



## Company Report: Henderson Land (00012 HK)

公司报告: 恒基地产 (00012 HK)

Johnny Wong 王俊浩

(852) 2509 5348

johnny.wong@gjtj.com.hk

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# The New Vacancy Tax will Speed Up Contract Sales

新的空置税将加快合约销售

- **We have revised up Henderson Land's (00012 HK or "HLD") contract sales to reflect the impact of the new vacancy tax.** Looking forward, amid concerns about the vacancy tax, HLD should pick up the pace of unsold residential property sales. We have revised our Hong Kong contract sales projections by +33.8%/ +15.8%/ +8.5% in 2018/ 2019/ 2020, respectively. The revised contract sales forecasts will be translated into 1.0%/ 21.9%/ 47.1% increase in recognized property sales in 2018/ 2019/ 2020, respectively.
- **HLD made a bonus issue of 1 new share for every 10 shares held by shareholders.** The 1-for-10 bonus share was effectively issued on 21 June, which raises HLD's share base from 4,001 million to 4,401 million. The issuance of bonus share does not affect HLD's fundamentals.
- **We revise our TP to HKD46.97 based on the enlarged number of shares and maintain our "Neutral" investment rating.** Even though we expect HLD to speed up its residential property sales given the new vacancy tax, we expect that the market should be able to digest the unsold units without price concession. We slightly revise up our NAV discount on HLD from 32% to 35% to reflect the negative impact on the stock market brought by a hastened rate hike cycle in the US. Our new TP implies 10.3x/ 12.3x/ 17.3x FY18/ FY19/ FY20 underlying PER and 0.65x/ 0.61x/ 0.58x FY18/ FY19/ FY20 PBR.
- **我们上调恒基地产(00012 HK)的合约销售, 以反映征收空置税的影响。**展望未来, 由于担忧开征空置税的影响, 恒基地产会加快未售出住宅物业的销售步伐。我们分别调整2018/2019/2020年香港合约物业销售预测+33.8%/+15.8%/+8.5%。2018/2019/2020年修订后的结转物业销售收入预测因此上升 1.0%/21.9%/47.1%。
- **恒基地产按每 10 股派发 1 股向股东派送红股。**10 送 1 红股于 6 月 21 日正式生效, 恒基地产的股数从 4,001 百万增加至 4,401 百万。发行红股并不会对公司的基本面造成影响。
- **我们将目标价调整至 46.97 港元, 主要由于股本调整, 并维持“中性”的投资评级。**尽管我们预计恒基地产会因新的空置税而加快其住宅物业销售, 但我们预计市场应该能够在没有价格优惠的情况下消化未售出的单位。我们把恒基地产的 NAV 折让从 32% 小幅上调至 35%, 以反映美国加息周期加快对股市造成的负面影响。我们新的目标价相当于 10.3 倍/12.3 倍/17.3 倍 2018/2019/2020 财年的核心市盈率和 0.65 倍/ 0.61 倍/ 0.58 倍 2018/2019/2020 财年的市净率。

Rating:

**Neutral**

Maintained

评级:

中性 (维持)

6-18m TP 目标价:

**HK\$46.97**

Revised from 原目标价:

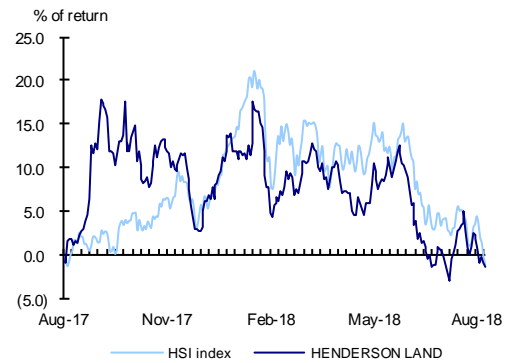
HK\$47.23

Share price 股价:

HK\$41.150

### 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 %	(0.2)	(11.3)	(4.6)
Rel. % to HS Index 相对恒指变动 %	4.8	1.6	(3.5)
Avg. share price (HK\$) 平均股价 (港元)	42.0	43.2	45.0

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Underlying Net Profit	Underlying EPS	Underlying EPS	Underlying PER	BPS	PBR	DPS	Yield	Underlying ROE
年结	收入	核心净利	每股核心净利	每股核心净利变动	核心市盈率	每股净资产	市净率	每股股息	股息率	核心净资产收益率
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(△%)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2016A	25,568	14,169	3,219	17.0	12.8	59,880	0.69	1,409	3.4	5.5
2017A	24,453	19,557	4,444	38.0	9.3	66,604	0.62	1,555	3.8	7.0
2018F	22,841	20,052	4,556	2.5	9.0	72,591	0.57	1,710	4.2	6.5
2019F	36,370	16,853	3,829	(16.0)	10.8	76,996	0.54	1,881	4.6	5.1
2020F	24,683	11,970	2,720	(29.0)	15.1	81,260	0.51	2,069	5.0	3.4

Shares in issue (m) 总股数 (m)	4,401.3	Major shareholder 大股东	Dr. Lee Shau Kee 72.82%
Market cap. (HK\$ m) 市值 (HK\$ m)	181,111.9	Free float (%) 自由流通比率 (%)	27.2
3 month average vol. 3 个月平均成交股数 ('000)	3,491.0	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	18.3
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	40,300 / 50,909	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	72.3

Source: the Company, Guotai Junan International.

**The new housing initiatives released by the HKSAR government are expected to speed up HLD's sales of residential property in Hong Kong.** The HKSAR government has unveiled 6 initiatives on the housing market on 29 June. The initiatives include special rates, equivalent to 200% of the rateable value, on vacant first-hand private residential units that remain vacant for 12 months or more after the Occupation Permit was issued. The vacancy tax will be applicable to new pre-sale consent applications and applications currently under the Land Department's review. The vacancy tax is deemed to be approximately 5% of the housing prices and we believe that the tax rate is already high enough to force property developers to speed up sales of unsold residential properties.

**8 Observatory Road was sold at approximately HKD4 billion,** according to a news report from the Hong Kong Economic Times released on 9 July. The 19 floor Ginza-style commercial building contains GFA of approximately 183,400 sq.ft. and was 50% owned by Henderson Land. We expect that the exit yield of the disposal is about 2.5% and HLD will recognize approximately HKD350 million in gains from the disposal by the end of 2018.

**Table-1: Details of the Disposal of 8 Observatory Road**

Items	Details
Selling price	HKD4.1 billion for the whole property
HLD's interest	50%
Monthly rent assumptions	Commercial: HKD55/sq.ft. Office: HKD45/sq.ft. Car parking spaces: HKD5,000
Occupancy rate assumptions	Commercial: 95% Office: 100% Car parking spaces: 70%
Attributable GFA to HLD	Commercial: 45,312 sq.ft. Office: 37,273 sq.ft. Car parking spaces: 32 units
Exit yield	2.49%

Source: HLD's 2017 Financial Report, Guotai Junan International.

**Just as in previous years, Henderson Land made a bonus issue of 1 new share for every 10 shares held by shareholders.** The 1-for-10 bonus share was effectively issued on 21 June, which raises HLD's share base from 4,001 million to 4,401 million. The issuance of bonus shares itself does not impose any effects on HLD's fundamentals.

