

## Company Report: Jinjiangcapital (02006 HK)

公司报告: 锦江资本 (02006 HK)

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# Expect Merger to Complete Sometime in 2022

预期合并将在2022年完成

- **Shanghai Jin Jiang Capital (the "Company") and its parent company entered into a merger agreement whereby the parent company will buy the Company's H shares for HK\$3.10 per share.** If the deal goes through, the Company would delist from the Hong Kong Stock Exchange and the Company's H Shares would be cancelled.
- **We believe that the biggest potential hurdle is the possibility that over 10% of Independent H shareholders votes against the merger.** We expect that the merger will most likely be approved by the relevant government authorities. The merger must also be approved by special resolution with 75% of voting Independent H shareholders in favor and not more than 10% voting against it. Given the significant premium of the merger price, we expect that the merger will most likely pass this hurdle. The merger is expected to close some time in 2022.
- **We increase the Company's target price from HK\$2.40 to HK\$2.90 and downgrade our investment rating from "Buy" to "Neutral".** The Company's share price has increased 72.0% since our last Company Report published on 9 September, and we think now is a good time to take profits. Since there is risk that the merger does not finalize, our target price is a 6.9% discount to the merger price of HK\$3.10. Should the merger not go through, we would expect the share price to decline, but that it would be limited. With most (80.4% in 2019, 87.1% in 2020 and 89.0% in 1H2021) of its revenue being generated within mainland China, we think that the Company is well positioned to take advantage of China's ongoing travel recovery.
- 上海锦江资本（“公司”）与其母公司签订合并协议，其母公司将以每股 3.10 港元的价格收购公司的 H 股股份。若合并成功，公司将从香港交易所退市，其 H 股股份将予以注销。
- 我们认为合并最大的潜在障碍在于超过 10% 的独立 H 股股东投票反对的可能性。我们预计此次合并方案大概率会得到相关政府部门的批准。合并还须获得至少 75% 的独立 H 股股东投票通过并且不超过 10% 的股东投票反对的特别决议案通过后方可批准。鉴于合并价格溢价显著，我们预计合并协议将大概率通过上述条件。合并预计将于 2022 年完成。
- 我们将公司目标价由 2.40 港元上调至 2.90 港元，并将投资评级由“买入”下调至“中性”。自我们 9 月 9 日发布上一份公司报告以来，公司股价已上涨 72.0%，我们认为现在是获利的好时机。鉴于合并仍有无法完成的风险，我们的目标价较 3.10 港元的合并价格有 6.9% 的折让。若合并失败，我们预计公司股价将下跌，但下跌空间有限。由于公司的大部分收入来自中国内地（2019 年占比 80.4%，2020 年占比 87.1%，2021 年上半年占比 89.0%），我们认为公司已做好充分准备，有望把握中国旅游市场的持续复苏。

Rating:

**Neutral**

Downgraded

评级:

中性 (下调)

6-18m TP 目标价:

**HK\$2.90**

Revised from 原目标价:

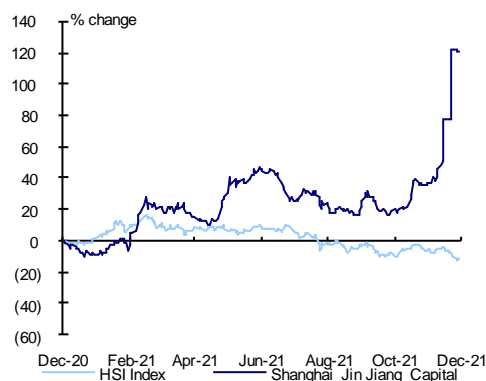
HK\$2.40

Share price 股价:

HK\$2.890

## 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 %                    | 63.3 | 81.8 | 124.0 |
| Rel. % to HS Index 相对恒指变动 %      | 69.0 | 86.0 | 131.4 |
| Avg. Share price(HK\$) 平均股价 (港元) | 2.2  | 1.9  | 1.6   |

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) | (%)   | (%)    |
| 2019A    | 20,977   | 676        | 0.121 | (11.7) | 21.4  | 1.650 | 1.6 | 0.000 | 0.0   | 5.3    |
| 2020A    | 14,201   | 298        | 0.054 | (55.4) | 45.1  | 1.706 | 1.4 | 0.000 | 0.0   | 3.2    |
| 2021F    | 18,687   | 114        | 0.020 | (63.0) | 118.5 | 1.793 | 1.3 | 0.000 | 0.0   | 1.2    |
| 2022F    | 20,570   | 441        | 0.079 | 295.0  | 30.0  | 1.871 | 1.3 | 0.000 | 0.0   | 4.3    |
| 2023F    | 21,914   | 568        | 0.102 | 29.1   | 23.2  | 2.020 | 1.2 | 0.000 | 0.0   | 5.2    |

|   |               |  |                               |
|---|---------------|--|-------------------------------|
| Shares in issue (m) 总股数 (m)             | 8,511.0       | Major shareholder 大股东                  | Jin Jiang International 75.0% |
| Market cap. (HK\$ m) 市值 (HK\$ m)        |               | Free float (%) 自由流通比率 (%)              | 25.0                          |
| 3 month average vol. 3 个月平均成交股数 ('000)  | 3,372.1       | FY21 Net gearing (%) FY21 净负债/股东资金 (%) | 42.4                          |
| 52 Weeks high/low (HK\$) 52 周高/低 (HK\$) | 2.930 / 1.160 | FY21 Est. NAV (HK\$) FY21 每股估值 (港元)    | 3.4                           |

Source: the Company, Guotai Junan International.

**Shanghai Jin Jiang Capital (the "Company") and its parent company entered into a merger agreement whereby the parent company will buy the Company's H shares for HK\$3.10 per share.** On 24 November 2021, the Company and its parent company, Jin Jiang International Holding Company Limited (the "Offeror"), a company incorporated in the PRC and the controlling shareholder interested in 75% of the issued share capital of the Company, entered into a merger agreement. If the deal goes through, the Offeror would pay HK\$3.10 per H share to the H shareholders in cash and the Company would delist from the Hong Kong Stock Exchange and the Company's H shares would be cancelled.

**We expect that the merger will most likely be approved by the relevant government authorities.** The merger is subject to the satisfaction of a precondition, namely, that the merger is approved by all relevant government authorities (the National Development and Reform Commission of the PRC, Ministry of Commerce of the PRC, State Administration of Foreign Exchange of the PRC, State-owned Assets Supervision and Administration Commission of the State Council, and such other applicable governmental approvals). If the precondition is not satisfied by 23 November 2022 ("long-stop date"), the merger agreement will automatically be terminated. The Offeror is owned 71% by Shanghai Municipal State-owned Assets Supervision and Administration Commission (Shanghai SASAC), 19% by Shanghai Land (Group) Co., Ltd. which is wholly-owned by Shanghai SASAC and 10% by Shanghai Municipal Finance Bureau. Given the close government connections, we expect that the merger will be approved by all relevant government authorities and that risk of non-approval is minimal.

The merger must also be approved by special resolution with 75% of voting independent H shareholders in favor and not more than 10% voting against it. After the precondition is satisfied, the merger must first pass special resolution by a majority of not less than two-thirds of votes cast at an extraordinary general meeting to approve the merger. We expect that this condition will be met since the Offeror has 75% interest in the Company. Secondly, an H shareholders' meeting would be convened and at least 75% of voting independent H shareholders (voting H shareholders other than the Offeror) would need to vote in favor of the merger. Moreover, the merger would not be approved if more than 10% of the independent H shareholders vote against it. If these conditions are not satisfied by 23 November 2022, the merger agreement will be terminated. **We believe that the biggest potential hurdle is the possibility that over 10% of independent H shareholders votes against the merger.** However, given the significant premium of the merger price, we expect that the merger will most likely pass this hurdle.

**The merger price of HK\$3.10 per H share is a premium of 86.8% over the average closing price of HK\$1.66 per for the 90 trading days prior to and including 16 November 2021, the last full trading day prior to the H shares trading halt.** It is also a premium of 63.2%, 77.1% and 85.6% over the average closing prices 5, 30, and 60 trading days prior to and including 16 November 2021.

**The merger is expected to close some time in 2022.** The merger has until 23 November 2022 to close, otherwise the merger agreement would be terminated. Regarding the timing, it is difficult to predict how long it might take the relevant governmental authorities to consider and approve the merger. Upon satisfaction of the precondition and all the conditions, the Company would apply to the Hong Kong stock exchange for voluntary withdrawal of its H shares from the Hong Kong stock exchange. The Company would also issue separate announcements notifying H shareholders of the proposed withdrawal of listing and the exact dates the last day for dealing in H shares as well as when the formal delisting of the H shares would become effective. The listing of the H shares on the Hong Kong stock exchange will not be withdrawn if the merger is not approved or lapses or does not become unconditional for any reason.

**We increase the Company's target price from HK\$2.40 to HK\$2.90 and downgrade our investment rating from "Buy" to "Neutral".** The Company's share price has increased 72.0% since our last Company Report published on 9 September, and we think now is a good time to take profits. Since there is risk that the Merger will not finalize, our target price is a 6.9% discount to the merger price of HK\$3.10. Should the Merger not go through, we would expect the share price to decline, but that it would be limited. With most (80.4% in 2019, 87.1% in 2020 and 89.0% in 1H2021) of its revenue being generated within mainland China, we think that the Company is well positioned to take advantage of China's ongoing travel recovery, which we expect to continue into 2022. Our target price is equivalent to 7.1x and 5.9x 2021F and 2022F EV/adjusted EBITDA, respectively, and is a 15.4% discount to our DCF derived NAV of HK\$3.43 per share.

**Table-1: Jinjiangcapital Valuation and Target Price Based Multiples**

|  |      | 2020A       | 2021F      | 2022F      | 2023F      |
|--|------|-------------|------------|------------|------------|
| Target Price (HKD)                                 | 2.90 |             |            |            |            |
| Target Price (RMB)                                 | 2.44 |             |            |            |            |
| Shares Outstanding, Period End, Fully Diluted (mn) |      | 5,566       | 5,566      | 5,566      | 5,566      |
| TP Based Market Cap (RMB mn)                       |      | 13,588      | 13,588     | 13,588     | 13,588     |
| + Period End Minority Interest (RMB mn)            |      | 10,360      | 9,459      | 9,142      | 8,829      |
| + Period End Borrowings (RMB mn)                   |      | 17,478      | 18,207     | 18,368     | 17,514     |
| - Period End Cash & Equivalents (RMB mn)           |      | 9,496       | 9,871      | 10,396     | 10,176     |
| Year End Enterprise Value (RMB mn)                 |      | 31,930      | 31,383     | 30,702     | 29,756     |
| Adjusted EBITDA (RMB mn)                           |      | 2,517       | 4,424      | 5,168      | 5,402      |
| <b>TP Based EV/Adjusted EBITDA</b>                 |      | <b>12.7</b> | <b>7.1</b> | <b>5.9</b> | <b>5.5</b> |

Source: the Company, Guotai Junan International.

**Table-2: Jinjiangcapital DCF Valuation**

|                        |        |                              |         |
|------------------------|--------|------------------------------|---------|
| Risk free rate         | 1.55%  | Sum of PV FCFF (RMB mn)      | 19,752  |
| Market return          | 9.65%  | + PV Terminal Value (RMB mn) | 14,106  |
| Market risk premium    | 8.10%  | Enterprise Value (RMB mn)    | 33,858  |
| Adj. beta              | 1.1    | - Net Debt/(cash) (RMB mn)   | 8,336   |
| Equity discount rate   | 10.46% | - Minority Interest (RMB mn) | 9,459   |
|                        |        | Total NAV (RMB mn)           | 16,063  |
| After tax cost of debt | 4.2%   |                              |         |
| D/(D+E)                | 30.0%  | Shares Outstanding (mn)      | 5,566.0 |
| E/(D+E)                | 70.0%  | NAV per Share (RMB)          | 2.89    |
| WACC                   | 8.6%   | Exchange Rate                | 0.84    |
|                        |        | NAV per Share (HKD)          | 3.43    |
| Long-term growth rate  | 2.5%   |                              |         |

Source: Bloomberg, the Company, Guotai Junan International.

**Table-3: Peers Comparison**

| Company          | Stock Code | Cncy | Last Price | Mkt Cap | PE    |       |       |      | EV / Adjusted EBITDA |      |      |      | ROE(%) | PBR    |
|------------------|------------|------|------------|---------|-------|-------|-------|------|----------------------|------|------|------|--------|--------|
|                  |            |      |            |         | 20A   | 21F   | 22F   | 23F  | 20A                  | 21F  | 22F  | 23F  | 21F    | 21F    |
| HK Listed        |            |      |            |         |       |       |       |      |                      |      |      |      |        |        |
| Huazhu Group Ltd | 01179 HK   | HKD  | 30.25      | 98,841  | n.a.  | n.a.  | n.a.  | n.a. | n.a.                 | 49.0 | 16.0 | 12.6 | 3.8    | n.a.   |
| Shangri-La Asia  | 069 HK     | HKD  | 6.27       | 22,481  | n.a.  | n.a.  | n.a.  | 20.5 | 2,085.2              | 54.7 | 24.4 | 16.8 | (4.8)  | 0.5    |
| Hk&S Hotels      | 045 HK     | HKD  | 7.09       | 11,694  | n.a.  | n.a.  | 228.7 | n.a. | 774.8                | n.a. | n.a. | n.a. | (1.8)  | n.a.   |
| Shanghai Jin-H   | 02006 HK   | HKD  | 2.89       | 16,086  | 47.9  | n.a.  | 24.3  | 38.0 | 7.5                  | n.a. | n.a. | n.a. | 1.1    | 1.3    |
| Regal Hotel Intl | 078 HK     | HKD  | 3.07       | 2,759   | n.a.  | n.a.  | n.a.  | n.a. | 43.3                 | n.a. | n.a. | n.a. | n.a.   | n.a.   |
| Sino Hotels      | 01221 HK   | HKD  | 2.20       | 2,514   | n.a.  | n.a.  | n.a.  | n.a. | 69.4                 | 82.1 | n.a. | n.a. | (2.2)  | 0.6    |
| Paliburg Hldgs   | 0617 HK    | HKD  | 2.00       | 2,229   | n.a.  | n.a.  | n.a.  | n.a. | 119.2                | n.a. | n.a. | n.a. | n.a.   | n.a.   |
| Century City Int | 0355 HK    | HKD  | 0.43       | 1,331   | n.a.  | n.a.  | n.a.  | n.a. | 126.7                | n.a. | n.a. | n.a. | n.a.   | n.a.   |
| Simple Average   |            |      |            |         | 47.9  | n.a.  | 126.5 | 29.3 | n.a.                 | 62.0 | 20.2 | 14.7 | (0.8)  | 0.8    |
| Weighted Avg.    |            |      |            |         | 47.9  | n.a.  | 110.3 | 27.8 | n.a.                 | 50.7 | 17.5 | 13.4 | 1.7    | 0.2    |
|                  |            |      |            |         |       |       |       |      |                      |      |      |      |        |        |
| U.S. Listed      |            |      |            |         |       |       |       |      |                      |      |      |      |        |        |
| Huazhu Group-Adr | HTHT US    | USD  | 40.88      | 13,357  | n.a.  | 250.8 | 37.9  | 24.0 | 80.8                 | 51.3 | 16.8 | 13.2 | 3.8    | 7.3    |
| Bluegreen Vacati | BVH US     | USD  | 29.15      | 620     | n.a.  | 14.4  | 10.3  | 9.3  | n.a.                 | n.a. | n.a. | n.a. | 8.1    | 2.5    |
| Choice Hotels    | CHH US     | USD  | 140.07     | 7,792   | 103.0 | 33.2  | 28.7  | 26.6 | 21.0                 | 21.4 | 19.0 | 17.2 | 195.6  | 28.5   |
| Greentree Ho-Adr | GHG US     | USD  | 7.57       | 780     | 20.5  | 11.2  | 9.1   | 7.6  | n.a.                 | 6.2  | 4.2  | 3.7  | 19.8   | 2.1    |
| Hyatt Hotels-A   | H US       | USD  | 77.83      | 8,558   | n.a.  | n.a.  | 120.9 | 41.6 | n.a.                 | 40.0 | 15.2 | 11.8 | (7.2)  | 2.7    |
| Hilton Grand Vac | HGV US     | USD  | 45.35      | 5,435   | n.a.  | 55.3  | 22.8  | 16.8 | 66.0                 | 22.8 | 11.2 | 9.3  | 7.1    | 3.4    |
| Hilton Worldwide | HLT US     | USD  | 129.96     | 36,223  | n.a.  | 58.5  | 29.6  | 23.3 | 64.9                 | 26.7 | 18.0 | 15.5 | (52.5) | (41.9) |
| Intercontin-Adr  | IHG US     | USD  | 59.46      | 10,894  | n.a.  | n.a.  | n.a.  | n.a. | n.a.                 | 21.6 | 14.3 | 11.9 | (11.3) | n.a.   |
| Marriott Intl-A  | MAR US     | USD  | 142.50     | 46,410  | n.a.  | 49.4  | 26.8  | 20.9 | 42.7                 | 25.0 | 16.4 | 13.9 | 109.0  | 35.3   |
| Playa Hotels & R | PLYA US    | USD  | 6.84       | 1,124   | n.a.  | n.a.  | 103.6 | 20.9 | n.a.                 | 26.2 | 11.4 | 9.0  | (14.8) | 2.1    |
| Marriott Vacatio | VAC US     | USD  | 146.99     | 6,261   | n.a.  | 39.4  | 14.8  | 12.7 | 21.7                 | 12.3 | 9.4  | 8.5  | 3.2    | 2.1    |
| Wyndham Hotels & | WH US      | USD  | 76.42      | 7,121   | n.a.  | 25.6  | 21.7  | 18.3 | 19.1                 | 16.0 | 14.2 | 12.8 | 21.2   | 6.1    |
| Simple Average   |            |      |            |         | 61.8  | 59.8  | 38.7  | 20.2 | 45.2                 | 24.5 | 13.6 | 11.5 | 23.5   | 4.6    |
| Weighted Avg.    |            |      |            |         | 95.5  | 70.7  | 34.3  | 22.7 | 50.6                 | 27.1 | 16.0 | 13.6 | 32.9   | 4.1    |

Source: Bloomberg, Guotai Junan International.

Note: All data and forecasts are taken from Bloomberg.

**Financial Statements and Ratios**

| Income Statement               |          |          |          |          |          |
|--------------------------------|----------|----------|----------|----------|----------|
| Year end 31 Dec (RMB m)        | 2019A    | 2020A    | 2021F    | 2022F    | 2023F    |
| Select service hotels China    | 10,695   | 7,833    | 11,452   | 12,792   | 13,713   |
| Select service hotels abroad   | 4,104    | 1,837    | 1,670    | 1,788    | 1,885    |
| Vehicles & logistics           | 2,543    | 2,578    | 2,934    | 3,089    | 3,197    |
| Full service hotels            | 2,046    | 1,176    | 1,791    | 1,999    | 2,163    |
| Travel agency                  | 1,123    | 302      | 281      | 307      | 332      |
| Food, restaurants & other      | 467      | 475      | 560      | 595      | 624      |
| Total revenue                  | 20,977   | 14,201   | 18,687   | 20,570   | 21,914   |
| Cost of sales                  | (14,905) | (11,459) | (13,996) | (14,934) | (15,800) |
| Gross profit                   | 6,072    | 2,742    | 4,690    | 5,636    | 6,114    |
| Selling, marketing & admin     | (3,816)  | (3,645)  | (3,831)  | (3,805)  | (3,988)  |
| Adjusted operating profit      | 2,256    | (903)    | 860      | 1,831    | 2,126    |
| Other income & gains           | 779      | 2,875    | 810      | 604      | 567      |
| Impairment on financial assets | (5)      | (66)     | 0        | 0        | 0        |
| Other expenses & losses        | (117)    | (225)    | (93)     | (103)    | (110)    |
| Operating profit               | 2,913    | 1,681    | 1,576    | 2,331    | 2,583    |
| J.V.'s & associates            | 277      | 132      | 246      | 271      | 289      |
| Finance expense (net)          | (965)    | (924)    | (1,546)  | (1,528)  | (1,469)  |
| Profit before tax              | 2,225    | 889      | 276      | 1,074    | 1,404    |
| Income tax                     | (583)    | (402)    | (74)     | (283)    | (359)    |
| Profit after tax               | 1,642    | 487      | 202      | 792      | 1,044    |
| Non-controlling interest       | (966)    | (188)    | (89)     | (351)    | (476)    |
| Shareholders' profit / loss    | 676      | 298      | 114      | 441      | 568      |
| Basic & diluted EPS            | 0.121    | 0.054    | 0.020    | 0.079    | 0.102    |
| Adjusted EPS                   | 0.056    | (0.280)  | (0.052)  | 0.035    | 0.063    |

| Cash Flow Statement            |         |         |         |         |         |
|--------------------------------|---------|---------|---------|---------|---------|
| Year end 31 Dec (RMB m)        | 2019A   | 2020A   | 2021F   | 2022F   | 2023F   |
| Profit before tax              | 2,225   | 889     | 276     | 1,074   | 1,404   |
| D&A                            | 3,079   | 3,005   | 3,008   | 2,812   | 2,749   |
| Other non-cash adjustments     | (1,031) | (3,726) | (1,635) | (1,869) | (1,902) |
| Changes in working capital     | (310)   | (444)   | 126     | (77)    | (48)    |
| Cash from Operating Activities | 3,963   | (276)   | 1,775   | 1,940   | 2,203   |
| Disposals of PP&E and other    | 273     | 419     | 258     | 266     | 274     |
| Disposal of financial assets   | 917     | 1,609   | (213)   | 83      | 81      |
| Purchase of PP&E               | (1,260) | (890)   | (485)   | (551)   | (599)   |
| Purchase of intangible assets  | (153)   | (159)   | (93)    | (94)    | (94)    |
| Purchase financial assets      | (943)   | (673)   | 0       | 0       | 0       |
| Change in deposits             | (43)    | (515)   | (279)   | (287)   | (296)   |
| Interests received             | 84      | 56      | 70      | 72      | 74      |
| Dividends received             | 462     | 470     | 466     | 480     | 495     |
| Loans to related parties       | 1       | (102)   | 0       | 0       | 0       |
| Others                         | 0       | (58)    | (59)    | (61)    | (63)    |
| Cash from Investing Activities | (662)   | 158     | (334)   | (91)    | (128)   |
| Change in borrowings           | (2,364) | (48)    | 729     | 161     | (854)   |
| Lease payments                 | (1,230) | (1,793) | (1,043) | (1,043) | (1,043) |
| Dividends paid                 | (909)   | (837)   | (462)   | (346)   | (311)   |
| Equity acquisition             | (319)   | (31)    | 0       | 0       | 0       |
| Others                         | 30      | 1,006   | 0       | 0       | 0       |
| Cash from Financing Activities | (4,792) | (1,704) | (776)   | (1,228) | (2,208) |
| Cash at Beg of Year            | 11,446  | 9,962   | 8,112   | 8,777   | 9,397   |
| Net Changes in Cash            | (1,491) | (1,822) | 665     | 621     | (133)   |
| Exchange rate effect           | 8       | (28)    | 0       | 0       | 0       |
| Cash at End of Year            | 9,962   | 8,112   | 8,777   | 9,397   | 9,265   |

Source: the Company, Guotai Junan International.

| Balance Sheet                 |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|
| Year end 31 Dec (RMB m)       | 2019A  | 2020A  | 2021F  | 2022F  | 2023F  |
| PP&E                          | 11,038 | 10,239 | 9,483  | 8,975  | 8,584  |
| Right-of-use assets           | 11,786 | 11,615 | 10,838 | 10,061 | 9,285  |
| Investment properties         | 465    | 433    | 411    | 389    | 367    |
| Intangible assets             | 18,514 | 18,682 | 18,775 | 18,869 | 18,964 |
| Investments (equity)          | 1,813  | 2,159  | 2,236  | 2,169  | 2,104  |
| Financial assets fair value   | 3,187  | 2,242  | 2,263  | 2,195  | 2,129  |
| Deferred income tax assets    | 416    | 611    | 580    | 612    | 644    |
| Others                        | 790    | 736    | 654    | 741    | 789    |
| Total non-current assets      | 48,009 | 46,716 | 45,241 | 44,012 | 42,866 |
| Assets held for sale          | 0      | 835    | 302    | 296    | 290    |
| Financial assets              | 714    | 561    | 752    | 737    | 722    |
| Inventories                   | 319    | 281    | 262    | 288    | 285    |
| Receivables & prepayments     | 3,608  | 3,824  | 4,672  | 4,731  | 4,821  |
| Restricted cash & deposits    | 784    | 1,383  | 1,094  | 999    | 911    |
| Cash & cash equivalents       | 9,962  | 8,112  | 8,777  | 9,397  | 9,265  |
| Total current assets          | 15,387 | 14,997 | 15,858 | 16,448 | 16,294 |
| Total assets                  | 63,395 | 61,713 | 61,099 | 60,460 | 59,159 |
| Short-term borrowings         | 2,762  | 2,541  | 7,205  | 3,185  | 3,008  |
| Lease liabilities             | 1,634  | 1,594  | 1,553  | 1,513  | 1,472  |
| Income tax & derivatives      | 355    | 461    | 246    | 263    | 282    |
| Trade & other payables        | 8,703  | 8,358  | 8,561  | 8,764  | 8,967  |
| Contract liabilities          | 1,236  | 1,155  | 1,075  | 994    | 913    |
| Total current liabilities     | 14,690 | 14,108 | 18,640 | 14,719 | 14,642 |
| Long-term borrowings          | 14,524 | 14,937 | 11,002 | 15,183 | 14,506 |
| Lease liabilities             | 9,996  | 9,472  | 8,469  | 7,466  | 6,463  |
| Income tax liabilities        | 2,039  | 2,021  | 1,839  | 1,657  | 1,476  |
| Trade & other payables        | 2,354  | 1,202  | 1,581  | 1,741  | 1,855  |
| Contract liabilities          | 201    | 120    | 128    | 136    | 143    |
| Total non-current liabilities | 29,115 | 27,752 | 23,019 | 26,183 | 24,443 |
| Total liabilities             | 43,804 | 41,860 | 41,659 | 40,902 | 39,085 |
| Total shareholders' equity    | 9,185  | 9,493  | 9,981  | 10,416 | 11,246 |
| Minority interest             | 10,406 | 10,360 | 9,459  | 9,142  | 8,829  |
| Total equity                  | 19,591 | 19,853 | 19,440 | 19,558 | 20,075 |

| Financial Ratios               |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|
|                                | 2019A | 2020A | 2021F | 2022F | 2023F |
| Margins                        |       |       |       |       |       |
| Gross margin (%)               | 28.9  | 19.3  | 25.1  | 27.4  | 27.9  |
| Operating margin (%)           | 13.9  | 11.8  | 8.4   | 11.3  | 11.8  |
| Net profit margin (%)          | 3.2   | 2.1   | 0.6   | 2.1   | 2.6   |
| Adj. EBITDA margin (%)         | 27.8  | 17.7  | 23.7  | 25.1  | 24.7  |
| Liquidity & leverage           |       |       |       |       |       |
| Leverage (i.e., gearing) (%)   | 74.3  | 88.6  | 92.7  | 94.2  | 88.4  |
| Net gearing (%)                | 28.0  | 40.5  | 42.4  | 40.9  | 37.0  |
| Interest coverage ratio (%)    | 233.7 | -97.7 | 55.6  | 119.8 | 144.7 |
| Current ratio (x)              | 1.05  | 1.06  | 0.85  | 1.12  | 1.11  |
| Return ratios                  |       |       |       |       |       |
| ROA (%)                        | 2.1   | 2.5   | 2.3   | 2.7   | 0.8   |
| ROE (%)                        | 5.3   | 3.2   | 1.2   | 4.3   | 5.2   |
| Return on invested capital (%) | 5.4   | 1.8   | 0.7   | 2.9   | 3.8   |

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

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

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