

Company Report: China Resources Cement (01313 HK)

公司报告: 华润水泥 (01313 HK)

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13 March 2014

Optimistic on Southern China Cement Momentum, "Accumulate"

看好中国南方水泥势头,"增持"

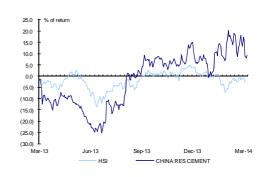
- CR Cement's FY13 revenue rose 15.8% YoY to HK\$29,341 million. GP/t reached HK\$93, up by HK\$19. Net profit arrived at HK\$3,338 million, up 43.6% YoY, in line with expectation.
- We expect ASP/t to increase and unit cost to largely stay flat in FY14. We believe limited new clinker capacity and modest cement demand in Southern China could lift up ASP. We also expect unit cost to largely stay flat. As such, GP/t is expected to further improve in FY14-16F. However, higher SG&A expenses and tax rate might erode earnings, therefore we leave our FY14-15F EPS largely unchanged.
- We are optimistic on demand and supply balance in Southern China. We believe factors such as 1) industry consolidation via M&A, 2) further pollutant emission standards and 3) P.C. 32.5 grade cement cancellation could increase ASP and limit cement supply. More importantly, the sizable cement producers like CR Cement should be the winners during the process. Share price is expect to be weak in 1Q14 following the weak cement price trend in off season, but we believe share price is likely pick up, once the downstream demand gradually improves in April. We maintain our investment rating of "Accumulate" with TP of HK\$6.70, implying FY14-16F PER of 10.4x, 8.8x and 7.6x, respectively.
- 华润水泥 2013 财年收入同比增长 15.8%, 至 29,341 百万港元。 GP/t 达 93 港元,增加 HK\$19 港元。净利润至 3,338 百万港元,同比增长 43.6%,符合预期。
- 我们预计 2014 年 ASP/t 将有所上升和单位成本大致保持不变。我们相信有限新增熟料产能和在中国南方地区温和的水泥需求可以提升 ASP。我们还预计单位成本在大至持平。因此,GP/t 预计在 FY14-16F 进一步提升。然而,更高的经营费用和税率可能会削弱盈利,因此,我们维持我们的 FY14-15F EPS 预测大致不变。
- 我们对中国南方地区供需平衡乐观。我们相信一些因素,如 1) 通过收购合并令行业整合, 2) 进一步加强对污染物排放标准和 3) P.C. 32.5 级水泥取消,可以提升 ASP 和限制水泥 供应。更重要的是,大型的水泥生产商,如华润水泥应在过程中成为最后的赢家。股价在 水泥淡季相对疲弱,但一旦下游需求在四月份逐步改善,可以令股价回升。我们维持投资 评级"收集"目标价 6.70 港元,相当于 FY14-16F 市盈率分别为的 10.4 倍,8.8 倍和 7.6 倍。

Rating:	Accumulate
	Maintained
评级:	收集 (维持)

6-18m TP Revised from		HK\$6.70
Share price	股价:	HK\$5.530

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	(7.3)	(3.2)	8.9
Rel. % to HS index 相对恒指变动 %	(8.6)	3.0	11.7
Avg. share price(HK\$) 平均股价(港元)	5.7	5.4	4.9

下均成が(他儿) Source: Bloomberg, Guotai Junan International

Year End 年结 12/31	Turnover 收入 (HK\$ m)	Net Profit 股东净利 (HK\$ m)	EPS 每股净利 (HK\$)	EPS 每股净利变动 (△%)	PER 市盈率 (x)	BPS 每股净资产 (HK\$)	PBR 市净率 (x)	DPS 每股股息 (HK\$)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2012A	25,345	2,324	0.357	(44.4)	15.5	3.279	1.7	0.070	1.3	11.4
2013A	29,341	3,338	0.512	43.6	10.8	3.805	1.5	0.105	1.9	14.5
2014F	33,038	4,216	0.645	26.1	8.6	4.306	1.3	0.139	2.5	15.9
2015F	37,600	4,951	0.758	17.4	7.3	4.897	1.1	0.167	3.0	16.5
2016F	43,582	5,771	0.883	16.6	6.3	5.575	1.0	0.205	3.7	16.9

Shares in issue (m) 总股数 (m)	6.532.9 Major shareholder 大股东	CR Limited 73.3%
Market cap. (HK\$ m) 市值 (HK\$ m)	36,127.1 Free float (%) 自由流通比率 (%)	26.7
3 month average vol. 3 个月平均成交股数 ('000)	11,336.5 FY14 Net gearing (%) FY14 净负债/股东资金 (%)	66.6
52 Weeks high/low (HK\$) 52 周高/低	5.970/3.555 FY14 Est. NAV (HK\$) FY14 每股估值(港元)	7.1

Source: the Company, Guotai Junan International.



