国泰君安证券 GUOTAI JUNAN SECURITIES

Flash Note: CNBM (03323 HK)

快讯：中国建材 (03323 HK)

David Feng 冯廷帅
(852) 2509 2113
david.feng@gtjas.com.hk

9 December 2021

Restructuring of Glass Production Line Engineering Business

玻璃生产线工程业务重组

- **CNBM (the "Company") proposed to subscribe equity interests in Bengbu Institute with equity interests in China Triumph as consideration.** China Triumph is mainly engaged in the business of construction of glass production lines and the related engineering services and 91% and 9% of its equity interests were held by the Company and Bengbu Huajin (an independent third party), respectively, before the transaction. Bengbu Institute mainly engages in technology research and development, technical services, and production and sales of products in the field of new glass materials, which was wholly owned by Triumph Group, a wholly-owned subsidiary of CNBM Group, the Company's parent company, before the transaction. Upon completion of the transaction, China Triumph will become a wholly owned subsidiary of Bengbu Institute, while the Company, Bengbu Huajin and Triumph Group will hold 45.08%, 4.45% and 50.47%, respectively, of equity interests in Bengbu Institute. The transaction consideration is based on asset-based appraised value of equity interests in Bengbu Institute and China Triumph. As at 1st July 2021, the appraised value of 100% equity interests in China Triumph and Bengbu Institute were approximately RMB5,394 million and RMB3,395 million. The transaction consideration will be equivalent to the appraised value of China Triumph minus the dividend of RMB2,060.3 million to be distributed in cash to the Company and Bengbu Huajin before the completion date.

- **The Company will share Bengbu Institute's profit growth and eliminate potential industry competition.** Bengbu Institute is a leader and the source of certain technologies in the new glass materials industry in China with strong research and development capabilities. Upon completion of the transaction, the Company will become the second largest shareholder of Bengbu Institute and will share in the profits of Bengbu Institute's new glass materials business as enhanced by the synergy arising from the technological innovation that Bengbu Institute may bring to the business of China Triumph and its increased capacity as a result of the transaction. On the other hand, as China Triumph will cease to be a subsidiary of the Company upon completion of the transaction, the Company will be able to focus on the cement production lines business under its engineering services segment. The transaction will reduce operating costs of the Company, eliminate potential industry competition between Bengbu Institute and China Triumph and reduce related transactions between the two.

- **The transaction is expected to make positive impact on the Company's profits.** Despite that China Triumph's profit after tax reached RMB626 million in 2020, the Company restructured its cement engineering business in 2021. China Triumph's cement engineering business, which contributed a large portion of profits before the restructuring, was owned by Sinoma International (600970 CH) after the restructuring, while existing glass engineering business of China Triumph contributed more than RMB200 million profit last year. Bengbu Institute recorded a profit after tax of RMB192 million in 2020 with good profit growth momentum. The Company expects that the Company's 45.08% equity interests in Bengbu Institute (when China Triumph becomes a wholly-owned subsidiary of Bengbu Institute) will contribute RMB290 million to the Company's profits in 2023 upon the completion of the transaction.

- **China Triumph will boost the industrialization of Bengbu Institute's technology research and development.** In recent years, Bengbu Institute has led the research and development of products including information display glass and new energy glass across China. China Triumph will support Bengbu Institute to industrialize the technology from its research and development. In terms of Bengbu Institute’s customers, although Fuyao Glass (03606 HK/ 600660 CH), CSG (000012 CH), Xinyi Glass (00868 HK) and Lens Technology (300433 CH) are all key customers of Bengbu Institute, it is more important to provide services to business entities within CNBM Group, such as Triumph Science & Technology (600552 CH) and Luoyang Glass (01108 HK/ 600876 CH). Services to external customers will be mainly based on mature technologies, while the most advanced technologies (such as ultra-thin foldable glass) will be provided to internal customers as priority.

- **We look forward to improved operating efficiency and profitability thanks to the restructuring of the Company's various segments**. Despite the relatively minor impact, we believe that the transaction reflects the Company's consistent efforts in optimizing resource allocation. The Company completed the restructuring of its core cement assets and cement engineering assets this year, while we expect that the restructuring of its new material businesses such as glass fiber and wind power blade, and remaining cement assets including Qilianshan (600720 CH) and Ningxia Building Materials (600449 CH) will make further progress next year. In addition, recent fallback of coal price and potential improvement in demand for construction materials due to monetary easing may also fuel valuation recovery of the Company. We maintain our investment rating of "Accumulate" with a target price of HK$11.60 for the Company.

- **中国建材（“公司”）拟以建材国际工程的股权为代价认购蚌埠院股权。**建材国际工程主要从事玻璃生产线的建造及相关工程服务业务，本次交易前由公司持股 91%，蚌埠华金（独立第三方）持股 9%。蚌埠院主要从事玻璃新材料领域的技术研究与开发、技术服务及产品生产和销售，本次交易前由公司的母公司中国建材集团的全资子公司凯盛集团全资控股。本次交易完成后，建材国际工程将成为蚌埠院的全资子公司，而公司、蚌埠华金和凯盛集团将分别持有蚌埠院股份的 45.08%、4.45%和 50.47%。本次交易对价是根据资产基础法对蚌埠院和建材国际工程股权的评估值而确定的。截至 2021 年 7 月 1 日，建材国际工程和蚌埠院 100%股权的评估值分别约为人民币 53.94 亿元和人民币 33.95 亿元。交易对价等同于建材国际工程的评估值减去交割前以现金形式分派给公司及蚌埠华金人民币 20.603 亿元的股息。

- **公司将分享蚌埠院的利润增长，并消除潜在同业竞争。**蚌埠院是中国玻璃新材料领域的领导者和某些技术的策源地，拥有强大的研发能力。交易完成后，公司将成为蚌埠院的第二大股东，分享由蚌埠院的技术创新带来的协同效应及蚌埠院由于该交易带来的能力增长而促进建材国际工程业务增长的利润。另一方面，由于交易完成后建材国际工程将不再是公司的子公司，公司能够专注于其工程服务板块下的水泥生产线业务，降低日常经营活动产生的费用，消除蚌埠院与建材国际工程之间的潜在同业竞争并减少二者间的关联交易。

- **本次交易预计将对公司的利润产生正面影响。**尽管建材国际工程 2020 年的税后利润达人民币 6.26 亿元，但公司于 2021 年对其水泥工程业务进行了重组。重组前对建材国际工程利润贡献较大的水泥工程业务在重组后已由中材国际（600970 CH）持有，建材国际工程现有的玻璃工程业务去年的利润贡献为人民币 2 亿余元。蚌埠院 2020 年的税后利润为人民币 1.92 亿元且有较好的利润增长。公司预计交易完成后，公司持有的蚌埠院（全资控股建材国际工程后）45.08%的股权在 2023 年为公司带来的利润贡献将有望达到人民币 2.9 亿元。

- **建材国际工程将助力蚌埠院的技术研发实现产业化。**蚌埠院近年来引领了中国信息显示玻璃与新能源玻璃等产品的技术研发，而建材国际工程将帮助蚌埠院的技术研发实现产业化。就蚌埠院的客户而言，尽管福耀玻璃（03606 HK/ 600660 CH）、南玻（000012 CH）、信义玻璃（00868 HK）以及蓝思科技（300433 CH）都是蚌埠院的重要客户，但为凯盛科技（600552 CH）和洛阳玻璃（01108 HK/ 600876 CH）等中国建材集团内部的业务实体提供服务是更为重要的。面向外部客户的业务将主要基于较为成熟的技术，而最先进的技术（如超薄可折叠玻璃）将优先向内部客户提供。

- **我们期待公司各板块业务的重组对经营效率以及盈利能力的提升。**尽管影响相对轻微，我们认为本次交易体现了公司在优化资源配置方面的持续努力。公司已于年内完成了对于核心水泥资产以及水泥工程资产的重组，而我们预计对于玻纤、风机叶片等新材料业务和祁连山（600720 CH）、宁夏建材（600449 CH）等剩余水泥资产的重组将在明年取得更多进展。此外，近期煤炭价格的回落以及货币宽松带来的建材需求的潜在改善也有望驱动公司的估值修复。我们维持对于公司的“收集”投资评级以及 11.60 港元的目标价。

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 JINSHANG BANK (02558 HK), HAITIAN ANTENNA (08227 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.

© 2021 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