则营业利润的指引区间为 23 亿元人民币至 26 亿元人民币 (高于预期)。我们下调了我们的收入预测但上调了基于高利润率的营业利润预测。除去股份激励费用和权益证券投资的公允价值变化, 我们预计 2019 年至 2021 年非通用会计准则营业利润分别为 69 亿元人民币、95 亿元人民币和 115 亿元人民币, 对应 60.0%、37.1%和 21.3%的增长率。我们预计摊薄后每股美国存托凭证收益分别为 10.46 元人民币、10.50 元人民币和 13.26 元人民币, 对应 414.9%、0.4%和 26.2%的增长率。
- 我们把携程的目标价由 48.00 美元上调至 49.00 美元, 并重申“买入”的投资评级。收入增长放缓持续时间长于预期的下行风险明显。但我们相信携程将凭借其长远的战略和聚焦跑赢大市, 使当前出现对有耐心的投资者来说较为诱人的买入机会 (携程的股价可能在一定时间内仍面临压力)。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

US\$49.00

Revised from 原目标价:

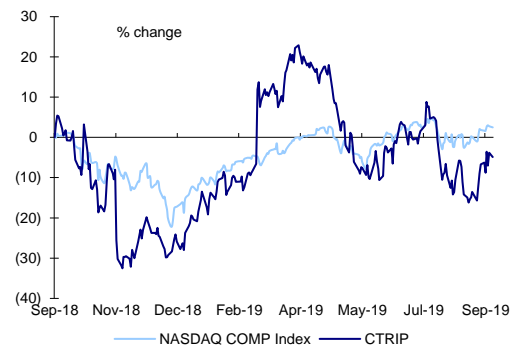
US\$48.00

ADR price ADR 价格:

US\$35.630

Stock performance

股价表现



Change in ADR Price	1 M	3 M	1 Y
ADR 价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	6.3	5.2	(4.1)
Rel. % to NASDAQ index 相对纳指变动 %	3.0	1.3	(7.3)
Avg. ADR price (USD) 平均 ADR 价 (美元)	34.5	35.9	35.5

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	Earnings/ADR	Earnings/ADR	PER	BV/ADR	PBR	DP ADR	Yield	ROE
年结	收入	股东净利	每份 ADR 净利	每份 ADR 净利变	市盈率	每份 ADR 净资产	市净率	每份 ADR 股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2017A	26,796	2,155	4.063	n.a.	57.1	159.944	1.4	0.000	0.0	2.8
2018A	30,965	1,112	2.032	(50.0)	120.6	158.463	1.5	0.000	0.0	1.3
2019F	35,878	5,827	10.464	414.9	23.5	175.543	1.4	0.000	0.0	6.3
2020F	40,868	5,917	10.502	0.4	23.4	186.825	1.3	0.000	0.0	5.8
2021F	46,547	7,559	13.258	26.2	18.6	200.843	1.2	0.000	0.0	6.9
ADR in issue (m)	总 ADR 数 (m)			553.5	Major shareholder 大股东				Baillie Gifford & Co.	8.7%
Market cap. (US\$ m)	市值 (US\$ m)			19,721.1	Free float (%) 自由流通比率 (%)					71.0
3 month average vol.	3 个月平均成交股数 ('000)			3,773.2	FY19 Net gearing (%) FY19 净负债/股东资金 (%)					44.2
52 Weeks high/low (US\$)	52 周高/低 (US\$)			46.500 / 25.000	FY19 Est. NAV (US\$) FY19 每 ADR 估值 (美元)					63.4

Source: the Company, Guotai Junan International.

2Q19 Review

Ctrip's (the "Company") 2Q19 net revenue increased 18.7% yoy to RMB8.7 billion, in line with the Company's management's previous guidance growth range of 16% to 21%. According to the Civil Aviation Administration of China (CAAC), China's outbound person trips by air increased by 15.8% yoy to 21.3 million during 2Q19. Benefiting from this resilient Chinese demand for outbound travel, Ctrip derived over 30% of its 2Q19 transportation revenue from international routes, and grew its total transportation revenue by 12.7% yoy to RMB3.407 billion. Ctrip's other business segments also delivered solid growth during 2Q19. Accommodation reservation revenue increased 21.4% yoy to RMB3.410 billion; packaged-tour revenue climbed 25.3% yoy to RMB1.051 billion; and corporate travel revenue rose 21.2% to RMB309 million.

