

## China steel sector quarterly

### Sector-wide re-rating on ROE back to normal

	Ticker	Mkt cap (US\$b)	PER		PBR		ROE		EV/EBITDA		Yield	ND/E
			2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2016E
<b>Baosteel</b>	600019 CH	15.3	13.9	13.1	0.9	0.8	6.6	6.6	7.0	6.2	3.5	40.1
<b>China Steel</b>	2002 TT	12.2	24.3	22.9	1.3	1.2	5.4	5.7	11.3	10.9	3.0	91.5
<b>Angang</b>	000898 CH	5.6	33.6	32.2	0.9	0.9	2.6	2.6	9.5	9.5	0.2	44.4
<b>Angang</b>	347 HK	5.6	21.8	22.6	0.6	0.6	2.8	2.5	9.7	9.6	0.4	50.8
<b>WIS</b>	600005 CH	5.0	45.2	41.4	1.2	1.2	2.6	2.8	10.9	10.9	0.3	N/A
<b>Magang</b>	323 HK	3.1	16.6	19.0	0.7	0.7	5.3	3.5	8.2	8.3	0.2	95.7
<b>Magang</b>	600808 CH	3.1	23.0	43.7	1.2	1.2	5.1	1.4	8.4	9.1	0.2	94.3

Source: Bloomberg, CSCI Research estimates, prices as of 5 Dec 2016

- **China's steel prices have surged more than market expected in 2H16, with the buoyant steel prices likely sustainable in 2017 in view of the low inventory levels in China in our view.**
- **As China has gone ahead of its planned five-year steel de-capacity in 2016, we expect an accelerating industry consolidation to follow in 2017. A rising industry consolidation (34% market share by industry top-ten versus government target of 60%), would boost China's steel producers' competitiveness in the global market.**
- **On the back of higher steel price assumptions, we raise our PT for Angang to HKD5.5 (from HKD5.0) pegging on 0.8x FY17F PBR (prev. FY16E 0.7x) and for Magang to HKD2.5 (from HKD2.0), pegging on 0.7x FY17F PBR (prev. FY16E 0.6x).**

**Low inventory to buoy steel prices.** The strong run-up in steel prices since mid-16 has taken the market by a big surprise, which was partly a result of a strong pickup in domestic steel consumption in 2H16, in our view. Given the low steel inventory levels (5.2 days, historical low since 2011) in China, we believe domestic steel prices will be buoyed in 2016. And with steel prices anticipated to increase further in 2017, we expect the major Chinese steel companies to swing to profits (from hefty losses in 2015) in 2016.

**China steel industry reform to continue.** The on-going de-capacity program and the industry consolidation remain the top priorities on China government's agenda for the steel industry in 2017, in our view. As China has achieved one-third of its five-year de-capacity target in the first ten months of the year, we expect industry consolidation to accelerate in the coming few years, given that the industry's concentration ratio (34% market share of the industry top-ten) is still way below the government's target of 60%. With industry consolidation gathering pace, China's major steel producers would become more competitive in the global market, in our view.

**Raising target price for Angang and Magang, maintain BUY.** Rolling over our price targets from FY16E to FY17E, we raised our target price for Angang to HKD5.5 (from HKD5.0), pegging on 0.8x FY17F PBR (prev. FY16E 0.7x) and also for Magang to HKD2.5 (from HKD2.0), pegging on 0.7x FY17F PBR (prev. FY16E 0.6x). Our PBR multiples are on par with their historical average, which are undemanding in light of the improving ROE in our view.

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### De-capacity and industry consolidation the top priorities of steel industry reform

The on-going de-capacity program and industry consolidation remain the top priorities on the Chinese government's agenda for the domestic steel industry in 2017, in our view. Based on the current plan, steel capacity in China is set to be cut to below one billion tons by 2020. If this goal is achievable, the industry's average utilization rate would improve to 80% in 2017 from 70% in 2015. Generally speaking, when average utilization reaches 75% or higher, steel enterprises would be able to earn relatively healthy profits. Since only 45mn tons out of the total of 130mn tons of capacity to be closed under the plan has been completed during the first ten months of 2016, we believe the pace of industry consolidation would likely accelerate in the coming few years, in a bid to meet the official target of raising the top 10 concentration ratio from 34% last year to 60% by the end of this year, which would likely benefit the local steel mills in terms of enhancing their bargaining power in the international markets.

### Steel price rally stronger than expected in 2H16

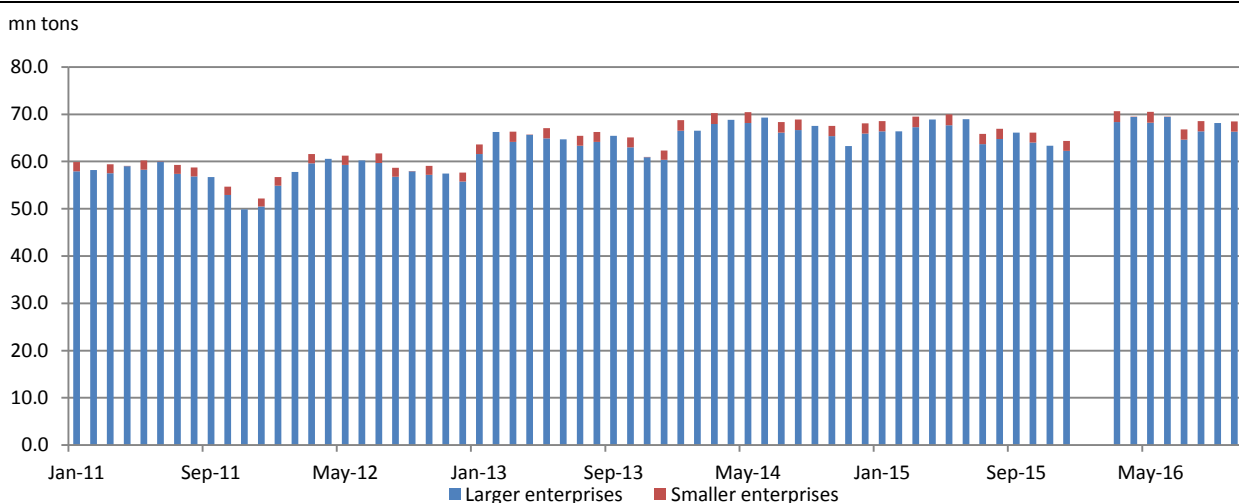
Steel product prices have outperformed the market since 2H16, which has exceeded our expectations. This was particularly the case for both hot-rolled and cold-rolled products, while steel plate product prices also saw improvement, and whereas wire rod prices have remained largely stable. We foresee the market demand supply situation to further improve from next year onwards. Accordingly, we have raised majority of our steel price assumptions for 2016 and 2017.

**Figure 1: Forecasts of average spot price of steel products in China**

Unit	2016F				2017F				2018F		
	Prior	New	% revised	% YoY	Prior	New	% revised	% YoY	New	% YoY	
Hot rolled steel	RMB/ton	2,290	2,650	15.7	18.1	2,312	2,677	15.8	1.0	2,730	2.0
Rebar steel price	RMB/ton	2,300	2,500	8.7	7.9	2,322	2,525	8.7	1.0	2,576	2.0
Import Fe62%	RMB/ton	420	450	7.1	5.9	424	450	6.1	-	450	-
Hebei iron ore	RMB/ton	550	580	5.5	0.0	556	580	4.4	-	580	-
QHD coal	RMB/ton	395	440	11.4	8.6	399	444	11.4	1.0	453	2.0
Coke	RMB/ton	872	1,150	31.9	31.9	881	1,162	31.9	1.0	1,185	2.0

