



Company Report: Nexteer (01316 HK)

公司报告: 耐世特 (01316 HK)

Toliver Ma 马守彰
(852) 2509 5317
toliver.ma@gtjas.com.hk

15 August 2018

Solid 1H18 Results, Upgrade to "Buy"

强健的2018年上半年业绩，上调至“买入”

- **Nexteer's 1H18 net profit was up 11.1% yoy to USD199.6 million, beating our expectation.** Top-line revenue grew by 3.7% yoy with sales of EPS systems increasing 5.1% yoy, and further increasing sales mix to 64.5% (FY2017: 64%). North America and EMEA & SA region lead growth, up by 2.7% yoy and 13.7% yoy. Gross margin was down 0.7 ppts yoy but up 2.2 ppts hoh, seeing the Company recover from a disappointing 2H17. Net margin improved 0.7 ppts yoy on much lower net finance cost and decrease in US corporate tax rate.
- **Backlog increased USD1 billion from 2017.** EPS comprised 71% of the backlog, with North America backlog reduced to 54% in 1H18. Moreover, about 16% of the backlog is comprised of level 3 to level 5 ADAS/ AD function enabled EPS systems.
- **We increase our shareholders' profit forecast by 6.9%/ 10.0%/ 9.3% in 2018 to 2020, respectively.** We mainly increase our gross margin forecasts as strong cost efficiencies are expected to carry on in the future, as well as largely reduced effective tax rates due to a favorable tax environment in the US.
- **We have revised upwards our TP to HK\$16.37 and upgrade to "Buy" rating.** Our TP represents 13.7x 2018 PER, 12.0x 2019 PER, 3.1x 2018 PBR and 2.5x 2019 PBR. We believe our valuation is not demanding and well justified by its strong profitability, strong technological reserve and positive outlook.
- **耐世特 2018 年上半年净利润同比增长 11.1%至 1.996 亿美元，超出我们的预期。** 营业收入同比增长 3.7%，其中电动助力转向系统的销售同比增 5.1%，进一步将其收入占比提升至 64.5%(2017 财年：64%)。北美地区以及欧洲、中东、非洲和南美地区引领增长，分别同比增 2.7%和 13.7%。毛利率同比降 0.7 个百分点但环比增 2.2 个百分点，可见公司正从令人失望的 2017 年下半年中恢复。因净财务费用大大减少以及美国企业税率降低，净利润率同比增 0.7 个百分点。
- **在手订单自 2017 年来增 10 亿美元。** 电动助力转向系统占在手订单的 71%，而北美的在手订单占比在 2018 年上半年下降至 54%。此外，约 16% 的在手订单是可用于第 3 至 5 级先进驾驶辅助系统/自动驾驶的电动助力转向系统。
- **我们将 2018 至 2020 年的股东盈利预测分别上调 6.9% / 10.0% / 9.3%。** 我们主要上调了我们的毛利率预测，因为预计未来将会实现强劲的成本效率提升，以及随着美国优惠税收环境而大幅降低的有效税率。
- **我们将目标价上调至 16.37 港元，上调评级至“买入”。** 我们的目标价对应 13.7 倍 2018 年市盈率及 12.0 倍 2019 年市盈率，以及 3.1 倍 2018 年市净率和 2.5 倍 2019 年市净率。凭借其强劲的盈利能力，充足的技术储备和乐观的前景，我们认为我们的估值并不高。

Rating:

Buy

Upgraded

评级:

买入 (上调)

6-18m TP 目标价:

HK\$16.37

Revised from 原目标价:

HK\$15.29

Share price 股价:

HK\$12.000

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 %	5.6	(2.4)	2.7
Rel. % to HS Index 相对恒指变动 %	8.3	9.6	0.9
Avg. share price (HK\$) 平均股价 (港元)	11.1	11.7	14.1

