CMB International Global Markets | Equity Research | Company Update

Goertek (002241 CH)

3Q24 recovery on track; Poised to benefit from XR/TWS/gaming product launches in 2H24/FY25E

Goertek's 3Q24 revenue/ net profit rose +2%/+138% YoY, exceeding previous market expectations. 3Q24 GPM lifted to 11.4% (-2.2 ppts QoQ/+1.2 ppts YoY), mainly due to improving efficiency and better scale effect. Looking into 4Q24/FY25E, we expect Goertek's earnings will continue to rebound given improving GPM YoY, prudent cost control and better AR/VR/gaming demand with multiple product launches from major VR/AR players. We raised FY24-26E EPS estimates by 0-6% to reflect 3Q24 results, better operating leverage and expense control. In the longer term, we believe Goertek is well-positioned to capture opportunities in AR/VR product cycle from players such as Meta, Sony, Google, Samsung and Huawei. Maintain BUY with new TP of RMB27.39, based on same 25x FY25E P/E.

- 3Q24 above expectations on better efficiency and cost controls. 3Q24 revenue/ net profit rose +2%/+138% YoY, beating market expectations, mainly driven by higher utilization, efficiency improvement and prudent cost controls. We believe Goertek's profitability recovery will continue into 4Q24E and we estimate 4Q revenue/net profit will grow 36.3%/166.7% YoY, benefiting from the launch of Meta Quest 3S, AirPods 4 Series and other ARVR products.
- 4Q24/2025 Outlook: Continued profitability recovery and sales growth from edge Al and wearable product launches. In addition to order recovery of AirPods (after share loss in last two years) and product cycle of AirPods 4, we think Meta's Quest 3S and upcoming Sony PS5 Pro will boost revenue growth in 4Q24/1H25E. Overall, we expect Goertek's net profit to grow 164%/30% YoY in FY24/25E.
- Maintain BUY. We think Goertek's industry leadership and product roadmap in XR/acoustics/gaming segments will allow it to benefit from industry recovery and upcoming new XR/gaming console product cycle in FY24/25E. We lifted our FY25/26E EPS estimates by 6%/6% mainly for better wearable product revenue and operating efficiency. Our new TP of RMB27.39 is based on same 25x FY25E P/E. Maintain BUY. Upcoming catalysts include new XR/gaming product launches and continued margin recovery.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	104,894	98,574	103,204	116,686	128,658
YoY growth (%)	34.1	(6.0)	4.7	13.1	10.3
Net profit (RMB mn)	1,749.2	1,088.1	2,867.7	3,725.1	4,325.1
EPS (Reported) (RMB)	0.52	0.32	0.84	1.10	1.27
YoY growth (%)	(59.7)	(38.5)	163.6	29.9	16.1
Consensus EPS (RMB)	N/A	N/A	0.78	1.03	1.25
P/E (x)	45.4	73.8	28.0	21.5	18.6
P/B (x)	2.7	2.5	2.3	2.1	1.9
Yield (%)	0.4	0.4	0.5	0.7	0.8
ROE (%)	6.0	3.5	8.7	10.3	11.0

Source: Company data, Bloomberg, CMBIGM estimates



BUY (Maintain)

Target Price	RMB27.39
(Previous TP	RMB25.90)
Up/Downside	16.1%
Current Price	RMB23.60

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Stock Data

Mkt Cap (RMB mn)	80,712.0
Avg 3 mths t/o (RMB mn)	1,605.4
52w High/Low (RMB)	24.46/14.53
Total Issued Shares (mn)	3420.0
Source: FactSet	

14.8% 8.4%

Shareholding Structure

Goertek Group	
Jiang Bin	
Source: Bloomberg	

Share Performance

	Absolute	Relative
1-mth	22.9%	3.7%
3-mth	8.5%	-6.7%
6-mth	57.6%	39.7%

Source: FactSet

12-mth Price Performance



Related reports:

- Goertek (002241 CH)-Solid GPM recovery in 1H24; Poised to benefit from "AI+XR" trend in 2H24E (link)
- Goertek (002241 CH)- 1Q24 earnings back on track; Positive on VR/AR/ gaming recovery in FY24/25E-29 Apr 2024 (<u>link</u>)



3Q24 results review

Figure 1: 3Q24	review								
RMB mn	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24
Revenue	104,894	24,122	21,050	28,775	24,626	98,574	19,312	21,070	29,264
YoY	34%	20%	-10%	-6%	-20%	-6%	-20%	0%	2%
Cost of sales	(93,233)	(22,439)	(19,438)	(25,856)	(22,020)	(89,753)	(17,536)	(18,198)	(25,940)
Gross profit	11,661	1,683	1,612	2,919	2,606	8,821	1,776	2,872	3,323
GPM (%)	11.1%	7.0%	7.7%	10.1%	10.6%	8.9%	9.2%	13.6%	11.4%
YoY	5%	-39%	-44%	-29%	36%	-24%	6%	78%	14%
	(2,843)	(698)	(346)	(759)	(928)	(2,731)	(609)	(625)	(703)
SG&A	(2,043)	(090)	(340)	(7 <i>3</i> 9) 2.6%	(320)	2.8%	(009)	(023)	2.4%
% of rev									
R&D	(5,227)	(961)	(1,081)	(1,300)	(1,373)	(4,716)	(825)	(1,208)	(1,306)
% of rev	5.0%	4.0%	5.1%	4.5%	5.6%	4.8%	4.3%	5.7%	4.5%
Operating profit	1,610	(17)	268	486	172	909	384	857	1,281
OPM (%)	1.5%	-0.1%	1.3%	1.7%	0.7%	0.9%	2.0%	4.1%	4.4%
YoY	-66%	-102%	-80%	-75%	-107%	-44%	2299%	-220%	-163%
Net profit	1,749	106	316	470	196	1,088	380	846	1,120
NPM (%)	1.7%	0.4%	1.5%	1.6%	0.8%	1.1%	2.0%	4.0%	3.8%
YoY	-59%	-88%	-73%	-73%	-109%	-38%	257%	168%	138%

Source: Company data, CMBIGM estimates

Earnings revisions

Figure 2: New estimates vs Old estimates

		New			Old			Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	103,204	116,686	128,658	98,561	112,677	123,501	5%	4%	4%
Gross profit	11,286	13,104	14,525	11,213	12,727	14,030	1%	3%	4%
Operating profit	3,228	4,181	4,847	3,237	3,955	4,586	0%	6%	6%
Net profit	2,868	3,725	4,325	2,876	3,522	4,090	0%	6%	6%
EPS (RMB)	0.84	1.10	1.27	0.85	1.04	1.20	0%	6%	6%
Gross margin	10.9%	11.2%	11.3%	11.4%	11.3%	11.4%	-0.4 ppt	-0.1 ppt	-0.1 ppt
Operating margin	3.1%	3.6%	3.8%	3.3%	3.5%	3.7%	-0.2 ppt	0.1 ppt	0.1 ppt
Net margin	2.8%	3.2%	3.4%	2.9%	3.1%	3.3%	-0.1 ppt	0.1 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

		CMBIGM			Consensus			Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	103,204	116,686	128,658	101,751	113,410	127,049	1%	3%	1%
Gross profit	11,286	13,104	14,525	11,161	12,723	14,550	1%	3%	0%
Operating profit	3,228	4,181	4,847	2,948	3,928	4,738	9%	6%	2%
Net profit	2,868	3,725	4,325	2,651	3,506	4,254	8%	6%	2%
EPS (RMB)	0.84	1.10	1.27	0.78	1.03	1.25	8%	7%	2%
Gross margin	10.9%	11.2%	11.3%	11.0%	11.2%	11.5%	0 ppt	0 ppt	-0.2 ppt
Operating margin	3.1%	3.6%	3.8%	2.9%	3.5%	3.7%	0.2 ppt	0.1 ppt	0 ppt
Net margin	2.8%	3.2%	3.4%	2.6%	3.1%	3.3%	0.2 ppt	0.1 ppt	0 ppt

Source: Bloomberg, CMBIGM estimates

Figure 4: P&L forecast

RMB mn	FY21	FY22	FY23	FY24E	FY25E	FY26E
Precision components	13,840	14,004	12,992	14,769	15,360	15,989
YoY	13%	1%	-7%	14%	4%	4%
Speaker/receiver	8,151	8,396	7,976	9,172	9,447	9,731
MIC (ECM/MEMS)	3,618	3,726	3,503	3,853	3,969	4,088
MEMS sensor	417	430	396	435	457	480
Antenna	761	913	794	953	1,096	1,260
Optical component module	893	539	324	356	392	431
Hearable products	30,297	25,881	24,185	27,215	27,574	27,997
YoY	14%	-15%	-7%	13%	1%	2%
Airpods	21,099	15,716	9,752	10,578	10,534	10,534
Android TWS	3,900	4,680	6,760	8,580	8,580	8,580
Smart Speaker	2,380	2,856	2,856	2,999	3,149	3,306
Others	2,918	2,628	4,817	5,058	5,311	5,577
Smart products	32,809	63,082	58,709	58,263	70,499	81,093
YoY	86%	92%	-7%	-1%	21%	15%
Smart Watch	7,650	11,475	13,196	14,516	17,419	20,903
Gaming Console	3,704	11,420	15,844	10,532	14,468	14,468
AR/VR Headset	20,115	16,970	14,555	7,860	11,990	17,770
Robotics/UAV/smart light	1,340	23,218	15,114	25,354	26,622	27,953
Non-main business	1,275	1,927	2,688	2,957	3,253	3,578
YoY	5%	51%	39%	10%	10%	10%
Total	78,221	104,894	98,574	103,204	116,686	128,658
YoY	35%	34%	-6%	5%	13%	10%

Source: Company data, CMBIGM estimates

Figure 5: P&L forecast

RMB mn	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	78,221	104,894	98,574	103,204	116,686	128,658
YoY	35%	34%	-6%	5%	13%	10%
Cost of sales	(67,168)	(93,233)	(89,753)	(91,918)	(103,582)	(114,133)
Gross profit	11,054	11,661	8,821	11,286	13,104	14,525
GPM (%)	14.1%	11.1%	8.9%	10.9%	11.2%	11.3%
YoY	19%	5%	-24%	28%	16%	11%
SG&A	(2,397)	(2,843)	(2,731)	(2,941)	(3,232)	(3,499)
% of rev	3.1%	2.7%	2.8%	2.9%	2.8%	2.7%
R&D	(4,170)	(5,227)	(4,716)	(5,047)	(5,601)	(6,047)
% of rev	5.3%	5.0%	4.8%	4.9%	4.8%	4.7%
Operating profit	4,683	1,610	909	3,228	4,181	4,847
OPM (%)	6.0%	1.5%	0.9%	3.1%	3.6%	3.8%
ҮоҮ	44%	-66%	-44%	255%	30%	16%
Net profit	4,275	1,749	1,088	2,868	3,725	4,325
NPM (%)	5.5%	1.7%	1.1%	2.8%	3.2%	3.4%
YoY	50%	-59%	-38%	164%	30%	16%

Source: Company data, CMBIGM estimates



Valuation

Maintain BUY with new TP of RMB27.39

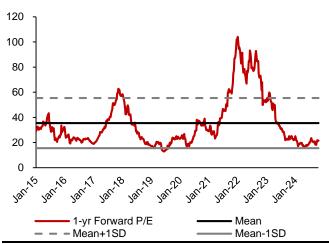
Our new TP of RMB27.39 is based on the same 25x FY25E P/E. Overall, we believe Goertek's industry leadership and product roadmap in TWS/XR/ acoustics/gaming segments will allow the company to benefit from industry recovery and market share gains in FY24/25E. Upcoming catalysts include new XR product launches and continued margin recovery.

Figure 6: Peers' valuation

			Market	Price	ТР	Up/ Down	D/E	(11)	D/P		BOE	(0/)
Company	Ticker	Rating	Cap US\$(mn)	(LC)	(LC)	-side	P/E FY24E	(X) FY25E	FY24E	3 (x) FY25E	ROE FY24E	(%) FY25E
A-listed compo												
Goertek	002241 CH	BUY	11,386	23.60	27.39	16%	28.0	21.5	2.3	2.1	8.7	10.3
Luxshare	002475 CH	BUY	44,636	43.95	45.1	3%	23.4	19.1	3.7	3.1	16.0	16.4
O-film	002456 CH	NR	5,889	12.66	NA	NA	73.2	46.4	10.0	9.7	7.6	12.1
Sunway	300136 CH	NR	3,236	23.80	NA	NA	31.3	23.8	3.0	2.7	9.8	11.7
BOE	000725 CH	NR	22,325	4.25	NA	NA	27.4	16.1	1.2	1.1	4.2	6.6
Hans Laser	002008 CH	NR	3,577	24.19	NA	NA	14.8	20.9	1.6	1.5	9.3	7.3
Lens Tech	300433 CH	NR	16,185	23.11	NA	NA	28.6	21.6	2.3	2.2	8.3	10.2
Everwin	300115 CH	NR	2,841	14.95	NA	NA	26.1	22.9	2.7	2.4	11.1	11.4
			Average				31.6	24.2	3.4	3.1	9.3	10.6
H-listed compo	onents											
FIT Hon Teng	6088 HK	BUY	2,693	2.87	4.3	48%	14.3	8.8	1.0	0.9	7.0	10.3
AAC Tech	2018 HK	BUY	4,697	30.45	37.8	24%	19.4	15.5	1.4	1.3	7.0	8.2
Sunny Optical	2382 HK	BUY	6,608	46.90	72.5	55%	18.7	15.7	1.9	1.8	10.1	11.2
Tongda	698 HK	BUY	122	0.10	0.12	24%	32.3	4.9	0.1	0.1	0.4	2.7
BYDE	285 HK	BUY	9,554	32.95	40.9	24%	15.3	10.7	3.6	2.9	23.8	27.5
Q tech	1478 HK	BUY	712	4.67	6.4	38%	14.0	9.3	1.0	0.9	6.9	9.6
TK Group	2283 HK	BUY	189	1.76	2.8	60%	5.2	4.1	0.8	0.7	15.2	17.4
YOFC	6869 HK	NR	2,033	10.22	NA	NA	8.9	7.7	0.6	0.6	6.8	8.1
Cowell	1415 HK	NR	2,342	21.20	NA	NA	23.7	14.4	4.6	3.5	20.3	26.0
			Average				19.7	12.4	1.6	1.4	10.0	12.5

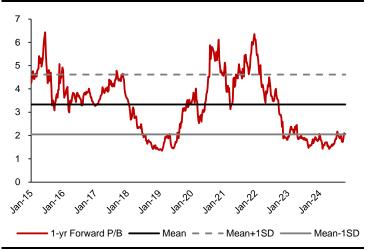
Source: Bloomberg, CMBIGM estimates

Figure 7: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 8: 12M forward P/B band



Source: Bloomberg, CMBIGM



Financial Summary

YE 31 Dec (PMB ma) PR021 94.684 98.574 103.204 116.686 128.686 Cast of poors soid (67.168) (63.223) (69.753) (11.143) (11.143) Gross profit 11.064 11.661 88.21 11.286 13.044 14.525 Selling spense (4.52) (2.235) (2.270) (2.635) (2.630) RAD expense (4.170) (5.227) (4.710) (5.207) (2.633) 3.73 3.73 3.73 3.73 3.73 3.73 3.73 3.73 3.73 3.73 3.73 3.73 0.73 0.80 0.80 1.84 4.84 1.84 4.84 1.86	INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
Cast optic solid (67, 168) (93, 233) (96, 97, 53) (91, 918) (91, 141, 83) Soling oppnee (445) (544) (523) (677, 16) (669) Anime oppnee (445) (524) (22, 03) (22, 270) (26, 82) (28, 82) RAD expense (417) (5, 277) (47, 16) (5, 647) (6, 66) (6, 647) Other income (467) (33) (73) 33 333 373 373 Other income (expense) (80) (100) 114 168 168 168 ENT (463) 1,610 999 3,228 4,181 6,189 Other income (expense) (177) (144) (118) (118) (118) (118) Other income (expense) (197) 1,429 2,228 (2,31) 4,666 4,729 Income tax (4,307 1,791 1,010 2,799 3,656 4,729 Income tax 1,302 1,624 2,2254 2,2350	YE 31 Dec (RMB mn)						
Gross porth 11,064 11,661 8.82 11,264 11,264 14,563 Selling segmene (1,452) (2,263) (2,273) (2,73) (2,625) (2,625) Admin segmene (1,470) (5,527) (4,716) (5,647) (5,647) Other segmene (2,71) (1,707) 282 (117) (112) Other segmene (2,71) (1,707) 282 (111) 168 168 Other game (1068s) (80) (160) (152) (200) (200) (200) Other game (1068s) (167) (144) (118) (118) (118) Not net income(regense) (77) 144 (118) (118) (118) Income tax (290) 282 283 (311) (406) (473) Income tax (290) 282 283 (311) (466) (425) Income tax (290) 282 (231) (426) (425) Income tax (292) <td< td=""><td>Revenue</td><td>78,221</td><td>104,894</td><td>98,574</td><td>103,204</td><td>116,686</td><td>128,658</td></td<>	Revenue	78,221	104,894	98,574	103,204	116,686	128,658
Selling apprase (146) (156) (220) (200)	Cost of goods sold	(67,168)	(93,233)	(89,753)	(91,918)	(103,582)	(114,133)
Admin expense (1,952) (2,23) (2,27) (2,623) (2,623) RSD expense (4,77) (5,227) (4,716) (5,047) (5,047) Other income 467 373 373 373 373 373 Other appanse (271) (11,797) 282 (117) (112) Investment gain/loss 468 (166) (167) 1144 1168 1868 EBIT 4.683 1,610 909 3.228 4.181 4.845 Interest income/(spense) (77) 1.44 (118) (118) (118) Pretax profit 4.207 1.749 1.049 2.799 3.656 4.6258 Montry instrest 22 42 (69) (69) 4.255 4.255 BALANCE SHEET 2.021 2.024 2.025 2.025E 2.025E Carsen assets 35,162 4.563 40,041 6.043 1.049 1.044 1.043 2.0734 Prepayment	Gross profit	11,054	11,661	8,821	11,286	13,104	14,525
RAD expense (1,170) (5,27) (4,716) (5,047) (5,601) (6,647) Other income 467 373 575 7466 777 144 (118) 1180 1180 1180 1180 1147 1143 1143 1143 1143 1143 1143 1143 1143 1142 1142 1142 1142 1142	Selling expense	(445)	(548)	(528)	(671)	(607)	(669)
Oher income 467 373 373 373 473 373 473 373 473 373 473 373 473 373 473 373 473 373 473 <th< td=""><td>Admin expense</td><td>(1,952)</td><td>(2,295)</td><td>(2,203)</td><td>(2,270)</td><td>(2,625)</td><td>(2,830)</td></th<>	Admin expense	(1,952)	(2,295)	(2,203)	(2,270)	(2,625)	(2,830)
Ohr expanse (271) (1.797) 2.82 (171) (112) (112) Ohr gans/(bsses) (80) (105) 114 168 168 168 ENT 4.683 1610 909 3.228 4.181 4.647 Net inscretiopense (167) (149) (1332) (200) (200) Other income/oxpense (177) 1.409 (313) (104) 4.643 Net inscretione(xpense) (167) (149) (132) (200) (200) Income tax (239) 2.82 2.28 (311) (406) (473) Income tax (239) 2.82 2.28 (311) (406) (425) Montry interest 3.23 4.2 (69) (69) (69) (69) (69) (69) (69) (69) (69) (69) (60) (60) (60) (60) (60) (60) (60) (60) (60) (60) (60) (60) (60) (60)	R&D expense	(4,170)	(5,227)	(4,716)	(5,047)	(5,601)	(6,047)
Investment gain/loss Add Gain Gain <thgain< th=""> Gain Gain<td>Other income</td><td>467</td><td>373</td><td>373</td><td>373</td><td>373</td><td>373</td></thgain<>	Other income	467	373	373	373	373	373
Oher gans/losses) (80) (105) 114 168 168 168 ENT 4,663 1,610 99 3.228 4,181 4,547 Net income/copense (77) 144 (118) (118) (118) (118) (118) Pre-tar profit 4,606 1,509 791 3,110 4,063 4,226 Montly interest 3,2 4,2 (69) (69) (69) (69) Montly interest 3,2 4,2 (69) (69) (69) (69) Montly interest 3,22 4,202 2024 2024E 2025E 2026E Vest profit 4,273 1,749 1,083 2,432 4,325 4,325 Account resents 5,162 45,553 40,041 60,234 50,675 72,406 Carnot asset 50,162 45,553 40,041 12,737 14,345 22,0134 Internot assets 51,612 45,553 40,041 12,747 14,349 <td>Other expense</td> <td>(271)</td> <td>(1,797)</td> <td>282</td> <td>(117)</td> <td>(117)</td> <td>(122)</td>	Other expense	(271)	(1,797)	282	(117)	(117)	(122)
ENT 4.683 1.610 909 3.228 4.181 4.847 Not Inters income(expense) (167) 1149 (118) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112) (112)	Investment gain/loss	469	(36)	(73)	36	36	36
Not Interset Income(expense) (177) (144) (182) (200) (200) Other Income(expense) (77) 144 (118) (118) (118) (118) Pre-tax profit 4,606 1.509 791 3,110 4,063 4,723 After tax profit 4,207 1,749 1,0191 2,799 3,656 4,226 Minorfy interest 32 42 (69) (69) (69) (69) Net profit 4,275 1,749 10,88 2,886 3,725 4,325 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E 2026E Cash à equivalents 10,494 12,683 40,041 60,294 50,875 72,466 Cash à equivalents 10,494 14,444 12,673 17,474 14,344 20,734 Prepayment 98 51 255 255 255 255 255 255 255 255 255 255 255 255 <td< td=""><td>Other gains/(losses)</td><td>(80)</td><td>(105)</td><td>114</td><td>168</td><td>168</td><td>168</td></td<>	Other gains/(losses)	(80)	(105)	114	168	168	168
Other incomelexpense (77) 144 (118) (118) (118) (118) (118) Pret-ax profit 4.066 1.099 2.82 2.28 (311) (.406) (.473) After tax profit 4.307 1.749 1.019 2.799 3.656 4.265 Net profit 4.275 1.749 1.088 2.088 3.725 4.325 SALACE SHEET 2021A 2022A 2023A 2.088 3.725 4.325 Chrent assets 5.162 45.563 40.041 40.241 2.3660 15.311 2.9105 Account receivables 11.949 14.44 12.737 7.2.466 2.25 2	EBIT	4,683	1,610	909	3,228	4,181	4,847
Pre-tax profit 4,606 1,509 791 3,110 4,063 4,729 Income tax (209) 22 228 (311) (4,06) (473) Alter tax profit 4,307 1,791 1,019 2,799 3,656 4,256 Monty interest 32 42 (69) (69) (69) (69) Net profit 4,275 1,749 1,088 2,066 3,725 4,325 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E 2026E YE 31 Doc (RMB mn) Transsets 35,162 45,563 40,041 60,294 71,344 20,734 Account receivables 11,949 14,444 12,573 17,241 16,425 20,637 Account receivables 12,062 17,349 10,795 17,467 14,384 20,734 Prepayment 98 51 255 255 255 255 255 Other current assets 25,917 31,613 33,703 </td <td>Net Interest income/(expense)</td> <td>(167)</td> <td>(149)</td> <td>(352)</td> <td>(200)</td> <td>(200)</td> <td>(200)</td>	Net Interest income/(expense)	(167)	(149)	(352)	(200)	(200)	(200)
Income fax (209) 282 228 (311) (406) (473) After tax profit 3.307 1,749 1,049 2,799 3,655 4,256 Numority interest 32 42 (69) (69) (69) (69) Numority interest 4,275 1,749 1,088 2,668 3,725 4,325 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E 2026E YE 31 Doc (RMB m) Current assets 35,162 45,563 40,041 60,294 50,875 72,406 Cash & equivalents 11,949 14,444 12,737 17,211 14,325 20,531 Inventories 12,082 17,349 10,795 17,487 14,384 20,735 Prepayment 88 51 2255 255 255 255 255 255 255 255 255 255 255 255 255 255 255 255 255 255 255	Other income/expense	(77)	144	(118)	(118)	(118)	(118)
Atter tay profit 4,307 1,791 1,019 2,799 3,656 4,265 Minority interest 32 42 (60) (69) (69) (69) Net profit 4,275 1,749 1,088 2,868 3,725 4,325 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E 2026E YE 31 Doc (RMB m)	Pre-tax profit	4,606	1,509	791	3,110	4,063	4,729
Mnonty inferest 32 42 (69) (69) (69) (69) Net profit 4.275 1.749 1.088 2.868 3.725 4.325 SALANCE SHEET 2021A 2023A 2024E 2025E 2025E 2025E Current assist 35,162 45,563 40,041 60,294 72,406 72,406 Cash & quivalents 10,049 12,082 17,349 14,434 12,573 17,211 16,425 20,631 Inventories 12,082 17,349 10,795 17,487 14,334 20,734 Prepayment 98 51 2255 255 10,641 1,064 Non-current assets 25,917 31,613 33,703 37,206 39,747 41,997 PP&E 20,0250 23,884 24,377 27,880 30,421 32,671 Defered income tax 445 1,370 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609	Income tax	(299)	282	228	(311)	(406)	(473)
Net profit 4.275 1.749 1.068 2.868 3.725 4.325 BALANCE SHEET 2021A 2022A 2023A 2024E 2025E 2026E VE 11 Dec (RMB mn) Current iassits 35,162 45,563 40,041 60,294 50,875 72,406 Cash & equivalents 10,049 12,683 14,737 21,747 11,434 20,734 Account receivables 11,949 14,444 10,755 17,477 14,334 20,734 Prepayment 98 513 255 256 255 149 149 </td <td>After tax profit</td> <td>4,307</td> <td>1,791</td> <td>1,019</td> <td>2,799</td> <td>3,656</td> <td>4,256</td>	After tax profit	4,307	1,791	1,019	2,799	3,656	4,256
BALANCE SHEET 2021A 2022A 2023A 2024E 2025E 2026E YE 31 Dec (RMB mn) Current assits 35,162 45,563 40,041 60,294 50,875 72,466 Cash & equivalents 10,049 12,683 41,737 17,211 16,425 20,631 Inventories 12,082 17,349 14,444 12,733 17,211 16,425 20,631 Inventories 12,082 17,349 10,795 17,447 14,384 20,734 Prepayment 98 51 255 255 255 255 Current assets 259,17 31,613 33,703 37,266 39,747 41,997 PP&E 20,250 23,884 24,377 27,880 30,421 32,671 Deferred income tax 495 1,370 16,099 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609 1,609	Minority interest	32	42	(69)	(69)	(69)	(69)
YE 31 Dec (RMB mn) Current assets 35,162 45,563 40,041 60,294 50,875 72,406 Cash & equivalents 10,049 12,683 14,737 23,660 18,131 29,105 Account receivables 11,949 14,444 12,573 17,211 16,425 20,631 Inventories 12,082 17,349 10,795 17,487 14,334 20,734 Prepayment 98 51 255 256 267 2	Net profit	4,275	1,749	1,088	2,868	3,725	4,325
YE 31 Dec (RMB mn) Current assets 35,162 45,563 40,041 60,294 50,875 72,406 Cash & equivalents 10,049 12,683 14,737 23,660 18,131 29,105 Account receivables 11,949 14,444 12,573 17,211 16,425 20,631 Inventories 12,082 17,349 10,795 17,487 14,334 20,734 Prepayment 98 51 255 256 267 2	BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
Current assets 35,162 45,563 40,041 60,294 50,875 72,406 Cash & equivalents 10,049 12,683 14,737 23,660 18,131 29,105 Account receivables 11,949 14,444 12,573 17,211 16,425 20,631 Inventories 12,082 17,349 10,795 17,487 14,384 20,734 Prepayment 98 51 255 255 255 767 Other current assets 850 688 1,094 1,094 1,094 1,094 Nonurrent assets 25,017 31,613 33,703 37,060 39,747 41,997 PR&E 20,250 23,884 24,377 27,880 30,421 32,671 Investment in JVs & assos 437 361 760 760 760 Investment in JVs & assos 3,094 3,301 3,396 3,896 3,896 3,896 3,896 3,896 3,896 3,896 3,896 3,896 3,896	YE 31 Dec (RMB mn)						
Cash & equivalents 10,049 12,683 14,737 22,660 18,131 22,105 Account receivables 11,949 14,444 12,737 17,211 16,425 20,631 Prepayment 98 51 2255 2255 2255 2255 Chart receivables 850 698 1,094 1,094 1,094 1,094 Non-current assets 25,917 31,613 33,703 37,206 39,747 44,997 Prepayment 1094 1,094 1,094 1,094 1,094 1,094 Non-current assets 25,917 31,613 33,703 37,206 39,747 44,997 Inangibies 20,250 23,884 24,377 27,880 3,696 3,696 3,696 Inangibies 3,094 3,301 3,896 3,896 3,896 3,896 3,896 3,896 3,896 3,896 3,896 3,896 1,865 1,865 1,865 1,865 1,865 1,865 1,865 1,		35.162	45.563	40.041	60.294	50.875	72.406
Account receivables 11,949 14,444 12,673 17,211 16,425 20,034 Inventories 12,082 17,349 10,795 17,487 14,384 20,734 Prepayment 98 51 255 255 255 255 Cher current assets 850 668 1,094 1,094 1,094 Non-current assets 25,917 31,613 33,703 37,206 33,477 41,997 PRE 20,250 23,884 24,377 27,800 30,421 32,670 Indergibles 3,049 3,301 3,896 3,896 3,896 3,896 Goodwill 17 17 605 605 605 605 Financial assets at FVTPL 466 699 591 591 591 591 Current iabilities 28,607 77,176 73,744 97,500 90,623 114,403 Current iabilities 24,225 7,121 5,214 7,214 9,214 1,214				-	-		-
Inventories 12,082 17,349 10,795 17,487 14,384 20,734 Prepayment 98 51 255 216 10,99 10,99 10,99 10,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 16,99 1	-						
Prepayment 98 51 255 255 255 255 Financial assets at FVTPL 119 339 567 567 567 567 Other current assets 25,917 31,613 33,703 37,206 39,747 41,997 PP&E 20,250 23,844 24,377 27,880 30,421 32,671 Deferred income tax 495 1,370 1,609 1,609 1,609 Intergibles 3,094 3,301 3,896 3,896 3,896 3,896 Goodwill 17 70 605 6055 6055 6055 Financial assets at FVTPL 466 699 591 591 591 591 Other non-current assets 652 7,176 73,744 97,500 90,623 114,403 Current liabilities 29,803 74,271 5,214 7,214 9,214 1,214 Account payable 357 225 7,17 5,375 8,775 3,775							
Financial assets at FVTPL 119 339 587 587 587 587 Other current assets 850 688 1.094 1.094 1.094 1.094 Non-current assets 25.917 31.613 33.706 39.747 41.997 PP&E 20.250 23.884 24.377 27.880 30.421 32.671 Deferred income tax 495 1.370 1.609 1.609 1.609 1.609 Investment in JVs & assos 437 361 760 760 760 Investment in JVs & assos 3.094 3.301 3.896 3.896 3.896 3.896 Goodvill 17 17 605 605 605 605 Inancial assets at FVTPL 466 699 591							
Other current assets 850 698 1,094 1,094 1,094 1,094 Non-current assets 25,917 31,613 33,703 37,206 39,747 41,997 PRAE 20,250 23,844 24,377 27,800 30,44 32,671 Deferred income tax 495 1,370 1,609							
Non-current assets 25,917 31,613 33,703 37,206 39,747 41,997 PP&E 20,250 23,844 24,377 27,800 30,421 32,671 Deferred income tax 495 1,370 1,609 1,609 1,609 1,609 1,609 Investment in JVs & assos 437 361 760 760 760 760 Investment in JVs & assos 437 3,301 3,896 3,896 3,896 3,896 3,896 3,896 6,605 6005 6005 6005 6005 6005 1,86							
PP&E 20,250 23,884 24,377 27,800 30,421 32,671 Deferred income tax 495 1,370 1,609 1,609 1,609 1,609 Intangibles 3,094 3,001 760 760 760 760 Conduil 17 717 605 605 605 605 Financial assets at FVTPL 466 699 591 591 591 591 Other non-current assets 652 1,663 1,865 1,865 1,865 1,865 Total assets 61,079 77,176 73,744 97,500 90,623 114,403 Current liabilities 2,820 7,121 5,214 7,214 9,214 11,214 Account payables 2,827 30,599 22,121 40,947 22,972 47,145 Tax payable 33,45 4,197 8,775 8,775 8,775 8,775 Corrent liabilities 2,822 3,676 4,767 4,767 4,767	Non-current assets	25,917	31,613				
Investment in JVs & assos 437 361 760 760 760 760 Intangibles 3,094 3,301 3,896 591 011 511 511 511 515 1,867 1,211 1,211 1	PP&E	20,250	23,884	24,377		30,421	32,671
Intangibles 3,094 3,001 3,896 3,896 3,896 3,896 3,896 Goodwill 17 17 605 605 605 605 Financial assets at FVTPL 466 699 591 591 591 591 Other non-current assets 652 1,663 1,865 1,865 1,865 1,865 Total assets 61,079 77,176 73,744 97,500 90,623 114,403 Current liabilities 29,803 42,721 33,442 7,214 9,214 11,214 Account payables 21,272 30,599 22,121 40,947 28,972 47,145 Tax payable 357 2.852 1.21 1.21 121 121 121 Other current liabilities 2,822 3,676 4,767 4,767 4,767 4,767 Accrued expanses 1,067 1,040 1,220 1,220 1,220 1,220 Non-current liabilities 3,345 4,197	Deferred income tax	495	1,370	1,609	1,609	1,609	1,609
Goodwill 17 17 605 605 605 605 Financial assets at FVTPL 466 699 591 591 591 591 Other non-current assets 652 1,663 1,865 1,865 1,865 1,865 Total assets 61,079 77,176 73,744 97,500 90,623 114,403 Current liabilities 29,803 42,721 33,442 54,269 44,293 64,466 Short-term borrowings 4,285 7,121 5,214 7,214 9,214 11,214 Account payables 21,272 30,825 121 121 121 121 Other current liabilities 2,822 3,676 4,767 4,767 4,767 Account payable 3,345 4,197 8,775 8,775 8,775 Non-current liabilities 2,822 3,676 4,767 4,767 4,767 Non-current liabilities 2,904 2,026 6,631 6,631 6,631 <td< td=""><td>Investment in JVs & assos</td><td>437</td><td>361</td><td>760</td><td>760</td><td>760</td><td>760</td></td<>	Investment in JVs & assos	437	361	760	760	760	760
Financial assets at FVTPL 466 699 591 591 591 591 Other non-current assets 652 1,663 1,865 1,865 1,865 1,865 Total assets 61,079 77,776 73,744 97,000 90,623 114,403 Current liabilities 29,803 42,721 33,442 54,269 44,293 64,466 Short-term borrowings 4,285 7,121 5,214 7,214 9,214 11,214 Account payables 21,272 30,599 22,121 40,947 28,972 47,145 Tax payable 357 285 121 121 121 121 Other current liabilities 2,822 3,676 4,767 4,767 4,767 Accrued expenses 1,067 1,040 1,220 1,220 1,220 Non-current liabilities 3,345 4,197 8,775 8,775 8,775 Bond payables 210 471 518 518 518 518	Intangibles	3,094	3,301	3,896	3,896	3,896	3,896
Other non-current assets 652 1,663 1,865 1,214 1,214 1,214	Goodwill	17	17	605	605	605	605
Total assets 61,079 77,176 73,744 97,500 90,623 114,403 Current liabilities 29,803 42,721 33,442 54,269 44,293 664,466 Short-term borrowings 4,285 7,121 5,214 7,214 9,214 11,214 Account payables 21,272 30,599 22,121 40,947 28,972 47,145 Tax payable 357 285 121 121 121 121 Other current liabilities 2,822 3,676 4,767 4,767 4,767 Accrued expenses 1,067 1,040 1,220 1,220 1,220 1,220 Non-current liabilities 3,345 4,197 8,775 8,775 8,775 8,775 Long-term borrowings 2,204 2,206 6,631 6,631 6,631 6,631 Bond payables 210 471 518 518 518 518 Deferred income 390 816 758 758 758 <td>Financial assets at FVTPL</td> <td>466</td> <td>699</td> <td>591</td> <td>591</td> <td>591</td> <td>591</td>	Financial assets at FVTPL	466	699	591	591	591	591
Current liabilities 29,803 42,721 33,442 54,269 44,293 64,466 Short-term borrowings 4,285 7,121 5,214 7,214 9,214 11,214 Account payables 21,272 30,599 22,121 40,947 28,972 47,145 Tax payable 357 285 121 121 121 121 Other current liabilities 2,822 3,676 4,767 4,767 4,767 Accrued expenses 1,067 1,040 1,220 1,220 1,220 1,220 Non-current liabilities 3,345 4,197 8,775 8,775 8,775 Long-term borrowings 2,204 2,206 6,631 6,631 6,631 6,631 Bond payables 210 471 518 518 518 518 Deferred income 390 816 758 758 758 758 Total liabilities 34,16 3,420 3,420 3,420 3,420 3,420	Other non-current assets	652	1,663	1,865	1,865	1,865	1,865
Short-term borrowings 4,285 7,121 5,214 7,214 9,214 11,214 Account payables 21,272 30,599 22,121 40,947 28,972 47,145 Tax payable 357 285 121 121 121 121 121 Other current liabilities 2,822 3,676 4,767 4,767 4,767 Accrued expenses 1,067 1,040 1,220 1,220 1,220 1,220 Non-current liabilities 2,204 2,206 6,631 6,631 6,631 6,631 6,631 Bond payables 210 471 518	Total assets	61,079	77,176	73,744	97,500	90,623	114,403
Account payables21,27230,59922,12140,94728,97247,145Tax payable357285121121121121121Other current liabilities2,8223,6764,7674,7674,7674,767Accrued expenses1,0671,0401,2201,2201,2201,220Non-current liabilities3,3454,1978,7758,7758,7758,775Long-term borrowings2,2042,2066,6316,6316,6316,631Bond payables210471518518518518Deferred income390816758758758758Other non-current liabilities540705867867867867Share capital3,4163,4203,4203,4203,4203,4203,420Share capital3,4163,4203,4203,4203,4203,4203,420Nother reserves16,72518,08318,67021,60024,69728,305Total shareholders equity27,93130,25831,52834,45737,55441,162Minority interest604766717717717717717	Current liabilities	29,803	42,721	33,442	54,269	44,293	64,466
Tax payable357285121121121121121Other current liabilities2,8223,6764,7674,7674,7674,767Accrued expenses1,0671,0401,2201,2201,2201,220Non-current liabilities3,3454,1978,7758,7758,7758,775Long-term borrowings2,2042,2066,6316,6316,6316,631Bond payables210471518518518518Deferred income390816758758758758Other non-current liabilities540705867867867867Share capital3,4163,4203,4203,4203,4203,4203,420Share capital3,4163,4203,4203,4203,4203,4203,420Cher reserves16,72518,08318,67021,60024,69728,305Total shareholders equity27,93130,25831,52834,45737,55441,162Minority interest604766717717717717717	Short-term borrowings	4,285	7,121	5,214	7,214	9,214	11,214
Other current liabilities 2,822 3,676 4,767 4,767 4,767 4,767 Accrued expenses 1,067 1,040 1,220 1,220 1,220 1,220 Non-current liabilities 3,345 4,197 8,775 8,775 8,775 8,775 Long-term borrowings 2,204 2,206 6,631 6,631 6,631 6,631 Bond payables 210 471 518 518 518 518 Deferred income 390 816 758 758 758 758 Other non-current liabilities 540 705 867 867 867 867 Total liabilities 540 705 867 867 867 867 Kater capital 3,416 3,420 3,420 3,420 3,420 3,420 Retained earnings 9,478 10,281 8,998 8,998 8,998 8,998 Other reserves 16,725 18,083 18,670 21,600 24,6	Account payables	21,272	30,599	22,121	40,947	28,972	47,145
Accrued expenses 1,067 1,040 1,220 1,220 1,220 1,220 Non-current liabilities 3,345 4,197 8,775 8,775 8,775 8,775 Long-term borrowings 2,204 2,206 6,631 6,631 6,631 6,631 6,631 Bond payables 210 471 518 518 518 518 Deferred income 390 816 758 758 758 758 Other non-current liabilities 540 705 867 867 867 867 Total liabilities 33,148 46,919 42,217 63,044 53,068 73,241 Ketained earnings 9,478 10,281 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 8,998 3,457 28,305 21,600 24,697 28,305 28,305 21,600 24,697 28,305 28,305 27,931 30,25	Tax payable	357	285	121	121	121	121
Non-current liabilities 3,345 4,197 8,775 8,775 8,775 8,775 Long-term borrowings 2,204 2,206 6,631 6,631 6,631 6,631 Bond payables 210 471 518 518 518 518 Deferred income 390 816 758 758 758 758 Other non-current liabilities 540 705 867 867 867 867 Total liabilities 540 705 867 867 867 867 Share capital 3,416 3,420 3,420 3,420 3,420 3,420 Retained earnings 9,478 10,281 8,998 8,998 8,998 8,998 8,998 Other reserves 16,725 18,083 18,670 21,600 24,697 28,305 Total shareholders equity 27,931 30,258 31,528 34,457 37,554 41,162 Minority interest 604 766 717 7	Other current liabilities	2,822	3,676	4,767	4,767	4,767	4,767
Long-term borrowings 2,204 2,206 6,631 6,631 6,631 6,631 Bond payables 210 471 518 518 518 518 Deferred income 390 816 758 758 758 758 Other non-current liabilities 540 705 867 867 867 867 Total liabilities 3,416 3,420 3,420 3,420 3,420 3,420 3,420 Share capital 3,416 3,420 3	Accrued expenses	1,067	1,040	1,220	1,220	1,220	1,220
Bond payables 210 471 518 518 518 518 518 Deferred income 390 816 758 758 758 758 758 Other non-current liabilities 540 705 867 867 867 867 867 Total liabilities 33,148 46,919 42,217 63,044 53,068 73,241 Share capital 3,416 3,420	Non-current liabilities	3,345	4,197	8,775	8,775	8,775	8,775
Deferred income 390 816 758 758 758 758 Other non-current liabilities 540 705 867 867 867 867 Total liabilities 33,148 46,919 42,217 63,044 53,068 73,241 Share capital 3,416 3,420 <t< td=""><td>Long-term borrowings</td><td>2,204</td><td>2,206</td><td>6,631</td><td>6,631</td><td>6,631</td><td>6,631</td></t<>	Long-term borrowings	2,204	2,206	6,631	6,631	6,631	6,631
Other non-current liabilities 540 705 867 867 867 867 867 Total liabilities 33,148 46,919 42,217 63,044 53,068 73,241 Share capital 3,416 3,420	Bond payables	210	471	518	518	518	518
Total liabilities 33,148 46,919 42,217 63,044 53,068 73,241 Share capital 3,416 3,420	Deferred income	390	816	758	758	758	758
Share capital 3,416 3,420	Other non-current liabilities	540	705	867	867	867	867
Retained earnings 9,478 10,281 8,998 8,998 8,998 8,998 Other reserves 16,725 18,083 18,670 21,600 24,697 28,305 Total shareholders equity 27,931 30,258 31,528 34,457 37,554 41,162 Minority interest 604 766 717 717 717 717	Total liabilities	33,148	46,919	42,217	63,044	53,068	73,241
Other reserves 16,725 18,083 18,670 21,600 24,697 28,305 Total shareholders equity 27,931 30,258 31,528 34,457 37,554 41,162 Minority interest 604 766 717 717 717 717	Share capital	3,416	3,420	3,420	3,420	3,420	3,420
Total shareholders equity 27,931 30,258 31,528 34,457 37,554 41,162 Minority interest 604 766 717 717 717 717	Retained earnings	9,478	10,281	8,998	8,998	8,998	8,998
Minority interest 604 766 717 717 717 717	Other reserves	16,725	18,083	18,670	21,600	24,697	28,305
•	Total shareholders equity	27,931	30,258	31,528	34,457	37,554	41,162
Total equity and liabilities 61,079 77,176 73,744 97,500 90,623 114,403	Minority interest	604	766	717	717	717	717
	Total equity and liabilities	61,079	77,176	73,744	97,500	90,623	114,403



CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,606	1,509	791	3,110	4,063	4,729
Depreciation & amortization	2,918	3,651	4,069	2,557	2,959	3,250
Tax paid	(299)	282	228	(311)	(406)	(473)
Change in working capital	1,186	924	2,230	7,497	(8,086)	7,617
Others	187	1,951	834	200	200	200
Net cash from operations	8,598	8,317	8,152	13,053	(1,271)	15,323
Investing						
Capital expenditure	(6,962)	(8,090)	(6,950)	(5,500)	(5,500)	(5,500)
Acquisition of subsidiaries/ investments	(3,083)	(2,118)	(5,756)	0	0	0
Net proceeds from disposal of short-term investments	3,102	1,061	4,634	0	0	0
Others	174	71	488	0	0	0
Net cash from investing	(6,768)	(9,077)	(7,583)	(5,500)	(5,500)	(5,500)
Financing						
Dividend paid	(675)	(953)	(837)	(430)	(559)	(649)
Net borrowings	913	3,197	2,258	2,000	2,000	2,000
Proceeds from share issues	2,179	395	0	0	0	0
Others	(2,030)	(631)	354	(200)	(200)	(200)
Net cash from financing	387	2,008	1,774	1,370	1,241	1,151
Net change in cash						
Cash at the beginning of the year	6,913	9,138	10,800	13,153	22,076	16,546
Exchange difference	7	414	10	0	0	0
Cash at the end of the year	9,138	10,800	13,153	22,076	16,546	27,521
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	35.5%	34.1%	(6.0%)	4.7%	13.1%	10.3%
Gross profit	19.4%	5.5%	(24.4%)	28.0%	16.1%	10.8%
EBIT	43.6%	(65.6%)	(43.5%)	255.1%	29.5%	15.9%
Net profit	50.1%	(59.1%)	(37.8%)	163.6%	29.9%	16.1%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec	44.40/	44.40/	0.00/	40.00/	44.00/	44.00/
Gross profit margin	14.1%	11.1%	8.9%	10.9%	11.2%	11.3%
Return on equity (ROE)	17.9%	6.0%	3.5%	8.7%	10.3%	11.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	1.2	1.1	1.2	1.1	1.1	1.1
Receivable turnover days	51.3	45.9	50.0	50.0	50.0	50.0
Inventory turnover days	57.7	57.6	57.2	57.2	57.2	57.2
Payable turnover days	104.9	101.5	107.2	107.2	107.2	107.2
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec		.= <i>.</i>		~~ ~		
P/E	18.3	45.4	73.8	28.0	21.5	18.6
P/B	2.9	2.7	2.5	2.3	2.1	1.9
Div yield (%)	0.8	0.4	0.4	0.5	0.7	0.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



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