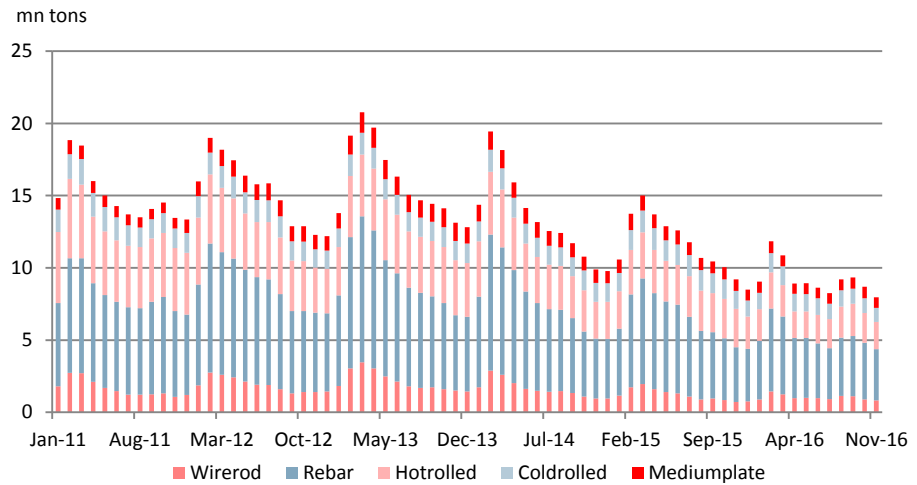
Source: Bloomberg, CSCI Research estimates

**Figure 2: China crude steel production**



Source: CEIC

**Figure 3: Steel products inventory**

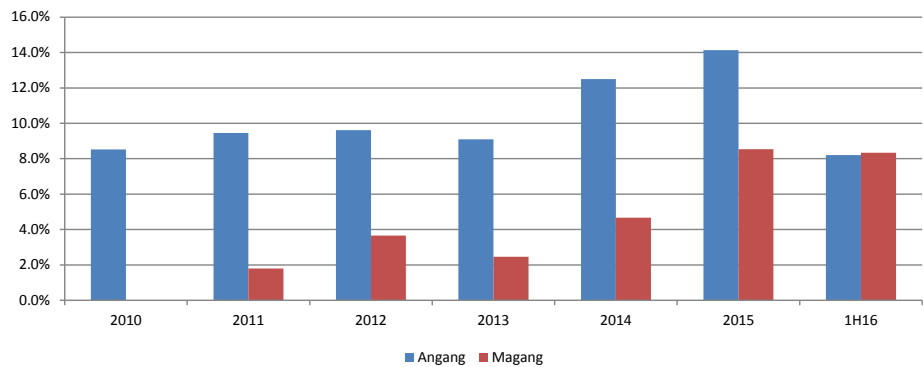


Source: CEIC, CSCI Research

**Domestic consumption seems to have become more self-contained**

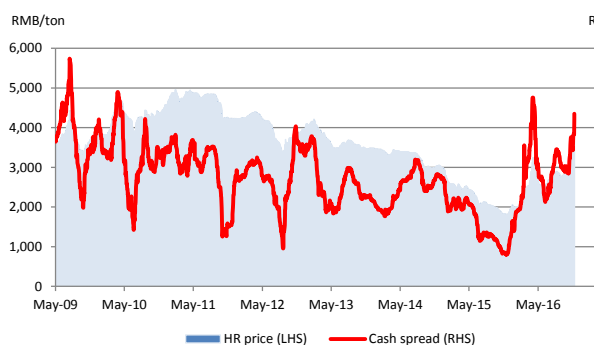
According to the China Iron and Steel Association, China's exports of steel products have started to decline since August this year. More specifically, total steel products exported have dropped 14.8% YoY alone in October, the most significant amid the three consecutive month of decline. However, we believe the continuous decrease in domestic inventories suggest that domestic consumption will be adequate to offset the reduction in exports and remain so in the mid-term. Thus, with inventory levels expected to remain low going forward, it should lend support to sustainable recovery in steel product prices into 2017, in our view.

**Figure 4: Historical export-to-revenue ratios of Angang and Magang**



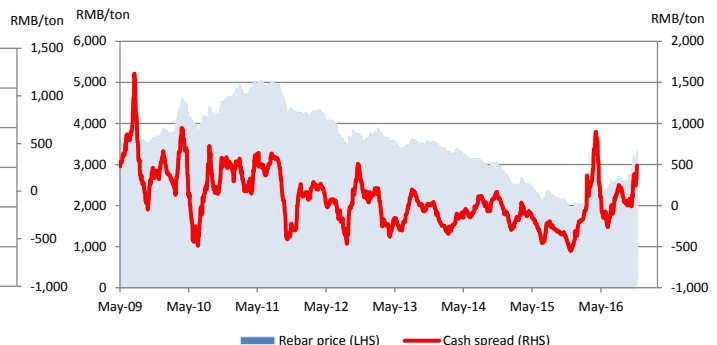
Source: Company, Bloomberg, CSCI Research

**Figure 5: HR price and cash spread**



Source: Bloomberg, CSCI Research estimates

**Figure 6: Rebar price and cash spread**



Source: Bloomberg, CSCI Research estimates

**Raising earnings estimates for Angang and Magang**

We have raised our FY16E and FY17E net profit forecasts for Angang and Magang by 169.8%/87.4% and 33.1%/35.2% respectively, on anticipation of earnings improvement from the levels in FY13 and FY14. We also expect both companies to post marginal net profit growth in FY17E.

