



Company Report: China Resources Cement (01313 HK)

公司报告: 华润水泥 (01313 HK)

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Redeployment with Robust Fundamentals, "Buy"

强健基本面下的再布局, “买入”

- **CRC announced a positive profit alert, expecting significant YoY increase in its 2018 shareholders' profit.** We expect CRC's 2018 revenue and shareholders' profit to increase by 34.3% YoY and 121.0% YoY, respectively.
- **Withdrawal from unprofitable Shanxi business.** CRC is seeking tenders to dispose of its businesses in Shanxi for an aggregate consideration of not less than RMB2,584 million (RMB199.8 million for equity interest). The disposal is expected to slightly reduce CRC's top line but marginally improve overall profitability. CRC will continue to solidify market leadership in south China.
- **Expected to maintain stable cement business and to start the new engine of PCC.** Excluding disposal effects, sales volume of cement products is expected to slightly increase in 2019 and 2020, while ASP is expected to slightly fall in 2019. Unit cost is expected to decrease with declining coal prices. PCC business will substantially boost both revenue growth and profitability after 2020.
- **Fair value suggested by the DCF model is HK\$10.71 per share.** CRC's stock price highly correlates with cement-coal spread. Regression analysis on cement-coal spread implies stock price of HK\$7.82 given current cement and coal prices.
- **"Buy" with a target price of HK\$8.73.** The Company's outlook remains positive given the robust economic environment in south China and promising PCC business backed by abundant financial resources. Our TP represents 7.4x/ 7.4x/ 6.3x 2018-2020 PE ratio and 1.4x 2019 PE ratio.
- **华润水泥宣布了盈利预警, 预计 2018 年的股东利润同比将显著增加。** 我们预计华润水泥 2018 年的收入和股东利润将分别同比增加 34.3% 和 121.0%。
- **撤离盈利不理想的山西业务。** 华润水泥在招标寻求以不低于 25.84 亿元人民币的总代价 (权益代价为 1.998 亿元人民币) 出售在山西的业务。出售预计将轻微减少华润水泥的营业收入, 但将轻微提升整体盈利能力。华润水泥将继续巩固其在华南地区的市场领导地位。
- **预计水泥业务维持稳定, 混凝土预制件的新引擎即将启动。** 剔除出售的影响后, 2019 和 2020 年的水泥产品的销量预计将微增, 而 2019 年的平均售价预计将轻微下降。单位成本预计将随着煤价下跌而下降。混凝土预制件业务将于 2020 年后显著提升收入增长与盈利能力。
- **DCF 模型得出的公允价值为每股 10.71 港元。** 华润水泥的股价与泥煤价差高度相关。给定当前的水泥与煤炭价格, 泥煤价差回归分析所隐含的股价为 7.82 港元。
- **“买入”, 目标价为 8.73 港元。** 鉴于华南地区强健的经济环境, 以及在充裕的财务资源支持下前途广阔的混凝土预制件业务, 公司前景依然正面。我们的目标价对应 7.4 倍/7.4 倍/6.3 倍的 2018-2020 年市盈率和 1.4 倍的 2019 年市净率。

Rating: **Buy**

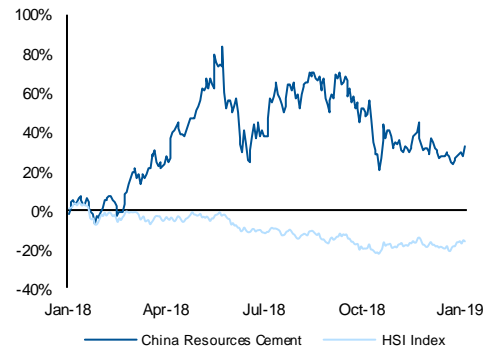
评级: **买入**

6-18m TP 目标价: **HK\$8.73**

Share price 股价: **HK\$7.250**

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(1.2)	(11.5)	27.4
Rel. % to HS Index 相对恒指变动 %	(3.4)	(16.1)	(43.8)
Avg. Share price(HK\$) 平均股价 (港元)	7.0	7.3	7.5

