



Company Report: Chow Tai Fook Jewellery (01929 HK)

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13 June 2019

公司报告: 周大福珠宝 (01929 HK)

Strong FY19 Results, Accelerating Store Opening Plan, Maintain "Accumulate"

2019财年业绩强劲, 门店扩张计划加速, 维持“收集”

- Chow Tai Fook's FY19 shareholders' profit increased by 11.8% YoY to HK\$4,577 million.** Total revenue rose 12.7% YoY to HK\$66,661 million. SSSG was up 3.4% YoY and 8.7% YoY in mainland China and Hong Kong and Macau, respectively. Adjusted gross margin improved 0.7 ppts YoY to 27.9%, while core operating margin rose by 1.0 ppt YoY, thanks to operation leverage and rising gross margin. The Company proposed full-year dividend of HK\$0.35 and special dividend HK\$0.30 per share, implying payout ratio of 142.0%.
- Expect solid growth in FY20 supported by new store openings.** According to the management, in Apr. and May, SSSG recorded low-teens in mainland China and mid-single digit decline in Hong Kong and Macau. We expect SSSG to be 5.0% in mainland China and 2.0% in Hong Kong in FY20. The Company plans to open around 500 net POS in mainland China during the period, most of which will be in lower-tier cities under the franchise model.
- Reiterate investment rating as "Accumulate" and revise up TP to HK\$8.66.** The valuation represents 17.0x FY20 PER and 14.6x FY21 PER, respectively, close to its history average. We believe that the price is attractive considering the stable growth trend and high dividend payout policy. Downside risks include lower-than-expected sales growth and intensifying China-US trade dispute which would further weaken consumption sentiment.
- 周大福 2019 财年股东净利同比上升 11.8% 至港币 4,577 百万元。** 总收入同比增长 12.7% 至港币 66,661 百万元。中国内地市场和港澳市场的同店销售增长分别为 3.4% 和 8.7%。经调整毛利率同比提升 0.7 个百分点至 27.9%；核心经营利润率同比提升 1.0 个百分点，受益于经营杠杆率和毛利率提升。公司提议派发每股 0.35 港元的全年股息和 0.30 港元的特别股息，派息率 142.0%。
- 预期受到新开店支撑, 2020 财年增长稳定。** 根据管理层, 4 月和 5 月同店销售增长在中国内地地为低双位数, 在港澳地区为中单位数倒退。我们预期 2020 财年全年同店增长在中国内地和港澳地区分别为 5.0% 和 2.0%。公司计划期内在中国内地净新增约 500 家零售店, 其中大部分在低线城市, 以加盟店模式经营。
- 重申投资评级为“收集”, 上调目标价至 8.66 港元。** 估值分别相当于 17.0 倍 2020 财年年市盈率以及 14.6 倍 2021 财年年市盈率, 接近历史平均水平。考虑到稳定的增长趋势以及高派息率, 我们认为公司股价吸引。下行风险包括低于预期的销售增长以及恶化的中美贸易争端进一步削弱消费信心。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$8.66

Revised from 原目标价:

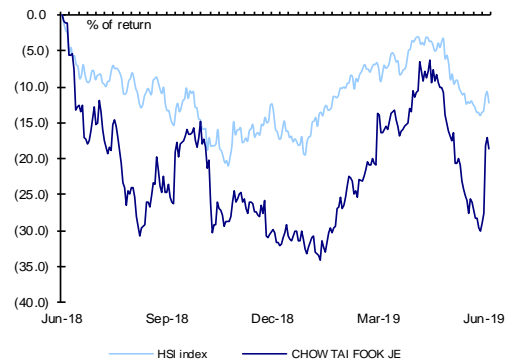
HK\$8.52

Share price 股价:

HK\$7.600

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 %	(2.7)	(3.3)	(21.9)
Rel. % to HS Index 相对恒指变动 %	1.7	2.3	(9.7)
Avg. Share price(HK\$) 平均股价 (港元)	7.0	7.8	7.3

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
03/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2018A	59,156	4,094	0.409	33.7	18.6	3.410	2.2	0.570	7.5	12.6
2019A	66,661	4,577	0.458	12.0	16.6	3.140	2.4	0.650	8.6	14.3
2020F	71,885	5,094	0.509	11.1	14.9	3.166	2.4	0.490	6.4	16.5
2021F	79,836	5,917	0.592	16.3	12.8	3.206	2.4	0.552	7.3	19.0
2022F	87,673	6,503	0.650	9.8	11.7	3.260	2.3	0.597	7.9	20.6
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)				76,000.0	Free float (%) 自由流通比率 (%)					10.7
3 month average vol. 3 个月平均成交股数 ('000)				4,753.9	FY20 Net gearing (%) FY20 净负债/股东资金 (%)					13.7
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				9.809 / 6.030	FY20 Est. NAV (HK\$) FY20 每股估值 (港元)					9.0

Source: the Company, Guotai Junan International.

