



Company Report: Sands China (01928 HK)

公司报告: 金沙中国 (01928 HK)

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Construction Disruption, Downgrade to "Neutral"

受施工影响, 下调至“中性”

- **Sands China's (the "Company") 1Q19 hold normalized adjusted property EBITDA increased 8.9% yoy to US\$835 mn, topping Bloomberg consensus forecast and our forecast by 4.3% and 4.5%, respectively.** Company-wide VIP win rate was 3.48%, which was above the normal range of 3.00%-3.30%. Sands China's total market share in 1Q19 increased by 1.6 ppt qoq to 25.6%. During the quarter, VIP market share increased by 1.1 ppt qoq to 14.8%, thanks to higher-than-normal VIP win rate.
- **For 2019-2021, we decrease the Company's total revenue forecasts by 5.2%, 7.2% and 6.4%, respectively, and lower adjusted property EBITDA forecasts by 4.9%, 6.3% and 5.8%, respectively.** We forecast 2019-2021 adjusted property EBITDA of US\$3.0 bn, US\$3.2 bn and US\$3.5 bn, respectively, representing growth of -1.3%, 5.6% and 8.2%.
- **We expect significant disruption to operations over the next three years as three hotel towers undergo renovation.** Sands China's management recently announced that St. Regis Tower Suites Macao tower at Sands Cotai Central will be rebranded into "Londoner Tower Suites Macao". This is in addition of the previously announced renovation and rebranding of Holiday Inn Macao to "The Londoner". This is great long term, but we expect significant disruption from 2019-2021.
- **We lower our target price from HK\$46.70 to HK\$41.00 and downgrade our investment rating from "Buy" to "Neutral".** We see significant downside risk from The Londoner conversion 1) taking longer than expected and 2) disrupting operations more than expected.
- **金沙中国 (以下简称“公司”) 2019 年第 1 季度标准化赢率下经调整物业 EBITDA 同比增长 8.9%至 8.35 亿美元, 分别高于彭博一致预期以及我们的预期 4.3%和 4.5%。** 公司整体贵宾赢率为 3.48%, 高出 3.00%至 3.30%的正常范围。2019 年第 1 季度, 公司整体市场份额环比增长 1.6 个百分点至 25.6%; 贵宾博彩市场份额环比增长 1.1 个百分点至 14.8%, 得益于高于寻常的贵宾赢率。
- **展望 2019 至 2021 年, 我们将公司总营收预测分别下调 5.2%、7.2%和 6.4%, 将公司经调整物业 EBITDA 预测分别下调 4.9%、6.3%和 5.8%。** 我们预计 2019 至 2021 年经调整物业 EBITDA 分别为 30 亿美元、32 亿美元和 35 亿美元, 分别增长-1.3%、5.6%和 8.2%。
- **我们预计未来三年, 三间酒店大楼的翻新将显著影响业务运营。** 金沙中国管理层最近宣布金沙城中心瑞吉酒店将被重塑为“澳门伦敦人套房酒店”。这是除此前宣布的翻新澳门金沙城中心假日酒店及重新命名为“澳门伦敦人”以外的又一新增计划。虽然长期利好, 但我们预计 2019 至 2021 年业务将受到显著影响。
- **我们将目标价由 46.70 港元下调至 41.00 港元, 并将投资评级由“买入”下调至“中性”。** 我们看到了伦敦人翻新项目较大的下行风险: 1) 耗时长于预期, 以及 2) 对运营影响大于预期。

Rating:

Neutral

Downgraded

评级:

中性 (下调)

6-18m TP 目标价:

HK\$41.00

Revised from 原目标价:

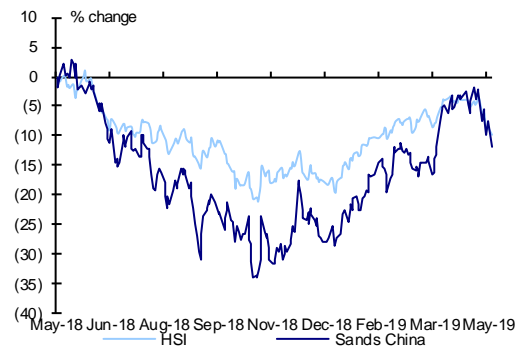
HK\$46.70

Share price 股价:

HK\$39.900

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 %	(7.9)	10.8	(15.1)
Rel. % to HS Index 相对恒指变动 %	(2.7)	9.5	(5.9)
Avg. share price (HK\$) 平均股价 (港元)	42.3	40.3	37.3

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
12/31	(US\$ m)	(US\$ m)	(US\$)	(Δ %)	(x)	(US\$)	(x)	(US\$)	(%)	(%)
2017A	7,586	1,603	0.199	30.9	25.7	0.562	9.1	0.257	5.1	33.6
2018A	8,665	1,875	0.232	16.9	21.9	0.546	9.3	0.254	5.0	41.9
2019F	8,889	2,028	0.251	8.1	20.3	0.573	8.9	0.251	4.9	44.8
2020F	9,371	2,172	0.268	7.0	18.9	0.621	8.2	0.248	4.9	45.0
2021F	10,194	2,442	0.302	12.3	16.9	0.704	7.2	0.245	4.8	45.5

Shares in issue (m) 总股数 (m)	8,085.0	Major shareholder 大股东	Las Vegas Sands (LVS US) 70.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	322,590.6	Free float (%) 自由流通比率 (%)	29.8
3 month average vol. 3 个月平均成交股数 ('000)	12,750.0	FY19 Net gearing (%) FY19 净负债/股东资金 (%)	62.6
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	48.600 / 29.850	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)	50.9

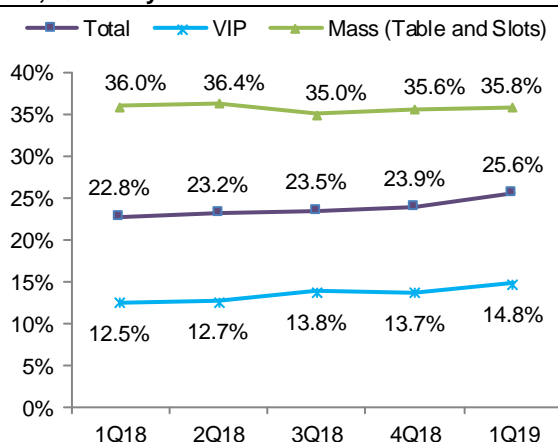
Source: the Company, Guotai Junan International.

