

Company Report: Sinotruk (03808 HK)

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12 May 2020

公司报告: 中国重汽 (03808 HK)

Unattractive Valuation, Downgrade to "Reduce"

估值欠吸引力, 下调至“减持”

- **Industry sales of HDT soared 61.0% yoy in Apr. 2020.** We believe the increase was mainly due to built up demand from the first quarter of this year as a result of the COVID-19 pandemic and the focus of infrastructure investment to smooth out economic impact, thereby increasing truck demand. We expect that the peak season is coming, to be postponed to May and June. On the other hand, an environmental push will stimulate replacement demand for HDTs as more China 3 diesel HDTs will be eliminated.
- **We have increased our profit forecasts by 4.7%/ 6.8%/ 8.1% in 2020 to 2022, respectively.** After adjustment, we expect shareholder's profit to increase yoy by 24.0%/ 13.3%/ 11.3% in 2020 to 2022, respectively. We have increased sales volume assumptions due to faster-than-expected recovery of HDTs in April. Moreover, we have also increased gross margin in 2020 to 2022 following surprising strong improvement of Ji'nan Truck (951.SZ) in 1Q20.
- Due to an array of positive news, sentiment improved significantly. Valuation has spiked up to a very high level (see Figure-5 and Figure-7 for forward valuation); we are not confident that this level can be maintained. **We therefore downgrade investment rating to "Reduce" as we expect that positives are priced in, but raise TP to HK\$15.89, which represents 9.4x 2020 PER and 8.3x 2021 PER, 1.3x 2020 PBR and 1.2x 2021 PBR.**
- **重卡行业销售在 2020 年 4 月同比增长 61.0%。**我们认为增长主要是由于新型冠状病毒疫情导致今年第 1 季度的需求积压以及基建投资的焦点为缓解经济影响, 从而增加了卡车需求。我们预计旺季将推迟到 5 月和 6 月。另一方面, 环保推动将刺激重卡的替换需求, 而更多的国三柴油重卡将被淘汰。
- **我们将 2020 年至 2022 年的利润预测分别上调 4.7%/ 6.8%/ 8.1%。**调整后, 我们预计 2020 年至 2022 年股东利润分别同比增长 24.0%/ 13.3%/ 11.3%。由于 4 月份重卡的恢复好于预期, 我们增加了销量假设。另外, 鉴于 2020 年 1 季度济南卡车 (951.SZ) 出人意料的强劲毛利率改善, 我们也提高了 2020 至 2022 年的毛利率。
- 由于受到一系列利好消息的影响, 市场情绪明显改善。估值飙升至很高的水平 (预测估值见图-5 和图-7), 我们对此水平能被维持不抱有信心。因此, 我们将投资评级下调至“减持”, 因为我们预计正面因素已反映, 但将目标价上调至 15.89 港元, 相当于 9.4 倍 2020 年市盈率 and 8.3 倍 2021 年市盈率, 1.3 倍 2020 年市净率和 1.2 倍 2021 年市净率。

Rating:

Reduce

Downgraded

评级:

减持 (下调)

6-18m TP 目标价:

HK\$15.89

Revised from 原目标价:

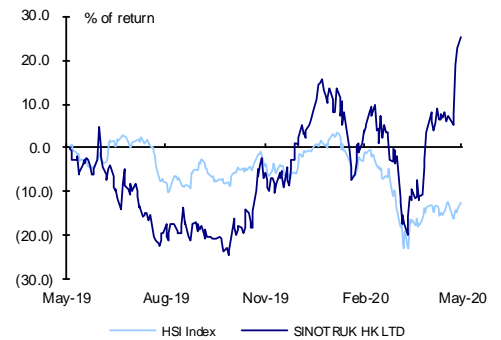
HK\$13.83

Share price 股价:

HK\$18.200

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 %	20.7	20.7	17.5
Rel. % to HS Index 相对恒指变动 %	21.2	33.8	32.7
Avg. Share price(HK\$) 平均股价 (港元)	16.1	14.7	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	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	62,728	4,346	1.574	43.7	10.2	9.232	1.7	0.640	4.0	18.0
2019A	62,227	3,334	1.207	(23.3)	13.5	9.874	1.6	0.588	3.6	12.6
2020F	69,228	4,134	1.497	24.0	11.1	10.783	1.5	0.765	4.6	14.5
2021F	75,154	4,685	1.697	13.4	9.8	11.715	1.4	0.794	4.8	15.1
2022F	79,756	5,213	1.888	11.3	8.8	12.808	1.3	0.923	5.6	15.4

