

Target Price	HK\$ 1.50
Current Price	HK\$ 0.85
Upside Potential	77%

Market Cap.	HK\$ 1,154 mn US\$ 150 mn
Shares Outstanding	1360.95 mn
Free Float (FF %)	348.3 mn / 25.6%
52 Week Range (HK\$)	1.66 / 0.40
Avg. Daily Value	HK\$ 0.3 mn
HANG SENG Index Level	25,540
Insider Holding %	74.4%



Risk: Above Average

Forecasting and Valuations

(RMB mn except ratio)	FY2022E	FY2023E
Revenue	12,790	14,519
Net Income	212	278
EPS (RMB)	0.16	0.21
EBITDA	467	569
PE	4.4	3.4
EV/EBITDA	5.4	4.4
P/B	0.34	0.31

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Leoch International Technology Ltd

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Earnings Update Report

1HFY2021 [ended June 2021] Earnings Update
Business Across All Segments Sustains Recovery in 1HFY2021

Leoch reported a robust rise in its overall revenues by 41% to RMB5,181 mn for 1HFY2021 ended June, as the Power Solutions and Recycled Lead segments witnessed a sharp recovery in the first half of FY2021. Power Solutions business amounted to RMB4,248 mn, representing an increase of 24.7% from RMB3,405 mn for the corresponding period in 2020 while revenue from Recycled Lead business amounted to RMB932.5 mn, representing an increase of 235% from RMB278.8 mn for the corresponding period in 2020.

The rise in revenues for the Recycled Lead business segment was due to the resumption of full operations since May 2020. We had expected the Recycled Lead business to make up for lost ground since the second half of the year to contribute more quantum of revenue to the overall business even in the first half of 2021. After resumption of full operation since the second half of 2020, output increased significantly, generating sales to third parties of more than RMB1 bn in the second half of 2020 and RMB 933 mn in first half of 2021.

This significant and sharp growth in revenue from its core battery business and Recycled Lead business segment, during uncertain times, signifies a strong competitive market position of the company. The revenue growth momentum is expected to remain subdued in the second half of 2021 on account of uncertainty due to the Covid-19 pandemic. The growth in revenue and profitability is expected to gather momentum once economic and business conditions return to normalcy. We expect revenues to show positive growth in the current year due to the lower base in 2020, but it would likely pick up higher pace in FY2022 and beyond.

Product	Six months ended 30 June				
	2021		2020		
	Revenue RMB '000	%	Percentage increase	Revenue RMB '000	%
Reserve power batteries	2,028,065	39.1%	10.1%	1,842,266	50.0%
SLI batteries	1,425,901	27.5%	35.7%	1,050,656	28.5%
Motive power batteries	547,855	10.6%	13.7%	481,711	13.1%
Others	246,215	4.8%	699.6%	30,792	0.8%
Sub-total	4,248,036	82.0%	24.7%	3,405,425	92.4%
Recycled lead products	932,456	18.0%	234.5%	278,758	7.6%
Total	5,180,492	100%	40.6%	3,684,183	100%

EPS was flat on a YoY basis in the first half of 2021 to RMB2 cents on account of dilution, while the profit amounted to RMB29.2 mn, representing an increase of 15.9% compared to the corresponding period in 2020. The company continues to witness a reduction in finance costs (down 15% YoY) but selling distribution and administration expenses have increased by 44% YoY. Also, the research and development expenses increased by 141% YoY as the company continued deploying huge resources for capturing most of the opportunities from the rising deployment of 5G. We believe the rise in research and development expenditure should generate higher growth and increase margins for the company going forward through product innovation. As the Recycled Lead business continues to make up for the lost business in the previous year along with the increased revenues from the battery segment due to recovery, the overall profitability would return to normal levels in FY2022.

To capture tremendous opportunities arising from the 5G era and meet growing demands for compelling power solutions for the current and future market needs, Leoch has already built-up its manufacturing capacity both locally and overseas, with a lithium-ion plant in China and two lead-acid plants in Vietnam in 2019. With all the capacity in place along with rising gross profit margins (14.4% in 1HFY2021 from 13% in 1HFY2020), declining finance costs (15% lower YoY) and selling and distribution expenses now expected to remain flat, we believe with all the negatives behind, the company is geared up to deliver on further growth in FY2022 and beyond to make the best of its opportunities.

Maintain Long Term PT of HK\$2.00; Short Term PT HK\$1.50,77% Upside

We introduce a short term price target of HK\$1.50 per share over a one year period which implies an upside of 77% over the current price of HK\$0.85 per share as we feel the business performance will resume its upward growth momentum in the first half of FY2022 which will continue in FY2022 and beyond.

We maintain our long term price target of HK\$2.00 per share as any recovery in the business and economic conditions would rerate the stock to higher levels. Our long term price target implies a P/E multiple of 11x on our FY2022 EPS estimate of RMB 16 cents and an EV/EBITDA multiple of 8X on our FY2022 EBITDA estimate of RMB468 mn.

With all the negatives factored into the stock price along with secular tailwinds expected post pandemic by the ongoing 5G network launch, increasing vehicle penetration in China and increasing demand for light electric vehicles, etc., we continue to remain positive on the stock. At the current levels, the stock is trading at extremely attractive multiples of just 4.4x P/E and 5.4x EV/EBITDA based on our FY2022 EPS and EBITDA estimates, respectively. Also, the stock trades at extremely attractive multiples of just 3.4x P/E and 4.4x EV/EBITDA based on our FY2023 EPS and EBITDA estimates, respectively.