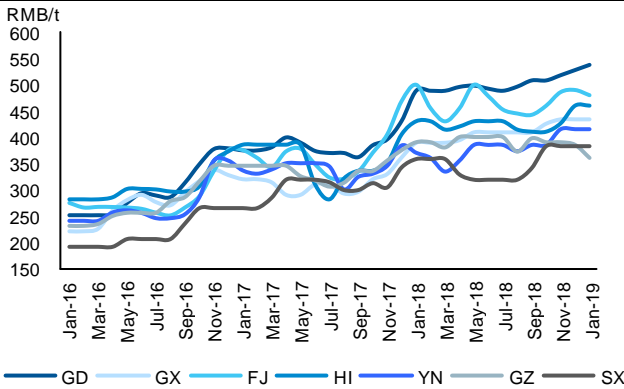
Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2016A	25,647	1,326	0.203	31.0	35.7	3.981	1.8	0.090	1.2	5.0
2017A	29,958	3,617	0.554	172.9	13.1	4.639	1.6	0.270	3.7	12.8
2018F	40,237	7,994	1.183	113.5	6.1	5.852	1.2	0.550	7.6	22.9
2019F	39,623	8,275	1.185	0.2	6.1	6.321	1.1	0.555	7.7	19.7
2020F	42,072	9,605	1.375	16.0	5.3	7.086	1.0	0.660	9.1	20.4
Shares in issue (m) 总股数 (m)				6,982.9	Major shareholder 大股东				China Resources Group	68.7%
Market cap. (HK\$ m) 市值 (HK\$ m)				50,626.3	Free float (%) 自由流通比率 (%)					31.3
3 month average vol. 3 个月平均成交股数 ('000)				17,364.7	FY19 Net gearing (%) FY19 净负债/股东资金 (%)					Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				10.380 / 5.250	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)					10.7

Source: the Company, Guotai Junan International.

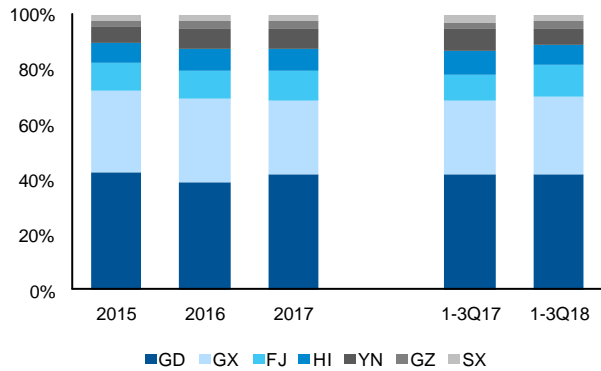
China Resources Cement ("CRC" or the "Company") announced a positive profit alert on 11 January 2019. The Company expects a significant YoY increase in its 2018 shareholders' profit. CRC's 1-3Q18 revenue rose 35.4% YoY to HK\$27,538 million, while its shareholders' profit surged 130.0% to HK\$6,093 million. Driven by the cement price hike in 4Q18 around south China, we expect CRC's 2018 revenue and shareholders' profit to increase by 34.3% YoY and 121.0% YoY, respectively. The Company's average selling price (ASP) of cement products in 1-11M18 was HK\$375.2; we expect the ASP for the full year of 2018 to reach HK\$378.9, representing a YoY increase of 27.6%. CRC's gross margin in 1-3Q18 reached 39.8% with substantial YoY improvement of 10.2 pts; we expect the Company's 2018 gross margin to further increase to 42.3%, representing a YoY increase of 11.4 pts, based on increasing ASP and declining coal cost.

Figure-1: Cement Price in CRC's Operating Provinces



Source: Digital Cement, Guotai Junan International.
Note: GD: Guangdong; GX: Guangxi; FJ: Fujian; HI: Hainan; YN: Yunnan; GZ: Guizhou; SX: Shanxi.

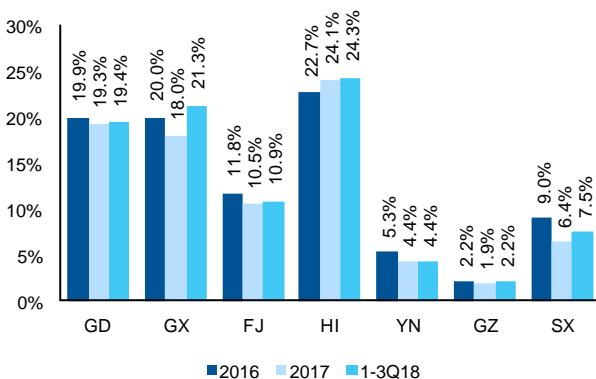
Figure-2: CRC's Cement Sales Contribution by Province



Source: the Company.
Note: GD: Guangdong; GX: Guangxi; FJ: Fujian; HI: Hainan; YN: Yunnan; GZ: Guizhou; SX: Shanxi.