Key Takeaways from Analyst Presentation

According to the management, in April and May, SSSG in mainland China recorded low-teens, of which SSSG of gold products recorded high-teens and SSSG of gem-set jewellery recorded high-single digits. On the other hand, SSS declined by mid-single digits in Hong Kong and Macau, gold products and gem-set jewellery performed similarly. For FY20, the management guided mid-single digit SSSG in mainland China and mid-teen SSSG for revenue growth considering the new openings of POS. In Hong Kong, the management expects negative SSSG in 1HFY20 but a turnaround in 2HFY20. Full-year SSSG is expected to be low-single digit growth.

Broken down by city tier, SSSG was around 2.4% in tier-1 cities, which are stable and mature markets. SSSG was average in tier-2 cities, while jewellery sold well in this market. Tier-3 and tier-4 cities were the fastest growing markets, in which SSSG reached 4.5%.

HUA Collection has experienced great success and has been spreading fast through social media such as Xiaohongshu. In FY19, HUA Collection contributed around 13.1% of total gold sales in mainland China and the management expects to reach 20% in FY20 as production capacity ramps up. The product mix is expected to extend beyond gold, like jade, in the future, according to the management.

SG&A will remain at a stable level, there is some room for staff costs ratio and advertisement & promotion cut to enhance margin, and some products enjoy advantages. Overall operating margin will be stable and net margin depends on exchange gain or loss.

Future dividend payout policy depends on 1) capital expenditure and inventory level which will be similar to FY19 as most new POSs are under the franchise model; 2) cash flow, which has 30% net gearing ratio, is at a low and healthy level; and 3) cost of capital.

E-commerce growth has slowed down since the Company cut the subsidies, however, sales proportion of gem-set jewellery has been improving and therefore gross margin is expected to improve in FY19.

FY19 Annual Results Review

Chow Tai Fook's ("CTF" or the "Company") revenue reached HK\$66,661 million in FY19, up 12.7% YoY, beating market consensus and our expectation. In mainland China, SSSG was 3.4% but revenue increased 15.3% YoY to HK\$42,432 million, accounting for 63.7% of total revenue, mainly contributed from new POS openings during the period, especially franchised POS. Retail sales, which were also contributed from self-operated stores, increased by 8.3% YoY to HK\$30,424 million, while wholesale, which was contributed from franchised stores, surged by 37.9% YoY to HK\$12,008 million. During the period, the Company opened a net 486 stores in mainland China, of which 375 are under the franchised model. In Hong Kong, Macau and other markets, SSSG reached 8.7% and revenue increased 8.4% YoY to HK\$24,229 million. Retail revenue rose by 11.8% while wholesale revenue dropped by 31.9% YoY due to reduced jewellery trading. Due to weakening consumption sentiment and high base in 2HFY19, the Company's revenue growth SSSG slowed down in both markets. Revenue growth slowed to 11.7% YoY in mainland China and was flat in Hong Kong and Macau.

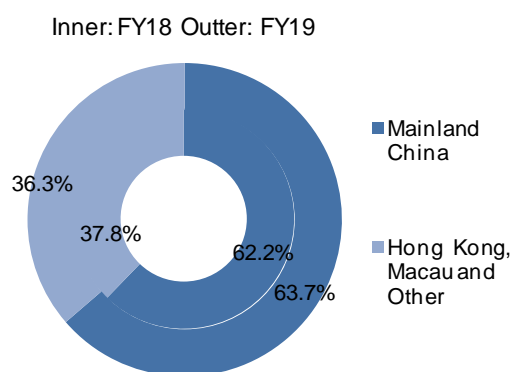
Gold products outperformed gem-set jewellery in FY19. In mainland China, SSSG was mainly supported by gold products which recorded SSSG of 6.2%, supported by the increase in the average weight per gold product sold, despite a decline in average gold price during the period. Meanwhile, SSS of gem-set jewellery was down 1.4% YoY. In Hong Kong and Macau, SSSG of gold products reached 14.4%, of which same store ASP was up 11.6% YoY. SSS volume of gem-set jewellery increased 5.4%. However, dragged by ASP drop, SSSG was down 0.8% YoY.