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	(US\$ m)	(US\$ m)	(US\$)	(Δ %)	(x)	(US\$)	(x)	(US\$)	(%)	(%)
2016A	3,842	295	0.118	43.9	13.1	0.424	3.6	0.024	1.6	31.3
2017A	3,878	352	0.141	19.5	10.9	0.560	2.7	0.028	1.8	28.6
2018F	4,026	382	0.153	8.5	10.0	0.683	2.2	0.030	2.0	24.5
2019F	4,228	435	0.174	13.7	8.8	0.823	1.9	0.034	2.2	23.1
2020F	4,474	482	0.192	10.3	8.0	0.978	1.6	0.038	2.5	21.4

Shares in issue (m) 总股数 (m)	2,503.0	Major shareholder 大股东	PCM Holding 67.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	30,036.0	Free float (%) 自由流通比率 (%)	32.8
3 month average vol. 3 个月平均成交股数 ('000)	4,652.7	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	20.400 / 9.190	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	19.7

Source: the Company, Guotai Junan International.

See the last page for disclaimer

Page 1 of 8

1H18 Results Review

Nexteer's (the "Company") 1H18 net profit was up 11.1% yoy to USD199.6 million, beating our expectation. The result was mainly supported by cost savings and mild top-line revenue growth of 3.7% yoy. All key metrics improved hoh, indicating that the one-off dip in 2H17 is merely temporary. Key highlights of 1H18 are as follows:

- Revenue increased 3.7% yoy to USD2,047.0 million. Sales of electric power steering ("EPS") systems increased 5.1% yoy, making up 64.5% of total revenue in 1H18 (FY2017: 64.0%), and driveline also increased 5.0% yoy.
- In terms of geographical segments, North America was up by 2.7% yoy on stronger customer programs launched and offset by weaker OEM production levels; EMEA & SA region was up by 13.7% yoy, thanks to strong OEM production in the region and favourable currency movement against USD while Asia Pacific region stayed flat at 0.6% yoy as key customers such as SGMW, Dongfeng Motor and Great Wall Motor all lag behind market production, but also partly offset by the favourable currency movement as well.
- Net finance cost decreased significantly by 51.5% yoy to USD6.4 million from USD13.2 million in 1H17 due to a reduction in borrowings and higher capitalized interest during the period.
- A more favorable corporate tax rate in the US, which lowered effective tax rate by 6.9 ppts yoy to 12.6%, benefitting from the corporate tax reform in the US in 4Q17.
- Gross margin decreased 0.7 ppts yoy to 18.1%, but improved 2.2 ppts hoh on better sales mix towards EPS and improved cost efficiencies.
- Solid balance sheet noted as gearing ratio (borrowings/ shareholders' equity) continued to decrease from lowering debt levels and generated USD183 million free cash flow in 1H18.
- Similar to the previous interim, no dividend was declared in the first half.

Table-1: Summary of 1H18 Results of Nexteer

	1H18	1H17	YoY	2H17	HoH
USD million, except per share item					
Revenue	2,047.0	1,974.1	3.7%	1,903.9	7.5%
Cost of sales	(1,677.4)	(1,602.6)	4.7%	(1,601.1)	4.8%
Gross profit	369.6	371.5	-0.5%	302.8	22.1%
Engineering and product development costs	(59.5)	(63.1)	-5.7%	(61.0)	-2.4%
Selling and distribution expenses	(9.8)	(6.9)	41.2%	(8.7)	12.4%
Administrative expenses	(62.7)	(60.3)	3.9%	(50.3)	24.6%
Other gains (losses), net	2.2	(1.0)	-310.5%	5.2	-58.4%
Operating profit	239.8	240.1	-0.1%	188.1	27.5%
Finance costs, net	(6.4)	(13.2)	-51.5%	(8.1)	-20.9%
Share of income of a joint venture	(2.0)	(0.3)	631.1%	(1.5)	27.5%
Profit before income tax	231.4	226.6	2.1%	178.4	29.7%
Income tax expense	(29.1)	(44.1)	-34.0%	(5.1)	472.2%
Profit for the year / period	202.3	182.6	10.8%	173.3	16.7%
Equity holders of the Company	199.6	179.7	11.1%	172.1	16.0%
Basic EPS (US\$)	0.080	0.072	11.0%	0.069	15.9%
Dividend, per share (US\$)	0	0	n.a.	0.028	n.a.

