



Company Report: Shanghai Electric (02727 HK)

公司报告: 上海电气 (02727 HK)

Jun Zhu 朱俊杰

(852) 2509 7592

junjie.zhu@gjjas.com.hk

15 November 2018

9M2018 Earnings Jumped 15.5% YoY, Reiterate "Buy"

2018年前9个月盈利同比增15.5%，重申“买入”

- 9M2018 earnings went up YoY by 15.5%, better than market expectation.** Sales and net profit in 9M2018 went up YoY by 19.2% and 15.5%, respectively. Quarterly earnings in 3Q2018 jumped 28.0% YoY. Operating results in 9M2018 were better than market expectation. Gross margin in 9M2018 went down YoY by 2.2 ppt to 20.0% and net margin was down YoY by 0.1 ppt to 3.1%.
- New orders in 9M2018 went up YoY by 18.6%.** New orders secured in 9M2018 reached RMB 90.3 bn, up YoY by 18.6%, and orders on hand reached RMB 228.4 bn (including RMB 106.4 bn in orders not yet coming into effect), which was relatively flat compared to that at year end 2017. New orders of new energy equipment and modern services went up YoY by 22.7% and 59.5%, respectively.
- Power generating infrastructure investment in China in 9M2018 reached RMB 169.6 bn, down YoY by 1.9%.** In 9M2018, newly installed power capacity in China reached 81.1 GW, down YoY by 13.1%. Newly installed thermal and hydro during the period dropped YoY by 23.2% and 19.0%, respectively. However, newly installed nuclear and wind capacity increased 59.1% YoY and 30.0% YoY, respectively. We expect China's investment in renewable energies to continue to accelerate going forward.
- We reiterate the "Buy" rating and the TP of HK\$ 3.63.** We maintain our bullish view on Shanghai Electric given its continued reform and corporate transformation. Our TP corresponds to 15.4x/ 13.6x/ 12.6x FY18-FY20 PER or 0.9x/ 0.8x/ 0.8x FY18-FY20 PBR.
- 2018 年前三季度盈利同比上涨 15.5%，好于市场预期。**公司于期内的收入和净利润分别同比增长 19.2% 和 15.5%。2018 年第三季度的单季盈利同比升 28.0%。上海电气于 2018 年前三季度的业绩好于市场预期。毛利率同比下降 2.2 个百分点至 20.0%，而净利率亦同比下滑 0.1 个百分点至 3.1%。
- 今年前 9 个月的新增订单同比上升 18.6%。**公司于 2018 年前 9 个月的新签订单达 903 亿人民币，同比上升 18.6%，期末在手订单达到 2,284 亿人民币（其中尚未生效订单达 1,064 亿人民币），与 2017 年底时的水平相若。新能源设备及现代服务板块于期内的新增订单分别同比增 22.7% 以及 59.5%。
- 国内于 2018 年前 9 个月对发电基础设施的投资同比降 1.9% 至人民币 1,696 亿。**国内于 2018 年前 9 个月的新增发电装机容量达 81.1 吉瓦，同比下滑 13.1%。期内新增火电及水电分别同比下降 23.2% 及 19.0%，但期内新增核电及风电则分别同比上升了 59.1% 及 30.0%。我们预计国内对可再生能源的投资将于未来继续加快。
- 我们重申“买入”的投资评级以及 3.63 港元的目标价。**鉴于上海电气的持续改革及企业转型，我们维持对上海电气乐观的看法。我们的目标价相当于 15.4 倍/13.6 倍/12.6 倍的 2018-2020 年市盈率或 0.9 倍/0.8 倍/0.8 倍 2018-2020 年市净率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$3.63

Revised from 原目标价:

HK\$3.63

Share price 股价:

HK\$2.720

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 %	6.7	5.8	(18.6)
Rel. % to HS Index 相对恒指变动 %	7.2	13.4	(6.6)
Avg. share price (HK\$) 平均股价 (港元)	2.60	2.58	2.74