Non-GAAP operating income was higher than expected as it increased 43.4% yoy to RMB1.726 billion, surpassing the management's RMB1.500 billion to RMB1.700 billion guidance range. During 2Q19, Ctrip's gross margin remained stable at 79.3%. Non-GAAP operating income (excluding share-based compensation expense) margin increased by 3.4 ppt yoy to 19.9%, thanks to a large decline in sales and marketing expenses as a percentage of revenue (down 5.6 ppt yoy). Ctrip's management attributed the growth to the improvements in operational efficiency.

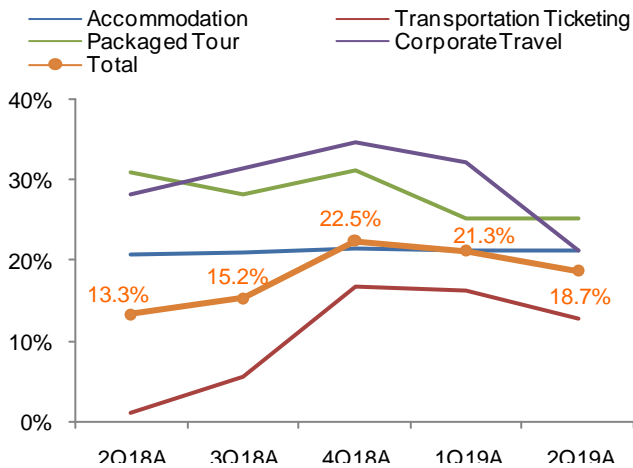
Net loss attributable to shareholders for 2Q19 was RMB403 million, compared to RMB2.4 billion in 2Q18 and RMB4.6 billion in 1Q19. The loss was mainly due to the RMB1.3 billion loss from fair value changes in equity securities investments. Ctrip holds approximately 8%, 10% and 3% equity in listed companies Huazhu Group (HTHT US), MakeMyTrip (MMYT US) and China Eastern Airlines (600115 CH), respectively. Share prices of these three companies decreased during 2Q19, resulting in a loss for Ctrip. Diluted losses per ADS were RMB0.73.

Excluding share-based compensation charges and fair value changes of equity securities investments, non-GAAP net income increased 19.6% yoy to RMB1.329 billion. Excluding share-based compensation charges and fair value changes of equity securities investments, non-GAAP diluted earnings per ADS increased 18.4% yoy to RMB2.25.

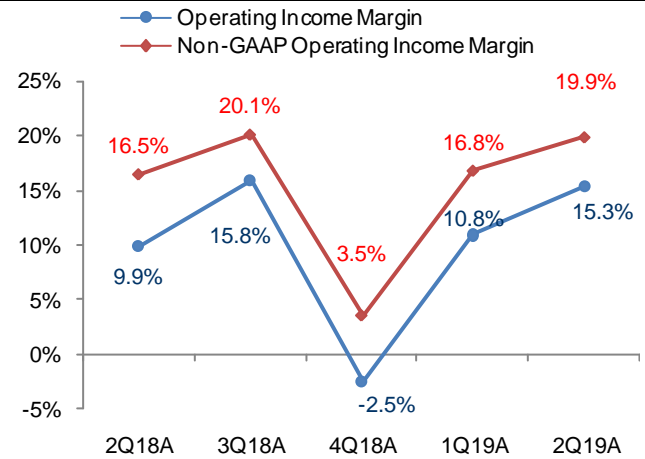
Table-1: Ctrip Results

RMB million	2Q18	3Q18	4Q18	1Q19	2Q19	(% or ppt.)	
						yoy	qoq
Net Revenues	7,319	9,355	7,560	8,164	8,691	18.7%	6.5%
Gross Income	5,850	7,364	5,940	6,475	6,893	17.8%	6.5%
<i>Gross Profit Margin</i>	79.9%	78.7%	78.6%	79.3%	79.3%	(0.6) ppt	0.0 ppt
Operating Income	724	1,480	(189)	885	1,333	84.1%	50.6%
<i>Operating Margin</i>	9.9%	15.8%	(2.5%)	10.8%	15.3%	5.4 ppt	4.5 ppt
Share Based Compensation Expense	(480)	(401)	(450)	(485)	(393)	18.1%	19.0%
Non-GAAP Operating Income	1,204	1,881	261	1,370	1,726	43.4%	26.0%
<i>Non-GAAP Operating Income Margin</i>	16.5%	20.1%	3.5%	16.8%	19.9%	3.4 ppt	3.1 ppt
Interest Expense (net)	(47)	128	152	46	136	n.a.	195.7%
Other	2,256	(2,625)	(1,103)	4,616	(1,412)	n.a.	n.a.
Income Tax Expense	(322)	(257)	(35)	(677)	(336)	4.3%	50.4%
<i>Effective Tax Rate</i>	11.8%	(30.3%)	(2.9%)	12.9%	(509.1%)	(520.9) ppt	(522.0) ppt
Income from Affiliates	(213)	169	(66)	(283)	(123)	42.3%	56.5%
Non-controlling Interest	(17)	(34)	51	26	(1)	94.1%	n.a.
Net Income	2,381	(1,139)	(1,190)	4,613	(403)	n.a.	n.a.
<i>Net Income Margin</i>	32.5%	(12.2%)	(15.7%)	56.5%	(4.6%)	(37.2) ppt	(61.1) ppt
<i>Less:</i>							
Gain on F.V. Change of Equity Investments	1,750	(2,470)	(1,253)	3,348	(1,339)	n.a.	n.a.
Share Based Compensation Expense	(480)	(401)	(450)	(485)	(393)	18.1%	19.0%
Non-GAAP Net Income	1,111	1,732	513	1,750	1,329	19.6%	(24.1%)
<i>Non-GAAP Net Income Margin</i>	15.2%	18.5%	6.8%	21.4%	15.3%	0.1 ppt	(6.1) ppt
Fully Diluted Earnings per ADS (RMB)	3.89	(2.08)	(2.17)	7.45	(0.73)	n.a.	n.a.
Non-GAAP Fully Diluted Earnings per ADS (RMB)	1.90	2.88	0.90	2.93	2.25	18.4%	(23.2%)

Source: the Company, Guotai Junan International.

Figure-1: Ctrip Total Net Revenue


Source: the Company, Guotai Junan International.

Figure-2: Ctrip Revenue Breakdown


Source: the Company, Guotai Junan International.

Outlook & Forecast Update

Ctrip to change its name to "Trip.com Group Limited". Along with its 2Q19 results announcement, the Company announced that it has proposed to change its name from "Ctrip.com International, Ltd." to "Trip.com Group Limited". The proposed name change will not affect any rights of shareholders or the Company's operations and financial position. The name change goes along with the Company's positioning to not just be China's leading online travel ("OTA") agency, but also to appeal to global travelers as the Company continues to expand its international businesses. Even after the name change, which is expected to be approved at the Company's annual general meeting on October 25, the Company will continue to operate its Chinese Ctrip and Qunar websites and mobile apps under their own brand names targeted at Chinese users, in addition to its brands targeted at English speaking global users, namely, Trip.com (the Company's English version OTA brand) and Skyscanner (the Company's English travel search brand).

Ctrip's management guides for 3Q19 net revenue yoy growth of between 10% to 15%, lower than expected. The lower-than-expected top-line growth guidance is mainly due to the macro uncertainties and industry headwinds, which mainly come from the recent slowdown of Hong Kong and Taiwan, together with a slight price decrease. During 1H19, China's outbound travel to Hong Kong and Taiwan accounted for about one-third of China's total number of outbound travelers. The trade dispute between the U.S. and China also puts downward pressure on growth expectations.

Ctrip's management guides for 3Q19 non-GAAP operating income to be in the range of RMB2.3 billion to RMB2.6 billion, higher than expected. Non-GAAP operating income excludes share-based compensation expense. The management's guidance range is 8.4% to 22.6% higher than our previous forecast; this implies yoy growth of between 22.3% and 38.2%, and implies non-GAAP operating income margin of 21.4% and 25.3%. Ctrip's management said that they are confident Ctrip can continue to achieve over 20% non-GAAP operating margin in the medium term. The strong margin, even with lower revenue expectations, will be supported by operational efficiency gains, including a growing proportion of Ctrip's outbound business, which has higher selling prices and which serves a higher proportion of higher-end customers in comparison with just domestic travel. But even Ctrip's domestic business continues to see operating efficiency gains across all business units.

We trim our Ctrip 2019 to 2021 net revenue forecasts by 3.5%, 8.2% and 12.4%, respectively. While Ctrip management suggests that the demand growth slowdown is temporary, we are less optimistic now on the general macro outlook and have lowered our expectations for Ctrip's revenue growth for all forecast years. We forecast Ctrip's 2019-2021 net revenue at RMB37.2 billion, RMB44.5 billion, and RMB53.1 billion, respectively, representing growth of 20.1%, 19.7% and 19.4%.

We increase Ctrip's 2019 to 2021 non-GAAP operating income forecasts by 0.5%, 4.3% and 3.4%, respectively. Although we have lowered our revenue forecasts, we slightly increased our operating income forecasts based on higher expected margin. We forecast 2019 to 2021 non-GAAP operating income of RMB6.901 billion, RMB9.460 billion and RMB11.473 billion,

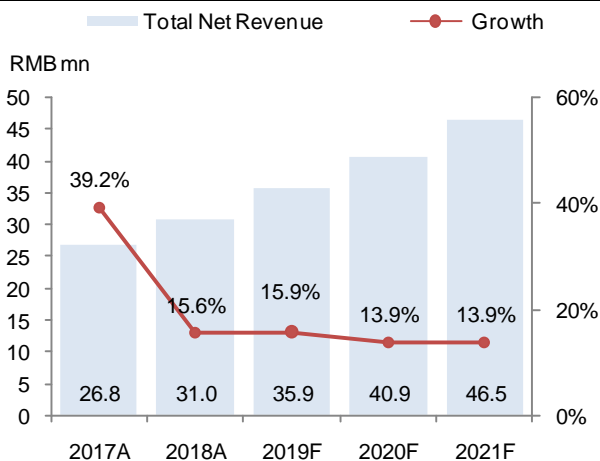
respectively, reflecting growth of 60.0%, 37.1% and 21.3% and reflecting margin of 19.2%, 23.1% and 24.6%, respectively.

We forecast 2019-2021 non-GAAP fully diluted earnings per ADR of RMB10.46, RMB10.50 and RMB13.26, respectively, reflecting growth of 414.9%, 0.4% and 26.2%. The non-GAAP results exclude share-based compensation expense as well as fair value changes of Ctrip's equity investments. We forecast 2019-2021 non-GAAP net income of RMB5.534 billion, RMB7.737 billion and RMB9.571 billion, respectively, reflecting growth of 1.0%, 39.8% and 23.7%.

