

Company Report: Xinyi Solar (00968 HK)

Jun Zhu 朱俊杰  
(852) 2509 7592

公司报告: 信义光能 (00968 HK)

junjie.zhu@gtjas.com.hk

29 October 2020

Benefited from Surging Solar Glass Price, Reiterate "Buy "

受益于光伏玻璃价格的猛升，重申“买入”

- **Solar glass selling price experienced several rounds of price hike between June-October 2020 and remains on an uptrend as supply failed to meet the dramatic rise in demand entering 3Q2020.** The 3.2 mm solar glass price in China started 2020 from RMB29 per sq.m, fell to RMB24 per sq.m in late Jun., before surging by 70.8% to RMB41 per sq.m as at Oct. 28<sup>th</sup>, according to PV InfoLink. The current solar glass selling price translates to between 55%-60% in gross margin for tier-1 solar glass makers in China.
- **Newly installed solar capacity in China is expected to be between 35 GW and 40 GW in 2020.** We expect the domestic market to have between 35 GW and 40 GW of new solar capacity installations in 2020 (compared to 30.1 GW in 2019). As installed solar capacity in China during 1M-9M2020 was merely 17.7 GW, we expect solar installation in 4Q2020 to further accelerate.
- **We have raised our earnings estimates amid rapidly rising solar glass selling price.** We expect solar glass blended ASP of Xinyi Solar from 2020 to 2022 to be RMB35.6 per sq.m/ RMB35.1 per sq.m/ RMB34.7 per sq.m from 2020 to 2022, respectively. As such, we expect the gross margin of the solar glass segment of Xinyi Solar to rise to 45.6%/ 46.7%/ 46.8% from 2020 to 2022, respectively. Our revised EPS estimates from 2020 to 2022 are HK\$0.495, HK\$0.627 and HK\$0.752, respectively.
- **We reiterate our investment rating of "Buy" and further raise our TP to HK\$15.70.** Our new TP corresponds to 31.7x/ 25.0x/ 20.8x 2020 to 2022 PER or 7.0x/ 6.1x/ 5.3x 2020 to 2022 PBR, respectively.
- **由于进入 2020 年三季度后光伏玻璃的供应无法跟上需求的猛增，光伏玻璃的销售价格在 6 月至 10 月之间经历了数轮的涨价并仍处于一个上行的趋势当中。**PV Infolink 的数据显示，国内 3.2 毫米的光伏玻璃价格由 2020 年初的人民币 29 元每平米跌至 6 月底时的人民币 24 元每平米，并大幅上升了 70.8% 至 10 月 28 日时的人民币 41 元每平米。当前的光伏玻璃价格对应国内一线光伏玻璃生产商 55% 至 60% 的毛利率。
- **国内于 2020 年的新增光伏装机预计将介于 35 吉瓦至 40 吉瓦。**我们预计国内市场于 2020 年的新增光伏装机将介于 35 吉瓦至 40 吉瓦（2019 年的新增装机则为 30.1 吉瓦）。由于国内于 2020 年前 9 个月的新增光伏装机仅为 17.7 吉瓦，我们预计 2020 年 4 季度的光伏装机将进一步加快。
- **鉴于光伏玻璃价格的快速上升，我们上调了盈利预测。**我们预计信义光能的光伏玻璃综合平均价格于 2020 至 2022 年间将分别为人民币 35.6 元每平米/ 人民币 35.1 元每平米/ 人民币 34.7 元每平米。因此，我们预计公司于 2020 年至 2022 年的光伏玻璃板块毛利率将分别达到 45.6%/ 46.7%/ 46.8%。我们经调整的 2020 至 2022 年的每股盈利预测分别为 0.495 港元 / 0.627 港元 / 0.752 港元。
- **我们维持“买入”的评级并进一步上调目标价至 15.70 港元。**我们的新目标价相当于 31.7 倍 / 25.0 倍 / 20.8 倍 2020 至 2022 年市盈率或 7.0 倍 / 6.1 倍 / 5.3 倍 2020 至 2022 年市净率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$15.70

Revised from 原目标价:

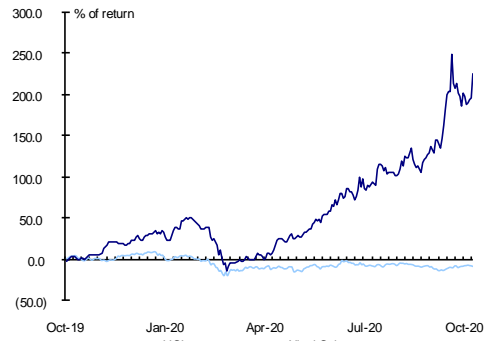
HK\$12.00

Share price 股价:

HK\$12.860

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 %	24.3	71.3	211.8
Rel. % to HS Index 相对恒指变动 %	18.9	72.7	220.3
Avg. Share price(HK\$) 平均股价 (港元)	13.0	10.5	6.9

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	7,672	1,863	0.249	(23.6)	51.6	1.362	9.4	0.120	0.9	18.1
2019A	9,096	2,416	0.303	21.7	42.4	1.754	7.3	0.140	1.1	19.6
2020F	11,960	4,105	0.495	63.4	26.0	2.229	5.8	0.231	1.8	24.8
2021F	15,351	5,335	0.627	26.7	20.5	2.561	5.0	0.300	2.3	26.2
2022F	18,394	6,416	0.753	20.1	17.1	2.952	4.4	0.358	2.8	27.3

Shares in issue (m) 总股数 (m)	8,508.8	Major shareholder 大股东	Xinyi Group - 23.6%
Market cap. (HK\$ m) 市值 (HK\$ m)	109,423.2	Free float (%) 自由流通比率 (%)	49.0
3 month average vol. 3 个月平均成交股数 ('000)	41,267.7	FY20 Net gearing (%) FY20 净负债/股东资金 (%)	16.5
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	15.220 / 3.720	FY20 EV / EBITDA (x) FY20 企业值 / EBITDA (x)	17.6

Source: the Company, Guotai Junan International.

**Solar glass selling price experienced several rounds of price hike between June and October of 2020 and remains on an uptrend as supply failed to meet the dramatic rise in demand entering 3Q2020.** The 3.2 mm solar glass price started the year of 2020 from RMB29 per sq.m and fell to RMB24 per sq.m in late June before surging by 70.8% to RMB41 per sq.m as at October 28<sup>th</sup> 2020, according to stats from PV InfoLink. The current solar glass selling price translates to between 55% and 60% in gross margin for tier-1 solar glass makers in China. The dramatic rise in the solar glass selling price was mainly a result of sudden rise in downstream solar module demand as the market was seeing a sharp pickup in solar installations in 3Q2020 and 4Q2020. Domestic market solar installation rush was mainly to be blamed for the price hike of solar glass, with state-owned energy conglomerates rushing to commission their solar projects before end of 2020. We expect the solar glass price to average at around RMB35 per sq.m in 2020, which translates to between 45% and 50% for tier-1 solar glass producers in China. The 2.0 mm solar glass selling price also rebounded by 43.5% over the last 3-month period to RMB33 per sq.m, but the market share of thin glass is still quite small compared to the conventional 3.2 mm solar glass product in the market.

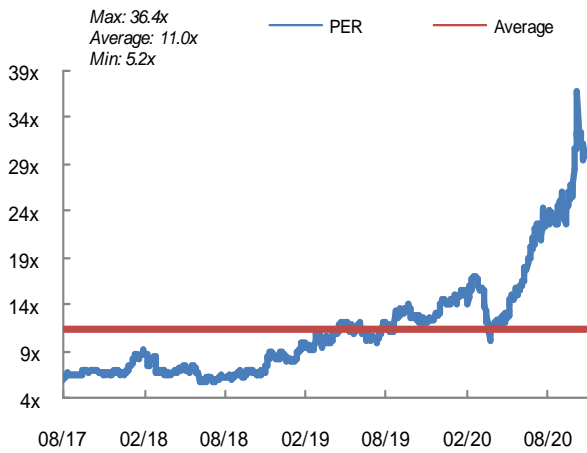
**Equity placement of 280 million new shares at HK\$9.44 apiece.** Xinyi Solar (the "Company") announced on 3<sup>rd</sup> September 2020 the equity placement of 282 million new shares to not less than 6 investors at the placing price of HK\$9.44 per share, a discount of approximately 8% to the latest closing price. The total number of placing shares represents approximately 3.45% of the existing shares and approximately 3.34% of the issued share capital of the Company as enlarged by the issue of the placement. Gross proceeds from the placement are approximately HK\$2,662 mn and the Company intends to use this for CAPEX of the solar glass production and general working capital purposes. By the end of 1H2020, Xinyi Solar's daily melting solar glass capacity and grid connected solar farm capacity reached 7,800 tons and 2.92 GW, respectively. The Company aims to further ramp up its solar glass capacity to 9,800 tons and 13,800 tons by the end of 2020 and 2021, respectively. The gross proceeds from the equity placement will ensure the timely commission of the new production facilities to meet the rapidly rising demand for solar glass in the market. The four production lines scheduled to be launched in 2021 may even be moved up to 4Q2020, in our view.

**Newly installed solar capacity in China is expected to be between 35 GW and 40 GW in 2020.** According to the National Energy Administration (NEA) of China, domestic newly installed solar capacity in the first half of 2020 reached 11.52 GW, up YoY by 1.1%. At the end of June 2020, cumulative installed solar capacity in China reached 215.82 GW. Meanwhile, according to statistics compiled by China Electricity Council (CEC), nationwide power engineering investment in the first 9 months of 2020 hit RMB308.2 bn, up YoY by 51.6%. Investment on renewables accounted for 92.2% of total investment during the period. Newly installed solar capacity in China during 1M-9M2020 reached 17.7 GW, up YoY by 9.9%. Following the recent release of the national solar competitive bidding results for 2020 (with confirmed state subsidized solar projects of 26 GW) and the announcement regarding the notice of the wind and solar grid-parity projects in 2020 (with confirmed grid-parity solar projects in the amount of 33.05 GW set to begin construction within 2020 and to be commissioned/ connected to the power grid before the end of 2021), we expect the domestic market is expected to have between 35 GW and 40 GW of new solar installations in 2020 (compared to 30.1 GW of new solar capacity installation in 2019). Solar installations in China in the last quarter of 2020 will continue to accelerate.

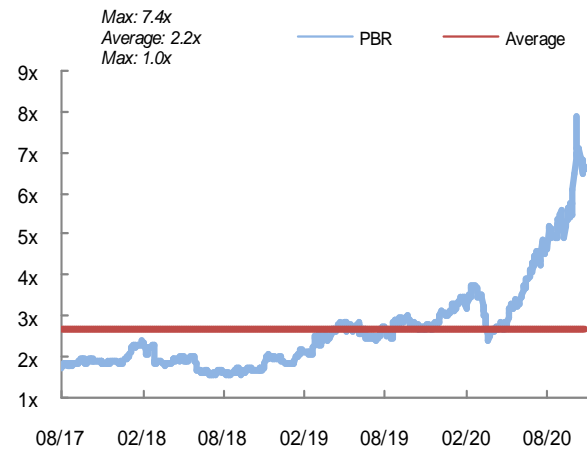
**We have raised our earnings estimates from 2020 to 2022 amid the rapidly rising solar glass selling price.** The 3.2 mm solar glass selling price started from RMB29 per sq.m in the beginning of 2020 and gradually fell to RMB24 per sq.m at the end of June 2019, but has rebounded to RMB41 per sq.m as of October 28<sup>th</sup> 2020. Due to rapidly rising solar glass selling price since the beginning of July 2020 due to strong demand from solar module makers downstream, we expect solar glass blended ASP of Xinyi Solar from 2020 to 2022 to be RMB35.6 per sq.m/ RMB35.1 per sq.m/ RMB34.7 per sq.m from 2020 to 2022, respectively. As such, we expect the gross margin of the solar glass segment of Xinyi Solar to rise to 45.6%/ 46.7%/ 46.8% from 2020 to 2022, respectively. Our other assumptions remain unchanged. By the end of 2020/ 2021/ 2022, we expect daily melting solar glass capacity to reach 9,800 tons/ 13,800 tons/ 13,800 tons, respectively. Based on our new assumptions, our revised EPS estimates for the period from 2020 to 2022 are thus HK\$0.495, HK\$0.627 and HK\$0.752, respectively.

**We reiterate our investment rating of "Buy" and further raise our TP to HK\$15.70.** As Xinyi is scheduled to dramatically ramp up its solar glass production capacity by adding 2,000 tpd of solar glass capacity in 2020 and another 4,000 tpd of solar glass capacity in 2021 (one new 1,000 ton production line will be launched each quarter), its solar glass sales volume is expected to rise substantially over the next few years with projected gross margin of no less than 45% under the expectation of strong solar glass prices driven by tight solar glass supply in the market. We are very bullish on the long-term prospects of the solar industry and believe it will lead to a new round of energy revolution over the next decade. The future of solar energy remains very promising. We therefore maintain the investment rating of "Buy" and substantially raise our TP to HK\$15.70 due

to the confidence we have on the solar industry and on the top-tier solar glass makers. Our new TP corresponds to 31.7x/ 25.0x/ 20.8x 2020 to 2022 PER or 7.0x/ 6.1x/ 5.3x 2020 to 2022 PBR, respectively.

**Figure-1: Forward PER of Xinyi Solar**


Source: Bloomberg, Guotai Junan International.

**Figure-2: Forward PBR of Xinyi Solar**


Source: Bloomberg, Guotai Junan International.

**Table-1: Peers Comparison**

Company	Stock Code	Currency	Last price (in local \$)	PER				PBR				ROE (%)	EV/EBITDA(x)	Market Cap HK\$ mn	
				19A	20F	21F	22F	19A	20F	21F	22F	20F	20F		
<b>Polysilicon &amp; Wafer</b>															
Comtec Solar Systems Group	00712 HK	HKD	0.12	n.a.	n.a.	n.a.	n.a.	(7.5)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	90
Daqo New Energy Corp-Adr	DQ US	USD	179.38	79.7	16.3	11.2	10.7	4.4	3.5	2.4	1.9	23.1	10.2	19,328	
Gcl-Poly Energy Holdings Ltd	03800 HK	HKD	0.36	n.a.	n.a.	n.a.	n.a.	0.3	0.3	0.3	0.3	(3.2)	8.4	7,505	
Oci Co Ltd	010060 KS	KRW	67,300.00	n.a.	n.a.	15.4	12.0	0.6	0.6	0.6	0.6	(3.1)	41.6	10,974	
TBEA Co Ltd	600089 CH	CNY	8.29	17.7	15.0	13.3	13.5	1.0	0.8	0.8	0.8	5.6	10.0	35,535	
Wacker Chemie Ag	WCH GR	EUR	80.52	n.a.	44.5	17.9	14.1	2.0	2.0	1.9	1.7	6.5	8.2	38,261	
Xinte Energy	1799 HK	HKD	7.70	20.0	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	8,047	
Xian Longi Silicon Materia-A	601012 CH	CNY	74.51	50.7	36.2	28.8	23.3	10.2	8.0	6.3	5.0	23.5	25.0	324,419	
