



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Company Report: Shanghai Electric (02727 HK)

公司报告: 上海电气 (02727 HK)

Jun Zhu 朱俊杰
+852 2509 7592
junjie.zhu@gtjas.com.hk

18 April 2016

Risks and Opportunities Co-Exist, Maintain "Accumulate"

危与机并存, 维持“收集”

- FY15 earnings missed the market and our expectation.** Sales in 2015 increased YoY by 1.6% while net income dropped YoY by 17.0%, mainly due to the special provision on bad debts and on the write-down of inventories. Gross margin and net margin dropped YoY by 0.7 ppt and 0.6 ppt, respectively.
- New orders and orders backlog remained strong.** New orders in 2015 reached RMB 60.3 bn, up 2.6% YoY, and orders backlog reached RMB 260.6 bn, up 3.9% YoY. New orders in the high efficiency and clean energy segment climbed 12.1% to reach a total of RMB 31.5 bn, forming a strong support to the growth of new orders.
- Key drivers include SOE reform, nationwide power stations upgrade, increased investment in renewable and the Belt & Road Initiative.** The ongoing SOE reform (i.e. asset swap and operating efficiency boost), nationwide power stations upgrade, the accelerated renewable energy investment in China and the Belt & Road initiatives are the keystones to the continued success of Shanghai Electric. The opportunities outstrip the risks.
- We maintain the investment rating of "Accumulate" but revise down our TP to HK\$4.20.** We remain bullish on Shanghai Electric given its leadership position in the power equipment industry in China, which is likely to help it excel in the international power equipment market. The new TP corresponds to 18.5x/17.7x/16.1x FY16-FY18 PER or 1.1x/1.1x/1.0x FY16-FY18 PBR.
- 2015 财年盈利低于市场及我们的预期。** 2015 年的收入同比上升 1.6%，但股东净利润则同比回落 17.0%，主要因期内计提了应收账款专项坏账准备以及存货跌价准备。毛利率及净利率于期内分别同比倒退了 0.7 个百分点及 0.6 个百分点。
- 新增订单和在手订单仍然强劲。** 2015 年的新增订单达 603 亿人民币，同比升 2.6%，而期末在手订单则达 2,606 亿人民币，同比升 3.9%。高效清洁能源板块于期内新增订单同比大涨 12.1% 至 315 亿人民币，对期内新增订单的增长提供了有力支撑。
- 公司的主要驱动因素包括国企改革，全国电站升级改造，对可再生能源投资的加速以及一带一路战略。** 当前的国企改革（即资产置换及运营效益的提升），全国对火电站的升级改造，国内对可再生能源的加速投资以及一带一路战略都将成为上海电气在未来持续取得成功的几个重要基石。公司的机会多于其所面临的风险。
- 我们维持“收集”的投资评级但下调公司目标价至 4.20 港币。** 鉴于公司在电力设备行业里的领导地位（将有助于公司对海外电力设备市场的拓展），我们维持对公司的乐观看法。新目标价相当于 18.5 倍/ 17.7 倍/ 16.1 倍 2016/2017/2018 年市盈率或 1.1 倍/ 1.1 倍/ 1.0 倍 2016/2017/2018 年市净率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$4.20

Revised from 原目标价:

HK\$5.30

Share price 股价:

HK\$3.670

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 %	4.9	7.0	(48.6)
Rel. % to HS index 相对恒指变动 %	(0.3)	(2.3)	(25.8)
Avg. share price (HK\$) 平均股价 (港元)	4.6	4.6	5.2

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 m)	(RMB m)	(RMB)	(Δ%)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2014A	76,785	2,511	0.196	4.9	14.8	2.670	1.1	0.059	2.0	7.6
2015A	78,009	2,083	0.162	(17.0)	18.5	2.905	1.0	0.000	0.0	5.8
2016F	78,532	2,397	0.187	15.0	16.2	3.094	1.0	0.056	1.9	6.2
2017F	81,276	2,518	0.196	5.0	15.4	3.240	0.9	0.059	1.9	6.2
2018F	84,127	2,767	0.215	9.7	14.1	3.412	0.9	0.064	2.1	6.5

Shares in issue (m) 总股数 (m)	12,824.3	Major shareholder 大股东	Shanghai Electric (Group) 55.1%
Market cap. (HK\$ m) 市值 (HK\$ m)	47,065.2	Free float (%) 自由流通比率 (%)	38.2
3m average vol ('000) 3 个月平均成交股数 ('000)	15,762.3	FY16 Net gearing (%) FY16 净负债/股东资本 (%)	Net Cash
52 weeks high/low (HK\$) 52 周高/低	9.250 / 3.000	FY16 EV / EBITDA (x) FY16 企业价值 / EBITDA (x)	3.5

Source: the Company, Guotai Junan International.

Sales in 2015 inched YoY by 1.6% YoY to RMB 78 bn while net profit dropped 17% YoY to RMB 2,083 mn, lower than expectation. In FY15, the new energy and environmental protection business segment recorded YoY sales growth of 23.7%, a key driver to the overall sales growth during the period. The sales of all other business segments either stayed flat or dropped due to a tougher market environment in 2015. Sales of the industrial equipment segment (mainly composed of elevators) declined YoY by 8% or nearly RMB 2 bn in value because of a slowdown in the real estate investment in China. The net earnings during the period were lower than the market and our expectation largely due to the special provision of bad debts and of inventory write-downs (totaling RMB 701 mn in expense). Meanwhile, the gross margin decline of 0.7 ppt in 2015 was mainly caused by the gross margin decline in nearly all business segments, except for the new energy and environmental protection equipment segment. Looking into 2016, we believe the Company's gross margin will stabilize and stay flat at the level of 2015. We expect the net earnings increase to mainly be derived from the operating cost reduction in FY16 (i.e. management improvement).

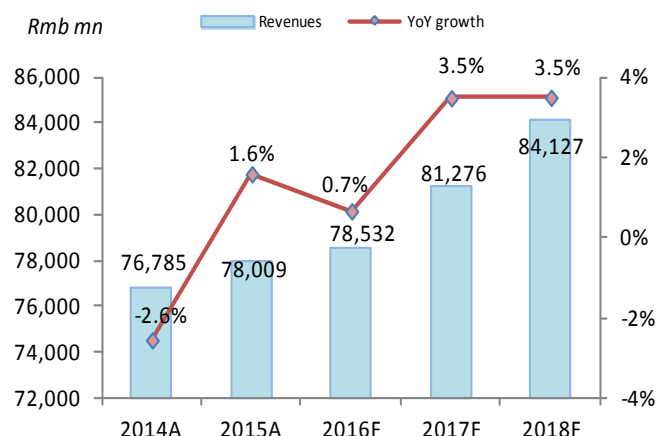
Table-1: FY15 Operating Results and YoY Comparison

(RMB mn)	2015	2014	YoY Δ	Comments
Revenue	78,009.4	76,784.5	1.6%	Higher sales recorded in clean energy & environment protection segment
COGS	(63,936.5)	(62,418.0)	2.4%	
Gross profit	14,073.0	14,366.5	-2.0%	A drop in product gross margin was recorded in FY15
Selling expense	(2,204.9)	(2,437.3)	-9.5%	
General & admin expense	(9,040.9)	(8,098.9)	11.6%	Due to the provision for bad debts and for inventories write down
Other income and gains	3,179.6	1,371.8	131.8%	Increase in realized gains on available for sale investments in addition to gain on disposal of subsidiaries
EBIT	6,006.7	5,202.1	15.5%	
Finance income / (cost)	(511.7)	(296.5)	72.6%	Sharp increase in the total debt during 2015 led to higher finance cost
Non-operating income	448.8	533.0	-15.8%	
Profit before tax	5,943.9	5,438.7	9.3%	
Income tax	(1,287.9)	(895.2)	43.9%	Lower deferred tax recorded in FY15
Minority interest	(2,573.0)	(2,032.9)	26.6%	
Net income to shareholders	2,082.9	2,510.6	-17.0%	
Margins (YoY comparison)				YOY ppt Δ
Gross margin	18.0%	18.7%	-0.7	Gross margin fell in three out of the four business segments
EBIT margin	7.7%	6.8%	+0.9	
PBT margin	7.6%	7.1%	+0.5	
Net margin	2.7%	3.3%	-0.6	Fell in line with the gross margin decline

Source: the Company, Guotai Junan International.

