



## Xin Point (1571 HK) Order book supports solid growth

- Revenue was up 21.8% YoY in FY17, attributable to the 7.4% YoY ASP growth and 13.4% YoY sales volume growth
- GPM and NPM (to owners of the Company) edged up to 41.5% and 20.8%; operating cost pressure increased on higher staff costs and R&D expense in FY17
- Expanding production capacity and high order book visibility indicate solid growth in the future
- We expect revenue to grow at 19.2% CAGR in 2017-20E with margins continuing to improve
- Maintain BUY; TP represents 15.11x/12.54x 18E/19E P/E or 3.27x/2.97x 18E/19E P/B

**Growth driven mostly by volume.** Total revenue grew 21.8% YoY in FY17, reaching RMB 1.9bn. Total sales volume and overall ASP grew by 7.4% YoY and 13.4% YoY. Sales volume of automotive decorative components rose 16.1% YoY, while the ASP climbed 6.7% YoY. China remained as one of the potent growth drivers, as the region's revenue went up by 32.0% YoY. Europe also saw a decent revenue growth of 27.1% YoY. We believe growing revenue and ASP indicate the Group's competitiveness in the market and its ability to obtain new orders.

**Margins remained stable.** In FY17, GPM was 41.5%, slightly higher than the FY16 level (41.1%). OPM, pretax margin and NPM (to owners of the Company) rose to 27.1%, 27.2%, and 20.8%. However, the Group's SG&A/sales ratio increased on higher staff costs, higher R&D expenses, and goodwill impairment relating to the acquisition of an electroplating company located in Changzhou City.

**Expansion of production capacity and strong order book enable solid growth ahead.** Aside from the electroplating company in Changzhou, the Group also acquired land and factories in Jiujiang in 2017. As of end-2017, the Group's production capacity was 3.18mn sq.m; the new production base in Jiujiang is expected to add 700k sq.m to the total capacity by end-2018. In addition, the Group plans to complete the first production line in Mexico with production capacity of 700k sq.m in 1H19. The increasing production capacity, together with the backlog orders of RMB 9.7bn for 2018-2022, showed high growth visibility.

**Decent growth ahead.** Based on our estimates, revenue would grow by CAGR of 19.2% in 2017-20E. ASP and volume would expand at CAGRs of 3.6% and 15.1% in 2017-20E. Margin-wise, GPM and NPM (to owners of the Company) would increase to 43.4% and 21.8% in FY20E.

**Maintain BUY; TP at HK\$ 8.98.** FY17 performance was stable. Solid orders in hand and expansion in production capacity will support growth in coming years. Maintain BUY. Based on our DCF model, we raise TP to HK\$ 8.98, which represents 15.11x/12.54x 18E/19E P/E or 3.27x/2.97x 18E/19E P/B. Currently, the average 18E P/E of HK peers is at 13.5x while the 18E P/E of Minth is at 18.5x.

**Risk factors:** 1) Growth risk; 2) Commodity price risk; 3) Labor supply risk; 4) Product concentration risk; 5) Order procurement risk; 6) Product quality risk; 7) Export risk; 8) Currency risk.

### Results and Valuation

| FY ended Aug 31      | FY16A | FY17A  | FY18E  | FY19E  | FY20E  |
|----------------------|-------|--------|--------|--------|--------|
| Revenue (RMB mn)     | 1,541 | 1,877  | 2,262  | 2,692  | 3,181  |
| Chg (% YoY)          | 27.99 | 21.84  | 20.50  | 19.01  | 18.14  |
| Net Profit (RMB mn)  | 298   | 391    | 483    | 583    | 694    |
| Chg (% YoY)          | 30.60 | 31.15  | 23.52  | 20.56  | 19.12  |
| Basic EPS (RMB cent) | 40.00 | 44.00  | 48.02  | 57.89  | 68.96  |
| Chg (% YoY)          | N/A   | 10.00  | 9.13   | 20.56  | 19.12  |
| P/E (x)              | N/A   | 12.12  | 11.10  | 9.21   | 7.73   |
| BVPS (RMB cent)      | N/A   | 194.78 | 221.85 | 244.66 | 271.74 |
| P/B (x)              | N/A   | 2.74   | 2.40   | 2.18   | 1.96   |
| DPS(HKD)             | N/A   | 12.00  | 16.81  | 20.26  | 24.14  |
| Yield (%)            | N/A   | 2.25   | 3.15   | 3.80   | 4.53   |
| ROAA (%)             | 21.42 | 19.29  | 17.66  | 18.57  | 19.85  |
| ROAE (%)             | 32.24 | 26.19  | 23.05  | 24.82  | 26.71  |