Uptick in Gross Profit Margin

Gross profit increased by 56% from RMB477 mn in 1HFY2020 to RMB745 mn in 1HFY2021, mainly due to rising contribution from the Recycled Lead business of the company resulting in an increase in the overall gross profit margin from 13% for 1HFY2020 to 14.4% for 1HFY2021. Higher gross profit margins were a result of an increase in contribution by the Recycled Lead business after the plant began commercial production since May 2020.

SLI Battery Segment Recovers Sharply

The Reserve Power batteries sub-segment revenues increased by 10% to RMB2,028 mn (1H2020: RMB1,842 mn) and accounted for 39.1% of total sales during 1HFY2021. The increase was mainly due to a recovery in the overseas business.

The SLI battery business sub segment reported 36% growth to RMB1,426 mn contributing 27.5% to the overall revenue of the company as compared to RMB1,051 mn (33%) in 1H2020. Leoch has maintained its market share in the commercial vehicle segment especially for batteries used in supporting air conditioning systems in heavy duty automobiles. Also, it remains one of the core suppliers to reputed manufacturers such as FAW, SAW, Sinotruk, Foton and Shaanxi Heavy Duty Automobile. Leoch is one of the major suppliers to domestic new energy automobile brands such as BYD, Geely Auto, Nio, GWM, BAIO BJEV, Xpeng, ONE and Weltmeister. The SLI battery business in China continued to grow while the export revenue was four times higher than 1H2020 because buyers from various overseas markets turned to Chinese suppliers for products as a result of slow recovery of global production capacity. Besides lead-acid battery, the company has deployed a lot of resources in the development of various lithium-based battery models and will continue to expand its product portfolio to increase market share.

The motive power battery sub-segment reported an increase in revenues by 14% to RMB548 mn in 1HFY2021 as compared to RMB482 mn in 1HFY2020. While the revenue for motive batteries segment from China was back to pre-pandemic levels for the company, the shortfall was compensated by an increase of more than 150% in revenue from the overseas markets.

The company's revenue increased by 63% to RMB1,071 mn from Europe, Middle East and Africa, 38% in China to RMB3,157 mn, 27% in USA to RMB559 mn and 8% in Asia Pacific to RMB393 mn (excluding China).

Customer location	Revenue		Percentage		Revenue	
	RMB'000	%	increase	RMB'000	%	
Mainland China	3,157,461	60.9%	38.2%	2,284,686	62.0%	
EMEA	1,071,093	20.7%	62.6%	658,547	17.9%	
Americas	559,353	10.8%	29.6%	431,737	11.7%	
Asia-Pacific (other than Mainland China)	392,585	7.6%	27.0%	309,213	8.4%	
Total	5,180,492	100%	40.6%	3,684,183	100%	

Sharp Recovery in Recycled Lead Business Continues in 1HFY2021

Revenue from Recycled Lead business rose 235% to RMB933 mn in 1HFY2021 (1HFY2020: RMB279 mn). Leoch undertook expansion from 100k tons per annum to 200k tons per annum in lead recycling to comply with government policy in 2018. The lead recycling facility resumed full operations in the first half of 2020 and revenues are expected to show modest gains in FY2021 and gather further momentum opportunity in FY2022 and beyond.

Focus on Innovation to Generate Higher Revenues and Margins Going Forward

In 1H2021, the company continued to focus on innovation, to work closely with international and domestic battery experts and research institutions so as to research on new technologies and develop new products. The company continued working on new models of lead-acid and lithium-ion batteries and rolling out new products tailor-made for applications in the network power and motive market segments. These products included product series such as AGM VRLA batteries, VRLA-GEL battery, pure lead batteries, UPS high-rate batteries, marine batteries, railway batteries, start-stop batteries, automotive batteries, motorcycle batteries, OPzV, OPzS, PzS, PzV and PzB tubular plate batteries, golf cart batteries, scrubber sweeper batteries and electric vehicle batteries. New models of battery catering for the era of autonomous driving of smart cars are also expected to be launched in the near future. As on 31st December 2020, company's battery R&D team consisted of more than 350 researchers and related development & sampling technicians. The company also owns 505 patents, with another 160 pending applications as on 26th March 2021. Focus on innovation is expected to sustain the growth momentum in revenues and contribute to higher margins for the company going forward.

Robust Sales Network in more than 100 Countries and Regions

The company continues to expand its product distribution network to more than 100 countries and regions across the world and has established regional sales offices in Beijing, Shenzhen, Zhaoqing, Nanjing, Hong Kong, Singapore, Malaysia, Australia, India, Sri Lanka, USA, the EU and United Kingdom. Together with the domestic sales centers in China, the company has more than 80 sales offices and centers around the world.

5G: A Big Market Opportunity for Leoch

We believe that the new 5G investment cycle will drive significant growth in the size of the telecommunications backup power solution market in China and would definitely bring the company new growth opportunities in the near to medium-term. Being a global supplier of power solutions for telecommunications and data center industries, we believe Leoch will likely be one of the key beneficiaries of the global 5G revolution, experiencing exponential growth in its backup power solution business for the coming 5-10 years.

With an early deployment of the next generation superfast telecom technology, China has rolled out 819,000 5G base stations at the end of first quarter of 2021, and the number is expected to hit 822 mn by 2025. Moreover, the total number of 5G base stations deployed in China is expected to reach 1.7 mn by the end of 2021, an even faster pace of network upgrading than

2020 and greatly expanding 5G coverage into counties and towns. It is expected that 5G will help accelerate the development of Internet of Things, big data, artificial intelligence and other technologies, driving the growth of the global data center market at an exponential rate. Leoch believes that the new 5G investment cycle will drive the growth in the size of the telecommunications and data center backup power solution market in China and would definitely bring the company with new growth opportunities in the near to medium term. To secure future growth and meet such rapid expansion of mobile and data center infrastructure new product requirements, the company has put in extra resources on research and development at the expenses of short-term profitability.

