

Hongqiao Holdings (002379 CH)

High earnings sensitivity to aluminium price, high dividend payout; initiate with BUY

Our latest industry analysis suggests that the global aluminium supply deficit will widen in 2026E and will remain in place in 2027E (see our [sector note](#) published today). We believe Hongqiao Holdings, which carries the majority of operating assets of **China Hongqiao (1378 HK, BUY)**, will benefit from the elevated aluminium price. We like Hongqiao Holdings' high earnings sensitivity (~3.3% for 1% change in aluminium price) and high potential dividend payout ratio (75% in our model assumption). Initiate with **BUY** with TP of RMB29, based on 13.2x 2026E P/E, equivalent to 20% premium to our target multiple (11x) for China Hongqiao. Our premium is in line with the current A/H premium of **Chalco (2600 HK/601600 CH, NR)**.

- **Comparison with China Hongqiao.** After the completion of backdoor listing in Dec 2025, China Hongqiao currently owns 89% interest in Hongqiao Holdings. Hongqiao Holdings differs from China Hongqiao in several key aspects: (1) It has no equity interest in bauxite business; (2) Its alumina capacity is 2mt less than China Hongqiao as the Indonesia alumina is not included; (3) It does not own captive power plants.
- **Key assumptions.** For the duplicated business lines, our key operating assumptions are the same as that for China Hongqiao. For 2026E, we forecast 15% YoY increase in aluminium price and 13% YoY decline in alumina price. For 2027E, we forecast aluminium / alumina price to only slightly drop 3%/5% YoY.
- **More sensitive to aluminium price.** We estimate every 1% increase in aluminium price will boost Hongqiao Holdings' 2026E earnings by ~3.3% (other factors being constant). This is more sensitive than China Hongqiao's 2.3%, based on our calculation.
- **High dividend payout ratio to support China Hongqiao.** China Hongqiao's dividend payout ratio was >66% in 2025. Assuming that China Hongqiao is to maintain such ratio going forward, Hongqiao Holdings will have to maintain a high payout ratio.
- **Key risks:** (1) unexpected removal of capacity cap in China; (2) faster-than-expected overseas capacity ramp-up for the industry as a whole; (3) slowdown of the global economy; (4) sharp increases in costs of input such as bauxite and coal.

Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 150,336 | 156,721 | 173,916 | 171,911 | 174,824 |
| YoY growth (%) | na | 4.2 | 11.0 | (1.2) | 1.7 |
| Adjusted net profit (RMB mn) | 17,227.9 | 17,863.5 | 28,208.3 | 26,240.1 | 24,516.8 |
| EPS (Adjusted) (RMB) | na | 1.37 | 2.16 | 2.01 | 1.88 |
| Consensus EPS (RMB) | na | na | 2.46 | 2.68 | 2.91 |
| P/E (x) | na | 16.9 | 10.7 | 11.5 | 12.3 |
| P/B (x) | na | 6.6 | 4.3 | 4.0 | 3.8 |
| Yield (%) | na | 1.1 | 7.0 | 6.5 | 6.1 |
| Net gearing (%) | 27.4 | 10.7 | (23.7) | (29.8) | (29.0) |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price RMB29.00
Up/Downside 25.2%
Current Price RMB23.16

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (RMB mn) | 301,800.7 |
| Avg 3 mths t/o (RMB mn) | 703.3 |
| 52w High/Low (RMB) | 32.53/10.14 |
| Total Issued Shares (mn) | 13031.1 |

Source: FactSet

Shareholding Structure

| | |
|----------------|-------|
| China Hongqiao | 89.0% |
|----------------|-------|

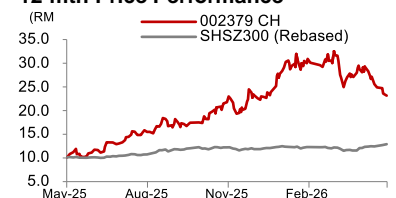
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -19.5% | -23.4% |
| 3-mth | -26.0% | -28.4% |
| 6-mth | 5.9% | 1.1% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

China Hongqiao (1378 HK) – Major subsidiary's 1Q26 profit +38% YoY; in line with expectations – 27 Apr 2026 ([link](#))

China Hongqiao (1378 HK) – 2025 core profit in-line; Supply disruption to drive ASP in 2026E – 22 Mar 2026 ([link](#))

Company Overview

Background of the backdoor listing

On 31 Dec 2025, Hongqiao Holdings (formerly known as Shandong Hontron) acquired 100% of Hongtuo Industrial (a platform that held the core operating assets of **China Hongqiao (1378 HK)**). Before the acquisition, Hongtuo Industrial was owned by Weiqiao Aluminum and Power (“Weiqiao”), an indirect wholly owned subsidiary of China Hongqiao, and eight other shareholders. Weiqiao held 95.295% of Hongtuo, with the remaining shares held by the other eight shareholders.

The total transaction value was ~RMB63.5bn. Hongqiao Holdings issued ~11.9bn new shares (RMB5.34 per share) as consideration.

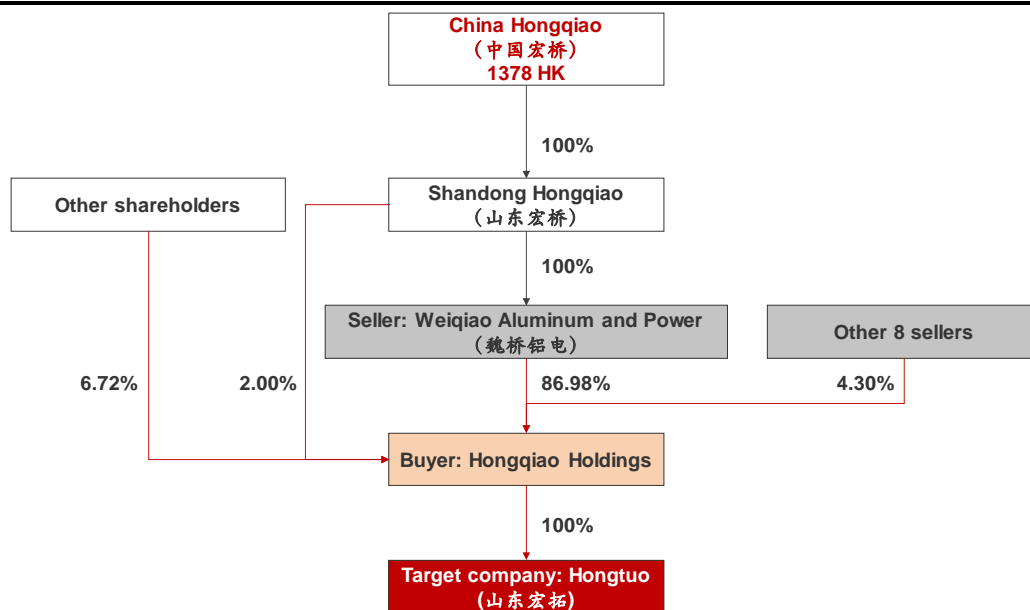
Following the acquisition, Hongqiao Holdings’ business scope and shareholders structure changed significantly:

- **Change in business scope:** Hongqiao Holdings expanded its business from only aluminium deep processing to a fully integrated operation covering alumina production, primary aluminium smelting, and aluminium product processing.
- **Change in shareholding:** Prior to the transaction, China Hongqiao held a 22.98% stake in Hongqiao Holdings. Following the acquisition, China Hongqiao’s stake increased to 88.99%.

Figure 1: Shareholder structure before transaction



Source: Hongqiao Holdings, CMBIGM

Figure 2: Post-transaction shareholder structure

Source: Hongqiao Holdings, CMBIGM

Figure 3: Shareholder structure of Hongqiao Holdings

| Shareholder(s) | Pre-transaction | | Post-transaction | |
|--|-----------------|-------------|------------------|--------------|
| | O/S shares (mn) | Percentage | O/S Shares (mn) | Percentage |
| Shandong Hongqiao (a 100% subsidiary of China Hongqiao) | 261.1 | 22.98% | 261.1 | 2.00% |
| Other shareholders of Hongqiao Holdings | 875.3 | 77.02% | 875.3 | 6.72% |
| Subtotal | 1,136.4 | 100% | 1,136.4 | 8.72% |
| Hongtuo seller: Weiqiao (a 100% subsidiary of Shandong Hongqiao) | - | - | 11,335.1 | 86.98% |
| Hongtuo seller: other 8 sellers | - | - | 559.7 | 4.30% |
| Total | 1,136.4 | 100% | 13,031.1 | 100% |

Source: Hongqiao Holdings, CMBIGM

Comparison with China Hongqiao

Hongqiao Holdings differs from China Hongqiao in several key aspects: (1) It has no equity interest in bauxite business; (2) Its alumina capacity is 2mt less than China Hongqiao; (3) It has a slightly higher tariff due to no ownership of captive power plants.

- **Bauxite exposure:** China Hongqiao holds stakes in the bauxite operation in Guinea through JVs, giving it direct exposure to bauxite mining. In contrast, Hongqiao Holdings has no bauxite operation ownership and instead procures a portion of its bauxite from the JVs.
- **Capacity:** Hongqiao Holdings and China Hongqiao share the same primary aluminium smelting assets, with an annual capacity of 6.46mt. The two companies differ in alumina and processing capacities: Hongqiao Holdings has 2mt less alumina capacity (the capacity in Indonesia) and 0.2mt more aluminium processing capacity than China Hongqiao.
- **In-house power plants and electricity costs:** Hongqiao Holdings does not own any captive power plants, whereas China Hongqiao has ~10GW of power capacity that historically supplied ~55% of its electricity needs. As a result, Hongqiao Holdings has a slightly higher average electricity tariff than China Hongqiao.

Figure 4: Comparison with China Hongqiao

| Aspect | Hongqiao Holdings | China Hongqiao |
|--|--|--|
| Alumina production | Total capacity: 19mt | Total capacity: 21mt (China: 19mt/ Indonesia: 2mt) |
| Aluminium smelting | Capacity: 6.46mt | |
| Aluminium processing | Capacity: 1.72mt | |
| In-house power supply & electricity cost | Slightly higher electricity tariff (without in-house power supply) | Captive power capacity: 10GW |
| Share of associates | Shandong Suotong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material"): trading of carbon (ownership: 15.21%) Weihai Xingheng New Material Technology Co. Ltd. (ownership is not disclosed) | Société à Responsabilité Limitée Unipersonnelle ("SMB"): mineral exploration (ownership: 22.5%) Winning Alliance Ports SA ("WAP"): port operation (ownership: 22.5%) Africa Bauxite Mining Company Ltd. ("ABM"): trading of bauxite (ownership: 25%) GTS Global Trading Pte. Ltd. ("GTS"): trading of bauxite (ownership: 25%) Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy"): trading of electricity (ownership: 37.5%) Lightweight (Shandong) Investment Partnership (Limited Partnership) * ("Lightweight Partnership"): investment holding (ownership: 49.5%) |

Source: Hongqiao Holdings, China Hongqiao, CMBIGM

Key business segments

Alumina refinery

The annual capacity is ~19mt, located in Shandong province. In theory, this is sufficient to meet its smelting needs (assuming an alumina-to-aluminium production ratio of ~2x). In practice, the company procures some alumina externally for Yunnan's smelters, while selling the excess alumina from Shandong to external customers.

Primary aluminium smelting

The annual capacity is ~6.46mt, located in Shandong and Yunnan provinces. The principal equipment includes 400kA and 600kA smelting pots, holding furnaces, casting machines and continuous casting and rolling lines.

Hongqiao Holdings is relocating capacity from Shandong to Yunnan in order to gain access to green energy (hydropower). By end-2025, the Company had ~2.18mt of capacity in Yunnan, and the planned capacity is expected to reach 3mt by end-2027.

Aluminium product processing

The annual capacity is 1.72mt, including newly added 0.55mt in Yunnan in 2025. Hongqiao Holdings produces aluminium products by procuring liquid aluminium, aluminium ingots and magnesium ingots through rough rolling, intermediate rolling and finish rolling.

Gradual reduction of electricity cost

Hongqiao Holdings does not own captive power plants. Instead, it procures electricity from China Southern Power Grid and related-parties' power plants.

- In Shandong, Hongqiao Holdings sources electricity from related-party power plants (particularly Binneng Energy, an associate of China Hongqiao). The tariff is determined by a formula based on the national grid tariff (with a discount factor of 90%) and is subject to monthly adjustments linked to coal prices.

We forecast the Company's average tariff to drop RMB0.01–0.02/kWh YoY in 2026, even assuming the coal price to remain unchanged. Furthermore, the company expects that the discount factor in pricing formula to reach 85–90% from 2027 onward.

- In Yunnan, Hongqiao Holdings mainly sources electricity from China Southern Power Grid based on market rates. The average tariff fell by RMB0.01–0.02/kWh YoY in 2025.

Given that the tariff in Yunnan is currently ~RMB0.10/kWh lower than in Shandong, the blended tariff is expected to decline further going forward when the company continues to shift capacity from Shandong to Yunnan.

Operating assumptions

Figure 5: Key operating assumptions

| | 2025 | 2026E | 2027E | 2028E |
|----------------------------------|---------|---------|---------|---------|
| Sales volume (000 tonnes) | | | | |
| Aluminum alloy products | 5,871 | 6,071 | 6,071 | 6,071 |
| Alumina | 11,141 | 10,124 | 10,124 | 10,124 |
| Aluminum fabrication products | 717 | 789 | 929 | 1,238 |
| Change YoY | | | | |
| Aluminum alloy products | 0.2% | 3.4% | 0.0% | 0.0% |
| Alumina | 27.9% | -9.1% | 0.0% | 0.0% |
| Aluminum fabrication products | 1.1% | 10.2% | 17.6% | 33.3% |
| ASP (RMB/t) ex-VAT | | | | |
| Aluminum alloy products | 18,217 | 20,950 | 20,322 | 19,712 |
| Alumina | 2,696 | 2,345 | 2,228 | 2,228 |
| Aluminum fabrication products | 20,875 | 22,753 | 22,298 | 21,852 |
| Change YoY | | | | |
| Aluminum alloy products | 4.0% | 15.0% | -3.0% | -3.0% |
| Alumina | -16.5% | -13.0% | -5.0% | 0.0% |
| Aluminum fabrication products | 3.1% | 9.0% | -2.0% | -2.0% |
| Unit cost (RMB/t) | | | | |
| Aluminum alloy products | -14,206 | -14,198 | -13,974 | -13,974 |
| Alumina | -2,368 | -2,250 | -2,250 | -2,250 |
| Aluminum fabrication products | -18,165 | -19,800 | -19,065 | -18,356 |
| Change YoY | | | | |
| Aluminum alloy products | -1.0% | -0.1% | -1.6% | 0.0% |
| Alumina | 1.1% | -5.0% | 0.0% | 0.0% |
| Aluminum fabrication products | 3.8% | 9.0% | -3.7% | -3.7% |
| Unit gross profit (RMB/t) | | | | |
| Aluminum alloy products | 4,012 | 6,752 | 6,347 | 5,738 |
| Alumina | 327 | 95 | -22 | -22 |
| Aluminum fabrication products | 2,710 | 2,954 | 3,233 | 3,496 |
| Change YoY | | | | |
| Aluminum alloy products | 26.7% | 68.3% | -6.0% | -9.6% |
| Alumina | -63.0% | -70.9% | -123.2% | 0.0% |
| Aluminum fabrication products | -1.0% | 9.0% | 9.5% | 8.1% |

Source: Company data, CMBIGM estimates

Figure 6: Revenue and gross profit breakdown

| (RMB mn) | 2025 | 2026E | 2027E | 2028E |
|---|----------------|----------------|----------------|----------------|
| Revenue | | | | |
| Aluminum (alloy products + molten aluminum) | 106,954 | 127,197 | 123,381 | 119,680 |
| Alumina | 30,032 | 23,743 | 22,556 | 22,556 |
| Aluminum fabrication products | 14,961 | 17,963 | 20,711 | 27,062 |
| Recycled aluminum | 709 | 744 | 781 | 820 |
| Aluminum hydroxide | 1,523 | 1,599 | 1,679 | 1,763 |
| Others | 2,542 | 2,669 | 2,803 | 2,943 |
| Total | 156,721 | 173,916 | 171,911 | 174,824 |
| Gross profit | | | | |
| Aluminum (alloy products + molten aluminum) | 23,554 | 40,996 | 38,538 | 34,836 |
| Alumina | 3,648 | 964 | -223 | -223 |
| Aluminum fabrication products | 1,942 | 2,332 | 3,003 | 4,330 |
| Recycled aluminum | 153 | 161 | 169 | 177 |
| Aluminum hydroxide | 19 | 20 | 21 | 22 |
| Others | 1,012 | 1,063 | 1,116 | 1,172 |
| Total | 30,328 | 44,453 | 41,486 | 39,120 |
| Gross margin | | | | |
| Aluminum (alloy products + molten aluminum) | 22.0% | 32.2% | 31.2% | 29.1% |
| Alumina | 12.1% | 4.1% | -1.0% | -1.0% |
| Aluminum fabrication products | 13.0% | 13.0% | 14.5% | 16.0% |
| Recycled aluminum | 21.6% | 21.6% | 21.6% | 21.6% |
| Aluminum hydroxide | 1.2% | 1.2% | 1.2% | 1.2% |
| Others | 39.8% | 39.8% | 39.8% | 39.8% |
| Blended gross margin | 19.4% | 25.6% | 24.1% | 22.4% |

Source: Company data, CMBIGM estimates

Earnings sensitivity

Figure 7: Earnings sensitivity (annualized) to 5% change in aluminium ASP & coal cost

| 2026E net profit (RMB mn) | | AI ASP (RMB/t) | | | | |
|---------------------------|------------|----------------|--------|---------------|--------|--------|
| | | 18,855 | 19,903 | 20,950 | 21,998 | 23,045 |
| | 612 | 17,094 | 21,566 | 26,038 | 30,510 | 34,982 |
| | 646 | 17,094 | 21,566 | 26,038 | 30,510 | 34,982 |
| Coal cost | 680 | 17,094 | 21,566 | 26,038 | 30,510 | 34,982 |
| RMB/t | 714 | 17,094 | 21,566 | 26,038 | 30,510 | 34,982 |
| | 748 | 17,094 | 21,566 | 26,038 | 30,510 | 34,982 |

Source: CMBIGM estimates

Figure 8: Earnings sensitivity (annualized) to 5% change in aluminium ASP & external tariff

| 2026E net profit (RMB mn) | | AI ASP (RMB/t) | | | | |
|---------------------------|-------------|----------------|--------|---------------|--------|--------|
| | | 18,855 | 19,903 | 20,950 | 21,998 | 23,045 |
| | 0.42 | 20,667 | 25,139 | 29,611 | 34,083 | 38,555 |
| | 0.45 | 18,880 | 23,352 | 27,824 | 32,296 | 36,768 |
| External tariff | 0.47 | 17,094 | 21,566 | 26,038 | 30,510 | 34,982 |
| RMB/kWh | 0.49 | 15,307 | 19,779 | 24,251 | 28,723 | 33,195 |
| | 0.52 | 13,521 | 17,993 | 22,465 | 26,937 | 31,409 |

Source: CMBIGM estimates

Figure 9: Earnings sensitivity (annualized) to 5% change in alumina ASP & bauxite cost

| 2026E net profit (RMB mn) | | Alumina ASP (RMB/t) | | | | |
|---------------------------|------------|---------------------|--------|---------------|--------|--------|
| | | 2,111 | 2,228 | 2,345 | 2,462 | 2,580 |
| Bauxite RMB/t | 450 | 26,691 | 27,222 | 27,753 | 28,284 | 28,814 |
| | 475 | 25,834 | 26,365 | 26,895 | 27,426 | 27,957 |
| | 500 | 24,976 | 25,507 | 26,038 | 26,569 | 27,099 |
| | 525 | 24,119 | 24,650 | 25,180 | 25,711 | 26,242 |
| | 550 | 23,261 | 23,792 | 24,323 | 24,854 | 25,384 |

Source: CMBIGM estimates

Valuation

Initiate with BUY. Our TP of RMB29 is based on 13.2x 2026E P/E, equivalent to 20% premium to our target multiple (11x) for China Hongqiao. Our premium is in line with the current A/H premium of **Chalco (2600 HK/601600 CH, NR)**.

Figure 10: Peer valuation table

| Ticker | Company | Price (local currency) | Market cap (US\$ mn) | PE (x) | | PB (x) | | Yield (%) 2026E |
|-------------------------|-----------------------|---------------------------|-------------------------|-------------|-------------|------------|------------|--------------------|
| | | | | 2026E | 2027E | 2026E | 2027E | |
| A share | | | | | | | | |
| 601600 CH Equity | CHALCO-A | 11.78 | 28,269 | 9.1 | 8.8 | 1.9 | 1.6 | 4.5 |
| 002379 CH Equity | HONGQIAO-A | 23.16 | 44,024 | 10.7 | 11.5 | 4.3 | 4.0 | 7.0 |
| 000807 CH Equity | YUNNAN ALUM-A | 31.28 | 15,824 | 10.1 | 8.6 | 2.3 | 1.9 | 4.1 |
| 002532 CH Equity | TIANSHAN ALUM-A | 16.49 | 11,134 | 9.4 | 8.1 | 1.9 | 1.7 | 6.5 |
| 600219 CH Equity | SHANDONG NANSHAN-A | 5.53 | 9,263 | 10.6 | 8.8 | 1.0 | 1.0 | 4.6 |
| 000933 CH Equity | HENAN SHENHUO-A | 31.12 | 10,209 | 8.1 | 7.7 | 2.0 | 1.7 | 5.6 |
| | Average | | | 9.7 | 8.9 | 2.2 | 2.0 | 5.4 |
| Hong Kong listed | | | | | | | | |
| 2600 HK Equity | CHALCO-H | 11.15 | 28,538 | 7.6 | 7.5 | 1.8 | 1.5 | 5.5 |
| 1378 HK Equity | CHINA HONGQIAO | 33.18 | 42,036 | 8.1 | 8.9 | 1.9 | 1.8 | 7.4 |
| 2788 HK Equity | CHUANGXIN IND | 22.40 | 5,941 | 9.1 | 8.5 | 3.3 | 2.4 | 1.1 |
| 486 HK Equity | RUSAL | 4.20 | 8,156 | 4.9 | 4.1 | 0.5 | 0.5 | 4.7 |
| 2610 HK Equity | NANSHAN ALUMINIUM INT | 37.30 | 2,958 | 7.3 | 6.4 | 1.2 | 1.1 | 2.7 |
| | Average | | | 7.4 | 7.1 | 1.7 | 1.5 | 4.3 |
| Overseas | | | | | | | | |
| HNDL IN Equity | HINDALCO | 1,023.50 | 25,289 | 14.3 | 11.6 | 1.5 | 1.3 | 0.5 |
| VEDL IN Equity | VEDANTA | 298.40 | 12,830 | 4.4 | 4.4 | 1.7 | 1.4 | 9.9 |
| NACL IN Equity | NATIONAL ALUMINUM | 393.05 | 7,937 | 11.3 | 11.0 | 2.4 | 2.0 | 2.9 |
| AA US Equity | ALCOA CORP | 65.34 | 17,243 | 9.5 | 9.9 | 1.8 | 1.5 | 0.6 |
| CENX US Equity | CENTURY ALUMINUM | 60.18 | 5,956 | 6.1 | 5.7 | n/a | n/a | n/a |
| Rio AU Equity | RIO TINTO | 185.34 | 182,279 | 16.3 | 16.0 | 3.9 | 3.6 | 3.6 |
| S32 AU Equity | SOUTH32 | 4.32 | 13,795 | 14.5 | 11.4 | 1.7 | 1.6 | 2.7 |
| NHY NO Equity | NORSK HYDRO | 105.05 | 21,855 | 11.7 | 11.2 | 1.6 | 1.5 | 5.0 |
| PMAH MK Equity | PRESS METAL | 8.80 | 18,648 | 27.5 | 25.4 | 5.6 | 4.6 | 1.2 |
| ALBH BI Equity | ALUMINIUM BAHRAIN | 0.76 | 2,862 | 2.2 | 2.5 | n/a | n/a | 15.8 |
| QAMC QD Equity | QATAR ALUMINUM | 1.73 | 2,651 | 15.0 | 12.8 | 1.2 | 1.1 | 5.5 |
| | Average | | | 12.1 | 11.1 | 2.4 | 2.1 | 4.8 |

Source: Bloomberg, company data, CMBIGM

Note1: Data as of 11 May 2026

Note2: Year-end June for South32

Risk factors

- (1) Unexpected removal of capacity cap in China;
- (2) Faster-than-expected overseas capacity ramp-up for the industry as a whole;
- (3) Slowdown of the global economy;
- (4) Sharp increases in costs of input such as bauxite and coal.

Financial Summary

| INCOME STATEMENT | 2024A | 2025A | 2026E | 2027E | 2028E |
|--|----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | |
| Revenue | 150,336 | 156,721 | 173,916 | 171,911 | 174,824 |
| Cost of goods sold | (120,165) | (126,392) | (129,464) | (130,425) | (135,704) |
| Gross profit | 30,171 | 30,328 | 44,453 | 41,486 | 39,120 |
| Selling expense | (56) | (47) | (52) | (51) | (52) |
| Admin expense | (2,594) | (2,667) | (2,960) | (2,925) | (2,975) |
| R&D expense | (2,176) | (1,500) | (1,664) | (1,645) | (1,673) |
| Other income | 164 | 422 | 468 | 516 | 524 |
| Other gains/(losses) | 24 | (43) | 0 | 0 | 0 |
| Share of (losses)/profits of associates/JV | 15 | 25 | 24 | 26 | 28 |
| EBITDA | 29,351 | 30,787 | 44,674 | 41,984 | 39,699 |
| Depreciation | 3,842 | 4,250 | 4,429 | 4,604 | 4,754 |
| EBIT | 25,509 | 26,537 | 40,245 | 37,380 | 34,944 |
| Interest income | (184) | (98) | 275 | 390 | 416 |
| Interest expense | (1,613) | (1,563) | (1,291) | (1,281) | (1,272) |
| Net Interest income/(expense) | (1,797) | (1,661) | (1,016) | (892) | (856) |
| Pre-tax profit | 23,751 | 24,858 | 39,253 | 36,514 | 34,116 |
| Income tax | (5,678) | (6,102) | (9,636) | (8,964) | (8,375) |
| Minority interest | (845) | (892) | (1,409) | (1,311) | (1,224) |
| Adjusted net profit | 17,228 | 17,864 | 28,208 | 26,240 | 24,517 |
| Gross dividends | 0 | 3,258 | 21,156 | 19,680 | 18,388 |
| BALANCE SHEET | | | | | |
| YE 31 Dec (RMB mn) | | | | | |
| Current assets | 56,192 | 59,325 | 83,946 | 86,773 | 92,997 |
| Cash & equivalents | 15,221 | 18,473 | 39,851 | 45,515 | 46,058 |
| Account receivables | 3,506 | 2,839 | 4,203 | 2,758 | 4,321 |
| Inventories | 32,588 | 32,411 | 34,168 | 32,905 | 36,883 |
| ST bank deposits | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 4,876 | 5,603 | 5,725 | 5,596 | 5,735 |
| Non-current assets | 51,834 | 51,963 | 54,584 | 56,998 | 58,299 |
| PP&E | 29,662 | 37,162 | 39,926 | 42,515 | 43,954 |
| Deferred income tax | 2,680 | 2,857 | 2,857 | 2,857 | 2,857 |
| Investment in JVs & assos | 257 | 296 | 314 | 334 | 356 |
| Intangibles | 6,423 | 6,547 | 6,369 | 6,191 | 6,013 |
| Goodwill | 80 | 0 | 0 | 0 | 0 |
| Financial assets at FVTPL | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 12,731 | 5,101 | 5,117 | 5,099 | 5,118 |
| Total assets | 108,026 | 111,288 | 138,530 | 143,771 | 151,296 |
| Current liabilities | 49,497 | 48,997 | 49,880 | 48,726 | 50,189 |
| Short-term borrowings | 19,878 | 8,831 | 8,631 | 8,431 | 8,231 |
| Account payables | 8,831 | 8,161 | 9,244 | 8,290 | 9,953 |
| Tax payable | 3,807 | 3,189 | 3,189 | 3,189 | 3,189 |
| Other current liabilities | 16,981 | 28,816 | 28,816 | 28,816 | 28,816 |
| Non-current liabilities | 13,830 | 16,727 | 16,727 | 16,727 | 16,727 |
| Long-term borrowings | 7,048 | 14,531 | 14,531 | 14,531 | 14,531 |
| Other non-current liabilities | 6,782 | 2,196 | 2,196 | 2,196 | 2,196 |
| Total liabilities | 63,327 | 65,724 | 66,607 | 65,453 | 66,917 |
| Total shareholders equity | 42,690 | 45,571 | 70,522 | 75,605 | 80,442 |
| Minority interest | 2,010 | (8) | 1,401 | 2,712 | 3,936 |
| Total equity and liabilities | 108,026 | 111,288 | 138,530 | 143,771 | 151,296 |

| CASH FLOW | 2024A | 2025A | 2026E | 2027E | 2028E |
|--|-----------------|-----------------|----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | |
| Operating | | | | | |
| Profit before taxation | 23,751 | 24,858 | 39,253 | 36,514 | 34,116 |
| Depreciation & amortization | 3,842 | 4,250 | 4,429 | 4,604 | 4,754 |
| Tax paid | (5,678) | (6,102) | (9,636) | (8,964) | (8,375) |
| Change in working capital | (402) | (1,503) | (2,176) | 1,900 | (4,036) |
| Others | 3,769 | 2,492 | 992 | 866 | 828 |
| Net cash from operations | 25,282 | 23,995 | 32,862 | 34,921 | 27,288 |
| Investing | | | | | |
| Capital expenditure | (9,091) | (5,345) | (7,000) | (7,000) | (6,000) |
| Acquisition of subsidiaries/ investments | 0 | (20) | 0 | 0 | 0 |
| Others | 448 | (912) | 265 | 381 | 408 |
| Net cash from investing | (8,642) | (6,277) | (6,735) | (6,619) | (5,592) |
| Financing | | | | | |
| Dividend paid | 0 | 0 | (3,258) | (21,156) | (19,680) |
| Net borrowings | 0 | (3,563) | (200) | (200) | (200) |
| Proceeds from share issues | 0 | 0 | 0 | 0 | 0 |
| Others | (11,027) | (11,519) | (1,291) | (1,281) | (1,272) |
| Net cash from financing | (11,027) | (15,083) | (4,749) | (22,638) | (21,152) |
| Net change in cash | | | | | |
| Cash at the beginning of the year | na | 15,221 | 18,473 | 39,851 | 45,515 |
| Exchange difference | na | 616 | 0 | 0 | 0 |
| Cash at the end of the year | 15,221 | 18,473 | 39,851 | 45,515 | 46,058 |
| GROWTH | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | |
| Revenue | na | 4.2% | 11.0% | (1.2%) | 1.7% |
| Gross profit | na | 0.5% | 46.6% | (6.7%) | (5.7%) |
| EBITDA | na | 4.9% | 45.1% | (6.0%) | (5.4%) |
| EBIT | na | 4.0% | 51.7% | (7.1%) | (6.5%) |
| Adj. net profit | na | 3.7% | 57.9% | (7.0%) | (6.6%) |
| PROFITABILITY | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | |
| Gross profit margin | 20.1% | 19.4% | 25.6% | 24.1% | 22.4% |
| EBITDA margin | 19.5% | 19.6% | 25.7% | 24.4% | 22.7% |
| Adj. net profit margin | 11.5% | 11.4% | 16.2% | 15.3% | 14.0% |
| GEARING/LIQUIDITY/ACTIVITIES | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | |
| Net debt to equity (x) | 0.3 | 0.1 | (0.2) | (0.3) | (0.3) |
| Current ratio (x) | 1.1 | 1.2 | 1.7 | 1.8 | 1.9 |
| Receivable turnover days | na | 7.4 | 7.4 | 7.4 | 7.4 |
| Inventory turnover days | na | 93.9 | 93.9 | 93.9 | 93.9 |
| Payable turnover days | na | 24.5 | 24.5 | 24.5 | 24.5 |
| VALUATION | 2024A | 2025A | 2026E | 2027E | 2028E |
| YE 31 Dec | | | | | |
| P/E | na | 16.9 | 10.7 | 11.5 | 12.3 |
| P/B | na | 6.6 | 4.3 | 4.0 | 3.8 |
| Div yield (%) | na | 1.1 | 7.0 | 6.5 | 6.1 |

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

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