

Company Report: GCL-Poly Energy (03800 HK)

公司报告: 保利协鑫能源 (03800 HK)

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Xinjiang Plant to Drive Cost Lower, Maintain "Neutral"

新疆工厂将降低生产成本, 维持“中性”

- **The Xinjiang base is set to further drive down the production cost of poly-silicon.** The new Xinjiang plant will take advantage of the low electricity price in Xinjiang (RMB 0.24/kWh) and the easy access to poly-silicon powder, two key cost components in the production of poly-silicon, to further drive down poly-silicon production cost. The production cost of poly-silicon in Xinjiang is below RMB 40/kg, with full cost estimated to be below RMB 50/kg
- **Newly installed solar capacity expected to average at 45 GW per year from 2018 to 2020.** Nationwide newly installed solar capacity in 9M2018 was down 18.3% YoY to 34.5 GW, pushing cumulative installed solar capacity to 164.7 GW. We expect domestic new solar installations from 2018 to 2020 to be 42 GW/ 45 GW/ 48 GW, respectively.
- **Solar materials price is expected to further drop in order to expedite the PV grid parity in China.** According to stats from PVInsights, as of 21st November 2018, YTD ASP YoY change of poly-silicon, multi wafer, mono wafer, cell and module reached -13.2%, -34.2%, -33.7%, -28.7% and -17.7%, respectively. We expect solar materials price decline to continue.
- **We raise our TP to HKD 0.60 but maintain the "Neutral" rating.** Benefiting from the low cost production base recently launched in Xinjiang, GCL Poly is expected to make a turnaround in 2019. Our EPS estimates from FY18 to FY20 are RMB 0.019, RMB 0.062 and RMB 0.069, respectively. The new TP corresponds to 8.5x/ 7.6x FY19/ FY20 PER or 0.4x FY18-FY20 PBR.
- **新疆基地将进一步降低多晶硅的生产成本。** 新疆新工厂将利用新疆地区的低电价 (人民币 0.24/千瓦时) 及便于获取硅粉的优势来进一步降低多晶硅的生产成本。电力及硅粉为多晶硅生产的核心成本组成部分。新疆工厂的多晶硅生产成本为每公斤 40 人民币以下, 全成本预计在每公斤 50 人民币以下。
- **国内于 2018 至 2020 年的新增光伏装机预计将平均在 45 吉瓦每年。** 国内于 2018 年前 9 个月的光伏新增装机容量同比跌 18.3%至 34.5 吉瓦, 期末时的累计光伏装机量为 164.7 吉瓦。我们当前预计 2018 至 2020 年的年新增光伏装机容量将分别达到 42 吉瓦/ 45 吉瓦/ 48 吉瓦。
- **光伏材料价格预计将进一步下滑以促进国内的光伏平价上网的早日到来。** 根据 PVInsights 的数据, 年迄今截止至 2018 年 11 月 21 日的多晶硅、多晶硅片、单晶硅片、电池片和组件的同比均价变动分别为-13.2%、-34.2%、-33.7%、-28.7% 和-17.7%。我们预计光伏材料价格将持续下跌。
- **我们上调目标价至 0.60 港元, 但维持公司“中性”的投资评级。** 受益于近期落成的新疆基地的低成本, 保利协鑫有望于 2019 年实现业绩的反转。我们对 2018/ 2019/ 2020 财年的每股净利预测分别为人民币 0.019, 人民币 0.062 及人民币 0.069。新目标价相当于公司 8.5 倍/ 7.6 倍 2019/ 2020 年市盈率或 0.4 倍 2018 / 2019 / 2020 年市净率。

Rating:

Neutral

Maintained

评级:

中性 (维持)

6-18m TP目标价:

HK\$0.60

Revised from 原目标价:

HK\$0.50

Share price 股价:

HK\$0.540

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 %	16.1	0.0	(57.5)
Rel. % to HS Index 相对恒指变动 %	9.6	6.9	(46.2)
Avg. Share price(HK\$) 平均股价 (港元)	0.54	0.53	0.88

Source: Bloomberg, Guotai Junan International.

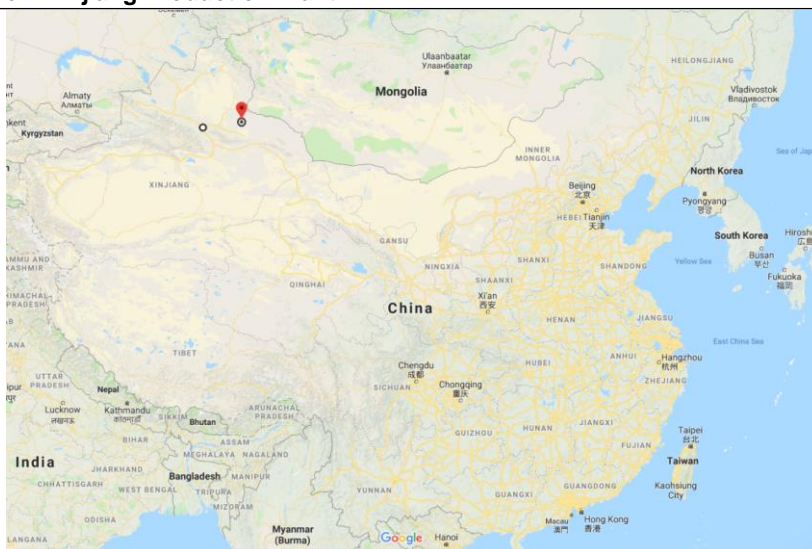
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	22,025	2,099	0.114	(16.8)	4.2	1.120	0.4	0.000	0.0	11.4
2017A	23,794	1,926	0.104	(8.8)	4.3	1.225	0.4	0.000	0.0	8.8
2018F	24,959	354	0.019	(81.7)	25.0	1.259	0.4	0.000	0.0	1.5
2019F	24,936	1,154	0.062	226.3	7.7	1.303	0.4	0.000	0.0	4.8
2020F	25,421	1,291	0.069	11.3	6.9	1.313	0.4	0.000	0.0	5.3
Shares in issue (m) 总股数 (m)				18,329.9	Major shareholder 大股东				Zhu, Gongshan 34.3%	
Market cap. (HK\$ m) 市值 (HK\$ m)				9,898.2	Free float (%) 自由流通比率 (%)				65.0	
3 month average vol. 3 个月平均成交股数 ('000)				70,218.8	FY18 Net gearing (%) FY18 净负债/股东资金 (%)				212.2	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				1.500 / 0.450	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)				7.7	

Source: the Company, Guotai Junan International.

The newly built Xinjiang production base will further drive down poly-silicon production cost. We visited the new Xinjiang poly-silicon production plant of GCL Poly Energy on 20th November. The new plant is some 350 km away from Urumqi International Airport and is very close to Mongolia (see figure 1). The poly-silicon production capacity of the new plant will reach 60,000 tons per year when fully online (expected to be in 2Q2019) and total investment amounted to approximately RMB 6 bn. The production plant was recently officially launched (i.e. October 2018) with an initial production capacity of 50,000 tons and will gradually ramp up to 60,000 tons by 2Q2019. The Company's total poly-silicon capacity will increase from its current 75,000 tons/year to 125,000 tons/year by year-end 2018, and further increase to 135,000 tons by mid 2019. The Company has secured 100,000 tons of poly-silicon capacity expansion approval from the local government, implying that further expansions in Xinjiang would be available if and when need be. The key benefit of producing poly-silicon in Xinjiang is the low electricity price in the Xinjiang region, which is fixed at RMB 0.24/kWh for GCL Poly's Xinjiang plant, or roughly RMB 0.20/kWh lower compared to the electricity price of Xuzhou production plant. Further, Xinjiang is China's key production base of silicon powder, a key raw material in the production of poly-silicon. Having a production plant in Xinjiang would render less time and lower cost in procuring raw material for GCL Poly. In short, the logic behind the Xinjiang strategy is lower electricity cost and easier access to silicon powder. The new production plant occupies 8,551 m² of land area and 17,868 m² of construction area, has a total of 60 poly-silicon furnaces at 3.2 meters in height for each (average height of furnaces of peers: 2.3 meters) and each furnace produces 11.5 tons (average peers output: 7 tons/cycle) per 120-hour production cycle. The production plant employs slightly more than 800 people and is highly automated with extensive application of robotics. Tax rate in Xinjiang is fixed at 15% as the Company is considered new and high-tech enterprise, and it also enjoys the tax benefit under the Western Region Development Program (西部大开发税收优惠).

Unrivalled poly-silicon production cost at less than RMB 40 per kilogram set to revolutionize the solar industry. The Company prides itself in achieving the lowest production cost in the industry with the roll out of its new production plant in Xinjiang. Key components of poly-silicon production cost in Xinjiang for every kilogram of poly-silicon produced in the new plant include: 1) labor cost (averaging RMB 4.8/kg); 2) electricity cost (58 kWh * RMB 0.24/kWh = RMB 13.92/kg); 3) silicon powder (1.07 kg * RMB 13.7/kg = RMB 14.66/kg); and 4) steam gas (RMB 57 * 0.03/kg = RMB 1.71). Total production cost is approximately RMB 35/kg (or approx. USD 5.0/kg) and the full production cost (including depreciation cost) is below RMB 50/kg (or approx. USD 7.2/kg). Electricity cost in Xinjiang is roughly RMB 0.20/kWh cheaper compared to that in Xuzhou, implying that the Company will save a minimum of approximately RMB 11.6/kg (USD 1.7/kg) in electricity cost (Xuzhou's furnaces are aged and might use more electricity for every kilogram of poly-silicon produced). Cheap electricity price is the primary reason for GCL Poly to invest in Xinjiang. Currently, the average poly-silicon production cost within the industry is approximately RMB 60/kg–RMB 70/kg, and the low cost poly-silicon from the new Xinjiang production plant is set to impact the market and wipe out lower-tier players in the market. The Company will use the cost leadership strategy to capture the market share of the 2nd and 3rd tier competitors in the markets and gradually fill up the poly-silicon demand currently relying on imports (China imported approximately 160,000 tons of poly-silicon in 2017 alone). The low cost poly-silicon of GCL Poly is set to revolutionize the solar industry and help expedite PV grid parity both in China and globally. Considering that the rebound of poly-silicon selling price may not be possible, we expect that GCL Poly may gradually shift all its production capacity of poly-silicon to Xinjiang over the next 2 years to take full advantage of the low electricity and raw material cost in Xinjiang.

Figure-1: Vicinity Map of New Xinjiang Production Plant



Source: Google Maps, Guotai Junan International. *Note: the red dot on the map is the location of the new Xinjiang production plant of GCL Poly.

Figure-2: Xinjiang Production Plant of GCL Poly Energy



Source: the Company, Guotai Junan International.

Figure-3: Main Production Facility of Xinjiang Plant – The Poly-silicon Furnace



Source: the Company, Guotai Junan International.

Newly installed solar capacity in China from 2018 to 2020 is expected to average 45 GW per year. The management of GCL Poly believes that newly installed solar capacity in the domestic market in 2019 -2020 will reach approximately 90 GW, implying that 45 GW will be installed per year in China over the coming years. Based on the management's perspective and our own analysis, we expect 42 GW/ 45 GW/ 48 GW will be installed domestically in 2018/ 2019/ 2020, respectively. Meanwhile, the Company guided that the NEA may announce the 2019 solar energy development guidance in December with a potential increase in the installation target of the 13th Five-Year Solar Energy Development plan. Further, the application of the 8th batch of renewable energy tariff subsidy catalogue is expected to begin in 1Q2019, and the long delayed tariffs subsidy is expected to be distributed in 2H2019. Both are strong catalysts for the solar industry, and we believe that the solar industry will start to turn around and gradually bottom out from the trough caused by the 531 PV New Policy.

Newly installed solar capacity in China in 9M2018 reached 34.5 GW and nationwide cumulative installed solar capacity amounted to 164.7 GW by the end of 9M2018. According to statistics from the National Energy Administration (NEA) of China, domestic newly installed solar capacity in the first 9 months of 2018 reached 34.54 GW, down 18.3% YoY. Of the total new installations in 9M2018, newly installed distributed solar projects reached 17.14 GW, up YoY by approximately 12%, while newly installed concentrated solar farms across China amounted to 17.4 GW, down YoY by approximately 37%. Cumulative installed solar capacity in China climbed to 164.7 GW as at the end of September 2018, with 117.94 GW of concentrated solar stations and 46.8 GW of distributed solar projects. Of the 34.5 GW of new solar projects installed in 9M2018, the eastern region of China contributed 8.58 GW (24.8% of new installations), the central region of China added 5.87 GW (17.0%), and the northern region of China added 8.42 GW (24.4%). Newly built distributed solar projects are mainly situated in regions with strong electricity consumption demand such as Zhejiang, Shandong and Henan, just to name a few.

Solar materials price plummeted in 2018 and the price downtrend is expected to continue. Stats from PVinsights indicated that as of 21st November 2018, YTD ASP YoY change of poly-silicon, multi wafer, mono wafer, cell and module was -13.2%, -34.2%, -33.7%, -28.7% and -17.7%, respectively. For the period from 30th May to 21st November (following the promulgation of 531 PV New Policy), solar materials price dropped by between 25% and 42%, or at an average of 34 % over the last 6-month period. The price drop was so dramatic that we believe a rebound in solar materials price would not be possible as China strives to cut tariff subsidies on newly built solar projects with the promulgation of 531 PV New Policy, the strictest policy aiming to curb the development scale of solar projects and to minimize the extent of solar tariff subsidies for newly built projects. We expect plunging solar material prices to undermine the profitability of solar materials suppliers, leading to industry consolidation. Lower tier solar materials makers in solar industry will not be able to make it through this time around since most were and are not prepared and are unable to substantially reduce their production costs. The plunging solar materials will expedite the PV grid parity both in China and globally. With the coming of PV grid parity, we expect global solar materials demand to surge in 2019 and onwards.

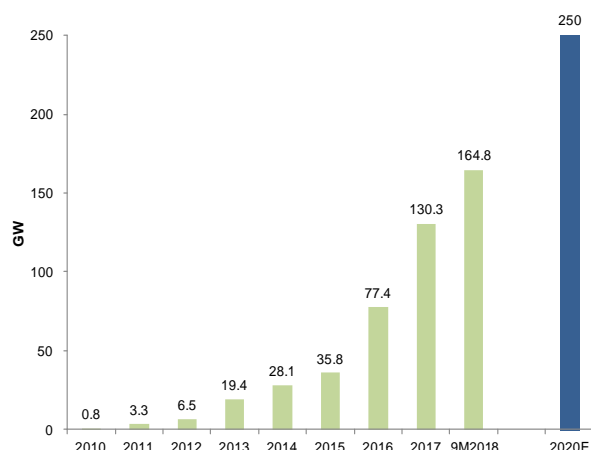
We maintain the "Neutral" investment rating but raise the TP to HKD 0.60. Falling product selling price is set to undermine the profitability of the solar materials segment of GCL Poly, but we believe that the newly built Xinjiang production plant will help lower the production cost of its solar materials in 2019 and 2020. The solar materials segment's gross margin is expected to drop 13.1 ppts YoY to 14.1% in 2018 and to recover to 20.5% in 2019 thanks to the new Xinjiang production plant. We believe that solar material prices will continue the current downtrend and only low cost players will be able to survive this industry cold winter. Due to a sharp fall in solar material prices in 10M2018 with an expected downtrend over next few months, we expect GCL Poly's net earnings to decline dramatically by more than 80% YoY in 2018 and to gradually recover over the next 2 years due to the new Xinjiang base and the other cost reduction measures on solar materials. As the future profitability of GCL Poly remains in question at this point in time, we maintain our investment rating of "Neutral" but slightly raise our TP to HKD 0.60. Our EPS estimates for the period from FY18-FY20 are RMB 0.019, RMB 0.082 and RMB 0.088, respectively. The new TP corresponds to 8.5x/ 7.6x FY19/ FY20 PER or 0.4x FY18/ FY19/ FY20 PBR.

Table-1: Historical Data and Key Assumptions for the Solar Materials Segment

	<u>2014A</u>	<u>2015A</u>	<u>2016A</u>	<u>2017A</u>	<u>2018F</u>	<u>2019F</u>
Poly capacity (mt)	65,000	70,000	70,000	75,000	125,000	135,000
Poly production (mt)	66,876	74,358	69,345	74,818	87,500	128,250
Poly utilization (%)	103%	106%	99%	100%	70%	95%
Poly shipment (mt)	15,443	18,023	9,951	7,316	7,500	6,500
Wafer capacity (MW)	13,000	13,310	17,000	25,000	30,000	30,000
Wafer production (MW)	13,098	14,968	17,327	23,902	26,400	28,800
Wafer utilization (%)	101%	112%	102%	96%	88%	96%
Wafer shipment (MW)	12,909	15,178	17,518	23,417	26,650	29,050
Poly ASP (US\$ / kg)	21.7	15.6	15.0	15.5	13.5	10.0
Wafer ASP (US\$ / watt)	0.215	0.188	0.164	0.134	0.099	0.090
Solar materials segment gross margin (%)	23.2%	27.0%	27.7%	27.2%	14.1%	20.5%

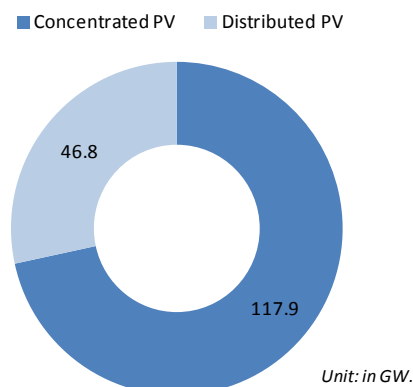
Source: the Company, Guotai Junan International.

Figure-4: Historical & Forecast Solar Capacity in China



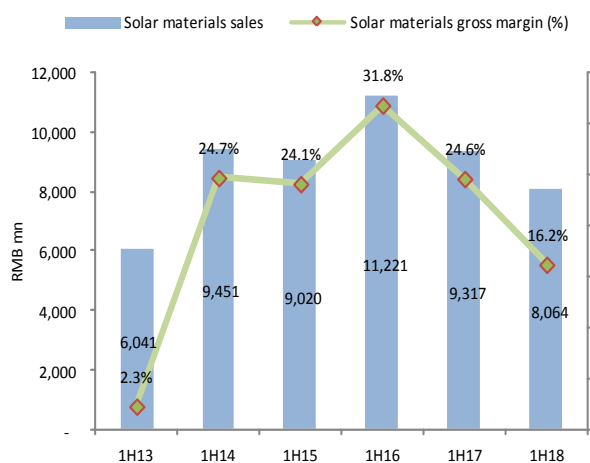
Source: NEA, Guotai Junan International.

Figure-5: Structure of Solar Capacity in China by 9M2018



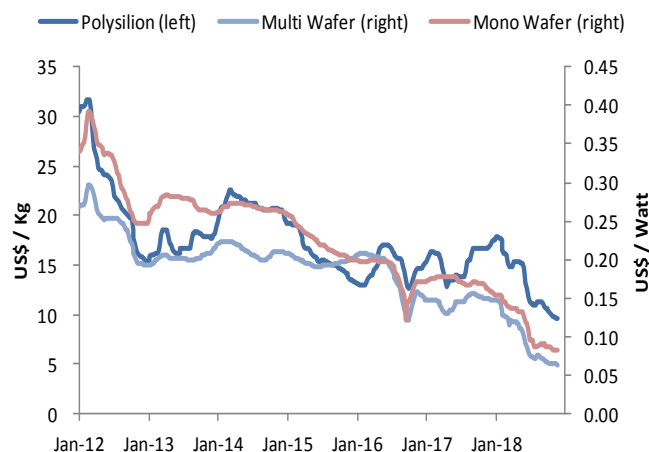
Source: NEA, Guotai Junan International.

Figure-6: Historical Solar Materials Revenue



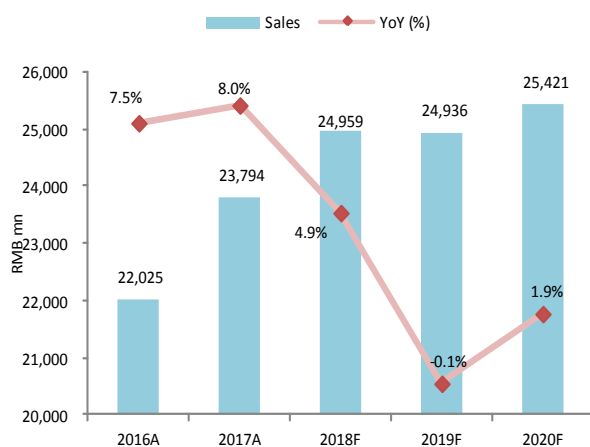
Source: NDRC, NEA, MOF, Guotai Junan International.

Figure-7: Historical Price of Wafer and Poly-Silicon



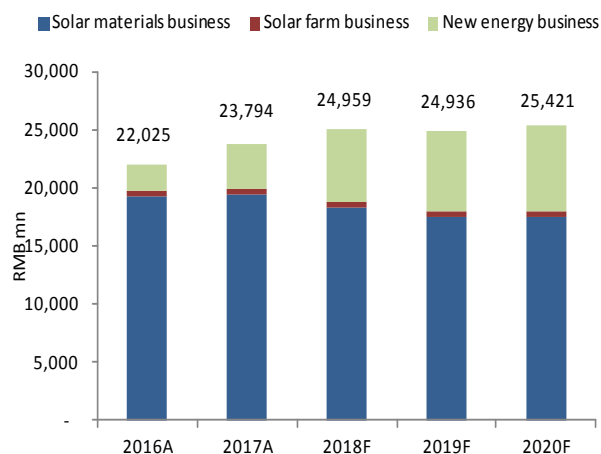
Source: PVInsights, Guotai Junan International.

Figure-8: Historical & Forecast Sales

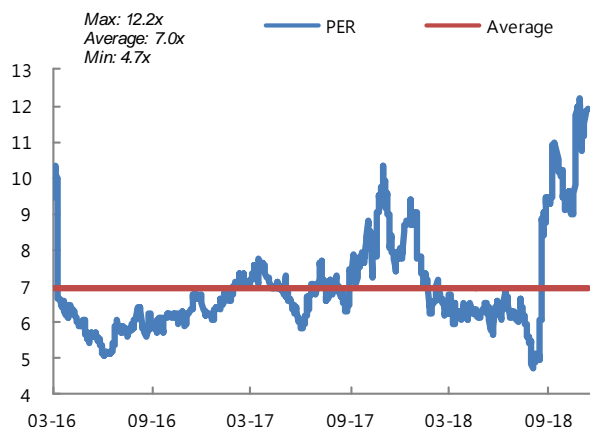


Source: the Company, Guotai Junan International.

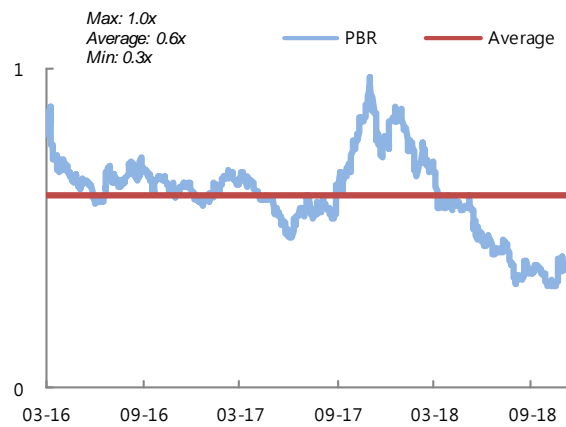
Figure-9: Composition of Revenue



Source: the Company, Guotai Junan International.

Figure-10: Forward PER of GCL Poly


Source: Bloomberg, Guotai Junan International.

Figure-11: 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 (%)		D/Y (%)		Market Cap HKD mn
				17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F		
Poly-Silicon & Wafer Producers																
Comtec Solar Systems Group	00712 HK	HKD	0.09	n.a.	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		183
Daqo New Energy Corp-Adr	DQ US	USD	22.79	2.6	4.1	3.9	2.2	0.6	0.5	0.5	0.3	15.4	n.a.	n.a.		2,295
Gcl-Poly Energy Holdings Ltd	03800 HK	HKD	0.54	4.4	11.0	7.6	6.0	0.4	0.4	0.4	0.3	2.5	0.0	0.0		9,898
Xian Longji Silicon Materia-A	601012 CH	CNY	17.52	13.6	16.5	13.5	12.0	3.4	2.9	2.4	2.1	16.1	0.7	0.7		55,077
Oci Co Ltd	010060 KS	KRW	100,000.00	10.2	14.8	19.1	9.3	0.7	0.7	0.7	0.6	4.9	1.9	1.9		16,524
Rec Silicon Asa	REC NO	NOK	0.64	n.a.	n.a.	n.a.	32.0	0.4	1.8	2.0	2.0	(107.1)	0.0	0.0		1,484
Tbea Co Ltd-A	600089 CH	CNY	6.74	11.0	11.0	10.0	8.6	0.9	0.8	0.7	0.7	7.5	2.9	2.9		28,202
Wacker Chemie Ag	WCH GR	EUR	82.54	4.7	12.6	13.2	12.1	1.3	1.3	1.2	1.2	10.6	4.4	4.4		38,130
Xinte Energy	1799 HK	HKD	7.90	6.7	6.1	5.3	4.4	0.7	0.7	0.6	0.6	11.5	n.a.	n.a.		8,256
Simple Average				7.6	10.9	10.4	10.8	1.0	1.1	1.1	1.0	(4.8)	1.6	1.6		
Weighted Average				9.5	13.4	12.4	10.4	1.8	1.6	1.4	1.3	9.9	2.1	2.1		
Cell & Module Producers																
Canadian Solar Inc	CSIQ US	USD	16.69	9.8	7.5	10.0	8.3	0.9	0.9	0.9	0.8	12.2	0.0	0.0		7,653
Hanwha Q Cells Co.	HQCL US	USD	9.68	n.a.	17.3	35.9	n.a.	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		6,307
Jinkosolar Holding Co-Adr	JKS US	USD	10.65	16.4	9.4	n.a.	12.5	0.3	0.4	0.4	0.3	4.8	0.0	0.0		3,269
Renesola Ltd-Adr	SOL US	USD	1.56	1.1	12.0	12.0	12.0	6.6	n.a.	n.a.	n.a.	3.6	n.a.	n.a.		465
Simple Average				9.1	11.5	19.3	10.9	2.4	0.6	0.6	0.6	6.8	0.0	0.0		
Weighted Average				11.3	11.4	21.3	9.7	1.3	0.7	0.7	0.6	9.7	0.0	0.0		
Solar Farm Operators																
Gcl New Energy Holdings Ltd	00451 HK	HKD	0.28	5.4	5.3	4.6	4.6	0.6	0.6	0.5	0.4	12.1	0.4	0.4		5,245
Jiangsu Akcome Science & T-A	002610 CH	CNY	1.69	67.6	n.a.	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		8,548
Kong Sun Holdings	00295 HK	HKD	0.12	12.6	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		1,736
Shunfeng International Clean	01165 HK	HKD	0.48	n.a.	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		2,392
Panda Green Energy	00686 HK	HKD	0.29	13.2	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		2,764
Simple Average				24.7	5.3	4.6	4.6	0.6	0.6	0.5	0.4	12.1	0.4	0.4		
Weighted Average				36.3	5.3	4.6	4.6	0.8	0.6	0.5	0.4	12.1	0.4	0.4		

 Source: Bloomberg, Guotai Junan International. *Prices are as of 27th November 2018.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	FY16A	FY17A	FY18F	FY19F	FY20F
Total Revenue	22,025	23,794	24,959	24,936	25,421
COGS	(14,980)	(15,596)	(17,782)	(16,326)	(16,443)
Gross profit	7,044	8,199	7,177	8,610	8,978
Selling expense	(73)	(119)	(125)	(125)	(127)
Admin expense	(1,847)	(2,188)	(2,122)	(1,995)	(2,034)
Other gains / expenses	(165)	(465)	(592)	(647)	(527)
Operating Profit	4,960	5,426	4,338	5,843	6,290
Share of JV / affiliate	33	27	61	62	63
Gain on disposals	0	0	0	0	0
Net finance costs	(2,149)	(2,541)	(3,106)	(3,177)	(3,230)
Profit Before Tax	2,844	2,912	1,293	2,728	3,123
Income Tax	(537)	(638)	(259)	(546)	(625)
Profit After Tax	2,307	2,274	1,034	2,182	2,498
Non-controlling Interest	(208)	(348)	(680)	(1,029)	(1,207)
Shareholders' Profit / Loss	2,099	1,926	354	1,154	1,291
Basic EPS (RMB)	0.114	0.104	0.019	0.062	0.069

Cash Flow Statement					
Year end 31 Dec (RMB m)	FY16A	FY17A	FY18F	FY19F	FY20F
Operating activities					
Net income	2,099	1,926	354	1,154	1,291
D&A	3,521	3,733	4,031	4,354	4,702
Change in working capital	7,727	(1,313)	550	2,574	2,681
Others	(5,562)	4,609	4,519	5,761	5,953
Cash from Operating Activities	7,785	8,955	9,454	13,842	14,627
Investing activities					
Capital expenditure	(10,789)	(10,448)	(12,479)	(9,974)	(10,168)
Proceeds from disposal	90	486	510	357	382
Others	2,548	(8,808)	(552)	(433)	(596)
Cash from Investing Activities	(8,150)	(18,770)	(12,521)	(10,050)	(10,382)
Financing activities					
Debt raised / (repaid)	(1,641)	15,269	1,950	726	1,295
Dividend paid	(106)	(159)	(70)	(136)	(206)
Placement proceeds	2,907	4	6	6	6
Others	(2,392)	(3,424)	(4,108)	(4,930)	(5,916)
Cash from Financing Activities	(1,232)	11,690	(2,222)	(4,334)	(4,821)
Net Changes in Cash	(1,597)	1,875	(5,289)	(542)	(575)
Adjustments	296	(160)	0	0	0
Cash at Beg of Year	10,260	8,958	10,673	5,384	4,842
Cash at End of Year	8,958	10,673	5,384	4,842	4,267

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	FY16A	FY17A	FY18F	FY19F	FY20F
PPE	52,462	63,780	71,476	76,460	81,330
Investment in affiliates	659	1,850	2,498	2,947	3,478
Intangible & goodwill	302	1,030	1,054	1,090	1,140
Prepayments	1,124	1,178	1,348	1,272	1,296
Others	5,361	8,331	8,601	8,976	9,386
Total Non-current Assets	59,907	76,169	84,976	90,745	96,631
Cash & Cash Equivalents	8,958	10,673	5,384	4,842	4,267
Inventories	966	991	1,600	1,469	1,480
Trade receivable	12,285	14,537	14,227	13,715	12,710
Others	4,904	4,909	5,074	5,247	5,429
Total Current Assets	27,112	31,111	26,285	25,273	23,886
Total Assets	87,019	107,280	111,262	116,018	120,518
Short-term debts	13,022	17,108	16,557	16,083	16,178
Trade payable	17,860	19,592	21,339	22,857	24,665
Bonds payables	0	1,765	1,065	1,165	1,265
Obligation under finance lease, ST	858	741	341	415	375
Notes payables	648	2,968	3,165	1,151	1,178
Unearned income	564	662	125	486	443
Others	1,448	588	392	616	720
Total Current Liabilities	34,401	43,424	42,984	42,773	44,824
Long-term debts	20,257	32,857	33,057	33,557	34,057
Convertibles	2,013	0	0	500	1,000
Notes payables, non-current	4,473	1,861	5,164	7,378	7,551
Obligation under finance lease, LT	1,655	896	796	622	562
Others	826	934	710	914	1,037
Total Non-current Liabilities	29,225	36,549	39,727	42,971	44,207
Total Liabilities	63,625	79,972	82,711	85,744	89,031
Total Shareholders' Equity	20,821	22,775	23,408	24,238	24,450
Minority Interest	2,573	4,532	5,143	6,035	7,037
Total Equity	23,394	27,308	28,551	30,273	31,486

Financial Ratios					
	FY16A	FY17A	FY18F	FY19F	FY20F
Gross margin (%)	32.0%	34.5%	28.8%	34.5%	35.3%
EBIT margin (%)	22.5%	22.8%	17.4%	23.4%	24.7%
EBITDA margin (%)	38.5%	38.5%	33.5%	40.9%	43.2%
Net margin (%)	9.5%	8.1%	1.4%	4.6%	5.1%
ROE (%)	11.4%	8.8%	1.5%	4.8%	5.3%
ROA (%)	2.5%	2.0%	0.3%	1.0%	1.1%
EV / EBITDA (x)	4.8	6.0	7.5	6.4	6.2
Net gearing (%)	143.1	187.1	212.2	210.1	216.0
Inventory turnover (day)	28.9	23.4	32.9	32.9	32.9
AR turnover (day)	228.8	213.7	208.1	200.8	182.5
AP turnover (day)	412.1	447.1	438.0	511.0	547.5
EV/EBITDA(x)	4.8	6.0	7.5	6.4	6.2
Quick ratio (x)	0.6	0.6	0.5	0.4	0.4
Current ratio (x)	0.8	0.7	0.6	0.6	0.5

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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