

Oriental Energy (002221.SZ)

The leading position of PDH manufacturing is stable, and the profit is gradually restored

China | Chemistry |

Overview

Oriental Energy is a leading propane dehydrogenation (PDH) manufacturer. It has successfully transformed from a world-class LPG integrated operator into a world-leading propane dehydrogenation manufacturer. The company mainly deploys PDH devices and downstream polypropylene devices, and vigorously develops polypropylene high-end composite materials business. The company's PDH production route has great advantages in terms of investment cost, construction period, and production cost. The construction of Maoming Phase I project has made significant progress. It has been fully transferred to the trial run stage. With the completion of Zhangjiagang, Ningbo and Maoming production bases, the company is expected to become the world's largest polypropylene production base.

Company performance review

In 2022, the company achieved sales revenue of 29.19 billion, a year-on-year increase of 1.8%; net profit attributable to the parent company of 40 million, a year-on-year decrease of 96.7%; earnings per share of 0.027 yuan, a year-on-year decrease of 96.2%. The net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses was 10 million, a year-on-year decrease of 99.2%; the company's gross profit margin was 4.2%, a year-on-year decrease of 5.4 percentage points, and the net profit rate was 0.2%, a year-on-year decrease of 3.8 percentage points. The reason for the decrease in profits is that due to the impact of the Russia-Ukraine war, geopolitical conflicts pushed up the prices of raw materials such as crude oil and propane in the first half of the year. The market prices of propylene and polypropylene rose all the way and then fluctuated at high levels. The prices of propylene and polypropylene are constantly shifting between being affected by high upstream cost prices and being affected by low downstream demand, which has led to pressure on the domestic propylene and polypropylene markets.

18 August 2023

Buy

Current Price: 9.51 RMB

(Closing price as of August 14)

Target price 11 RMB (+15.6%)

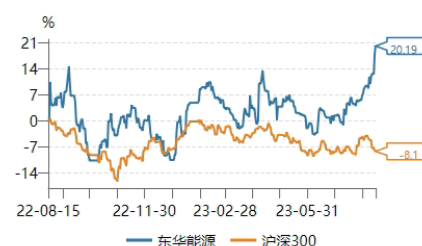
COMPANY DATA

| | |
|----------------------|-----------|
| O/S SHARES (hm): | 15.76 |
| MARKET CAP (RMB bn): | 161.4 |
| 52 - WK HI/LO (RMB): | 10.4/7.54 |

SHARE HOLDING PATTERN, %

| | |
|--|--------|
| Oriental Petroleum (Yangtze River) Co., Ltd. | 20.64% |
| Zhou Yifeng | 9.68% |
| Unocal Changjiang Co., Ltd. | 8.33% |

Stock Price & CSI 300 Index



Source: Phillip Securities (HK) Research

KEY FINANCIALS

| RMB thousand | FY21 | FY22E | FY23E | FY24E |
|-------------------|-------------|-------------|-------------|-------------|
| Revenue | 28681446.83 | 29198998.61 | 31534918.49 | 34057711.97 |
| Net profit | 1208068.70 | 48437.54 | 856674.56 | 1077338.74 |
| Diluted EPS (RMB) | 0.72 | 0.03 | 0.54 | 0.67 |
| P/E ratio, x | 13.15 | 352.22 | 17.70 | 14.13 |
| Dividend Yield, % | 2.28% | NA | 1.69% | 2.12% |

Source: Company reports, Phillip Securities Est.

Phillip Securities Research Department

(852) 2277 3881

research@phillip.com.hk

In the first quarter of 2023, the company achieved operating income of 7.16 billion, a year-on-year increase of 2.5%; realized net profit attributable to the parent company of 50 million, a year-on-year decrease of 51.4%. The performance is slightly lower than the forecast in the first quarter of 2023 to achieve a revenue of 7.8 billion and a net profit of 80 million. Affected by factors such as high raw material prices and insufficient downstream demand, profitability continued to be under pressure, but it recovered significantly from the previous quarter in 2022Q4 and turned losses into profits.

