

## Edvantage Group (382 HK) Expansion projects to boost growth

- The Group's revenue and gross profit growth in 1Q20 reached 19.4% YoY and 21.3% YoY
- Acquired NYU Language School in Singapore and established the Singapore campus based on the NYU Language School; there are other new expansion projects to boost future growth
- Expect revenue CAGR of 18.4% in 2019A-22E, supported by student enrollment and average student revenue CAGRs of 8.2% and 9.4%
- Maintain **BUY**; current TP implies 16.29x/13.23x 20E/21E P/E or 2.72/2.26x 20E/21E P/B

**1Q20 revenue increased by 19.4% YoY to RMB 210.9mn.** 1Q20 gross profit increased by 21.3% YoY to 104.3mn and GPM reached 49.5%. Total student enrollment increased by 7.7% YoY (+ 2,511) to 35,227, among which Huashang College's student enrollment increased by 6.3% YoY to 24,116; Huashang Vocational College student enrollment rose by 11.3% YoY to 10,661; GBCA's student enrollment reached 450. Average student tuition for Huashang College was up by 13.3% YoY to RMB 24,671, while that of Huashang Vocational College rose 3.5% YoY to RMB 15,617.

**Making strides in international expansion.** The Group has acquired NYU Language School in Singapore, which has been accredited as EduTrust by the Education Department of Singapore. The new campus is expected to commence operation in Apr 2020 and the estimated investment is below RMB 20mn. We believe this acquisition would open up opportunities for the Group to set up exchange programs as it did with GBCA, which would raise tuition rate.

**New expansion projects to boost future growth.** The Group announced the establishment of the (1) Shenzhen teaching venue, (2) the College of Healthcare, and (3) the Southwest University of Political Science & Law Huashang College. We believe these new expansion projects would enhance the Group's future earnings abilities mainly in the form of enhancing the revenue per student. For details of the expansion projects, please refer to the Exhibit 4.

**Revenue CAGR of 18.4% in FY19A-22E.** We expect student enrollment and average student revenue would expand at 8.2% and 9.4% CAGRs in FY19A-22E. Our average revenue per student projection has been increased to reflect the enhancement brought by the new projects and the adjusted 2019 tuition level corresponding to Group's tuition level in 1Q20; student enrollment projection has been increased to reflect the addition of the Singapore Campus. We expect GPM and total NPM (to shareholders of the Company) would increase from 48.6% and 30.8% in FY19 to 51.8% and 40.7% in FY22E, mainly due to the Group's ability to enhance revenue growth while maintaining a relative stable cost.

**Maintain BUY; TP at HK\$ 5.83.** We believe the Group would continue to improve its future growth with the execution of multiple expansion plans. Maintain **BUY**. Our DCF-derived TP rises to HK\$ 5.83 on enhanced earnings prospect brought by the new projects. Current TP represents 16.29x/13.23x 20E/21E P/E or 2.72/2.26x 20E/21E P/B.

**Risk factors:** 1) Geographical concentration risk; 2) Growth risk; 3) Teaching staff cost risk; 4) Education quality risk; 5) Regulatory risk.

### Results and Valuation

FY ended Aug 31	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	573	604	636	704	843	996	1,168
Change (YoY %)	N/A	5.52	5.33	10.66	19.66	18.25	17.25
Net Profit – to owners of the Company (RMB mn)	91	131	162	217	322	397	476
Change (YoY %)	N/A	44.16	23.18	34.11	48.65	23.12	19.89
Basic EPS (RMB cent)	N/A	N/A	21.55	27.68	31.64	38.96	46.71
Change (YoY %)	N/A	N/A	N/A	28.45	14.31	23.12	19.89
P/E (x)	N/A	N/A	20.92	16.29	14.25	11.57	9.65
BVPS (RMB cent)	N/A	N/A	N/A	157.67	189.31	228.27	274.98
P/B (x)	N/A	N/A	N/A	2.86	2.38	1.98	1.64
Dividend (HK\$ cent)	N/A	N/A	N/A	1.00	12.14	14.95	17.93
Dividend yield	N/A	N/A	N/A	0.20	2.38	2.93	3.51
ROAA (%)	N/A	10.00	8.63	8.06	9.65	10.16	10.30
ROAE (%)	N/A	29.48	27.08	19.42	18.24	18.66	18.56

