

Shandong Weigao (1066 HK)

Ups and downs

Shandong Weigao is due to announce its FY14F results on 18 Mar. We expect its earnings to stay flat at RMB940m with its 4Q14F profit to dip 5% y-o-y at RMB239m (3% below Bloomberg consensus), on decelerated growth of consumable sales with lower-margin. We see this biggest revenue portion (FY14F: 73%) will remain an overhang due to competition with smaller local players. However, the recent announced spin-off for its orthopaedic business came in our expectation, while its valuation has fully priced in our TP.

4Q14 profit to dip as main business overhang on competition.

We expect Weigao's 4Q14F net profit to dip 5% y-o-y (4Q13: 20%) to RMB239m, on slower revenue growth and reduced overall gross margin. This is mainly due to intense competition from smaller local players offering products with lower selling prices. We also assume that its needle sales to suffer an ASP cut by 10% y-o-y in full-year FY14 and bigger sales from lower-margin blood purification (dialysis). Note that its YoY revenue growth was already flat in 3Q14 versus double-digit growth in 1H14.

Expect full-year FY14 profit to stay flat vs. +10% y-o-y in FY13.

Due to the above reason, we expect its full-year FY14F revenue to rise 10.4% y-o-y, below both i) FY13's 25.1% y-o-y (FY12: 16.0% y-o-y); ii) the company's previous target of 17% y-o-y. Same reason on lower ASP for needle products and bigger lower-margin dialysis sales, we forecast that Weigao's FY14F gross margin to be 58.0%, below FY13's 59.1%. As such, Weigao's full-year FY14F underlying profit is expected to stay flat, lower than FY13's 9.9% y-o-y.

Spinning off orthopaedic business as expected.

On 23 Feb, Weigao announced that its subsidiary, Weigao Ortho (orthopaedic business) had submitted a separate listing application to the main board of HKEx on 18 Feb. This business will remain as a subsidiary of Weigao post the spin-off. As we flagged in our 22 Jan 2015 report, the spin-off is in-line with ours and market expectation. Bloomberg cited a source from IFR Asia, that Weigao Ortho plans to raise as much as USD300m (38% of our current valuation) around the middle of this year for expanding both its product lines and sales forces.

Orthopaedic valuation fully priced in our TP.

Our current SOTP derived TP of HKD6.50 has included a 10-year DCF valuation of its orthopaedic business at HKD6.1bn (HKD1.36 per Weigao share), with an implied FY15F PE of 23.5x. We reckon that our current valuation has fully priced in all the upside for the stock. Note that, another local joint implant maker, **Beijing Chunlizhengda Medical Instruments Co., Ltd (1858.HK, Non-rated)** is scheduled to be listed this month, with an offer price range implying FY14 PE of 19.0-21.4x.

Figure 1: Financial Summary

Year to Dec 31 (RMBmn)	2012A	2013A	2014E	2015E	2016E
Revenue	3,689	4,613	5,091	5,836	6,696
Reported Profit	996	388	943	1,122	1,339
Underlying Profit	852	937	940	1,122	1,339
Underlying EPS (CNY)	0.19	0.21	0.21	0.25	0.30
DPS (CNY)	0.06	0.06	0.06	0.08	0.09
BVPS (CNY)	1.99	2.02	2.10	2.31	2.56
P/E (x)	27.07	24.62	24.54	20.56	17.23
Dividend Yield (%)	1.2	1.2	1.2	1.5	1.7
P/B (x)	2.59	2.55	2.45	2.23	2.01
Underlying EPS growth (%)	(11.1)	9.9	0.3	19.4	19.4

Source: Guosen Securities(HK)

China	Health Care Medical Equipment/Devices
5 March 2015	NEUTRAL
Target price	HK\$6.50
Last price (3 Mar 15)	HK\$6.37
Upside/downside (%)	2.1
HSI	24702.78
Mkt cap (HK\$bn/US\$bn)	28.5/3.7
52 week range (HK\$)	5.70 - 9.90
Avg trading volume daily (US\$mn)	5.42
Free float (%)	27.7%

Source: Bloomberg

Performance



Performance	1M	3M	12M
Absolute (%)	5.8	(0.6)	(34.9)
Absolute (US\$, %)	5.8	(0.7)	(34.8)
Relative to HSI (%)	5.2	(6.1)	(44.7)

Source: Bloomberg

Company background

Shandong Weigao Group Medical Polymer Company Limited, through its subsidiaries, researches and develops, produces, and sells single-use aseptic polymer medical products.