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	88,507	2,355	0.171	7.5	14.2	3.566	0.7	0.000	0.0	5.4
2017A	79,544	2,627	0.187	9.4	12.1	3.772	0.6	0.092	4.1	5.1
2018F	99,325	3,062	0.208	11.2	11.5	3.758	0.6	0.083	3.5	5.5
2019F	110,991	3,448	0.234	12.5	10.2	3.772	0.6	0.082	3.4	6.2
2020F	120,525	3,733	0.253	8.1	9.5	3.800	0.6	0.089	3.7	6.7

Shares in issue (m) 总股数 (m)	14,725.2	Major shareholder 大股东	SEC Group 60.9%
Market cap. (HK\$ m) 市值 (HK\$ m)	40,052.5	Free float (%) 自由流通比率 (%)	35.8
3 month average vol. 3 个月平均成交股数 ('000)	5,670.2	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	3.390 / 2.380	FY18 EV / EBITDA (x) FY18 企业值/ EBITDA (x)	5.5

Source: the Company, Guotai Junan International.

Earnings in 9M2018 went up YoY by 15.5% to RMB 2,169 mn, beating market expectation. Sales and net profit in the 3rd quarter of 2018 went up YoY by 7.2% and 28.0%, respectively. Whereas, sales and net profit in 9M2018 rose YoY by 19.2% and 15.5%, respectively. The Company's net earnings in the first 9 months were better than market expectation but in line with our expectation. Sales of all business segments recorded different extents of growth in 9M2018. In which, sales of new energy equipment went up YoY by 14% to RMB 8.5 bn, sales of high efficiency clean energy equipment jumped 20% YoY to RMB 23.1 bn, industrial equipment sales was up 12% YoY to RMB 28.2 bn, and sales of modern services rose YoY by 17% to RMB 12.7 bn. The difference between actual sales in 9M2018 and the sum of segmental sales was mainly due to inter-segmental eliminations. Strong growth seen in 9M2018 was a result of continued transformation of Shanghai Electric and the 2nd round of restructuring completed in November 2017. Gross margin of all 4 business segment experienced YoY decline in 9M2018, which led to overall gross margin decline of 2.2 pts YoY to 20.0% and net margin drop of 0.1 ppt YoY to 3.1% (gross margin and net margin in 3Q2018 was down 0.9 ppt YoY and up 0.4 ppt YoY, respectively). Looking ahead, we believe that Shanghai Electric will continue to benefit from further SOE reform, Belt and Road strategy, and continued corporate transformation (from power equipment giant to industrial equipment giant). We are optimistic about the outlook of the Company. We believe that the newly injected assets from the 2nd round of restructuring will continue to transform Shanghai Electric and will be the Company's growth drivers going forward.

Table-1: 9M2018 & 3Q2018 Operating Results Overview

(RMB mn)	9M2018	9M2017 (Restated)	YoY Δ	3Q2018	3Q2017 (Restated)	YoY Δ
Revenue	69,905.4	58,647.6	19.2%	18,631.4	17,382.5	7.2%
COGS	(55,920.0)	(45,634.3)	22.5%	(14,636.3)	(13,499.4)	8.4%
Gross profit	13,985.4	13,013.2	7.5%	3,995.1	3,883.1	2.9%
Selling expense	(2,203.9)	(2,182.6)	1.0%	(586.7)	(642.9)	-8.7%
General & admin expense	(4,373.4)	(4,114.6)	6.3%	(1,439.1)	(1,370.0)	5.0%
R&D expense	(2,157.2)	(1,764.6)	22.3%	(696.6)	(632.0)	10.2%
Other operating expense	(1,783.4)	(2,156.2)	-17.3%	(385.2)	(596.1)	-35.4%
EBIT	3,467.5	2,795.2	24.1%	887.4	642.1	38.2%
Other income and gains	647.4	625.3	3.5%	114.2	341.8	-66.6%
Finance income / (cost)	(489.3)	(343.7)	42.3%	(106.2)	(132.6)	-19.9%
Share of affiliate / JV	788.5	912.4	-13.6%	281.2	310.1	-9.3%
Other non-operating expense	113.5	146.9	-22.7%	102.1	31.3	225.8%
Profit before tax	4,527.7	4,136.1	9.5%	1,278.7	1,192.8	7.2%
Income tax	(555.7)	(586.2)	-5.2%	(244.3)	(235.3)	3.8%
Minority interest	(1,802.9)	(1,672.4)	7.8%	(631.2)	(642.6)	-1.8%
Net income	2,169.1	1,877.4	15.5%	403.1	314.9	28.0%
EPS (Basic)	0.1473	0.1398	5.4%	0.0274	0.0234	17.1%
Margins (YoY)			YoY ppt Δ			YoY ppt Δ
Gross margin	20.0%	22.2%	-2.2 ppt	21.4%	22.3%	-0.9 ppt
EBIT margin	5.0%	4.8%	+0.2 ppt	4.8%	3.7%	+1.1 ppt
PBT margin	6.5%	7.1%	-0.6 ppt	6.9%	6.9%	+0.0 ppt
Net margin	3.1%	3.2%	-0.1 ppt	2.2%	1.8%	+0.4 ppt

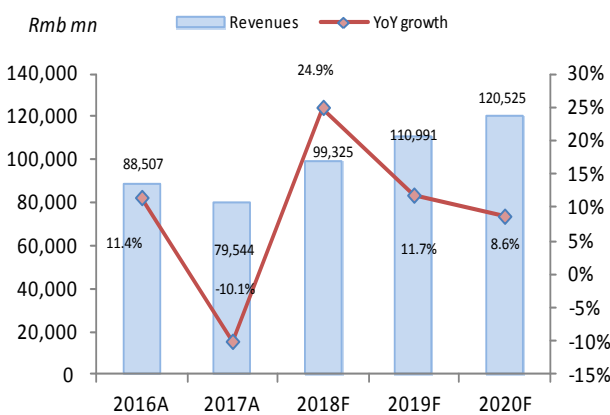
Source: the Company, Guotai Junan International.

New orders in 9M2018 went up by 18.6% YoY to RMB 90.3 bn. New orders obtained during the first 9 months reached RMB 90.3 bn, up YoY by 18.6%. In which, new energy equipment contributed RMB 11.5 bn, high efficiency clean energy equipment added RMB 15.1 bn, industrial equipment added RMB 33.9 bn and modern services contributed RMB 29.8 bn in new orders. Except for the 18.3% YoY decline in the new orders of high efficiency clean energy equipment, new orders from other business segments recorded YoY growth. Orders on hand amounted to RMB 228.43 bn by the end of 9M2018 (including orders in the amount of RMB 106.4 bn not yet coming into effect), which was up slightly by 0.4% from the end of 2017. New energy equipment, high efficiency clean energy equipment, industrial equipment and modern services accounted for 15.1%, 40.3%, 5.4% and 39.2% of total orders on hand, respectively. Looking ahead, we expect new energy equipment, industrial equipment and modern services to drive growth in new orders under the expectation of continued decline in new orders of high efficiency clean energy equipment (mainly composed of coal-fired power equipment). Coal fired power equipment contributed only RMB 3.74 bn in new orders in the first 9 months of 2018, down sharply by 49.2% YoY.

Power generating infrastructure investment in China in 9M2018 reached RMB 169.6 bn, down YoY by 1.9%. According to CEC, nationwide newly installed power generating capacity in 9M2018 reached 81.14 GW, down YoY by 13.1% or YoY decrement of 12.8 GW. Thermal, hydro, nuclear, wind and solar contributed 23.8 GW, 6.7 GW, 3.5 GW, 12.6 GW and 34.5 GW, respectively, of newly installed capacity in 9M2018 (-23.2%/ -19.0%/ +59.1%/ +30.0%/ -18.4%, respectively). Affected by the change in national energy development policy, thermal, hydro and solar new installations in 9M2018 went down sharply while new installations of nuclear and wind power went up. Nationwide power generating infrastructure investment in 9M2018 reached RMB 169.6 bn, down YoY by 1.9%. Thermal, hydro, nuclear and wind power investment in 9M2018 went up YoY by 6.1%, 19.0%, 4.9% and down YoY by 12.9%, respectively. During the first 9 months in 2018, renewable energies such as hydro, nuclear and wind power contributed 69.0% of power generating infrastructure investment in China. Meanwhile, nationwide power grid investment reached RMB 337.3 bn in 9M2018, down YoY by 9.6%. Power generating infrastructure investment slightly declined while the investment on power grid slid sharply in the first 9 months. However, we expect investment on the power grid to accelerate in the remaining quarter of 2018 with total nationwide spending on power grid in 2018 expected to reach approximately RMB 500 bn.

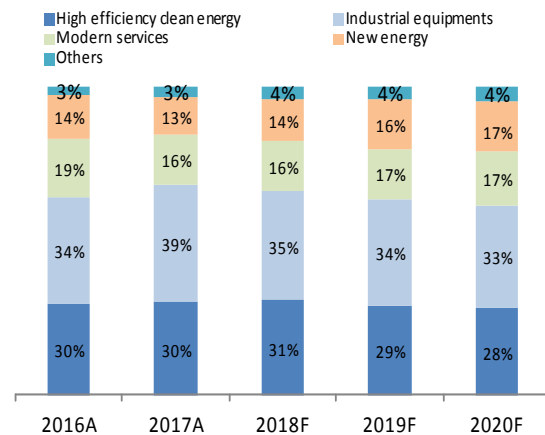
We reiterate the "Buy" investing rating and TP of HK\$ 3.63. We expect Shanghai Electric to benefit from continued SOE reforms, increased earnings contribution from new assets purchased from its parent through the 2nd round of restructuring, and the growing requirement for environmental protection in the domestic market (leading to increased spending in renewable energy and a rise in demand for environmental protection equipment & services). We expect the fundamentals of Company to remain solid in the years to come given Shanghai Electric's continued transformation. Our EPS estimates from FY18 to FY20 are RMB 0.208, RMB 0.234 and RMB 0.253, respectively. As we are quite bullish on the outlook on Shanghai Electric, we reiterate our investment rating of "Buy" and TP of HK\$ 3.63. Our TP corresponds to 15.4x/ 13.6x/ 12.6x FY18-FY20 PER or 0.9x/ 0.8x/ 0.8x FY18-FY20 PBR.

Figure-1: Historical & Projected Revenues



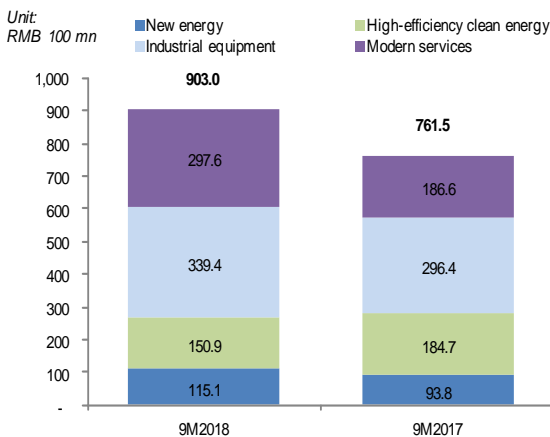
Source: the Company, Guotai Junan International.

Figure-2: Historical & Projected Revenue Breakdown



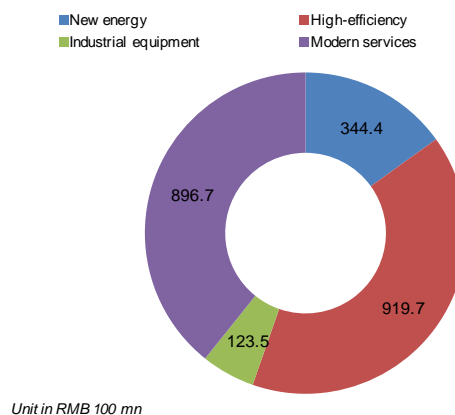
Source: the Company, Guotai Junan International.

Figure-3: 9M2018 New Orders Breakdown



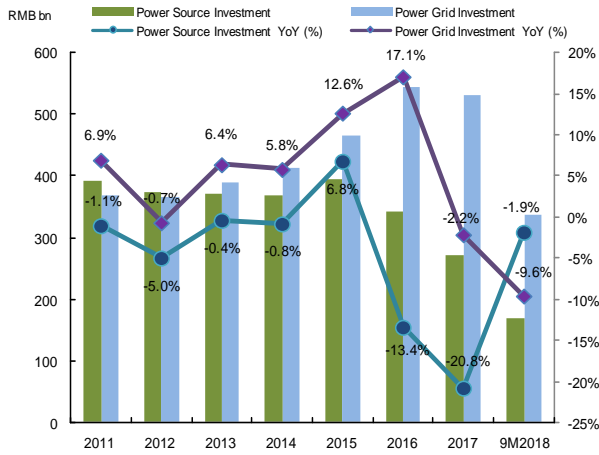
Source: the Company, Guotai Junan International.

Figure-4: 9M2018 Orders Backlog Breakdown



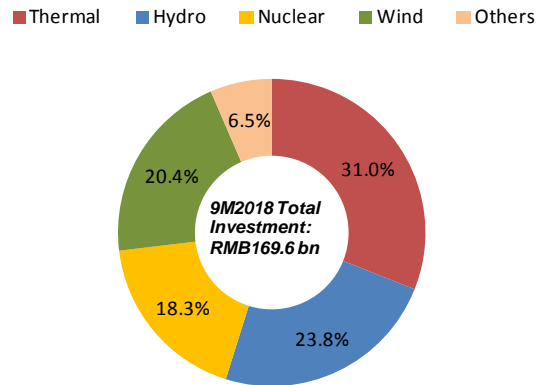
Source: the Company, Guotai Junan International.

Figure-5: Historical Power Sector Investment in PRC



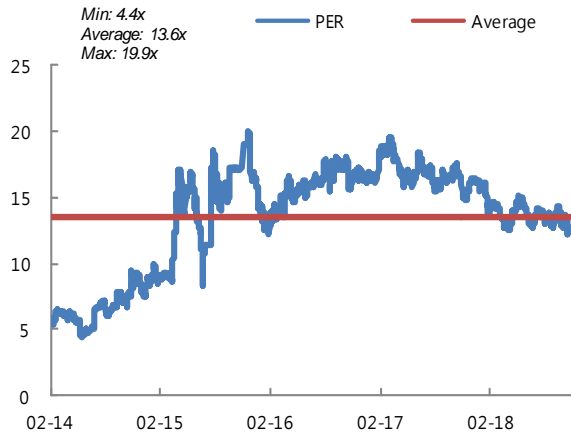
Source: NEA, Guotai Junan International.

Figure-6: 9M2018 Power Infrastructure Investment in PRC



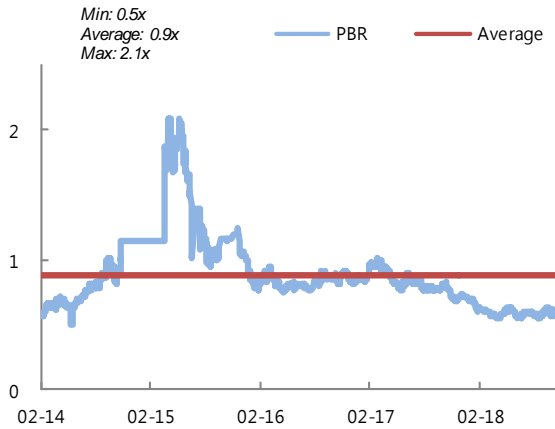
Source: NEA, Guotai Junan International.

Figure-7: Forward PER of Shanghai Electric



Source: Bloomberg, Guotai Junan International.

Figure-8: Forward PBR of Shanghai Electric



Source: Bloomberg, Guotai Junan International.

Table-2: Peers Comparison

Company	Stock Code	Currency	Last price (in local \$)	PE (fiscal year)				PB (fiscal year)				ROE (%)	ROA (%)	Market Cap HKD mn
				17A	18F	19F	20F	17A	18F	19F	20F			
HK - Listed Peers														
Dongfang Electric Corp - H	01072 HK	HKD	4.52	13.5	11.4	10.6	10.5	0.4	0.5	0.5	0.5	4.1	1.2	26,077
Harbin Electric	01133 HK	HKD	2.56	15.8	27.2	15.6	15.1	0.2	0.3	0.2	0.2	0.8	0.2	4,369
Shanghai Electric - H	02727 HK	HKD	2.72	12.6	12.6	13.6	12.8	0.6	0.6	0.6	0.6	5.1	1.4	77,056
Xinjiang Goldwind	02208 HK	HKD	7.87	8.1	7.5	7.4	7.1	1.0	1.0	0.9	0.8	14.1	4.5	41,943
Simple Average				12.5	14.7	11.8	11.4	0.6	0.6	0.6	0.5	6.0	1.8	
Weighted Average				11.6	11.4	11.4	10.8	0.7	0.7	0.7	0.6	7.3	2.2	
Offshore - Listed Peers														
Alstom	ALO.FP	EUR	39.61	30.0	18.4	18.7	18.2	2.4	2.2	2.0	1.9	12.5	3.3	78,015
Bharat Heavy Electricals	BHEL	INR	66.20	n.a.	n.a.	17.3	15.5	0.8	0.8	0.7	0.7	1.4	0.7	26,324
Doosan Heavy Industries	034020 KS	KRW	10,350.00	n.a.	n.a.	7.9	5.8	0.3	0.4	0.4	0.4	1.9	1.3	8,361
General Electric	GE US	USD	8.61	n.a.	12.2	10.1	8.9	1.2	2.7	2.8	4.3	6.8	(3.1)	586,619
Hyundai Heavy Industries	009540 KS	KRW	125,500.00	2.8	n.a.	n.a.	21.0	0.6	0.7	0.7	0.7	(2.0)	(1.1)	59,857
Mitsubishi Heavy Industries	7011 JT	JPY	4,270.00	16.3	20.4	17.9	13.7	0.8	0.8	0.8	0.8	3.9	1.3	99,033
Siemens Ag	SIE GY	EUR	100.68	13.5	14.1	13.5	11.9	1.9	1.9	1.7	1.6	13.1	4.3	755,398
Wartsila Oyj Abp	WRT1V FH	EUR	15.25	23.5	19.2	16.0	14.3	3.8	3.6	3.3	2.9	18.8	9.3	79,620
Simple Average				17.2	16.8	14.5	13.7	1.5	1.6	1.6	1.7	7.0	2.0	
Weighted Average				15.1	14.3	12.9	11.7	1.6	2.1	2.1	2.5	9.8	1.5	

Source: Bloomberg, Guotai Junan International. Prices as at November 15th, 2018.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	88,507	79,544	99,325	110,991	120,525
COGS	(71,657)	(63,702)	(82,277)	(91,074)	(98,635)
Gross profit	16,850	15,842	17,049	19,916	21,890
Selling expense	(2,553)	(2,254)	(2,433)	(2,775)	(3,073)
Admin expense	(10,482)	(11,447)	(9,734)	(11,488)	(12,655)
Operating Profit	3,815	2,141	4,881	5,654	6,161
Other income	1,639	2,340	1,170	1,228	1,290
Gain from affiliates & JVs	826	1,342	1,007	1,057	1,110
Finance income	(354)	(458)	(666)	(838)	(959)
Profit Before Tax	5,925	5,365	6,392	7,101	7,602
Income Tax	(1,283)	(522)	(1,003)	(1,210)	(1,304)
Profit After Tax	4,642	4,843	5,389	5,891	6,298
Non-controlling Interest	(2,288)	(2,216)	(2,327)	(2,443)	(2,565)
Shareholders' Profit / Loss	2,355	2,627	3,062	3,448	3,733
Basic EPS (RMB)	0.171	0.187	0.208	0.234	0.253
DPS (RMB)	0.000	0.092	0.083	0.082	0.089

Cash Flow Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Operating activities					
Net income	2,355	2,627	3,062	3,448	3,733
D&A	1,891	2,249	2,429	2,623	2,833
Change in working capital	4,377	(11,904)	(5,497)	1,176	90
Others	2,093	(496)	401	397	412
Cash from Operating Activities	10,716	(7,525)	395	7,645	7,068
Investing activities					
Capital expenditure	(5,386)	(5,511)	(4,966)	(6,659)	(7,231)
Others	(5,623)	1,184	1,667	(3,754)	(3,497)
Cash from Investing Activities	(11,009)	(4,327)	(3,299)	(10,414)	(10,728)
Financing activities					
Debt raised / (repaid)	4,238	325	6,363	5,119	2,906
Dividend paid	0	0	(1,354)	(1,225)	(1,207)
Others	(7,617)	2,872	(1,338)	233	191
Cash from Financing Activities	(3,379)	3,198	3,671	4,128	1,890
Net Changes in Cash	(3,672)	(8,655)	766	1,359	(1,770)
Adjustments	7,620	1,129	0	0	0
Cash at Beg of Year	36,970	40,917	33,391	34,158	35,517
Cash at End of Year	40,917	33,391	34,158	35,517	33,747

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
PPE	15,501	16,469	19,018	23,045	27,312
Investment in affiliates	9,264	10,705	11,990	12,589	13,218
Intangible & goodwill	3,976	4,042	5,481	6,990	8,638
Other non-current assets	20,186	23,773	19,570	21,468	23,078
Total Non-current Assets	48,927	54,988	56,059	64,091	72,247
Cash & Cash Equivalents	40,917	33,391	34,158	35,517	33,747
Inventories	22,185	29,057	31,265	36,430	39,454
Trade receivable	44,034	49,148	54,629	55,495	57,852
Other current assets	30,538	32,761	27,036	30,581	34,079
Total Current Assets	137,674	144,357	147,087	158,023	165,131
Total Assets	186,601	199,346	203,146	222,114	237,378
Short-term debts	2,582	3,224	8,436	9,056	7,461
Bonds, ST	499	1,600	0	0	0
Trade payable	38,543	40,885	41,138	45,537	49,317
Advances & deposits	46,587	47,425	41,717	46,616	50,620
Others	18,164	18,186	18,770	20,457	21,832
Total Current Liabilities	106,375	111,320	110,061	121,666	129,231
Long-term debts	3,371	4,144	6,694	9,194	10,694
Corporate bond	11,148	10,058	10,258	12,258	15,258
Others	3,288	3,102	3,291	3,496	3,714
Total Non-current Liabilities	17,807	17,304	20,243	24,948	29,666
Total Liabilities	124,182	128,624	130,304	146,614	158,897
Total Shareholders' Equity	47,900	55,537	55,331	55,545	55,961
Minority Interest	14,519	15,185	17,511	19,955	22,520
Total Equity	62,419	70,722	72,842	75,500	78,481
BPS (RMB)	3.566	3.772	3.758	3.772	3.800

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Gross margin(%)	19.0%	19.9%	17.2%	17.9%	18.2%
EBIT margin (%)	4.3%	2.7%	4.9%	5.1%	5.1%
EBITDA margin (%)	6.4%	5.5%	7.4%	7.5%	7.5%
Net margin (%)	2.7%	3.3%	3.1%	3.1%	3.1%
ROE (%)	5.4%	5.1%	5.5%	6.2%	6.7%
ROA (%)	1.3%	1.4%	1.5%	1.6%	1.6%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Inventory turnover (day)	110.0	144.8	136.8	144.0	144.0
AR turnover (day)	173.4	210.9	198.0	180.0	172.8
AP turnover (day)	177.3	224.4	180.0	180.0	180.0
EV/EBITDA(x)	3.4	6.7	5.1	5.2	5.6
Quick ratio (x)	0.9	0.8	0.8	0.7	0.7
Current ratio (x)	1.3	1.3	1.3	1.3	1.3

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.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for KAISA GROUP (01638 HK), GUOTAI JUNAN I (01788 HK), BINHAI INVESTMENT (02886 HK), VALUE A SHARE (03095 HK), CAM SCSMALLCAP (03157 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

DISCLAIMER

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

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

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

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

© 2018 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk