



Rating
Buy

Asia
China

Resources
Construction Materials

Company
Conch Venture

Reuters 0586.HK Bloomberg 586 HK Exchange HSI Ticker 0586

Date
5 October 2018

Forecast Change

Price at 4 Oct 2018 (HKD)	24.90
Price target - 12mth (HKD)	31.22
52-week range (HKD)	29.80 - 15.22
HANG SENG INDEX	26,624

dbAccess cement trip - Conch Venture update

Deutsche Bank hosted a cement trip on Sep 25-28. We met with senior management from Conch Venture, and came away with further updates on its engagement in solid waste solutions. We also update our model post 1H18 results to reflect the company's growing pipeline of environmental projects.

Core environmental business to grow 10x by 2023?

Conch Venture's five-year strategy will focus on two businesses: 1) solid waste solutions (hazardous and sludge waste incineration); and 2) waste incineration of municipal garbage via grate furnace. Combined, Conch Venture's vision is that its core environmental earnings could reach RMB7bn (RMB5bn from hazardous waste and RMB2bn from grate furnace) or 10x by 2023. Without question, the potential for the incineration market is huge, and among the few projects rolled out by CV, the economics would seem so positive as to defy credibility. However, projecting this far has its risks, whether that be in execution or policy. DB currently expects core earnings for CV to reach c.RMB1.6bn by 2020 from c.RMB700m in 2018, representing a c.50% earnings CAGR.

CB issuance solidifies growth prospects for next five years

On 5 Sep, CV issued a USD500m zero coupon CB with a strike of HKD40 maturing in five years. The bond provides cheap financing for the company as they charge ahead into the grate furnace segment. The capex for a 100kt project is c.RMB150m and assuming 70% debt per project, the bond proceeds are enough to fund capacity growth up to 7.6mt versus its capacity of 610kt currently. The longer-term growth is to reach c.15mtpa by 2023 with many mega-sized projects planned overseas. Thus far, CV is able to deliver 15% IRR using all cash and can achieve up to 20% IRR if using 70% debt.

A win-win partnership with Conch Cement

Conch Venture has attached its solid wastes co-processing capacity to the cement kilns under Conch, with average co-processing fees at c.RMB40/t charged by Conch as cement kiln rental fees to cover costs. That is a risk for Conch Venture should the fee be raised but Conch Cement is not in the environmental business, therefore they will not be inclined to charge CV excessive rates. Conch plants fitted with waste co-processing can benefit from not being subject to peak shifting production halts and energy savings. The co-processing of hazardous wastes provides heat to the kilns and it can save 3-4 kg of coal consumed for each tonne

Valuation & Risks

Johnson Wan
Research Analyst
+852-2203 6163

Key changes

TP	28.53 to 31.22	↑	9.4%
Sales (FYE)	3,587 to 3,175	↓	-11.5%
Op prof margin (FYE)	33.0 to 33.6	↑	1.8%
Net profit (FYE)	5,072.0 to 5,919.0	↑	16.7%

Source: Deutsche Bank

Price/price relative

Performance (%)	1m	3m	12m
Absolute	-6.6	-9.5	61.5
HANG SENG INDEX	-4.8	-5.7	-6.2

Source: Deutsche Bank

5 October 2018
 Construction Materials
 Conch Venture



of clinker produced. A similar arrangement is also being finalized with CNBM, with c.2mt to be fitted on CNBM plants by 2020.

Valuation and risks

We have rolled forward our model from FY18 to FY19. We value Conch Venture using SOTP with 30% conglomerate discount, applying 2019E 20x P/E to solid waste solutions, 14x to the port business, 12x to waste incineration, 9.4x P/E to cement, and 8x to energy saving equipment (see [Figure 1](#) and [Figure 2](#)). Risks include the heavy reliance on Conch Cement and a lack of government support for the solid/hazardous waste disposal business.

Forecasts and ratios

Year End Dec 31	2016A	2017A	2018E	2019E	2020E
Sales (CNYm)	2,032.2	2,064.9	3,175.1	4,368.2	5,759.4
EBITDA (CNYm)	776.5	724.1	1,182.2	1,770.7	2,458.1
Reported NPAT (CNYm)	1,980.6	3,403.0	5,919.0	6,643.3	7,591.3
Reported EPS FD(CNY)	1.10	1.89	3.28	3.68	4.21
DB EPS FD(CNY)	1.10	1.89	3.28	3.68	4.21
OLD DB EPS FD(CNY)	1.10	1.88	2.81	3.26	3.70
% Change	0.0%	0.1%	16.7%	13.1%	13.5%
DB EPS growth (%)	1.9	71.8	73.9	12.2	14.3
PER (x)	11.3	7.0	6.7	5.9	5.2
EV/EBITDA (x)	9.9	10.1	17.3	10.2	6.0
DPS (net) (CNY)	0.30	0.50	0.70	0.79	0.90
Yield (net) (%)	2.4	3.8	3.2	3.6	4.1

Source: Deutsche Bank estimates, company data

5 October 2018

Construction Materials

Conch Venture



Figure 1: Breakdown of SOTP

	FY19 EPS	PE (x)	NAV/sh (RMB)	NAV/sh (HKD)
Core business	0.72		10.50	9.13
Energy saving equipment	0.05	8	0.37	0.42
Waste incineration	0.34	12	4.05	4.66
Solid waste solutions (hazardous)	0.26	20	5.28	6.07
Green building materials	0.02	0	0.00	0.00
Port logistics services	0.06	14	0.80	0.92
Associate	3.07		28.40	32.66
Conch Cement (17.8%)	3.02	9.4	28.39	32.65
Conch Profile (15.7%)	0.00	8	0.01	0.01
Others incl. Conch Hotels	0.05		0.00	0.00
Jointly controlled entities	0.00		0.00	0.00
Minority	-0.11		-0.06	-0.07
NAV before conglomerate discount	3.68		38.83	44.66
Conglomerate discount		30%	-11.65	-13.40
Target Price			27.18	31.26

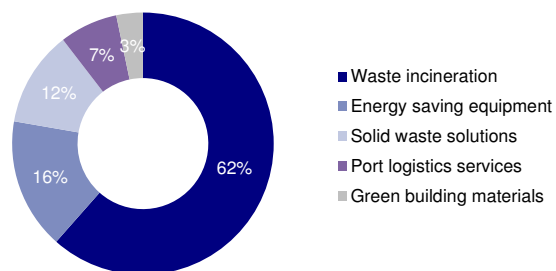
Source: Deutsche Bank estimates

Figure 2: PER reference for energy saving equipment, waste incineration, solid waste disposal, and port business

	TP (cons)	Currency	EEO				Target PE				
			2016	2017	2018E	2019E	2016	2017	2018E	2019E	
Residual heat/vertical mill								23.6	25.0	14.1	11.5
FLSMIDTH	FLS DC Equity	440.27	DKK	12.70	8.01	18.64	24.33	34.7	55.0	23.6	18.1
CRCC	1186 HK Equity	11.71	HKD	1.01	1.08	1.36	1.52	11.6	10.8	8.6	7.7
CCCC	1800 HK Equity	10.81	HKD	1.01	0.95	1.28	1.45	10.7	11.4	8.4	7.5
Sinoma International	600970 CH Equity	12.30	CNY	0.33	0.54	0.78	0.96	37.3	22.8	15.8	12.8
Waste incineration/solid (hazardous) waste disposal								18.8	16.8	13.7	12.1
BEWG	371 HK Equity	6.04	HKD	0.36	0.41	0.50	0.56	16.8	14.7	12.1	10.8
Everbright (DBe as of 5 Oct 2018)	257 HK Equity	8.80	HKD	0.62	0.78	0.90	0.90	14.2	11.2	9.8	9.8
Dynagreen	1330 HK Equity	4.30	HKD	0.22	0.19	0.26	0.31	17.0	19.7	14.4	12.1
Dongjiang	895 HK Equity	13.50	HKD	0.43	0.54	0.63	0.75	27.3	21.7	18.6	15.7
Tianjin Capital	1065 HK Equity	5.00	HKD	0.33	0.36	0.37	0.39	13.2	12.1	11.8	11.1
Port								17.8	13.3	13.2	12.4
China Merchants	144 HK Equity	21.60	HKD	1.47	1.70	1.73	1.75	14.7	12.7	12.5	12.3
Cosco Pacific	1199 HK Equity	9.80	HKD	0.06	0.09	0.09	0.10	20.9	13.9	13.9	12.5

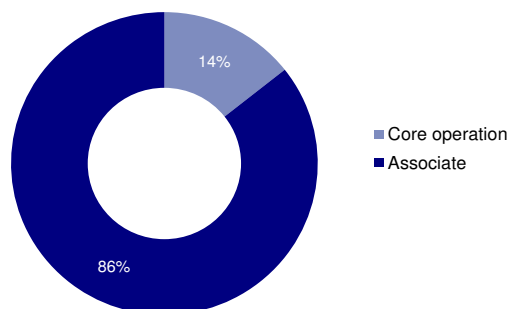
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 3: Revenue breakdown (2019E)



Source: Deutsche Bank estimates

Figure 4: Net profit breakdown (2019E)



Source: Deutsche Bank estimates

5 October 2018

Construction Materials

Conch Venture



Key assumptions

Figure 5: Assumptions for grate furnace power generation projects

Contract type	Type	Contract	Status / Target completion	Contract value (RMBm)	Contract value net of tax (RMBm)	Interest Rate	Assumed useful life	Capacity (tons/day)	Minimum volume (tons/day)	Waste treatment fee (RMB/ton)	Waste treatment ACP (RMB/ton)	Electricity generation capacity (kWh/ton)	Feed-in tariff (RMB/kWh)	Construction Progress				
														2018	2019	2020	2021	2022
BOT	Grate Furnace	Jinzhai, Anhui	1/1/2016	150	138	6%	30	300	274	65	108	308	0.65					
BOT	Grate Furnace	Yanshan, Yunnan	1/8/2017	128	118	6%	30	200	180	65	108	308	0.65					
BOT	Grate Furnace	Susong, Anhui	31/12/2018	170	157	6%	30	400	360	65	108	308	0.65	70%				
BOT	Grate Furnace	Susong, Anhui	31/12/2019	180	166	6%	30	400	360	65	108	308	0.65	30%	70%			
BOT	Grate Furnace	Li County, Hunan (Phase 1)	1/4/2018	160	147	6%	30	300	270	65	108	308	0.65	30%				
BOT	Grate Furnace	Li County, Hunan (Phase 2)	31/8/2019	180	166	6%	30	400	360	65	108	308	0.65	50%	50%			
BOT	Grate Furnace	Shache, Xinjiang (Phase 1)	31/12/2018	130	120	6%	30	300	270	65	108	308	0.65	80%				
BOT	Grate Furnace	Shache, Xinjiang (Phase 2)	31/12/2019	130	120	6%	30	300	270	65	108	308	0.65	50%	50%			
BOT	Grate Furnace	Bole, Xinjiang	31/12/2018	170	157	6%	30	300	270	65	108	308	0.65	40%				
BOT	Grate Furnace	Huoqiu, Anhui (Phase 1)	1/1/2018	168	155	6%	30	400	360	65	108	308	0.65					
BOT	Grate Furnace	Huoqiu, Anhui (Phase 2)	1/10/2018	180	166	6%	30	400	360	65	108	308	0.65					
BOT	Grate Furnace	Tongren, Guizhou	1/7/2017	239	220	6%	30	600	540	65	108	308	0.65					
BOT	Grate Furnace	Songming, Yunnan	1/10/2018	160	147	6%	30	300	270	65	108	308	0.65	60%				
BOT	Grate Furnace	Yiyang, Jiangxi	28/2/2018	180	166	6%	30	300	270	65	108	308	0.65	70%				
BOT	Grate Furnace	Aral, Xinjiang	31/12/2019	180	166	6%	30	300	270	65	108	308	0.65	40%	60%			
BOT	Grate Furnace	Shangqiao, Jiangxi	31/12/2018	100	92	6%	30	300	270	65	108	308	0.65	70%				
BOT	Grate Furnace	Shangqiao, Jiangxi	1/12/2018	200	184	6%	30	400	360	65	108	308	0.65	70%				
BOT	Grate Furnace	Sishui, Shandong	31/12/2019	180	166	6%	30	300	270	65	108	308	0.65	40%	60%			
BOT	Grate Furnace	Yang County, Shaanxi	31/12/2019	180	166	6%	30	300	270	65	108	308	0.65	40%	60%			
BOT	Grate Furnace	Huoshan, Anhui	31/10/2019	180	166	6%	30	400	360	65	108	308	0.65	40%	60%			
BOT	Grate Furnace	Shizhu, Chongqing	30/9/2019	180	166	6%	30	300	270	65	108	308	0.65	40%	60%			
BOT	Grate Furnace	Shucheng, Anhui	31/10/2019	180	166	6%	30	400	360	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Xishui, Guizhou	30/9/2019	180	166	6%	30	400	360	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Projects to be constructed	31/3/2020	300	276	6%	30	600	540	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Projects to be constructed	31/3/2020	300	276	6%	30	600	540	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Projects to be constructed	31/3/2020	300	276	6%	30	600	540	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Projects to be constructed	30/6/2020	300	276	6%	30	600	540	65	108	308	0.65			20%	80%	
BOT	Grate Furnace	Projects to be constructed	30/6/2020	300	276	6%	30	600	540	65	108	308	0.65			20%	80%	
BOT	Grate Furnace	Projects to be constructed	30/6/2020	300	276	6%	30	600	540	65	108	308	0.65			20%	80%	
BOT	Grate Furnace	Projects to be constructed	30/9/2020	300	276	6%	30	600	540	65	108	308	0.65			10%	90%	
BOT	Grate Furnace	Projects to be constructed	30/9/2020	300	276	6%	30	600	540	65	108	308	0.65			10%	90%	
BOT	Grate Furnace	Projects to be constructed	30/9/2020	300	276	6%	30	600	540	65	108	308	0.65			10%	90%	
BOT	Grate Furnace	Projects to be constructed	30/9/2021	200	184	6%	30	400	360	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Projects to be constructed	30/8/2021	200	184	6%	30	400	360	65	108	308	0.65			30%	70%	
BOT	Grate Furnace	Projects to be constructed	30/8/2022	200	184	6%	30	400	360	65	108	308	0.65			50%	50%	
BOT	Grate Furnace	Projects to be constructed	30/8/2022	200	184	6%	30	400	360	65	108	308	0.65			50%	50%	

Source: Company data, Deutsche Bank estimates

Figure 6: Assumptions for solid waste solutions segment

	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
General solid wastes										
Annual capacity at year-end ('000 ton)	90	340	558	1,659	1,789	1,983	1,983	1,983	1,983	1,983
Intra-period adjusted capacity ('000 tons)	90	121	383	1,157	1,692	1,838	1,983	1,983	1,983	1,983
Utilization	46%	47%	70%	45%	55%	65%	65%	65%	65%	65%
Average waste treatment cost (RMB/t)			89	98	108	119	131	144	147	150
Hazardous wastes										
Annual capacity at year-end ('000 ton)	108	227	441	960	1,046	1,176	1,176	1,176	1,176	1,176
Intra-period adjusted capacity ('000 tons)	72	121	301	733	981	1,078	1,176	1,176	1,176	1,176
Utilization	27%	43%	45%	45%	55%	55%	60%	60%	60%	60%
Average waste treatment fee (RMB/t)	1,287	1,616	2,182	2,073	1,969	1,870	1,777	1,688	1,604	1,523

Source: Company data, Deutsche Bank estimates

5 October 2018

Construction Materials

Conch Venture



Figure 7: Summary of changes

	2017A	New			Old			% chg		
		2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenue	2,065	3,175	4,368	5,759	3,587	4,872	5,480	-11%	-10%	5%
Energy saving equipment	537	514	495	445	514	495	445	0%	0%	0%
Waste incineration	1,173	1,954	2,623	3,473	2,288	3,169	3,263	-15%	-17%	6%
Construction revenue	1,036	1,646	2,012	2,333	1,905	2,523	2,142	-14%	-20%	9%
Operation revenue	65	206	438	850	269	455	870	-23%	-4%	-2%
Finance income	72	101	174	290	115	191	252	-12%	-9%	15%
Solid waste solutions	114	375	831	1,313	494	862	1,318	-24%	-4%	0%
Green building materials	86	104	187	291	135	187	291	-23%	0%	0%
Port logistics services	155	228	233	237	156	159	163	47%	46%	46%
Cost of sales	(1,342)	(1,980)	(2,531)	(3,192)	(2,165)	(2,794)	(2,796)	-9%	-9%	14%
Gross Profit	723	1,195	1,837	2,568	1,422	2,078	2,684	-16%	-12%	-4%
Net Profit	3,403	5,919	6,643	7,591	5,072	5,876	6,686	17%	13%	14%
Core net profit	447	698	1,102	1,577	829	1,250	1,671	-16%	-12%	-6%

Source: Company data, Deutsche Bank estimates

Key assumption changes include:

- Construction revenue collected from the BOT projects has been adjusted down as 1H18 results demonstrate a slowdown in construction progress because of stricter environmental assessment requirements.
- Operation revenue and finance income from BOT projects lowered, to align with the slower construction progress.
- Lower capacity of sold waste solutions factored in for FY18, while maintaining a similar projection for the EBIT from this segment in the longer term.
- Our latest NP forecast for Conch Cement is factored in.
- Roll forward, from 2018E to 2019E.



Figure 8: Geographic distribution of Conch Venture's solid (hazardous) waste project pipeline



Source: Company data, Deutsche Bank

Figure 9: Conch Venture's pollutant emissions are well below emission cap set by the national standards

No	Pollutant	Unit	National standards	Conch Venture's
1	Particulates	mg/m ³	30	13.4
2	SO ₂	mg/m ³	200	20
3	NO _x	mg/m ³	400	240
4	Ammonia	mg/m ³	10	5.35
5	HCl	mg/m ³	10	0.673
6	HF	mg/m ³	1	0.724
7	Hg	mg/m ³	0.05	<0.05
8	Tl, Cd, Pb, As	mg/m ³	1	<0.01
9	Be, Cr, Sn, Sb, Cu, Co, Mn, Ni, V	mg/m ³	0.5	<0.02
10	Dioxins	ng TEQ/m ³	0.1	<0.01

Source: MEP, company data, Deutsche Bank

5 October 2018

Construction Materials

Conch Venture



Trip photos

Figure 10: Conch Venture's solid waste co-processing line in Wuhu



Source: Deutsche Bank

Figure 11: Conch Venture uses one of the Conch's cement kilns in Wuhu for solid waste co-processing



Source: Deutsche Bank

Figure 12: Another solid waste co-processing line in Wuhu is in the company's pipeline



Source: Deutsche Bank

Figure 12: A mechanical arm for grabbing and putting hazardous waste into the cement kiln (c.5t for each grab)



Source: Deutsche Bank

5 October 2018

Construction Materials

Conch Venture



Model updated: 05 October 2018

Running the numbers

Asia

China

Construction Materials

Conch Venture

Reuters: 0586.HK

Bloomberg: 586 HK

Buy

Price (4 Oct 18) HKD 24.90

Target Price HKD 31.22

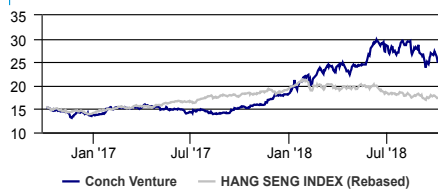
52 Week range HKD 15.22 - 29.80

Market cap (m) HKDm 44,938
USDm 5,735.4

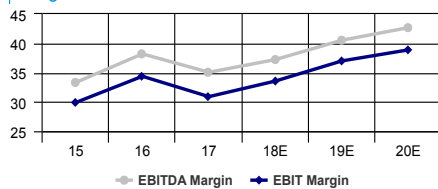
Company Profile

Conch Venture is a leading provider of energy preservation and environmental protection solutions. It is a major shareholder of Conch Holdings, the parent of Conch Cement and Conch Profile.

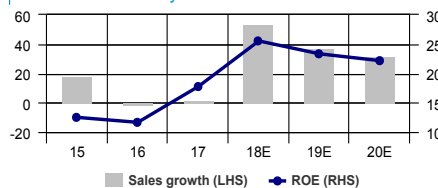
Price Performance



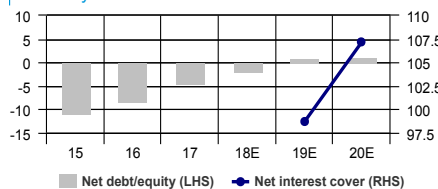
Margin Trends



Growth & Profitability



Solvency



Johnson Wan

+852 2203 6163

johnson.wan@db.com

Fiscal year end 31-Dec

Financial Summary

	2015	2016	2017	2018E	2019E	2020E
DB EPS (CNY)	1.08	1.10	1.89	3.28	3.68	4.21
Reported EPS (CNY)	1.08	1.10	1.89	3.28	3.68	4.21
DPS (CNY)	0.30	0.30	0.50	0.70	0.79	0.90
BVPS (CNY)	9.0	9.8	11.4	14.3	17.3	20.7
Weighted average shares (m)	1,805	1,805	1,805	1,805	1,805	1,805
Average market cap (CNYm)	25,951	22,420	23,867	39,476	39,476	39,476
Enterprise value (CNYm)	11,983	7,675	7,304	20,423	18,103	14,857

Valuation Metrics

P/E (DB) (x)	13.3	11.3	7.0	6.7	5.9	5.2
P/E (Reported) (x)	13.3	11.3	7.0	6.7	5.9	5.2
P/BV (x)	1.45	1.20	1.38	1.53	1.27	1.06
FCF Yield (%)	nm	nm	nm	nm	nm	nm
Dividend Yield (%)	2.1	2.4	3.8	3.2	3.6	4.1
EV/Sales (x)	5.8	3.8	3.5	6.4	4.1	2.6
EV/EBITDA (x)	17.5	9.9	10.1	17.3	10.2	6.0
EV/EBIT (x)	19.5	11.0	11.4	19.2	11.2	6.6

Income Statement (CNYm)

Sales revenue	2,057	2,032	2,065	3,175	4,368	5,759
Gross profit	782	797	723	1,195	1,837	2,568
EBITDA	686	776	724	1,182	1,771	2,458
Depreciation	70	78	86	116	154	218
Amortisation	0	0	0	0	0	0
EBIT	616	699	638	1,066	1,616	2,240
Net interest income/(expense)	71	48	37	11	-16	-21
Associates/affiliates	1,540	1,536	2,956	5,221	5,541	6,014
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	2,227	2,282	3,631	6,297	7,141	8,233
Income tax expense	167	154	126	201	299	414
Minorities	115	147	102	177	199	228
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	1,944	1,981	3,403	5,919	6,643	7,591
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	1,944	1,981	3,403	5,919	6,643	7,591

Cash Flow (CNYm)

Cash flow from operations	65	46	67	-612	-200	570
Net Capex	-88	-226	-562	-1,224	-1,539	-1,667
Free cash flow	-23	-180	-494	-1,836	-1,738	-1,097
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-577	-467	-471	-728	-1,267	-1,422
Net inc/(dec) in borrowings	1,130	117	30	18	-6	-5
Other investing/financing cash flows	-255	363	228	2,099	2,200	2,385
Net cash flow	275	-167	-708	-448	-812	-139
Change in working capital	-500	-591	-504	-1,593	-1,672	-1,474

Balance Sheet (CNYm)

Cash and other liquid assets	2,332	2,166	1,483	1,035	223	84
Tangible fixed assets	998	1,030	1,282	1,438	1,585	1,722
Goodwill/intangible assets	353	549	970	1,922	3,159	4,471
Associates/investments	12,656	13,773	16,241	19,373	22,698	26,306
Other assets	2,160	2,695	3,201	5,059	7,196	9,228
Total assets	18,500	20,213	23,176	28,828	34,862	41,811
Interest bearing debt	530	595	527	545	538	533
Other liabilities	1,220	1,271	1,438	1,704	2,169	2,726
Total liabilities	1,750	1,866	1,965	2,248	2,707	3,259
Shareholders' equity	16,258	17,747	20,578	25,768	31,144	37,314
Minorities	491	599	634	811	1,010	1,238
Total shareholders' equity	16,749	18,347	21,211	26,579	32,155	38,552
Net debt	-1,802	-1,571	-956	-491	315	449

Key Company Metrics

Sales growth (%)	17.7	-1.2	1.6	53.8	37.6	31.8
DB EPS growth (%)	-13.1	1.9	71.8	73.9	12.2	14.3
EBITDA Margin (%)	33.3	38.2	35.1	37.2	40.5	42.7
EBIT Margin (%)	29.9	34.4	30.9	33.6	37.0	38.9
Payout ratio (%)	27.8	27.3	26.5	21.4	21.4	21.4
ROE (%)	12.5	11.6	17.8	25.5	23.3	22.2
Capex/sales (%)	7.2	11.1	27.3	38.6	35.2	28.9
Capex/depreciation (x)	2.1	2.9	6.6	10.5	10.0	7.6
Net debt/equity (%)	-10.8	-8.6	-4.5	-1.8	1.0	1.2
Net interest cover (x)	nm	nm	nm	nm	98.7	107.2

Source: Company data, Deutsche Bank estimates

5 October 2018

Construction Materials

Conch Venture



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Conch Venture	0586.HK	25.35 (HKD) 5 Oct 2018	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 <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities?topicId=RB0002>. 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 <https://research.db.com/Research/Disclosures/CompanySearch>

Analyst Certification

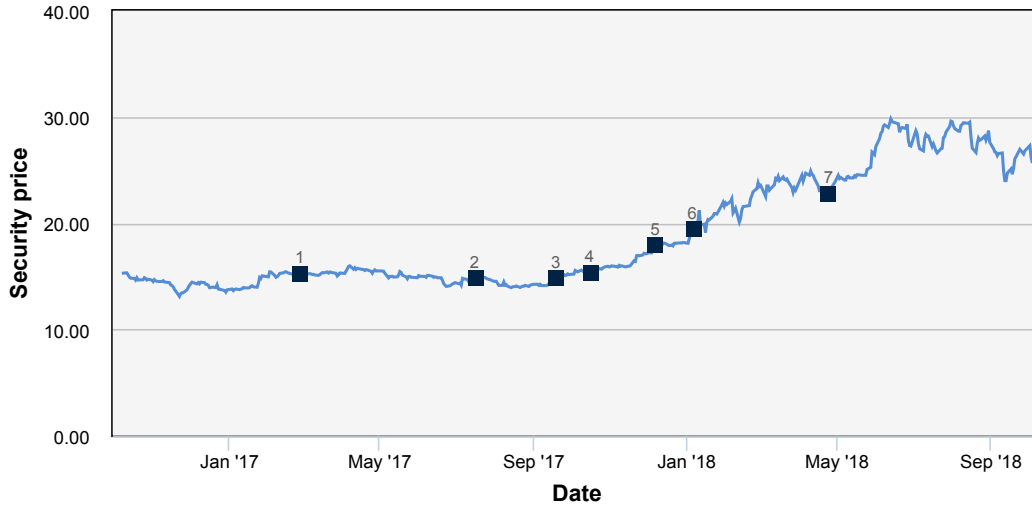
The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or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

5 October 2018
 Construction Materials
 Conch Venture



Historical recommendations and target price. Conch Venture (0586.HK)

(as of 10/04/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	02/27/2017	Buy, Target Price Change HKD 21.04	Johnson Wan
2.	07/17/2017	Buy, Target Price Change HKD 20.77	Johnson Wan
3.	09/19/2017	Buy, Target Price Change HKD 22.03	Johnson Wan
4.	10/17/2017	Buy, Target Price Change HKD 23.52	Johnson Wan
5.	12/08/2017	Buy, Target Price Change HKD 23.45	Johnson Wan
6.	01/07/2018	Buy, Target Price Change HKD 25.75	Johnson Wan
7.	04/25/2018	Buy, Target Price Change HKD 28.53	Johnson Wan

Equity Rating Key

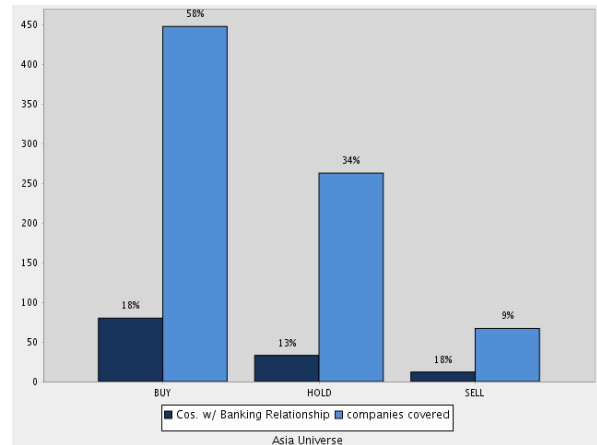
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

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



5 October 2018

Construction Materials

Conch Venture



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 those 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, perspectives 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 may be inconsistent with Deutsche Bank's existing longer-term ratings. Some trade ideas for equities are listed as Catalyst Calls on the Research Website (<https://research.db.com/Research/>), and can be found on the general coverage list and also on the covered company ' s page. A Catalyst Call represents a high-conviction belief by an analyst that a stock will outperform or underperform the market and/or a specified sector over a time frame of no less than two weeks and no more than three months. In addition to Catalyst Calls, analysts may occasionally discuss with our clients, and with Deutsche Bank salespersons and 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 an opinion, forecast or estimate changes or 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 or of the Research Department Management, and 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. Performance calculations exclude transaction costs, unless otherwise indicated. 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 also sourced from Deutsche Bank, subject companies, and other parties.

The Deutsche Bank Research Department is independent of other business 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 are available on our website (<https://research.db.com/Research/>) under Disclaimer.

5 October 2018

Construction Materials

Conch Venture



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 liquidation of positions), and settlement issues related to local clearing houses are also important risk factors. 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. 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. Funding in a currency that differs from the currency in which coupons are denominated carries FX risk. Options on swaps (swaptions) the risks typical to options in addition to the risks related to rates movements.

Derivative transactions involve numerous risks including market, counterparty default and illiquidity risk. The appropriateness of these products for use by investors depends on the investors' own circumstances, including their tax position, their regulatory environment and the nature of their other assets and liabilities; 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 – up to theoretically unlimited losses. 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://research.db.com/Research/> on each company's research page. Investors are strongly encouraged to review this information before investing.

Deutsche Bank (which includes Deutsche Bank AG, its branches and affiliated companies) is not acting as a financial adviser, consultant or fiduciary to you or any of your agents (collectively, "You" or "Your") with respect to any information provided in this report. 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

5 October 2018

Construction Materials

Conch Venture



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.

In July 2018, Deutsche Bank revised its rating system for short term ideas whereby the branding has been changed to Catalyst Calls ("CC") from SOLAR ideas; the rating categories for Catalyst Calls originated in the Americas region have been made consistent with the categories used by Analysts globally; and the effective time period for CCs has been reduced from a maximum of 180 days to 90 days.

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 (save that any research relating to futures contracts within the meaning of the Hong Kong Securities and Futures Ordinance Cap. 571 shall be distributed solely by Deutsche Securities Asia Limited). The provisions set out above in the "Additional Information" section shall apply to the fullest extent permissible by local laws and regulations, including without limitation the Code of Conduct for Persons Licensed or Registered with the Securities and Futures Commission. .

India: Prepared by Deutsche Equities India Private Limited (DEIPL) having CIN: U65990MH2002PTC137431 and registered office at 14th Floor, The Capital, C-70, G Block, Bandra Kurla Complex Mumbai (India) 400051. Tel: + 91 22 7180 4444. It is registered by the Securities and Exchange Board of India (SEBI) as a Stock broker bearing registration nos.: NSE (Capital Market Segment) - INB231196834, NSE (F&O Segment) INF231196834, NSE (Currency Derivatives Segment) INE231196834, BSE (Capital Market Segment) INB011196830; Merchant Banker bearing SEBI Registration no.: INM000010833 and Research Analyst bearing SEBI Registration no.: INH000001741. DEIPL may have received administrative warnings from the SEBI for breaches of Indian regulations. The transmission of research through DEIPL is Deutsche Bank's determination and will not make a recipient a client of DEIPL. Deutsche Bank and/or its affiliate(s) may have debt holdings or positions in the subject company. With regard to information on associates, please refer to the "Shareholdings" section in the Annual Report at: <https://www.db.com/ir/en/annual-reports.htm> .

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..

5 October 2018
Construction Materials
Conch Venture



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: This report is issued 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 by Deutsche Bank 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 undertake only the financial services activities that fall within the scope of its existing QFCRA license. Its 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 only to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Russia: The 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 undertake only the financial services activities that fall within the scope of its existing CMA license. Its 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 available only to Professional Clients, as defined by the Dubai Financial Services Authority.

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. Please refer to Australia-specific research disclosures and related information at <https://australia.db.com/australia/content/research-information.html> Where research refers to any particular financial product recipients of the research should consider any product disclosure statement, prospectus or other applicable disclosure document before making any decision about whether to acquire the product. In preparing this report, the primary analyst or an individual who assisted in the preparation of this report has likely been in contact with the company that is the subject of this research for confirmation/clarification of data, facts, statements, permission to use company-sourced material in the report, and/or site-visit attendance. Without prior approval from Research Management, analysts may not accept from current or potential Banking clients the costs of travel, accommodations, or other expenses incurred by analysts attending site visits, conferences, social events, and the like. Similarly, without prior approval from Research Management and Anti-Bribery and Corruption ("ABC") team, analysts may not accept perks or other items of value for their personal use from issuers they cover.

5 October 2018

Construction Materials

Conch Venture



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 © 2018 Deutsche Bank AG



David Folkerts-Landau

Group Chief Economist and Global Head of Research

Pam Finelli
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

Kinner Lakhani
Head of EMEA
Equity Research

Joe Liew
Head of APAC
Equity Research

Andreas Neubauer
Head of Research - Germany

Spyros Mesomeris
Global Head of Quantitative
and QIS Research

International Production 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