

Company Report: GCL-Poly Energy (03800 HK)

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公司报告: 保利协鑫能源 (03800 HK)

Future Clouded by Uncertainty, Maintain "Neutral"

未来被不确定性所笼罩，维持“中性”

- **Net loss to shareholders doubled to approximately RMB2 bn in 1H2020, which is in line with the profit warning.** The sharp rise in net loss during the period was mainly due to: 1) the decline in sales of solar materials as a result of their ASP decline; 2) rise in assets impairment loss; and 3) the exchange loss caused by the appreciation of USD against RMB for USD denominated indebtedness. Consolidated gross margin in 1H2020 reached 25.2%, up 1.7 ppt YoY. The gross margin of the solar materials business turned negative and reached -4.3%, down 5.2 ppt YoY, while that of the new energy business stayed flat at 67.3%. The Company is in the process to switch all its wafer production from multi-products to quasi-mono and mono products.
- **Newly installed solar capacity domestically in 1H2020 stayed flat and reached 11.52 GW.** According to statistics from the National Energy Administration of China (NEA), domestic newly installed solar capacity in the first half of 2020 reached 11.52 GW, up YoY by 1.1%. The domestic market is expected to have approximately 30 GW (our current forecast range is between 25 GW and 35 GW) of new solar installations in 2020. Given that only 11.5 GW of solar capacity was already added in 1H2020, we expect solar investment in China market to dramatically speed up in the 2<sup>nd</sup> half of 2020. Solar industry outlook remains sanguine as China continues to push for investment in solar energy.
- **We maintain the "Neutral" investment rating and the TP of HK\$0.25.** The outlook of the Company remains largely uncertain amid the weakened profitability of the solar materials business and its current massive indebtedness. Our TP corresponds to 0.2x/ 0.2x FY20/ FY21 PBR.
- **2020 上半年股东净亏损翻倍至约人民币 20 亿元，与盈利警告一致。** 期内急剧攀升的亏损主要是由于：1) 因材料均价下滑，光伏材料销售收入下跌；2) 资产减值损失的上升；以及 3) 以美元计值债务中美元兑人民币升值产生的汇兑亏损。期内的综合毛利率为 25.2%，同比上升 1.7 个百分点。光伏材料板块毛利率转负并达 -4.3%，同比跌 5.2 个百分点。新能源板块的毛利率则持平在 67.3%。公司目前正在将其所有的硅片生产由多晶产品全部转为类单晶及单晶产品。
- **中国于 2020 上半年的新增光伏装机容量同比持平至 11.52 吉瓦。** 根据中国国家能源局统计，2020 上半年国内的新增光伏装机容量达到了 11.52 吉瓦，同比升 1.1%。国内市场预计将于 2020 年新增约 30 吉瓦的光伏装机容量(我们当前的预测范围为 25 吉瓦至 35 吉瓦)。鉴于 2020 上半年新增光伏装机仅为 11.5 吉瓦，我们预计 2020 下半年国内对太阳能的投资将显著加速。太阳能行业的前景依旧充满希望，特别是中国仍将继续推动对太阳能的投资。
- **我们维持“中性”的投资评级以及 0.25 港元的目标价。** 公司的前景仍存在较大的不确定性，特别是考虑到光伏材料板块的盈利能力的弱化以及公司当前庞大的债务。我们的目标价相当于公司 0.2 倍 / 0.2 倍 2020 / 2021 年市净率。

Rating:

Neutral

Maintained

评级:

中性 (维持)

6-18m TP 目标价:

HK\$0.25

Revised from 原目标价:

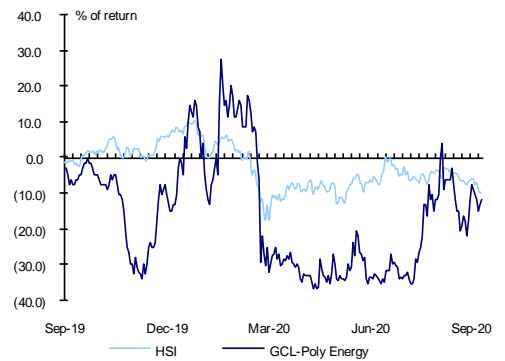
HK\$0.25

Share price 股价:

HK\$0.285

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(15.5)	33.9	(11.8)
Rel. % to HS Index 相对恒指变动 %	(10.0)	38.6	(2.3)
Avg. Share price(HK\$) 平均股价 (港元)	0.30	0.27	0.29

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	20,565	(693)	(0.038)	(136.5)	(6.6)	1.193	0.2	0.000	0.0	(3.1)
2019A	19,250	(197)	(0.010)	n.a.	(25.5)	1.121	0.2	0.000	0.0	(0.9)
2020F	16,909	(1,572)	(0.077)	n.a.	(3.3)	0.991	0.3	0.000	0.0	(7.3)
2021F	15,544	(1,009)	(0.048)	n.a.	(5.2)	0.945	0.3	0.000	0.0	(4.9)
2022F	14,655	(458)	(0.022)	n.a.	(11.4)	0.924	0.3	0.000	0.0	(2.3)

Shares in issue (m) 总股数 (m)	21,141.0	Major shareholder 大股东	Zhu, Gongshan 30.1%
Market cap. (HK\$ m) 市值 (HK\$ m)	6,025.2	Free float (%) 自由流通比率 (%)	65.0
3 month average vol. 3 个月平均成交股数 ('000)	104,712.6	FY20 Net gearing (%) FY20 净负债/股东资金 (%)	168.7
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	0.790 / 0.290	FY20 EV / EBITDA (x) FY20 企业值 / EBITDA (x)	7.6

Source: the Company, Guotai Junan International.

**The Company's net loss to shareholders doubled from RMB998 mn in 1H2019 to RMB1,996 mn in 1H2020, which is in line with the prior issued profit warning.** The sharp rise in net loss during the period was mainly due to: 1) the decline in sales of solar materials as a result of solar materials ASP decline; 2) rise in assets impairment loss; and 3) the exchange loss caused by the appreciation of USD against RMB for USD denominated indebtedness. During the period, all segments experienced revenue decline. In which, sales of the solar materials segment fell YoY by 36.3% to RMB4,189 mn, with wafer sales plunging YoY by 43.3% to RMB 2,573 mn. Meanwhile, sales of the new energy segment went down 13.9% YoY to RMB2,731 mn due to solar asset disposals (grid connected solar capacity decreased by 16.7% YoY to 5.5 GW in June 2020). In 1H2020, the Company sold 17,489 tons of poly-silicon and 14,419 MW of wafers, down YoY by 15.6% and 2.2%, respectively. Meanwhile, ASP of poly-silicon and wafer during the first 6 months of 2020 was down YoY by 16.1% and 19.4% to US\$7.56/kg and US\$0.50/watt, respectively. The decrease in both sales volume and selling price caused the revenues of the solar materials segment to experience a substantial decline in 1H2020. Solar materials business recorded a segmental loss of RMB2,023 mn in 1H2020, up YoY by 54.3%. The consolidated gross margin of GCL Poly during the period reached 25.2%, up YoY by 1.7 ppt. Segment-wise, the gross margin of the solar materials business was -4.3%, down YoY by 5.2 ppt. On the other hand, the gross margin of the new energy business stayed flat at 67.3%, down slightly by 0.2 ppt YoY. Plunging solar materials prices and declining market share of multi-wafer are adding increasing pressure to the operations of GCL Poly. With rising demand for mono wafers, the market share of multi-wafer products dropped from 55% in 2018 to 32% in 2019 and is expected to fall to approximately 20% in 2020. To capture back lost ground, the Company is in the process of transforming all its wafer production from multi-wafer products to quasi-mono wafer and mono wafer products. We expect that the Company may be able to turn around itself and reverse the current downtrend over the next 6 to 12 months with the success of its quasi-mono and mono wafer products. Until then, we remain cautious on the outlook of GCL Poly.