Source(s): Company, ABCI Securities estimates

## Company Report

Mar 19, 2018  
Rating: BUY  
TP: HK\$ 8.98

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|                         |              |
|-------------------------|--------------|
| Share price (HK\$)      | 6.60         |
| 52Wk H/L(HK\$)          | 7.01/2.75    |
| Est. share price return | 36.12%       |
| Est. dividend yield     | 3.15%        |
| Est. total return       | 39.28%       |
| Previous rating&TP      | BUY/HK\$5.20 |

Source(s): Bloomberg, ABCI Securities estimates

### Key Data

|                    |          |
|--------------------|----------|
| Issued shares (mn) | 1,006.49 |
| Mkt cap (HK\$ mn)  | 6,642.81 |
| 3-mth ADT (HK\$mn) | 9.16     |

|                  |       |
|------------------|-------|
| Shareholding (%) |       |
| Green Pinnacle   | 71.40 |
| Greater Talent   | 6.31  |

Source(s): Bloomberg, HKEX

### Revenue composition (%)

|                                      | FY18E |
|--------------------------------------|-------|
| Automotive decorative components     | 99.31 |
| Non-automotive decorative components | 0.69  |

Source(s): ABCI Securities estimates

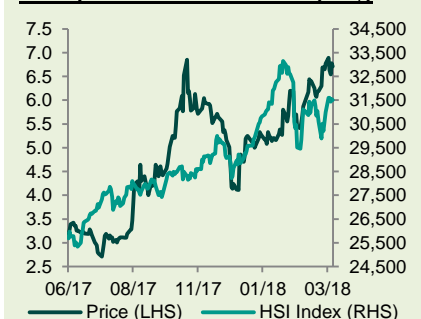
### Price Performance (%)

|       | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | 12.44    | 10.85     |
| 3-mth | 36.93    | 28.86     |
| 6-mth | 57.14    | 44.13     |

\* Relative to HSI

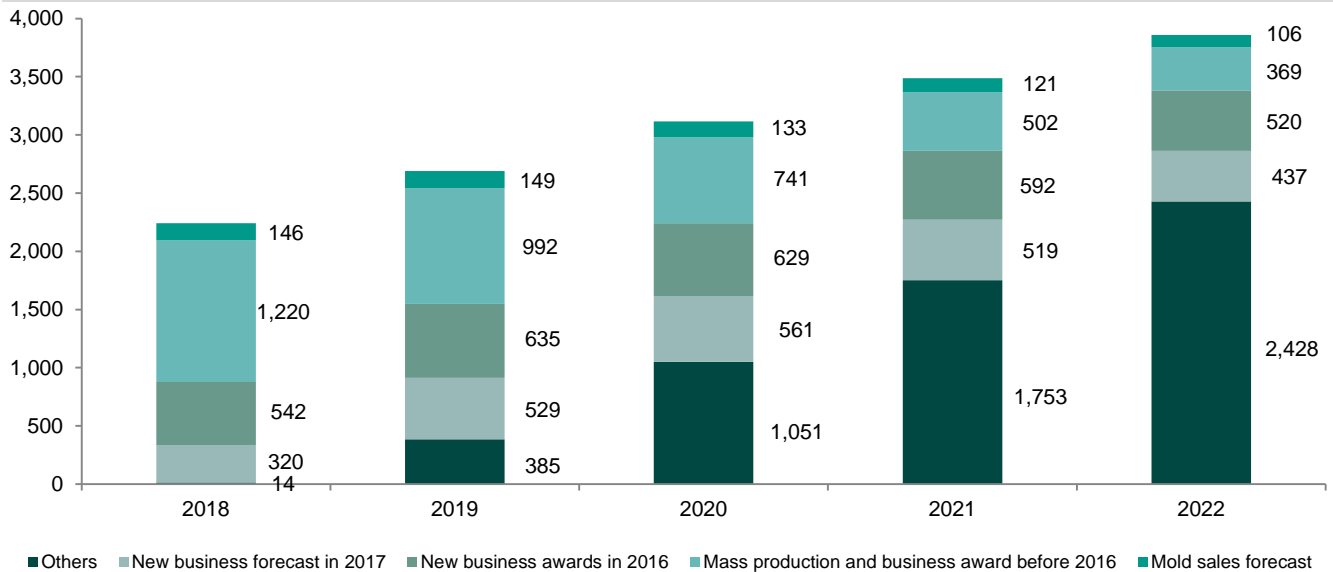
Source(s): Bloomberg

### Price performance since IPO (HK\$)



Source(s): Bloomberg, ABCI Securities

\* All pricing and market data as of end of Mar 19, 2018

**Exhibit 1: Order book in 2018-22 (including forecasts by the Group, RMB mn)**


Source(s): The Group, ABCI Securities

**Exhibit 2: Brief introductions of production bases in China**

| Production base | Total GFA/Production capacity (sq.m) | Utilization rate (%) | Introduction  |
|-----------------|--------------------------------------|----------------------|---|
| Huizhou         | 112,177 / 2,254,000                  | 81.8                 | <ul style="list-style-type: none"> <li>➢ 7 electroplating lines</li> <li>➢ 7 spray painting lines (6 with VM electroplating technology)</li> <li>➢ 1 laser carving line</li> <li>➢ 1 printing line</li> <li>➢ 157 plastic injection machineries</li> <li>➢ 55 mold production machines</li> </ul> |
| Tianjin         | 10,788 / 101,100                     | 62.9                 | <ul style="list-style-type: none"> <li>➢ 1 electroplating line</li> <li>➢ 19 plastic injection machineries</li> </ul>   |
| Wuxi            | 12,361 / 822,400                     | 78.7                 | <ul style="list-style-type: none"> <li>➢ 4 electroplating lines</li> <li>➢ 71 plastic injection machineries</li> </ul>  |
| Jiujiang        | N/A / 700,000                        | N/A                  | N/A   |

Source(s): The Group, ABCI Securities

**Exhibit 3: Use of proceeds**

| Purpose  | Percentage of total amount (%) | Net proceeds from IPO (RMB mn) | Amount utilized (RMB mn) | Amount un-utilized (RMB mn) |
|--|--------------------------------|--------------------------------|--------------------------|-----------------------------|
| <u>Expanding and improving the production facilities in the PRC:</u>   |                                |                                |                          |                             |
| i) Set up the Huizhou New Production Base  | 20.9                           | 155.0                          | 39.2                     | 115.8                       |
| ii) Construct the Wuxi New Production Base   | 10.3                           | 76.4                           | 12.0                     | 64.4                        |
| iii) Construct a new electroplating production line  | 3.1                            | 23.0                           | 17.4                     | 5.6                         |
| iv) Invest in plastic injection equipment  | 1.6                            | 11.9                           | 11.9                     | 0                           |
| <u>Constructing the new production base in Mexico and investing in production facilities and equipment</u>   |                                |                                |                          |                             |
|  | 40.2                           | 298.1                          | 64.8                     | 233.3                       |
| <u>Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to high-end automobile manufacturing segment and market shares in North America and Europe</u> |                                |                                |                          |                             |
|  | 5.4                            | 40.0                           | 0.6                      | 39.4                        |
| <u>Enhancing the product quality, product safety, and R&amp;D capabilities</u>   |                                |                                |                          |                             |
|  | 5.7                            | 42.3                           | 6.1                      | 36.2                        |
| <u>Enhancing the information technology and customer services systems</u>  |                                |                                |                          |                             |
|  | 4.8                            | 35.6                           | 2.5                      | 33.1                        |
| <u>Working capital and general corporate purposes</u>  |                                |                                |                          |                             |
|  | 8.0                            | 59.2                           | 29.6                     | 29.6                        |

Source(s): The Group, ABCI Securities



Exhibit 4: Peer valuation

| Ticker                        | Chn name       | Eng name         | Curcy | Price  | Mkt cap (mn) | YTD Chg (%) | P/E         |             | P/B        |            | Div yld.   |            | ROA         |             | ROE         |             |
|-------------------------------|----------------|------------------|-------|--------|--------------|-------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
|                               |                |                  |       |        |              |             | 18E         | 19E         | 18E        | 19E        | 18E        | 19E        | 18E         | 19E         | 18E         | 19E         |
| <b>HK Universe</b>            |                |                  |       |        |              |             |             |             |            |            |            |            |             |             |             |             |
| 1571 HK                       | 信邦控股           | Xin Point        | HKD   | 6.62   | 6,663        | 32.6        | 15.1        | 12.5        | 3.3        | 3.0        | 3.2        | 3.8        | 17.7        | 18.6        | 23.1        | 24.8        |
| 425 HK Equity                 | 敏实集团           | Minth            | HKD   | 42.65  | 49,306       | (9.5)       | 18.5        | 14.9        | 3.3        | 2.8        | 2.0        | 2.5        | 13.5        | 14.4        | 18.6        | 20.0        |
| 3606 HK Equity                | 福耀玻璃           | Fuyao Glass      | HKD   | 33.15  | 80,731       | (3.2)       | 16.1        | 14.3        | 3.0        | 2.7        | 3.7        | 4.2        | 12.1        | 12.7        | 18.8        | 19.4        |
| 698 HK Equity                 | 通达集团           | TONGDA           | HKD   | 1.69   | 10,227       | (15.5)      | 9.8         | 7.5         | 1.9        | 1.6        | 3.0        | 4.0        | 9.5         | 11.1        | 20.0        | 22.2        |
| 179 HK Equity                 | 德昌电机控股         | Johnson Electric | HKD   | 31.95  | 27,112       | (2.4)       | 12.5        | 11.1        | 1.6        | 1.4        | 1.9        | 2.0        | 8.1         | 8.7         | 13.3        | 13.9        |
| 868 HK Equity                 | 信义玻璃           | Xinyi Glass      | HKD   | 12.96  | 52,157       | 27.3        | 11.3        | 10.0        | 2.6        | 2.3        | 4.3        | 4.8        | 14.4        | 14.6        | 24.6        | 23.6        |
| 1316 HK Equity                | 耐世特            | Nexteer          | HKD   | 13.28  | 33,268       | (28.5)      | 11.3        | 10.1        | 2.5        | 2.1        | 1.9        | 2.1        | 12.8        | 13.0        | 24.4        | 23.3        |
| <i>Average</i>                |                |                  |       |        |              |             | <u>13.5</u> | <u>11.5</u> | <u>2.6</u> | <u>2.3</u> | <u>2.9</u> | <u>3.4</u> | <u>12.6</u> | <u>13.3</u> | <u>20.4</u> | <u>21.0</u> |
| <b>International Universe</b> |                |                  |       |        |              |             |             |             |            |            |            |            |             |             |             |             |
| EO FP                         | 佛吉亚公司          | Faurecia         | EUR   | 67.26  | 9,284        | 3.3         | 12.6        | 11.8        | 2.4        | 2.0        | 1.9        | 2.1        | 6.5         | 6.7         | 19.4        | 18.2        |
| LEA US                        | Lear 公司        | Lear Corp        | USD   | 190.73 | 12,764       | 8.0         | 9.9         | 9.2         | 3.5        | 2.8        | 1.0        | 1.1        | 10.8        | 10.7        | 31.3        | 37.4        |
| ADNT US                       | Adient PLC     | Adient PLC       | USD   | 59.76  | 5,579        | (24.1)      | 7.7         | 6.1         | 1.2        | 1.2        | 2.1        | 2.1        | 5.6         | 6.8         | 18.0        | 20.0        |
| MSS IN                        | Motherson Sumi | Motherson Sumi   | INR   | 306    | 644,163      | (19.3)      | 33.6        | 23.1        | 6.8        | 5.7        | 1.0        | 1.2        | 7.3         | 9.4         | 21.4        | 26.1        |
| CON GR                        | 德国大陆集团         | Continental Ag   | EUR   | 222.1  | 44,421       | (1.3)       | 12.8        | 11.8        | 2.4        | 2.1        | 2.3        | 2.5        | 8.8         | 8.9         | 19.6        | 18.6        |
| GNTX US                       | 金泰克斯公司         | Gentex Corp      | USD   | 23.5   | 6,449        | 12.2        | 14.3        | 13.1        | 3.0        | 2.6        | 1.8        | 1.8        | 18.4        | 18.3        | 22.5        | 22.1        |
| FR FP                         | 法雷奥集团          | Valeo Sa         | EUR   | 55.7   | 13,349       | (10.6)      | 12.8        | 11.1        | 2.6        | 2.2        | 2.5        | 2.8        | 5.6         | 6.3         | 20.6        | 20.6        |
| DLPH US                       | 德尔福汽车          | Delphi           | USD   | 48.32  | 4,289        | (7.9)       | 10.1        | 9.2         | 10.7       | 5.9        | 1.3        | 1.4        | 12.4        | 15.6        | 169.1       | 95.3        |
| BWA US                        | 博格华纳股          | Borgwarner Inc   | USD   | 51.44  | 10,841       | 0.7         | 11.8        | 10.8        | 2.5        | 2.2        | 1.3        | 1.3        | 9.0         | 9.2         | 21.9        | 20.6        |
| TEN US                        | Tenneco 公司     | Tenneco Inc      | USD   | 55.11  | 2,834        | (5.9)       | 7.2         | 6.5         | 3.8        | 3.0        | 1.9        | 1.9        | 7.8         | 8.6         | 47.1        | 42.9        |
| MG CN                         | 麦格纳国际          | Magna Intl       | CAD   | 73.06  | 26,184       | 2.6         | 8.3         | 7.5         | 1.6        | 1.4        | 2.2        | 2.3        | 10.4        | 10.9        | 20.5        | 21.3        |
| GMM GR                        | 格拉默            | Grammer Ag       | EUR   | 49.08  | 619          | (5.3)       | 17.6        | 11.1        | 1.8        | 1.6        | 2.2        | 2.9        | 7.5         | 12.6        | 10.2        | 15.0        |
| CIE SM                        | 西艾意汽车          | Cie Automotive   | EUR   | 27.52  | 3,550        | 13.7        | 14.1        | 12.5        | 3.5        | 2.9        | 2.2        | 2.5        | N/A         | N/A         | 25.6        | 24.3        |
| <i>Average</i>                |                |                  |       |        |              |             | <u>13.3</u> | <u>11.1</u> | <u>3.5</u> | <u>2.7</u> | <u>1.8</u> | <u>2.0</u> | <u>9.2</u>  | <u>10.3</u> | <u>34.4</u> | <u>29.4</u> |

\*Data as of end of Mar 19, 2018

Source(s): Bloomberg, ABCI Securities estimates



**Consolidated income statement (2016A-2020E)**

| <b>FY ends at Dec 31 (RMB mn, otherwise stated)</b> | <b>2016A</b> | <b>2017A</b> | <b>2018E</b> | <b>2019E</b> | <b>2020E</b> |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                                      | <b>1,541</b> | <b>1,877</b> | <b>2,262</b> | <b>2,692</b> | <b>3,181</b> |
| By product segment                                  |              |              |              |              |              |
| - Automotive decorative components                  | 1,503        | 1,859        | 2,246        | 2,683        | 3,175        |
| - Non-automotive components                         | 38           | 18           | 16           | 9            | 5            |
| By geographical segment                             |              |              |              |              |              |
| - China   | 674          | 889          | 1,078        | 1,348        | 1,681        |
| - North America                                     | 462          | 486          | 606          | 677          | 778          |
| - Europe  | 348          | 442          | 491          | 561          | 606          |
| - Others  | 57           | 59           | 87           | 106          | 116          |
| COGS  | (907)        | (1,098)      | (1,300)      | (1,528)      | -1,799       |
| <b>Gross profit</b>                                 | <b>633</b>   | <b>779</b>   | <b>962</b>   | <b>1,164</b> | <b>1,382</b> |
| S&D expense   | (29)         | (37)         | (45)         | (53)         | -63          |
| Admin expense                                       | (219)        | (275)        | (325)        | (385)        | -457         |
| Net other income/(expenses)                         | 26           | 42           | 35           | 32           | 41           |
| <b>Operating profit</b>                             | <b>412</b>   | <b>509</b>   | <b>628</b>   | <b>758</b>   | <b>903</b>   |
| Finance cost  | (1)          | (0)          | (0)          | 0            | 0            |
| Share of profit and losses of an associate          | 0            | 1            | 1            | 1            | 1            |
| <b>Pretax profit</b>                                | <b>411</b>   | <b>510</b>   | <b>629</b>   | <b>758</b>   | <b>904</b>   |
| Tax   | (113)        | (119)        | (146)        | (176)        | -210         |
| <b>Net profit</b>                                   | <b>298</b>   | <b>391</b>   | <b>483</b>   | <b>583</b>   | <b>694</b>   |
| - Profit attributable to shareholders               | 298          | 391          | 483          | 583          | 694          |
| - Minority interest                                 | 0            | 0            | 0            | 0            | 0            |
| Dividend  | 110          | 150          | 169          | 204          | 243          |
| EPS (RMB cent)                                      | <b>40.00</b> | <b>44.00</b> | <b>48.02</b> | <b>57.89</b> | <b>68.96</b> |
| DPS (RMB cent)                                      | <b>N/A</b>   | <b>12.00</b> | <b>16.81</b> | <b>20.26</b> | <b>24.14</b> |

Note: The Group paid out dividend of RMB 110 mn before IPO in 2017

Source(s): Company, ABCI Securities estimates

**Consolidated balance sheet (2016A-2020E)**

| <b>FY ends at Dec 31 (RMB mn)</b>    | <b>2016A</b> | <b>2017A</b> | <b>2018E</b> | <b>2019E</b> | <b>2020E</b> |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash and cash equivalent             | 230          | 812          | 745          | 536          | 728          |
| Trade and bills receivable           | 445          | 538          | 621          | 774          | 866          |
| Inventories                          | 219          | 327          | 281          | 456          | 399          |
| Others                               | 98           | 125          | 127          | 182          | 176          |
| <b>Total current assets</b>          | <b>991</b>   | <b>1,802</b> | <b>1,775</b> | <b>1,949</b> | <b>2,169</b> |
| PP&E                                 | 429          | 613          | 1,039        | 1,249        | 1,318        |
| Investment in an associate           | 1            | 2            | 1            | 2            | 2            |
| Deferred tax assets                  | 10           | 11           | 20           | 27           | 35           |
| Others                               | 87           | 112          | 99           | 113          | 130          |
| <b>Total non-current assets</b>      | <b>526</b>   | <b>738</b>   | <b>1,160</b> | <b>1,391</b> | <b>1,485</b> |
| <b>Total assets</b>                  | <b>1,518</b> | <b>2,540</b> | <b>2,935</b> | <b>3,339</b> | <b>3,654</b> |
| Trade payable                        | 184          | 194          | 206          | 327          | 222          |
| ST borrowings                        | 4            | 1            | 0            | 0            | 0            |
| Others                               | 300          | 385          | 450          | 541          | 642          |
| <b>Total current liabilities</b>     | <b>489</b>   | <b>579</b>   | <b>657</b>   | <b>868</b>   | <b>864</b>   |
| LT Borrowings                        | 1            | 0            | 0            | 0            | 0            |
| Deferred tax liabilities             | 0            | 0            | 45           | 9            | 55           |
| <b>Total non-current liabilities</b> | <b>1</b>     | <b>0</b>     | <b>45</b>    | <b>9</b>     | <b>55</b>    |
| Shareholders' equity                 | 1,028        | 1,960        | 2,233        | 2,462        | 2,735        |
| Minority interest                    | 0            | 0            | 0            | 0            | 0            |
| <b>Total equity</b>                  | <b>1,028</b> | <b>1,960</b> | <b>2,233</b> | <b>2,462</b> | <b>2,735</b> |
| <b>Total liabilities and equity</b>  | <b>1,518</b> | <b>2,540</b> | <b>2,935</b> | <b>3,339</b> | <b>3,654</b> |

Source(s): Company, ABCI Securities estimates



**Consolidated cash flow statement (2016A-2020E)**

| FY ends at Dec 31 (RMB mn)                 | 2016A        | 2017A        | 2018E        | 2019E        | 2020E        |
|--|--------------|--------------|--------------|--------------|--------------|
| Pretax profit                              | 411          | 510          | 629          | 758          | 904          |
| Depreciation                               | 59           | 65           | 106          | 137          | 169          |
| Change in working capital                  | (96)         | (206)        | 49           | (258)        | (42)         |
| Others                                     | (63)         | (3)          | 134          | (230)        | (493)        |
| <b>Cash flow from operating activities</b> | <b>312</b>   | <b>366</b>   | <b>917</b>   | <b>408</b>   | <b>539</b>   |
| Capex                                      | (177)        | (321)        | (478)        | (357)        | (251)        |
| Others                                     | (12)         | (73)         | (470)        | (105)        | 97           |
| <b>Cash flow from investing activities</b> | <b>(189)</b> | <b>(393)</b> | <b>(948)</b> | <b>(462)</b> | <b>(154)</b> |
| Change in borrowings                       | (22)         | (3)          | (2)          | 0            | 0            |
| Others                                     | (181)        | 608          | (50)         | (169)        | (204)        |
| <b>Cash flow from financing activities</b> | <b>(203)</b> | <b>605</b>   | <b>(52)</b>  | <b>(169)</b> | <b>(204)</b> |
| <b>Net change in cash</b>                  | <b>(80)</b>  | <b>578</b>   | <b>(83)</b>  | <b>(224)</b> | <b>181</b>   |
| Forex effect                               | 8            | 5            | 16           | 15           | 11           |
| <b>Cash and cash equivalent - end</b>      | <b>230</b>   | <b>812</b>   | <b>745</b>   | <b>536</b>   | <b>728</b>   |

Source(s): Company, ABCI Securities estimates

**Key operating and financial ratios (2016A-2020E)**

| FY ends at Dec 31                    | 2016A  | 2017A  | 2018E | 2019E  | 2020E   |
|--------------------------------------|--------|--------|-------|--------|---------|
| <b>Growth (YoY %)</b>                |        |        |       |        |         |
| Revenue                              | 27.99  | 21.84  | 20.50 | 19.01  | 18.14   |
| By product segment                   |        |        |       |        |         |
| - Automotive decorative components   | 33.21  | 23.69  | 20.79 | 19.49  | 18.33   |
| - Non-automotive components          | (50.1) | (52.1) | (9.5) | (46.0) | (38.50) |
| By geographical segment              |        |        |       |        |         |
| - China                              | 17.87  | 31.97  | 21.24 | 25.07  | 24.71   |
| - North America                      | 21.23  | 5.25   | 24.65 | 11.74  | 14.80   |
| - Europe                             | 65.77  | 27.06  | 10.92 | 14.26  | 7.99    |
| - Others                             | 38.44  | 4.69   | 46.88 | 21.52  | 9.75    |
| Gross profit                         | 39.96  | 23.04  | 23.47 | 20.96  | 18.71   |
| Operating profit                     | 49.23  | 23.63  | 23.40 | 20.61  | 19.17   |
| Net profit (to owners of the parent) | 30.60  | 31.15  | 23.52 | 20.56  | 19.12   |
| <b>Profitability ratios (%)</b>      |        |        |       |        |         |
| GPM                                  | 41.1   | 41.51  | 42.54 | 43.23  | 43.44   |
| OPM                                  | 26.7   | 27.12  | 27.77 | 28.14  | 28.38   |
| Pretax margin                        | 26.7   | 27.18  | 27.82 | 28.17  | 28.42   |
| NPM (to owners of the parent)        | 19.4   | 20.84  | 21.37 | 21.64  | 21.82   |
| <b>Return ratios (%)</b>             |        |        |       |        |         |
| ROAA                                 | 21.42  | 19.29  | 17.66 | 18.57  | 19.85   |
| ROAE                                 | 32.24  | 26.19  | 23.05 | 24.82  | 26.71   |
| ROIC                                 | 50.16  | 45.23  | 39.66 | 36.35  | 37.64   |
| <b>Liquidity ratio (x)</b>           |        |        |       |        |         |
| Current ratio                        | 2.03   | 3.11   | 2.70  | 2.24   | 2.51    |
| Quick ratio                          | 1.58   | 2.55   | 2.27  | 1.72   | 2.05    |
| Cash ratio                           | 0.47   | 1.40   | 1.13  | 0.62   | 0.84    |
| <b>Cash conversion cycle (days)</b>  |        |        |       |        |         |
| Days of outstanding receivable       | 91     | 96     | 94    | 95     | 94      |
| Days of inventory on hand            | 80     | 91     | 85    | 88     | 87      |
| Days of outstanding payable          | 56     | 57     | 58    | 57     | 57      |
| CCC                                  | 115    | 129    | 121   | 126    | 123     |
| <b>Leverage ratios (%)</b>           |        |        |       |        |         |
| Debt to equity                       | 0.49   | 0.10   | 0.00  | 0.00   | 0.00    |
| Debt to assets                       | 0.33   | 0.08   | 0.00  | 0.00   | 0.00    |
| Net cash/(debt) to equity            | 21.85  | 41.33  | 33.37 | 21.76  | 26.61   |
| Net cash/(debt) to assets            | 14.80  | 31.89  | 25.39 | 16.05  | 19.92   |

Source(s): Company, ABCI Securities estimates

## Disclosures

### Analyst Certification

I, PAN Hongxing, Paul, being the persons primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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### Definition of equity rating

| Rating | Definition   |
|--------|--|
| Buy    | Stock return $\geq$ Market return rate                         |
| Hold   | Market return $- 6\% \leq$ Stock return $<$ Market return rate |
| Sell   | Stock return $<$ Market return $- 6\%$                         |

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate

Time horizon of share price target: 12-month

### Definition of share price risk

| Rating    | Definition   |
|-----------|--|
| Very high | $2.6 \leq$ 180 day volatility/180 day benchmark index volatility         |
| High      | $1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6 |
| Medium    | $1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5 |
| Low       | 180 day volatility/180 day benchmark index volatility $<$ 1.0            |

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index. Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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