**Figure 7: Revision**

Angang				Magang			
Revenue	Prior	53,330	53,821	Revenue	Prior	44,433	44,846
	New	57,131	57,660		New	48,780	49,235
	Revised	7.1%	7.1%		Revised	9.8%	9.8%
Net profit	Prior	471	708	Net profit	Prior	881	980
	New	1,272	1,327		New	1,173	1,326
	Revised	169.8%	87.4%		Revised	33.1%	35.2%

Source: CSCI Research estimates

**Raising our PT for Angang and Magang but maintain BUY rating on both.**

Rolling over our price targets from FY16E to FY17E, we raise our PT for Angang to HKD5.5 (from HKD5.0), pegging on 0.8x FY17F PBR (prev. FY16E 0.7x) and also for Magang to HKD2.5 (from HKD2.0), pegging on 0.7x FY17F PBR (prev. FY16E 0.6x). Our PBR multiples are on par with their historical average, which are undemanding in light of the improving ROE, in our view. Maintain BUY for both companies.

**Figure 8: Angang PBR Band**


Source: Bloomberg, CSCI Research estimates

**Figure 9: Magang PBR Band**


Source: Bloomberg, CSCI Research estimates

**Figure 10: Peer valuation**

Company	Ticker	Ccy	Close (Local\$)	Mkt cap (US\$b)	PER (x)		EPS Growth (%)		PBR (x)		ROE (%)		EV/EBITDA (x)		Yield (%)		Net debt / Equity (%)	
					2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E
ARCELORMITTAL	MT NA	EUR	7.4	24.1	16.2	5.1	(184.8)	7.0	0.8	0.8	4.4	4.0	6.3	5.9	0.0	37.1		
NSSMC	5401JP	JPY	2,534.0	211	15.2	3.11	(28.6)	(49.8)	0.8	0.8	4.8	2.7	9.3	10.8	18	616		
NUCOR CORP	NUE US	USD	63.0	20.1	27.2	19.2	50.2	42.0	2.6	2.4	9.6	13.9	10.9	8.7	2.4	24.1		
POSCO	005490 KS	KRW	249,500.0	18.5	13.0	10.8	2,060.9	20.2	0.5	0.5	3.9	4.6	5.8	5.7	3.1	36.7		
BAOSHAN IRON & A	600019 CH	CNY	6.4	15.3	13.9	13.1	686.4	5.8	0.9	0.8	6.6	6.6	7.0	6.2	3.5	40.1		
THYSSENKRUPP AG	TKA GR	EUR	217	13.1	26.3	6.5	(23.9)	67.6	4.5	3.9	5.0	25.9	6.6	5.7	0.8	147.0		
CHINA STEEL CORP	2002 TT	TWD	25.0	12.2	24.3	22.9	13.2	6.5	1.3	1.2	5.4	5.7	11.3	10.9	3.0	91.5		
NOVOLP/PEVSK STEE	NLMK RM	RUB	117.4	11.0	12.6	11.2	(12.6)	13.0	1.9	1.8	14.9	13.1	6.3	5.9	0.1	16.3		
TATA STEEL LTD	TATA IN	INR	413.9	5.9	(29.3)	16.4	(166.8)	(260.4)	1.4	1.4	(3.9)	7.9	16.3	8.1	1.6	257.6		
ANGANG STEEL-H	347 HK	HKD	4.4	5.6	218	22.6	(130.1)	(5.5)	0.6	0.6	2.8	2.5	9.7	9.6	0.4	50.8		
ANGANG STEEL-A	000898 CH	CNY	5.6	5.6	33.6	32.2	(127.0)	8.0	0.9	0.9	2.6	2.6	9.5	9.5	0.2	44.4		
WUHAN IRON & S-A	600005 CH	CNY	3.4	5.0	45.2	41.4	(118)	15.1	1.2	1.2	2.6	2.8	10.9	10.9	0.3	N/A		
MAANSHAN IRON-H	323 HK	HKD	2.1	3.1	16.6	19.0	(17.9)	(17.7)	0.7	0.7	5.3	3.5	8.2	8.3	0.2	95.7		
MAANSHAN IRON-A	600808 CH	CNY	3.0	3.1	23.0	43.7	(120.5)	(46.5)	1.2	1.2	5.1	1.4	8.4	9.1	0.2	94.3		
Average					18.5	22.6	134.8	(13.9)	1.4	1.3	5.6	6.9	9.0	8.2	1.3	76.7		

Source: Bloomberg

Figure 11: Angang

Income statement (RMB mn)						Cash flow statement (RMB mn)					
Year end: Dec	2013	2014	2015	2016E	2017E	Year end: Dec	2013	2014	2015	2016E	2017E
Revenue	75,329	74,046	52,759	57,131	57,660	EBIT	1,946	2,851	(2,417)	2,539	3,026
COGS	(67,123)	(65,703)	(49,693)	(50,242)	(50,245)	Depreciation & amortisation	4,251	3,984	3,925	3,924	3,618
Gross profit	8,206	8,343	3,066	6,888	7,415	Net interest	1218	1272	1346	1199	1,127
Selling expenses	(1,743)	(2,218)	(2,311)	(1,922)	(1,940)	Taxes paid	27	(655)	(837)	(67)	(570)
General and administrative	(3,270)	(1,850)	(1,808)	(1,458)	(1,471)	Changes in working capital	4,149	(4,008)	4,407	(3,331)	(100)
Other opex	(1,866)	(2,111)	(1,869)	(1,389)	(1,402)	Others	(1,028)	(1,307)	(1,291)	(2,398)	(2,254)
<b>EBITDA</b>	<b>6,197</b>	<b>6,835</b>	<b>1,508</b>	<b>6,463</b>	<b>6,644</b>	<b>Cash flow from operations</b>	<b>10,563</b>	<b>2,137</b>	<b>5,133</b>	<b>1,866</b>	<b>4,847</b>
Depreciation & Amortization	(4,251)	(3,984)	(3,925)	(3,924)	(3,618)	Capex	(2,948)	(4,416)	(3,807)	(1,300)	(1,300)
<b>EBIT</b>	<b>1,946</b>	<b>2,851</b>	<b>(2,417)</b>	<b>2,539</b>	<b>3,026</b>	Acquisitions	(118)	(680)	(70)	-	-
Interest income	309	372	219	360	351	Disposals	28	4	4	-	-
Interest expense	(1,527)	(1,644)	(1,565)	(1,559)	(1,478)	Others	448	667	1,145	-	-
JVs and associates	619	687	505	420	424	<b>Cash flow from investing</b>	<b>(2,590)</b>	<b>(4,425)</b>	<b>(2,728)</b>	<b>(1,300)</b>	<b>(1,300)</b>
Others	-	-	-	-	-	Dividends	(1,458)	(1,636)	(1,782)	-	-
<b>Pretax profit</b>	<b>728</b>	<b>1,579</b>	<b>(3,763)</b>	<b>1,341</b>	<b>1,899</b>	Issue of shares	-	-	-	-	-
Taxation	27	(655)	(837)	(67)	(570)	Change in debt	(8,512)	4,167	1,262	-	(3,000)
Minority interests	15	4	7	(2)	(2)	Others	-	343	4	-	-
<b>Net profit</b>	<b>770</b>	<b>928</b>	<b>(4,593)</b>	<b>1,272</b>	<b>1,327</b>	<b>Cash flow from financing</b>	<b>(9,970)</b>	<b>2,874</b>	<b>(516)</b>	<b>-</b>	<b>(3,000)</b>
Net profit (adjusted)	770	928	(4,593)	1,272	1,327	<b>Change in cash</b>	<b>(1,997)</b>	<b>586</b>	<b>1,889</b>	<b>566</b>	<b>547</b>
Basic EPS (RMB)	0.11	0.13	(0.63)	0.18	0.18	Free cash flow	7,615	(2,279)	1,326	566	3,547
Diluted EPS (RMB)	0.11	0.13	(0.63)	0.18	0.18						
DPS (RMB)	0.03	0.05	-	-	-						

Balance sheet (RMB mn)						Key ratios					
Year end: Dec	2013	2014	2015	2016E	2017E	Year end: Dec	2013	2014	2015	2016E	2017E
Cash	126	172	3,601	4,167	4,715	<b>Operating ratios</b>					
Short term investments	-	-	-	-	-	Gross margin	10.9	11.3	5.8	12.1	12.9
Accounts receivables	10,623	8,607	8,311	9,160	9,245	EBITDA margin (%)	8.2	9.2	2.9	11.3	11.5
Inventory	12,356	10,865	8,008	9,538	9,538	Effective tax rate (%)	(3.7)	415	(22.2)	5.0	30.0
Other current assets	5,194	5,440	3,675	4,154	4,168	Revenue growth (%)	(3.7)	(1.7)	(28.7)	8.3	0.9
<b>Total current assets</b>	<b>29,299</b>	<b>26,624</b>	<b>23,595</b>	<b>27,019</b>	<b>27,666</b>	Net income growth (%)	-	20.5	-	-	4.4
PP&E	45,452	46,122	51,014	48,390	46,073	EPS growth adj (%)	-	20.5	-	-	4.4
Intangible Assets	6,147	6,234	6,086	6,086	6,086	DPS growth (%)	-	67.2	-	-	-
Total investments	3,184	4,004	3,522	3,522	3,522	<b>Efficency ratios</b>					
Other long term assets	8,783	8,307	4,379	4,379	4,379	ROE (%)	16	19	(10.6)	2.9	2.9
<b>Total long term assets</b>	<b>63,566</b>	<b>64,667</b>	<b>65,001</b>	<b>62,377</b>	<b>60,060</b>	ROCE (%)	3.5	5.2	(5.3)	5.4	6.3
<b>TOTAL ASSETS</b>	<b>92,865</b>	<b>91,291</b>	<b>88,596</b>	<b>89,396</b>	<b>87,725</b>	Asset turnover (x)	0.8	0.8	0.6	0.6	0.7
Short term debt	9,241	14,672	16,319	16,319	13,451	Op cash / EBIT (x)	5.4	0.7	(2.1)	0.7	1.6
Accounts payables	15,343	8,289	5,799	7,120	7,120	Depreciation / CAPEX (x)	14	0.9	10	3.0	2.8
Other current liabilities	13,220	13,790	20,886	19,092	19,092	Accounts receivable days	58.2	57.2	68.8	64.5	68.4
<b>Total current liabilities</b>	<b>37,804</b>	<b>36,751</b>	<b>43,004</b>	<b>42,530</b>	<b>39,662</b>	Accounts payable days	67.1	67.0	68.0	69.7	68.0
Long term debt	3,044	1,371	962	962	830	<b>Leverage ratios</b>					
Deferred tax	956	990	949	949	949	Net gearing (%)	32.2	38.3	31.6	29.4	20.9
Bonds payable	3,971	3,983	-	-	-	Net debt / EBITDA (x)	2.4	2.7	9.1	2.0	1.4
Other long term liabilities	-	-	-	-	-	Interest cover (x)	1.6	2.2	(1.8)	2.1	2.7
<b>Total long term liabilities</b>	<b>7,971</b>	<b>6,344</b>	<b>1,911</b>	<b>1,911</b>	<b>1,779</b>	Current ratio (x)	0.8	0.7	0.5	0.6	0.7
<b>TOTAL LIABILITIES</b>	<b>45,775</b>	<b>43,095</b>	<b>44,915</b>	<b>44,441</b>	<b>41,441</b>	<b>Valuation</b>					
Shareholders' funds	47,026	47,793	43,274	44,546	45,873	PER (x)	37.2	30.8	-	22.5	21.6
Minority interests	64	403	407	409	411	EV/EBITDA (x)	9.4	9.0	-	9.2	8.4
<b>TOTAL LIAB AND EQUITY</b>	<b>92,865</b>	<b>91,291</b>	<b>88,596</b>	<b>89,396</b>	<b>87,725</b>	PBR (x)	0.6	0.6	0.7	0.6	0.6
Net cash / (debt)	(15,130)	(18,314)	(13,680)	(13,114)	(9,566)	Dividend yield (%)	0.7	1.1	-	-	-

