

China / Hong Kong Industry Focus

China Brokerage Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Jul 2020

Deepening SOE reform the next catalyst

- **The initiation of three-year SOE reform plan to deepen SOEs' mixed-ownership reform implies precursor for more funding activities to come**
- **With SOEs contributing 42% of the market's total fund-raising year-to-date, we estimate market size to reach Rmb1.1tr/Rmb1.5tr in FY20/21F**
- **Revise up FY20F trading volume/margin trade growth forecast to +30%/+15% y-o-y**
- **Raise China brokers' FY20-21F earnings by 4%-13% and lift TPs by 14%-49%; BUY CITIC (6030 HK), CICC (3908 HK) and CSC (6066 HK)**

Growth in A-share market capitalisation expected. China announced a new 3-year reform plan to further deepen SOEs' mix-ownership reform during the two-session this year. This marks the beginning of further fund-raising activities from SOEs in coming years. In 2019, A-share's market capitalisation-to-GDP ratio was at 0.6x, versus peers' average of 1.1x. With SOE stably accounted for 40% of the total fund-raising market, the potential for A-share market capitalisation's to grow remains substantial.

Fund-raising market to exceed previous expectations by 14%.

Secondary public offerings (SPO) and convertible bonds (CB) are two major means of fund-raising for SOE and accounted for 77% of total funds raised YTD. With 1) SOE's 1H20 funding pipeline reaching Rmb400bn, 2) expect Rmb268bn funds to be raised in 2H20F, 3) 323/305 processing days for mainboard/CB, and 4) 3.6x faster processing time for ChiNext, we estimate the fund-raising market to grow to Rmb1.1tr/Rmb1.5tr in FY20/FY21F, 14% higher than expected and returning to FY15 level.

Positive earnings outlook ahead. Driven by the ample market liquidity and recent stock market rally, China A-share's daily turnover in the first week of July was higher than expected at Rmb1tn, compared to Rmb754bn/ Rmb549bn in 1H20/FY19. Similarly, margin trade balance reached Rmb1.2tn during the same period, up 13% compared to end of FY19. As such, we revised up FY20F trading volume/margin trade growth forecast to +30%/+15% y-o-y (from +15%/+5% y-o-y previously).

Raise TPs by 14%-49%; BUY CITIC, CICC, and CSC. We revised up China brokers' FY20-21F earnings by 4%-13%, to factor in upside from SOE fund-raising, and higher turnover/margin trade growth. By rolling over the valuation base to FY21F, we raise China brokers' target prices by 14%-49%. We maintain our positive sector view and reiterate BUY on CITIC, CICC and CSC.

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Recommendation & valuation

Stock	Ticker	DBS Rating	Closing Price (HKD)	Target Price (HKD)	% upside/downside
CITIC - H	6030 HK	BUY	19.28	25.80	34%
CICC - H	3908 HK	BUY	18.10	23.10	28%
CSC - H	6066 HK	BUY	11.74	14.85	26%
China Galaxy - H	6881 HK	BUY	5.60	7.50	34%
GF - H	1776 HK	BUY	9.91	12.40	25%
Haitong - H	6837 HK	HOLD	8.30	8.80	6%
Huatai - H	6886 HK	HOLD	15.12	15.80	4%
Guotai Junan - H	2611 HK	HOLD	13.38	14.00	5%

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK")



Live more, Bank less

Initiating 3-year plan to deepen SOE mixed-ownership reform

The most recent “Report on the Work of the Government” delivered at the third session of the 13th National People’s Congress on May 22 laid out the execution of another 3-year SOE reform plan to further enhance the effectiveness of the previous reform. In details, the central government and state council will further deepen the mixed-ownership reform, explore and build a new corporate governance mechanism and supervision policy to fit mixed-ownership SOEs. Also, SOEs are encouraged to focus on their own key businesses, to optimise marketized operations, and to finally improve their core competencies. Following the execution of the first round of 5-year SOE reform since 2015 (figure 2), more than 3,700 mixed-ownership projects have been settled. However, the breadth and the quality of the mixed-ownerships have room to improve. We believe the new 3-year plan will break years of threshold to SOEs, that are policy-backed to have clear separation between political and business decisions within SOEs, to improve market-driven level, and to energise SOEs to become more competitive at the international level.

Looking back, China only started to mention about SOE mixed-ownership reforms since 2013 and began to execute detailed implementations since 2015 with the hope to enhance efficiency and effectiveness of corporate governance and thus improve overall productivity. As of 2019, there were four “Opinion” documents to drive the mixed-ownership reform, regulating the key objectives and detailed operations of SOEs (Figure 2).

During the last 5-year reform, the central government implemented several rounds of mixed-ownership pilot operations to steadily enable companies to initiate mixed-ownership reform. Based on SASAC’s data, over 3,700 mixed-ownership projects have been settled, attracting over Rmb1tr of public capital, with over 70% of SOEs undergoing mixed-ownership reform. Some 65% of SOE assets have been injected into listed companies, with 61% of revenue and 88% of profits coming from listed companies. Therefore, after five years of efforts, China SOEs are basically entering the mixed-ownership era. However, in practice, some SOEs are still reluctant to adopt mixed-ownership reforms or apply only to deal with policies. We believe the new round of reform, which aims to enhance the “effectiveness” of the reform, will highly drive or even force the rest of the SOEs to adopt the mixed-ownership reform, therefore creating more fund-raising-related

investment banking business opportunities for China’s brokerage industry.

Fig. 1 Efforts made in the last round of mixed-ownership reform

Date	Topics	Key Details
Feb 2016	"Ten Reforms" Pilot Zone	Started mixed-ownership and employee stock ownership in industries including energy, railway, aviation, and telecom
Oct 2015	1st round of mixed-ownership pilot companies	Nine companies confirmed, including: China Eastern Airline, China Unicom, China Southern Power Grid, Harbin Electric Corporation, China Nuclear Construction, and China State Shipbuilding Corporation
Dec 2016	Subsidiaries of Central SOE employee stock ownership pilot companies	10 Subsidiaries of Central SOE committed to establishing employee stock ownership projects
Apr 2017	2nd round of mixed-ownership pilot companies	10 companies confirmed such as: Cguba CRRC group, Air China Cargo, China National Gold Group Gold Jewellery, and COFCO
Nov 2017	3rd round of mixed-ownership pilot companies	Confirmed 31 companies, which included 10 central SOEs and 21 local SOEs
May 2019	4th round of mixed-ownership pilot companies	Confirmed 160 companies, including 107 central SOEs and 53 local SOEs

Source: State Council, DBS HK

Substantial room for A-share market cap to grow

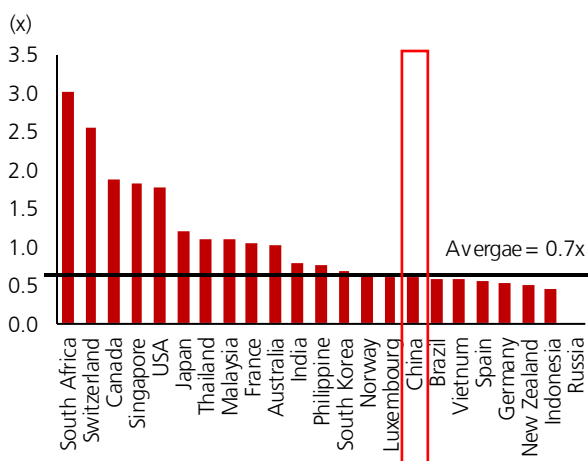
In 2019, China A-share market capitalisation to GDP ratio (using year-end closing price) reached 0.6x (figure 3). Compared to major peers’ average of 1.1x, this indicates that China’s A-share market capitalisation has substantial room to grow. We believe the growth in market capitalisation may come in the following ways: a) growth in the number of listing companies (namely from IPO), b) growth from the issuance of existing securities (namely, SPO and CB), and 3) growth in listed companies’ market values. Either way, this is positive to China brokers.

Fig 2. Four “Opinion” documents to drive the mixed-ownership reform

Date	Topics	Key Details	Reference
Sep 2015	Overall opinion on mixed-ownership reform	<ol style="list-style-type: none"> 1. Encourage valid SOEs to adopt mixed-ownership reform 2. Defined details of mixed-ownership methods to SOEs 3. Encourage public capital to participate in mixed-ownership projects 	关于国有企业发展混合所有制经济的意见
Oct 2015	Attract non-SOE capital investment	Provided further details on the following: <ol style="list-style-type: none"> 1. Principle of financing 2. Domains of collaboration 3. Process of financing 3. Decision process 	关于鼓励和规范国有企业有子项目引入非国有资本的指导意见
Aug 2016	Employee stock ownership	Details on regulation of: <ol style="list-style-type: none"> 1. Range of employee stock ownership 2. Pricing 3. Stock ownership management 	关于国有控股混合所有制企业开展员工持股试点的意见
Nov 2017	Refinement of mixed-ownership pilot projects	Further regulation of: <ol style="list-style-type: none"> 1. Asset pricing 2. Land disposal 3. Employee stock ownership and remuneration 	关于深化混合所有制改革试点若干政策的意见

Source: DBS HK

Fig 3. Market capitalisation/GDP by major markets

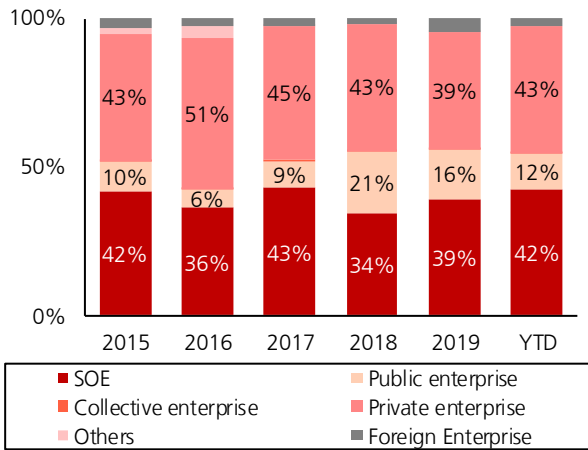


Source: Bloomberg Finance L.P., DBS HK

Market size to reach Rmb1.1tr/Rmb1.5tr in FY20/21F

SOEs have several ways to apply their mix-ownership reforms and to attract external investments, including launching IPOs, SPOs, and issuing convertible bonds. In FY19, China settled a total fund-raising (including IPO, SPO, and convertible bonds) of Rmb1.2tr, and YTD the number is Rmb424bn. During the period, SOEs (including local and central SOEs) completed a total fund-raising of Rmb475bn respectively in FY19, representing 39% of the total fund-raising, and were the second-largest group, just slightly smaller than the whole private enterprise group (figure 4). Looking back at the last round of SOE reform since FY15, the SOEs’ percentage of fund-raising stayed stable at 30-40%, keeping them as the second-largest group.

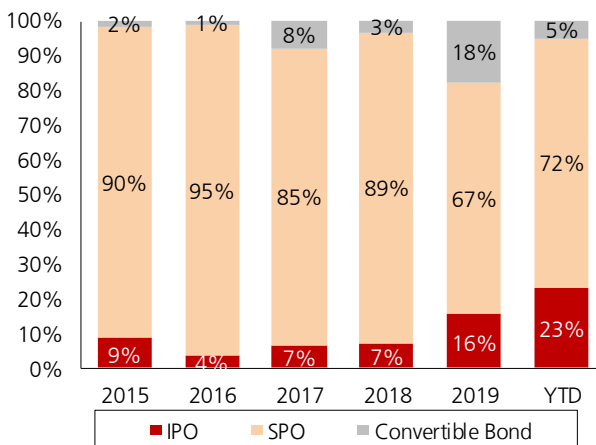
Fig 4. SOEs contributed avg. 39% of total fund-raising



Source: Wind, DBS HK

In the last five years, SPOs have been the main method for SOEs to finance and implement mixed-ownership reforms. In FY19, SOEs settled Rmb317bn worth of SPO projects, representing 67% of the total SOE mixed-ownership project size. Although the percentage has been shrinking in the last five years from 90% in FY15, the number was still maintained at around 70% in FY19 and YTD (Figure 5). This implies that China's SOEs are not in the nascent stage of mixed-ownership reform but has cleared a path and are ready to go further and longer, as can also be seen in the most recently announced new round of reform to accelerate this process.

Fig 5. SPO is the main way to implement mixed-ownership



Source: Wind, DBS HK

SOEs' mix-ownership reform contributes a large proportion of fund-raising projects to the market, as mentioned above. We believe this trend remains as new reform policy will prompt more SOEs to do even more.

Mixed-ownership market to reach Rmb268bn in 2H20F

We derive a quick analogy to calculate how much further the mixed-ownership market size can grow for the rest of FY20. Firstly, we estimated the potential fund-raising pipeline for SPOs and convertible bond issuances. We applied the 323/305 days of historical average processing time for SPO/convertible bond issuance to identify projects in the pipeline that could be concluded within FY20. We therefore derived the sum of Rmb165bn/Rmb41bn expected fund-raising for SPO/convertible bond issuance, totalling Rmb209bn. If we expect the proportion of contribution to remain the same (Figure 5), and the Rmb209bn to represent 77% of the total market size, we derive a figure of Rmb268bn for the rest of FY20. Assuming SOEs continue to contribute 42% of the total fund-raising (figure 4), this implies that the fund-raising market size may reach Rmb1.1tr in FY20F.

Mixed-ownership market to reach Rmb620bn in FY21F

Based on the above model, we further deduced what we can expect of the market size in FY21. We calculated the expected market size based on the project pipeline in 1H20 as projects that were proposed within this period are more likely to be concluded by 1H21. We also assumed that the registration-based system will apply to ChiNext prior to FY21, bringing 3.6x more fund-raising to the market (report link: [China Brokerage Sector: Policy deregulation—The structural catalyst](#)). As a result, we expect the total mixed-ownership market size to reach Rmb620bn in FY21F, factoring in the backlogged projects during 1H20 due to COVID-19 and the effect of more efficient registration-based system applied by ChiNext.

