



Rating
Buy

Asia
China

Health Care
Health Care

Company
**Sino
Biopharmaceutical**

Reuters
1177.HK

Bloomberg
1177 HK

Exchange Ticker
HKG 1177

Date
18 March 2015

Company Update

Price at 17 Mar 2015 (HKD)	7.59
Price target - 12mth (HKD)	8.40
52-week range (HKD)	8.30 - 5.91
HANG SENG INDEX	23,901

Jack Hu, Ph.D. Linc Yiu
Research Analyst Research Associate
(+852) 2203 6208 (+852) 2203 6248
jack.hu@db.com linc.yiu@db.com

Readings from a competitor's result briefing (Revised)

Implications for entecavir in Zhejiang

Dawnrays management suggested that its own version of entecavir, Leiwide, had secured tender price of above RMB130 in Zhejiang, vs. previous national average price for all entecavir of RMB146. However, SBP's entecavir (Runzhong) has won the tender with a tender price at RMB77 according to SBP. Additionally, BMS lost the tender in Zhejiang. We believe SBP has a run rate of around RMB350m in Zhejiang, similar to that of BMS. As such, Dawnrays and SBP are likely to split BMS's market (hospital market), while both would march into the EDL market. Assuming 70:30 split in hospital market and 40% growth of Zhejiang entecavir market in 2015 due to EDL market expansion, we believe the net would be slightly positive to SBP while Dawnrays would take over RMB200m market opportunity in 2015. This would translate into RMB50m revenue for Dawnrays as we assume 1:4 ratio for ex-manufacturing price and tender price. Even if we assume Dawnrays would only take the 1/3 market left by BMS, this represents approximately RMB120m opportunity and RMB30m revenue for the company. We remind investors that Leiwide reached RMB179m sales in 2014.

What's new? Dawnrays analyst briefing

Management expects 50% growth for Leiwide (same as previous guidance), 30% growth for An series (vs. 25% guidance before) in 2015. For API business, management indicated that they would try to make it break-even, vs. RMB30m loss in 2014. For incoming tenders, management believes the impact to An series would be limited as most of the sales are generated in non-hospital channels. For Leiwide in Fujian, Dawnrays expects large price erosion and has decided to give up the tender for entecavir and most of the An series already. For the rest of the tender, Dawnrays would try to follow Zhejiang format to secure a higher price due to its better quality.

Implications for Runzhong

We believe the new nadir of a tender price of RMB77 is unlikely to be positive to SBP. However SBP would be able to take majority of the vacuum left by BMS, as well as huge market opportunity in EDL market in Zhejiang. As such the net might be positive to SBP in Zhejiang. Our concern is that the emergence of the new nadir might be negative for the incoming tenders as those provinces are likely to reference tender prices of previous provinces.

We remind investors that aforementioned take-aways are based on management's comments. However a quick review of Zhejiang's tentative winners list suggested that BMS was included. We await final results for more clarity.

Note: This is a revised version of today's report (same title). The last paragraph is new.

Key data

FYE 12/31	2013A	2014E	2015E
Sales (HKDm)	9,901	12,231	14,933
Net Profit (HKDm)	1,036.8	1,434.7	1,596.2
DB EPS (HKD)	0.22	0.27	0.32
PER (x)	23.8	27.8	23.5
Yield (net) (%)	1.0	1.9	2.6

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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