

Gold Circuit (2368.TW/2368 TT)

Adding new capacity to address AI server demand

Outperform · Maintained

Price as of March 12 (NT\$)	242.5
12M target price (NT\$)	275.0
Previous target price (NT\$)	275.0
Unchanged (%)	0.0
Upside (%)	13.4

Key message

- 4Q23 earnings missed on inventory adjustments and weak Christmas holiday pull-in demand.
- 1Q24F sales to grow by single-digits QoQ.
- Monthly output to reach NT\$3.3-3.4bn by 2H24F.

Trading data

Mkt cap (NT\$bn/US\$mn)	119.3 / 3,796
Outstanding shares (mn)	491.8
Foreign ownership (mn)	112.3
3M avg. daily trading (mn)	6.05
52-week trading range (NT\$)	86.80 –275.0

Performance	3M	6M	12M
Absolute (%)	10.5	21.3	176.5
Relative (%)	-3.6	1.1	148.2

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	1.50A	2.70A	2.73A	1.83A
2023	0.88A	1.68A	2.39A	2.27F
2024	2.56F	2.98F	3.68F	3.98F

Share price chart



Source: TEJ

Event

Gold Circuit reported 4Q23 EPS of NT\$2.27, missing forecast of NT\$2.65.

Impact

4Q23 earnings missed on inventory checking and unfavorable holiday factor. 4Q23 sales grew 3.5% QoQ and 0.7% YoY to NT\$8.54bn, missing consensus of NT\$8.8bn, mainly due to weak pull-in demand before the Christmas holiday and inventory adjustments by clients at year-end. Given an unfavorable product mix (low networking sales weighting) and forex trend, 4Q23 gross margin arrived at 27.8%, below consensus of 29.1%. The sales weighting of server business edged up 1ppt to 68%, with new platforms, namely Eagle Stream and Genoa, combined accounting for 40% of server sales, flat QoQ.

1Q24F sales to grow by single-digits QoQ on moderate server sales recovery & shipment deferrals. Management expects the Taiwan plant to maintain full capacity utilization in 1Q24, but the loading rates of the Suzhou and Changshou, China (Changshou I and II combined) facilities could fall QoQ to 80% and 70%, respectively. Management guides QoQ growth in 1Q24 server sales, but notes that networking and NB sales will arrive flat and down QoQ, respectively.

Capacity expansion to continue as AI server demand will remain on the rise in the coming quarters. The sales weighting of AI servers climbed 0-5ppts to 20% in 4Q23, driven by shipments of OAM acceleration cards to US clients in small batches. Management expects the visibility of AI server orders to extend quarterly from 1Q24. The monthly output of AI server products was NT\$3.15bn in 4Q23, and as the firm ramps up more capacity, management estimates the monthly output could reach NT\$3.3-3.4bn by 2H24F. The new plant in Thailand will become operational at end-2Q25 and boost monthly output by NT\$300mn.

Valuation & Action

We think the long-term trend of PCB growing in average layer number, driven by server CPU motherboard and AI server demand, remains intact, and thus we keep our earnings forecasts unchanged. We maintain Outperform and our target price of NT\$275, based on 18x 2024-25F average EPS.

Risks

Weak networking PCB demand; pricing pressure from new competition.

Key financials and valuations

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (NT\$mn)	26,607	32,785	30,044	39,760	47,396
Gross profit (NT\$mn)	6,371	8,728	7,724	12,222	15,397
Operating profit (NT\$mn)	4,128	6,009	5,136	9,362	12,293
Net profit (NT\$mn)	2,927	4,568	3,529	6,490	8,506
EPS (NT\$)	5.41	8.86	7.17	13.20	17.29
Cash DPS (NT\$)	2.20	3.50	3.50	5.50	7.00
EPS growth (%)	41.6	63.7	(19.0)	83.9	31.1
PE (x)	44.8	27.4	33.8	18.4	14.0
PB (x)	11.6	8.3	7.8	6.4	5.1
EV/EBITDA (x)	25.4	17.3	18.8	11.2	8.7
Net debt to equity (%)	5.7	Net cash	Net cash	1.7	Net cash
Dividend yield (%)	0.9	1.4	1.4	2.3	2.9
Return on average equity (%)	28.3	35.5	23.8	38.4	40.5