Source: Bloomberg

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山东威高 (1066 HK)

起伏

山东威高将于3月18日公布2014年业绩。我们预计其盈利将按年持平于9.4亿人民币,同时其第四季度利润同比下降5%至2.4亿人民币(3%低于彭博综合预测),主要由于其低毛利率的耗材销售增长放缓和不景。我们认为这一最大的收入部分(2014年:73%)仍受到来自与本地製造商强大竞争的影响。然而,近期宣布分拆其骨科业务是符合我们预期,其估值已充分反映在我们的目标价内。

第四季度利润同比下降,受到本地竞争影响。

我们预计威高的第四季度利润同比下降5%,(13年第四季度:20%),由于医疗耗材销售增长放缓和其低毛利率。这主要是受本地小型公司的激烈竞争,以较低的销售价格提供产品。我们还假设,在2014全年,针头的平均销售价格按年下降10%,和预计更大的销售从低毛利率的血液透析而来。注意的是其3Q14收入增长同比放缓至持平,遜於上半年的双位数增长。

预计14财年全年盈利按年持平与13财年的同比增长10%。

由于以上原因,我们预计其14财年全年收入同比增长10.4%,低于一)13财年的同比25.1%(12财年的同比16.0%);二)公司按年增长的17%的以前目标。同样原因,在较低的针头产品价格和更大的销售从低毛利率的血液透析而来,我们预计威高的14财年毛利率是58.0%,低于2013财年的59.1%。因此,威高的14财年全年核心盈利预计将按年持平,低于13财年的同比增长9.9%。

分拆其骨科业务符合我们预期。

在2月23日,威高宣布,於2月18日,威高骨科向香港联交所递交上市申请,其股份於主板上市及买卖。分拆后,这项业务将继续为威高的子公司。正如我们在2015年1月22日报道中说,分拆均符合我们和市场预期。彭博引述IFR亚洲为报道来源,威高骨科计划,大约在今年中,集资高达3亿美元(占目前威高骨科估值的38%),以扩大其产品线和销售团队。

骨科估值已充分反映在我们的目标价内。

我们目前以分部总和计算(SOTP)的目标价(6.50港元)已包括其骨科业务,并已现金流折现模型(DCF)将其骨科估值设为61亿港元(每股威高股份为1.3港元),隐含其15财年市盈率为23.5倍。我们认为目前的估值已充分反映公司股价的所有上涨空间。注意的是,另一家以关节植入物业务为主的本地生产商,北京春立正達医疗器械(1858.HK,未评级)定于本月在香港上市,其发行价隐含14财年市盈率为19.0倍到21.4倍。

Figure 2: 盈利预测

截至 Dec 31 (人民币百万)	2012A	2013A	2014E	2015E	2016E
营业额	3,689	4,613	5,091	5,836	6,696
净利润	996	388	943	1,122	1,339
实际盈利	852	937	940	1,122	1,339
每股实际盈利 (CNY)	0.19	0.21	0.21	0.25	0.30
每股股息 (CNY)	0.06	0.06	0.06	0.08	0.09
每股账面价值 (CNY)	1.99	2.02	2.10	2.31	2.56
市盈率 (x)	27.07	24.62	24.54	20.56	17.23
股息率 (%)	1.2	1.2	1.2	1.5	1.7
市净率 (x)	2.59	2.55	2.45	2.23	2.01
每股实际盈利增长 (%)	(11.1)	9.9	0.3	19.4	19.4

资料来源: 国信证券(香港)

中国 医疗保健
医疗设备

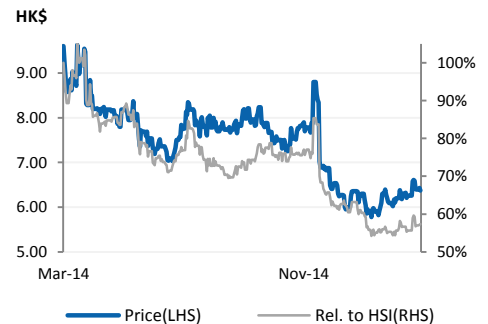
2015年3月5日

中性

目标价	HK\$6.50
收盘价 (3 Mar 15)	HK\$6.37
Upside/downside (%)	2.1
恒生指数	24702.78
总市值 (HK\$/US\$bn)	28.5/3.7
52周最高/最低 (HK\$)	5.70 - 9.90
日均成交额 (US\$mn)	5.42
流通量 (%)	27.7%

资料来源: 彭博

股价表现



股票数据	1M	3M	12M
绝对回报 (%)	5.8	(0.6)	(34.9)
绝对回报 (US\$, %)	5.8	(0.7)	(34.8)
相对 HSI 回报 (%)	5.2	(6.1)	(44.7)

资料来源: 彭博

公司简介

山东威高集团医用高分子制品股份有限公司透过其附属公司从事一次性使用无菌高分子医用制品的研发、生产及销售。

资料来源: 彭博

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Spinning off orthopaedic business

Spinning off orthopaedic business to raise as much as USD300m

On 23 Feb, Weigao announced that its 90% owned subsidiary Weigao Ortho, its orthopaedic business, had submitted a separate listing application to the main board of HK Stock Exchange through its joint sponsors on 18 Feb 2015. This listing business will remain as a subsidiary of Weigao post the spun-off. It stated that no less than 26.5% of the enlarged share capital would be offered during the IPO. In addition, at least 10% shareholdings will be reserved as "assured entitlement" for existing qualified SD Weigao shareholders.

As we flagged in our 22 Jan 2015 report, the spin-off is in-line with ours and market expectation. Bloomberg cited a source from IFR Asia, that Weigao Ortho plans to raise as much as USD300m (38% of our current valuation) around the middle of this year, expanding both its product lines and sales forces.

Pre-IPO valuation for Weigao Ortho would likely be HKD6,449bn, 6% above our valuation of HKD6,103m

If we assume that (1) the IPO involves all new shares and (2) the new shares are equivalent to 26.5% of the enlarged share capital for Weigao Ortho and (3) the offer size would be USD300m, the post-IPO valuation for Weigao Ortho will be USD1,132m (HKD8,774m). Therefore, we calculate that its pre-IPO valuation would likely be USD832m (HKD6,449m) after deduction of USD300m of IPO proceeds from the issue of new shares. This pre-money valuation is largely in-line with our current valuation for Weigao Ortho at HKD6,103 (5% below this pre-IPO valuation).

Weigao Ortho plans USD300 HK IPO:

[http://www.ifrasia.com/equities-weigao-orthopaedic-plans-us\\$300m-hk-ipo/21186598.article](http://www.ifrasia.com/equities-weigao-orthopaedic-plans-us$300m-hk-ipo/21186598.article)

Figure 3 Post-IPO/ Pre-IPO valuation calculation for Weigao Ortho based on Bloomberg information

Assumptions:

IPO capital to be raised USD300m (from Bloomberg) about 26.5% of enlarged shareholdings post IPO

Post-IPO valuation

USD300m divided by 26.5%

USD1,132m (or HKD8,774m)

Pre-IPO valuation

Post-IPO valuation minus new share capital raised

USD1,132m minus USD300m

USD832m (or HKD6,449m)

Source: Bloomberg, Company data, Guosen Securities(HK) Research

Figure 4 Sensitivity analysis for Weigao's orthopaedic biz (in HKD per Weigao shares)

		Net profit margin				
		26%	28%	30.0%	32%	34%
PE multiple (x)	31	1.56	1.68	1.80	1.92	2.04
	29	1.46	1.57	1.68	1.79	1.91
	24	1.18	1.27	1.36	1.45	1.55
	21	1.05	1.14	1.22	1.30	1.38
	19	0.95	1.03	1.10	1.17	1.25
	16	0.80	0.87	0.93	0.99	1.05

Source: Guosen Securities(HK) Research

Figure 5 Sensitivity analysis for Weigao's orthopaedic biz in equity value (in HKD million)

		Net profit margin				
		26%	28%	30%	32%	34%
PE multiple (x)	31	6,971	7,507	8,044	8,580	9,116
	29	6,521	7,023	7,525	8,026	8,528
	24	5,289	5,696	6,103	6,509	6,916
	21	4,722	5,086	5,449	5,812	6,175
	19	4,273	4,601	4,930	5,259	5,587
	16	3,598	3,875	4,151	4,428	4,705

Source: Guosen Securities(HK) Research

Figure 6 SOTP valuation

	Valuation basis	Implied FY5F P/E (X)	HKD m		HKD/ share	
Medical Consumables	P/E multiple (FY15F) of 19.0x	19.0	18,828	64.7%	4.21	64.7%
Orthopaedic implants	DCF, WACC = 8.8%; g = 3%	23.5	6,103	21.0%	1.36	21.0%
Blood purification (dialysis)	DCF, WACC = 8.8%; g = 3%	23.9	4,185	14.4%	0.93	14.4%
SOTP total		20.4	29,115		6.50	TP

Source: Company data, Guosen Securities(HK) Research

Figure 7 Quarterly P&L model

Year ended Dec	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14	3Q14	4Q14F	FY14F
Quarterly P&L (RMB m)										
Revenue	1013	1,149	1,238	1,213	4,613	1,168	1377	1253	1294	5091
COGS	(411)	(470)	(504)	(502)	(1,886)	(484)	(564)	(533)	(557)	(2,138)
Gross profit	602	680	734	711	2,727	684	813	720	736	2,953
Other income	11.3	-20.1	21	-1.3	10.5	13	23	22	19	77
Distribution costs	(270)	(293)	(288)	(310)	(1,161)	(305)	(376)	(338)	(352)	(1,371)
Administrative expenses	(109)	(126)	(124)	(164)	(523)	(126)	(150)	(138)	(115)	(529)
Finance costs	(2)	(2)	(3)	(2)	(9)	(4)	(6)	(5)	1	(14)
JV stent & Biosensors	28.0	4	58	-23	67.8	0	0	0	0	0
JV Nikkiso	0	2	2	3	7	1	1	1	1	5
JV Terumo	0	(3)	(1)	1	(4)	(5)	(1)	(1)	(1)	(9)
Share of Medtronic JV	0	0	0	(5)	(5)	(4)	0	(1)	(1)	(6)
Disposal gain and fair value changes	0	0	0	(565)	(565)	0	0	0	0	0
Profit before Tax	261	241	398	(356)	544	254	304	261	287	1,107
Tax	(33)	(39)	(46)	(39)	(156)	(39)	(44)	(37)	(39)	(159)
Tax rate	13%	16%	12%	-11%	29%	15.2%	14.5%	14.3%	13.7%	14.4%
Minority interest	1	(1)	(5)	5	0	1	3	1	(9)	(4)
Adjustment	28	4	58	(639)	(549)	(4)	6	1	0	3
Biosensors (including extraordinary items)	46	22	21	596	685	0	0	0	0	0
Net profit (reported)	228	201	347	(389)	388	216	263	225	239	943
Net profit (underlying) (no biosensors)	200	197	289	250	937	220	257	224	239	940
Q-o-q growth (%)	10	(2)	47	(13)		-12	17	(13)	7	
Quarterly P&L YoY growth										
Revenue	17.5	13	26	46	25	15	20	1	7	10.4
COGS	7	6	24	48	20	18	20	6	11	13
Gross profit	26	19	28	45	29	14	20	-2	4	8
Distribution costs	37	30	28	36	33	13	29	17	13	18
Administrative expenses	21	28	23	75	36	16	19	11	(29)	1
JV stent & Biosensors	13	-87	121	N/A	(48)	N/A	N/A	N/A	N/A	N/A
Share of Medtronic JV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Profit before Tax	7	(24)	30	(237)	(52)	(3)	26	(34)	(181)	103
Tax	16	8	26	34	21	18	13	(19)	2	2
Net profit (underlying) (no biosensors)	-14	(33)	0	20	10	10	30	(23)	(5)	0
Quarterly P&L as % of FY sales										
Revenue	22	25	27	26	100	23	27	25	25	100
Gross profit	22	25	27	26	100	23	28	24	25	100
Other income	108	(192)	197	(13)	100	17	30	28	24	100
Distribution costs	23	25	25	27	100	22	27	24.6	25.7	100
Administrative expenses	21	24	24	31	100	24	28	26	22	100
JV stent & Biosensors	41	6	86	(33)	100	N/A	N/A	N/A	N/A	N/A
Share of Medtronic JV	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net profit (underlying) (no biosensors)	21	21	31	27	100	23	27	24	25	100
Margin analysis										
Revenue	100	100	100	100	100	100	100	100	100	100
Gross profit	59.4	59.1	59.3	58.6	59.1	58.6	59.0	57.5	56.9	58.0
Distribution costs	26.6	25.5	23.3	25.6	25.2	26.1	27.3	26.9	27.2	26.9
Administrative expenses	11	11	10	13	11	11	11	11	9	10
JV stent & Biosensors	3	0	5	(2)	1	0	0	0	0	0
Share of Medtronic JV	0	0	0	(0)	(0)	(0)	0	(0)	(0)	(0)
Profit before Tax	26	21	32	(29)	12	22	22	21	22	22
Net profit (underlying) (no biosensors)	20	17	23	21	20	19	19	18	18	18

Source: Company data, Guosen Securities(HK) Research

Figure 8 Quarterly P&L model

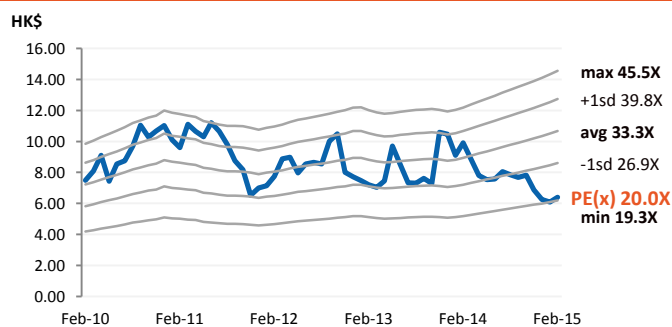
Quarterly Revenue breakdown										
Revenue (RMB m)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14	3Q14	4Q14F	FY14F
Infusion sets	287	304	346	318	1,254	314	382	348	344	1,387
Syringes	133	145	167	150	595	154	165	164	165	648
Needles	168	183	191	180	722	180	198	153	164	696
Blood bags	49	58	61	66	234	55	70	65	72	262
Blood sampling	15	21	26	23	85	16	24	20	26	87
Pre-filled syringes	44	63	52	51	210	77	61	53	48	239
Wound management	14	21	22	56	78	20	26	23	22	91
Other consumables	56	62	82	59	295	68	95	76	65	304
Total Consumables	767	857	945	903	3,472	883	1021	902	906	3,713
Orthopaedic products	128	132	126	120	506	140	160	138	152	590
Dialysis consumables	86	107	127	132	450	117	145	163	167	591
PVC granules	15	20	20	19	74	10	14	17	17	58
Dialyzer machine	17	33	21	39	111	17	37	34	51	139
others	0	0	0	0	0	0	0	0	0	0
Total revenue	1,013	1,149	1,238	1,213	4,613	1,168	1,377	1,253	1,294	5,091

YoY growth	1Q13	2Q13	3Q13	4Q13	FY13F	1Q14	2Q14	3Q14	4Q14	FY14F
Infusion sets	10%	0%	13%	24%	11%	9%	25%	0%	8%	11%
Syringes	9%	7%	11%	23%	12%	16%	14%	-2%	10%	9%
Needles	5%	4%	25%	46%	18%	7%	9%	-20%	-9%	-4%
Blood bags	6%	11%	26%	20%	16%	11%	21%	7%	9%	12%
Blood sampling	2%	11%	25%	34%	19%	8%	15%	-20%	14%	3%
Pre-filled syringes	18%	21%	21%	92%	32%	73%	-2%	2%	-6%	14%
Wound management						39%	22%	6%	-61%	17%
Other consumables	-14%	-15%	12%	651%	35%	21%	19%	-7%	9%	3%
Total Consumables	9%	6%	19%	48%	19%	21%	21%	-5%	0%	7%
Orthopaedic products	90%	67%	88%	1150%	127%	15%	21%	9%	27%	16.6%
Dialysis consumables	58%	52%	73%	44%	56%	10%	36%	29%	26%	31%
PVC granules	3%	9%	26%	4%	10%	37%	-32%	-11%	-11%	-22%
Dialyzer machine	-12.3%	-7.1%	4%	3%	-3%	1%	9%	57%	31%	25%
Others	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total revenue	17%	13%	19%	46%	25.1%	15%	20%	1.2%	7%	10.4%

% segment to total sales	1Q13	2Q13	3Q13	4Q13	FY13F	1Q14	2Q14	3Q14	4Q14	FY14F
Infusion sets	28%	26%	28%	26%	27%	27%	28%	28%	27%	27%
Syringes	13%	13%	13%	12%	13%	13%	12%	13%	13%	13%
Needles	17%	16%	15%	15%	16%	15%	14%	12%	13%	14%
Blood bags	5%	5%	5%	5%	5%	5%	5%	5%	6%	5%
Blood sampling	1%	2%	2%	2%	2%	1%	2%	2%	2%	2%
Pre-filled syringes	4%	5%	4%	4%	5%	7%	4%	4%	4%	5%
Wound management						2%	2%	2%	2%	2%
Other consumables	6%	5%	7%	5%	6%	6%	7%	6%	5%	6%
Total Consumables	76%	75%	76%	74%	75%	76%	74%	72%	70%	73%
Orthopaedic products	12.6%	12%	10%	10%	11%	12%	12%	11%	12%	12%
Dialysis consumables	8%	9%	10%	11%	10%	10%	11%	13%	13%	12%
PVC granules	1%	2%	2%	2%	2%	1%	1%	1%	1%	1%
Dialyzer machine	2%	3%	2%	3%	2%	1%	3%	3%	4%	3%
Others	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

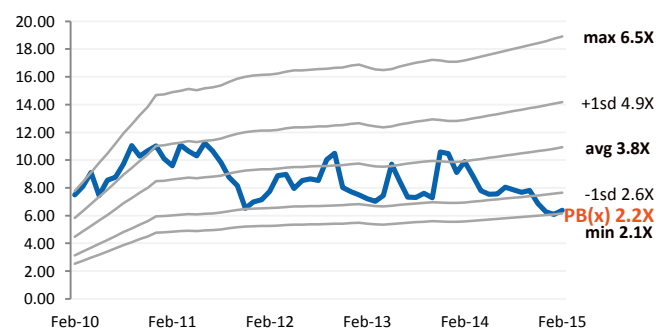
Source: Company data, Guosen Securities(HK) Research

Figure 9 12 months forward PE band chart



Source: Bloomberg, Guosen Securities(HK) Research

Figure 10 12 months forward PB band chart



Source: Bloomberg, Guosen Securities(HK) Research

Summary financial statements

Profit & Loss (RMBmn)	2012A	2013A	2014E	2015E	2016E
Total Operating Income	3,689	4,613	5,091	5,836	6,696
Cost of sales	(1,577)	(1,886)	(2,138)	(2,483)	(2,879)
Gross profit	2,112	2,727	2,953	3,353	3,817
Other income/(expense)	108	10	77	99	114
Operating expenses	(1,258)	(1,684)	(1,900)	(2,142)	(2,411)
Operating profit	962	1,053	1,130	1,310	1,520
Other non operating inc/(exp)	0	(565)	0	0	0
Finance income	0	0	0	0	0
Finance expenses	(5)	(9)	(14)	(13)	(11)
Associates & JCE	168	65	(10)	(1)	21
Profit before taxation	1,126	544	1,107	1,296	1,530
Taxation	(130)	(156)	(159)	(169)	(184)
Non-controlling interests	0	0	(4)	(6)	(7)
Net profit	996	388	943	1,122	1,339
Other Adjustments on UP	(144)	549	(3)	0	0
Underlying Profit	852	937	940	1,122	1,339

Source: Guosen Research estimates

Financial Ratios	2012A	2013A	2014E	2015E	2016E
Revenue growth (%)	16.0	25.1	10.4	14.6	14.7
Operating profit growth (%)	9.0	9.4	7.3	15.9	16.0
Underlying profit growth (%)	(11.1)	9.9	0.3	19.4	19.4
Underlying EPS growth (%)	(11.1)	9.9	0.3	19.4	19.4
Gross profit margin (%)	57.3	59.1	58.0	57.5	57.0
Operating profit margin (%)	26.1	22.8	22.2	22.5	22.7
Underlying profit margin (%)	23.1	20.3	18.5	19.2	20.0
Net debt/equity (%)	(15.6)	(30.1)	(29.6)	(24.0)	(24.1)
Net debt/total assets (%)	(13.3)	(24.1)	(23.3)	(18.8)	(18.8)
Current ratio (%)	253	300	277	260	249
Dividend payout (%)	33.1	28.7	30.0	30.0	30.0
Inventory Turnover days	149.7	164.1	168.8	166.6	165.4
Acct Receivable Turnover days	153.4	153.5	156.6	156.0	156.9
Acct Payable Turnover days	289.1	311.5	310.8	300.7	301.0

Dupont Analysis	2012A	2013A	2014E	2015E	2016E
Tax burden (%)	88.5	71.3	85.2	86.6	87.6
Interest burden (%)	117	51.7	97.9	98.9	101
Operating profit margin (%)	26.1	22.8	22.2	22.5	22.7
Asset turnover (x)	0.4	0.4	0.4	0.5	0.5
Leverage ratio (x)	1.2	1.2	1.3	1.3	1.3
ROA (%)	10.0	3.6	8.1	8.9	9.6
ROE (%)	11.6	4.3	10.2	11.4	12.3

Source: Guosen Research estimates

Balance Sheet (RMBmn)	2012A	2013A	2014E	2015E	2016E
Fixed assets	3,198	3,948	4,783	5,600	6,437
Associates & JCE	104	107	111	119	134
Others	3,305	979	553	550	551
Non-current assets	6,608	5,035	5,448	6,269	7,122
Inventories	830	866	1,112	1,155	1,454
Debtors & prepayments	1,651	2,228	2,140	2,847	2,911
Bank deposits & cash	1,389	3,119	3,183	2,879	3,162
Others	0	40	40	40	40
Current assets	3,871	6,253	6,475	6,921	7,567
Bank & other borrowings	0	300	300	300	300
Trade & payables	1,473	1,748	1,893	2,199	2,550
Taxation	57	34	146	166	189
Others	0	0	0	0	0
Current liabilities	1,530	2,082	2,339	2,665	3,039
Bank & other borrowings	0	100	100	100	100
Others	29	43	43	49	56
Non-current liabilities	29	143	143	149	156
Net assets	8,920	9,063	9,440	10,375	11,495
Share capital	448	448	448	448	448
Premium & reserves	8,463	8,593	8,965	9,895	11,008
Shareholders' funds	8,911	9,040	9,413	10,343	11,455
Non-controlling interests	9	23	27	33	39
Total equity	8,920	9,063	9,440	10,375	11,495

Source: Guosen Research estimates

Cashflow (RMBmn)	2012A	2013A	2014E	2015E	2016E
Operating profit	1,110	547	1,118	1,306	1,538
Depreciation & amortization	(128)	(188)	(163)	(173)	(203)
Interest income	0	0	0	0	0
Change in working capital	(105)	(403)	(12)	(445)	(13)
Tax paid	(117)	(178)	(47)	(137)	(146)
Other operating cashflow	46	942	361	373	420
Operating activities	806	720	1,257	924	1,595
Purchase of non-current assets (Capex)	(864)	(866)	(835)	(817)	(837)
Free cash flow	(58)	(145)	422	107	758
Disposal of non-current assets	0	0	0	0	0
Associates & JCE (net)	(80)	0	0	0	0
Interest received	20	6	2	4	4
Dividends received	41	46	0	0	0
Other investing cashflow	(133)	1,689	(65)	(65)	(65)
Investing activities	(1,016)	876	(898)	(879)	(899)
New loans raised	0	400	0	0	0
Repayment of loans	(84)	0	0	0	0
Dividends paid	(282)	(278)	(282)	(337)	(402)
Other financing cashflow	(20)	49	(14)	(13)	(11)
Financing activities	(386)	172	(295)	(350)	(413)
Inc/(dec) in cash	(596)	1,767	63	(304)	283
Cash at beginning of year	1,959	1,389	3,119	3,183	2,879
Foreign exchange effect	27	(37)	0	0	0
Cash at end of year	1,389	3,119	3,183	2,879	3,162

Source: Guosen Research estimates

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