Simple Average				42.0	28.0	17.3	14.7	1.5	2.5	2.0	1.7	8.7	17.2		
Weighted Average				48.5	34.2	25.4	20.8	7.9	6.3	5.0	4.0	19.4	21.8		
<b>Cell &amp; Module</b>															
Canadian Solar Inc	CSIQ US	USD	37.99	13.2	13.4	11.3	13.3	1.6	1.4	1.2	1.1	13.4	8.2	17,391	
Jinkosolar Holding Co-Adr	JKS US	USD	59.72	19.4	15.2	19.5	13.6	2.0	1.9	1.7	1.6	10.5	10.0	20,592	
Renesola Ltd-Adr	SOL US	USD	3.09	n.a.	n.a.	38.6	14.7	15.7	n.a.	n.a.	n.a.	(1.0)	n.a.	1,275	
Simple Average				16.3	14.3	23.1	13.9	6.4	1.6	1.5	1.4	7.6	9.1		
Weighted Average				16.6	14.4	16.5	13.5	2.3	1.7	1.5	1.4	11.4	9.2		
<b>Solar Glass</b>															
Ancai Hi-Tech	600207 CH	CNY	5.22	227.0	n.a.	n.a.	n.a.	2.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5,195
Irico Group New Energy	00438 HK	HKD	1.02	21.6	n.a.	n.a.	n.a.	10.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,597
Changzhou Almaden	002623 CH	CNY	43.96	n.a.	77.4	43.7	21.9	3.4	3.2	2.9	2.5	4.8	n.a.	8,127	
CSG Holdings	200012 CH	HKD	2.35	12.2	9.0	7.2	4.9	0.7	0.6	0.6	0.5	8.1	n.a.	16,453	
Flat Glass	06865 HK	HKD	24.60	58.6	33.7	20.3	16.0	9.5	6.6	5.1	4.1	21.7	34.1	80,611	
Xinyi Solar Holdings	00968 HK	HKD	12.86	46.8	33.1	24.7	21.0	8.1	6.8	5.7	4.9	21.1	22.8	109,424	
Simple Average				73.2	38.3	24.0	15.9	5.9	4.3	3.6	3.0	13.9	28.5		
Weighted Average				52.2	33.1	22.5	18.1	7.8	6.1	5.0	4.2	19.8	27.3		
<b>Solar System Operator</b>															
Gcl New Energy Holdings Ltd	00451 HK	HKD	0.12	6.8	7.9	6.2	4.5	0.2	0.4	0.3	0.3	3.4	6.7	2,251	
Jiangsu Akcome Science & T-A	002610 CH	CNY	2.37	n.a.	118.5	26.3	14.8	2.6	2.0	2.0	1.9	(39.2)	n.a.	12,238	
Kong Sun Holdings	00295 HK	HKD	0.05	n.a.	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	673	
Shunfeng International Clean	01165 HK	HKD	0.11	n.a.	n.a.	n.a.	n.a.	(0.5)	n.a.	n.a.	n.a.	n.a.	n.a.	528	
Beijing Energy International	00686 HK	HKD	0.22	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	5,001	
Xinyi Energy Holdings	03868 HK	HKD	4.17	27.7	27.1	24.0	23.6	2.8	2.7	2.7	2.6	9.9	17.2	29,933	
Simple Average				17.2	51.1	18.8	14.3	1.0	1.7	1.7	1.6	(8.6)	11.9		
Weighted Average				26.3	51.3	23.7	20.2	2.3	2.4	2.4	2.3	(3.9)	16.5		

 Source: Bloomberg, Guotai Junan International. Updated as of October 28<sup>th</sup> 2020.

**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	7,672	9,096	11,960	15,351	18,394	PPE	15,804	16,711	18,842	20,191	21,157
COGS	(4,711)	(5,185)	(5,778)	(7,452)	(8,973)	Prepaid expense	523	509	636	795	994
Gross profit	2,960	3,912	6,182	7,900	9,421	Right-of-use assets	0	1,249	1,357	1,493	1,649
Selling expense	(271)	(282)	(310)	(405)	(495)	Others	762	461	486	553	628
Admin expense	(413)	(427)	(574)	(737)	(883)	Total Non-current Assets	17,089	18,930	21,321	23,031	24,428
Other income	176	131	144	165	190	Cash & Cash Equivalents	784	2,221	2,870	2,149	2,575
Other gains / expenses	(10)	(20)	(26)	(34)	(44)	Inventories	430	410	446	615	714
Operating Profit	2,443	3,314	5,416	6,889	8,189	Trade receivable	4,154	5,437	6,578	8,520	10,209
Share of JV / affiliate	49	33	37	41	45	Others	1,436	1,399	2,208	2,975	3,557
Net finance costs	(246)	(254)	(180)	(184)	(189)	Total Current Assets	6,803	9,467	12,102	14,259	17,055
Profit Before Tax	2,246	3,093	5,273	6,745	8,045	Total Assets	23,893	28,397	33,423	37,290	41,483
Income Tax	(205)	(294)	(624)	(842)	(1,026)	Short-term debts	3,773	2,804	1,966	2,418	2,858
Profit After Tax	2,042	2,799	4,649	5,903	7,019	Trade payable	1,082	677	973	1,313	1,421
Non-controlling Interest	(179)	(382)	(544)	(568)	(603)	Accruals and other payables	1,698	1,544	1,729	1,816	1,906
Shareholders' Profit / Loss	1,863	2,416	4,105	5,335	6,416	Others	184	266	337	432	561
Basic EPS (HK\$)	0.249	0.303	0.495	0.627	0.753	Total Current Liabilities	6,737	5,290	5,004	5,978	6,746
DPS (HK\$)	0.120	0.140	0.231	0.300	0.358	Long-term debts	4,997	3,880	4,030	3,730	3,430
						Deferred tax liabilities	11	12	12	12	12
						Others	89	643	720	757	797
						Total Non-current Liabilities	5,096	4,534	4,761	4,498	4,238
						Total Liabilities	11,834	9,824	9,765	10,477	10,984
						Total Shareholders' Equity	10,434	14,177	18,962	21,808	25,167
						Minority Interest	1,625	4,396	4,696	5,005	5,332
						Total Equity	12,059	18,573	23,658	26,814	30,499
						BPS (HK\$)	1.362	1.754	2.229	2.561	2.952

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2018A	2019A	2020F	2021F	2022F
Net income	1,863	2,416	4,105	5,335	6,416
D&A	707	795	1,036	1,287	1,597
Change in working capital	(65)	(1,705)	(1,433)	(2,357)	(2,042)
Others	(195)	76	295	195	172
Cash from Operating Activities	2,310	1,583	4,003	4,461	6,144
Investing activities					
Capital expenditure	(3,059)	(2,352)	(3,300)	(2,800)	(2,750)
Proceeds from disposal	1	5	25	28	30
Others	23	84	5	7	(5)
Cash from Investing Activities	(3,035)	(2,262)	(3,270)	(2,764)	(2,725)
Financing activities					
Debt raised / (repaid)	837	(2,086)	(688)	153	140
Dividend paid (common)	(641)	(623)	(1,768)	(2,291)	(2,828)
Capital injection from minority	0	3,808	0	0	0
Proceeds from stocks issued	9	1,344	2,680	36	37
Others	(31)	(316)	(307)	(315)	(341)
Cash from Financing Activities	174	2,127	(83)	(2,418)	(2,993)
Net Changes in Cash	(551)	1,447	649	(721)	426
Adjustments	(46)	(10)	0	0	0
Cash at Beg of Year	1,381	784	2,221	2,870	2,149
Cash at End of Year	784	2,221	2,870	2,149	2,575

Financial Ratios					
	2018A	2019A	2020F	2021F	2022F
Gross margin (%)	38.6%	43.0%	51.7%	51.5%	51.2%
EBIT margin (%)	31.9%	36.4%	45.3%	44.9%	44.5%
EBITDA margin (%)	41.1%	45.2%	53.6%	53.0%	53.0%
Net margin (%)	24.3%	26.6%	34.3%	34.8%	34.9%
ROE (%)	18.1%	19.6%	21.6%	26.2%	27.3%
ROA (%)	8.0%	9.2%	12.3%	15.1%	16.3%
Net gearing (%)	76.5%	31.5%	16.5%	18.3%	14.8%
Inventory turnover (day)	33.3	28.9	28.2	30.1	29.1
AR turnover (day)	197.6	218.2	200.8	202.6	202.6
AP turnover (day)	83.8	47.6	61.5	64.3	57.8
EV / EBITDA (x)	36.2	27.6	17.5	14.0	11.7
EV / Sales (x)	14.9	12.5	9.4	7.4	6.2
Quick ratio (x)	0.9	1.7	2.3	2.3	2.4
Current ratio (x)	1.0	1.8	2.4	2.4	2.5

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), JXR (01951 HK), JINSHANG BANK (02558 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