



Company Report: Tong Ren Tang Technologies (01666 HK)

公司报告: 同仁堂科技 (01666 HK)

Johnson Sun 孙凤强

+852 25097589

johnson.sun@gtjas.com.hk

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Great Potential of TRT Chinese Medicine (08138 HK) and Skin Care Subsidiary

同仁堂国药(08138 HK)和护肤品子公司的巨大潜力

- **Net profit of TRT Chinese Medicine (08138 HK), a now 38% subsidiary, is expected to grow fast to HK\$210 mn/HK\$294 mn/HK\$408 mn in 2013-15.** Near-term growth drivers: 1) Angong Niu Huang Pill's, 2) GLSPC, and 3) small base for comparison. Sustainable growth potential is also predictable.
- **The spin-off indicates great improvement in corporate governance of TRT Group in recent years,** which we have been following. TRT CM, TRTT and TRT-A are three parallel companies, although they are controlling subsidiaries of each other in the financial reports.
- **Skin care subsidiary (TRT WM): revenue grew by 34.5% YoY in 2012, and net profit grew by ~2.4x to ~RMB24 mn (estimates).** The high net margin of 45% may be due to agent sales model instead of direct distribution model. The growth should have been based on expansion in sales coverage, instead of efforts in marketing, mainly due to brand advantages. **Growth to continue.**
- **Maintain our basic assumption that the net profit growth of the Company will be ~30% YoY in 2013-2015,** driven by the management incentive scheme and supported by the intrinsic growth potential (details please refer to our [previous report](#), including the fast growth of TRT CM and its skin care subsidiary. **Move TP from 30x 2013 PE to 30x 2014PE, or HK\$35.70, "Buy".**
- **38%的控股子公司同仁堂国药(08138 HK)的 2013-15 年净利润预测为 HK\$2.10 亿、2.94 亿元和 4.08 亿元。**近期的增长动力包括 1) 原来同仁堂股份(600085 CH)的海外安宫牛黄丸市场的潜力, 2) 灵芝孢子粉迅速的海外扩张, 3) 基数低。同仁堂国药的长远增长潜力亦可见, 可期。
- **同仁堂国药分拆上市, 进一步证明了同仁堂集团公司管制的不断改善,** 近年来我们一直跟踪。同仁堂国药、同仁堂科技和同仁堂股份, 虽然相互有控股关系, 但实际上, 在集团层面都是平级的公司。
- **护肤子公司(同仁堂麦尔海): 2012 收入同比增长 34.5%, 净利润预测同比增长 2.4 倍至 RMB2,400 万(我们的估算)。**净利润率高达 45%, 可能是由于代理商销售, 而非直销。高速增长可能只是依赖销售铺货的上升, 而不是市场推广力度加强, 这是品牌的力量。
- **维持我们的基本观点, 即公司在 2013-15 年的每年净利润增长会在 30%, 这是基于其管理层激励计划, 及各种内在增长动力(详细请参考我们之前的报告), 这其中也包括同仁堂国药及其护肤品子公司的高速增长。**将目标价由之前的 30x2013PE 上调至 30x2014PE, 即 HK\$35.70, 维持“买入”。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$35.70

Revised from 原目标价:

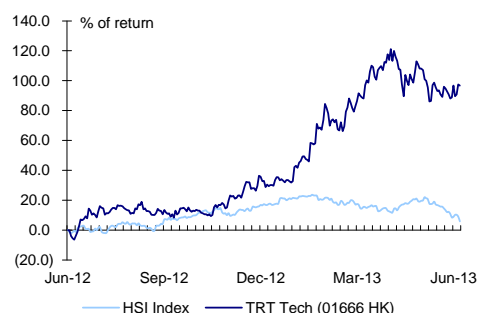
HK\$27.50

Share price 股价:

HK\$24.900

Stock performance

股价表现



| Change in Share Price 股价变动 | 1 M 1 个月 | 3 M 3 个月 | 1 Y 1 年 |
|-------------------------------------|-------------|-------------|------------|
| Abs. % 绝对变动 % | (1.6) | (0.2) | 96.7 |
| Rel. % to HS index 相对恒指变动 % | 11.2 | 8.1 | 90.9 |
| Avg. share price(HK\$) 平均股价 (港元) | 24.44 | 25.54 | 18.59 |

Source: Bloomberg, Guotai Junan International

| Year End 年结 12/31 | Turnover 收入 (RMB m) | Net Profit 股东净利 (RMB m) | EPS 每股净利 (RMB) | EPS 每股净利变动 (△%) | PER 市盈率 (x) | BPS 每股净资产 (RMB) | PBR 市净率 (x) | DPS 每股股息 (RMB) | Yield 股息率 (%) | ROE 净资产收益率 (%) |
|-------------------------|---------------------------|-------------------------------|----------------------|-----------------------|-------------------|-----------------------|-------------------|----------------------|---------------------|----------------------|
| 2011A | 1,936 | 255 | 0.433 | 28.6 | 46.0 | 2.923 | 6.8 | 0.190 | 1.0 | 15.5 |
| 2012A | 2,447 | 330 | 0.562 | 29.6 | 35.5 | 3.293 | 6.0 | 0.250 | 1.3 | 18.1 |
| 2013F | 2,950 | 430 | 0.731 | 30.2 | 27.3 | 3.773 | 5.3 | 0.365 | 1.8 | 20.7 |
| 2014F | 3,633 | 560 | 0.953 | 30.4 | 20.9 | 4.361 | 4.6 | 0.476 | 2.4 | 23.4 |
| 2015F | 4,500 | 728 | 1.238 | 30.0 | 16.1 | 5.123 | 3.9 | 0.619 | 3.1 | 26.1 |

Shares in issue (m) 总股数 (m)

Major shareholder 大股东

TRT-A (同仁堂股份) 51.02%

Market cap. (HK\$ m) 市值 (HK\$ m)

Free float (%) 自由流通比率 (%)

48.2%

3 month average vol. 3 个月平均成交股数 ('000)

FY13 Net gearing (%) FY13 净负债/股东资金 (%)

Net Cash

净现金

52 Weeks high/low (HK\$) 52 周高/低

28.200 / 11.540

Source: the Company, Guotai Junan International.

Spin-off of TRT Chinese Medicine ("TRT CM" 08138 HK)

In May 2013, TRT CM was separated and listed on the Growth Enterprise Market of HKEx. TRTT reduced its stakes in TRT CM from 53.03% to 38.38%. TRT CM financed HK\$699 mn from the listing.

TRT CM's revenue of continuing business is estimated to grow by 75.5%, 40.1% and 39.0% in 2013-15, respectively. We think the fast growth in 2013 is mainly driven by 1) Fast growth of Angong Niu Huang Pills (安宮牛黃丸) when TRT CM has gradually taken over the overseas market of TRT-A (600085 CH), 2) the fast expansion of GLSPC (靈芝孢子粉) in overseas market although it has stopped sales in mainland, 3) the small base of its overseas sales. Detailed revenue projection is listed in Table-1.

Table-1: Revenue forecast of TRT CM

| HK\$ mn | | 2011A | 2012A | 2013F | 2014F | 2015F |
|--|-------------------|------------|------------|------------|------------|--------------|
| Self-manufactured medicines | 自产药品 | 127 | 269 | 346 | 484 | 677 |
| GLSPC | 靈芝孢子粉 | 76 | 108 | 50 | 70 | 98 |
| Growth YoY% | Growth YoY% | | 43% | n.a. | 40% | 40% |
| Angong Niu Huang Pills | 安宮牛黃丸 | 38 | 148 | 296 | 414 | 579 |
| Growth YoY% | Growth YoY% | | 292% | 100% | 40% | 40% |
| other products | 其他 | 13 | 13 | 20 | 40 | 80 |
| Non-self-manufactured medicines | 非自制中成药及保健品 | 45 | 79 | 117 | 172 | 241 |
| of TRT brands | 其中：同仁堂品牌 | 30 | 59 | 89 | 133 | 186 |
| Growth YoY% | Growth YoY% | | 97% | 50% | 50% | 40% |
| of non-TRT brands | 非同仁堂品牌 | 15 | 20 | 28 | 39 | 55 |
| Growth YoY% | Growth YoY% | | 36% | 40% | 40% | 40% |
| Herbs | 中草药 | 65 | 78 | 109 | 153 | 214 |
| YoY% | YoY% | | 20% | 40% | 40% | 40% |
| Consulting fees | 中医咨询 | 20 | 26 | 37 | 52 | 73 |
| YoY% | YoY% | | 35% | 40% | 40% | 40% |
| Agency fee income | 代理费收益 | 24 | 21 | 21 | 21 | 21 |
| Royalty fee income | 特许权费收益 | 1 | 1 | 1 | 1 | 1 |
| Total | 总计 | 281 | 478 | 630 | 882 | 1,227 |
| YoY% | YoY% | | 70% | 32% | 40% | 39% |
| Revenue of continuing operations | 可持续业务 | 197 | 359 | 630 | 882 | 1,227 |
| Growth YoY% | Growth YoY% | | 82.5% | 75.5% | 40.1% | 39.0% |

Source: TRTT, TRT CM, Guotai Junan International.

Total profit of TRT CM is estimated to be HK\$210 mn, HK\$294 mn and HK\$408 mn in 2013-15, based on simple assumption of stable profit margin of 33%. As a result, TRT CM is expected to contribute RMB64 mn, RMB89 mn and RMB124 mn net profit to TRTT in 2013-15. Projections are as listed in Table-2.

Table-2: Earnings estimates of TRT CM

| | 2011A | 2012A | 2013F | 2014F | 2015F |
|---|------------|------------|------------|------------|--------------|
| Total Revenue (HK\$ mn) | 281 | 478 | 630 | 882 | 1,227 |
| Revenue of Continuing operations (HK\$ mn) | 197 | 359 | 630 | 882 | 1,227 |
| Growth YoY% | | 82% | 76% | 40% | 39% |
| Total Profit (HK\$ mn) | 60 | 159 | 210 | 294 | 408 |
| Total Profit Margin | 21% | 33% | 33% | 33% | 33% |
| EPS (HK\$) | 0.15 | 0.39 | 0.25 | 0.35 | 0.49 |
| Profit Attributable to TRTT (RMB) | 26 | 67 | 64 | 89 | 124 |
| % accounting for TRTT's total net profit | 10.0% | 20.4% | 14.8% | 15.9% | 17.1% |

Source: TRTT, TRT CM, Guotai Junan International.

We believe TRT CM has a very large overseas market, because 1) with the improvement of China's influence in the world, Chinese culture has been more influential than ever before, 2) Traditional Chinese Medicine has been considered one of the most important parts of Chinese culture, 3) TRT is the best TCM brand in the world. We believe TRT is expanding the large overseas market very fast, with the mutual efforts of Chinese embassies.

We are not worried about the 41 TRT drug stores in Hong Kong which are not owned by TRT CM. TRT CM has 13 drug stores in Hong Kong, and there are also 41 TRT-brand drug stores operated by a third-party, "Beijing Tong Ren Tang Hong Kong Medicine Management Limited" (TRT-HK). TRT-HK is a JV of TRT Group (15%) and a non-disclosed Hong Kong local investor. Many investors may worry that the TRT management may have some personal stakes in the JV. However, according to our in-depth study, we have fully cleared up such concerns.

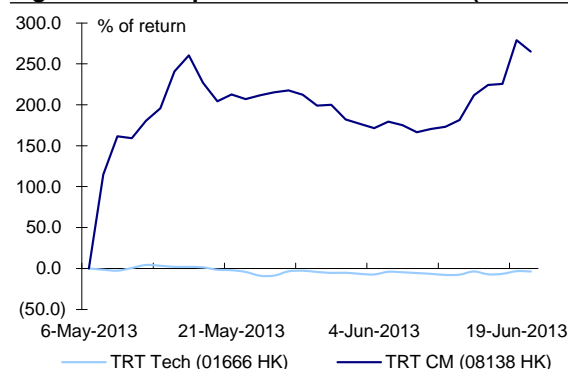
EPS of TRT CM (08138 HK) is forecast to be HK\$0.25/0.35/0.49 for 2013-15, 11%/38%/41% lower than TRT CM's sponsorship broker's estimates, according to Bloomberg, respectively. The current share price of TRT CM reflects 44.4x2013PE and 31.7x 2014PE, according to our estimates, and reflects 39.6x 2013 PE and 19.8x 2014 PE. Although there is a big difference, we both believe the great growth potential for the Company. (These primary estimates are subjected to be revised in our coming initial report of TRT CM).

Table-3: TRT CM's EPS estimates by GTJA and its sponsorship broker (HK\$)

| | 2013F | 2014F | 2015F |
|--|-------------|-------------|-------------|
| GTJA Estimates | 0.25 | 0.35 | 0.49 |
| <i>TRT CM's sponsorship broker's Estimates</i> | <i>0.28</i> | <i>0.56</i> | <i>0.83</i> |
| Δ | 11% | 38% | 41% |

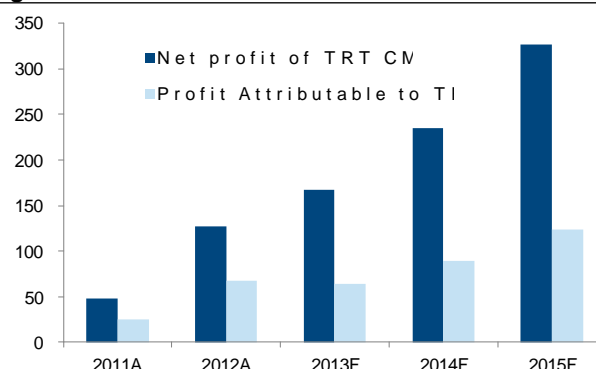
Source: Bloomberg, Guotai Junan International.

Figure-1: Stock performance of TRT CM (08138 HK)



Sources: Bloomberg, Guotai Junan International.

Figure-2: Net Profit of TRT CM and shares of TRTT



Sources: TRT CM, TRTT, Guotai Junan International.

Real Improvement of Corporate Governance

The spin-off indicates TRT Group's improvement in corporate governance, as we discussed in our previous reports. We totally disagree with the markets' worries that TRT Group is just playing with the capital market. Instead, the spin-offs (including spin-off of TRTT from TRT-A, TRTCM from TRTT, and TRT Tangshan from TRT CM) are good power delegations to lower levels. In the past, TRT Group has been indolent and slow in growth, enjoying a spontaneous growth for its reputable products with high qualities. Resources, including experts in all areas, are reallocated to a subsidiary which focuses on a certain part of undeveloped field, and the subsidiary has to work hard because it is assessed directly by the board of TRT Group.

TRT CM, TRTT and TRT-A are three parallel companies, although they are controlling subsidiaries of each other in the financial reports. The managements of these three companies are of the same level in front of the board of TRT Group. We think the superficial share controlling relationships are only used to balance the interests of minority investors, instead of operations.

Skin Care Subsidiary, the Next Growth Story

TRT WM Dianorm Biotech Co. (TRTWM, “同仁堂麦尔海生物技术有限公司”), a 60% subsidiary of TRTT, focuses on skin care products. As we have discussed in our previous reports, we believe the market for TRT's skin-care products is great. In 2012, the revenue of TRTWM grew by 34.5% YoY to RMB53 mn.

Net profit of WM is forecasted to be RMB24 mn in 2012, based on our calculations on TRTT's minority interests. The estimation implicates a net margin of 45%, a great improvement from 18% in 2011. We think the high margin is reasonable because TRT WM should use an agent sales model, instead of direct distribution model. The margin increase is mainly due to effect of business of scales.

Table-4: Earnings estimates of TRTWM (RMB mn)

| RMB mn | 2011A | 2012A | 2013F | 2014F | 2015F |
|--|-----------|-----------|------------|------------|------------|
| TRTT's Minority Interest from TRT CM | 23 | 60 | 104 | 146 | 203 |
| Total Minority Interest of TRTT | 27 | 69 | 118 | 167 | 233 |
| Minority Interests from TRTWM | 4 | 10 | 14 | 21 | 30 |
| Revenue of TRTWM | 39 | 53 | 80 | 119 | 167 |
| Net Profit of TRTWM | 7 | 24 | 36 | 54 | 75 |
| Net Margin of TRTWM | 18% | 45% | 45% | 45% | 45% |
| WM's profit attributable to TRTT | 4 | 14 | 21 | 32 | 45 |
| % accounting for TRTT's total net profit | 1.6% | 4.3% | 5.0% | 5.7% | 6.2% |

Sources: Bloomberg, Guotai Junan International.

We expect TRTWM to contribute RMB21 mn, RMB32 mn and RMB45 mn to net profit of TRTT in 2013-15, based on 50%/50%/40% YoY revenue growth and a stable net margin of 45%.

Updates of Earnings Estimates of TRTT

Maintain our basic assumption that the net profit growth of the Company will be ~30% YoY in 2013-2015, driven by the management incentive scheme and supported to the intrinsic growth potentials (details please refer to our previous report, [click here](#) and [中文版](#)), including the fast growth of TRT CM and its skin care subsidiary.

EPS is estimated to be RMB0.731, 0.953 and 1.238 for 2013/14/15. With visible and expectable fast growth, we move our 12-18 months Target Price from 30x2013 PE to 30x2014PE, or HK\$35.70, and maintain our “Buy” rating.

We recommend investors to be aware of share price fluctuations amid 1) the macro economy situation, 2) price rises of raw TCM materials and 3) some negative media reports of Chinese Medicines and Tong Ren Tang brand, although we believe the Company's long-term growth could not be injured by these factors.

Peers Comparison

| Peers Comparison | | | | | | | | | | | | | | |
|------------------------------|------------|----------|-------------|----------------------|------|------|------|------|------|------|---------|------|---------------|---------------|
| Company | Stock Code | Currency | Share Price | Mkt Cap (million) | PE | | | PB | | | ROE (%) | | 12 GPM (%) | 12 OPM (%) |
| | | | | | 13F | 14F | 15F | 13F | 14F | 15F | 13F | 14F | | |
| HK listed companies | | | | | | | | | | | | | | |
| Tong Ren Tang Technologies-H | 01666 HK | HK\$ | 24.900 | 14,641 | 27.3 | 20.9 | 16.1 | 5.3 | 4.6 | 3.9 | 20.7 | 23.4 | 48.4 | 18.6 |
| TRT Chinese Medicine | 08138 HK | HK\$ | 11.100 | 9,213 | 44.4 | 31.7 | 22.7 | 5.7 | 5.0 | 3.7 | 21.1 | 28.2 | 69.9 | 33.0 |
| Guangzhou Pharmaceutical-H | 00874 HK | HK\$ | 29.000 | 49,849 | 31.9 | 25.2 | 19.3 | 4.7 | 4.4 | 3.1 | 14.9 | 15.8 | 25.1 | 3.5 |
| Sino Biopharmaceutical | 01177 HK | HK\$ | 4.830 | 23,867 | 21.4 | 17.1 | 14.3 | 4.0 | 3.3 | 2.8 | 24.2 | 26.2 | 78.5 | 20.1 |
| China Shineway Pharmaceutica | 02877 HK | HK\$ | 12.900 | 10,668 | 11.5 | 9.8 | 8.9 | 1.9 | 1.7 | 1.5 | 17.1 | 17.7 | 65.6 | 44.5 |
| The United Laboratories Inte | 03933 HK | HK\$ | 2.860 | 4,653 | 17.8 | 12.6 | 12.5 | 0.7 | 0.7 | 0.7 | 4.2 | 6.0 | 28.6 | 4.8 |
| Sihuan Pharmaceutical Hldgs | 00460 HK | HK\$ | 5.000 | 25,875 | 16.3 | 13.6 | 10.9 | 2.3 | 2.1 | 1.9 | 11.5 | 12.9 | 76.5 | 44.5 |
| Sinopharm Group Co-H | 01099 HK | HK\$ | 19.940 | 51,212 | 16.2 | 13.3 | 11.3 | 1.8 | 1.6 | 1.3 | 12.7 | 14.0 | 8.2 | 3.6 |
| Shanghai Pharmaceuticals-H | 02607 HK | HK\$ | 14.140 | 37,379 | 13.3 | 11.6 | 10.0 | 1.1 | 1.0 | 1.0 | 9.1 | 9.8 | 14.3 | 4.6 |
| China Medical System Holding | 00867 HK | HK\$ | 7.430 | 17,942 | 21.3 | 16.2 | 12.9 | 4.6 | 3.8 | 3.2 | 22.9 | 25.7 | 56.6 | 30.7 |
| Shandong Weigao Gp Medical-H | 01066 HK | HK\$ | 9.370 | 41,944 | 27.2 | 22.4 | 19.0 | 3.4 | 3.1 | 2.7 | 12.7 | 14.0 | 55.3 | 28.2 |
| Simple Average | | | | | 22.6 | 17.7 | 14.4 | 3.2 | 2.8 | 2.3 | 15.6 | 17.6 | 47.9 | 21.5 |
| Weighted Average | | | | | 22.2 | 17.8 | 14.5 | 3.1 | 2.8 | 2.3 | 14.8 | 16.4 | 40.3 | 17.3 |
| China listed companies | | | | | | | | | | | | | | |
| Beijing Tongrentang Co-A | 600085 CH | RMB | 22.750 | 29,622 | 40.6 | 32.5 | 26.5 | 6.4 | 5.5 | 4.5 | 17.9 | 19.6 | 39.6 | 13.5 |
| Harbin Pharmaceutical Grp-A | 600664 CH | RMB | 6.960 | 13,346 | 16.5 | 14.2 | n.a. | 1.8 | 1.6 | n.a. | 9.4 | 10.0 | 22.3 | 4.0 |
| Yunnan Baiyao Group Co Ltd-A | 000538 CH | RMB | 84.090 | 58,381 | 29.1 | 23.6 | 18.8 | 6.6 | 5.2 | 4.1 | 23.7 | 23.5 | 29.6 | 11.9 |
| Zhangzhou Pientzehuang Pha-A | 600436 CH | RMB | 136.820 | 19,155 | 43.1 | 33.9 | 27.4 | 10.8 | 8.9 | 7.0 | 25.5 | 27.0 | 44.9 | 29.8 |
| Jiuzhitang Co Ltd-A | 000989 CH | RMB | 12.230 | 3,640 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 53.0 | 18.2 |
| Renhe Pharmacy Co Ltd-A | 000650 CH | RMB | 5.250 | 5,201 | 15.4 | 12.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 38.9 | 17.3 |
| Simple Average | | | | | 28.9 | 23.3 | 24.2 | 6.4 | 5.3 | 5.2 | 19.1 | 20.0 | 38.1 | 15.8 |
| Weighted Average | | | | | 31.1 | 25.1 | 18.6 | 6.2 | 5.1 | 3.9 | 19.6 | 20.1 | 34.4 | 14.5 |

Source: the Companies, Bloomberg, Guotai Junan International.

Financial Statements and Ratios

| P&L (RMB mn) | 2011A | 2012A | 2013F | 2014F | 2015F | Cash Flow (RMB mn) | 2011A | 2012A | 2013F | 2014F | 2015F |
|-------------------------------|-------|---------|---------|---------|---------|----------------------------|----------|----------|----------|----------|----------|
| Revenue | 1,936 | 2,447 | 2,950 | 3,633 | 4,500 | PBT | 336 | 481 | 606 | 799 | 1,050 |
| Cost of Sales | (999) | (1,203) | (1,516) | (1,867) | (2,313) | Changes in working capital | (98) | (39) | 120 | (261) | 80 |
| Gross profit | 937 | 1,245 | 1,434 | 1,766 | 2,187 | others | 58 | 34 | 158 | 67 | 90 |
| | | | | | | Income tax | (57) | (84) | (96) | (126) | (166) |
| Distribution expenses | (402) | (557) | (591) | (683) | (790) | Net operating cash flow | 256 | 402 | 788 | 479 | 1,054 |
| Administrative expenses | (185) | (197) | (240) | (292) | (355) | | | | | | |
| Operating profit | 332 | 481 | 602 | 790 | 1,042 | CAPEX | (91) | (121) | (299) | (300) | (300) |
| | | | | | | others | 65 | 11 | (64) | (12) | 21 |
| Financial costs- net | 5 | 1 | 4 | 9 | 9 | Net investing cash flow | (27) | (110) | (363) | (312) | (279) |
| Shares of associates | (1) | (1) | (1) | (1) | (0) | | | | | | |
| PBT | 336 | 481 | 606 | 799 | 1,050 | changes in borrowings | 110 | 4 | 0 | 0 | 0 |
| Income tax | (54) | (82) | (96) | (126) | (166) | Dividends paid | (96) | (116) | (147) | (215) | (280) |
| Minority Interest | (27) | (69) | (80) | (112) | (156) | Other investing activities | (10) | (8) | 0 | 0 | 0 |
| Net profit | 255 | 330 | 430 | 560 | 728 | Net financing cash flow | 4 | (120) | (147) | (215) | (280) |
| EPS | 0.433 | 0.562 | 0.731 | 0.953 | 1.238 | | | | | | |
| | | | | | | Net increase in cash | 233 | 171 | 278 | (47) | 495 |
| Dividends | 112 | 147 | 215 | 280 | 364 | Cash at bgn of yr | 441 | 672 | 844 | 1,122 | 1,074 |
| DPS | 0.190 | 0.250 | 0.365 | 0.476 | 0.619 | Exchanges effect | (3) | 1 | 0 | 0 | 0 |
| Dividend Yield (%) | 1.0 | 1.3 | 1.8 | 2.4 | 3.1 | Cash at end of yr | 672 | 844 | 1,122 | 1,074 | 1,569 |
| | | | | | | | | | | | |
| Balance Sheet (RMB mn) | 2011A | 2012A | 2013F | 2014F | 2015F | Ratios | 2011A | 2012A | 2013F | 2014F | 2015F |
| Cash and equivalent | 672 | 844 | 1,122 | 1,074 | 1,569 | Growth | | | | | |
| A/C receivables | 143 | 150 | 219 | 236 | 328 | Revenue | 22.6% | 26.4% | 20.6% | 23.1% | 23.9% |
| Inventory | 1,328 | 1,403 | 1,473 | 1,620 | 1,782 | Net Profit | 28.6% | 29.6% | 30.2% | 30.4% | 30.0% |
| Other current assets | 76 | 88 | 164 | 193 | 189 | EPS | 28.6% | 29.6% | 30.2% | 30.4% | 30.0% |
| Total current assets | 2,219 | 2,485 | 2,978 | 3,123 | 3,868 | | | | | | |
| | | | | | | Margins | | | | | |
| Fixed assets | 580 | 660 | 806 | 1,029 | 1,229 | Gross Margin (%) | 48.4% | 50.9% | 48.6% | 48.6% | 48.6% |
| Other non-current assets | 19 | 24 | 15 | 16 | 17 | Net Margin (%) | 13.2% | 13.5% | 14.6% | 15.4% | 16.2% |
| Total assets | 2,818 | 3,169 | 3,799 | 4,168 | 5,114 | | | | | | |
| | | | | | | Operating ratios | | | | | |
| A/C payables | 466 | 384 | 688 | 632 | 1,004 | selling expenses ratio | 20.8% | 22.8% | 20.1% | 18.8% | 17.6% |
| Short-term borrowings | 125 | 129 | 129 | 129 | 129 | Admin expenses ratio | 9.5% | 8.1% | 8.2% | 8.1% | 7.9% |
| Other current liabilities | 230 | 374 | 343 | 315 | 291 | Inventory days | 411.8 | 408.7 | 408.7 | 408.7 | 408.7 |
| Total current liabilities | 821 | 887 | 1,160 | 1,077 | 1,423 | A/C payable days | 122.3 | 127.3 | 127.3 | 127.3 | 127.3 |
| | | | | | | A/C receivable days | 53.7 | 43.9 | 43.9 | 43.9 | 43.9 |
| Long term borrowing | 0 | 0 | 0 | 0 | 0 | Financial ratios | | | | | |
| Other non-current liabilities | 57 | 57 | 52 | 47 | 42 | Current ratio | 2.7 | 2.8 | 2.6 | 2.9 | 2.7 |
| Total liabilities | 879 | 945 | 1,212 | 1,123 | 1,465 | Net Gearing | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |
| | | | | | | ROA (%) | 10.2% | 11.0% | 12.3% | 14.1% | 15.7% |
| Shareholders' equity | 1,719 | 1,936 | 2,219 | 2,564 | 3,012 | ROE (%) | 15.5% | 18.1% | 20.7% | 23.4% | 26.1% |
| Minority interests | 220 | 288 | 368 | 481 | 637 | | | | | | |
| Total Equity | 1,939 | 2,224 | 2,587 | 3,045 | 3,649 | Valuation | | | | | |
| | | | | | | P/B | 6.8 | 6.0 | 5.3 | 4.6 | 3.9 |
| Total liability and equity | 2,818 | 3,169 | 3,799 | 4,168 | 5,114 | P/E | 46.0 | 35.5 | 27.3 | 20.9 | 16.1 |
| NBV per share (RMB) | 2.923 | 3.293 | 3.773 | 4.361 | 5.123 | | | | | | |

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 | Relative Performance >15%; or the fundamental outlook of the company or sector is favorable. |
| Accumulate | Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable. |
| Neutral | Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral. |
| Reduce | Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable. |
| Sell | 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 | Relative Performance >5%; or the fundamental outlook of the sector is favorable. |
| Neutral | Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral. |
| Underperform | Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable. |

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27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

Tel.: (852) 2509-9118 Fax: (852) 2509-7793

Website: www.gtja.com.hk