

Kweichow Moutai growth declines on slow deliveries

Share price of liquor maker slips but consumption upgrades to buoy future prospects

By ZHU WENQIAN in Beijing and YANG JUN in Guiyang

Kweichow Moutai Co Ltd, China's signature high-end spirit maker, reported slower profit growth in the third quarter, as lower deliveries and an overall market slowdown had dampened growth.

Sales totaled 18.85 billion yuan (\$2.71 billion) in the third quarter, up 3.82 percent year-on-year, and net profit reached 8.97 billion yuan in the period, edging up 2.71 percent year-on-year, according to the company's latest earnings report.

The results marked Moutai's slowest quarterly growth since 2012.

In the first three quarters of the year, the company achieved sales revenue of 52.24 billion yuan, jumping 23.07 percent year-on-year. The company's net profit reached 24.73 billion yuan, expanding 23.77 percent on last year.

Shanghai-listed Moutai dropped to 549.09 yuan per share to close 10 percent lower in Monday trading, hitting the daily limit. The company's valuation now stands at



Kweichow Moutai employees work on an assembly line in Renhuai, Guizhou province. YANG JUN / CHINA DAILY

690 billion yuan.

Earlier this year, Moutai, a distiller from Maotai in South-west China's Guizhou province, became the first consumer stock to achieve a market value of over 1 trillion yuan during trading.

On Monday, the Shanghai and Shenzhen stock exchanges both saw lukewarm performances, while the liquor sector saw a sharp decline. Moutai rivals Wuliangye Yibin Co Ltd and Gujing Group, among others, saw their shares slump by the daily limit of 10 percent.

Investment bank BOC International (China) Co Ltd said that from 2019 to 2020, the overall growth rate of the liquor sector in China will slow,

as the sector's cycle returns from the significant growth achieved in 2017 and 2018.

Yet, market demand remains robust, and the ongoing consumption upgrade trend will not change, meaning it is unlikely that Moutai's prices will plunge in the near future, BOC said.

"In September, Moutai liquor deliveries were lower than expected, resulting in slower performance growth, indicating that the company tends to keep its product prices stable," the bank said.

"The slower sales performance could lead to concern among investors. Moutai's value has dropped to a relatively low level, and after a period of

pessimism, there will likely emerge some good opportunities for new investments," it said.

Li Baofang, chairman of Moutai, said earlier the company predicts whole-year sales revenue of 90 billion yuan for 2018. Next year, it expects to achieve sales revenue of 100 billion yuan.

A 500 milliliter bottle of Moutai's classic Feitian 53 percent liquor that left the factory in 2015 now carries a price tag of 2,299 yuan on online shopping platform JD. In July, the same product retailed for 2,388 yuan.

Contact the writers at zhuwenqian@chinadaily.com.cn

Execs optimistic on import expo

By WANG YING in Shanghai wang_ying@chinadaily.com.cn

Top multinational corporations' executives have expressed their enthusiasm for the first China International Import Expo set to launch on Nov 5, as part of the nation's efforts to expand opening-up.

While attending the 30th International Business Leaders' Advisory Council, held annually in Shanghai, business leaders said they are optimistic about China's opening-up policy and new opportunities.

"The import expo is unprecedented in China for sure, and it really sends a signal to the global community that China is very open and willing to have imports, which is obviously very important in today's environment," said Mark Weinberger, global chairman and CEO of professional services firm EY, and the advisory council's chairman.

"We believe that the upcoming first China International Import Expo will explore more opportunities to enhance global trade, investment and strategic collaboration activities, especially in areas such as the development of utility services, industrial automation, transportation, artificial intelligence, smart cities and electric vehicles," said Ulrich Spiesshofer, CEO of automation conglomerate ABB Group.

"I would guess all companies that I am engaged in are involved in one way or another. I think they all consider this to be a very important opportunity to display their

products, their know-how, and how interesting they are as a company," said Brian Duperreault, president, CEO and director of finance corporation American International Group Inc.

According to Severin Schwan, CEO of Roche Group, the pharmaceuticals giant will showcase its cutting-edge technology at the import expo, covering early research and development, integrated diagnosis and treatment solutions, and personalised healthcare offerings.

100,000 units

annual production capacity of ABB's new robot factory in Shanghai

Roche is committed to helping Shanghai position itself as a medical hub for Asia, and is constantly contributing to the long-term growth of China's healthcare sector, Schwan added.

Their optimism about the event is based on the continued efforts from Shanghai's municipal government, and the nation as a whole, in embracing the world's goods and services with open arms.

ABB said on Saturday it will invest \$150 million in Shanghai to build its latest robotics factory under the theme of robots making robots. With a production capacity of 100,000 industrial and service-function robots a year, it will supply robots to the global markets.

"Shanghai has become a vital center for advanced technology leadership — for ABB and the world... We will make full use of the city's existing advantages and make clear the main challenges facing Shanghai, focus support policies on measures that can address the challenges, and develop specific plans and solutions," Spiesshofer said, explaining the company's rationale.

"We are not only seeing progress in Shanghai's reform and opening-up, but we at Roche are taking an active role in the development of China's biomedical industry. Roche will fully leverage its global experience and expertise in biotechnology to support Shanghai's continued evolution, and will work closely with the Shanghai government to continue to contribute to the development of the city's brand," Schwan said.

"The further opening-up of China... This is very important for the future development of business, foreign business in China. So I have good hope for the future," said Duperreault.

This year's International Business Leaders' Advisory Council is special as it is the 30th anniversary of the first event in 1989, while 2018 also marks the 40th anniversary of China's reform and opening-up.

With this year's theme of New Era, New Start, New Action, the event has invited the advisory council's members to contribute their high-level perspective on how Shanghai can continue to open up in the new context.

Hillhouse seeking billions of dollars for China stocks

Hillhouse Capital Management Ltd is seeking to raise billions of dollars to invest in beaten-down Chinese stocks after this year's market rout, according to people with knowledge of the firm's deliberations.

Zhang Lei's more than \$50 billion investment firm may raise about \$4 billion to be

split between its flagship Gaolien Fund and the Hillhouse China Value fund, said one of the people, who asked not to be named discussing private information. The overall fundraising amount could change, according to the people.

The Shanghai Composite Index has tumbled 28 percent

since peaking in late January and now trades at just 12 times earnings, compared with a ratio of 16 for the S&P 500, data compiled by Bloomberg show.

A New York-based spokesman for Hillhouse declined to comment.

Hillhouse isn't alone in finding some of the valuations

among Chinese stocks compelling. State Street Global Advisors said the nation's banks offer return-on-equity levels as high as any other segment in emerging markets, according to a recent analysis from Olivia Engel, chief investment officer of active quantitative equity.

The Shanghai Composite

Index end down 2.2 percent at 2542.10 and the Hang Seng Index rose 0.38 percent, or 94.41 points, to 24812.04.

Tencent Holdings Ltd, which counts Hillhouse as a long-time backer and strategic partner, is trading below its 10-year average price-to-estimated earnings ratio, after

its Hong Kong-traded shares plunged 36 percent this year.

Alibaba Group Holding Ltd, another company that Hillhouse has invested in, is down 17 percent this year in New York. At the end of September, Hillhouse owned almost twice as many shares in the Chinese e-commerce giant as it did a year ago, data compiled by Bloomberg show. It more than halved its holdings in the six months

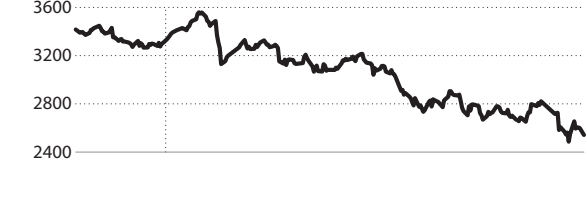
through March 31, 2018. Hillhouse, founded by Zhang with money from the Yale University endowment, can invest globally from its offices in Beijing, Hong Kong, Singapore and the US.

Its investors are dominated by North American endowment and pension funds, and it periodically returns some of investors' capital to maintain returns.

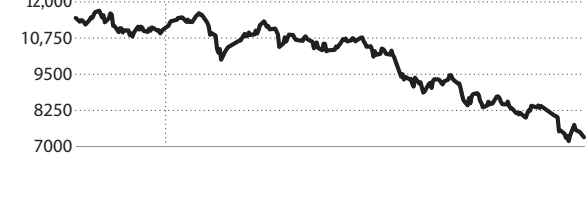
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Daily Stock Market Performance

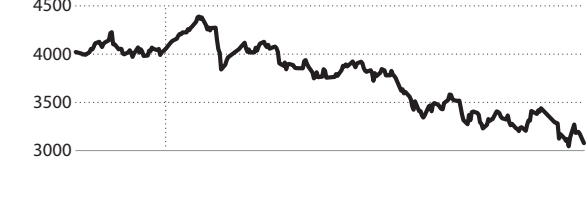
Index	Close	Daily % Chg	YTD % Chg
Shanghai Stock Exchange Composite Index	2542.10	-2.2	-23.1



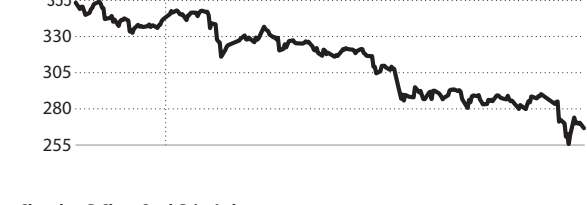
Shenzhen Stock Exchange Component Index	7322.24	-2.4	-33.7
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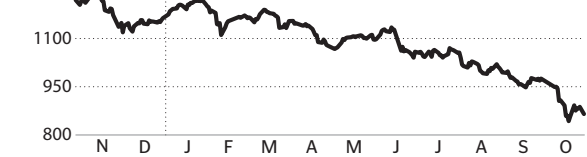
Shanghai Shenzhen CSI 300 Index	3076.89	-3.0	-23.7
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Shanghai B-Share Stock Price Index	266.61	-1.4	-22.0
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Shenzhen B-Share Stock Price Index	865.07	-2.5	-25.6
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Gainers and Losers

GAINERS			LOSERS		
	Close	Daily % Chg		Close	Daily % Chg

Shanghai Stock Exchange			Shanghai Greencourt Invst	3.67	-10.05
Lionco Pharmaceutical	10.07	10.05	Beijing Qianjiang Lndscpe	4.39	-10.04
Jiangsu SINOIT WndEntCh	2.52	10.04	Yanzhou Coal Mining Co	10.15	-10.02
Hefei ThOptictrncTchlgy	15.35	10.04	Jiangsu Kng'sLckBrwryJSC	13.39	-10.01
Anji Foodstuff Co Ltd	11.52	10.03	HLA Corp Ltd	8.27	-10.01
ADD Industry Zhejiang	17.45	10.03	Shede Spirits Co Ltd	18.98	-10.00
Anhui Xinli Finance Co	7.03	10.02	Sichuan Swellfun Co	25.83	-10.00
Ningbo Lehui EngEquipmntC	26.27	10.01	Jonjee Hi-Tech Ind&CommC	22.23	-10.00
Hubei Kaile Sci & Tech	17.15	10.01	Kweichow Moutai Co Ltd	549.09	-10.00
Ecovacs Robotics Co	39.03	10.01	Foshan Haitian Flvrng&Fd	58.32	-10.00
Zhejiang Cheng Yi Ph	27.61	10.00			

Shenzhen Stock Exchange			Nanjing Hanrui Cobalt	72.86	-10.00
Beijing Thunisoft Corp	13.44	5.83	Wuliangye Yibin Co Ltd	48.87	-10.00
Northcom Group Co Ltd	9.58	4.81	Midea Group Co Ltd	36.27	-10.00
Hithink RylFishInfNtwrk	37.88	4.35	Anhui Gujing Distillery	56.16	-10.00
Hand Enterprise Sol	11.48	3.99	Jiangsu Yanghe Brewery	86.40	-10.00
Yunnan En New Material	37.57	3.67	Beijing Shunxin Agrcltre	33.26	-9.99
China Nat Accord Medicins	45.08	3.63	JiuGui Liquor Co Ltd	14.71	-9.53
Hangzhou Shunwang Tech	14.29	3.63	Zhejiang Semir Garment	8.69	-9.29
Perfect World Co Ltd	24.05	3.44	Xinjiang Goldwind Sc&Tch	8.65	-8.95
Betta Pharmaceuticals	32.82	3.31	Wuxi Little Swan Co	42.84	-7.87
Risen Energy Co Ltd	5.52	2.79			

Hang Seng			China Shenhua Energy	17.50	-3.95
HSBC Holdings PLC	63.55	5.04	Sino Biopharmaceutical	6.62	-3.22
China Resources Power	13.20	3.45	Geely Automobile	13.62	-2.71
AAC Technologies	57.90	3.02	WH Group Ltd	5.60	-2.61
Bank of Communications	5.79	2.12	Sino Land Co Ltd	12.24	-2.39
CLP Holdings Ltd	87.05	1.93			

Cross Currency Rates

	USD	EUR	CNY	HKD	GBP	KRW	BRL	RUB	JPY	INR	CAD
USD		1.138	0.144	0.128	1.281	0.001	0.275	0.015	0.009	0.014	0.763
EUR	0.879		0.126	0.112	1.126	0.001	0.241	0.013	0.008	0.012	0.671
CNY	6.960	7.922		0.887	8.916	0.006	1.911	0.106	0.062	0.095	5.312
HKD	7.843	8.928	1.127		10.049	0.007	2.153	0.119	0.070	0.107	5.987
GBP	0.781	0.889	0.112	0.100		0.001	0.214	0.012	0.007	0.011	0.596
KRW	1141.200	1298.820	164.068	145.499	1464.040		313.731	17.385	10.200	15.538	872.160
BRL	3.642	4.154	0.523	0.464	4.668	0.003		0.055	0.033	0.050	2.780
RUB	65.728	74.813	9.447	8.380	84.197	0.058	18.043		0.587	0.898	50.167
JPY	111.960	127.440	16.085	14.275	143.435	0.098	30.738	1.703		1.524	85.455
INR	73.445	83.618	10.552	9.364	94.097	0.064	20.161	1.117	0.656		56.060
CAD	1.310	1.491	0.188	0.167	1.679	0.001	0.360	0.020	0.012	0.018	

Data provided by Bloomberg

International Stock Markets

	Daily Close	% Chg	YTD % Chg
Hang Seng Index	24,812.04	0.4	
Hang Seng China Ent Index	10,012.63	-0.5	
TAIEX Taiwan Stock Index	9,516.32	0.3	
Nikkei 225	21,149.80	-0.2	
Sensex	33,824.88	1.4	
KOSPI	1,996.05	-1.5	
S&P/ASX 200	5,728.16	1.1	
New Zealand 50 Gross Index	8,615.54	0.6	
Straits Times Index STI	2,982.02	0.3	
Bangkok SET Index	1,637.14	0.5	
Bursa Malaysia KLCI Index	1,683.48	0.0	
VN-Index	888.82	-1.3	
Dow Jones	24,688.31	-1.2	

Commodities

	Close	Daily % Chg	YTD % Chg
Brent Crude Oil (USD/bbl.)	77.23	-0.5	
Gold (USD/t oz.)	1235.80	0.3	
Silver (USD/t oz.)	14.70	0.5	
Copper (USD/lb.)	2.74	-0.5	
Aluminum (USD/MT)	1994.25	0.4	
Corn (USD/bu.)	3.68	1.9	
Wheat (USD/bu.)	5.05	3.7	
Soybeans (USD/bu.)	8.58	0.4	
Coffee (USD/lb.)	1.20	-1.2	
Sugar #11 (USD/lb.)	0.14	0.3	
Palm Oil (MYR/MT)	2181.00	1.5	

ETFs

EQUITY ETFs	Ticker	Close	Daily % Change
China 50	510050	2.43	-3.38
China AMC CSI 300 Index	510330	3.40	-2.78
China CSI 500	510500	4.44	-1.20
China SME	159902	2.37	-2.47
China Universal CSI Consumer Staples Index	159928	1.66	-9.07
E Fund ChiNext Price Index	159915	1.19	-0.91
E Fund CSI 300	510310	1.34	-2.69
E Fund CSI 300 Financials ex Banks Index	512070	1.67	-3.57
E Fund Hang Seng China Enterprises Index	510900	1.10	-1.34
E FUND SZSE 100 INDEX FUND	159901	3.38	-2.96
Fortune SGAM Xianjin Tianyi Money Market	511990	100.01	-0.01
Guangfa CSI 500	510510	1.18	-1.67
Guotai Shanghai Stock Exchange 180 Financial Index	510230	5.63	-2.41
Harvest CSI 300 Index	159919	3.41	-2.93
Huatai-Pinebridge CSI 300	510300	3.13	-3.00
Shanghai SSE180	510180	2.84	-2.81
SSE Pledge Urban Investment Bond	511220	93.51	0.11
Yinhua Traded Money Market Fund	511880	103.15	0.01