Source: Company, Bloomberg, CSCI Research estimates

**Figure 12: Magang**

Income statement (RMB mn)						Cash flow statement (RMB mn)					
Year end: Dec	2013	2014	2015	2016E	2017E	Year end: Dec	2013	2014	2015	2016E	2017E
Revenue	73,849	59,821	45,109	48,780	49,235	EBIT	1,476	1,756	(3,914)	2,252	2,666
COGS	(70,620)	(56,076)	(45,690)	(42,510)	(42,514)	Depreciation & amortisation	3,766	3,558	3,380	3,294	2,509
Gross profit	3,228	3,745	(581)	6,269	6,721	Net interest	154	1,244	813	786	788
Selling expenses	(423)	(513)	(636)	(634)	(640)	Taxes paid	(114)	(248)	(378)	(220)	(469)
General and administrative	(1,334)	(1,311)	(1,539)	(2,096)	(2,116)	Changes in working capital	(440)	(2,614)	5,225	(4,157)	(75)
Other opex	(1,164)	(770)	(1,619)	(1,786)	(1,803)	Others	(751)	(2,102)	537	(1,573)	(1,577)
<b>EBITDA</b>	<b>5,242</b>	<b>5,314</b>	<b>(533)</b>	<b>5,547</b>	<b>5,176</b>	<b>Cash flow from operations</b>	<b>5,091</b>	<b>1,566</b>	<b>5,664</b>	<b>383</b>	<b>3,843</b>
Depreciation & Amortization	(3,766)	(3,558)	(3,380)	(3,294)	(2,509)	Capex	(5,521)	(2,708)	(2,846)	(2,000)	(2,000)
<b>EBIT</b>	<b>1,476</b>	<b>1,756</b>	<b>(3,914)</b>	<b>2,252</b>	<b>2,666</b>	Acquisitions	(88)	(105)	(5,405)	-	-
Interest income	168	176	156	152	170	Disposals	761	1,629	4,324	-	-
Interest expense	(1,322)	(1,419)	(969)	(939)	(959)	Others	305	2,511	306	-	-
JVs and associates	169	604	461	499	503	<b>Cash flow from investing</b>	<b>(4,543)</b>	<b>1,326</b>	<b>(3,621)</b>	<b>(2,000)</b>	<b>(2,000)</b>
Others	-	-	-	-	-	Dividends	(1,294)	(1,401)	(1,081)	-	-
<b>Pretax profit</b>	<b>322</b>	<b>512</b>	<b>(4,727)</b>	<b>1,466</b>	<b>1,878</b>	Issue of shares	-	-	-	-	-
Taxation	(114)	(248)	(378)	(220)	(469)	Change in debt	(4,288)	(1,974)	(4,455)	1,000	-
Minority interests	(51)	(43)	300	(73)	(83)	Others	281	30	3,981	-	-
<b>Net profit</b>	<b>157</b>	<b>221</b>	<b>(4,804)</b>	<b>1,173</b>	<b>1,326</b>	<b>Cash flow from financing</b>	<b>(5,301)</b>	<b>(3,344)</b>	<b>(1,555)</b>	<b>1,000</b>	<b>-</b>
Net profit (adjusted)	157	221	(4,804)	1,173	1,326	<b>Change in cash</b>	<b>(4,752)</b>	<b>(452)</b>	<b>488</b>	<b>(617)</b>	<b>1,843</b>
Basic EPS (RMB)	0.02	0.03	(0.62)	0.15	0.17	Free cash flow	(429)	(1,142)	2,818	(1,617)	1,843
Diluted EPS (RMB)	0.02	0.03	(0.62)	0.15	0.17						
DPS (RMB)	-	-	-	-	-						

Balance sheet (RMB mn)						Key ratios					
Year end: Dec	2013	2014	2015	2016E	2017E	Year end: Dec	2013	2014	2015	2016E	2017E
Cash	5,107	4,655	5,143	4,526	6,369	<b>Operating ratios</b>					
Short term investments	-	-	-	-	-	Gross margin	4.4	6.3	(1.3)	12.9	13.7
Accounts receivables	8,629	8,484	4,689	7,122	7,189	EBITDA margin (%)	7.1	8.9	(1.2)	11.4	10.5
Inventory	10,050	8,684	6,018	6,835	6,835	Effective tax rate (%)	35.5	48.4	(8.0)	15.0	25.0
Other current assets	4,811	3,063	4,310	4,407	4,415	Revenue growth (%)	(0.7)	(19.0)	(24.6)	8.1	0.9
<b>Total current assets</b>	<b>28,597</b>	<b>24,885</b>	<b>20,160</b>	<b>22,891</b>	<b>24,809</b>	Net income growth (%)	-	40.3	-	-	13.1
PP&E	30,668	37,041	34,605	33,311	32,802	EPS growth adj (%)	-	40.3	-	-	13.1
Intangible Assets	1,900	1,826	1,891	1,891	1,891	DPS growth (%)	-	-	-	-	-
Total investments	1,077	1,216	1,159	1,159	1,159	<b>Efficiency ratios</b>					
Other long term assets	9,579	3,542	4,639	4,639	4,639	ROE (%)	0.7	0.9	(26.0)	6.0	6.3
<b>Total long term assets</b>	<b>43,225</b>	<b>43,626</b>	<b>42,294</b>	<b>41,000</b>	<b>40,490</b>	ROCE (%)	4.3	4.9	(12.0)	6.5	7.4
<b>TOTAL ASSETS</b>	<b>71,822</b>	<b>68,511</b>	<b>62,454</b>	<b>63,890</b>	<b>65,299</b>	Asset turnover (x)	1.0	0.9	0.7	0.8	0.8
Short term debt	8,554	12,058	6,791	7,319	7,319	Op cash / EBIT (x)	3.4	0.9	(1.4)	0.2	1.4
Accounts payables	6,524	6,679	6,145	5,961	5,962	Depreciation / CAPEX (x)	0.7	1.3	1.2	1.6	1.3
Other current liabilities	22,011	13,967	16,795	16,168	16,169	Accounts receivable days	46.7	57.3	60.0	50.5	59.7
<b>Total current liabilities</b>	<b>37,088</b>	<b>32,705</b>	<b>29,731</b>	<b>29,449</b>	<b>29,449</b>	Accounts payable days	62.7	77.0	92.2	95.7	92.2
Long term debt	6,059	6,339	6,655	7,128	7,128	<b>Leverage ratios</b>					
Deferred tax	647	1,245	1,347	1,347	1,347	Net gearing (%)	51.2	69.0	66.6	70.8	57.5
Bonds payable	2,328	2,333	3,980	3,980	3,980	Net debt / EBITDA (x)	2.3	3.0	(23.0)	2.5	2.3
Other long term liabilities	-	-	-	-	-	Interest cover (x)	1.3	1.4	(4.8)	2.9	3.4
<b>Total long term liabilities</b>	<b>9,034</b>	<b>9,917</b>	<b>11,982</b>	<b>12,454</b>	<b>12,454</b>	Current ratio (x)	0.8	0.8	0.7	0.8	0.8
<b>TOTAL LIABILITIES</b>	<b>46,123</b>	<b>42,622</b>	<b>41,713</b>	<b>41,903</b>	<b>41,903</b>	<b>Valuation</b>					
Shareholders' funds	23,131	23,296	18,456	19,628	20,954	PER (x)	90.8	64.7	-	12.2	10.8
Minority interests	2,568	2,594	2,286	2,359	2,442	EV/EBITDA (x)	8.3	7.9	-	7.7	7.9
<b>TOTAL LIAB AND EQUITY</b>	<b>71,822</b>	<b>68,511</b>	<b>62,454</b>	<b>63,890</b>	<b>65,299</b>	PBR (x)	0.6	0.6	0.7	0.6	0.6
Net cash / (debt)	(11,835)	(16,076)	(12,283)	(13,900)	(12,057)	Dividend yield (%)	-	-	-	-	-

Source: Company, Bloomberg, CSCI Research estimates

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## Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

<b>Buy</b>	12-month absolute total return: $\geq 10\%$
<b>Hold</b>	12-month absolute total return: $> -10\%$ but $< 10\%$
<b>Sell</b>	12-month absolute total return: $\leq -10\%$

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