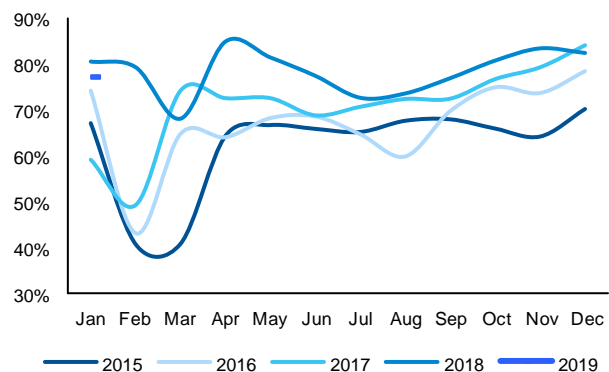
Withdrawal from unprofitable Shanxi business. On 5 November 2018, CRC announced its intention to dispose of its three subsidiaries which operate its cement and concrete businesses in Shanxi. According to a follow-on announcement published on 27 December 2018, the disposal will be conducted through a public tender and the aggregate consideration is expected to be not less than RMB2,584 million, among which RMB199.8 million is for equity interest (vs. the total book value of equity as at the end of October 2018: RMB192.7 million). We believe that one important reason for CRC to retreat from Shanxi is the unsatisfactory profitability. According to the tender information, the three subsidiaries collectively made a net loss of RMB58.6 million in 2017, and one of them (China Resources Cement (Changzhi) Limited) even suffered from negative equity of RMB19.5 million at the end of 2017. Also, cement price in Shanxi was the lowest among all provinces within CRC's business coverage for most of the time in recent years. On the other hand, China Resources Power (00836 HK), a fellow subsidiary of CRC in the China Resources Group ("CR Group"), disposed of China Resources Coal and three coal companies in Shanxi in August 2018. This disposal broke the original synergy between the cement business and the coal business under the CR Group in Shanxi. Nevertheless, revenue contribution of the three Shanxi subsidiaries to the Company was only 2.5% in 2017, so we believe that top-line reduction of the potential disposal would be minor, while the Company's overall profitability would be marginally improved.

Figure-3: CRC's Cement Market Share by Province



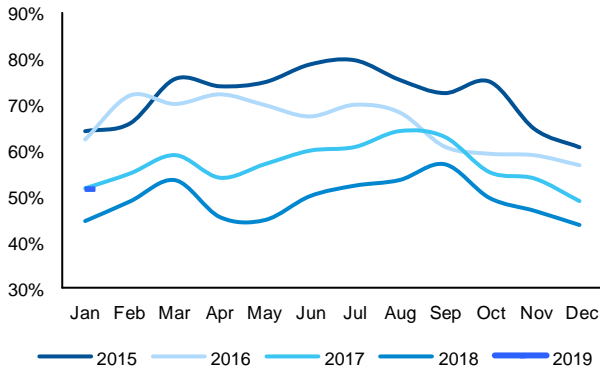
Source: the Company, Digital Cement, Guotai Junan International.
Note: GD: Guangdong; GX: Guangxi; FJ: Fujian; HI: Hainan; YN: Yunnan; GZ: Guizhou; SX: Shanxi.

Figure-4: Average Grinder Utilization Rate in GD and GX



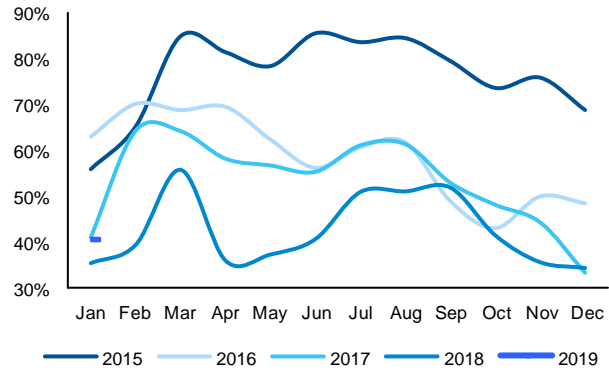
Source: SCI99, Guotai Junan International.
Note: GD: Guangdong; GX: Guangxi.

Figure-5: Average Cement Inventory Level in GD and GX



Source: Digital Cement, Guotai Junan International.
 Note: GD: Guangdong; GX: Guangxi.

Figure-6: Average Clinker Inventory Level in GD and GX



Source: SCI99, Guotai Junan International.
 Note: GD: Guangdong; GX: Guangxi.

Ongoing solidification of market leadership in south China. Guangdong (GD) and Guangxi (GX), as CRC's core operating regions, contributed 70.2% of CRC's cement sales in 1-3Q18. GD and GX typically suffer less from off-season effects during winter thanks to the warmer climate. Hence, we believe that cement prices in GD and GX will not face significant downward pressure in the short term, based on a high level of average grinder utilization rate over 80% plus low average inventory levels of both cement and clinker. On the other hand, capacity expansion of competitors is still ongoing. In 2018 and 2019, total new capacity in GD and GX will be approximately 9.10 million tons, representing an annual average change of 1.6%, which would only have a minor impact on the market. In contrast, capacity expansion in Yunnan and Guizhou is much more aggressive, with an annual average change of 2.9%. CRC's market share improved in all provinces except Yunnan in 1-3Q18, compared with that in 2017. We believe the aforementioned new capacity that comes from capacity replacement projects should not significantly affect CRC's overall market share.

Table-1: New Clinker Production Capacity in 2018 and 2019

(million tons)	Guangdong	Guangxi	Yunnan	Guizhou	National
New capacity in 2018	1.55	1.55	1.55	4.40	20.43
Estimated new capacity in 2019		6.00		7.50	25.00
Subtotal of new capacity in 2018 and 2019		9.10		13.45	45.43
Total production volume in 2017	157.86	121.79	112.93	113.57	2,316.25
Annual average % change in capacity		1.6%		2.9%	1.0%

Source: Digital Cement, Guotai Junan International.

Expected to maintain stable cement business and to start the new engine of prefabricated construction component (PCC).

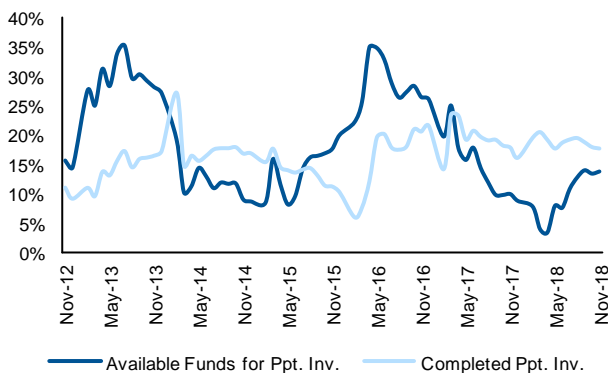
We expect CRC's revenue to have slightly decline in 2019 due to the disposal of Shanxi businesses (targeted for completion by 1Q19), whose revenue contribution in 2017 was RMB641 million (equivalent to approximately HK\$740 million). Excluding the Shanxi disposal effect, CRC's sales volume of cement is expected to increase by 1.2% YoY and 2.4% YoY in 2019 and 2020, respectively, as we expect demand from property development and infrastructure construction to stabilize in 2019 and recover in 2020. In terms of the Company's blended ASP of cement and clinker, ASP is expected to slightly fall in 2019, as we expect that cement prices in south China will remain stable while cement prices in Yunnan and Guizhou may have potential adjustment due to the considerable release of new capacity in 2H18 and 1H19. Unit cost is expected to gradually decrease in 2019 and 2020 based on declining coal prices, pushing the blended gross margin of cement and clinker up to 46.3% in 2020. As for the concrete segment, despite rising costs of materials of cement and aggregates, we expect that CRC's PCC business (targeted to begin production in 2020), if not separately disclosed but contained in the concrete segment, will substantially boost both revenue growth and profitability of the segment in the future. As a result, CRC's overall gross margin is expected to reach 43.2% in 2020.

Table-2: Key Assumptions for Financial Forecasts

	2016A	2017A	2018F	2019F	2020F
Cement & Clinker (Blended)					
Sales volume (mn t)	84.9	83.8	88.0	87.1	88.5
ASP (HK\$)	248.7	297.0	378.9	376.4	384.2
Unit cost (HK\$)	183.4	205.0	209.9	207.5	206.3
GP/t (HK\$)	65.3	92.0	168.9	168.9	177.9
Concrete					
Sales volume (mn m ³)	12.4	13.5	14.6	14.3	15.5
ASP (HK\$)	365.9	375.8	473.5	479.5	519.8
Unit cost (HK\$)	258.3	278.8	345.9	360.5	384.3
GP/m ³ (HK\$)	107.6	97.0	127.7	119.0	135.5

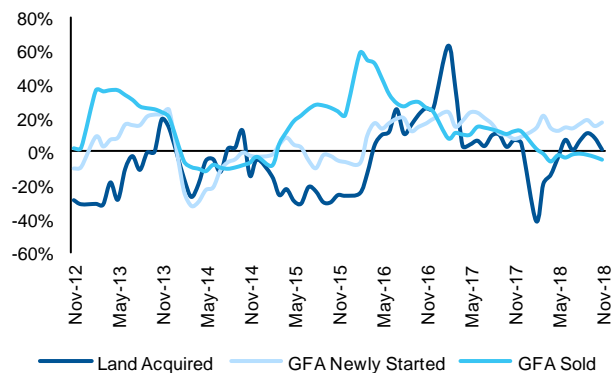
Source: the Company, Guotai Junan International.

