CMB International Global Markets | Equity Research | Company Update

# Shennan Circuit (002916 CH)

# 3Q results review: Solid revenue growth with lower margin

Shennan Circuit released its 3Q24 results. Revenue went up 37.9% YoY/8.5% QoQ to RMB4.73bn, beating Bloomberg consensus by 19.7%. Net profit rose 15.3% YoY but declined 17.6% QoQ. GPM declined to 25.4% QoQ in 3Q24 from 27.1%/23.4% in 2Q24/3Q23. Mgmt. attributed this to 1) higher sales contribution from lower margin PCBA business (GPM at c.15%), 2) Guangzhou factory ramp-up suppressed substrate margin, and 3) high copper price (avg. copper price in 3Q24 was ~US\$9.9k/t), and increased auto sales weighed on PCB's profitability. NPM declined 3.3ppts sequentially to 10.6%. **Maintain HOLD on Shennan with TP adjusted to RMB115, reflecting 27x 2025E P/E** (vs. prev. 30.8x), closed to its 3-yr avg. historical forward P/E.

- PCB GPM erosion on higher material costs and greater auto PCB sales. By end market, telecom remained the largest market with c.40% of segment sales in 3Q24. Aside from telecom, datacom/auto/industrial & medical/energy markets contributed ~20%/13%/10%/5% of PCB revenue. GPM declined QoQ due to 1) increasing material costs (i.e., FR4) and 2) auto PCB growth, which has a relatively lower margin than other products. Mgmt. highlighted relatively high utilization rate (~90%) from AI-related PCB production, while that of non-AI production remained at between 85-90%. Looking forward, we expect PCB revenue to grow at 11% in 2025E.
- Strong growth in PCBA sales offset substrate weakness. We think the beat in 3Q revenue is mainly due to higher-than-expected PCBA sales, which weighed on margin (down 1.7% sequentially). Substrate business continued to be weak in 3Q due to challenging demand, especially in the consumer electronics market. Substrate (excl. Guangzhou factory) utilization rate maintained at level of c.70%. For Guangzhou factory, mgmt. mentioned mass production capability for sub-16 layered PCB products that have been shipped to a few domestic clients. Looking forward, we expect substrate revenue to grow at 7% in 2025E.
- Maintain HOLD, with TP adjusted to RMB115, based on 27.0x rollover 2025E P/E, closed to 3-yr avg. historical forward P/E. We revise up our 2024/25E revenue forecasts by 9%/3%, reflecting higher-than-expected PCBA sales. EPS was up by 7% for 2024E but remained unchanged for 2025E, considering ongoing margin pressure. Potential risks include: 1) weaker-than-expected demand recovery, 2) slower product certification at clients, and 3) slower capacity ramp-up.

# **Earnings Summary**

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	13,992	13,526	17,574	18,765	20,516
YoY growth (%)	0.4	(3.3)	29.9	6.8	9.3
Gross margin (%)	25.5	23.4	25.0	25.5	26.6
Net profit (RMB mn)	1,641.2	1,398.1	1,877.9	2,178.2	2,670.6
YoY growth (%)	10.8	(14.8)	34.3	16.0	22.6
EPS (Reported) (RMB)	3.22	2.72	3.68	4.27	5.23
P/E (x)	33.0	39.1	28.9	24.9	20.3
ROE (%)	15.8	11.0	13.5	14.2	15.6

Source: Company data, Bloomberg, CMBIGM estimates



# **HOLD (Maintain)**

Target Price	RM
(Previous TP	RM

RMB115.00 RMB106.40) 8.3%

RMB106 20

China Semiconductors

Lily YANG, Ph.D (852) 3916 3716 lilyyang@cmbi.com.hk

Kevin ZHANG

Up/Downside

**Current Price** 

(852) 3761 8727 kevinzhang@cmbi.com.hk

## Stock Data

Mkt Cap (RMB mn)	54,470.0
Avg 3 mths t/o (RMB mn)	785.4
52w High/Low (RMB)	130.50/49.27
Total Issued Shares (mn)	512.9
Source: FactSet	

#### **Shareholding Structure**

AVIC International Holdings Ltd	64.0%
E Fund Management	5.6%
Source: Bloomberg	

### Share Performance

	Absolute	Relative
1-mth	5.3%	-7.3%
3-mth	-4.7%	-24.5%
6-mth	13.5%	1.7%
Source: FactSet		

### 12-mth Price Performance



70 60 50 40 30 20 10 0 08-19 08-22 08-24 08-20 08-21 08-23 1-yr Forward P/E -Mean Mean+1SD Mean-1SD