**Placing of 1.3 billion new shares at HK\$0.203 apiece to the market in June 2020.** After failing to successfully place new shares in April 2020, the Company announced on 16<sup>th</sup> June 2020 that it had entered into a placing agreement with a new placing agent to issue up to 1.3 bn of new shares at a placing price of HK\$0.203 per share. The maximum number of placing shares represents approximately 6.15% of the Company's issued share capital as enlarged by the placement. The placing price of HK\$0.203 represents a discount of approximately 17.1% to the closing price of HK\$0.245 per share as at 16<sup>th</sup> June 2020. The net proceeds raised from this placement are approximately HK\$239 mn. The Company intends to use the net proceeds for repayment of existing borrowings and for general corporate purposes (working capital). The fundamentals of the Company were severely impacted by plunging solar materials price in both 2018 and 2019, with its solar materials gross margin dropping to a mere 3.3% in 2019 and -4.3% in 1H2020. The share price has since rebounded by nearly 37% from the day placement to HK\$0.30 as at 24<sup>th</sup> September 2020, which we think was partially attributable to the poly-silicon price hike in 3Q2020. The poly-silicon selling price jumped by 75.4% from US\$6.19/kg in late June 2020 to US\$10.86/kg by mid-September 2020 due to the supply disruption as a result of several poly-silicon production accidents in Xinjiang area that led to the temporary shutdown of those production facilities and thus the discontinuation on the supply of poly-silicon. The sudden disruption in supply has caused a spike in poly-silicon price over last 3-month period. However, with production resumption in 4Q2020, we expect poly-silicon to fall back to pre-accident price levels.

**Global investment on solar energy is expected to experience a decline in 2020 but to rebound with strong double-digit growth in the post-pandemic era.** According to statistics from Solar Power Europe (formerly known as the European Photovoltaic Industry Association), global installed solar capacity reached 116.9 GW in 2019, up YoY by 12.7% from the 103.7 GW installed in 2018. The newly installed solar capacity in the domestic market in 2019 amounted to 30.1 GW, down YoY by 32.2%; whereas, the overseas market added 86.8 GW in 2019, jumped YoY by 49.7%. Total global new solar installations in 2019 met our expectation and our prior forecast. By the end of 2019, global cumulative installed grid-connected solar capacity reached 633.7 GW (China accounted for 32.2% of the global market share), up YoY by 22.6%. The top five markets for new solar installations in 2019 globally were: China (30.1 GW, -32.2% YoY; mainly affected by the de-subsidization policy in China), the United States (13.3 GW, +19.8% YoY), India (8.8 GW, -11.1% YoY), Japan (7.0 GW, -4.5% YoY), and Vietnam (6.4 GW, +6,300% or an increase of 6.3 GW YoY). Regionally, the European market added 22.9 GW in 2019, up YoY by 104.5%. The Asia Pacific market added 67.1 GW, down YoY by 6.0%. The Americas market added 20.1 GW, up YoY by 14.9%. In 2019, the number of countries with more than 1 GW of new solar installations reached 16, up by 5 countries from 2018. Among the top 10 markets, Vietnam, Spain, and Ukraine saw significant growth rates during 2019. Solar Power Europe's medium scenario forecast for new solar installations worldwide in 2020 is 112 GW (-4.2% YoY), its low scenario forecast is 76.8 GW, and the high scenario forecast is 138.8 GW. Affected by the current pandemic, we believe that newly installed solar capacity in overseas markets will drop to about 70 GW in 2020, down YoY by 19.4%. Assuming that newly installed solar capacity in China will stabilize at about 30 GW this year, we believe that global newly installed solar capacity will drop to about 100 GW in 2020, down

YoY by 14.5%. However, we expect that solar installation globally is like to record strong double-digit growth in the aftermath of the COVID-19 pandemic (i.e. 2021 and 2022).