Source(s): The Group, ABCI Securities estimates

## Company Report

Jan 20, 2020

Rating: **BUY**

TP: **HK\$ 5.83**

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Share price (HK\$)	5.10
52WK H/L (HK\$)	5.3/2.56
Est. share price return	14.33%
Est. dividend yield	2.38%
Est. total returns	16.71%
Previous rating/TP	BUY / HK\$ 5.01
Previous report date	Jan 7, 2020

Source(s): Bloomberg, ABCI Securities estimates

### Key data

Issued shares (mn)	1,018.36
Mkt cap (HK\$ mn)	5,193.65
ADT since IPO (HK\$mn)	10.31
Shareholding (%)	
Debo Education Investment HLD	73.65
Ariana Capital Investment	7.27
Other public investors	19.08

Source(s): Bloomberg, the Group

### Margin projections (%)

	FY20E	FY21E	FY22E
GPM	50.1	51.2	51.8
Pretax margin	42.9	44.2	45.2
NPM (owners of the Company)	38.2	39.8	40.7

Source(s): ABCI Securities estimates

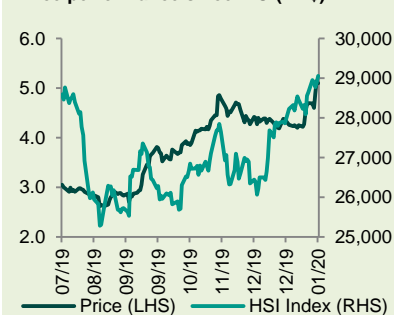
### Price performance (%)

	Absolute	Relative*
1-mth	21.72	17.47
3-mth	31.11	22.21
6-mth	71.14	69.03

\* Relative to HSI

Source(s): Bloomberg

### Price performance since IPO (HK\$)



Source(s): Bloomberg, ABCI Securities

Note: Market data as of Jan 17, 2020



**Exhibit 1: Revenue and gross profit**

	FY19	1Q19	1Q20	Change
Revenue (RMB mn)	704.2	176.6	210.9	19.4% YoY
Gross profit (RMB mn)	342.4	86.0	104.3	21.3% YoY
GPM (%)	48.6	48.7	49.5	0.8 ppt

Source(s): The Group, ABCI Securities

**Exhibit 2: Number of student enrollments for school years and quarters (ppl)**

	2016/17	2017/18	2018/2019	1Q-2018/19	1Q-2019/20
Huashang College	21,917	21,770	22,665	22,691	24,116
Huashang Vocational College	9,859	9,735	9,541	9,582	10,661
Global Business College of Australia	464	712	837	443	450

Note: 1) School year ends at Aug 31; 2) first quarter of school year ends at Nov 30

Source(s): The Group, ABCI Securities

**Exhibit 3: Average tuition fees (RMB)**

	2016/17	2017/18	2018/2019	1Q-2018/19	1Q-2019/20
Huashang College	18,520	19,822	21,831	21,783	24,671
Huashang Vocational College	13,784	14,392	15,057	15,083	15,617

Note: 1) School year ends at Aug 31; 2) first quarter of school year ends at Nov 30

Source(s): The Group, ABCI Securities

**Exhibit 4: Expansion projects**

Projects	Details
<b>Acquisition of NYU Language School in Singapore and new campus in Singapore</b>	<ul style="list-style-type: none"> <li>➢ The NYT Language School provides both long-term and short-term language training courses as well as preparatory courses for the admission of different schools in Singapore for local and overseas students; the students in NYU Language School come from different countries</li> <li>➢ The Group has established the Singapore campus based in the existing NYU Language School; the new campus is expected to commence operation in Apr 2020</li> <li>➢ Singapore campus is situated in city center with favorable geographical location and excellent accessibility; it is also in the vicinity of various universities, including the National University of Singapore and the Nanyang Academy of Fine Arts</li> <li>➢ In addition to the language preparatory courses, the new campus also provides undergraduate and college courses and start-up/training courses; it is qualified to offer internationally-recognized courses and accept local and international students in Singapore</li> </ul>
<b>Shenzhen Teaching Venue</b>	<ul style="list-style-type: none"> <li>➢ Expected time of operation: Apr 2020</li> <li>➢ Location: The Mixc Commercial Zone (萬象天地商圍), Nanshan District, Shenzhen</li> <li>➢ Area: Over 300 sqm</li> <li>➢ Utilization: Teaching venue of advanced courses such as artificial intelligence, big data, and financial technology, etc.</li> <li>➢ Investment amount: ~RMB 1mn</li> </ul>
<b>College of Healthcare</b>	<ul style="list-style-type: none"> <li>➢ To train healthcare professionals establish a healthcare professional group covering healthcare services and management, Chinese herbs, cosmetics science and technology and health enhancement with traditional Chinese pharmacy</li> <li>➢ ~150 students have been initially enrolled for the 2019/20 school year</li> <li>➢ Its curriculum focuses on "cooperation with hospitals and corporates" and "school enterprise cooperation" cooperation"</li> <li>➢ The Group has also set up a modern and synthetic Chinese herbarium, which combines education, scientific research, and popular science</li> </ul>
<b>Southwest University of Political Science &amp; Law Huashang College</b>	<ul style="list-style-type: none"> <li>➢ The secondary school of Huashang College</li> <li>➢ Provides joint Bachelor Degree Training, double bachelor's degree (business + laws)</li> <li>➢ Expected to commence the joint programs in 2020/21 school year</li> <li>➢ The Group expects the tuition fees for the joint programs with double bachelor degree will be considerably higher than single bachelor degree programs</li> </ul>

Source(s): The Group, ABCI Securities

**Exhibit 5: Student enrollment projections (ppl)**

As of Aug 31	2015/16A	2016/17A	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
Total	32,231	32,230	32,217	33,043	34,022	37,124	40,343
Huashang College	22,179	21,917	21,770	22,665	23,018	23,013	23,069
Huashang Vocational College	10,025	9,859	9,735	9,541	10,084	10,099	10,161
GBCA	27	454	712	837	921	1,013	1,114
Sihui Campus	N/A	N/A	N/A	N/A	N/A	3,000	6,000
Singapore Campus	N/A	N/A	N/A	N/A	723	781	843

Source(s): The Group, ABCI Securities estimates



**Exhibit 6: Average tuition and boarding fee projections**

As of Aug 31	2015/16A	2016/17A	2017/18A	2018/19A	2019/20E	2020/21E	2021/22E
<b>Average tuition (RMB)</b>							
Huashang College	17,618	18,520	19,822	21,831	24,623	27,784	31,451
Huashang Vocational College	12,869	13,784	14,392	15,057	15,601	16,243	16,921
GBCA*	10,444	22,293	15,371	11,706	12,291	12,906	13,551
Sihui Campus	N/A	N/A	N/A	N/A	N/A	18,000	19,800
Singapore Campus	N/A	N/A	N/A	N/A	7,800	8,190	8,600
<b>Average boarding fees (RMB)</b>							
Huashang College	1,640	1,644	1,702	1,786	1,862	1,947	2,033
Huashang Vocational College	1,613	1,645	1,720	1,839	1,945	2,068	2,192
Sihui Campus	N/A	N/A	N/A	N/A	N/A	2,007	2,113

Note: GBCA data is tuition revenue divided by student enrollment

Source(s): The Group, ABCI Securities estimates

**Exhibit 7: Peer valuation comparison**

Ticker	ENG name	CHI name	P/E(x)		P/B (x)		Yield (%)		ROAA (%)		ROAE (%)	
			20E	21E	20E	21E	20E	21E	20E	21E	20E	21E
<b>Fundamental edu peers</b>												
6068 HK	Wisdom	睿見教育	14.04	11.28	2.72	2.38	2.90	3.58	7.63	8.74	20.47	21.75
1317 HK	Maple Leaf	楓葉教育	11.50	9.88	1.89	1.71	3.50	4.04	9.53	11.01	16.82	17.34
1565 HK	Virscend	成實外教育	8.38	6.28	1.54	1.33	4.15	5.46	11.46	13.13	19.45	22.66
1773 HK	Tianli	天立教育	19.32	15.86	2.58	2.21	1.81	2.60	7.52	9.08	13.56	16.46
<b>Higher edu peers</b>												
839 HK	CEG	中教控股	22.74	19.42	2.75	2.47	1.30	1.57	6.42	7.16	12.45	13.68
1765 HK	Hope	希望教育	17.10	13.53	2.06	1.84	1.74	2.06	6.62	7.79	12.87	14.24
1569 HK	Minsheng	民生教育	10.22	8.78	1.11	0.96	0.48	0.72	6.72	7.18	11.86	12.47
2001 HK	CNHE	中國新高教	8.81	7.60	1.62	1.42	3.25	3.67	8.84	9.47	18.83	18.82
6169 HK	Yuhua	宇華教育	18.25	16.04	4.05	3.56	2.59	3.11	10.80	11.47	23.93	24.15
2779 HK	Xinhua	新華教育	9.44	8.11	1.25	1.11	3.25	3.70	11.34	12.20	13.80	14.61
1969 HK	Chunlai	春來教育	11.35	7.56	1.36	1.24	3.38	4.63	7.08	8.13	14.92	17.11
1890 HK	Kepei	科培教育	14.99	12.67	3.04	2.39	2.51	1.43	11.90	11.80	21.51	20.95
<b>382 HK</b>	<b>Edvantage</b>	<b>中匯集團</b>	<b>14.25</b>	<b>11.57</b>	<b>2.38</b>	<b>1.98</b>	<b>2.38</b>	<b>2.93</b>	<b>9.65</b>	<b>10.16</b>	<b>18.24</b>	<b>18.66</b>
<i>Average – HK-listed PRC peers</i>			<u>13.84</u>	<u>11.42</u>	<u>2.16</u>	<u>1.89</u>	<u>2.57</u>	<u>3.05</u>	<u>8.82</u>	<u>9.76</u>	<u>16.71</u>	<u>17.85</u>
<i>Average – HK-listed PRC fundamental education peers</i>			<u>13.31</u>	<u>10.82</u>	<u>2.18</u>	<u>1.91</u>	<u>3.09</u>	<u>3.92</u>	<u>9.03</u>	<u>10.49</u>	<u>17.57</u>	<u>19.55</u>
<i>Average – HK-listed PRC higher education peers</i>			<u>14.11</u>	<u>11.71</u>	<u>2.15</u>	<u>1.87</u>	<u>2.31</u>	<u>2.61</u>	<u>8.71</u>	<u>9.40</u>	<u>16.27</u>	<u>17.00</u>

Note: Data as of Jan 17, 2020

Source(s): Bloomberg, ABCI Securities estimates

**Exhibit 8: Projection change**

	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
	Previous projection (report date: Jan 7, 2020)			Current projection		
Revenue (RMB mn)	797	936	1,101	843	996	1,168
Gross profit (RMB mn)	399	477	565	422	511	605
Net profit (to shareholders of the Company) (RMB mn)	304	369	437	322	397	476
GPM (%)	50.1	51.0	51.4	50.1	51.2	51.8
NPM (to shareholders of the Company) (%)	38.1	39.4	39.7	38.2	39.8	40.7
ROAA (%)	9.28	9.72	9.81	9.6	10.2	10.3
ROAE (%)	17.29	17.61	17.52	18.2	18.7	18.6

Source(s): ABCI Securities estimates



## Financial statement of the Group

### Consolidated income statement

FY ends at Aug 31 (RMB mn)	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>573</b>	<b>604</b>	<b>636</b>	<b>704</b>	<b>843</b>	<b>996</b>	<b>1,168</b>
- Tuition fees	520	548	580	647	774	918	1079
- Boarding fees	53	52	54	56	65	75	85
- Fees from university cooperation program	0	3	3	1	3	3	4
Cost of sales	(326)	(333)	(346)	(362)	(421)	(486)	(563)
<b>Gross profit</b>	<b>247</b>	<b>271</b>	<b>290</b>	<b>342</b>	<b>422</b>	<b>511</b>	<b>605</b>
Selling expenses	(3)	(7)	(9)	(7)	(10)	(11)	(14)
Admin expenses	(69)	(64)	(67)	(82)	(92)	(109)	(124)
Others	10	13	28	17	64	75	89
Finance costs	(19)	(14)	(18)	(28)	(22)	(25)	(29)
<b>Pretax profit</b>	<b>166</b>	<b>198</b>	<b>225</b>	<b>243</b>	<b>361</b>	<b>440</b>	<b>528</b>
Tax	(32)	(39)	(48)	(28)	(39)	(44)	(52)
<b>Net profit (continuing operation)</b>	<b>134</b>	<b>160</b>	<b>177</b>	<b>215</b>	<b>322</b>	<b>397</b>	<b>476</b>
- Owners	91	130	163	209	322	397	476
- MI	43	30	14	6	0	0	0
<b>Net profit/losses from discontinued operations</b>	<b>0</b>	<b>1</b>	<b>(2)</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>
- Owners	0	1	(2)	7	0	0	0
- MI	(0)	0	0	(0)	0	0	0
<b>Total net profit</b>	<b>134</b>	<b>161</b>	<b>175</b>	<b>223</b>	<b>322</b>	<b>397</b>	<b>476</b>
- Owners	91	131	162	217	322	397	476
- MI	43	30	14	6	0	0	0
<b>EPS (RMB cent)</b>							
- Basic	0	0	21.55	27.68	31.64	38.96	46.71
- Diluted	0	0	N/A	27.68	31.64	38.96	46.71
<b>DPS (HK\$ cent)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1.00</b>	<b>12.14</b>	<b>14.95</b>	<b>17.93</b>

Source(s): The Group, ABCI Securities estimates

### Consolidated balance sheet

FY ends at Aug 31 (RMB mn)	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Bank balances and cash	196	216	149	1,352	1,778	2,247	2,764
Financial assets at fair value through profit or loss	162	264	869	253	268	284	301
Trade receivables, deposits, prepayments and other receivables	23	8	23	32	12	43	19
Others	12	21	117	58	2	3	3
<b>Current assets</b>	<b>393</b>	<b>509</b>	<b>1,158</b>	<b>1,695</b>	<b>2,060</b>	<b>2,577</b>	<b>3,088</b>
PP&E	1,091	1,097	1,176	1,180	1,375	1,545	1,753
Prepaid lease payments	55	56	54	199	67	74	85
Others	9	7	8	53	54	56	57
<b>Non-current assets</b>	<b>1,155</b>	<b>1,159</b>	<b>1,238</b>	<b>1,432</b>	<b>1,495</b>	<b>1,675</b>	<b>1,895</b>
<b>Total assets</b>	<b>1,548</b>	<b>1,668</b>	<b>2,396</b>	<b>3,127</b>	<b>3,555</b>	<b>4,253</b>	<b>4,982</b>
Contracted liabilities	436	457	568	682	661	823	887
ST Borrowing	176	266	214	166	191	212	251
Others	161	209	241	171	196	224	266
<b>Current liabilities</b>	<b>774</b>	<b>932</b>	<b>1,024</b>	<b>1,019</b>	<b>1,048</b>	<b>1,259</b>	<b>1,405</b>
Deferred tax liabilities	65	82	106	113	125	149	176
LT Borrowing	234	28	568	390	455	519	601
<b>Non-current liabilities</b>	<b>299</b>	<b>110</b>	<b>673</b>	<b>502</b>	<b>579</b>	<b>669</b>	<b>777</b>
Shareholders' equity	323	568	626	1,606	1,928	2,325	2,800
MI	153	59	73	0	0	0	0
<b>Equity</b>	<b>476</b>	<b>627</b>	<b>699</b>	<b>1,606</b>	<b>1,928</b>	<b>2,325</b>	<b>2,800</b>
<b>Total liabilities and equity</b>	<b>1,548</b>	<b>1,668</b>	<b>2,396</b>	<b>3,127</b>	<b>3,555</b>	<b>4,253</b>	<b>4,982</b>

Source(s): The Group, ABCI Securities estimates



**Consolidated cash flow statement**

FY ends at Aug 31 (RMB mn)	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
Profit for the period	134	161	175	223	322	397	476
Depreciation and amortization	71	66	64	64	83	90	97
Change in working capital	35	82	62	130	78	112	169
Others	37	37	37	6	37	43	51
<b>Cash flow from operating activities</b>	<b>277</b>	<b>346</b>	<b>338</b>	<b>423</b>	<b>521</b>	<b>642</b>	<b>793</b>
PP&E	(159)	(69)	(132)	(102)	(274)	(436)	(290)
Others	(88)	(110)	(706)	534	18	17	18
<b>Cash flow from investing activities</b>	<b>(248)</b>	<b>(179)</b>	<b>(839)</b>	<b>433</b>	<b>(256)</b>	<b>(419)</b>	<b>(272)</b>
Change in borrowing	1	(116)	488	(227)	89	86	122
Others	(80)	(31)	(56)	559	67	161	(128)
<b>Cash flow from financing activities</b>	<b>(79)</b>	<b>(148)</b>	<b>432</b>	<b>332</b>	<b>156</b>	<b>247</b>	<b>(7)</b>
<b>Net change in cash</b>	<b>(49)</b>	<b>19</b>	<b>(69)</b>	<b>1,188</b>	<b>421</b>	<b>470</b>	<b>515</b>
Cash and cash equivalent - beg	245	196	216	149	1,352	1,778	2,247
ForEx impact	1	1	1	16	4	(1)	2
<b>Cash and cash equivalent - end</b>	<b>196</b>	<b>216</b>	<b>149</b>	<b>1,352</b>	<b>1,778</b>	<b>2,247</b>	<b>2,764</b>

Source(s): The Group, ABCI Securities estimates

**Key operating and financial ratios**

FY ends at Aug 31	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Growth (YoY %)</b>							
Revenue	N/A	5.5	5.3	10.7	19.7	18.2	17.3
- Tuition fees	N/A	5.5	5.7	11.6	19.6	18.7	17.5
- Boarding fees	N/A	(0.5)	3.0	4.1	17.0	14.7	13.2
- Fees from university cooperation program	N/A	N/A	(19.3)	(62.9)	211.8	(9.7)	36.0
Gross profit	N/A	9.8	7.1	17.9	23.3	21.0	18.5
Net profit - continuing operation (to shareholders of the company)	N/A	43.3	25.4	28.1	54.0	23.1	19.9
Total net profit (to shareholders of the company)	N/A	44.2	23.2	34.1	48.7	23.1	19.9
<b>Profitability ratios (%)</b>							
GPM	43.1	44.9	45.6	48.6	50.1	51.2	51.8
Pretax profit	28.9	32.8	35.3	34.5	42.9	44.2	45.2
NPM - continuing operation (to shareholders of the company)	15.9	21.6	25.7	29.7	38.2	39.8	40.7
Total NPM (to shareholders of the company)	15.9	21.7	25.4	30.8	38.2	39.8	40.7
<b>Return ratios (%)</b>							
ROAA	N/A	10.0	8.6	8.1	9.6	10.2	10.3
ROAE	N/A	29.5	27.1	19.4	18.2	18.7	18.6
<b>Liquidity ratio (x)</b>							
Current ratio	0.5	0.5	1.1	1.7	2.0	2.0	2.2
Cash ratio	0.3	0.2	0.1	1.3	1.7	1.8	2.0
<b>Leverage ratios (%)</b>							
Total debt to Equity	86.2	46.9	111.8	34.6	33.5	31.5	30.5
Total debt to Total assets	26.5	17.6	32.6	17.8	18.2	17.2	17.1
Net debt to Equity	44.9	12.3	90.5	(49.6)	(58.7)	(65.2)	(68.3)
Net debt to Total assets	13.8	4.6	26.4	(25.5)	(31.9)	(35.7)	(38.4)

\* ROAA = Total net profit / average total assets of previous and current fiscal year

\*\* ROAE = Total net profit attributable to shareholders / average equity attributable to shareholders of previous and current fiscal year

Source(s): The Group, ABCI Securities estimates





## Disclosures

### Analyst Certification

I, PAN Hongxing, Paul, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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Rating	Definition
Buy	Stock return rate $\geq$ Market return rate (10%)
Hold	- Market return rate (-10%) $\leq$ Stock return rate < Market return rate (+10%)
Sell	Stock return < - Market return (-10%)

Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2008 (HSI total return index 2008-19 CAGR at 10%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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