



Company Report: Dali Foods (03799 HK)

公司报告: 达利食品 (03799 HK)

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Transformation and Reform; Striving for Excellence

转型变革, 向阳而生

- 1H18 results in line with solid top-line growth.** Dali's 1H18 revenue rose 11.4% YoY to RMB11,012 million, mainly driven by beverage sales, which grew by 18.6% YoY to RMB 5,307 million. Soy milk and energy drinks contributed most to beverage sales growth. Doubendou in 1H18 recorded RMB900 million in sales, worse than expected. On the other hand, food sales grew by 5.6% YoY to RMB5,101 million, as potato chips sales recorded strong YoY increase of 15.3%. Baked goods slightly increased 2.2% YoY. Due to product mix optimization, Dali's gross margin gained 0.8 ppt YoY to 39.4%. The Company's 1H18 shareholders' profit was boosted by 12.3% YoY to RMB1,970 million.
- Solid determination on development of short-shelf life bread; Soy milk is improving.** As the trend of short-shelf life bread replacing long-shelf life bread is certain, Dali has made great efforts on developing its short-shelf life bread products and channel construction, as well as deepening national layout with three more factories. The beverage segment, except soy milk, achieved satisfactory results in 1H18. Soy milk is expected to improve HoH in 2H18 as the family consumption channel has been targeted and channel inventory has been controlled well.
- We have lowered TP to HK\$7.40 due to worse earnings forecasts. Investors are mainly concerned about the popularity of new products, unexpected CAPEX and lower payout ratio. But we believe that the market is underestimating the Company's short-shelf life product sales in next five years and Doubendou's long-term growth prospects. Moreover, the current valuation is highly attractive compared to its peers. **Therefore, we reiterate the Company's rating at "Buy". New TP represents 22.6x 2018 PER, 20.4x 2019 PER and 17.8x 2020 PER.**
- 收入增长稳健, 业绩符合预期。** 达利 2018 年上半年收入同比增长 11.4% 至人民币 110.12 亿, 主要受到饮料销售带动, 其同比增 18.6% 至人民币 53.07 亿。豆奶和功能饮料贡献了大部分饮料销售增长。豆本豆在上半年录得人民币 9 亿的销售, 差于之前预期。另一方面, 食品收入同比上涨 5.6% 至人民币 51.01 亿, 因薯片录得强劲的 15.3% 的同比增长。烘焙食品小幅增长 2.2%。因为产品结构优化, 达利毛利率同比上升 0.8 个百分点至 39.4%。公司上半年股东净利同比增长 12.3% 至人民币 19.7 亿。
- 坚定发展短保面包; 豆奶正在改善。** 由于短保面包取代长保面包的趋势是确定的, 达利已经在短保产品开发, 渠道建设以及加深全国布局 (新开工三家工厂) 方面做出了巨大努力。上半年饮料板块除豆奶外都取得令人满意的成绩。因为家庭消费渠道已被加强且渠道库存被控制在合理水平, 预计下半年豆奶将环比改善。
- 因为更低的盈利预测, 我们下调目标价至 7.40 港元。市场主要担心其新品的表现, 预期之外的资本开支和较低的分红比例。但我们认为市场低估了公司短保面包在未来 5 年的收入以及豆本豆长期发展基础。而且, 其当前估值与可比公司相比非常吸引。因此我们重申公司“买入”评级。新的目标价相当于 22.6 倍, 20.4 倍和 17.8 倍 2018 年, 2019 年和 2020 市盈率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$7.40

Revised from 原目标价:

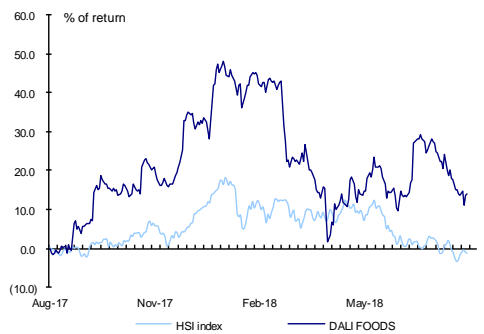
HK\$7.60

Share price 股价:

HK\$5.700

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 %	(13.4)	(5.8)	9.4
Rel. % to HS Index 相对恒指变动 %	(10.9)	2.7	9.7
Avg. share price (HK\$) 平均股价 (港元)	6.1	6.3	6.4

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)	(%)	(%)
2016A	17,842	3,137	0.229	(5.0)	22.4	1.013	5.1	0.160	3.5	24.3
2017A	19,799	3,434	0.251	9.6	19.0	1.007	4.7	0.170	4.2	24.8
2018F	21,970	3,817	0.279	11.2	17.6	1.120	4.5	0.181	4.1	26.2
2019F	24,149	4,217	0.308	10.4	16.0	1.247	4.0	0.185	4.2	26.0
2020F	26,739	4,838	0.353	14.6	13.9	1.416	3.5	0.212	4.9	26.5
Shares in issue (m) 总股数 (m)				13,694.1	Major shareholder 大股东					Family Xu 85.0%
Market cap. (HK\$ m) 市值 (HK\$ m)				78,056.5	Free float (%) 自由流通比率 (%)					15.0
3 month average vol. 3 个月平均成交股数 ('000)				14,167.3	FY18 Net gearing (%) FY18 净负债/股东资金 (%)					Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				7.930 / 5.030	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)					7.7

Source: the Company, Guotai Junan International.

Dali Foods' 1H18 Interim Results Review

Solid top-line growth. In 1H18, Dali's revenue increased by 11.4% YoY to RMB11,012 million, mainly driven by beverage revenue growth, which grew by 18.6% YoY to RMB5,307 million. Soymilk (Doubendou) and energy drinks (Hi-Tiger) contributed the most to beverage sales growth. Doubendou in 1H18 recorded sales of around RMB900 million, slightly worse than expectations at the beginning of the year. Hi-Tiger maintained rapid growth, up 21.2% YoY. Herbal tea sales grew slightly by 2.1% YoY. On the other hand, food sales rose by 5.6% YoY to RMB5,101 million, as potato chips sales recorded strong YoY increase of 15.3%, of which fresh-cut potato chips contributed about 10% sales growth. The Company's sales of baked goods was up 2.2% YoY due to the contribution of the "Quality Breakfast" series. In 1H18, biscuits maintained stable sales growth, up 3.2% YoY.

Dali's 1H18 net profit was broadly in line with market consensus and our forecasts. Due to product structure optimization, the Company's gross margin gained 0.8 ppt YoY to 39.4% in 1H18. Separately, the gross margin of Dali's food segment decreased by 0.6 ppt YoY to 35.0%, while the gross margin of the beverage segment rose slightly by 1.2 ppt to 47.7%, attributable to the sales expansion of the high gross margin Hi-Tiger product. In 1H18, the Company's sales expenses ratio rose by 0.2 ppt YoY, mainly due to the increase in market investment for new products. The Company's 1H18 shareholders' profit was boosted by 12.3% YoY to RMB 1,970 million, in line with expectations. Dali also recorded strong operating cash flow, up 95.7% YoY to RMB3,096 million.

Table-1: Dali Foods' 1H18 Interim Results Review

RMB million	Income Statement					
	1H17	1H18	YoY	2016	2017	YoY
Revenue	9,889	11,012	11.4%	17,842	19,799	11.0%
Cost of sales	(6,073)	(6,675)	9.9%	(11,001)	(12,341)	12.2%
Gross Profit	3,816	4,338	13.7%	6,840	7,458	9.0%
Other income and gains	280	296	5.6%	360	666	84.9%
Selling and distribution expenses	(1,620)	(1,825)	12.7%	(2,788)	(3,248)	16.5%
Administrative expenses	(237)	(285)	20.0%	(431)	(524)	21.4%
Operating Profit	2,238	2,524	12.8%	3,982	4,352	9.3%
Finance costs	0	0		(5)	0	
Profit before Tax	2,238	2,524	12.8%	3,977	4,352	9.4%
Income tax expense	(483)	(554)	14.5%	(840)	(918)	9.3%
Profit after Tax	1,755	1,970	12.3%	3,137	3,434	9.5%
Shareholders' Profit	1,755	1,970	12.3%	3,137	3,434	9.5%
Gross Margin	38.6%	39.4%	0.8 ppt	38.3%	37.7%	-0.7 ppt
Operating Margin	22.6%	22.9%	0.3 ppt	22.3%	22.0%	-0.3 ppt
Net Margin	18.2%	17.7%	-0.5 ppt	17.3%	17.6%	0.3 ppt

Source: the Company, Guotai Junan International.

Table-2: Dali Foods' Segment Results Breakdown

RMB million	Segment Revenue					
	1H17	1H18	YoY	2016	2017	YoY
Segment Revenue						
Bread, Cakes and Pastries	2,850	2,912	2.2%	6,336	6,106	-3.6%
Chips, Fries and Others	1,188	1,369	15.3%	1,878	2,256	20.1%
Biscuits	794	820	3.2%	1,551	1,610	3.8%
Food	4,832	5,101	5.6%	9,765	9,972	2.1%
Energy Drinks	1,566	1,899	21.2%	2,036	2,675	31.4%
Herbal Tea	1,533	1,565	2.1%	2,711	2,521	-7.0%
Plant-based and Milk Beverage	800	1,376	72.0%	1,649	2,192	32.9%
-Soy milk*	213	900	322.5%	0	1,000	
Other Beverages	575	467	-18.7%	1,249	1,210	-3.1%
Beverage	4,474	5,307	18.6%	7,646	8,598	12.5%
Others	582	604	3.7%	431	1,229	185.1%
Total	9,889	11,012	11.4%	17,842	19,799	11.0%
Gross Profit						
Food	1,718	1,787	4.0%	3,340	3,506	5.0%
Beverage	2,080	2,531	21.7%	3,487	3,910	12.2%
Others	18	20	11.0%	14	41	200.3%
Total	3,816	4,338	13.7%	6,840	7,458	9.0%
Gross Margin						
Food	35.6%	35.0%	-0.5 ppt	34.2%	35.2%	1 ppt
Beverage	46.5%	47.7%	1.2 ppt	45.6%	45.5%	-0.1 ppt
Total	38.6%	39.4%	0.8 ppt	38.3%	37.7%	-0.7 ppt

Source: the Company, Guotai Junan International.

Note: Management's statement.

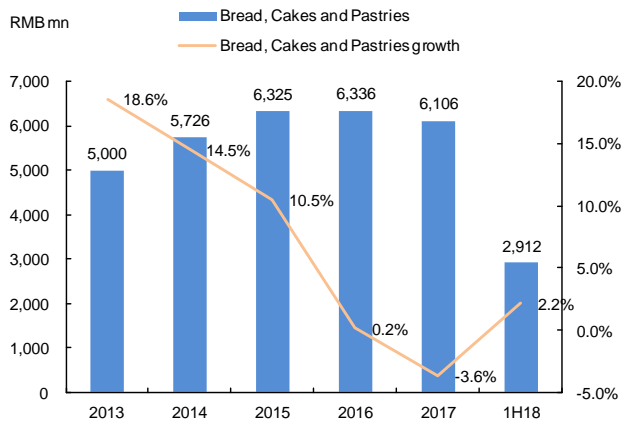
Food Segment Review and Outlook

New products had moderate sales growth contribution. Fresh-cut potato chips contributed about 10% of potato chips sales growth in 1H18. But Dali's "Quality Breakfast" series only recorded RMB100 million in sales in 1H18, worse than expected. Dali's short-shelf life bread is expected to be finally launched in November this year with about 50 SKUs, which is slightly later than expected, mainly due to delayed delivery of imported equipment. Short-shelf life bread will not contribute substantial sales this year, but the management stated that they will strive to achieve RMB2 billion in sales of short-shelf life products in 2019 (not to be taken as guidance).

We should not underestimate Dali's determination on tapping into the short-shelf life bread market. In 2002, the Company's "Daliyuan" brand was founded, providing bread, cakes and pastry products, which became the core business of Dali and having still contributed 57.1% of total foods sales in 1H18. In other words, Dali's baked goods business made Dali what it is today. However, with consumption upgrade going on and channels shifting, the Company's baked goods sales growth slowed down significantly, even retreating in some cases. In contrast, Toly Bread ("Toly"), the leading company of short-shelf life bread, has witnessed robust growth. As the trend of short-shelf life bread replacing long-shelf life bread is certain, the Company has made great strides in developing its short-shelf-life bread products and channel construction. Indeed, Dali has met challenges in the short run, as it is in the learning process. However, we should not underestimate the Company's

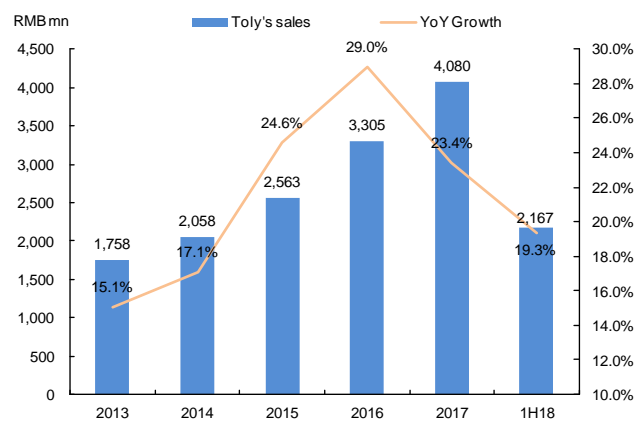
determination and capability of tapping into the short-shelf life bread market. We expect that its sales of short-shelf life baked goods will essentially see growth in 2019, but profitability may still need time and experience to improve. Dali will hold a distributors meeting at the end of October, then we will see more details of its operation.

Figure-1: Dali's Baked Goods sales and YoY Change



Source: the Company, Guotai Junan International

Figure-2: Toly's Sales and YoY Growth



Source: Toly Bread, Guotai Junan International.

CAPEX of three new plants. In addition, the Company has a construction plan of three new factories in Shenyang, Guangxi and Guizhou, respectively, each of which has an investment amount of about RMB600 million, adding an additional RMB1 billion CAPEX in 2018 and 2019.

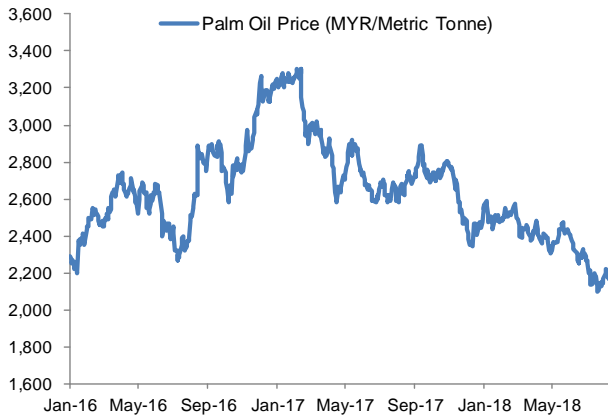
Beverage Segment Review and Outlook

Freshness management affected Doubendou sales. Doubendou sales in 1H18 was worse than expected as the Company's sales teams and distributors had not adapted to the operations of soy milk products, which have strict freshness requirements. In 2H17, the Company did not manage its channel inventory well, resulting in poor freshness of channel inventory. Therefore, in 1H18, Dali was dedicated to controlling channel inventory by slowing down the delivery rhythm, resulting in sales being worse than expected. At present, the Company's soy milk operation is relatively smooth, and the freshness of channel inventory has been maintained at a healthy level.

Doubendou is expected to considerably improve in 2H18. The Company will enforce its presence in the family consumption market by cooperating with more experienced distributors. Currently, modern trade contributed around 55% of sales of Doubendou, compared to 30% of Dali's total sales. Dali still has vulnerabilities in modern trade compared to leading dairy players who are able to promote soy milk as a gift with purchases of their dairy products. The Company plans to sell Doubendou in traditional channels on a larger scale.