Shareholders' profit rose 11.8% YoY to HK\$4,577 million, beating consensus. Gross margin improved by 0.5 ppts YoY to 27.9% and adjusted gross margin rose 0.7 ppts YoY to 27.9%, of which adjusted gross margin slightly rose by 0.1 ppts YoY to 28.8% in mainland China and increased 1.5 ppts YoY in Hong Kong and other markets. Core operating profit rose 24.4% YoY to HK\$9,972 million, with core operating margin improving by 1.0 ppt, supported by rising gross margin and operating leverage. SG&A ratio contracted by 0.5 ppts YoY to 18.0%, with staff costs ratio up 0.2 ppts and rental expenses ratio down 0.4 ppts. The Company proposed full-year dividend of HK\$0.35 and special dividend HK\$0.30 per share, representing payout ratio of 142.0%.

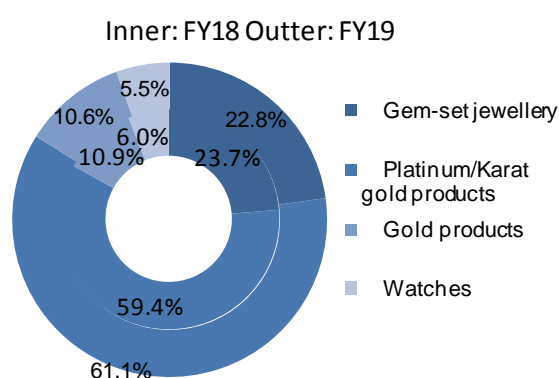
Table-1: Chow Tai Fook's Results Review

HK\$ million	FY18	FY19	YoY	2HFY18	2HFY19	YoY
Revenue	59,156	66,661	12.7%	34,402	36,958	7.4%
Cost of sales	(42,943)	(48,059)	11.9%	(25,354)	(26,885)	6.0%
Gross profit	16,213	18,602	14.7%	9,047	10,073	11.3%
Other income	408	396	(3.0%)	222	229	3.1%
Other gains	342	(276)	(180.7%)	231	58	(75.2%)
Selling and distribution costs	(8,239)	(9,038)	9.7%	(4,556)	(4,927)	8.1%
Administrative expenses	(2,682)	(2,987)	11.4%	(1,478)	(1,581)	7.0%
Operating Profit	5,701	6,973	22.3%	3,236	3,794	17.3%
Finance costs	(244)	(370)	51.9%	(152)	(216)	42.3%
Profit before tax	5,832	6,352	8.9%	3,328	3,630	9.1%
Income tax	(1,629)	(1,668)	2.4%	(954)	(940)	(1.5%)
Minority	(108)	(107)	(1.1%)	(58)	(50)	(14.8%)
Shareholders' Profit	4,095	4,577	11.8%	2,315	2,640	14.0%
EPS (HK\$)	0.409	0.458	11.8%	0.232	0.264	14.0%
DPS (HK\$)	0.570	0.650	14.0%			
Gross margin	27.4%	27.9%	0.5 pts	26.3%	27.3%	1.0 ppt
Adjusted gross margin	27.2%	27.9%	0.7 ppt	26.1%	27.7%	1.6 pts
Operating margin	9.6%	10.5%	0.9 pts	9.4%	10.3%	0.9 pts
Core operating margin	9.5%	10.5%	1.0 ppt	9.3%	10.7%	1.4 pts
Net margin	6.9%	6.9%	0.0 ppt	6.7%	7.1%	0.4 pts

Source: the Company, Guotai Junan International.

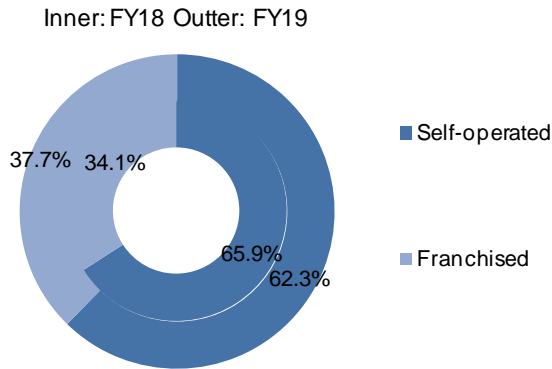
Figure-1: CTF Revenue Breakdown by Region


Source: the Company, Guotai Junan International.