1Q19 Results

Sands China's (the "Company") 1Q19 hold normalized adjusted property EBITDA increased 8.9% yoy to US\$835 million, topping Bloomberg consensus forecast and our forecast by 4.3% and 4.5%, respectively. Hold normalized adjusted property EBITDA margin increased by 0.1 ppt yoy to 36.5%. Company-wide VIP win rate was 3.48%, which was above the normal range of 3.00%-3.30%. Hold normalized figures adjust for quarterly fluctuations in "luck", i.e., the VIP win rate, whereby if the VIP win rate is outside of the 3.00%-3.30% normal range, then the win rate is adjusted to 3.15% for the quarter. Adjusted property EBITDA increased 8.9% yoy to US\$835 million.

Sands China's total market share in 1Q19 increased by 1.6 ppt qoq to 25.6%. During the quarter, VIP market share increased by 1.1 ppt qoq to 14.8%, thanks to the higher-than-normal VIP win rate. Mass segment (tables and slots) market share increased by 0.2 ppt qoq to 35.8%, continuing to dominate Macau's mass market while maintaining a gap of more than 10 ppt in market share with Galaxy, the second largest player in the segment.

Figure-1: Sands China Market Share, Quarterly



Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Table-1: Company Results Summary

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
Total VIP Turnover	18,823	18,558	20,974	22,084	19,051	(13.7%)	1.2%
Overall VIP Win Rate	3.53%	3.47%	3.27%	3.13%	3.48%	0.3 ppt	(0.1) ppt
Total VIP Win	665	645	687	692	662	(4.2%)	(0.3%)
Total Mass Tables Win	1,344	1,322	1,321	1,417	1,521	7.3%	13.2%
Total Slots Win	151	147	139	156	154	(0.9%)	2.2%
Total Mass Market (tables & slots) Win	1,495	1,470	1,460	1,573	1,675	6.5%	12.1%
Company VIP Market Share	12.5%	12.7%	13.8%	13.7%	14.8%	1.1 ppt	2.3 ppt
Company Mass Market Share	36.0%	36.4%	35.0%	35.6%	35.8%	0.2 ppt	(0.2) ppt
Company Total Market Share	22.8%	23.2%	23.5%	23.9%	25.6%	1.6 ppt	2.8 ppt
Total Revenue	2,160	2,110	2,150	2,259	2,334	3.3%	8.1%
Total Adjusted Property EBITDA	789	750	754	786	858	9.2%	8.7%
Total Adjusted Property EBITDA margin	36.5%	35.4%	35.0%	34.8%	36.8%	2.0 ppt	0.3 ppt
Hold Normalized Adj. Property EBITDA	767	730	754	786	835	6.2%	8.9%
Hold Normalized Adj. Property EBITDA Margin	1.3%	(4.8%)	3.3%	4.2%	6.2%	2.0 ppt	4.9 ppt

Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR, Guotai Junan International.

Note: * Hold normalized figures adjust for quarterly fluctuations in "luck", i.e., the VIP win rate, whereby if the VIP win rate is outside of the 3.00% - 3.30% normal range, then the win rate is adjusted to 3.15% for the quarter.

Sands China's VIP turnover increased 1.2% yoy and decreased 13.7% qoq. This compares with Macau sector VIP gross gaming revenue ("GGR") growth of -13.4% yoy and -11.4% qoq. Sands China's overall VIP win rate was 3.48% and overall VIP win totaled US\$662 million, down 0.3% yoy and down 4.2% qoq.

Growth in higher margin premium mass outpaced that of base mass. The management reported that premium mass table GGR grew 15.9% yoy and 11.7% qoq, compared with growth of 10.2% yoy and 2.8% qoq in base mass table GGR. Premium mass table GGR accounted for around 51% of total mass table GGR during the quarter. Sands China's mass (tables & slots) GGR increased by 12.1% yoy and 6.5% qoq, compared to Macau mass GGR growth of 16.1% yoy and 5.9% qoq. We think such growth is fairly strong, especially considering Sands has the highest base in the mass market among its competitors in Macau. The Company's growth in the mass segment was primarily hold driven instead of volume driven. In 1Q19, overall mass table hold increased by 3.0 ppt yoy and 1.9 ppt qoq to 24.8% (the highest since 2013), at the high end of the normal range, while total mass table drop decreased 0.6% yoy and 1.1% qoq.

Table-2: Property & Segment Level Results Summary

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
Property Revenues							
Venetian Macao	868	830	857	919	897	(2.4%)	3.3%
Sands Cotai Central	549	509	537	558	577	3.4%	5.1%
Sands Macao	154	180	160	156	152	(2.6%)	(1.3%)
Plaza Macao							
Parisian Macao	191	186	167	175	224	28.0%	17.3%
Ferry and others	359	371	389	414	454	9.7%	26.5%
	39	34	40	37	30	(18.9%)	(23.1%)
Property VIP Market Shares							
Venetian Macao VIP Market Share							
Sands Cotai Central VIP Market Share	6.2%	4.6%	5.6%	6.0%	4.9%	(1.1) ppt	(1.4) ppt
Sands Macao VIP Market Share	1.6%	1.7%	2.0%	2.1%	2.0%	(0.1) ppt	0.5 ppt
Plaza Macao VIP Market Share	0.5%	1.2%	1.0%	0.8%	0.5%	(0.3) ppt	0.0 ppt
Parisian Macao VIP Market Share	1.9%	2.0%	2.0%	1.8%	3.4%	1.6 ppt	1.5 ppt
	2.4%	3.3%	3.2%	3.0%	4.1%	1.0 ppt	1.7 ppt
Property Mass (tables & slots) Market Shares							
Venetian Macao Mass Market Share							
Sands Cotai Central Mass Market Share	13.8%	14.9%	13.8%	14.6%	14.8%	0.1 ppt	0.9 ppt
Sands Macao Mass Market Share	10.3%	9.7%	9.4%	9.3%	9.6%	0.3 ppt	(0.7) ppt
Plaza Macao Mass Market Share	3.4%	3.6%	3.2%	3.1%	3.0%	(0.1) ppt	(0.4) ppt
Parisian Macao Mass Market Share	2.5%	2.4%	2.1%	1.9%	2.1%	0.2 ppt	(0.5) ppt
	6.0%	5.8%	6.4%	6.7%	6.4%	(0.3) ppt	0.5 ppt
Adjusted Property / Segment EBITDAs							
Venetian Macao							
Sands Cotai Central	348	331	344	355	361	1.7%	3.7%
Sands Macao	201	176	188	194	212	9.3%	5.5%
Plaza Macao	47	52	41	38	40	5.3%	(14.9%)
Parisian Macao	73	72	53	64	85	32.8%	16.4%
Ferry and other operations	116	114	122	132	163	23.5%	40.5%
	4.0	5.0	6.0	3.0	(3.0)	n.a.	n.a.
Adjusted Property / Segment EBITDA Margins							
Venetian Macao							
Sands Cotai Central	40.1%	39.9%	40.1%	38.6%	40.2%	1.6 ppt	0.2 ppt
Sands Macao	36.6%	34.6%	35.0%	34.8%	36.7%	2.0 ppt	0.1 ppt
Plaza Macao	30.5%	28.9%	25.6%	24.4%	26.3%	2.0 ppt	(4.2) ppt
Parisian Macao	38.2%	38.7%	31.7%	36.6%	37.9%	1.4 ppt	(0.3) ppt
Ferry and other operations	32.3%	30.7%	31.4%	31.9%	35.9%	4.0 ppt	3.6 ppt