Net profit surged 43.6% YoY in FY13, in line with expectation. CR Cement revenue rose 15.8% YoY to HK\$29,341million, thanks to the stable sales volume growth of cement and concrete. Sales volume of cement and concrete rose 20.1% and 13.4% YoY respectively. Blended ASP was largely flat, while blended unit cost decreased 5.6% YoY, thanks to the low coal price in FY13 and effective cost reduction; GP/t reached HK\$93, up by HK\$19 YoY. Selling expenses and administrative expenses surged 33.5% YoY, mainly due to higher transportation costs as more cement and clinker being delivered from Guangxi to Guangdong in FY13. During the year, the Company decided to shut down operations of two inefficient 1200 tons per day clinker production lines, thus incurred impairment loss of HK\$353.3 million, which was one of the reasons that administrative expenses surged 50.9% YoY. Effective tax rate was 24.0%, up from 18.4% in FY12, as tax holidays ended for some of its subsidiaries. Net profit arrived at HK\$3,338 million, up 43.6% YoY, largely in line with our earnings forecast (our FY13F net profit was HK\$3,307 million).

Table-1: FY13 Results

HK\$ mn	FY12	FY13	YoY %	Comment
Revenue	25,345	29,341	15.8% I	Led by cement and concrete strong sales growth
Cost of Sales	(19,246)	(20,981)	9.0%	
Gross profit	6,100	8,360	37.1%	ASP was largely flat, while unit cost reduced on effective costs control
Selling expenses	(1,223)	(1,633)	'	Higher transportation costs due to more cement clinker being delivered from Guangxi to Guangdong
Administrative expenses	(1,808)	(2,727)		One-off impairment loss of two inefficient clinker production and extra
Other income	414	812	96.3% (Exchange gain on RMB borrowing
Operation profit	3,482	4,811	38.2%	
Change in fair value / non recurring	8	10	25.0%	
Finance costs	(835)	(704)	-15.7%	
Share of results of joint ventures	82	100	21.7%	
Share of results of associates	137	98	-28.0%	
Profit before tax	2,873	4,314	50.1%	
Tax	(528)	(1,036)	96.1%	Tax holidays for some subsidiaries ceased in FY13
Profit after tax	2,345	3,279	39.8%	
Minority interests	(21)	60	n.a	
Net profit	2,324	3,338	43.6%	
EPS	0.36	0.51	43.6%	
Per Ton (HK\$)				
ASP	325	326	0.3%	
Unit cost	247	233	-5.6%	
GP	78	93	18.7%	
Gross Margin	24.1%	28.5%	4.4 ppt	
Operation Margin	13.7%	16.4%	2.7 ppt	
Net profit Margin	9.2%	11.4%	2.2 ppt	

Source: the Company

Management believes supply and demand balance will be improved in 2014. CR Cement's management believes that national cement demand to increase 6-8% in 2014, with Southern China cement demand up 8% in 2014. Management also states that cement demand from property to remain solid on the back of strong property sales in 2013, while the social housing target in 2014 could also support cement demand. Moreover, management indicated that 1Q14 sales volume largely flat YoY and inventory level was around 70%. On the supply side, CR Cement's management sees that cement supply to be improved by 1) limited new supply, 2) P.C. 32.5 cement cancellation and 3) possible more capacity closure.

Cement price drop is narrowing, while demand recovery is ongoing. On 7th March 14, national cement price was RMB341/t, down 0.29% WoW. Most of the regions' cement price remained stable, except Hunan, Zhejiang and Taizhou, and cement price was down ~RMB20/t in these regions, while Sichuan and Chongqing increased cement price by RMB10/t. In

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early March, Southern China's cement demand affected by rainfall, cement demand was slightly below market expectations. In Northern China, downstream demand has stated to picked up significantly in Beijing and Tianjin, most of the producers' shipment reached ~50%. In Guangdong, Guangxi and Pearl River delta, cement price largely flat with producers more discipline on pricing stability. Despite, recent cement price drop in some of the regions, we still remain optimistic on cement price outlook, construction activities are expected to be more active in April, with better weather condition and traditional kick off season.

Southern China's cement price momentum could outperform national cement price in 2014. After CNY holiday, only Southern China (Guangdong and Guangxi) attended to increase cement price by the way of collective price mechanism, even downstream demand has not yet pick up. We believe most of the producers in these regions are disciplined on pricing. Moreover, most of the new clinker capacity will be located in Southwest and Northwest China, and only 3 clinker lines will be added in Southern China (in Guangdong and Guangxi and no new clinker capacity in Hainan and Fujian) in 2014. In addition, the P.C.32.5 cement cancellation could further improve cement supply condition and increase clinker demand, we expect more detail to be released in the mid 2014. With limited new supply and stable demand outlook, we believe CR Cement to benefit from improving supply and demand balance in Southern China in 2014.

We expect ASP/t to increase and unit cost to largely stay flat in FY14. We slightly trim down FY14F revenue by 2.1% to reflect modest sales volume growth. We believe limited new clinker capacity and modest cement demand in Southern China could lift up ASP, ASP is expect to reach HK\$335/t, HK\$341/t and HK\$348/t in FY14-16F compared to HK\$314/t in FY12. We also expect unit cost to largely stay flat, as coal price is likely to remain weak and CR Cement will continue focus on cost reduction. As such, GP/t is expected to reach HK\$110/t, HK\$115/t and HK\$118/t in FY14-16F, respectively. However, higher SG&A expenses and tax rate might erode earnings, therefore we leave our FY14-15F EPS largely unchanged.

Table-2: Earnings Revision

HK\$ Mn		New		Old		Change			
	2014F	2015F	2016F	2014F	2015F	2016F	2014F	2015F	2016F
Revenue	33,038	37,600	43,582	33,737	36,706	N.A	-2.1%	2.4%	N.A
Gross profit	10,258	11,909	13,878	9,187	10,407	N.A	11.7%	14.4%	N.A
Gross margin (%)	31.0%	31.7%	31.8%	27.2%	28.4%	N.A	3.8 p.p.	3.3 p.p.	N.A
Net profit	4,216	4,951	5,771	4,185	4,931	N.A	0.7%	0.4%	N.A
EPS (HK\$)	0.645	0.758	0.883	0.641	0.755	N.A	0.7%	0.4%	N.A
Cement & Clinker Per ton	(HK\$)								
ASP	335	341	348	320	326	N.A	4.7%	4.7%	N.A
Unit cost	225	227	230	232	233	N.A	-3.2%	-2.8%	N.A
GP	110	115	118	88	93	N.A	25.5%	23.5%	N.A

Source: the Company, Guotai Junan International.

Maintain investment rating of "Accumulate" with TP of HK\$6.70. We are optimistic on demand and supply balance in Southern China. We believe catalysts, such as 1) industry consolidation via M&A, 2) further reinforce on pollutant emission standard and limit the consumption of energy and resources and 3) P.C. 32.5 grade cement cancellation could supply ASP and limit cement supply. More importantly, the sizable cement producers like CR Cement should be the winner during the process. Share price is expect to be weak in 1Q14 following the weak cement price trend in off season, but we believe share price is likely pick up, once the downstream demand gradually improve in April. We maintain our investment rating of "Accumulate" with TP of HK\$6.70, implying FY14-16F PER of 10.4x, 8.8x and 7.6x, respectively.



Figure-1: China Cement Price

Figure-2: Cement Price Trend in China

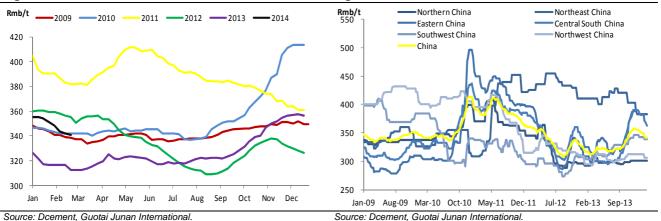
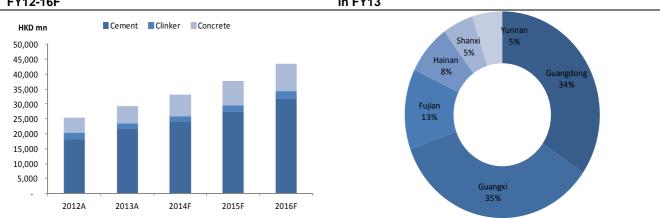


Figure- 3:Cement Price Trend in Southern China



Source: Dcement, Guotai Junan International.

Figure-4: CR Cement's Revenue Breakdown in Figure-5: CR Cement's Revenue Breakdown by Region in FY12-16F in FY13



Source: the Company, Guotai Junan International.

Source: the Company, Guotai Junan International.



Figure-6: CR Cement's Margins in FY12-16F

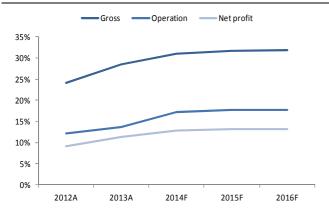
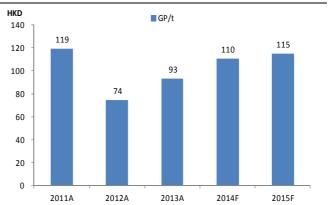


Figure-7: CR Cement's Cement & Clinker GP/t in FY12-16F



Source: the Company, Guotai Junan International.

Source: the Company, Guotai Junan International.



Financial statements & ratios

	Income Sta	atement					Bala	nce Sheet			
Year end Dec (HK\$ m)	2012A	2013A	2014F	2015F	2016F	Year end Dec (HK\$ m)	2012A	2013A	2014F	2015F	2016F
Turnover	25,345	29,341	33,038	37,600	43,582	Fixed assets	31,553	32,527	36,034	39,149	41,573
Cost of sales	(19,246)	(20,981)	(22,779)	(25,691)	(29,703)	Goodwill & intangibles	1,965	2,200	2,310	2,426	2,547
	, , ,			, , ,	, , ,	Lease prepayments	2,510	2,752	2,890	3,034	3,186
Gross profit	6,100	8,360	10,258	11,909	13,878	Interest in assoc/Jce	3,667	4,120	4,412	4,728	5,069
Selling expenses	(1,223)	(1,633)	(1,839)	(2,143)	(2,506)	Others	1,758	2,483	2,638	2,804	2,982
Administrative expenses	(1,808)	(2,727)	(2,709)	(3,083)	(3,617)	Non-current assets	41,454	44,082	48,284	52,141	55,357
Operating profit	3,069	3,999	5,710	6,682	7,755	Inventories	2,322	2,132	2,434	2,815	3,337
Other income	414	812	315	329	334	Trade and other receivables	4,099	4,747	5,463	6,217	7,207
Assoc/Jce/others	226	208	208	219	231	Cash and bank balances	3,562	2,822	2,505	3,310	4,187
Financial cost	(835)	(704)	(712)	(747)	(763)	Others	723	397	436	480	527
						Current assets	10,705	10,098	10,838	12,823	15,257
Profit before tax	2,873	4,314	5,521	6,483	7,557						
Taxation	(528)	(1,036)	(1,380)	(1,621)	(1,889)	Total Assets	52,159	54,180	59,122	64,964	70,614
Minority interest	(21)	60	75	89	103						
						Bank loans	7,607	6,171	5,863	5,570	5,291
Net profit	2,324	3,338	4,216	4,951	5,771	Trade and other payables	7,598	7,612	8,463	9,545	10,954
						Others	1,573	615	648	684	721
EPS (HK\$)	0.357	0.512	0.645	0.758	0.883	Current liabilities	16,778	14,398	14,975	15,799	16,967
DPS (HK\$)	0.070	0.105	0.139	0.167	0.205						
						Bank loans & bonds	13,270	14,272	15,388	16,617	16,752
	Key assu	mption				Others	152	148	163	179	197
Cement & Clinker (HK\$)	2012A	2013F	2014F	2015F	2016F	Non-current liabilities	13,423	14,420	15,552	16,797	16,950
ASP/t	315	314	335	341	348						
Unit cost/t	241	221	225	227	230	Total Liabilities	30,201	28,818	30,526	32,595	33,917
GP/t	74	93	110	115	118	Charabaldara! aguite	04.050	05.360	20 506	20.260	26 600
						Shareholders' equity	21,958	25,362	28,596	32,369	36,698
	0	4-4				Total Liabilities and Equity	52,159	54,180	59,122	64,964	70,614
Year end Dec (HK\$ m)	Cash flow S 2012A	2013F	2014F	2015F	2016F	BPS (HK\$)	3.279	3.805	4.306	4.897	5.575
Teal end Dec (TIK\$ III)	2012A	20131	20141	20131	20101	DF3 (TIK¢)	3.219	3.003	4.500	4.037	3.373
Profit before tax	2,873	4,314	5,521	6,483	7,557		Finar	icial Ratios			
Depreciation & amortisation	1,684	1,760	2,028	2,305	2,576	Year end Dec (HK\$ m)	2012A	2013A	2014F	2015F	2016F
Net finance cost	776	639	642	665	678						
Other items	(43)	(85)	0	0	0	Growth (%):					
