



Company Report: Vinda International (03331 HK)

公司报告: 维达国际 (03331 HK)

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31 January 2022

2021 Results in Line with Expectations, Reiterate "Buy"

2021年业绩符合预期，重申“买入”

- 2021 results in line.** Vinda's revenue rose 13.1% YoY to HK\$18,676 mn (0.5% higher than our previous forecasts) with YoY growth rate at constant FX rates of 7.0% in 2021. Gross margin decreased 2.4 ppt YoY to 35.3% mainly due to higher wood pulp prices/ energy costs and logistics expenses, despite improved product mix. S&D expenses ratio was up 1.8 ppt YoY to 19.7% due to increased investment in brand building and personal care product A&P activities. Vinda's shareholders' profit decreased 12.6% YoY to HK\$1,638 mn (1.0% higher than our previous forecasts), and the Company's total dividend for 2021 should be HK\$0.50/share, equivalent to a dividend payout ratio of 36.7% (2020: 30.1%).
- Premiumization remains high on Vinda's agenda for 2022.** In order to drive share growth in different niche markets, Vinda aims to 1) maintain solid growth momentum in sales of premium series and 2) speed up new product marketing and R&D. However, since the global supply chain is still faced with challenges, imported wood pulp prices will probably remain range-bound at current levels for months. Overall, we think that Vinda's gross margin will gradually improve in 2022-2023 mainly due to 1) more effective pulp inventory management and procurement practices, 2) higher ASP driven by flexible price hikes (based on market dynamics) and more contribution from high value-added product sales, 3) more controllable energy costs, and 4) improving utilization rates.
- We think that the Company is over the worst of the earnings recession. At this stage, negatives should have mostly been priced in. Moreover, in the period of rate-hike cycles by the Fed, along with growing macro uncertainties, consumer staples stocks with solid fundamentals and reasonable dividend yield (such as Vinda) are expected to outperform the market. **Reiterate "Buy"**. Our new TP of HK\$24.40 is equivalent to 16.0x/ 13.8x/ 11.8x 2022-2024 PER.
- 2021 年业绩符合预期。** 维达 2021 年的收入同比增长 13.1% 至 186.76 亿港元（相比我们此前的预测高出 0.5%），以不变汇率计同比升幅为 7.0%。产品结构有所改善，但由于高企的木浆价格、能耗成本与物流开支，毛利率同比下跌 2.4 个百分点至 35.3%。因加大对品牌建设及个护产品推广活动的投入，分销费用率同比上升 1.8 个百分点至 19.7%。维达的股东净利同比减少 12.6% 至 16.38 亿港元（相比我们此前的预测高出 1.0%），2021 年公司的派息合共达到 0.50 港元/股，相当于 36.7% 的派息率（2020 年：30.1%）。
- 2022 年维达仍将着重推动高端化进程。** 为了在各细分市场实现份额提升，维达致力于 1) 令高端系列保持坚实的销售增长动能，与 2) 加快新产品的推广及开发。而进口木浆价格未来一段时间预计在当前水平附近波动，因为全球的供应体系仍然备受挑战。总体而言，我们认为，维达的毛利率将在 2022-2023 年逐步回升，主要得益于：1) 更为有效的木浆存货管理与采购过程，2) 高附加值产品销售占比扩大，加上（基于市场动态）灵活上调售价的举措，令平均销售单价抬升，3) 更为可控的能耗成本，以及 4) 产能利用率优化。
- 我们认为，公司正在渡过盈利倒退的最艰难时期。当前，负面因素或已得到较为充分的反映。而且在美联储加息周期下，亦伴着宏观不确定性的加大，基本面扎实且派息收益合理的必选消费类股票（如：维达）有望跑赢大市。**重申“买入”**。我们的新目标价为 24.40 港元，相当于 16.0 倍/ 13.8 倍/ 11.8 倍的 2022-2024 年市盈率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$24.40

Revised from 原目标价:

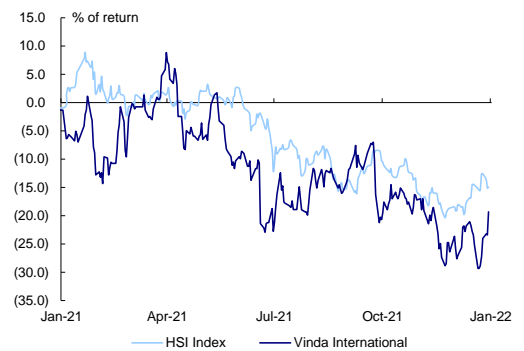
HK\$24.20

Share Price 股价:

HK\$20.800

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 %	4.6	(0.7)	(21.7)
Rel. % to HS Index 相对恒指变动 %	3.5	7.1	(4.1)
Avg. Share Price (HK\$) 平均股价 (港元)	19.8	20.5	22.8

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\$)	(%)	(%)
2020A	16,512	1,874	1.565	64.2	13.3	9.740	2.1	0.470	2.3	17.7
2021A	18,676	1,638	1.365	(12.8)	15.2	10.844	1.9	0.500	2.4	13.3
2022F	20,420	1,832	1.525	11.7	13.6	11.806	1.8	0.560	2.7	13.5
2023F	22,440	2,128	1.771	16.1	11.7	12.957	1.6	0.650	3.1	14.3
2024F	24,815	2,488	2.071	16.9	10.0	14.324	1.5	0.760	3.7	15.2
Shares in Issue (m) 总股数 (m)				1,201.3	Major Shareholder 大股东		Mr. Li Chao-Wang 22.0%			
Market Cap. (HK\$ m) 市值 (HK\$ m)				24,986.3	Free Float (%) 自由流通比率 (%)		26.3			
3 Month Average Vol. 3 个月平均成交股数 ('000)				1,537.2	FY22 Net Gearing (%) FY22 净负债/股东资金 (%)		27.1			
52 Weeks High/Low (HK\$) 52 周高/低 (HK\$)				29.350 / 17.980	FY22 Est. NAV (HK\$) FY22 每股估值 (港元)		25.7			

Source: the Company, Guotai Junan International.

See the last page for disclaimer

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VINDA INTERNATIONAL'S ANNUAL RESULTS REVIEW AND FUTURE BUSINESS OUTLOOK

Resilient YoY growth in sales volume in 4Q2021 despite macro headwinds and high comparable base. For 2021, Vinda International's ("Vinda", or the "Company") revenue grew 13.1% YoY to HK\$18,676 mn (0.5% higher than our previous forecast), with YoY growth rate at constant exchange rates of 7.0%, basically in line with our expectation. To be specific, revenue from tissue paper segment was up 13.9% YoY to HK\$15,501 mn and revenue from personal care segment was up 9.3% YoY to HK\$3,175 mn. Based on our estimation, Vinda's sales value with traditional distributors/ key accounts/ e-commerce channels recorded YoY growth of 4.7%/ 8.4%/ 28.8%, respectively, whilst sales value with B2B corporate clients further declined 4.3% YoY in 2021. For 4Q2021, despite macro headwinds and high comparable base, Vinda's revenue from tissue paper segment was up 9.6% YoY to HK\$4,648 mn (slightly higher than our previous forecast) and revenue from personal care segment was up 3.8% YoY to HK\$837 mn (slightly lower than our previous forecast).

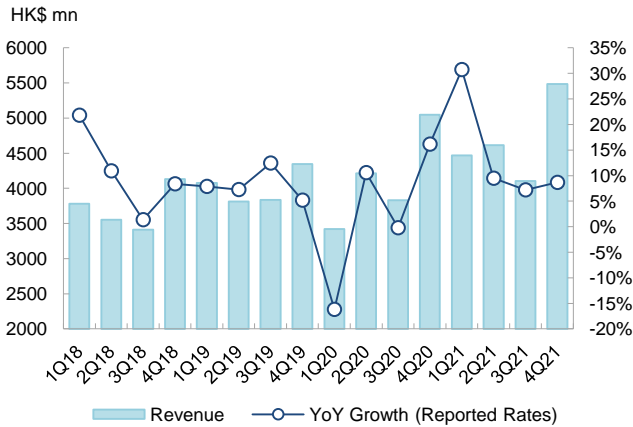
Gross margin continued to fall QoQ but operating margin bottomed out in 4Q2021. In 2021, Vinda's gross margin declined 2.4 ppt YoY to 35.3%, mainly due to higher wood pulp procurement prices/ energy costs/ logistics expenses, despite improving product mix. To be specific, quarterly gross margin was 38.9%/ 35.9%/ 35.0%/ 32.2% respectively from 1Q2021 to 4Q2021. Due to increased investment in brand building and personal care product promotion, Vinda's S&D expenses ratio was up 1.8 ppt YoY to 19.7% in 2021. Administrative expenses ratio was down 0.6 ppt YoY to 5.1%. Operating margin reduced to 10.9% in 2021 (2020: 14.9%) but quarterly operating margin rose 0.1 ppt QoQ to 8.7% in 4Q2021. Besides, the Company's net finance cost decreased 25.8% YoY to HK\$94 mn in 2021 primarily due to lower interest rate on borrowings. Effective tax rate decreased 3.4 ppt YoY to 16.0%. As a result, shareholders' profit was down 12.6% YoY to HK\$1,638 mn, in line with expectations (1.0% higher than our previous forecast). The Board proposed the payment of a final dividend of HK\$0.40 per share. Coupled with the interim dividend, Vinda's total dividend for 2021 should be HK\$0.50 per share, equivalent to a dividend payout ratio of 36.7% (2020: 30.1%).

Table-1: Vinda's Annual Results Review

Income Statement			
HK\$ mn	FY2020	FY2021	YoY
Revenue	16,512	18,676	13.1%
Cost of Sales	-10,289	-12,079	
Gross Profit	6,223	6,596	6.0%
Selling and Marketing Costs	-2,961	-3,672	
Administrative Expenses	-952	-958	
Net Impairment Losses on Financial Assets	1	-25	
Other Income and Losses – Net of	142	102	
Operating Profit	2,453	2,043	-16.7%
Finance Income and Costs – Net of	-126	-94	
PBIT	2,326	1,950	-16.2%
Income Tax Expense	-452	-311	
Shareholders' Profit	1,874	1,638	-12.6%
EBITDA	3,601	3,292	-8.6%
Basic EPS (HK\$)	1.565	1.365	-12.8%
DPS (HK\$)	0.470	0.500	6.4%
Profit Margins			
Gross Margin	37.7%	35.3%	-2.4 ppt
– Tissue Segment	38.3%	35.4%	-2.9 ppt
– Personal Care Segment	34.7%	35.1%	0.4 ppt
Operating Margin	14.9%	10.9%	-4.0 ppt
Net Margin	11.4%	8.8%	-2.6 ppt

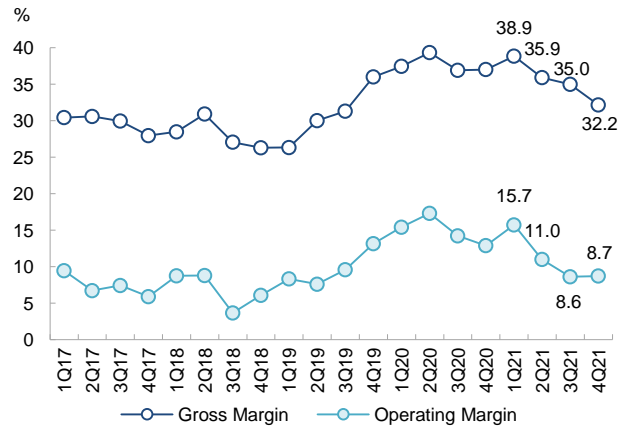
Source: the Company, Guotai Junan International.

Figure-1: Vinda's Quarterly Revenue and YoY Growth



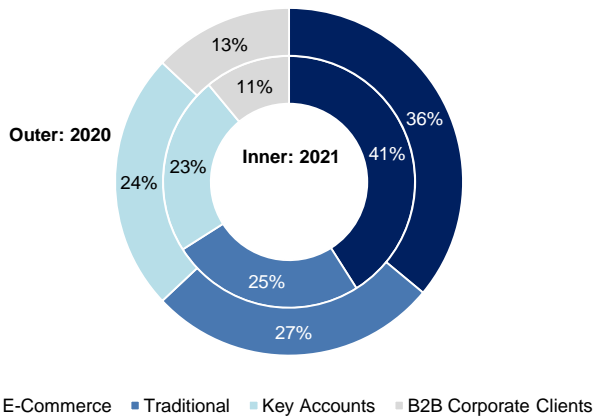
Source: the Company, Guotai Junan International.

Figure-2: Vinda's Quarterly GM and OM



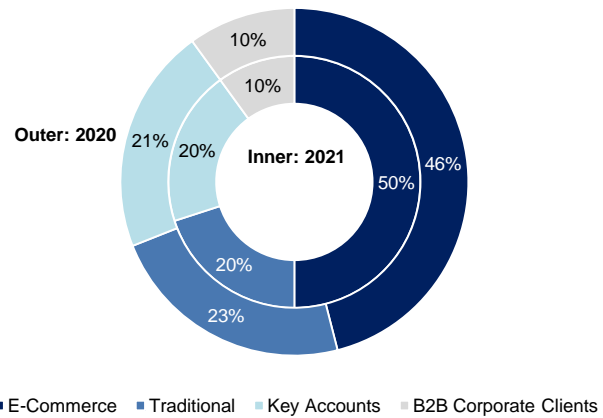
Source: the Company, Guotai Junan International.

Figure-3: Vinda's Total Sales Value by Channel



Source: the Company, Guotai Junan International.

Figure-4: Vinda's Mainland China Sales Value by Channel



Source: the Company, Guotai Junan International.

Premiumization remains high on the Company's agenda for 2022. In order to drive share growth in different niche markets, Vinda aims to 1) maintain solid growth momentum in terms of premium product portfolio and 2) speed up new product marketing and R&D in the medium and long term. To be more specific, Vinda's high-end offerings already accounted for nearly 35% of its revenue from tissue paper segment during 2021, according to the management. Notably, its wet wipes sales recorded YoY growth of over 30% in 4Q2021, significantly outperforming the market. In terms of the high-end feminine care segment in China, Vinda's market share reached 7% as at 31 December 2021 (30 June 2021: 5%) since its launch approximately two years ago, according to the management. Flexible price hikes (based on market dynamics), as well as accelerated volume growth of high value-added innovative products, will effectively drive Vinda's ASP growth in 2022. Accordingly, the Company had added annual capacity of 140,000 tonnes by 2021 mainly for producing new/ high-margin tissue paper series.

Figure-5: New Washable Kitchen Paper Towel



Source: the Company.

Figure-6: New Libresse V-Nature Sanitary Napkins with SecureFit™

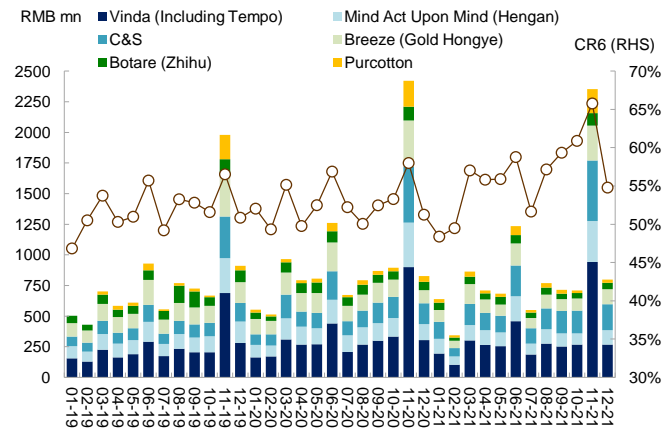
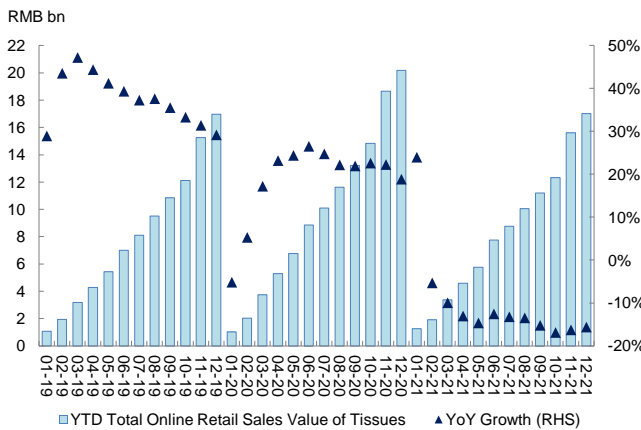


Source: the Company.

Expecting e-commerce channels to remain essential in the post-pandemic era. In China and overseas, the resurgence of the COVID-19 pandemic resulted in acceleration in online business growth. Vinda's e-commerce sales accounted for 41% of its total revenue in 2021. For 4Q2021, Vinda's e-commerce sales achieved YoY growth of 22.8%, compared with YoY increase of 15.0% in sales with key accounts (KA) and YoY decrease of 2.3%/ 21.7% in sales with traditional distributors/ B2B corporate clients, respectively. Based on statistics from TaoSJ.com, total online retail sales value of tissue paper products dropped 15.6% YoY in 2021; stable growth momentum is expected to be restored in 2022 and onwards. Meanwhile, market share is becoming more concentrated amongst leading tissue paper manufacturers in the competitive environment. For instance, in terms of total online retail sales value of tissue paper products, Vinda's market share reached 22.1% in 2021 (2020: 19.5%) and is expected to continue to rise in 2022-2024 due to its strengths in brand recognition and product innovation, coupled with deeper penetration into online B2C and new retail operations.

Figure-7: YTD Total Online Retail Sales Value of Tissues

Figure-8: Monthly Online Sales of Top 6 Tissue Players



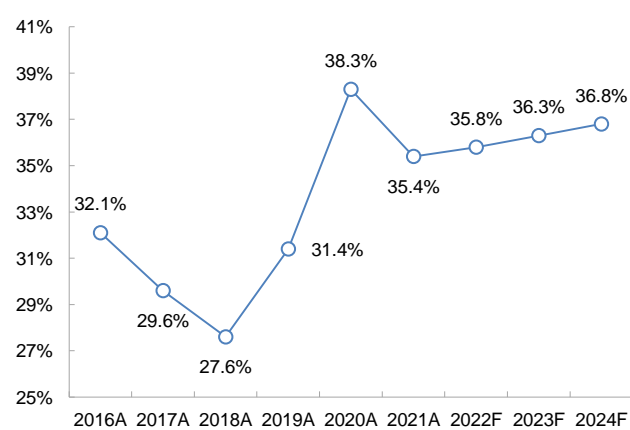
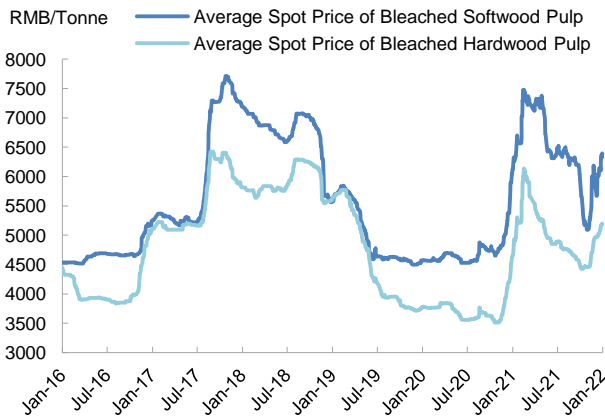
Source: TaoSJ.com, Guotai Junan International.

Source: TaoSJ.com, Guotai Junan International.

Increased cost pressure. Pulp prices peaked in March 2021 after a quarter of quick ramp-up since December 2020. According to Zhongzhi.cn, the YTD average spot price (as at 31 December 2021) of imported softwood pulp and hardwood pulp rose 31.5% YoY and 33.9% YoY, respectively. In response, top household paper players are striving to transmit cost inflation to the consumer market to some degree, based on effective pricing system in online channels and prudent promotional pricing strategy in offline channels. Going forward, we think that imported wood pulp prices will remain range-bound at current levels for months since the global supply chain is still faced with challenges. In response, Vinda will also continue to adopt flexible pulp stock management and procurement practices, based on the management's strong industry acumen competency. Besides, we believe that energy cost will be more controllable, and meanwhile, the Company will gradually improve its utilization rates in 2022-2023.

Figure-9: Imported Wood Pulp Price Trend

Figure-10: Expected GM of Vinda's Tissue Paper Segment



Source: Zhongzhi.cn, Guotai Junan International.

Source: the Company, Guotai Junan International.

EARNINGS FORECASTS AND REVISIONS

We have presented our new EPS forecasts for 2024 and slightly reduced our EPS forecasts for 2022-2023. Key revisions are as follows:

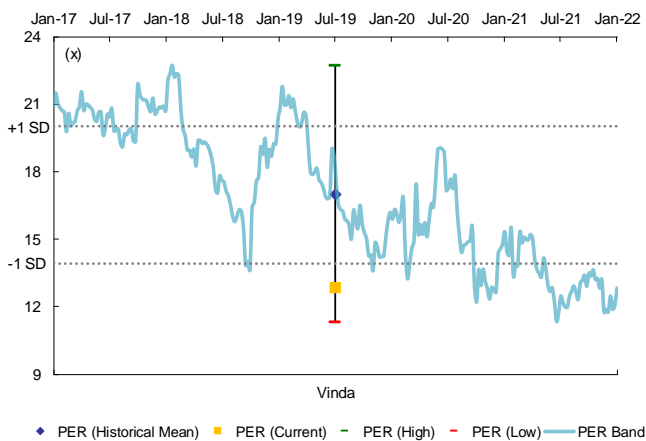
- We have fine-tuned our revenue forecasts for 2022-2023 based on stable business conditions as previously expected.
- We have slightly reduced our tissue paper gross margin forecasts for 2022-2023 as we have raised our assumptions for imported wood pulp prices. We have slightly reduced our personal care gross margin forecasts for 2022-2023.
- We have slightly raised our S&D expenses ratios for 2022-2023 due to continuous investment in brand building and new product A&P initiatives. And we have revised down our administrative expenses and net finance expenses forecasts for 2022-2023.
- We assume that the Company's effective tax rate will stay at 17.5% (this is the three-year moving average of 2019-2021) and that the dividend payout ratio will be approximately 36.7% for 2022-2024.

Table-2: Revisions to Earnings Forecasts

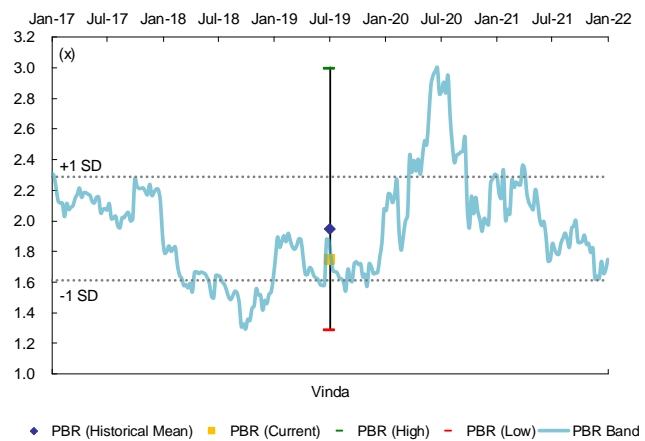
HK\$ mn	Revised			Previous			Difference		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
Revenue	20,420	22,440	24,815	20,399	22,344	n.a.	0.1%	0.4%	n.a.
Gross Profit	7,300	8,134	9,115	7,428	8,324	n.a.	-1.7%	-2.3%	n.a.
Operating Profit	2,324	2,687	3,117	2,509	2,925	n.a.	-7.4%	-8.1%	n.a.
Shareholders' Profit	1,832	2,128	2,488	1,938	2,280	n.a.	-5.5%	-6.7%	n.a.
EPS (HK\$)	1.525	1.771	2.071	1.613	1.898	n.a.	-5.5%	-6.7%	n.a.
Gross Margin	35.7%	36.2%	36.7%	36.4%	37.3%	n.a.	-0.7 ppt	-1.0 ppt	n.a.
Operating Margin	11.4%	12.0%	12.6%	12.3%	13.1%	n.a.	-0.9 ppt	-1.1 ppt	n.a.
Net Margin	9.0%	9.5%	10.0%	9.5%	10.2%	n.a.	-0.5 ppt	-0.7 ppt	n.a.

Source: Guotai Junan International.

Reiterate "Buy" with TP of HK\$24.40. The personal hygiene and household products industry in China is expected to steadily grow in the long term. In a competitive environment, Vinda is expected to solidify its leading position in the tissue paper market and also expand customer base for its high-end feminine care products, thanks to the Company's powerful brands and precise marketing. We believe that the Company is over the worst of the earnings recession. At this stage, negatives should have mostly been priced in. Moreover, in the period of rate-hike cycles by the US Federal Reserve, along with increased macro uncertainties, consumer staples stocks with good fundamentals and stable dividend policy, including Vinda, are more likely to outperform the index. Thus, we reiterate our investment rating as "Buy" and slightly revise up our TP to HK\$24.40, which is equivalent to 16.0x/ 13.8x/ 11.8x 2022-2024 PER and 2.1x 2022 PBR.

Figure-11: PER Band


Source: Bloomberg.

Figure-12: PBR Band


Source: Bloomberg.

Table-3: Peers Comparison

Company Name	Ticker	\$	Share Price	Market Cap (HK\$ mn)	PER (x)			PBR (x)	ROE (%)	D/Y (%)	GM (%)	OM (%)
					21A/F	22F	23F	22F	22F	22F	22F	22F
HK Listed Personal Care and Household Products Companies												
Hengan International	1044 HK	HKD	38.500	44,742	10.0	9.6	8.9	1.7	18.9	6.7	38.4	23.2
Vinda International	3331 HK	HKD	20.800	24,986	15.2	13.0	11.2	1.8	14.3	2.2	35.9	11.5
Blue Moon Group	6993 HK	HKD	6.700	39,259	30.5	23.0	18.9	2.6	11.8	1.2	60.1	19.4
Simple Average					18.6	15.2	13.0	2.0	15.0	3.4	44.8	18.0
Weighted Average					18.6	15.2	13.1	2.1	15.3	3.7	45.6	19.2
Mainland China Listed Household Paper and Personal Care Companies												
Shandong Sun Paper	002078 CH	CNY	11.120	36,592	9.0	8.3	7.7	1.3	15.5	1.4	20.4	12.7
C&S Paper	002511 CH	CNY	14.820	23,823	23.9	18.3	16.0	3.0	15.3	1.0	38.1	12.4
Winner Medical	300888 CH	CNY	72.000	37,606	19.8	16.1	13.3	2.4	14.6	1.8	49.4	20.1
HZ Haoyue Personal Care	605009 CH	CNY	50.540	9,893	20.9	14.8	12.1	2.0	15.4	1.0	27.2	20.2
Chongqing Baiya Sanitary	003006 CH	CNY	15.370	8,100	28.3	22.6	18.7	4.4	19.1	0.9	45.5	18.2
Simple Average					20.4	16.0	13.6	2.6	16.0	1.2	36.1	16.7
Weighted Average					17.9	14.4	12.4	2.3	15.4	1.4	35.8	16.0
Global Listed Personal Care and Household Products Companies												
Johnson & Johnson	JNJ US	USD	170.590	3,500,154	21.8	16.3	15.5	5.6	34.8	2.6	72.7	32.3
Procter & Gamble Co	PG US	USD	159.130	2,972,907	28.0	26.9	24.8	8.8	32.8	2.2	48.9	23.0
Unilever Plc	ULVR LN	GBP	3,847.50	1,027,284	18.4	17.5	16.7	7.9	45.7	3.8	36.1	18.2
Kao Corp	4452 JP	JPY	5,809.00	185,951	22.7	20.7	18.7	2.8	13.8	2.6	40.1	12.5
Unicharm Corp	8113 JP	JPY	4,414.00	184,677	33.3	32.4	28.9	4.4	14.0	0.9	38.8	15.5
Kimberly-Clark Corp	KMB US	USD	137.480	360,789	25.6	22.2	19.2	46.8	282.6	3.4	32.0	14.4
Simple Average					25.0	22.7	20.6	12.7	70.6	2.6	44.8	19.3
Weighted Average					24.1	21.0	19.6	8.7	45.4	2.6	56.2	25.5

Source: Bloomberg.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (HK\$ m)	2020A	2021A	2022F	2023F	2024F
Total revenue	16,512	18,676	20,420	22,440	24,815
Cost of sales	(10,289)	(12,079)	(13,120)	(14,306)	(15,701)
Gross profit	6,223	6,596	7,300	8,134	9,115
Selling and marketing costs	(2,961)	(3,672)	(4,002)	(4,387)	(4,839)
Administrative expenses	(952)	(958)	(1,062)	(1,156)	(1,266)
Other income and expenses - net	143	77	88	96	107
Operating profit	2,453	2,043	2,324	2,687	3,117
Finance income and costs - net	(126)	(94)	(104)	(108)	(101)
Profit before tax	2,326	1,950	2,220	2,579	3,016
Income tax	(452)	(311)	(389)	(451)	(528)
Profit after tax	1,874	1,638	1,832	2,128	2,488
Non-controlling interest	0	0	0	0	0
Shareholders' profit / loss	1,874	1,638	1,832	2,128	2,488
Basic EPS (HK\$)	1.565	1.365	1.525	1.771	2.071

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2020A	2021F	2022F	2023F	2024F
Operating activities					
PBT	2,326	1,950	2,220	2,579	3,016
DD&A	1,126	1,242	1,236	1,315	1,389
Working capital changes	(896)	23	(257)	(365)	(531)
Others	104	0	0	0	0
Cash generated from operations	2,660	3,215	3,200	3,529	3,874
Income tax and interest paid	(656)	(556)	(523)	(590)	(659)
Cash from operating activities	2,004	2,658	2,677	2,939	3,215
Investing activities					
Purchase of PP&E	(1,697)	(2,066)	(1,962)	(2,003)	(2,023)
Others	(28)	(86)	(12)	(7)	(1)
Cash from investing activities	(1,725)	(2,152)	(1,975)	(2,010)	(2,024)
Financing activities					
Net change in borrowings	1,244	599	(303)	(220)	(200)
Net change in loans from related parties	(880)	(300)	0	0	0
Dividends paid	(372)	(564)	(601)	(672)	(781)
Others	(23)	34	45	49	51
Cash from financing activities	(31)	(230)	(859)	(843)	(929)
Net changes in cash	248	276	(157)	86	261
Effect of FX rate changes	41	0	0	0	0
Cash at beginning of year	460	749	1,025	869	955
Cash at end of year	749	1,025	869	955	1,216

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (HK\$ m)	2020A	2021A	2022F	2023F	2024F
PP&E	10,117	11,226	12,004	12,740	13,419
Right-of-use assets	1,366	1,376	1,403	1,431	1,460
Intangible assets	2,746	2,647	2,607	2,568	2,529
Others	521	573	621	673	730
Total non-current assets	14,751	15,821	16,635	17,412	18,138
Cash & cash equivalents	749	1,025	869	955	1,216
Inventories	4,774	4,427	5,077	5,678	6,264
Trade receivables	2,435	2,364	2,536	2,837	3,214
Others	413	544	540	597	657
Total current assets	8,371	8,360	9,022	10,066	11,350
Total assets	23,122	24,181	25,657	27,479	29,488
Trade payables	5,640	5,432	5,981	6,561	7,037
Borrowings	1,445	867	832	782	735
Others	749	300	321	356	397
Total current liabilities	7,835	6,598	7,134	7,699	8,169
Current assets less current liabilities	536	1,762	1,888	2,368	3,181
Total assets less current liabilities	15,287	17,583	18,523	19,780	21,319
Borrowings	2,890	2,936	2,760	2,555	2,366
Loans from related parties	96	993	903	939	977
Others	633	635	678	720	769
Total non-current liabilities	3,619	4,564	4,341	4,215	4,112
Total liabilities	11,454	11,162	11,475	11,914	12,281
Share capital	120	120	120	120	120
Share premium and other reserves	11,547	12,899	14,062	15,445	17,087
Total shareholders' equity	11,667	13,019	14,182	15,565	17,207
Minority interest	0	0	0	0	0
Total equity	11,667	13,019	14,182	15,565	17,207

Financial Ratios					
	2020A	2021A	2022F	2023F	2024F
Revenue growth (%)	2.7	13.1	9.3	9.9	10.6
Gross profit growth (%)	24.8	6.0	10.7	11.4	12.1
Operating profit growth (%)	56.3	-16.7	13.7	15.6	16.0
Net profit growth (%)	64.7	-12.6	11.8	16.2	16.9
Gross margin (%)	37.7	35.3	35.7	36.2	36.7
Operating margin (%)	14.9	10.9	11.4	12.0	12.6
Net margin (%)	11.4	8.8	9.0	9.5	10.0
ROE (%)	17.7	13.3	13.5	14.3	15.2
ROA (%)	8.8	6.9	7.4	8.0	8.7
Turnover days of inventories	141.9	139.0	132.2	137.2	138.8
Turnover days of trade receivables	48.1	46.9	43.8	43.7	44.5
Turnover days of trade payables	113.2	108.2	102.0	102.0	100.0
Current ratio (x)	1.1	1.3	1.3	1.3	1.4
Quick ratio (x)	0.5	0.6	0.6	0.6	0.6
Net gearing (%)	35.9	30.5	27.1	22.8	18.0
Payout ratio (%)	30.1	36.7	36.7	36.7	36.7

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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