



Rating  
**Buy**

Asia  
Hong Kong

Energy  
Chemicals

Company  
**China BlueChemical**

Reuters  
3983.HK

Bloomberg  
3983 HK

Exchange  
HSI

Ticker  
3983

Date  
30 August 2017

Forecast Change

Price at 29 Aug 2017 (HKD)	2.27
Price target - 12mth (HKD)	3.20
52-week range (HKD)	2.83 - 1.41
HANG SENG INDEX	27,863

## 1H17 results beat prelim. announcement; lifting TP to HK\$3.2

### 1H17 results beat on better methanol performance

CBC reported 1H17 net profit of RMB290m/EPs RMB0.06, a turnaround from a net loss of RMB124m in 1H16. Reported earnings were c.9% higher than minimum net profit preliminary guidance of RMB265m, and beat our expectations on better methanol performance. The 1H17 net profit tracks 63%/47% of DBE/consensus FY17E. The strong turnaround in performance was attributed to better ASPs in urea and methanol, and higher urea sales volume. However, the results were overshadowed by 1) a sluggish phosphate market and 2) a poor urea utilization rate in the Tianye urea plant. As of 1H17, the company held net cash of RMB4.6bn or RMB0.99/share. With strong 1H results, we lift our EPS by 67%/10%/6% in FY17E/18E/19E on higher methanol ASP and utilization rate. We reiterate our Buy rating with a new DCF-based target price of HK\$3.2.

### Operating summary: methanol segment saves the day; phosphate still loss making

- The Urea segment recorded operating profit of RMB63m, a turnaround from a loss of RMB191m in 1H16, driven by 1) a urea ASP increase of 15% YoY to RMB1,455/ton, 2) overall utilization rate having reached 99.8% (vs. 90.9% in 1H16) driven by utilization pick-up in the Fudao I & II plants and 3) sales volume having increased by 21% YoY to 1.2mtons. However, it was partly offset by a drop in utilization rate of CNOOC Tianye, recorded at 59% (vs. 114% in 1H16); producing 152ktons of urea (-49% YoY), mainly due to production halts until March 2017.
- The Phosphate & NPK segment posted a loss of RMB36m, narrowed from a loss of RMB58m in 1H16, and driven by utilization rate improvement to 92.8% (vs. 90.4% in 1H16). However, it was offset by weak overall phosphate and NPK ASPs, the average ASP of which dropped to RMB2,155/ton (-2.5% YoY). Also, MAP production volume dropped to 15mtons (-43% YoY) due to a sluggish MAP market.
- The Methanol segment posted operating profit of RMB442m, a turnaround from a net loss of RMB33m in 1H16, driven by a strong methanol ASP increase of 47% YoY to RMB2,227/ton. The strong surge of ASP was driven by recovery of the energy market and strong demand from methanol-to-olefin (MTO) usage. Despite the Tianye plant utilization rate having picked up by 41%pts to 119%, overall production volume was

### Valuation & Risks

Vitus Leung

Research Analyst  
+852-2203 6158

Johnson Wan

Research Analyst  
+852-2203 6163

#### Key changes

TP	3.00 to 3.20	↑	6.7%
Sales (FYE)	9,701 to 10,110	↑	4.2%
Op prof margin (FYE)	4.8 to 7.4	↑	54.4%
Net profit (FYE)	274.4 to 457.6	↑	66.7%

Source: Deutsche Bank

#### Price/price relative



Performance (%)	1m	3m	12m
Absolute	9.1	10.2	51.3
HANG SENG INDEX	3.3	8.4	22.1

Source: Deutsche Bank

#### Key indicators (FY1)

ROE (%)	3.4
Net debt/equity (%)	-36.2
Book value/share (CNY)	2.94
Price/book (x)	0.7
Net interest cover (x)	17.7
Operating profit margin (%)	7.4

Source: Deutsche Bank



down by 2% YoY due to the utilization rate drop of the Hainan plants, with an overall utilization of 95.6%.

#### Recommending Buy on earnings recovery, while 2H17 looks a little challenging

We continue to rate CBC as Buy and expect earnings recovery in FY18-19E, with ROIC reaching 12.5% in FY19E, improving from 6.2% in FY17E as a result of lower gas feedstocks cost (new DF 13-2 gas supply contract to start in 2H18) and better utilization rate. Moreover, CBC's long-term growth potential through deploying net cash position in high value-added gas chemicals business could trigger re-rating.

Looking ahead in 2H17, the bright side could come from implementation of a 2% VAT cut to 11% from 13%, and we have anticipated earnings to turn around in 2017. On the other hand, we believe earnings recovery momentum may take a pause in 2H17, where products prices recovery softened since 2Q, and we anticipate a more flat recovery of energy prices. Conversely, the Fudao II urea plants have been suspended for 30 days since 23 August due to maintenance, and will result in production loss of 75ktons. With robust natural gas demand growth in China, the Tianye urea operating rate during the winter gas usage peak season could be at risk, despite CBC expressing PetroChina's intentions for non-stop gas feedstock supply.

#### Valuation and risks; maintaining Buy

CBC is trading at 0.7x/2.5x forward P/B and EV/EBITDA at a 65%/80% discount to global fertilizer peers. We derive our HK\$3.2 target price using DCF, assuming WACC of 9.0% and a terminal growth rate of 0%. Our target price implies 0.9x 2017E P/B, representing a 58% discount to the global peer average. We reiterate our Buy rating on CBC on unwinding valuation and earnings recovery ahead. Risks include: 1) potentially faster-than-expected depletion at gas fields in the South China Sea and 2) volatility in prices of main products.

#### Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	10,671.8	8,503.8	10,110.0	10,705.0	11,315.6
EBITDA (CNYm)	2,194.0	757.0	1,703.5	2,344.7	2,632.4
Reported NPAT (CNYm)	830.2	-215.2	457.6	900.9	1,103.5
Reported EPS FD(CNY)	0.18	-0.05	0.10	0.20	0.24
DB EPS FD(CNY)	0.18	-0.05	0.10	0.20	0.24
OLD DB EPS FD(CNY)	0.18	-0.05	0.06	0.18	0.23
% Change	0.0%	-0.0%	66.7%	9.9%	5.9%
DB EPS growth (%)	–	–	–	96.9	22.5
Price/Book (x)	0.6	0.6	0.7	0.6	0.6
PER (x)	12.1	–	19.4	9.9	8.1
EV/EBITDA (x)	2.8	2.9	2.4	1.6	1.4
DPS (net) (CNY)	0.08	0.05	0.05	0.10	0.12
Yield (net) (%)	3.7	3.5	2.6	5.1	6.2

Source: Deutsche Bank estimates, company data



## 1H17 results at a glance

Figure 1: Income statement

RMB million	1H13	2H13	1H14	2H14	1H15	2H15	1H16	2H16	1H17	1H17 YoY %	1H17 HoH%
Revenue	5,222	5,502	5,264	5,533	4,745	5,926	3,878	4,626	5,137	32%	11%
COGS	(3,671)	(3,830)	(3,859)	(4,252)	(3,819)	(5,107)	(3,777)	(4,428)	(4,293)	NM	NM
<b>Gross Profit</b>	<b>1,551</b>	<b>1,672</b>	<b>1,405</b>	<b>1,281</b>	<b>927</b>	<b>819</b>	<b>101</b>	<b>199</b>	<b>844</b>	<b>736%</b>	<b>325%</b>
SG&A	(294)	(529)	(393)	(551)	(374)	(443)	(366)	(428)	(385)	NM	NM
<b>Operating profit</b>	<b>1,257</b>	<b>1,143</b>	<b>1,012</b>	<b>730</b>	<b>552</b>	<b>376</b>	<b>(265)</b>	<b>(230)</b>	<b>459</b>	<b>NM</b>	<b>NM</b>
Other Income/(loss)	64	9	95	23	170	193	177	152	118	-33%	-23%
EBIT	1,321	1,152	1,107	753	722	569	(88)	(77)	577	NM	NM
Interest expense	0	(3)	(0)	(9)	(15)	(77)	(72)	(90)	(61)	NM	NM
Share of results of joint venture	1	(1)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	NM	NM
Share results of associates	0	(9)	(380)	(97)	(2)	(66)	(1)	1	(33)	NM	NM
Change in Fair value	0	(123)	0	(1,260)	0	0	0	0	0	na	na
<b>Pretax income</b>	<b>1,322</b>	<b>1,025</b>	<b>722</b>	<b>(609)</b>	<b>697</b>	<b>434</b>	<b>(161)</b>	<b>(168)</b>	<b>481</b>	<b>NM</b>	<b>NM</b>
Tax expense	(285)	(269)	(195)	179	(156)	(132)	19	74	(154)	NM	NM
Net profit	1,037	756	528	(430)	541	302	(142)	(95)	328	NM	NM
<b>NP attributable to shareholders</b>	<b>958</b>	<b>689</b>	<b>448</b>	<b>(342)</b>	<b>505</b>	<b>325</b>	<b>(124)</b>	<b>(91)</b>	<b>290</b>	<b>NM</b>	<b>NM</b>
<b>EPS (RMB/sh)</b>	<b>0.21</b>	<b>0.15</b>	<b>0.10</b>	<b>(0.08)</b>	<b>0.11</b>	<b>0.07</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>0.06</b>	<b>NM</b>	<b>NM</b>
Exchange (losses)/gain	4	(12)	4	4	8	(30)	(11)	18	1	NM	NM
<b>NP (excl FX gain/loss)</b>	<b>1,034</b>	<b>765</b>	<b>524</b>	<b>(433)</b>	<b>535</b>	<b>323</b>	<b>(132)</b>	<b>(105)</b>	<b>328</b>	<b>NM</b>	<b>NM</b>
GPM%	30%	30%	27%	23%	20%	14%	3%	4%	16%	14% pts	12% pts
OPM%	24%	21%	19%	13%	12%	6%	-7%	-5%	9%	16% pts	14% pts
NIM%	20%	14%	10%	-8%	11%	5%	-4%	-2%	6%	10% pts	8% pts
SG&A as % of Revenue	6%	10%	7%	10%	8%	7%	9%	9%	7%	-2% pts	-2% pts
Effective tax rate	22%	26%	27%	29%	22%	30%	12%	44%	32%	20% pts	-12% pts

Source: Company data, Deutsche Bank

## Operating data

Figure 2: Operating segments

Segment profit before tax (RMB '000)	1H15	2H15	1H16	2H16	1H17	1H17 YoY%	1H17 HoH%
Urea	424,372	374,679	-191,494	-263,428	63,771	NM	NM
Phosphate & NPK	92,431	96,183	-58,458	-74,138	-36,221	NM	NM
Methanol	73,082	-24,611	-32,573	143,612	442,458	NM	208%
Others	10,623	68,799	67,895	27,905	49,287	-27%	77%
<b>Total</b>	<b>600,508</b>	<b>515,050</b>	<b>-214,630</b>	<b>-166,049</b>	<b>519,295</b>	<b>NM</b>	<b>NM</b>

Source: Company data, Deutsche Bank

Figure 3: Production and ASPs

	1H16			2H16			1H17			1H17 YoY%		1H17 HoH%	
	ASP (RMB/t)	Production (tonne)	Utilisation rate	ASP (RMB/t)	Production (tonne)	Utilisation rate	ASP (RMB/t)	Production (tonne)	Utilisation rate	ASP (RMB/t)	Production (tonne)	ASP (RMB/t)	Production (tonne)
<b>Chemical fertilisers</b>													
<b>Urea</b>													
Fudao phase I	227,462	88%		281,049	108%		295,680	114%		30%		5%	
Fudao phase II	230,734	58%		383,544	96%		421,436	105%		83%		10%	
CNOOC Tianye	296,318	114%		39,228	15%		152,378	59%		-49%		288%	
CNOOC Huahe	318,035	122%		288,514	93%		308,635	119%		-3%		7%	
<b>Group Total</b>	<b>1,262</b>	<b>1,072,549</b>	<b>91%</b>	<b>1,234</b>	<b>992,335</b>	<b>81%</b>	<b>1,455</b>	<b>1,178,129</b>	<b>100%</b>	<b>15%</b>	<b>10%</b>	<b>18%</b>	<b>19%</b>
<b>Phosphate fertilisers and Compound fertilisers</b>													
DYK MAP	26,322	35%		29,390	39%		15,022	20%		-43%		-49%	
DYK DAP Phase I	169,018	97%		168,979	97%		147,944	85%		-12%		-12%	
DYK DAP Phase II	256,593	103%		301,892	121%		298,580	119%		16%		-1%	
<b>Group Total</b>	<b>2,211</b>	<b>451,933</b>	<b>90%</b>	<b>2,211</b>	<b>500,261</b>	<b>100%</b>	<b>2,155</b>	<b>461,546</b>	<b>92%</b>	<b>-3%</b>	<b>2%</b>	<b>-3%</b>	<b>-8%</b>
<b>Chemical products</b>													
<b>Methanol</b>													
Hainan phase I	291,101	97%		284,885	95%		260,709	87%		-10%		-8%	
Hainan phase II	405,893	102%		377,368	94%		384,637	96%		-5%		2%	
CNOOC Tianye	84,552	85%		61,260	61%		119,136	119%		41%		94%	
<b>Group Total</b>	<b>1,494</b>	<b>781,546</b>	<b>98%</b>	<b>1,816</b>	<b>723,513</b>	<b>90%</b>	<b>2,227</b>	<b>764,482</b>	<b>96%</b>	<b>49%</b>	<b>-2%</b>	<b>23%</b>	<b>6%</b>

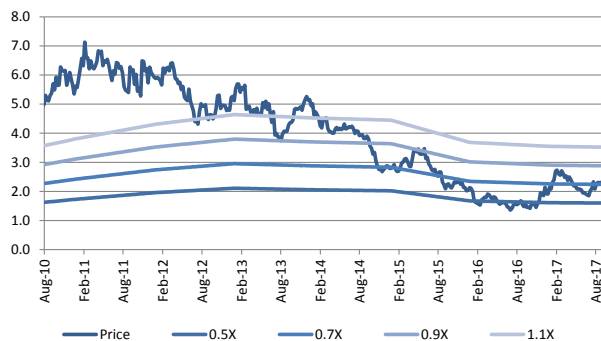


Figure 3: Production and ASPs

Source: Company data, Deutsche Bank

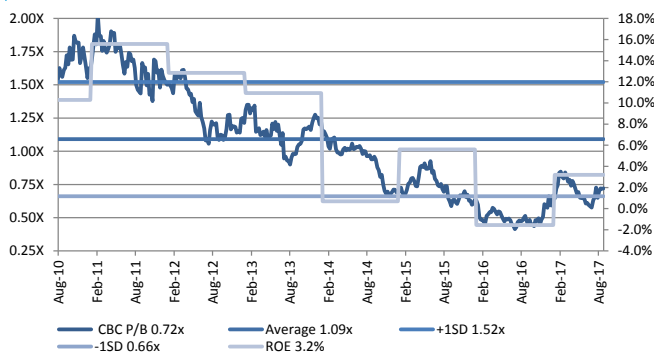
## Valuation Charts

Figure 4: CBC 12-month forward P/B Band



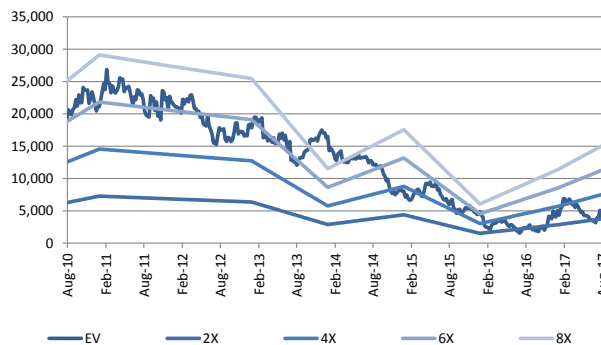
Source: Company data, Bloomberg Finance LP, Deutsche Bank estimates

Figure 5: CBC 12-month forward P/B



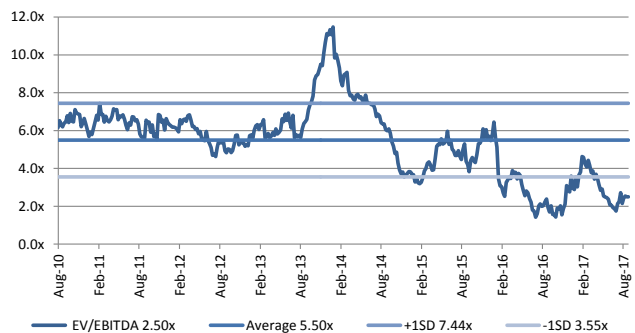
Source: Company data, Bloomberg Finance LP, Deutsche Bank estimates

Figure 6: 12-month forward EV/EBITDA Band



Source: Company data, Bloomberg Finance LP, Deutsche Bank estimates

Figure 7: CBC 12-month forward EV/EBITDA



Source: Company data, Bloomberg Finance LP, Deutsche Bank estimates



## Comps

Figure 8: Global fertilizer comps

	Reuters	DB	Trading	28-Aug	Mkt Cap	P/E (x)		P/B (x)		ROE (%)		Dvd yield		EV/EBITDA		ROIC (%)	
Name	Ticker	Rating	Ccy	Price	(USD mn)	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
China - H Listed																	
China BlueChem	3983.HK	Buy	HKD	2.28	1,338	19.4	9.9	0.7	0.6	3.4	6.5	2.6	5.1	2.4	1.6	6.1	11.0
Sinofert	0297.HK	Hold	HKD	1.05	934	228.6	21.1	0.7	0.7	0.3	3.4	0.0	1.2	5.5	3.0	-2.2	2.9
Weighted average						94.7	13.5	0.7	0.7	1.9	4.7	2.0	3.7	4.7	3.4	2.4	6.8
China - A Listed																	
QSLI	000792.SZ	Hold	CNY	11.25	4,041	70.2	36.9	1.3	1.2	1.8	3.4	0.2	0.3	16.1	12.8	1.1	1.4
Shandong Kingenta	002470.SZ	NR	CNY	8.17	3,873	19.0	16.1	2.5	2.3	14.1	15.4	1.6	1.9	14.1	11.3	NA	NA
Yunnan Yuntianhua	600096.SS	NR	CNY	8.02	1,595	NA	100.3	2.8	2.7	-2.7	3.0	NA	NA	12.9	12.8	NA	NA
Hualu-Hengsheng	600426.SS	NR	CNY	11.00	2,683	15.7	12.0	1.8	1.6	12.0	13.8	1.0	1.3	8.9	7.9	NA	NA
Shenzhen Batian	002170.SZ	NR	CNY	7.02	940	21.9	15.3	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hubei Xingfa	600141.SS	NR	CNY	16.34	1,231	34.5	28.6	1.3	1.3	4.9	5.8	0.8	0.9	10.1	9.5	NA	NA
Weighted average						26.3	25.6	1.5	1.4	6.4	8.0	1.3	1.7	10.5	8.9	1.1	1.4
Global (ex-HK/China)																	
Industries Qatar	IQCD.QA	Buy	QAR	92.10	14,955	14.2	12.9	1.5	1.3	10.9	10.8	4.4	4.4	27.4	21.3	2.7	3.1
Potash Corp	POT.N	Hold	USD	17.28	14,517	28.2	25.4	1.7	1.7	5.9	6.7	NA	NA	13.3	11.7	NA	NA
Agrium	AGU.CN	NR	CAD	121.04	13,408	19.9	16.4	2.1	2.0	10.8	12.3	3.6	3.7	10.5	9.2	NA	NA
Ma'aden	1211.SE	Sell	SAR	50.00	15,734	82.3	44.5	2.3	2.2	2.8	5.0	0.0	0.0	23.0	17.2	2.5	3.4
Yara	YAR.OL	Hold	NOK	315.00	11,066	19.4	15.5	1.1	1.1	5.9	7.1	2.9	3.2	9.0	7.9	5.5	6.3
PTT GC	PTTGC.BK	Buy	THB	76.00	10,617	12.2	12.1	1.4	1.3	11.4	10.9	4.1	4.1	7.2	6.5	11.7	12.4
Uralkali	URKAq.L	Sell	USD	NA	5,875	8.7	NA	4.0	NA	60.3	NA	0.0	NA	8.3	NA	13.1	NA
PHOSAGRO	PHORq.L	Hold	USD	NA	5,575	9.6	9.1	3.1	2.6	35.9	31.1	5.2	5.5	7.1	6.6	19.4	18.7
K + S	SDFGn.DE	Sell	EUR	20.43	4,644	20.6	14.7	0.8	0.8	4.1	5.6	2.2	3.4	11.4	9.1	3.4	4.3
Coromandel Int'l	CORF.BO	Buy	INR	444.60	1,168	16.4	20.6	3.2	3.8	18.0	19.7	1.9	1.4	10.1	12.5	12.5	14.0
AKron	AKRN.MM	NR	RUB	3525	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted average						26.1	17.8	2.1	1.5	13.6	9.3	2.7	2.4	14.1	10.6	9.8	7.1

Source: Company data, Bloomberg Finance LP, Deutsche Bank estimates; Note: Bloomberg consensus estimates for NR (Non-rated) companies



Model updated: 29 August 2017

### Running the numbers

Asia

Hong Kong

Chemicals

### China BlueChemical

Reuters: 3983.HK

Bloomberg: 3983 HK

### Buy

Price (29 Aug 17) HKD 2.27

Target Price HKD 3.20

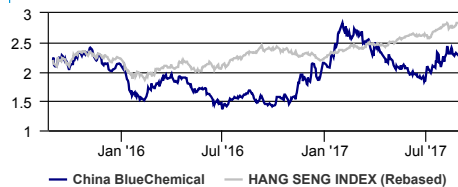
52 Week range HKD 1.41 - 2.83

Market cap (m) HKDm 10,465  
USDm 1,337.6

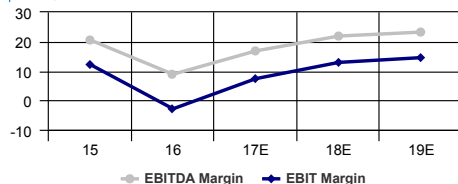
### Company Profile

China BlueChemical Limited, a subsidiary of CNOOC Group, is principally engaged in the development, production, sales, and export of urea and phosphate fertilizers and chemical products.

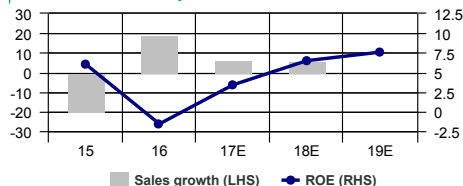
### Price Performance



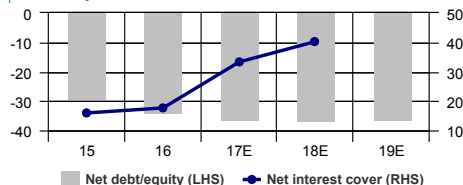
### Margin Trends



### Growth & Profitability



### Solvency



Vitus Leung

+852 2203 6158

vitus.leung@db.com

Fiscal year end 31-Dec

### Financial Summary

	2015	2016	2017E	2018E	2019E
DB EPS (CNY)	0.18	-0.05	0.10	0.20	0.24
Reported EPS (CNY)	0.18	-0.05	0.10	0.20	0.24
DPS (CNY)	0.08	0.05	0.05	0.10	0.12
BVPS (CNY)	3.0	2.9	2.9	3.1	3.2
Weighted average shares (m)	4,610	4,610	4,610	4,610	4,610
Average market cap (CNYm)	10,015	6,643	8,883	8,883	8,883
Enterprise value (CNYm)	6,226	2,196	4,037	3,825	3,710

### Valuation Metrics

P/E (DB) (x)	12.1	nm	19.4	9.9	8.1
P/E (Reported) (x)	12.1	nm	19.4	9.9	8.1
P/BV (x)	0.57	0.64	0.66	0.62	0.60
FCF Yield (%)	8.1	13.6	8.0	6.3	7.8
Dividend Yield (%)	3.7	3.5	2.6	5.1	6.2
EV/Sales (x)	0.6	0.3	0.4	0.4	0.3
EV/EBITDA (x)	2.8	2.9	2.4	1.6	1.4
EV/EBIT (x)	4.8	nm	5.4	2.8	2.3

### Income Statement (CNYm)

Sales revenue	10,672	8,504	10,110	10,705	11,316
Gross profit	2,636	1,300	2,485	3,114	3,467
EBITDA	2,194	757	1,703	2,345	2,632
Depreciation	867	975	936	941	965
Amortisation	23	26	19	19	19
EBIT	1,304	-244	749	1,385	1,648
Net interest income(expense)	-82	-154	-42	-42	-41
Associates/affiliates	-68	0	0	0	0
Exceptionals/extraordinary	0	60	0	0	0
Other pre-tax income/(expense)	-22	9	-8	0	-22
Profit before tax	1,132	-329	699	1,343	1,586
Income tax expense	288	-93	165	322	381
Minorities	13	-21	77	119	102
Other post-tax income/(expense)	0	0	0	0	0
Net profit	830	-215	458	901	1,104
DB adjustments (including dilution)	0	0	0	0	0
DB Net profit	830	-215	458	901	1,104