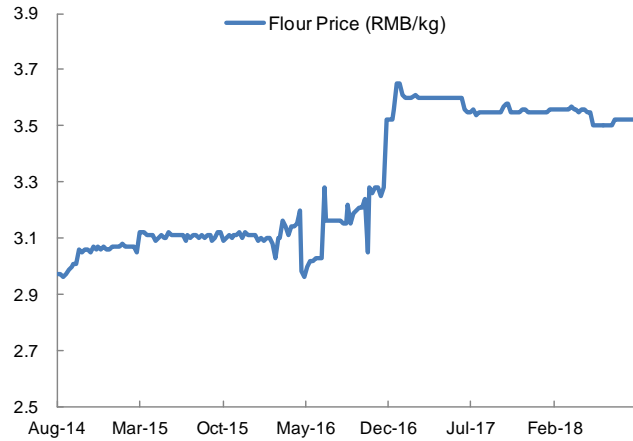
The beverage segment generally achieved satisfactory results. Given the high comparable base of energy drinks sales, Dali's Hi-Tiger still recorded strong growth, up 21.2% YoY to RMB1,899 million. The results benefited from unsettled disputes over the Red Bull brand, but we noticed that competition among tier-2 brands, including Eastroc, Hi-Tiger and Qili, became intense. Moreover, more Companies such as Yili and UPC are attracted to the market as they also sensed weaknesses in Red Bull. The Company's herbal tea sales impressively regained growth in 1H18, despite the return of Jiaduobao's red can. Moreover, Dali's traditional plant-based drinks remained flat even though the market retreated.

Figure-3: Palm Oil price



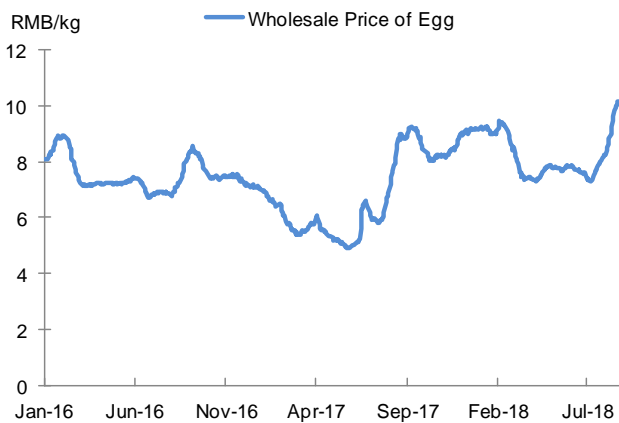
Source: MDEX.

Figure-4: Flour price



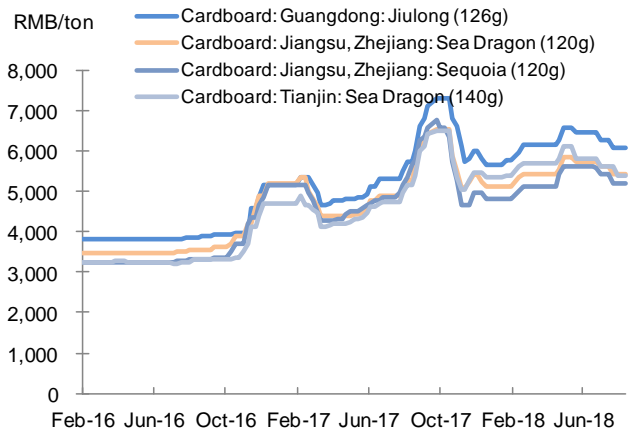
Source: Ministry of Agriculture of China.

Figure-5: Egg Price



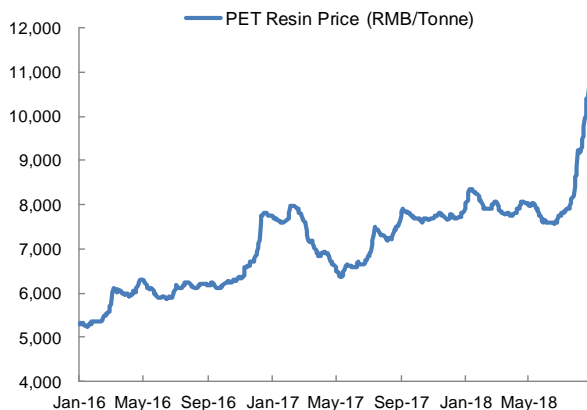
Source: the Ministry of Agriculture, WIND.

Figure-6: Domestic Cardboard Price



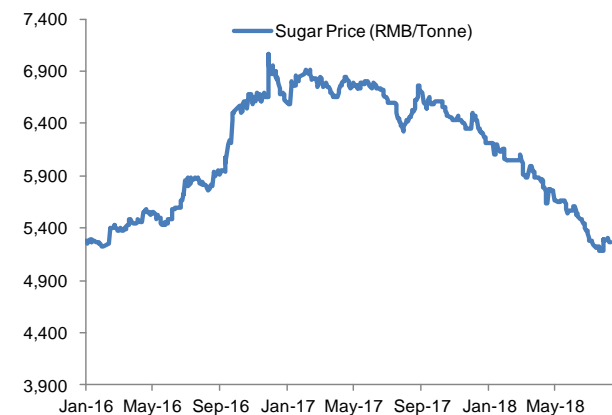
Source: WIND.

Figure-7: PET price



Source: www.tbs-china.com, WIND.

Figure-8: Domestic Sugar price



Source: Bloomberg.

Earnings Forecast Assumptions and Revisions

We have revised down 2018-2020 earnings forecasts. Due to the lower expectation on the "Quality Breakfast" series and Doubendou, we have revised down our revenue forecasts by 2.0%, 8.1% and 10.2% in 2018, 2019 and 2020, respectively. Although sugar price and palm oil price are trending down, cardboard price stayed high and PET price surged since July 2018. As we expect that the raw material prices may generally go up, as well as contribution from high gross margin products being lower than our previous expectations, we have revised down gross margin by 0.8 ppt, 1.5 ppt and 1.6ppt, in 2018-2020, respectively. Operating expenses are generally unchanged. Overall, we have revised down our earnings forecasts in 2018-2020 by 2.5%, 11.8% and 14.4%, respectively.

Table-3: Earnings Estimates Revisions

RMB million	NEW			OLD			CHANGE		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Revenue	21,970	24,149	26,739	22,426	26,290	29,788	-2.0%	-8.1%	-10.2%
-Foods	10,667	11,748	13,090	11,172	12,434	13,581	-4.5%	-5.5%	-3.6%
-Beverages	10,074	11,233	12,539	10,271	12,921	15,320	-1.9%	-13.1%	-18.2%
Gross profit	8,503	9,413	10,592	8,869	10,639	12,269	-4.1%	-11.5%	-13.7%
Operating profit	4,894	5,407	6,203	5,019	6,133	7,249	-2.5%	-11.8%	-14.4%
Shareholder's profit	3,817	4,217	4,838	3,915	4,784	5,654	-2.5%	-11.8%	-14.4%
EPS (RMB)	0.279	0.308	0.353	0.286	0.349	0.413	-2.5%	-11.8%	-14.5%
Gross margin	38.7%	39.0%	39.6%	39.5%	40.5%	41.2%	-0.8 ppt	-1.5 ppt	-1.6 ppt
Operating margin	22.3%	22.4%	23.2%	22.4%	23.3%	24.3%	-0.1 ppt	-0.9 ppt	-1.1 ppt
Net margin	17.4%	17.5%	18.1%	17.5%	18.2%	19.0%	-0.1 ppt	-0.7 ppt	-0.9 ppt

Source: Guotai Junan International.

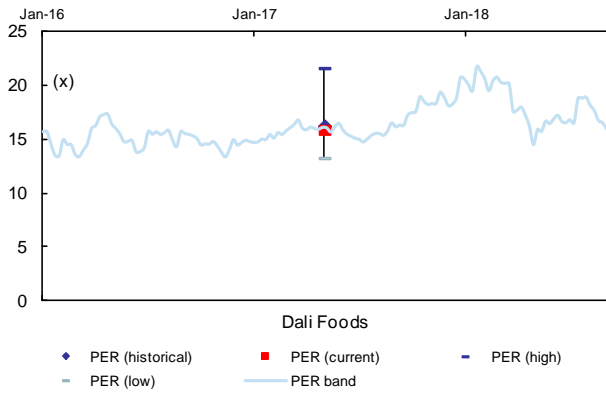
Lower TP to HK\$7.40 but maintain "Buy". We have lowered TP to HK\$7.40 due to worse earning forecasts. The Company's share price has declined around 10% after 1H18 results announced as the market was concerned about performance of the Company's new products, unexpected CAPEX and lower payout ratio. We believe that the market has underestimated the Company's short-shelf life sales over the next five years. In addition, Doubendou's channel inventory has been controlled well. The current valuation of Dali is trading at 17.6x 2018 PER, 15.2x 2019 PER and 13.4x 2020 PER, which is highly attractive compared to its peers. We believe that as Doubendou's distribution network is being increasingly enhanced and brand reputation has been formed, which lays a solid foundation for long-term growth. Therefore, we reiterate the Company's rating at "Buy". New TP represents 22.6x 2018 PER, 20.4x 2019 PER and 17.8x 2020 PER.

