



Company Report: LK Tech (00558 HK)

公司报告: 力劲科技 (00558 HK)

Alex Bai 白舸
(852) 2509 7202
ge.bai@gtjas.com.hk
7 December 2022

Large Die-Casting Machine Business Maintained Rapid Growth; Long-Term Growth Logic Remains Unchanged; "Buy"

大型压铸机业务保持快速增长，长期成长逻辑不改，“买入”

- **Due to the lower-than-expected performance, we lower TP to HK\$11.90, but maintain "Buy" rating.** We forecast the Company's shareholders' net profit in FY23/ FY24/ FY25 to increase YoY by -4.3%, 36.4%, and 29.8%, respectively. We forecast earnings per share in FY23/ FY24/ FY25 to be HK\$0.437, HK\$0.596, and HK\$0.773, respectively. Our TP is based on FY24 PER of 20x.
- **The Company's short-term operations remains under pressure, but unfavorable factors are fading.** The Company's 1HFY23 injection molding machine business revenue fell 16% YoY, and operating profit margin dropped to 3.8%, which significantly dragged down the Company's performance. However, with adjustments in China's macro policy, the injection molding machine business and small die-casting machine business will improve in 2HFY23. In addition, decline in raw material prices will benefit the Company's gross profit margin.
- **The revenue share of large die-casting machines will increase gradually, and the Company's long-term growth logic remains unchanged.** According to our calculations on the proportion of revenue and gross profit margin of several types of die-casting machines, we believe that as demand for large and super-large die-casting machines increases in the future, the Company's revenue will maintain double-digit growth and gross profit margin will continue to improve. The Company's long-term growth logic remains unchanged.
- **Catalysts:** Strong demand for super-large die-casting machines; continuous breakthroughs in the single-piece die-casting technology; rapid growth in the Company's CNC business.
- **由于业绩不及预期，我们下调目标价至 11.90 港元，但维持“买入”评级。**我们预测公司 2023/2024/2025 财年的股东净利润分别同比增长-4.3%、36.4%、29.8%，我们预测公司 2023/2024/2025 财年每股盈利分别为 0.437 港元、0.596 港元、0.773 港元。我们的目标价基于 20 倍的 2024 财年市盈率。
- **公司短期业绩面临压力，但不利因素逐渐消退。**公司 2023 财年上半年注塑机业务营收同比下滑 16%，经营利润率降至 3.8%，显著拖累了公司整体业绩表现。但随着中国宏观政策调整，注塑机业务和小型压铸机业务在 2023 下半年将有所改善。此外，原材料价格下降也将利好公司毛利率的改善。
- **大型压铸机的营收占比将逐渐提升，公司长期增长逻辑不变。**根据我们对几类压铸机营收占比和毛利率的计算，我们认为未来随着大型及超大型压铸机的需求持续增加，公司将维持双位数增长，毛利率将持续改善。公司长期增长逻辑不变。
- **催化剂：**超大型压铸机需求强烈；一体压铸技术持续突破；公司 CNC 业务快速增长。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$11.90

Revised from 原目标价:

HK\$18.84

Share price 股价:

HK\$7.410

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(21.2)	(27.4)	(59.6)
Rel. % to HSI Index 相对恒指变动 %	(34.5)	(26.1)	(38.0)
Avg. share price (HK\$) 平均股价 (港元)	8.4	8.6	11.7

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
03/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ%)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2021A	4,021	344	0.262	9,433.8	51.6	2.066	6.6	0.052	0.4	15.5
2022A	5,362	626	0.456	74.0	29.7	3.108	4.4	0.101	0.7	20.3
2023F	5,924	598	0.437	(4.3)	18.1	3.504	2.3	0.107	1.4	15.2
2024F	7,411	816	0.596	36.4	13.2	4.056	1.9	0.133	1.7	18.1
2025F	9,172	1,060	0.773	29.8	10.2	4.770	1.7	0.175	2.2	20.2
Shares in issue (m) 总股数 (m)				1376.4		Major shareholder 大股东		Girgio Industries Limited		61.6%
Market cap. (HK\$ m) 市值 (HK\$ m)				10,199.1		Free float (%) 自由流通比率 (%)				37.7
3 month average vol. 3 个月平均成交股数 ('000)				7,069.3		FY23 Net gearing (%) FY23 净负债/股东资金 (%)				10.3%
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				19.980 / 6.830						

Source: the Company, Guotai Junan International.

1HFY23 Business Update

LK Technology's (the "Company") revenue in 1HFY23 fell short of our expectation, but large die-casting machine business maintained rapid growth. Performance in 1HFY23 was lower than our expectation, mainly due to shrinking non-automobile business. The Company's 1HFY23 injection molding machine business revenue fell 16% YoY, and operating profit margin dropped to 3.8%, which significantly dragged down the Company's performance. Large-scale die-casting machines maintained rapid growth, in line with our expectations. According to the Company, the growth rate of large die-casting machines (>1000 t) exceeded 40%, and revenue from large die-casting machines accounted for more than 70% of revenue of the die-casting machine business. We believe that as the Company's large die-casting machine business will continue to grow in the future, the impact from small die-casting machine business and injection molding machine business on the Company will continue to decrease; we expect the Company's gross profit margin to continue to improve.

CNC machine business performance was good and will expand into new growth space. The Company's CNC machine business revenue in 1HFY23 was HK\$150 million (+52.8%), and operating profit margin was 11.9% (+17.4 pts). In September, the Company released the MCG5 five-axis machine to optimize die-casting parts processing. The Company's five-axis machining center supports super-large die-casting machines equipment and we expect will expand into new growth space.

With adjustments in China's macro policy, the Company's traditional business should improve in 2HFY23. The decline in the Company's gross profit margin in 1HFY23 was mainly due to the decline in utilization rate of injection molding machine capacity and the impact from high raw material prices. We believe that in 2HFY23, the decline in raw material prices will have a positive impact on the Company's gross profit margin. Adjustments in China's macro policy will gradually improve the Company's non-auto-related business.

Table-1: LK Technology's 1HFY23 Financial Data

	1HFY22	1HFY23	YoY
Revenue by segment (HK\$ mn)			
Die-casting machine	1,890	2,050	8.5%
injection molding machines	785	660	(16.0%)
CNC	98	150	52.8%
Key financial data (HK\$ mn)			
Revenue	2,773,518	2,860,238	3.1%
Gross profit	805,456	786,158	(2.4%)
EBIT	415,114	343,164	(17.3%)
Shareholder's profit	323,845	271,193	(16.3%)
Basic EPS (HK\$)	0.237	0.197	(16.9%)

Source: the Company, Guotai Junan International.

Our View on the Company's Super-Large Scale Die-Casting Machine Business

Why didn't rapid growth of super-large die-casting machines drive the Company's performance?

The Company's large and super-large die-casting machine business is growing rapidly. In 1HFY23, revenue from large die-casting machines (1000 t-5000 t) increased by more than 40%, and the gross profit margin exceeded 30%; revenue from super-large die-casting machines (>6000 t) increased by more than 50%, and the gross profit margin exceeded 40%. Revenue from large and super-large die-casting machines accounted for more than 70% of the total revenue of die-casting machines. In the case of perfect performance of large and super-large die-casting machines, why was the Company's overall performance lower than our expectation? We believe that the main reason is that the proportion of revenue from super-large die-casting machines is relatively low. Therefore, the Company's excellent performance in the past two years did not come from contribution from super-large die-casting machines, but from continuous growth of China's new energy vehicle industry. **From the Company's short-term performance, demand for new energy vehicle single-piece die-casting technology for large and super-large die-casting machines has not helped the Company achieve higher-than-expected performance.**

As mentioned in our previous Company Report, strong demand for super-large die-casting machines is the catalyst for the Company's transformation from a cyclical stock to growth stock. However, the key to whether catalysts can be effective is whether revenue from super-large die-casting machines has reached a relatively significant proportion, thereby offsetting the cyclical fluctuations of traditional businesses and driving growth of the Company's overall performance. Due to Tesla's strict privacy stance, the Company has not disclosed specific details on financials concerning super-large die-casting machines in the past two years. However, the Company did disclose the annual sales target of super-large die-casting machines and the gross profit margin of large die-casting machines at the performance meeting on November 30th. This gave us an opportunity to split the revenue and gross profit margin of different tonnage die-casting machines. Therefore, we have made some reasonable forecasts for growth of the Company.

We estimate that in 1HFY23, revenue from super-large die-casting machines will be about HK\$400 million, accounting for about 20% of the revenue of die-casting machines. According to the Company, its large and super-large die-casting machines revenue accounted for 70% of die-casting machines revenue in 1HFY23. The Company plans to produce and sell 20 super-large die-casting machines in FY23; 1HFY23 results were slightly lower than half of the annual target. We estimate that the Company sold 8 super-large die-casting machines in 1HFY23, with an average unit price of HK\$50 million. In 1HFY23, the contribution of super-large die-casting machines was about HK\$400 million, accounting for 20% of the Company's total die-casting machines revenue. Therefore, we can calculate that large die-casting machines account for about 50% of total die-casting machines revenue, and small and medium die-casting machines account for about 30% of total die-casting machines revenue. We calculate that the Company's overall gross profit margin is around 27.8%, which is similar to the Company's real gross profit rate of 27.5%.

Table-2: Key Assumptions for the Company's Business

Key Financial Data Breakdown	1HFY23 Revenue (HK\$m)	YoY Growth	Percentage of Total Revenue	Margin Ratio
Die-Casting Machines				
Super-large (>6000 t)	400 ²	50.0% ¹	14.0%	40% ¹
Large (1000-5000 t)	1,035 ²	40.0% ¹	36.2%	30% ¹
Small and Medium (<1000 t)	615 ²	(30.4%) ²	21.5%	25% ¹
Injection Molding Machines	660	(16.0%)	23.1%	20% ¹
CNC	150	52.8%	5.3%	25% ¹
Total	2,860	3.1%		
Weighted Average Margin Ratio				27.8% ²
Real Margin Ratio				27.5%

Source: the Company, Guotai Junan International.

Note:

1. These numbers are our assumptions based on the Company's performance meeting.
2. These numbers are our calculations based on the assumptions.

Can the rapid growth of super-large die-casting machines drive the Company's performance in the future?

We calculated that revenue of super-large die-casting machines account for about 20% of the total revenue of die-casting machines, and we believe that the Company's large and super-large die-casting machine business will continue to grow rapidly in the next few years. But we still want to identify how the fast-growing super-large die-casting machines business will boost the Company's business. We have some assumptions on the Company's future prospects: 1) The Company's large and super-large die-casting machines will grow rapidly in the next 3 years; 2) with adjustments in China's macro policy, we believe that downstream demand for injection molding machines and small die-casting machines will gradually improve, and the Company's traditional business will improve in 2HFY23; and 3) the Company's breakthrough in five-axis machine will help the Company's CNC business maintain rapid growth. On this basis, we calculate the Company's future revenue growth based on three different scenarios. Under three different scenarios, rapid growth of large and super-large die-casting machines has obviously driven growth of the Company's overall revenue. We believe that in the case of low penetration rate of the single-piece die-casting solution, the industry's demand for large and super-large die-casting machines will continue to be strong, and the Company's long-term growth logic has not changed.

Table-3: Our calculations on the Company's revenue growth

	Growth-Optimism			Growth-Neutral			Growth-Pessimism		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Die-Casting Machines									
Super-large (>6000T)	50.0%	50.0%	50.0%	50.0%	40.0%	40.0%	50.0%	30.0%	30.0%
Large (1000-5000T)	40.0%	40.0%	40.0%	40.0%	30.0%	30.0%	40.0%	20.0%	20.0%
Small and Medium(<1000T)	-20.0%	18.0%	8.0%	-25.0%	15.0%	6.0%	-30.0%	12.0%	4.0%
Injection Molding Machines	-10.0%	12.0%	8.0%	-13.0%	10.0%	6.0%	-16.0%	8.0%	4.0%
CNC	50.0%	50.0%	50.0%	50.0%	35.0%	35.0%	50.0%	20.0%	20.0%
Total Revenue	12.6%	32.1%	31.3%	10.5%	25.1%	23.8%	8.4%	17.9%	16.3%

Source: the Company, Guotai Junan International.

Earnings Forecasts and Valuation

We maintain the investment rating of "Buy", but cut TP to HK\$ 11.90. Based on our assumptions, the rapid growth of super-large die-casting machines will still drive the Company's overall revenue to maintain rapid growth in the next few years, so we believe that the Company's long-term growth logic remains unchanged. However, dragged down by the business of injection molding machines and small die-casting machines, the Company's short-term performance is under pressure. Therefore we have adjusted our earnings forecasts. Our revised EPS forecasts for FY23/ FY24/ FY25 are HK\$0.437, HK\$0.596, and HK\$0.773, respectively. Our TP is based on a FY24 PER of 20x. Although the valuation is higher than the industry average PER, we believe that rapid growth of super-large die-casting machines gives the company a premium over its peers.

Table-4: Core Forecasts Assumptions

	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue by segment (HK\$ mn)					
Die-casting machine	2,657	3,816	4,465	5,737	7,292
injection molding machines	1,246	1,365	1,188	1,306	1,385
CNC	118	181	272	367	495
Operating margin by segment					
Die-casting machine	16.1%	16.9%	15.8%	16.3%	16.5%
injection molding machines	10.5%	11.1%	4.0%	8.6%	7.9%
CNC	-12.8%	9.2%	12.0%	12.8%	11.3%
Key financial data (HK\$ mn)					
Revenue	4,021	5,362	5,924	7,411	9,172
Gross profit	1,115	1,566	1,636	2,168	2,725
EBIT	514	799	767	1,071	1,353
Shareholder's profit	344	626	598	816	1,059
Basic EPS (HK\$)	0.262	0.456	0.437	0.596	0.773

Source: the Company, Guotai Junan International.

Table-5: Peers Comparison

Company	Stock Code	Currency	Last Price	Market Cap (HKD mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)		EV/EBITDA
					22A	23F	24F	25F	22A	23F	24F	25F	23F	24F	23F	24F	25F
Global Listed Peers																	
L.K. Technology Holdings Ltd	558 HK	HKD	7.410	10,199	16.3	17.2	12.6	9.9	2.7	2.4	2.1	1.7	14.6	1.5	11.3		
Haitian International Hldgs	1882 HK	HKD	20.100	32,080	11.9	10.5	9.6	n.a.	1.7	1.5	1.4	n.a.	15.2	3.5	7.0		
Toyo Machinery & Metal Co	6210.JP	JPY	551.000	646	8.9	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Toshiba Corp	6502.JP	JPY	4,410.000	108,225	10.0	9.8	15.8	13.8	1.6	1.5	1.5	1.4	14.2	6.6	10.0		
Simple Average					11.8	12.5	12.6	11.8	1.7	1.8	1.6	1.6	14.7	3.9	9.4		
Weighted Average					10.8	10.5	14.2	13.4	1.7	1.6	1.5	1.4	14.4	5.6	9.5		
Mainland China Listed Peers																	
Yizumi Holdings Co L-A	300415 CH	CNY	19.200	10,054	19.2	14.7	11.5	n.a.	3.6	3.1	2.5	n.a.	20.8	2.4	11.1		
Ningbo Tuopu Group Co Ltd-A	601689 CH	CNY	63.860	78,585	40.6	28.6	21.2	14.6	5.8	5.0	4.1	n.a.	17.6	1.0	18.7		
Ningbo Xusheng Group Co Lt-A	603305 CH	CNY	37.220	27,704	35.8	23.8	18.0	14.7	5.6	4.6	3.8	n.a.	20.7	1.0	16.1		
lkd Co Ltd-A	600933 CH	CNY	18.970	18,710	28.5	21.8	17.0	14.4	3.3	3.2	2.8	2.5	15.4	2.3	n.a.		
Guangdong Hongtu Tech -A	002101 CH	CNY	23.660	13,973	26.6	21.6	17.7	16.5	2.5	2.3	2.1	n.a.	10.9	1.7	n.a.		
Lizhong Sitong Light Alloy-A	300428 CH	CNY	27.440	18,904	28.1	15.6	10.7	8.1	3.0	2.6	2.1	n.a.	16.4	0.7	n.a.		
Nanjing Chervon Auto Preci-A	603982 CH	CNY	23.180	5,268	47.3	21.4	13.0	n.a.	2.4	2.1	1.8	n.a.	9.9	1.6	n.a.		
Wencan Group Co Ltd-A	603348 CH	CNY	62.620	18,427	45.0	27.0	18.3	n.a.	5.3	4.6	3.8	n.a.	18.0	1.7	14.7		
Simple Average					33.9	21.8	15.9	13.7	3.9	3.4	2.9	2.5	16.2	1.5	15.2		
Weighted Average					36.0	24.4	18.0	14.0	4.8	4.1	3.4	2.5	17.2	1.3	17.0		

Source: Bloomberg, Guotai Junan International.

Risk Factors

The penetration rate of the single-piece die-casting solution may be lower than expected. The single-piece die-casting solution has only taken less than 3 years from launch to application; the technical maturity may be insufficient. If other car companies cannot improve their production yield rate in the short term, it may drag down the penetration rate of single-piece die casting. In addition, safety of single-piece die casting it yet to be proven, which may affect the market's acceptance of single-piece die casting.

New energy vehicle sales may be lower than expected. If the future growth rate of new energy vehicles is lower than our forecasts, demand for super-large die-casting machines from new energy vehicle companies may decrease accordingly, which will affect the Company's revenue and profits.

Market competition may intensify. The single-piece die-casting solution has driven a revolution in the manufacturing process of vehicle bodies, and market demand for single-piece die-casting equipment is strong. However, the Company is limited by its production capacity and cannot meet the entire needs of downstream manufacturers in the short term. Other die-casting machine manufacturers have also increased their investment in die-casting machines. In the future, as die-casting machine companies deliver machines, the supply pattern of super-large die-casting machines may change, which in turn may affect the Company's gross profit margin.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 March (HK\$ m)	2021A	2022A	2023F	2024F	2025F	Year end 31 March (HK\$ m)	2021A	2022A	2023F	2024F	2025F
Total revenue	4,021	5,362	5,924	7,411	9,172	Intangible assets	15	15	16	17	18
Cost of sales	(2,906)	(3,796)	(4,288)	(5,242)	(6,448)	Property, plant and equipment	1,174	1,477	1,744	2,021	2,311
Gross profit	1,115	1,566	1,636	2,168	2,725	Investment properties	343	652	691	732	776
Other income	75	103	102	108	136	Right-of-use assets	357	409	433	459	487
Other gain	59	39	43	69	71	Others	545	707	734	807	890
Selling and distribution expenses	(366)	(481)	(543)	(680)	(841)	Total non-current assets	2,076	2,850	3,184	3,577	3,995
General and administrative expenses	(344)	(430)	(487)	(610)	(755)	Total assets	5,478	7,600	8,079	9,346	10,842
Operating profit	515	793	750	1,056	1,335	Cash & cash equivalents	588	577	747	644	569
Finance income and costs - net	(57)	(27)	(26)	(34)	(31)	Inventories	1,147	1,713	1,648	1,947	2,348
Profit before tax	458	766	724	1,023	1,304	Trade and bills receivables	1,388	2,018	2,058	2,624	3,252
Income tax	(114)	(140)	(125)	(207)	(245)	Others	279	441	442	553	677
Profit after tax	344	626	598	816	1,060	Total current assets	3,402	4,749	4,894	5,769	6,847
Non-controlling interest	0	0	0	0	0	Trade and bills payables, other payables, deposits and accruals	1,679	2,467	2,405	2,920	3,578
Shareholders' profit / loss	344	626	598	816	1,060	Borrowings	1,089	878	931	987	947
Basic EPS (HK\$)	0.262	0.456	0.437	0.596	0.773	Others	2,669	60	68	78	88
						Total current liabilities	2,808	3,406	3,405	3,984	4,614
						Borrowings	77	2,890	3,324	3,257	3,062
						Other Payables and deposit	62	96	694	652	613
						Others	70	633	672	717	765
						Total non-current liabilities	209	3,619	4,690	4,627	4,440
						Total liabilities	3,017	7,025	8,563	9,488	10,513
						Share capital	119	120	120	120	120
						Share reserves and retained earnings	2,342	11,547	12,508	13,876	15,505
						Total shareholders' equity	2,461	11,667	12,628	13,996	15,625
						Minority interest	0	0	0	0	0
						Total equity	2,461	11,667	12,628	13,996	15,625

Cash Flow Statement					
Year end 31 March (HK\$ m)	2021A	2022A	2023F	2024F	2025F
Profit before tax	458	766	724	1,023	1,304
Depreciation & amortization	134	146	152	179	207
Changes in working capital	268	-570	-46	-497	-528
Income tax paid	-134	-143	-142	-229	-263
Other adjustments	45	-16	-13	-8	-13
Cash from operating activities	771	183	675	468	707
Capital expenditure	-263	-462	-429	-467	-510
Other investing activities	35	-140	-16	-16	-16
Cash from investing activities	-229	-602	-444	-483	-526
Net changes in borrowings	-568	-86	65	69	-49
Dividends paid	-36	-120	-127	-158	-209
Other financing activities	-102	602	1	1	1
Cash from financing activities	-706	396	-61	-87	-257
Cash at beg of year	714	588	577	747	644
Net changes in cash	-163	-23	170	-102	-75
Effect of exchange rate changes	38	11	0	0	0
Cash at End of Year	588	577	747	644	569

Financial Ratios					
Year end 31 March	2021A	2022A	2023F	2024F	2025F
Gross margin (%)	27.7	29.2	27.6	29.3	29.7
Operating margin (%)	12.8	14.8	12.7	14.3	14.6
Net margin (%)	8.5	11.7	10.1	11.0	11.6
ROE (%)	15.5	20.3	15.2	18.1	20.2
ROA (%)	7.4	10.0	8.1	9.8	10.9
Dividend payout ratio (%)	21.3	22.0	22.0	22.0	22.0
Net gearing ratio (%)	24.7	14.4	10.3	12.5	11.1

Source: the Company, Guotai Junan International.

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 LUZHOU BANK (01983 HK), SF REIT (02191 HK), JINSHANG BANK (02558 HK), BANK OF ZHENGZHOU (06196 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.

© 2022 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