

## Company Report: CNOOC (00883 HK)

公司报告: 中国海洋石油 (00883 HK)

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# New Production Cut To Support Oil Prices, Maintain "Buy"

新减产协议将支撑油价，维持“买入”

- **OPEC+ has agreed to a 1.2 mmbbl/d production cut starting from January 2019 for 6 months.** OPEC countries will account for 800 kb/d and non-OPEC countries 400 kb/d of the cut. The new agreement is higher than the 1.0 mmbbl/d expected by the market and is slightly lower than our own view that a 1.3 mmbbl/d would be necessary to balance the market.
- **We revise downwards our 2018-2020 Brent oil price estimates from US\$75/bbl/ US\$78/bbl/ US\$80/bbl to US\$71/bbl/ US\$73/bbl/ US\$78/bbl.** The adjustment reflects our view that oversupply during 4Q2018 will abate gradually through 1H2019 as a result of the production cut agreement as well as growth in global oil demand. While U.S. oil production has increased faster than expected in 2018, we think future growth is likely to moderate as production is already near the estimated peak of 12-13 mmbbl/d.
- **We revise our earnings estimates for CNOOC in 2018E-2020E by (3.38)%/ (3.85)%/ 0.24% to RMB57,939 mn/ RMB63,395 mn/ RMB70,198 mn, respectively.** We expect the negative impact from the recent decline in oil prices to be relatively short-lived as increased risks of an oil supply shortage could begin to manifest in 2020 as a result of underinvestment in large scale upstream projects in recent years.
- **Revise TP downwards to HK\$16.00 and maintain investment rating "Buy".** The target price corresponds to 10.85x/ 9.92x/ 8.96x 2018E-2020E PER, equivalent to 1.51x/ 1.38x/ 1.26x 2018E-2020E PBR, and is also equivalent to a 18.6% discount on our DCF valuation.
- **OPEC+同意从 2019 年 1 月起减产 120 万桶/日，为期 6 个月。** 欧佩克国家将占 80 万桶/日，非欧佩克国家减产 40 万桶/日。新协议高于市场预期的 100 万桶/日，略低于我们自己的观点，即平衡市场需要 130 万桶/日。
- **我们将 2018 年-2020 年布伦特原油价格假设从 75 美元/ 78 美元/ 80 美元/桶下调至 71 美元/ 73 美元/ 78 美元/桶。** 调整反映了我们的观点，即由于减产协议以及全球石油需求的增长，2018 年第四季度的供过于求将在 2019 年上半年逐渐减少。在美国 2018 年石油产量增长快于预期的同时，由于生产已接近 1,200-1,300 万桶/日的预计峰值，我们认为未来增速可能放缓。
- **我们将中海油在 2018 年-2020 年的盈利预测分别调整 (3.38)%/ (3.85)%/ 0.24%至人民币 579.39 亿元/ 人民币 633.95 亿元/ 人民币 701.98 亿元。** 我们预计近期油价下跌带来的负面影响将相对短暂，原因是由于近年来大规模上游项目投资不足产生的石油供应短缺风险增加可能在 2020 年开始出现。
- **下调目标价至 16.00 港元，维持“买入”投资评级。** 目标价相当于 10.85 倍/ 9.92 倍/ 8.96 倍 2018 年-2020 年市盈率，相当于 1.51 倍/ 1.38 倍/ 1.26 倍 2018 年-2020 年市净率，并相对我们 DCF 估值有 18.6%的折让。

Rating:

**Buy**

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

**HK\$16.00**

Revised from 原目标价:

HK\$16.50

Share price 股价:

HK\$12.780

## 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 %	(6.0)	(2.8)	23.4
Rel. % to HS Index 相对恒指变动 %	(6.2)	0.2	30.8
Avg. Share price(HK\$) 平均股价 (港元)	13.2	13.9	12.8

Source: Bloomberg, Guotai Junan International.

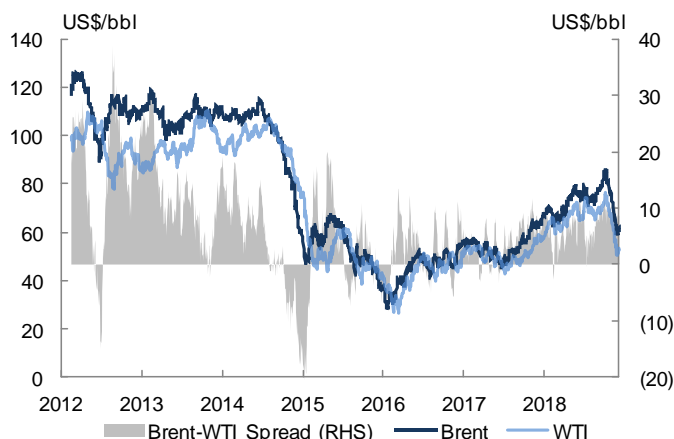
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	146,490	637	0.014	(96.9)	817.6	8.564	1.3	0.317	2.8	0.2
2017A	186,390	24,677	0.553	3,850.0	19.2	8.511	1.3	0.368	3.5	6.5
2018F	233,024	57,939	1.298	134.7	8.7	9.310	1.2	0.498	4.4	14.6
2019F	248,529	63,395	1.420	9.4	7.9	10.196	1.1	0.534	4.7	14.6
2020F	271,996	70,198	1.572	10.7	7.2	11.179	1.0	0.590	5.2	14.7
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)				570,595.1	Free float (%) 自由流通比率 (%)				35.6	
3 month average vol. 3 个月平均成交股数 ('000)				80,519.4	FY18 Net gearing (%) FY18 净负债/股东资金 (%)				27.8	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				15.780 / 10.280	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)				19.7	

Source: the Company, Guotai Junan International.

## Industry Review

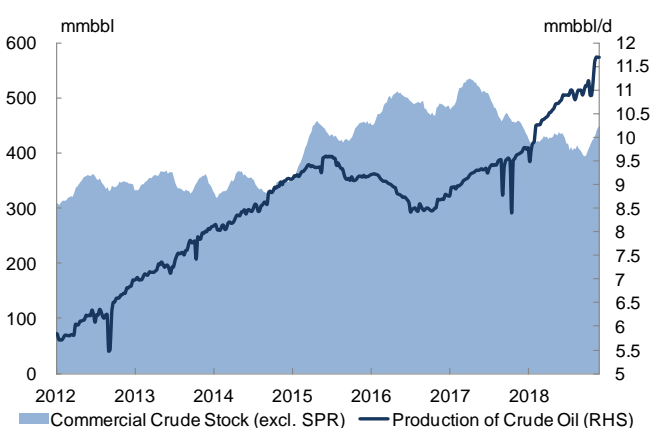
**Oil prices in recent months were primarily influenced by policy maneuvering from the Trump administration.** Brent oil price during 1-3Q2018 averaged US\$72.7/bbl, up 38.1% YoY and reached US\$86/bbl at the beginning of October on increased perceived risk of a global oil supply shortage led by Iranian sanctions before falling approximately 30% to around US\$61.0/bbl at the beginning of December as a result of issuance of sanction waivers and a slight weakening on the outlook of global oil demand growth. Brent oil price YTD averaged US\$72.8/bbl, up 34.5% YoY. The International Energy Agency ("IEA") in its November Oil Market Report maintained its 2018 and 2019 global oil demand growth estimate from the October report at 1.3 mmbbl/d and 1.4 mmbbl/d, respectively. The IEA reported that global oil supply in October was 100.7 mmbbl/d, up 3.2% YoY. OECD commercial stocks in September was reported to be 2,875.4 mmbbl, down 3.2% YoY. U.S. oil production and commercial stocks for the week ending November 23, 2018 stood at 11.7 mmbbl/d and 450.5 mmbbl, up 20.8% YoY and down 0.7% YoY, respectively. Active U.S. oil rigs stood at 877 for the week ending December 7, 2018, up 16.8% YoY.

**Figure-1: Brent vs. WTI Prices and Spread**



Source: Bloomberg.

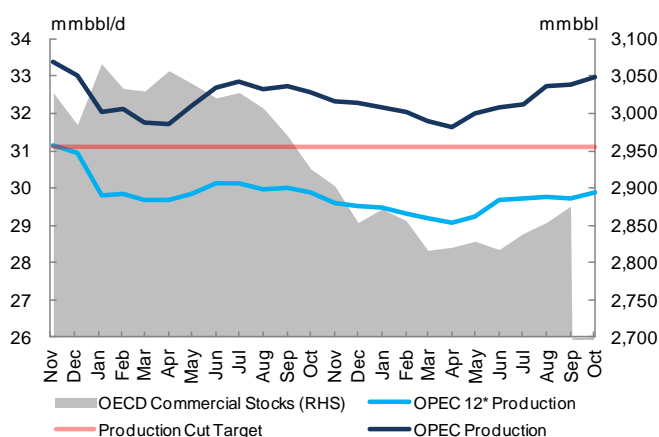
**Figure-2: U.S. Crude Oil Production and Stocks**



Source: Energy Information Association.

**OPEC+ has agreed to a 1.2 mmbbl/d production cut starting from January 2019 for 6 months.** OPEC countries will account for 800 kb/d and non-OPEC countries 400 kb/d of the cut. The new agreement is higher than the 1.0 mmbbl/d expected by the market and is slightly lower than our own view that a 1.3 mmbbl/d would be necessary to balance the market. According to the EIA's November STEO, and since the announcement by the Trump administration to re-impose Iran sanctions, global petroleum and liquids supply increased by 2.96 mmbbl/d, whereas demand only increased by 0.76 mmbbl/d during 5M-10M. Saudi Arabia (approx. 620kb/d), Russia (approx. 440kb/d), and the U.S. (approx. 982kb/d) crude oil increase accounted for approximately 68.9% of the rise in liquids supply during the same period. OECD commercial stocks in September was 57.7 mmbbl higher than in June (stock build: approx. 641 kb/d) and IEA preliminary data is estimated to be even higher in October. The crude oil market was likely oversupplied by at least 1 mmbbl/d for October.

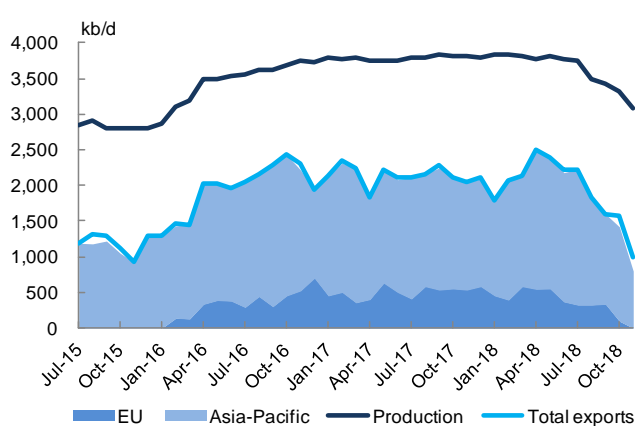
**Figure-3: OPEC Oil Production and OECD Commercial Stocks**



Source: IEA.

\*Note: OPEC 12 excludes Libya and Nigeria.

**Figure-4: Iran Oil Production and Exports**



Source: Bloomberg.

**China's domestic oil production continued to decline; oil demand growth mildly decelerated.** China's apparent consumption of crude oil in 1M-10M was up 4.8% YoY to 529.86 mmt (1M-10M 2017: 6.1%). According to data from China's National Bureau of Statistics, 1M-10M 2018 crude oil production fell 1.8% YoY to 157.214 mmt (1M-10M 2017: (4.0%)). According to data from China's National Development and Reform Commission, 1M-10M 2018 Oil products production increased 7.0% YoY to 306.35 mmt (1M-10M 2017: 7.3%). Apparent consumption of oil products increased 5.3% YoY to 269.97 mmt (1M-10M 2017: 6.8%); gasoline and diesel apparent consumption was up 6.9% YoY and 3.1% YoY over the same period, respectively.

**We revise downwards our 2018-2020 Brent oil price estimates from US\$75/bbl/ US\$78/bbl/ US\$80/bbl to US\$71/bbl/ US\$73/bbl/ US\$78/bbl.** The adjustment reflects our view that oversupply during 4Q2018 will abate gradually through 1H2019 as a result of the production cut agreement as well as growth in global oil demand. While U.S. oil production has increased faster than expected in 2018, we think future growth is likely to moderate as production is already near the estimated peak of 12-13 mmbbl/d.

## Valuation

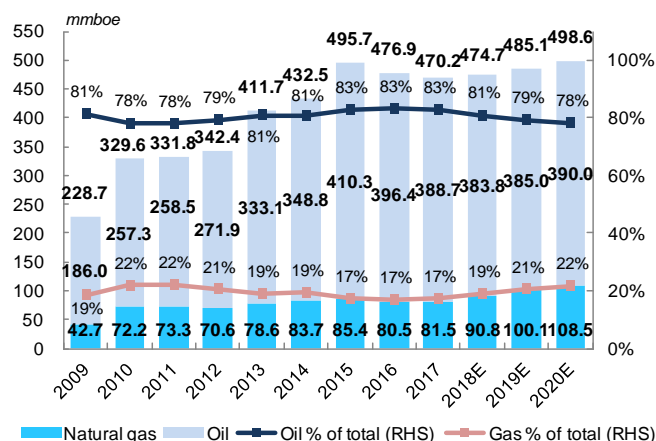
**We revise our earnings estimates for CNOOC in 2018E-2020E by (3.38)%/ (3.85)%/ 0.24% to RMB57,939 mn/ RMB63,395 mn/ RMB70,198 mn, respectively.** Our adjustments reflect lower expected revenue from lower oil prices during 4Q2018 and a lower expected recovery trend in oil prices during 2019. Our revised estimates for the Company's average realized oil prices in 2018E-2020E are US\$66.8/bbl, US\$69.5/bbl, and US\$74.6/bbl. We expect the negative impact from the recent decline in oil prices to be relatively short-lived as increased risks of an oil supply shortage could began to manifest in 2020 as a result of underinvestment in large scale upstream projects in recent years.

**Table-1: Major Revisions**

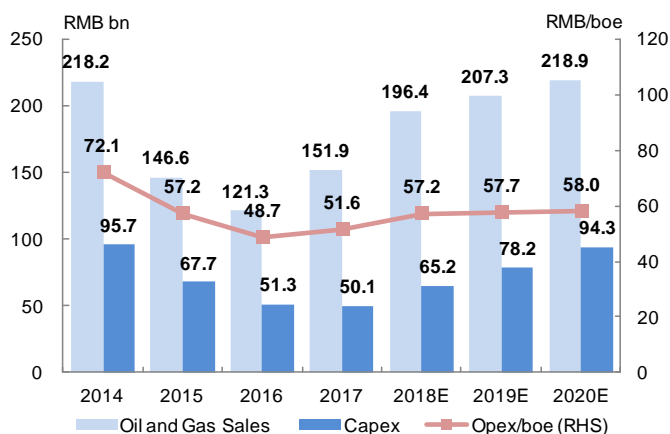
RMB million	New estimates			Previous estimates			Revision % change		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Oil and gas sales	196,360	207,470	227,060	204,000	220,284	231,933	(3.75)%	(5.82)%	(2.10)%
Total revenue	233,024	248,529	271,996	239,460	260,842	274,637	(2.69)%	(4.72)%	(0.96)%
Operating profit	83,704	83,479	91,990	86,328	86,780	91,810	(3.04)%	(3.80)%	0.20%
Shareholders' profit	57,939	63,395	70,198	59,963	65,935	70,027	(3.38)%	(3.85)%	0.24%

Source: Guotai Junan International.

**Revise TP downwards to HK\$16.00 and maintain investment rating "Buy".** The target price corresponds to 10.85x/ 9.92x/ 8.96x 2018E-2020E PER, equivalent to 1.51x/ 1.38x/ 1.26x 2018E-2020E PBR, and is also equivalent to a 18.6% discount on our DCF valuation. CNOOC's share price is relatively cheap due to the fall in oil prices as it is currently trading at 8.9x/ 8.0x 2018E-2019E PER, which is approx. 20% discount to its Hong Kong listed peers' 2018E-2019E PER of 11.2x and 10.2x and international peers' 2018E-2019E PER of 15.5x and 13.3x. Our view that the Company will continue to benefit from expected rising trend in oil prices led by stable growth in oil demand remains intact. We expect the fall in oil prices in recent months to have a limited negative effect on CNOOC's results, focused primarily during the period 4Q2018-1H2019 with medium-term risks to oil supply likely to begin manifesting in 2020.

**Figure-5: CNOOC's Total Oil & Gas Production**


Source: the Company, Guotai Junan International.

**Figure-6: 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.

**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	12.78	20.1	8.7	7.8	8.3	1.3	1.2	1.1	1.1	14.5	5.2	4.2
Kunlun Energy Co Ltd	135 HK	HKD	9.20	13.5	11.3	10.1	9.1	1.5	1.5	1.3	1.2	13.8	3.1	5.9
Petrochina Co Ltd-H	857 HK	HKD	5.31	38.3	13.2	11.6	11.5	0.7	0.7	0.7	0.7	5.3	4.2	5.0
China Petroleum & Chemical-H	386 HK	HKD	6.41	13.1	8.8	8.7	8.8	0.9	0.9	0.9	0.9	10.7	8.6	3.5
Simple Average				21.3	10.5	9.5	9.4	1.1	1.1	1.0	1.0	11.1	5.3	4.7
Weighted Average				27.3	11.1	10.0	10.0	0.9	0.9	0.8	0.8	8.8	5.5	4.4
International Peers														
Occidental Petroleum Corp	OXY US	USD	66.54	38.9	12.6	11.9	14.1	2.5	2.4	2.3	2.2	18.5	4.6	5.8
Encana Corp	ECA CN	CAD	8.55	7.7	11.0	6.6	5.1	1.0	1.0	0.8	0.7	8.4	0.9	4.4
Eog Resources Inc	EOG US	USD	103.61	23.1	17.5	14.5	12.0	3.7	3.1	2.7	2.2	18.8	0.8	7.6
Repsol Sa	REP SM	EUR	14.79	11.0	9.2	8.0	7.2	0.8	0.7	0.7	0.7	7.9	6.2	4.1
Canadian Natural Resources	CNQ CN	CAD	35.83	17.6	10.8	12.2	9.8	1.4	1.3	1.3	1.2	12.0	3.7	5.5
Murphy Oil Corp	MUR US	USD	29.99	n.a.	20.6	8.5	9.9	1.1	1.1	1.0	0.9	6.7	3.3	4.9
Conocophillips	COP US	USD	65.91	n.a.	14.1	12.3	13.0	2.5	2.4	2.2	2.0	17.3	1.8	5.2
Anadarko Petroleum Corp	APC US	USD	52.06	n.a.	19.1	13.4	12.1	2.6	2.3	2.0	1.7	13.0	1.7	5.6
Oil & Natural Gas Corp Ltd	ONGC IN	INR	139.40	7.3	8.1	5.6	5.4	0.9	0.9	0.8	0.7	11.1	3.7	6.0
Pioneer Natural Resources Co	PXD US	USD	143.00	29.4	20.2	12.7	10.1	2.2	2.0	1.8	1.5	9.4	0.2	7.6
Devon Energy Corp	DEV US	USD	27.20	15.9	16.8	12.0	8.4	1.5	1.7	1.6	1.3	11.3	1.1	6.8
Apache Corp	APA US	USD	33.01	9.7	16.3	17.5	16.9	1.7	1.6	1.5	1.5	10.8	3.0	4.2
Woodside Petroleum Ltd	WPLAU	AUD	31.03	19.7	14.0	10.9	11.0	1.4	1.2	1.2	1.1	8.7	5.9	6.4
Hess Corp	HES US	USD	52.61	n.a.	n.a.	35.7	19.1	1.6	1.6	1.6	1.5	(0.3)	2.0	8.2
Noble Energy Inc	NBL US	USD	23.78	n.a.	23.0	19.4	9.5	1.2	1.1	1.1	1.0	5.8	1.8	6.0
Tatneft Pjsc	TATN RM	RUB	776.00	14.2	7.8	7.9	7.5	2.4	2.0	1.7	1.4	25.5	7.7	5.6
Inpex Corp	1605 JP	JPY	1,181.50	37.4	42.7	26.0	11.4	0.6	0.6	0.6	0.6	1.4	1.4	5.7
Simple Average				19.3	16.5	13.8	10.7	1.7	1.6	1.5	1.3	11.0	2.9	5.9
Weighted Average				21.8	15.2	13.2	11.3	2.1	1.9	1.7	1.6	13.7	2.9	6.0

Source: Bloomberg, Guotai Junan International.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Oil & Gas sales	121,325	151,888	196,360	207,470	227,060	PPE	432,465	395,868	399,546	415,756	445,695
Marketing & other revenues	25,165	34,502	36,664	41,059	44,936	Investments in JV/A	29,995	29,146	26,149	28,599	30,622
Total Revenue	146,490	186,390	233,024	248,529	271,996	Intangibles	16,644	15,070	15,094	15,337	15,683
Operating expenses	(23,211)	(24,282)	(27,151)	(27,990)	(28,916)	Other Non-Current Assets	36,532	38,297	35,238	34,916	33,938
Selling and administrative expenses	(6,493)	(6,861)	(7,754)	(8,270)	(9,051)	Total Non-current Assets	515,636	478,381	476,027	494,608	525,938
Exploration expenses	(7,359)	(6,881)	(8,322)	(9,233)	(9,852)	Cash & Cash Equivalents	13,735	12,572	14,662	17,377	12,455
Depreciation, depletion and amortisation	(68,907)	(61,257)	(61,976)	(62,541)	(64,940)	Other Investments (net)	53,332	74,358	92,962	99,147	103,084
Impairment and provision	(12,171)	(9,130)	(232)	(46)	(9)	Inventory	8,709	7,354	8,156	12,426	13,600
Crude oil and product purchases	(19,018)	(27,643)	(26,509)	(37,345)	(40,871)	Trade Receivables	23,289	20,787	27,963	29,823	32,639
Special oil gain levy	0	(55)	(3,395)	(4,712)	(10,046)	Other Current Assets	22,980	23,767	32,171	34,531	38,000
Taxes other than income tax	(6,941)	(7,210)	(11,651)	(12,426)	(13,600)	Total Current Assets	122,045	138,838	175,914	193,305	199,778
Others	(4,802)	(6,021)	(2,330)	(2,485)	(2,720)	Total Assets	637,681	617,219	651,941	687,913	725,717
Operating Profit	(2,412)	37,050	83,704	83,479	91,990	Short-Term Debt	19,678	13,892	5,557	7,446	10,797
Interest income	901	653	922	932	1,118	Trade and Accrued Payables	25,345	26,713	29,866	30,789	31,808
Finance income / (cost)	(6,246)	(5,044)	(5,718)	(5,940)	(5,588)	Other Current Liabilities	22,067	20,807	20,286	21,635	23,678
Exchange (losses)/gains, net	(790)	356	269	148	(32)	Total Current Liabilities	67,090	61,412	55,708	59,870	66,283
Investment income	2,774	2,409	3,391	4,703	4,733	Long-Term Debt	130,798	118,358	119,542	113,804	102,651
Share of profit of associates	(609)	302	311	320	330	Other Non-Current Liabilities	57,422	57,474	61,009	59,009	57,677
Share of profit of JV	533	553	(5,707)	802	962	Total Non-current Liabilities	188,220	175,832	180,551	172,812	160,328
Non-operating income, net	574	78	80	81	83	Total Liabilities	255,310	237,244	236,259	232,683	226,611
Profit Before Tax	(5,275)	36,357	77,252	84,526	93,597	Share capital	43,081	43,081	43,081	43,081	43,081
Income Tax	5,912	(11,680)	(19,313)	(21,132)	(23,399)	Reserves	339,290	336,894	372,601	412,149	456,024
Profit After Tax	637	24,677	57,939	63,395	70,198	Total Shareholders' Equity	382,371	379,975	415,682	455,230	499,105
Non-controlling Interest	0	0	0	0	0	Minority Interest	0	0	0	0	0
Shareholders' Profit / Loss	637	24,677	57,939	63,395	70,198	Total Equity	382,371	379,975	415,682	455,230	499,105
Basic EPS	0.014	0.553	1.298	1.420	1.572						
Diluted EPS	0.014	0.553	1.297	1.419	1.571						

Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F		2016A	2017A	2018F	2019F	2020F
Profit before tax	(5,275)	36,357	77,252	84,526	93,597	Growth:					
Adjustments for:						Oil & gas revenue	(17.2)%	25.2%	29.3%	5.7%	9.4%
Depreciation	68,303	60,802	61,497	62,030	64,381	Operating profit	(113.8)%	(1,636.1)%	125.9%	(0.3)%	10.2%
Amortization	1,020	854	479	511	559	Net profit	(96.9)%	3,773.9%	134.8%	9.4%	10.7%
Tax Paid	5,912	(11,680)	(19,313)	(21,132)	(23,399)	Margins:					
JV/A Income/(loss) - net	76	(855)	5,396	(1,122)	(1,292)	Operating margin	(1.6)%	19.9%	35.9%	33.6%	33.8%
Change in Working Capital	(13,113)	2,513	(11,455)	(5,754)	(3,259)	Net profit margin	0.4%	13.2%	24.9%	25.5%	25.8%
Other Operating Cash Flows	15,940	6,743	3,535	(2,000)	(1,331)	Debt management:					
Cash from Operating Activities	72,863	94,734	117,391	117,059	129,255	Net gearing	35.6%	32.7%	27.8%	23.9%	21.2%
Capital Expenditure	(51,347)	(47,734)	(65,175)	(78,240)	(94,320)	Total debt to equity	39.4%	36.1%	29.3%	26.0%	22.3%
Investments in financial assets - net	25,541	(14,356)	(18,604)	(6,186)	(3,936)	Valuation:					
Investments in JV/A	(1,865)	(1,000)	(1,020)	(1,040)	(1,061)	BVPS (RMB)	8.564	8.511	9.310	10.196	11.179
Other investments	(282)	(1,321)	(1,119)	(1,183)	(734)	P/E	802.2	19.3	8.7	7.9	7.2
Cash from Investing Activities	(27,953)	(64,411)	(85,918)	(86,649)	(100,052)	P/B	1.3	1.3	1.2	1.1	1.0
Dividends Paid	(14,153)	(16,448)	(22,232)	(23,847)	(26,323)	P/CF	7.1	5.4	4.4	4.4	4.0
Change in Gross Debt	(14,169)	(18,226)	(7,152)	(3,849)	(7,802)	Assumptions & others:					
Other Financing Cash Flow	(14,720)	3,188	b	0	0	Payout ratio	2,113.0%	74.7%	39.3%	39.4%	39.3%
Cash from Financing Activities	(43,042)	(31,486)	(29,383)	(27,695)	(34,125)	Brent oil price (US\$/bbl)	45.1	54.7	71.0	73.0	78.0
Cash at Beg of Year	11,867	13,735	12,572	14,662	17,377	Realised oil price(US\$/bbl)	41.4	52.7	66.8	69.6	74.7
Net Changes in Cash	1,868	(1,163)	2,090	2,715	(4,922)	Production(mmbœ)	476.9	470.2	474.7	485.1	498.6
Cash at End of Year	13,735	12,572	14,662	17,377	12,455	Production growth	(3.8)%	(1.4)%	0.9%	2.2%	2.8%
						P/reserves(US\$/bœ)	19.0	15.1			
						RRR %	145%*	305.0%			

Source: the Company, Guotai Junan International.

\*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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