### Cash Flow (CNYm)

Cash flow from operations	1,358	1,115	1,015	1,461	1,589
Net Capex	-550	-213	-300	-900	-900
Free cash flow	808	902	715	561	689
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	-553	-231	-231	-229	-450
Net inc/(dec) in borrowings	-1,754	-810	0	0	0
Other investing/financing cash flows	1,288	523	-8	0	-22
Net cash flow	-212	385	476	332	217
Change in working capital	-249	549	-481	-520	-622

### Balance Sheet (CNYm)

Cash and other liquid assets	5,314	5,698	6,174	6,506	6,723
Tangible fixed assets	9,783	9,014	8,378	8,337	8,271
Goodwill/intangible assets	1,123	1,102	1,054	1,035	1,016
Associates/investments	469	625	625	625	625
Other assets	3,522	3,228	3,789	4,132	4,530
Total assets	20,212	19,667	20,019	20,634	21,166
Interest bearing debt	967	879	879	879	879
Other liabilities	4,363	4,474	4,523	4,346	4,123
Total liabilities	5,330	5,353	5,402	5,225	5,002
Shareholders' equity	13,855	13,317	13,544	14,216	14,869
Minorities	1,026	997	1,074	1,193	1,295
Total shareholders' equity	14,882	14,314	14,617	15,409	16,164
Net debt	-4,347	-4,820	-5,295	-5,627	-5,844

### Key Company Metrics

Sales growth (%)	nm	-20.3	18.9	5.9	5.7
DB EPS growth (%)	na	na	na	96.9	22.5
EBITDA Margin (%)	20.6	8.9	16.8	21.9	23.3
EBIT Margin (%)	12.2	-2.9	7.4	12.9	14.6
Payout ratio (%)	44.4	nm	50.0	50.0	50.0
ROE (%)	6.0	-1.6	3.4	6.5	7.6
Capex/sales (%)	5.2	2.5	3.0	8.4	8.0
Capex/depreciation (x)	0.6	0.2	0.3	0.9	0.9
Net debt/equity (%)	-29.2	-33.7	-36.2	-36.5	-36.2
Net interest cover (x)	16.0	nm	17.7	33.3	40.3

Source: Company data, Deutsche Securities estimates



# Appendix 1

## Important Disclosures

\*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
China BlueChemical	3983.HK	2.27 (HKD) 29 Aug 2017	13, 14, 15

\*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg, and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr>. Aside from within this report, important conflict disclosures can also be found at <https://gm/db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

## Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

14. Deutsche Bank and/or its affiliate(s) has received non-investment banking related compensation from this company within the past year.
15. This company has been a client of Deutsche Bank Securities Inc. within the past year, during which time it received non-investment banking securities-related services.

## Important Disclosures Required by Non-U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

13. As of the end of the preceding week, Deutsche Bank and/or its affiliate(s) owns one percent or more of a class of common equity securities of this company.

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr>

## Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Vitus Leung



## Historical recommendations and target price. China BlueChemical (3983.HK)

(as of 08/29/2017)



### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

- |               |   |               |   |
|---------------|---|---------------|---|
| 1. 01/20/2016 | Buy, Target Price Change HKD 2,60 Vitus Leung | 4. 02/08/2017 | Buy, Target Price Change HKD 3,20 Vitus Leung |
| 2. 05/03/2016 | Buy, Target Price Change HKD 2,10 Vitus Leung | 5. 05/03/2017 | Buy, Target Price Change HKD 3,00 Johnson Wan |
| 3. 11/02/2016 | Buy, Target Price Change HKD 1,91 Vitus Leung |               |   |

## Equity Rating Key

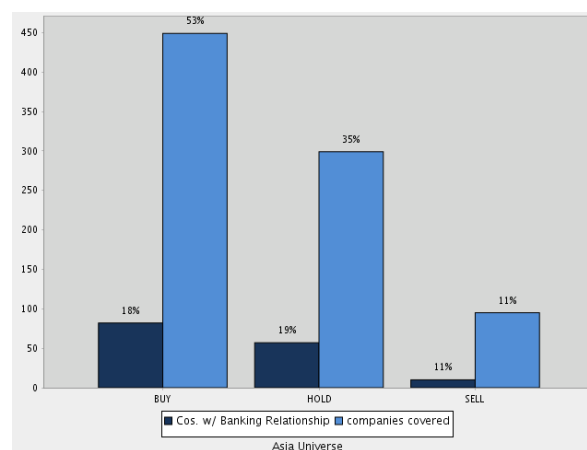
**Buy:** Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

**Sell:** Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

**Hold:** We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

## Equity rating dispersion and banking relationships







## Additional Information

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, Deutsche Bank makes no representation as to its accuracy or completeness. Hyperlinks to third-party websites in this report are provided for reader convenience only. Deutsche Bank neither endorses the content nor is responsible for the accuracy or security controls of these websites.

If you use the services of Deutsche Bank in connection with a purchase or sale of a security that is discussed in this report, or is included or discussed in another communication (oral or written) from a Deutsche Bank analyst, Deutsche Bank may act as principal for its own account or as agent for another person.