**Newly installed solar capacity domestically in 1H2020 stayed flat, reaching 11.52 GW.** According to statistics from the National Energy Administration of China (NEA), domestic newly installed solar capacity in the first half of 2020 reached 11.52 GW, up YoY by 1.1%. In which, concentrated solar stations added 7.08 GW (+3.8% YoY) and distributed solar systems installed was 4.44 GW (-3.2% YoY). In terms of geography, north China region (4.39 GW) and east China region (2.19 GW) added the most new solar capacity during the first 6 months of 2020. By the end of June 2020, cumulative installed solar capacity in China reached 215.82 GW, with 148.75 GW attributable to concentrated solar stations and 67.07 GW to distributed solar systems. Total solar electricity generated domestically in 1H2020 amounted to 127.8 billion kWh, up YoY by 19.7%. Nationwide average solar utilization hours increased YoY by 19 hours to 595 hours in 1H2020. Northeastern China region recorded the highest utilization hours by recording 771 hours in 1H2020, down YoY by 19 hours; whereas, central China region had the lowest utilization in 1H2020 by having only 493 hours, up YoY by 46 hours. Following the recent release of the national solar competitive bidding results for 2020 (with confirmed state subsidized solar projects in the amount of 26 GW) and the announcement regarding the notice of the wind and solar grid-parity projects in 2020 (with confirmed grid-parity solar projects in the amount of 33.05 GW set to begin construction within 2020 and to be commissioned/ connected to the power grid before the end of 2021), the domestic market is expected to have approximately 30 GW (our current forecast range is between 25 GW and 35 GW) of new solar installations in 2020. Given that 11.5 GW of solar capacity was already added in 1H2020, we expect solar investment in China to dramatically speed up in the second half of 2020. Looking forward into the 14<sup>th</sup> Five-Year Plan period (2021 to 2025), we expect domestic demand to stabilize at 30 GW to 40 GW per annum, implying that 150 GW to 200 GW of new solar capacity will be added in China in aggregate during the next five years or between RMB600 bn to RMB800 bn in total investment. With a stable and sizeable China market, global solar investment is set to boom over the next few years.

**We have maintained our "Neutral" investment rating and the TP of HK\$0.25.** Thanks to China's efforts over the last decade in bringing down the price of solar materials, the outlook of the solar industry is becoming brighter than ever with the continued decline in its LCOE (levelized cost of energy or cost of solar energy per kWh). We expect global demand for solar power generating system, especially in overseas markets, to grow at a faster pace over the next few years. However, for the very first time in nearly a decade, the gross margin of the solar materials segment of GCL Poly turned negative (-4.3% in 1H2020, down 5.2 ppt YoY). The key issue with the rapidly falling wafer price that the Company sells is due to the shift in market demand from multi-wafer products to the mono wafer products. GCL Poly is the largest supplier of multi-wafer products and thus was hit terribly hard by multi-wafer's dwindling market share. The trend of replacement is continuing with the accelerated decline in market share of multi-wafer products, compared to a rising market share for mono wafer products. Multi-wafer dominated the market with more than 80% market share a few years ago, but its market share is expected to fall to approximately 20% in 2020 according to our industry research. Thus, the Company is currently in the process of shifting all its wafer production capacity from multi-wafer product to quasi-mono wafer and mono wafer products, and it has also declared previously that it will no longer offer multi-wafer products to the market in the future. The transformation will take time and we believe that the successful transformation to producing mono-wafer products will save the Company from falling. Meanwhile, the Company currently has 6,000 tons of granular silicon (FBR) capacity and it targets to ramp up to 10,000 tons by year end 2020, with more granular silicon capacity to be launched in 2021. The granular silicon has lower production cost and will further drive up the poly-silicon gross margin once its production capacity scales up. Furthermore, gains on disposal of solar assets (mainly the solar power stations/ solar projects under GNE) are expected to be recorded in 2020 (similar to the gains on disposal of equity interest in Xinjiang GCL last year, which recorded nearly RMB 4.4 bn in gains and substantially reduced the net loss of GCL Poly in 2019) to relieve the Company's operating pressure in 2020. We believe the last hope for GCL Poly would be the success of its quasi-mono and mono wafer products as well as the granular silicon capacity expansion. The biggest risk to GCL Poly remains its ultra high gearing (more than RMB50 bn in borrowings at June 2020, with 55% of the debt due within 1 year), and deleveraging has inevitably become the top priority of the Company in 2020 in order to reduce its financial risks. The outlook of GCL Poly remains largely uncertain amid the weakened profitability of its solar materials business and the massive indebtedness it has piled up over time. As uncertainties are clouding the future of the firm, it is difficult to project the earnings of the Company. Thus, we have maintained the "Neutral" investment rating and the TP of HK\$0.25, which corresponds to 0.2x/ 0.2x FY20/ FY21 PBR.

**Table-1: 1H2020 Operating Results and Comments**

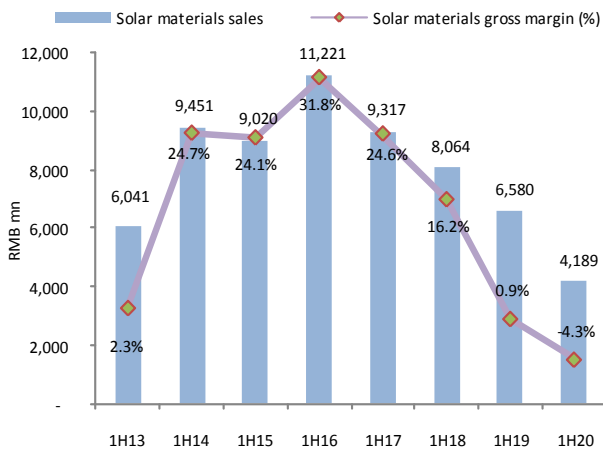
(RMB mn)	1H2020	1H2019	YoY Δ	Comments
Revenues	7,159.240	10,001.835	-28.4%	Decline in sales from both solar materials and new energy businesses
COGS	(5,355.199)	(7,647.662)	-30.0%	
Gross profit	1,804.041	2,354.173	-23.4%	Gross margin of the solar materials segment turned negative (1H2020: -4.3%)
Selling expense	(40.946)	(70.263)	-41.7%	
Administrative expense	(762.379)	(1,133.581)	-32.7%	
EBIT (operating income)	1,000.716	1,150.329	-13.0%	
Other income and gains	459.275	441.325	+4.1%	
Other expenses	(1,691.055)	(470.294)	+259.6%	Due to a sharp increase in assets impairment loss (PPE + financial assets)
Interest expenses	(1,690.543)	(1,982.234)	-14.7%	
Gain from associates & JV	55.554	115.960	-52.1%	
Profit before tax	(1,866.053)	(744.914)	+150.5%	
Tax expense	(58.760)	(6.448)	+811.3%	
Minority interests	(71.175)	(246.168)	-71.1%	
Net income	(1,995.988)	(997.530)	+100.1%	Due to high operating cost, high financing cost and a rise in assets impairment loss
Basic EPS (RMB)	(0.1020)	(0.0551)	+85.1%	Placing of 1.3 bn new shares in June 2020 at HK\$0.203 apiece, diluting net loss per share

Margins (YoY comparison)			YOY ppt Δ	
Gross margin	25.2%	23.5%	+1.7 ppt	Sales contribution from solar materials fell
EBIT margin	14.0%	11.5%	+2.5 ppt	
PBT margin	-26.1%	-7.4%	-18.7 ppt	
Net margin	-27.9%	-10.0%	-17.9 ppt	Net loss widened and nearly doubled

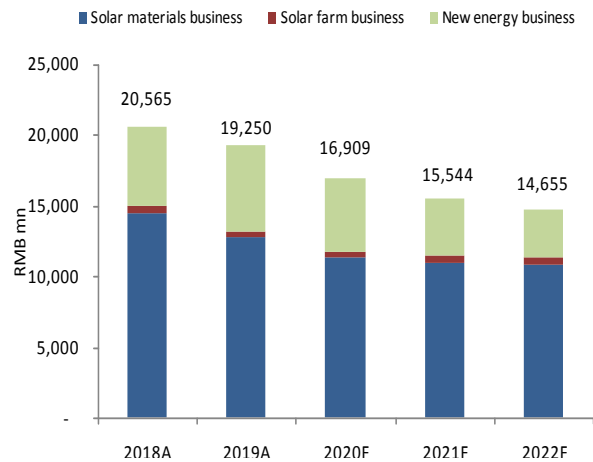
Source: the Company, Guotai Junan International.

**Figure-1: GCL Poly's Solar Materials Sales & Margin**



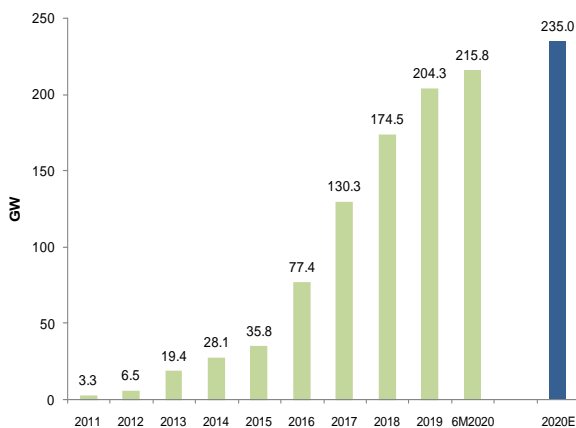
Source: the Company, Guotai Junan International.

**Figure-2: Historical and Forecast Revenue of GCL Poly**



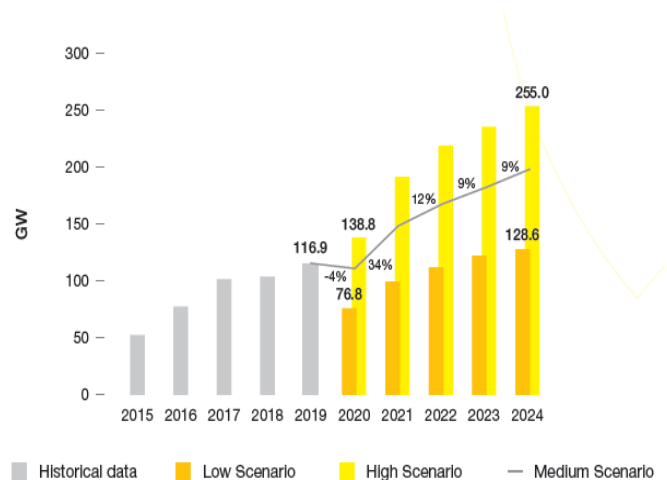
Source: the Company, Guotai Junan International.

**Figure-3: Historical & Forecast Solar Capacity in PRC**



Source: NEA, Guotai Junan International. \*Units in GW.

**Figure-4: Annual Global Solar Installations**



Source: NEA, Guotai Junan International. \*Note: 2020 to 2024 are projected values.

**Figure-5: Forward PER of GCL Poly**


Source: Bloomberg, Guotai Junan International.

**Figure-6: Forward PBR of GCL Poly**


Source: Bloomberg, Guotai Junan International.