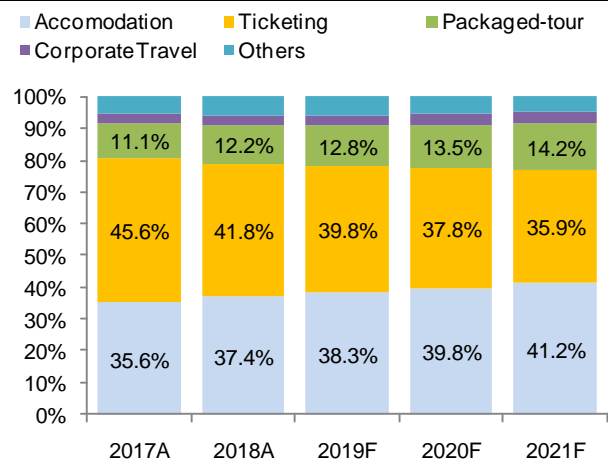
Table-2: Forecast Updates

(RMB million)	Old			New			Change (% or ppt)		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Net Revenue	37,182	44,502	53,118	35,878	40,868	46,547	(3.5%)	(8.2%)	(12.4%)
Gross Income	29,400	35,156	41,963	28,396	32,286	36,772	(3.4%)	(8.2%)	(12.4%)
<i>Gross Income Margin</i>	79.1%	79.0%	79.0%	79.1%	79.0%	79.0%	0.1 ppt	0.0 ppt	0.0 ppt
Operating Income	4,867	6,983	8,928	5,185	7,640	9,461	6.5%	9.4%	6.0%
<i>Operating Margin</i>	13.1%	15.7%	16.8%	14.5%	18.7%	20.3%	1.4 ppt	3.0 ppt	3.5 ppt
- Share Based Comp. Expense	-2,000	-2,090	-2,170	-1,716	-1,820	-2,012	(14.2%)	(12.9%)	(7.3%)
Non-GAAP Operating Income	6,867	9,073	11,098	6,901	9,460	11,473	0.5%	4.3%	3.4%
<i>Adj. Non-GAAP Operating Margin</i>	18.5%	20.4%	20.9%	19.2%	23.1%	24.6%	0.8 ppt	2.8 ppt	3.8 ppt
Net Income	7,215	4,939	6,956	5,827	5,917	7,559	(19.2%)	19.8%	8.7%
<i>Net Income Margin</i>	19.4%	11.1%	13.1%	16.2%	14.5%	16.2%	(3.2) ppt	3.4 ppt	3.1 ppt
- Share Based Comp.	(2,000)	(2,090)	(2,170)	(1,716)	(1,820)	(2,012)	(14.2%)	(12.9%)	(7.3%)
- Gain/ (loss) F.V. Change in Equity	(3,348)	0	0	(2,009)	0	0	(40.0%)	n.a.	n.a.
Non-GAAP Net Income	5,867	7,029	9,126	5,534	7,737	9,571	(5.7%)	10.1%	4.9%
<i>Non-GAAP Net Income Margin</i>	15.8%	15.8%	17.2%	15.4%	18.9%	20.6%	(0.4) ppt	3.1 ppt	3.4 ppt
Earnings per ADS									
Basic (RMB)	12.52	8.26	11.63	10.46	10.50	13.26	(16.4%)	27.1%	14.0%
Fully Diluted (RMB)	11.53	8.16	11.63	9.02	8.43	10.67	(21.7%)	3.3%	(8.3%)
Non-GAAP Fully Diluted (RMB)	9.54	11.64	15.26	8.70	11.02	13.51	(8.8%)	(5.3%)	(11.5%)

Source: the Company, Guotai Junan International.

Figure-3: Ctrip Total Net Revenue


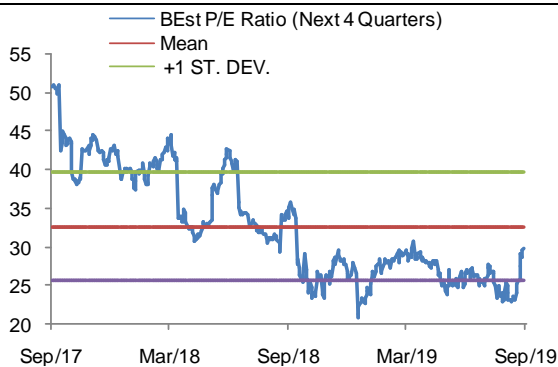
Source: the Company, Guotai Junan International.

Figure-4: Ctrip Net Revenue Breakdown


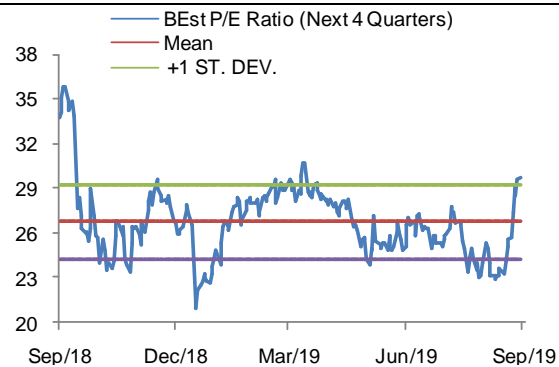
Source: the Company, Guotai Junan International.

Valuation

We increase our target price from US\$48.00 to US\$49.00 and reiterate our "Buy" investment rating. We think macroeconomic and geopolitical concerns and uncertainties are putting downward pressure on hotel and travel sector valuations. Indeed, downside risk is significant, that lower demand could slow down top-line growth for longer than expected in the hotel and travel sectors. However, we think Ctrip will be resilient and able to outperform thanks to its long-term strategy and focus, making now an attractive entry point for patient investors (Ctrip's share price could remain under pressure for some time), in our view. Our US\$49.00 target price is a 22.7% discount to our DCF derived NAV of US\$63.41.