During 1H20, there was a total of Rmb167bn/Rmb110bn worth of projects in the pipeline under the main board SPO/convertible bonds. This is a considerably high historical level, and is primarily due to the impact from COVID-19 as cities were placed under lockdown during 1H20, causing projects to be piled up for CSRC's review. We believe the impact will be reduced in 2H20 as COVID-19 is contained in China. We therefore expect the pipeline for 2H20F to be only 50% of that for 1H20, representing Rmb83bn/Rmb55bn in main board SPO/convertible bonds. We then applied the YTD project percentage (77% of total SPO and convertible bond) to deduce the pipeline of the IPO market (Figure 5). As a result,

the total pipeline which is expected to be concluded in FY21F for the mainboard is Rmb539bn.

We also applied a similar method for ChiNext. During 1H20, there was a total of Rmb11bn/Rmb0.6bn worth of pipeline projects in ChiNext SPO/convertible bonds, and the 50% effect will reduce the numbers to Rmb5bn/Rmb0.3bn in 2H20, with a total of Rmb17bn for ChiNext SPO/convertible bonds.

Assuming that ChiNext adopts the registration-based system prior to FY21, our previous 3.6x more expected fund-raising will leverage the number to Rmb62bn, and based on the 77% proportion, we eventually derived the total pipeline to be Rmb80bn.

All-in-all, our estimate suggests that the total fund-raising market size will reach Rmb1.5tr in FY21F, which is higher than our previous expectation and returning to the FY15 level.

Fig 6. Pipeline size of Rmb539bn expected in FY21 in Main board

Main board	Convertible			Total
	SPO	Bond	IPO	
FY15	555.8	11.2	54.1	621.1
FY16	668.7	8.4	24.8	701.9
FY17	488.5	45.5	37.9	571.8
FY18	287.8	11.2	23.6	322.7
FY19	306.8	83.2	59.0	449.1
YTD	128.5	8.2	72.6	209.3
FY20E	292.4	49.6	134.0	476.0
FY21E	250.3	164.8	124.0	539.1

Source: Wind, DBS HK

Fig 7. Pipeline size of Rmb80bn expected in FY21 in ChiNext

ChiNext	Convertible			Total
	SPO	Bond	IPO	
FY15	19.3	0.0	1.0	20.3
FY16	6.4	0.0	2.7	9.1
FY17	3.5	0.0	0.8	4.3
FY18	19.6	0.0	1.2	20.8
FY19	9.7	1.2	14.8	25.7
YTD	0.0	0.8	11.7	12.5
FY20E	0.7	0.9	11.9	13.6
FY21E	58.5	3.5	18.5	80.4

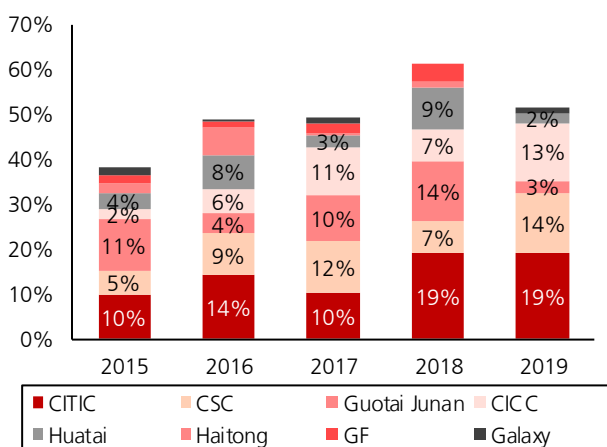
Source: Wind, DBS HK

Brokers with long-standing SOE relationship benefits

SOE mixed-ownership projects have a direct impact on the performance of IB business as IPO, SPO, and convertible bond issuances are the direct revenue sources. As mentioned (Figure 4), about 40% of total market funding is to SOEs, and whoever gets a larger slice of the cake would stand out from the competition.

As of FY19, China brokers acquired Rmb4.7bn of fee revenue from SOE IPOs, SPOs, convertible bond issuances. And the eight A/H brokers under DBS’s coverage universe make up of 51% of the sum (Figure 8). Among the eight brokers, CITIC, CSC, and CICC have been the leading contenders over the years. We believe the underlying reasons are that both names are headquartered in Beijing and have years of professional experience in providing reliable investment banking services to their clients. The extensive expertise they have gained enables them to undertake large SOE projects, with their capabilities to engage in smooth communication between authorities and companies. Therefore, in order to ensure the success of their projects, SOEs will tend to appoint the stronger and relatively more experienced names, and thus the strong ones will become even stronger.

Fig 8. Top 8 brokers command 51% of the total fee revenue



Source: Wind, DBS HK

Fig 9. Investment banking revenue as % of total revenue

Ticker	Company Name	Investment banking revenue / total fee revenue				
		2015	2016	2017	2018	2019
6030.HK	CITIC	13.3%	21.2%	19.1%	14.6%	21.5%
6066.HK	CSC	42.6%	45.9%	44.8%	43.8%	45.2%
3908.HK	CICC	41.5%	55.3%	34.7%	37.1%	41.0%
1776.HK	GF	11.2%	25.6%	24.8%	14.6%	15.4%
6881.HK	Galaxy	3.4%	11.7%	7.7%	9.1%	6.0%
2611.HK	GTJA		21.3%	21.5%	18.7%	19.9%
6837.HK	HAITONG	7.5%	20.6%	22.0%	24.3%	21.3%
6886.HK	HTSC	9.8%	5.1%	13.3%	9.1%	12.4%

Source: Company data, DBS HK

Positive earnings outlook ahead

Driven by the ample market liquidity and recent stock market rally, China A-share’s daily turnover in the first week of July was higher than expected at Rmb1tn, compared to Rmb754bn/Rmb549tn in 1H20/FY19. Similarly, margin trade balance reached Rmb1.2tn during the same period, up 13% compared to end of FY19. Both of which has exceeded our previous expectation for trading volume/margin finance balance to grow by 15%/5% y-o-y. With market sentiment and liquidity continues to favour for a stock market rally, we thus revise up FY20F trading volume/margin trade growth forecast to +30%/+15% y-o-y, respectively.

Raised TPs by 14% to 49%; BUY CITIC, CICC and CSC

We revised up China brokers’ FY20-21F earnings by 4% to 13%, to factor in upside from SOE fund-raising, and higher turnover/margin trade growth. By rolling over the valuation base to FY21F and lifting target multiples to the 0.8x to 1.5x range, we raised China brokers’ target prices by 14% to 49%. We maintain our positive sector view and reiterate BUY on CITIC, CICC and CSC.