Main business analysis

Propylene is an important basic raw material product in China's chemical industry and an important monomer of synthetic resin materials. Its downstream products involve construction, automobile, packaging, textile and other fields. The downstream products of propylene are mainly polypropylene, acrylonitrile, propylene oxide, acrylic acid, etc., among which polypropylene is used in the largest amount. There are many varieties of downstream consumption of polypropylene, including drawing, fiber and other varieties. Polypropylene is increasingly widely used in new materials, automobiles, green building materials, medical equipment, food-grade packaging, electrical appliances, etc., and there is still great potential for future demand. In recent years, global polypropylene production capacity has maintained a steady growth trend. From 2018 to 2022, the compound annual growth rate of global polypropylene production capacity was about 6%, and the global polypropylene production capacity in 2022 increased by nearly 4% compared with 2021.

With the strong promotion of the domestic "double carbon" strategy, the domestic polyolefin industry will undergo major structural changes in the next few years. The global basic petrochemical industry is transitioning from heavy oil to light resources, and new raw materials, new technologies, and low emissions have become major trends. In the technology roadmap of key areas of "Made in China 2025", high-performance carbon fiber and its composite materials are classified as key strategic materials. The company's deep layout of the acrylonitrile and carbon fiber industry chain has transformed and developed by leaps and bounds again.

Of the few propylene production-focused processes, propane dehydrogenation (PDH), which converts low-value propane to high-value propylene, has proven to be the most efficient. The company has transformed into a PDH manufacturer. PDH is to separate the two hydrogens in propane (C_3H_8) through a catalytic reaction to produce propylene (C_3H_6)

and hydrogen. PDH technology has low energy consumption, more cost advantages, less carbon emissions, which is in line with the domestic clean energy development route. The company has 1.8 million tons/year of PDH and 1.6 million tons/year of polypropylene PP production capacity. The Maoming Phase I project under construction includes 600,000 tons/year of PDH, 400,000 tons/year of PP, and 300,000 tons/year of synthetic ammonia. With the increase of PDH production capacity, the output of by-product hydrogen has also been greatly increased. Under the background of the country's promotion of carbon peaking and carbon neutrality, there is a great potential for hydrogen energy demand.

In 2022, the company's polypropylene business achieved revenue of 12.42 billion, a year-on-year increase of 22.2%, accounting for 42.5% of the company's main business revenue. The production volume of polypropylene is 1.627 million tons, and the sales volume is 1.668 million tons. The overall average selling price of the sector is 74.46 Yuan/ton, a year-on-year decrease of 4.7%. The gross profit margin of the polypropylene business was 4.1%, a year-on-year decrease of 13.4 percentage points. The company's propylene business realized revenue of 890 million, a year-on-year decrease of 56.6%, accounting for 3% of the company's main business income. The production volume of propylene was 1.618 million tons, and the sales volume was 133,000 tons, the overall average selling price of the sector was 6,723 yuan/ton, a year-on-year increase of 2.8%. The gross profit margin of the propylene business was 2.9%, a year-on-year decrease of 9.3 percentage points. The reason for the decline in the gross profit of the polypropylene business and the propylene business was that due to the impact of rising global bulk raw material and energy prices, the company's main raw material costs rose, resulting in a decline in profitability. PDH-PP (Propane dehydrogenation-polypropylene) industry profits have narrowed significantly. According to the Global Trade Monitoring and Analysis Center of the General Administration of Customs and the Shanghai Petroleum and Natural Gas Trading Center, the average contract price (CP) of propane in 2022 was US\$713/ton, a year-on-year increase of 9%; The average price of PP was 8352 yuan/ton, a year-on-year decrease of 4%. In 2023Q1, the average contract price (CP) of propane was US\$647/ton, a decrease of 21% year-on-year and an increase of 8% month-on-month; the average price of PP was 7784 yuan/ton, a decrease of 10% year-on-year and a decrease of 2% month-on-month. The price difference between propylene and propane is usually US\$300-500/ton. In terms of international pricing benchmarks, according to the data released by Saudi Aramco in July 2023, the propane contract price (CP) in July was US\$400/ton, a decrease of US\$50 from the

previous month, a decrease of 11.1% from the previous month, and a decrease of 44.8% from the same period last year. The continuous decline in raw material prices is conducive to the recovery of the company's profitability.

The company's liquefied petroleum gas business realized revenue of 15.1 billion, a year-on-year decrease of 4.2%, accounting for 51.8% of the company's main business income. The gross profit margin of the liquefied petroleum gas business was 0.6%, a year-on-year decrease of 1.6 percentage points due to the high positive correlation between international price of LPG and crude oil prices. In 2022, the price of LPG showed a trend of rising rapidly and falling slowly. In the first half of the year, due to the conflict between Russia and Ukraine, international oil prices rose strongly. As a by-product of crude oil, the price of LPG jumped to the highest point in the year. In the second half of the year, the cost-side support provided by crude oil and overseas imports weakened, and the demand was weak, resulting in a weaker LPG price shock. From the perspective of crude oil prices, international oil prices rose slightly month-on-month in July. OPEC+ oil-producing countries implemented production cuts and Saudi Arabia promised to reduce production by an additional 1 million barrels per day in July, and Russia's seaborne oil exports fell. In addition, U.S. crude oil inventories have fallen more than expected, and the U.S. has begun to repurchase crude oil to fill its strategic oil reserves, which will help tighten oil supply, thereby prompting a rebound in international oil prices. The recent uptrend of international oil price fluctuations will affect the rise of domestic and foreign LPG market prices, which is conducive to the recovery of the company's profitability.

Valuation and recommendation

The price of propane raw materials has a strong correlation with oil prices. Under medium and high oil prices, the profitability of propane dehydrogenation is higher than that of traditional steam cracking processes in refineries. In 2023, international oil prices will be stimulated by the fall of the US dollar, strong demand from China and developing countries, and supply cuts by major oil exporters. It is predicted that the future oil price will be at a medium to high level. In addition, the price reduction promotion policy of new energy vehicles is favorable, and the demand for polypropylene continues to recover, which will bring greater performance flexibility to the recovery of PDH's profitability. After Maoming's production capacity is put into operation in 2023, the company will form a scale advantage, and there is potential for further improvement in gross profit

margin. In terms of business development, the by-product hydrogen of the company's PDH project helps the rapid development of the hydrogen energy industry. A large amount of cheap, high-purity by-product hydrogen is produced in the propane dehydrogenation unit, which provides a large amount of low-cost hydrogen for the development of the hydrogen energy industry and reduces the operating cost of the hydrogen energy industry. The government of Maoming strongly promotes the development of hydrogen energy. As the leader in the propane dehydrogenation industry, the company is expected to realize the comprehensive utilization of hydrogen energy and provide income from by-products.

We predict that the company's revenue will be 31.5 billion and 34 billion in 2023-2024 respectively, with a compound annual growth rate of 8%, and sales per share will be 20.01/21.61x, corresponding to a price-to-sales ratio (P/S) of 0.48/ 0.44 x. The company's average P/S in the past three years was about 0.57x. We give the company 0.55 times P/S in 2023, and a target price of 11 RMB, with a "buy" rating. (Current price as of August 14)

Risk factors

Raw material prices fluctuate, downstream demand falls short of expectations, and the industry has overcapacity.