Figure-2: CTF Revenue Breakdown by Product


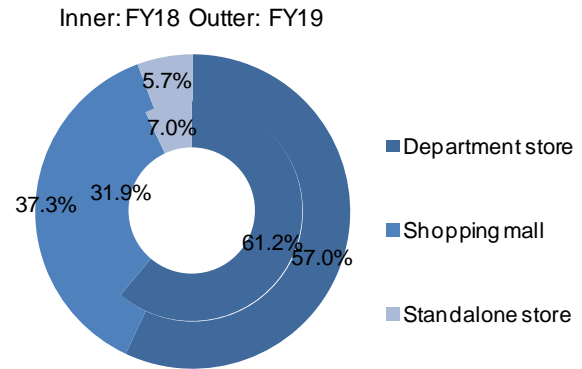
Source: the Company, Guotai Junan International.

Figure-3: CTF Retail Sales Breakdown by Operation Model in Mainland China



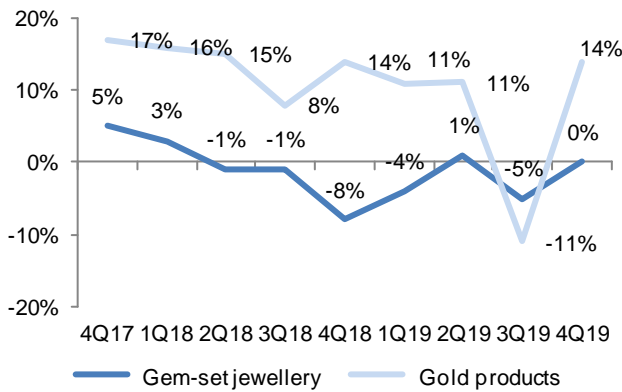
Source: the Company, Guotai Junan International.

Figure-4: Retail Sales Breakdown by Self-operated Model in Mainland China



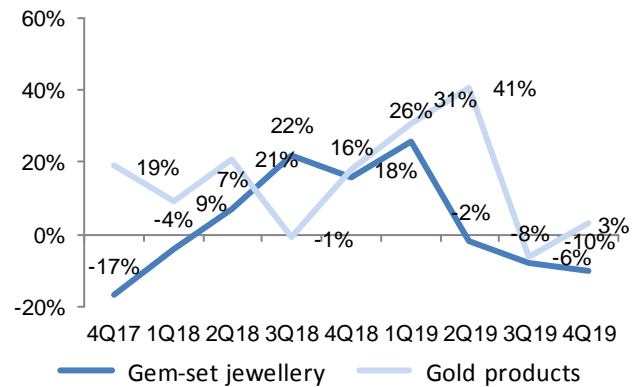
Source: the Company, Guotai Junan International.

Figure-5: CTF Quarterly SSSG in Mainland China



Source: the Company, Guotai Junan International.

Figure-6: CTF Quarterly SSSG in HK and Macau



Source: the Company, Guotai Junan International.

Table-2: CTF Retail Network

	FY18	Addition	Reduction	Net	FY19
Mainland China					
Chow Tail Fook Jewellery	2,317	603	(117)	486	2,803
CTF WATCH	106	11	(4)	7	113
T MARK	-	4	-	4	4
HEARTS ON FIRE	6	1	(4)	(3)	3
SOINLOVE	9	19	(1)	18	27
MONOLOGUE	11	30	(3)	27	38
Total	2,449	668	(129)	539	2,988
Hong Kong, Macau and others					
Chow Tail Fook Jewellery	122	12	(4)	8	130
-Hong Kong	80	3	(3)	-	80
-Macau	19	-	-	-	19
-Other markets	23	9	(1)	8	31
T MARK	-	1	-	1	1
HEARTS ON FIRE	14	1	-	1	15
Total	136	14	(4)	10	146

Source: the Company.

