



Company Report: China Wood Optimization (08099 HK)

公司报告: 中国优材 (08099 HK)

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Better Than Expected FY15 Results, Maintain "Neutral"

好于预期的15财年业绩, 维持“中性”评级

- FY15 results beat expectations.** Revenue from the Company recorded 18.9% increase YoY. Net profit rose by 17.5% YoY with EPS of RMB0.075, 9.1% higher than our estimation. The boost was due to increasing sales of Processed Wood Panels, which was due to the Company's engagement in market promotions and new capacity being operated in Jiangsu Province. Blended ASP was 5% lower YoY, mainly due to sales discount from market promotion and more sales of lower ASP products.
- A potential property sector recovery will stimulate the demand for furniture.** Far better than expected property data in Jan.-Feb. 2016 (YoY growth in property investments/ newly started floor spaces/ sales in spaces were 3.0%/13.7%/28.2%, respectively) signaled that the property sector growth is picking up in 2016. We remain positive on the property sector but are concerned whether such rebound could last in the mid-term. We think that a solid level recovery in the mid-term will consequently present a significant downstream demand for furniture, which is favorable for the Company's business.
- We believe that the Company is likely to continue engaging in market promotion, which will lead to a further decrease in ASP. However, we believe that the sales volume growth could offset the impact of lower ASP in FY16-FY18. **We revise up TP to HK\$3.00 and maintain "Neutral" investment rating. Our TP translates into an implied FY16-FY18 PER of 30.0x, 28.4x and 28.1x.**
- 2015 财年业绩好于预期。**公司收入录得同比上涨 18.9%。净利润同比上涨 17.5%且每股净利达人民币 0.075 元, 高于我们的预测 9.1%。业绩上涨是由于公司采取市场推广和位于江苏省的新产能投产, 导致更多的经处理板材销量上涨所致。混合单位售价同比下跌 5%, 主要是由于市场推广造成售价折扣和销售更多单位售价较低的产品影响。
- 潜在的房地产板块回暖将刺激对家具的需求。**2016 年 1-2 月份远超预期的地产数据 (房地产投资/新开工面积/销售面积同比增速分别为 3.0%/13.7%/28.2%) 释放出房地产板块可能将会在 2016 年恢复一定增长的信号。我们对房地产市场保持乐观但顾虑其反弹能否能在中期持续。我们认为中期的回暖将在下游带来显著的对家具的需求, 对公司的业务带来益处。
- 我们认为公司将继续采取市场推广, 从而导致单位售价的进一步下跌。但我们认为销量的增长将抵消较低的平均销售价格对 2016-2018 年的影响。**我们上调目标价至 3.00 港元并维持“中性”的投资评级。我们的目标价意味着 2016-2018 年市盈率分别为 30.0 倍, 28.4 倍和 28.1 倍。**

Rating:

Neutral

Maintained

评级:

中性 (维持)

6-18m TP 目标价:

HK\$3.00

Revised from 原目标价:

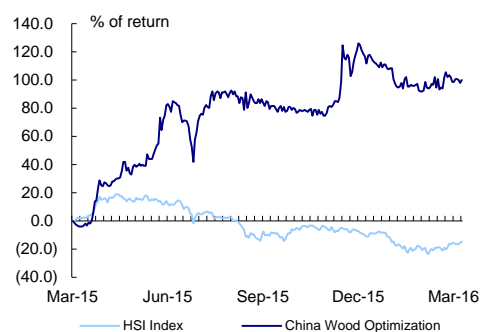
HK\$2.70

Share price 股价:

HK\$2.920

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	3.2	(5.5)	105.6
Rel. % to HS index 相对恒指变动 %	(0.3)	13.3	22.4
Avg. share price(HK\$) 平均股价 (港元)	2.9	2.9	2.6

Source: Bloomberg, Guotai Junan International.

Year End 年结	Turnover 收入	Net Profit 股东净利	EPS 每股净利	EPS 每股净利变动	PER 市盈率	BPS 每股净资产	PBR 市净率	DPS 每股股息	Yield 股息率	ROE 净资产收益率
12/31	(RMB '000)	(RMB ,000)	(RMB)	(△%)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
FY14A	512,736	63,728	0.064	19.9	35.8	0.449	5.1	0.000	0.0	14.2
FY15A	609,880	75,113	0.075	17.9	30.7	0.527	4.4	0.000	0.0	15.4
FY16F	725,741	85,075	0.085	13.3	29.2	0.612	4.1	0.000	0.0	14.9
FY17F	795,569	89,696	0.090	5.4	27.7	0.702	3.5	0.000	0.0	13.6
FY18F	815,078	90,714	0.091	1.1	27.4	0.793	3.1	0.000	0.0	12.1

Shares in issue (m) 总股数 (m)	1,000.0	Major shareholder 大股东	Brilliant Plan 67.3%
Market cap. (HK\$ m) 市值 (HK\$ m)	2,920.0	Free float (%) 自由流通比率 (%)	25.5
3 month average vol. 3 个月平均成交股数 ('000)	710.6	FY16 Net gearing (%) 16 年净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低	3.360 / 1.340	FY16 Est. NAV (HK\$) FY16 每股估值 (港元)	3.40

Source: the Company, Guotai Junan International.

China Wood Optimization (“the Company” or “CWO”) FY15 results review. FY15 revenue recorded RMB609.9 million, up 18.9% YoY. Net profit recorded RMB75.1 million, up 17.9% YoY, with EPS of RMB0.075, up 17.2 YoY and was 17.4% higher than our previous forecasts. The 18.9% rise in revenue was due to the increasing sales of Processed Wood Panels (RMB588.9 Mn in FY15 vs. RMB465.3 Mn in FY14), which was jointly contributed by: 1) the Company's engagement in sales and marketing promotions, 2) new production plant in Jiangsu Province commenced operating in October 2015, 3) three new offices in Chengdu, Beijing and Shanghai were established, resulting a wider sales reach. Nevertheless, blended ASP from the Company's products decreased by 5.0%, which was due to price discounts from sales promotion and more sales of products with lower ASP (the less-shaved Processed Wood Panels). As a result, overall gross profit margin dropped by 1ppts.

Table-1: FY15 Results Review of China Wood Optimization

	Actual 2014A	Our Est. 2015F	Actual 2015A	YoY/ppt	Diff.	Comments
Operation Result						
Sales of Processed Wood Panels (PWP) (m3)	129,263	161,074	170,692	32.1%	6.0%	
Sales of Processed Finger Joint Wood Panels (PFJWP) (m3)	10,923	2,185	4,861	-55.5%	122.5%	Intention to reduce the sales of PFJWP and focus on PWP
ASP of Processed Wood Panels (RMB)	3,600	3,440	3,450	-4.2%	0.3%	Sales discounts and more sales of less-shaved PWP(which has less ASP)
ASP of Processed Finger Joint Wood Panels (RMB)	4,342	4,200	4,310	-0.7%	2.6%	
Blended ASP	3,658	3,450	3,474	-5.0%	0.7%	More sales of PWP that has lower ASP and sales discount
GP of Process Wood Panels (RMB/m3)	985	800	880	-10.7%	10.0%	Lower ASP
GP of Finger Joint Wood Panels(RMB/m3)	686	1,250	853	24.4%	-31.7%	Increase in the output ratio due to the improvement in production process .
Blended GP/m3	962	806	879	-8.6%	9.1%	Decrease of ASP due to product structure shift and sales discounts
Financial Result (RMB Mn)						
Revenue	512,736	563,269	609,880	18.9%	8.3%	Increase in revenue of Processed Wood Panels.
Other net income	7,341	8,638	4,810	-34.5%	-44.3%	Received one-off bonus from Handan Bureau of Finance in 2014
D&A	(17,453)	(19,671)	(19,034)	9.1%	-3.2%	
Administration expenses	(54,881)	(56,327)	(50,292)	-8.4%	-10.7%	Less R&D expenses due to less materials being consumed
Selling expenses	(5,022)	(4,506)	(8,866)	76.5%	96.8%	Increasing expenses for rental and sales personnel for new offices
Operating profit	82,590	79,735	99,807	20.8%	25.2%	
Finance expenses	(8,274)	(4,547)	(7,767)	-6.1%	70.8%	Interest expenses higher than expected
Profit before taxation	74,316	75,188	92,040	23.8%	22.4%	
Income tax	(10,588)	(11,278)	(16,927)	59.9%	50.1%	Higher effective tax rate due to a dividends received from a subsidiary
Net Profit	63,728	63,910	75,113	17.9%	17.5%	
EPS (RMB)	0.064	0.064	0.075	17.9%	17.4%	
Margins & Ratios						
Gross profit margin	26.3%	23.4%	25.3%	-1.0ppt	1.9ppt	Lower blended ASP
Operating margin	16.1%	14.2%	16.4%	0.3ppt	2.2ppt	
EBITDA margin	19.4%	17.3%	19.4%	0.1ppt	2.1ppt	
Net Profit margin	15.3%	17.6%	18.2%	2.9ppt	0.7ppt	

