

Company Report: Xinyi Solar (00968 HK)

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公司报告: 信义光能 (00968 HK)

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4 December 2019

Stronger-than-Expected Overseas Demand, Reiterate "Buy"

比预期更强劲的海外需求, 重申“买入”

- **Nationwide newly installed power generating capacity in 10M2019 reached 71.17 GW, down YoY by 20.8%.** In which, thermal, hydro, nuclear, wind and solar added 32.4 GW, 2.9 GW, 4.1 GW, 14.7 GW and 17.1 GW, respectively, of new capacity in the first 10 months of 2019, implying YoY growth of +20.0%/ -58.8%/ -13.2%/ +1.3%/ -53.1%, respectively.
- **We have lowered new solar capacity addition forecast in China in 2019 to approximately 30 GW.** Given that only less than 20 GW of new solar capacity was added in the first 3 quarters of 2019, we have trimmed our 2019 new solar installation forecast to 30 GW. However, we expect overseas markets to add approximately 90 GW of new solar capacity in 2019, up YoY by 55.2% from 58 GW installed in 2018. The implication of strong overseas growth is approximately 18% YoY global growth in new installations in 2019.
- **Solar glass price rebounded by approximately 21% YTD 2019.** With the stronger-than-expected demand for solar materials from overseas markets, the selling price of solar glass gradually recovered and reached RMB28 per sq.m by September 2019 and further rebounded to RMB29 per sq.m by early December 2019, which was up by approximately 21% from the beginning of 2019. We expect solar glass price recovery to extent to 2020.
- **We reiterate the investment rating of "Buy" and further raise our TP to HK\$5.70.** Our new TP corresponds to 19.1x/ 15.0x/ 11.7x FY19 to FY21 PER or 3.2x/ 2.8x/ 2.4x FY19 to FY21 PBR, respectively.
- **2019 年前 10 个月全国新增电源装机达 71.17 吉瓦, 同比跌 20.8%。** 其中, 火电/ 水电/ 核电/ 风电/ 太阳能分别于期内新增了 32.4 吉瓦/ 2.9 吉瓦/ 4.1 吉瓦/ 14.7 吉瓦和 17.1 吉瓦的发电装机容量, 分别相当于+20.0%/ -58.8%/ -13.2%/ +1.3%/ -53.1%的同比增长。
- **我们调低国内于 2019 年的新增光伏装机容量预测至 30 吉瓦。** 鉴于 2019 年前三季度少于 20 吉瓦的新增光伏装机, 我们下修了 2019 年的新增光伏装机预测至 30 吉瓦。然而, 我们预计海外市场于 2019 年的新增装机容量将达到约 90 吉瓦, 较 2018 年新增的 58 吉瓦同比大升 55.2%。强劲的海外增长意味着全球于 2019 年仍将录得约 18%的同比新增装机增长。
- **光伏玻璃的销售价格于 2019 年迄今反弹了近 21%。** 在比预期更强劲的海外市场对光伏材料需求的拉动下, 光伏玻璃的售价逐步回升并于 2019 年 9 月时达到了每平米 28 元人民币, 并进一步于 2019 年 12 月初时达到了每平米 29 元人民币。当前价格较年初时回升了近 21%。我们预计光伏玻璃的价格上行将延续至 2020 年。
- **我们重申“买入”的投资评级并进一步上调目标价至 5.70 港元。** 新目标价相当于 19.1 倍 / 15.0 倍 / 11.7 倍 2019 至 2021 年市盈率或 3.2 倍 / 2.8 倍 / 2.4 倍 2019 至 2021 年市净率。

Rating: **Buy**
Maintained

评级: **买入 (维持)**

6-18m TP 目标价: **HK\$5.70**
Revised from 原目标价: HK\$4.86

Share price 股价: **HK\$5.290**

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 %	16.3	12.1	79.3
Rel. % to HS Index 相对恒指变动 %	21.7	13.8	83.7
Avg. Share price(HK\$) 平均股价 (港元)	4.7	4.7	4.0

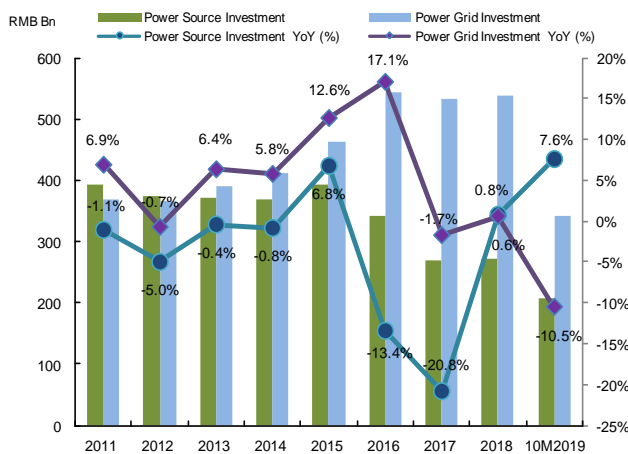
Source: Bloomberg, Guotai Junan International.

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	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2017A	9,527	2,332	0.326	10.9	16.2	1.363	3.9	0.150	2.8	28.5
2018A	7,672	1,863	0.249	(23.6)	21.2	1.362	3.9	0.120	2.3	18.1
2019F	8,581	2,384	0.299	20.1	17.7	1.800	2.9	0.143	2.7	19.1
2020F	10,560	3,057	0.380	27.1	13.9	2.036	2.6	0.184	3.5	19.8
2021F	13,380	3,930	0.488	28.4	10.8	2.335	2.3	0.237	4.5	22.3
Shares in issue (m) 总股数 (m)			8,081.6		Major shareholder 大股东				Lee, YinYee 32.1%	
Market cap. (HK\$ m) 市值 (HK\$ m)			42,751.7		Free float (%) 自由流通比率 (%)				43.6	
3 month average vol. 3 个月平均成交股数 ('000)			19,912.7		FY19 Net gearing (%) FY19 净负债/股东资金 (%)				14.4	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)			5.350 / 2.630		FY19 EV / EBITDA (x) FY19 企业值/EBITDA (x)				11.9	

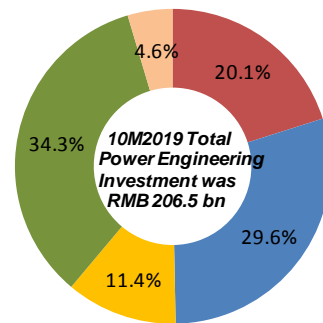
Source: the Company, Guotai Junan International.

Nationwide newly installed power generating capacity in 10M2019 reached 71.2 GW, down YoY by 20.8%. According to CEC, nationwide newly installed power generating capacity in 10M2019 reached 71.17 GW, down YoY by 20.8% or YoY decrement of 18.67 GW. In which, thermal, hydro, nuclear, wind and solar contributed 32.4 GW, 2.9 GW, 4.1 GW, 14.7 GW and 17.1 GW, respectively, of newly installed capacity in the first 10 months of 2019, implying YoY growth of +20.0%/ -58.8%/ -13.2%/ +1.3%/ -53.1%, respectively. Nationwide power engineering investment in 10M2019 reached RMB206.5 bn, up YoY by 7.6%. Among which, thermal, hydro, nuclear and wind power engineering investment in 10M2019 reached RMB 41.5 bn (-27.8% YoY), RMB 61.1 bn (+29.4% YoY), RMB 23.6 bn (-30.9% YoY) and RMB 70.8 bn (+79.4%), respectively. Investment on wind power engineering surged drastically in 2019 due to the wind power installation rush currently taking place in China, which is expected to continue through 2021. Renewable energy power sources (mainly comprised of hydro, nuclear and wind power) contributed approximately 83.1% (+7.9 ppt YoY) of total power engineering investment in China during the first 10 months in 2019. Meanwhile, nationwide power grid investment in 10M2019 was down by 10.5% YoY to RMB341.5 bn (the YoY decline in power grid investment narrowed by 2 ppt from the 12.5% recorded in 9M2019, implying a monthly YoY growth of approximately 4.8% in power grid investment for October 2019). As part of its energy development strategy and its commitment to the Paris Agreement, China is set to further expand its renewable energy portfolio going forward. We expect total domestic power sector investment in 2019 to be approximately RMB770 bn, down YoY by 4.9%. In which, power engineering investment is estimated to hit RMB290 bn (+6.6%) while that on power grid is expected to be RMB480 bn (-10.7% YoY). Further down to the final year of the 13th Five-Year Plan period, we expect power sector investment in China to be approximately RMB750 bn in 2020.

Figure-1: Historical Power Sector Investment in PRC **Figure-2: 10M2019 Power Engineering Investment by Source**



■ Thermal ■ Hydro ■ Nuclear ■ Wind ■ Others

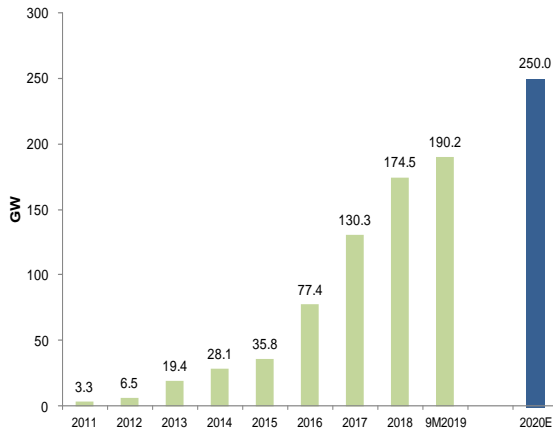


Source: CEC, NEA, Guotai Junan International.

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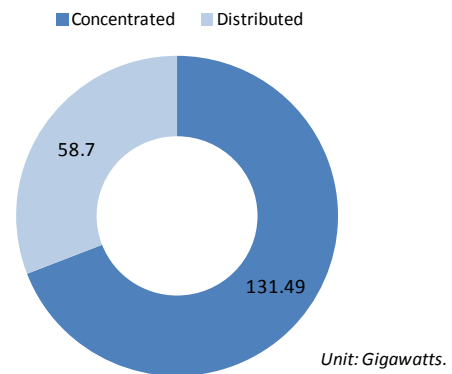
We have lowered our newly installed solar capacity in China estimate for 2019 to approximately 30 GW given the less than 20GW of new solar capacity installations in 1Q-3Q2019, but we maintain our global solar capacity addition of approximately 120 GW for 2019 unchanged due to stronger-than-expected overseas demand. According to the NEA of China, as at the end of 9M2019, nationwide cumulative installed solar capacity hit 190.19 GW, up YoY by 15.2%. Concentrated solar project and distributed solar project made up 131.49 GW and 58.7 GW, respectively, of total installed solar capacity by the end of September 2019. Newly installed solar capacity in the first 3 quarters of 2019 reached 15.99 GW, down YoY by 53.7%. In which, concentrated solar projects contributed 7.73 GW of new installations, while distributed solar projects added 8.26 GW during the period. Given that only less than 20 GW of new solar capacity was added in the first 3 quarters of 2019, we lower our 2019 yearly new installation forecast to 30 GW, which is approximately 10 GW lower than our prior forecast and represents a 32.3% YoY decline in new solar installations. However, despite a sharp decline in new installations in the China market in 2019, we expect globally new solar installations to be approximately 120 GW in 2019, implying a YoY growth of 18%, as a result of stronger-than-expected overseas market demand for solar materials. We expect that overseas market to add approximately 90 GW of new solar capacity in 2019, up YoY by 55.2% from 58 GW installed in 2018. Our aggressive overseas market new solar capacity addition projection was based on the export figures of solar modules made in China. According to Solarzoom, a third party renewable research institute, China exported an aggregate of 57.3GW of solar modules in the first 10 months of 2019, up YoY by 53.2%. Solar module exports reached approximately 41GW in 2018, up YoY by 30%, according to China Photovoltaic Industry Association (CPIA). Demand from overseas markets may continue to surprise going forward due to the rising popularity and competitiveness of solar energy among the different sources of renewable energy currently available.

Figure-3: Historical Cumulative Solar Capacity in China



Source: NEA China, Guotai Junan International.

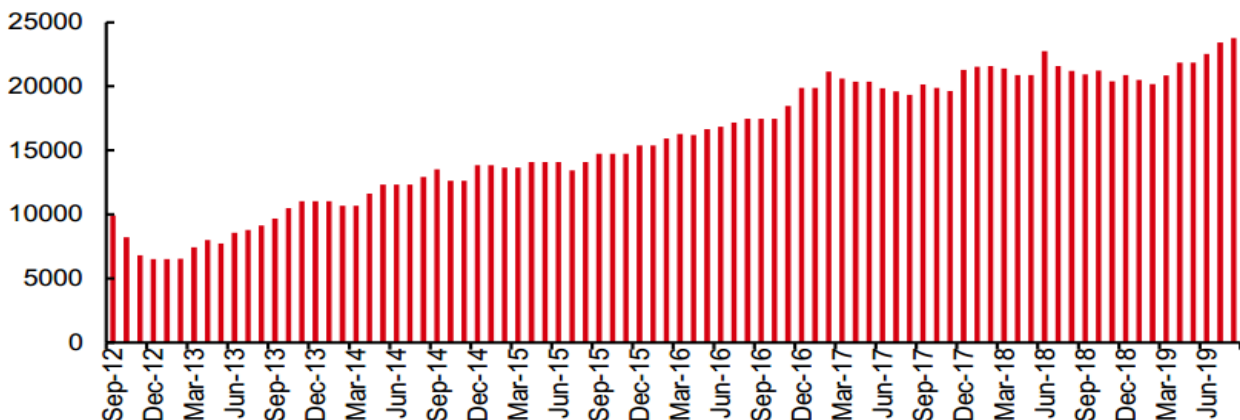
Figure-4: Solar Energy Structure in China in 9M2019



Source: NEA China, Guotai Junan International.

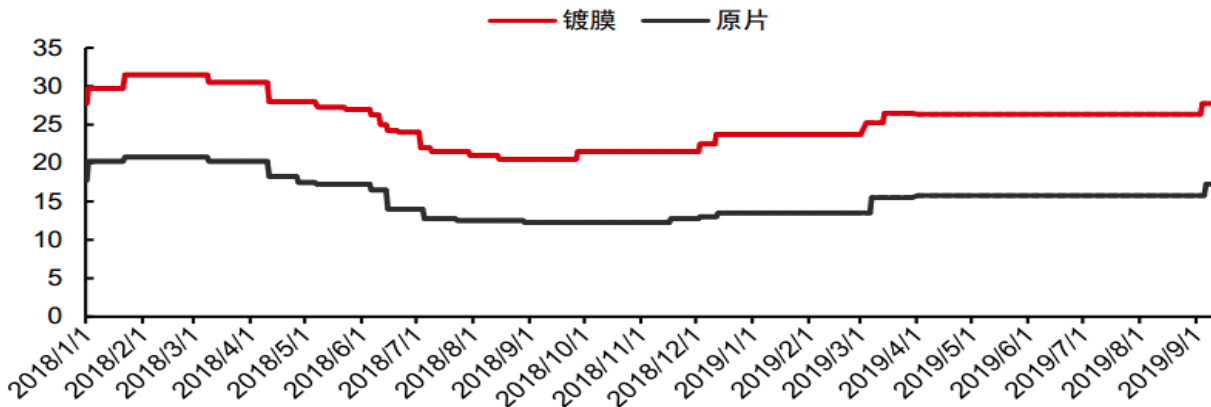
Solar glass price rebounded substantially in 2019 by approximately 21% and the price uptrend is expected to extend to 2020. As at the end of August 2019, there were 25 domestic solar glass players running 41 furnaces and 140 production lines, with an aggregate solar glass production capacity of 23.8 thousand tons per day in China. Although the large players in the industry have scheduled to further ramp up their production capacities in preparation for global solar energy investment boom over the next decade (from 2021 to 2030), we don't expect the aggressive capacity expansions will add pressure to the solar glass selling price. Solar processed glass (i.e. 3.2mm coated solar glass) experienced a sharp selling price decline in 2018 from a peak of RMB31.5 per sq.m in 1H2018 to RMB20.5 per sq.m in the middle of 2018 following the promulgation of 531 PV Policy by the Chinese government, the extent of price decline exceeded 30% and dramatically squeezed the profitability of the solar glass players in the industry. However, with stronger-than-expected demand for solar materials from overseas markets, the selling price of solar glass gradually recovered and climbed back to RMB28 per sq.m by September 2019 and further rebounded to RMB29 per sq.m by early December 2019, which was up by approximately 21% from RMB24 per sq.m in the beginning of the 2019. We expect the solar glass price to recover to RMB30 per sq.m gradually due to strong overseas demand on solar materials. With the price recovery of solar glass, the profitability of key solar glass manufacturers has been re-strengthening. We expect the current solar glass uptrend to extent to 2020 and the industry leaders will benefit the most from the price hike of solar glass.

Figure-5: Historical Total Solar Glass Capacity in China (Ton / Day)



Source: SCI99, Guotai Junan International.

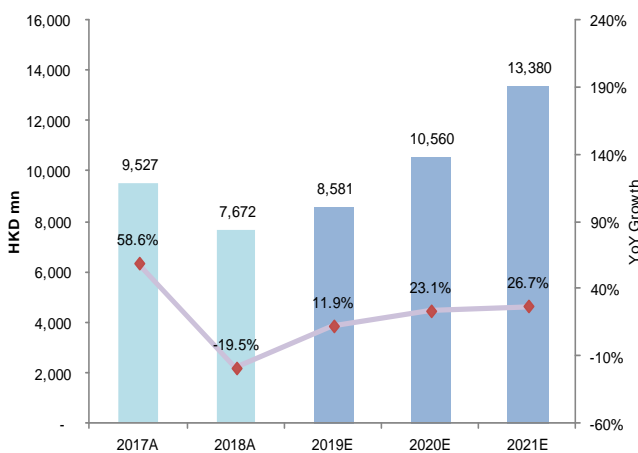
Figure-6: Historical Price of Solar Glass in China (RMB / SQ.M)



Source: SCI99, Guotai Junan International.

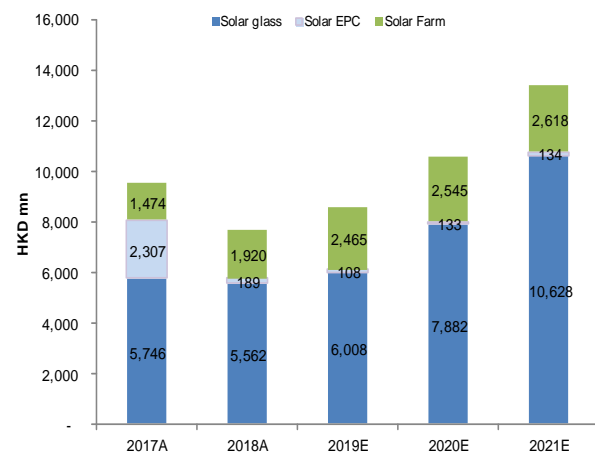
We reiterate the investment rating of "Buy" and further raise our TP to HK\$5.70. We expect solar glass ASP to rebound from 2H2019 all the way to 2021 with an ASP of RMB28.1 per sq.m/ RMB 28.5 per sq.m/ RMB 29.0 per sq.m from 2019 to 2021, respectively. Given the solar glass selling price rebound, we estimate the gross margin of the solar glass segment to gradually recover from 26.2% in 2018 (27.3% in 1H2019) to 30.5%/ 33.3%/ 34.9% from 2019 to 2021, respectively. We expect the gross margin of solar farms to remain at the current level, averaging at 74.9% from 2019 to 2021. By the end of 2019/ 2020/ 2021, we expect daily melting solar glass capacity to reach 7,800 tons/ 11,800 tons/ 12,800 tons, respectively, while solar farm capacity is expected to hit 2,775 MW/ 3,060 MW/ 3,360 MW, respectively. We expect solar glass sales volume to increase YoY by 19.9%/ 29.2%/ 32.8% from 2019 to 2021, respectively, as a result of the capacity expansion and the expected surge in global solar materials demand during the forecast period. Our EPS forecasts for the period from FY19 to FY21 are HK\$0.299, HK\$0.380 and HK\$0.488, respectively. As Xinyi is scheduled to dramatically ramp up its solar glass production capacity in both 2019 and 2020 by adding no less than 5,000 tpd of solar glass capacity by the end of 2020, its solar glass sales volume is expected to rise sharply over the next two years. We are very bullish on the long-term prospect of the solar industry and believe it would lead to a new round of energy revolution over the next decade with the introduction of more advanced energy storage facilities. Although domestic solar installation dropped YoY by 53% in 10M2019, we expect global growth to hit approximately 18% YoY in 2019 due to stronger-than-expected overseas demand. We therefore reiterate the investment rating of "Buy" and raise our TP to HK\$5.70. Our new TP corresponds to 19.1x/ 15.0x/ 11.7x FY19 to FY21 PER or 3.2x/ 2.8x/ 2.4x FY19 to FY21 PBR, respectively.

Figure-7: Historical and Forecast Revenues



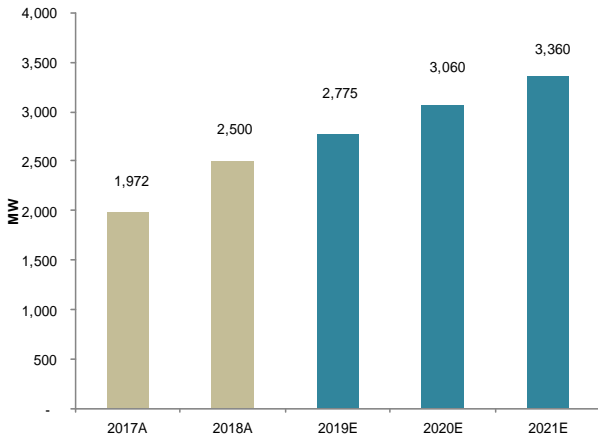
Source: the Company, Guotai Junan International.

Figure-8: Historical and Projected Revenue Breakdown



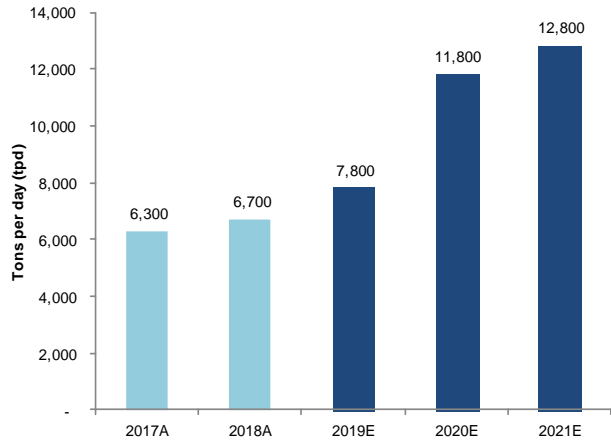
Source: the Company, Guotai Junan International.

Figure-9: Historical & Forecast Solar Farm Capacity



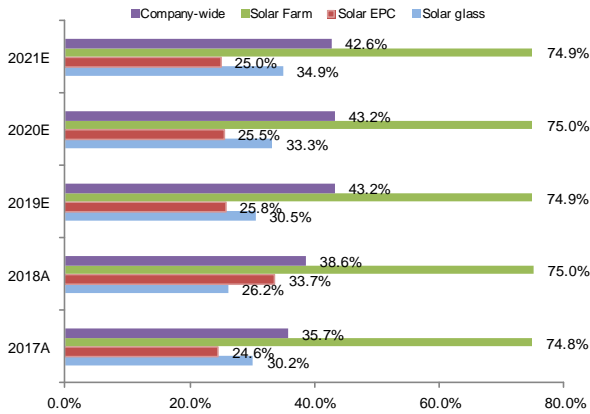
Source: the Company, Guotai Junan International.

Figure-10: Historical & Forecast Solar Glass Capacity



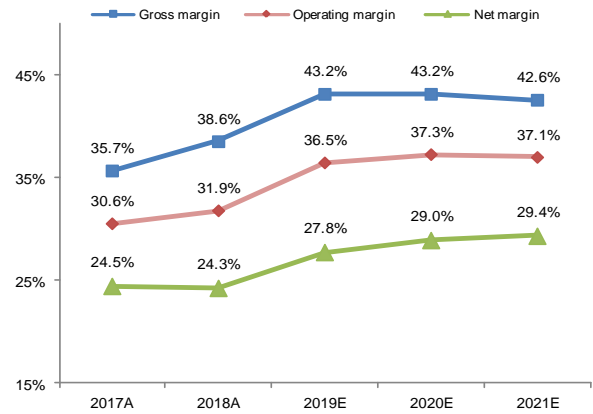
Source: the Company, Guotai Junan International.

Figure-11: Gross Margin by Segment



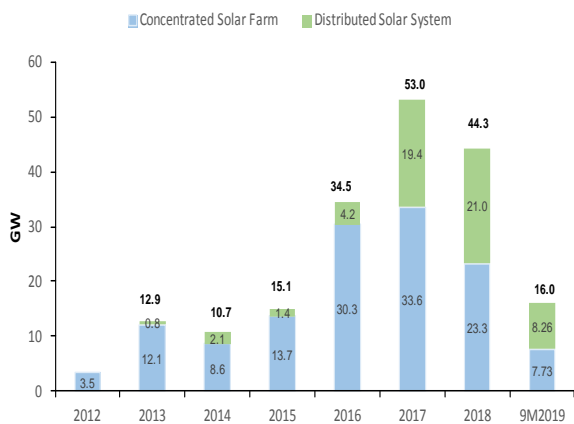
Source: the Company, Guotai Junan International.

Figure-12: Margin Analysis

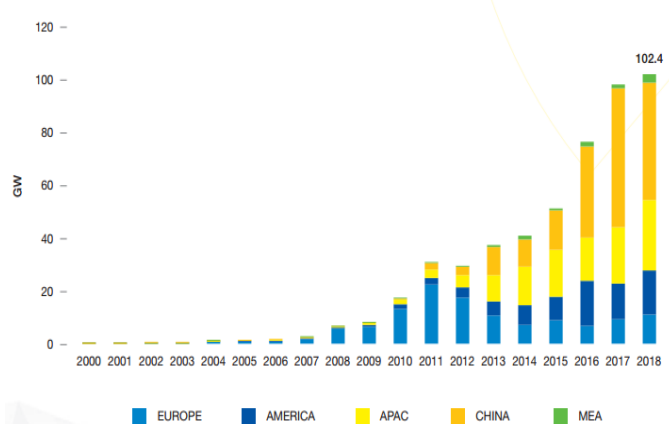


Source: the Company, Guotai Junan International.

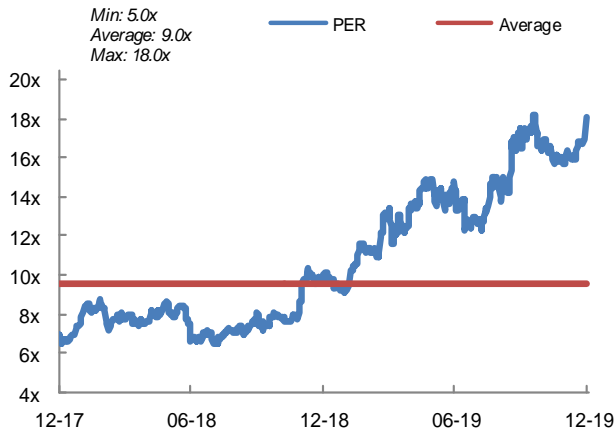
Figure-13: Historical New PV Installation in PRC by Type **Figure-14: Historical Global New PV Installation by Region**



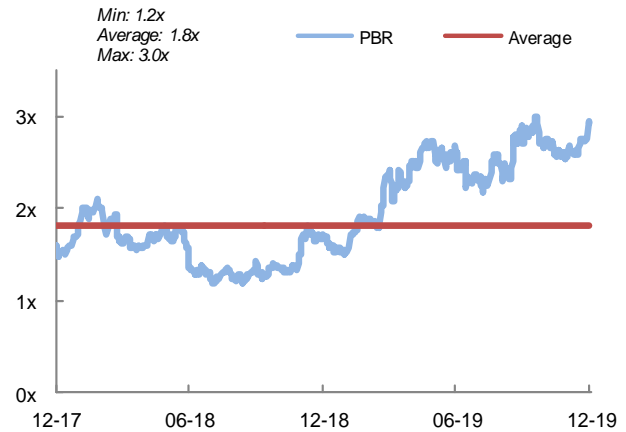
Source: NEA China, Guotai Junan International.



Source: Solar Power Europe, Guotai Junan International.

Figure-15: Forward PER of Xinyi Solar


Source: Bloomberg, Guotai Junan International.

Figure-16: Forward PBR of Xinyi Solar


Source: Bloomberg, Guotai Junan International.

Table-1: Peers Comparison

Company	Stock Code	Currency	Last price (in local \$)	PER				PBR				ROE (%)	EV/EBITDA(x)	Market Cap	
				18A	19F	20F	21F	18A	19F	20F	21F	19F	19F	HKD mn	
Polysilicon & Wafer															
Comtec Solar Systems Group	00712 HK	HKD	0.12	n.a.	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	72
Daqo New Energy Corp-Adr	DQ US	USD	40.35	13.2	20.6	4.6	4.9	1.0	1.0	0.8	0.7	5.1	9.3	4,195	
Gcl-Poly Energy Holdings Ltd	03800 HK	HKD	0.23	n.a.	n.a.	6.8	5.2	0.2	0.2	0.2	0.2	(1.1)	7.4	4,563	
Oci Co Ltd	010060 KS	KRW	60,800.00	14.0	n.a.	21.7	10.3	0.4	0.4	0.4	0.4	(4.2)	11.7	9,509	
Rec Silicon Asa	REC NO	NOK	2.06	n.a.	n.a.	n.a.	n.a.	0.6	2.8	6.0	(4.8)	(107.2)	n.a.	491	
TBEA Co Ltd	600089 CH	CNY	6.37	13.0	11.4	9.7	9.3	0.8	0.7	0.7	0.6	6.3	7.0	26,195	
Wacker Chemie Ag	WCH GR	EUR	62.14	12.6	34.3	22.6	15.4	1.0	1.0	1.0	1.0	3.2	5.3	28,123	
Xinte Energy	1799 HK	HKD	5.00	4.0	9.5	5.0	3.7	0.5	0.5	0.5	0.4	5.6	n.a.	5,225	
Xian Longji Silicon Materia-A	601012 CH	CNY	24.40	32.4	18.7	15.0	12.5	5.1	3.7	3.0	2.5	20.9	13.3	101,898	
Simple Average				14.9	18.9	12.2	8.8	1.2	1.3	1.6	0.1	(8.9)	9.0		
Weighted Average				24.0	20.0	15.0	11.7	3.2	2.4	2.1	1.7	13.0	10.7		
Cell & Module															
Canadian Solar Inc	CSIQ US	USD	16.74	4.2	9.9	5.6	6.8	0.8	0.7	0.6	0.6	9.3	7.6	7,789	
Jinkosolar Holding Co-Adr	JKS US	USD	18.57	11.6	6.9	4.3	6.3	0.6	0.6	0.5	0.4	9.5	5.6	6,440	
Renesola Ltd-Adr	SOL US	USD	1.50	n.a.	17.6	11.5	n.a.	6.3	n.a.	n.a.	n.a.	4.3	n.a.	565	
Simple Average				7.9	11.5	7.1	6.5	2.6	0.6	0.6	0.5	7.7	6.6		
Weighted Average				7.5	8.9	5.3	6.6	0.9	0.7	0.6	0.5	9.2	6.7		
Solar Glass															
Ancai Hi-Tech	600207 CH	CNY	4.48	n.a.	n.a.	n.a.	n.a.	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	4,280	
AVIC Sanxin	002163 CH	CNY	4.44	111.0	n.a.	n.a.	n.a.	5.2	n.a.	n.a.	n.a.	n.a.	n.a.	3,950	
Changzhou Almaden	002623 CH	CNY	14.02	28.0	63.7	63.7	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	2,484	
CSG Holdings	200012 CH	HKD	2.26	13.1	10.8	8.7	6.7	0.7	0.6	0.6	0.5	6.4	n.a.	12,399	
Fiat Glass	06865 HK	HKD	4.24	15.5	10.8	7.7	6.4	1.8	1.7	1.4	1.2	16.0	15.8	19,279	
Xinyi Solar Holdings	00968 HK	HKD	5.29	21.3	18.0	14.2	11.7	3.9	3.0	2.6	2.3	18.5	12.2	42,752	
Simple Average				37.8	25.8	23.6	8.3	2.5	1.8	1.5	1.4	13.6	14.0		
Weighted Average				23.2	16.5	13.3	9.5	2.9	2.3	2.0	1.7	15.9	13.3		
Solar System Operator															
Gcl New Energy Holdings Ltd	00451 HK	HKD	0.16	5.5	3.4	3.6	3.6	0.3	0.4	0.3	0.3	9.8	6.7	3,052	
Jiangsu Akcome Science & T-A	002610 CH	CNY	1.57	56.1	n.a.	n.a.	n.a.	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	7,803	
Kong Sun Holdings	00295 HK	HKD	0.07	59.0	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	1,048	
Shunfeng International Clean	01165 HK	HKD	0.14	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	717	
Panda Green Energy	00686 HK	HKD	0.20	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	3,035	
Xinyi Energy Holdings	03868 HK	HKD	1.91	n.a.	13.8	12.6	12.1	n.a.	1.3	1.3	1.3	10.4	9.9	12,897	
Simple Average				40.2	8.6	8.1	7.8	0.5	0.8	0.8	0.8	10.1	8.3		
Weighted Average				43.4	11.8	10.9	10.5	0.7	1.1	1.1	1.1	10.3	9.2		

 Source: Bloomberg, Guotai Junan International. Updated as of December 4th 2019.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (HK\$ m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Dec (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Total Revenue	9,527	7,672	8,581	10,560	13,380	PPE	14,240	15,804	17,319	19,001	20,246
COGS	(6,122)	(4,711)	(4,873)	(5,997)	(7,675)	Prepaid expense	261	523	654	817	1,022
Gross profit	3,405	2,960	3,708	4,563	5,705	Land use rights	344	320	362	413	464
Selling expense	(239)	(271)	(275)	(281)	(344)	Others	456	442	477	519	565
Admin expense	(433)	(413)	(472)	(528)	(615)	Total Non-current Assets	15,301	17,089	18,812	20,750	22,297
Other income	181	176	185	204	234	Cash & Cash Equivalents	1,381	784	4,290	3,696	3,345
Other gains / expenses	0	(10)	(12)	(16)	(21)	Inventories	374	430	391	465	637
Operating Profit	2,914	2,443	3,134	3,942	4,958	Trade receivable	4,167	4,154	3,762	4,752	6,021
Share of JV / affiliate	40	49	54	60	66	Others	1,545	1,436	1,760	2,397	3,022
Net finance costs	(165)	(246)	(255)	(231)	(209)	Total Current Assets	7,467	6,803	10,204	11,310	13,025
Profit Before Tax	2,789	2,246	2,933	3,771	4,814	Total Assets	22,767	23,893	29,015	32,060	35,322
Income Tax	(265)	(205)	(279)	(400)	(560)	Short-term debts	3,145	3,773	2,181	2,247	2,496
Profit After Tax	2,524	2,042	2,654	3,371	4,254	Trade payable	888	1,082	1,044	1,319	1,689
Non-controlling Interest	(192)	(179)	(270)	(314)	(325)	Accruals and other payables	2,053	1,698	2,293	2,568	2,696
Shareholders' Profit / Loss	2,332	1,863	2,384	3,057	3,930	Others	155	184	224	277	348
Basic EPS (HK\$)	0.326	0.249	0.299	0.380	0.488	Total Current Liabilities	6,241	6,737	5,741	6,411	7,229
DPS (HK\$)	0.150	0.120	0.143	0.184	0.237	Long-term debts	4,787	4,997	4,197	4,347	4,047
						Deferred tax liabilities	0	11	11	11	11
						Others	59	89	0	0	0
						Total Non-current Liabilities	4,846	5,096	4,207	4,357	4,057
						Total Liabilities	11,087	11,834	9,949	10,768	11,286
						Total Shareholders' Equity	10,121	10,434	14,482	16,392	18,812
						Minority Interest	1,559	1,625	4,585	4,899	5,224
						Total Equity	11,680	12,059	19,067	21,292	24,036
						BPS (HK\$)	1.363	1.362	1.800	2.036	2.335

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Net income	2,332	1,863	2,384	3,057	3,930
D&A	549	707	919	1,241	1,676
Change in working capital	(1,868)	(65)	702	(1,097)	(1,498)
Others	285	(195)	216	330	317
Cash from Operating Activities	1,298	2,310	4,222	3,532	4,424
Investing activities					
Capital expenditure	(2,511)	(3,059)	(2,500)	(3,000)	(3,000)
Proceeds from disposal	0	0	24	26	29
Others	21	23	6	(17)	(10)
Cash from Investing Activities	(2,490)	(3,035)	(2,470)	(2,991)	(2,982)
Financing activities					
Debt raised / (repaid)	1,267	837	(2,392)	216	(51)
Dividend paid	(999)	(1,114)	(953)	(1,330)	(1,715)
Capital injection from minority	0	0	3,808	0	0
Placement proceeds	1,512	473	1,341	14	15
Others	(76)	(22)	(49)	(36)	(43)
Cash from Financing Activities	1,703	174	1,755	(1,136)	(1,793)
Net Changes in Cash	511	(551)	3,507	(594)	(351)
Adjustments	26	(46)	0	0	0
Cash at Beg of Year	843	1,381	784	4,290	3,696
Cash at End of Year	1,381	784	4,290	3,696	3,345

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Gross margin (%)	35.7%	38.6%	43.2%	43.2%	42.6%
EBIT margin (%)	30.6%	31.9%	36.5%	37.3%	37.1%
EBITDA margin (%)	36.4%	41.1%	47.2%	49.1%	49.6%
Net margin (%)	24.5%	24.3%	27.8%	29.0%	29.4%
ROE (%)	28.5%	18.1%	19.1%	19.8%	22.3%
ROA (%)	11.8%	8.0%	9.0%	10.0%	11.7%
Net gearing (%)	64.7%	76.5%	14.4%	17.7%	17.0%
Inventory turnover (day)	22.3	33.3	29.3	28.3	30.3
AR turnover (day)	159.6	197.6	160.0	164.3	164.3
AP turnover (day)	52.9	83.8	78.2	80.3	80.3
EV / EBITDA (x)	12.2	13.9	10.1	8.1	6.4
EV / Sales (x)	4.4	5.7	4.8	4.0	3.2
Quick ratio (x)	1.1	0.9	1.7	1.7	1.7
Current ratio (x)	1.2	1.0	1.8	1.8	1.8

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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