Source: the Company, Guotai Junan International.

The Parisian Macao

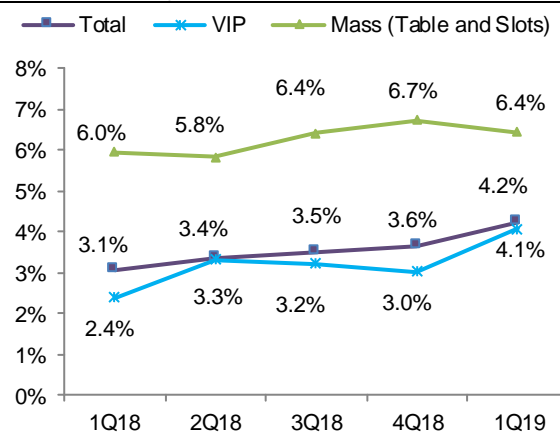
The Parisian Macao experienced faster decline in its VIP segment than the industry on average. VIP turnover was US\$3.9 billion, down 14.8% yoy and 18.7% qoq, compared with Macau VIP GGR decline of 13.4% yoy and 11.4% qoq. However, VIP win rate was very high at 4.63% (up 1.9 ppt yoy and up 1.5 ppt qoq), and hence VIP gross win increased 42.4% yoy and 19.2% qoq to US\$181 million. Consequently, the property's 1Q19 VIP market share increased to 4.1%, up 1.7 ppt yoy and 1.1 ppt qoq.

The Parisian Macao's mass segment (tables & slots) outperformed the market yoy (but underperformed qoq). Mass market gross win (tables & slots) increased 21.4% yoy and 1.1% qoq, outperforming the 16.1% yoy growth rate (but underperforming the 5.9% qoq growth rate) in Macau's total mass market GGR. Mass table hold was 23.1%, up 2.9 ppt yoy and 0.5 ppt qoq. Mass table gross win increased 20.0% yoy and 2.7% qoq to US\$263 million. Slot machine gross win was US\$37 million, up 31.6% yoy but down 8.9% qoq. The property's mass market share (tables & slots) for the quarter increased 0.4 ppt yoy but decreased 0.3 ppt qoq to 6.4%.

Table-3: The Parisian Macao Operating Results

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
VIP Turnover	4,598	4,479	5,155	4,816	3,917	(18.7%)	(14.8%)
VIP Win %	2.77	3.76	3.10	3.16	4.63	1.5 ppt	1.9 ppt
VIP Gross Win	127	168	160	152	181	19.2%	42.4%
Mass Tables Drop	1,086	1,057	1,046	1,135	1,140	0.4%	5.0%
Mass Tables Win %	20.2	19.6	21.6	22.6	23.1	0.5 ppt	2.9 ppt
Mass Tables Win	219	207	226	257	263	2.7%	20.0%
Slot Machine Handle	1,044	1,173	1,386	1,234	1,124	(8.9%)	7.7%
Slot Machine Hold Rate %	2.7	2.4	3.0	3.3	3.3	0.0 ppt	0.6 ppt
Slot Machine Win	28	28	42	41	37	(8.9%)	31.6%
Casino Gross Revenue	375	404	427	449	482	7.2%	28.5%
Commissions	(84)	(96)	(106)	(104)	(95)	(9.2%)	12.9%
Casino Revenue	291	308	321	345	387	12.2%	33.0%
Hotel Net Revenue	33	28	30	33	36	10.0%	10.0%
Other Revenue	35	35	38	36	31	(14.7%)	(12.3%)
Total Property Revenue	359	371	389	414	454	9.7%	26.5%
Hotel Occupancy %	94.5	96.4	97.7	97.0	98.6	1.6 ppt	4.1 ppt
VIP Market Share	2.4%	3.3%	3.2%	3.0%	4.1%	1.0 ppt	1.7 ppt
Mass Market Share	6.0%	5.8%	6.4%	6.7%	6.4%	(0.3) ppt	0.5 ppt

Source: the Company, Guotai Junan International.

Figure-2: Parisian Macao Market Share, Quarterly


Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

The Venetian Macao

The Venetian Macao's VIP turnover amounted to US\$7,501 million, down 4.6% yoy and 20.1% qoq (vs. the industry down 13.4% yoy and 11.4% qoq). VIP win rate decreased by 1.3 ppt yoy and 0.3 ppt qoq to 2.89%. Due to poorer luck, VIP gross win declined more sharply by 34.4% yoy and 27.9% qoq to US\$217 million. Consequently, the property's 1Q19 VIP market share declined by 1.4 ppt yoy and 1.1 ppt qoq to 4.9%.

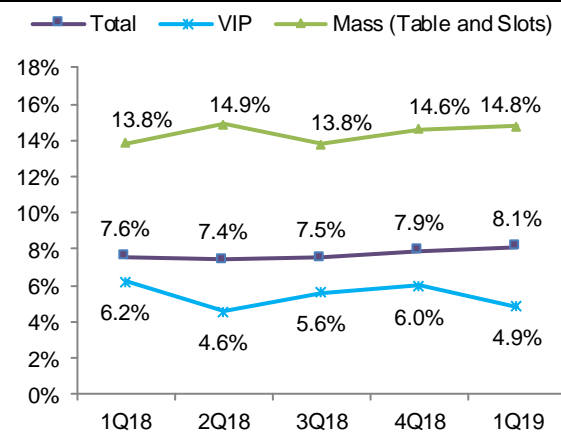
The Venetian Macao's mass segment (tables & slots) saw stronger growth than the industry on average despite having a high comparison base in 1Q18. Mass market gross win (tables & slots) amounted to US\$690, up 20.2% yoy and 7.0% qoq (vs. industry growth of 16.1% yoy and 5.9% qoq). Mass table hold improved significantly by 4.8 ppt yoy and 3.4 ppt qoq to 28.5%. Mass table gross win increased 21.4% yoy and 7.0% qoq to US\$646 million. Slot machine gross win was US\$45 million, up 4.4% yoy and 5.9% qoq. The property's mass market share (tables and slots) for the quarter increased by 0.9 ppt yoy and 0.1 ppt qoq to 14.8%.

