



Company Report: Colour Life (01778 HK)

公司报告: 彩生活 (01778 HK)

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Sustainable Growth Outlook, Maintain "Buy"

持续增长展望维持, 维持“买入”

- **The Company's revenue growth outlook will be sustainable riding on escalating platform service area.** The Company's contracted GFA and cooperation area is expected to increase by approximately 50.0 mn sq.m. and 175.0 mn sq.m. each year during 2018-2020, respectively.
- **We expect gross margin to slightly bottom out from 2019.** Labour cost will inch up. However, the contracted GFA portfolio between lump sum basis and commission basis will remain stable. In addition, the cooperation area expansion will raise the proportion of revenue from value-added services to total revenue. Revenue from value-added services usually has higher gross margin, of over 71.0%.
- 1H18 net profit increased 74.1% YoY to RMB175 mn, but missed our expectation by 25.4% due to lower-than-expected gross margin. **We have revised down net profit by 15.3%, 21.7% and 29.9% to RMB497 mn, RMB589 mn and RMB662 mn in 2018, 2019 and 2020, respectively.**
- RMB depreciation may slightly damage the Company's valuation. We revise down target price from HK\$8.00 to HK\$5.60, representing a 23.9% discount to our DCF derived NAV of HK\$7.36 per share, and equivalent to 12.2x, 10.3x and 9.2x 2018-2020 PER, respectively. **We maintain "Buy"**. Risks include lower-than-expected gross margin and failing to recover all payments on behalf of residents.
- **得益于逐渐扩大的平台服务面积, 公司收入增长展望将会持续。**在 2018-2020 年, 合约管理面积和合作面积预计每年分别增加约 50.0 百万平方米和 175.0 百万平方米。
- **我们预计毛利率自 2019 年后轻微反弹。**人工成本将会逐渐增加。然而, 合约面积中来自包干制和酬金制的组合在未来保持稳定。另外, 合作面积的增长将提升来自增值服务占总收入的收入比例。来自增值服务的收入, 其毛利率较高, 超过 71.0%。
- 2018 年上半年净利润同比增长 74.1% 达到人民币 1.75 亿元, 但是因为低于预期的毛利率而较我们预期低 25.4%。**我们分别将 2018, 2019 以及 2020 年的净利润下调 15.3%, 21.7% 以及 29.9% 至人民币 497 百万, 人民币 589 百万及人民币 662 百万。**
- 人民币贬值能够对公司估值造成轻微损害。我们将目标价从 8.00 港元下调至 5.60 港元, 相当于较我们现金流折现法得出的 7.36 港元每股净资产有 23.9% 的折让, 也分别相当于 12.2 倍、10.3 倍和 9.2 倍的 2018 年、2019 年和 2020 年市盈率。**我们维持“买入”。**风险: 低于预期的毛利率和未能覆盖代居民所付款项。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$5.60

Revised from 原目标价:

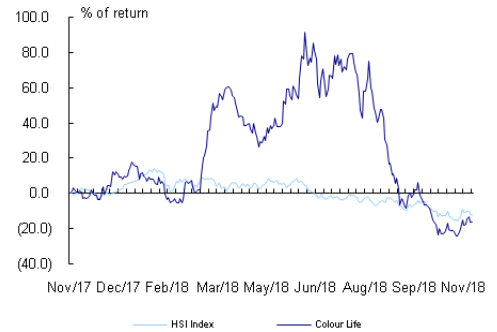
HK\$8.00

Share price 股价:

HK\$4.020

Stock performance

股价表现



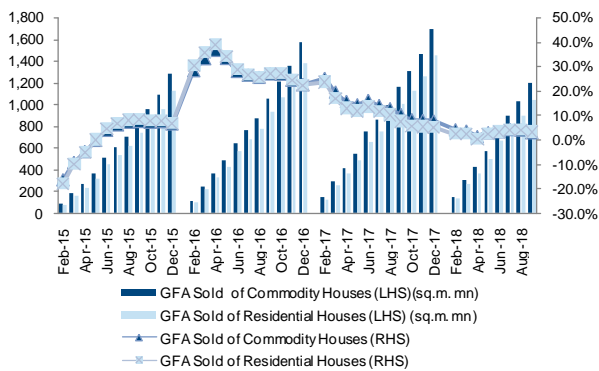
Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	4.1	(52.2)	(15.3)
Rel. % to HS Index 相对恒指变动 %	4.8	(42.6)	(3.3)
Avg. Share price(HK\$) 平均股价 (港元)	6.5	6.3	5.3

Source: Bloomberg, Guotai Junan International.

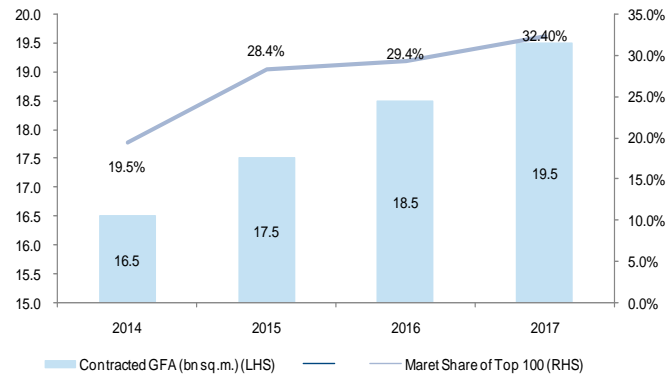
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	1,342	188	0.188	11.9	19.2	1.459	2.5	0.085	2.4	13.8
2017A	1,629	321	0.322	71.3	10.4	1.727	1.9	0.087	2.6	20.2
2018F	3,909	497	0.403	25.2	8.8	2.574	1.4	0.107	3.0	20.3
2019F	4,352	589	0.477	18.4	7.4	2.927	1.2	0.124	3.5	17.4
2020F	4,833	662	0.536	12.4	6.6	3.327	1.1	0.136	3.9	17.1
Shares in issue (m) 总股数 (m)				1,234.6	Major shareholder 大股东			Fantasia Holdings Group	72.6%	
Market cap. (HK\$ m) 市值 (HK\$ m)				4,963.1	Free float (%) 自由流通比率 (%)					27.4
3 month average vol. 3 个月平均成交股数 ('000)				4,426.4	FY18 Net gearing (%) FY18 净负债/股东资金 (%)					0.2
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				9.250 / 3.490	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)					7.4

Source: the Company, Guotai Junan International.

The property management sector is expected to maintain fast growth due to increasing GFA delivered and market concentration. During Jan.-Oct. 2018, commodity house sales amounted to 1,193.1 mn sq.m., which maintained considerable absolute value. In addition, GFA completed is expected to extend upside momentum, which will ultimately translate into increasing contracted GFA. Moreover, we expect the property management sector to increase in concentration due to economies of scale.

Figure 1: Cumulative House Sales GFA in China


Source: National Bureau of Statistics of China, Guotai Junan International.

Figure 2: Contracted GFA and Market Share in the Property Management Sector


Source: China Property Management Institute, China Index Academy, Savills, Guotai Junan International.

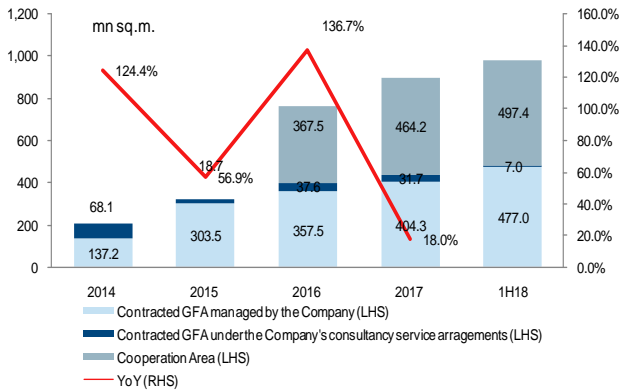
Revenue from property management services is expected to maintain stable growth along with escalating platform service area in 2018-2020. As at 30 Jun. 2018, the Company's platform service area increased by approximately 81.2 mn sq.m. to approximately 981.4 mn sq.m. from approximately 900.2 mn sq.m. as at 31 Dec. 2017. The Company's cooperation area includes contracted GFA of 484.0 mn sq.m. and cooperation area of 497.4 million sq.m. The Company will strive to enlarge its contracted GFA alongside rising concentration in the property management sector. During 1H18, the Company expanded its contracted GFA to 484.0 mn sq.m., up 15.2% YoY. The Company plans to increase contracted GFA by approximately 50.0 mn sq.m. each year from 2018 to 2020 (CAGR of 11.7%) through organic growth as well as acquisitions. We estimate that the Company's revenue from property management services will increase by a CAGR of 44.0% during 2018-2020, considering the acquisition of Wanxiangmei. In addition, as a parallel strategy and to develop its value-added services, the Company launched a platform output strategy. Through providing Caizhiyun platform with collaborative partners, Caizhiyun platform could approach more families and communities not managed by the Company. The Company will raise cooperation area by approximately 175.0 mn sq.m. each year from 2018 to 2020.

Table 1: Colour Life's Contracted GFA, Number of Residential Communities Managed and Consultancy Services projects, and Commission Rate As at 30 Jun. 2018

	Managed by the Company ('000 sq.m.)		Under the Company's consultancy service arrangement ('000 sq.m.)		(RMB/ sq.m./month)	
	Total Contracted GFA	Number	Total Contracted GFA	Number	Under commission basis	Under lump sum basis
Shenzhen	9,644	130	753	18	0.4-10.0	1.0-8.0
Southern China (excluding Shenzhen)	84,062	535	1,693	7	0.5-5.6	0.7-8.0
Eastern China	136,626	823	2,019	7	0.4-9.4	0.8-6.5
Southwestern China	96,944	398	968	3	0.4-6.1	0.3-6.3
Northeastern China	19,875	98	1,216	8	0.4-3.3	2.0-5.0
Northwestern China	15,618	82	76	1	0.5-3.9	1.1-5.0
Northern China	27,608	108	2	1	0.6-4.5	1.0-7.9
Central China	85,584	295	300	1	0.6-2.7	0.9-4.8
Non-Mainland China	5	2	0	0	4.2-20.9	n.a.
Singapore	987	38	0	0	1.2	n.a.
Total	476,953	2,509	7,027	46	n.a.	n.a.

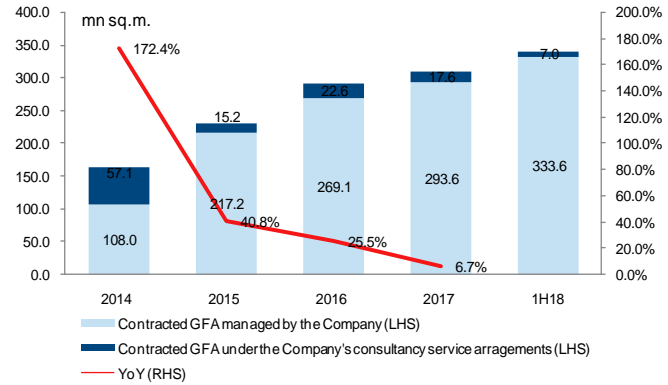
Source: the Company, Guotai Junan International.

Figure 3: Colour Life's Total Contracted GFA and Cooperation Area



Source: the Company.

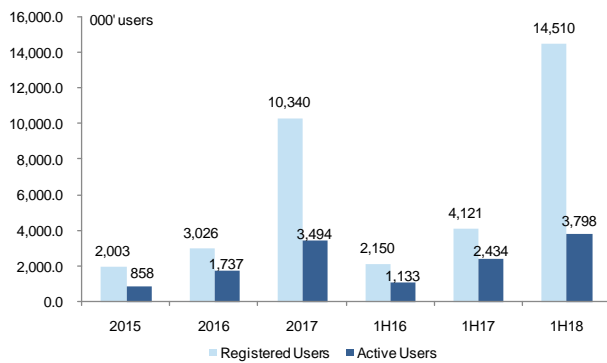
Figure 4: Colour Life's Total Revenue-bearing Contracted GFA



Source: the Company.

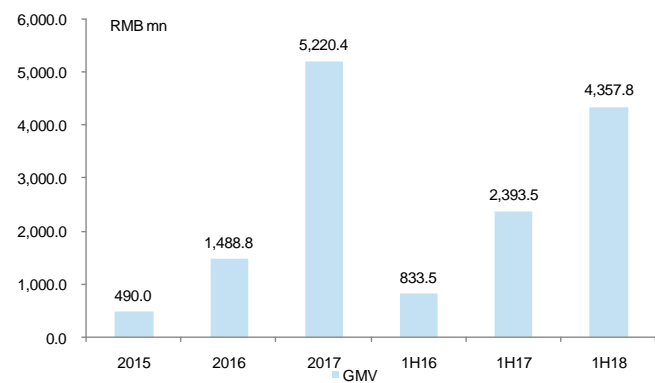
In 1H18, community leasing, sales and other value-added services revenue amounted to RMB212.3 mn, surging up 91.6%; the Company's mobile app achieved fast monetization given the fast platform service area expansion. As at 30 Jun. 2018, registered users of the Caizhiyun app was up 241.7% YoY to 10,340,000, of which over 3,798,000 were active users, an increase of 56.0% YoY. In the first half of 2018, Caizhiyun app's accumulated gross merchandise volume (GMV) reached RMB4,357.8 mn, up 82.1% YoY, of which included RMB1,518.3 mn for the "Colour Wealth Life value-added plan" and RMB514.0 mn for e-series product companies. For e-lift, 128,000 units of lifts are in operation and more than 78.1% of them are from communities not managed by the Company. In addition, the Company will continue to focus on platform output. With platform service areas expanding, we expect community leasing, sales and other value-added services revenue to grow rapidly at a CAGR of 50.1% during 2017-2020.