**We have revised up HLD's contract sales to reflect the impact of the new vacancy tax.** According to HLD's 2017 financial report, the Company had 1,460 units of unsold residential properties as at 31 December 2017. Among the 1,460 units of unsold properties, 1,154 units (409 units from Novum East, 350 from Novum West and 395 from Eden Manor) were expected to be completed and handed over to home owners in 2019. We expect that it is in HLD's best interest to quicken its sales of unsold residential properties in the next few months even before the vacancy tax becomes effective (the vacancy tax is scheduled to be introduced to the Legislative Council in FY2018-19 and the tax rate will be effective after the Legislative Council passes the bill. Hence, we have revised our Hong Kong contract sales projections by +33.8%/ +15.8%/ +8.5% in 2018/ 2019/ 2020, respectively. The revised contract sales forecasts will be translated into 1.0%/ 21.9%/ 47.1% increase in recognized property sales in 2018/ 2019/ 2020, respectively. In addition, we have revised up revenue from department store operations to reflect Henderson Investment's (00097 HK) acquisition of Japanese Retailer Uny's retail business in Hong Kong, but we do not expect the acquisition to materially affect HLD's underlying profit given Uny's narrow net profit margin (2017: 2.8%) last year.

**Table-2: Revisions of Estimates**

Items, HKD million	Revised Estimates			Original Estimates			Changes		
	FY18F	FY19F	FY20F*	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
Total revenue	22,841	36,370	24,683	22,303	30,479	19,025	2.4%	19.3%	29.7%
-Property sales	14,649	27,243	14,404	14,508	22,349	9,792	1.0%	21.9%	47.1%
-Property leasing	5,481	5,955	7,018	5,481	5,753	6,791	0.0%	3.5%	3.3%
-Others	2,712	3,172	3,260	2,314	2,377	2,442	17.2%	33.4%	33.5%
Gross profit	11,612	17,780	12,338	9,682	15,908	10,654	19.9%	11.8%	15.8%
Net profit	28,552	23,688	20,856	25,710	20,220	18,499	11.1%	17.1%	12.7%
Underlying net profit	20,052	16,853	11,970	17,402	13,828	9,020	15.2%	21.9%	32.7%

Gross margin (%)	50.8	48.9	50.0	43.4	52.2	56.0	7.4ppts	-3.3ppts	-6.0ppts
Net profit margin (%)	125.0	65.1	84.5	115.3	66.3	97.2	9.7ppts	-1.2ppts	-12.7ppts
Underlying net margin (%)	87.8	46.3	48.5	78.0	45.4	47.4	9.8ppts	0.9ppts	1.1ppts
ROA (underlying) (%)	4.7	3.8	2.6	4.2	3.2	2.1	0.5ppts	0.6ppts	0.5ppts
ROE (underlying) (%)	6.5	5.1	3.4	5.8	4.4	2.7	0.7ppts	0.7ppts	0.7ppts
Net gearing ratio (%)	18.3	14.0	14.4	18.7	16.4	16.7	-0.4ppts	-2.4ppts	-2.3ppts

Source: Guotai Junan International.

Note: Our underlying net profit forecast includes the profit generated from disposals of investment properties and profit from sales of land holdings.

### We revise our TP to HKD46.97 based on the enlarged number of shares and maintain our "Neutral" investment rating.

Unlike some property developers that prefer to retain their unsold residential properties for a decade or so to enjoy price appreciation of housing, HLD has long been known for its high turnover strategy in the Hong Kong housing market. Even though we expect HLD to speed up its residential property sales given the new vacancy tax, we expect that the market should be able to digest the unsold units without price concessions. We slightly revise up our NAV discount on HLD from 32% to 35% to reflect the negative impact on the stock market brought by a hastened rate hike cycle in the US. Our new TP implies 10.3x/ 12.3x/ 17.3x FY18/ FY19/ FY20 underlying PER and 0.65x/ 0.61x/ 0.58x FY18/ FY19/ FY20 PBR.