Working capital change	472	(171)	(264)	(162)	(220)	Revenue	9.1	15.8	12.6	13.8	15.9
Interest & Tax paid		(' ' ')	(201)							40.4	40.5
intorest a rax para	(1,457)	(1,338)	(2,060)	(2,334)	(2,616)	Gross profit	(15.6)	37.1	22.7	16.1	16.5
Cash flow from operation	(1,457) 4,305	. ,	, ,	(2,334) 6,957	(2,616) 7,975	Gross profit Operating profit	(15.6) (34.3)	37.1 30.3	22.7 42.8	17.0	16.1
Cash flow from operation		(1,338)	(2,060)		,		, ,				
Cash flow from operation	4,305 (3,216)	(1,338) 5,121 (3,317)	(2,060)		,	Operating profit	(34.3)	30.3	42.8	17.0	16.1
Cash flow from operation CAPEX Others	4,305 (3,216) (1,284)	(1,338) 5,121 (3,317) 0	(2,060) 5,866 (6,023) (68)	6,957 (5,942) (62)	7,975 (5,556) (67)	Operating profit Net profit Profitability (%):	(34.3)	30.3 43.6	42.8 26.3	17.0 17.4	16.1 16.6
Cash flow from operation CAPEX Others	4,305 (3,216)	(1,338) 5,121 (3,317)	(2,060) 5,866 (6,023)	6,957 (5,942)	7,975 (5,556)	Operating profit Net profit Profitability (%): Gross margin	(34.3) (44.4)	30.3 43.6 28.5	42.8 26.3 31.0	17.0 17.4 31.7	16.1 16.6 31.8
Cash flow from operation CAPEX Others Cash flow from investing	4,305 (3,216) (1,284) (4,500)	(1,338) 5,121 (3,317) 0 (3,317)	(2,060) 5,866 (6,023) (68) (6,091)	6,957 (5,942) (62) (6,004)	7,975 (5,556) (67) (5,623)	Operating profit Net profit Profitability (%): Gross margin Operating margin	(34.3) (44.4) 24.1 12.1	30.3 43.6 28.5 13.6	42.8 26.3 31.0 17.3	17.0 17.4 31.7 17.8	16.1 16.6 31.8 17.8
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans	4,305 (3,216) (1,284) (4,500) (2,264)	(1,338) 5,121 (3,317) 0 (3,317) (1,766)	(2,060) 5,866 (6,023) (68) (6,091)	6,957 (5,942) (62) (6,004) 942	7,975 (5,556) (67) (5,623) (137)	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin	(34.3) (44.4) 24.1 12.1 9.2	30.3 43.6 28.5 13.6 11.4	42.8 26.3 31.0 17.3 12.8	17.0 17.4 31.7 17.8 13.2	16.1 16.6 31.8 17.8 13.2
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans Dividends paid	(3,216) (1,284) (4,500) (2,264) (391)	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685)	(2,060) 5,866 (6,023) (68) (6,091) 814 (906)	6,957 (5,942) (62) (6,004) 942 (1,089)	7,975 (5,556) (67) (5,623) (137) (1,339)	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin ROA	(34.3) (44.4) 24.1 12.1 9.2 4.5	30.3 43.6 28.5 13.6 11.4 6.2	42.8 26.3 31.0 17.3 12.8 7.1	17.0 17.4 31.7 17.8 13.2 7.6	16.1 16.6 31.8 17.8 13.2 8.2
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans Dividends paid Issuance of unsecured bonds	(3,216) (1,284) (4,500) (2,264) (391) 3,016	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685) 0	(2,060) 5,866 (6,023) (68) (6,091) 814 (906) 0	6,957 (5,942) (62) (6,004) 942 (1,089) 0	7,975 (5,556) (67) (5,623) (137) (1,339) 0	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin	(34.3) (44.4) 24.1 12.1 9.2	30.3 43.6 28.5 13.6 11.4	42.8 26.3 31.0 17.3 12.8	17.0 17.4 31.7 17.8 13.2	16.1 16.6 31.8 17.8 13.2