Figure 5: Colour Life's Registered and Active Users of Caizhiyun APP



Source: the Company.

Figure 6: Colour Life's GMV on Caizhiyun APP



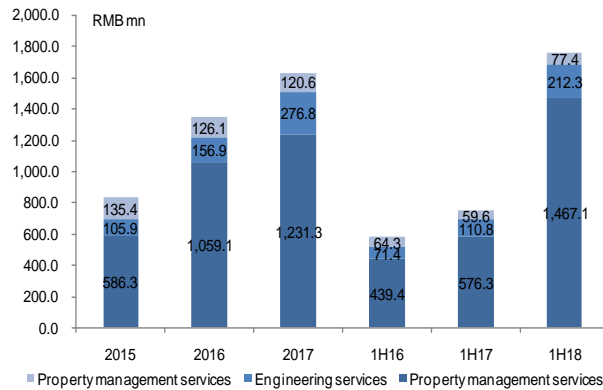
Source: the Company.

Revenue from engineering services in 1H18 amounted to RMB77.4 mn, up 30.0% YoY, and is likely to increase at a rate lower than other business segments during 2018-2020. To provide services with higher efficiency and quality, the Company will optimize community services with innovative use of mobile technology. By implementing services such as e-repair, e-lift, e-cleaning, e-security and e-gardening, the Company initially realized order incentives of fundamental property services and further enhanced service efficiency. As a result, the Company will continuously outsource some repair and maintenance services and charge corresponding online platform usage fees from e-repair business, which is classified as an online value-added service. This will lead to a decrease in revenue from engineering services. On the other hand, contracted GFA will maintain stable growth. Overall, we expect engineering services revenue growth to increase but at a lower rate than other business segments. Therefore, we estimate the Company's revenue of engineering services to increase by a CAGR of 21.9% during 2017-2020.

Overall, we expect total revenue to increase from RMB1,628.7 mn in 2017 to RMB4,833.0 mn in 2020, or at a CAGR of 43.7%. Alongside contracted GFA expansion and the acquisition of Wanxiangmei, we expect revenue from property management services to rise from RMB1,231.3 mn in 2017 to RMB3,678.6 mn in 2020. We expect revenue from community leasing, sales and other value-added services to increase to RMB936.1 mn on grounds of escalating platform service area.

Revenue from engineering services is forecasted to increase to RMB218.4 mn in 2020.

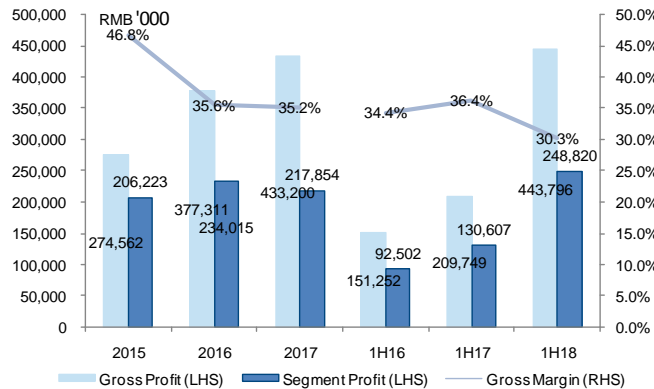
Figure 7: Colour Life's Total Revenue Breakdown



Source: the Company.

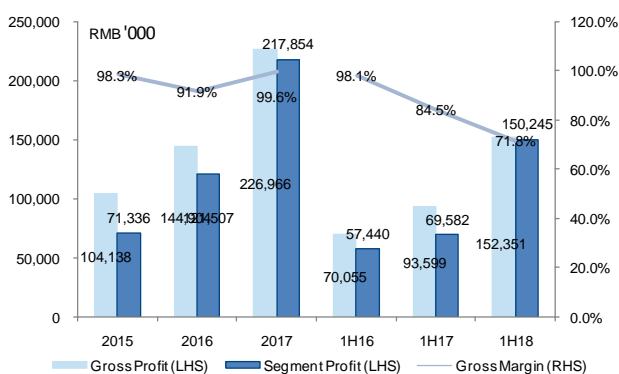
Gross margin is likely to decrease in 2018 and slightly bottom out in 2019. Alongside the acquisition of Wanxiangmei, we expect gross margin to decrease to 36.4% in 2018. With the Company's shift in strategy, the Company will reduce capital expenditure for scale expansion. Therefore, the contracted GFA portfolio from lump sum basis and commission basis will remain stable. In addition, cooperation area increase will raise the proportion of revenue from value-added services to total revenue. Revenue from value-added services usually has higher gross margin, of over 71.0%. However, labour cost will inch up, which will damage the Company's profitability somewhat. Therefore, we expect the Company's gross margin to bottom out. We expect gross margin to increase to 38.0% and 38.9% in 2019 and 2020, respectively.

Figure 8: Colour Life's Property Management Services Profit



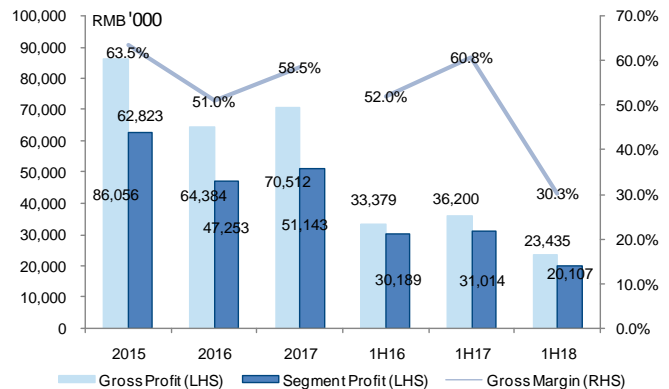
Source: the Company.

Figure 9: Colour Life's Value-added Services Profit



Source: the Company.

Figure 10: Colour Life's Engineering Services Profit



Source: the Company.

1H18 net profit missed our expectation by 25.4% due to lower-than-expected gross margin. Total revenue surged up 135.3% YoY to RMB1,757 mn in 1H18. Gross profit amounted to RMB620 mn, soundly up 82.5% YoY. Net profit rose 74.1%

YoY to RMB175 mn, which missed our expectation. Due to increasing contracted GFA under lump sum basis from the acquisition of Wanxiangmei, gross margin significantly decreased 10.2 pts. Net gearing ratio remained in a net cash position. Total debt increased dramatically by 196.6% comparing with that as at the end of 2017.

Table 2: Comparison of the Company's Balance Sheet and Income Statement in 1H17 and 1H18

RMB mn	1H17	1H18	Change
Total revenue	747	1,757	135.3%
Revenue from property management services	576	1,467	154.6%
Revenue from engineering services	60	86	44.6%
Revenue from community leasing, sales and other value-added services	111	268	142.0%
Gross profit	340	620	82.5%
GPM	45.5%	35.3%	-10.2 pts
Net profit	101	175	74.1%
NPM	13.5%	10.0%	-3.5 pts
DPS (RMB)	0.000	0.000	n.a.
EPS (RMB)	10.090	14.210	40.8%
ROE	7.1%	8.2%	1.1 pts

Source: the Company, Guotai Junan International.

Table 3: Comparison of the Company's Balance Sheet in 2017 and 1H18

RMB mn	2017	1H18	Change
Bank balance and cash	1,234	3,367	172.9%
Total assets	4,661	10,053	115.7%
PPE	169	292	72.9%
Total debt	1,261	3,740	196.6%
Shareholders' equity	1,721	2,813	63.4%
Net gearing ratio	Net cash	Net cash	n.a.

Source: the Company, Guotai Junan International.

We revise down net profit forecasts. We expect the Company's contracted GFA to grow steadily; revenue from property management services in 1H18 was higher than our expectations. Therefore, we revise up 2018F, 2019F and 2020F revenue forecasts from property management services. We expect fast monetization of the Company's mobile app and the strategy of platform output. We revise up 2018F, 2019F and 2020F revenue from community leasing, sales and other value-added services. As contracted GFA will maintain stable growth, we slightly revise up 2018F, 2019F and 2020F engineering services revenue forecasts. Overall, we revise up 2018F, 2019F and 2020F total revenue forecast by 13.7%, 131% and 12.8% to RMB3,909 mn, RMB4,352 mn and RMB4,833 mn, respectively. Gross profit in 1H18 was significantly lower than our previous assumption. We also expect a gradual rise in the labour costs. We revise down our gross margin forecast. Overall, we revise down 2018F, 2019F and 2020F net profit forecast by 15.3%, 21.7% and 29.9% to RMB497 mn, RMB589 mn and RMB662 mn, respectively.

Table 4: Revisions to 2018-2020 Profit Forecasts

RMB mn	New Forecast			Old Forecast			Change		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Total revenue	3,909	4,352	4,833	3,439	3,848	4,286	13.7%	13.1%	12.8%
-Property management services	3,302	3,488	3,679	2,852	3,016	3,182	15.8%	15.7%	15.6%
-Engineering services fees	147	178	218	146	178	218	0.3%	0.2%	0.2%
-Community leasing, sales and other value-added services	460	685	936	441	654	886	4.4%	4.8%	5.7%
Gross profit	1,423	1,655	1,879	1,470	1,775	2,114	-3.2%	-6.8%	-11.1%
Operating profit	1,062	1,233	1,397	1,070	1,301	1,568	-0.8%	-5.2%	-10.9%
Net profit	497	589	662	587	753	944	-15.3%	-21.7%	-29.9%
Gross margin	36.4%	38.0%	38.9%	44.9%	46.1%	49.3%	-8.5 ppts	-8.1 ppts	-10.5 ppts
Operating profit margin	27.2%	28.3%	28.9%	33.3%	33.8%	36.6%	-6.1 ppts	-5.5 ppts	-7.7 ppts
Net profit margin	12.7%	13.5%	13.7%	19.7%	19.6%	22.0%	-7.0 ppts	-6.0 ppts	-8.3 ppts
ROE	20.3%	17.4%	17.1%	20.2%	13.9%	15.6%	0.1 ppts	3.4 ppts	1.5 ppts
ROCE	17.3%	14.4%	15.0%	16.5%	14.0%	16.6%	0.8 ppts	0.4 ppts	-1.6 ppts
ROA	4.6%	4.9%	5.0%	6.9%	6.6%	7.5%	-2.3 ppts	-1.7 ppts	-2.5 ppts
Net gearing ratio	16.3%	11.6%	1.7%	Net Cash	Net Cash	Net Cash	n.a.	n.a.	n.a.

Source: Guotai Junan International.

Maintain "Buy". Colour Life has a sustainable revenue growth outlook, as the expansion in platform service area continues. In addition, the Company's mobile app achieved fast monetization along with the increasing cooperation area. We expect that the Company's gross margin will slightly bottom out from 2019 despite that labour costs is expected to inch up. However, RMB depreciation could damage the Company's valuation. As we revise down underlying net profit, we revise down our target price from HK\$8.00 to HK\$5.60, which represents a 23.9% discount to our DCF derived NAV of HK\$7.36 per share and is equivalent to 12.2x, 10.3x and 9.2x 2018-2020 PER, respectively. We maintain Colour Life's investment rating as "Buy". Risk factors include lower-than-expected gross margin and failing to recover total payments from residents.

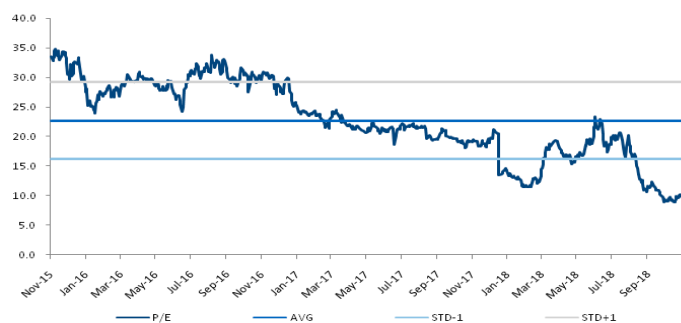
Table 5: Breakdown of Colour Life's 2018 NAV

Sum of PV FCFF (RMB mn)	2,885
+ PV terminal value (RMB mn)	5,652
Enterprise value (RMB mn)	8,537
- Net debt/(Cash) (RMB mn)	545
Equity value (RMB mn)	7,993
Assume RMB/HK\$	0.880
Equity value (HK\$ mn)	9,082
Shares outstanding (mn)	1,235
NAV per share (HK\$)	7.36

Source: Bloomberg, the Company, Guotai Junan International.

Figure 11: Colour Life's 3-Year Historical P/B


Source: Bloomberg, Guotai Junan International.

Figure 12: Colour Life's 3-Year Historical P/E


Source: Bloomberg, Guotai Junan International.

Table 6: Peers Comparison

Company	Stock Code	Currency	Mkt Cap (HKD m)	Last Price HKD	PE			PB			D/Y%	ROE
					2018F	2019F	2020F	2018F	2019F	2020F		
HK Listed Property Management Companies												
Colour Life Serv	01778 HK	HKD	5,341.1	4.020	8.9	7.2	5.6	1.5	1.3	1.3	4.5	19.0
Synergis Holding	02340 HK	HKD	259.2	0.610	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kongshumunion	08181 HK	HKD	290.8	0.340	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Overseas P	02669 HK	HKD	6,705.2	2.040	16.9	13.8	11.7	5.9	4.5	3.6	1.9	38.4
ZhongAo Home Gr	01538 HK	HKD	535.3	0.660	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greentown Servic	02869 HK	HKD	15,111.1	5.440	26.7	20.5	15.7	6.0	4.9	4.1	1.3	24.1
Clifford Modern	03686 HK	HKD	558.4	0.550	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Country Garden S	03686 HK	HKD	26,950.0	10.780	29.5	22.1	17.2	10.8	7.5	5.4	0.9	43.2
A-Living Servi-H	03319 HK	HKD	12,506.7	9.380	15.9	10.8	8.2	2.1	1.8	1.5	1.8	18.0
Median					16.9	13.8	11.7	5.9	4.5	3.6	1.9	24.1
Simple Average					19.6	13.8	11.0	4.4	3.6	3.0	2.6	27.2
Weighted Average					22.8	17.1	13.3	6.6	4.9	3.8	1.5	30.9
HK Listed Real Estate Investment Companies												
Great Eagle	00041 HK	HKD	24,486.3	35.050	13.5	12.1	n.a.	n.a.	n.a.	n.a.	2.2	2.8
Wharf Hldg	00004 HK	HKD	62,770.8	20.600	8.9	8.3	7.9	0.4	0.4	0.4	3.6	4.8
Hysan Dev	00014 HK	HKD	39,871.5	38.100	15.6	14.6	13.8	0.6	0.5	0.5	3.8	3.6
Swireproperties	01972 HK	HKD	169,357.5	28.950	19.2	13.9	19.7	0.6	0.6	0.6	2.8	3.4
Median					14.5	13.0	13.8	0.6	0.5	0.5	3.2	3.5
Simple Average					14.3	12.2	13.8	0.5	0.5	0.5	3.1	3.6
Weighted Average					16.1	12.7	14.8	0.5	0.5	0.5	3.1	3.7
HK Listed Lodging Companies												
Hk&S Hotels	00045 HK	HKD	17,487.5	10.840	22.1	21.9	21.7	n.a.	n.a.	n.a.	2.0	2.1
Shangri-La Asia	00069 HK	HKD	39,584.2	11.040	21.7	18.5	17.8	0.7	0.7	0.7	2.0	3.7
Asia Standard	00292 HK	HKD	666.0	0.330	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shanghai Jin J-H	02006 HK	HKD	10,631.1	1.910	12.5	10.6	8.3	0.9	0.9	0.9	4.8	7.8
Median					21.7	18.5	17.8	0.8	0.8	0.8	2.0	3.7
Simple Average					18.8	17.0	15.9	0.8	0.8	0.8	2.9	4.5
Weighted Average					20.2	18.0	17.2	0.6	0.6	0.5	2.4	3.9
Other Listed Lodging Companies												
Mandarin Orientl	MAND SP	USD	2,320.2	1.840	40.9	47.2	54.1	n.a.	n.a.	n.a.	1.6	n.a.
China Lodgin-Ads	HTHT US	USD	7,533.7	25.850	32.3	23.6	18.5	6.7	5.3	4.0	0.6	22.2
Median					36.6	35.4	36.3	6.7	5.3	4.0	1.1	22.2
Simple Average					36.6	35.4	36.3	6.7	5.3	4.0	1.1	22.2
Weighted Average					34.3	29.2	26.9	5.2	4.0	3.1	0.8	17.0

Source: the Company, 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	1,342	1,629	3,909	4,352	4,833	PPE	181	169	313	348	387
- Property Management Services Fees	1,059	1,231	3,302	3,488	3,679	Intangible Assets	210	241	1,369	1,414	1,460
- Engineering Services Fees	126	121	147	178	218	Investment Properties	93	71	74	78	82
- Community Leasing, Sales and Other	157	277	460	685	936	Goodwill	750	917	2,423	2,425	2,425
Value-Added Services						Deposits for Acquisition of Subsidiaries	143	53	95	105	115
Cost of Sales	(756)	(898)	(2,486)	(2,697)	(2,954)	Other Non-current Assets	194	318	216	287	391
Gross Profit	586	731	1,423	1,655	1,879	Total Non-current Assets	1,570	1,769	4,490	4,657	4,859
- Other Gains, Net	(11)	48	20	12	11	Cash & Cash Equivalents	755	857	3,069	3,414	4,057
- SG&A	(311)	(303)	(449)	(499)	(553)	Trade Receivables	271	382	692	759	831
- Expenses Recharged to Residential	66	67	68	65	61	Other Receivables and Prepayments	196	316	542	586	635
Operating Profit	330	542	1,062	1,233	1,397	Payments on Behalf of Residents	260	407	743	827	918
- Finance income/(costs), net	(38)	(90)	(311)	(329)	(354)	Restricted Bank Deposits	493	377	390	402	416
- Others	6	5	7	7	7	Other Current Assets	479	554	929	1,307	1,406
Profit before Tax	298	457	758	911	1,050	Total Current Assets	2,453	2,892	6,429	7,366	8,340
Income Tax	(82)	(106)	(206)	(243)	(271)	Total Assets	4,023	4,661	10,919	12,023	13,199
Profit after Tax	216	351	552	668	779	Other Payables and Accruals	596	625	898	907	916
Non-controlling Interest	(28)	(30)	(54)	(78)	(117)	Receipts on Behalf of Residents	156	158	281	313	348
Shareholders' Profit / Loss	188	321	497	589	662	Short-term Borrowings	214	513	1,744	1,800	1,859
Basic EPS	0.188	0.322	0.403	0.477	0.536	Other current liabilities	316	464	1,707	1,874	2,059
						Total Current Liabilities	1,282	1,760	4,630	4,894	5,182
						Long-term borrowings	1,124	992	2,582	2,806	3,051
						Other long-term liabilities	84	82	368	469	503
						Total Non-current Liabilities	1,208	1,074	2,951	3,276	3,554
						Total Liabilities	2,490	2,834	7,581	8,170	8,736
						Total Shareholders' Equity	1,459	1,721	3,178	3,614	4,108
						Minority Interest	74	106	160	239	355
						Total Equity	1,532	1,827	3,338	3,853	4,463
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F		2016A	2017A	2018F	2019F	2020F
Operating activities						Revenue Growth (%)	62.2	21.4	140.0	11.3	11.0
Profit Before Taxation	298	457	758	911	1,050	Gross Profit Growth (%)	28.9	24.7	94.8	16.3	13.5
Depreciation of PP&E	28	38	53	72	80	Reported Net Profit Growth (%)	11.5	70.8	55.1	18.5	12.3
Bank Interest income	(6)	(34)	(38)	(41)	(45)	Gross Margin (%)	43.6	44.9	36.4	38.0	38.9
Other adjustments	164	158	443	544	578	Operating Profit Margin (%)	24.6	33.3	27.2	28.3	28.9
Change in working capital	(154)	(400)	(1,894)	(220)	(253)	Net Margin (%)	14.0	19.7	12.7	13.5	13.7
Income Taxes Paid	(69)	(79)	29	(173)	(273)	ROE (%)	13.8	20.2	20.3	17.4	17.1
Cash from Operating Activities	261	140	(650)	1,092	1,137	ROA (%)	5.4	6.9	4.6	4.9	5.0
Investing activities						Net Gearing Ratio	Net Cash	1.5	16.3	11.6	1.7
Acquisitions of Subsidiaries	(180)	(76)	0	0	0	Debt to Equity Ratio	71.9	73.3	126.0	118.0	110.7
Purchase of PPE	(65)	(100)	(197)	(108)	(119)	P/E (Basic) (x)	19.2	10.4	8.8	7.4	6.6
Repayments of Fellow Subsidiaries	22	(55)	406	62	73	P/E (Diluted) (x)	19.2	10.4	8.8	7.4	6.6
Increase in Restricted Bank Deposits	59	116	(12)	(13)	(13)	P/B (x)	2.5	1.9	1.4	1.2	1.1
Others	(389)	118	(27)	(506)	(237)	Dividend Yield (%)	2.4	2.6	3.0	3.5	3.9
Cash from Investing Activities	(553)	3	170	(564)	(296)						
Financing activities											
Dividends paid	(17)	(79)	(270)	(286)	(308)						
Interests paid	(85)	(87)	(132)	(153)	(169)						
Debt raised/(repaid)	67	64	2,849	240	260						
Advances & Repayments	14	8	2	(3)	(3)						
Other financing cash flow	649	52	243	19	22						
Cash from Financing Activities	628	(41)	2,692	(183)	(198)						
Net Changes in Cash	335	102	2,212	345	643						
Cash at Beg of Year	419	755	857	3,069	3,414						
Exchange Losses	0	0	0	0	0						
Cash at End of Year	755	857	3,069	3,414	4,057						

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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