18 Aug 2025

CMB International Global Markets | Equity Research | Company Update

招銀国际 CMB INTERNATIONAL
招商银行全资附属机构 A Wholly Owned Subsidiary Of China Merchants Bank

China Hongqiao (1378 HK)

Lack of interim dividends but new buyback scheme to boost confidence

Hongqiao's net profit came in at RMB12.3bn (+35% YoY) in 1H25, which is in line with the pre-announced profit in Jun. Excluding the fair value loss of convertible bonds (CB), core net profit in 1H25 would reach RMB14.9bn (+42% YoY). While we are a bit surprised that Hongqiao did not propose interim dividends (a change from the practice of interim distribution for many years), it put out a new share buyback scheme with a minimum spending of HK$3bn, which reflects management's confidence and helps offset the potential dilution of CB conversion, in our view. We revise up our 2025E-27E earnings forecasts by 12-14%, due to higher aluminium price (very tight industry supply with utilisation already reaching 98%) and lower coal price assumption. We revise up our TP to HK$27 (from HK$20.6) after rolling over the valuation base to 2026E, based on 8.6x P/E (1SD above historical average). The current price still offers an attractive yield of ~8% (assuming 60% payout) even after a recent rally. Maintain **BUY.**

- **Aluminum alloy products (64% of revenue in 1H25):** The segment revenue in 1H25 increased ~5% YoY to RMB51.9bn (sales volume +2.4% YoY to 2.91mn tonnes; ASP +2.7% to RMB17,853/t). This, together with an only 1.9% YoY increase in unit cost, boosted the unit gross profit by 5.4% YoY to RMB4,506/t.
- **Alumina segment (26% of revenue):** The segment revenue surged ~28% YoY to RMB20.7bn (sales volume +10% YoY to 6.37mn tonnes; ASP +5% to RMB3,243/t). We calculated that the unit gross profit surged 25% YoY to RMB933/t.
- **Aluminum fabrication products (10% of revenue):** The segment revenue increased 6.5% YoY to RMB8bn (sales volume +3.4% YoY to 392mn tonnes; ASP +2.9% to RMB20,615/t). Helped by a stable unit cost, the unit gross profit grew 14% YoY to RMB4,815/t.
- **Continuous share buyback this year.** Following the completion of ~62.3mn shares buyback (0.67% of total o/s shares) in 1Q25, Hongqiao announced in Apr a buyback scheme of RMB2bn (max.). Last Friday, Hongqiao announced another plan to spend at least RMB3bn on buyback, which represents 1.4%/4.5% of total / free float shares. According to the mandate, Hongqiao will be allowed to execute the buyback before May 2026.
- **Earnings sensitivity.** We estimate every 1% increase in aluminium (Al) price will boost Hongqiao's earnings by 3%, while a 1% decrease in coal price will increase earnings by 0.5%.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	133,624	156,169	159,139	160,561	160,929
YoY growth (%)	1.5	16.9	1.9	0.9	0.2
Adjusted net profit (RMB mn)	11,460.7	24,564.8	26,896.7	27,298.9	27,815.3
EPS (Adjusted) (RMB)	1.21	2.59	2.84	2.88	2.94
Consensus EPS (RMB)	na	0.00	2.35	2.51	2.60
P/E (x)	17.7	9.1	7.6	7.5	7.3
P/B (x)	2.2	1.9	1.6	1.5	1.4
Yield (%)	2.7	6.9	7.9	8.1	8.2
Net gearing (%)	34.3	24.4	6.0	0.4	(9.2)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$27.00**
(Previous TP	HK$20.60)
Up/Downside	**15.5%**
Current Price	**HK$23.38**

China Materials

Wayne FUNG, CFA
(852) 3900 0826
waynefung@cmbi.com.hk

Stock Data

Mkt Cap (HK$ mn)	221,538.1
Avg 3 mths t/o (HK$ mn)	521.9
52w High/Low (HK$)	23.38/9.49
Total Issued Shares (mn)	9475.5

Source: FactSet

Shareholding Structure

Shipping Trust Company (Zhang's family)	64.4%
CITIC Group	6.0%

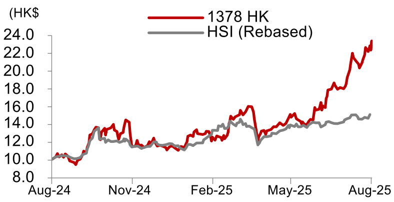
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	28.6%	25.1%
3-mth	57.8%	46.4%
6-mth	85.9%	66.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

China Hongqiao - Net profit in 2024 +95% in line; 63% payout ratio implies 11% yield at the current price – 17 Mar 2025 (link)

China Hongqiao - Expect higher ASP following China's stimulus – 30 Sep 2024 (link)

China Hongqiao – Net profit in 1H24 +2.7x YoY beat expectations – 19 Aug 2024 (link)

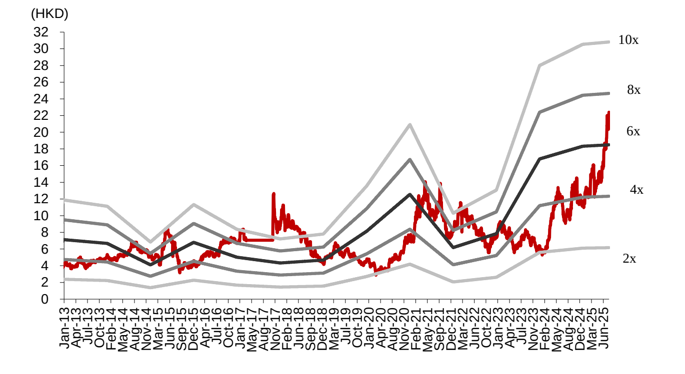
China Hongqiao – A key beneficiary of tight aluminum supply trading at attractive valuation; resume coverage with BUY – 17 Jun 2024 (link)

Valuation

Over the past decade, Hongqiao traded at an average forward P/E of 6x. The stock normally peaked at 10x (except in 2017) and bottomed out at ~3x during the trough cycles (except in 2020 due to the outbreak of COVID-19).

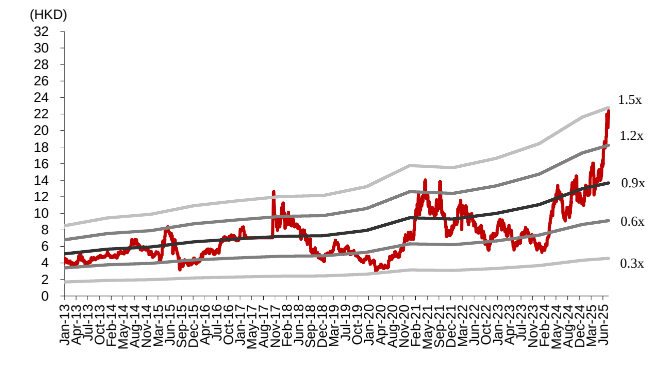
Our new TP of HK$27 is based on 8.6x 2026E P/E (rolled over), equivalent to 1SD above the historical average of 6x (previously 0.5SD). Our above-average multiple is to reflect the continuous industry upcycle and enhancement of the company's balance sheet (close to net cash by end-2026E from net debt to equity ratio of 22% by end-2024).

Figure 1: Hongqiao's 12M forward P/E band



Source: Bloomberg, company data, CMBIGM estimates

Figure 2: Hongqiao's 12M forward P/B band



Source: Bloomberg, company data, CMBIGM estimates

- **Key risks:** (1) A slowdown of global economy that affects the aluminium price; (2) sharp rebounds in input costs such as bauxite and coal.

1H25 earnings review

Figure 3: 1H25 results highlights

(RMB mn)	1H24	1H25	Change (YoY)
Total revenue	**73,592**	**81,039**	***10.1%***
Cost of sales	-55,790	-60,234	*8.0%*
Gross profit	**17,802**	**20,805**	***16.9%***
Other income	1,712	1,362	*-20.4%*
S&D expenses	-366	-354	*-3.4%*
Administrative expenses	-2,454	-2,322	*-5.4%*
Other expenses	-596	-274	*-54.0%*
EBIT	**16,097**	**19,217**	***19.4%***
Net finance income/(cost)	-1,435	-1,154	*-19.6%*
Finance income	126	130	*3.0%*
Finance expenses	-1,561	-1,284	*-17.7%*
Other gains/(losses)	-1,615	-2,105	*30.4%*
Share of profit of JV and associates	824	1,807	*119.3%*
Pretax profit	**13,871**	**17,764**	***28.1%***
Income tax	-3,863	-4,213	*9.0%*
After tax profit	**10,008**	**13,551**	***35.4%***
MI	-853	-1,190	*39.5%*
Net profit	**9,155**	**12,361**	***35.0%***
Recurring net profit	**10,542**	**14,923**	***41.6%***
Key ratios			***Change (ppt)***
Gross margin	*24.2%*	*25.7%*	*15*
S&D expenses ratio	*0.5%*	*0.4%*	*-0.1*
Administrative expense ratio	*3.3%*	*2.9%*	*-0.5*
R&D expense ratio	*0.8%*	*0.3%*	*-0.5*
Net margin	*13.6%*	*16.7%*	*3.1*
Effective tax rate	*27.9%*	*23.7%*	*-4.1*

Source: Company data, CMBIGM

Figure 4: Revenue and gross profit breakdown in 1H25

(RMB mn)	1H24	1H25	Change (YoY)
Revenue			
Aluminum alloy products	49,312	51,878	*5.2%*
Alumina	16,200	20,655	*27.5%*
Aluminum fabrication products	7,582	8,074	*6.5%*
Steam	499	431	*-13.5%*
Total	**73,592**	**81,039**	***10.1%***
Gross profit			
Aluminum alloy products	12,142	13,092	*7.8%*
Alumina	4,120	5,945	*44.3%*
Aluminum fabrication products	1,595	1,881	*17.9%*
Steam	-55	-113	*106.7%*
Total	**17,802**	**20,805**	*16.9%*
Gross margin			***Change (ppt)***
Aluminum alloy products	*24.6%*	*25.2%*	*0.6*
Alumina	*25.4%*	*28.8%*	*3.4*
Aluminum fabrication products	*21.0%*	*23.3%*	*2.3*
Steam	*-10.9%*	*-26.2%*	*(15.2)*
Blended gross margin	***24.2%***	***25.7%***	*1.5*

Source: Company data, CMBIGM

Operating assumptions

Figure 5: Change in earnings forecast

	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
(RMB mn)									
Revenue									
Aluminum alloy products	105,419	106,473	106,473	106,969	108,039	108,039	1%	1%	1%
Alumina	34,888	34,888	34,888	38,090	38,090	38,090	9%	9%	9%
Aluminum fabrication products	13,186	13,450	13,719	13,186	13,450	13,719	0%	0%	0%
Steam	893	983	1,081	893	983	1,081	0%	0%	0%
Total	**154,387**	**155,794**	**156,162**	**159,139**	**160,561**	**160,929**	**3%**	**3%**	**3%**
Revenue growth									
Aluminum alloy products	*2.9%*	*1.0%*	*0.0%*	*4.4%*	*1.0%*	*0.0%*	*1.5*	*(0.0)*	*0.0*
Alumina	*-6.6%*	*0.0%*	*0.0%*	*2.0%*	*0.0%*	*0.0%*	*8.6*	*0.0*	*0.0*
Aluminum fabrication products	*-15.3%*	*2.0%*	*2.0%*	*-15.3%*	*2.0%*	*2.0%*	*0.0*	*0.0*	*0.0*
Steam	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*0.0*	*0.0*	*0.0*
Average	***-1.1%***	***0.9%***	***0.2%***	***1.9%***	***0.9%***	***0.2%***	***3.0***	***(0.0)***	***(0.0)***
Gross profit									
Aluminum alloy products	25,663	25,402	25,271	28,363	28,576	28,216	11%	12%	12%
Alumina	9,982	9,982	10,651	10,897	10,897	11,628	9%	9%	9%
Aluminum fabrication products	2,637	2,690	2,744	2,637	2,690	2,744	0%	0%	0%
Steam	-63	-49	-54	-63	-49	-54	n/a	n/a	n/a
Total	**38,220**	**38,024**	**38,612**	**41,835**	**42,115**	**42,534**	**9%**	**11%**	**10%**
Gross margin								*Change in ppt*	
Aluminum alloy products	*24.3%*	*23.9%*	*23.7%*	*26.5%*	*26.4%*	*26.1%*	*2.17*	*2.59*	*2.38*
Alumina	*28.6%*	*28.6%*	*30.5%*	*28.6%*	*28.6%*	*30.5%*	*0.00*	*0.00*	*0.00*
Aluminum fabrication products	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*0.00*	*0.00*	*0.00*
Steam	*-7.0%*	*-5.0%*	*-5.0%*	*-7.0%*	*-5.0%*	*-5.0%*	*0.00*	*0.00*	*0.00*
Blended gross margin	***24.8%***	***24.4%***	***24.7%***	***26.3%***	***26.2%***	***26.4%***	***1.53***	***1.82***	***1.70***
Net finance expense	-3,109	-3,019	-2,928	-3,086	-2,963	-2,865	-1%	-2%	-2%
S&D expense ratio	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*	*0.0*	*0.0*	*0.0*
Administrative expense ratio	*3.3%*	*3.3%*	*3.3%*	*3.0%*	*3.0%*	*3.0%*	*(0.3)*	*(0.3)*	*(0.3)*
Other expense ratio	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.0*	*0.0*	*0.0*
Recurring net profit	**23,983**	**24,013**	**24,646**	**26,897**	**27,299**	**27,815**	**12%**	**14%**	**13%**

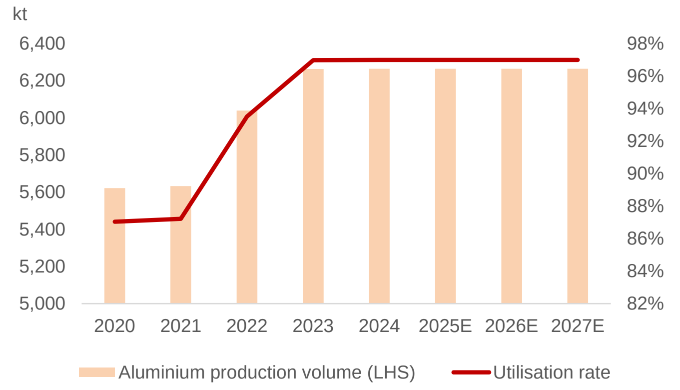
Source: Company data, CMBIGM estimates

Figure 6: Key operating assumptions

	2021	2022	2023	2024	2025E	2026E	2027E
Sales volume (000 tonnes)							
Aluminum alloy products	5,052	5,473	5,748	5,837	5,889	5,889	5,889
Alumina	7,163	8,298	10,374	10,921	11,601	11,601	11,601
Aluminum fabrication products	657	609	580	766	636	649	662
Change YoY							
Aluminum alloy products	-0.2%	8.3%	5.0%	1.5%	0.9%	0.0%	0.0%
Alumina	6.4%	15.8%	25.0%	5.3%	6.2%	0.0%	0.0%
Aluminum fabrication products	9.3%	-7.3%	-4.8%	32.1%	-17.0%	2.0%	2.0%
ASP (RMB/t) ex-VAT							
Aluminum alloy products	16,689	17,582	16,465	17,549	18,163	18,345	18,345
Alumina	2,369	2,580	2,560	3,420	3,283	3,283	3,283
Aluminum fabrication products	19,062	21,843	19,835	20,328	20,734	20,734	20,734
Change YoY							
Aluminum alloy products	33.5%	5.4%	-6.4%	6.6%	3.5%	1.0%	0.0%
Alumina	18.3%	8.9%	-0.8%	33.6%	-4.0%	0.0%	0.0%
Aluminum fabrication products	30.5%	14.6%	-9.2%	2.5%	2.0%	0.0%	0.0%
Unit cost (RMB/t)							
Aluminum alloy products	-12,035	-15,212	-13,602	-13,232	-13,347	-13,493	-13,554
Alumina	-1,812	-2,186	-2,275	-2,208	-2,344	-2,344	-2,281
Aluminum fabrication products	-14,160	-17,930	-17,016	-15,369	-16,587	-16,587	-16,587
Change YoY							
Aluminum alloy products	26.7%	26.4%	-10.6%	-2.7%	0.9%	1.1%	0.5%
Alumina	8.2%	20.6%	4.1%	-2.9%	6.2%	0.0%	-2.7%
Aluminum fabrication products	24.3%	26.6%	-5.1%	-9.7%	7.9%	0.0%	0.0%
Unit gross profit (RMB/t)							
Aluminum alloy products	4,654	2,370	2,863	4,317	4,816	4,852	4,791
Alumina	556	394	285	1,212	939	939	1,002
Aluminum fabrication products	4,902	3,913	2,819	4,959	4,147	4,147	4,147
Change YoY							
Aluminum alloy products	55.1%	-49.1%	20.8%	50.8%	11.5%	0.8%	-1.3%
Alumina	69.6%	-29.2%	-27.6%	324.9%	-22.5%	0.0%	6.7%
Aluminum fabrication products	52.3%	-20.2%	-28.0%	75.9%	-16.4%	0.0%	0.0%

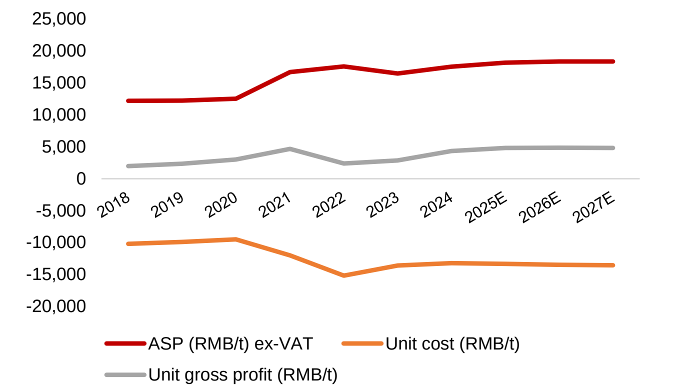
Source: Company data, CMBIGM estimates

Figure 7: Aluminum production volume, utilisation rates



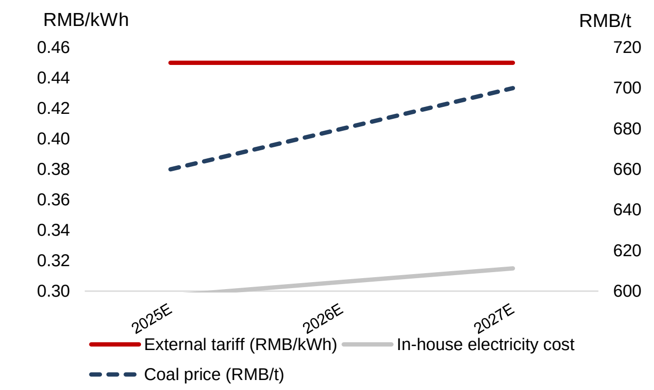
Source: Company data, CMBIGM estimates

Figure 8: Aluminum ASP, unit cost & margin



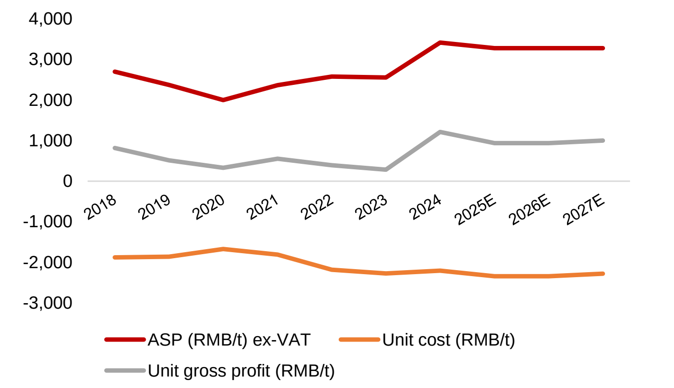
Source: Company data, Wind, CMBIGM

Figure 9: Electricity and coal cost



Source: Company data, CMBIGM estimates

Figure 10: Alumina ASP, unit cost & margin



Source: Company data, Wind, CMBIGM

Earnings sensitivity

Figure 11: Earnings sensitivity (annualized) to 5% change in Al ASP & coal cost

2025E net profit (RMB mn)		Al ASP (RMB/t)				
		16,347	17,255	**18,163**	19,071	19,980
	594	20,362	24,185	28,007	31,829	35,651
	627	19,807	23,630	27,452	31,274	35,096
Coal cost	**660**	19,253	23,075	**26,897**	30,719	34,541
RMB/t	693	18,698	22,520	26,342	30,164	33,986
	726	18,143	21,965	25,787	29,609	33,431

Source: CMBIGM estimates

Figure 12: Earnings sensitivity (annualized) to 5% change in Al ASP & external tariff

2025E net profit (RMB mn)		Al ASP (RMB/t)				
		16,347	17,255	**18,163**	19,071	19,980
	0.41	20,578	24,400	28,222	32,044	35,866
	0.43	19,915	23,737	27,559	31,382	35,204
External tariff	**0.45**	19,253	23,075	**26,897**	30,719	34,541
RMB/kWh	0.47	18,590	22,412	26,234	30,056	33,878
	0.50	17,927	21,749	25,571	29,393	33,215

Source: CMBIGM estimates

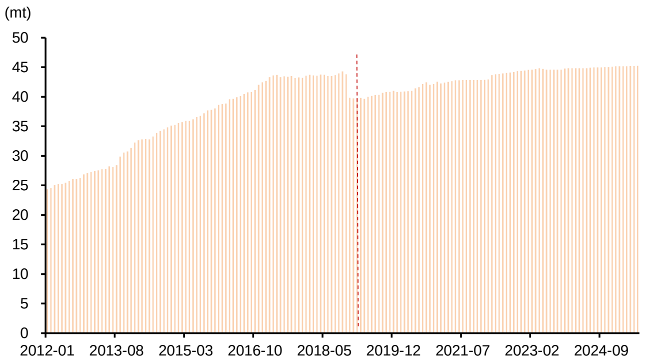
Figure 13: Earnings sensitivity (annualized) to 5% change in alumina ASP & bauxite cost

2025E net profit (RMB mn)		Alumina ASP (RMB/t)				
		16,347	17,255	**18,163**	19,071	19,980
	576	21,170	24,992	28,814	32,636	36,459
	608	20,211	24,033	27,856	31,678	35,500
Bauxite	**640**	19,253	23,075	**26,897**	30,719	34,541
RMB/t	672	18,294	22,116	25,938	29,760	33,582
	704	17,335	21,157	24,979	28,801	32,623

Source: CMBIGM estimates

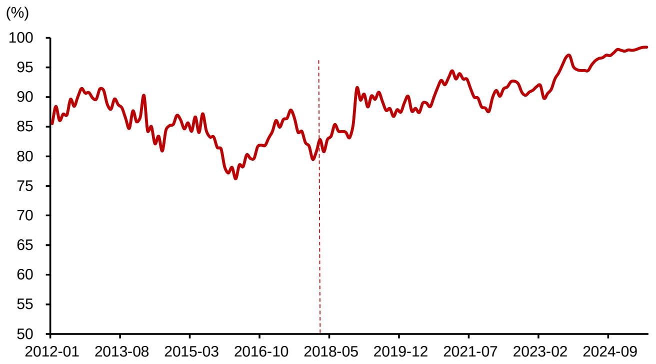
Industry trend

Figure 14: China aluminum annual capacity



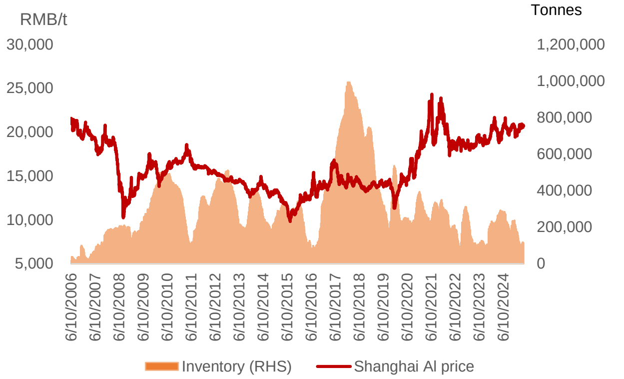
Source: Wind, CMBIGM

Figure 15: China aluminum capacity utilisation rate



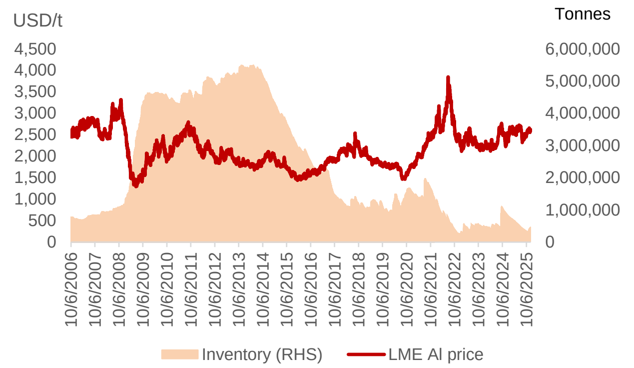
Source: Wind, CMBIGM

Figure 16: Shanghai aluminum price and inventory



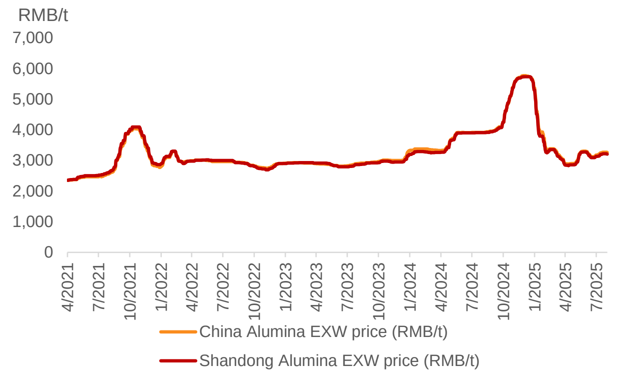
Source: Bloomberg, CMBIGM

Figure 17: LME aluminum price and inventory



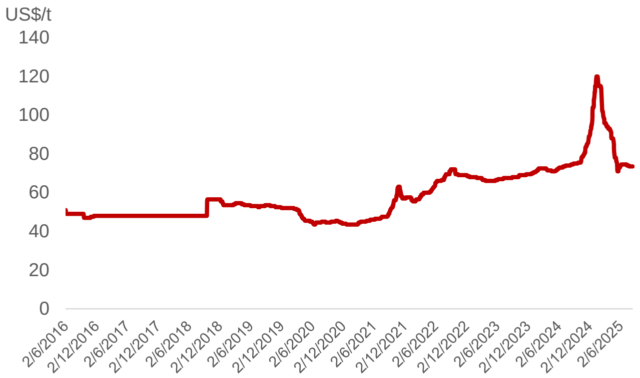
Source: Bloomberg, CMBIGM

Figure 18: Alumina EXW price in China



Source: Wind, CMBIGM

Figure 19: Import price of bauxite from Guinea to China (CIF)



Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**131,699**	**133,624**	**156,169**	**159,139**	**160,561**	**160,929**
Cost of goods sold	(113,460)	(112,669)	(114,006)	(117,304)	(118,447)	(118,395)
Gross profit	**18,239**	**20,955**	**42,163**	**41,835**	**42,115**	**42,534**
Selling expense	(598)	(755)	(661)	(637)	(642)	(644)
Admin expense	(5,934)	(4,953)	(4,993)	(4,774)	(4,817)	(4,828)
R&D expense	(329)	(945)	(2,899)	(796)	(803)	(805)
Other income	3,736	3,405	2,632	2,864	2,890	2,897
Other gains/(losses)	(185)	(49)	(2,192)	0	0	0
Share of (losses)/profits of associates/JV	503	1,193	1,758	1,539	1,718	1,918
EBITDA	**21,836**	**24,619**	**42,479**	**45,008**	**45,459**	**46,072**
Depreciation	6,721	6,912	6,237	6,515	6,716	6,918
EBIT	**15,115**	**17,707**	**36,242**	**38,493**	**38,743**	**39,155**
Interest income	193	308	353	614	721	809
Interest expense	(3,020)	(3,268)	(3,363)	(3,700)	(3,683)	(3,673)
Net Interest income/(expense)	**(2,826)**	**(2,960)**	**(3,011)**	**(3,086)**	**(2,963)**	**(2,865)**
Pre-tax profit	**12,607**	**15,890**	**32,797**	**36,946**	**37,499**	**38,208**
Income tax	(2,798)	(3,393)	(8,252)	(7,389)	(7,500)	(7,642)
Minority interest	(1,107)	(1,037)	(2,173)	(2,660)	(2,700)	(2,751)
Adjusted net profit	**8,702**	**11,461**	**24,565**	**26,897**	**27,299**	**27,815**
Gross dividends	4,386	5,411	14,094	16,138	16,379	16,689

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**87,568**	**87,395**	**109,825**	**121,687**	**134,823**	**143,290**
Cash & equivalents	27,385	31,721	44,770	63,124	69,917	83,820
Account receivables	4,611	5,489	9,774	5,050	8,147	5,962
Inventories	37,268	33,958	37,344	36,573	38,713	36,540
ST bank deposits	1,720	1,827	2,797	2,797	2,797	2,797
Other current assets	16,585	14,400	15,139	14,142	15,248	14,170
Non-current assets	**98,174**	**112,925**	**119,340**	**125,380**	**128,397**	**131,412**
PP&E	68,061	70,200	75,393	79,843	81,094	82,144
Deferred income tax	2,605	2,990	2,622	2,622	2,622	2,622
Investment in JVs & assos	10,297	11,034	13,222	14,762	16,480	18,398
Intangibles	34	43	45	51	56	59
Goodwill	278	278	278	278	278	278
Financial assets at FVTPL	1,543	13,127	12,233	12,233	12,233	12,233
Other non-current assets	15,356	15,253	15,546	15,590	15,634	15,678
Total assets	**185,742**	**200,320**	**229,165**	**247,067**	**263,219**	**274,702**
Current liabilities	**71,373**	**74,029**	**76,983**	**74,260**	**76,552**	**73,848**
Short-term borrowings	43,434	49,118	45,104	44,604	44,404	44,204
Account payables	14,911	11,648	14,931	12,708	15,200	12,696
Tax payable	618	2,586	3,674	3,674	3,674	3,674
Other current liabilities	12,410	10,677	13,274	13,274	13,274	13,274
Non-current liabilities	**18,063**	**20,035**	**33,569**	**33,569**	**33,569**	**33,569**
Long-term borrowings	16,236	13,792	25,781	25,781	25,781	25,781
Other non-current liabilities	1,827	6,243	7,788	7,788	7,788	7,788
Total liabilities	**89,436**	**94,064**	**110,552**	**107,829**	**110,121**	**107,417**
Total shareholders equity	**84,499**	**92,245**	**107,800**	**125,764**	**136,925**	**148,361**
Minority interest	11,807	14,012	10,814	13,474	16,174	18,925
Total equity and liabilities	**185,742**	**200,320**	**229,165**	**247,067**	**263,219**	**274,702**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**12,607**	**15,890**	**32,797**	**36,946**	**37,499**	**38,208**
Depreciation & amortization	6,721	6,912	6,237	6,515	6,716	6,918
Tax paid	(6,148)	(1,686)	(6,367)	(7,389)	(7,500)	(7,642)
Change in working capital	(8,660)	(983)	(4,459)	4,269	(3,851)	2,932
Others	20,693	11,647	37,386	33,551	42,133	36,000
Net cash from operations	**7,622**	**22,402**	**33,983**	**41,888**	**34,108**	**41,363**
Investing						
Capital expenditure	(8,798)	(5,662)	(12,311)	(11,000)	(8,000)	(8,000)
Acquisition of subsidiaries/ investments	(3,550)	(3,700)	200	0	0	0
Others	(4,425)	(8,526)	(446)	599	706	794
Net cash from investing	**(16,773)**	**(17,889)**	**(12,557)**	**(10,401)**	**(7,294)**	**(7,206)**
Financing						
Dividend paid	(8,226)	(3,786)	(7,659)	(8,933)	(16,138)	(16,379)
Net borrowings	(681)	3,240	7,975	(500)	(200)	(200)
Proceeds from share issues	0	0	0	0	0	0
Others	(3,884)	347	(8,747)	(3,700)	(3,683)	(3,673)
Net cash from financing	**(12,790)**	**(200)**	**(8,431)**	**(13,132)**	**(20,021)**	**(20,253)**
Net change in cash						
Cash at the beginning of the year	49,227	27,385	31,721	44,770	63,124	69,917
Exchange difference	98	22	54	0	0	0
Cash at the end of the year	**27,385**	**31,721**	**44,770**	**63,124**	**69,917**	**83,820**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	15.0%	1.5%	16.9%	1.9%	0.9%	0.2%
Gross profit	(40.1%)	14.9%	101.2%	(0.8%)	0.7%	1.0%
EBITDA	(32.8%)	12.7%	72.5%	6.0%	1.0%	1.3%
EBIT	(41.9%)	17.1%	104.7%	6.2%	0.6%	1.1%
Adj. net profit	(45.9%)	31.7%	114.3%	9.5%	1.5%	1.9%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	13.8%	15.7%	27.0%	26.3%	26.2%	26.4%
EBITDA margin	16.6%	18.4%	27.2%	28.3%	28.3%	28.6%
Adj. net profit margin	6.6%	8.6%	15.7%	16.9%	17.0%	17.3%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.4	0.3	0.2	0.1	0.0	(0.1)
Current ratio (x)	1.2	1.2	1.4	1.6	1.8	1.9
Receivable turnover days	16.5	13.8	17.8	17.0	15.0	16.0
Inventory turnover days	96.5	115.4	114.1	115.0	116.0	116.0
Payable turnover days	54.1	43.0	42.5	43.0	43.0	43.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	22.9	17.7	9.1	7.6	7.5	7.3
P/B	2.4	2.2	1.9	1.6	1.5	1.4
Div yield (%)	2.2	2.7	6.9	7.9	8.1	8.2

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 or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

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 CMBIGM 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.