Deutsche Bank may consider this report in deciding to trade as principal. It may also engage in transactions, for its own account or with customers, in a manner inconsistent with the views taken in this research report. Others within Deutsche Bank, including strategists, sales staff and other analysts, may take views that are inconsistent with those taken in this research report. Deutsche Bank issues a variety of research products, including fundamental analysis, equity-linked analysis, quantitative analysis and trade ideas. Recommendations contained in one type of communication may differ from recommendations contained in others, whether as a result of differing time horizons, methodologies or otherwise. Deutsche Bank and/or its affiliates may also be holding debt or equity securities of the issuers it writes on. Analysts are paid in part based on the profitability of Deutsche Bank AG and its affiliates, which includes investment banking, trading and principal trading revenues.

Opinions, estimates and projections constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank provides liquidity for buyers and sellers of securities issued by the companies it covers. Deutsche Bank research analysts sometimes have shorter-term trade ideas that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. Trade ideas for equities can be found at the SOLAR link at <http://gm.db.com>. A SOLAR idea represents a high conviction belief by an analyst that a stock will outperform or underperform the market and/or sector delineated over a time frame of no less than two weeks. In addition to SOLAR ideas, the analysts named in this report may from time to time discuss with our clients, Deutsche Bank salespersons and Deutsche Bank traders, trading strategies or ideas that reference catalysts or events that may have a near-term or medium-term impact on the market price of the securities discussed in this report, which impact may be directionally counter to the analysts' current 12-month view of total return or investment return as described herein. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if any opinion, forecast or estimate contained herein changes or subsequently becomes inaccurate. Coverage and the frequency of changes in market conditions and in both general and company specific economic prospects make it difficult to update research at defined intervals. Updates are at the sole discretion of the coverage analyst concerned or of the Research Department Management and as such the majority of reports are published at irregular intervals. This report is provided for informational purposes only and does not take into account the particular investment objectives, financial situations, or needs of individual clients. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst's judgment. The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Prices and availability of financial instruments are subject to change without notice and investment transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Unless otherwise indicated, prices are current as of the end of the previous trading session, and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank, subject companies, and in some cases, other parties.

The Deutsche Bank Research Department is independent of other business areas divisions of the Bank. Details regarding our organizational arrangements and information barriers we have to prevent and avoid conflicts of interest with respect to our research is available on our website under Disclaimer found on the Legal tab.



Macroeconomic fluctuations often account for most of the risks associated with exposures to instruments that promise to pay fixed or variable interest rates. For an investor who is long fixed rate instruments (thus receiving these cash flows), increases in interest rates naturally lift the discount factors applied to the expected cash flows and thus cause a loss. The longer the maturity of a certain cash flow and the higher the move in the discount factor, the higher will be the loss. Upside surprises in inflation, fiscal funding needs, and FX depreciation rates are among the most common adverse macroeconomic shocks to receivers. But counterparty exposure, issuer creditworthiness, client segmentation, regulation (including changes in assets holding limits for different types of investors), changes in tax policies, currency convertibility (which may constrain currency conversion, repatriation of profits and/or the liquidation of positions), and settlement issues related to local clearing houses are also important risk factors to be considered. The sensitivity of fixed income instruments to macroeconomic shocks may be mitigated by indexing the contracted cash flows to inflation, to FX depreciation, or to specified interest rates – these are common in emerging markets. It is important to note that the index fixings may – by construction – lag or mis-measure the actual move in the underlying variables they are intended to track. The choice of the proper fixing (or metric) is particularly important in swaps markets, where floating coupon rates (i.e., coupons indexed to a typically short-dated interest rate reference index) are exchanged for fixed coupons. It is also important to acknowledge that funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Naturally, options on swaps (swaptions) also bear the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including, among others, market, counterparty default and illiquidity risk. The appropriateness or otherwise of these products for use by investors is dependent on the investors' own circumstances including their tax position, their regulatory environment and the nature of their other assets and liabilities, and as such, investors should take expert legal and financial advice before entering into any transaction similar to or inspired by the contents of this publication. The risk of loss in futures trading and options, foreign or domestic, can be substantial. As a result of the high degree of leverage obtainable in futures and options trading, losses may be incurred that are greater than the amount of funds initially deposited. Trading in options involves risk and is not suitable for all investors. Prior to buying or selling an option investors must review the "Characteristics and Risks of Standardized Options", at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. If you are unable to access the website please contact your Deutsche Bank representative for a copy of this important document.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: ( i) exchange rates can be volatile and are subject to large fluctuations; ( ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

Deutsche Bank (which includes Deutsche Bank AG, its branches and all affiliated companies) is not acting as a financial adviser, consultant or fiduciary to you, any of your agents (collectively, "You" or "Your") with respect to any information provided in the materials attached hereto. Deutsche Bank does not provide investment, legal, tax or accounting advice, Deutsche Bank is not acting as Your impartial adviser, and does not express any opinion or recommendation whatsoever as to any strategies, products or any other information presented in the materials. Information contained herein is being provided solely on the basis that the recipient will make an independent assessment of the merits of any investment decision, and it does not constitute a recommendation of, or express an opinion on, any product or service or any trading strategy.

The information presented is general in nature and is not directed to retirement accounts or any specific person or account type, and is therefore provided to You on the express basis that it is not advice, and You may not rely upon it in making Your decision. The information we provide is being directed only to persons we believe to be financially sophisticated, who are capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies, and who understand that Deutsche Bank has financial interests in the offering of its products



and services. If this is not the case, or if You are an IRA or other retail investor receiving this directly from us, we ask that you inform us immediately.

**United States:** Approved and/or distributed by Deutsche Bank Securities Incorporated, a member of FINRA, NFA and SIPC. Analysts located outside of the United States are employed by non-US affiliates that are not subject to FINRA regulations.

**Germany:** Approved and/or distributed by Deutsche Bank AG, a joint stock corporation with limited liability incorporated in the Federal Republic of Germany with its principal office in Frankfurt am Main. Deutsche Bank AG is authorized under German Banking Law and is subject to supervision by the European Central Bank and by BaFin, Germany's Federal Financial Supervisory Authority.

**United Kingdom:** Approved and/or distributed by Deutsche Bank AG acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG in the United Kingdom is authorised by the Prudential Regulation Authority and is subject to limited regulation by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of our authorisation and regulation are available on request.

**Hong Kong:** Distributed by Deutsche Bank AG, Hong Kong Branch or Deutsche Securities Asia Limited.

**India:** Prepared by Deutsche Equities India Pvt Ltd, which is registered by the Securities and Exchange Board of India (SEBI) as a stock broker. Research Analyst SEBI Registration Number is INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations.

**Japan:** Approved and/or distributed by Deutsche Securities Inc.(DSI). Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, Type II Financial Instruments Firms Association and The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. We may also charge commissions and fees for certain categories of investment advice, products and services. Recommended investment strategies, products and services carry the risk of losses to principal and other losses as a result of changes in market and/or economic trends, and/or fluctuations in market value. Before deciding on the purchase of financial products and/or services, customers should carefully read the relevant disclosures, prospectuses and other documentation. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless Japan or "Nippon" is specifically designated in the name of the entity. Reports on Japanese listed companies not written by analysts of DSI are written by Deutsche Bank Group's analysts with the coverage companies specified by DSI. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan. Target prices set by Deutsche Bank's equity analysts are based on a 12-month forecast period.

**Korea:** Distributed by Deutsche Securities Korea Co.

**South Africa:** Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10).

**Singapore:** by Deutsche Bank AG, Singapore Branch or Deutsche Securities Asia Limited, Singapore Branch (One Raffles Quay #18-00 South Tower Singapore 048583, +65 6423 8001), which may be contacted in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), they accept legal responsibility to such person for its contents.

**Taiwan:** Information on securities/investments that trade in Taiwan is for your reference only. Readers should independently evaluate investment risks and are solely responsible for their investment decisions. Deutsche Bank research may not be distributed to the Taiwan public media or quoted or used by the Taiwan public media without written consent. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be



construed as a recommendation to trade in such securities/instruments. Deutsche Securities Asia Limited, Taipei Branch may not execute transactions for clients in these securities/instruments.

**Qatar:** Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG - QFC Branch may only undertake the financial services activities that fall within the scope of its existing QFCRA license. Principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

**Russia:** This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

**Kingdom of Saudi Arabia:** Deutsche Securities Saudi Arabia LLC Company, (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may only undertake the financial services activities that fall within the scope of its existing CMA license. Principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower - 17th Floor, 11372 Riyadh, Saudi Arabia.

**United Arab Emirates:** Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG - DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.

**Australia:** Retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product. Please refer to Australian specific research disclosures and related information at <https://australia.db.com/australia/content/research-information.html>

**Australia and New Zealand:** This research is intended only for "wholesale clients" within the meaning of the Australian Corporations Act and New Zealand Financial Advisors Act respectively.

Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published without Deutsche Bank's prior written consent. Copyright © 2017 Deutsche Bank AG



---

## David Folkerts-Landau

Group Chief Economist and Global Head of Research

Raj Hindocha  
Global Chief Operating Officer  
Research

Michael Spencer  
Head of APAC Research  
Global Head of Economics

Steve Pollard  
Head of Americas Research  
Global Head of Equity Research

Anthony Klarman  
Global Head of  
Debt Research

Paul Reynolds  
Head of EMEA  
Equity Research

Dave Clark  
Head of APAC  
Equity Research

Pam Finelli  
Global Head of  
Equity Derivatives Research

Andreas Neubauer  
Head of Research - Germany

Spyros Mesomeris  
Global Head of Quantitative  
and QIS Research

---

### International locations

#### Deutsche Bank AG

Deutsche Bank Place  
Level 16  
Corner of Hunter & Phillip Streets  
Sydney, NSW 2000  
Australia  
Tel: (61) 2 8258 1234

#### Deutsche Bank AG

Mainzer Landstrasse 11-17  
60329 Frankfurt am Main  
Germany  
Tel: (49) 69 910 00

#### Deutsche Bank AG

Filiale Hongkong  
International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong  
Tel: (852) 2203 8888

#### Deutsche Securities Inc.

2-11-1 Nagatacho  
Sanno Park Tower  
Chiyoda-ku, Tokyo 100-6171  
Japan  
Tel: (81) 3 5156 6770

#### Deutsche Bank AG London

1 Great Winchester Street  
London EC2N 2EQ  
United Kingdom  
Tel: (44) 20 7545 8000

#### Deutsche Bank Securities Inc.

60 Wall Street  
New York, NY 10005  
United States of America  
Tel: (1) 212 250 2500

---