Source: the Company, Guotai Junan International.

Strategic cooperative agreement with System TM A/S and HOMAG China Golden Field. The Company entered into cooperation with System TM A/S, which is a top-tier provider of comprehensive automated wood processing production line solutions in Europe. CWO also went into strategic cooperation with HOMAG China Golden Field, who is a distributor in China for HOMAG Group, a world-leading wood equipment manufacturer from Germany. The strategic agreements will allow CWO to achieve full automation and a high level of efficiency in its production processes, in turn improving the quality of CWO's products to meet international standards. It also presents new means of protecting invaluable natural forest resources by enhancing the scale of fast-growing plantations and increasing their utilization value.

A possible rebound of property market favors CWO's business. After a tough year in 2015, property has shown some momentum of picking up its growth lately. National property investments rebounded by 2ppts, recorded a 3% growth YoY for the first two months in 2016. GFA sold of commercial houses delivered a surprisingly 28.2% growth in Jan.- Feb., up by 44.5ppts YoY and was 21.7ppts higher than the full year growth in 2015. Newly started floor spaces recorded 13.7% YoY, ending a 24 month consecutive negative growth, and have been the highest growth since Feb.2013. In addition, land space purchases picked up by 12.3ppts, recorded -19.4% YoY, implying that property developers started to have initiatives to restock land for future developments. We think that such result of the property market was far beyond market expectations. Although the remarkable growth in sales was in-line with policies of house destocking and we remain positive, there are still concerns that whether such rebound could last for more than one year or it is just "a flash in the pan" as a result of a 2.5 trillion credit in Jan. 2016. If property sector investments and sales could maintain at a solid level, we anticipate that the increasing demand of commercial properties would present a further downstream demand for furniture in mid-term. As CWO's Process Wood Panels are key materials for wood furniture such as timber floor, wood cabinetries and doors, the Company will leverage the recovery of the property sector.

We anticipate further market promotion from the Company. As three new offices were established in Beijing, Shanghai and Chengdu, respectively, and the new production plant will double the Company's production capacity, we think that CWO will continue to promote the market recognition of Process Wood Panels and to expand its application spectrum. Although engagements in promotions will mean further price discount offers for CWO's clients, it will help the Company to effective expand its presences in the market and gain more market shares. We think that a successful expansion will help to offset the negative effect from lower ASP. Also, we anticipate the new production plant will help CWO to achieve some sort of economics of scale, which help to reduce the impact from price discounts.

Table-2: Key assumptions and adjustments for CWO

	Old forecast			New forecast			Change %/ppt		
	2016F	2017F	2018F	2016F	2017F	2018F	2016F	2017F	2018F
Processed Wood Panels									
Sales volume (m3)	184,882	220,148	239,412	211,342	234,824	242,648	14.3%	6.7%	1.4%
ASP (RMB)	3,430	3,428	3,425	3,350	3,320	3,300	-2.3%	-3.2%	-3.6%
GP per m3	790	788	790	800	775	760	1.3%	-1.6%	-3.8%
Processed Finger Joint Wood Panels									
Sales volume (m3)	1,092	546	410	4,132	3,719	3,347	278.3%	580.9%	717.1%
ASP (RMB)	4,150	4,100	4,080	4,295	4,290	4,285	3.5%	4.6%	5.0%
GP per m3	1,205	1,157	1,139	847	845	842	-29.7%	-27.0%	-26.1%
Overall sales of products									
Sales volume (m3)	185,974	220,694	239,822	215,473	238,543	245,994	15.9%	8.1%	2.6%
ASP (RMB)	3,435	3,430	3,426	3,368	3,335	3,313	-1.9%	-2.8%	-3.3%
GP per m3	792	789	791	801	776	761	1.1%	-1.6%	-3.7%
Financial result (RMB Mn)									
Revenue	638,822	756,905	821,658	725,741	795,569	815,078	13.6%	5.1%	-0.8%
Other income	8,275	8,738	8,992	7,429	6,863	7,600	-10.2%	-21.5%	-15.5%
Selling expenses	(6,388)	(6,055)	(6,573)	(11,612)	(12,729)	(13,041)	81.8%	110.2%	98.4%
Administration expenses	(63,882)	(75,690)	(82,166)	(65,317)	(71,601)	(73,357)	2.2%	-5.4%	-10.7%
Operating profit	85,713	101,498	110,286	103,436	108,062	108,839	20.7%	6.5%	-1.3%
Finance expenses	(4,456)	(4,367)	(4,280)	(3,348)	(2,537)	(2,117)	-24.9%	-41.9%	-50.5%
PBT	81,257	97,131	106,006	100,088	105,524	106,722	23.2%	8.6%	0.7%
Income tax	(12,189)	(14,570)	(15,901)	(15,013)	(15,829)	(16,008)	23.2%	8.6%	0.7%
Net profit	69,068	82,561	90,105	85,075	89,696	90,714	23.2%	8.6%	0.7%
EPS (RMB)	0.069	0.083	0.090	0.085	0.090	0.091	23.2%	8.6%	0.7%
DPS	0.000	0.000	0.000	0.000	0.000	0.000			
Margins and ratios									
Gross Margin	23.1%	23.0%	23.1%	23.8%	23.3%	23.0%	0.7ppt	0.3ppt	-0.1ppt
EBITDA margin	16.9%	13.1%	13.9%	17.7%	17.2%	17.2%	0.8ppt	4.1ppt	3.3ppt
Net Profit Margin	10.8%	10.9%	11.0%	11.7%	11.3%	11.1%	0.9ppt	0.4ppt	0.2ppt
ROE	11.9%	12.4%	11.9%	14.9%	13.6%	12.1%	3.1ppt	1.2ppt	0.2ppt
ROA	10.3%	10.8%	10.5%	11.4%	10.9%	10.0%	1.2ppt	0.1ppt	-0.5ppt

Source: the Company, Guotai Junan International.

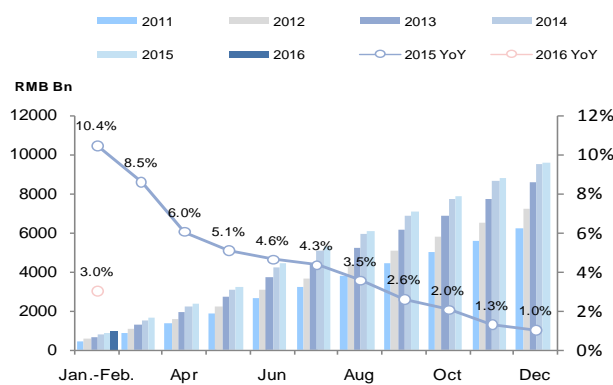
Maintain “Neutral” rating while revise up TP to HK\$3.00. FY16/17 EPS are raised by 23.2%/8.6% to RMB0.0910/0.103, mainly reflects the increasing sales of Process Wood Panels resulting from new capacity being commenced in operations. We think that the if the lately rebound in property investments will could last in mid-term, investments will consequently transfer to newly started floor spaces and then sales in 1-2 years time, resulting a wave of boost in the demand of downstream goods such as furniture and benefiting CWO's businesses. We revise up TP to HK\$3.00 from HK\$2.70 based on higher earnings forecasts, representing 30.0x/28.4x/28.1x FY16/17/18 PER. Since the valuation is fair, we maintain “Neutral” rating.

Table-3: Listed peers comparisons

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)	D/Y(%)	Gross Margin(%)	Net Margin(%)	Market Cap	
				15A	16F	17F	18F	15A	16F	17F	18F	16F	16F	16F	16F	HKD	
H-share Listed Companies																	
China Wood Optimization Hold	8099 HK	HKD	2.92	31.6	29.2	27.6	27.3	4.4	4.1	3.5	3.1	n.a.	n.a.		n.a.	n.a.	2,920.0
Merry Garden Holdings Ltd	1237 HK	HKD	0.19	2.4	3.3	2.8	n.a.	0.4	0.3	0.3	n.a.	11.3	2.5		26.2	13.9	494.2
Man Wah Holdings Ltd	1999 HK	HKD	9.00	16.2	14.7	13.0	11.6	4.0	3.5	3.1	2.7	24.4	4.0		38.2	15.8	17,516.0
Dongpeng Holdings Co Ltd	3386 HK	HKD	3.95	n.a.	7.2	6.9	n.a.	n.a.	n.a.	n.a.	n.a.	17.2	4.2		38.9	13.5	4,990.6
China Creative Home Group Lt	1678 HK	HKD	0.66	2.8	2.6	2.4	n.a.	0.5	0.4	0.3	n.a.	15.1	4.2		37.7	23.0	1,306.8
Simple Average				13.2	11.4	10.5	19.5	2.3	2.1	1.8	2.9	17.6	3.6		35.3	16.6	5,445.5
Weighted Average				14.0	14.1	12.8	10.4	3.1	2.7	2.4	2.1	19.0	3.4		34.0	14.0	12,567.9
A-share Listed Companies																	
Yotrio Group Co Ltd-A	002489 CH	CNY	7.41	n.a.	21.2	18.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	19,260.4
Fujian Yongnan Forestry Grp-A	000663 CH	CNY	11.53	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	4,697.3
Fujian Jinsen Forestry Co -A	002679 CH	CNY	20.49	n.a.	89.1	82.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	3,394.7
Sichuan Shengda Forestry -A	002259 CH	CNY	6.41	n.a.	53.4	40.1	n.a.	n.a.	4.4	4.0	n.a.	11.8	n.a.		22.4	4.5	4,926.4
Guangdong Weihua Corp -A	002240 CH	CNY	8.95	n.a.	n.a.	n.a.	n.a.	3.2	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.	5,246.7
Simple Average				n.a.	54.6	46.7	n.a.	3.2	4.4	4.0	n.a.	11.8	n.a.		22.4	4.5	6,918.8
Weighted Average				n.a.	23.4	19.8	n.a.	0.4	0.5	0.5	n.a.	1.4	n.a.		2.7	0.5	11,375.9

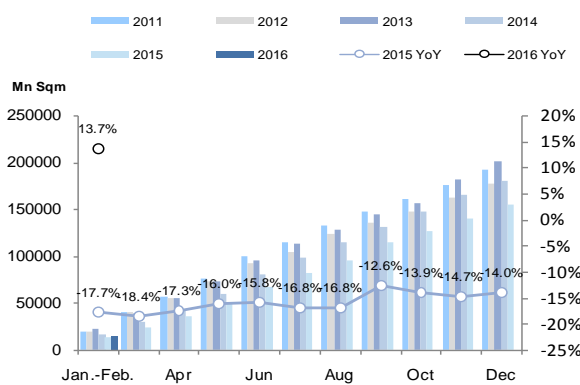
Source: Bloomberg, Guotai Junan International.

Figure-1: National Property Investments



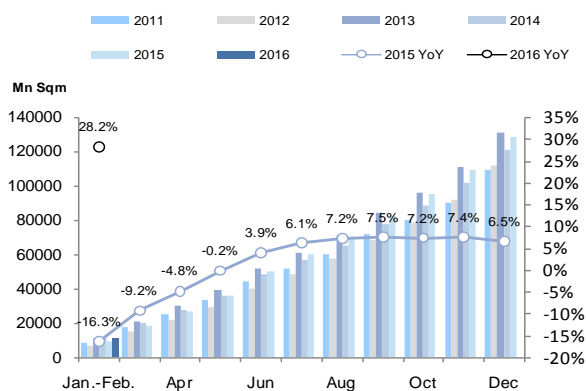
Source: NBSC, Guotai Junan International

Figure-2: National Newly Started Floor Spaces



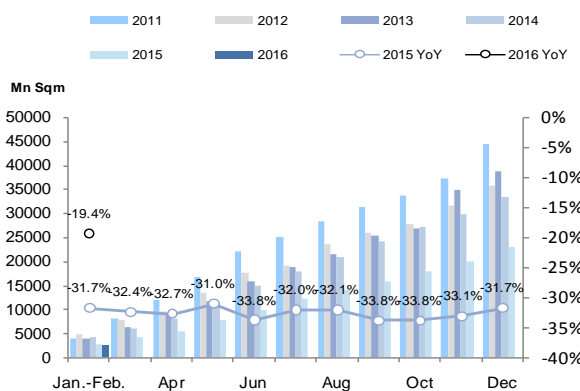
Source: NBSC, Guotai Junan International

Figure-3: National Property Sales in Spaces



Source: NBSC, Guotai Junan International

Figure-4: National Land Purchases in Spaces



Source: NBSC, Guotai Junan International

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end Dec (RMB '000)	2014A	2015A	2016F	2017F	2018F	Year end Dec (RMB '000)	2014A	2015A	2016F	2017F	2018F
Total revenue	512,736	609,880	725,741	795,569	815,078	Fixed assets	176,244	313,146	336,409	356,422	373,185
Cost of sales	(377,945)	(455,725)	(553,168)	(610,438)	(627,848)	Investment properties	16,131	7,383	14,766	22,149	39,868
Gross profit	134,791	154,155	172,573	185,131	187,230	Lease prepayments	15,649	54,270	59,697	65,667	72,233
Other revenue	7,341	4,810	7,429	6,863	7,600	Intangible assets	48	18	20	22	24
Other net income	361	0	363	398	408	Deferred tax assets	1,132	864	950	1,045	1,150
Selling expenses	(5,022)	(8,866)	(11,612)	(12,729)	(13,041)	Other receivables	0	3,992	3,977	3,487	3,126
Administrative expenses	(54,881)	(50,292)	(65,317)	(71,601)	(73,357)	Non-Current assets	209,204	379,673	415,819	448,792	489,587
Operating profit	82,590	99,807	103,436	108,062	108,839	Inventories	82,384	84,832	106,087	125,432	134,170
Net financial cost	(8,274)	(7,767)	(3,348)	(2,537)	(2,117)	Trade and other receivables	10,158	16,617	16,901	18,527	18,981
Profit before tax	74,316	92,040	100,088	105,524	106,722	Prepayments deposits and other receivable	16,586	19,664	23,860	26,156	26,797
Taxation	(10,588)	(16,927)	(15,013)	(15,829)	(16,008)	Cash at bank and in hand	202,079	117,312	83,664	104,318	147,672
Net profit	63,728	75,113	85,075	89,696	90,714	Pledged time deposits	0	42,300	98,000	100,000	90,000
EPS (RMB)	0.064	0.075	0.085	0.090	0.091	Prepaid income tax	931	21	23	25	28
DPS (RMB)	0.000	0.000	0.000	0.000	0.000	Current assets	312,138	280,746	328,535	374,458	417,648
						Total Assets	521,342	660,419	744,353	823,251	907,235
						Trade payables	181	0	152	167	172
						Receipts in advance	524	198	218	240	264
						Accrued expenses and other payables	9,216	52,843	60,621	60,208	58,484
						Bank and other loans	58,000	37,169	29,735	20,815	16,652
						Others	0	7,358	7,211	7,067	7,067
						Current liabilities	67,921	97,568	97,937	88,496	82,638
						Bank and other loans	0	13,458	12,112	10,901	9,811
						Deferred income	4,700	3,948	4,145	4,353	4,570
						Obligations under finance lease	0	18,042	17,681	17,328	17,328
						Non-current liabilities	4,700	35,448	33,939	32,581	31,709
						Total Liabilities	72,621	133,016	131,875	121,077	114,347
						Shareholders' equity	448,721	527,403	612,478	702,174	792,888
						Total Liabilities and Equity	521,342	660,419	744,353	823,251	907,235
						BPS (RMB)	0.449	0.527	0.612	0.702	0.793

Cash flow Statement					
Year end Dec (RMB '000)	2014A	2015A	2016F	2017F	2018F
Profit before tax	74,316	92,040	100,088	105,524	106,722
Depreciation & amortization	18,571	20,121	26,737	29,987	33,237
Net finance cost	4,711	3,566	1,339	1,191	137
Other items	(92)	20	0	0	0
Working capital change	(1,496)	(16,974)	(18,278)	(23,652)	(11,167)
Interest & Tax paid	(14,286)	(15,749)	(14,904)	(15,719)	(15,898)
Cash flow from operation	81,724	83,024	94,982	97,332	113,032
CAPEX	(5,732)	(99,504)	(62,812)	(63,355)	(74,288)
Increase in pledged time deposits	0	(42,300)	(55,700)	(2,000)	10,000
Others	1,987	(12,153)	2,009	1,346	1,980
Cash flow from investing	(3,745)	(153,957)	(116,503)	(64,009)	(62,308)
Increase in bank loans	(119,660)	(7,373)	(8,780)	(10,132)	(5,253)
Net proceeds from share issuance	182,608	0	0	0	0
Dividends paid	0	0	0	0	0
Others	(6,642)	(6,680)	(3,348)	(2,537)	(2,117)
Cash flow from financing	56,306	(14,053)	(12,127)	(12,669)	(7,370)
Cash balance change	134,285	(84,986)	(33,648)	20,654	43,354
Cash balances at year begin	67,788	202,079	117,312	83,664	104,318
Effect of FX changes	6	219	0	0	0
Cash balances at year end	202,079	117,312	83,664	104,318	147,672

Financial Ratios					
Year end Dec (RMB '000)	2014A	2015A	2016F	2017F	2018F
Growth (%):					
Revenue	6.5	18.9	19.0	9.6	2.5
Gross profit	(4.4)	14.4	11.9	7.3	1.1
Operating profit	2.8	20.8	3.6	4.5	0.7
Net profit	19.9	17.9	13.3	5.4	1.1
Profitability (%):					
Gross margin	26.3	25.3	23.8	23.3	23.0
Operating margin	16.1	16.4	14.3	13.6	13.4
Net margin	12.4	12.3	11.7	11.3	11.1
ROA	12.2	11.4	11.4	10.9	10.0
ROE	14.2	15.4	14.9	13.6	12.1
Liquidity & Solvency					
Current Ratio (x)	4.6	2.9	3.4	4.2	5.1
Quick Ratio (x)	3.4	2.0	2.3	2.8	3.4
Net gearing (%)	0.5	net cash	net cash	net cash	net cash
Interest coverage (x)	4.3	10.0	0.0	30.9	42.6
Dividend payout ratio (x)	0.0	0.0	0.0	0.0	0.0

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	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	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	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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