Source: Company data, KGI Research estimates

Figure 1: Breakdown of 4Q23 results & 1Q24 forecast revisions vs. consensus

NT\$m	4Q23					1Q24F				
	Actual	KGI	Diff. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	8,538	9,030	(5.4)	8,838	(3.4)	8,914	8,849	0.7	8,834	0.9
Gross profits	2,371	2,706	(12.4)	2,576	(7.9)	2,498	2,532	(1.4)	2,536	(1.5)
Operating profit	1,697	1,956	(13.2)	1,836	(7.5)	1,816	1,810	0.3	1,833	(0.9)
Net income	1,117	1,350	(17.3)	1,296	(13.8)	1,259	1,295	(2.8)	1,330	(5.4)
EPS (NT\$)	2.27	2.75	(17.3)	2.65	(14.4)	2.56	2.63	(2.8)	2.71	(5.6)
Gross margin (%)	27.8	30.0	(2.2)ppts	29.1	(1.4)ppts	28.0	28.6	(0.6)ppts	28.7	(0.7)ppts
OP margin (%)	19.9	21.7	(1.8)ppts	20.8	(0.9)ppts	20.4	20.5	(0.1)ppts	20.7	(0.4)ppts
Net margin (%)	13.1	15.0	(1.9)ppts	14.7	(1.6)ppts	14.1	14.6	(0.5)ppts	15.1	(0.9)ppts

Source: KGI Research, Bloomberg consensus

Figure 2: Breakdown of 2023-24 forecast revisions vs. consensus

NT\$m	2023					2024F				
	Actual	KGI	Diff. (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	Consensus	Diff. (%)
Sales	30,044	30,536	(1.6)	30,334	(1.0)	39,760	39,650	0.3	39,918	(0.4)
Gross profit	7,724	8,058	(4.2)	7,941	(2.7)	12,222	12,420	(1.6)	12,197	N.A.
Operating profit	5,136	5,394	(4.8)	5,283	(2.8)	9,362	9,414	(0.6)	9,031	3.7
Net profit	3,529	3,762	(6.2)	3,712	(4.9)	6,490	6,602	(1.7)	6,502	(0.2)
EPS (NT\$)	7.17	7.65	(6.2)	7.33	(2.1)	13.20	13.42	(1.7)	12.98	1.6
Gross margin (%)	25.7	26.4	(0.7)ppts	26.2	(0.5)ppts	30.7	31.3	(0.6)ppts	30.6	0.2 ppts
OP margin (%)	17.1	17.7	(0.6)ppts	17.4	(0.3)ppts	23.5	23.7	(0.2)ppts	22.6	0.9 ppts
Net margin (%)	11.7	12.3	(0.6)ppts	12.2	(0.5)ppts	16.3	16.7	(0.3)ppts	16.3	0.0 ppts