Shares in issue (m) 总股数 (m)	2,761.0	Major shareholder 大股东	CNHTC 51.0%
Market cap. (HK\$ m) 市值 (HK\$ m)	50,250.2	Free float (%) 自由流通比率 (%)	49.0
3 month average vol. 3 个月平均成交股数 ('000)	5,512.3	FY20 Net gearing (%) FY20 净负债/股东资金 (%)	13.0
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	18.860 / 10.900	FY20 Est. NAV (HK\$) FY20 每股估值 (港元)	16.7

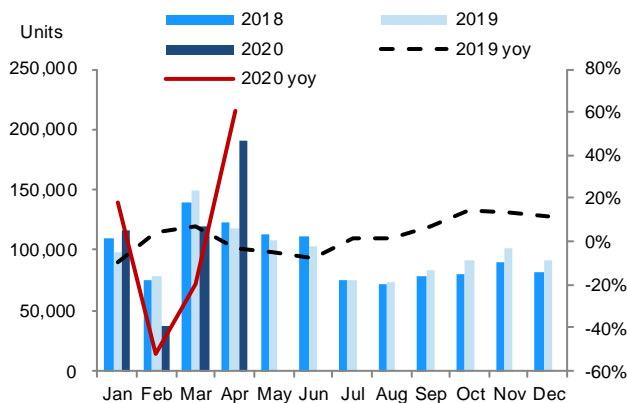
Source: the Company, Guotai Junan International.

SALES OUTLOOK

Infrastructure investment to drive HDT sales. Industry HDT sales spiked in April 2020, up by 61.0% yoy to 191,154 units, also breaking monthly sales volume. In 1-4M20, sales turned to 4.7% yoy growth. We believe that the reason for its growth is due to 1) release of built-up demand from the first quarter of this year as a result of the COVID-19 pandemic, and 2) the increasing focus on infrastructure investment and property development by the government as a way to smooth out economic impact, thereby increasing truck demand, especially for HDTs. We expect strong sales in 2Q20 as the peak season is to be postponed from March to May or June due to the COVID-19 impact in 1Q20. In addition to this, the order of issuance of special bonds this year will help infrastructure projects to obtain funds earlier. As the Ministry of Finance issued an earlier approval of special bonds, this caused a significant increase in the issuance of special bonds in 1-4M2020, up 50.1% yoy to RMB1,224 billion. Moreover, over 80% of the funds raised are on infrastructure projects, as compared to only 25% in 2019.

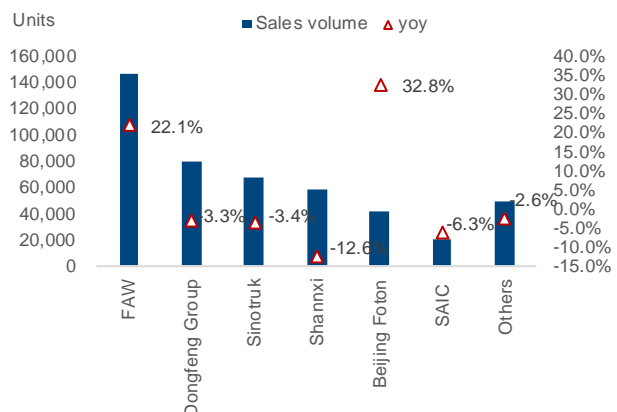
Environmental push to march on. Also facing a slowing economy, policies are rolling out to support auto purchases. In particular, replacement of vehicles with lower emission standards are highly encouraged by the government as it can support sales and on the other hand, support its "Blue Sky Initiative". HDT is the main vehicle type expected to be replaced by vehicles with better emission standards as older models emit high levels of pollutants. For example, 66.3% of particulate matter (PM) is from HDTs, of this almost 100% are diesel HDTs. Therefore, the replacement of diesel trucks are top priority in the Beijing-Tianjin-Hebei area. Owing to this, China 3 diesel trucks could soon be obsolete as many regions have imposed driving restrictions on vehicles that only comply with China 3 standards or below. Moreover, despite an extension of full implementation of China 6 standards to 1st Jan. 2021 (only half year extension), we believe that it is beneficial to HDT users to replace these earlier as many regions will provide subsidies this year. It will be unwise to replace later, facing risk of forced disposal. All in all, we expect HDTs to remain relatively strong in 2020, and we are expecting a 5% yoy increase in industry sales.

