# Ruijie Networks (301165 CH)

## Buy: SuperPOD adoption to further drive network demand growth

**Equities**
Software

China

- Market overlooks the quantitative scale of SuperPOD switch volume; we quantify demand and raise 2027-28e earnings
- SuperPOD boosts GPU-to-switch ratio to 4:1 (from 20:1), unlocking cRMB12bn near-term incremental revenue for Ruijie
- Maintain Buy; raise PE-based TP to RMB139.00 (from RMB129.00)

**Market underestimates SuperPOD switch volume.** Ruijie's share price has corrected 24% since its peak in mid August (vs SWS Communication Index down 7% over the same period) given cooled-down AI hardware sentiment. While the market has broadly recognised the narrative that SuperPOD will drive a surge in switch demand and ASP, there is a lack of quantitative analysis on switch volume magnitude. We quantified the incremental switch demand from localised SuperPOD in this report, and raise our 2027-28e earnings estimates. Our 2027 and 2028e revenue and net profit estimates are 7/4% and 25/7% above Wind consensus respectively. We expect Ruijie to continue to benefit from structural switch volume growth and ASP hikes, and we expect robust earnings growth to drive further valuation re-rating. Reiterate Buy.

**We quantify incremental switch demand from localised SuperPOD.** The transition from traditional tree topology GPU clusters to SuperPOD architecture represents a structural inflection in switch-to-GPU ratio. Per our analysis, GPU:switch ratio of a thousand-accelerator fat-tree SuperPOD cluster could reach 4:1, c5x of that of an ordinary fat-tree GPU cluster. We estimate China's domestic SuperPOD shipments to reach over 16,000 over 2H26-2027e, bringing c250k SuperPOD- switch demand. Assuming Ruijie's share of domestic SuperPOD switches is 30% with an ASP of RMB150k, we estimate incremental revenue of RMB12bn from SuperPOD switches over 2H26-2027e vs RMB7bn in 2025 for traditional switch revenue.

**Estimate revisions.** We raise our 2026-28 revenue estimates by 5%, 29%, and 27%, respectively, mainly as we factor in domestic SuperPOD switch demand and expect higher data centre switch sales volume and higher ASPs for Ruijie. Along with higher R&D investment in SuperPOD switches and advanced optical architecture, we raise our 2027-28e net profit by 48% and 33%, respectively.

**Maintain Buy; raise PE-based TP to RMB139.00 (from RMB129.00)** mainly as: 1) we continue to refer to peers' valuation but apply a lower 2027e target PE multiple of 43x (previously 59x) on a lower peers' average 2027e PE; and 2) we raise our 2027e EPS to RMB3.23 (from RMB2.19). We derive our new TP of RMB139.00 (from RMB129.00), implying 24% upside. Hence, we maintain our Buy rating on the stock. See **key downside risks** on *page 6*.

**MAINTAIN BUY**

| TARGET PRICE (CNY) | PREVIOUS TARGET (CNY) |
|---|---|
| **139.00** | **129.00** |
| SHARE PRICE (CNY) | UPSIDE/DOWNSIDE |
| **111.99** | **+24.1%** |
| (as of 07 Sep 2026) | |

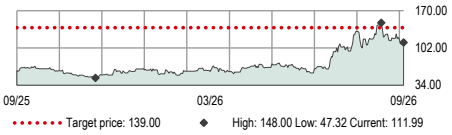
MARKET DATA

| | | | |
|---|---|---|---|
| Market cap (CNYm) | 124,716 | Free float | 100% |
| Market cap (USDm) | 18,584 | BBG | 301165 CH |
| 3m ADTV (USDm) | 414 | RIC | 301165.SZ |

FINANCIALS AND RATIOS (CNY)

| Year to | 12/2025a | 12/2026e | 12/2027e | 12/2028e |
|---|---|---|---|---|
| HSBC QH EPS | 0.63 | 1.72 | 3.23 | 3.93 |
| HSBC QH EPS prev | 0.63 | 1.73 | 2.19 | 2.96 |
| Change (%) | 0.0 | -0.1 | 47.8 | 33.0 |
| Consensus EPS | 0.89 | 1.39 | 2.21 | 2.77 |
| PE (x) | 179.1 | 65.0 | 34.6 | 28.5 |
| Dividend yield (%) | 0.5 | 0.8 | 1.7 | 2.1 |
| EV/EBITDA (x) | 109.3 | 62.4 | 30.3 | 24.8 |
| ROE (%) | 13.7 | 29.3 | 53.2 | 52.4 |

52-WEEK PRICE (CNY)




Source: LSEG IBES, HSBC Qianhai Securities estimates

**Yiran Liu* (Reg. No. S1700520040001)**
**Head of A-share IT Software Research**
HSBC Qianhai Securities Limited
yiran1.liu@hsbcqh.com.cn
+86 10 5795 2349

**Heng Zhang* (Reg. No. S1700524050001)**
**Analyst, A-share IT Software Research**
HSBC Qianhai Securities Limited
heng.zhang@hsbcqh.com.cn
+86 10 5795 2384

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# Financials & valuation: Ruijie Networks

**Buy**

## Financial statements

| Year to | 12/2025a | 12/2026e | 12/2027e | 12/2028e |
|---|---|---|---|---|
| **Profit & loss summary (CNYm)** | | | | |
| Revenue | 14,316 | 21,069 | 33,639 | 42,268 |
| EBITDA | 1,134 | 1,991 | 4,121 | 5,005 |
| Depreciation & amortisation | -278 | -168 | -167 | -201 |
| Operating profit/EBIT | 856 | 1,824 | 3,953 | 4,804 |
| Net interest | 1 | 9 | 0 | -1 |
| PBT | 825 | 1,793 | 3,923 | 4,774 |
| HSBC Qianhai PBT | 825 | 1,793 | 3,923 | 4,774 |
| Taxation | -129 | -143 | -314 | -382 |
| Net profit | 696 | 1,646 | 3,600 | 4,381 |
| HSBC Qianhai net profit | 656 | 1,605 | 3,559 | 4,340 |
| **Cash flow summary (CNYm)** | | | | |
| Cash flow from operations | 1,828 | 925 | 2,088 | 3,825 |
| Capex | -249 | -587 | -614 | -642 |
| Cash flow from investment | -503 | -587 | -614 | -642 |
| Dividends | -418 | -987 | -2,160 | -2,628 |
| Change in net debt | -1,260 | 283 | 596 | -610 |
| FCF equity | 1,579 | 337 | 1,474 | 3,183 |
| **Balance sheet summary (CNYm)** | | | | |
| Intangible fixed assets | 1,755 | 2,222 | 2,723 | 3,223 |
| Tangible fixed assets | 608 | 560 | 507 | 448 |
| Current assets | 7,846 | 9,403 | 12,286 | 14,986 |
| Cash & others | 2,648 | 2,365 | 1,769 | 2,379 |
| Total assets | 10,224 | 12,201 | 15,531 | 18,671 |
| Operating liabilities | 3,338 | 4,334 | 6,215 | 7,592 |
| Gross debt | 1,897 | 1,897 | 1,897 | 1,897 |
| Net debt | -751 | -468 | 128 | -482 |
| Shareholders' funds | 4,989 | 5,966 | 7,406 | 9,158 |
| Invested capital | 4,223 | 5,487 | 7,532 | 8,685 |

## Ratio, growth and per share analysis

| Year to | 12/2025a | 12/2026e | 12/2027e | 12/2028e |
|---|---|---|---|---|
| **Y-o-y % change** | | | | |
| Revenue | 22.4 | 47.2 | 59.7 | 25.7 |
| EBITDA | 75.1 | 75.5 | 106.9 | 21.5 |
| Operating profit | 93.3 | 112.9 | 116.8 | 21.5 |
| PBT | 103.5 | 117.3 | 118.8 | 21.7 |
| HSBC Qianhai EPS | -38.1 | 175.7 | 87.5 | 21.7 |
| **Ratios (%)** | | | | |
| Revenue/IC (x) | 3.1 | 4.3 | 5.2 | 5.2 |
| ROIC | 17.5 | 35.8 | 56.7 | 55.5 |
| ROE | 13.7 | 29.3 | 53.2 | 52.4 |
| ROA | 7.3 | 15.0 | 26.2 | 25.8 |
| EBITDA margin | 7.9 | 9.5 | 12.2 | 11.8 |
| Operating profit margin | 6.0 | 8.7 | 11.8 | 11.4 |
| EBITDA/net interest (x) | | | | 4201.3 |
| Net debt/equity | -15.1 | -7.8 | 1.7 | -5.3 |
| Net debt/EBITDA (x) | -0.7 | -0.2 | 0.0 | -0.1 |
| CF from operations/net debt | | | 1634.9 | |
| **Per share data (CNY)** | | | | |
| EPS Rep (diluted) | 0.88 | 1.48 | 3.23 | 3.93 |
| HSBC Qianhai EPS (diluted) | 0.63 | 1.72 | 3.23 | 3.93 |
| DPS | 0.53 | 0.89 | 1.94 | 2.36 |
| Book value | 6.27 | 5.36 | 6.65 | 8.22 |

## Valuation data

| Year to | 12/2025a | 12/2026e | 12/2027e | 12/2028e |
|---|---|---|---|---|
| EV/sales | 8.7 | 5.9 | 3.7 | 2.9 |
| EV/EBITDA | 109.3 | 62.4 | 30.3 | 24.8 |
| EV/IC | 29.4 | 22.6 | 16.6 | 14.3 |
| PE* | 179.1 | 65.0 | 34.6 | 28.5 |
| PB | 17.9 | 20.9 | 16.8 | 13.6 |
| FCF yield (%) | 1.3 | 0.3 | 1.2 | 2.6 |
| Dividend yield (%) | 0.5 | 0.8 | 1.7 | 2.1 |

* Based on HSBC Qianhai EPS (diluted)

## ESG metrics

| Environmental Indicators | 12/2025a |
|---|---|
| GHG emission intensity* | n/a |
| Energy intensity* | n/a |
| $CO_2$ reduction policy | Yes |
| **Social Indicators** | **12/2025a** |
| Employee costs as % of revenues | n/a |
| Employee turnover (%) | n/a |
| Diversity policy | Yes |

| Governance Indicators | 12/2025a |
|---|---|
| No. of board members | 9 |
| Average board tenure (years) | n/a |
| Female board members (%) | 33.3 |
| Board members independence (%) | 33.3 |

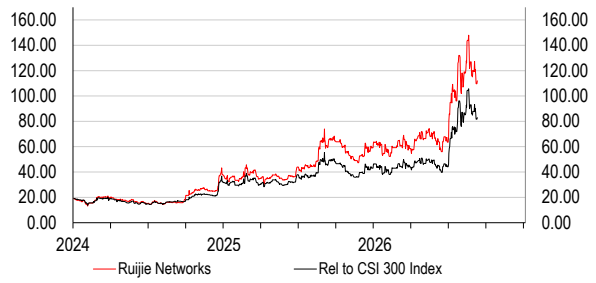
Source: Company data, HSBC Qianhai Securities

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

## Issuer information

| | | | |
|---|---|---|---|
| Share price (CNY) | 111.99 | Free float | 100% |
| Target price (CNY) | 139.00 | Sector | Software |
| RIC (Equity) | 301165.SZ | Country/Region | China |
| Bloomberg (Equity) | 301165 CH | Analyst | Yiran Liu |
| Market cap (USDm) | 18,584 | Contact | +86 10 5795 2349 |

## Price relative




Source: HSBC Qianhai Securities

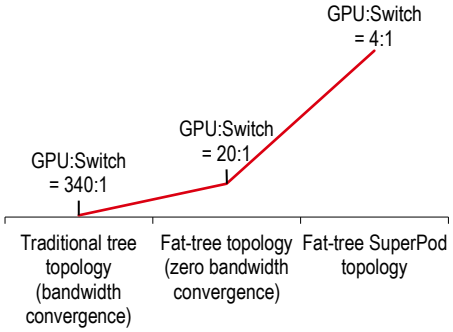
Note: Priced at close of 07 Sep 2026

## Quantify the incremental switch demand from SuperPOD

The transition from traditional scale-out GPU clusters to SuperPOD architecture represents a structural inflection in switch intensity. According to Ruijie Networks, Nvidia, Huawei, and our analysis, for a 1,024-GPU cluster, under conventional tree network topology, the GPU-to-switch ratio sits at c340:1 (assuming 2 switch chips per switch). Under CLOS fat-tree (spine-leaf) network topology, the GPU-to-switch ratio improves to c20:1. SuperPOD designs integrate a dedicated scale-up fabric within the compute domain, lifting switch density by c5x to a GPU:switch ratio of c4:1.

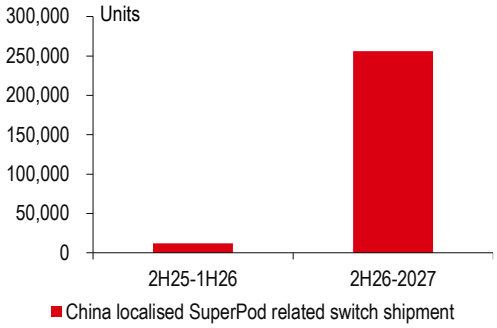
By July 2026, the shipment of Huawei's Ascend CloudMatrix384 SuperPOD, launched in May 2025, had reached over 750 (source: Southern Metropolis Daily, 16 July 2026). We expect large-scale SuperPOD orders from domestic hyperscalers to be placed starting from 2H26e, and we estimate China domestic SuperPOD shipments to reach over 16,000 over 2H26e and 2027e. Applying a GPU:switch ratio of 4:1, we estimate over 250k SuperPOD switches demand.

**Exhibit 1. SuperPOD adoption should bring increasing switch density in compute cluster**




Source: Ruijie company data, Nvidia, Huawei, HSBC Qianhai Securities estimates

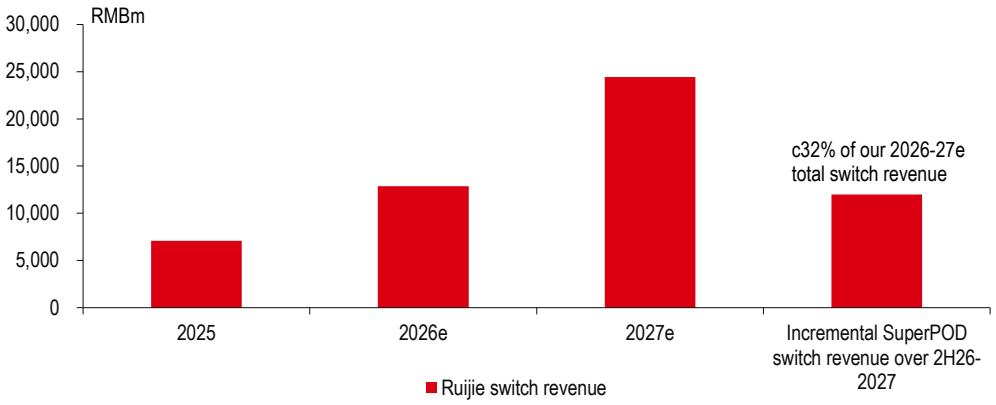
**Exhibit 2. We estimate China localised SuperPOD related switch shipment to grow robustly over 2H26-2027e**




Source: Ruijie company data, Huaqin, Southern Metropolis Daily (16 July 2026), HSBC Qianhai Securities estimates

Assuming Ruijie's share of domestic SuperPOD switches is at 30% with an ASP of RMB150k, we estimate incremental revenue of RMB12bn from SuperPOD switches over 2H26-2027e (vs RMB7bn in 2025 for traditional switch revenue).

**Exhibit 3. We quantify incremental SuperPOD revenue for Ruijie to reach RMB12bn over 2H26-2027e**




Source: Company data, HSBC Qianhai Securities estimates

## Estimate revisions

Ruijie's 2Q26 revenue and net profit grew 42% and 66% y-o-y respectively, in line with its preliminary results range.

We raise our 2026-28 revenue estimates by 5%, 29%, and 27%, respectively, mainly as we factor in domestic SuperPOD switch demand and expect higher data centre switch sales volume and higher ASP for Ruijie.

In addition, as we expect more R&D investment on SuperPOD switch and advanced optical architecture like LPO, NPO, CPO, we raise our 2026-28e core expenses (selling, administrative and R&D expenses combined) by 9%, 17%, and 20%, respectively.

After above changes, our 2026e net profit estimate is largely unchanged, and we raise our 2027-28e net profit by 48% and 33%, respectively.

**Exhibit 4. Revenue estimate changes, by segment**

| | 2026e | | | 2027e | | | 2028e | | |
|---|---|---|---|---|---|---|---|---|---|
| (RMBm) | Old | New | Change | Old | New | Change | Old | New | Change |
| Network Devices | 18,280 | 19,156 | 5% | 24,130 | 31,608 | 31% | 31,127 | 40,142 | 29% |
| Cloud Desktop Solutions | 630 | 630 | 0% | 693 | 693 | 0% | 728 | 728 | 0% |
| Network Security Products | 518 | 553 | 7% | 544 | 608 | 12% | 572 | 669 | 17% |
| Others | 729 | 729 | 0% | 729 | 729 | 0% | 729 | 729 | 0% |
| **Total** | **20,158** | **21,069** | **5%** | **26,096** | **33,639** | **29%** | **33,156** | **42,268** | **27%** |

Source: HSBC Qianhai Securities estimates

**Exhibit 5. Revenue and earnings estimate changes**

| | 2026e | | | 2027e | | | 2028e | | |
|---|---|---|---|---|---|---|---|---|---|
| (RMBm) | Old | New | Change | Old | New | Change | Old | New | Change |
| Revenue | 20,158 | 21,069 | 5% | 26,096 | 33,639 | 29% | 33,156 | 42,268 | 27% |
| Costs | 13,852 | 14,383 | 4% | 18,393 | 23,797 | 29% | 23,933 | 30,792 | 29% |
| Gross profit | 6,306 | 6,686 | 6% | 7,704 | 9,842 | 28% | 9,223 | 11,476 | 24% |
| | | | | | | | | | |
| Selling expenses | 1,634 | 1,758 | 8% | 1,721 | 1,855 | 8% | 1,842 | 1,987 | 8% |
| Administrative expenses | 727 | 708 | -3% | 778 | 748 | -4% | 835 | 792 | -5% |
| R&D expenses | 2,221 | 2,523 | 14% | 2,625 | 3,384 | 29% | 3,017 | 4,049 | 34% |
| Financing expenses | 8 | 9 | 13% | 10 | 17 | 77% | 8 | 19 | 127% |
| Tax and extra charges | 82 | 63 | -23% | 106 | 101 | -5% | 135 | 127 | -6% |
| Impairment loss | 92 | 84 | -9% | 119 | 135 | 13% | 152 | 169 | 11% |
| | | | | | | | | | |
| Other operating income | 244 | 244 | 0% | 301 | 312 | 4% | 347 | 432 | 24% |
| Operating profit | 1,787 | 1,784 | 0% | 2,644 | 3,914 | 48% | 3,580 | 4,764 | 33% |
| | | | | | | | | | |
| Non-operating income | 17 | 17 | 0% | 17 | 17 | 0% | 17 | 17 | 0% |
| Non-operating expenses | 7 | 7 | 0% | 7 | 7 | 0% | 7 | 7 | 0% |
| Profit before tax | 1,796 | 1,793 | 0% | 2,654 | 3,923 | 48% | 3,589 | 4,774 | 33% |
| Income tax | 144 | 143 | 0% | 212 | 314 | 48% | 287 | 382 | 33% |
| Profit after tax | 1,652 | 1,650 | 0% | 2,441 | 3,609 | 48% | 3,302 | 4,392 | 33% |
| Minority Interest | 4 | 4 | 0% | 6 | 9 | 48% | 8 | 11 | 33% |
| **Net profit** | **1,648** | **1,646** | **0%** | **2,435** | **3,600** | **48%** | **3,294** | **4,381** | **33%** |

Source: HSBC Qianhai Securities estimates

Our 2027-28 revenue and net profit estimates are above Wind consensus, as we are more optimistic on: 1) the data centre switch volume and ASP tailwinds; and 2) Ruijie's net margin expansion backed by economies of scale.

**Exhibit 6. HSBC Qianhai Securities estimates versus Wind consensus**

| | HSBC Qianhai estimates | | | Wind consensus | | | Difference | | |
|---|---|---|---|---|---|---|---|---|---|
| (RMBm) | 2026e | 2027e | 2028e | 2026e | 2027e | 2028e | 2026e | 2027e | 2028e |
| Revenue | 21,069 | 33,639 | 42,268 | 21,503 | 31,324 | 40,764 | -2% | 7% | 4% |
| Net profit | 1,646 | 3,600 | 4,381 | 1,692 | 2,880 | 4,075 | -3% | 25% | 7% |

Source: Wind, HSBC Qianhai Securities estimates

**Exhibit 7. Sensitivity analysis of estimated net profit attributable to the parent**

| | Changes in net profit attributable to the parent | | |
|---|---|---|---|
| Changes in R&D expense ratio | 2026e | 2027e | 2028e |
| -1ppt | 11.4% | 9.5% | 9.3% |
| 0ppt | 0.0% | 0.0% | 0.0% |
| +1ppt | -11.1% | -10.3% | -9.2% |

Source: HSBC Qianhai Securities estimates

## Valuation and Risks

**Maintain Buy; raise PE-based TP to RMB139.00 (from RMB129.00)**

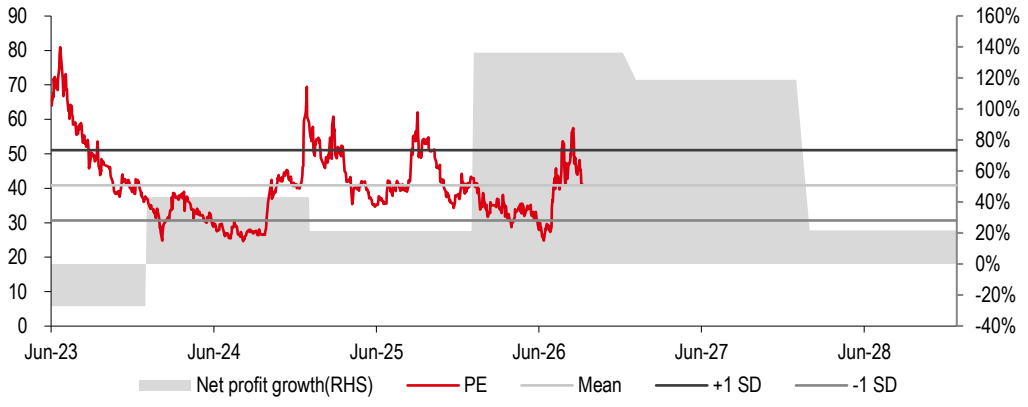
We continue to use a PE multiple to value Ruijie and refer to peers' PE multiple. Peers' average 2025-28e EPS CAGR stands at 54%, with 2027e average PE at 28x (previously 41x). We expect Ruijie's 2025-28e EPS to grow at a CAGR of 85% (previously 68%), hence we apply a 43x 2027e target PE (85/54*28, previously 59x) to value Ruijie. Based on 2027e EPS of RMB3.23 (previously RMB2.19), we arrive at our new TP of RMB139.00 (from RMB129.00), implying 24% upside. Accordingly, we maintain our Buy rating on Ruijie.

**Exhibit 8. Comparable companies for Ruijie**

| Ticker | Company | HSBC Qianhai Rating | Market Cap USDbn | ADTV USDm | Target Price RMB | Price RMB | Revenue Growth 2026e | Revenue Growth 2027e | EPS Growth 2026e | EPS Growth 2027e | 2025-28e CAGR | PS (x) 2026e | PS (x) 2027e | PE (x) 2026e | PE (x) 2027e | PEG (x) 2027e | ROE 2026e | ROE 2027e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 301165 CH | Ruijie* | Buy | 18.6 | 414 | 139.00 | 109.70 | 47% | 60% | 176% | 88% | 85% | 5.8 | 3.6 | 65 | 35 | 0.7 | 29% | 53% |
| 600498 CH | Fiber home | Buy | 7.6 | 811 | 56.00 | 38.99 | 18% | 16% | 249% | 27% | 73% | 1.8 | 1.5 | 30 | 24 | 1.1 | 9% | 11% |
| 000063 CH | ZTE | NR | 22.0 | 986 | | 33.07 | 11% | 13% | 6% | 15% | 11% | 1.1 | 0.9 | 27 | 23 | 1.7 | 8% | 8% |
| 603296 CH | Huqin | NR | 16.9 | 339 | | 75.98 | 20% | 21% | 27% | 22% | 24% | 0.6 | 0.5 | 21 | 17 | 0.8 | 18% | 19% |
| 688629 CH | Huafeng | NR | 8.5 | 477 | | 122.40 | 78% | 67% | 91% | 87% | 79% | 12.7 | 7.6 | 82 | 44 | 0.6 | 26% | 32% |
| | **Average** | | **14.6** | **591** | | | **35%** | **35%** | **110%** | **48%** | **54%** | **4.4** | **2.8** | **45** | **28** | **1.0** | **18%** | **25%** |

Note: Priced at close of 7 September 2026. *Covered by HSBC Qianhai Securities and HSBC Qianhai Securities estimates are used. NR – Not Rated. NA – Not Applicable/Available.
Source: Bloomberg, Wind consensus (for Not Rated stocks), HSBC Qianhai Securities estimates (for HSBC Qianhai Securities covered stocks)

**Exhibit 9. Ruijie 1-yr forward PE band**




Source: Company data, Wind, HSBC Qianhai Securities estimates

**Potential share price catalysts:**

- **Increasing capex from domestic hyperscale's on network devices**: Domestic hyperscalers are rapidly boosting their capex, with the combined spending of ByteDance, Alibaba, and Tencent reaching RMB346bn in 2025 and set to more than double to over RMB700bn in 2026 (see *China AIDCs and Supply Chain*, 23 June 2026). This is still well below the spending intensity of US peers, indicating there's substantial growth potential. Increasing capex from domestic hyperscalers on network devices will boost order intake and revenue growth for Ruijie.
- **Rising adoption of rack-scale compute solutions like SuperPOD**: As the communication rate between cabinets is becoming more and more difficult to meet the demand for AI LLM training and inference currently, rack-scale compute systems like SuperPOD are seeing rising adoption, which should boost scale-up switches demand and support revenue growth for Ruijie.

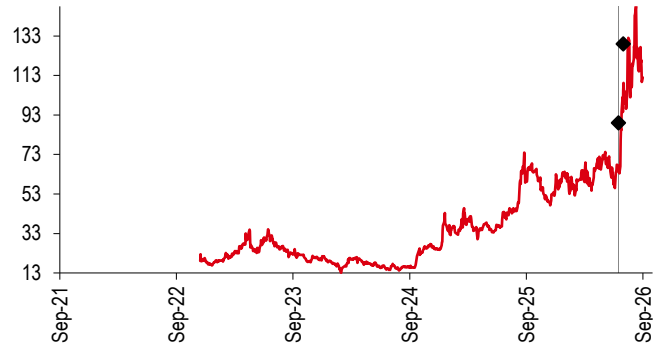
**Key downside risks:**

- **More-intense-than-expected competition**: If companies like Huawei or H3C expand further into the internet white-box switch market, it could negatively impact Ruijie's market share.
- **Major customer concentration and AI capex cyclical fluctuations**: Ruijie derives c45% of its total revenue from major Chinese internet companies in 2025 (source: company data). Since these internet companies' capital expenditure cycles are highly synchronised, any slowdown could affect revenue growth.
- **US tech restrictions**: Ruijie's switching chips are primarily sourced from Broadcom. Despite domestic switch chip suppliers such as Centec (688702 CH) can provide some level of domestic alternatives, the performance of domestic switch chips still lags behind that of overseas counterparts, and they also face challenges related to limited production capacity. If the U.S.-China tech decoupling trend escalates, the supply of high-end chips could be affected.
- **Gross margin volatility**: Given that the white-box data centre switch's gross margin is lower than that of branded campus switches, a faster-than-expected increase in revenue contribution from data centre switches might cause gross margin volatility.



**Share price and rating changes for long-term investment opportunities**

**Ruijie Networks (301165.SZ) share price performance CNY Vs HSBC rating history**




Source: HSBC

**Rating & target price history**

| From | To | Date | Analyst |
|---|---|---|---|
| N/A | Buy | 23 Jun 2026 | Yiran Liu |
| **Target price** | **Value** | **Date** | **Analyst** |
| Price 1 | 89.00 | 23 Jun 2026 | Yiran Liu |
| Price 2 | 129.00 | 08 Jul 2026 | Yiran Liu |

Source: HSBC

To view a list of all the independent fundamental ratings/recommendations disseminated by HSBC during the preceding 12-month period, and the location where we publish our quarterly distribution of non-fundamental recommendations (applicable to Fixed Income and Currencies research only), please use the following links to access the disclosure page:

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All other clients: *www.research.hsbc.com/A/Disclosures*

**HSBC & Analyst disclosures**

**Disclosure checklist**

| Company | Ticker | Recent price | Price date | Disclosure |
|---|---|---|---|---|
| RUIJIE NETWORKS | 301165.SZ | 111.99 | 07 Sep 2026 | – |

Source: HSBC

1 HSBC has managed or co-managed a public offering of securities for this company within the past 12 months.

2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.

4 As of 31 July 2026, HSBC beneficially owned 1% or more of a class of common equity securities of this company.

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**HSBC Qianhai Securities Limited**
Unit 2201, 22/F, Qianhai Chow Tai Fook Finance Tower (Phase I), No. 66 Shu Niu Avenue, Nanshan Subdistrict, the Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone, the PRC
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