In 2020, the central government of China had proposed to speed up the construction of new infrastructure such as 5G networks and data centers. It is expected that in the next 2–3 years, 5G network construction will continue to advance, gradually accomplishing wide-area coverage and consumer related innovative applications for 5G will grow in scale from 2022 and beyond. China is expected to construct 600,000 to 800,000 stand-alone (SA) macro base stations in total during 2020, possibly with the combination of various micro-cells, Pico, Femto and large scale antennas systems (LSAS) which collectively weigh a much heavier loading on the demand on back-up power systems to create a promising outlook for the battery manufacturing industry. The construction of around 600,000 5G base stations has been completed in 2020, resulting in around a total of 718,000 5G base stations in China. The total development of 5G networks is one of the major goals in China's 14th Five-Year Plan. The number of 5G base stations will continue to rise in 2021 and it is estimated that 1 million new 5G base stations will be built in 2021.

In 2021, 5G base stations will continue developing rapidly and extend to ubiquitous data centers constructed in high speed. China Mobile, Alibaba, Tencent, etc, being the “core members” of the 5G infrastructure, have successively announced future investment plans for data centers. Data showed that by 2021, China's big data market will reach RMB492.03 bn. It is predicted that by 2025, the number of global IoT devices will reach 41.6 bn and the amount of data generated will reach 79.4ZB.

The edge computing mode gives a better support to high-density, large-bandwidth, and low latency business scenarios. An effective way is to build a business platform on the edge of the network close to users, provide storage, computing, and network resources. Some critical business applications will be executed by the edge data centers in order to reduce bandwidth and delay loss caused by network transmission and multi-level forwarding. It is estimated that by 2023, enterprises will have 50% of new applications deployed on the edge while by 2024, the number of edge applications will increase by 8 times. Edge data centers will become the key direction for many manufacturers to seize the market in the next step. In 2020, the global market demand for lithium batteries used for communication base stations is estimated to reach 22.8GWh. The 5G construction will rapidly push up the demand for lithium batteries used in base stations from 2021 to 2025. It is estimated that the number of communication towers will increase to 13 mn by 2025, the global market demand for lithium batteries for communication will reach 60GWh, and the market size will exceed RMB60 bn. We expect the demand for lithium

iron phosphate batteries used in communications will continue to expand and the company's lithium-ion battery plant will provide ground to capture new opportunities in this area.

China is expected to see total investments on 5G networks reach US\$411 bn in the period from 2020 to 2030, with 4.9 mn 5G base stations and 12 mn small cells being installed in the country by 2030. Technologies such as Internet of Things, big data and artificial intelligence have been developing rapidly, driving the growth of the global data center market. By 2020, the global and Chinese data center markets are expected to reach revenue of US\$90 bn and US\$30 bn respectively, with a 28% CAGR over the next three years.

It is expected that 5G will help accelerate the development of Internet of Things, big data, artificial intelligence and other technologies, driving the growth of the global data center market at an exponential rate. We believe that the increasing demand for backup power solutions in the data center market will help drive revenue growth for the company in the FY2022 and beyond as the global economic environment remains challenging in 2021.

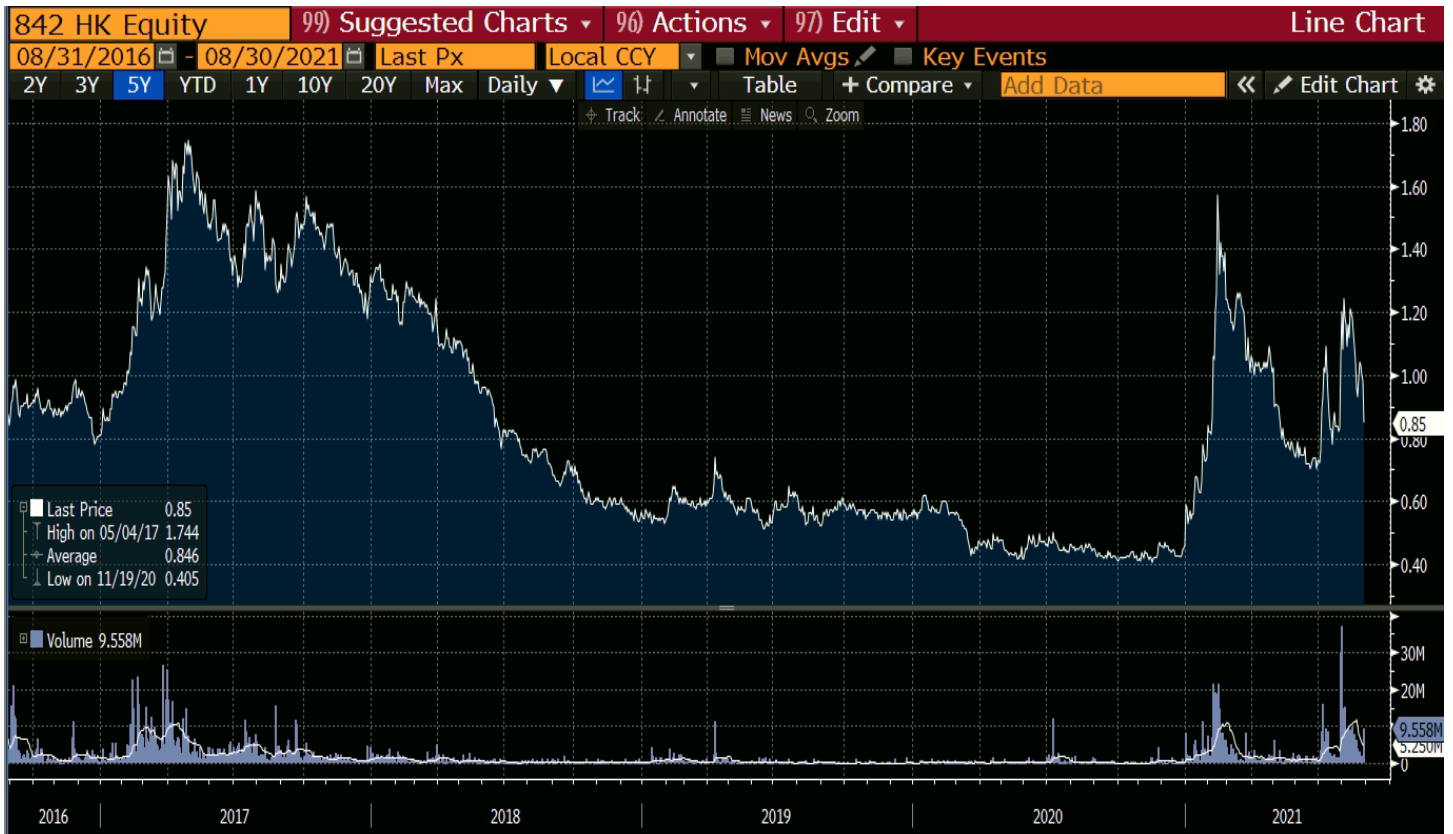
Capacity in Place to Meet Ever Increasing Worldwide Demand