Table-4: Venetian Macao Operating Results

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
VIP Turnover	7,866	7,464	7,425	9,393	7,501	(20.1%)	(4.6%)
VIP Win %	4.20	3.10	3.75	3.20	2.89	(0.3) ppt	(1.3) ppt
VIP Gross Win	330	231	278	301	217	(27.9%)	(34.4%)
Mass Tables Drop	2,244	2,245	2,175	2,404	2,266	(5.7%)	1.0%
Mass Tables Win %	23.7	25.1	25.1	25.1	28.5	3.4 ppt	4.8 ppt
Mass Tables Win	532	563	546	603	646	7.0%	21.4%
Slot Machine Handle	837	819	807	841	891	5.9%	6.5%
Slot Machine Win %	5.1	4.5	3.7	5.0	5.0	0.0 ppt	(0.1) ppt
Slot Machine Win	43	37	30	42	45	5.9%	4.4%
Casino Gross Revenue	905	832	854	946	907	(4.1%)	0.2%
Commissions	(189)	(155)	(165)	(199)	(167)	(16.0%)	(11.5%)
Casino Revenue	716	677	689	747	740	(0.9%)	3.4%
Hotel Net Revenue	57	52	58	56	57	1.8%	0.0%
Other Revenue	95	101	110	116	100	(13.8%)	5.3%
Total Property Revenue	868	830	857	919	897	(2.4%)	3.3%
Hotel Occupancy %	95.9	95.6	95.7	96.5	96.8	0.3 ppt	0.9 ppt
VIP Market Share	6.2%	4.6%	5.6%	6.0%	4.9%	(1.1) ppt	(1.4) ppt
Mass Market Share	13.8%	14.9%	13.8%	14.6%	14.8%	0.1 ppt	0.9 ppt

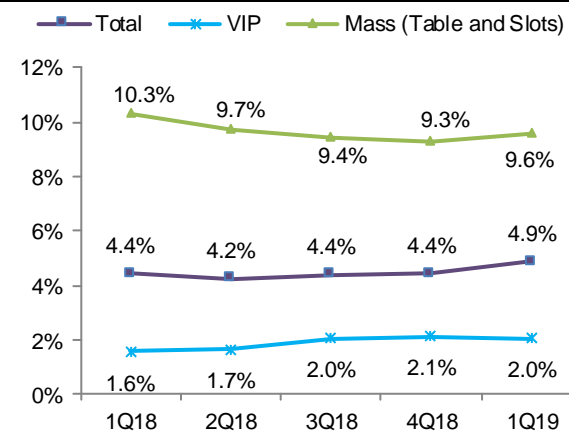
Source: the Company, Guotai Junan International.

Figure-3: The Venetian Macao Market Share, Quarterly



Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Figure-4: Sands Cotai Central Market Share, Quarterly



Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Sands Cotai Central

Sands Cotai Central's VIP segment underperformed the market. VIP turnover plummeted 19.2% yoy and 32.4% qoq to US\$1,944 million, declining faster than the industry on average. But VIP win rate was above the normal range at 4.69%, up 1.3 ppt yoy and 1.0 ppt qoq. Due to the high hold percentage, VIP gross win recorded yoy growth of 10.4% to US\$91 million. For the quarter, the property's VIP market share was 2.0%, up 0.4 ppt but down 0.1 ppt qoq.

Sands Cotai Central's mass segment underperformed the market yoy (but outperformed qoq). Mass market gross win (tables & slots) totaled US\$448 million, up 4.7% yoy and 9.1% qoq, compared with Macau mass market GGR yoy growth of 16.1% yoy and 5.9% qoq. Mass table hold was 23.8%, up 2.4 ppt yoy and 2.1 ppt qoq. Mass table gross win was US\$404 million, up 7.4% yoy and 11.1% qoq. Slot machine gross win amounted to US\$44 million, down 14.6% yoy and 6.4% qoq. For the quarter, the property's mass market share was 9.6%, down 0.7 ppt yoy but up 0.3 ppt qoq.

Table-5: Sands Cotai Central Operating Results

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
VIP Turnover	2,407	2,592	2,564	2,875	1,944	(32.4%)	(19.2%)
VIP Win %	3.43	3.24	3.95	3.72	4.69	0.97 ppt	1.26 ppt
VIP Gross Win	83	84	101	107	91	(14.8%)	10.4%
Mass Tables Drop	1,760	1,635	1,650	1,678	1,699	1.3%	(3.5%)
Mass Tables Win %	21.4	21.0	21.5	21.7	23.8	2.1 ppt	2.4 ppt
Mass Tables Win	377	343	355	364	404	11.1%	7.4%
Slot Machine Handle	1,276	1,236	1,134	1,164	1,063	(8.7%)	(16.7%)
Slot Machine Win %	4.0	4.1	3.5	4.0	4.1	0.1 ppt	0.1 ppt
Slot Machine Win	51	51	40	47	44	(6.4%)	(14.6%)
Casino Gross Revenue	510	478	496	518	539	4.2%	5.7%
Commissions	(92)	(92)	(96)	(100)	(94)	(5.5%)	2.0%
Casino Revenue	418	386	400	418	445	6.5%	6.5%
Hotel Net Revenue	82	78	85	86	84	(2.3%)	2.4%
Other Revenue	49	45	52	54	48	(11.1%)	(2.0%)
Total Property Revenue	549	509	537	558	577	3.4%	5.1%
Hotel Occupancy %	93.5	93.0	96.1	96.5	97.3	0.8 ppt	3.8 ppt
VIP Market Share	1.6%	1.7%	2.0%	2.1%	2.0%	(0.1) ppt	0.5 ppt
Mass Market Share	10.3%	9.7%	9.4%	9.3%	9.6%	0.3 ppt	(0.7) ppt

Source: the Company, Guotai Junan International.