Table-3: CTF Quarterly Products Contribution Breakdown

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
<i>Mainland China</i>								
Gem-set jewellery	27.0%	25.0%	23%	23%	25%	24%	23%	20%
Platinum/Karat gold products	54.0%	56.0%	62%	61%	57%	58%	60%	64%
Gold products	13.0%	13.0%	11%	12%	12%	12%	11%	12%
Watches	6.0%	6.0%	5%	4%	5%	5%	5%	4%
<i>Hong Kong and Macau</i>								
Gem-set jewellery	23.0%	24.0%	30%	24%	24%	19%	29%	22%
Platinum/Karat gold products	61.0%	60.0%	55%	59%	61%	68%	57%	61%
Gold products	10.0%	9.0%	9%	10%	9%	8%	9%	10%
Watches	7.0%	7.0%	5%	7%	6%	5%	6%	8%

Source: the Company.

Earnings Forecasts Revisions

We have revised up the Company's revenue forecasts in FY20 and FY21 in mainland China but cut that of in Hong Kong and Macau. Chow Tai Fook opened net 539 POS in mainland China in FY19, and plans to continue to open around 500 stores in the next two to three years. The new openings will be mostly located in lower-tier cities under the franchised model, with cooperation with local partners who know local markets better. As a mid-end to high-end jewellery brand, CTF has relatively high penetration in higher-tier cities but lacks retail networks in lower-tier and county level cities compared with its local competitors. As an emerging market, we note that jewellery sales growth in these cities outpaced the mature market, and yielded more room for the Company's future growth. In April and May, the Company's SSSG in mainland China was low-teens, outperforming industry growth. We expect SSSG to be 5.0% in mainland China in FY20 and revenue growth to be 11.2%, mainly supported by new store openings, especially the franchisees. In the Hong Kong market, jewellery, watches and valuable gifts sales value experienced decline in Feb. - Apr., affected by weak consumption sentiment and high base, despite rising visitor arrivals. Therefore we have lowered SSSG in Hong Kong and Macau to 2.0% and do not expect positive SSSG in 1HFY20.

Raise earnings forecasts in FY20 and FY21. Gross margin improved in FY19 but we expect stable gross margin in the coming years as a higher proportion of gold product sales and the franchise model. However, the franchise model should lead to lower SG&A expenses ratio with lower staff costs and rental expenses ratio. In addition, operating leveraging is expected to further benefit the operating margin. We have revised up operating margin by 0.4 pts in FY20 and 0.7 pts in FY21. We now forecast shareholders' profit to be HK\$5,094 million in FY20, representing 11.3% YoY growth, and HK\$5,917 million in FY21, representing 16.2% YoY growth.

Table-4: Key Figure Revisions for CTF

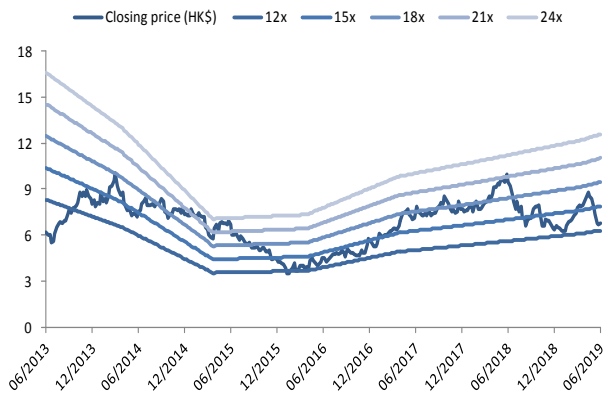
HK\$ million	New			Old			Change		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Revenue	71,885	79,836	87,673	70,627	75,864	-	1.8%	5.2%	-
-Mainland China	47,171	54,381	61,455	44,705	48,717	-	5.5%	11.6%	-
-Hong Kong & others	24,714	25,455	26,219	25,922	27,147	-	-4.7%	-6.2%	-
Gross profit	20,011	22,389	24,639	19,615	21,186	-	2.0%	5.7%	-
SG&A	(12,939)	(14,291)	(15,606)	(12,982)	(14,055)	-	-0.3%	1.7%	-
Operating profit	7,487	8,534	9,491	7,082	7,603	-	5.7%	12.3%	-
Profit before tax	7,044	8,183	8,994	6,739	7,346	-	4.5%	11.4%	-
Taxation	(1,832)	(2,127)	(2,338)	(1,685)	(1,836)	-	8.7%	15.9%	-
Minority	(119)	(139)	(152)	(130)	(142)	-	-8.2%	-2.4%	-
Shareholders' profit	5,094	5,917	6,503	4,924	5,367	-	3.4%	10.2%	-
EPS (HK\$)	0.509	0.592	0.650	0.492	0.537	-	3.5%	10.2%	-
Gross margin	27.8%	28.0%	28.1%	27.8%	27.9%	-	0.0 ppt	0.1 pts	-