Figure-1: China HDT Industry Sales (Monthly)



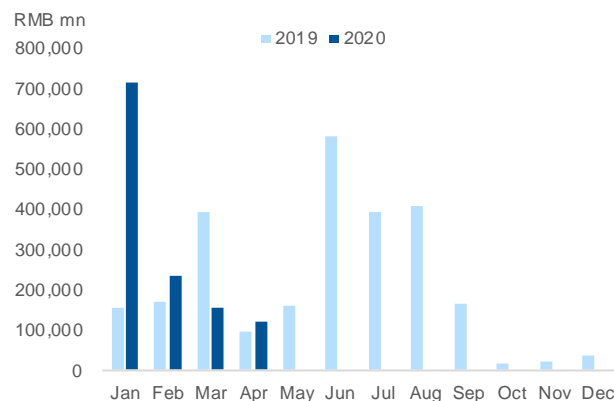
Source: CAAM, Guotai Junan International.

Figure-2: HDT Sales by Company, 1-4M20



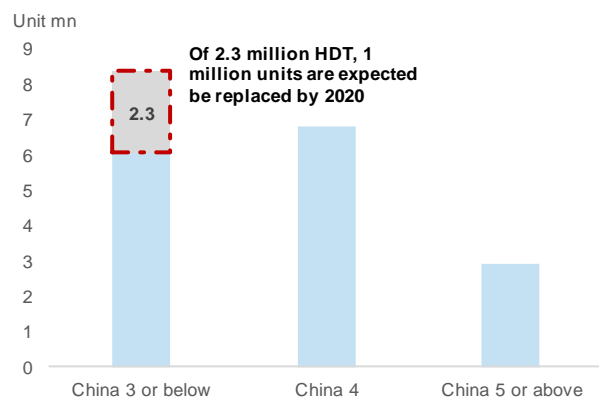
Source: CAAM, Guotai Junan International.

Figure-3: Issuance of Special Bonds



Source: Ministry of Finance, Guotai Junan International.

Figure-4: Diesel Truck Volume by Emission Standards



Source: CAAM, MEE, Guotai Junan International.

EARNINGS FORECASTS

We have increased our profit forecasts by 4.7%/ 6.8%/ 8.1% in 2020 to 2022, respectively. After adjustment, we expect shareholder's profit to increase yoy by 24.0%/ 13.3%/ 11.3% in 2020 to 2022, respectively. Below are the major assumptions:

Sales volume: We have slightly increased our HDT volume forecasts due to faster-than-expected recovery of HDTs with April sales up 61.0% yoy. We turn more optimistic, with the Chinese government to place more emphasis towards infrastructure investment and environmental protection. Moreover, we continue to expect the Company the grab larger market share due to demand for more premium trucks. The premium brand SITRAK should be able to support growth for Sinotruk.

GP margin: We increase our gross margin expectation in 2020 to 2022 as gross margin of non-wholly owned subsidiary, Sinotruk Ji'nan Truck Co., Ltd. ("Ji'nan Truck", 000951.SZ), increased more than expected in 1Q20. In 1Q20, Ji'nan Truck's gross margin improved 2.1 ppts to 11.6%. The improvement in gross margin has continued since 2019; we expect sales of high margin vehicles improved sales mix thanks to the consumption upgrade in the HDT segment as well.

Table-1: Major Changes in Assumptions

	New			Old			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Vehicle sales (Units)									
Sales Volume (HDT+LDT)	300,932	326,773	349,383	293,967	319,361	341,722	2.4%	2.3%	2.2%
- HDT	179,354	190,862	197,269	172,389	183,449	189,608	4.0%	4.0%	4.0%
- LDT	121,578	135,912	152,113	121,578	135,912	152,113	0.0%	0.0%	0.0%
Financials (RMB mn)									
Revenue	69,228	75,154	79,756	64,944	70,546	74,946	6.6%	6.5%	6.4%
Gross Profit Margin	19.5%	20.1%	20.6%	19.4%	19.9%	20.3%	0.1 ppt	0.3 ppt	0.3 ppt
Net Income (Loss)	4,134	4,685	5,213	3,948	4,388	4,821	4.7%	6.8%	8.1%
Basics EPS (RMB)	1.497	1.697	1.888	1.43	1.59	1.75	4.7%	6.8%	8.1%

Source: the Company, Guotai Junan International.

Table-2: Sinotruk Major Financial Data and Forecasts

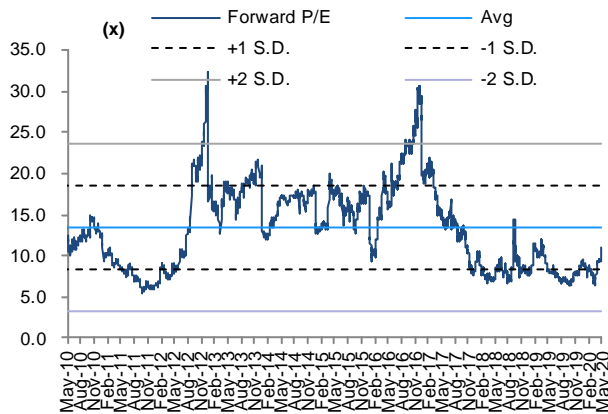
	2018	2019	2020F	2021F	2022F
Sales volume (units)					
Truck	303,648	279,900	300,932	326,773	349,383
yoy	15.1%	-7.8%	7.5%	8.6%	6.9%
Engine (3rd party)	16,358	14,757	16,534	16,815	17,942
yoy	18.2%	-9.8%	12.0%	1.7%	6.7%
Blended ASP - RMB/unit					
Truck	199,027	214,544	222,153	222,070	220,291
yoy	-2.2%	7.8%	3.5%	0.0%	-0.8%
Engine (3rd party)	80,227	81,474	83,918	86,436	89,029
yoy	0.7%	1.6%	3.0%	3.0%	3.0%
Sales revenue (RMB mn)					
Truck	62,728	62,227	69,228	75,154	79,756
yoy	13.1%	-0.8%	11.3%	8.6%	6.1%
Gross profit	11,324	11,847	13,474	15,141	16,429
yoy	12.9%	4.6%	13.7%	12.4%	8.5%
Operating profit	5,724	4,839	6,305	7,162	7,856
yoy	34.0%	-15.5%	30.3%	13.6%	9.7%
Shareholders' profit	4,346	3,334	4,134	4,685	5,213
yoy	43.8%	-23.3%	24.0%	13.3%	11.3%
Gross profit margin	18.1%	19.0%	19.5%	20.1%	20.6%
Operating margin	9.1%	7.8%	9.1%	9.5%	9.8%
Net profit margin	6.9%	5.4%	6.0%	6.2%	6.5%
EPS 3-year CAGR	176.3%	84.4%	11.0%	2.5%	16.1%

Source: the Company, Guotai Junan International.

VALUATION

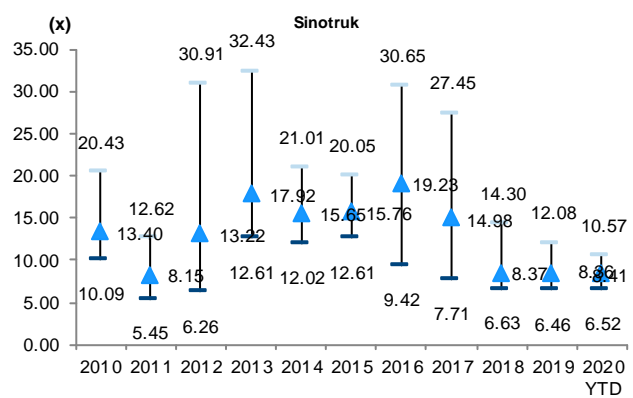
HDTs is another area of focus for the auto industry, thanks to government support and more emphasis in environmental protection. Industry sales was much better than the passenger vehicle market; as a result, stock price has been outperforming YTD, with 1-month return at 18.8% in relative terms. Valuation has spiked up to a very high level (see Figure-5 and Figure-7 for forward valuation); we are not confident that this level can be maintained. **We therefore downgrade investment rating to "Reduce" as we expect that positives are priced in, but raise TP to HK\$15.89, which represents 9.4x 2020 PER and 8.3x 2021 PER, 1.3x 2020 PBR and 1.2x 2021 PBR.**

Figure-5: PER of Sinotruk



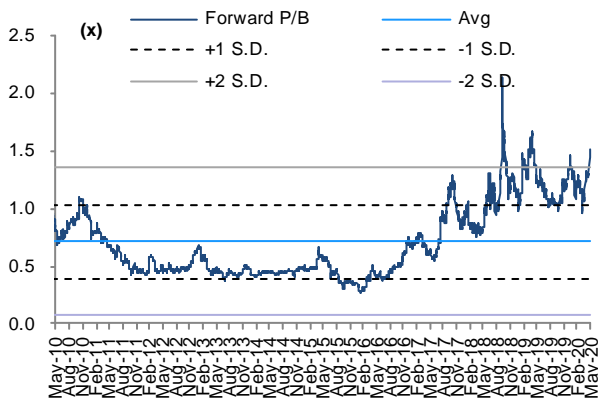
Source: Bloomberg, Guotai Junan International.

Figure-6: PER Range of Sinotruk



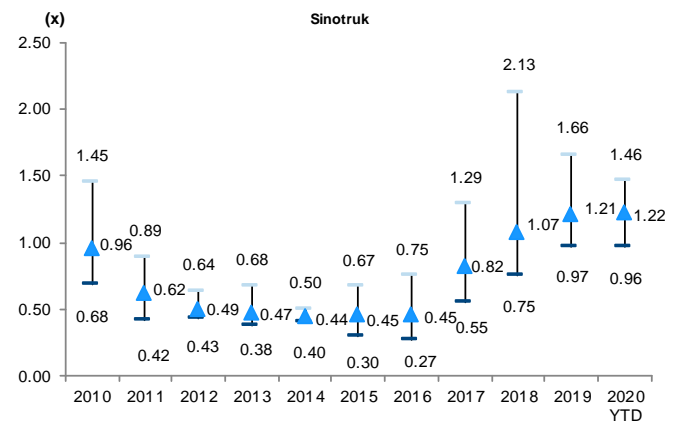
Source: Bloomberg, Guotai Junan International.

Figure-7: PBR of Sinotruk



Source: Bloomberg, Guotai Junan International.

Figure-8: PBR Range of Sinotruk



Source: Bloomberg, Guotai Junan International.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)	D/Y(%)	EV/EBITDA	
				19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	20F	
Qingling Motor-H	1122 HK	HKD	1.00	10.5	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Weichai Power-H	2338 HK	HKD	15.06	11.5	11.6	10.3	9.5	2.4	2.1	1.8	1.6	18.4	3.4	4.7	
Sinotruk Hk Ltd	3808 HK	HKD	18.20	13.3	11.1	10.5	10.4	1.6	1.5	1.4	1.3	13.5	3.6	3.5	
Simple Average				11.8	11.3	10.4	9.9	1.5	1.8	1.6	1.4	16.0	3.5	4.1	
Weighted Average				12.0	11.1	10.1	9.5	2.1	1.9	1.7	1.5	16.6	3.4	4.2	
Dongfeng Auto-A	600006 CH	CNY	4.04	18.3	14.4	15.0	n.a.	1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Chongqing Chan-A	000625 CH	CNY	10.77	n.a.	14.1	11.8	11.6	1.2	1.1	1.0	0.9	8.4	1.5	3.8	
Weichai Power-A	000338 CH	CNY	14.39	12.5	11.9	10.7	10.0	2.5	2.2	1.9	1.7	18.0	3.4	4.7	
Beiqi Foton-A	600166 CH	CNY	1.80	61.8	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Anhui Jianghua-A	600418 CH	CNY	5.07	84.5	61.1	37.6	36.2	0.7	0.7	0.7	0.7	2.7	1.3	3.5	
Cnhct Jinan T-A	000951 CH	CNY	25.91	14.2	12.3	11.3	10.2	2.5	2.4	2.1	1.9	16.1	2.2	n.a.	
Zhengzhou Yut-A	600066 CH	CNY	13.23	15.1	14.6	13.1	12.0	1.8	1.6	1.5	1.4	10.7	4.2	8.8	
Xiamen King Lo-A	600686 CH	CNY	5.91	24.6	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Jiangling Moto-A	000550 CH	CNY	12.40	72.4	28.2	22.5	18.8	1.0	1.0	1.0	0.9	4.7	2.1	n.a.	
Yangzhou Yax-A	600213 CH	CNY	7.07	117.8	n.a.	n.a.	n.a.	8.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Simple Average				46.8	22.4	17.4	16.5	2.2	1.5	1.4	1.3	10.1	2.5	5.2	
Weighted Average				18.7	14.3	12.0	10.8	1.9	1.6	1.4	1.3	12.3	2.6	4.0	
Mazda Motor	7261 JP	JPY	632.00	6.3	13.5	n.a.	49.4	0.3	0.3	0.3	0.3	(5.4)	4.8	8.5	
Mitsubishi Heavy	7011 JT	JPY	2,742.50	9.1	10.6	11.3	9.7	0.6	0.8	0.7	0.7	4.8	4.8	6.1	
Suzuki Motor	7269 JP	JPY	3,603.00	9.1	11.8	18.3	12.2	1.2	1.1	1.1	1.0	5.2	2.0	5.3	
Hino Motors Ltd	7205 JP	JPY	683.00	7.1	12.5	22.0	11.6	0.7	0.7	0.7	0.7	3.2	2.4	6.5	
Ford Motor Co	F US	USD	5.24	524.0	n.a.	10.5	6.0	0.6	0.9	0.9	0.8	4.5	5.2	2.7	
Navistar Intl	NAV US	USD	24.64	11.0	n.a.	23.7	9.5	n.a.	n.a.	n.a.	n.a.	(12.2)	0.0	6.5	
Paccar Inc	PCAR US	USD	69.62	10.1	23.8	15.9	12.6	2.5	2.6	2.6	2.6	16.9	3.1	10.0	
Fiat Chrysler Au	FCAU US	USD	8.49	1.8	n.a.	4.8	3.5	0.4	0.5	0.4	0.4	8.6	5.4	1.1	
Volkswagen Ag	VOW GR	EUR	138.70	5.2	12.3	6.3	5.1	0.6	0.6	0.5	0.5	8.8	4.2	2.0	
Bayer Motoren Wk	BMW GR	EUR	51.77	6.9	13.5	7.6	6.5	0.6	0.6	0.5	0.5	7.5	4.5	0.5	
Daimler Ag	DAI GR	EUR	31.13	14.0	47.2	8.2	5.6	0.5	0.5	0.5	0.5	6.7	3.9	1.8	
Man Se	MAN GR	EUR	44.55	9.2	n.a.	n.a.	n.a.	1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Renault Sa	RNO FP	EUR	17.53	n.a.	n.a.	7.9	3.0	0.1	0.2	0.1	0.1	1.9	3.5	2.0	
Volvo Ab-B	VOLVB SS	SEK	126.65	7.2	22.4	12.4	9.6	1.9	1.8	1.7	1.6	14.4	5.8	6.2	
Simple Average				47.8	18.6	12.4	11.1	0.9	0.9	0.8	0.8	5.0	3.8	4.6	
Weighted Average				46.0	16.7	9.4	7.5	0.9	0.9	0.9	0.8	8.1	4.1	3.4	
Global Simple Average				35.4	17.4	13.4	12.5	1.5	1.4	1.3	1.2	10.3	3.3	4.6	
Global Weighted Average				40.8	16.1	9.7	8.0	1.1	1.0	1.0	0.9	9.1	3.9	3.5	