Figure-5: Ctrip 2-Year Forward P/E (non-GAAP)


Source: Bloomberg.
 Note*: "Forward" valuations are based on the next four quarters earnings forecasts.

Figure-6: Ctrip 1-Year Forward P/E (non-GAAP)


Source: Bloomberg.
 Note*: "Forward" valuations are based on the next four quarters earnings forecasts.

Table-3: Peers Comparison

Company	Stock Code	Cncy	Last price	Mkt. Cap US\$ mil	PE (Adjusted)			PE (GAAP)			ROE(%)	PB
					19F	20F	21F	19F	20F	21F	19F	19F
Ctrip.Com-Adr	CTRP US	USD	35.630	19,721	29.7	21.8	17.6	28.0	29.3	23.8	6.3	1.5
Booking Holdings	BKNG US	USD	2,072.95	88,125	20.3	17.9	15.6	19.7	18.1	16.0	60.4	16.9
Tripadvisor Inc	TRIP US	USD	41.150	5,732	21.8	19.4	16.7	37.6	29.8	25.2	13.0	3.4
Makemytrip Ltd	MMYT US	USD	24.050	2,476	n.a.	n.a.	282.9	n.a.	n.a.	n.a.	(11.5)	1.8
Expedia Inc	EXPE US	USD	131.280	20,188	19.1	16.1	14.0	27.4	21.6	17.2	20.0	3.9
Travelzoo Inc	TZOO US	USD	12.060	142	23.6	20.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tuniu Corp-Adr	TOUR US	USD	3.390	440	n.a.	109.4	89.2	n.a.	n.a.	n.a.	(12.6)	1.5
Simple Average					22.9	34.2	72.7	28.2	24.7	20.6	12.6	4.8
Weighted Average					21.6	18.6	20.8	22.8	20.8	17.7	43.1	11.9

Source: the Company, Guotai Junan International.

Table-4: DCF Analysis

DCF Assumptions		Calculation	
Perpetual growth rate	3.0%	PV Free Cash Flows to the Firm (RMB mn)	162,819
		PV Terminal Value (RMB mn)	125,757
Risk free rate	1.81%	Enterprise Value (RMB mn)	288,576
Adjusted Beta	1.20	- Debt (RMB mn)	59,549
Market risk premium	9.3%	- Minority Interest	1.4%
Cost of Equity	13.0%	+ Cash & Equivalents (RMB mn)	21,530
		Total NAV (RMB mn)	248,539
Borrowing interest rate	4.0%		
Effective tax rate	26.0%	ADR Outstanding (fully diluted, as at end of 2018, mn)	567
Cost of Debt	3.0%	NAV per ADS (RMB)	438.0
		US\$:RMB	6.91
E/ (D+E)	61%	NAV per ADS (US\$)	63.41
D/ (D+E)	30%		
WACC	8.8%		