**Table-3: HLD's 2018 NAV Breakdown**

NAV Summary	HKD million
<u>Investment Properties-Hong Kong</u>	
Residential/Hotel Serviced Suite	8,897
Commercial	63,289
Office	55,787
Industrial/Office	1,717
Car Park	2,022
Subtotal	131,712
<u>Investment Properties-China</u>	
Commercial	7,215
Office	16,440
Car Park	584
Subtotal	24,239
<u>Completed Development Properties-Hong Kong</u>	
	798
<u>Completed Development Properties-China</u>	
	2,342
<u>Development properties under development-Hong Kong</u>	
Residential	48,916
Urban Redevelopment Projects under Planning	35,426
Subtotal	84,342
<u>Development properties under development-China</u>	
Residential/Hotel Serviced Suite	6,393
Commercial	83
Subtotal	6,476
<u>Other Assets</u>	
Miramar Hotel (00071 HK)	4,834
Hong Kong and China Gas (00003 HK)	102,112
Hong Kong Ferry (00050 HK)	1,033
Henderson Investment (00097 HK)	1,393
Sunlight REIT (00435 HK)	1,362
Hong Kong Farmland	15,715
Subtotal	126,449
Gross Asset Value	376,358
Net Cash/(Debt)	(58,329)
NAV	318,029
Number of shares (million)	4,401
NAV per share (HKD)	72.3

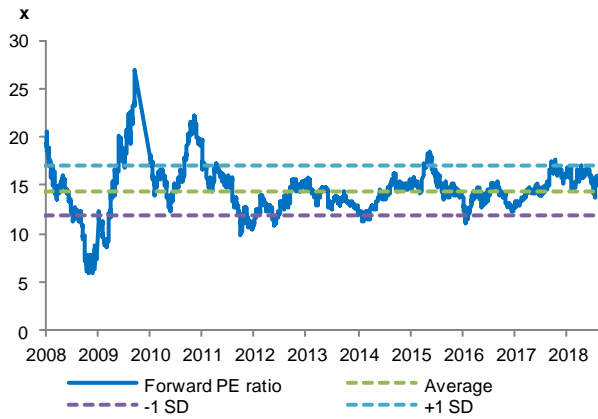
Source: Guotai Junan International.

