

2 March, 2017

## Zhuzhou CRRC Time Electric (3898.HK)

Zhouhou CRRC Times Electric Co., Ltd.(ZZCRRC), a leading rolling stock play, is an eligible security for southbound trading under Shenzhen-Hong Kong Stock Connect. Its recent share price lagged behind the recent gains in the HSI, dragged down by the FY16 locomotive new order declines due to low demand for bulk commodity over the past few years, and the FY16 electric multiple units (EMUs) new order declines as a result of the leadership changes in 2016 of its end user, China Railway Corporation (CRC). However, we see all the negatives to clear out of the way as northbound capital is likely to invest in this laggard amid the pickups of CRC procurement in 4Q16, the recovery of demands for bulk cargo transport, the rapidly increased PPP investments and the oligopoly market for electric system provider in domestic urban rail and rail vehicle market. ZZCRRC deserves high valuation due to its clean balance sheet.

### Investment Highlights

- ▶ **ZZCRRC, the leading train-borne electric system provider, enjoys the oligopoly market in the domestic urban rail and rail vehicle market.** Its train operation safety equipment, electrical control system for large railway maintenance vehicles and power semiconductor devices had 63%, 100% and 51% market share in the domestic rail vehicle market in 2005.
- ▶ **ZZCRRC had the highest sensitivity of locomotive orders among peers** amid the recent strong demand for bulk cargo transport. The orders for freight wagons, locomotives and EMUs are expected to recover in FY17 as the rolling plays enjoy the second stage of railway infrastructure investment and the pickups of PPP projects.
- ▶ **ZZCRRC would be the major beneficiary after the merger of CSR (1766.HK) and CNR (6199.HK).** Before the merger of CSR and CNR, ZZCRRC was the non-major component supplier for CNR, such as urban-rail projects, due to its R&D capacity better than its peers. The process for testing and certification usually takes 1-2 years to complete while the components for urban railways only take 1 year to complete. We expect ZZCRRC to receive new areas of orders from CNR, especially components for urban railways.
- ▶ **ZZCRRC processes net cash above RMB 2 billion since FY14.**
- ▶ **We use discounted cash flow model to derive the target price of HK\$50.08, implying PE17E of 11.7x and PB17E of 2.3x.** It is below the 7-year average range bound of 20x PE and 3.8x PB. The target price have 16% upside potential.

Last price: HK\$ 42.95

**Target price: HK\$ 50.08**

### Stock Data

Number of shares of issued shared capital (H shares and domestic shares)  
1,175 million  
Mkt cap: HK\$23,563 million  
Chairman & CEO: Ding Rongjun

### Financial Summary

Year-End	FY13A	FY14A	FY15A	1H16E	1H17E
Sales (RMB: '000)	8,856	12,676	14,145	15,246	18,404
Net Profit (RMB: '000)	1,467	2,395	2,958	3,071	3,838
PE (x)	16.4	17.8	15.0	14.6	11.7
PB (x)	2.8	3.9	3.3	2.8	2.3
*Net Cash (RMB: Million)	3,053	2,638	2,325	5,441	5,976

Source: Company, Bloomberg, BMI Estimates

\*Net cash: cash – short/long term borrowings

## Company Background

Zhuzhou CRRC Times Electric (ZZCRRC) is the leading train-borne electric system provider for China railway industry, with engaging in manufacturing and selling train power converters, auxiliary power supply equipment and control system for trains for urban rail system.

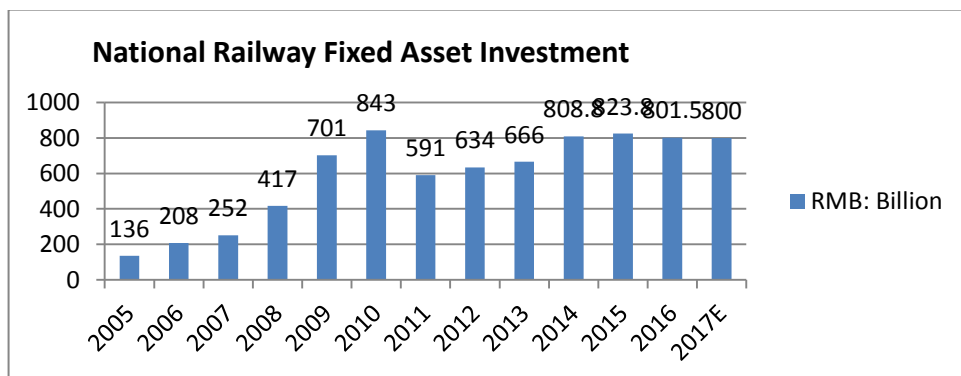
### Train-borne Electric Systems And Electric Components Products