CITIC Securities (6030 HK EQUITY, HK\$19.28, BUY, Target Price 12-mth HK\$ 25.80 (Prev. HK\$22.4))
 CITIC Securities (600030 CH Equity, RMB31.13, FULLY VALUED, Target Price 12-mth RMB22.63 (Prev. RMB19.65))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	51,061	57,080	61,370	67,550
Total Expense	(39,327)	(40,887)	(40,952)	(43,848)
Pre-tax Profit	12,465	16,994	21,219	24,503
Net Profit	9,390	12,228	15,386	17,768
EPS (RMB)	0.77	1.01	1.27	1.47
EPS (HK\$)	0.86	1.11	1.40	1.62
EPS Gth (%)	(17.9)	30.2	25.8	15.5
DPS (HK\$)	0.39	0.55	0.63	0.73
BV Per Share (HK\$)	13.95	14.73	15.55	16.49
PE (X)	22.5	17.3	13.8	11.9
Net Div Yield (%)	2.0	2.9	3.3	3.8
P/Book Value (X)	1.4	1.3	1.2	1.2
ROAE(%)	6.2	7.8	9.3	10.1
Earnings Rev (%):			10	9
Consensus EPS (RMB)			1.16	1.33
Other Broker Recs:		B:17	S:0	H:1

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	20,295	21,515	24,914	28,056
Interest income	13,654	13,257	14,328	15,158
Investment income	8,046	15,891	16,163	17,378
Other income	9,066	6,417	5,964	6,957
Total Revenue	51,061	57,080	61,370	67,550
Total Expense	(39,327)	(40,887)	(40,952)	(43,848)
Expected credit losses	(2,187)	(1,892)	(2,128)	(2,174)
Operating Profit	11,734	16,193	20,418	23,702
Associates & JV Inc	732	801	801	801
Pre-tax Profit	12,465	16,994	21,219	24,503
Tax	(2,589)	(4,346)	(5,305)	(6,126)
Minority Interest	(487)	(420)	(528)	(610)
Net Profit	9,390	12,228	15,386	17,768
Growth (%)				
Revenue Gth (%)	(10.4)	11.8	7.5	10.1
Opp Profit Gth (%)	(24.6)	38.0	26.1	16.1
Net Profit Gth (%)	(17.9)	30.2	25.8	15.5

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	11,925.5	15,518.2	20,173.6	23,199.7
Brokerage commission rate (bps)	8.7	6.5	6.2	6.0
Annual underwriting amount (RMB bn)	179.1	280.8	285.9	355.6
Annual asset management	1,895.9	2,093.0	2,169.8	2,438.8
AIM (RMB bn)				
Margin trade outstanding (RMB bn)	55.2	68.0	78.2	86.0
Cost to income ratio (%)	4.0	3.2	2.6	2.4
No. of staff	15,842.0	15,908.0	15,908.0	16,226.2
Cost per staff (RMB)	664,353.6	782,087.5	782,953.0	822,100.7

Source: Company, DBS HK

General Data

At A Glance

Issued Capital - H shares (m shs)	2,278
- Non H shrs (m shs)	10,648
H shs as a % of Total	18
Total Mkt Cap (HK\$m/US\$m)	409,953 / 52,896
Major Shareholders (%)	
CITIC Corporation Limited	18.8
Major H Shareholders (As % of H shares)	
GIC Private Limited	6.0
Brown Brothers Harriman & Company	5.0
H Shares-Free Float (%)	89.0
3m Avg. Daily Val. (US\$m)	51.91
GICS Industry: Financials / Diversified Financials	

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	52,227	64,442	70,550	76,964
Cash Held on Behalf of Customers	92,421	118,401	136,162	163,394
Reverse Repurchase Assets	67,370	58,830	58,830	58,830
Financial Assets	299,297	395,506	411,524	442,017
Margin Account	57,198	70,674	81,275	89,402
Other Assets	34,305	36,991	36,991	36,991
Total Assets	653,133	791,722	842,480	914,996
Customer Brokerage Deposit	92,421	118,401	136,162	163,394
Repo and Short-term Loan	5,657	7,405	7,553	8,157
Long-term Debt and Loan	953	383	391	422
Other Liabilities	83,018	99,450	116,759	134,164
Total Liabilities	496,301	626,273	667,871	729,810
Shareholder's Equity	153,141	161,625	170,616	180,998
Minority Interests	3,691	3,825	3,993	4,188
Total Cap. & Liab.	653,133	791,722	842,480	914,996

China International Capital Corp (3908 HK Equity, HK\$18.10, BUY, Target Price 12-mth HK\$ 23.10 (Prev. HK\$18.0))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	18,540	22,782	25,268	28,349
Total Expense	(14,271)	(17,541)	(18,567)	(20,281)
Pre-tax Profit	4,388	5,302	6,762	8,129
Net Profit	3,535	4,248	5,418	6,513
EPS (RMB)	0.84	0.97	1.24	1.49
EPS (HK\$)	0.93	1.07	1.37	1.65
EPS Gth (%)	19.5	15.3	27.5	20.2
DPS (HK\$)	0.18	0.00	0.27	0.33
BV Per Share (HK\$)	11.11	12.20	13.30	14.62
PE (X)	19.4	16.9	13.2	11.0
Net Div Yield (%)	1.0	0.0	1.5	1.8
P/Book Value (X)	1.6	1.5	1.4	1.2
ROAE(%)	9.0	9.4	10.7	11.8

Earnings Rev (%)			0	5
Consensus EPS (RMB)			1.18	1.37
Other Broker Recs:		B:19	S:0	H:2

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	8,821	10,733	12,327	14,197
Interest income	4,587	4,800	4,929	5,015
Investment income	4,871	6,959	7,877	9,003
Other income	261	291	135	135
Total Revenue	18,540	22,782	25,268	28,349
Total Expense	(14,271)	(17,541)	(18,567)	(20,281)
Expected credit losses	(74)	(160)	(301)	(332)
Operating Profit	4,269	5,241	6,702	8,069
Associates & JV Inc	119	60	60	60
Pre-tax Profit	4,388	5,302	6,762	8,129
Tax	(853)	(1,054)	(1,344)	(1,616)
Minority Interest	0	0	0	0
Net Profit	3,535	4,248	5,418	6,513

Growth (%)

Revenue Gth (%)	21.5	22.9	10.9	12.2
Opq Profit Gth (%)	20.9	22.8	27.9	20.4
Net Profit Gth (%)	25.7	20.2	27.5	20.2

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	6,782.2	8,249.9	10,394.9	11,642.3
Brokerage commission rate (bps)	4.9	4.7	4.5	4.3
Annual underwriting amount (RMB bn)	1,041.5	1,582.4	1,794.5	2,459.5
Annual asset management	662.0	887.9	961.3	1,105.6
AUM (RMB bn)				
Margin trade outstanding (RMB bn)	16,964.8	22,206.4	25,537.3	28,091.0
Cost to income ratio (%)	4.0	4.1	3.4	3.1
No. of staff	7,576.0	8,101.0	8,263.0	8,676.2
Cost per staff (RMB)	757,371.3	889,134.9	909,177.3	958,124.4

Source: Company, DBS HK

General Data

At A Glance

Issued Capital (m shrs)	4,369
Mkt Cap (HK\$m/US\$m)	79,079 / 10,204
Major Shareholders (%)	
Tencent Holdings Ltd	11.4
Alibaba Group Holding Ltd.	10.7
Mingly Corporation	6.4
Free Float (%)	71.5
3m Avg. Daily Val. (US\$m)	32.51
GICS Industry: Financials / Diversified Financials	

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	22,424	23,959	24,726	25,877
Cash Held on Behalf of Customers	37,903	48,459	50,882	53,426
Reverse Repurchase Assets	19,581	14,299	15,014	16,515
Financial Assets	156,014	201,680	219,618	239,517
Margin Account	17,716	23,190	26,668	29,335
Other Assets	2,047	4,150	4,150	4,150
Total Assets	275,421	344,971	372,243	402,423
Customer Brokerage Deposit	37,903	48,459	50,882	53,426
Repo and Short-term Loan	14,061	21,240	23,364	25,701
Long-term Debt and Loan	48,999	57,585	63,344	69,678
Other Liabilities	34,208	58,914	68,814	70,467
Total Liabilities	233,044	296,440	319,318	344,217
Shareholder's Equity	42,184	48,294	52,630	57,844
Minority Interests	193	238	295	363
Total Cap. & Liab.	275,421	344,971	372,243	402,423

China Galaxy Securities (6881 HK Equity, HK\$5.60, BUY, Target Price 12-mth HK\$ 7.50 (Prev. HK\$6.60))

China Galaxy Securities (601881 CH Equity, RMB15.55, SELL, Target Price 12-mth RMB 6.58 (Prev. RMB5.79))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	16,235	23,493	25,339	26,855
Total Expense	(12,550)	(16,674)	(17,387)	(18,430)
Pre-tax Profit	3,682	6,830	7,963	8,436
Net Profit	2,887	5,228	6,096	6,457
EPS (RMB)	0.28	0.52	0.60	0.64
EPS (HK\$)	0.31	0.57	0.66	0.70
EPS Gth (%)	(27.5)	81.1	16.6	5.9
DPS (HK\$)	0.10	0.18	0.21	0.22
BV Per Share (HK\$)	7.19	7.72	8.18	8.67
PE (X)	17.8	9.8	8.4	8.0
Net Div Yield (%)	1.8	3.2	3.7	3.9
P/Book Value (X)	0.8	0.7	0.7	0.6
ROAE (%)	4.4	7.6	8.3	8.3

Earnings Rev (%)			14	11
Consensus EPS (RMB)			0.54	0.57
Other Broker Recs:		B:11	S:1	H:6

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	5,051	6,172	7,349	7,899
Interest income	9,481	9,527	10,303	10,699
Investment income	946	4,897	4,652	5,078
Other income	758	2,897	3,035	3,178
Total Revenue	16,235	23,493	25,339	26,855
Total Expense	(12,550)	(16,674)	(17,387)	(18,430)
Expected credit losses	(408)	(410)	(580)	(630)
Operating Profit	3,685	6,819	7,952	8,425
Associates & JV Inc	(3)	11	11	11
Pre-tax Profit	3,682	6,830	7,963	8,436
Tax	(750)	(1,580)	(1,842)	(1,951)
Minority Interest	(45)	(22)	(25)	(27)
Net Profit	2,887	5,228	6,096	6,457

Growth (%)

Revenue Gth (%)	1.6	44.7	7.9	6.0
Opp Profit Gth (%)	(23.4)	85.1	16.6	5.9
Net Profit Gth (%)	(27.5)	81.1	16.6	5.9

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	9,283.3	12,469.3	16,210.1	18,641.6
Brokerage commission rate (bps)	3.6	3.6	3.5	3.3
Annual underwriting amount (RMB bn)	93.1	73.9	66.8	73.6
Annual asset management (RMB bn)	256.3	297.9	283.5	297.7
AIIM (RMB bn)				
Margin trade outstanding (RMB bn)	44.6	58.5	66.1	68.2
Cost to income ratio (%)	4.3	3.2	2.8	2.8
No. of staff	8,579.0	8,702.0	8,702.0	8,876.0
Cost per staff (RMB)	375,923.1	529,934.0	534,261.5	566,317.2

Source: Company, DBS HK

General Data

At A Glance

Issued Capital - H shares (m shs)	3,691
- Non H shrs (m shs)	6,446
H shs as a % of Total	36
Total Mkt Cap (HK\$m/US\$m)	131,354 / 16,949
Major Shareholders (%)	
China Galaxy Financial Holdings Company Limited	80.5
Major H Shareholders (As % of H shares)	
Wenze International Investment Ltd.	5.9
H Shares-Free Float (%)	94.1
3m Avg. Daily Val. (US\$m)	12.57
GICS Industry: Financials / Diversified Financials	

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	8,885	10,047	10,550	12,185
Cash Held on Behalf of Customers	42,529	60,282	63,296	66,461
Reverse Repurchase Assets	39,967	30,438	33,482	36,830
Financial Assets	92,553	121,646	129,547	138,239
Margin Account	44,632	58,522	66,128	68,204
Other Assets	1,681	3,148	3,148	3,148
Total Assets	251,363	315,666	339,274	359,237
Customer Brokerage Deposit	42,529	60,282	63,296	66,461
Repo and Short-term Loan	26,673	26,523	27,849	29,241
Long-term Debt and Loan	43,056	31,143	32,700	34,335
Other Liabilities	4,711	5,554	9,759	7,185
Total Liabilities	185,025	243,744	262,340	276,995
Shareholder's Equity	65,982	70,896	75,126	79,607
Minority Interests	356	1,026	1,808	2,636
Total Cap. & Liab.	251,363	315,666	339,274	359,237

GF Securities (1776 HK Equity, HK\$9.91, BUY, Target Price 12-mth HK\$ 12.40 (Prev. HK\$11.5))

GF Securities (000776 CH Equity, RMB17.39, SELL, Target Price 12-mth RMB 10.88 (Prev. RMB10.09))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	22,817	30,077	31,032	33,601
Total Expense	(17,436)	(20,265)	(20,697)	(21,892)
Pre-tax Profit	6,004	10,276	10,800	12,173
Net Profit	4,300	7,539	7,923	8,931
EPS (RMB)	0.56	0.99	1.04	1.17
EPS (HK\$)	0.62	1.09	1.15	1.29
EPS Gth (%)	(50.0)	75.3	5.1	12.7
DPS (HK\$)	0.44	0.39	0.39	0.44
BV Per Share (HK\$)	12.32	13.22	13.98	14.83
PE (X)	15.9	9.1	8.6	7.7
Net Div Yield (%)	4.5	3.9	3.9	4.5
P/Book Value (X)	0.8	0.7	0.7	0.7
ROAE (%)	5.1	8.6	8.4	9.0

Earnings Rev (%)			7	5
Consensus EPS (RMB)			1.03	1.13
Other Broker Recs:		B:9	S:0	H:6

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	8,912	10,044	10,874	12,287
Interest income	11,939	10,845	12,978	13,593
Investment income	182	6,873	5,017	5,557
Other income	1,784	2,315	2,164	2,164
Total Revenue	22,817	30,077	31,032	33,601
Total Expense	(17,436)	(20,265)	(20,697)	(21,892)
Expected credit losses	(303)	(680)	(680)	(680)
Operating Profit	5,381	9,812	10,336	11,709
Associates & JV Inc	623	464	464	464
Pre-tax Profit	6,004	10,276	10,800	12,173
Tax	(1,372)	(2,166)	(2,276)	(2,566)
Minority Interest	(332)	(571)	(600)	(677)
Net Profit	4,300	7,539	7,923	8,931

Growth (%)

Revenue Gth (%)	(20.3)	31.8	3.2	8.3
Opp Profit Gth (%)	(51.9)	82.3	5.3	13.3
Net Profit Gth (%)	(50.0)	75.3	5.1	12.7

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	8,300.8	11,071.6	14,393.0	16,552.0
Brokerage commission rate (bps)	4.4	4.0	3.6	3.4
Annual underwriting amount (RMB bn)	135.0	163.0	184.7	252.3
Annual asset management	381.4	297.2	307.4	357.2
AUM (RMB bn)				
Margin trade outstanding (RMB bn)	41.2	55.6	64.0	67.2
Cost to income ratio (%)	3.8	2.5	2.4	2.3
No. of staff	12,179.0	11,736.0	11,736.0	11,970.7
Cost per staff (RMB)	391,084.4	546,942.8	551,739.9	582,771.5

Source: Company, DBS HK

General Data

At A Glance

Issued Capital - H shares (m shs)	1,702
- Non H shrs (m shs)	5,919
H shs as a % of Total	22
Total Mkt Cap (HK\$m/US\$m)	130,527 / 16,842
Major Shareholders (%)	
Jilin Aodong Pharmaceutical Group Co Ltd	21.2
Liaoning Cheng Da Co Ltd	21.1
Zhongshan Public Utilities Group Co Ltd	11.6
Major H Shareholders (As % of H shares)	
Labor Union Committee of GF Securities Co., Ltd.	16.0
Jilin Aodong Pharmaceutical Group Co Ltd	5.9
Zhongshan Public Utilities Group Co Ltd	5.9
H Shares-Free Float (%)	72.1
3m Avg. Daily Val. (US\$m)	7.32

GICS Industry: Financials / Diversified Financials

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	20,921	22,342	23,052	24,117
Cash Held on Behalf of Customers	39,515	58,366	64,202	70,622
Reverse Repurchase Assets	36,813	20,689	20,689	20,689
Financial Assets	202,858	193,249	192,815	204,809
Margin Account	45,185	54,787	63,965	67,163
Other Assets	765	2,026	2,026	2,026
Total Assets	389,106	394,391	411,676	435,651
Customer Brokerage Deposit	39,515	58,366	64,202	70,622
Repo and Short-term Loan	3,495	1,508	1,583	1,662
Long-term Debt and Loan	1,977	2,026	2,127	2,233
Other Liabilities	33,538	40,004	43,354	51,474
Total Liabilities	300,477	300,254	312,696	331,179
Shareholder's Equity	85,018	91,234	96,490	102,372
Minority Interests	3,611	2,903	2,491	2,099
Total Cap. & Liab.	389,106	394,391	411,676	435,651

CSC Financial (6066 HK Equity, HK\$11.74, BUY, Target Price 12-mth HK\$ 14.85 (Prev. HK\$10.0))

CSC Financial (601066 CH Equity, RMB50.16, SELL, Target Price 12-mth RMB 13.03 (Prev. RMB8.77))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	16,492	19,407	20,590	22,203
Total Expense	(12,448)	(12,246)	(12,679)	(13,271)
Pre-tax Profit	4,051	7,154	7,910	8,932
Net Profit	3,087	5,502	6,060	6,843
EPS (RMB)	0.40	0.72	0.79	0.89
EPS (HK\$)	0.45	0.79	0.87	0.99
EPS Gth (%)	(27.1)	78.2	10.2	12.9
DPS (HK\$)	0.20	0.26	0.24	0.29
BV Per Share (HK\$)	6.87	8.17	8.81	9.51
PE (X)	26.3	14.8	13.4	11.9
Net Div Yield (%)	1.7	2.2	2.1	2.4
P/Book Value (X)	1.7	1.4	1.3	1.2
ROAE(%)	6.8	10.6	10.3	10.8

Earnings Rev (%)			7	9
Consensus EPS (RMB)			0.79	0.89
Other Broker Recs:		B:8	S:1	H:0

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	7,232	8,633	10,021	11,969
Interest income	6,764	6,243	5,997	5,813
Investment income	2,417	4,407	4,445	4,293
Other income	79	125	127	129
Total Revenue	16,492	19,407	20,590	22,203
Total Expense	(12,448)	(12,246)	(12,679)	(13,271)
Expected credit losses	(1,154)	59	(690)	(725)
Operating Profit	4,044	7,161	7,910	8,932
Associates & JV Inc	8	(8)	0	0
Pre-tax Profit	4,051	7,154	7,910	8,932
Tax	(948)	(1,624)	(1,819)	(2,054)
Minority Interest	(16)	(28)	(31)	(35)
Net Profit	3,087	5,502	6,060	6,843

Growth (%)

Revenue Gth (%)	0.4	17.7	6.1	7.8
Opq Profit Gth (%)	(24.4)	77.1	10.5	12.9
Net Profit Gth (%)	(23.1)	78.2	10.2	12.9

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	5,698.1	7,140.0	9,282.0	10,674.3
Brokerage commission rate (bps)	5.0	5.0	4.9	4.8
Annual underwriting amount (RMB bn)	1,558.0	5,008.8	6,006.7	9,000.8
Annual asset management (RMB bn)	847.8	780.1	869.7	1,043.6
AIJM (RMB bn)				
Margin trade outstanding (RMB bn)	34.0	45.9	52.7	55.4
Cost to income ratio (%)	4.0	2.2	2.1	1.9
No. of staff	9,594.0	9,409.0	9,220.8	9,405.2
Cost per staff (RMB)	412,141.1	500,537.1	500,537.1	523,967.8

Source: Company, DBS HK

General Data

At A Glance

Issued Capital - H shares (m shs)	1,261
- Non H shrs (m shs)	6,385
H shs as a % of Total	16
Total Mkt Cap (HK\$m/US\$m)	368,468 / 47,544
Major Shareholders (%)	
Beijing State-Owned Capital Operation and Management Center	42.0
Central Huijin Investment Ltd.	37.4
Major H Shareholders (As % of H shares)	
CITIC Ltd	27.9
China Investment Corporation	8.9
H Shares-Free Float (%)	63.2
3m Avg. Daily Val. (US\$m)	25.58
GICS Industry: Financials / Diversified Financials	

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	17,056	47,221	50,238	51,746
Cash Held on Behalf of Customers	33,698	52,696	55,330	58,097
Reverse Repurchase Assets	23,797	21,119	19,007	19,957
Financial Assets	89,722	128,355	137,383	151,045
Margin Account	25,148	27,806	31,977	33,576
Other Assets	517	418	418	418
Total Assets	195,082	285,670	301,650	322,618
Customer Brokerage Deposit	33,698	52,696	55,330	58,097
Repo and Short-term Loan	1,118	889	845	861
Long-term Debt and Loan	0	0	0	0
Other Liabilities	21,002	52,610	64,569	76,116
Total Liabilities	147,219	228,775	240,317	256,362
Shareholder's Equity	47,577	56,582	60,991	65,880
Minority Interests	286	313	342	375
Total Cap. & Liab.	195,082	285,670	301,650	322,618

Haitong Securities (6837 HK Equity, HK\$8.30, HOLD, Target Price 12-mth HK\$ 8.80 (Prev. HK\$7.30))

Haitong Securities (600837 CH Equity, RMB15.78, SELL, Target Price 12-mth RMB 7.72 (Prev. RMB6.40))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	38,670	51,552	53,833	59,668
Total Expense	(31,132)	(37,830)	(39,076)	(43,209)
Pre-tax Profit	7,570	13,872	14,907	16,509
Net Profit	5,211	9,523	10,234	11,333
EPS (RMB)	0.45	0.83	0.89	0.99
EPS (HK\$)	0.50	0.91	0.98	1.09
EPS Gth (%)	(39.5)	82.8	7.5	10.7
DPS (HK\$)	0.17	0.00	0.29	0.33
BV Per Share (HK\$)	11.31	12.10	12.90	13.77
PE (X)	16.6	9.1	8.4	7.6
Net Div Yield (%)	2.0	0.0	3.6	3.9
P/Book Value (X)	0.7	0.7	0.6	0.6
ROAE (%)	4.4	7.8	7.9	8.2

Earnings Rev (%)			13	11
Consensus EPS (RMB)			0.85	0.96
Other Broker Recs:		B:12	S:1	H:2

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	9,853	12,628	14,886	17,295
Interest income	14,248	13,631	14,651	15,112
Investment income	3,484	11,450	10,362	11,932
Finance lease income	3,698	4,552	3,776	3,858
Total Revenue	38,670	51,552	53,833	59,668
Total Expense	(31,132)	(37,830)	(39,076)	(43,209)
Expected credit losses	(1,622)	(2,847)	(4,036)	(4,603)
Operating Profit	7,538	13,722	14,757	16,459
Associates & JV Inc	33	150	150	49
Pre-tax Profit	7,570	13,872	14,907	16,509
Tax	(1,800)	(3,331)	(3,580)	(3,964)
Minority Interest	(560)	(1,017)	(1,093)	(1,211)
Net Profit	5,211	9,523	10,234	11,333
Growth (%)				
Revenue Gth (%)	(6.4)	33.3	4.4	10.8
Opp Profit Gth (%)	(38.1)	82.1	7.5	11.5
Net Profit Gth (%)	(39.5)	82.8	7.5	10.7

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	7,667.4	10,546.5	14,029.5	16,500.7
Brokerage commission rate (bps)	5.6	5.9	5.9	5.9
Annual underwriting amount (RMB bn)	368.5	492.1	550.2	721.0
Annual asset management (RMB bn)	402.7	398.2	425.1	475.3
AIIM (RMB bn)				
Margin trade outstanding (RMB bn)	34.7	41.8	48.0	50.4
Cost to income ratio (%)	5.4	3.6	3.4	3.4
No. of staff	10,391.0	10,837.0	10,837.0	11,053.7
Cost per staff (RMB)	570,669.7	674,852.7	677,000.6	716,525.2

Source: Company, DBS HK

General Data

At A Glance

Issued Capital - H shares (m shs)	3,410
- Non H shrs (m shs)	8,092
H shs as a % of Total	30
Total Mkt Cap (HK\$m/US\$m)	169,299 / 21,845
Major Shareholders (%)	
Major H Shareholders (As % of H shares)	
MaunaKai Capital Partners (Hong Kong) Limited	8.0
Shanghai Guosheng (Group) Co., Ltd.	7.1
Abhaya Ltd.	6.7
H Shares-Free Float (%)	78.2
3m Avg. Daily Val. (US\$m)	26.10
GICS Industry: Financials / Diversified Financials	

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	97,423	111,062	117,882	121,291
Cash Held on Behalf of Customers	15,959	23,293	30,985	36,443
Reverse Repurchase Assets	82,679	57,485	62,930	69,161
Financial Assets	210,029	250,672	284,452	325,774
Margin Account	49,480	53,410	64,521	67,747
Other Assets	17,344	34,698	20,622	20,141
Total Assets	574,628	636,799	673,580	737,413
Customer Brokerage Deposit	15,959	23,293	30,985	36,443
Repo and Short-term Loan	52,489	57,041	58,182	61,673
Long-term Debt and Loan	27,714	31,084	31,706	33,608
Other Liabilities	14,936	19,919	6,275	11,443
Total Liabilities	444,438	495,675	521,297	572,771
Shareholder's Equity	117,859	126,091	134,348	143,492
Minority Interests	12,327	15,028	17,930	21,143
Total Cap. & Liab.	574,624	636,794	673,574	737,406

Huatai Securities (6886 HK Equity, HK\$15.12, HOLD, Target Price 12-mth HK\$ 15.80 (Prev. HK\$13.8))

Huatai Securities (601688 CH Equity, RMB23.27, SELL, Target Price 12-mth RMB 13.86 (Prev. RMB12.11))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019F	2020F	2021F
Total Revenue	24,507	32,437	34,784	37,125
Total Expense	(19,017)	(23,577)	(25,225)	(28,372)
Pre-tax Profit	6,449	11,586	12,285	11,480
Net Profit	5,033	9,002	9,545	8,919
EPS (RMB)	0.61	0.99	1.05	0.98
EPS (HK\$)	0.67	1.09	1.16	1.08
EPS Gth (%)	(52.9)	62.6	6.0	(6.6)
DPS (HK\$)	0.33	0.33	0.33	0.33
BV Per Share (HK\$)	13.83	14.90	15.74	16.50
PE (X)	22.5	13.8	13.0	13.9
Net Div Yield (%)	2.2	2.2	2.2	2.2
P/Book Value (X)	1.1	1.0	1.0	0.9
ROAE (%)	5.3	8.0	7.6	6.7

Earnings Rev (%)			7	4
Consensus EPS (RMB)			1.12	1.25
Other Broker Recs:		B:16	S:0	H:3

Income Statement (RMB m)

FY Dec	2018A	2019F	2020F	2021F
Fee and commission income	10,820	13,011	14,914	16,524
Interest income	9,482	8,683	8,726	8,762
Investment income	3,375	9,180	9,720	10,191
Other income	830	1,563	1,424	1,648
Total Revenue	24,507	32,437	34,784	37,125
Total Expense	(19,017)	(23,577)	(25,225)	(28,372)
Expected credit losses	(863)	(720)	(788)	(802)
Operating Profit	5,489	8,860	9,559	8,753
Associates & JV Inc	959	2,726	2,726	2,726
Pre-tax Profit	6,449	11,586	12,285	11,480
Tax	(1,288)	(2,529)	(2,681)	(2,506)
Minority Interest	(128)	(56)	(59)	(55)
Net Profit	5,033	9,002	9,545	8,919

Growth (%)

Revenue Gth (%)	(21.8)	32.4	7.2	6.7
Opp Profit Gth (%)	(50.3)	61.4	7.9	(8.4)
Net Profit Gth (%)	(45.7)	78.9	6.0	(6.6)

Key Assumptions

FY Dec	2018A	2019F	2020F	2021F
Annual trading volume (RMB bn)	14,271.9	20,570.2	27,379.3	32,220.0
Brokerage commission rate (bps)	3.2	2.9	2.6	2.3
Annual underwriting amount (RMB bn)	189.0	295.0	322.8	414.4
Annual asset management (RMB bn)	1,009.1	977.9	904.9	1,072.6
AIJM (RMB bn)				
Margin trade outstanding (RMB bn)	43.5	67.1	77.2	81.1
Cost to income ratio (%)	3.7	2.6	2.6	3.2
No. of staff	9,432.0	10,211.0	10,415.2	10,936.0
Cost per staff (RMB)	569,586.6	753,418.3	772,542.5	818,267.5

Source: Company, DBS HK

General Data

At A Glance

Issued Capital - H shares (m shs)	1,719
- Non H shrs (m shs)	7,358
H shs as a % of Total	19
Total Mkt Cap (HK\$m/US\$m)	215,044 / 27,747
Major Shareholders (%)	
Jiangsu Guoxin Group Co Ltd	17.3
Jiangsu Communications Holding Co., Ltd.	6.1
Major H Shareholders (As % of H shares)	
National Social Security Fund	8.3
Schroder Investment Management (Hong Kong) Ltd.	5.5
H Shares-Free Float (%)	86.2
3m Avg. Daily Val. (US\$m)	14.38
GICS Industry: Financials / Diversified Financials	

Balance Sheet (RMB m)

FY Dec	2018A	2019F	2020F	2021F
Cash and Cash Equivalent	28,201	49,853	58,514	67,175
Cash Held on Behalf of Customers	58,947	82,960	87,108	100,174
Reverse Repurchase Assets	43,557	18,466	16,620	14,958
Financial Assets	150,909	286,751	302,999	339,813
Margin Account	46,189	69,006	79,357	83,325
Other Assets	1,815	1,141	1,270	1,379
Total Assets	368,666	562,181	599,870	660,827
Customer Brokerage Deposit	58,947	82,960	87,108	100,174
Repo and Short-term Loan	3,032	5,724	6,010	6,311
Long-term Debt and Loan	1,683	851	894	938
Other Liabilities	58,847	93,822	82,720	79,643
Total Liabilities	263,916	436,526	465,468	518,403
Shareholder's Equity	103,394	122,537	129,418	135,694
Minority Interests	1,356	3,117	4,985	6,730
Total Cap. & Liab.	368,666	562,181	599,870	660,827

Guotai Junan Securities (2611 HK Equity, HK\$13.38, HOLD, Target Price 12-mth HK\$14.00 (Prev. HK\$11.25))
 Guotai Junan Securities (601211 CH Equity, RMB20.82, SELL, Target Price 12-mth RMB 12.28 (Prev. RMB9.87))

Forecast & Valuation

FY Dec (RMB m)	2018A	2019A	2020F	2021F
Total Revenue	30,581	39,050	39,714	42,826
Total Expense	(22,089)	(27,779)	(28,727)	(31,046)
Pre-tax Profit	8,620	11,445	11,162	11,953
Net Profit	6,060	8,637	8,423	9,021
EPS (RMB)	0.70	0.97	0.95	1.01
EPS (HK\$)	0.77	1.07	1.04	1.12
EPS Gth (%)	(38.7)	39.4	(2.5)	7.1
DPS (HK\$)	0.30	0.43	0.42	0.45
BV Per Share (HK\$)	15.64	17.04	15.72	16.44
PE (X)	17.4	12.5	12.8	12.0
Net Div Yield (%)	2.3	3.2	3.1	3.3
P/Book Value (X)	0.9	0.8	0.9	0.8
ROAE (%)	4.9	6.6	6.4	7.0

Earnings Rev (%)			10	7
Consensus EPS (RMB)			1.07	1.23
Other Broker Recs:		B:6	S:1	H:4

General Data

At A Glance

Issued Capital - H shares (m shs)	1,392
- Non H shrs (m shs)	7,516
H shs as a % of Total	16
Total Mkt Cap (HK\$m/US\$m)	191,414 / 24,698
Major Shareholders (%)	
Shanghai State-Owned Assets Operation Co., Ltd.	25.3
Shanghai International Group Co., Ltd.	9.1
Shenzhen Investment Holdings Co., Ltd.	8.1
Major H Shareholders (As % of H shares)	
New China Asset Management (Hong Kong) Limited	18.6
Diamond Holding SARL	13.7
Shanghai International Group Co., Ltd.	13.0
Shenzhen Investment Holdings Co., Ltd.	7.4
Shenzhen Energy Group Co Ltd	7.2
H Shares-Free Float (%)	40.1
3m Avg. Daily Val. (US\$m)	3.56
GICS Industry: Financials / Diversified Financials	

Income Statement (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Fee and commission income	9,794	12,125	14,305	16,505
Interest income	12,842	12,630	12,725	13,136
Investment income	5,073	8,097	6,903	7,554
Other income	2,872	6,198	5,782	5,631
Total Revenue	30,581	39,050	39,714	42,826
Total Expense	(22,089)	(27,779)	(28,727)	(31,046)
Expected credit losses	(978)	(2,050)	(2,396)	(2,711)
Operating Profit	8,493	11,271	10,988	11,779
Associates & JV Inc	128	174	174	174
Pre-tax Profit	8,620	11,445	11,162	11,953
Tax	(2,198)	(2,393)	(2,334)	(2,500)
Minority Interest	(362)	(414)	(404)	(433)
Net Profit	6,060	8,637	8,423	9,021
Growth (%)				
Revenue Gth (%)	(7.2)	27.7	1.7	7.8
Opp Profit Gth (%)	(37.8)	32.7	(2.5)	7.2
Net Profit Gth (%)	(38.7)	42.5	(2.5)	7.1

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F
Annual trading volume (RMB bn)	12,349.5	13,215.3	17,179.9	19,756.9
Brokerage commission rate (bps)	4.3	5.1	5.0	4.9
Annual underwriting amount (RMB bn)	383.1	564.6	617.3	794.1
Annual asset management (RMB bn)	1,061.3	1,117.4	1,120.9	1,303.7
AIIM (RMB bn)				
Margin trade outstanding (RMB bn)	46.8	59.0	62.7	63.4
Cost to income ratio (%)	3.4	3.1	3.3	3.3
No. of staff	15,236.0	15,233.0	15,233.0	15,537.7
Cost per staff (RMB)	443,658.1	509,842.3	509,842.3	535,334.4

Source: Company, DBS HK

Balance Sheet (RMB m)

FY Dec	2018A	2019A	2020F	2021F
Cash and Cash Equivalent	20,349	25,253	27,705	31,383
Cash Held on Behalf of Customers	77,492	102,534	117,914	129,705
Reverse Repurchase Assets	61,118	53,940	53,940	53,940
Financial Assets	194,283	267,386	284,328	332,045
Margin Account	53,655	72,088	76,558	77,509
Other Assets	4,800	3,172	3,172	3,172
Total Assets	436,731	559,317	599,188	663,958
Customer Brokerage Deposit	77,492	102,534	117,914	129,705
Repo and Short-term Loan	8,279	10,313	10,519	11,571
Long-term Debt and Loan	0	1,490	1,520	1,672
Other Liabilities	21,311	20,778	39,732	42,291
Total Liabilities	303,056	413,220	465,352	525,980
Shareholder's Equity	123,450	137,501	126,830	132,675
Minority Interests	10,223	8,592	7,002	5,298
Total Cap. & Liab.	436,729	559,314	599,184	663,953

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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