**Table-2: Peers Comparison**

Company	Stock Code	Currency	Last price (in local \$)	PE (fiscal year)				PB (fiscal year)				ROE (%)	ROA (%)	Market Cap HKD mn
				19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	
<b>Poly-Silicon &amp; Wafer Producers</b>														
Comtec Solar Systems Group	00712 HK	HKD	0.09	n.a.	n.a.	n.a.	n.a.	(5.6)	n.a.	n.a.	n.a.	n.a.	n.a.	68
Daqo New Energy Corp-Adr	DQ US	USD	115.11	51.2	10.7	7.6	7.1	2.8	2.2	1.7	1.4	23.0	11.2	12,397
Gcl-Poly Energy Holdings Ltd	03800 HK	HKD	0.29	n.a.	n.a.	n.a.	42.9	0.2	0.2	0.2	0.2	(2.5)	(0.4)	6,025
Xian Longi Silicon Materia-A	601012 CH	CNY	76.99	52.4	38.0	30.5	24.8	10.5	8.2	6.5	5.2	23.0	10.4	331,669
Oci Co Ltd	010060 KS	KRW	56,600.00	n.a.	n.a.	20.1	13.4	0.5	0.5	0.5	0.5	(3.7)	(2.1)	9,009
Rec Silicon Asa	REC NO	NOK	4.09	n.a.	n.a.	n.a.	n.a.	n.a.	(2.8)	(2.8)	(2.3)	n.a.	n.a.	947
Tbea Co Ltd-A	600089 CH	CNY	9.04	19.3	16.3	14.5	14.7	1.1	0.9	0.9	0.9	5.6	2.1	38,350
Wacker Chemie Ag	WCH GR	EUR	79.62	n.a.	47.6	19.1	14.9	2.0	2.0	1.9	1.7	5.8	(0.3)	37,691
Xinte Energy	1799 HK	HKD	5.02	13.0	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	5,246
Simple Average				34.0	28.2	18.4	19.6	1.5	1.6	1.3	1.1	8.5	3.5	
Weighted Average				48.5	36.1	27.2	22.6	8.3	6.6	5.2	4.2	19.0	8.3	
<b>Cell &amp; Module Producers</b>														
Canadian Solar Inc	CSIQ US	USD	29.65	10.3	10.5	9.0	10.6	1.3	1.1	1.0	0.9	13.4	3.7	13,567
Jinkosolar Holding Co-Adr	JKS US	USD	27.66	9.0	7.3	10.4	15.5	0.9	0.7	0.6	0.6	11.1	2.7	9,524
Renesola Ltd-Adr	SOL US	USD	2.38	n.a.	n.a.	29.8	11.3	12.1	n.a.	n.a.	n.a.	(1.0)	(0.5)	887
Simple Average				9.6	8.9	16.4	12.5	4.8	0.9	0.8	0.7	7.8	2.0	
Weighted Average				9.8	9.2	10.3	12.6	1.5	0.9	0.8	0.8	12.0	3.1	
<b>Solar Farm Operators</b>														
Gcl New Energy Holdings Ltd	00451 HK	HKD	0.12	6.7	7.8	6.2	4.5	0.2	0.4	0.3	0.3	3.4	0.7	2,232
Jiangsu Akcome Science & T-A	002610 CH	CNY	2.63	n.a.	n.a.	n.a.	16.4	2.9	2.2	2.2	2.1	n.a.	(13.8)	13,481
Kong Sun Holdings	00295 HK	HKD	0.04	n.a.	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	658
Shunfeng International Clean	01165 HK	HKD	0.10	n.a.	n.a.	n.a.	n.a.	(0.5)	n.a.	n.a.	n.a.	n.a.	n.a.	498
Panda Green Energy	00686 HK	HKD	0.26	n.a.	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	5,719
Simple Average				6.7	7.8	6.2	10.5	0.7	1.3	1.3	1.2	3.4	(6.6)	
Weighted Average				6.7	7.8	6.2	14.7	2.0	1.9	1.9	1.9	3.4	(11.8)	

 Source: Bloomberg, Guotai Junan International. \*Prices are as of 25<sup>th</sup> September 2020.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Total Revenue	20,565	19,250	16,909	15,544	14,655	PPE	71,000	52,413	40,995	30,021	22,530
COGS	(15,533)	(14,571)	(13,999)	(12,738)	(11,846)	Investment in affiliates	2,592	8,246	8,658	9,350	10,192
Gross profit	5,033	4,678	2,910	2,806	2,809	Intangible & goodwill	801	248	384	556	713
Selling expense	(113)	(126)	(85)	(78)	(73)	Prepayments	0	4,529	3,881	3,264	2,763
Admin expense	(2,020)	(2,051)	(1,353)	(1,088)	(879)	Others	11,226	10,853	11,187	11,544	12,134
Other gains / expenses	(152)	1,414	195	116	154	Total Non-current Assets	85,619	76,289	65,105	54,735	48,332
Operating Profit	2,748	3,915	1,667	1,756	2,010	Cash & Cash Equivalents	4,076	1,548	2,637	5,244	5,088
Share of JV / affiliate	160	350	179	188	193	Inventories	992	751	980	904	841
Gain on disposals	0	0	0	0	0	Trade receivable	13,309	13,857	12,682	12,435	12,457
Net finance costs	(3,419)	(3,947)	(3,260)	(2,653)	(2,231)	Others	8,498	7,992	8,232	8,480	8,735
Profit Before Tax	(511)	318	(1,413)	(709)	(28)	Total Current Assets	26,875	24,148	24,531	27,064	27,121
Income Tax	52	(207)	212	106	4	Total Assets	112,494	100,437	89,635	81,799	75,453
Profit After Tax	(458)	111	(1,201)	(603)	(24)	Short-term debts	25,289	26,977	17,267	14,541	12,979
Non-controlling Interest	(235)	(308)	(371)	(406)	(435)	Trade payable	20,959	15,019	15,399	13,375	11,965
Shareholders' Profit / Loss	(693)	(197)	(1,572)	(1,009)	(458)	Loan from a related company	508	744	796	416	491
Basic EPS (RMB)	(0.038)	(0.010)	(0.077)	(0.048)	(0.022)	Obligation under finance lease, ST	277	531	246	617	577
DPS (RMB)	0.000	0.000	0.000	0.000	0.000	Notes payables	984	422	3,955	561	588
						Unearned income	57	42	34	31	29
						Others	1,857	2,320	2,772	3,313	3,961
						Total Current Liabilities	49,933	46,054	40,469	32,855	30,590
						Long-term debts	26,477	20,286	19,786	16,286	11,786
						Convertibles	3,092	1,032	1,479	2,359	2,784
						Notes payables, non-current	4,137	3,471	0	3,594	3,767
						Obligation under finance lease, LT	951	1,911	1,395	925	865
						Others	1,072	963	770	695	667
						Total Non-current Liabilities	35,729	27,662	23,430	23,858	19,868
						Total Liabilities	85,661	73,716	63,899	56,713	50,458
						Total Shareholders' Equity	21,866	22,250	20,955	19,973	19,529
						Minority Interest	4,967	4,471	4,781	5,113	5,466
						Total Equity	26,833	26,721	25,736	25,086	24,995
						BPS (RMB)	1.193	1.121	0.991	0.945	0.924

Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F		2018A	2019A	2020F	2021F	2022F
Operating activities						Gross margin (%)	24.5%	24.3%	17.2%	18.1%	19.2%
Net income	(693)	(197)	(1,572)	(1,009)	(458)	EBIT margin (%)	13.4%	20.3%	9.9%	11.3%	13.7%
D&A	4,277	4,337	4,467	4,610	4,757	EBITDA margin (%)	34.2%	42.9%	36.3%	41.0%	46.2%
Change in working capital	(329)	(5,295)	1,531	(1,411)	(978)	Net margin (%)	-3.4%	-1.0%	-9.3%	-6.5%	-3.1%
Others	3,161	8,382	(23)	(17)	107	ROE (%)	-3.1%	-0.9%	-7.3%	-4.9%	-2.3%
Cash from Operating Activities	6,415	7,226	4,403	2,173	3,428	ROA (%)	-0.6%	-0.2%	-1.7%	-1.2%	-0.6%
Investing activities						EV / EBITDA (x)	8.9	7.0	7.6	6.1	5.0
Capital expenditure	(10,875)	(5,033)	(2,536)	(544)	(513)	Net gearing (%)	233.5	210.8	168.7	135.8	111.7
Proceeds from disposal	157	217	8,554	5,826	1,952	Inventory turnover (day)	23.3	21.1	25.6	25.9	25.9
Disposal of subsidiaries	436	2,515	0	0	0	AR turnover (day)	229.1	249.0	273.8	292.0	310.3
Others	(2,438)	(3,435)	65	(40)	(389)	AP turnover (day)	475.5	436.2	401.5	383.3	368.7
Cash from Investing Activities	(12,720)	(5,736)	6,082	5,242	1,050	EV/EBITDA(x)	8.9	7.0	7.6	6.1	5.0
Financing activities						Quick ratio (x)	0.4	0.3	0.4	0.5	0.6
Debt raised / (repaid)	3,519	(6,343)	(10,448)	(5,626)	(5,463)	Current ratio (x)	0.5	0.5	0.6	0.8	0.9
Dividend paid (minority + special)	(56)	(126)	(62)	(74)	(81)						
Placement proceeds / shares repo	(228)	588	239	0	0						
Others	(3,633)	1,749	875	892	910						
Cash from Financing Activities	(398)	(4,132)	(9,396)	(4,808)	(4,634)						
Net Changes in Cash	(6,703)	(2,642)	1,089	2,607	(156)						
Adjustments	106	114	0	0	0						
Cash at Beg of Year	10,673	4,076	1,548	2,637	5,244						
Cash at End of Year	4,076	1,548	2,637	5,244	5,088						

Source: the Company, Guotai Junan International.

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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