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Total Revenue	62,728	62,227	69,228	75,154	79,756	Property, plant & equipment	10,451	9,906	11,405	13,058	14,912
Revenue from truck and engine	61,740	61,247	68,223	74,001	78,543	Intangible assets	325	279	288	295	306
Others revenue	988	980	1,005	1,153	1,212	Land use rights	1,612	0	0	0	0
Cost of sales	(51,403)	(50,380)	(55,754)	(60,013)	(63,327)	Others	5,253	7,556	9,088	11,439	14,927
Gross profit	11,324	11,847	13,474	15,141	16,429	Total Non-current Assets	17,641	17,741	20,782	24,792	30,146
Other revenue and net income	699	631	672	734	753	Inventories	11,600	9,721	9,510	9,806	10,575
Distribution expenses	(3,061)	(3,400)	(3,477)	(3,877)	(4,273)	Trade and other receivables	15,023	16,051	17,218	19,039	20,020
Administrative expenses	(2,929)	(3,406)	(3,793)	(4,135)	(4,417)	Other current assets	4,642	3,977	3,977	3,977	3,977
Operating Profit	5,724	4,839	6,305	7,162	7,856	Amounts due from related	371	271	299	322	340
Finance income	93	45	96	109	150	Restricted cash & Fixed Deposit	2,364	2,439	26,830	9,757	21,708
Finance costs	(161)	(141)	(379)	(430)	(395)	Cash & Cash Equivalents	12,827	15,752	5,734	19,156	14,410
Profit Before Tax	5,733	4,805	6,096	6,929	7,717	Total Current Assets	46,827	48,210	63,569	62,056	71,030
Income Tax	(1,006)	(1,029)	(1,414)	(1,623)	(1,814)	Total Assets	64,469	65,951	84,351	86,847	101,176
profit After Tax	4,727	3,776	4,682	5,306	5,904	Trade and other payables	29,194	31,455	36,203	42,057	47,400
Non-controlling Interest	(381)	(442)	(548)	(621)	(691)	Provision	977	1,251	1,391	1,511	1,603
Shareholders' Profit / Loss	4,346	3,334	4,134	4,685	5,213	Amounts due to related parties	2,305	1,085	1,207	1,310	1,390
Basic EPS	1.574	1.207	1.497	1.697	1.888	Interest-bearing borrowings	3,000	1,000	11,000	4,000	8,900
Diluted EPS	1.574	1.207	1.497	1.697	1.888	Income tax payables	285	385	680	877	1,055
Dividend per share (RMB)	0.640	0.588	0.765	0.794	0.923	Total Current Liabilities	35,761	35,175	50,481	49,754	60,348
						Borrowings	0	0	0	0	0
						Deferred income tax liabilities	9	7	8	7	8
						Other long-term payable	357	341	375	405	430
						Total Non-current Liabilities	367	347	383	413	438
						Total Liabilities	36,128	35,523	50,864	50,167	60,786
						Total Shareholders' Equity	25,489	27,261	29,771	32,344	35,363
						Minority Interest	2,852	3,167	3,715	4,336	5,027
						Total Equity	28,341	30,428	33,486	36,680	40,390
						BPS(RMB)	9.232	9.874	10.783	11.715	12.808

Cash Flow Statement					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
EBT	5,733	4,805	6,096	6,929	7,717
Depreciation for PPE	1,185	1,562	1,790	2,041	2,324
Other adjustments	176	953	346	399	361
Change in WC	(1,874)	2,664	(23,269)	17,129	(13,442)
Interest paid	(184)	(148)	(397)	(451)	(414)
Income tax paid	(1,043)	(1,200)	(1,043)	(1,328)	(1,525)
Cash from Operating Activities	3,993	8,634	(16,477)	24,719	(4,978)
Capital expenditure	(571)	(635)	(709)	(796)	(897)
Others	1,542	606	(917)	(1,026)	(1,128)
Cash from Investing Activities	971	(29)	(1,626)	(1,822)	(2,025)
Net change in bank loans and	(290)	(3,686)	10,000	(7,000)	4,900
Dividend paid	(1,615)	(1,555)	(1,624)	(2,112)	(2,194)
Others	(183)	(468)	(305)	(395)	(474)
Cash from Financing Activities	(2,087)	(5,708)	8,071	(9,508)	2,232
Net Changes in Cash	2,877	2,897	(10,032)	13,390	(4,770)
Other adjustment	53	28	14	32	25
Cash at Beg of Year	9,896	12,827	15,752	5,734	19,156
Cash at End of Year	12,827	15,752	5,734	19,156	14,410

Financial Ratios					
	2018A	2019A	2020F	2021F	2022F
Profitability					
Gross margin (%)	18.1	19.0	19.5	20.1	20.6
Operating margin (%)	9.1	7.8	9.1	9.5	9.8
Net margin (%)	6.9	5.4	6.0	6.2	6.5
ROE (%)	18.0	12.6	14.5	15.1	15.4
ROA (%)	6.9	5.1	5.5	5.5	5.5
Growth					
Vehicle sales growth (%)	15.1	(7.8)	7.5	8.6	6.9
Revenue growth (%)	13.1	(0.8)	11.3	8.6	6.1
EPS growth(%)	43.8	(23.3)	24.0	13.3	11.3
BPS growth(%)	11.7	7.0	9.2	8.6	9.3
Liquidity and solvency					
Gearing ratio(%)	4.7	1.5	13.0	4.6	8.8
Current ratio(x)	1.3	1.4	1.3	1.2	1.2
Interest Coverage(x)	36.7	35.0	17.1	17.1	20.6
Efficiency					
Inventory turnover days	67.5	57.0	62.3	59.6	60.9
Trade receivable days	87.4	94.1	90.8	92.5	91.6
Trade payable days	207.3	227.9	217.6	222.7	220.2

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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