Source: KGI Research, Bloomberg consensus

Figure 3: Server supply chain peer comparison – Valuations

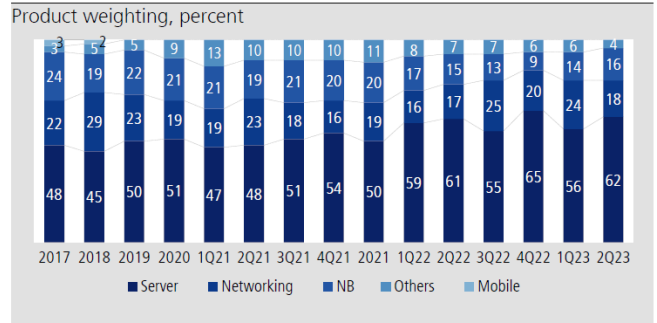
Company	Ticker	Mkt Cap (US\$m)	Price (LCY)	EPS			PE (x)			PB (x)			ROE (%)			Dividend yield (%)		
				2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
Copper foil																		
Co-Tech	8358 TT	467	58.10	3.83	N.A.	N.A.	15.2	N.A.	N.A.	2.4	N.A.	N.A.	15.8	N.A.	N.A.	4.5	N.A.	N.A.
CCL																		
Elite	2383 TT	4,894	450.00	15.24	16.07	24.52	29.5	28.0	18.4	6.8	6.1	5.3	24.3	23.6	31.8	1.9	2.2	3.3
ITEQ	6213 TT	964	83.40	4.94	1.82	4.87	16.9	45.8	17.1	1.5	1.6	1.5	9.0	3.6	8.6	4.5	1.6	3.6
TUC	6274 TT	1,381	160.00	4.69	3.16	8.60	34.1	50.7	18.6	3.6	3.7	3.2	10.7	7.1	17.3	6.4	1.6	3.4
Sytech	600183 CH	5,772	17.59	0.66	0.53	0.75	26.7	33.4	23.5	3.0	2.9	2.7	11.5	8.6	11.8	3.0	1.6	2.3
PCB																		
Gold Circuit	2368 TT	3,797	242.50	8.86	7.17	13.20	27.4	33.8	18.4	8.3	7.8	6.4	35.5	23.8	38.4	1.4	1.4	2.3
Tripod	3044 TT	3,497	209.00	11.80	11.32	14.61	17.7	18.5	14.3	2.6	2.4	2.2	15.4	13.7	16.4	6.6	3.5	4.2
ACCL	8155 TT	222	136.00	11.17	3.95	9.47	12.2	34.4	14.4	3.1	3.0	2.8	26.4	8.9	19.6	5.6	1.8	5.0
TTM	TTMI US	1,499	14.71	0.93	1.29	1.46	15.8	11.4	10.1	1.0	1.0	1.0	6.3	N.A.	N.A.	N.A.	N.A.	N.A.
Shennan Circuits	002916 CH	6,024	84.28	3.22	2.70	3.26	26.2	31.2	25.8	3.5	3.2	3.0	15.8	10.3	11.0	1.4	0.9	0.9
Wus Printed Circuit	002463 CH	7,856	29.54	0.72	0.77	1.05	41.1	38.3	28.2	6.8	5.8	4.9	17.6	15.9	18.1	0.8	0.6	0.7

Source: Bloomberg; KGI Research

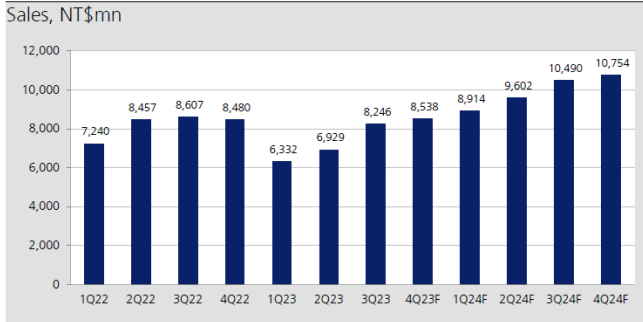
Figure 4: Company profile

Gold Circuit Electronics (GCE), established in September 1981, is the largest networking PCB manufacturer. The company has in recent years shifted product lines toward such high-margin core products as server PCB and networking PCB. In 2022, GCE's revenue breakdown by terminal product applications was server 60%, networking PCB 20%, NB PCB 13%, and others 7%. GCE has such plants as Zhongli plant, Suzhou plant, Changshou plant no.1, and Chang plant no.2, whose maximum monthly production values are NT\$950mn, NT\$1bn, NT\$650mn, and NT\$200mn, respectively.

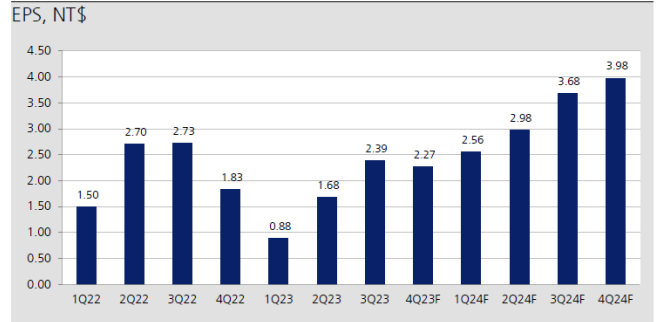
Source: KGI Research

Figure 5: Product mix


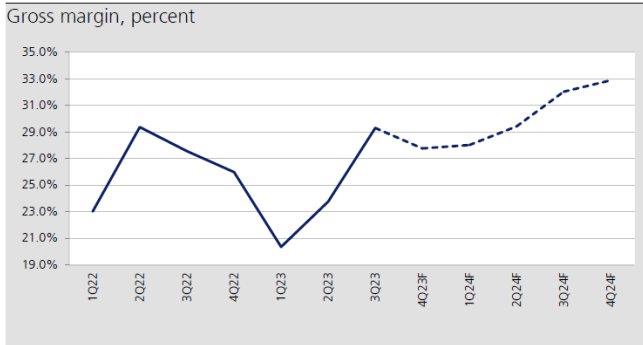
Source: Company; KGI Research

Figure 6: Sales


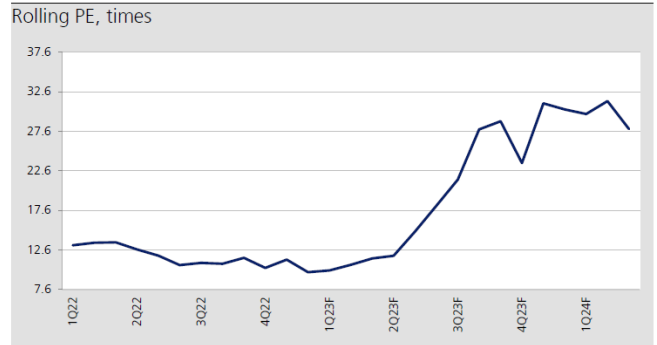
Source: KGI Research

Figure 7: EPS


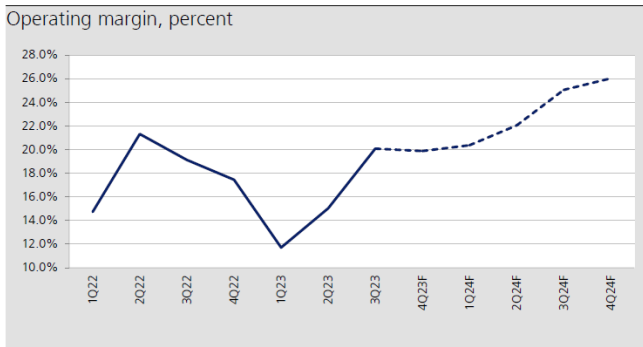
Source: KGI Research

Figure 8: Gross Margin


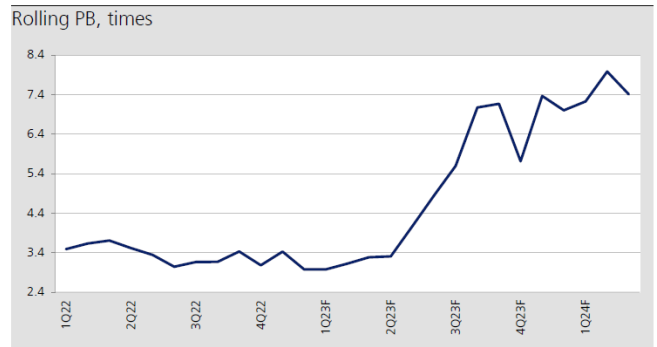
Source: KGI Research

Figure 9: Rolling PE


Source: KGI Research

Figure 10: Operating Margin


Source: KGI Research

Figure 11: Rolling PB


Source: KGI Research

Income statement

	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23A	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-23F	Dec-24F	Dec-25F
Income statement (NT\$m)											
Revenue	6,332	6,929	8,246	8,538	8,914	9,602	10,490	10,754	30,044	39,760	47,396
Cost of goods sold	(5,042)	(5,282)	(5,829)	(6,167)	(6,415)	(6,776)	(7,129)	(7,217)	(22,320)	(27,538)	(31,999)
Gross profit	1,289	1,647	2,417	2,371	2,498	2,826	3,361	3,538	7,724	12,222	15,397
Operating expenses	(548)	(606)	(760)	(674)	(682)	(709)	(732)	(737)	(2,588)	(2,860)	(3,104)
Operating profit	741	1,041	1,656	1,697	1,816	2,117	2,629	2,801	5,136	9,362	12,293
Depreciation of fixed assets	(231)	(231)	(237)	(177)	(246)	(246)	(246)	(246)	(875)	(984)	(998)
Amortisation of intangible assets	(6)	(6)	(6)	1	(5)	(5)	(5)	(5)	(17)	(18)	(19)
EBITDA	978	1,278	1,900	1,873	2,067	2,367	2,879	3,051	6,028	10,364	13,310
Interest income	42	53	48	48	48	48	48	48	192	192	192
Investment income	-	-	-	-	-	-	-	-	-	-	-
Other non-op income	15	16	24	10	15	15	15	15	65	60	60
Non-operating income	56	70	72	58	63	63	63	63	257	252	252
Interest expense	(32)	(27)	(28)	(28)	(28)	(28)	(28)	(28)	(115)	(112)	(112)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	(115)	127	10	(83)	-	-	-	-	(61)	-	-
