



## Company Report: Xinyi Glass (00868 HK)

公司报告: 信义玻璃 (00868 HK)

David Feng 冯廷帅

(852) 2509 2113

david.feng@gtjas.com.hk

23 September 2020

# Profit Margin of Float Glass Hit Record Highs, "Accumulate"

浮法玻璃利润率达历史高位, “收集”

- **After a sharper-than-expected surge, float glass price is to fluctuate at high levels in 4Q20.** As national operating capacity reached a record high and inventory level has started to rebound, we believe that float glass price may face some pressure in the short term, but pressure is to be limited given positive outlook on sustainability of robust demand in 4Q20.
- **Profit margin of float glass hit record highs in August and September despite a sharp rise in soda ash price.** Based on recovery in supply and recent retracement of futures price of soda ash, we believe that cost pressure from soda ash on float glass will gradually ease.
- **We have revised up EPS forecasts for 2020/ 2021/ 2022 by 1.8%/ 1.9%/ 2.9%, respectively.** We have mainly 1) slightly revised up revenue and gross margin assumptions for float glass on sharper-than-expected price hikes of float glass in 3Q20 and 2) slightly revised down revenue and gross margin assumptions for automobile glass on impacts of RMB appreciation.
- **Raise TP to HK\$15.40 but downgrade to "Accumulate".** With new production lines gradually put into operation in 2020, we expect XYG to earn more market share on the back of rapid capacity expansion in each segment. We downgrade our investment rating mainly based on less attractive valuation and short-term pressure on float glass price resulting from a bounce in inventory level. Our TP represents 12.9x/ 11.4x/ 11.3x 2020-2022 PE ratio and 2.6x 2020 PB ratio.
- **在录得超预期的涨幅后, 浮法玻璃价格将于 2020 年第四季度高位震荡。** 由于全国在产产能创历史新高且库存水平开始反弹, 我们认为短期内浮法玻璃价格可能面临一定压力, 但鉴于对 2020 年第四季度强劲需求可持续性的乐观预期, 压力将较为有限。
- **尽管纯碱价格急剧上升, 浮法玻璃的利润率于八月份达历史高位。** 基于供给端的恢复和近期纯碱期货价格的回调, 我们认为纯碱对于浮法玻璃的成本压力将逐步减弱。
- **我们将 2020/ 2021/ 2022 年的每股盈利预测分别上调 1.8%/ 1.9%/ 2.9%。** 我们主要 1) 根据 2020 年第三季度超预期的提价幅度, 略微上调了浮法玻璃的收入和毛利率假设; 2) 根据人民币升值的影响, 略微下调了汽车玻璃的收入和毛利率假设。
- **上调目标价至 15.40 港元但下调至“收集”。** 随着新生产线在 2020 年逐步投产, 我们预计信义玻璃将在各分部快速的产能扩张之下赢得更多市场份额。我们主要基于估值吸引力下降, 以及库存水平反弹对浮法玻璃价格造成的短期压力而下调了投资评级。我们的目标价对应 12.9 倍/ 11.4 倍/ 11.3 倍的 2020-2022 年市盈率率和 2.6 倍的 2020 年市净率。

Rating:

**Accumulate**

Downgraded

评级:

收集 (下调)

6-18m TP 目标价:

**HK\$15.40**

Revised from 原目标价:

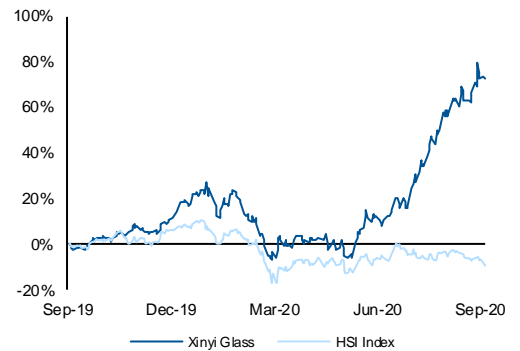
HK\$14.10

Share price 股价:

HK\$14.400

### Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	10.6	53.4	62.9
Rel. % to HS Index 相对恒指变动 %	16.2	56.6	73.2
Avg. share price (HK\$) 平均股价 (港元)	11.3	9.9	9.1