Source: Company data, Bloomberg

Figure 1: 1-yr forward PE band

# Figure 3: Earnings revisions

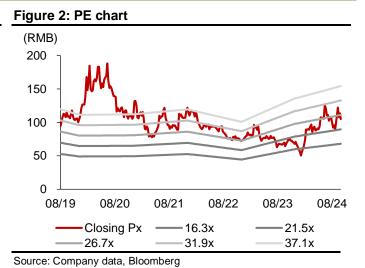
		New			Old			Diff (%)	
US\$mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	17,574	18,765	20,516	16,051	18,216	20,813	9%	3%	-1%
Gross profit	4,398	4,791	5,466	4,091	4,628	5,403	8%	4%	1%
Net profit	1,878	2,178	2,671	1,762	2,174	2,791	7%	0%	-4%
EPS (RMB)	3.68	4.27	5.23	3.45	4.26	5.46	7%	0%	-4%
Gross margin	25.0%	25.5%	26.6%	25.5%	25.4%	26.0%	-0.5 ppt	0.1 ppt	0.7 ppt
Net margin	10.7%	11.6%	13.0%	11.0%	11.9%	13.4%	-0.3 ppt	-0.3 ppt	-0.4 ppt

Source: Company data, CMBIGM estimates

# Figure 4: CMBIGM estimates vs. Bloomberg consensus

		CMBIGM		(	Consensus			Diff (%)	
US\$mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	17,574	18,765	20,516	16,797	19,540	22,469	5%	-4%	-9%
Gross profit	4,398	4,791	5,466	4,281	5,035	5,875	3%	-5%	-7%
Net profit	1,878	2,178	2,671	1,912	2,304	2,764	-2%	-5%	-3%
EPS (RMB)	3.68	4.27	5.23	3.63	4.32	5.33	1%	-1%	-2%
Gross margin	25.0%	25.5%	26.6%	25.5%	25.8%	26.1%	-0.5 ppt	-0.2 ppt	0.5 ppt
Net margin	10.7%	11.6%	13.0%	11.4%	11.8%	12.3%	-0.7 ppt	-0.2 ppt	0.7 ppt

