

Company Report

China Merchants Securities (HK) Co. Ltd.
Hong Kong Equity Research

Sinomax (1418 HK)

US growth story still under the radar

■ Recurring net profit up 26% YoY driven by revenue growth from all business segments and margin expansion from export business

■ Export revenue (+90% from US) remains growth driver (51% and 66% of FY14 EBIT, vs. 62% of FY13 EBIT)

■ US growth story with undemanding valuation, maintain BUY
FY14 recurring net profit up 26% YoY

Recurring profit (excl. listing expenses) was up 26% YoY to HKD197mn (in line with CMS estimate) and Sinomax proposed a FY14 DPS of HK3.5cents (30% payout) or 5% yield based on yesterday's close. Total revenue grew 13% YoY to HKD2.7bn as export/retail/polyurethane foam revenues grew 10%/34%/12% YoY. Recurring net profit was in line despite a miss in revenue (refer to fig.2) as GPM was better than expected thanks to improvement in export GPM as the group sold more self-owned/licensed brand products. Retail/corporate sales HK/PRC store SSSG was 5% and HK/PRC department store counter SSSG was -2%/-5%. Revenue grew 34% YoY for the segment but contribution remains small (14%/13% of total revenue/EBIT). Meanwhile, polyurethane foam sales remained as cash cow business.

Expect margin expansion and US sales to drive growth

Going forward, we expect profit margin to continue improving driven by: i) improvement in product mix as export business as contribution of self-owned and licensed brand products increases vs ODM/OEM and ii) decline in oil prices have decreased raw material prices (PPG and TDI) which should improve retail and export sales GPM. Revenue will continue to be driven by export business as US economy continues to recover.

Valuation – Maintain BUY with TP HKD1.49

We maintain our earnings forecast largely unchanged as we lower our FY15E/16E revenue but increase our GPM forecasts. We maintain our TP HKD1.49 based on a 10x FY15E target P/E, 30% discount to HK-listed peers and 50% discount to overseas peers. We continue to see Sinomax as an US growth story under the radar with attractive valuations (FY14/15E P/E of 6x/5x and dividend yield of +5%). Maintain BUY.

Financials

HKD mn	2012	2013	2014	2015E	2016E
Revenue	1,971	2,370	2,683	3,098	3,554
Growth (%)	10.9%	20.2%	13.2%	15.4%	14.7%
Recurring net profit	108	157	197	245	298
Growth (%)	23.3%	44.4%	25.7%	24.7%	21.3%
Recurring EPS (HKD)	NA	0.09	0.12	0.15	0.18
DPS (HKD)	NA	NA	0.04	0.04	0.05
P/E (x) - Recurring	NA	7.8	6.2	5.0	4.1
P/B (x)	NA	2.1	1.3	1.1	0.9
ROAE (%)	27.1	31.5	27.8	25.3	25.2

Source: Company data, CMS (HK) estimates

Eugene MAK

(852) 3189 6343

eugenemak@cmschina.com.hk

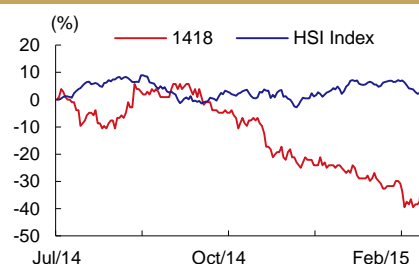
WHAT'S NEW

Earnings revised

BUY

Previous	BUY
Price	HK\$0.74
12-month Target Price (Potential upside)	HK\$1.49 (+101%)
Previous	HK\$1.49

Price Performance



Source: Bigdata

%	1m	6m	12m
1418 HK	6.8	(33.2)	(29.9)
HSI	(3.1)	(0.8)	11.2

Industry: Retail

Hang Seng Index	23901
HSCEI	11838

Key Data

52-week range (HK\$)	0.63-1.18
Market cap (HK\$ mn)	1221
Avg. daily volume (mn)	3.33
BVPS (HK\$)	0.55

shareholdings Structure

Lam Chi Fan	64.08%
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No. of shares outstanding (mn)	1650
Free float	31.89%

Related Research

1. Sinomax (1418 HK) - Acquiring polyurethane foam business for expansion, "BUY" January 27, 2015
2. Sinomax (1418 HK) - Share price weakness unjustified – Maintain BUY, "BUY" November 28, 2014
3. Sinomax (1418 HK) - US growth driver under radar, HK still strong despite OC, "BUY" November 3, 2014

Balance sheet and cashflow remains healthy

The group's balance sheet and cashflow remains healthy as the group remains at a net cash position and positive free cashflow. In terms of working capital, inventory days, receivable days and payable days remains in line with FY13 at 65, 71 and 65 days respectively.

Figure 1: Changes in major profit and loss items

(HKDm)	Old Estimates			New Estimates			Old Estimates		
	FY14E	FY14	Difference	FY15E	FY15E	Difference	FY16E	FY16E	Difference
Turnover	2,850	2,683	-5.8%	3,283	3,098	-5.6%	3,759	3,554	-5.5%
Gross profit	764	736	-3.6%	898	893	-0.6%	1,048	1,031	-1.6%
Gross margin	26.8%	27.4%	0.6%	27.4%	28.8%	1.5%	27.9%	29.0%	1.1%
Operating profit	260	255	-2.1%	323	325	0.5%	386	390	1.1%
Operating margin	9.1%	9.5%	0.4%	9.8%	10.5%	0.6%	10.3%	11.0%	0.7%
Recurring net profit	195	197	0.7%	245	245	0.2%	296	298	0.5%
Recurring net margin	6.9%	7.3%	0.5%	7.5%	7.9%	0.5%	7.9%	8.4%	0.5%

Source: Company, CMS (HK)

Figure 2: FY14 results summary vs CMS estimate

Dec Yr end (HKDmn)	Actual			CMS forecast		Comments
	FY13	FY14	YoY (%)	FY14E	YoY (%)	
Total revenue	2,370	2,683	13.2%	2,850	20.3%	Revenue miss due to weaker than expected export revenue
- Export revenue	1,254	1,375	9.6%	1,504	20.0%	51% of FY14 total revenue
- Retail & corporate sales	284	381	34.0%	391	37.5%	HK/PRC store SSSG :5%/5%, department store counter SSSG: -2%/-5.3%
- Polyurethane sales	831	928	11.7%	955	14.9%	
Cost of sales	(1,749)	(1,947)		(2,086)		
Gross profit	621	736	18.7%	764	23.1%	Better than expected contribution from own branded and licensed products in export business with higher GPM
Gross margin (%)	26.2%	27.4%	1.3ppt	26.8%	0.5ppt	
Other (losses) / gains	0	6		(4)		
SG&A expenses	(405)	(487)	20.2%	(500)	23.3%	Export revenue accounted for 66% of total operating profit (FY13: 62%) and hence, continues to be Sinomax's main growth driver. Export EBIT margin was significantly better than expected and EBIT from export was above our estimates by 10%.
Operating profit	215	255	18.4%	260	20.9%	
Operating margin (%)	9.1%	9.5%	0.4ppt	9.1%	0.0ppt	
Net finance costs	(5)	(6)		(3)		
IPO listing expense	(21)	(2)		(4)		
Profit before taxation	190	247	30.2%	254	33.9%	
Income-tax expenses	(45)	(44)		(53)		
Effective tax rate	23.5%	17.8%		21.0%		
Profit after taxation	145	203		200		
Minority interests	9	9		9		
Profit attributable to equity shareholders - reported	136	194	43.2%	191	41.0%	
Profit attributable to equity shareholders - recurring	157	197	25.7%	195	24.8%	
Recurring net margin	6.6%	7.3%	0.7ppt	6.9%	0.4ppt	
EPS (HKD) - recurring	0.095	0.119	25.7%	0.118	24.8%	
DPS (HKD)	NA	0.035		0.029		
Payout ratio	NA	29.7%		25.0%		Better than expected dividend payout