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Total revenue	26,796	30,965	35,878	40,868	46,547	PP&E	5,616	5,872	5,906	5,941	5,975
Cost of revenues	(4,678)	(6,324)	(7,482)	(8,582)	(9,775)	Investments	25,574	26,874	43,538	45,715	48,001
Gross profit	22,118	24,641	28,396	32,286	36,772	Goodwill	56,246	58,026	59,806	61,586	63,366
Product development	(8,259)	(9,620)	(10,917)	(11,894)	(13,282)	Intangible assets	13,750	13,723	13,696	13,668	13,641
SG&A	(10,916)	(12,416)	(12,294)	(12,751)	(14,029)	Others	1,636	1,941	2,953	3,809	5,075
Operating profit	2,943	2,605	5,185	7,640	9,461	Total non-current assets	102,822	106,436	125,899	130,719	136,058
Interest income (expense)	(298)	391	318	147	532	Cash & cash equivalents	19,992	25,774	12,216	19,581	18,330
Other income	879	(1,075)	2,704	0	0	Restricted cash	0	0	3,901	3,558	3,215
Income from affiliates	(65)	(32)	(648)	(247)	(164)	Short-term investments	28,130	36,753	32,949	32,229	31,509
Profit before tax	3,459	1,889	7,558	7,540	9,829	Accounts receivable, net	4,749	5,668	7,714	7,356	8,378
Income tax	(1,285)	(793)	(1,761)	(1,802)	(2,457)	Prepayments & other	6,547	11,199	12,737	14,508	16,524
Profit after tax	2,174	1,096	5,797	5,738	7,372	Total current assets	59,418	79,394	69,516	77,232	77,957
Non-controlling interest	(19)	16	29	179	187	Total assets	162,239	185,830	195,415	207,951	214,015
Shareholders' profit / loss	2,155	1,112	5,827	5,917	7,559	Short term borrowings	16,316	35,403	31,306	29,453	18,420
Non-GAAP net profit	3,988	5,480	5,534	7,737	9,571	Accounts payable	7,459	11,714	13,572	15,460	17,609
Basic EPADR	4.063	2.032	10.464	10.502	13.258	Salary and welfare payable	3,465	3,694	4,280	4,875	5,553
Diluted EPADR	3.840	1.960	9.022	8.430	10.667	Advances from customers	7,868	9,472	10,535	12,673	15,208
						Others	7,054	8,501	8,936	10,217	11,721
						Total current liabilities	42,162	68,784	68,629	72,679	68,511
						Convertible note	29,220	24,146	21,673	22,561	23,449
						Other long-term liabilities	4,243	4,167	4,091	4,015	3,939
						Total non-current liabilities	33,463	28,313	25,764	26,576	27,388
						Total liabilities	75,625	97,097	94,393	99,255	95,899
						Total shareholders' equity	84,835	86,715	97,752	105,263	114,512
						Minority interest	1,779	2,018	3,269	3,433	3,604
						Total equity	86,614	88,733	101,021	108,696	118,116
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F		2017A	2018A	2019F	2020F	2021F
Net profit	2,174	1,096	5,797	5,738	7,372	Gross margin	82.5%	79.6%	79.1%	79.0%	79.0%
Share based compensation	1,833	1,707	1,716	1,820	2,012	Operating margin	11.0%	8.4%	14.5%	18.7%	20.3%
Equity in gain of affiliates	65	32	648	247	164	Net income margin	8.0%	3.6%	16.2%	14.5%	16.2%
D&A	883	982	168	168	168	Non-GAAP net profit margin	14.9%	17.7%	15.4%	18.9%	20.6%
Deferred income tax & other	(67)	1,175	(862)	(882)	(1,202)	Asset turnover (x)	0.2	0.2	0.2	0.2	0.2
Change in working capital	2,180	2,123	143	4,447	3,697	ROA	1.4%	0.6%	3.1%	2.9%	3.6%
Cash from operating activities	7,069	7,115	7,611	11,540	12,211	Assets/equity (x)	2.0	2.0	2.1	2.0	1.9
Purchases of PP&E	(471)	(673)	(200)	(200)	(200)	ROE	2.8%	1.3%	6.3%	5.8%	6.9%
Cash paid for investments	(1,541)	(4,387)	(18,444)	(3,957)	(4,066)	Net gearing	34.9%	44.3%	44.2%	32.0%	21.4%
Change in short-term invest.	(13,936)	(8,811)	3,804	720	720	Current ratio (x)	1.4	1.2	1.0	1.1	1.1
Others	720	(207)	(619)	(619)	(619)	Debt/equity	52.6%	67.1%	52.4%	47.9%	35.4%
Cash from investing activities	(15,228)	(14,078)	(15,459)	(4,056)	(4,165)						
Short term loan proceeds	2,137	11,768	(4,097)	(1,853)	(11,033)						
Issuance of convertibles	0	0	0	0	0						
Others	5,883	158	(2,432)	915	918						
Cash from financing activities	8,020	11,926	(6,529)	(937)	(10,115)						
Cash at beg of year	20,179	19,992	25,774	12,216	19,581						
Net changes in cash	(140)	4,963	(14,378)	6,546	(2,069)						
Effect of for-ex	(47)	819	819	819	819						
Cash at end of year	19,992	25,774	12,216	19,581	18,330						

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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