SG&A ratio	18.0%	17.9%	17.8%	18.4%	18.5%	-	-0.4 ppts	-0.6 ppts	-
Operating margin	10.4%	10.7%	10.8%	10.0%	10.0%	-	0.4 ppts	0.7 ppts	-
Net margin	7.1%	7.4%	7.4%	7.0%	7.1%	-	0.1 ppts	0.3 ppts	-

Source: Guotai Junan International.

Reiterate investment rating as "Accumulate" and raise TP to HK\$8.66. The industry has faced challenges in the recent months in both mainland China and Hong Kong. However, we are cautiously positive on CTF's FY20 growth rate as a leading brand and we would like its strategy to penetrate into lower-tier cities and multi-brands. The new target price represents 17.0x FY20 PER and 14.6x FY21 PER. Downside risks include 1) lower-than-expected SSSG growth, 2) lower-than-expected sales growth in lower-tier cities, and 3) deteriorated China-US trade relations which will further weaken consumption sentiment.

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-5: 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				
HK Listed															
Chow Tai Fook Jewellery	1929 HK	HKD	7.600	16.6	14.7	13.2	11.6	2.5	2.4	2.3	2.3	16.4	5.5	76,000	
Luk Fook Holdings	590 HK	HKD	24.850	9.8	9.5	8.8	n.a.	1.3	1.2	1.1	n.a.	13.8	4.6	14,590	
Chow Sang Sang	116 HK	HKD	11.180	7.5	7.0	6.4	5.9	0.7	0.7	0.6	0.6	10.1	5.6	7,574	
Emperor Watch & Jewellery	887 HK	HKD	0.191	4.9	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	1,295	
Hengdeli Holdings	3389 HK	HKD	0.390	21.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	1,818	
Oriental Watch Holdings	398 HK	HKD	2.190	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,249	
Simple Average				12.1	10.4	9.5	8.8	1.0	1.4	1.4	1.4	13.4	5.2		
Weighted Average				14.9	13.3	12.1	11.1	2.1	2.1	2.0	2.1	15.5	5.4		
PRC Listed															
Lao Feng Xiang	600612 CH	CNY	43.880	19.1	16.7	14.8	12.7	3.7	3.2	2.8	2.4	19.9	2.9	21,244	
Tesiro Jewelry	603900 CH	CNY	11.840	19.1	12.5	10.3	14.6	1.7	1.5	1.4	1.3	8.3	n.a.	4,557	
Zhejiang Ming Jewelry	002574 CH	CNY	5.900	34.7	0.6	25.7	22.7	1.0	1.0	0.9	0.9	3.3	1.4	3,521	
Fiyta Holding	200026 CH	HKD	5.950	12.0	10.8	9.0	7.7	0.9	0.8	0.8	0.7	7.7	n.a.	3,623	
Simple Average				21.2	10.1	14.9	14.4	1.8	1.6	1.5	1.3	9.8	2.1		
Weighted Average				20.0	13.8	14.7	13.5	2.8	2.5	2.2	1.9	15.2	2.7		
Global Listed															
Cie Financiere Richemont	CFR SW	CHF	80.160	32.6	14.2	22.2	20.0	2.6	2.4	2.3	2.2	17.6	3.1	362,851	
Swatch Group	UHR SW	CHF	263.800	16.3	15.1	13.6	12.5	1.2	1.2	1.1	1.1	8.1	3.2	113,665	
Tiffany & Co	TIF US	USD	92.090	31.0	19.3	18.6	17.1	3.5	3.6	3.2	3.0	18.5	2.4	87,451	
Simple Average				26.7	16.2	18.1	16.5	2.5	2.4	2.2	2.1	14.7	2.9		
Weighted Average				29.1	15.2	19.9	18.0	2.5	2.3	2.2	2.1	15.8	3.0		

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Mar (HK\$ m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Mar (HK\$ m)	2018A	2019A	2020F	2021F	2022F
Total Revenue	59,156	66,661	71,885	79,836	87,673	Property, plant and equipment	5,341	5,488	5,800	5,956	6,084
Cost of sales	(42,943)	(48,059)	(51,874)	(57,447)	(63,035)	Investment properties	234	219	230	242	254
Gross profit	16,213	18,602	20,011	22,389	24,639	Deferred tax assets	293	420	441	463	486
Other income	408	396	416	436	458	Goodwill and other intangible assets	564	512	512	512	512
Selling and distribution costs	(8,239)	(9,038)	(9,704)	(10,698)	(11,661)	Others	2,391	2,332	2,268	2,273	2,281
Administrative expenses	(2,682)	(2,987)	(3,235)	(3,593)	(3,945)	Total Non-current Assets	8,258	8,459	8,740	8,934	9,105
Operating Profit	5,701	6,973	7,487	8,534	9,491	Cash & Cash Equivalents	7,944	7,641	6,015	3,399	2,357
Other gain/loss	342	(276)	(73)	(2)	(117)	Trade and Other Receivables	6,410	6,639	7,332	8,143	7,891
Other expenses	(48)	(57)	(107)	(71)	(78)	Inventories	34,929	39,486	41,693	46,305	50,851
Gain/loss from a JV & associate	0	0	5	7	8	Others	28	12	16	19	16
Finance costs, net	(163)	(288)	(268)	(286)	(309)	Total Current Assets	49,312	53,778	55,057	57,866	61,114
Profit Before Tax	5,832	6,352	7,044	8,183	8,994	Total Assets	57,570	62,237	63,796	66,800	70,218
Income Tax	(1,629)	(1,668)	(1,832)	(2,127)	(2,338)	Accounts payable	8,359	10,684	11,502	12,774	14,028
profit After Tax	4,203	4,684	5,213	6,055	6,656	Gold loan	5,335	8,012	8,626	9,580	10,521
Non-controlling Interest	(108)	(107)	(119)	(139)	(152)	Short-term borrowings	5,823	7,460	7,385	7,312	7,238
Shareholders' Profit / Loss	4,094	4,577	5,094	5,917	6,503	Tax payable	1,102	1,178	959	1,080	1,072
Basic EPS	0.409	0.458	0.509	0.592	0.650	Others	101	137	90	90	90
						Total Current Liabilities	20,719	27,471	28,562	30,835	32,949
Cash Flow Statement						Financial Ratios					
Year end 31 Mar (HK\$ m)	2018A	2019A	2020F	2021F	2022F		2018A	2019A	2020F	2021F	2022F
PBT	5,832	6,352	7,044	8,183	8,994	Gross margin	27.4%	27.9%	27.8%	28.0%	28.1%
Income tax	(972)	(1,668)	(1,832)	(2,127)	(2,338)	Net margin	6.9%	6.9%	7.1%	7.4%	7.4%
Adjust for depre.&amort.	885	1,008	1,047	1,101	1,126	ROE	12.6%	14.3%	16.5%	19.0%	20.6%
Change in WC	(3,026)	(2,460)	(2,083)	(4,151)	(3,039)	ROA	12.6%	14.3%	16.5%	19.0%	20.6%
Others	132	131	190	577	512	Net gearing	Net Cash	7.9%	13.7%	22.7%	27.7%
Cash from Operating Activities	2,851	3,363	4,366	3,583	5,255						
Capital expenditure	(1,084)	(1,392)	(1,300)	(1,200)	(1,200)						
Others	(493)	0	0	0	0						
Cash from Investing Activities	(1,577)	(1,392)	(1,300)	(1,200)	(1,200)						
Net bank borrowings	2,907	4,810	819	1,198	1,619						
Interest paid	(245)	(370)	(370)	(390)	(418)						
Dividend paid	(4,260)	(6,500)	(4,895)	(5,525)	(5,973)						
Others	(156)	(214)	(246)	(283)	(325)						
Cash from Financing Activities	(1,753)	(2,274)	(4,692)	(4,999)	(5,097)						
Net Changes in Cash	(479)	(303)	(1,626)	(2,616)	(1,042)						
Foreign Exchange Effect	480	0	0	0	0						
Cash at Beg of Year	7,943	7,944	7,641	6,015	3,399						
Cash at End of Year	7,944	7,641	6,015	3,399	2,357						

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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