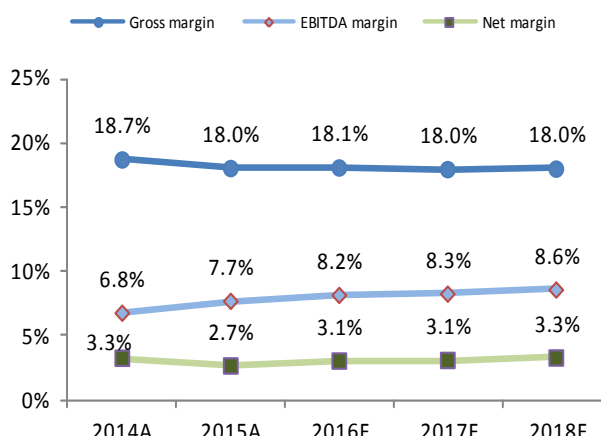
New orders in 2015 went up YoY by 2.6% to reach RMB 60.3 bn while orders backlog rose YoY by 3.9% to total at RMB 260.6 bn. Both the new orders and the orders backlog recorded a mild growth during 2015, achieving YoY growth rates of 2.6% and 3.9%, respectively. New orders of high efficiency and new energy equipment grew YoY by 12.1% in 2015 and contributed positively to the overall new orders increase. Meanwhile, orders backlog of the high efficiency and new energy equipment and of modern services went up YoY by 3.2% and 5.5%, respectively. Going forward, we expect overseas orders to help drive the growth of new orders in the future. The Company secured more than RMB 20 bn of new orders in Egypt (the amount refers only to Phase 1 of the project, and Phase 2 will be an additional RMB 20 bn) via the Belt & Road Initiative (mainly the export sales of thermal power stations) earlier this year. We believe, with the thermal power investment in China suffering a dramatic decline, offshore markets will become the ultimate solution to the technologically advanced thermal power plants of Shanghai Electric that have already seen a decline in demand domestically. From the orders signed in Egypt, we are confident that offshore markets will continue to play a significant role with more orders to be secured from the developing economies (i.e. Middle East, Africa, Southeast Asia, and Latin America) given Shanghai Electric's leadership in the advanced thermal power technology. We are bullish on the outlook of Shanghai Electric.

Figure-1: SHE's Historical and Projected Revenues



Source: the Company, Guotai Junan International.

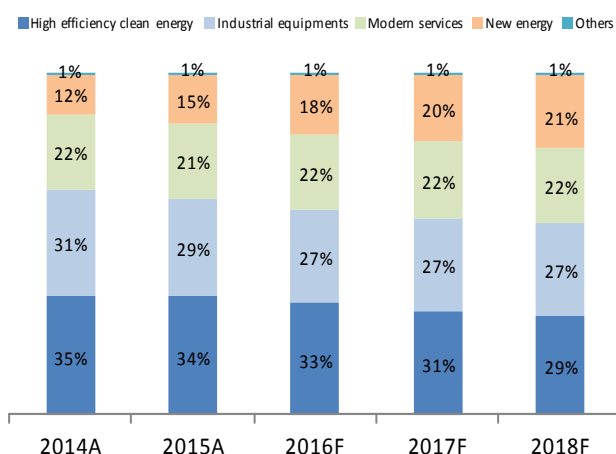
Figure-2: SHE's Margin Analysis



Source: the Company, Guotai Junan International.

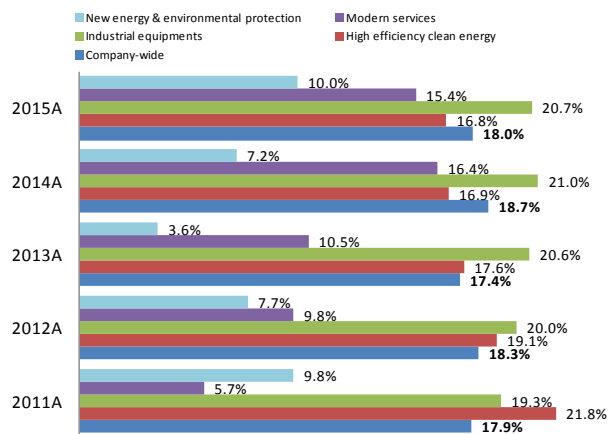
Key drivers of Shanghai Electric include the continued roll out of the offshore strategy (Belt & Road Initiative), renewable energy investment acceleration in China, nationwide thermal power stations upgrade and the ongoing SOE reform (asset swaps and operating efficiency enhancement). As the domestic thermal market is dwindling due to the shift of energy development strategy during the 13th five-year plan as well as the decline in power consumption growth, offshore markets will become the ultimate solution to domestic thermal power equipment overcapacity. With Shanghai Electric's position in the power equipment industry in China and its world leading ultra supercritical GW level thermal power technology, we are confident that the Company will excel its peers in the overseas market. Domestically, the opportunity for Shanghai Electric lies in the clean energy power equipment, such as wind turbines, nuclear power equipment, and the thermal power station services, including power plant maintenance, rehabilitation and upgrade. We expect industrial equipment to stay flat from FY16 to FY18 given the slowdown in the investment in China's real estate sector. Overseas markets would likely be the exit of the industrial equipment (i.e. elevators) made by Shanghai Electric. Lastly, SOE reform will be a key theme for the Company in 2016. Asset swap with its parent, SEC Group, is likely to be completed in 1H16 and the completion would give the Company more ammunition (i.e. new assets injected and loss making assets disposed) in a bid to rejuvenate the Company and to sustain growth.

Figure-3: Historical and Forecasted Revenue Breakdown



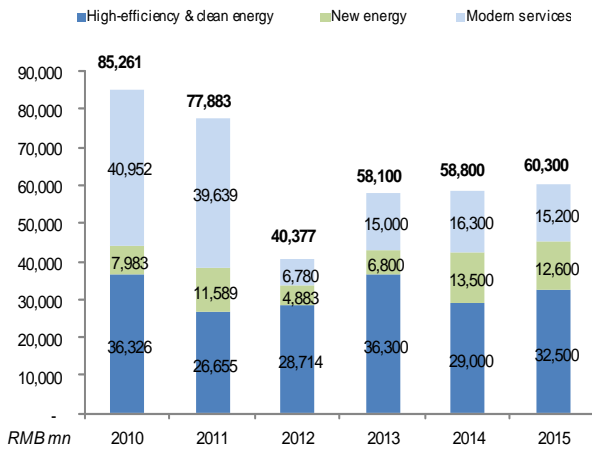
Source: the Company, Guotai Junan International.

Figure-4: Gross Margin Breakdown – Historical



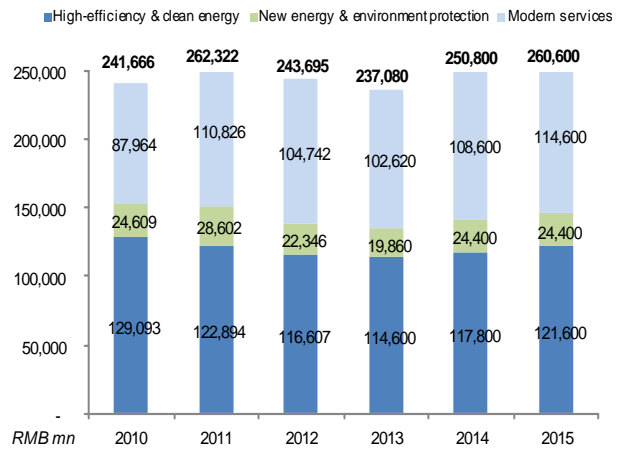
Source: the Company, Guotai Junan International.