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans Dividends paid Issuance of unsecured bonds Others	4,305 (3,216) (1,284) (4,500) (2,264) (391) 3,016 (341)	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685) 0 (192)	(2,060) 5,866 (6,023) (68) (6,091) 814 (906) 0	6,957 (5,942) (62) (6,004) 942 (1,089) 0	7,975 (5,556) (67) (5,623) (137) (1,339) 0	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin ROA ROE	(34.3) (44.4) 24.1 12.1 9.2 4.5	30.3 43.6 28.5 13.6 11.4 6.2	42.8 26.3 31.0 17.3 12.8 7.1	17.0 17.4 31.7 17.8 13.2 7.6	16.1 16.6 31.8 17.8 13.2 8.2
•	(3,216) (1,284) (4,500) (2,264) (391) 3,016	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685) 0	(2,060) 5,866 (6,023) (68) (6,091) 814 (906) 0	6,957 (5,942) (62) (6,004) 942 (1,089) 0	7,975 (5,556) (67) (5,623) (137) (1,339) 0	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin ROA ROE Liquidity & Solvency	24.1 12.1 9.2 4.5 11.4	30.3 43.6 28.5 13.6 11.4 6.2 14.5	42.8 26.3 31.0 17.3 12.8 7.1 15.9	17.0 17.4 31.7 17.8 13.2 7.6 16.5	16.1 16.6 31.8 17.8 13.2 8.2 16.9
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans Dividends paid Issuance of unsecured bonds Others Cash flow from financing	(3,216) (1,284) (4,500) (2,264) (391) 3,016 (341) 20	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685) 0 (192) (2,643)	(2,060) 5,866 (6,023) (68) (6,091) 814 (906) 0 (93)	6,957 (5,942) (62) (6,004) 942 (1,089) 0 0 (148)	7,975 (5,556) (67) (5,623) (137) (1,339) 0 0 (1,476)	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin ROA ROE Liquidity & Solvency Current Ratio (x)	24.1 12.1 9.2 4.5 11.4	30.3 43.6 28.5 13.6 11.4 6.2 14.5	42.8 26.3 31.0 17.3 12.8 7.1 15.9	17.0 17.4 31.7 17.8 13.2 7.6 16.5	16.1 16.6 31.8 17.8 13.2 8.2 16.9
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans Dividends paid Issuance of unsecured bonds Others Cash flow from financing Cash balance change	(3,216) (1,284) (4,500) (2,264) (391) 3,016 (341) 20	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685) 0 (192) (2,643)	(2,060) 5,866 (6,023) (68) (6,091) 814 (906) 0 (93)	6,957 (5,942) (62) (6,004) 942 (1,089) 0 0 (148)	7,975 (5,556) (67) (5,623) (137) (1,339) 0 0 (1,476)	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin ROA ROE Liquidity & Solvency Current Ratio (x) Quick Ratio (x)	24.1 12.1 9.2 4.5 11.4	30.3 43.6 28.5 13.6 11.4 6.2 14.5	42.8 26.3 31.0 17.3 12.8 7.1 15.9	17.0 17.4 31.7 17.8 13.2 7.6 16.5	16.1 16.6 31.8 17.8 13.2 8.2 16.9
Cash flow from operation CAPEX Others Cash flow from investing Increase in bank loans Dividends paid Issuance of unsecured bonds Others	(3,216) (1,284) (4,500) (2,264) (391) 3,016 (341) 20	(1,338) 5,121 (3,317) 0 (3,317) (1,766) (685) 0 (192) (2,643)	(2,060) 5,866 (6,023) (68) (6,091) 814 (906) 0 (93)	6,957 (5,942) (62) (6,004) 942 (1,089) 0 0 (148)	7,975 (5,556) (67) (5,623) (137) (1,339) 0 0 (1,476)	Operating profit Net profit Profitability (%): Gross margin Operating margin Net margin ROA ROE Liquidity & Solvency Current Ratio (x)	24.1 12.1 9.2 4.5 11.4	30.3 43.6 28.5 13.6 11.4 6.2 14.5	42.8 26.3 31.0 17.3 12.8 7.1 15.9	17.0 17.4 31.7 17.8 13.2 7.6 16.5	16.1 16.6 31.8 17.8 13.2 8.2 16.9

Cash balances at year end 3,562 2,822 2
Source: the Company, Guotai Junan International.



Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	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	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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