Sands Macao

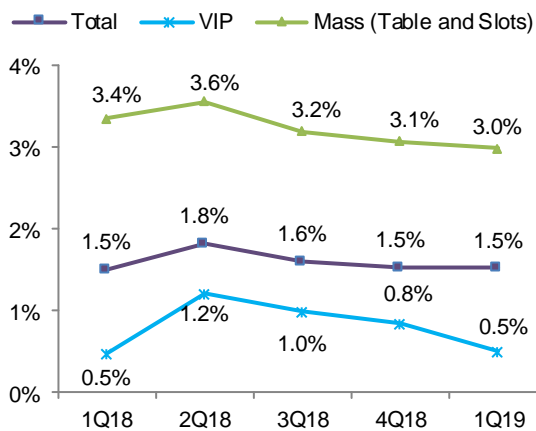
Sands Macao's VIP segment outperformed the market yoy (but underperformed qoq). VIP turnover climbed 33.9% yoy but declined 26.5% to US\$1,201 million. VIP win rate was lower than usual at 1.85%, down 0.9 ppt yoy and 0.8 ppt qoq. VIP gross win amounted to US\$22 million, down 10.4% yoy and 47.7% qoq. For the quarter, the property's VIP market share was 0.5%, flat yoy but down 0.3 ppt qoq.

Sands Macao's mass segment underperformed the market. Mass market gross win (tables & slots) totaled US\$140 million, up 0.1% yoy and 2.7% qoq, while Macau saw much stronger growth (both yoy and qoq) in its mass market GGR. Mass table hold was 17.8%, down 0.4 ppt yoy and 0.7 ppt qoq. Mass table gross win amounted to US\$118 million, down 1.3% yoy but up 1.3% qoq. Slot machine gross win was US\$22 million, up 8.5% yoy and 11.6% qoq. In 1Q19, the property's mass market share was 3.0%, down 0.4 ppt yoy and 0.1 ppt qoq.

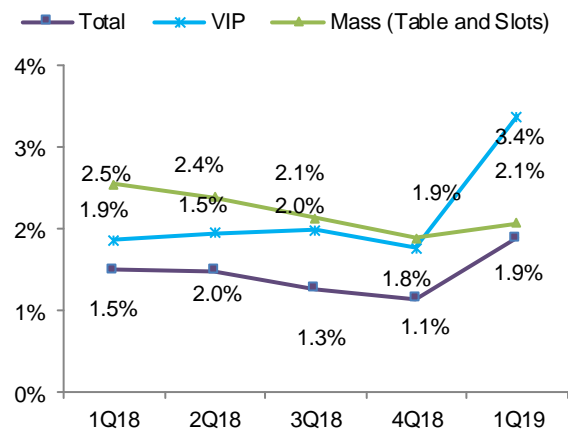
Table-6: Sands Macao Operating Results

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
VIP Turnover	897	1,374	1,799	1,635	1,201	(26.5%)	33.9%
VIP Win %	2.78	4.48	2.72	2.61	1.86	(0.75) ppt	(0.92) ppt
VIP Gross Win	25	62	49	43	22	(47.7%)	(10.4%)
Mass Tables Drop	657	659	619	630	663	5.2%	0.9%
Mass Tables Win %	18.2 ppt	18.6 ppt	18.3 ppt	18.5 ppt	17.8 ppt	(0.7) ppt	(0.4) ppt
Mass Tables Win	120	123	113	117	118	1.3%	(1.3%)
Slot Machine Handle	640	641	646	643	615	(4.4%)	(3.9%)
Slot Machine Win %	3.1	3.3	3.1	3.0	3.5	0.5	0.4
Slot Machine Win	20	21	20	19	22	11.6%	8.5%
Casino Gross Revenue	164	205	182	179	162	(9.3%)	(1.5%)
Commissions	(22)	(39)	(36)	(35)	(23)	(33.7%)	2.4%
Casino Revenue	142	166	146	144	139	(3.5%)	(2.1%)
Hotel Net Revenue	4	4	4	5	4	(20.0%)	0.0%
Other Revenue	8	10	10	7	9	28.6%	12.5%
Total Property Revenue	154	180	160	156	152	(2.6%)	(1.3%)
Hotel Occupancy %	98.8	99.0	97.5	98.9	99.9	1.0 ppt	1.1 ppt
VIP Market Share	0.5%	1.2%	1.0%	0.8%	0.5%	(0.3) ppt	0.0 ppt
Mass Market Share	3.4%	3.6%	3.2%	3.1%	3.0%	(0.1) ppt	(0.4) ppt

Source: the Company, Guotai Junan International.

Figure-5: Sands Macao Market Share, Quarterly


Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

Figure-6: Plaza Macao Market Share, Quarterly


Source: the Company, Gaming Inspection and Coordination Bureau Macao SAR.

The Plaza Macao

The Plaza Macao's VIP segment outperformed the market by far. VIP turnover amounted to US\$4,488 million, up 46.9% yoy and 33.4% qoq, while the industry experienced a considerable decline in VIP GGR. VIP win rate was at 3.36%, up 0.1 ppt yoy and 0.7 ppt qoq. VIP gross win amounted to US\$151 million, soaring 51.9% yoy and 69.1% qoq. Consequently, the property's market share in 1Q19 increased by 1.5 ppt yoy and 1.6 ppt qoq to 3.4%.

The Plaza Macao's mass segment underperformed the market yoy (but outperformed qoq). Mass market GGR (tables & slots) totaled US\$97 million, down 8.4% yoy but up 15.8% qoq (vs. the industry's 16.1%/ 5.9% yoy/ qoq growth). Mass table hold was 25.1%, up 1.9 ppt yoy and 2.9 ppt qoq. Mass table gross win was US\$89 million, down 7.4 yoy but up 16.7% qoq. Slot machine gross win was US\$7 million, down 19.3% yoy but up 6.0% qoq. In 1Q19, the property's mass market share was 2.1%, down 0.5 ppt yoy but up 0.2 ppt qoq.

Table-7: Plaza Macao Operating Results

US\$ Million	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	qoq (% or ppt)	yoy (% or ppt)
VIP Turnover	3,055	2,649	4,031	3,365	4,488	33.4%	46.9%
VIP Win %	3.25	3.75	2.44	2.65	3.36	0.7 ppt	0.1 ppt
VIP Gross Win	99	99	98	89	151	69.1%	51.9%
Mass Tables Drop	416	318	286	345	356	3.2%	(14.4%)
Mass Tables Win %	23.2	27.0	28.4	22.2	25.1	2.9 ppt	1.9 ppt
Mass Tables Win	97	86	81	77	89	16.7%	(7.4%)
Slot Machine Handle	135	135	141	153	149	(2.6%)	10.4%
Slot Machine Win %	6.7	7.8	5.7	4.5	4.9	0.4 ppt	(1.8) ppt
Slot Machine Win	9	11	8	7	7	6.0%	(19.3%)
Casino Gross Revenue	205	196	188	173	247	43.3%	20.8%
Commissions	(63)	(60)	(72)	(65)	(74)	15.2%	18.5%
Casino Revenue	142	136	116	108	173	60.2%	21.8%
Hotel Net Revenue	9	10	10	10	10	0.0%	11.1%
Other Revenue	40	40	41	57	41	(28.1%)	2.5%
Total Property Revenue	191	186	167	175	224	28.0%	17.3%
Hotel Occupancy %	88.7	86.8	89.0	90.0	89.7	(0.3) ppt	1.0 ppt
VIP Market Share	1.9%	2.0%	2.0%	1.8%	3.4%	1.6 ppt	1.5 ppt
Mass Market Share	2.5%	2.4%	2.1%	1.9%	2.1%	0.2 ppt	(0.5) ppt

Source: the Company, Guotai Junan International.

Outlook

As previously announced, the Company is allocating around US\$450 million for renovation of "Four Seasons Tower Suites Macao". Inventory at this hotel tower will be expanded to approximately 290 new luxury suites, ranging in size from 2,000-4,700 sq. ft. Work is progressing with anticipated completion in 1Q20.

Plans remain intact to renovate and rebrand the Holiday Inn Macao tower at Sands Cotai Central ("SCC") into "The Londoner Macao". The Company's management estimates that it will spend around US\$1.35 billion on the conversion of SCC into The Londoner Macao. Currently, SCC is made up of four towers: 1) the Conrad and Holiday Inn tower; 2) the first Sheraton tower; 3) the second Sheraton tower, and; 4) the St. Regis tower. The current 1,224 room Holiday Inn Macao at SCC will be converted to have over 500 all luxury suites under the new theme brand "The Londoner Macao". Work already started in 1Q19 and will be done in stages so as to minimize disruption with completion of all phases in 2020 and 2021. The rebranding, when completed, will include an additional 1.7 million sq. ft. of space and will accommodate more overnight guests than the Venetian and the Parisian combined.

The Company has newly announced that its "St Regis Tower Suites Macao" tower at SCC will be rebranded into "Londoner Tower Suites Macao". Previously, the Company had announced that it was allocating around US\$400 million for expansion of the St. Regis Tower Suites. As part of its 1Q19 results presentation, the management announced that the St. Regis Tower Suites tower will be rebranded into "London Tower Suites Macao", which will be in addition to the conversion of the Holiday Inn Macao into "The Londoner Macao". London Tower Suites Macao will have approximately 370 new luxury suites ranging in size from 1,400 to 3,100 sq. ft. Work has already begun with anticipated completion in late 2020.

We expect significant disruption to operations over the next three years as the three hotel towers undergo renovation. The disruption will be mitigated since at least a portion of visitors will be diverted to Sands China's other properties instead of competitors' properties. A fully enclosed climate-controlled footbridge connects SCC and The Plaza Macao, which is just across the street to the west of SCC and below the Venetian Macao. However, we expect that at least some portion of visitors will be diverted to competitors' properties, including MGM Cotai, which opened in February 2018 and is right next to (to the east of) SCC.

Figure-7: Sands Cotai Central Conversion into The Londoner



Source: the Company's 1Q19 presentation, Guotai Junan International.

Forecast Updates

We decrease the Company's 2019-2021 total revenue forecasts by 5.2%, 7.2% and 6.4%, respectively. We forecast 2019-2021 total net revenue of US\$8.9 billion, US\$9.4 billion and US\$10.2 billion, respectively, representing growth of 2.6%, 5.4% and 8.8%, respectively. While the additional capex for expansion and development will benefit the Company's growth in the long term, we expect significant disruption to operations and revenue during 2019 and 2020 during renovation and construction. While the Londoner is targeted to be completed by 2021, delays are quite possible, which would result in a negative surprise. Assuming that The Londoner is fully operational by 2021, it would still be at the very beginning of its ramp-up phase that year.

We lower the Company's 2019-2021 adjusted property EBITDA forecasts by 4.9%, 6.3% and 5.8%, respectively. We forecast 2019-2021 adjusted property EBITDA of US\$3.0 billion, US\$3.2 billion and US\$3.5 billion, respectively, representing growth of -1.3%, 5.6% and 8.2%, respectively. Our adjusted EBITDA forecasts reflect margins of 34.2%, 34.2% and 34.1% for 2019-2021, respectively. We forecast 2019-2021 EPS of US\$0.251, US\$0.268 and US\$0.302, respectively, reflecting growth of 8.1%, 7.0% and 12.3%, and reflecting net profit margin of 22.8%, 23.2% and 24.0%, respectively.

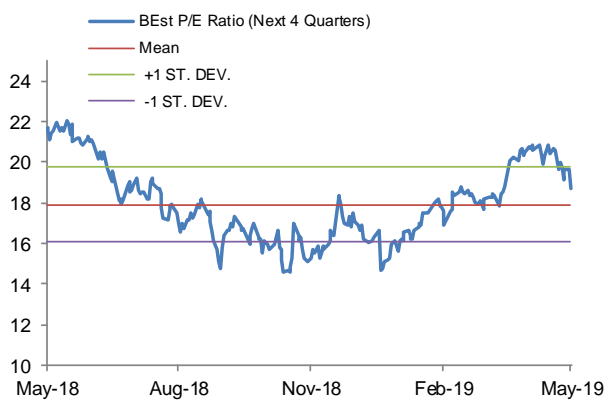
Table-8: Forecast Revisions

US\$ Million (Except VIP Turnover & EPS)	Old			New			% Change		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
VIP Turnover (US\$ Bn)	92,130	97,955	103,468	75,186	77,065	80,501	(18.4%)	(21.3%)	(22.2%)
Win Rate (% of Turnover)	3.15%	3.15%	3.15%	3.23%	3.15%	3.15%	0.08	0.00	0.00
VIP Win	2,902	3,086	3,259	2,431	2,428	2,536	(16.2%)	(21.3%)	(22.2%)
Mass Tables Win	5,910	6,370	6,886	5,847	6,220	6,853	(1.1%)	(2.4%)	(0.5%)
Slot Machine Win	649	705	773	595	633	698	(8.2%)	(10.2%)	(9.8%)
Gaming Revenue	9,461	10,161	10,918	8,873	9,281	10,086	(6.2%)	(8.7%)	(7.6%)
Commissions	(2,155)	(2,308)	(2,470)	(1,744)	(1,786)	(1,901)	(19.1%)	(22.6%)	(23.0%)
Net Gaming Revenue	7,306	7,853	8,447	7,129	7,495	8,185	(2.4%)	(4.6%)	(3.1%)
Room & Other Revenue	1,918	2,076	2,260	1,650	1,758	1,878	(14.0%)	(15.3%)	(16.9%)
Total Properties' Revenue	9,224	9,929	10,708	8,779	9,253	10,064	(4.8%)	(6.8%)	(6.0%)
Ferry Segment & Other Revenue	153	164	177	110	118	130	(28.0%)	(28.1%)	(26.4%)
Total Net Revenues	9,377	10,093	10,885	8,889	9,371	10,194	(5.2%)	(7.2%)	(6.4%)
Operating Profit	2,379	2,584	2,818	2,251	2,387	2,627	(5.4%)	(7.6%)	(6.8%)
Operating Profit Margin	25.4%	25.6%	25.9%	25.3%	25.5%	25.8%	(0.1)	(0.1)	(0.1)
Adjusted Property EBITDA	3,195	3,422	3,683	3,039	3,208	3,471	(4.9%)	(6.3%)	(5.8%)
Adjusted Property EBITDA Margin	34.1%	33.9%	33.8%	34.2%	34.2%	34.1%	0.1	0.3	0.3
Net Profit	2,129	2,343	2,606	2,028	2,172	2,442	(4.8%)	(7.3%)	(6.3%)
Net Profit Margin	22.7%	23.2%	23.9%	22.8%	23.2%	24.0%	0.1	(0.0)	0.1
EPS, Basic (US\$)	0.263	0.290	0.322	0.251	0.268	0.302	(4.6%)	(7.4%)	(6.3%)
EPS, Diluted (US\$)	0.263	0.289	0.321	0.251	0.268	0.301	(4.7%)	(7.2%)	(6.2%)

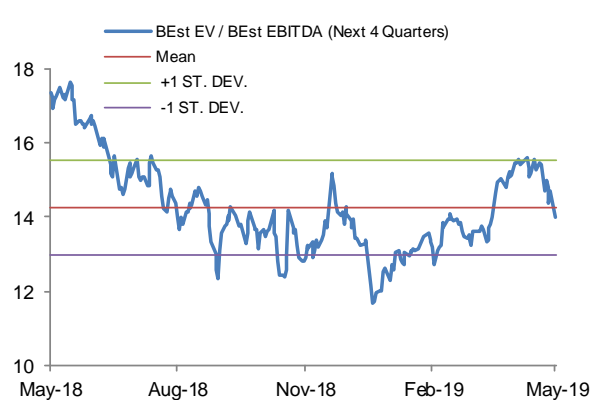
Source: Guotai Junan International.

Valuation

We lower our target price from HK\$46.70 to HK\$41.00 and lower our investment rating from "Buy" to "Neutral". While the planned additional capex for refurbishment, rebranding and expansion will be good in the long term, we expect significant disruption to operations and revenue during 2019 to 2021 while renovations and construction will be underway. Our target price is equivalent to 14.8x/ 14.0x 2019/ 2020 EV/ adjusted EBITDA and 20.8x/ 19.5x 2019/ 2020 PER and is a 19.5% discount to our DCF derived NAV per share of HK\$50.94.

Figure-8: Sands China, Historical Forward PE


Source: Bloomberg, Guotai Junan International.

Figure-9: Sands China, Historical Forward EV/Adjusted EBITDA


Source: Bloomberg, Guotai Junan International.

Table-9: DCF Valuation

Risk Free Rate	1.80%	Sum of PV FCFF (US\$ mn)	22,551
Market Return	11.86%	+ PV Terminal Value (US\$ mn)	32,760
Market Risk Premium	10.06%	Enterprise Value (US\$ mn)	55,311
Adj. Beta	1.0	- Net Debt/(cash) (US\$ mn)	2,830
Equity Discount Rate	11.86%	Equity Value (US\$ mn)	52,481
After Tax Cost of Debt	4.8%	Shares Outstanding (mn)	8,086.3
D/(D+E)	46.6%	NAV per Share (US\$)	6.49
E/(D+E)	53.4%	Exchange Rate	7.85
WACC	8.6%	NAV per Share (HK\$)	50.94
Long term growth rate	3.0%		

Source: Bloomberg, the Company, Guotai Junan International.

Table-10: Gaming Sector Peers Comparison

Company	Stock Code	Currency	Price	M-Cap Billion (HK\$)	PE				EV/ Adjusted EBITDA				PB 19F	ROE 19F (%)		
					Hist Avg.	Fwd*	Fwd*	19F	20F	Hist Avg.	Fwd*	Fwd*			19F	20F
Macau Operators																
Galaxy Entertain	00027 HK	HKD	51.950	225.0	17.0	15.6	16.4	15.1	15.4	12.4	12.4	11.0	3.2	19.8		
Melco Reso-Adr	MLCO US	USD	21.470	78.7	22.1	20.4	21.5	17.5	9.5	8.8	8.5	7.6	4.2	17.8		
Mgm China	02282 HK	HKD	13.660	51.9	27.4	19.2	19.2	15.1	16.5	10.8	10.8	9.2	4.8	24.2		
Sands China Ltd	01928 HK	HKD	39.900	322.6	20.1	18.9	18.9	16.9	15.6	14.3	14.3	13.3	9.0	47.6		
Sjm Holdings Ltd	00880 HK	HKD	9.140	51.8	20.6	20.6	20.6	18.3	13.6	15.0	15.0	10.7	1.8	8.6		
Wynn Macau Ltd	01128 HK	HKD	18.360	95.4	21.1	14.7	15.5	13.8	12.1	11.2	11.2	10.2	64.2	395.8		
Simple Average					21.2	18.5	18.9	15.9	12.9	11.4	11.3	9.8	12.7	74.2		
Weighted Average					20.1	17.8	18.2	16.1	14.5	12.7	12.7	11.3	12.6	73.5		
USA Operators																
Las Vegas Sands	LVS US	USD	62.720	380.5	19.5	18.8	18.7	17.6	12.3	11.2	11.3	11.0	8.1	42.8		
Mgm Resorts Inte	MGM US	USD	25.930	109.3	22.2	19.6	23.8	15.4	10.8	9.9	9.9	8.8	2.0	7.6		
Penn Natl Gaming	PENN US	USD	19.910	18.3	18.6	12.5	14.1	9.9	7.1	4.9	6.4	6.0	1.9	18.6		
Wynn Resorts Ltd	WYNN US	USD	123.320	104.2	21.5	17.9	19.2	15.1	12.0	10.6	10.8	8.9	6.3	32.5		
Simple Average					20.4	17.2	18.9	14.5	10.5	9.2	9.6	8.7	4.6	25.4		
Weighted Average					20.3	18.6	19.5	16.5	11.8	10.7	10.9	10.1	6.5	34.0		
Other Operators																
Genting Singapore	GENS SP	SGD	0.895	61.9	18.9	14.9	14.9	14.4	9.4	6.2	6.2	6.1	1.3	9.0		
Genting Malaysia	GENM MK	MYR	3.120	33.2	16.7	13.0	14.6	13.3	10.2	7.9	7.9	6.9	0.9	6.2		
Bloomerry Res	BLOOM PM	PHP	10.980	18.1	17.2	15.5	15.5	13.4	9.4	9.1	9.1	8.1	2.8	19.6		
Belle Corp	BEL PM	PHP	2.340	3.4	13.6	7.1	7.1	6.2	14.0	8.0	8.0	6.0	0.8	11.8		
Simple Average					16.6	12.6	13.0	11.8	10.8	7.8	7.8	6.8	1.5	11.6		
Weighted Average					17.9	14.2	14.7	13.7	9.8	7.2	7.2	6.7	1.4	9.9		

Source: Bloomberg, Guotai Junan International.

Note*: "Fwd" valuations are based on the next forward 12 months earnings forecasts, which is compiled by using the most frequent available periodicity, which for Companies under our coverage in this report is the next four quarters; for companies not under our coverage, the Bloomberg forward valuations are based on next four quarters, next two semi-annuals or next fiscal year.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (USD m)	2017A	2018A	2019F	2020F	2021F	As at 31 Dec (USD m)	2017A	2018A	2019F	2020F	2021F
Total revenue	7,586	8,665	8,889	9,371	10,194	Property, plant and equipment	7,687	8,134	8,495	8,879	8,826
Gaming tax	(2,925)	(3,430)	(3,505)	(3,666)	(3,984)	Investment properties	1,311	629	635	642	648
Employee benefit expenses	(1,193)	(1,238)	(1,270)	(1,349)	(1,478)	Others	91	115	114	120	127
Depreciation and amortisation	(676)	(655)	(645)	(671)	(683)	Total non-current assets	9,089	8,878	9,244	9,640	9,601
Inventories consumed	(98)	(99)	(102)	(107)	(116)	Cash & cash equivalents	1,239	2,676	2,716	2,374	2,250
Other expenses	(921)	(1,089)	(1,117)	(1,190)	(1,305)	Inventories	15	14	18	19	20
Operating profit	1,773	2,154	2,251	2,387	2,627	Trade & other receivables & prepayments, net	293	477	343	362	394
Interest income	5	20	28	26	24	Restricted cash	11	13	15	17	18
Interest expense, net of amounts Capitalised	(153)	(225)	(251)	(241)	(209)	Total current assets	1,558	3,180	3,092	2,772	2,682
Loss on modification or early retirement of debt	0	(81)	0	0	0	Total assets	10,647	12,058	12,336	12,412	12,283
Profit before tax	1,625	1,868	2,028	2,172	2,442	Trade and other payables	1,537	1,928	1,978	2,085	2,268
Income tax	(22)	7	0	0	0	Current income tax liabilities	6	5	5	5	5
Profit after tax	1,603	1,875	2,028	2,172	2,442	Borrowings	54	10	9	8	7
Non-controlling interest	0	0	0	0	0	Total current liabilities	1,597	1,943	1,992	2,098	2,280
Shareholders' profit / loss	1,603	1,875	2,028	2,172	2,442	Long-term debts	4,358	5,552	5,552	5,126	4,125
Basic EPS	0.199	0.232	0.251	0.268	0.302	Others	154	154	158	164	174
Diluted EPS	0.199	0.232	0.251	0.268	0.301	Total non-current liabilities	4,512	5,706	5,710	5,290	4,299
						Total liabilities	6,109	7,649	7,702	7,388	6,579
						Total shareholders' equity	4,538	4,409	4,634	5,024	5,704
						Minority interest	0	0	0	0	0
						Total equity	4,538	4,409	4,634	5,024	5,704

Cash Flow Statement					
Year end 31 Dec (USD m)	2017A	2018A	2019F	2020F	2021F
Net income	1,603	1,875	2,028	2,172	2,442
DD&A	676	655	645	671	683
Other non-cash adjustments	410	315	0	0	0
Changes in working capital	(63)	204	183	90	155
Cash from operating activities	2,626	3,049	2,855	2,933	3,280
Purchases of property and investment	(423)	(492)	(997)	(1,057)	(630)
Addition to investment properties	(45)	(16)	(6)	(6)	(6)
Others	7	(5)	20	24	20
Cash from investing activities	(461)	(513)	(984)	(1,040)	(617)
Dividends paid	(2,069)	(2,052)	(2,030)	(2,008)	(1,986)
Change in borrowings	38	942	(1)	(427)	(1,002)
Others	(176)	10	200	200	200
Cash from financing activities	(2,207)	(1,100)	(1,831)	(2,235)	(2,788)
Net changes in cash	(42)	1,437	40	(342)	(125)
Cash at beg of year	1,284	1,239	2,676	2,716	2,374
Effect of exchange rate	(3)	0	0	0	0
Cash at end of year	1,239	2,676	2,716	2,374	2,250

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Margins					
Effective gaming tax rate	39.6%	39.5%	39.5%	39.5%	39.5%
Operating margin	23.4%	24.9%	25.3%	25.5%	25.8%
Net profit margin	21.1%	21.6%	22.8%	23.2%	24.0%
Adj. EBITDA margin	34.4%	35.5%	34.2%	34.2%	34.1%
Return ratios					
ROA	14.7%	16.5%	16.6%	17.6%	19.8%
ROE	33.6%	41.9%	44.8%	45.0%	45.5%
Return on capital invested	20.3%	25.0%	27.5%	28.5%	31.8%
Liquidity & leverage					
Leverage (i.e., gearing)	92.4%	124.3%	123.0%	106.3%	77.0%
Net gearing	66.3%	64.2%	62.6%	56.8%	34.8%
Interest coverage ratio (x)	12.0	10.5	10.1	11.1	14.2
Current ratio (x)	1.0	1.6	1.6	1.3	1.2

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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