

# Luxshare (002475 CH)

## Reiterate BUY on stronger 2H22 growth; Recent correction is overdone

We believe recent pullback offers good buying opportunities as we expect Luxshare to deliver strong earnings growth of 59%/54% YoY in 3Q/4Q22E (vs 34%/14% YoY in 1Q/2Q), driven by Apple's product launches in 3Q22 and margin recovery in 2H22E. In addition, following several strategic M&As in 2020/21, we believe Luxshare started to benefit from gaining share in iPhone's top module, Macbook/iPad's casing and Watch OEM in 2H22E. The stock now trades at 18.3x FY23E P/E, close to 1-sd below 5-yr average P/E. Reiterate BUY and rollover TP to RMB52.3, based on 30x FY23E P/E.

■ **Poised to benefit from Apple's new products and margin recovery in 2H22E.** As the major OEM/component supplier of Apple's iPhone/ Watch/ AirPods, we believe Luxshare will benefit from Apple's new products in 3Q22 and gradual margin recovery in 2H22E. In particular, we are positive on 1) share gain of top module in two iPhone models, 2) blended ASP hike of iPhone 14pro/pro max, and 3) share gain of Watch/Airpods OEM. As profitability continues to improve into 2H22E, we forecast earnings growth will accelerate to 59%/54% YoY in 3Q/4Q22E (vs 14%/34% YoY in 2Q/1Q22).

■ **Strategic cooperation with Chery to pave way for auto tier-1 business.** Chery Auto announced on 16 Sep to invest RMB100bn in next five years to enhance competitiveness in smart EVs and partnership with supply chain as part of its Yaoguang 2025 programme. As the close partner with Chery Auto for both own-brand and JDM projects, Luxshare is well positioned to capture growth opportunities in auto components, starting from high-voltage cable/harness products. Luxshare started to expand into auto component products since 2011, and established a strong product offering, including special-purpose wiring harnesses/connectors, telematics control units (TCUs), central gateway modules, and camera/LiDAR system for NEVs.

■ **Recent correction is overdone; Reiterate BUY.** We believe Luxshare's operating efficiency will continue to improve with solid demand of iPhone/ Macbook/iPad products ahead, and its NPM will gradually recover through the learning curve. The stock now trades at 18.3x FY23E P/E based on our estimate, close to 1-SD below 5-year hist. avg P/E. Reiterate BUY with rollover TP of RMB52.3 (64% upside). Catalysts include iPhone share gain, Watch/Airpods shipment upside and NEV business progress.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	92,501	153,946	198,768	234,917	267,788
YoY growth (%)	48.0	66.4	29.1	18.2	14.0
Net profit (RMB mn)	7,225.5	7,070.5	9,998.0	12,348.4	14,711.2
EPS (Reported) (RMB)	1.03	1.00	1.41	1.74	2.08
YoY growth (%)	17.1	(2.8)	40.7	23.5	19.1
Consensus EPS (RMB)	na	na	1.43	1.90	2.35
P/E (x)	44.0	41.4	22.6	18.3	15.4
P/B (x)	10.3	6.4	4.1	3.4	2.8
Yield (%)	0.2	0.0	0.5	0.6	0.7
ROE (%)	27.4	18.4	19.8	20.4	20.2

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** RMB52.30

(Previous TP) RMB74.20)

**Up/Downside** 64.0%

**Current Price** RMB31.89

### China Technology

**Alex NG**

(852) 3900 0881

alexng@cmbi.com.hk

**Claudia LIU**

claudialiu@cmbi.com.hk

### Stock Data

Mkt Cap (RMB mn)	225,940.7
Avg 3 mths t/o (RMB mn)	34.7
52w High/Low (RMB)	51.00/26.05
Total Issued Shares (mn)	7085.0

Source: FactSet

### Shareholding Structure

Luxshare Ltd	38.6%
HKEX	7.8%

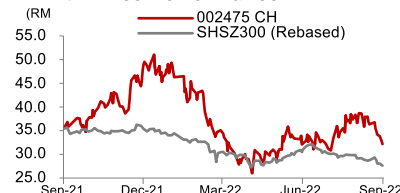
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-16.9%	-10.3%
3-mth	-0.8%	11.7%
6-mth	-9.4%	0.0%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Earnings Revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	198,768	234,917	267,788	98,936	126,353	146,236	101%	86%	83%
Gross Profit	25,375	30,532	35,468	20,116	25,766	30,426	26%	18%	17%
Operating Profit	11,216	13,663	16,123	8,589	11,295	13,967	31%	21%	15%
Net profit	9,998	12,348	14,711	7,139	9,446	11,724	40%	31%	25%
EPS (RMB)	1.41	1.74	2.08	1.33	1.77	2.19	6%	-1%	-5%
Gross Margin	12.8%	13.0%	13.2%	20.3%	20.4%	20.8%	-7.6 ppt	-7.4 ppt	-7.6 ppt
Operating Margin	5.6%	5.8%	6.0%	8.7%	8.9%	9.6%	-3 ppt	-3.1 ppt	-3.5 ppt
Net Margin	5.0%	5.3%	5.5%	7.2%	7.5%	8.0%	-2.2 ppt	-2.2 ppt	-2.5 ppt

Source: Bloomberg, CMBIGM

Figure 2: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	198,768	234,917	267,788	204,807	244,429	286,042	-3%	-4%	-6%
Gross Profit	25,375	30,532	35,468	26,747	33,222	39,455	-5%	-8%	-10%
Operating Profit	11,216	13,663	16,123	11,568	15,237	18,674	-3%	-10%	-14%
Net profit	9,998	12,348	14,711	10,081	13,111	16,545	-1%	-6%	-11%
EPS (RMB)	1.41	1.74	2.08	1.43	1.90	2.35	-1%	-8%	-12%
Gross Margin	12.8%	13.0%	13.2%	13.1%	13.6%	13.8%	-0.3 ppt	-0.6 ppt	-0.5 ppt
Operating Margin	5.6%	5.8%	6.0%	5.6%	6.2%	6.5%	0 ppt	-0.4 ppt	-0.5 ppt
Net Margin	5.0%	5.3%	5.5%	4.9%	5.4%	5.8%	0.1 ppt	-0.1 ppt	-0.3 ppt

Source: Bloomberg, CMBIGM

Figure 3: Revenue breakdown

RMB mn	FY20	FY21	FY22E	FY23E	FY24E
<b>Computer Connectors</b>	<b>3,521</b>	<b>7,857</b>	<b>10,999</b>	<b>12,099</b>	<b>13,309</b>
...YoY	-14%	123%	40%	10%	10%
<b>Automotive Interconnect</b>	<b>2,844</b>	<b>4,143</b>	<b>5,178</b>	<b>7,250</b>	<b>9,787</b>
...YoY	20%	46%	25%	40%	35%
<b>Comm. Interconnection</b>	<b>2,265</b>	<b>3,269</b>	<b>6,539</b>	<b>9,481</b>	<b>13,748</b>
...YoY	1%	44%	100%	45%	45%
<b>Consumer Electronics</b>	<b>81,818</b>	<b>134,638</b>	<b>170,800</b>	<b>199,261</b>	<b>222,069</b>
...YoY	57%	65%	27%	17%	11%
Casing + Top module	-	49,727	76,383	95,203	108,668
Type-C (Non-Apple)	3,025	3,328	3,660	4,026	4,429
Dongle	-	-	-	-	-
Lightning, wireless, LCP	10,390	11,201	12,031	13,378	14,740
Acoustics/haptics	5,462	6,484	7,052	6,819	6,787
Apple Watch	6,216	11,839	16,065	18,850	19,635
AirPods	55,257	46,935	47,922	49,454	50,514
Others	1,468	5,125	7,688	11,531	17,297
<b>Other Connectors</b>	<b>2,052</b>	<b>4,039</b>	<b>5,251</b>	<b>6,827</b>	<b>8,874</b>
...YoY	13%	97%	30%	30%	30%
<b>Total</b>	<b>92,501</b>	<b>153,946</b>	<b>198,768</b>	<b>234,917</b>	<b>267,788</b>
...YoY	48%	66%	29%	18%	14%

Source: Company data, CMBIGM

**Figure 4: P&L forecast**

RMB mn	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>62,516</b>	<b>92,501</b>	<b>153,946</b>	<b>198,768</b>	<b>234,917</b>	<b>267,788</b>
...YoY	74%	48%	66%	29%	18%	14%
Cost of sales	50,068	75,770	135,048	173,393	204,386	232,320
<b>Gross profit</b>	<b>12,448</b>	<b>16,731</b>	<b>18,898</b>	<b>25,375</b>	<b>30,532</b>	<b>35,468</b>
GPM (%)	<b>19.9%</b>	<b>18.1%</b>	<b>12.3%</b>	<b>12.8%</b>	<b>13.0%</b>	<b>13.2%</b>
...YoY	65%	34%	13%	34%	20%	16%
SG&A	-3,878	-5,268	4,532	5,790	6,843	7,801
...% of rev	-6.2%	-5.7%	2.9%	2.9%	2.9%	2.9%
R&D	4,376	5,745	6,642	8,576	10,136	11,554
...% of rev	7.0%	6.2%	4.3%	4.3%	4.3%	4.3%
<b>Operating profit</b>	<b>5,745</b>	<b>8,168</b>	<b>8,167</b>	<b>11,216</b>	<b>13,663</b>	<b>16,123</b>
OPM (%)	9.2%	8.8%	5.3%	5.6%	5.8%	6.0%
...YoY	74%	42%	0%	37%	22%	18%
<b>Net profit</b>	<b>4,714</b>	<b>7,225</b>	<b>7,071</b>	<b>9,998</b>	<b>12,348</b>	<b>14,711</b>
NPM (%)	7.5%	7.8%	4.6%	5.0%	5.3%	5.5%
...YoY	73%	53%	-2%	41%	24%	19%

Source: Company data, CMBIGM

## Valuation

### Reiterate BUY with TP of RMB 52.3 (64% upside)

We derived our 12m TP of RMB 52.3 based on rollover 30x FY23E P/E. We believe this is justified as Luxshare continues to deliver strong earnings growth, market share gain and product expansion to capture Apple and NEV opportunities in next 3-5 years.

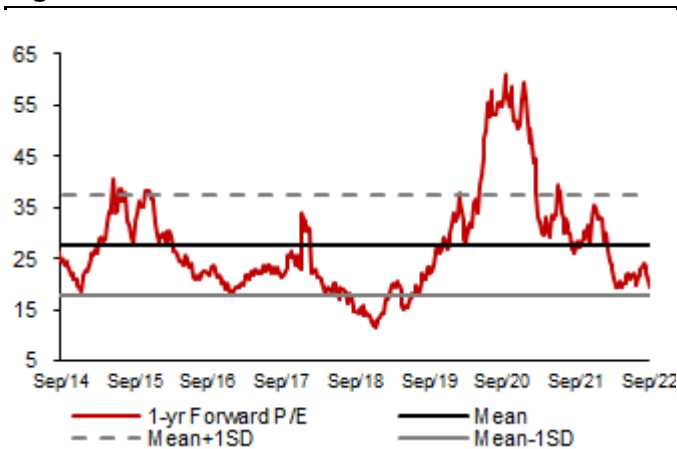
Upcoming catalysts include stronger iPhone shipment and NEV progress. Major risks include weaker iPhone/AirPods demand, weaker yield improvement and slower integration of acquired businesses.

Figure 5: Peers' valuation

Company	Ticker	Rating	Market Cap US\$(mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)		ROE (%)	
							FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
<b>A-listed components</b>												
Luxshare	002475 CH	BUY	31,348	31.68	52.3	64%	22.6	18.3	4.1	3.4	18.2	18.6
Goertek	002241 CH	BUY	13,332	27.94	44.7	60%	17.5	14.2	3.0	2.5	17.1	17.8
O-film	002456 CH	NR	2,484	5.46	NA	NA	-	-	2.4	2.4	(14.6)	(5.8)
Sunway	300136 CH	NR	1,963	14.53	NA	NA	17.7	13.1	2.1	1.8	12.2	15.0
BOE	000725 CH	NR	17,791	3.32	NA	NA	9.0	7.1	0.8	0.8	9.2	11.1
Hans Laser	002008 CH	NR	3,956	26.93	NA	NA	14.8	11.7	2.1	1.8	14.5	15.8
Lens Tech	300433 CH	NR	6,536	9.41	NA	NA	21.3	12.5	1.1	1.0	6.3	8.0
Everwin	300115 CH	NR	1,946	11.60	NA	NA	53.2	17.2	1.9	1.7	3.3	9.4
Holitech	002217 CH	NR	1,158	2.66	NA	NA	-	-	-	-	-	-
<b>Average</b>							<b>22.3</b>	<b>13.4</b>	<b>2.2</b>	<b>1.9</b>	<b>8.3</b>	<b>11.2</b>
<b>H-listed components</b>												
FIT Hon Teng	6088 HK	BUY	926	1.00	1.8	78%	5.7	4.9	0.3	0.3	6.0	6.5
AAC Tech	2018 HK	HOLD	2,041	13.26	14.0	6%	15.7	10.9	0.6	0.6	4.0	5.6
Sunny Optical	2382 HK	HOLD	11,346	81.20	102.3	26%	29.1	19.7	3.4	3.0	11.8	15.3
Tongda	698 HK	BUY	135	0.11	0.2	102%	3.6	2.7	0.1	0.1	2.3	3.0
BYDE	285 HK	HOLD	6,157	21.45	19.3	-10%	28.7	16.3	1.7	1.6	6.0	9.6
Q tech	1478 HK	BUY	543	3.60	5.6	56%	14.0	6.9	0.8	0.7	5.5	10.3
TK Group	2283 HK	BUY	186	1.75	3.4	93%	4.3	3.4	0.8	0.7	18.6	20.7
Truly	732 HK	NR	529	1.27	NA	NA	4.4	3.6	0.4	0.3	8.2	9.2
SMIC	981 HK	NR	22,718	16.42	NA	NA	9.3	11.2	0.8	0.7	10.1	7.4
YOFC	6869 HK	NR	3,367	17.88	NA	NA	11.4	10.0	1.2	1.1	10.2	10.8
Cowell	1415 HK	NR	1,569	14.72	NA	NA	21.1	13.4	3.7	-	21.4	27.3
<b>Average</b>							<b>13.4</b>	<b>9.4</b>	<b>1.3</b>	<b>0.9</b>	<b>9.6</b>	<b>11.4</b>

Source: Bloomberg, CMBIGM, \* TP under review

Figure 6: 12M forward P/E band



Source: Bloomberg, CMBIGM

Figure 7: 12M forward P/B band



Source: Bloomberg, CMBIGM

## Financial Summary

INCOME STATEMENT	2019A	2020A	2021A	2022E	2023E	2024E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>62,516</b>	<b>92,501</b>	<b>153,946</b>	<b>198,768</b>	<b>234,917</b>	<b>267,788</b>
Cost of goods sold	(50,068)	(75,770)	(135,048)	(173,393)	(204,386)	(232,320)
<b>Gross profit</b>	<b>12,448</b>	<b>16,731</b>	<b>18,898</b>	<b>25,375</b>	<b>30,532</b>	<b>35,468</b>
Selling expense	(498)	(477)	(790)	(1,020)	(1,205)	(1,374)
Admin expense	0	0	0	0	0	0
SG&A expense	4,376	5,745	(3,742)	(4,770)	(5,638)	(6,427)
R&D expense	(4,376)	(5,745)	(6,642)	(8,576)	(10,136)	(11,554)
Others	(6,621)	(9,512)	(1,101)	(809)	(906)	(1,006)
Other income	232	451	854	854	854	854
Gain/loss on financial assets at FVTPL	1	329	(116)	0	0	0
Investment gain/loss	173	648	689	0	0	0
Other gains/(losses)	10	(2)	118	163	163	163
<b>EBIT</b>	<b>5,745</b>	<b>8,168</b>	<b>8,167</b>	<b>11,216</b>	<b>13,663</b>	<b>16,123</b>
<b>Net Interest income/(expense)</b>	<b>(330)</b>	<b>(905)</b>	<b>(555)</b>	<b>(610)</b>	<b>(671)</b>	<b>(738)</b>
Other income/expense	(110)	(32)	(25)	(25)	(25)	(25)
<b>Pre-tax profit</b>	<b>5,635</b>	<b>8,136</b>	<b>8,143</b>	<b>11,191</b>	<b>13,638</b>	<b>16,098</b>
Income tax	(708)	(645)	(322)	(443)	(540)	(637)
<b>After tax profit</b>	<b>4,927</b>	<b>7,491</b>	<b>7,821</b>	<b>10,748</b>	<b>13,098</b>	<b>15,461</b>
Minority interest	214	266	750	750	750	750
<b>Net profit</b>	<b>4,714</b>	<b>7,225</b>	<b>7,071</b>	<b>9,998</b>	<b>12,348</b>	<b>14,711</b>
Gross dividends	645	774	771	1,090	1,346	1,604
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>30,751</b>	<b>43,396</b>	<b>72,309</b>	<b>78,170</b>	<b>107,011</b>	<b>115,895</b>
Cash & equivalents	6,180	10,528	14,205	21,883	30,269	42,723
Account receivables	13,310	14,100	31,931	28,118	42,740	37,947
Inventories	7,701	13,211	20,901	22,897	28,729	29,953
Prepayment	212	184	406	406	406	406
Financial assets at FVTPL	1,524	3,160	2,107	2,107	2,107	2,107
Other current assets	1,823	2,212	2,760	2,760	2,760	2,760
<b>Non-current assets</b>	<b>18,627</b>	<b>26,617</b>	<b>48,263</b>	<b>50,171</b>	<b>51,843</b>	<b>53,308</b>
PP&E	14,573	21,357	37,799	39,707	41,378	42,843
Deferred income tax	139	356	891	891	891	891
Investment in JVs & assos	497	1,347	1,362	1,362	1,362	1,362
Intangibles	1,048	1,265	2,223	2,223	2,223	2,223
Goodwill	533	533	1,397	1,397	1,397	1,397
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,837	1,759	4,591	4,591	4,591	4,591
<b>Total assets</b>	<b>49,378</b>	<b>70,013</b>	<b>120,572</b>	<b>128,341</b>	<b>158,854</b>	<b>169,203</b>
<b>Current liabilities</b>	<b>24,860</b>	<b>33,593</b>	<b>64,831</b>	<b>63,373</b>	<b>82,627</b>	<b>79,610</b>
Short-term borrowings	4,166	7,577	11,920	12,920	13,920	14,920
Account payables	17,475	23,180	45,651	43,193	61,447	57,430
Tax payable	102	0	0	0	0	0
Other current liabilities	1,694	1,438	5,160	5,160	5,160	5,160
Accrued expenses	1,423	1,398	2,100	2,100	2,100	2,100
<b>Non-current liabilities</b>	<b>2,768</b>	<b>5,513</b>	<b>9,959</b>	<b>9,959</b>	<b>9,959</b>	<b>9,959</b>
Long-term borrowings	1,563	1,495	5,025	5,025	5,025	5,025
Other non-current liabilities	1,206	4,018	4,934	4,934	4,934	4,934
<b>Total liabilities</b>	<b>27,628</b>	<b>39,106</b>	<b>74,789</b>	<b>73,331</b>	<b>92,586</b>	<b>89,569</b>
Share capital	5,349	7,000	7,050	7,050	7,050	7,050
Retained earnings	11,765	17,996	24,041	33,269	44,528	57,893
Other reserves	3,183	3,106	4,196	4,196	4,196	4,196
<b>Total shareholders equity</b>	<b>21,750</b>	<b>30,907</b>	<b>45,783</b>	<b>55,010</b>	<b>66,269</b>	<b>79,634</b>
Minority interest	1,453	2,805	10,494	10,494	10,494	10,494
<b>Total equity and liabilities</b>	<b>49,378</b>	<b>70,013</b>	<b>120,572</b>	<b>128,341</b>	<b>158,854</b>	<b>169,203</b>

<b>CASH FLOW</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>5,635</b>	<b>8,136</b>	<b>8,143</b>	<b>11,191</b>	<b>13,638</b>	<b>16,098</b>
Depreciation & amortization	1,671	2,417	5,188	5,092	5,328	5,535
Tax paid	(708)	(645)	(322)	(443)	(540)	(637)
Change in working capital	491	(2,637)	(6,166)	(641)	(2,200)	(447)
Others	(331)	(1,043)	120	167	131	101
<b>Net cash from operations</b>	<b>7,466</b>	<b>6,873</b>	<b>7,285</b>	<b>15,809</b>	<b>16,898</b>	<b>21,288</b>
<b>Investing</b>						
Capital expenditure	(6,363)	(7,502)	(12,567)	(7,000)	(7,000)	(7,000)
Acquisition of subsidiaries/ investments	(80,378)	(57,780)	(54,513)	0	0	0
Net proceeds from disposal of short-term investments	80,302	56,029	54,095	0	0	0
Others	140	105	4,606	0	0	0
<b>Net cash from investing</b>	<b>(6,298)</b>	<b>(9,148)</b>	<b>(8,380)</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>(7,000)</b>
<b>Financing</b>						
Dividend paid	536	1,066	1,400	1,521	1,840	2,096
Net borrowings	1,121	1,771	(2,622)	1,000	1,000	1,000
Proceeds from share issues	0	1,610	2,387	0	0	0
Others	(585)	2,340	(1,555)	(3,652)	(4,351)	(4,930)
<b>Net cash from financing</b>	<b>1,072</b>	<b>6,786</b>	<b>(390)</b>	<b>(1,131)</b>	<b>(1,511)</b>	<b>(1,834)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	3,810	6,147	10,465	8,922	16,600	24,986
Exchange difference	97	(195)	(58)	0	0	0
<b>Cash at the end of the year</b>	<b>6,147</b>	<b>10,465</b>	<b>8,922</b>	<b>16,600</b>	<b>24,986</b>	<b>37,440</b>
<b>GROWTH</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Revenue	74.4%	48.0%	66.4%	29.1%	18.2%	14.0%
Gross profit	65.0%	34.4%	12.9%	34.3%	20.3%	16.2%
EBIT	74.4%	42.2%	(0.0%)	37.3%	21.8%	18.0%
Net profit	73.1%	53.3%	(2.1%)	41.4%	23.5%	19.1%
<b>PROFITABILITY</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Gross profit margin	19.9%	18.1%	12.3%	12.8%	13.0%	13.2%
Return on equity (ROE)	24.5%	27.4%	18.4%	19.8%	20.4%	20.2%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	1.2	1.3	1.1	1.2	1.3	1.5
Receivable turnover days	5.1	6.7	6.7	6.7	6.7	6.7
Inventory turnover days	8.1	7.2	7.9	7.9	7.9	7.9
Payable turnover days	3.6	3.7	3.9	3.9	3.9	3.9
<b>VALUATION</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>YE 31 Dec</b>						
P/E	19.5	44.0	41.4	22.6	18.3	15.4
P/B	4.2	10.3	6.4	4.1	3.4	2.8
Div yield (%)	0.7	0.2	0.0	0.5	0.6	0.7

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

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.