Leoch has already expanded its manufacturing capacity both locally and overseas, with a new lithium-ion plant in China and two new lead-acid plants in Vietnam in 2019. It has made an investment of RMB1.2 bn in the construction of a new lithium-ion battery manufacturing facility in Anhui, China which has already commenced commercial production. It is expected that the lithium-ion battery capacity will increase from 1.8GWh in 2020 to 4GWh gradually over the next few years and potentially contribute up to RMB5 bn in annual revenue. The new facility will allow the company to accelerate the development of a series of innovative 5G power solutions to meet the ongoing customer demands, seizing opportunities arising from the fast-evolving telecommunications market.

Secular Demand Growth to Provide Strong Tailwinds Post Pandemic

We expect the global and Chinese lead-acid battery industries to completely recover lost ground in FY2022 and beyond. The continued development of technologies such as cloud computing, e-commerce and proliferation of data centers and servers will be an important long-term growth driver in demand for UPS batteries. The development of 5G networks will support the growth of telecom batteries in the medium- term. With the increasing penetration of automobiles and growing fleet of ageing vehicles in China, both the OEM and aftermarket demand for SLI batteries in the country should remain strong. Being one of China's largest and most reputed lead-acid battery suppliers, Leoch is well positioned to capture this demand.

5 Year Price Chart



5 Year China Shanghai Lead Spot Price



Income Statement (millions RMB)	1H2018	2H2018	1H2019	2H2019	1H2020	2H2020	1H2021	2H2021E
Revenue	4,986.5	4,557.9	3,963.9	4,398.8	3,684.2	5,947.2	5,180.5	5,501.6
y/y			-20.5%	-3.5%	-7.1%	35.2%	40.6%	-7.5%
Cost of Revenue	-4,423.8	-4,065.6	-3,493.9	-3,853.4	-3,206.8	-5,236.3	-4,435.5	-4,731.0
Gross Profit	562.7	492.3	470.0	545.4	477.4	710.9	745.0	770.6
Gross margin (%)	11.3%	10.8%	11.9%	12.4%	13.0%	12.0%	14.4%	14.0%
Other Operating Revenue	58.2	(19.5)	7.2	7.4	26.0	(8.6)	6.0	11.8
as a % of sales	1.2%	-0.4%	0.2%	0.2%	0.7%	-0.1%	0.1%	0.2%
Selling, General & Admin Expense	-399.5	-389.9	-340.8	-444.1	-362.8	-557.5	-563.8	-629.6
as a % of sales	8.0%	8.6%	8.6%	10.1%	9.8%	9.4%	10.9%	11.4%
Other Operating expenses	-9.3	-26.1	-13.2	-28.6	-38.6	2.7	-71.4	-77.8
as a % of sales	0.2%	0.6%	0.3%	0.6%	1.0%	0.0%	1.4%	1.4%
Operating Income	212.2	56.9	123.2	80.2	102.0	147.6	115.8	75.0
y/y			-41.9%	40.8%	-17.2%	84.1%	13.5%	-49.1%
Operating margin (%)	4.3%	1.2%	3.1%	1.8%	2.8%	2.5%	2.2%	1.4%
Interest Expense	-100.0	-102.3	-100.7	-97.0	-82.4	-75.8	-70.2	-68.0
Interest income	0.0	12.0	10.9	2.7	6.5	4.8	2.9	7.9
Equity in (losses)income of affiliates	0.0	0.0	2.8	-2.6	0.0	0.0	0.0	0.0
Other recurring (expenses)income	0.0	66.6	11.5	69.3	30.1	30.1	7.0	44.1
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non recurring (expenses) income	0.0	0.9	47.3	11.2	0.0	0.0	0.0	0.0
Pretax Income (reported)	112.1	34.2	95.1	63.7	56.2	106.7	55.5	59.1
y/y			-15.2%	86.4%	-40.9%	67.4%	-1.2%	-44.6%
Pretax Income (adjusted)	112.1	33.3	47.8	52.5	56.2	106.7	55.5	59.1
y/y			-57.4%	57.8%	17.6%	103.2%	-1.2%	-44.6%
- Income Tax Expense	-18.3	-2.4	-26.9	-4.3	-12.8	-10.9	-11.0	-5.8
effective tax rate (%)	16.3%	7.1%	16.0%	6.8%	16.0%	10.2%	19.9%	9.9%
- Minority Interests	25.3	-4.6	-7.5	2.4	-11.8	26.1	15.3	-1.1
Income Before XO Items	68.5	36.4	75.6	57.0	55.2	69.7	29.2	54.3
y/y			10.4%	56.7%	-26.9%	22.3%	-47.2%	-22.0%
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (reported)	68.5	36.4	75.6	57.0	55.2	69.7	29.2	54.3
y/y			10.4%	56.7%	-26.9%	22.3%	-47.2%	-22.0%
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (adjusted)	68.5	35.4	28.3	45.8	55.2	69.7	29.2	54.3
y/y			-58.6%	29.1%	95.0%	52.3%	-47.2%	-22.0%
Basic EPS (reported)	0.05	0.03	0.06	0.04	0.04	0.05	0.02	0.04
Basic EPS (adjusted)	0.05	0.03	0.02	0.03	0.04	0.05	0.02	0.04
Basic Weighted Avg Shares	1,357	1,363	1,358	1,358	1,358	1,358	1,358	1,358
Diluted EPS (reported)	0.05	0.03	0.06	0.04	0.04	0.05	0.02	0.04
y/y			10.4%	57.3%	-27.0%	22.3%	-47.3%	-22.2%
Diluted EPS (adjusted)	0.05	0.03	0.02	0.03	0.04	0.05	0.02	0.04
y/y			-58.7%	29.6%	95.0%	52.3%	-47.3%	-22.2%
Diluted Weighted Avg Shares (mn)	1,357	1,363	1,358	1,358	1,358	1,358	1,361	1,361

Income Statement (millions RMB)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E	CAGR (2020-2023)
Revenue	4,248.4	4,330.9	6,262.9	9,465.4	9,544.5	8,362.7	9,631.4	10,682.1	12,790.3	14,519.2	14.7%
y/y	16.5%	1.9%	44.6%	51.1%	0.8%	-12.4%	15.2%	10.9%	19.7%	13.5%	
Cost of Revenue	-3,531.7	-3,561.2	-5,237.3	-8,302.9	-8,489.4	-7,347.3	-8,443.1	-9,166.5	-10,957.4	-12,438.6	
Gross Profit	716.7	769.7	1,025.6	1,162.5	1,055.1	1,015.4	1,188.3	1,515.6	1,832.9	2,080.6	
Gross margin (%)	16.9%	17.8%	16.4%	12.3%	11.1%	12.1%	12.3%	14.2%	14.3%	14.3%	
Other Operating Revenue	11.5	11.1	22.9	25.1	38.8	14.6	17.4	17.8	18.1	18.5	
as a % of sales	0.3%	0.3%	0.4%	0.3%	0.4%	0.2%	0.2%	0.2%	0.1%	0.1%	
Selling, General & Admin Expense	-576.8	-518.1	-623.1	-771.0	-789.4	-784.9	-920.3	-1,193.4	-1,332.7	-1,466.3	
as a % of sales	13.6%	12.0%	9.9%	8.1%	8.3%	9.4%	9.6%	11.2%	10.4%	10.1%	
Other Operating expenses	-14.1	-2.5	-37.4	-6.5	-35.3	-41.7	-35.9	-149.2	-178.6	-202.8	
as a % of sales	0.3%	0.1%	0.6%	0.1%	0.4%	0.5%	0.4%	1.4%	1.4%	1.4%	
Operating Income	137.3	260.2	388.0	410.1	269.1	203.4	249.6	190.8	339.7	430.0	19.9%
y/y	194.4%	89.5%	49.1%	5.7%	-34.4%	-24.4%	22.7%	-23.6%	78.0%	26.6%	
Operating margin (%)	3.2%	6.0%	6.2%	4.3%	2.8%	2.4%	2.6%	1.8%	2.7%	3.0%	
Interest Expense	-108.5	-104.7	-108.9	-151.8	-202.4	-197.8	-158.2	-138.2	-138.2	-152.0	
Interest income	14.1	15.9	8.7	13.4	12.0	13.7	11.3	10.8	13.8	15.7	
Equity in (losses)/income of affiliates	-3.9	-7.4	-2.9	0.0	0.0	0.2	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	-3.7	6.1	15.7	24.1	66.6	80.8	60.2	51.1	52.2	53.2	
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	76.6	-35.7	-20.0	10.1	0.9	58.5	-1.9	0.0	0.0	0.0	
Pretax Income (reported)	111.9	134.6	280.5	306.0	146.3	158.8	161.0	114.6	267.5	346.9	29.2%
y/y	-192.5%	20.3%	108.5%	9.1%	-52.2%	8.5%	1.4%	-28.8%	133.4%	29.7%	
Pretax Income (adjusted)	35.2	170.2	300.5	295.8	145.4	100.3	162.8	114.6	267.5	346.9	28.7%
y/y	4564.8%	383.3%	76.5%	-1.6%	-50.9%	-31.0%	62.4%	-29.6%	133.4%	29.7%	
- Income Tax Expense	-30.1	-28.3	-48.7	-35.4	-15.8	-31.2	-23.7	-16.9	-39.4	-51.1	
effective tax rate (%)	26.9%	21.0%	17.4%	11.6%	10.8%	19.7%	14.7%	14.7%	14.7%	14.7%	
- Minority Interests	0.0	0.3	-10.1	28.6	20.7	-5.1	14.2	14.2	15.7	17.2	
Income Before XO Items	81.8	106.6	241.9	242.0	109.7	132.6	123.1	83.5	212.4	278.7	31.3%
y/y	-163.3%	30.3%	127.0%	0.0%	-54.7%	20.8%	-7.2%	-32.1%	154.4%	31.2%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	
Net Income (reported)	81.8	106.6	241.9	242.0	109.7	132.6	123.1	83.5	212.4	282.7	31.9%
y/y	-163.3%	30.3%	127.0%	0.0%	-54.7%	20.8%	-7.2%	-32.1%	154.4%	33.1%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	5.1	142.3	261.9	231.9	108.8	74.1	124.9	83.5	212.4	278.7	30.7%
y/y	-167.4%	2664.3%	84.1%	-11.4%	-53.1%	-31.9%	68.6%	-33.2%	154.4%	31.2%	
Basic EPS (reported)	0.06	0.08	0.18	0.18	0.08	0.10	0.09	0.06	0.16	0.21	
Basic EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.06	0.16	0.21	
Basic Weighted Avg Shares	1,345	1,353	1,353	1,356	1,363	1,358	1,358	1,358	1,358	1,358	
Diluted EPS (reported)	0.06	0.08	0.18	0.18	0.08	0.10	0.09	0.06	0.16	0.21	31.9%
y/y	-162.9%	29.5%	126.7%	-0.6%	-54.7%	21.3%	-7.2%	-32.1%	154.4%	33.1%	
Diluted EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.06	0.16	0.21	30.7%
y/y	-166.9%	2647.4%	83.9%	-12.0%	-53.1%	-31.7%	68.6%	-33.2%	154.4%	31.2%	
Diluted Weighted Avg Shares (mn)	1,345	1,353	1,354	1,363	1,363	1,358	1,358	1,358	1,358	1,358	

Reference Items	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
EBITDA	341.4	478.4	644.1	717.9	558.2	465.1	489.6	404.5	467.6	569.4
Dividends per Share	0.018	0.021	0.049	0.002	0.002	0.002	0.000	0.000	0.000	0.000
Dividend payout ratio	470%	20%	25%	1%	3%	4%	0%	0%	0%	0%
Dep & Amor.	204.1	218.2	256.1	307.7	289.1	261.8	240.0	213.6	127.9	139.4
as a % of sales	4.8%	5.0%	4.1%	3.3%	3.0%	3.1%	2.5%	2.0%	1.0%	1.0%
as a % of gross PPE										
Balance Sheet (millions RMB)	FY 2014	FY 2015	FY 2016E	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
Assets										
+ Cash & Near Cash Items	761.4	788.0	705.2	941.2	877.5	745.0	848.5	1,082.4	1,230.4	1,586.6
+ Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	1,358.3	1,548.9	2,264.4	2,526.6	2,424.7	2,306.9	2,419.7	2,341.3	2,803.3	3,182.3
+ Inventories	796.1	889.0	1,127.1	1,872.3	1,963.0	1,817.0	1,776.9	1,883.5	2,101.4	2,215.1
+ Other Current Assets	134.2	209.4	214.6	235.6	489.6	422.2	549.1	560.1	571.3	582.7
Total Current Assets	3,050.0	3,435.3	4,311.4	5,575.6	5,754.8	5,291.1	5,594.2	5,867.3	6,706.5	7,566.7
+ Long-Term Investments	23.3	54.3	124.0	132.6	0.0	0.0	0.0	0.0	0.0	0.0
+ Gross Fixed Assets	2,472.0	2,591.9	2,780.1	3,094.3	3,390.5	3,788.6	4,247.1	4,514.1	4,642.0	4,787.2
- Accumulated Depreciation	-593.9	-772.866	-902.4	-1,048.1	-1,329.4	-1,637.3	-1,877.4	-2,091.0	-2,218.9	-2,358.3
+ Net Fixed Assets	1,878.1	1,819.0	1,877.7	2,046.2	2,061.1	2,151.3	2,371.7	2,423.1	2,423.1	2,429.0
+ Other Long-Term Assets	212.2	243.6	266.6	378.0	590.1	547.5	389.2	404.8	420.9	437.8
+ Goodwill & other Intangible Assets	97.0	181.4	293.7	492.9	626.1	681.6	717.8	735.8	753.8	771.8
Total Long-Term Assets	2,210.7	2,298.2	2,561.9	3,049.7	3,277.3	3,380.4	3,478.7	3,563.7	3,597.8	3,638.5
Total Assets	5,260.7	5,733.5	6,873.3	8,625.3	9,032.0	8,671.5	9,072.8	9,431.0	10,304.3	11,205.2
Liabilities & Shareholders' Equity										
+ Accounts Payable	1,216.4	1,220.1	1,631.5	1,665.2	2,001.7	2,009.7	2,139.4	2,385.8	3,002.0	3,578.2
+ Short-Term Borrowings	1,139.5	1,471.0	1,275.0	2,904.6	2,171.3	2,270.0	1,760.8	1,760.8	1,760.8	1,760.8
+ Other Short-Term Liabilities	465.8	464.7	645.7	795.9	863.5	945.9	1,097.5	1,152.4	1,210.0	1,270.5
Total Current Liabilities	2,821.7	3,155.9	3,552.2	5,365.7	5,036.5	5,225.6	4,997.8	5,299.1	5,972.9	6,609.6
+ Long-Term Borrowings	62.2	84.8	488.5	109.3	712.8	36.2	542.4	542.4	542.4	542.4
+ Other Long-Term Liabilities	46.1	47.2	74.7	103.5	108.9	135.6	132.7	135.4	138.1	140.8
Total Liabilities	2,930.0	3,287.9	4,115.4	5,578.6	5,858.2	5,397.3	5,672.9	5,976.8	6,653.4	7,292.8
+ Total Preferred Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	115.7	115.8	115.8	116.2	116.2	116.2	116.2	116.2	116.2	116.2
+ Retained Earnings & Other Equity	2,214.9	2,323.7	2,582.0	2,760.4	2,860.7	3,001.5	3,123.4	3,206.9	3,419.3	3,698.0
Total Shareholders' Equity	2,330.7	2,439.6	2,697.9	2,876.6	2,976.9	3,117.7	3,239.6	3,323.1	3,535.6	3,814.2
+ Minority Interest	0.0	6.0	60.0	170.1	197.0	156.4	160.3	131.0	115.3	98.1
Total Liabilities & Equity	5,260.7	5,733.5	6,873.3	8,625.3	9,032.0	8,671.5	9,072.8	9,430.9	10,304.3	11,205.2

Cash Flow (millions RMB)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
+ Net Income	81.8	106.6	261.9	231.9	108.8	74.1	124.9	83.5	212.4	278.7
+ Depreciation & Amortization	204.1	218.2	256.1	307.7	289.1	261.8	240.0	213.6	127.9	139.4
+ Other Non-Cash Adjustments	99.4	178.91	37.6	0.2	-15.4	31.7	-17.1	-11.6	-12.9	-14.5
+ Changes in Non-Cash Capital	-200.2	-360.9	-366.5	-844.3	161.2	421.6	81.7	262.1	-17.3	132.7
Cash From Operating Activities	185.0	142.8	189.1	-304.5	543.8	789.2	429.5	547.6	310.1	536.2
+ Disposal of Fixed Assets	29.1	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Capital Expenditures	-122.7	-311.3	-188.2	-314.2	-296.2	-398.1	-458.5	-267.1	-127.9	-145.2
+ Increase in Investments	-71.0	-63.3	-92.7	-120.0	-79.5	42.5	158.4	-15.6	-16.2	-16.8
+ Decrease in Investments	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	14.1	16.0	-112.3	-199.2	-133.2	-55.5	-36.1	-18.0	-18.0	-18.0
Cash From Investing Activities	-150.6	-348.1	-393.3	-633.4	-508.9	-411.1	-336.3	-300.6	-162.1	-180.0
+ Dividends Paid	0.0	-24.0	-65.9	-2.7	-2.7	-2.7	0.0	0.0	0.0	0.0
+ Change in Short-Term Borrowings	0.0	0.0	-196.0	1,629.5	-733.3	98.7	-509.2	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	1,382.9	2,427.4	403.6	-379.1	603.5	-676.6	506.2	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-1,404.8	-2,081.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	1.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	-27.3	-56.3	0.0	0.0	0.0	71.1	0.0	0.0	0.0	0.0
Cash from Financing Activities	-47.9	266.4	141.6	1,247.7	-132.5	-509.5	-2.9	0.0	0.0	0.0
Net Changes in Cash	-13.5	61.1	-62.6	309.8	-97.6	-131.5	90.4	247.0	148.0	356.2
Opening cash		761.4	788.0	725.4	941.2	876.5	745.0	835.4	1,082.4	1,230.4
Closing cash		788.0	725.4	941.2	876.5	745.0	835.4	1,082.4	1,230.4	1,586.6

Ratio Analysis	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
Per Share Data (RMB)										
Basic EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.06	0.16	0.21
Diluted EPS (adjusted)	0.00	0.11	0.19	0.17	0.08	0.05	0.09	0.06	0.16	0.21
Dividend per share (DPS)	0.018	0.021	0.049	0.002	0.002	0.002	0.000	0.000	0.000	0.000
Book Value per share (BVPS)	1.7	1.7	1.8	1.7	1.7	1.8	1.9	1.9	2.0	2.2
Margins (%)										
Gross Margin	16.9%	17.8%	16.4%	12.3%	11.1%	12.1%	12.3%	14.2%	14.3%	14.3%
Operating Margin	3.2%	6.0%	6.2%	4.3%	2.8%	2.4%	2.6%	1.8%	2.7%	3.0%
EBITDA Margin	8.0%	11.0%	10.3%	7.6%	5.8%	5.6%	5.1%	3.8%	3.7%	3.9%
Pre-Tax Margin (adjusted)	0.8%	3.9%	4.8%	3.1%	1.5%	1.2%	1.7%	1.1%	2.1%	2.4%
Net Income Margin (adjusted)	0.1%	3.3%	4.2%	2.4%	1.1%	0.9%	1.3%	0.8%	1.7%	1.9%
Growth (%)										
Sales growth	16.5%	1.9%	44.6%	51.1%	0.8%	-12.4%	15.2%	10.9%	19.7%	13.5%
EBIT growth	194.4%	89.5%	49.1%	5.7%	-34.4%	-24.4%	22.7%	-23.6%	78.0%	26.6%
Net Income (adjusted) growth	-167.4%	2664.3%	84.1%	-11.4%	-53.1%	-31.9%	68.6%	-33.2%	154.4%	31.2%
EPS (adjusted) growth	-166.9%	2647.4%	83.9%	-12.0%	-53.1%	-31.7%	68.6%	-33.2%	154.4%	31.2%
Return Ratios	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
Dupont ROE (%)	0.2%	5.8%	9.7%	8.1%	3.7%	2.4%	3.9%	2.5%	6.0%	7.3%
Margin (%)	0.1%	3.3%	4.2%	2.4%	1.1%	0.9%	1.3%	0.8%	1.7%	1.9%
Turnover (x)	0.8	0.8	0.9	1.1	1.1	1.0	1.1	1.1	1.2	1.3
Leverage (x)	2.3	2.4	2.5	3.0	3.0	2.8	2.8	2.8	2.9	2.9
ROA	0.1%	2.5%	3.8%	2.7%	1.2%	0.9%	1.4%	0.9%	2.1%	2.5%
Return on Capital Employed	5.6%	10.1%	11.7%	12.6%	6.7%	5.9%	6.1%	4.6%	7.8%	9.4%
Return on Invested Capital	0.1%	3.6%	5.9%	3.9%	1.9%	1.4%	2.3%	1.5%	3.6%	4.6%
Net cash / equity	-18.9%	-31.5%	-39.2%	-72.1%	-67.4%	-50.1%	-44.9%	-36.7%	-30.3%	-18.8%
FCF Calculation										
Op. cash	185.0	142.8	189.1	-304.5	543.8	789.2	429.5	547.6	310.1	536.2
capex	-122.7	-311.3	-188.2	-314.2	-296.2	-398.1	-458.5	-267.1	-127.9	-145.2
FCF (RMB million)	62.3	-168.5	0.8	-618.7	247.6	391.1	-28.9	280.6	182.2	391.1
FCF margin (%)	1.5%	-3.9%	0.0%	-6.5%	2.6%	4.7%	-0.3%	2.6%	1.4%	2.7%
FCF per share	0.05	-0.12	0.00	-0.45	0.18	0.29	-0.02	0.21	0.13	0.29
Price/FCF per share	15.0	-5.6	1138.0	-1.5	3.8	2.4	-32.7	3.4	5.2	2.4
Net Cash calculation										
Cash + short term investments	761.4	788.0	705.2	941.2	877.5	745.0	848.5	1,082.4	1,230.4	1,586.6
Less: long term debt	-1,201.7	-1,555.9	-1,763.5	-3,013.9	-2,884.1	-2,306.2	-2,303.3	-2,303.3	-2,303.3	-2,303.3
Net Cash (Debt)	-440.2	-767.9	-1,058.2	-2,072.7	-2,006.6	-1,561.1	-1,454.8	-1,220.9	-1,072.9	-716.6

Valuation ratio's	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021E	FY 2022E	FY 2023E
P/B	0.28	0.30	0.39	0.40	0.40	0.39	0.38	0.37	0.34	0.31
P/E	123.37	4.70	3.60	4.10	8.73	12.77	7.57	11.33	4.45	3.40
P/S	0.15	0.15	0.15	0.10	0.10	0.11	0.10	0.09	0.07	0.06
EV/sales	0.67	0.55	0.38	0.25	0.25	0.29	0.25	0.22	0.19	0.16
EV/EBITDA	8.34	4.99	3.71	3.56	4.57	5.49	5.21	6.31	5.46	4.48
EV/EBIT	20.73	9.18	6.16	5.82	8.88	11.75	9.57	12.52	7.03	5.55
EV/FCF	45.70	-14.17	2879.92	-3.86	9.65	6.11	-82.52	8.51	13.11	6.11
Dividend Yield (%)	2.6%	3.0%	7.0%	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%	0.0%
Div payout on FCF	38.9%	-16.7%	7951.0%	-0.4%	1.1%	0.7%	0.0%	0.0%	0.0%	0.0%

Enterprise Value Calculation	FY 2018	FY 2019	Current
Market Cap. [in RMB]	643	671	937
+ Minority Interest	197	156	160
+Total Debt (ST & LT Debt)	2,884	2,306	2,303
- Cash & Equivalents	878	745	849
Enterprise Value	2,847	2,389	2,552

DCF model	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
(in RMB million)																		
EBIT	301	103	47	137	260	388	410	269	203	250	191	340	430	477	518	554	584	610
% growth	-1%	-66%	-55%	194%	90%	49%	6%	-34%	-24%	23%	-24%	78%	27%	11%	9%	7%	6%	4%
Taxes @	14%	6%	-7%	27%	21%	17%	12%	11%	20%	15%	15%	15%	15%	15%	15%	15%	15%	15%
EBIAT	260	96	50	100	206	321	363	240	163	213	163	290	367	405	440	471	497	519
% growth	-1%	-63%	-48%	101%	105%	56%	13%	-34%	-32%	30%	-24%	78%	27%	10%	9%	7%	6%	4%
+ D&A	62	103	167	204	218	256	308	289	262	240	214	128	139	151	161	169	175	179
- Capital expenditures	-817	-646	-369	-123	-311	-188	-314	-296	-398	-458	-267	-128	-145	-164	-182	-194	-205	-214
- Change in net WC	-313	484	142	-200	-361	-366	-844	161	422	82	262	-17	133	-122	-108	-94	-81	-68
Free Cash Flow to Firm	-807	37	-11	-19	-248	22	-488	394	449	76	371	272	494	270	311	351	385	415
FCY y/y growth		-105%	-129%	70%	1241%	-109%	-2325%	-181%	14%	-83%	388%	-27%	81%	-45%	15%	13%	10%	8%

Value per Share

Terminal Growth	Cost of capital				
	7.3%	8.3%	9.3%	10.3%	11.3%
1.5%	3.48	2.74	2.00	1.78	1.45
1.8%	3.65	2.86	2.07	1.84	1.49
2.0%	3.77	2.94	2.13	1.88	1.52
2.3%	3.97	3.07	2.22	1.94	1.57
2.5%	4.12	3.16	2.28	1.99	1.60

WACC	9.3%
PV of Free Cash Flow	1,854
PV of Terminal Value	2,384
Add: Net Cash	-1,455
Less: Minority Interest	-156
Total Equity Value	2,627
Shares outstanding	1,358
DCF value	2.13

All values in RMB except DCF value which is in HKD

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