Source: Company, CMS (HK)

Figure 3: Sinomax profit and loss summary

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E
Total revenue	1,778	1,971	2,370	2,683	3,098	3,554
<i>% change YoY</i>	14.4%	10.9%	20.2%	13.2%	15.4%	14.7%
Gross profit	396	465	621	736	893	1,031
<i>% change YoY</i>	11.7%	17.4%	33.5%	18.7%	21.3%	15.4%
<i>Gross margin</i>	22.3%	23.6%	26.2%	27.4%	28.8%	29.0%
Other income and expenses	14	(4)	0	6	0	(4)
- R&D expense	(4)	(4)	(6)	(16)	(19)	(21)
<i>% of revenue</i>	0.2%	0.2%	0.2%	0.6%	0.6%	0.6%
SG&A costs	(283)	(302)	(405)	(487)	(569)	(637)
<i>% change YoY</i>	28.6%	6.4%	34.4%	20.2%	16.7%	11.9%
<i>% of revenue</i>	15.9%	15.3%	17.1%	18.2%	18.4%	17.9%
Operating profit	126	159	215	255	325	390
<i>% change YoY</i>	-17.2%	26.5%	35.1%	18.4%	27.4%	20.2%
<i>Operating margin</i>	7.1%	8.1%	9.1%	9.5%	10.5%	11.0%
Recurring net profit	88	108	157	197	245	298
<i>% change YoY</i>	-14.4%	23.3%	44.4%	25.7%	24.7%	21.3%
<i>Recurring net margin</i>	4.9%	5.5%	6.6%	7.3%	7.9%	8.4%

Source: Company, CMS (HK)

Figure 4: Key parameters for export business (overseas)

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E
Total revenue from export business	877	1,020	1,254	1,375	1,606	1,867
<i>% change YoY</i>	-0.3%	16.3%	23.0%	9.6%	16.8%	16.3%
<i>% of total revenue</i>	49.3%	51.7%	52.9%	51.2%	51.8%	52.5%
No. of distributors/retailer clients	51	85	85	89	89	89
Revenue by product categories:						
- Own/licensed brand sales	184	317	603	784	1,056	1,372
<i>% change YoY</i>	-11.1%	72.3%	90.5%	29.9%	34.7%	29.9%
<i>% of total revenue</i>	10.3%	16.1%	25.5%	29.2%	34.1%	38.6%
sales per customer	3.6	5.3	7.1	9.1	11.9	15.4
<i>% change YoY</i>	NA	47.7%	33.3%	28.4%	30.2%	29.9%
- Third-party brand sales	693	703	651	591	551	495
<i>% change YoY</i>	3.0%	1.4%	-7.4%	-9.2%	-6.9%	-10.0%
<i>% of total revenue</i>	39.0%	35.7%	27.5%	22.0%	17.8%	13.9%
sales per customer	14	12	8	7	6	6
<i>% change YoY</i>	NA	-13.1%	-35.2%	-10.3%	-10.0%	-10.0%
Gross profit	184	224	301	363	434	510
<i>% change YoY</i>	NA	21.8%	34.2%	20.6%	19.5%	17.5%
Gross Margin	21.0%	22.0%	24.0%	26.4%	27.0%	27.3%
Segmental profit	178	177	265	355	418	491
<i>% change YoY</i>	NA	-0.5%	49.3%	34.0%	17.8%	17.6%
Segmental profit margin	20.3%	17.4%	21.1%	25.8%	26.0%	26.3%
<i>% of total segmented profit</i>	58.9%	51.1%	61.8%	65.9%	64.7%	66.5%

Note: Historical gross margins based on CMS (HK) estimates
 Source: Company, CMS (HK)

Figure 5: Key parameters for retail and corporate sales business

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E
Total revenue from retail/corporate sales	304	297	284	381	421	505
<i>% change YoY</i>	<i>39.9%</i>	<i>-2.5%</i>	<i>-4.2%</i>	<i>34.0%</i>	<i>10.6%</i>	<i>20.1%</i>
<i>% of total revenue</i>	<i>17.1%</i>	<i>15.0%</i>	<i>12.0%</i>	<i>14.2%</i>	<i>13.6%</i>	<i>14.2%</i>
Revenue by sales channels:						
Self-operated retail shops revenue	22	25	36	57	82	109
<i>% change YoY</i>	<i>25.4%</i>	<i>11.3%</i>	<i>44.2%</i>	<i>58.6%</i>	<i>45.4%</i>	<i>32.0%</i>
<i>% of total revenue</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.5%</i>	<i>2.1%</i>	<i>2.7%</i>	<i>3.1%</i>
- Hong Kong	22	25	35	51	74	90
<i>% change YoY</i>	<i>25.4%</i>	<i>11.3%</i>	<i>41.1%</i>	<i>45.1%</i>	<i>45.0%</i>	<i>22.0%</i>
<i>% of total revenue</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.5%</i>	<i>1.9%</i>	<i>2.4%</i>	<i>2.5%</i>
No. of stores	10	9	12	18	22	24
SSSG	NA	5.6%	41.1%	4.8%	3.0%	3.0%
- PRC	0	0	1	6	9	19
<i>% change YoY</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>676.7%</i>	<i>49.1%</i>	<i>115.0%</i>
<i>% of total revenue</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.2%</i>	<i>0.3%</i>	<i>0.5%</i>
No. of stores	0	0	4	8	18	32
SSSG	NA	NA	NA	5.0%	5.0%	5.0%
Self-operated concession counters revenue	147	162	176	175	173	186
<i>% change YoY</i>	<i>22.9%</i>	<i>9.8%</i>	<i>8.6%</i>	<i>-0.4%</i>	<i>-1.0%</i>	<i>7.5%</i>
<i>% of total revenue</i>	<i>8.3%</i>	<i>8.2%</i>	<i>7.4%</i>	<i>6.5%</i>	<i>5.6%</i>	<i>5.2%</i>
- Hong Kong	69	67	74	75	79	83
<i>% change YoY</i>	<i>NA</i>	<i>-3.1%</i>	<i>10.4%</i>	<i>1.7%</i>	<i>5.0%</i>	<i>5.0%</i>
<i>% of total revenue</i>	<i>3.9%</i>	<i>3.4%</i>	<i>3.1%</i>	<i>2.8%</i>	<i>2.6%</i>	<i>2.3%</i>
No. of counters	26	25	28	28	28	28
SSSG	0.0%	0.6%	10.4%	-2.0%	5.0%	5.0%
- PRC	78	94	101	99	94	103
<i>% change YoY</i>	<i>NA</i>	<i>21.3%</i>	<i>7.3%</i>	<i>-1.9%</i>	<i>-5.5%</i>	<i>9.5%</i>
<i>% of total revenue</i>	<i>4.4%</i>	<i>4.8%</i>	<i>4.3%</i>	<i>3.7%</i>	<i>3.0%</i>	<i>2.9%</i>
No. of counters	155	214	234	229	239	249
SSSG	NA	-13.9%	-16.8%	-5.3%	-5.0%	5.0%

Note: Historical SSSG, Hong Kong/PRC revenue breakdown and gross margins based on CMS (HK) estimates

Source: Company, CMS (HK)

Figure 6: Key parameters for retail and corporate sales business (continued)

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E
Revenue from third-party distributors	46	54	45	34	33	36
<i>% change YoY</i>	NA	18.2%	-16.5%	-23.9%	-4.3%	10.4%
<i>% of total revenue</i>	2.6%	2.7%	1.9%	1.3%	1.1%	1.0%
- PRC	41	48	38	27	25	28
<i>% change YoY</i>	NA	18.6%	-21.5%	-29.1%	-5.5%	10.5%
<i>% of total revenue</i>	2.3%	2.5%	1.6%	1.0%	0.8%	0.8%
No. of counters	135	183	206	188	198	208
SSSG	NA	-25.6%	-38.9%	-33.6%	0.0%	5.0%
- Macau	5	6	7	7	7	8
<i>% change YoY</i>	NA	14.3%	26.8%	4.0%	0.0%	10.0%
<i>% of total revenue</i>	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%
No. of counters	3	3	4	4	4	4
SSSG	NA	-14.3%	17.1%	-15.5%	0.0%	10.0%
Direct corporate sales/others	80	49	13	70	40	40
<i>% change YoY</i>	202.2%	-38.4%	-74.1%	452.4%	-43.2%	0.0%
<i>% of total revenue</i>	4.5%	2.5%	0.5%	2.6%	1.3%	1.1%
E-commerce and others	9	7	15	44	92	134
<i>% change YoY</i>	16.1%	-22.4%	113.6%	194.6%	108.2%	45.2%
<i>% of total revenue</i>	0.5%	0.4%	0.6%	1.7%	3.0%	3.8%
Gross profit	143	136	187	251	286	343
<i>% change YoY</i>	NA	-5.2%	38.3%	34.0%	13.9%	20.1%
Gross Margin	47.0%	45.7%	66.0%	66.0%	68.0%	68.0%
Segmental profit	71	82	52	71	84	101
<i>% change YoY</i>	NA	15.0%	-36.3%	35.5%	19.1%	20.1%
Segmental profit margin	23.4%	27.6%	18.3%	18.6%	20.0%	20.0%
<i>% of total segmented profit</i>	23.5%	23.6%	12.2%	13.1%	13.0%	13.7%

Note: Historical SSSG, Hong Kong/PRC revenue breakdown and gross margins based on CMS (HK) estimates
 Source: Company, CMS (HK)

Figure 7: Key parameters for polyurethane foam sales

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E
Revenue from polyurethane foam sales	597	655	831	928	1,071	1,182
<i>% change YoY</i>	<i>30.6%</i>	<i>9.7%</i>	<i>26.9%</i>	<i>11.7%</i>	<i>15.4%</i>	<i>10.3%</i>
<i>% of total revenue</i>	<i>33.6%</i>	<i>33.2%</i>	<i>35.1%</i>	<i>34.6%</i>	<i>34.6%</i>	<i>33.2%</i>
Designed production capacity (tonnes)						
Dongguan	31,560	31,560	31,560	31,560	31,560	31,560
Jiashan	15,780	24,985	31,560	37,872	44,184	47,340
Haining	11,993	11,993	11,993	11,993	11,993	11,993
Total	59,333	68,538	75,113	81,425	87,737	90,893
Utilization rate						
Dongguan	70%	81%	90%	94%	97%	100%
Jiashan	76%	73%	79%	83%	90%	100%
Haining	83%	82%	98%	98%	100%	100%
Total	74%	78%	87%	89%	94%	100%
Actual production volume (tonnes)						
Dongguan	22,187	25,690	28,372	29,666	30,613	31,560
Jiashan (still have 1/3 expansion space)	12,056	18,114	24,964	31,434	39,766	47,340
Haining	9,894	9,798	11,753	11,753	11,993	11,993
Total	44,137	53,602	65,090	72,853	82,372	90,893
<i>% change YoY</i>	<i>2.3%</i>	<i>21.4%</i>	<i>21.4%</i>	<i>11.9%</i>	<i>13.1%</i>	<i>10.3%</i>
<i>% of foam sold through direct sales (tonnes)</i>	<i>44%</i>	<i>43%</i>	<i>45%</i>	<i>45%</i>	<i>46%</i>	<i>46%</i>
Actual tonnes	19,233	23,168	29,343	32,487	37,479	41,356
<i>% change YoY</i>	<i>13.1%</i>	<i>20.5%</i>	<i>26.7%</i>	<i>10.7%</i>	<i>15.4%</i>	<i>10.3%</i>
Gross profit	69	105	133	121	171	177
<i>% change YoY</i>	<i>NA</i>	<i>53%</i>	<i>27%</i>	<i>-9%</i>	<i>42%</i>	<i>3%</i>
Gross Margin	11.5%	16.0%	16.0%	13.0%	16.0%	15.0%
Segmental profit	53	88	111	113	143	147
<i>% change YoY</i>	<i>NA</i>	<i>64.8%</i>	<i>27.2%</i>	<i>1.1%</i>	<i>27.5%</i>	<i>2.1%</i>
Segmental profit margin	8.9%	13.4%	13.4%	12.1%	13.4%	12.4%
<i>% of total segmented profit</i>	<i>17.6%</i>	<i>25.3%</i>	<i>26.0%</i>	<i>20.9%</i>	<i>22.2%</i>	<i>19.8%</i>

Note: Historical gross margins based on CMS (HK) estimates
 Source: Company, CMS (HK)

Figure 8: Valuation – Major listed bedding and furniture retailers

Company	Ticker	Price	Mkt cap (USDm)	3-mth avg t/o (USDm)	P/E Hist (x)	P/E FY1 (x)	P/E FY2 (x)	EPS FY1 YoY%	EPS FY2 YoY%	3-Yr EPS CAGR (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)
Sinomax Group	1418 HK	0.74	157	0.0	6.2	5.0	4.1	25.2	20.8	N/A	N/A	4.7	6.1	1.3	1.1
HSI		23,901			9.9	11.4	10.2	(12.7)	11.4	2.4	4.70	3.8	3.5	1.3	1.2
HSCCI		11,838			8.3	8.2	7.3	1.8	11.9	7.4	1.10	3.6	3.8	1.3	1.1
CSB300		3,757			16.3	13.6	11.8	19.9	15.5	N/A	N/A	1.6	2.0	2.4	2.0
Overseas listed mattress companies															
Adjusted sector avg*					34.7	28.9	22.0	30.8	29.8	25.8	1.4	0.7	0.3	8.5	6.3
Tempur Sealy Int	TPX US	54.75	3,337	53.1	22.5	18.5	15.8	65.3	17.4	28.9	0.8	N/A	N/A	16.4	9.0
Select Comfort	SCSS US	33.21	1,749	25.8	26.1	24.6	19.2	6.2	28.5	15.5	1.7	N/A	N/A	6.8	6.3
Mattress Firm	MFRM US	61.23	2,144	13.3	39.3	29.2	22.1	34.3	32.0	29.1	1.3	N/A	0.0	5.1	5.0
Xilinmen Furni-A	603008 CH	19.40	978	0.0	51.1	43.4	30.7	17.6	41.2	29.7	1.7	0.7	0.5	5.6	5.1
Overseas listed furniture companies															
Adjusted sector avg*					20.5	19.1	15.9	21.6	19.4	17.9	1.3	2.4	3.2	2.0	2.5
Bassett	BSET US	24.47	259	1.0	27.8	23.1	18.5	20.5	25.0	N/A	N/A	2.0	N/A	1.6	N/A
La-Z-Boy Inc	LZB US	26.15	1,338	8.8	25.1	20.5	16.9	22.6	21.6	19.4	1.3	1.1	N/A	2.6	2.5
Hooker Furniture	HOFT US	18.50	199	0.9	25.0	17.8	15.0	40.5	18.8	23.7	1.1	2.2	N/A	1.4	1.4
Osim Intl Ltd	OSIM SP	2.08	1,157	2.4	15.5	15.1	13.4	2.9	12.3	10.7	1.4	2.9	3.2	3.7	3.5
Everpia Vietnam	EVE VN	27,400.00	35	0.0	9.0	N/A	N/A	N/A	N/A	N/A	N/A	4.1	N/A	0.9	N/A
China listed furniture companies															
Adjusted sector avg*					45.3	32.6	25.8	16.3	26.4	22.4	1.8	1.2	1.2	3.4	3.4
Guangdong Yihu-A	600978 CH	8.95	2,123.50	49.1	24.86	25.0	19.9	(0.6)	25.7	17.4	1.43	0.9	1.68	2.11	1.87
Yotrio Group-A	002489 CH	18.78	1,437	6.5	34.1	32.5	26.8	4.9	21.3	13.6	2.5	2.7	N/A	3.0	2.8
Markor Intl Ho-A	600337 CH	12.43	1,286	9.0	46.0	35.8	28.6	28.5	25.4	26.0	1.8	1.2	N/A	2.9	2.8
Suofeiya Home-A	002572 CH	27.47	1,938	12.8	49.1	37.0	27.7	32.5	33.4	32.4	1.5	0.9	0.7	6.5	6.1
Jiangsu Xiuqia-A	300160 CH	14.41	431	7.8	72.3	N/A	N/A	N/A	N/A	N/A	N/A	0.3	N/A	2.5	N/A
HK listed furniture companies															
Adjusted sector avg*					15.3	13.2	12.5	45.8	6.0	15.8	1.4	9.2	10.8	1.4	2.0
Royale Furniture	1198 HK	0.26	47	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3	N/A
Man Wah Holdings	1999 HK	7.04	1,784	2.0	13.1	13.2	11.8	(0.6)	12.0	7.3	1.8	8.9	6.5	2.8	3.2
Samson Hldg Ltd	531 HK	1.03	404	0.1	25.5	13.3	13.3	92.3	0.0	24.4	1.0	11.7	15.1	0.8	0.8
Carpenter Tan	837 HK	4.50	145	0.1	7.2	N/A	N/A	N/A	N/A	N/A	N/A	7.1	N/A	1.8	N/A

* "N/A" entries excl. from calculations of averages

Source: CMS (HK), Bloomberg

Based on January 26, 2015 closing prices

Financial Summary

Balance Sheet

HKD million	2012	2013	2014	2015E	2016E
Current Assets	1,018	1,122	1,309	1,640	1,955
Cash & equivalents	169	165	254	418	549
Trading investments	0	0	0	0	0
ST bank deposits	47	55	55	55	55
Trade receivables	410	509	585	667	768
Other receivables	112	47	17	60	54
Inventories	280	346	398	441	530
Other current assets	0	0	0	0	0
Non-current assets	265	307	312	420	468
Investment property	32	29	22	21	20
Property, Plant & Eq.	176	202	221	295	331
Intangible assets	0	0	0	0	0
Other non-current assets	57	75	68	104	117
Total assets	1,283	1,429	1,621	2,060	2,423
Current liabilities	793	844	698	912	1,019
Bank loans	191	163	233	233	233
Trade payables	290	329	276	419	479
Prepaid Accounts	0	0	0	0	0
Other liquid liabilities	312	353	189	260	307
Long term Liabilities	10	9	10	15	18
Loans	0	0	0	0	0
Others	10	9	10	15	18
Total Liabilities	803	853	708	927	1,037
Issued capital	0	0	165	165	165
Reserves	455	540	711	899	1,136
Minority interests	25	35	37	69	85
Total equity and liabilities	1,283	1,429	1,621	2,060	2,423

Cashflow Statement

HKD million	2012	2013	2014E	2015E	2016E
Operating cashflow	139	124	90	304	272
Profit before tax	155	190	247	322	388
Deprec & Amort.	16	20	28	24	31
Net finance costs/ (income)	5	5	6	3	2
Working capital chg	(41)	(82)	(171)	(12)	(108)
Others	5	(8)	(19)	(33)	(42)
CF from IA	(52)	16	(36)	(91)	(59)
Capital expenditure	(39)	(22)	(40)	(96)	(65)
Other investments	(13)	38	3	5	6
CF from FA	(70)	(146)	35	(49)	(82)
Net borrowings	(25)	(30)	70	0	0
Dividends	0	0	(77)	(41)	(74)
Others	(45)	(116)	41	(7)	(9)
Net cash flow	17	(6)	89	164	131
Cash at the beginning	151	169	165	254	418
Exchange difference	0	3	0	0	0
Cash at the end	169	165	254	418	549

Source: Company data, CMS (HK) estimates

Profit & Loss Statement

HKD million	2012	2013	2014	2015E	2016E
Revenues	1,971	2,370	2,683	3,098	3,554
Cost of sales	(1,507)	(1,749)	(1,947)	(2,205)	(2,523)
Gross profit	465	621	736	893	1,031
Selling exp	(213)	(281)	(332)	(381)	(427)
Admin exp	(88)	(124)	(156)	(188)	(210)
Op expenses	(4)	0	6	0	(4)
Op Profit	159	215	255	325	390
Net fin. costs	(5)	(5)	(6)	(3)	(2)
FV changes	0	0	0	0	0
Inv income	0	0	0	0	0
Non-recurring expenses	0	(21)	(2)	0	0
PBT	155	190	247	322	388
Taxes	(39)	(45)	(44)	(68)	(81)
Profit after tax	116	145	203	254	307
Minority interests	7	9	9	9	9
Reported Net Profit	108	136	194	245	298
Recurring Net Profit	108	157	197	245	298
EPS (HKD) - Recurring	NA	0.095	0.119	0.149	0.180

Financial Ratios

	2012	2013	2014	2015E	2016E
YoY growth rate					
Revenue	10.9%	20.2%	13.2%	15.4%	14.7%
Op profit	26.5%	35.1%	18.4%	27.4%	20.2%
Recurring net profit	23.3%	44.4%	25.7%	24.7%	21.3%
Profitability					
Gross margin	23.6%	26.2%	27.4%	28.8%	29.0%
Recurring NP margin	5.5%	6.6%	7.3%	7.9%	8.4%
ROAE	27.1%	31.5%	27.8%	25.3%	25.2%
ROIC	25.1%	29.2%	26.1%	23.7%	23.3%
Liquidity					
Debt to Asset	14.9%	11.4%	14.4%	11.3%	9.6%
Net Debt to Equity	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Liquid ratio (x)	1.3	1.3	1.9	1.8	1.9
Quick ratio (x)	0.9	0.9	1.3	1.3	1.4
Operating efficiency					
Asset turnover (x)	1.5	1.7	1.7	1.5	1.5
Inventory turnover days	67	65	70	69	70
AR turnover days	69	71	74	74	74
AP turnover days	66	65	57	58	65
Per share data (HKD)					
Recurring EPS	NA	0.09	0.12	0.15	0.18
CFPS	NA	0.08	0.05	0.18	0.16
BVPS	NA	0.35	0.55	0.69	0.84
DPS	NA	NA	0.04	0.04	0.05
Valuation ratios					
P/E - Recurring	NA	7.8	6.2	5.0	4.1
P/B	NA	2.1	1.3	1.1	0.9
EV/EBITDA	NA	5.2	4.5	3.0	2.2

Investment Ratings

Rating	Definition
BUY	Expected to outperform the market index by >10% over the next 12 months
NEUTRAL	Expected to outperform or underperform the market index by 10% or less over the next 12 months
SELL	Expected to underperform the market index by >10% over the next 12 months

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Hong Kong

China Merchants Securities (HK) Co., Ltd.

Address: 48/F, One Exchange Square, Central, Hong Kong

Tel: +852 3189 6888 Fax: +852 3101 0828