**Table-4: Peers Comparison**

Company	Stock Code	Currency	Last price	Market cap (mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)	
					17A	18F	19F	20F	17A	18F	19F	20F	18F	18F		
<b>HK listed local developers</b>																
Wharf Holdings Ltd	4 HK	HKD	22.450	68,408	3.1	9.7	9.1	8.8	0.5	0.5	0.4	0.4	4.8	3.4		
Henderson Land Development	12 HK	HKD	41.150	181,112	5.9	15.0	11.7	12.4	0.6	0.6	0.6	0.6	5.7	4.1		
Hysan Development Co	14 HK	HKD	39.900	41,747	11.5	16.3	15.3	14.4	0.6	0.6	0.6	0.6	3.6	3.6		
Sun Hung Kai Properties	16 HK	HKD	118.700	343,891	8.2	11.3	10.4	9.6	0.7	0.7	0.6	0.6	5.9	3.8		
New World Development	17 HK	HKD	10.580	107,972	13.2	13.7	11.8	11.0	0.5	0.5	0.5	0.4	3.9	4.5		
Wheelock & Co Ltd	20 HK	HKD	51.250	104,927	5.1	8.1	7.2	6.6	0.4	0.4	0.4	0.4	5.3	3.1		
Great Eagle Holdings Ltd	41 HK	HKD	37.750	26,364	2.9	16.3	16.9	n.a.	0.4	n.a.	n.a.	n.a.	2.5	2.0		
Sino Land Co	83 HK	HKD	12.700	83,859	10.7	14.5	16.0	14.0	0.6	0.6	0.6	0.6	5.3	7.8		
Hang Lung Properties Ltd	101 HK	HKD	15.500	69,714.6	8.6	14.7	15.5	15.4	0.5	0.5	0.5	0.5	3.6	4.9		
Chinese Estates Holdings Ltd	127 HK	HKD	10.280	19,610	5.3	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.		
Kerry Properties Ltd	683 HK	HKD	38.800	56,457	6.1	10.0	9.4	8.4	0.6	0.6	0.5	0.5	6.2	3.8		
Fortune Reit	778 HK	HKD	9.230	17,697	5.5	18.0	17.5	16.7	0.7	0.6	0.6	0.6	4.2	5.6		
Link Reit	823 HK	HKD	77.200	164,351	9.7	3.6	28.7	25.9	1.2	0.9	1.0	0.9	30.1	3.7		
Ck Asset Holdings Ltd	1113 HK	HKD	55.500	205,211	6.9	8.2	7.8	7.9	0.7	0.6	0.6	0.6	9.9	3.5		
Swire Properties Ltd	1972 HK	HKD	30.650	179,303	5.3	20.7	16.0	20.9	0.7	0.7	0.7	0.7	3.3	2.6		
Wharf Real Estate Investment	1997 HK	HKD	52.650	159,857	9.3	16.7	15.7	15.4	0.8	0.8	0.7	0.7	4.6	3.9		
Champion Reit	2778 HK	HKD	5.180	30,225	2.7	18.8	18.4	18.3	0.5	0.5	0.5	0.5	2.4	4.9		
Simple Average					7.1	13.5	14.2	13.7	0.6	0.6	0.6	0.6	6.3	4.1		
Weighted Average					7.6	12.5	13.6	13.4	0.7	0.6	0.6	0.6	7.7	3.9		
<b>HK listed large developers with major revenue from mainland</b>																
Yuxiu Property Co Ltd	123 HK	HKD	1.400	17,362	6.7	5.7	4.9	4.3	0.4	0.4	0.4	0.4	7.5	6.8		
Shui On Land Ltd	272 HK	HKD	1.770	14,270	7.4	8.2	7.6	6.2	0.3	0.3	0.3	0.3	3.0	4.1		
Yuxiu Real Estate Investment	405 HK	HKD	5.200	15,741	9.2	n.a.	22.7	22.7	0.9	1.0	1.0	1.0	4.7	6.5		
Soho China Ltd	410 HK	HKD	3.430	17,834	3.3	37.3	28.6	21.3	0.5	0.5	0.5	0.5	1.4	3.1		
Beijing North Star Co Ltd-H	588 HK	HKD	2.320	12,655	4.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.		
Shenzhen Investment Ltd	604 HK	HKD	2.550	20,549	4.0	6.8	5.8	6.0	0.5	0.4	0.4	0.4	7.1	7.2		
China Overseas Land & Invest	688 HK	HKD	22.800	249,801	6.1	6.2	5.2	4.5	0.9	0.8	0.7	0.7	14.5	4.1		
Hopson Development Holdings	754 HK	HKD	6.670	14,844	2.6	10.6	10.4	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	2.8		
Shimao Property Holdings Ltd	813 HK	HKD	20.350	67,771	7.6	6.6	5.3	4.2	1.0	0.9	0.8	0.7	14.5	5.9		
China Jinmao Holdings Group	817 HK	HKD	3.190	36,843	7.4	6.3	4.9	3.6	0.9	0.8	0.7	0.6	13.0	6.5		
Longfor Properties	960 HK	HKD	19.740	117,065	7.9	8.1	6.4	5.3	1.4	1.3	1.1	1.0	17.3	4.9		
China Resources Land Ltd	1109 HK	HKD	26.350	182,630	7.9	7.4	6.3	5.4	1.3	1.1	1.0	0.9	16.4	4.6		
Kwg Property Holding Ltd	1813 HK	HKD	8.250	26,174	6.1	5.0	3.8	3.0	0.8	0.7	0.6	0.6	15.3	7.1		
Country Garden Holdings Co	2007 HK	HKD	11.240	243,772	7.9	6.3	4.7	3.9	2.1	1.7	1.4	1.1	29.7	5.4		
Bbmj Corp-H	2009 HK	HKD	2.820	39,987	9.0	6.4	5.7	5.3	0.6	0.5	0.4	0.4	7.7	2.9		
China Vanke Co Ltd-H	2202 HK	HKD	23.700	282,492	8.1	6.5	5.3	4.7	1.6	1.5	1.2	1.1	23.4	5.4		
Guangzhou R&F Properties - H	2777 HK	HKD	13.860	44,662	1.8	3.9	3.1	2.6	0.6	0.6	0.5	0.5	15.4	10.2		
China Evergrande Group	3333 HK	HKD	26.300	342,874	12.4	7.7	6.4	5.7	2.5	2.2	1.8	1.4	32.9	8.4		
Sino-Ocean Group Holding Ltd	3377 HK	HKD	4.050	30,842	5.2	5.4	4.5	3.6	0.5	0.5	0.5	0.4	9.9	7.9		
Agile Group Holdings Ltd	3383 HK	HKD	11.080	43,401	6.2	5.2	4.2	3.4	1.0	0.9	0.8	0.7	17.3	8.8		
Greentown China Holdings	3900 HK	HKD	8.210	17,797	9.2	7.1	6.4	5.9	0.6	0.5	0.5	0.4	6.8	2.7		
Simple Average					6.7	8.2	7.6	6.4	0.9	0.9	0.8	0.7	13.6	5.8		
Weighted Average					8.1	7.1	5.9	5.1	1.5	1.3	1.1	1.0	21.1	5.9		