PS curve



Source: Winds, Phillip Securities (HK) Research

Financial

Consolidated Statement of Profit or Loss

| Dec Y/E, RMB thousand | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total net revenues | 46,187,623.60 | 29,081,749.41 | 28,681,446.83 | 29,198,998.61 | 31,534,918.49 | 34,057,711.97 |
| Liquefied petroleum gas | 35,951,635.64 | 20,631,770.48 | 15,800,486.82 | 15,134,659.39 | 16,345,432.14 | 17,653,066.71 |
| Polypropylene | 7,945,147.31 | 6,587,450.04 | 10,161,992.54 | 12,422,103.96 | 13,415,872.28 | 14,489,142.06 |
| Propylene | 1,252,542.07 | 1,391,516.78 | 2,069,633.88 | 896,887.89 | 968,638.92 | 1,046,130.03 |
| Other business | 1,038,298.58 | 471,012.11 | 649,333.59 | 745,347.37 | 804,975.16 | 869,373.17 |
| Total cost of revenues | 43,737,081.20 | 26,572,704.80 | 25,916,528.70 | 27,958,319.68 | 29,327,474.20 | 31,454,231.44 |
| Liquefied petroleum gas | 35,203,730.88 | 20,420,141.58 | 15,451,921.49 | 15,042,748.48 | 15,779,411.03 | 16,923,695.61 |
| Polypropylene | 6,603,343.64 | 4,734,169.98 | 8,382,101.18 | 11,909,896.17 | 12,493,138.95 | 13,399,111.06 |
| Propylene | 1,080,769.43 | 1,115,215.41 | 1,815,566.80 | 870,766.78 | 913,409.34 | 979,647.57 |
| Other business | 849,237.24 | 303,177.84 | 266,939.23 | 134,908.25 | 141,514.88 | 151,777.20 |
| Total gross profit | 2,450,542.40 | 2,509,044.62 | 2,764,918.13 | 1,240,678.93 | 2,207,444.29 | 2,603,480.53 |
| Sales and marketing expenses | 194,913.59 | 104,549.00 | 112,044.49 | 105,161.54 | 120,315.80 | 129,941.06 |
| General and administrative expenses | 297,710.14 | 348,641.77 | 281,239.56 | 218,263.65 | 235,724.74 | 254,582.72 |
| Research and development expenses | 3,957.76 | 95,017.81 | 116,459.02 | 16,071.06 | 17,356.74 | 18,745.28 |
| Other income(expense) | 513,821.11 | 406,564.55 | 687,660.01 | 906,808.46 | 691,814.28 | 763,759.82 |
| EBIT | 1,440,139.80 | 1,554,271.49 | 1,567,515.05 | -5,625.77 | 1,142,232.74 | 1,436,451.66 |
| Income tax | 333,200.45 | 341,799.71 | 359,446.35 | -54,063.31 | 285,558.19 | 359,112.91 |
| Net profit | 1,106,939.36 | 1,212,471.78 | 1,208,068.70 | 48,437.54 | 856,674.56 | 1,077,338.74 |
| EPS(RMB) | 0.70 | 0.77 | 0.72 | 0.03 | 0.54 | 0.67 |
| DPS(RMB) | 0.211 | 0.231 | 0.217 | NA | 0.2 | 0.2 |
| Dividend payout ratio | 30.21% | 30.09% | 30.00% | NA | 30.00% | 30.00% |
| Weighted shares outstanding | 1,649,783 | 1,649,023 | 1,649,023 | 1,576,128 | 1,576,128 | 1,576,128 |

Consolidated Statement of Financial Position

| Dec Y/E, RMB thousand | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Current assets | | | | | | |
| Cash, CE and Restricted cash | 8,525,563.67 | 7,661,649.58 | 9,769,181.40 | 7,917,163.33 | 11,425,042.60 | 12,075,728.73 |
| Inventory | 2,068,969.87 | 2,225,899.75 | 2,877,202.33 | 4,230,373.63 | 4,568,803.52 | 4,934,307.80 |
| Account receivable, net | 4,491,364.54 | 4,331,786.37 | 5,382,043.30 | 6,353,901.60 | 6,932,532.36 | 7,418,378.14 |
| Short-term investment | 757,286.58 | 314,885.30 | 54,674.18 | 21,187.61 | 234,849.75 | 234,849.75 |
| Other current assets | 284,331.00 | 288,790.39 | 296,457.32 | 610,964.75 | 888,654.32 | 1,292,556.59 |
| Accounts Prepayment | 706,285.89 | 740,614.38 | 583,285.27 | 454,732.81 | 474,339.00 | 508,873.77 |
| Total Current Assets | 16,833,801.56 | 15,563,625.78 | 18,962,843.79 | 19,588,323.73 | 24,524,221.54 | 26,464,694.78 |
| Non-current assets | | | | | | |
| Property and equipment, net | 9,809,891.63 | 11,147,590.98 | 12,991,157.56 | 17,981,850.69 | 15,499,200.58 | 16,739,136.63 |
| Deferred Tax Asset | 70,621.87 | 78,054.14 | 100,198.74 | 175,967.65 | 99,847.05 | 107,834.82 |
| Intangible assets, net | 1,188,162.62 | 1,169,015.25 | 1,758,586.89 | 1,702,172.85 | 1,702,172.85 | 1,702,172.85 |
| Long-term prepaid expenses | 45,937.40 | 28,069.32 | 24,801.41 | 37,457.12 | 37,457.12 | 37,457.12 |
| Long-term investments, net | 21,830.99 | 21,539.53 | 19,074.11 | 31,852.73 | 31,852.73 | 31,852.73 |
| Other non-current assets | 111,189.64 | 115,962.72 | 2,090,725.61 | 1,843,002.45 | 1,591,107.06 | 1,376,797.47 |
| Total Non-Current Assets | 11,247,634.16 | 12,560,231.95 | 16,984,544.32 | 21,772,303.50 | 18,961,637.39 | 19,995,251.62 |
| Total Assets | 28,081,435.72 | 28,123,857.73 | 35,947,388.11 | 41,360,627.23 | 43,485,858.93 | 46,459,946.39 |
| Non-current Liabilities | | | | | | |
| Long-term debt | 2,470,603.60 | 4,815,031.76 | 7,022,794.33 | 10,376,104.73 | 10,376,104.73 | 10,376,104.73 |
| Other long-term liabilities | 83,074.20 | 75,421.29 | 63,450.57 | 56,417.28 | 71,867.96 | 71,867.96 |
| Total Non-current Liabilities | 2,553,677.79 | 4,890,453.05 | 7,086,244.89 | 10,432,522.01 | 10,447,972.68 | 10,447,972.68 |
| Current Liabilities | | | | | | |
| Account payable | 4,076,623.96 | 3,050,265.84 | 3,051,662.15 | 4,008,839.26 | 4,101,458.69 | 4,417,199.88 |
| Accounts received in advance | 185,530.02 | 10,596.49 | 2,857.06 | 543.06 | 4,665.54 | 4,665.54 |
| Other current liabilities | 11,925,229.81 | 9,964,911.53 | 13,260,495.71 | 14,856,104.01 | 16,343,177.41 | 18,264,937.94 |
| Total current liabilities | 16,187,383.79 | 13,025,773.86 | 16,315,014.92 | 18,865,486.33 | 20,449,301.64 | 22,686,803.35 |
| Total liabilities | 18,741,061.59 | 17,916,226.91 | 23,401,259.82 | 29,298,008.34 | 30,897,274.33 | 33,134,776.04 |
| Equity | | | | | | |
| Total shareholders' equity | 9,340,374.13 | 10,207,630.81 | 12,546,128.29 | 12,062,618.88 | 12,588,584.61 | 13,325,170.35 |
| Total equity | 9,340,374.13 | 10,207,630.81 | 12,546,128.29 | 12,062,618.88 | 12,588,584.61 | 13,325,170.35 |
| Total liabilities and equity | 28,081,435.72 | 28,123,857.73 | 35,947,388.11 | 41,360,627.23 | 43,485,858.94 | 46,459,946.39 |

Consolidated Statement of Cash Flow

| Dec Y/E, RMB thousand | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| CFO | 1,177,952.57 | 885,300.50 | 1,178,181.21 | -906,963.11 | -2,720,432.60 | -1,999,445.69 |
| Net profit | 1,106,939.36 | 1,212,471.78 | 1,208,068.70 | 48,437.54 | 856,674.56 | 1,077,338.74 |
| Depreciation and Amortization | 623,057.33 | 626,877.43 | 634,158.58 | 846,506.18 | 1,133,514.02 | 989,107.91 |
| Change in working capital | -1,179,248.35 | -1,484,523.20 | -1,249,644.81 | -2,531,915.35 | -5,566,987.63 | -5,070,488.15 |
| Others | 627,204.22 | 530,474.48 | 585,598.74 | 730,008.52 | 856,366.45 | 1,004,595.80 |
| CFI | 343,613.16 | -1,054,020.00 | -2,851,946.12 | -4,496,658.12 | 2,286,544.01 | -1,291,636.04 |
| Short term and long term investment, net | 1,958,338.35 | 636,984.77 | 216,900.64 | -6,497.33 | 937,407.92 | 937,407.92 |
| Purchase of property, equipment and intangible assets | -1,614,725.19 | -1,691,004.77 | -3,068,846.76 | -4,490,160.79 | 1,349,136.09 | -2,229,043.96 |
| CFF | -871,948.78 | -1,026,594.59 | 3,825,877.96 | 3,273,225.12 | 2,024,169.49 | 2,024,169.49 |
| Cash paid for distribution of dividends | -763,426.92 | -935,688.36 | -1,004,877.26 | -1,338,059.38 | -1,092,875.00 | -1,092,875.00 |
| Cash received from financing | -108,521.86 | -90,906.23 | 4,830,755.21 | 4,611,284.50 | 3,117,044.49 | 3,117,044.49 |
| Effect of exchange rate changes on cash | -39,637.51 | -72,222.30 | -43,757.88 | -41,378.30 | -52,452.83 | -52,452.83 |
| Net Change in Cash | 609,979.43 | -1,267,536.39 | 2,108,355.16 | -2,171,774.41 | 1,537,828.07 | -1,319,365.07 |
| Cash, CE and Restricted cash at Beg | 6,309,033.29 | 6,919,012.71 | 5,651,476.32 | 7,834,807.10 | 7,917,163.33 | 11,425,042.60 |
| Restricted currency funds for disbursements | 1,606,550.96 | 2,010,173.26 | 2,009,349.92 | 2,254,130.64 | 1,970,051.20 | 1,970,051.20 |
| Cash, CE and Restricted cash at Y/E | 8,525,563.67 | 7,661,649.58 | 9,769,181.40 | 7,917,163.33 | 11,425,042.60 | 12,075,728.73 |

