



Company Report: CNOOC (00883 HK)

公司报告: 中国海洋石油 (00883 HK)

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Earnings Growth Expected to Continue, Maintain "Buy"

盈利增长预计将继续, 维持“买入”

- **Oil and gas production and sales missed our estimates by 3.8% and 7.8%, respectively.** The Company expects full-year production to fall in the middle of the 470-480 mmbob production plan range. The Company expects higher production of high-priced gas during 4Q2018.
- **We revise upward our 2018-2020 Brent oil price estimates from US\$70/bbl / US\$75/bbl / US\$78/bbl to US\$75/bbl / US\$78/bbl / US\$80/bbl.** The adjustment reflects our expected risks to oil supply in 4Q2018 and 2019, as well as higher-than-expected oil prices during 1-3Q2018. Over the next few years we expect stable demand growth and oil supply risks due to underinvestment in previous years which will support oil prices to rise gradually.
- **We revise up our earnings estimates for CNOOC for 2018E-2020E by 8.1%/ 1.5%/ (0.6%) to RMB59,963 mn / RMB65,935 mn / RMB70,027 mn, respectively.** Our adjustments reflect higher oil and gas sales revenue from depreciation of the RMB as well as higher average realized oil prices in 2018. Our revised estimates for the Company's average realized oil prices in 2018E-2020E are US\$ 69.75/bbl, US\$ 74.51/bbl, and US\$ 76.55/bbl.
- **Maintain TP at HK\$16.50 and investment rating, "Buy".** The target price corresponds to 10.81x/ 9.83x/ 9.26x 2018E-2020E PER, equivalent to 1.55x/ 1.41x/ 1.29x 2018E-2020E PBR, and is also equivalent to a 12.3% discount on our DCF valuation. Our view that the Company's performance will improve approximately in line with our expectations of gradually increasing oil prices and with long-term benefits from cost-cutting measures remains intact.
- **油气产量和销售收入分别低于我们的预测 3.8%和 7.8%。**公司预计全年产量将在 470-480 百万桶油当量生产计划的中段。公司预计 2018 年第四季度高价天然气产量将增加。
- **我们上调我们的 2018 年至 2020 年布伦特原油价格假设从 70 / 75 / 78 美元/桶至 75 / 78 / 80 美元/桶。**调整反映了我们对 2018 年第四季度和 2019 年石油供应的风险预期以及 2018 年一至三季度高于我们预期的油价。未来几年, 需求的稳定增长和由前几年资本支出不足造成的石油供应风险将支撑油价稳步上涨。
- **我们分别上调 2018 年至 2020 年的盈利预测 8.1% / 1.5% / (0.6%) 至人民币 599.63 亿元 / 人民币 659.35 亿元 / 人民币 700.27 亿元。**我们的调整反映了人民币贬值带来的石油和天然气销售收入增加以及 2018 年平均实现油价的上涨。我们对 2018 年至 2020 年公司平均实现油价的假设修正为 69.75 / 74.51 / 76.55 美元/桶。
- **维持目标价 16.50 港元, 投资评级为“买入”。**目标价相当于 10.81 倍 / 9.83 倍 / 9.26 倍 2018 年-2020 年市盈率, 相当于 1.55 倍 / 1.41 倍 / 1.29 倍 2018 年-2020 年市净率, 并相对我们 DCF 估值有 12.3% 的折让。我们认为公司的业绩改善将大致与油价稳步上升的预期一致以及公司将长期受益于成本削减措施。

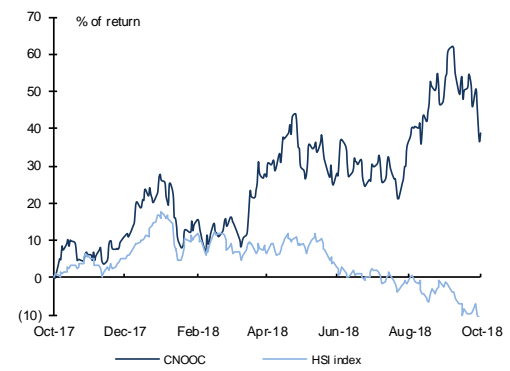
Rating: **Buy**
Maintained
评级: 买入 (维持)

6-18m TP 目标价: **HK\$16.50**
Revised from 原目标价: HK\$16.50

Share price 股价: **HK\$13.400**

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 %	(9.7)	4.4	32.7
Rel. % to HS Index 相对恒指变动 %	1.4	18.5	45.0
Avg. Share price(HK\$) 平均股价 (港元)	14.6	13.6	12.1

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	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	146,490	637	0.014	(96.9)	857.2	8.564	1.4	0.317	2.6	0.2
2017A	186,390	24,677	0.553	3,850.0	20.2	8.511	1.3	0.368	3.3	6.5
2018F	239,460	59,963	1.343	142.9	8.8	9.356	1.3	0.498	4.2	15.0
2019F	260,842	65,935	1.477	10.0	8.0	10.297	1.1	0.535	4.5	15.0
2020F	274,637	70,027	1.568	6.2	7.5	11.287	1.0	0.578	4.9	14.5
Shares in issue (m)	总股数 (m)		44,647.5		Major shareholder 大股东				CNOOC 64.4%	
Market cap. (HK\$ m)	市值 (HK\$ m)		598,275.9		Free float (%) 自由流通比率 (%)				35.6	
3 month average vol.	3 个月平均成交股数 ('000)		70,270.5		FY18 Net gearing (%) FY18 净负债/股东资金 (%)				28.1	
52 Weeks high/low (HK\$)	52 周高/低 (HK\$)		15.780 / 9.990		FY18 Est. NAV (HK\$) FY18 每股估值 (港元)				18.8	

Source: the Company, Guotai Junan International.

3Q2018 Review

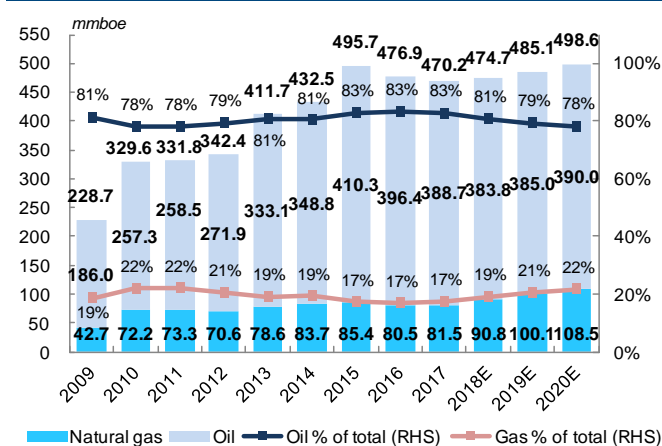
Oil and gas production and sales missed our estimates by 3.8% and 7.8%, respectively. Production missed as the Company mentioned 3.1 mmboe of lost oil production due to typhoons in the South China Sea during 3Q2018. Oil and gas sales missed due to changes in the Company's crude oil sales mix, resulting in diverging realized oil price spreads. The Company expects full-year production to fall in the middle of the 470-480 mmboe production plan range; capex is indicated that it could fall short of the RMB 70-80 bn capex plan but 2019 capex will likely not be lower than 2018 levels. CNOOC also mentioned that operating costs are experiencing some upward pressure due to higher oil prices but all-in costs largely remained flat YoY during 3Q2018. The Company also expects higher production of high priced gas during 4Q2018 due to higher seasonal demand.

Table-1: CNOOC 1-3Q2018 Operational Statistics and 2018E Forecast

	3Q2018	% YoY	1-3Q2018	% YoY	2018E	% YoY
Oil and Gas Sales (RMB million)	47,933	33.4	138,242	24.7	206,719	36.1
Oil Production (mmbbl)	91.1	(4.7)	285.2	(2.9)	383.8	(1.2)
Gas Production (bcf)	131.7	9.9	388.3	10.6	529.0	11.4
Total Oil and Gas Production (mmboe)	113.8	(2.1)	351.9	(0.6)	474.7	0.9
Capex (RMB mn)	15,270	29.6	36,250	9.2	65,175	36.5
Avg. realized oil price (US\$/bbl)	71.55	40.7	68.7	35.8	70.8	34.5
Avg. realized gas price (US\$/mcf)	6.26	3.4	6.36	9.6	6.4	9.6

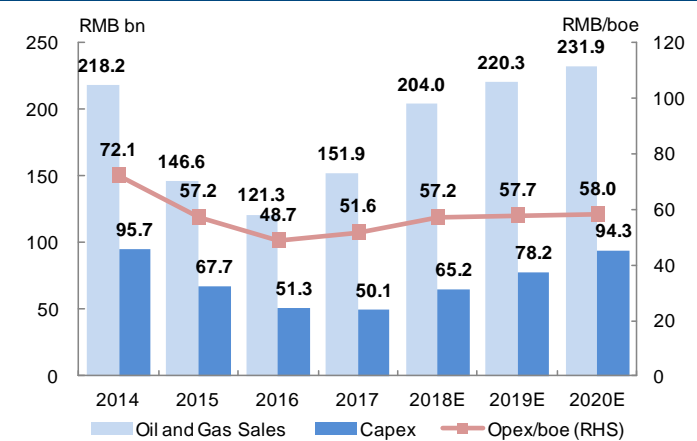
Source: the Company, Guotai Junan International.

Figure-1: CNOOC's Total Oil & Gas Production



Source: the Company, Guotai Junan International.

Figure-2: CNOOC Oil and Gas Sales, CAPEX, and Operating Expenses per Barrel



Source: the Company, Guotai Junan International.

Table-2: CNOOC's Development Projects in 2017-2018

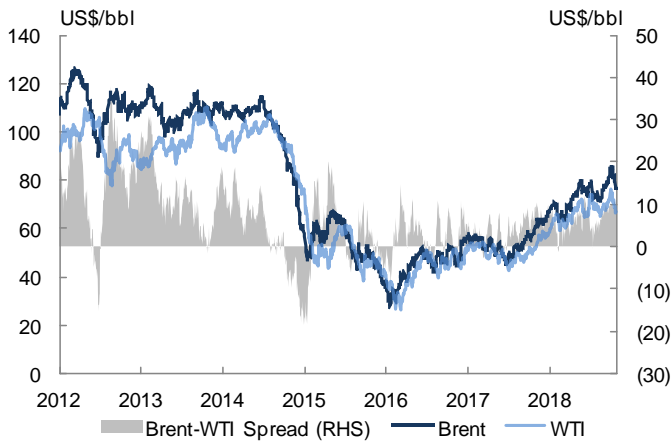
Project	Status	Location	Expected Startup	Peak Production (boe/d)	Working Interests
2017					
1 Penglai 19-9	Commenced production	Bohai	Jan. 12, 2017	13,000	51%
2 Enping 23-1	Commenced production	Eastern South China Sea	Jan. 17, 2017	24,800	100%
3 Weizhou 12-2 Phase II	Commenced production	Western South China Sea	Nov. 28, 2017	11,800	100%
4 BD gas field	Commenced production	Indonesia	Aug. 1, 2017	25,500	40%
5 Hangingstone	Commenced production	Canada	Aug. 8, 2017	18,100	25%
2018					
1 Stampede Oil Field	Commenced production	United States	Feb. 6, 2018	>40,000	25%
2 Weizhou 6-13	Commenced production	Western South China Sea	Mar. 20, 2018	9,400	100%
3 Penglai 19-3 Oil Field 1/3/8/9 comprehensive adjustment project	Commenced production	Bohai	Sep. 19, 2018	36,200	51%
4 Dongfang 13-2 Gas Fields	Installation and commissioning	Western South China Sea	2H2018	43,400	100%
5 Wenchang 9-2/9-3/10-3 Gas Fields	Installation and commissioning	Western South China Sea	2H2018	14,300	100%

Source: the Company.

Industry Review

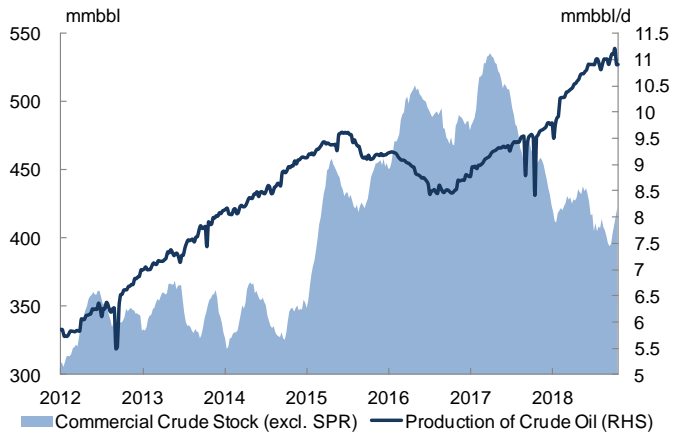
Escalation of global oil supply risks as demand continues stable growth have driven up prices in 3Q2018. Brent oil price during 3Q2018 averaged US\$75.8/bbl, up 45.1% YoY. Brent oil price YTD averaged US\$73.5/bbl, up 38.9% YoY. The International Energy Agency ("IEA") in its October Oil Market Report reduced its 2018 and 2019 global oil demand growth estimate by approximately 110 kb/d to 1.3 mmbbl/d and 1.4 mmbbl/d, respectively, citing higher oil prices, escalating trade tension, and weakening global growth outlook. The IEA reported that global oil supply in September was 100.3 mmbbl/d, up 2.7% YoY. The IEA reported OECD commercial stocks in August were 2,853.8 mmbbl, down 5.1% YoY and 14 mmbbl above the 5-year average. U.S. oil production and commercial stocks for the week ending October 19, 2018 stood at 10.9 mmbbl/d and 422.8 mmbbl, up 29.7% YoY and down 7.4% YoY, respectively. Active U.S. oil rigs stood at 875 for the week ending October 26, 2018, up 18.7% YoY.

Figure-3: Brent vs. WTI Prices and Spread



Source: Bloomberg.

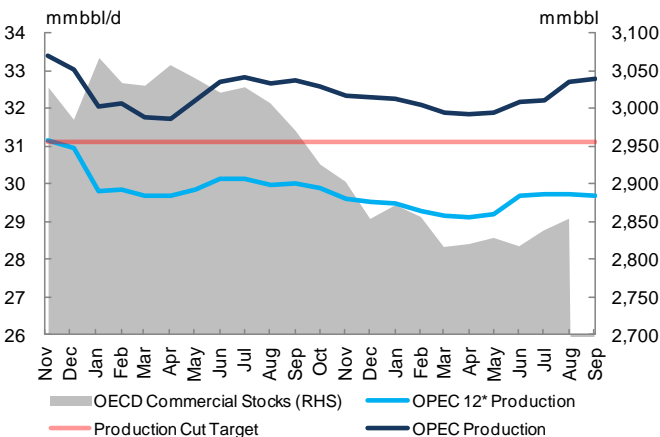
Figure-4: U.S. Crude Oil Production and Stocks



Source: Energy Information Association.

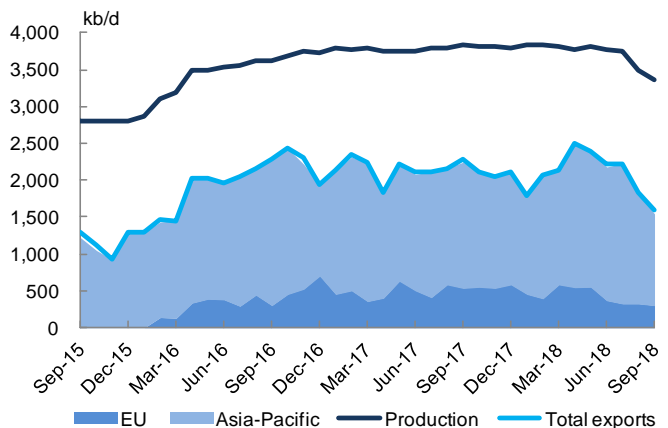
OPEC and Russia are able to offset declines in global oil supply from Iran, but at the cost of reduced spare capacity. According to Bloomberg, Iran's oil exports in September was 1,599 kb/d, down 29.8% YoY and 35.9% lower from its peak in April. Exports of Iran crude to the EU and Asia-Pacific in September fell to 300 kb/d and 1,244 kb/d, down YoY by 43.7% and 27.3%, respectively. Iran sanctions are expected to be imposed beginning November 5, 2018, and is likely to have a significant impact on global oil supply. Estimates for the decline in global oil supply from Iranian sanctions have increased significantly from approximately 500 kb/d in May to around 1.7 mmbbl/d. However, Saudi Arabia and Russia collectively have increased oil production by about 880 kb/d from May through September, compared to the 897 kb/d fall in Iranian exports. We expect OPEC and Russia to continue increasing production to offset declines in Iranian supply, but spare capacity will be under pressure as IEA reported Saudi Arabia in October likely raised production to 10.7 mmbbl/d, reducing spare capacity to 1.3 mmbbl/d.

Figure-5: OPEC Oil Production and OECD Commercial Stocks



Source: IEA.
*Note: OPEC 12 production excludes Libya and Nigeria.

Figure-6: Iran Oil Production and Exports



Source: OPEC, Bloomberg.

China's domestic oil production continued to decline, oil demand growth mildly decelerated. According to data from China's National Bureau of Statistics, M1-M9 2018 crude oil production fell 2.2% YoY to 141.125 mmt (M1-M9 2017: (4.3%)). According to data from China's National Development and Reform Commission, M1-M8 2018 Oil products production increased 8.1% YoY to 244.53 mmt (M1-M8 2017: 6.4%). Apparent consumption of oil products increased 5.8% YoY to 213.90 mmt (M1-M8 2017: 6.0%); gasoline and diesel apparent consumption was up 6.5% YoY and 4.5% YoY over the same period, respectively.

We revise upward our 2018-2020 Brent oil price estimates from US\$70/bbl / US\$75/bbl / US\$78/bbl to US\$75/bbl / US\$78/bbl / US\$80/bbl. The adjustment reflects our expected risks to oil supply in 4Q2018 and 2019, as well as higher-than-expected oil prices during 1-3Q2018. We think that global oil supply risks from Iran and Venezuela could be mitigated by higher OPEC, Russian, and U.S. oil production. Over the next few years we expect stable demand growth and increased oil supply risks due to underinvestment in previous years to support oil prices to rise gradually. In addition, the 175th OPEC meeting will be held on December 6, 2018, where a new production agreement could be signed.

Valuation

We revise our earnings estimates for CNOOC in 2018E-2020E by 8.1% / 1.5% / (0.6%) to RMB59,963 mn / RMB65,935 mn / RMB70,027 mn, respectively. Our adjustments reflect higher oil and gas sales revenue from depreciation of the RMB as well as higher average realized oil prices in 2018. Our earnings estimates in later years have not changed significantly despite higher oil price estimates due to our expectation that the Company's average realized oil price will lag behind growth in Brent oil price. Our revised estimates for the Company's average realized oil prices in 2018E-2020E are US\$ 69.75/bbl, US\$ 74.51/bbl, and US\$ 76.55/bbl.

Maintain TP at HK\$16.50 and maintain investment rating "Buy". The target price corresponds to 10.81x / 9.83x / 9.26x 2018E-2020E PER, equivalent to 1.55x / 1.41x / 1.29x 2018E-2020E PBR, and is also equivalent to a 12.3% discount on our DCF valuation. Despite increased trade tension and macro risks to China's and the global economy, we expect CNOOC's share price to be supported by oil prices. Our view that the Company's performance will improve approximately in line with our expectation of gradually increasing oil prices and long-term benefits from cost-cutting measures remains intact.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last price	PE (fiscal year)				PB (fiscal year)				ROE(%)	D/Y(%)	EV/EBITDA
				17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F
HK-listed Peers														
Cnooc Ltd	883 HK	HKD	13.40	21.1	9.2	8.1	8.7	1.3	1.3	1.2	1.1	14.4	5.1	4.3
Kunlun Energy Co Ltd	135 HK	HKD	9.04	13.3	11.5	10.2	9.1	1.5	1.5	1.4	1.2	13.1	3.0	5.8
Petrochina Co Ltd-H	857 HK	HKD	5.56	40.1	14.9	12.7	12.2	0.7	0.7	0.7	0.7	4.8	3.6	5.4
China Petroleum & Chemical-H	386 HK	HKD	6.39	13.1	8.5	8.5	8.5	0.9	0.9	0.9	0.9	11.1	9.2	3.6
Simple Average				21.9	11.1	9.8	9.6	1.1	1.1	1.0	1.0	10.9	5.2	4.8
Weighted Average				28.6	12.1	10.6	10.5	0.9	0.9	0.9	0.8	8.5	5.4	4.7
International Peers														
Occidental Petroleum Corp	OXY US	USD	67.91	39.7	13.2	11.2	13.4	2.5	2.4	2.3	2.2	17.3	4.6	6.0
Encana Corp	ECA CN	CAD	13.47	12.2	15.7	9.4	7.7	1.6	1.5	1.3	1.1	8.4	0.7	6.1
Eog Resources Inc	EOG US	USD	106.56	23.7	18.7	13.9	11.9	3.8	3.2	2.7	2.2	18.7	0.7	7.9
Repsol Sa	REP SM	EUR	15.11	11.2	9.2	8.0	7.4	0.8	0.8	0.7	0.7	8.2	6.0	4.1
Canadian Natural Resources	CNQ CN	CAD	36.91	18.1	10.8	10.1	9.4	1.4	1.3	1.2	1.1	12.2	3.5	5.3
Murphy Oil Corp	MUR US	USD	31.66	n.a.	19.2	7.6	10.0	1.2	1.1	1.0	0.9	7.4	3.2	5.2
Conocophillips	COP US	USD	68.48	n.a.	14.7	12.0	12.5	2.6	2.6	2.3	2.1	17.3	1.7	5.6
Anadarko Petroleum Corp	APC US	USD	58.84	n.a.	19.8	11.8	11.2	2.9	2.4	2.1	1.8	14.2	1.5	6.0
Oil & Natural Gas Corp Ltd	ONGC IN	INR	151.80	8.0	8.8	6.1	5.9	1.0	1.0	0.8	0.8	11.1	3.7	6.0
Pioneer Natural Resources Co	PXD US	USD	149.66	30.8	22.1	12.7	10.8	2.3	2.1	1.8	1.6	9.0	0.2	8.3
Devon Energy Corp	DVN US	USD	32.38	18.9	22.8	12.1	9.0	1.8	2.6	1.1	0.8	7.3	1.0	7.5
Apache Corp	APA US	USD	37.39	10.9	19.9	15.8	17.8	1.9	1.7	1.6	1.7	10.4	2.7	4.6
Woodside Petroleum Ltd	WPL AU	AUD	33.56	21.3	14.8	11.1	11.3	1.5	1.2	1.2	1.2	8.7	5.6	6.7
Hess Corp	HES US	USD	58.11	n.a.	n.a.	34.0	22.9	1.7	1.8	1.7	1.6	(0.1)	1.8	9.2
Noble Energy Inc	NBL US	USD	25.66	n.a.	26.2	17.3	9.3	1.3	1.2	1.2	1.1	6.1	1.7	6.4
Tatneft Pjsc	TATN RM	RUB	762.10	13.9	7.7	7.8	7.5	2.3	1.9	1.7	1.5	25.1	7.4	5.6
Inpex Corp	1605 JP	JPY	1,331.50	42.1	48.2	30.9	13.1	0.7	0.7	0.7	0.6	1.4	1.4	5.7
Simple Average				20.9	18.2	13.6	11.2	1.8	1.7	1.5	1.3	10.7	2.8	6.2
Weighted Average				22.8	16.5	12.9	11.4	2.2	2.0	1.8	1.6	13.3	2.8	6.3

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Oil & Gas sales	121,325	151,888	204,000	220,284	231,933
Marketing & other revenues	25,165	34,502	35,461	40,558	42,703
Total Revenue	146,490	186,390	239,460	260,842	274,637
Operating expenses	(23,211)	(24,282)	(27,151)	(27,990)	(28,916)
Selling and administrative expenses	(6,493)	(6,861)	(7,969)	(8,680)	(9,139)
Exploration expenses	(7,359)	(6,881)	(8,646)	(9,803)	(10,064)
Depreciation, depletion and amortisation	(68,907)	(61,257)	(61,989)	(62,566)	(64,945)
Impairment and provision	(12,171)	(9,130)	(232)	(46)	(9)
Crude oil and product purchases	(19,018)	(27,643)	(27,540)	(39,651)	(41,748)
Special oil gain levy	0	(55)	(5,238)	(9,675)	(11,527)
Taxes other than income tax	(6,941)	(7,210)	(11,973)	(13,042)	(13,732)
Others	(4,802)	(6,021)	(2,395)	(2,608)	(2,746)
Operating Profit	(2,412)	37,050	86,328	86,780	91,810
Interest income	901	653	922	958	1,174
Finance income / (cost)	(6,246)	(5,044)	(5,718)	(6,019)	(5,717)
Exchange (losses)/gains, net	(790)	356	269	148	(32)
Investment income	2,774	2,409	3,465	4,843	4,761
Share of profit of associates	(609)	302	311	320	330
Share of profit of JV	533	553	(5,707)	802	962
Non-operating income, net	574	78	80	81	83
Profit Before Tax	(5,275)	36,357	79,950	87,914	93,370
Income Tax	5,912	(11,680)	(19,988)	(21,978)	(23,342)
Profit After Tax	637	24,677	59,963	65,935	70,027
Non-controlling Interest	0	0	0	0	0
Shareholders' Profit / Loss	637	24,677	59,963	65,935	70,027
Basic EPS	0.014	0.553	1.343	1.477	1.568
Diluted EPS	0.014	0.553	1.342	1.476	1.567

Cash Flow Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Profit before tax	(5,275)	36,357	79,950	87,914	93,370
Adjustments for:					
Depreciation	68,303	60,802	61,497	62,030	64,381
Amortization	1,020	854	492	536	564
Tax Paid	5,912	(11,680)	(19,988)	(21,978)	(23,342)
JV/A Income/(loss) - net	76	(855)	5,396	(1,122)	(1,292)
Change in Working Capital	(13,113)	2,513	(12,781)	(7,160)	(1,115)
Other Operating Cash Flows	15,940	6,743	3,649	(1,896)	(1,503)
Cash from Operating Activities	72,863	94,734	118,216	118,323	131,063
Capital Expenditure	(51,347)	(47,734)	(65,175)	(78,240)	(94,320)
Investments in financial assets - net	25,541	(14,356)	(21,172)	(8,530)	(25)
Investments in JV/A	(1,865)	(1,000)	(1,020)	(1,040)	(1,061)
Other investments	(282)	(1,321)	(1,133)	(1,204)	(759)
Cash from Investing Activities	(27,953)	(64,411)	(88,500)	(89,014)	(96,166)
Dividends Paid	(14,153)	(16,448)	(22,232)	(23,909)	(25,824)
Change in Gross Debt	(14,169)	(18,226)	(7,152)	(3,849)	(7,802)
Other Financing Cash Flow	(14,720)	3,188	0	0	0
Cash from Financing Activities	(43,042)	(31,486)	(29,383)	(27,757)	(33,626)
Cash at Beg of Year	11,867	13,735	12,572	12,905	14,457
Net Changes in Cash	1,868	(1,163)	333	1,552	1,271
Cash at End of Year	13,735	12,572	12,905	14,457	15,728

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
PPE	432,465	395,868	399,546	415,756	445,695
Investments in JV/A	29,995	29,146	26,149	28,599	30,622
Intangibles	16,644	15,070	15,095	15,334	15,699
Other Non-Current Assets	36,532	38,297	35,238	34,916	33,938
Total Non-current Assets	515,636	478,381	476,028	494,604	525,954
Cash & Cash Equivalents	13,735	12,572	12,905	14,457	15,728
Other Investments (net)	53,332	74,358	95,530	104,060	104,085
Inventory	8,709	7,354	8,381	13,042	13,732
Trade Receivables	23,289	20,787	28,735	31,301	32,956
Other Current Assets	22,980	23,767	33,060	36,242	38,369
Total Current Assets	122,045	138,838	178,611	199,102	204,870
Total Assets	637,681	617,219	654,639	693,706	730,824
Short-Term Debt	19,678	13,892	5,557	7,446	10,797
Trade and Accrued Payables	25,345	26,713	29,866	30,789	31,808
Other Current Liabilities	22,067	20,807	20,846	22,707	23,908
Total Current Liabilities	67,090	61,412	56,268	60,942	66,513
Long-Term Debt	130,798	118,358	119,542	113,804	102,651
Other Non-Current Liabilities	57,422	57,474	61,123	59,227	57,724
Total Non-current Liabilities	188,220	175,832	180,665	173,030	160,375
Total Liabilities	255,310	237,244	236,933	233,973	226,888
Share capital	43,081	43,081	43,081	43,081	43,081
Reserves	339,290	336,894	374,625	416,652	460,856
Total Shareholders' Equity	382,371	379,975	417,706	459,733	503,937
Minority Interest	0	0	0	0	0
Total Equity	382,371	379,975	417,706	459,733	503,937

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Growth:					
Oil & gas revenue	(17.2)%	25.2%	34.3%	8.0%	5.3%
Operating profit	(113.8)%	(1,636.1)%	133.0%	0.5%	5.8%
Net profit	(96.9)%	3,773.9%	143.0%	10.0%	6.2%
Margins:					
Operating margin	(1.6)%	19.9%	36.1%	33.3%	33.4%
Net profit margin	0.4%	13.2%	25.0%	25.3%	25.5%
Debt management:					
Net gearing	35.6%	32.7%	28.1%	24.3%	20.3%
Total debt to equity	39.4%	36.1%	29.2%	25.8%	22.0%
Valuation:					
BVPS (RMB)	8.564	8.511	9.356	10.297	11.287
P/E	841.1	20.2	8.8	8.0	7.5
P/B	1.4	1.3	1.3	1.1	1.0
P/CF	7.3	5.6	4.5	4.5	4.0
Assumptions & others:					
Payout ratio	2,113.0%	74.7%	38.0%	38.0%	38.7%
Brent oil price (US\$/bbl)	45.1	54.7	75.0	78.0	80.0
Realised oil price(US\$/bbl)	41.4	52.7	69.8	74.5	76.5
Production(mmboe)	476.9	470.2	474.7	485.1	498.6
Production growth	(3.8)%	(1.4)%	0.9%	2.2%	2.8%
P/reserves(US\$/boe)	19.9	15.9			
RRR %	145%*	305.0%			

*Note: adjusted for economic revisions (impairment).

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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