Source: Company

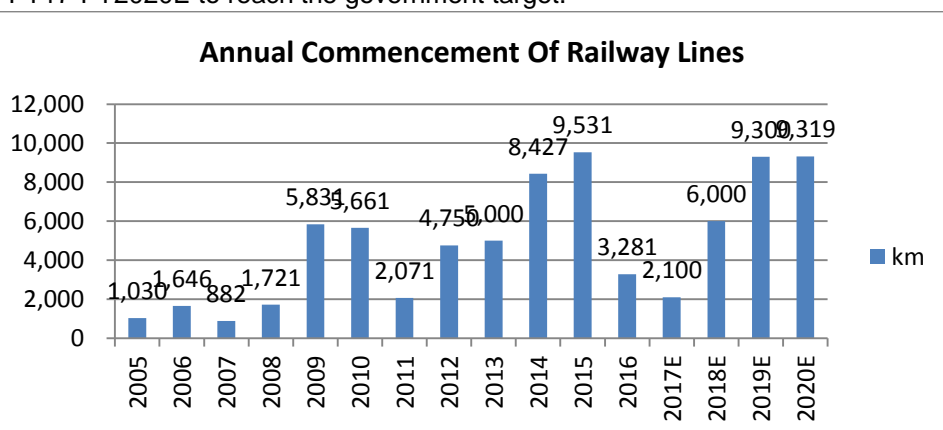
### Positive Outlook For Railway And Urban Rail Transit Investment

**National Railway Fixed Asset Investment Is Expected To Extend Its Upward Trends Above RMB 800 Billion In FY17.** China government has accelerated its fixed asset investment via infrastructure spending to sustain economic growth since FY14. The general manager of China Railway Corporation, Lu Dongfu, indicated to maintain the national railway fixed asset investment above RMB 800 billion in FY17.

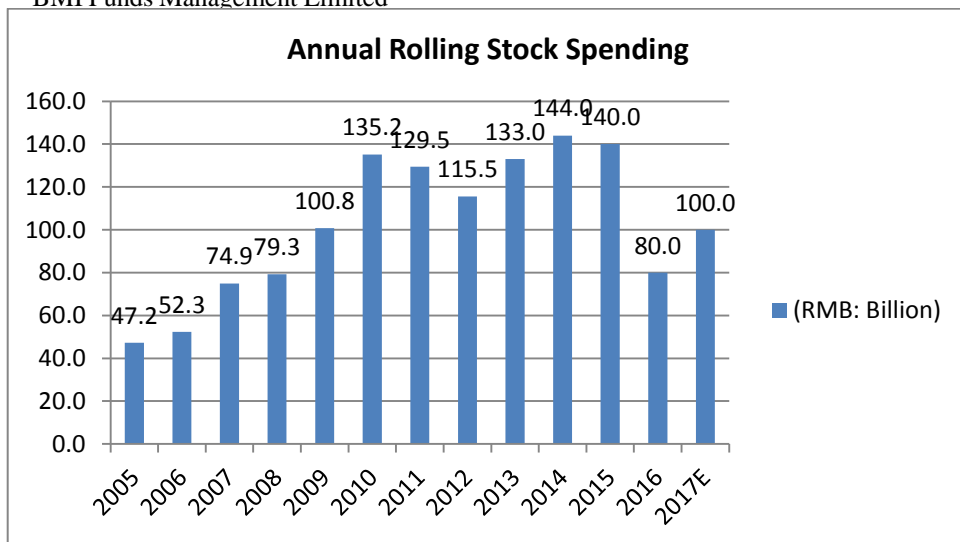


Source: Caixin, BOCI Research

**Annual Commencement Of Railway Lines Likely to Recover Since FY17.** According to Medium and Long Term Railway Network Plan, China government planned on developing high-speed railway for national eight vertical and eight horizontal by expanding these eight routes in each direction to enhance the commuting network for poor and rich regions. PRC railway length in operation will reach 150,000 km by 2020 from 120,000 km in 2015. It represented to newly add railway lines of 30,000 km from FY17E to FY20E. Annual railway additions in FY16 sharply decreased as CRC reported massive debt of RMB 4.2 trillion and net loss of RMB 7.29 billion in 1H16 and the general manager of CRC, Lu Dongfu took over Sheng Guangzu in September 2016, trying to review the budget spending of infrastructure spending. General manager, Lu Dongfu, has guided CRC to implement structural reform, such as infrastructure investment, passenger/cargo transportation fare reforms and mixed ownership reforms. The commencement of annual railway lines thus delayed in FY16 due to the CRC's takeover. We expect annual commencement of railway lines likely to recover from FY17-FY20E to reach the government target.



Source: "Medium and Long Term Railway Network Plan", Bloomberg



Source: BOCI Research, Xinhuanet

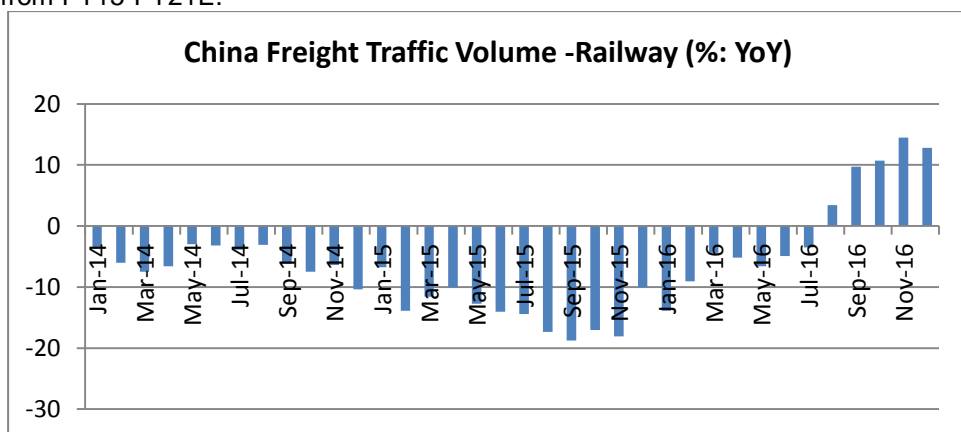
**Procurement Spending For Rolling Stock May Rebound And Achieve YoY Growth Of 25% To RMB 100 Billion In 2017.**

According to Xinhuanet, China government targets the procurement spending for rolling stock to rise 25% yoy to RMB 100 billion, accounting for 12.5% of total fixed railway investment in 2017. Equipment spending usually only accounted for less than 17% of total fixed asset investment while construction spending easily boost commodity price.

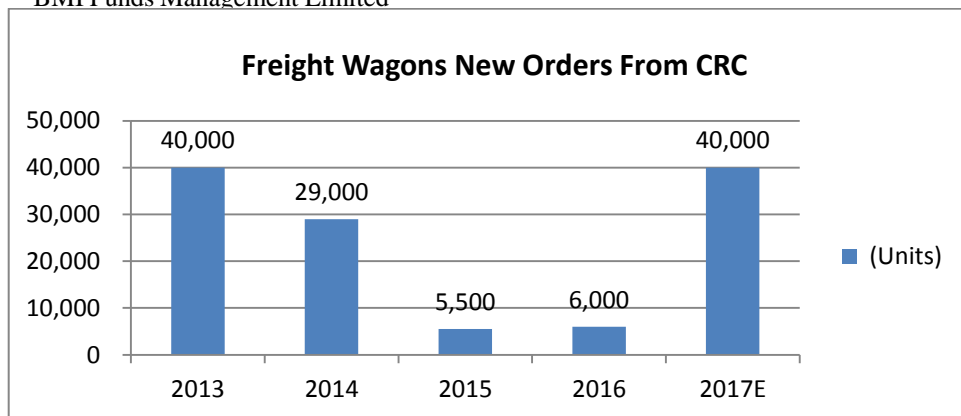
**ZZCRRRC Had The Highest Sensitivity Of Locomotive Orders Among Peers. The Orders of Freight Wagons And Locomotives Are Expected To Recover In FY17, Offset The Slowdowns From EMUs Orders.**

Amid the Chinese government’s support for the acceleration of infrastructure investment and the recovery of commodity price driven by supply side reforms, China’s demand for bulk transport has increased and freight traffic volume has started to grow since 3Q16 after the two years of YoY decreases. The demand for freight wagons and locomotives should rebound as CRC opened bidding only 5,500-6,000 units of freight wagons in FY15 and FY16. CRC only opened tenders less than 300 units in FY15 and FY16. The current supply for freight wagons and locomotives has not been sufficient for the demand for bulk transports. Then, CRC has made tenders of 40,000 and 586 units of freight wagons and locomotives since January 2017, the highest since 2013. ZZCRRRC had the highest sensitivity of locomotives orders among peers as locomotive sales contributed to 25% of total sales in FY15. Those new tenders this year may serve as a significant catalyst for its share price. We expect ZZCRRRC to receive increasing new orders of freight wagons and locomotives from its major clients, rolling stock manufacturers.

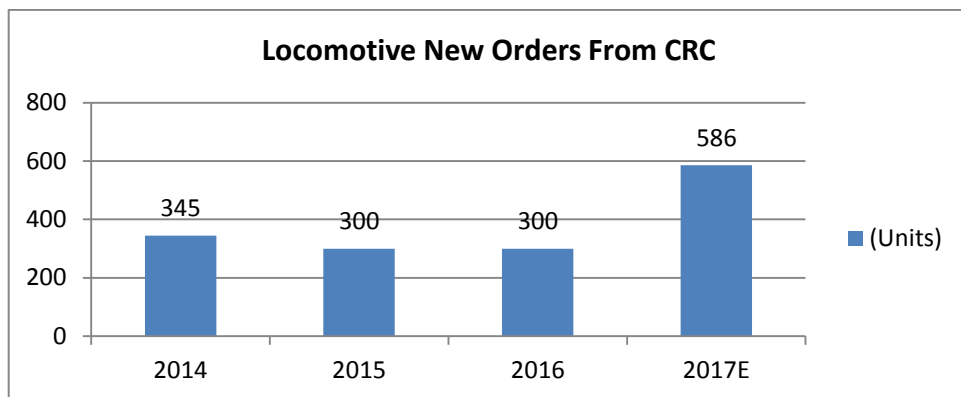
Tender biddings for locomotives at least grew 100%yoy in FY17 and tender biddings for freight wagon at least grew 560% in FY17. We believe sales growth for locomotives and freight wagon to grow at a CAGR of 20% to RMB 10.3 billion in FY21E from FY15-FY21E.



Source: Bloomberg

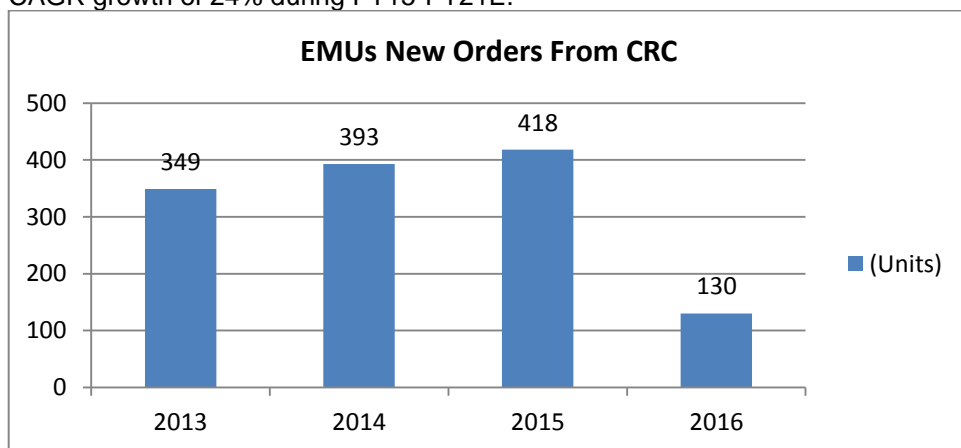


Source: Caixin



Source: Caixin, BOCI Research

**The Orders of Electric Multiple Units From CRC Are Expected To Pick Up In FY17.** Share price weakness comes from the sharp decreases in EMUs new orders from CRC in FY16. Along with the increasing debts and net loss from CRC, CRC procured MUs tenders of 130 units in 2016, the least since 2013. However, as Lu Dongfu successfully took over the general manager of CRC and planned on structural reforms, we expect EMUs new orders to recover back above 300 units in 2017 to reach government targets of railway newly additions of 30,000 during FY17-FY20. Although EMUs had great contributions for ZZCRRC, accounting for 44% of total sales in 1H16, orders growth from freight wagons and locomotives offset the slowdown of the EMUs orders will be another share price catalyst. Thus, we expect EMUs sales to achieve a CAGR growth of 24% during FY15-FY21E.



Source: Caixin

**Rapid Growth From Public-Private Partnership (PPP) Projects For Urban Rail Investment Would Be A Long-Term Share Price Catalyst.** Infrastructure investment via PPP projects has been the recent hot trends to develop infrastructure investment without seriously increasing financial burdens for local government. 43 cities of urban railway transit with the planning mileage of 8,600 km were currently approved by NDRC. According to China Public Private Partnerships Center, the investment for urban railway transit reached RMB 1 trillion and accounted for 12% of total PPP projects. During the operation period of urban rail transit, infrastructure investment manufacturers, such as CRG(390.HK), CCCC(1800.HK) and CRCC (1186.HK), would be the first beneficiary. Then, tendering purchasing and rolling stock producers, such as ZZCRRC(3898.HK) would be in the middle stage of the industry chain, approximately accounting for 12%-15% of all PPP projects for urban railway transit investment. As previously discussed about the target new addition for railway lines of 30,000 km from FY17E to FY20E does not include inter-city railway, which is another upside catalyst for fundamental valuation. Thus, we assume Metropolitan rail transportation equipment to achieve a rapid CAGR growth of 26% to RMB 7.4 billion during the period of FY15-FY21E.

## ZZCRRC Enjoys Oligopoly Market

**Its Train Power Converters Had High Market Share In Domestic Urban Rail Market And New Rail Vehicle Market** and It enjoys oligopoly market. According to management, ZZCRRC had 60% market share in urban rail market. Based on MOR's Research Institute of Science, Technology and Information, ZZCRRC's train power converters and electric control systems had 40% and 69% market share in the domestic new rail vehicle market (locomotives and large railway maintenance vehicles) in 2005. Its train operation safety equipment, electrical control system for large railway maintenance vehicles and power semiconductor devices had 63%, 100% and 51% market share in the domestic new rail vehicle market in 2005.

**Stricter China Regulatory Environment With Less Competitors.** China Railway Corporation (CRC) oversaw China railway industry. The vehicles for railway industry must be tested and approved by CRC. A production license must be obtained from CRC before commercial production commences.

**China Encouraged Railway Manufacturers To Purchase Domestic Equipment.** ZZCRRC is the major beneficiary for China urban rail of the domestic policy. According to the Implementation Plan of Localization Of Urban Rail Transportation, the value of domestic rail vehicles and related electro-mechanical equipment from all urban rail projects shall be at least 70%. ZZCRRC is one of the designated manufacturers of train power converters and power systems.

**ZZCRRC Would Be The Major Beneficiary After The Merger Of CSR (1766.HK) and CNR (6199.HK).** Before the merger of CSR and CNR, ZZCRRC was the non-major component supplier for CNR, such as urban-rail projects, due to its R&D capacity better than its peers. The process for testing and certification usually takes 1-2 years to complete while the components for urban railways only take 1 year to complete. We expect ZZCRRC to receive new areas of orders from CNR, especially components for urban railways.

## Technology

**Sharpening Its Technology Via The Acquisition Of IGBT Lines From Its Parent.** ZZCRRC completed to acquire IGBT production line from the parent company for RMB 1.1billion at year end of 2016 to meet the operation demand for railway transport. IGBT, known as CPU of traction converters, is a critical part of power conversion and influences motor train power class. IGBT Chips are mostly used in EMUs and subway. It is an important part for achieving high-speed and heavy-load of motor vehicles. Previously, ZZCRRC leased IGBT production line from its parent.

## Peer Comparison

**Valuation For Infrastructure Manufacturers Is Not Attractive Compared With Rolling Stock Plays.** Following the large investments in PPP projects for urban rail investment, infrastructure manufacturers, such as CRG (390.HK), CRCC (1800.HK), etc have been the first major beneficiary, and those share price outperformed rolling stock plays in 2016. We recommend to switch to the laggards, rolling stock plays. However, amid the inflation and interest rate hike cycle, we concern over the earnings growth drivers with the rising raw material cost and financial costs. Infrastructure manufacturers had higher sensitivity towards interest rate hike while rolling stock plays usually had clean balance sheet. Infrastructure manufacturers also see higher free cash flow pressure under the increased PPP investments. Besides, ZZCRRC will benefit from the second stages of large fixed railway investment and it had higher profitability and clean balance sheet.

**ZZCRRC Processes Healthy Balance Sheet.** Compared to infrastructure manufacturers, ZZCRRC hold net cash over RMB 2 billion from FY14. Thus, it deserves higher valuation compared to infrastructure manufacturing peers.

	Name	Price	Market cap (HK\$m)	PE FY16E	PB FY16E	ROE FY16E	ROA FY16E	Dividend Yield FY16E	EV/EBITDA FY16E	Net Gearing 1H16
Infrastructure Manufacturers										
390 HK Equity	CHINA RAIL GR-H	7.14	219,409	10.9	1.1	10.1	1.8	1.5	10.4	67.7
1800 HK Equity	CHINA COM CONS-H	10.86	284,688	9.0	1.0	11.4	2.3	2.3	11.9	116.8
1186 HK Equity	CHINA RAIL CN-H	11.32	194,094	9.7	1.1	11.8	2.1	1.6	6.7	64.8
1829 HK Equity	CHINA MACHINER-H	5.56	22,939	10.6	1.3	13.1	4.2	4.0	1.0	Net Cash
<b>Average</b>				<b>9.9</b>	<b>1.1</b>	<b>11.1</b>	<b>2.1</b>	<b>1.8</b>	<b>9.7</b>	
Railway										
525 HK Equity	GUANGSHEN RAIL-H	4.86	40,931	23.3	1.1	4.7	4.2	2.0	10.4	Net Cash
Rolling Stock Plays										
1766 HK Equity	CRRRC CORP LTD -H	7.66	317,987	15.9	1.7	11.4	4.1	1.9	12.0	8.8
3898 HK Equity	ZHUZHOU CRRRC T-H	43	50,545	15.3	2.8	19.9	12.8	1.4	11.7	Net Cash
3969 HK Equity	CHINA RAILWAY -H	5.97	52,499	15.1	2.1	14.7	7.2	1.3	8.3	Net Cash
<b>Average</b>				<b>15.4</b>	<b>2.2</b>	<b>15.4</b>	<b>8.0</b>	<b>1.5</b>	<b>10.7</b>	

Source: Bloomberg,

## Financial Forecast

**Discounted Free Cash Flow Model** We adopt DCF model to derive our valuation. WACC assumption is 10.2%, based on expected market return, risk-free rate, beta and terminal growth rate of 13%, 3.38%, 0.75 and 3%. Our DCF-based 2017E target price is 50.08, implying 16% potential share price upside.

FCFF (RMB)	Terminal Value	2021E	2020E	2019E	2018E	2017E
Net income		8,920,773,093	7,249,097,549	5,824,282,430	4,794,680,180	3,837,502,200
Non cash charge		-257,067,510	-211,663,331	-57,682,451	-44,377,644	91,240,764
Interest Expense*(1-Tax)		297,063,211	238,613,723	161,170,735	135,108,381	69,397,515
-Working capital		3,513,070,948	810,945,060	3,050,539,793	-306,547,883	2,649,867,109
-FCInv		288,649,996	234,323,296	191,016,632	156,453,392	128,830,961
FCFF	5,313,819,286	5,159,047,850	6,230,779,584	2,686,214,289	5,035,505,408	1,219,442,409
Discounted FCFF	45,411,548,544	3,174,399,510	4,224,895,877	2,007,224,140	4,146,482,891	1,106,572,059
Total	60,071,123,020					
MV of debt	1,201,392,951					
Shares	1,175,476,637					
Target price	50.08					
WACC	10.20%					
Cost of equity	10.60%					
Risk free rate	3.38%					
Beta	0.75					
Expected market return	13.00%					
Cost of debt	2.90%					
Equity to Total Capital	95.20%					
Growth	3%					
Terminal value	76%					

Source: Company, BMI Estimates



We estimate ZZCRRC's net profit will grow at a CAGR of 20% during FY15-FY21E to RMB 8.9 billion in FY21E, based on following assumptions:

- (1) We estimate revenue for locomotives, electric multiple units, metropolitan rail transportation, railway maintenance machine, train operation safety equipment, key electric part and component products and marine engineering products to grow at based on a CAGR of 28%, 25%, 27%, 10%, 1%, 7% and 1% to RMB 10.3 billion, RMB 17.8 billion, RMB 7.4 billion, RMB 2.8 billion, RMB 595 million, RMB 1 billion and RMB 1.1 billion from FY17E to FY21E amid the rapid recovery of rolling stock spending, increased PPP investment and cargo transport demand.
- (2) Amid the upcoming inflation cycle, we expect raw material cost to have mild increases with COGS/sales at a level of 62% during FY17E to FY21E, higher than 61% in FY15.
- (3) Amid good cost control management and economic scales, EBITDA margin is expected to be roughly stable around 23.5%-24.1% during FY17E-FY21E, compared with 23.8% in FY15.

**Recommend To Buy With Target Price Of HK\$50.08.** We set ZZCRRC target price at HK\$50.08 based on free cash flow model, representing FY16E of 14.6x and offers 16% upside potential.

## Financial Statement

### Operating Figures

	FY21E	FY20E	FY19E	FY18E	FY17E	FY16E	FY15	FY14
Inventory Turnover Days	108	110	108	110	110	110	110	83
Receivables Turnover Days	86	86	86	86	86	86	86	78
Payables Turnover Days	90	90	90	90	90	90	90	83
Gross Margin	38.0%	38.0%	38.0%	38.0%	38.0%	37.0%	39.1%	37.9%
EBITDA Margin	24.1%	24.1%	23.9%	23.9%	23.5%	22.6%	23.8%	21.0%
Net Margin	21.6%	21.7%	21.3%	21.5%	20.9%	20.1%	20.9%	18.9%
Return on Equity	23.5%	23.2%	22.6%	22.5%	21.7%	20.8%	24.2%	23.9%
Return on Asset	8.2%	8.0%	7.8%	7.6%	7.3%	6.7%	7.6%	7.9%
Net cash (RMB: million)	20,528,700,609	16,791,654,483	11,830,484,803	10,180,776,504	5,975,737,468	5,441,285,640	2,324,647,724	2,637,988,856
*Net cash= Short/long term borrowings - cash								

Source: Company, BMI Estimates

### Income Statement

RMB	2021E	2020E	2019E	2018E	2017E	2016E	2,015	2,014	2,013
Sales	41,235,713,698	33,474,756,643	27,288,090,235	22,350,484,535	18,404,422,980	15,245,946,000	14,144,718,451	12,676,196,687	8,855,963,562
COGS	-25,566,142,493	-20,754,349,119	-16,918,615,946	-13,857,300,412	-11,410,742,248	-9,604,945,980	-8,607,645,651	-7,876,406,252	-5,694,547,809
Gross profit	15,669,571,205	12,720,407,524	10,369,474,289	8,493,184,123	6,993,680,732	5,641,000,020	5,537,072,800	4,799,790,435	3,161,415,753
EBITDA	10,381,310,025	8,428,269,555	6,846,578,276	5,641,051,775	4,594,870,251	3,665,471,322	3,647,999,170	2,928,590,554	1,823,877,147
Depreciation	-371,934,821	-292,560,710	-275,718,695	-235,843,424	-225,041,981	-174,796,100	-210,792,706	-246,305,340	-138,462,059
Amortization	-60,196,605	-58,022,192	-56,249,645	-54,797,829	-53,602,337	-52,612,009	-72,312,434	-22,046,276	-21,900,548
EBIT	9,949,178,599	8,077,686,653	6,514,609,936	5,350,410,521	4,316,225,934	3,438,063,212	3,364,894,030	2,660,238,938	1,663,514,540
Finance cost	-344,620,894	-276,814,064	-186,973,010	-156,738,261	-80,507,558	-69,542,880	-25,324,901	-43,013,221	-27,487,384
P&L from JV	55,125,209	55,125,209	55,125,209	55,125,209	55,125,209	55,125,209	55,125,209	51,661,839	12,578,234
Profit before tax	10,348,924,702	8,409,625,927	6,756,708,155	5,562,273,991	4,451,858,701	3,562,731,301	3,445,344,140	2,754,913,998	1,703,580,158
Income tax expense	-1,428,151,609	-1,160,528,378	-932,425,725	-767,593,811	-614,356,501	-491,656,920	-475,641,534	-362,905,380	-237,355,271
Net income	8,920,773,093	7,249,097,549	5,824,282,430	4,794,680,180	3,837,502,200	3,071,074,381	2,969,702,606	2,392,008,618	1,466,224,887
Net income to shareholders	8,920,773,093	7,249,097,549	5,824,282,430	4,794,680,180	3,837,502,200	3,071,074,381	2,958,357,366	2,394,818,236	1,467,020,759

Source: Company, BMI Estimates

Please refer to the disclaimer on the last page

## Revenue Breakdown

RMB		2019E	2018E	2017E	2016E	2015	2014	2013
Sales		27,288,090,235	22,350,484,535	18,404,422,980	15,245,946,000	14,144,718,451	12,676,196,687	8,855,963,562
	Locomotives	6,344,555,889	4,956,684,288	3,872,409,600	3,025,320,000	3,559,200,000	3,704,300,000	2,906,200,000
	Electric Multiple Units	11,411,199,219	9,128,959,375	7,303,167,500	5,842,534,000	4,951,300,000	4,759,100,000	2,315,100,000
	Metropolitan Rail Transportation Equipment	4,604,191,437	3,625,347,588	2,854,604,400	2,247,720,000	1,873,100,000	1,207,600,000	955,700,000
	Railway maintenance machineries related products	2,348,488,274	2,134,989,340	1,940,899,400	1,764,454,000	1,495,300,000	1,148,600,000	1,102,900,000
	Train operation safety equipment	583,362,608	577,586,741	571,868,060	566,206,000	560,600,000	574,600,000	571,000,000
	Key electric part and component products	893,564,740	835,107,234	780,474,050	729,415,000	645,500,000	630,700,000	1,005,100,000
	Marine engineering products and others	1,102,728,069	1,091,809,970	1,080,999,970	1,070,297,000	1,059,700,000	651,300,000	

Source: Company, BMI Estimates

## Balance Sheet

RMB	2021E	2020E	2019E	2018E	2017E	2016E	2015	2014	2013
Cash and cash equivalents	21,434,097,518	17,717,051,392	12,775,881,712	11,146,173,413	6,961,134,377	6,446,682,549	3,403,680,982	2,679,867,325	3,136,090,686
Receivables	22,419,720,554	17,015,378,968	15,085,325,639	11,167,216,492	10,416,493,873	7,434,695,952	8,066,583,496	6,077,451,622	4,965,583,056
Inventories	8,511,913,938	6,827,771,558	5,855,441,793	4,295,727,775	4,172,622,477	2,800,608,897	3,069,080,313	2,207,339,644	1,428,041,311
Other current assets	3,463,556,159	3,463,556,159	3,463,556,159	3,463,556,159	3,463,556,159	3,463,556,159	3,463,556,159	3,201,303,125	1,282,964,063
<b>Total current assets</b>	<b>55,829,288,169</b>	<b>45,023,758,077</b>	<b>37,180,205,302</b>	<b>30,072,673,839</b>	<b>25,013,806,886</b>	<b>20,145,543,557</b>	<b>18,002,900,950</b>	<b>14,165,961,716</b>	<b>10,812,679,116</b>
PPE	2,386,794,353	2,325,561,696	2,185,831,748	2,084,984,346	2,046,322,521	2,023,548,824	1,971,944,604	1,883,359,467	1,830,399,239
Intangible assets	511,670,053	530,630,944	555,178,379	584,139,934	616,587,279	651,785,193	689,151,256	268,531,012	233,054,144
other non-current assets	1,148,330,349	1,148,330,349	1,148,330,349	1,148,330,349	1,148,330,349	1,148,330,349	1,148,330,349	607,051,335	522,349,824
<b>Total non-current assets</b>	<b>4,046,794,754</b>	<b>4,004,522,989</b>	<b>3,889,340,477</b>	<b>3,817,454,629</b>	<b>3,811,240,149</b>	<b>3,823,664,366</b>	<b>3,809,426,209</b>	<b>2,758,941,814</b>	<b>2,585,803,207</b>
Short-term borrowings	0	0	0	0	0	0	53,636,349	4,385,940	31,172,421
Trade and bills payables	11,807,914,760	9,193,308,224	7,867,779,492	6,051,771,706	5,359,918,327	4,046,993,385	4,166,208,933	3,431,040,131	2,678,590,473
Other current liabilities	5,104,981,356	4,144,174,872	3,378,265,571	2,766,989,985	2,278,467,565	1,887,448,115	1,930,289,171	1,551,323,892	1,110,753,283
<b>Total current liabilities</b>	<b>16,912,896,116</b>	<b>13,337,483,096</b>	<b>11,246,045,063</b>	<b>8,818,761,691</b>	<b>7,638,385,892</b>	<b>5,934,441,500</b>	<b>6,150,134,453</b>	<b>4,986,749,963</b>	<b>3,820,516,177</b>
Long term borrowings	905,396,909	925,396,909	945,396,909	965,396,909	985,396,909	1,005,396,909	1,025,396,909	37,492,529	52,179,757
Other liabilities	75,363,075	276,423,635	478,368,322	598,631,624	721,457,342	773,064,470	960,193,233	729,895,162	375,666,141
<b>Total non-current liabilities</b>	<b>980,759,984</b>	<b>1,201,820,544</b>	<b>1,423,765,231</b>	<b>1,564,028,533</b>	<b>1,706,854,251</b>	<b>1,778,461,379</b>	<b>1,985,590,142</b>	<b>767,387,691</b>	<b>427,845,898</b>
<b>Shareholder equity</b>	<b>41,982,426,824</b>	<b>34,488,977,426</b>	<b>28,399,735,485</b>	<b>23,507,338,244</b>	<b>19,479,806,892</b>	<b>16,256,305,044</b>	<b>13,676,602,564</b>	<b>11,170,765,876</b>	<b>9,150,120,248</b>

Source: Company, BMI Estimates



**Cash Flow Statement**

<b>RMB</b>	<b>2021E</b>	<b>2020E</b>	<b>2019E</b>	<b>2018E</b>	<b>2017E</b>	<b>2016E</b>	<b>2015</b>
Net profit	8,920,773,093	7,249,097,549	5,824,282,430	4,794,680,180	3,837,502,200	3,071,074,381	2,969,702,606
Adjustment for impairment, depreciation and amortization	473,367,140	384,057,659	359,256,430	312,991,738	297,048,741	242,654,055	343,983,990
Other non-cash charges	-730,434,650	-595,720,989	-416,938,881	-357,369,382	-205,807,977	-185,583,166	-94,214,343
Change in working capital	-3,513,070,948	-810,945,060	-3,050,539,793	306,547,883	-2,649,867,109	638,114,745	-1,595,134,766
<b>Net CFO</b>	<b>5,150,634,635</b>	<b>6,226,489,158</b>	<b>2,716,060,186</b>	<b>5,056,850,419</b>	<b>1,278,875,855</b>	<b>3,766,260,016</b>	<b>1,624,337,487</b>
Cash paid for acquisition of fixed, intangible and other long term assets	-330,885,710	-382,277,933	-321,439,709	-241,400,815	-210,931,232	-227,793,079	-281,184,533
Cash paid for others	0	0	0	0	0	0	-6,456,119,046
Cash received from disposal of fixed, intangible and other long term assets	0	0	0	0	0	0	8,367,409
Cash received from others	385,813,755	318,906,925	229,965,871	200,631,121	125,300,419	116,040,286	5,247,714,613
<b>Net CFI</b>	<b>54,928,046</b>	<b>-63,371,008</b>	<b>-91,473,838</b>	<b>-40,769,694</b>	<b>-85,630,813</b>	<b>-111,752,793</b>	<b>-1,481,221,557</b>
Cash repayment borrowing	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-73,636,349	-47,623,577
Cash received borrowing	0	0	0	0	0	0	1,078,737,841
Cash paid for others	-1,468,516,556	-1,201,948,469	-974,878,050	-811,041,690	-658,793,213	-537,869,307	-487,097,211
Cash received for others	0	0	0	0	0	0	14,700,000
<b>Net CFF</b>	<b>-1,488,516,556</b>	<b>-1,221,948,469</b>	<b>-994,878,050</b>	<b>-831,041,690</b>	<b>-678,793,213</b>	<b>-611,505,656</b>	<b>558,717,053</b>
Effect of FX on cash	0	0	0	0	0	0	1,470,606
Cash increases	3,717,046,125	4,941,169,681	1,629,708,298	4,185,039,036	514,451,829	3,043,001,567	703,303,589
Beginning cash balance	17,717,051,392	12,775,881,712	11,146,173,413	6,961,134,377	6,446,682,549	3,403,680,982	2,647,816,044
<b>Ending cash balance</b>	<b>21,434,097,518</b>	<b>17,717,051,392</b>	<b>12,775,881,712</b>	<b>11,146,173,413</b>	<b>6,961,134,377</b>	<b>6,446,682,549</b>	<b>3,351,119,633</b>

Source: Company, BMI Estimates

**Disclaimer**

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**Investment Rating System**

Stock Rating (12 months)	Remarks
Buy	Stocks with potential positive return exceeding 15% over the next 12 months
Hold	Stocks with potential return of between -15% to +15% over the next 12 months
Sell	Stocks with potential negative return exceeding -15% over the next 12 months
Speculative Buy	Stocks with potential positive return exceeding 20% over the next 6 months, with high volatility
Speculative Sell	Stocks with potential negative return exceeding -20% over the next 6 months, with high volatility
Sector Rating	Remarks
Overweight	Relative performance over Hang Seng Index $\geq 10\%$
Neutral	Relative performance within Hang Seng Index -10% to +10%
Underweight	Relative performance below Hang Seng Index $\leq -10\%$

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