

March 19, 2015

Jintian Pharma Group

2H14 Inline; Focus on E-commerce Expansion

Industry View	Stock Rating	Price Target
Attractive	Overweight	HK\$4.50

Jintian delivered +31%/33% top/bottomline growth in 2014. Mgmt is bullish on its accelerating sales growth through offline distribution and retail channels and online platforms. The stock looks attractively valued at 8x 2015e EPS, 40% discount to its peers. OW.

We expect +24% bottomline growth in 2015, due to: 1) solid distribution sales growth on expanded network coverage; 2) retail pharmacy acquisitions; 3) increasing sales contribution from online & mobile platform and international brands; and 4) GM expansion on increasing sales contribution from high-GM products. We maintain our EPS estimates of Rmb0.30 (HK\$0.37) and Rmb0.34 (HK\$0.42) in 2015 and 2016, respectively.

E-commerce sales platforms provide long-term catalysts: Beside its traditional distribution and retail channels, Jintian is focusing on the expansion of its pharmaceutical online business: 1) it started working with Alihealth to launch its O2O platform, online prescription drug business in Northeast China; patients upload their prescription on Alihealth App, the offline drug stores bid for the order and deliver the products to the customers. According to 2014 China Medicine Blue Book, the online prescription medicines policy is expected to bring Rmb300 bn of sales once online sales of prescription drugs are implemented in the near future; and 2) Jintian also established its B2C platforms, including Jintian online pharmacies on Tmall and JD; self-developed PC-based online store: Health Century, which will launch soon; mobile-based Wechat stores, for which Jintian built a Wechat marketing team of 60 staff to focus the sales and marketing through Wechat.

International business: In addition to the exclusive general distributorship agreement made with McJayden for its organic milk based formula powder in China in June 2014, Jintian also became the distributor of Betterway (an Australian branded formula milk powder supplier) in China by the end of 2014. It is now discussing more distribution agreements with brands from Japan, Korea etc. (see inside for more details)

Isabella Zhao is now the lead analyst for Jintian Pharma.

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Jintian Pharma Group (2211.HK , 2211 HK)

China Healthcare / China

Stock Rating	Overweight
Industry View	Attractive
Price target	HK\$4.50
Up/downside to price target (%)	60
Shr price, close (Mar 18, 2015)	HK\$2.81
52-Week Range	HK\$3.65-1.88
Sh out, dil, curr (mn)	1,614
Mkt cap, curr (mn)	HK\$4,536
EV, curr (mn)	HK\$3,249
Avg daily trading value (mn)	HK\$25

Fiscal Year Ending	12/14	12/15e	12/16e	12/17e
ModelWare EPS (HK\$)	0.30	0.37	0.42	0.47
Prior ModelWare EPS (HK\$)	0.29	0.37	0.42	0.46
Consensus EPS (HK\$)§	0.29	0.35	0.40	0.36
Revenue, net (HK\$ mn)	5,443	7,106	8,222	9,154
EBITDA (HK\$ mn)	815	1,153	1,412	1,584
ModelWare net inc (HK\$ mn)	591	731	834	937
P/E	9.0	7.6	6.7	6.0
P/BV	1.6	1.4	1.2	1.0
RNOA (%)	57.2	39.6	44.5	52.0
ROE (%)	20.1	22.6	21.6	20.5
EV/EBITDA	4.9	2.3	1.3	0.6
Div yld (%)	0.0	2.0	2.2	0.0
FCF yld ratio (%)	3.2	13.7	17.1	16.8
Leverage (EOP) (%)	(40.6)	(50.9)	(61.2)	(67.7)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
 § = Consensus data is provided by Thomson Reuters Estimates
 e = Morgan Stanley Research estimates

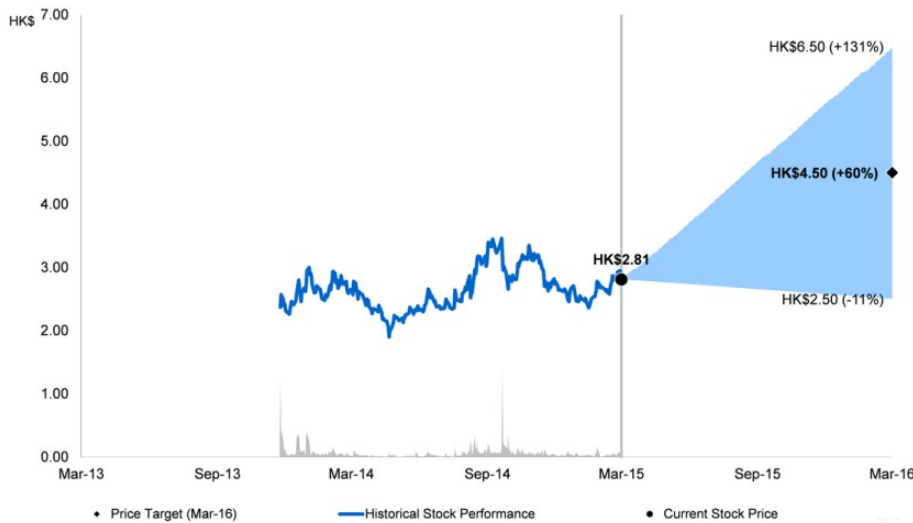
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Risk Reward

Northeast China Pharmacy Consolidator with High Growth, Margins



Source: Thomas Reuters, Morgan Stanley Research

Price Target **HK\$4.50** Derived from DCF analysis based on our base-case scenario

Bull **HK\$6.50** Retail drugstore expansion and new product launches drive growth well ahead of rivals: 1) faster new store addition through acquisitions and organic build; 2) the number of high-GM products grows by 30% annually; 3) SSS growth exceeds 20%.
18x 2015E EPS

Base **HK\$4.50** Retail drugstore network expansion and high GM products launches as planned: 1) Acquisition of 150 stores, 70 stores in 2015-16; 2) build organically 10-20 stores each year in 2015-16; 3) the number of high GM products see a 20% CAGR in 2015-16; 4) SSS growth stays at 15%.
12x 2015E EPS

Bear **HK\$2.50** Retail drugstore expansion encounters fierce competition and new product launches fail: 1) no new stores addition in 2015-16; 2) the number of high GM products is flat/declines in 2015-16; 3) SSS growth is flat/declines.
8x 2015E EPS

Investment Thesis

- A leading pharmaceutical distributor and retail pharmacy operator in Northeast China.
- We expect higher growth rate and margin performance to be sustained due to its high-gross margin products, direct supply model and lower operation cost.
- Proven acquisition and integration capability.
- Attractive valuation of 8x 2015e P/E, 40% discount to its peers.

Key Value Drivers

- New and profitable store additions through organic growth or acquisition.
- Retail stores expansion
- Gross margin upside as the company launches more high-GM products.
- SSS growth driven by customer loyalty, branding, convenience level and traffic.

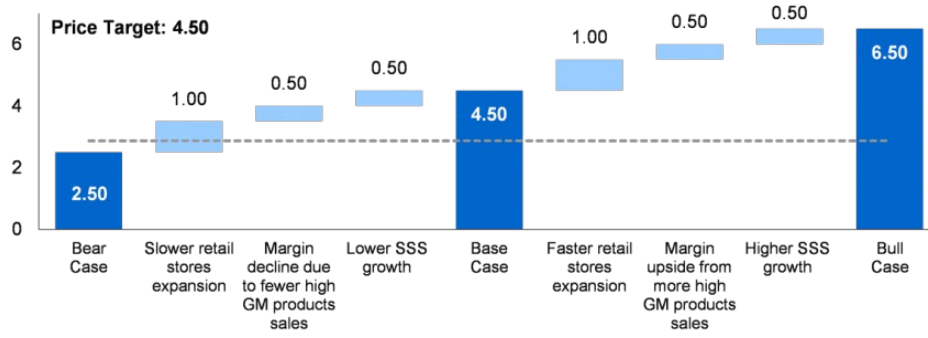
Potential Catalysts

- Announcement of government policy that favors retail drug stores.
- Encouraging earnings results.
- Announcement of acquisition activity, in line with the company's stated strategy.

Risks to Achieving Price Target

- Network expansion is slower than expected.
- Unexpected margin erosion due to product mix changes or rising costs.
- Government implements price.

Exhibit 1: Bull-Bear Case



Source: Morgan Stanley Research

Analysis

Faster retail stores acquisition: In 2H14, Jintian acquired four retail store chains with a total of 115 retail pharmacies. In 2014, it acquired 157 retail pharmacies, exceeding its target of 150. Of these, 83 are in Jilin province and the other 74 are in Liaoning province. In addition, Jintian opened two retail pharmacies to bring the total retail stores to 953 as of December 31, 2014, up from 838 in 1H14. In 2015, management plans to add more flagship stores and “in store” retail pharmacies.

Enlarging distribution network: In 2H14, Jintian acquired one distribution company in Hong Kong. Its national distribution network coverage has now increased to 6,500 distribution customers, up from 4,900 in 1H14, and its direct supply network of branded premium products covers 29 provinces.

Increasing contribution from high GM products and direct supply model: As of December 31, 2014, Jintian had 414 licensed products, up from 412 in 1H14; 1,375 products with exclusive distribution rights, up from 1,050 in 1H14. In 2014, the sales of these high GM products reached Rmb1,182mn (+22% YoY), contributing 27% and 43% of total sales and gross profit, up from 25% and 37% in 2013, respectively. These branded premium products enjoy higher GM of 45.9%, up from 44.6% in 2013, vs. overall average GM of 29.1%. Sales from the direct supply model grew 96% YoY to Rmb1,746mn, contributing 40% of total sales, up from 27% in 2013. The direct supply model had higher GM of 43.4% and accounted for 60% of total gross profit in 2014, up from 42% of total gross profit in 2013. We believe the sales of its branded products and direct supply model will continue to increase, thus presenting further GM upside.

Growing membership sales: The number of members under Jintian’s retail pharmacies membership program increased to 1.04mn in 2014 from 967K in 2013. The average purchase per member also grew by 22% YoY to Rmb790 in 2014, from Rmb647 in 2013. Total sales from members increased by 33% YoY to reach Rmb827mn in 2014.

Inline sales growth in 2H14: Total sales of Rmb2,312mn (+24%YoY) were inline with our estimate. Retail and distribution sales grew by 23%/25% YoY to Rmb1,068mn and Rmb1,211mn, respectively.

Lower gross margin explained: 2H14 GM narrowed by 102bps YoY to 28.6%, lagging our 29.3% estimate on higher sales rebates on promotion and membership events. Positively, in 2014, retail GM increased by 60bps YoY to 39.7% while distribution GM improved by 130bps YoY to 20.0%.

Valuation

Valuation methodology: DCF

Our primary valuation method is discounted cash flow (DCF). In this analysis, we use a cost of equity (COE) of 11.5%, which is based on the Capital Asset Pricing Model (CAPM). We continue to assume a perpetual growth rate of 3%. Our model produces a fair value of HK\$4.50 in 12 months, which we take as our 12-month price target. Our other key assumptions are unchanged: 1) an optimal capital structure with 25% long-term debt; 2) a long-term corporate tax rate of 25%; and 3) a long-term ROE on new investments of 13.5%.

At our price target of HK\$4.50, Jintian shares would trade at 12x our 2015 EPS estimate. We believe that our target is reasonable, given Jintian’s market leadership in Northeast China and its above industry average growth rate and margins.

We maintain our bull case valuation of HK\$6.50, assuming 1) the number of high-GM products sees a CAGR of 30%-plus in 2015-16; 2) more than 200 new stores are added each year in 2015-16; 3) SSS growth exceeds 20% annually.

We maintain our bear-case valuation of HK\$2.50, assuming: 1) the number of high-GM products drops to 20% CAGR in 2015-16; 2) fewer new stores added each year in 2015-2016; 3) flat or negative SSS growth.

Risks to Our Price Target

- Same-store sales growth is much higher or lower than expected.
- An unexpected fall or increase in gross margin because of higher or lower price competition and product mix changes, e.g., more or fewer high-GM products sales
- An unexpected drop in profitability due to rising costs as the company expands.
- Growth in new organic stores and acquisitions is much better or worse than our expectations.
- New healthcare reform is much more favorable to drugstore chains.

Exhibit 2: Jintian Pharma -DCF

Cost of equity	11.5%	Price	2.81				
Long-term ROE on new investments	13.5%	IV Per Share (12 Month), Ex. Div	Mar-16 4.50				
Years to reach steady-state growth	10	Expected share price return	60.14%				
Steady-state revenue growth rate (%)	3%	Expected dividend yield	0.00% 1.57%				
Shares Outstanding	1,989	Expected total return	61.71%				
Steady-state borrowing cost (net of tax)	5.0%	WACC	11.0%				
Steady-state leverage (Net debt/Equity)	25%	Long-term RNOA on new investments	12.0%				
Price target horizon (months)	12	Explicit forecast period (years)	6				
Conv. factor - Model to traded Ccy	1.27	Fiscal Year Ending	12				
Decimals	2						
Value Breakdown							
Residual Income (operating):							
Beginning NOA	1,561	DCF (operating):					
Sum of PVRI	7,226	Sum of PVFCFO	8,787				
Beginning NNOAL	1,033	Beginning NNOAL	1,033				
ROI equity value	9,820	DCF Equity Value	9,820				
Residual Income (equity):							
Beginning equity	2,598	DDM (Equity):					
Sum of PVRI	5,345	Sum of div & net rep	7,944				
RI equity value	7,944	DDM equity value	7,944				
Operating Level							
	F2015e	F2016e	F2017e	F2018e	F2019e	F2020e	F2021e
Operating revenue	5,705	6,601	7,349	8,033	8,670	9,155	9,607
Operating revenue growth		15.7%	11.3%	9.3%	7.9%	5.6%	4.9%
Operating asset turnover	3.65	4.20	4.87	5.19	6.16	6.57	8.98
NOPAT	618	699	785	854	935	1,014	877
NOPAT margin	10.8%	10.6%	10.7%	10.6%	10.8%	11.1%	9.1%
Net operating assets	1,571	1,509	1,549	1,408	1,393	1,070	1,560
RNOA	39.6%	44.5%	52.0%	55.2%	66.4%	72.8%	82.0%
FCFO	608	761	745	995	950	1,337	388
PVFCFO	548	618	545	656	564	715	187
Residual income (operating)	446.70	526.10	619.23	683.83	780.51	861.15	759.75
PVRI (operating)	402	427	453	450	463	460	366
Financing and Other							
Net financial expense (income)	(3)	(3)	(3)	(3)	(3)	(3)	(314)
Other nonoperating expense (income)	35	32	36	22	20	17	17
Net debt (cash)	(1,578)	(2,243)	(2,992)	(3,991)	(4,945)	(6,287)	(2,046)
Other nonoperating liabilities (assets) (ONOLA)	56	88	125	148	169	186	186
Leverage EOP (net debt/equity)	-51%	-61%	-68%	-76%	-80%	-88%	-59%
Equity Level							
Net income	587	670	753	835	919	1,001	1,175
Equity	3,097	3,667	4,420	5,255	6,174	7,175	3,420
ROE	22.6%	21.6%	20.5%	18.9%	17.5%	16.2%	16.4%
Dividends and net rep	88	100	-	-	-	-	4,930
PV div and net rep	79	80	-	-	-	-	2,301
Residual income	287.95	313.78	330.89	327.05	314.36	290.89	349.81
PVRI	258	252	239	212	182	151	163

Source: Company Data, Morgan Stanley Research Estimates

Exhibit 3: Jintian Pharma 2H14 Variation Analysis

Currency (RMB'000)	Reported		MS Estimate		Variation Versus MS. Est			Last Year Half-yearly
	2H14A	YoY % Chg.	2H14E	YoY % Chg.	RMB	Percentage	EPS Impact	2H13A
Retail	1,044,789	23%	1,068,356	26%	(23,567)	-2%	-¥0.01	848,994
Distribution	1,267,117	25%	1,211,474	19%	55,643	5%	¥0.03	1,017,516
Net sales	2,311,948	24%	2,279,830	22%	32,118	1%	¥0.02	1,866,509
Cost of sales	(1,650,909)	26%	(1,612,731)	23%	(38,178)	2%	-¥0.02	(1,313,807)
Gross profit	661,039	20%	667,099	21%	(6,060)	-1%	¥0.00	552,702
Selling and marketing expenses	(268,550)	38%	(274,650)	41%	6,100	-2%	¥0.00	(194,916)
Administrative expenses	(42,559)	-19%	(43,113)	-18%	554	-1%	¥0.00	(52,792)
Operating income	350,935	15%	343,344	13%	7,591	2%	¥0.00	304,986
Non operating income/ (expense)	956	-165%	3,000	-303%	(2,044)	-68%	¥0.00	(1,477)
Pretax income	351,891	16%	346,344	14%	5,547	2%	¥0.00	303,509
Tax expense	(92,794)	14%	(92,596)	14%	(198)	0%	¥0.00	(81,259)
Tax rate	26.4%	-1%	26.7%	0%	-0.3%	-1%	¥0.00	26.8%
Net income	259,097	17%	253,748	14%	5,349	2%	¥0.00	222,250
- Non-controlling interests	(10,177)	-39%	(13,996)	-16%	3,819	-27%	¥0.00	(16,691)
Net income attributable to owner:	248,920	21%	239,752	17%	9,168	4%	¥0.01	205,559
DILUTED EPS	RMB 0.13	2%	RMB 0.12	-6%	0.01	8%	¥0.01	RMB 0.13
Diluted shares outstanding	1,988,903	23%	2,000,000	24%	(11,097)			1,614,105
Margin Analysis	Reported	MS Estimate		Variation (b.p.)		Last Year Half-yearly		
	2H14A	2H14E	vs. MS Est	vs. June -12	2H13A			
Gross margin	28.6%	29.3%	(67)	(102)	29.6%			
Selling and marketing expenses	11.6%	12.0%	(43)	117	10.4%			
Administrative expenses	1.8%	1.9%	(5)	(99)	2.8%			
Operating margin	15.2%	15.1%	12	(116)	16.3%			
Pretax margin	15.2%	15.2%	3	(104)	16.3%			
Net margin	10.8%	10.5%	25	(25)	11.0%			

Source: Company Data, Morgan Stanley Research Estimates.

Exhibit 4: Jintian Pharma 2H14 Sequential Analysis

	Reported	Sequential Change		Actual
Currency (RMB'000)	2H14	RMB	% Chg.	1H14A
Retail	1,044,789	81,578	8.5%	963,211
Distribution	1,267,117	186,434	17.3%	1,080,683
Revenue	2,311,948	268,054	13.1%	2,043,894
Cost of sales	(1,650,909)	(213,436)	14.8%	(1,437,473)
Gross profit	661,039	54,618	9.0%	606,421
Selling and marketing expenses	(268,550)	(34,628)	14.8%	(233,922)
Administrative expenses	(42,559)	4,542	-9.6%	(47,101)
Operating income	350,935	25,537	7.8%	325,398
Non-Operating income	956	(3,840)	-80.1%	4,796
Pretax income	351,891	21,697	6.6%	330,194
Taxes	(92,794)	(6,844)	8.0%	(85,950)
Tax rate		(0)	-100.0%	26%
Net income	259,097	14,853	6.1%	244,244
Minority Interest	(10,177)	(30,617)	-149.8%	20,440
Net income available to common share	248,920	25,116	11.2%	223,804
DILUTED EPS	RMB 0.13	RMB 0.02	16.2%	RMB 0.11
Diluted shares outstanding	1,988,903	(11,097)	-0.6%	2,000,000
	Reported			Actual
	2H14			1H14A
Gross margin	28.6%			29.7%
Selling and marketing expenses	11.6%			11.4%
Administrative expenses	1.8%			2.3%
Operating margin	15.2%			15.9%
Pretax margin	15.2%			16.2%
Net margin	10.8%			10.9%

Source: Company Data, Morgan Stanley Research

Exhibit 5: Jintian Pharma Income Statement

Rmb (in thousands)	2010A	2011A	2012A	2013A	2014	2015E	2016E	2017E
Retail	386,420	526,075	912,203	1,549,789	2,008,000	2,609,245	3,028,636	3,394,351
Distribution	472,193	947,827	1,414,089	1,773,710	2,347,800	3,096,037	3,572,289	3,954,944
Net sales	858,613	1,473,902	2,326,292	3,323,499	4,355,842	5,705,282	6,600,926	7,349,295
Cost of sales	(618,872)	(1,095,757)	(1,780,523)	(2,387,081)	(3,088,382)	(4,034,990)	(4,640,344)	(5,157,664)
Gross profit	239,741	378,144	545,769	936,418	1,267,460	1,670,292	1,960,582	2,191,630
Selling and marketing expenses	(67,324)	(103,010)	(188,887)	(332,678)	(502,472)	(703,091)	(830,652)	(960,992)
Administrative expenses	(11,625)	(30,743)	(41,974)	(83,040)	(89,660)	(142,632)	(198,028)	(183,732)
Operating income	160,915	244,848	301,755	519,483	676,333	824,569	931,902	1,046,906
Non operating income/ (expense)	603	6,350	(10,150)	363	5,752	6,851	7,133	7,100
Pretax income	161,518	251,198	291,605	519,846	682,085	831,420	939,035	1,054,006
Tax expense	(41,095)	(62,377)	(78,517)	(134,786)	(178,744)	(207,355)	(233,979)	(262,084)
Tax rate	25.4%	24.8%	26.9%	25.9%	26.2%	24.9%	24.9%	24.9%
Net income	120,423	188,821	213,088	385,060	503,341	624,065	705,056	791,922
- Non-controlling interests	-	8,729	13,603	29,957	30,617	37,324	35,097	39,313
Net income attributable to owners	120,423	180,092	199,485	355,103	472,724	586,741	669,959	752,609
Diluted EPS	¥ 0.06	¥ 0.09	¥ 0.10	¥ 0.22	¥ 0.24	¥ 0.30	¥ 0.34	¥ 0.38
Margins(%)	2010A	2011A	2012A	2013A	2014	2015E	2016E	2017E
COGS	72.1%	74.3%	76.5%	71.8%	70.9%	70.7%	70.3%	70.2%
Gross margin	27.9%	25.7%	23.5%	28.2%	29.1%	29.3%	29.7%	29.8%
Sales, Marketing & Distribution	7.8%	7.0%	8.1%	10.0%	11.5%	12.3%	12.6%	13.1%
Administrative expenses	1.4%	2.1%	1.8%	2.5%	2.1%	2.5%	3.0%	2.5%
Operating margin	18.7%	16.6%	13.0%	15.6%	15.5%	14.5%	14.1%	14.2%
Pretax margin	18.8%	17.0%	12.5%	15.6%	15.7%	14.6%	14.2%	14.3%
Net margin (before minority interest)	14.0%	12.8%	9.2%	11.6%	11.6%	10.9%	10.7%	10.8%
Net margin	14.0%	12.2%	8.6%	10.7%	10.9%	10.3%	10.1%	10.2%
YOY(%)	2010A	2011A	2012A	2013A	2014	2015E	2016E	2017E
Retail		36%	73%	70%	30%	30%	16%	12%
Distribution		101%	49%	25%	32%	32%	15%	11%
Net sales		72%	58%	43%	31%	31%	16%	11%
COGS		77%	62%	34%	29%	31%	15%	11%
Gross profit		58%	44%	72%	35%	32%	17%	12%
Sales, Marketing & Distribution		53%	83%	76%	51%	40%	18%	16%
General and Administrative		164%	37%	98%	8%	59%	39%	-7%
Operating income		52%	23%	72%	30%	22%	13%	12%
Share of profit of joint ventures		NM	80%	35%	-21%	95%	10%	1%
Pretax income		56%	16%	78%	31%	22%	13%	12%
Net income		57%	13%	81%	31%	24%	13%	12%

Source: Company Data, Morgan Stanley Research Estimates

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Within the last 12 months, Morgan Stanley has received compensation for investment banking services from China Biologic Products.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Beijing Tongrentang, Biosensors International, China Biologic Products, China Medical System, China Traditional Chinese Medicine, Concord Medical Services Holdings Ltd, CSPC Pharmaceutical Group, Fosun Pharmaceutical, Guangzhou Pharma, **Jintian Pharma Group**, Lee's Pharmaceutical, Lijun International, Mindray, PW Medtech, Shandong Weigao, Shanghai Pharmaceutical, Sihuan Pharmaceutical Holdings Group Ltd, Sino Biopharmaceutical, Sinopharm Group, Sinovac Biotech Ltd., Tasly Pharmaceutical Group Co. Ltd, The United Laboratories, Tongrentang Technologies, WuXi Pharmatech.

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Global Stock Ratings Distribution

(as of February 28, 2015)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)		
	COUNT	% OF TOTAL	COUNT	% OF TOTAL	% OF RATING IBC CATEGORY
Overweight/Buy	1161	35%	321	41%	28%
Equal-weight/Hold	1459	44%	370	47%	25%
Not-Rated/Hold	101	3%	10	1%	10%
Underweight/Sell	609	18%	88	11%	14%
TOTAL	3,330		789		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

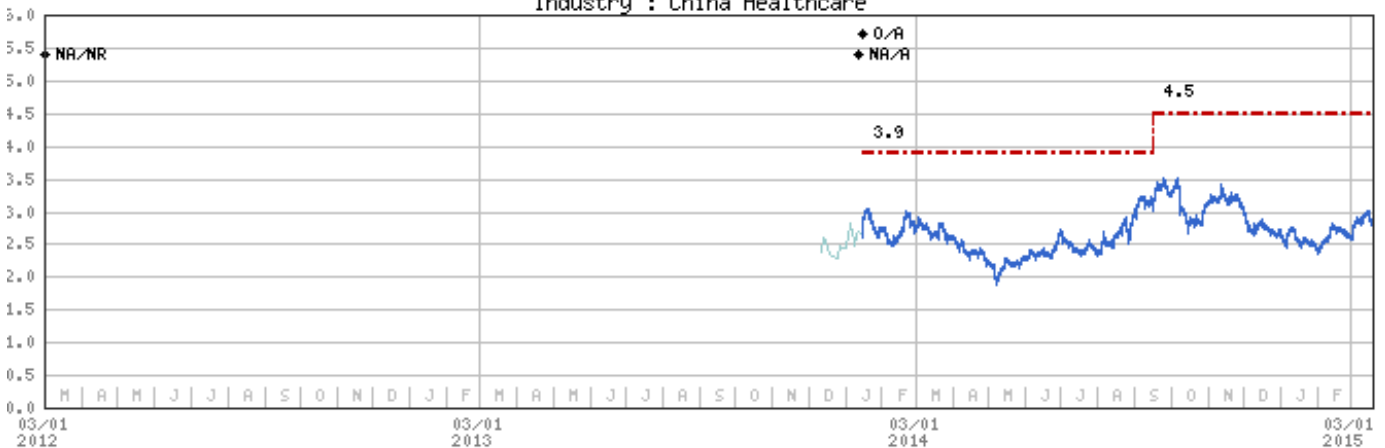
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

Jintian Pharma Group (2211.HK) - As of 3/18/15 in HKD
Industry : China Healthcare



Source: Morgan Stanley Research Date Format: MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Ratings/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: China Healthcare

COMPANY (TICKER)	RATING (AS OF)	PRICE* (03/17/2015)
Hu, Yolanda		
China Biologic Products (CBPO.O)	O (07/08/2014)	US\$85.29
Li, Bin		
Beijing Tongrentang (600085.SS)	U (11/03/2014)	Rmb23.65
Biosensors International (BIOS.SI)	U (04/11/2014)	S\$0.69
China Medical System (0867.HK)	O (01/27/2014)	HK\$12.44
China Nepstar Chain Drugstore Inc. (NPD.N)	U (08/22/2013)	US\$1.62
China Shineway Pharmaceutical (2877.HK)	U (08/22/2013)	HK\$11.46
Concord Medical Services Holdings Ltd (CCMN)	U (04/11/2014)	US\$6.69
Consun Pharma (1681.HK)	O (05/07/2014)	HK\$5.37
CSPC Pharmaceutical Group (1093.HK)	O (08/15/2012)	HK\$6.35
Fosun Pharmaceutical (2196.HK)	O (12/12/2014)	HK\$26.60
Fosun Pharmaceutical (600196.SS)	O (12/12/2014)	Rmb24.44
Guangzhou Pharma (0874.HK)	O (09/25/2013)	HK\$26.00
Guangzhou Pharma (600332.SS)	E (05/14/2012)	Rmb31.81
Jiangsu Hengrui (600276.SS)	E (08/22/2013)	Rmb43.00
Jintian Pharma Group (2211.HK)	O (01/16/2014)	HK\$2.81
Lee's Pharmaceutical (0950.HK)	O (01/27/2011)	HK\$11.02
Lijun International (2005.HK)	O (10/20/2014)	HK\$3.53
MicroPort Scientific Corp. (0853.HK)	U (08/22/2013)	HK\$3.66
Mndray (MR.N)	U (12/12/2014)	US\$27.41
PW Medtech (1358.HK)	O (12/12/2013)	HK\$2.86
Shandong Weigao (1066.HK)	++	HK\$5.97
Shanghai Pharmaceutical (601607.SS)	E (06/05/2012)	Rmb23.06
Shanghai Pharmaceutical (2607.HK)	E (06/05/2012)	HK\$19.36
Sihuan Pharmaceutical Holdings Group Ltd (0460.HK)	O (12/08/2010)	HK\$4.38
Sino Biopharmaceutical (1177.HK)	O (05/14/2010)	HK\$7.51
Sinopharm Group (1099.HK)	O (01/05/2010)	HK\$28.75
Tasly Pharmaceutical Group Co. Ltd (600535.SS)	O (11/28/2012)	Rmb46.40
Tongrentang Technologies (1666.HK)	E (04/11/2014)	HK\$9.77
WuXi Pharmatech (WX.N)	O (09/15/2008)	US\$36.51
Yunnan Baiyao Group (000538.SZ)	O (04/11/2014)	Rmb65.40
Zhao, Isabella		
Beijing Tongrentang Chinese Medicine (8138.HK)	O (01/14/2015)	HK\$10.66
China Traditional Chinese Medicine (0570.HK)	O (03/17/2015)	HK\$4.78
Sinovac Biotech Ltd. (SVA.O)	O (03/20/2014)	US\$4.90
The United Laboratories (3933.HK)	E (04/04/2014)	HK\$3.24

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* Historical prices are not split adjusted.

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