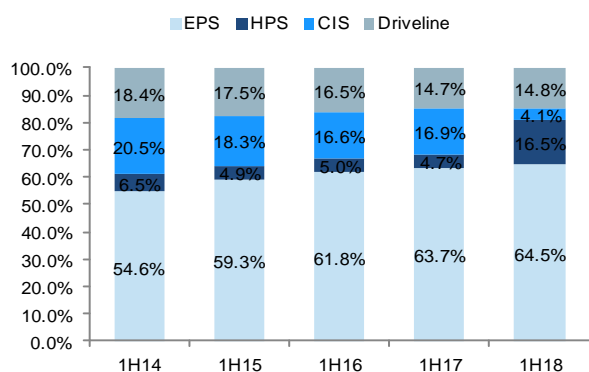
Source: the Company, Guotai Junan International.

Table-2: Key Operating Data

	1H18	1H17	YoY	2H17	HoH
Ratios					
			ppts		ppts
Gross margin	18.1%	18.8%	(0.76)	15.9%	2.15
Operating margin	11.7%	12.2%	(0.45)	9.9%	1.84
Net margin	9.9%	9.2%	0.64	9.1%	0.78
Effective tax rate	12.6%	19.5%	(6.89)	2.8%	9.72
Selling and distribution expense	0.5%	0.4%	0.13	0.5%	0.02
Admin expense	3.1%	3.1%	0.01	2.6%	0.42

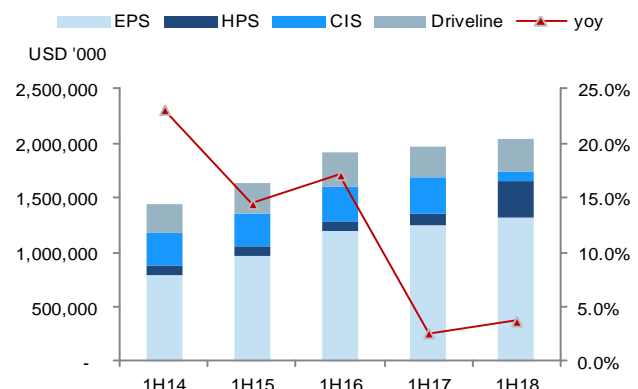
Source: the Company, Guotai Junan International.

Figure-1: Nexteer's Revenue Mix by Product



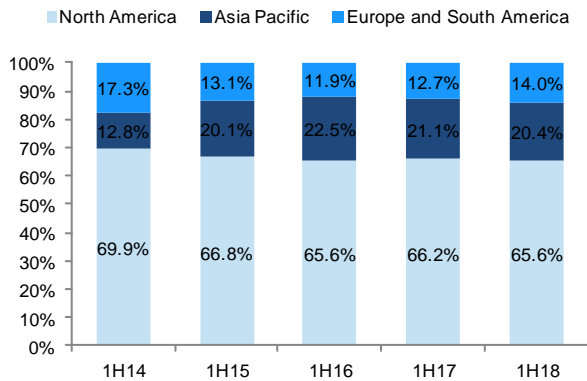
Source: the Company, Guotai Junan International.

Figure-2: Nexteer's Revenue by Product



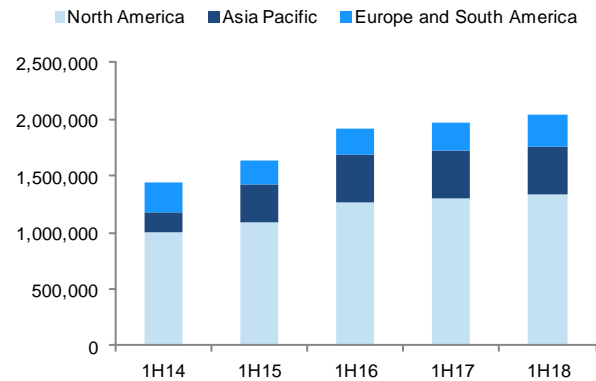
Source: the Company, Guotai Junan International.

Figure-3: Nexteer's Revenue Mix by Region



Source: the Company, Guotai Junan International.

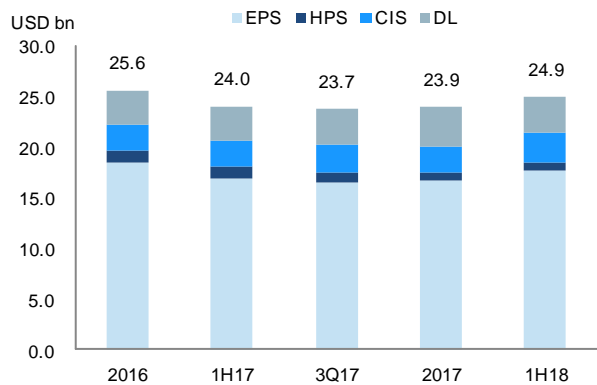
Figure-4: Nexteer's Revenue by Region



Source: the Company, Guotai Junan International.

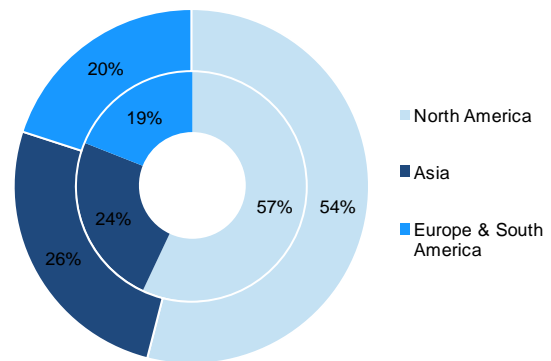
Backlog increased USD1 billion from 2017. Recovery from the backlog is within expectations after the loss from the sale of Opel to PSA in 1H17. At this rate, we believe the backlog will exceed levels in 2016. In terms of product, EPS systems comprised 71% in the current backlog, where we saw driveline and CIS decrease slightly, indicating that EPS will continue to grow strong in the future as the Company's major revenue contributor. Backlog from North America decreased from 57% in 2017 to 54% in 1H18, as well as reliance from General Motors also decreasing in backlog to only 42% from 44% in 2017, signaling that we should expect more growth from the Asia and EMEA & SA region. Moreover, the management highlighted that 16% of the backlog was EPS, which enables level 3 to level 5 ADAS functions, as well as 12 programs in current development that are related to level 3 to level 5 ADAS/ AD functions with key OEMs. These show that the Company is well prepared for the next technological upgrade in EPS.

Figure-5: Nexteer's Backlog by Product



Source: the Company, Guotai Junan International.

Figure-6: Nexteer's Backlog by Region



Source: the Company, Guotai Junan International.
Note: Outer ring: 2017; inner ring: 1H17

Seeing more opportunities in EMEA & SA region. The Company broke ground in 2Q18 with a new factory in Morocco which will produce electric power steering racks in 4Q19, with annual capacity of 700,000. Nexteer will use the Morocco plant to expand its customer base in Europe, where it expects to see revenue double by 2020 (approx. USD 700-800 million) from 2015. Nexteer has a smaller share in Europe, supplying to BMW UKL-based models, PSA Group and Fiat in its Poland factory. The Company plans to use the Morocco plant to expand in Europe, which is dominated by incumbent players like Robert Bosch and ZF Friedrichshafen. We believe that the Morocco plant has huge opportunities for revenue growth not only in Europe, but also in the Africa and Middle East region, as PSA Group and Morocco's economic development authorities aim to produce 1 million cars by 2025, implying opportunities to grow threefold. Profitability would also be lifted as automotive businesses located in the Atlantic Free Zone area are entitled to benefit from corporate tax/ custom duties/ valued-added tax exemptions and government subsidies of capital expenditures.

Figure-7: Nexteer's Manufacturing and Technical Center Expansion in 1H18


Source: the Company.

Earnings Revisions

We have adjusted upwards our shareholders' profit forecast by 6.9%/ 10.0%/ 9.3% in 2018 to 2020, respectively. Our forecast represents 3-year CAGR of 11%.

Revenue: We have slightly reduced our revenue forecast by 0.4%/ 1.0%/ 1.1% in 2018 to 2020, respectively, recognizing the headwinds in production volume in Asia Pacific and the North America region, as well as expecting some unfavourable currency movement as USD has strengthened against EUR and RMB in the second half. Nonetheless, 3-year CAGR will remain as low as single digits of 4.7%.

GP margin: We have also slightly increased our gross margin by 0.1 ppts/ 0.5 ppts/ 0.5 ppts in 2018 to 2020, respectively. The strong cost efficiency in the first half has proven the ability of the Company in optimizing margin under tight conditions. For instance, Nexteer was able to reduce weight of its products as much as 1/3 of the total mass of the product, effectively reducing raw materials needed. Therefore, we forecast raw material cost to grow slightly slower than the top line.

Tax changes: In light of the significant reduction in effective tax rate in 1H18, we further reduce our effective tax rate assumptions for 2018 to 2020.

Table-3: Major Financial Data and Forecast Changes

	New			Old			Changes		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Financials (USD mn)									
Revenue	4,026	4,228	4,474	4,041	4,272	4,522	-0.4%	-1.0%	-1.1%
Gross profit	732	801	865	732	790	853	0.0%	1.4%	1.4%
Operating income	482	542	595	476	520	574	1.3%	4.2%	3.6%
Shareholders' profit	382	435	482	357	395	440	7.1%	10.1%	9.4%
Gross margin	18.2%	19.0%	19.3%	18.1%	18.5%	18.9%	0.1 ppt	0.5 ppt	0.5 ppt
Operating margin	12.0%	12.8%	13.3%	11.80%	12.20%	12.70%	0.2 ppt	0.6 ppt	0.6 ppt
Net margin	9.6%	10.4%	10.9%	8.90%	9.40%	9.80%	0.7 ppt	1.0 ppt	1.1 ppt
Basics EPS (USD)	0.153	0.174	0.192	0.143	0.158	0.176	6.9%	10.0%	9.3%

Source: the Company, Guotai Junan International.

Table-4: Summary of Financial Forecasts

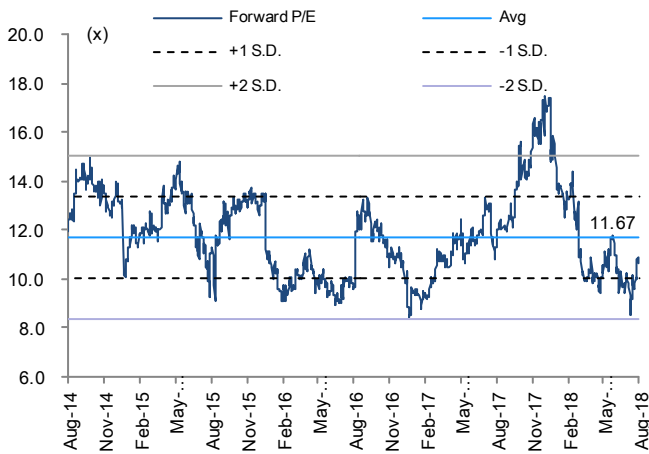
	2016	2017F	2018F	2019F	2020F
Sales revenue (USD mn)	3,842	3,878	4,026	4,228	4,474
yoy	14.3%	0.9%	3.8%	5.0%	5.8%
Gross profit	662	674	732	801	865
yoy	21.4%	1.9%	8.6%	9.4%	7.9%
Operating profit	415.5	428.2	482.1	541.8	594.7
yoy	32.7%	3.1%	12.6%	12.4%	9.8%
EBITDA	578.1	597.4	682.3	766.6	842.3
yoy	26.9%	3.3%	14.2%	12.4%	9.9%
Shareholders' profit	295	352	382	435	482
yoy	43.5%	19.4%	8.7%	13.7%	10.7%
Gross profit margin	17.2%	17.4%	18.2%	19.0%	19.3%
Operating margin	10.8%	11.0%	12.0%	12.8%	13.3%
EBITDA margin	15.0%	15.4%	16.9%	18.1%	18.8%
Effective tax rate	21.8%	12.1%	14.5%	14.2%	14.0%
Net profit margin	7.9%	9.2%	9.6%	10.4%	10.9%

Source: the Company, Guotai Junan International.

Valuation

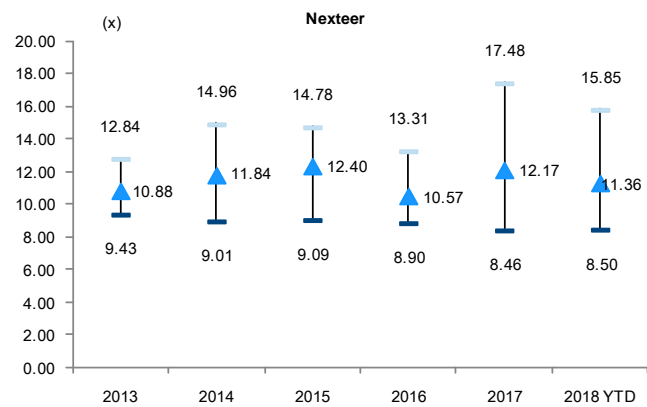
Despite that the industry environment is challenging, as auto sales have been slowing in North America and Asia Pacific, Nexteer's revenue and net margin continued to expand under tight conditions. The Company's stock price has dropped about 30% YTD in 2018, as we believe trade tension between the US and China has reduced investors' interest in the Company. Nonetheless, we believe localized production and diversification of customer base should allow the Company to weather the trade storms. The Company is currently trading below its long-term PER, and we believe that the valuation is attractive. **We have revised upwards our TP to HK\$16.37 and upgrade investment rating to "Buy". Our TP represents 13.7x 2018 PER, 12.0x 2019 PER, 3.1x 2018 PBR and 2.5x 2019 PBR.** We believe our valuation is not demanding and is well justified by its strong profitability, strong technological reserve and positive outlook.

Figure-8: PER Band of Nexteer



Source: Bloomberg, Guotai Junan International.

Figure-9: PER Range of Nexteer



Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (USD m)	2016A	2017A	2018F	2019F	2020F	Year end 31 Dec (USD m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	3,842	3,878	4,026	4,228	4,474	Property, plant and equipment	779	884	986	1,110	1,260
Cost of sales	(3,181)	(3,204)	(3,294)	(3,427)	(3,609)	Land use rights	1	2	1	0	0
Gross profit	662	674	732	801	865	Intangible assets	450	495	558	607	658
Engineering and product development costs	(123)	(124)	(129)	(135)	(143)	Deferred income tax assets	10	7	15	17	18
Selling and distribution expenses	(15)	(16)	(16)	(17)	(18)	Other receivables and prepayments	16	20	18	20	20
Administrative expenses	(114)	(111)	(111)	(112)	(114)	Investment in a joint venture	11	11	10	9	8
Other gains (losses), net	7	4	6	5	5	Total Non-current Assets	1,266	1,418	1,588	1,763	1,965
Operating Profit	415	428	482	542	595	Inventories	262	241	260	269	285
Share of results of joint ventures	1	(2)	(1)	(1)	(1)	Trade receivables	590	611	615	650	686
Finance costs, net	(30)	(21)	(29)	(28)	(27)	Other receivables and prepayments	91	102	96	102	107
Profit Before Tax	386	405	453	513	567	Restricted bank deposits	1	7	2	3	4
Income Tax	(84)	(49)	(66)	(73)	(79)	Cash & Cash Equivalents	484	601	681	778	873
profit After Tax	302	356	387	440	487	Total Current Assets	1,428	1,561	1,655	1,803	1,956
Non-controlling Interest	(7)	(4)	(5)	(5)	(6)	Total Assets	2,693	2,979	3,243	3,566	3,921
Shareholders' Profit / Loss	295	352	382	435	482	Trade payables	604	582	600	627	662
Basic EPS	0.118	0.141	0.153	0.174	0.192	Other payables and accruals	107	138	123	138	140
Dividend per share (USD)	0.024	0.028	0.030	0.034	0.038	Borrowings	75	77	77	77	77
						Current income tax liabilities	15	15	(8)	1	8
						Others	58	56	67	36	5
						Total Current Liabilities	860	868	859	880	892
						Borrowings	489	414	337	263	187
						Deferred income tax liabilities	57	68	96	115	137
						Provisions	76	85	87	91	93
						Deferred revenue	93	82	85	84	85
						Other payables and accruals	27	22	26	25	27
						Total Non-current Liabilities	742	670	630	578	528
						Total Liabilities	1,602	1,539	1,490	1,457	1,420
						Total Shareholders' Equity	1,059	1,402	1,710	2,060	2,448
						Minority Interest	32	38	43	48	54
						Total Equity	1,091	1,441	1,753	2,108	2,501
						BPS(USD)	0.424	0.560	0.683	0.823	0.978

Cash Flow Statement					
Year end 31 Dec (USD m)	2016A	2017A	2018F	2019F	2020F
EBT	386	405	453	513	567
Depreciation and amortization	140	158	177	202	224
Finance cost, net	32	25	31	30	30
Changes in working capital	19	54	(5)	(7)	(13)
Share of results of JV and associates	(1)	2	1	1	1
Change of other operating Items	2	14	2	2	2
Income taxes paid	(68)	(33)	(33)	(50)	(59)
Cash from Operating Activities	509	625	625	691	750
Net investments in PPE	(165)	(234)	(243)	(279)	(322)
Net change of intangible assets	(118)	(115)	(130)	(137)	(145)
Net change of restricted cash	(1)	(6)	4	(1)	(1)
Net investments in Asso. and JV	0	(2)	0	0	0
Cash from Investing Activities	(283)	(357)	(369)	(417)	(467)
Net change of LT bank loan	(80)	(76)	(77)	(75)	(76)
Issuance of shares	0	0	0	0	0
Dividend paid	(40)	(60)	(70)	(75)	(85)
Others	(35)	(33)	(29)	(28)	(28)
Cash from Financing Activities	(155)	(169)	(176)	(178)	(189)
Net Changes in Cash	71	99	80	97	95
Other adjustment	(3)	18	0	0	0
Cash at Beg of Year	417	484	601	681	778
Cash at End of Year	484	601	681	778	873

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Profitability					
Gross profit margin (%)	17.2	17.4	18.2	19.0	19.3
EBITDAR (%)	15.0	15.4	16.9	18.1	18.8
EBIT Margin (%)	10.8	11.0	12.0	12.8	13.3
Net profit margin (%)	7.9	9.2	9.6	10.4	10.9
ROE (%)	31.3	28.6	24.5	23.1	21.4
ROA (%)	16.1	15.1	15.5	15.9	15.9
Growth					
Revenue growth (%)	14.3	0.9	3.8	5.0	5.8
EPS (%)	43.4	19.2	8.7	13.7	10.7
BPS (%)	27.9	32.2	21.9	20.5	18.8
Liquidity and solvency					
Gearing ratio (%)	7.5	net cash	net cash	net cash	net cash
Interest cover ratio	13.8	20.1	16.8	19.4	21.9
Cash ratio	0.6	0.7	0.8	0.9	1.0
Quick ratio	1.2	1.4	1.5	1.6	1.7
Current ratio	1.7	1.8	1.9	2.0	2.2
Efficiency					
Inventory turnover	42	41	41	41	41
Days receivable	55	56	56	56	56
Days payable	94	96	95	95	95

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 KAISA GROUP (01638 HK), GUOTAI JUNAN I (01788 HK), BINHAI INVESTMENT (02886 HK), GFI MSCI A I (03156 HK), CAM SCSMALLCAP (03157 HK), ZHENRO PPT (06158 HK), MR CSI300 ETF-R (CNY) (83127 HK), GFI MSCI A I-R (CNY) (83156 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.

© 2018 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