Source: Company data, CMBIGM estimates, Bloomberg consensus







# **Financial Summary**

VE 31 Dec (PMB mu)     13,943     13,992     13,526     17,574     18,765     20.575       Cost of pools soid     (10,637)     (10,427)     (10,377)     (11,3176)     (11,3176)     (11,3176)     (11,3176)     (11,3176)     (11,3176)     (11,3176)     (11,3176)     (11,3176)     (11,325)     (11,427)     (11,428)     (11,470)     (11,548)       SGAA opense     (776)     (028)     (0770)     (10,25)     (11,470)     (11,548)       Ohner sennel profit     1,899     1,880     1,611     (21)     (77)     (16)     (11)     (7)     (11)     (7)     (11)     (22)     (11)     (22)     (11)     (28)     (11)     (28)     (11)     (28)     (11)     (28)     (11)     (28)     (11)     (28)     (28)     (17)     (16)     (11)     (28) <th>INCOME STATEMENT</th> <th>2021A</th> <th>2022A</th> <th>2023A</th> <th>2024E</th> <th>2025E</th> <th>2026E</th>	INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
Revenue     13,943     13,852     13,526     17,574     15,765     20,516       Cost of goods onds     (10,637)     (10,837)     (10,837)     (11,8	YE 31 Dec (RMB mn)						
Cross profit     3.306     3.571     3.170     4.398     4.791     5.684       Operating segmes     (1760)     (1277)     (2284)     (1707)     (1027)     (2284)       SCAA opense     (1782)     (620)     (1707)     (11.342)     (11.077)     (10.967)       Chers     152     55     385     287     316     356       Operating profit     1.889     1.880     1.611     2.319     2.280     3.182       Other opense     (11)     (7)     (4)     (7)     (6)     (7)       Other opense     (91)     (92)     (60)     (81)     (88)     (88)       Interest opense     (91)     (92)     (60)     (81)     (82)     (297)       Attra ta profit     1.69     1.70     1.398     2.041     2.420     2.025     2.025       VE 31 to (KMEN)     1.641     1.98     1.878     2.178     2.671       VE 31 to (KMEN)     1.641     1.98     1.681     2.025     1.053 <td< td=""><td></td><td>13,943</td><td>13,992</td><td>13,526</td><td>17,574</td><td>18,765</td><td>20,516</td></td<>		13,943	13,992	13,526	17,574	18,765	20,516
Operating expense     (1.469)     (1.763)     (2.271)     (2.211)     (2.221)       SGA expense     (776)     (236)     (1073)     (1.1025)     (1.064)       RAD expense     (782)     (820)     (1.073)     (1.1470)     (1.949)       RAD expense     152     55     385     287     316     356       Operating profit     1.89     1.80     1.611     2.319     (1.81)     (2.81)       Other gonn()(Gosen)     (171)     (77)     (181)     (229)     (181)     (280)       Interest income     5     22     12     13     30     69       Interest income (31)     (172)     (77)     (133)     (213)     (183)     (183)       Other gonn()(Gosen)     (172)     1.700     (138)     2.041     2.420     2.947       Interest income ix     (129)     7.70     1.388     2.041     2.420     2.670       Montry interest     0     0     (0)     (0)     (0)     (0)     (0)     (0)	Cost of goods sold	(10,637)	(10,422)	(10,357)	(13,176)	(13,974)	(15,050)
Operating expense     (1.469)     (1.763)     (2.271)     (2.211)     (2.221)       SGA expense     (776)     (236)     (1073)     (1.1025)     (1.064)       RAD expense     (782)     (820)     (1.073)     (1.1470)     (1.949)       RAD expense     152     55     385     287     316     356       Operating profit     1.89     1.80     1.611     2.319     (1.81)     (2.81)       Other gonn()(Gosen)     (171)     (77)     (181)     (229)     (181)     (280)       Interest income     5     22     12     13     30     69       Interest income (31)     (172)     (77)     (133)     (213)     (183)     (183)       Other gonn()(Gosen)     (172)     1.700     (138)     2.041     2.420     2.947       Interest income ix     (129)     7.70     1.388     2.041     2.420     2.670       Montry interest     0     0     (0)     (0)     (0)     (0)     (0)     (0)	5		,	,	,	,	,
SGAA opense     (776)     (1262)     (1770)     (11,027)     (11,047)     (11,047)       Chers     152     55     385     287     316     356       Operating profit     1889     1880     1611     2.319     2.2680     3.1822       Other expense     (11)     (7)     (4)     7     6     6     7       Other expense     (11)     (7)     (4)     (77)     (181)     (280)     (280)     (181)     (280)     (280)     (29)     (29)     (29)     (29)     (29)     (29)     (20)	-		-	-		-	
R2D exponse     (782)     (820)     (1,173)     (1,1470)     (1,470)     (1,470)       Other income     152     55     385     287     316     356       Operating profit     189     1.80     1.611     2.319     2.580     356       Other agamate     (11)     (7)     (4)     (77)     (6)     (7)       Other agamate     (11)     (7)     (4)     (77)     (6)     (7)       Other agamate     (17)     (163)     (182)     (22)     (6)     (8)     (68)       Others agamate     (21)     77     23     70     75     82       Pretax profit     1.609     1.720     1.388     2.041     2.420     2.097       Incore tax     (123)     (79)     (1)     (153)     (152)     2.670       Macrity profit     1.481     1.641     1.398     1.878     2.178     2.670       Macrity profit     1.481     1.641     1.398     1.872     2.670     2.677     2.670<							
Ohensis     152     55     386     287     316     386       Operating profit     1889     1,880     1,611     2,219     2,580     3,182       Other income     4     4     5     6     6     7       Other appenso     (11)     (7)     (4)     (7)     (6)     (7)       Other appenso     (11)     (7)     (23)     20     (78)     (18)     (88)       Interest income     5     22     12     30     30     89       Interest income     (21)     77     23     70     76     82       Protaty profit     1,609     1,720     1,388     1,873     2,178     2,870       Macrity interest     0 <td>•</td> <td></td> <td>,</td> <td>· ,</td> <td> ,</td> <td> ,</td> <td> ,</td>	•		,	· ,	,	,	,
Operating profit     1.889     1.880     1.611     2.280     3.182       Other popense     (11)     (7)     (4)     (7)     (6)     (7)       Other popense     (11)     (7)     (4)     (7)     (6)     (7)       Other sopense     (172)     (183)     (223)     (181)     (226)       Interest sopense     (91)     (92)     (66)     (61)     (62)     (80)       Interest sopense     (21)     77     23     70     75     82       Pre-tax profit     1.669     1.720     1.938     2.478     2.478     2.620       Minority interest     0     0     (0)	•		. ,				,
Chear spense     4     4     5     5     6     7       Chear spense     (11)     (7)     (4)     (7)     (6)     (7)       Cher spense     (11)     (7)     (163)     (123)     (213)     30     59       Interast income     5     22     12     13     30     59       Interast income     (21)     (7)     23     70     75     82       Pre-tax profit     1609     1,720     1,338     2,474     2,429     2,929       Ater tax profit     1,481     1,641     1,398     1,875     2,178     2,671       Ater tax profit     1,481     1,641     1,398     1,875     2,178     2,671       Ater profit     1,481     1,641     1,398     1,1,75     1,152     1,5681       Current asset     7,270     8,578     6,597     1,1,153     1,1,52     1,5681       Current asset     2,772     2,741     2,656     3,493     4,242     3,497       No							
Other gans/General     (11)     (17)     (4)     (7)     (6)     (7)       Other gans/General     5     22     12     13     30     60       Interest signame     (21)     77     23     70     75     62       Pre-tax profit     1,699     1,720     1,398     2,041     2,420     2,957       Income tax     (113)     (75)     (113)     (75)     (113)     (22,12)     (23)       After tax profit     1,481     1,641     1,398     1,878     2,178     2,670       Minority interest     0			-			-	
Other gains/(losses)     (175)     (163)     (182)     (279)     (181)     (288)       Interest income     5     22     13     30     58       Interest income     (21)     77     23     70     75     62       Pre-tax profit     1,609     1,720     1,398     2,041     2,420     2,2967       Income tax     (123)     (79)     (11     (163)     2,212     2,397     2,670       Minotity interest     0							
Interest expense     (9)     (3)     (3)     (5)     (5)       Interest expense     (1)     (77)     (23)     (70)     (75)     (82)       Dithers     (1)     (76)     (1)     (78)     (2,041)     (2,420)     (2,397)       Income tax     (1,28)     (78)     (1)     (16)     (1)     (16)     (2)	•	( )		. ,		( )	
Interest expanse     (01)     (02)     (66)     (81)     (65)     (82)       Pre-kar pofit     1,609     1,720     1,388     2,041     2,242     (22)       Income tax     (123)     (79)     (11)     (163)     (2,42)     (297)       After tax profit     1,481     1,441     1,398     2,373     2,675       Minority interest     0     0     0     (0)     (0)     (0)     (0)       Net profit     1,481     1,441     1,398     1,878     2,177     2,552     2,025E     2025E     2025E     2025E     2025E     2,111,53     1,1,522     1,5681       Cash & equivelents     6,20     1,913     8,53     912     3,233     4,963       Inventories     2,522     2,770     3,091     4,411     3,497     4,597       Inventories     2,527     2,341     2,666     3,812     2,827     3,918       Non-current assets     3,572     2,741     2,666     3,817     2,497     3,915 <		( )	,	· ,	. ,	, ,	, ,
Chess     (21)     77     23     70     75     82       Pre-tax profit     1,699     1,720     1,398     2,041     2,420     2,967       Income tax     (128)     (79)     (1)     1,163     (242)     (227)       Atter tax profit     1,481     1,641     1,398     1,873     2,178     2,670       Monchy interest     0     0     (0)     (0)     (0)     (0)       Nonty interest     2021A     2022A     2023A     2024E     2025E     2026E       YE 31 Dec (RMB m)     Current assets     7,270     8,578     8,597     11,153     11,522     15,681       Cash & equivalents     620     1,913     853     912     3,235     4,963       Inventories     2,527     2,341     2,686     3,812     2,927     3,918       Inventories     5,252     12,419     14,4010     14,345     14,068       PPAE     7,789     9,138     10,083     12,225     12,261     11,712							
Pre-tax profit     1,609     1,720     1,398     2,041     2,420     2,967       Income tax     1(28)     (73)     (1)     1(163)     (242)     (297)       Minotly interest     0     0     (0)<		( )		· ,	. ,	( )	
Income iax     (128)     (79)     (1)     (163)     (242)     (287)       After tax profit     1,461     1,388     1,878     2,178     2,670       Minonty interest     0 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
After tax profit     1,461     1,641     1,980     1,878     2,178     2,670       Minority interest     0	•		-	-		-	
Nencry interest     0     0     (0)     (0)     (0)     (0)     (0)       Net profit     1,481     1,641     1,398     1,878     2,178     2,178     2,178       BALANCE SHEET     2021A     2022A     2023A     2024E     2025E     2026E       YE 31 Doc (RMB nn)     Current assets     7,270     8,578     8,597     11,153     11,522     15,681       Cash & equivalents     620     1,913     863     912     3,235     4,663       Necourt receivables     2,527     2,341     2,686     3,812     2,927     3,918       Prepayment     16     49     8     60     46     54       Other current assets     1,377     1,505     1,859     1,817     2,149       Non-current assets     1,377     1,505     1,859     1,817     2,261     11,172       Right-Ouse assets     443     37     26     21     20     18       Deferred income tax     91     208     225     2,267			. ,	• •	. ,	· · ·	. ,
Net profit     1,481     1,641     1,398     1,878     2,178     2,671       BALANCE SHEET     2021A     2022A     2023A     2024E     2025E     2026E       YE 31 Dec (RIB mn)     Current iassets     7,270     8,578     8,597     11,153     11,522     15,681       Cash & equivalents     620     1,913     853     912     3,225     4,963       Account receivables     2,527     2,341     2,686     3,812     2,927     3,918       Prepayment     16     49     8     50     46     54       Other current assets     1,377     1,505     1,959     1,817     2,140       Non-current assets     9,138     10,083     12,225     12,261     11,712       Deferred income tax     91     208     272     272     274     315       Intargibles     407     557     544     519     493     468       Goodwill     0     0     0     0     0     0     0     0	•		-	-		-	-
BALANCE SHEET     2021A     2022A     2023A     2024E     2025E     2026E       VE 31 Dec (RMB mn) <td< td=""><td>-</td><td></td><td></td><td>( )</td><td></td><td></td><td></td></td<>	-			( )			
YE 31 Dec (RMB mn)     Current assets     7,270     8,578     8,597     11,153     11,522     15,681       Cash à equivalents     620     1,913     853     912     3,235     4,963       Account receivables     2,732     2,770     3,091     4,421     3,497     4,597       Inventories     2,527     2,341     2,686     3,612     2,927     3,918       Prepayment     16     49     8     50     46     54       Other current assets     1,377     1,505     1,595     1,999     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,668       Deferred income tax     91     208     272     272     274     315       Intangibles     407     557     544     519     493     468       Goodwill     0     0     0     0     0     0     0       Other non-current assets     1,191     2.09     3,065     1,433     1,2	Net profit	1,481	1,641	1,398	1,878	2,178	2,671
Current assets     7,270     8,578     9,578     9,573     11,153     11,522     15,661       Cash & equivalents     620     1,913     853     912     3,235     4,963       Account receivables     2,732     2,770     3,091     4,421     3,497     4,597       Inventories     2,527     2,341     2,686     3,812     2,927     3,918       Other current assets     1,377     1,505     1,959     1,959     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,668       PFAE     7,789     9,138     10,083     12,225     12,261     11,1712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     272     274     315       Goodvill     0     0     0     0     0     0     0       Other non-current tassets     16,792     20,727     22,607     25,622	BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
Current assets     7,270     8,578     9,578     9,573     11,153     11,522     15,661       Cash & equivalents     620     1,913     853     912     3,235     4,963       Account receivables     2,732     2,770     3,091     4,421     3,497     4,597       Inventories     2,527     2,341     2,686     3,812     2,927     3,918       Other current assets     1,377     1,505     1,959     1,959     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,668       PFAE     7,789     9,138     10,083     12,225     12,261     11,1712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     272     274     315       Goodvill     0     0     0     0     0     0     0       Other non-current tassets     16,792     20,727     22,607     25,622	YE 31 Dec (RMB mn)						
Account receivables     2,732     2,770     3,091     4,421     3,497     4,597       Inventories     2,527     2,341     2,666     3,812     2,927     3,918       Prepayment     16     49     8     50     46     54       Other current assets     1,377     1,505     1,959     1,959     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,068       PRAE     7,789     9,138     10,083     12,225     12,201     11,712       Right-of-use assets     44     37     2,6     21     20     1,8       Deferred income tax     91     20,08     7,73     6,392     2,74     3,15       Intargibles     1,6192     20,727     22,607     25,567     29,749     1,566     57     6,57     6,52     7,793     6,392     8,042       Short-term borrowings     3,50     0     400     2,19     1,19     2,13     3,255     1,656 <t< td=""><td>Current assets</td><td>7,270</td><td>8,578</td><td>8,597</td><td>11,153</td><td>11,522</td><td>15,681</td></t<>	Current assets	7,270	8,578	8,597	11,153	11,522	15,681
Inventories     2.527     2.341     2.686     3.812     2.927     3.918       Prepayment     16     49     8     50     46     54       Other current assets     9,522     12,149     14,010     14,470     14,345     14,068       PRAE     7,789     9,138     10,083     12,225     12,261     11,712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     272     274     315       Intangibles     0	Cash & equivalents	620	1,913	853	912	3,235	4,963
Prepayment     16     49     8     50     46     54       Other current assets     1,377     1,505     1,959     1,959     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,345       PP&E     7,789     9,138     10,083     12,225     12,261     111,712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     274     315       Intagibles     407     557     544     519     493     468       Goodvill     0     0     0     0     0     0     0       Other non-current assets     1,6792     20,727     22,607     25,622     25,867     29,749       Current liabilities     5,948     6,708     6,425     7,793     6,392     8,0422       Short-tern borrowings     3,60     0     0     2,267     3,020     3,413     42     56 <td>Account receivables</td> <td>2,732</td> <td>2,770</td> <td>3,091</td> <td>4,421</td> <td>3,497</td> <td>4,597</td>	Account receivables	2,732	2,770	3,091	4,421	3,497	4,597
Prepayment     16     49     8     50     46     54       Other current assets     1,377     1,505     1,959     1,959     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,345       PP&E     7,789     9,138     10,083     12,225     12,261     111,712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     274     315       Intagibles     407     557     544     519     493     468       Goodvill     0     0     0     0     0     0     0       Other non-current assets     1,6792     20,727     22,607     25,622     25,867     29,749       Current liabilities     5,948     6,708     6,425     7,793     6,392     8,0422       Short-tern borrowings     3,60     0     0     2,267     3,020     3,413     42     56 <td>Inventories</td> <td>2,527</td> <td>2,341</td> <td>2,686</td> <td>3,812</td> <td>2,927</td> <td>3,918</td>	Inventories	2,527	2,341	2,686	3,812	2,927	3,918
Other current assets     1,377     1,505     1,959     1,959     1,817     2,149       Non-current assets     9,522     12,149     14,010     14,470     14,345     14,065       PRAE     7,789     9,138     10,083     12,225     12,261     11,712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     272     274     315       Intangibles     00     0     0     0     0     0     0     0     0       Other non-current assets     1,191     2,209     3,085     1,433     1,298     1,556       Total assets     16,792     20,727     22,607     25,622     25,867     29,799       Current liabilities     5,948     6,708     6,425     7,793     6,392     8,042       Short-term borowings     3,841     1,638     2,037     2,257     3,020       Current liabilities     3,141     4,484     3,291     3,744<	Prepayment						
Non-current assets     9,522     12,149     14,010     14,470     14,345     14,068       PPAE     7,789     9,138     10,083     12,225     12,261     11,171       Deferred income tax     91     208     272     272     274     315       Intangibles     407     557     544     519     433     468       Goodwil     0     0     0     0     0     0     0       Other non-current assets     1,191     2,009     3,085     1,433     1,298     1,556       Total assets     16,792     20,727     22,607     25,622     25,867     29,749       Current liabilities     5,948     6,708     6,425     7,793     6,392     8,042       Short-term borrowings     350     0     400     219     179     213       Account payables     1,881     1,638     2,037     2,873     2,257     3,020       Tax payable     78     31     42     56     57     65     04		1.377	1.505			1.817	2.149
PP&E     7,789     9,138     10,083     12,225     12,261     11,712       Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     272     274     315       Intangibles     407     557     544     519     493     468       GoodWil     0						,	,
Right-of-use assets     44     37     26     21     20     18       Deferred income tax     91     208     272     272     274     315       Intangibles     407     557     544     519     493     468       Goodwill     0 </td <td>PP&amp;F</td> <td></td> <td>-</td> <td>-</td> <td></td> <td>-</td> <td></td>	PP&F		-	-		-	
Deferred income tax     91     208     272     272     274     315       Intanjbles     407     557     544     519     493     468       Goodwill     0		,	,				,
Intangibles     407     557     544     519     493     468       Goodwill     0 <td< td=""><td>5</td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	5						
Goodwill     0     0     0     0     0     0     0       Other non-current assets     1,191     2,209     3,085     1,433     1,298     1,556       Total assets     16,792     20,727     22,607     25,622     25,867     29,749       Current liabilities     5,948     6,708     6,425     7,793     6,392     8,042       Short-term borrowings     350     0     400     219     179     213       Account payables     1,881     1,638     2,037     2,873     2,257     3,020       Other current liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     70     93     212     462     188     205       Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,755     2,995     3,226     3,315     3,595       Long-term borrowings     1,368     1,175     2,407     2,578 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>							
Other non-current assets     1,191     2,209     3,085     1,433     1,298     1,556       Total assets     16,792     20,727     22,607     25,622     25,867     29,749       Current liabilities     5,948     6,708     6,425     7,793     6,392     8,042       Short-term borrowings     350     0     400     219     179     213       Account payables     1,881     1,638     2,037     2,873     2,257     3,020       Tax payable     78     31     42     56     57     65       Other current liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     70     93     212     462     188     2055       Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,765     2,995     3,226     3,315     3,595       Long-term borrowings     1,368     1,175     2,407     2,578     2,661 </td <td>0</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	0						
Total assets16,79220,72722,60725,62225,86729,749Current liabilities5,9486,7086,4257,7936,3928,042Short-term borrowings3500400219179213Account payables1,8811,6382,0372,8732,2573,020Tax payable7831425657665Other current liabilities3,1414,4843,2913,7443,2684,029Contract liabilities709321246288205Accrued expenses428462443439443509Non-current liabilities2,3251,7652,9953,2263,3153,595Long-term borrowings1,3681,1752,4072,5782,6612,843Bond payables0000000Deferred income317356372401405466Other non-current liabilities640235217247249286Total liabilities640235217247249286Total liabilities4,89513513513513513Share capital489513513513513513Retained earnings4,1505,2916,1797,5959,15311,104Other reserves3,8776,4466,4926,4926,4936,493							
Short-term borrowings     350     0     400     219     179     213       Account payables     1,881     1,638     2,037     2,873     2,257     3,020       Tax payable     78     31     42     56     57     65       Other current liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     70     93     212     462     188     205       Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,765     2,995     3,226     3,315     2,661     2,843       Bond payables     0     0     0     0     0     0     0     0     0     0     0     0     0     2,861     2,843		,	,	,	,	,	,
Short-term borrowings     350     0     400     219     179     213       Account payables     1,881     1,638     2,037     2,873     2,257     3,020       Tax payable     78     31     42     56     57     65       Other current liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     70     93     212     462     188     205       Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,765     2,995     3,226     3,315     2,661     2,843       Bond payables     0     0     0     0     0     0     0     0     0     0     0     0     0     2,861     2,843							
Account payables1,8811,6382,0372,8732,2573,020Tax payable783142565765Other current liabilities3,1414,4843,2913,7443,2684,029Contract liabilities7093212462188205Accrued expenses428462443439443509Non-current liabilities2,3251,7652,9953,2263,3153,595Long-term borrowings1,3681,1752,4072,5782,6612,843Bond payables0000000Deferred income317356372401405466Other non-current liabilities640235217247249286Total liabilities8,2728,4749,42011,0199,70611,637Share capital489513513513513513513513Retained earnings4,1505,2916,1797,5959,15311,104Other reserves3,8776,4466,4926,4926,4926,4936,493Total shareholders equity8,51712,24913,18414,60016,15818,110Minority interest33333222			-	-	-	-	-
Tax payable783142565765Other current liabilities3,1414,4843,2913,7443,2684,029Contract liabilities7093212462188205Accrued expenses428462443439443509Non-current liabilities2,3251,7652,9953,2263,3153,595Long-term borrowings1,3681,1752,4072,5782,6612,843Bond payables0000000Deferred income317356372401405466Other non-current liabilities640235217247249286Other non-current liabilities6405,52916,1797,5959,15311,104Other reserves3,8776,4466,4926,4926,4936,4936,493Total shareholders equity8,51712,24913,18414,60016,15818,110Minority interest3333222	5						
Other current liabilities     3,141     4,484     3,291     3,744     3,268     4,029       Contract liabilities     70     93     212     462     188     205       Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,765     2,995     3,226     3,315     3,595       Long-term borrowings     1,368     1,175     2,407     2,578     2,661     2,843       Bond payables     0							
Contract liabilities     70     93     212     462     188     205       Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,765     2,995     3,226     3,315     3,595       Long-term borrowings     1,368     1,175     2,407     2,578     2,661     2,843       Bond payables     0 <td>Tax payable</td> <td>78</td> <td>31</td> <td>42</td> <td>56</td> <td>57</td> <td>65</td>	Tax payable	78	31	42	56	57	65
Accrued expenses     428     462     443     439     443     509       Non-current liabilities     2,325     1,765     2,995     3,226     3,315     3,595       Long-term borrowings     1,368     1,175     2,407     2,578     2,661     2,843       Bond payables     0							
Non-current liabilities     2,325     1,765     2,995     3,226     3,315     3,595       Long-term borrowings     1,368     1,175     2,407     2,578     2,661     2,843       Bond payables     0 </td <td>Contract liabilities</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Contract liabilities						
Long-term borrowings     1,368     1,175     2,407     2,578     2,661     2,843       Bond payables     0	Accrued expenses	428		443	439		
Bond payables     0     <	Non-current liabilities		1,765		3,226		3,595
Deferred income     317     356     372     401     405     466       Other non-current liabilities     640     235     217     247     249     286       Total liabilities     8,272     8,474     9,420     11,019     9,706     11,637       Share capital     489     513     513     513     513     513     513     513       Retained earnings     4,150     5,291     6,179     7,595     9,153     11,104       Other reserves     3,877     6,446     6,492     6,492     6,493     6,493     6,493       Total shareholders equity     8,517     12,249     13,184     14,600     16,158     18,110       Minority interest     3     3     3     3     2     2	Long-term borrowings	1,368	1,175	2,407	2,578	2,661	2,843
Other non-current liabilities     640     235     217     247     249     286       Total liabilities     8,272     8,474     9,420     11,019     9,706     11,637       Share capital     489     513	Bond payables	0	0	0	0	0	0
Total liabilities     8,272     8,474     9,420     11,019     9,706     11,637       Share capital     489     513     513     513     513     513     513       Retained earnings     4,150     5,291     6,179     7,595     9,153     11,104       Other reserves     3,877     6,446     6,492     6,492     6,493     6,493       Total shareholders equity     8,517     12,249     13,184     14,600     16,158     18,110       Minority interest     3     3     3     3     2     2	Deferred income	317	356	372	401	405	466
Share capital     489     513     <	Other non-current liabilities	640	235	217	247	249	286
Retained earnings     4,150     5,291     6,179     7,595     9,153     11,104       Other reserves     3,877     6,446     6,492     6,492     6,493     6,493       Total shareholders equity     8,517     12,249     13,184     14,600     16,158     18,110       Minority interest     3     3     3     3     2     2	Total liabilities	8,272	8,474	9,420	11,019	9,706	11,637
Other reserves     3,877     6,446     6,492     6,492     6,493     6,493       Total shareholders equity     8,517     12,249     13,184     14,600     16,158     18,110       Minority interest     3     3     3     3     2     2	Share capital	489	513	513	513	513	513
Other reserves     3,877     6,446     6,492     6,492     6,493     6,493       Total shareholders equity     8,517     12,249     13,184     14,600     16,158     18,110       Minority interest     3     3     3     3     2     2	Retained earnings	4,150	5,291	6,179	7,595	9,153	11,104
Total shareholders equity     8,517     12,249     13,184     14,600     16,158     18,110       Minority interest     3     3     3     3     2     2	0						
Minority interest     3     3     3     2     2							
			-			-	
	-						



CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,481	1,640	1,398	1,878	2,178	2,670
Depreciation & amortization	863	1,062	1,272	1,399	1,694	1,825
Change in working capital	(363)	180	(364)	(1,389)	903	(581)
Others	361	281	268	(118)	(224)	(136)
Net cash from operations	2,342	3,163	2,574	1,770	4,551	3,777
Investing						
Capital expenditure	(2,658)	(3,378)	(3,250)	(2,004)	(1,765)	(1,731)
Acquisition of subsidiaries/ investments	(3)	0	0	0	0	0
Net proceeds from disposal of short-term	0	0	0	0	0	0
investments Others	181	(237)	(311)	527	187	257
Net cash from investing	(2,481)	(3,614)	(3,561)	(1,477)	(1,578)	(1,474)
Financing						
Dividend paid	(541)	(565)	(589)	(542)	(705)	(807)
Net borrowings	536	(242)	1,117	274	42	216
Proceeds from share issues	0	2,530	0	0	0	0
Others	266	(26)	(617)	(2)	(24)	(24)
Net cash from financing	261	1,697	(89)	(270)	(687)	(615)
Net change in cash						
Cash at the beginning of the year	504	620	1,912	851	910	3,233
Exchange difference	(7)	30	(0)	24	24	24
Others	122	1,263	(1,061)	35	2,299	1,703
Cash at the end of the year	620	1,912	851	910	3,233	4,961
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	20.2%	0.4%	(3.3%)	29.9%	6.8%	9.3%
Gross profit	7.6%	8.0%	(11.2%)	38.7%	8.9%	14.1%
Operating profit	0.1%	(1.0%)	(14.3%)	43.9%	11.3%	23.3%
Net profit	3.5%	10.8%	(14.8%)	34.3%	16.0%	22.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	23.7%	25.5%	23.4%	25.0%	25.5%	26.6%
Operating margin	13.6%	13.4%	11.9%	13.2%	13.7%	15.5%
Return on equity (ROE)	18.6%	15.8%	11.0%	13.5%	14.2%	15.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	1.2	1.3	1.3	1.4	1.8	1.9
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	35.2	33.0	39.1	28.9	24.9	20.3

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



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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

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