Key Financial Data

| Dec Y/E | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E |
|---------|------|------|------|------|-------|-------|
|---------|------|------|------|------|-------|-------|

Valuation Ratio

| | | | | | | |
|------------------|-------|-------|-------|--------|-------|-------|
| P/E | 13.62 | 12.39 | 13.15 | 352.22 | 17.70 | 14.13 |
| P/S | 0.34 | 0.54 | 0.55 | 0.51 | 0.48 | 0.44 |
| Dividend Yield,% | 2.22% | 2.43% | 2.28% | NA | 1.69% | 2.12% |
| Price | 9.51 | 9.51 | 9.51 | 9.51 | 9.51 | 9.51 |

Per Share data(RMB)

| | | | | | | |
|-----------------|-------|-------|-------|-------|-------|-------|
| EPS(RMB) | 0.70 | 0.77 | 0.72 | 0.03 | 0.54 | 0.67 |
| BVPS | 5.66 | 6.19 | 7.61 | 7.65 | 7.99 | 8.45 |
| DPS | 0.211 | 0.231 | 0.217 | NA | 0.2 | 0.2 |
| Sales Per Share | 28.00 | 17.64 | 17.39 | 18.53 | 20.01 | 21.61 |

Growth&Margin

| | | | | | | |
|---------------------|---------|---------|--------|----------|-----------|--------|
| Revenue Growth | -23.81% | -37.04% | -1.38% | 1.80% | 8.00% | 8.00% |
| Gross Profit Growth | -88.05% | 2.39% | 10.20% | -55.13% | 77.92% | 17.94% |
| EBIT Growth | -90.99% | 7.93% | 0.85% | -100.36% | 20403.59% | 25.76% |
| Net Profit Growth | -91.37% | 9.53% | -0.36% | -95.99% | 1668.62% | 25.76% |

Margin

| | | | | | | |
|---------------------|-------|-------|-------|--------|-------|-------|
| Gross Profit Margin | 5.31% | 8.63% | 9.64% | 4.25% | 7.00% | 7.64% |
| EBIT Margin | 3.12% | 5.34% | 5.47% | -0.02% | 3.62% | 4.22% |
| Net Profit Margin | 2.39% | 4.16% | 3.97% | 0.15% | 2.69% | 3.12% |

Key Ratios

| | | | | | | |
|-----|--------|--------|-------|-------|-------|-------|
| ROE | 11.82% | 11.86% | 9.09% | 0.35% | 6.73% | 7.96% |
| ROA | 3.93% | 4.30% | 3.17% | 0.10% | 1.95% | 2.28% |

Current price as of August 14, 2023

source: PSHK Est.

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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Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050

The Chicago Board of Trade Building

Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

Level 10, 330 Collins Street

Melbourne VIC 3000

Tel (+61) 3 8633 9803 Fax (+61) 3 8633 9899

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm