

Midea (000333.SZ)

Global leader in home appliances, capture new retail opportunity
Hong Kong | Technology | Initiation

06 Jan 2021

Investment Summary

A global leader in the home appliance industry brings comprehensive life experience

Midea is a home appliance and HVAC system Company with the entire industry chain and product lines. The Company is backed by industry-leading R&D and manufacturing technologies for core components such as compressors, motors, magnetrons, and controllers, combined with strong logistics and service capabilities. Forming a complete industrial chain including key components and the R&D, manufacturing and sales of the complete machine. The Company is a well-known domestic household appliance and HVAC system brand. The Company's main product categories are in the leading position in the industry. With a full range of home appliances product lines, Midea has been able to build a unified and compatible smart home platform and provide users with integrated home solutions. Leading advantage.

"T+3" supply chain reform to enhance overall efficiency

In 2019, under the background of Midea Group's promotion of the T+3 business model transformation, Anda Zhilian further promoted the transformation of channel logistics, completed the national implementation of the logistics strategy, and provided strong support for improving the circulation efficiency of sales channels. The Company strives to strengthen the construction of the e-commerce logistics network, completes the infrastructure construction of online and offline inventory sharing, and greatly improves the delivery service capabilities. Under the "T+3" business model, the Company is market-oriented and narrows the distance between customers through de-intermediation, in order to reduce inventory and make capital more efficient. Through the "T+3" model, the Company has increased its manufacturing capacity, accelerated turnover and enhanced market competitiveness, and continuously reduced the intermediate links of supply, thereby reducing the time for customers to receive goods. The implementation of the "T+3" model requires high-level of supply chain, inventory, production and channels. It can be seen that Midea's excellent operation can bring sustained and effective growth to the Company.

R&D capabilities promote continuous product leadership

The Company has unwaveringly increased R&D investment, especially in the areas of basic technology, digitalization and intelligence. It is based on technology-driven, accelerated product innovation and efficiency improvement, fully implemented the user-centered value chain system. To promote the full implementation of the "first and only" leading strategy, comprehensively build product leadership capabilities, and actively introduce high-end talents, improve the R&D organization structure, and build a R&D-led management model. The Company has invested RMB 40 billion in R&D in the past five years, has more than 10,000 R&D personnel, and has authorized invention patents to rank first in the home appliance industry for four consecutive years. This is conducive to the Company's multi-business and multi-brand development in the long run and effectively establishes a brand moat.

Valuation and Investment Recommendation

As of the closing price on Jan 04, the Company's trailing P/E was 27.0x. We believe that based on the Company's sound fundamentals and its brand advantage. We give the Company a target price to earnings ratio of 22.0x in 2022. We expect the Company's 2020/2021/2022 earnings per share to be RMB\$ 3.59/4.11/4.67, and 24 months target price of RMB\$102.8, corresponding to the P/E ratio of the earnings per share for 2020/2021/2022 is 28.66x/25.04x/22.00x. Neutral rating is given for the first coverage. (Current price as at 4 January 2021)

Neutral (Initiation)

Current market price RMB99.01
(Closing price as at 04 Jan 2021)
Target price RMB 102.80 (+3.8%)

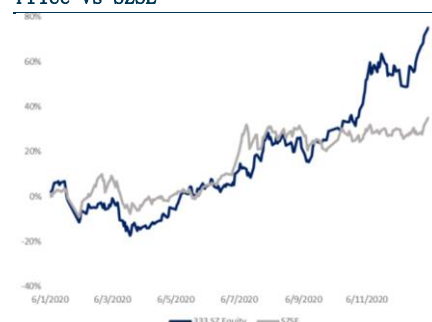
COMPANY DATA

O/S SHARES (MN):	7,026
MARKET CAP(RMB MN) :	695,632
52- WK HI/LO (RMB) :	101.95/ 44.70

Major Shareholder %

Midea Group	31%
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Price vs SZSE



Source: Wind, PSHK

KEY FINANCIALS

RMB'mm except per share data	FY19	FY20E	FY21E	FY22E
Net Sales	279,381	286,068	326,429	360,593
Net profit	24,211	25,236	28,887	32,782
EPS, RMB	3.45	3.59	4.11	4.67
P/E x	28.72	27.55	24.07	21.21
BVPS, RMB	14.58	16.83	19.34	22.26
P/BV, x	6.79	5.88	5.12	4.45
ROE%	23.65	21.35	21.27	20.97
ROA%	8.56	8.20	8.77	9.00

Source: Company reports, PSHK

Closing price as of 4 Jan 2021

Research Analyst

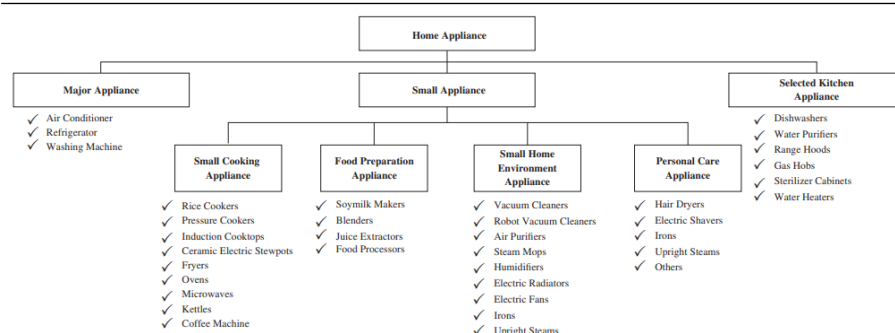
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Industry analytics

Generally, the home appliance industry divides traditional home appliances into two categories: black home appliances and white home appliances. White goods refer to reducing people's labor. Black household appliances generally refer to household appliances that bring entertainment and leisure. The earliest source of the name refers to the TV with black casing. White goods appliances are mainly divided into main appliances, small appliances, and kitchen appliances. The main electrical appliances include air conditioners, refrigerators, and washing machines. Small appliances include small cooking appliance, food preparation appliance, small home environment appliance, small home environment appliance, personal care appliances. The following picture shows some examples of appliances:

Figure1: Home Appliance



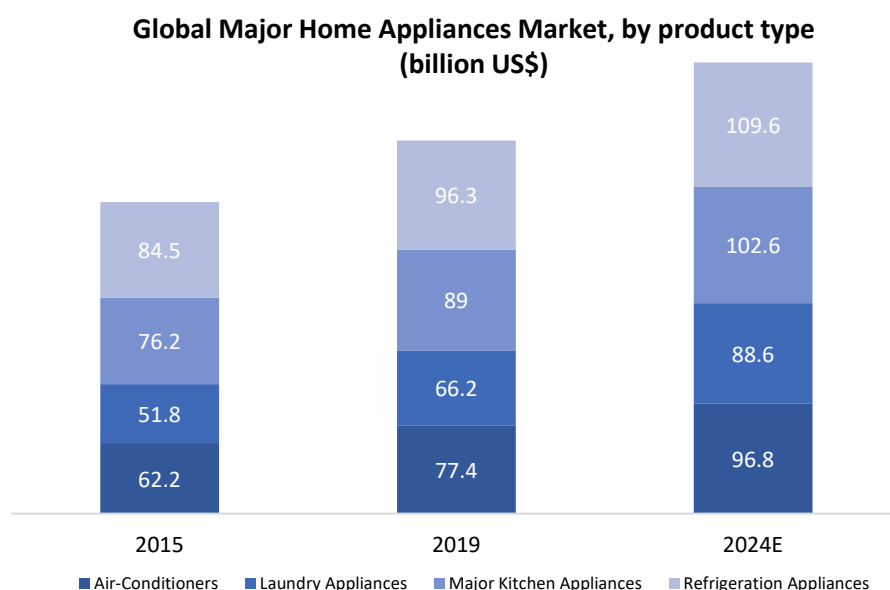
Source: Company data, PSHK

The business model of integrated circuit manufacturing enterprises

The global market for major home appliances (including refrigeration appliances, laundry appliances, air-conditioners and major kitchen appliances) is characterised by its steady growth, primarily driven by the robust growth potential in three major markets including Asia, North America and Europe, and the rapid growth in developing countries. In terms of retail value, the global major home appliances market grew at a CAGR of 4.6% from 2015 to 2019, and is expected to steadily grow at a CAGR of 3.9% from 2019 to 2024. Asia, North America and Europe, the three largest markets in terms of retail value, representing 47.1%, 21.0% and 19.1% of global total retail value in 2019, respectively, are expected to grow at a CAGR of 4.5%, 2.7%, 3.3%, respectively, from 2019 to 2024. The current low penetration rate and the rapid growth in major home appliances market in developing countries is expected to further drive the continuous growth of the global major home appliances market in the future. For example, the India major home appliances market is expected to increase at a CAGR of 7.5% in terms of retail value from 2019 to 2024.

In terms of product types, the global major home appliances market is split relatively evenly among refrigeration appliances, major kitchen appliances, laundry appliances and air-conditioners, which accounted for 29.3%, 27.1%, 20.1% and 23.5% of the global major appliances market in terms of retail value in 2019, respectively, and are expected to grow at a CAGR of 2.6%, 2.9%, 6.0% and 4.6% in terms of retail value, respectively, from 2019 to 2024.

Figure2: Global Major Home Appliances Market, Retail Value(billion US\$)



Source: Euromonitor Report, PSHK

Coronavirus further promotes China's major home appliance market

China is a key player in the global major home appliances market, with large market size and strong consumption power. In 2019, in terms of retail value, the major home appliances market in China reached US\$93.9 billion, accounting for 28.5% of the global market in 2019. From 2017 to 2019, the major home appliances market in China had been relatively stable with slight fluctuations and is expected to steadily grow in the near future. The China home appliances market also demonstrates fast and revolutionary evolvement of new products driven by both consumer demand and technology improvement. Consumers in China desires for smarter, healthier, and more environmental-friendly major home appliances. The advancement of technology is going to drive the interconnectedness between different major home appliances, and is expected to create demand for intelligent, full-suite and scenario-based smart home solutions. Such trends generate greater opportunities for major home appliances companies that are well equipped with a comprehensive product portfolio and leading technology. The competitive landscape among major home appliance companies in China is expected to shift from competition in single appliances to competitions in integrated, interconnected smart home platforms. The outbreak of COVID-19 has increased consumers' awareness of healthy lifestyle, and major home appliances that address consumers' demand for healthy life are expected to further drive demand. In addition, the increasing awareness of environment protection, the implementation of environment policies and the improvement in relevant major home appliances technology drives demand for environment-friendly home appliances.

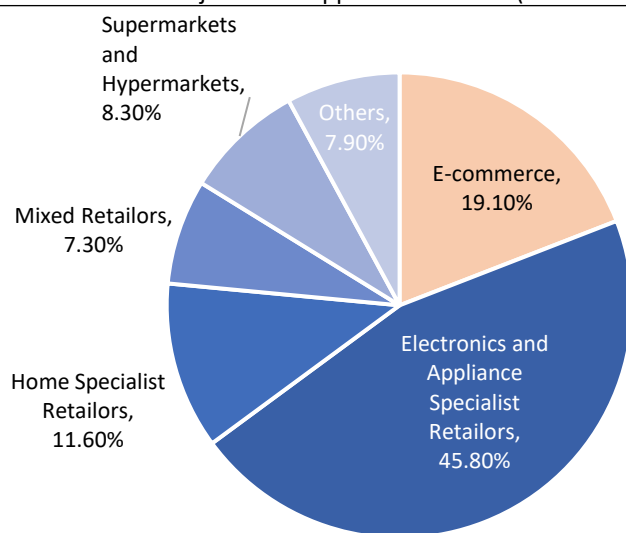
Online and offline integration will accelerate in the future

In 2019, the distribution channels in the global major home appliances market (excluding air-conditioners) demonstrate a trend towards increasing diversity, with offline channel remaining dominant while the online channel is developing rapidly. Among the offline channels, electronics and appliance specialist retailers remain to be the largest and consistently favored by consumers because of their outstanding services. Market shares of sales through electronics and appliance specialist retailers, in terms of retail volume, has diminished from 48.2% in 2017 to 45.8% in 2019 due to the fast development of online channels, and the revolutions in traditional retail business model and the integration of online and offline sales channels has further strengthened the growth potential of online channels. With a CAGR of nearly 8.7% from 2017 to 2019, online e-commerce channels has become one of the fastest-

growing channels in recent years in terms of retail volume, with its market share increased from 16.5% in 2017 to 19.1% in 2019.

In China, The online channel is expected to grow rapidly, taking advantage of new marketing tools such as short videos and streamings, and capitalising on the emerging opportunities for e-commerce channels in township and rural areas, so as to realise better integration with offline channels, and to improve the efficiency for the entire sales channel of major home appliances in China.

Figure3. 2019 Global Major Home Appliances Market (retail volume), breakdown by channel



Source: Euromonitor Report, PSHK

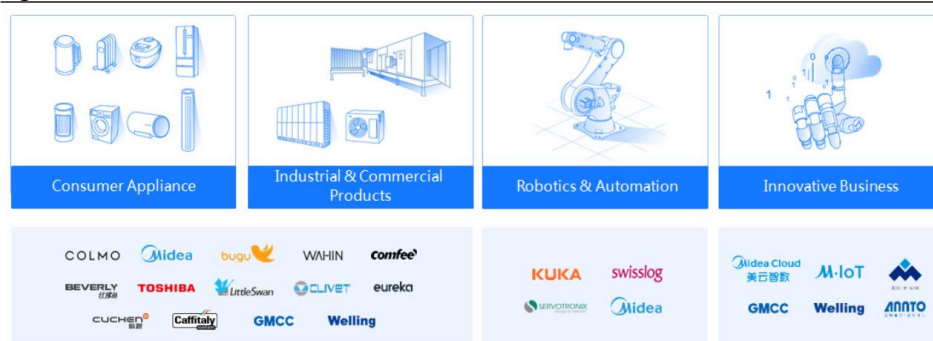
Company profile

Midea Group (SZ:000333) was established in 1968. After more than 50 years of development, it has become one of the largest electrical appliances manufacturer in the world, providing diversified products. The Company's main business includes 1) consumer electrical appliances, 2) HVAC, 3) Robotic automation system and 4) Digital innovation business.

Midea adheres to the corporate vision of "Science and technology are perfect, life is perfect", takes "Connecting people and everything, enlightening the beautiful world" as its mission, and abides by "Dare to know the future-ambitious, pragmatic and enterprising, tolerant and cooperative, reform and innovation" Integrate global resources, promote technological innovation, provide satisfactory products and services to more than 400 million users, important customers and strategic partners in various fields, and strive to create a better life every year.

Midea is a global operating Company, with Midea businesses and customers all over the world. So far, Midea has approximately 200 subsidiaries, 28 R&D centers and 34 main production bases around the world, employs approximately 150,000, and has business covering more than 200 countries and regions. Among them, there are 18 R&D centers and 17 production bases overseas, covering more than a dozen countries, with more than 30,000 overseas employees, and 22 settlement currencies. At the same time, Midea is the leading robot intelligent automation Company in Germany KUKA Group. Shareholders (about 95%).

Figure 4. Midea different brand



Source: Company website, PSHK

1) Consumer appliance business, with kitchen appliances, refrigerators, washing machines and various small appliances as the core. In the Chinese market, Midea microwave ovens, pressure cookers, rice cookers, electric heaters, water heaters and many other categories have advantages in the industry.

2) HVAC business, with household air-conditioning and central air-conditioning business as the core, with business all over the world. In the field of household air conditioners, Midea has a complete household air conditioner industry chain, producing and selling household air conditioners, household central air conditioners, window air conditioners, mobile air conditioners, dehumidifiers, air energy water heaters and other products.

3) Robotics and automation system business, providing a variety of technologies, products and industry solutions including motion control, robotics and industrial automation.

4) Digital innovation business, Midea has also incubated many innovative businesses in the development process, with intelligent supply chain and industrial Internet as the core, relying on big data, cloud computing, artificial intelligence and other technologies, and is committed to technology-driven industrial upgrading layout.

Investment Highlights

A global leader in the home appliance industry brings users a comprehensive life experience

Midea is a home appliance and HVAC system Company with the entire industry chain and product lines. The Company is backed by industry-leading R&D and manufacturing technologies for core components such as compressors, motors, magnetrons, and controllers, combined with strong logistics and service capabilities. Forming a complete industrial chain including key components and the R&D, manufacturing and sales of the complete machine. The Company is a well-known domestic household appliance and HVAC system brand. The Company's main product categories are in the leading position in the industry. On the one hand, the Company can provide a comprehensive and competitive product portfolio. On the other hand, it also contributes to the Company's brand effect, Scale bargaining, user demand mining and R&D investment have achieved internal synergy in many aspects. Facing the intelligent development trend of home appliances, the compatibility, cooperation and interaction of home appliances have become more and more important. With a full range of home appliances product lines, Midea has been able to build a unified and compatible smart home platform and provide users with integrated home solutions. Leading advantage.

The Company's brand position has been ahead of its peers for many years. In 2019, Midea Group ranked 312th on the Fortune Global 500 list, which has risen 169 places since being listed in 2016. On the Fortune China 500 list, Midea Group ranked No. 36, ranked No. 1 in the industry for 5 consecutive years; The 2018 China Enterprise Credit Development Forum and the 10th Integrity Public Welfare Ceremony released the 2018 China Top 500 Enterprise Credit, China's Top 100 Manufacturing Enterprises, China's Top 100 Private Enterprises and Midea ranks among the top 500 creditworthy Chinese listed companies; according to the "BrandZ™ 2019 Top 100 Most Valuable Chinese Brands" ranking, Midea ranks 33rd among many brands, with a 20% increase in brand value; according to the British brand evaluation agency Brand In the 2019 "World's 100 Most Valuable Technology Brand List" released by Finance, Midea ranked 27th, jumping 16 places from last year and leading other domestic brands in the same industry.

Table1. 2019 Online market share and ranking of the Company's main home appliances (by retail sales)

Type	Offline share	Ranking	Online share	Ranking
Air-conditioners	28.90%	2	30%	1
Washing machine (Midea series)	27.40%	2	31.20%	2
Refrigerator	12.60%	2	17.70%	2
Rice cooker	43.90%	1	29.60%	1
Electric pressure cooker	44.30%	1	41.00%	1
Electric kettle	38.60%	1	30.60%	1
Induction cooker	48.50%	1	39%	1
Electric fan	39.30%	1	19.20%	1
Electric heater	42.90%	1	16.90%	1
Drinking fountain	42.30%	1	18.90%	2

Source: Company data, PSHK

Table 2. Overview of Midea's award-winning products(partial)

	<p>Multi-Airflow Floor Standing AC Winner of AWE Gold Awards in 2019</p> <p>The Multi-Airflow Floor Standing AC is the world's first disrotatory air conditioner, coming with an AI-Unique Wind Channel Innovative design, and the first AC to use disrotatory technology in the industry. It cools with a breezeless and 20-meter airstream, while also cooling the surroundings by reaching every corner of the space used.</p>
	<p>Micro-Climate Manager Winner of the Product Innovation Award at the IFA Exhibition in Germany in 2018</p> <p>This is the world's first micro-climate manager. Coming with integrated advantage technology, this micro-climate manager scientifically adjusts all five properties of air climate: air flow, humidity, temperature, purity, and freshness. Create an ideal micro-climate model for your family, and enjoy 12 climate samples from around the world.</p>
	<p>AI Rice Cooker</p> <p>Our rice cooker comes with artificial intelligent technology that offers precise metering and water control, as well as a fully automatic cooking process.</p>

Source: Company data, PSHK

"T+3" supply chain reform to enhance overall efficiency

The "T+3 order model" is to receive user orders, raw material stocking, factory production, delivery and sales in four cycles. Through the advantages of the whole industry chain, production, supply and sales are linked, manufacturing processes are optimized, manufacturing equipment and processes are upgraded, and supply is further compressed. cycle. "T" means cycle, "T" is the customer order cycle, "T+1" is the material preparation period, "T+2" is the factory production period, and "T+3" is the logistics distribution cycle. This is an integrated system of purchasing, production and sales based on order T.

Figure 5. Midea “T+3” Supply chain overview



Source: Company website, PSHK

In 2019, under the background of Midea Group's promotion of the "T+3" business model reform, Anda Zhilian further promoted the transformation of channel logistics, completed the national implementation of the logistics strategy, and provided strong support for improving the circulation efficiency of sales channels. The Company strives to strengthen the construction of the e-commerce logistics network, completes the infrastructure construction of online and offline inventory sharing, and greatly improves the delivery service capabilities. Under the "T+3" business model, the Company is market-oriented and narrows the distance between customers through de-intermediation, in order to reduce inventory and make capital more efficient. Through the "T+3" model, the Company has increased its manufacturing capacity, accelerated turnover and enhanced market competitiveness, and continuously reduced the intermediate links of supply, thereby reducing the time for customers to receive goods. The implementation of the "T+3" model has very high requirements for supply chain, inventory, production and channels. It can be seen that Midea's excellent operation can bring continuous and effective growth to the Company.

Superior R&D capabilities promote continuous product leadership

The Company has increased R&D investment, especially in the areas of basic technology, digitalization and intelligence. It is based on technology-driven, accelerated product innovation and efficiency improvement, fully implemented the user-centered value chain system. To promote the full implementation of the "first or only" leading strategy, comprehensively build product leadership capabilities, and actively introduce high-end talents, improve the R&D organization structure, and build a R&D-led management model.

At present, the Company has established a four-level R&D system, focused on building a "4+2" global R&D network, and established 28 R&D centers in 11 countries, including 18 overseas R&D centers. By integrating R&D resources, accelerating technical research, realizing localized development, and gradually establishing R&D scale advantages. Strengthen foreign cooperation, deepen strategic project research, integrate global superior technology resources, and realize open innovation in global integration of intelligence.

According to the Company's annual report, as of the end of 2019, Midea (including Toshiba Home Appliances) had accumulated more than 140,000 patent applications and 57,000 authorized maintenance. In the "Announcement of the Evaluation Results of the 21st China Patent Awards" released in 2019, Midea's "air-conditioning high-frequency and fast cooling and heating technology" won the China Patent Gold Award, and "Smart Power Module" and other technologies won two silver awards and 15 outstanding awards and 2 gold awards for invention in the 6th Guangdong Patent Awards. These honors fully reflect the recognition and affirmation of Midea's strong innovation ability. The Company has invested RMB 40 billion in R&D in the past five years, has more than 10,000 R&D personnel, and has authorized invention patents to rank first in the home appliance industry for four consecutive years. These long-term benefits are beneficial to the Company's multi-business and multi-brand development and effectively establish a brand moat.

Figure 6. Corporate Research Centre



Corporate Research Centre

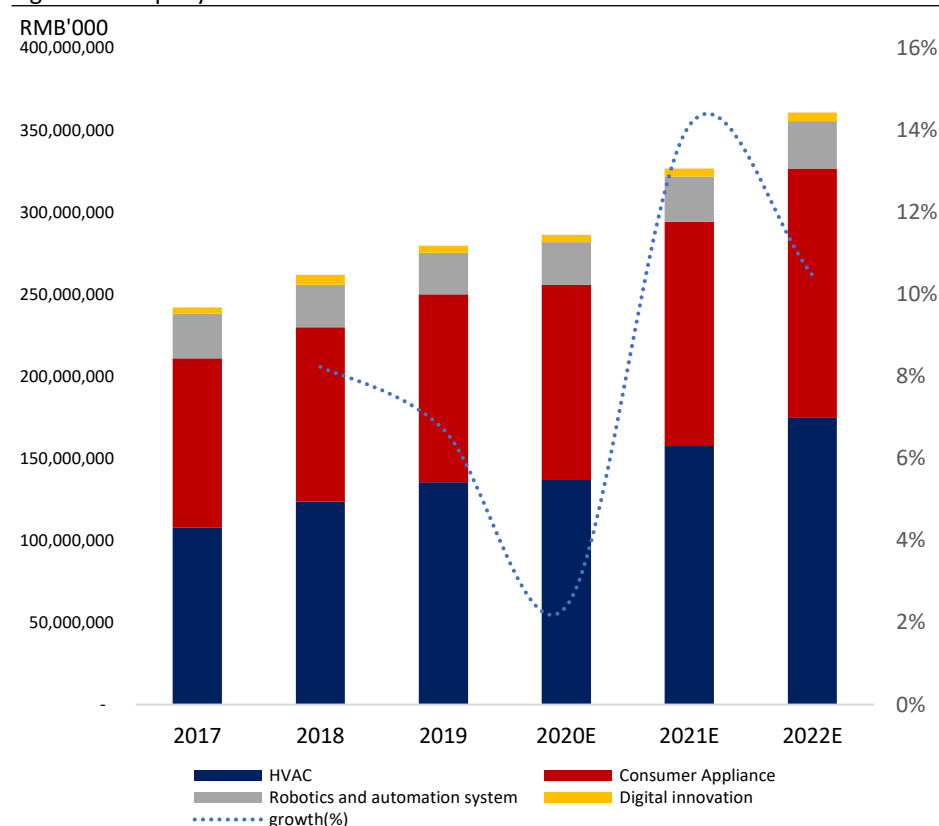
The Academia Sinica is the highest technology research institution of Midea Group, focusing on mid- to long-term common technology, forward-looking technology research and disruptive product platform innovation. Since 2014, Midea Central Research Institute has developed into a first-class research institution in the industry, gradually building a "4+2" global R&D network.

Financial Analysis

Revenue analysis

The Company's revenue is mainly divided into 3 parts, including 1) HVAC division, 2) Consumer appliances division, 3) Robots and automation system division. Among them, the Company's HVAC business revenue for 2017/2018/2019 was RMB 107.9/123.8/135.5 billion, accounting for 44.6%/47.3%/48.5% of total revenue, respectively, with a compound annual growth rate of 12%. We expect the Company's HVAC segment revenue for 2020/2021/2022 to be RMB 136.8/157.3/174.7 billion, up 1%/15%/11% year-on-year. The Company's 2017/2018/2019 consumer electronics segment revenue was RMB 103/106.1/114.4 billion, accounting for 42.6%/40.5%/40.9% of total revenue, respectively, with a compound annual growth rate of 5%. We expect the Company's 2020/2021/2022 consumer electronics segment revenue to be RMB 118.9/136.8/151.8 billion, up 4%/15%/11% year-on-year. In 2017/2018/2019, the revenue of the robotics and automation system segment was RMB 27.2/25.8/25.4 billion, respectively, accounting for 11.2%/9.8%/9.1% of the total revenue. We expect the Company's 2020/2021/2022 robotics and automation system segment revenue to be RMB 25.9/27.4/28.8 billion, an increase of 2%/6%/5% year-on-year. All in all, due to the impact of the new coronavirus in the supply chain in the first half of 2020, revenue fell by 9.5% year-on-year. However, with the recovery of the supply chain and the advent of different holidays (such as Double Eleven, Thanksgiving, etc.), we expect the second half of the year Income will resume strong growth. In addition, this year's epidemic has significantly increased consumers' health awareness. Healthy home appliances will usher in a major outbreak, such as sterilizing washing machines, fresh-keeping refrigerators, disinfection cabinets, sweeping robots, etc. Home appliances are showing a clear growth trend. We expect the Company's forecasted total revenue for 2020/2021/2022 to be RMB 286.1/326.4/360.6 billion respectively. The year-on-year growth was 2.4%/14.1%/10.5% respectively.

Figure7. Company income and forecast



Source: Company reports, PSHK

Table3. Midea Revenue segment

RMB'000	2017	2018	2019	2020E	2021E	2022E
HVAC	107,940,343	123,750,494	135,470,711	136,825,418	157,349,231	174,657,646
Consumer Appliance	102,986,131	106,076,743	114,367,462	118,942,160	136,783,485	151,829,668
Robotics and automat	27,150,059	25,767,137	25,356,999	25,864,139	27,415,987	28,786,787
Digital innovation	3,842,363	6,225,261	4,185,334	4,436,454	4,880,099	5,319,308
	241,918,896	261,819,635	279,380,506	286,068,172	326,428,802	360,593,409

Source: Company reports, PSHK

Costs and expenses analysis

The main cost of the Company is the cost of sales, and the main expenses are sales and marketing expenses, and general and administrative expenses. In 2019, they were RMB 81.5/34.6/19.2 billion, accounting for 71%/12%/7% of revenue. In terms of gross profit, the management indicated that the Company will increase the ex-factory price to offset the impact of rising raw material prices. We expect the Company's gross profit margin to be 29.0%/29.5%/30.0% in 2020-2022. We believe that sales and marketing expenses and general and administrative expenses will maintain its revenue share. Based on the above, we estimate that the operating costs of the Company in 2020-2022 will be RMB 255.2/291.0/320.4 billion.

Valuation

As of the closing price on Jan 04, the Company's trailing P/E was 27.92x. We believe that based on the Company's sound fundamentals and its brand advantage. We give the Company a target price to earnings ratio of 22.0x in 2022.

We expect the Company's 2020/2021/2022 earnings per share to be RMB\$ 3.59/4.11/4.67, and 24 months target price of RMB\$102.8, corresponding to the P/E ratio of the earnings per share for 2020/2021/2022 is 28.66x/25.04x/22.00x. Neutral rating is given for the first coverage. (Current price as at 4 January 2021)

Peer comparison

Company	Stock code	Closing Price	Market Cap	P/E			P/B		
				TTM	2020	2021	TTM	2020	2021
(listed currency) (million RMB)									
美的集团	000333 ch equity	98.44	695,228	27.5x	27.5x	23.3x	6.2x	5.9x	5.2x
格力电器	000651 ch equity	61.94	378,389	23.2x	19.5x	15.0x	3.2x	3.2x	2.8x
海尔智家	600690 ch equity	29.21	258,347	29.3x	24.3x	20.0x	3.9x	3.9x	3.5x
老板电器	002508 ch equity	40.78	39,290	24.1x	22.9x	20.0x	5.23x	4.87x	4.21x
			Average	26.0x	23.5x	19.6x	4.6x	4.5x	3.9x
			Median	25.8x	23.6x	20.0x	4.6x	4.4x	3.9x

Closing price as of 31 December 2020

Source: Bloomberg, PSHK

Risks

- 1) The Company's sales volume fell short of expectations
- 2) Another outbreak of the epidemic impacts production and sales
- 3) The global economic development is not as expected

Financial statements

Key financial data

FYE DEC	FY18	FY19	FY20E	FY21E	FY22E
Valuation Ratio					
P/E ratio	34.36	28.72	27.55	24.07	21.21
P/B ratio	7.94	6.79	5.88	5.12	4.45
Per share data (RMB)					
EPS	2.88	3.45	3.59	4.11	4.67
Book value per share	12.47	14.58	16.83	19.34	22.26
Growth & Margin					
Revenue growth	8%	7%	2%	14%	10%
Net profit growth	16%	17%	4%	14%	13%
Net profit margin	8%	9%	9%	9%	9%
Gross profit margin	28%	29%	29%	30%	30%
Key Ratios					
ROE	23.1%	23.6%	21.4%	21.3%	21.0%
ROA	7.9%	8.6%	8.2%	8.8%	9.0%

Closing price as at 4 January 2021

Source: Company data, PSHK

Consolidated Statement of Profit or Loss and Other Comprehensive income

(RMB'000)						
Fiscal year	2017A	2018A	2019A	2020E	2021E	2022E
Fiscal year end date	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Revenue	241,918,896	261,819,635	279,380,506	286,068,172	326,428,802	360,593,409
Cost of Sales	(180,460,552)	(188,164,557)	(197,913,928)	(203,108,402)	(230,132,306)	(252,415,386)
Gross Profit	61,458,344	73,655,078	81,466,578	82,959,770	96,296,497	108,178,023
Interest expenses	(250,925)	(189,490)	(122,618)	(156,184)	(178,220)	(196,872)
Sales and distribution expenses	(26,738,673)	(31,085,879)	(34,611,231)	(35,439,737)	(40,439,839)	(44,672,343)
Administrative expenses	(14,780,236)	(17,948,840)	(19,169,498)	(19,628,367)	(22,397,684)	(25,241,539)
Other expenses	(1,419,145)	(1,620,780)	(1,732,249)	(1,590,725)	(1,647,918)	(1,656,964)
Impairment loss on assets	(269,112)	(447,864)	(871,909)	(266,838)	(528,870)	(555,872)
Change in fair value of investments	3,132,427	61,942	1,297,718	1,687,033	1,015,564	1,015,564
Other income/(expenses)	1,311,123	1,316,904	1,194,665	1,274,231	1,261,933	1,243,610
Finance (costs)/income	(815,949)	1,823,040	2,231,636	2,074,642	2,043,106	2,116,461
Profit before income tax	21,627,854	25,564,111	29,683,092	30,913,825	35,424,570	40,230,068
Other net non-operating income/(expenses)	226,920	208,947	246,022	227,296	227,422	233,580
Income tax benefits (expenses)	(3,243,584)	(4,122,639)	(4,651,970)	(4,853,471)	(5,561,657)	(6,316,121)
Profit for the year	18,611,190	21,650,419	25,277,144	26,287,651	30,090,334	34,147,527
Net profit attributable to ordinary shareholders	17,283,689	20,230,779	24,211,222	25,236,145	28,886,721	32,781,626
Net profit(loss) attributable to non-controlling interests	1,327,501	1,419,640	1,065,922	1,051,506	1,203,613	1,365,901

Source: Company data, PSHK

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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