Non-operating expenses	(146)	101	(19)	(111)	(28)	(28)	(28)	(28)	(176)	(112)	(112)
Pre-tax profit	651	1,211	1,710	1,644	1,851	2,152	2,664	2,836	5,217	9,502	12,433
Current taxation	(221)	(394)	(546)	(527)	(592)	(689)	(852)	(879)	(1,688)	(3,012)	(3,927)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	430	817	1,164	1,117	1,259	1,463	1,811	1,957	3,529	6,490	8,506
Extraordinary items	0	0	(0)	0	-	-	-	-	-	-	-
Net profit	430	817	1,164	1,117	1,259	1,463	1,811	1,957	3,529	6,490	8,506
EPS (NT\$)	0.88	1.68	2.39	2.27	2.56	2.98	3.68	3.98	7.17	13.20	17.29
Margins (%)											
Gross profit margin	20.4	23.8	29.3	27.8	28.0	29.4	32.0	32.9	25.7	30.7	32.5
Operating margin	11.7	15.0	20.1	19.9	20.4	22.0	25.1	26.0	17.1	23.5	25.9
EBITDA margin	15.4	18.4	23.0	21.9	23.2	24.7	27.4	28.4	20.1	26.1	28.1
Pretax profit margin	10.3	17.5	20.7	19.3	20.8	22.4	25.4	26.4	17.4	23.9	26.2
Net profit margin	6.8	11.8	14.1	13.1	14.1	15.2	17.3	18.2	11.7	16.3	17.9
Sequential growth (%)											
Revenue growth	(25.3)	9.4	19.0	3.5	4.4	7.7	9.2	2.5			
Gross profit growth	(41.5)	27.7	46.7	(1.9)	5.3	13.1	18.9	5.3			
Operating profit growth	(49.9)	40.4	59.1	2.5	7.0	16.6	24.2	6.5			
EBITDA growth	(42.9)	30.7	48.7	(1.4)	10.4	14.6	21.6	6.0			
Pretax profit growth	(50.7)	86.0	41.1	(3.8)	12.6	16.2	23.8	6.5			
Net profit growth	(54.5)	89.9	42.4	(4.0)	12.7	16.2	23.8	8.0			
YoY growth (%)											
Revenue growth	(12.6)	(18.1)	(4.2)	0.7	40.8	38.6	27.2	26.0	(8.4)	32.3	19.2
Gross profit growth	(22.7)	(33.7)	1.8	7.6	93.8	71.6	39.1	49.2	(11.5)	58.2	26.0
Operating profit growth	(30.5)	(42.3)	0.6	14.7	144.9	103.4	58.7	65.0	(14.5)	82.3	31.3
EBITDA growth	(23.1)	(36.6)	1.6	9.4	111.4	85.3	51.6	62.9	(12.4)	71.9	28.4
Pretax profit growth	(41.5)	(40.0)	(9.7)	24.4	184.2	77.6	55.8	72.5	(18.0)	82.1	30.8
Net profit growth	(46.9)	(44.0)	(13.8)	18.2	192.5	79.0	55.6	75.1	(22.7)	83.9	31.1

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total assets	24,980	30,041	30,109	35,622	42,435
Current assets	18,162	22,726	22,212	24,889	29,450
Cash & ST securities	3,843	6,017	6,806	5,136	6,102
Inventory	4,822	5,616	5,211	6,411	7,470
Accounts receivable	9,123	10,736	9,839	12,985	15,521
Other current assets	374	357	357	357	357
Non-current assets	6,818	7,314	7,897	10,733	12,985
LT investments	610	621	621	621	621
Net fixed assets	5,679	6,294	6,877	9,713	11,965
Other assets	529	398	398	398	398
Total liabilities	13,578	15,717	14,804	17,125	18,893
Current liabilities	10,274	11,857	12,170	14,087	16,049
Accounts payable	5,502	5,661	5,252	6,462	7,529
Interest bearing ST liabilities	1,594	2,188	3,302	2,893	3,028
Other current liabilities	3,178	4,008	3,616	4,732	5,492
Non-current liabilities	3,304	3,860	2,634	3,038	2,845
Long-term debt	2,874	3,340	2,114	2,518	2,325
Other L-T liabilities	415	517	517	517	517
Total equity	11,402	14,324	15,305	18,497	23,542
Share capital	5,465	4,918	4,918	4,918	4,918
Retained earnings reserve	3,928	7,063	9,262	13,306	18,606
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Growth					
Revenue growth	13.7%	23.2%	(8.4%)	32.3%	19.2%
Operating profit growth	30.5%	45.6%	(14.5%)	82.3%	31.3%
EBITDA growth	26.0%	40.4%	(12.4%)	71.9%	28.4%
Net profit growth	41.6%	56.1%	(22.7%)	83.9%	31.1%
EPS growth	41.6%	63.7%	(19.0%)	83.9%	31.1%
Profitability					
Gross profit margin	23.9%	26.6%	25.7%	30.7%	32.5%
Operating margin	15.5%	18.3%	17.1%	23.5%	25.9%
EBITDA margin	18.4%	21.0%	20.1%	26.1%	28.1%
Net profit margin	11.0%	13.9%	11.7%	16.3%	17.9%
Return on average assets	12.6%	16.6%	11.7%	19.7%	21.8%
Return on average equity	28.3%	35.5%	23.8%	38.4%	40.5%
Stability					
Gross debt to equity	39.2%	38.6%	35.4%	29.3%	22.7%
Net debt to equity	5.7%	Net cash	Net cash	1.7%	Net cash
Interest coverage (x)	61.1	71.4	46.3	85.8	112.0
Interest & ST debt coverage (x)	0.7	0.7	0.6	0.8	0.8
Cash flow interest coverage(x)	35.4	49.2	46.2	38.9	62.5
Cash flow/int. & ST debt (x)	1.4	2.0	1.6	1.4	2.2
Current ratio (x)	1.8	1.9	1.8	1.8	1.8
Quick ratio (x)	1.3	1.4	1.4	1.3	1.4
Net debt (NT\$m)	651	(446)	(1,347)	319	(706)
Per share data					
EPS (NT\$)	5.41	8.86	7.17	13.20	17.29
CFPS (NT\$)	4.42	8.62	10.81	8.86	14.22
BVPS (NT\$)	20.86	29.12	31.12	37.61	47.86
Adj BVPS (NT\$)	21.09	27.78	31.12	37.61	47.86
SPS (NT\$)	49.20	63.59	61.08	80.84	96.36
EBITDA/share (NT\$)	9.07	13.35	12.26	21.07	27.06
Cash DPS (NT\$)	2.20	3.50	3.50	5.50	7.00
Activity					
Sales / avg assets	1.14	1.19	1.00	1.21	1.21
Days receivable	125.2	119.5	119.5	119.5	119.5
Days inventory	87.0	85.2	85.2	85.2	85.2
Days payable	99.2	85.9	85.9	85.9	85.9
Cash cycle	112.9	118.9	118.9	118.9	118.9

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	26,607	32,785	30,044	39,760	47,396
Cost of goods sold	(20,236)	(24,057)	(22,320)	(27,538)	(31,999)
Gross profit	6,371	8,728	7,724	12,222	15,397
Operating expenses	(2,243)	(2,719)	(2,588)	(2,860)	(3,104)
Operating profit	4,128	6,009	5,136	9,362	12,293
Non-operating income	112	156	257	252	252
Interest income	16	63	192	192	192
Investment income	-	-	-	-	-
Other non-op income	96	94	65	60	60
Non-operating expenses	(186)	195	(176)	(112)	(112)
Interest expense	(67)	(90)	(115)	(112)	(112)
Investment loss	-	-	-	-	-
Other non-op expenses	(119)	286	(61)	-	-
Pre-tax profit	4,054	6,361	5,217	9,502	12,433
Current taxation	(1,122)	(1,820)	(1,688)	(3,012)	(3,927)
Minorities	-	-	-	-	-
Extraordinary items	(6)	28	-	-	-
Net profit	2,927	4,568	3,529	6,490	8,506
EBITDA	4,904	6,883	6,028	10,364	13,310
EPS (NT\$)	5.41	8.86	7.17	13.20	17.29

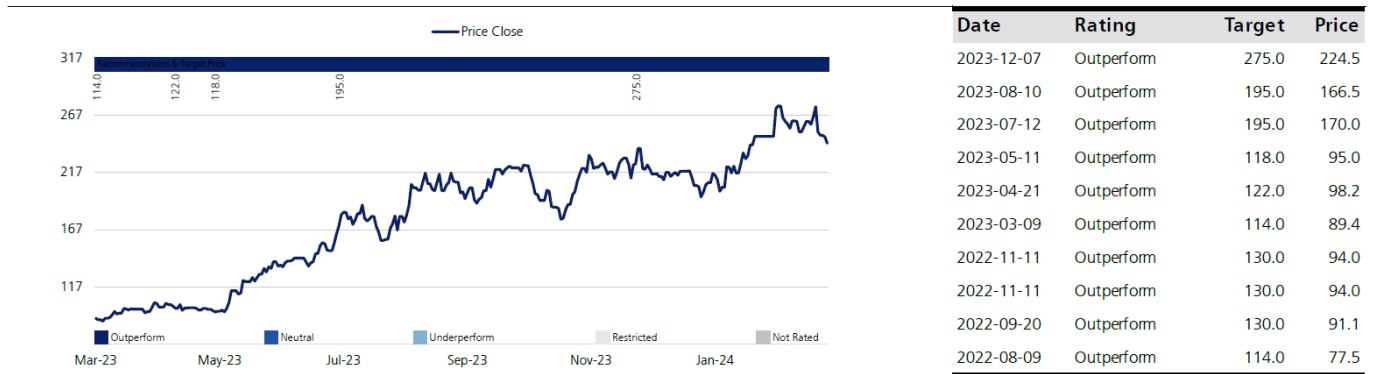
Cash flow

NT\$m	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Operations cash flow	2,390	4,444	5,315	4,355	6,995
Net profit	2,927	4,568	3,529	6,490	8,506
Depreciation & amortisation	776	874	892	1,002	1,017
Decrease in working capital	(2,372)	(2,438)	894	(3,137)	(2,528)
Other operating cash flow	1,058	1,440	0	-	-
Investing cash flow	(831)	(1,357)	(1,475)	(3,838)	(3,269)
Sale of ST investment	-	(13)	-	-	-
New investments	-	-	-	-	-
Capital expenditure	(826)	(1,360)	(1,458)	(3,820)	(3,250)
Others investing cashflow	(5)	17	(17)	(18)	(19)
Free cash flow	551	1,349	3,786	422	3,631
Financing cash flow	(2,149)	(816)	(3,052)	(2,187)	(2,760)
Increase in short term debt	(908)	885	-	-	-
Increase in long term loans	(329)	104	(113)	(5)	(59)
New ordinary shares issued	-	(541)	-	-	-
Ordinary dividends paid	(820)	(1,190)	(1,721)	(1,330)	(2,446)
Other financing cashflow	(92)	(75)	(1,218)	(852)	(256)
Forex effects	23	(114)			
Total cash generated	(568)	2,157	788	(1,670)	966

ROIC

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
1 - COGS/revenue					
- Operating exp./revenue	8.4%	8.3%	8.6%	7.2%	6.5%
= Operating margin	15.5%	18.3%	17.1%	23.5%	25.9%
1 / (Working capital/revenue	0.2	0.2	0.2	0.2	0.2
+ Net PPE/revenue	0.2	0.2	0.2	0.2	0.3
+ Other assets/revenue)	0.0	0.0	0.0	0.0	0.0
= Capital turnover	2.3	2.5	2.2	2.2	2.1
Operating margin	15.5%	18.3%	17.1%	23.5%	25.9%
x Capital turnover	2.3	2.5	2.2	2.2	2.1
x (1 - tax rate)	72.3%	71.4%	67.6%	68.3%	68.4%
= After-tax ROIC	26.3%	32.1%	25.9%	35.0%	37.7%

Source: Company data, KGI Research estimates

Gold Circuit – Recommendation & target price history


Source: TEJ, KGI Research

All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.

Disclaimer

All the information contained in this report is not intended for use by persons or entities located in or residing in jurisdictions which restrict the distribution of this information by KGI Asia Limited ("KGI") or an affiliate of KGI. Such information shall not constitute investment advice, or an offer to sell, or an invitation, solicitation or recommendation to subscribe for or invest in any securities or investment products or services nor a distribution of information for any such purpose in any jurisdiction. In particular, the information herein is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities in the United States of America, or to or for the benefit of United States persons (being residents of the United States of America or partnerships or corporations organised under the laws of the United States of America or any state, territory or possession thereof). All the information contained in this report is for general information and reference purpose only without taking into account of any particular investor's objectives, financial situation or needs. Such information is not intended to provide professional advice and should not be relied upon in that regard.

Some of KGI equity research and earnings estimates are available electronically on www.kgi.com.hk. Please contact your KGI representative for information. The information and opinions in this report are those of KGI internal research activity. KGI does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be redistributed, reproduced or published (in whole or in part) by any means for any purpose without the prior written consent of KGI. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.