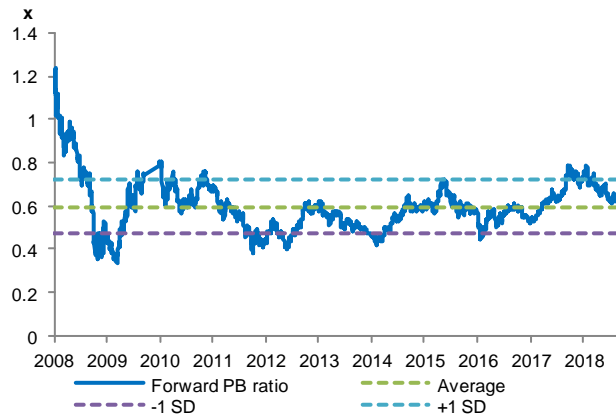
Source: Bloomberg, Guotai Junan International.

**Figure-1: HLD's 12-Month Forward PE ratio**



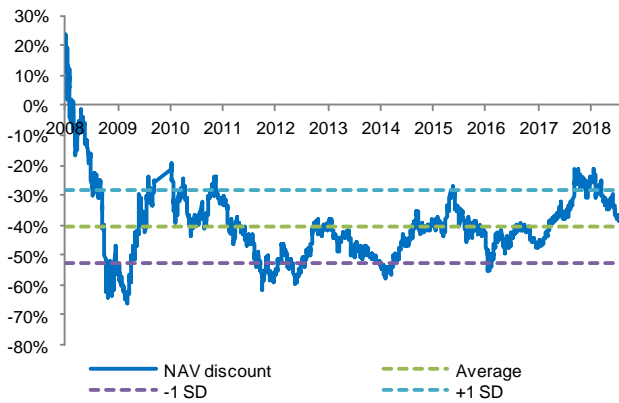
Source: Bloomberg, Guotai Junan International.

**Figure-2: HLD's 12-Month Forward PB ratio**



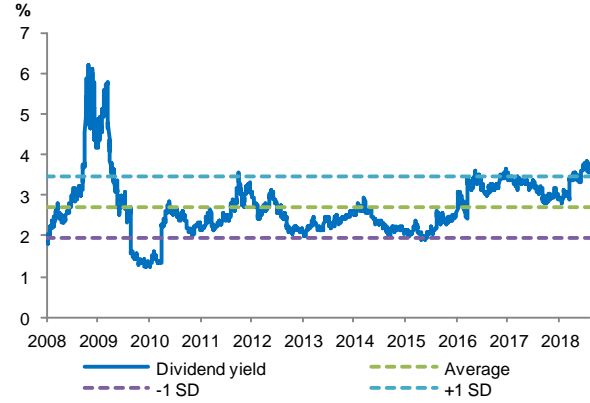
Source: the Company, Guotai Junan International.

**Figure-3: HLD's NAV Discount**



Source: Bloomberg, Guotai Junan International.

**Figure-4: HLD's Dividend Yield**



Source: the Company, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (HKD m)	FY16A	FY17A	FY18F	FY19F	FY20F	Year end 31 Dec (HKD m)	FY16A	FY17A	FY18F	FY19F	FY20F
-Property sales	17,679	16,522	14,649	27,243	14,404	Investment properties	131,850	172,673	175,909	183,361	192,227
-Property leasing	5,559	5,678	5,481	5,955	7,018	Other PPE	1,419	350	246	230	207
-Others	2,330	2,253	2,712	3,172	3,260	Intangible operating right	0	0	0	0	0
Total Revenue	25,568	24,453	22,841	36,370	24,683	Interest in associates	53,936	59,506	61,206	63,054	65,075
Direct Cost	(14,702)	(12,726)	(11,229)	(18,590)	(12,345)	Interest in joint ventures	38,728	44,865	53,838	64,606	77,527
Gross profit	10,866	11,727	11,612	17,780	12,338	Derivative financial instruments	358	111	171	169	160
						Other financial assets	10,854	11,937	13,016	14,745	15,387
Other revenue and net income	2,452	5,204	9,381	166	166	Deferred tax assets	377	424	443	415	427
Selling and marketing expenses	(1,212)	(1,077)	(1,408)	(1,074)	(1,544)	Total Non-current Assets	237,522	289,866	304,829	326,579	351,009
Administrative expenses	(1,903)	(1,969)	(2,038)	(2,109)	(2,183)						
Operating profit before changes in fair value of IP	10,203	13,885	17,547	14,762	8,777	Deposits for acquisition of properties	4,608	1,666	1,583	1,504	1,428
Change in fair value of IP	7,013	9,911	6,074	4,644	7,242	Inventories	75,242	73,602	83,409	72,711	66,190
Operating Profit	17,216	23,796	23,621	19,406	16,020	Trade and other receivables	10,651	19,452	22,576	24,195	26,596
						Cash held by stakeholders	1,289	2,333	2,118	1,913	2,122
Finance income, net	(555)	(204)	(697)	(693)	(1,271)	Asset of the disposal group classified as held for sale	3,220	0	0	0	0
Share of results of associates	3,891	4,966	5,043	4,993	4,960	Cash & Cash Equivalents	22,966	24,673	23,734	23,463	22,245
Share of results of JV	3,889	4,378	4,460	4,254	4,281	Total Current Assets	117,976	121,726	133,421	123,785	118,581
Profit Before Tax	24,441	32,936	32,427	27,960	23,990						
Income Tax	(2,255)	(2,115)	(3,017)	(3,534)	(2,550)	Total Assets	355,498	411,592	438,250	450,364	469,590
Profit After Tax	22,186	30,821	29,410	24,426	21,441						
Non-controlling Interest	(270)	(388)	(858)	(738)	(585)	Trade and other payables	21,223	23,355	21,823	25,837	23,138
Shareholders' Profit / Loss	21,916	30,433	28,552	23,688	20,856	Bank loans and overdrafts	14,392	23,506	27,130	21,618	23,717
						Guaranteed notes	5,760	1,169	5,202	1,552	1,358
Underlying Net Profit	14,169	19,557	20,052	16,853	11,970	Tax payable	1,054	1,968	2,066	2,170	2,278
Basic EPS	4.980	6.915	6.488	5.382	4.739	Liabilities associated with assets of the disposal group classified as held for sale	32	0	0	0	0
Underlying EPS (HKD)	3.219	4.444	4.556	3.829	2.720	Total Current Liabilities	42,461	49,998	56,222	51,177	50,491
DPS (HKD)	1.409	1.555	1.710	1.881	2.069						

Cash Flow Statement					
Year end 31 Dec (HKD m)	FY16A	FY17A	FY18F	FY19F	FY20F
Profit before taxation	24,441	32,936	32,427	27,960	23,990
Net finance income	270	(117)	697	693	1,271
Increase in fair value of IP	(7,013)	(9,911)	(6,074)	(4,644)	(7,242)
Share of profits less losses of associates	(3,891)	(4,966)	(5,043)	(4,993)	(4,960)
Share of profits less losses of JVs	(3,889)	(4,378)	(4,460)	(4,254)	(4,281)
Net gain on disposal of subsidiaries	(1,959)	(3,837)	(8,865)	0	0
Tax paid	(1,219)	(1,572)	(3,268)	(3,717)	(2,752)
Change in working capital	(164)	(8,866)	(11,484)	11,595	1,534
Others	(246)	(1,083)	(66)	391	524
Cash from Operating Activities	6,330	(1,794)	(6,136)	23,032	8,084
Capex	(3,414)	(28,000)	(2,886)	(2,870)	(1,681)
Proceeds from disposal of IP and other PPE	923	3,427	5,717	60	60
(Advances to)/repayment from associates	256	241	(630)	(756)	(907)
(Advances to)/repayment from JVs	1,450	(2,744)	(2,142)	(2,570)	(3,084)
Net cash inflow in respect of the disposal of subsidiaries	4,301	9,161	10,546	0	0
Dividends received from associates	1,991	2,180	2,454	2,678	2,926
Dividends received from JVs	1,378	1,362	1,611	1,906	2,254
Increase in deposits with banks and other FIs over 3 months	(6,503)	6,293	0	0	0
Others	141	1,772	890	1,039	1,189
Cash from Investing Activities	523	(6,308)	15,561	(513)	757
(Repayment to)/advance from non-controlling interests, net	1,846	(75)	0	0	0
Net Proceeds from bank loans	7,436	26,320	2,075	(7,125)	3,206
Repayment of guaranteed notes, net	(2,225)	(4,428)	(291)	(4,135)	(186)
Interest and other borrowing costs paid	(1,691)	(1,562)	(2,365)	(2,479)	(3,613)
Dividends paid to equity shareholders	(5,066)	(6,031)	(7,526)	(8,278)	(9,106)
Dividends paid to non-controlling interests	(1,282)	(567)	(567)	(567)	(567)
Others	(869)	1,423	0	0	0
Cash from Financing Activities	(1,851)	15,080	(8,673)	(22,585)	(10,267)
Cash at Beg of Year	8,465	12,839	20,864	21,616	21,549
Net Changes in Cash	5,002	6,978	752	(67)	(1,426)
Effect of foreign exchange rate changes	(628)	1,047	0	0	0
Bank overdrafts	0	0	0	0	0
Cash restricted for use	(2,695)	(2,670)	(2,118)	(1,913)	(2,122)
Deposits with banks and other FI over 3 months	(7,432)	(1,139)	0	0	0
Cash at End of Year	22,966	24,673	23,734	23,463	22,245

Financial Ratios					
	FY16A	FY17A	FY18F	FY19F	FY20F
Gross margin (%)	42.5	48.0	50.8	48.9	50.0
Underlying operating margin (%)	39.9	56.8	76.8	40.6	35.6
Net margin (%)	85.7	124.5	125.0	65.1	84.5
Underlying net profit margin (%)	55.4	80.0	87.8	46.3	48.5
Dividend payout ratio (%)	28.3	22.5	26.4	34.9	43.7
Net gearing ratio (%)	12.7	19.0	18.3	14.0	14.4
Total Debt/Equity	20.9	26.9	25.2	20.5	20.3
ROA (%)	6.3	7.9	6.7	5.3	4.5
ROE (%)	8.5	10.9	9.3	7.2	6.0
ROA (Underlying) (%)	4.1	5.1	4.7	3.8	2.6
ROE (Underlying) (%)	5.5	7.0	6.5	5.1	3.4

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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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.  
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793  
 Website: www.gtja.com.hk