Table-4: Peers Comparison

Company	Ticker	\$	Share Price	Market Cap (HK\$ mn)	PER (x)			PBR(x)	ROE(%)	Gross Margin(%)	Operating Margin(%)
					FY18F	FY19F	FY20F	FY18F	FY18F	FY18F	FY18F
China Resources Beer	291 HK	HKD	33.400	108,356	46.8	36.3	29.4	4.8	10.8	35.8	8.8
China Mengniu Dairy	2319 HK	HKD	22.650	88,956	25.1	19.4	15.7	3.1	12.9	37.1	5.6
Dali Foods	3799 HK	HKD	5.700	78,056	17.6	15.2	13.4	4.5	26.9	38.9	20.8
Tinavi	322 HK	HKD	14.020	78,761	27.8	23.5	20.5	3.4	12.8	31.1	6.8
Want Want China	151 HK	HKD	6.410	79,800	20.2	20.0	18.4	4.5	21.8	45.0	21.5
Tsingtao Ltd-H	168 HK	HKD	37.300	51,765	27.2	23.1	19.9	2.4	9.0	40.3	6.3
Uni-President China	220 HK	HKD	7.730	33,388	25.4	22.3	19.8	2.2	8.7	34.1	6.6
Vitasoy	345 HK	HKD	25.200	26,735	48.5	38.8	33.2	9.8	21.6	52.7	13.0
China Foods	506 HK	HKD	3.900	10,909	24.4	20.1	16.6	2.3	9.1	35.6	5.2
Simple Average					29.2	24.3	20.8	4.1	14.8	39.0	10.5
Weighted Average					29.3	24.2	20.6	4.0	15.5	38.2	11.3

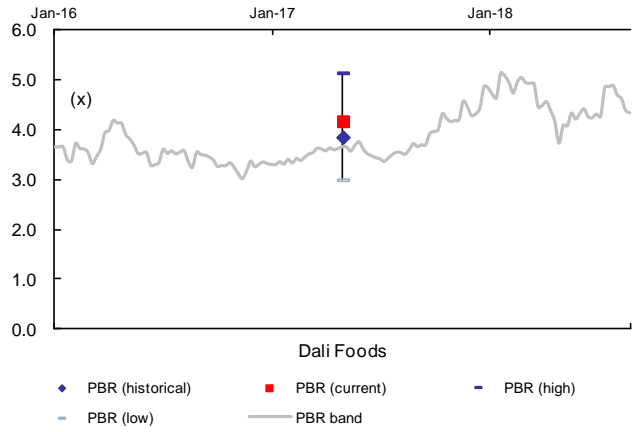
Source: Bloomberg.

Figure-9: PER Band of Dali



Source: Bloomberg, Guotai Junan International.

Figure-10: PBR Band of Dali



Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	17,842	19,799	21,970	24,149	26,739	Property, plant and equipment	3,896	4,273	4,430	4,232	3,994
Cost of sales	(11,001)	(12,341)	(13,467)	(14,736)	(16,147)	Prepaid lease payments	591	577	564	551	539
Gross profit	6,840	7,458	8,503	9,413	10,592	Others	248	205	165	120	123
Other income and gains	360	666	631	683	777	Total Non-current Assets	4,735	5,055	5,159	4,902	4,656
Distribution costs	(2,788)	(3,248)	(3,669)	(4,057)	(4,519)	Cash & Cash Equivalents	7,986	6,764	9,139	10,669	13,753
Administrative expenses	(431)	(524)	(571)	(633)	(647)	Inventories	1,109	1,333	1,195	1,584	1,493
Operating Profit	3,982	4,352	4,894	5,407	6,203	Bills receivable	284	1,085	721	867	891
Finance costs	(5)	0	0	0	0	Others	2,366	2,089	2,128	2,166	2,244
Profit Before Tax	3,977	4,352	4,894	5,407	6,203	Total Current Assets	11,746	11,271	13,183	15,286	18,381
Income Tax	(840)	(918)	(1,077)	(1,189)	(1,365)	Total Assets	16,480	16,326	18,342	20,189	23,037
Profit after Tax	3,137	3,434	3,817	4,217	4,838	Short-term debts	0	0	0	0	0
Non-controlling Interest	0	0	0	0	0	Bills payable	1,027	889	1,037	1,080	1,264
Shareholders' Profit / Loss	3,137	3,434	3,817	4,217	4,838	Accrued expenses and other payables	1,092	1,143	1,385	1,394	1,683
Basic EPS	0.229	0.251	0.279	0.308	0.353	Others	177	183	218	239	265
						Total Current Liabilities	2,296	2,216	2,639	2,713	3,211
						Net current asset	9,450	9,055	10,544	12,573	15,170
						Total assets less current liabilities	14,184	14,110	15,703	17,475	19,826
						Deferred revenue	319	324	360	395	438
						Total Non-current Liabilities	319	324	360	395	438
						Total Liabilities	2,615	2,540	2,999	3,109	3,649
						Share capital	113	113	113	113	113
						Reserves	13,753	13,673	15,231	16,967	19,275
						Total Shareholders' Equity	13,866	13,786	15,343	17,080	19,388
						Minority Interest	0	0	0	0	0
						Total Equity	13,866	13,786	15,343	17,080	19,388
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F		2016A	2017A	2018F	2019F	2020F
PBT	3,977	4,352	4,894	5,407	6,203	Revenue growth (%)	5.8	11.0	11.0	9.9	10.7
DD&A	531	555	643	699	738	Gross profit growth (%)	17.6	9.0	14.0	10.7	12.5
Change in working capital	(213)	(1,472)	962	(507)	476	Operating profit growth (%)	7.4	9.3	12.5	10.5	14.7
Others	(73)	(94)	(6)	(6)	(6)	Net profit growth (%)	7.7	9.5	11.2	10.5	14.7
Cash generated from operations	4,222	3,341	6,492	5,592	7,410	Gross margin (%)	38.3	37.7	38.7	39.0	39.6
Income and interest tax paid	(811)	(937)	(1,025)	(1,171)	(1,343)	-Foods	34.2	35.2	35.2	34.7	34.7
Cash from Operating Activities	3,412	2,404	5,467	4,422	6,067	-Beverages	45.6	45.5	47.1	47.5	48.2
Investing activities						PAT margin (%)	17.6	17.3	17.4	17.5	18.1
Capital expenditure	(452)	(807)	(778)	(452)	(500)	Net margin (%)	17.6	17.3	17.4	17.5	18.1
Available-for-sale investments	644	13	(13)	(13)	(14)	ROE (%)	24.3	24.8	26.2	26.0	26.5
Increase in bank deposits	(1,874)	542	(97)	0	0	ROA (%)	19.4	20.9	22.0	21.9	22.4
Others	(6)	139	55	55	62	Inventory turnover days	20.9	22.5	21.0	21.0	21.0
Cash from Investing Activities	(1,688)	(113)	(832)	(411)	(452)	Account receivable days	4.4	12.6	15.0	12.0	12.0
Financing activities						Account payable days	20.4	17.7	16.0	16.0	16.0
Loans changes	0	0	0	0	0	Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Share placing	0	0	0	0	0	Payout ratio (%)	69.9	65.8	65.0	60.0	60.0
Dividend paid	(1,460)	(3,305)	(2,259)	(2,481)	(2,530)						
Others	(1,507)	0	0	0	0						
Cash from Financing Activities	(2,966)	(3,305)	(2,259)	(2,481)	(2,530)						
Net Changes in Cash	(1,242)	(1,014)	2,376	1,530	3,084						
Foreign exchange effect	293	(209)	0	0	0						
Cash at Beg of Year	8,935	7,986	6,764	9,139	10,669						
Cash at End of Year	7,986	6,764	9,139	10,669	13,753						

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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