Figure-5: SHE's Historical New Orders



Source: the Company.

Figure-6: SHE's Historical Orders Backlog



Source: the Company.

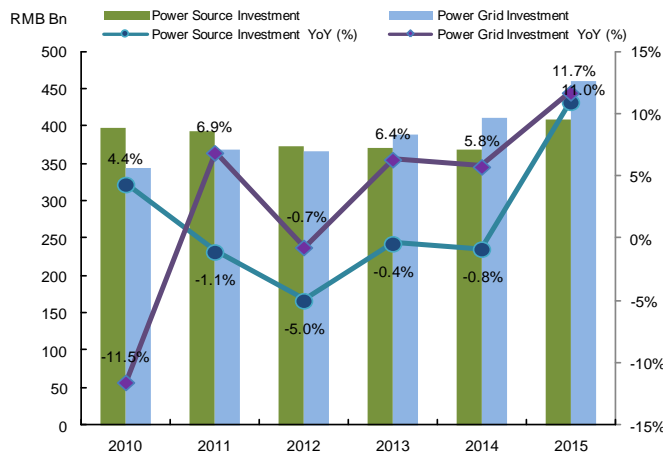
Table-2: Revision of Forecasts (2015 – 2017)

RMB million	OLD			NEW			CHANGE (%/ppt)		
	2016F	2017F	2018F	2016F	2017F	2018F	2016F	2017F	2018F
Revenue	81,428	84,107	N.A.	78,532	81,276	84,127	-3.6%	-3.4%	N.A.
Gross profit	15,622	16,193	N.A.	14,202	14,595	15,137	-9.1%	-9.9%	N.A.
EBIT	6,616	7,054	N.A.	6,409	6,714	7,218	-3.1%	-4.8%	N.A.
Pre-tax profit	6,987	7,376	N.A.	6,271	6,611	7,113	-10.2%	-10.4%	N.A.
Net profit	3,213	3,370	N.A.	2,397	2,518	2,767	-25.4%	-25.3%	N.A.
Basic EPS (RMB)	0.249	0.259	N.A.	0.187	0.196	0.215	-24.9%	-24.2%	N.A.
Gross margin	19.2%	19.3%	N.A.	18.1%	18.0%	18.0%	-1.1 ppt	-1.3 ppt	N.A.
EBIT margin	8.1%	8.4%	N.A.	8.2%	8.3%	8.6%	0.0 ppt	-0.1 ppt	N.A.
Net margin	3.9%	4.0%	N.A.	3.1%	3.1%	3.3%	-0.9 ppt	-0.9 ppt	N.A.

Source: Guotai Junan International.

We trimmed our earnings forecasts from FY16 to FY17 based a more pessimistic outlook but maintain our bullish view on Shanghai Electric. Given the accelerated slowdown in the thermal power investment in China, which will not only hit the Company's sales but also increase the risk of account receivables write-down (i.e. bad debt expense), we thus revised down our prior sales forecasts by 3.6% / 3.4% for the period from FY16 to FY17. Meanwhile, we are more cautious on the earnings forecast of the Company over the next few years and thus we trimmed our previous earnings forecasts by 25.4% / 25.3% for FY16 and FY17 due to a projected lower gross margin for the respective periods. Our revised EPS figures from FY16 to FY18 are RMB 0.187, RMB 0.196 and RMB 0.215, respectively.

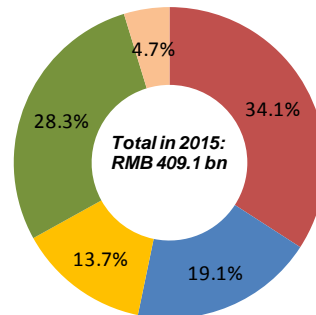
Figure-7: China's Historical Power Sector Investment



Source: CEC, NEA, Guotai Junan International.

Figure-8: 2015 Power Source Investment Breakdown

Thermal Hydro Nuclear Wind Others



Source: CEC, NEA, Guotai Junan International.