Figure-7: Property Investment Growth in GD and GX



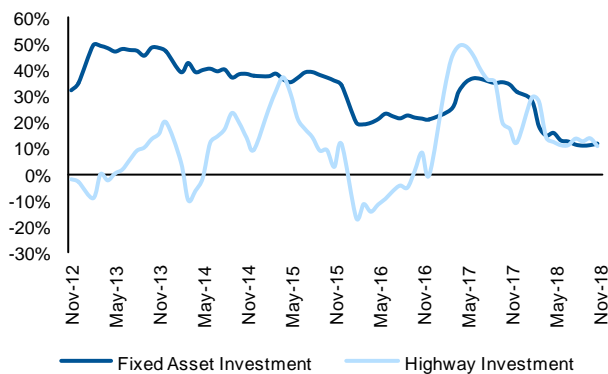
Source: National Bureau of Statistics of China.
Note: GD: Guangdong; GX: Guangxi; Ppt. Inv.: Property investment.

Figure-8: Property Development Area Growth in GD and GX



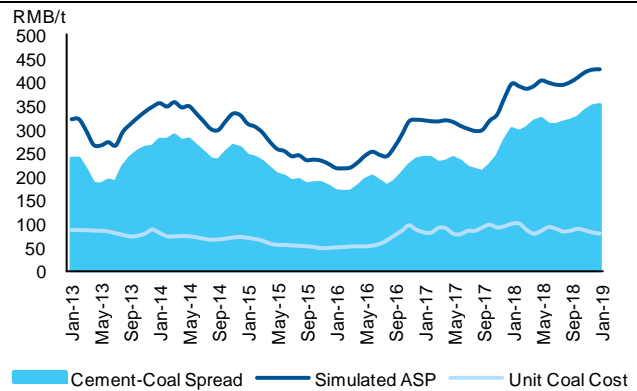
Source: National Bureau of Statistics of China.
Note: GD: Guangdong; GX: Guangxi; GFA: Gross floor area.

Figure-9: FAI and Highway Investment Growth in GD and GX



Source: National Bureau of Statistics of China, Ministry of Transport of the PRC.
Note: FAI: Fixed asset investment; GD: Guangdong; GX: Guangxi.

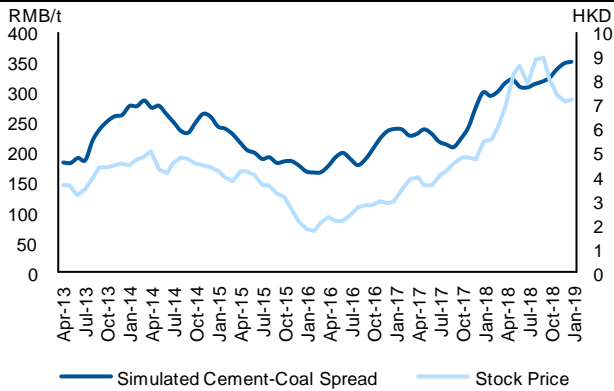
Figure-10: CRC's Cement-Coal Spread (Simulated)



Source: Digital Cement, Wind, Guotai Junan International.
Note: Simulated ASP is derived from regional sales volume-weighted average cement price.
Unit coal cost is based on FOB price of Qinhuangdao 5500K Thermal Coal.

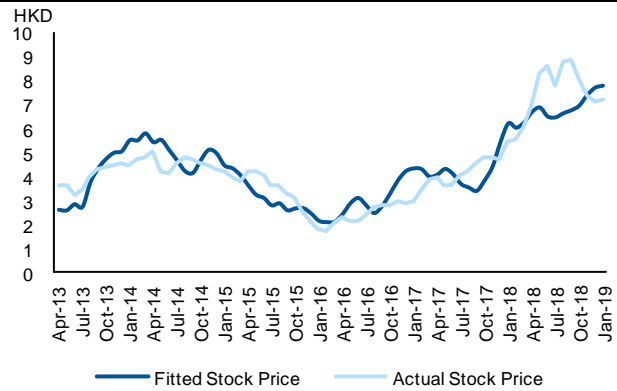
Fair value suggested by DCF model is HK\$10.71 per share. We conducted a DCF valuation on CRC, using a risk-free rate of 2.31%, a market risk premium of 10.94%, and an adjusted beta of 1.31, with a perpetual growth rate of 2.00%. Our DCF model suggests that the fair value should be HK\$10.71 per share. In addition, as CRC's stock price is highly correlated with our simulated cement-coal spread, we ran a regression analysis to evaluate whether the stock price is fairly valued against the cement-coal spread. Given coal and cement prices on 11 January 2019, a stock price of HK\$7.82 would be fair at this moment according to our fitting result.

Figure-11: CRC's Stock Price vs. Cement-Coal Spread



Source: Bloomberg, Guotai Junan International.

Figure-12: Fitted Stock Price vs. Actual Stock Price

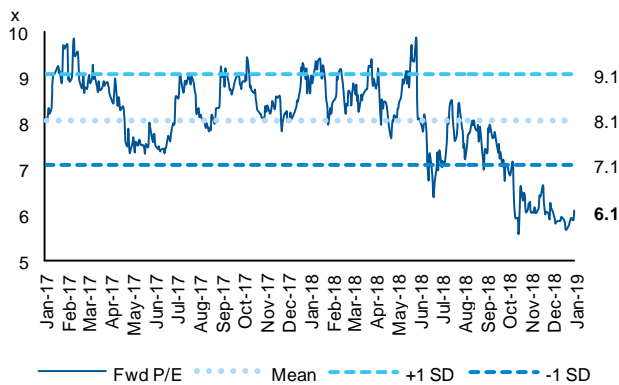


Source: Bloomberg, Guotai Junan International.

Note: Fitted stock prices are obtained from regression on simulated cement-coal spread.

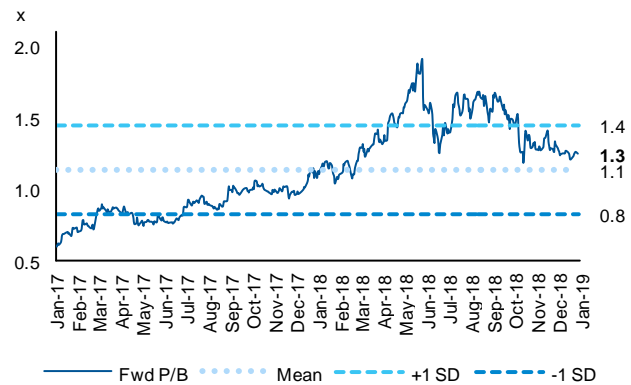
"Buy" with a target price of HK\$8.73. Supported by strong earnings in recent quarters, CRC's PE ratio is below its two-year mean minus one SD, indicating an attractive valuation, despite that its PB ratio is slightly above the two-year average. The Company's outlook remains positive given the robust economic environment in south China and promising PCC business backed by abundant financial resources. Our investment rating for the Company is "Buy". Our TP of HK\$8.73 indicates a potential upside of 20.4%, representing 7.4x/ 7.4x /6.3x 2018-2020 PE ratio and 1.4x 2019 PB ratio.

Figure-13: CRC's Forward PE Ratio



Source: Bloomberg, Guotai Junan International.

Figure-14: CRC's Forward PB Ratio



Source: Bloomberg, Guotai Junan International.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last Price	Market Cap (HKD mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)	D/Y(%)	EV/EBITDA
					17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F
H-share Peers															
Anhui Conch Cement Co Ltd-H	914 HK	HKD	38.900	190,770	11.2	6.1	6.6	6.6	1.9	1.6	1.4	1.2	28.8	6.9	3.4
China Resources Cement	1313 HK	HKD	7.250	50,626	13.1	6.1	6.3	6.4	1.6	1.3	1.2	1.1	23.2	7.5	3.9
China National Building Ma-H	3323 HK	HKD	5.720	48,331	8.3	4.2	4.5	4.7	0.6	0.6	0.5	0.4	15.1	5.8	5.8
BBMG Corp-H	2009 HK	HKD	2.530	41,325	8.1	5.5	5.3	5.2	0.5	0.4	0.4	0.4	7.8	3.3	9.8
China Tianrui Group Cement C	1252 HK	HKD	6.360	18,687	14.9	n.a.	n.a.	n.a.	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China Shanshui Cement Group	691 HK	HKD	1.960	8,534	9.4	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Asia Cement China Holdings	743 HK	HKD	5.430	8,508	12.2	3.2	2.9	2.7	0.7	0.6	0.5	0.5	21.9	13.5	3.5
West China Cement Ltd	2233 HK	HKD	1.070	5,816	7.1	3.5	3.6	3.4	0.7	0.6	0.5	0.5	19.8	7.3	2.3
Simple Average					10.5	4.8	4.9	4.8	1.1	0.9	0.8	0.7	19.4	7.4	4.8
Weighted Average					10.9	5.6	6.0	6.0	1.5	1.2	1.1	1.0	23.2	6.6	4.5
A-share Peers															
Anhui Conch Cement Co Ltd-A	600585 CH	CNY	30.340	190,770	10.1	5.5	5.7	5.5	1.8	1.5	1.2	1.1	27.9	7.0	3.4
BBMG Corporation-A	601992 CH	CNY	3.650	41,325	13.5	9.4	8.8	8.4	0.9	0.7	0.7	0.6	8.1	1.9	9.9
Huaxin Cement Co Ltd-A	600801 CH	CNY	17.380	26,661	12.5	5.4	5.3	5.1	2.2	1.6	1.3	1.1	31.7	3.4	3.2
Tangshan Jidong Cement Inv-A	000401 CH	CNY	13.530	21,261	169.1	11.5	10.9	9.4	1.8	1.5	1.4	1.3	13.0	0.9	n.a.
Guangdong Tapai Group Co -A	002233 CH	CNY	10.280	14,233	13.5	6.8	6.2	5.4	1.5	1.3	1.1	1.0	19.2	5.9	3.5
Xinjiang Tianshan Cement-A	000877 CH	CNY	7.560	9,149	25.1	8.8	7.7	6.4	1.1	1.0	0.9	0.8	11.0	6.1	n.a.
Gansu Shangfeng Cement-A	000672 CH	CNY	8.600	8,146	8.9	5.3	5.2	4.4	3.1	2.1	1.5	1.1	36.3	n.a.	n.a.
Jiangxi Wannianqing Cem-A	000789 CH	CNY	11.130	7,920	14.8	5.8	5.4	4.8	2.2	1.6	1.3	1.1	29.4	5.7	2.6
Gansu Qilianshan Cement Gr-A	600720 CH	CNY	6.690	6,007	9.0	6.9	5.9	5.1	1.0	0.9	0.8	0.7	12.8	4.3	n.a.
Ningxia Building Materials-A	600449 CH	CNY	7.750	4,294	10.9	8.7	7.9	6.8	0.8	0.8	0.7	0.7	8.5	3.2	n.a.
Simple Average					28.7	7.4	6.9	6.1	1.6	1.3	1.1	0.9	19.8	4.3	4.5
Weighted Average					21.6	6.6	6.5	6.1	1.7	1.4	1.2	1.0	23.6	5.4	4.3
Global Peers															
LafargeHolcim Ltd-Reg	LHN SW	CHF	44.950	216,580	n.a.	14.4	12.5	11.1	1.0	0.9	0.9	0.9	6.3	4.6	7.4
HeidelbergCement Ag	HEI GR	EUR	57.780	102,523	12.5	10.0	9.1	8.0	0.8	0.7	0.7	0.7	7.5	3.7	7.0
Taiwan Cement	1101 TT	TWD	35.700	46,293	19.3	8.2	8.0	7.5	1.2	1.0	1.0	0.9	13.6	8.3	5.9
Asia Cement Corp	1102 TT	TWD	35.050	29,865	20.1	8.8	8.6	8.5	0.9	0.8	0.8	0.8	9.9	8.1	8.2
Taiheiyo Cement Corp	5233 JP	JPY	3,520.000	32,012	9.2	11.3	10.2	9.1	1.2	1.1	1.0	0.9	10.2	1.6	7.1
Sumitomo Osaka Cement Co Ltd	5232 JP	JPY	4,605.000	13,512	11.5	12.7	19.0	12.9	1.0	0.9	0.9	0.9	7.4	2.3	6.4
Simple Average					14.5	10.9	11.2	9.5	1.0	0.9	0.9	0.8	9.2	4.8	7.0
Weighted Average					14.4	12.1	11.0	9.7	1.0	0.9	0.9	0.8	7.9	4.7	7.1

Source: Bloomberg, Guotai Junan International.
 Note: Prices are as at 15 January 2019.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (HK\$ m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (HK\$ m)	2016A	2017A	2018F	2019F	2020F
Total revenue	25,647	29,958	40,237	39,623	42,072	Fixed assets	29,784	30,903	29,599	29,373	29,852
Cost of sales	(18,622)	(20,728)	(23,233)	(22,900)	(23,889)	Prepaid lease payments	2,675	2,816	2,720	2,714	2,758
Gross profit	7,025	9,230	17,004	16,723	18,183	Intangible assets	2,264	2,335	2,327	2,382	2,469
Other income & gains	(148)	652	(79)	612	1,276	Interests in associates & JVs	6,697	6,961	7,050	7,085	7,070
Selling & distribution expenses	(1,676)	(1,784)	(2,364)	(2,397)	(2,580)	Others non-current assets	1,663	1,617	1,629	1,692	1,795
General & administrative expenses	(2,302)	(2,676)	(3,446)	(3,488)	(3,669)	Total non-current assets	43,083	44,632	43,325	43,246	43,943
Operating profit	2,900	5,423	11,115	11,450	13,211	Inventories	1,943	1,717	2,256	2,134	2,193
Finance costs	(692)	(638)	(613)	(520)	(470)	Trade & other receivables	3,401	3,449	5,650	5,300	5,163
Share of results of associates & JVs	(50)	99	90	35	(15)	Cash & cash equivalents	3,159	5,384	11,608	15,502	19,993
Profit before tax	2,158	4,884	10,592	10,964	12,726	Other current assets	570	1,345	550	603	626
Income tax	(897)	(1,291)	(2,651)	(2,744)	(3,185)	Total current assets	9,074	11,895	20,065	23,540	27,974
Profit after tax	1,262	3,593	7,941	8,220	9,541	Total assets	52,157	56,527	63,390	66,786	71,917
Non-controlling interest	64	24	53	55	64	Trade & other payables	7,592	8,341	8,476	8,553	8,895
Shareholders' profit / loss	1,326	3,617	7,994	8,275	9,605	ST borrowings	6,891	6,572	4,031	3,414	3,214
Basic EPS	0.203	0.554	1.183	1.185	1.375	Other current liabilities	334	444	596	587	623
						Total current liabilities	14,817	15,357	13,103	12,554	12,733
						LT borrowings	10,970	10,579	10,516	9,723	9,375
						Other non-current liabilities	118	108	101	115	130
						Total non-current liabilities	11,088	10,687	10,617	9,838	9,506
						Total liabilities	25,905	26,044	23,720	22,392	22,239
						Share capital	653	653	698	698	698
						Reserves	25,353	29,656	38,852	43,631	48,980
						Total shareholders' equity	26,007	30,309	39,550	44,329	49,678
						Minority interest	245	173	120	65	1
						Total equity	26,252	30,482	39,670	44,394	49,679
						Total equity & liabilities	52,157	56,527	63,390	66,786	71,917
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (HK\$ m)	2016A	2017A	2018F	2019F	2020F		2016A	2017A	2018F	2019F	2020F
Profit before tax	2,158	4,884	10,592	10,964	12,726	Gross margin (%)	27.4	30.8	42.3	42.2	43.2
Depreciation & amortization	1,981	2,010	2,219	2,217	2,265	Operating margin (%)	11.3	18.1	27.6	28.9	31.4
Changes in working capital	(170)	849	(2,624)	549	425	Net margin (%)	5.2	12.1	19.9	20.9	22.8
Taxation and interest paid	(1,414)	(1,789)	(3,039)	(3,324)	(3,647)	ROE (%)	5.0	12.8	22.9	19.7	20.4
Other adjustments	1,556	659	832	400	127	ROA (%)	3.1	7.5	14.0	13.2	14.3
Cash from operating activities	4,112	6,613	7,980	10,807	11,896	Net gearing ratio (%)	56.5	38.7	7.3	Net cash	Net cash
Capital expenditure	(1,784)	(1,043)	(1,811)	(2,293)	(2,368)	Interest coverage ratio (x)	4.1	8.7	18.3	22.1	28.1
Other investing activities	113	(845)	689	448	163						
Cash from investing activities	(1,671)	(1,888)	(1,122)	(1,845)	(2,205)						
Issue of shares	0	0	4,180	0	0						
Net changes in borrowings	(639)	(1,436)	(2,154)	(1,399)	(655)						
Dividends paid	(229)	(1,241)	(2,933)	(3,689)	(4,256)						
Other financing activities	(167)	(114)	7	1	(1)						
Cash from financing activities	(1,035)	(2,791)	(900)	(5,087)	(4,913)						
Cash at beg of year	1,938	3,159	5,384	11,608	15,502						
Net changes in cash	1,406	1,933	5,958	3,875	4,778						
Effect of exchange rate changes	(185)	292	266	18	(287)						
Cash at End of Year	3,159	5,384	11,608	15,502	19,993						

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	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	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; or the fundamental outlook of the sector is unfavorable.

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