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2018A	16,014	4,237	1.057	4.5	13.6	4.664	3.1	0.520	3.6	23.0
2019A	16,258	4,478	1.118	5.8	12.9	5.187	2.8	0.550	3.8	22.7
2020F	17,674	4,795	1.193	6.7	12.1	5.951	2.4	0.585	4.1	21.4
2021F	19,952	5,412	1.345	12.7	10.7	6.655	2.2	0.665	4.6	21.3
2022F	21,197	5,502	1.366	1.6	10.5	7.413	1.9	0.670	4.7	19.4

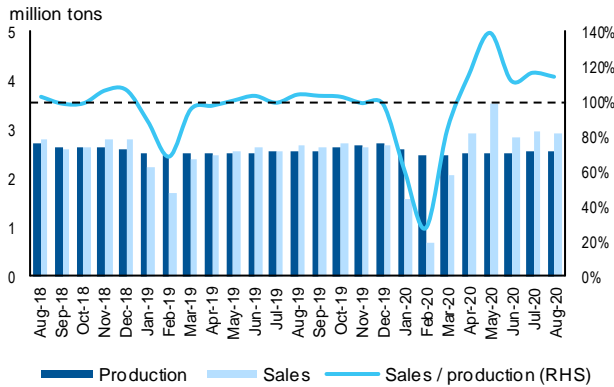
Shares in issue (m) 总股数 (m)	4,035.3	Major shareholder 大股东	LEE Yin Yee 22.7%
Market cap. (HK\$ m) 市值 (HK\$ m)	58,108.3	Free float (%) 自由流通比率 (%)	54.6
3 month average vol. 3 个月平均成交股数 ('000)	12,368.3	FY20 Net gearing (%) FY20 净负债/股东资金 (%)	23.2
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	15.140 / 7.740	FY20 Est. NAV (HK\$) FY20 每股估值 (港元)	15.9

Source: the Company, Guotai Junan International.

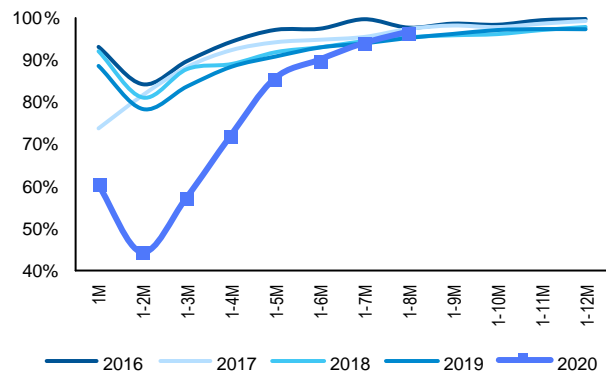
**MARKET ENVIRONMENT**

After a sharper-than-expected surge, float glass price is to fluctuate at high levels in 4Q20. Thanks to continuous strong sales since April 2020, national sales volume of float glass in 1-8M20 bounced back to positive growth for the first time in 2020 with a YoY growth rate of 0.9%. Sales-to-production ratio in 1-8M20 reached 96.7%, plus production line inventory level dropped close to the corresponding period in 2019, showing that pent-up demand for float glass due to the COVID-19 pandemic has been largely redeemed. National float glass price surged to a 10-year high on robust demand and tight supply. However, as national operating capacity reached a record high and inventory level started to rebound, we believe that float glass price may face some pressure in the short term, which has been reflected in the recent drop in futures price of flat glass. However, we expect pressure to be limited given the positive outlook on sustainability of robust demand in 4Q20.

**Figure-1: National Production and Sales of Float Glass**



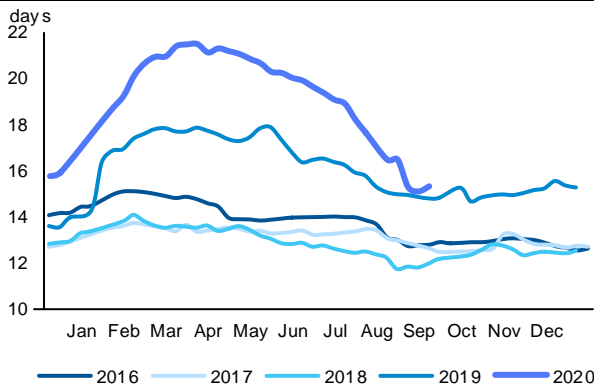
**Figure-2: National YTD Float Glass Sales / Production**



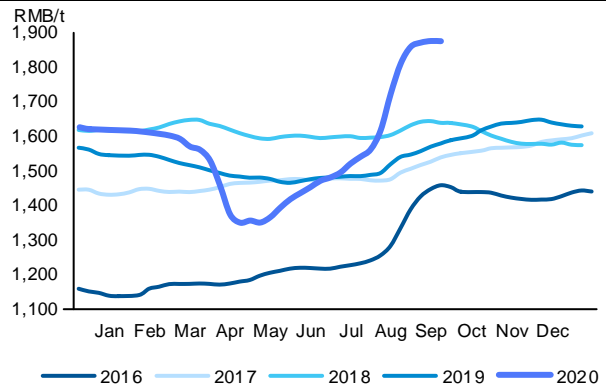
Source: China Architectural and Industrial Glass Association, Guotai Junan International.

Source: Glassinfo, Guotai Junan International.

**Figure-3: National Float Glass Production Line Inventory**



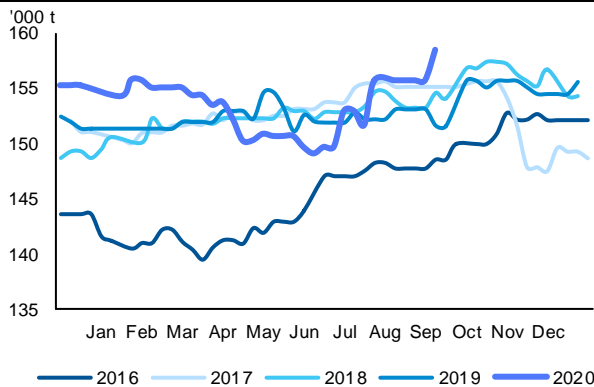
**Figure-4: National Average Float Glass Price**



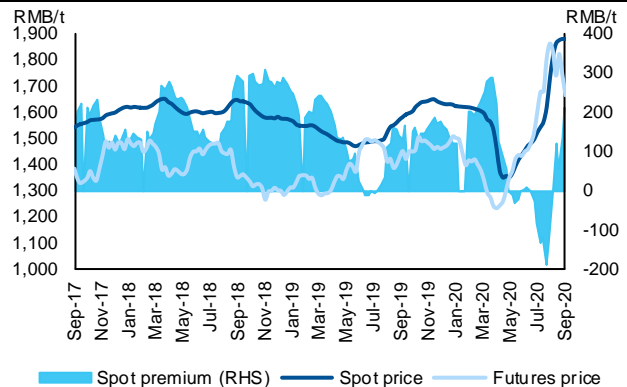
Source: Glassinfo, Guotai Junan International.

Source: Glassinfo, Guotai Junan International.

**Figure-5: National Operating Capacity of Float Glass**



**Figure-6: Spot Premium of Flat Glass Futures**



Source: Glassinfo, Guotai Junan International.

Source: Glassinfo, Zhengzhou Commodity Exchange, Guotai Junan International.

**Profit margin of float glass hit record high in August and September despite the sharp rise in soda ash price.** National average price of heavy soda ash surged by more than RMB600/t since late August after several industry conferences held by China Soda Industry Association. The price surge was mainly on the back of drop in inventory level resulting from tight supply partly due to impact of floods plus improvement in demand driven by the glass industry. However, as price hikes of float glass overwhelmed the rise in soda ash cost and gas cost remained low, profitability of float glass has been maintained at record highs in September. Based on recovery in supply and recent retracement of futures price of soda ash, we believe that cost pressure from soda ash on float glass will gradually ease. Potential downward correction in soda ash price may partly offset the pressure on float glass price, so we believe that profitability of float glass will remain relatively high in 4Q20.

Figure-7: Spot Premium of Soda Ash Futures

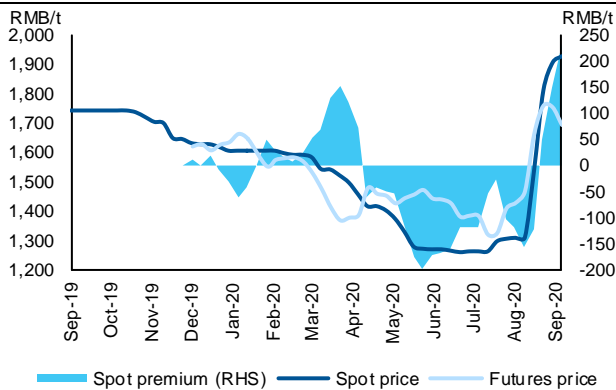
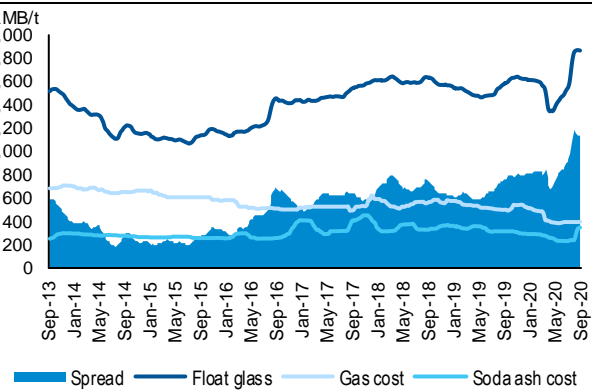


Figure-8: Glass-Natural Gas & Soda Ash Spread Index



Source: CCAON, Zhengzhou Commodity Exchange, Guotai Junan International. Source: Glassinfo, JLC, CCAON, Guotai Junan International.

**EARNINGS FORECASTS**

We have revised up our EPS forecasts for 2020/ 2021/ 2022 by 1.8%/ 1.9%/ 2.9%, respectively. Main revisions are as follows:

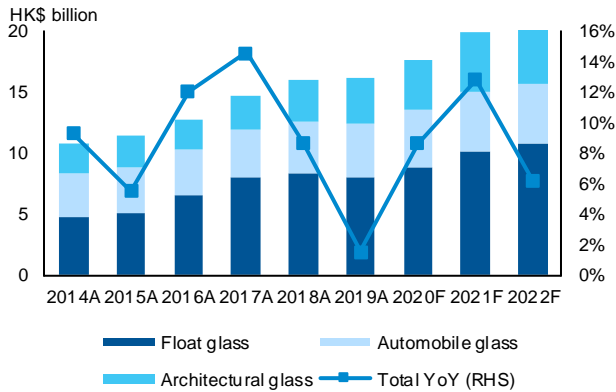
- Based on sharper-than-expected price hikes of float glass in 3Q20, we have slightly revised up our revenue and gross margin assumptions for float glass.
- Based on impacts of RMB appreciation on exports, we have slightly revised down our revenue and gross margin assumptions for automobile glass.

Table-1: Changes in Key Assumptions for Financial Forecasts

	New			Old			Change		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
<b>Revenue by segment (HK\$ mn)</b>									
Float glass	8,909	10,221	10,810	8,727	9,927	10,018	+2.1%	+3.0%	+7.9%
Automobile glass	4,635	4,872	4,905	4,659	4,940	5,063	-0.5%	-1.4%	-3.1%
Architectural glass	4,131	4,859	5,481	4,180	4,864	5,490	-1.2%	-0.1%	-0.2%
<b>Gross margin by segment</b>									
Float glass	37.7%	35.8%	31.5%	36.3%	34.4%	31.0%	+1.4 ppts	+1.4 ppts	+0.5 ppts
Automobile glass	44.7%	44.2%	43.0%	45.9%	45.5%	44.2%	-1.2 ppts	-1.3 ppts	-1.2 ppts
Architectural glass	37.3%	37.3%	37.6%	36.7%	37.2%	37.5%	+0.6 ppts	+0.1 ppts	+0.1 ppts
<b>Key financials (HK\$ mn)</b>									
Revenue	17,674	19,952	21,197	17,566	19,731	20,571	+0.6%	+1.1%	+3.0%
Gross profit	6,969	7,625	7,572	6,840	7,476	7,397	+1.9%	+2.0%	+2.4%
Shareholders' profit	4,795	5,412	5,502	4,706	5,312	5,345	+1.9%	+1.9%	+2.9%
Basic EPS (HK\$)	1.193	1.345	1.366	1.171	1.320	1.327	+1.8%	+1.9%	+2.9%

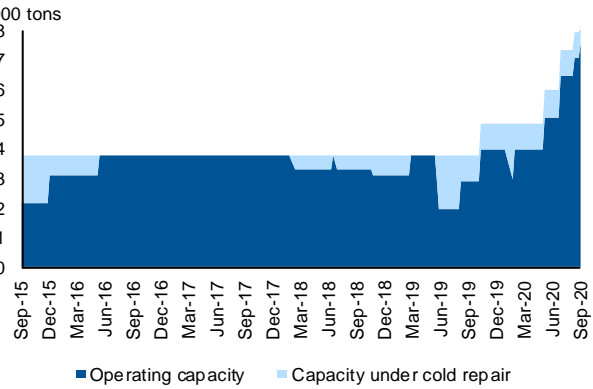
Source: Guotai Junan International.

Figure-9: XYG's Revenue by Segment



Source: the Company, Guotai Junan International.

Figure-10: XYG's Domestic Float Glass Daily Capacity



Source: the Company, Guotai Junan International.

VALUATION AND RECOMMENDATION

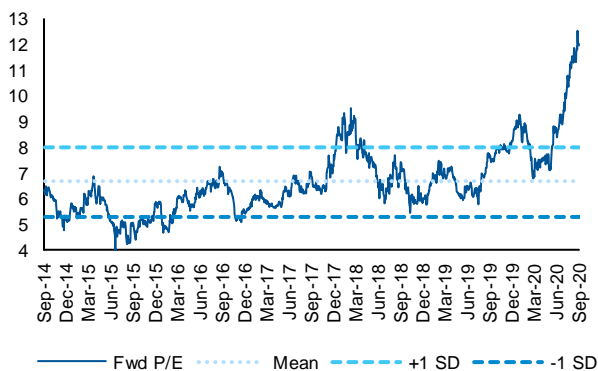
**Raise target price to HK\$15.40 but downgrade to "Accumulate".** We derived our target price of HK\$15.40 from sum-of-the-parts (SOTP) valuation. Our target price represents 12.9x/ 11.4x/ 11.3x 2020-2022 PE ratio and 2.6x 2020 PB ratio. With new production lines gradually put into operation in 2020, we expect XYG to earn more market share on the back of rapid capacity expansion in each segment. Continuous share purchases of the Company's major shareholders also demonstrated their confidence in the Company's future development. However, based on less attractive valuation and short-term pressure on float glass price resulting from a bounce in inventory level, we have downgraded our investment rating to "Accumulate".

Table-2: SOTP Valuation for XYG

HK\$ million, unless specified	XYG (ex-XYG)	HK\$ million, unless specified	XYG
Valuation method	PE ratio	Valuation method	Mark to market
XYG's shareholders' profit (2020F)	4,795	XYG's market cap	84,815
(-) Share of profit from XYS (after tax) (2020F)	607	(x) XYG's shareholding ratio in XYS	24.41%
XYG's core net profit (ex-XYG) (2020F)	4,187	XYG's market cap attributable to XYG	20,703
(x) XYG's target core 2020 PE ratio	11.5x		
XYG's target core market cap	48,155		
XYG's total target NAV		68,859	
(x 1-) Conglomerate discount		10.0%	
XYG's discounted target NAV		61,973	
No. of shares outstanding (m)		4,035	
Target NAV per share (HK\$)		15.40	

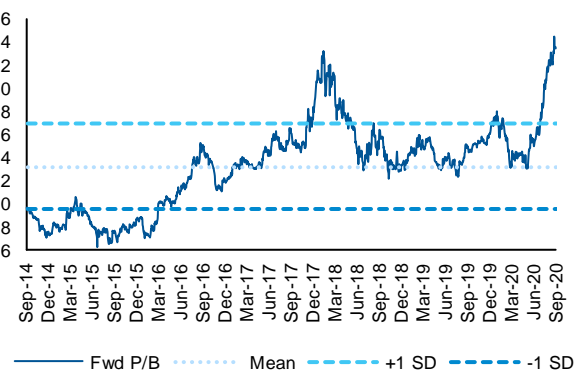
Source: the Company, Guotai Junan International.

Figure-11: XYG's 12-Month Forward PE Ratio



Source: Bloomberg, Guotai Junan International.

Figure-12: XYG's 12-Month Forward PB Ratio



Source: Bloomberg, Guotai Junan International.

Figure-13: XYG's 12-Month Forward EV/EBITDA Ratio

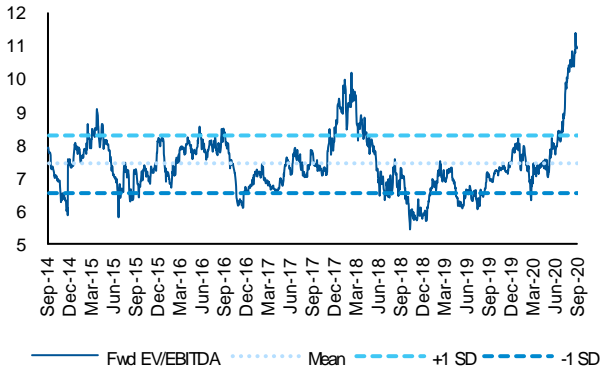
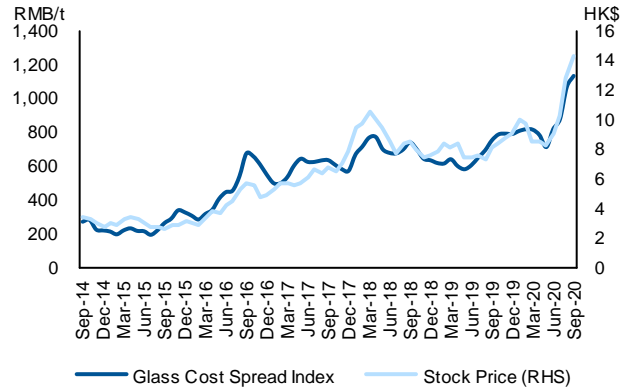


Figure-14: Glass Cost Spread Index vs. Stock Price



Source: Bloomberg, Guotai Junan International.

Source: Glassinfo, JLC, CCAON, Bloomberg, Guotai Junan International.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last Price	Market Cap (HKD mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)		EV/EBITDA
					19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	20F		
<b>Hong Kong Listed Peers</b>																	
Xinyi Glass Holdings Ltd	868 HK	HKD	14.400	58,108	12.9	13.9	11.4	10.6	2.8	2.6	2.3	2.1	18.7	3.5	12.8		
Fuyao Glass Industry Group-H	3606 HK	HKD	26.950	90,732	20.5	23.8	17.2	14.9	2.8	2.7	2.5	2.3	11.3	2.8	17.1		
Luoyang Glass Company Ltd-H	1108 HK	HKD	2.540	5,423	23.2	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
China Glass Holdings Ltd	3300 HK	HKD	0.360	652	6.5	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Flat Glass Group Co Ltd-H	6865 HK	HKD	15.480	48,939	36.9	24.7	16.3	11.9	6.0	4.3	3.5	2.8	20.3	0.6	23.9		
Xinyi Solar Holdings Ltd	968 HK	HKD	10.040	84,815	33.2	25.0	18.9	15.9	5.7	4.9	4.1	3.5	20.2	1.9	18.4		
Simple Average					22.2	21.9	16.0	13.3	3.1	3.6	3.1	2.7	17.6	2.2	18.0		
Weighted Average					25.5	22.3	16.4	13.8	4.2	3.6	3.1	2.7	17.0	2.3	17.8		
<b>Mainland China Listed Peers</b>																	
Fuyao Glass Industry Group-A	600660 CH	CNY	33.670	90,731	29.0	34.0	25.1	21.5	4.0	3.8	3.5	3.3	11.2	2.0	17.3		
Zhuzhou Kibing Group Co Ltd-A	601636 CH	CNY	7.770	23,865	14.9	13.0	11.1	9.8	2.5	2.3	2.1	1.9	18.0	4.7	n.a.		
CSG Holding Co Ltd- A	000012 CH	CNY	5.500	14,874	32.4	23.9	19.2	12.8	1.8	1.7	1.6	1.4	8.1	0.9	n.a.		
Luoyang Glass Company Ltd-A	600876 CH	CNY	13.850	5,423	143.5*	n.a.	n.a.	n.a.	5.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Shandong Jinjing Science-A	600586 CH	CNY	3.450	5,636	48.5	57.5	49.3	n.a.	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Shanghai Yaohua Pilkington-A	600819 CH	CNY	4.510	4,426	20.5	n.a.	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Jiangsu Xiuqiang Glasswork-A	300160 CH	CNY	8.080	5,714	38.5	36.7	33.7	n.a.	4.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Hubei Sanxia New Building-A	600293 CH	CNY	2.560	3,396	275.3*	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Flat Glass Group Co Ltd-A	601865 CH	CNY	24.400	48,939	65.9	43.3	30.8	24.0	10.5	7.5	6.0	4.7	19.3	0.3	24.5		
Simple Average					35.7	34.7	28.2	17.0	3.6	3.8	3.3	2.8	14.1	2.0	20.9		
Weighted Average					35.9	33.7	25.3	19.9	5.1	4.4	3.8	3.3	14.1	1.8	19.8		
<b>Global Listed Peers</b>																	
Taiwan Glass Industry Corp	1802 TT	TWD	13.000	10,074	n.a.	n.a.	n.a.	n.a.	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
AGC Inc	5201 JP	JPY	3,150.000	53,135	15.7	35.6	13.7	10.8	0.6	0.6	0.6	0.6	1.7	2.9	7.0		
Central Glass Co Ltd	4044 JP	JPY	2,286.000	7,286	12.2	14.4	61.6	23.1	0.6	0.6	0.6	0.6	3.9	4.0	6.0		
Nippon Sheet Glass Co Ltd	5202 JP	JPY	427.000	2,875	3.7	n.a.	n.a.	145.4	0.4	0.9	3.9	2.2	-32.3	0.0	14.2		
Compagnie De Saint Gobain	SGO FP	EUR	34.900	175,480	13.5	18.1	11.5	10.2	1.0	1.0	0.9	0.9	5.7	3.1	6.6		
Turk Sise Ve Cam Fabrikalari	SISE TI	TRY	6.550	14,948	7.7	9.8	7.1	5.6	1.0	1.0	0.9	0.9	9.3	1.9	6.6		
Trakya Cam Sanayii AS	TRKCM TI	TRY	4.330	5,503	7.2	7.0	3.9	n.a.	0.8	0.8	0.7	n.a.	17.8	3.7	7.8		
Simple Average					10.0	17.0	19.6	39.0	0.8	0.8	1.3	1.0	1.0	2.6	8.0		
Weighted Average					13.3	20.9	13.0	12.0	0.9	0.9	0.9	0.8	4.9	3.0	6.8		

Source: Bloomberg, Guotai Junan International.  
Note: \* excluded as outliers from average calculation.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (HK\$ m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (HK\$ m)	2018A	2019A	2020F	2021F	2022F
Total revenue	16,014	16,258	17,674	19,952	21,197	Property, plant and equipment	13,079	14,203	15,127	16,021	16,748
Cost of sales	(10,139)	(10,375)	(10,705)	(12,327)	(13,625)	Right-of-use assets	3,744	3,594	3,769	3,986	4,190
Gross profit	5,875	5,883	6,969	7,625	7,572	Investment properties	1,674	1,672	1,781	1,950	2,147
Other income & gains	1,078	1,307	598	596	647	Investments in associates	4,680	5,554	6,573	7,838	9,368
Selling & marketing costs	(772)	(940)	(951)	(1,048)	(1,102)	Others non-current assets	299	926	929	1,020	1,082
Administrative & other expenses	(1,635)	(1,692)	(1,677)	(1,778)	(1,876)	Total non-current assets	23,477	25,949	28,179	30,814	33,534
Operating profit	4,547	4,558	4,940	5,395	5,241	Inventories	1,755	2,045	2,076	2,440	2,707
Finance costs, net	(142)	(182)	(150)	(128)	(118)	Trade & other receivables	2,676	3,086	4,102	4,352	4,632
Share of results of associates	566	640	694	942	1,184	Cash & cash equivalents	4,599	5,098	6,005	6,812	7,898
Profit before tax	4,970	5,016	5,484	6,210	6,307	Other current assets	174	77	73	68	59
Income tax	(723)	(533)	(684)	(792)	(800)	Total current assets	9,203	10,305	12,257	13,671	15,295
Profit after tax	4,248	4,483	4,800	5,418	5,508	Total assets	32,679	36,254	40,435	44,485	48,830
Non-controlling interest	(11)	(5)	(5)	(6)	(6)	Trade & other payables	2,897	3,349	3,513	3,685	3,982
Shareholders' profit / loss	4,237	4,478	4,795	5,412	5,502	ST borrowings	3,094	4,459	4,692	4,965	5,238
Basic EPS	1.057	1.118	1.193	1.345	1.366	Other current liabilities	611	613	667	752	799
						Total current liabilities	6,603	8,422	8,872	9,402	10,018
						LT borrowings	6,875	6,350	6,924	7,508	8,059
						Other non-current liabilities	499	555	624	696	774
						Total non-current liabilities	7,374	6,905	7,549	8,204	8,833
						Total liabilities	13,977	15,327	16,420	17,606	18,851
						Share capital	399	402	402	403	403
						Reserves	18,225	20,444	23,528	26,388	29,482
						Total shareholders' equity	18,625	20,846	23,930	26,790	29,885
						Minority interest	78	81	85	89	94
						Total equity	18,702	20,927	24,015	26,880	29,979
						Total equity & liabilities	32,679	36,254	40,435	44,485	48,830
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (HK\$ m)	2018A	2019A	2020F	2021F	2022F		2018A	2019A	2020F	2021F	2022F
Profit before tax	4,970	5,016	5,484	6,210	6,307	Gross margin (%)	36.7	36.2	39.4	38.2	35.7
Depreciation & amortization	1,004	1,074	1,133	1,189	1,256	Operating margin (%)	28.4	28.0	28.0	27.0	24.7
Share of results of associates	(566)	(640)	(694)	(942)	(1,184)	Net margin (%)	26.5	27.5	27.1	27.1	26.0
Changes in working capital	259	(267)	(792)	(458)	(221)	ROE (%)	23.0	22.7	21.4	21.3	19.4
Interest and income tax paid	(815)	(910)	(909)	(975)	(1,044)	ROA (%)	14.1	13.7	13.1	13.3	12.3
Other adjustments	(209)	(494)	68	39	26	Net gearing ratio (%)	28.2	27.1	23.2	20.9	17.8
Cash from operating activities	4,643	3,779	4,291	5,063	5,140	Interest coverage ratio (x)	24.3	19.3	21.8	24.1	23.6
Capital expenditure	(1,763)	(2,875)	(1,859)	(1,716)	(1,684)						
Other investing activities	(178)	816	(333)	(347)	(390)						
Cash from investing activities	(1,941)	(2,058)	(2,192)	(2,063)	(2,074)						
Net changes in borrowings	1,503	840	806	857	823						
Dividends paid	(2,124)	(2,084)	(1,892)	(2,888)	(2,676)						
Other financing activities	(306)	108	(36)	(19)	(8)						
Cash from financing activities	(927)	(1,136)	(1,121)	(2,050)	(1,861)						
Cash at beg of year	3,049	4,599	5,098	6,005	6,812						
Net changes in cash	1,775	585	978	950	1,205						
Effect of exchange rate changes	(225)	(85)	(71)	(143)	(119)						
Cash at end of year	4,599	5,098	6,005	6,812	7,898						

Source: the Company, Guotai Junan International.

**Company Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

**Sector Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

**DISCLOSURE OF INTERESTS**

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for GUOTAI JUNAN I (01788 HK), JINSHANG BANK (02558 HK), BINHAI INVESTMENT (02886 HK), HAITIAN ANTENNA (08227 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

**DISCLAIMER**

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2020 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.  
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.  
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793  
 Website: www.gtja.com.hk