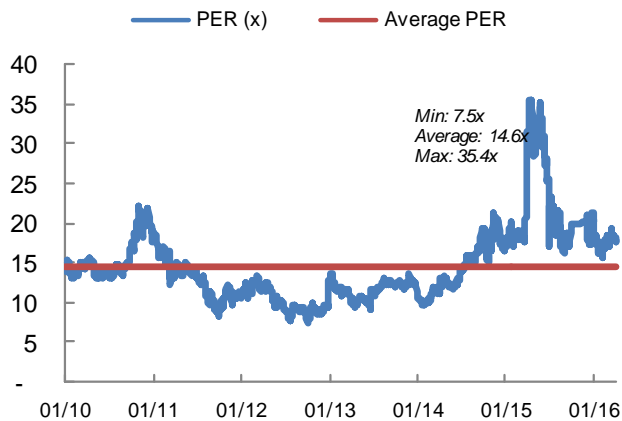
Target price revised down to HK\$ 4.20 but maintain investment rating of “Accumulate”. Although the earnings in FY15 were lower than the market and our expectation due to the special provision made on the bad debt as well as on the write down of inventories, we expect the Company to benefit from the ongoing SOE reform (i.e. asset swap, increase in operating efficiency, and consolidation of resources to reduce cost), the accelerated investment in renewable energy in China, the continued roll out of the offshore orders to be brought by the Belt & Road Initiative (bringing more thermal orders from the offshore market), and the nationwide thermal power plant rehabilitation / upgrade program (under a more stringent emissions standard required by the NEA & NDRC). As 2016 is the first year of the 13th five-year plan and is a year filled with risks and opportunities, we are confident that Shanghai Electric will gradually emerge as a regional, if not global, power equipment giant, especially under the strong support of the Chinese government and under the existing Belt & Road Initiative national strategy aiming to send advanced equipment made in China, offshore. We maintain our current investment rating but cut our TP to HK\$ 4.20, which corresponds to 18.5x / 17.7x / 16.1x 2016-2018 PER or 1.1x / 1.1x / 1.0x 2016-2018 PBR.

18 April 2016

Shanghai Electric 上海电气 (02727 HK)

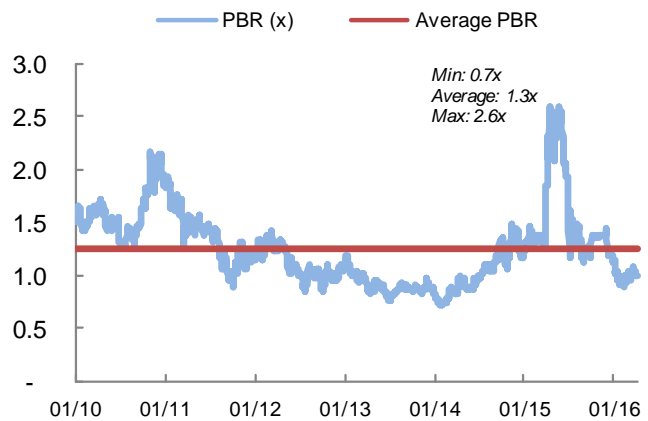
Company Report

Figure-9: Historical PER of SHE



Source: Bloomberg, Guotai Junan International.

Figure-10: Historical PBR of SHE



Source: Bloomberg, Guotai Junan International.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last Price	Market Cap HKD mn	PE				PB				ROE (%)	D/Y (%)
					15A	16F	17F	18F	15A	16F	17F	18F	16F	16F
<u>HK Listed Chinese Peers</u>														
Dongfang Electric Corp - H	01072 HK	HKD	6.540	29,176	28.3	21.3	16.2	20.2	0.6	0.5	0.5	0.5	3.0	1.0
Harbin Electric	01133 HK	HKD	3.520	4,846	20.9	n.a.	23.2	16.2	0.3	0.3	0.3	0.3	0.8	0.2
Shanghai Electric - H	02727 HK	HKD	3.670	117,385	18.2	15.4	14.4	16.2	1.1	1.0	0.9	0.9	6.8	1.9
Simple Average					22.5	18.4	17.9	17.5	0.6	0.6	0.6	0.6	3.5	1.1
Weighted Average					20.2	16.6	15.0	17.0	0.9	0.9	0.8	0.8	5.9	1.7
<u>Offshore Listed Foreign Peers</u>														
Alstom	ALO.FP	EUR	23.59	45,127	n.a.	30.4	16.2	13.3	1.8	1.2	1.1	1.0	4.4	0.8
Bharat Heavy Electricals	BHEL	INR	133.65	38,125	22.5	n.a.	29.8	16.9	1.0	1.0	0.9	0.9	(0.5)	0.7
Doosan Heavy Industries	034020 KS	KRW	26,450.00	18,902	n.a.	26.3	18.0	11.3	0.7	0.8	0.8	0.8	3.5	3.2
General Electric	GE US	USD	31.02	2,234,064	n.a.	20.6	17.7	15.3	3.0	3.1	3.9	3.8	13.9	3.0
Hyundai Heavy Industries	009540 KS	KRW	116,500.00	59,604	n.a.	28.6	15.7	10.0	0.6	0.6	0.6	0.5	2.6	1.1
Mitsubishi Heavy Industries	7011 JT	JPY	428.80	102,323	13.0	13.8	9.8	8.7	0.8	0.8	0.7	0.7	5.9	2.8
Siemens Ag	SIE GY	EUR	93.04	690,399	10.5	14.0	12.6	11.6	2.2	2.1	2.0	2.0	15.6	3.9
Wartsila Oyj Abp	WRT1V FH	EUR	39.73	68,411	17.7	16.1	15.4	14.8	3.6	3.2	2.9	2.6	20.9	3.2
Simple Average					15.9	21.4	16.9	12.7	1.7	1.6	1.6	1.6	8.3	2.3
Weighted Average					11.9	19.2	16.4	14.2	2.6	2.7	3.2	3.1	13.6	3.1

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end Dec (RMB m)	FY14A	FY15A	FY16F	FY17F	FY18F
Turnover	76,785	78,009	78,532	81,276	84,127
Cost of sales	(62,418)	(63,936)	(64,330)	(66,682)	(68,990)
Gross profit	14,366	14,073	14,202	14,595	15,137
Selling expense	(2,437)	(2,205)	(2,160)	(2,203)	(2,297)
G&A expense	(8,099)	(9,041)	(8,972)	(9,217)	(9,338)
Other gains / (expense)	1,372	3,180	3,339	3,539	3,716
EBIT	5,202	6,007	6,409	6,714	7,218
Gains from affiliates	533	449	462	476	491
Finance cost	(296)	(512)	(600)	(580)	(596)
Profit before tax	5,439	5,944	6,271	6,611	7,113
Income tax	(895)	(1,288)	(1,224)	(1,270)	(1,382)
Profit after tax	4,543	4,656	5,047	5,341	5,731
Minority interest	(2,033)	(2,573)	(2,650)	(2,823)	(2,964)
Net profit	2,511	2,083	2,397	2,518	2,767
Basic EPS (RMB)	0.196	0.162	0.187	0.196	0.215
Diluted EPS (RMB)	0.196	0.162	0.187	0.196	0.215
DPS (RMB)	0.059	0.000	0.056	0.059	0.064

Cashflow Statement					
Year end Dec (RMB m)	FY14A	FY15A	FY16F	FY17F	FY18F
Net Income	2,511	2,083	2,397	2,518	2,767
D&A	1,745	1,549	1,629	1,721	1,858
Change in WC	1,252	1,684	(5,410)	(1,845)	(2,681)
Other operating activities	(1,096)	2,346	2,567	2,782	2,841
CF from Operations	4,411	7,662	1,184	5,176	4,786
Capital expenditure	(1,953)	(1,365)	(1,963)	(2,601)	(2,776)
Other investing activities	(1,470)	(1,523)	(565)	(682)	(634)
CF from Investing	(3,423)	(2,889)	(2,528)	(3,283)	(3,411)
Debt raised / (repaid)	1,882	4,946	618	(658)	297
Dividends paid	(957)	(753)	0	(719)	(755)
CB conversion to equity	0	7	50	120	320
Other financings	982	5,055	(537)	598	46
CF from Financing	1,907	9,255	132	(658)	(93)
Translation gain / (loss)	(55)	137	0	0	0
Changes in cash	2,841	14,165	(1,213)	1,235	1,283
Beginning cash	21,409	25,113	36,552	35,339	36,574
Other adjustments	864	(2,727)	0	0	0
Ending cash	25,113	36,552	35,339	36,574	37,857

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end Dec (RMB m)	FY14A	FY15A	FY16F	FY17F	FY18F
PPE	14,066	11,999	12,245	12,997	13,787
Investments in affiliates	6,833	6,952	7,508	7,958	8,356
Intangibles & goodwill	1,063	1,015	950	888	833
Other noncurrent assets	10,356	13,510	13,925	14,584	15,279
Total noncurrent assets	32,318	33,477	34,628	36,427	38,255
Inventories	24,073	21,014	24,767	26,673	27,596
Trade receivables	39,491	40,819	42,250	43,483	44,587
Cash & cash equivalents	25,113	36,552	35,339	36,574	37,857
Other current assets	22,555	30,261	32,328	34,879	38,008
Total current assets	111,232	128,647	134,685	141,609	148,048
Total asset	143,551	162,124	169,312	178,035	186,304
Trade payables	31,836	31,483	32,165	32,674	33,460
Short term loans	5,009	1,886	1,404	1,166	2,134
Advances and deposits	40,052	44,962	44,763	47,547	48,205
Other current liabilities	16,401	21,268	22,089	23,239	24,317
Current liabilities	93,298	99,599	100,421	104,626	108,115
Corporate bond	1,993	5,841	6,841	6,441	5,941
Convertible bond	0	4,951	4,901	4,781	4,461
Long term loans	854	123	273	373	523
Other noncurrent liabilities	1,980	1,979	2,158	2,365	2,531
Total noncurrent liabilities	4,827	12,895	14,173	13,961	13,456
Total liabilities	98,125	112,493	114,594	118,587	121,572
Shareholder's equity	34,236	37,251	39,688	41,597	43,916
Minority interest	10,503	11,189	13,384	15,755	18,281
Total equity	45,425	49,630	54,718	59,449	64,732
Total liabilities & equity	143,551	162,124	169,312	178,035	186,304
BPS (RMB)	2.670	2.905	3.094	3.240	3.412

Key Indicators					
Year end Dec	FY14A	FY15A	FY16F	FY17F	FY18F
Gross margin (%)	18.7%	18.0%	18.1%	18.0%	18.0%
EBIT margin (%)	6.8%	7.7%	8.2%	8.3%	8.6%
EBITDA margin (%)	9.0%	9.7%	10.2%	10.4%	10.8%
Net margin (%)	3.3%	2.7%	3.1%	3.1%	3.3%
Inventory turnover (day)	129.0	126.9	138.6	144.0	144.0
AR turnover (day)	177.3	185.3	193.7	192.6	190.8
AP turnover (day)	176.1	178.3	180.0	176.4	174.6
ROE (%)	7.6%	5.8%	6.2%	6.2%	6.5%
ROA (%)	1.8%	1.4%	1.4%	1.4%	1.5%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
EV/EBITDA (x)	4.0	3.1	3.5	3.4	3.4
Quick ratio (x)	0.7	0.9	0.9	0.8	0.8
Current ratio (x)	1.2	1.3	1.3	1.4	1.4

18 April 2016

Shanghai Electric 上海电气 (02727 HK)

Company Report

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.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for SMI Holdings Group Limited (00198 HK), Guangshen Railway Company Limited-H shares (00525 HK), China All Access (Holdings) Limited (00633 HK), Guotai Junan International Holdings Limited (01788 HK), Binhai Investment Company Limited (02886 HK) and Link Holdings Limited (08237 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services and etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2016 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk