

Company Report

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

Sinomax (1418 HK)

Acquiring polyurethane foam business for expansion

■ Sinomax acquires polyurethane foam business for RMB35mn (HKD43.8mn) equating to FY13 P/E of 17.8x and P/B of 0.9x

■ Acquisition mainly aimed to decrease competition and unlock synergistic effects for its polyurethane foam business

■ Neutral view on acquisition, maintain BUY with TP: HKD1.49

Sinomax acquires polyurethane foam business

Sinomax announced last Friday after market close the acquisition of Shanghai Luen Tai Polyurethane Co. Ltd. (SLT) for RMB35mn (HKD44mn) in cash. SLT is principally engaged in the processing, manufacturing and sales of polyurethane foam and products (mattresses, sofas and pillows). SLT had a FY13 net profit of RMB1.96mn (-49% YoY) with a net asset position of RMB37mn. This equates to a valuation of FY13 P/E of 17.8x and P/B of 0.9x.

The positives and negatives

The positives: i) positive synergy as we estimate SLT to generate about RMB100mn in FY14/15 revenue (about 10% of Sinomax's FY14E/15E existing polyurethane revenue). Although net margin of SLT is low based on our estimate (about 1-2%), if Sinomax can improve margins of SLT through raw materials sourcing (also lower cost of sourcing of existing polyurethane business through bulk purchasing) and lower finance cost, we expect net margin can be improved to about 4% in the near term vs Sinomax's existing polyurethane foam business of 6%, and ii) increase market share and client base, reinforcing Sinomax's market leadership.

The negatives: Despite the group's FY14E net cash of HKD234mn, the acquisition price of RMB35mn is significant, positive impact to Sinomax may not be substantial if management is not able to improve net margins.

Maintain BUY at TP HKD1.49

We adjust our balance sheet/cashflow regarding to the acquisition cost but remain conservative and maintain earnings forecast largely unchanged (<1% change from interest income). Maintain BUY with TP HKD1.49 (FY15E target P/E of 10x), in line with HK-listed closest peer Man Wah (1999 HK) and about 50% discount to overseas peers.

Financials

HKD mn	2012	2013	2014E	2015E	2016E
Revenue	1,971	2,370	2,850	3,283	3,759
Growth (%)	10.9%	20.2%	20.3%	15.2%	14.5%
Recurring net profit	108	157	195	245	296
Growth (%)	23.3%	44.4%	24.8%	25.3%	20.9%
Recurring EPS (HKD)	NA	0.09	0.12	0.15	0.18
DPS (HKD)	NA	NA	0.03	0.04	0.04
P/E (x) - Recurring	NA	8.3	6.7	5.3	4.4
P/B (x)	NA	2.3	1.5	1.2	0.9
ROE (%)	27.1	31.5	28.6	26.2	25.3

Source: Company data, CMS (HK) estimates

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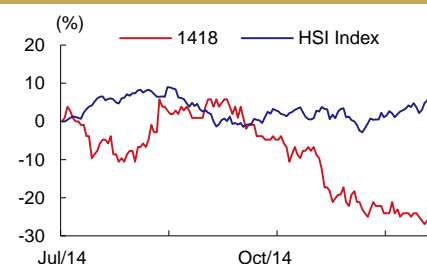
WHAT'S NEW

NA

BUY

Previous	BUY
Price	HK\$0.79
12-month Target Price (Potential upside)	HK\$1.49 (+89%)
Previous	HK\$1.49

Price Performance



Source: Bigdata

%	1m	6m	12m
1418 HK	(4.8)	(23.0)	(26.0)
HSI	6.7	2.9	11.0

Industry: Retail

Hang Seng Index	24910
HSCEI	12228

Key Data

52-week range (HK\$)	0.7-1.18
Market cap (HK\$ mn)	1304
Avg. daily volume (mn)	3.97
BVPS (HK\$)	0.35

Shareholdings Structure

LAM Chi Fan	64.09%
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No. of shares outstanding (mn)	1650
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Free float	37.95%
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Related Research

1. Sinomax (1418 HK) - Share price weakness unjustified - Maintain BUY, "BUY" November 28, 2014
2. Sinomax (1418 HK) - US growth driver under radar, HK still strong despite OC, "BUY" November 3, 2014
3. Sinomax Group Limited (1418 HK) - Revenue Growth to continue into 2H with better margin, "BUY" September 1, 2014

公司报告

招商证券(香港)有限公司

盛诺集团 (1418 HK)

收购聚氨酯泡沫业务寻求扩张

- 盛诺集团收购聚氨酯泡沫业务，作价3,500万元(4,380万港元)，相当于2013年度的市盈率17.8倍和市净率0.9倍
- 收购主要旨在减少竞争和产生聚氨酯泡沫业务上的协同效应
- 对收购持中性看法，维持买入评级，目标价：1.49港元

盛诺集团收购聚氨酯泡沫业务

盛诺集团上周五收市后公布收购上海联大海绵有限公司(“上海联大”)，作价3,500万元(人民币，下同)(4,400万港元)，以现金支付。上海联大主要从事加工、生产及销售聚氨酯泡沫及产品，包括床垫、沙发及枕头。上海联大2013年度的净利润为196万元(同比下降49%)，净资产值3,700万元。这相等于2013年度的市盈率17.8倍和市净率0.9倍。

正面和负面因素

正面因素：i) 我们估计上海联大在2014/15年度将取得1亿元的收益(约相当于盛诺集团2014/15年度现有聚氨酯业务收益的10%)，因此可以产生协同效应。尽管根据我们的估计，上海联大的净利润率偏低(约1-2%)，但如果盛诺集团能通过原材料采购(和通过大规模采购降低现有聚氨酯业务的采购成本)和降低融资成本来提升净利润率，我们预期短期内上海联大的净利润率可提升到4%(盛诺集团现在的净利润率为6%)，和 ii) 市场份额和客户基础增加，可巩固盛诺集团在市场的领导地位。

负面因素：尽管集团2014年度的预测净现金为2.34亿港元，3,500万人民币的收购价属于巨大数目，如果盛诺集团的管理层未能提升净利润率，收购对公司的正面影响可能不会太大。

维持买入评级，目标价1.49港元

我们就收购成本调整了我们的资产负债表/现金流，但仍然维持审慎，盈利预测大致上维持不变(利息收入变动少于1%)，并维持买入评级，目标价1.49港元(相当于2015年度预测目标市盈率10倍)，与香港上市最相近的同业敏华控股(1999 HK)一致，相比海外同业则有约50%的折让。

盈利预测及估值

百万港元	2012	2013	2014E	2015E	2016E
营业额	1,971	2,370	2,850	3,283	3,759
同比增长(%)	10.9%	20.2%	20.3%	15.2%	14.5%
经常性净利润	108	157	195	245	296
同比增长(%)	23.3%	44.4%	24.8%	25.3%	20.9%
经常性每股盈利(元)	NA	0.09	0.12	0.15	0.18
每股股息(港元)	NA	NA	0.03	0.04	0.04
市盈率(X) - 经常性	NA	8.3	6.7	5.3	4.4
市净率(X)	NA	2.3	1.5	1.2	0.9
ROE (%)	27.1	31.5	28.6	26.2	25.3

资料来源：公司资料，招商证券(香港)预测

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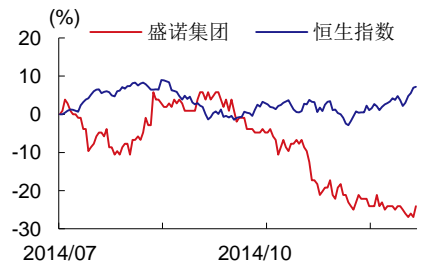
最新变动

NA

买入

前次评级	买入
股价	HK\$0.79
12个月目标价(上涨空间)	HK\$ 1.49 (+89%)
前次目标价:	HK\$1.49

股价表现



资料来源：贝格数据

%	1m	6m	12m
1418 HK	(4.8)	(23.0)	(26.0)
HSI	6.7	2.9	11.0

行业：零售

恒生指数	24910
国企指数	12228

重要数据

52周股价区间(港元)	0.7-1.18
港股市值(百万港元)	1304
日均成交量(百万股)	3.97
每股净资产(港元)	0.35

主要股东

林志凡	64.09%
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总股数(百万股)

总股数(百万股)	1650
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自由流通量

自由流通量	37.95%
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相关报告

1. 盛诺集团(1418 HK) - 股价不合理地偏低 - 维持买入评级，买入，2014年11月28日
2. 盛诺集团(1418 HK) - 美国增长动力仍在观察，香港销售维持强劲未受占中影响，买入，2014年11月3日
3. 盛诺集团(1418 HK) - 利润率改善，下半年收入继续增长，买入，2014年9月1日

Additional information on SLT and the acquisition

SLT was established in the PRC on 30 Jan 2003 and is principally engaged in the processing, manufacturing and sales of polyurethane foam products including mattresses, sofas and pillows which are similar to Sinomax's polyurethane foam manufacturing products. The acquisition includes SLT's manufacturing and office premises which occupies a land of 37,357 sq.m. located in Songjiang District, Shanghai (near Sinomax's Jiashan factory). In FY13, net profits declined 49% YoY to RMB1.96mn, we expect this to be mainly due to the rising oil price during the same period and SLT was unable to pass on its cost pressure as efficiently as Sinomax and therefore causing margin squeeze.

Sinomax stated that the reason for the acquisition was to increase the group's production capacity of foam products and reinforce its leading position in the PRC polyurethane foam market. In FY13, Sinomax's polyurethane foam business accounted for 35% of the group's total revenue and 26% of total EBIT, making it the second largest business segment following Sinomax's overseas export business (53% of FY13 total revenue and 62% of FY13 EBIT).

Figure 1: Valuation comparable – Major listed bedding and furniture retailers

Company	Ticker	Price	Rating	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	0.79	BUY	168	0.1	8.3	6.7	5.3	24.2	25.4	23.5	0.4	0.0	3.7	2.3	1.5
HSI		24,910				10.6	11.5	10.3	(8.1)	11.3	5.2	2.21	3.6	3.5	1.4	1.3
HSCEI		12,228				8.6	8.3	7.4	4.4	11.7	7.7	1.07	3.5	3.8	1.3	1.1
CSI300		3,608				16.0	13.2	11.4	21.6	14.9	N/A	N/A	1.6	2.3	2.3	1.9
Overseas listed mattress companies																
Adjusted sector avg*						30.3	27.1	21.0	39.9	28.6	29.0	1.3	0.9	0.0	10.2	8.9
Tempur Sealy Int	TPX US	55.10	N/A	3,356	45.7	25.0	20.8	16.6	103.8	25.3	44.8	0.6	N/A	N/A	19.3	15.2
Select Comfort	SCSS US	29.43	N/A	1,568	22.8	26.8	25.9	21.2	3.3	22.0	14.2	1.9	N/A	N/A	6.3	6.5
Mattress Firm	MFRM US	61.12	N/A	2,140	17.2	39.2	29.1	22.1	34.8	31.4	29.0	1.3	N/A	0.0	5.1	5.0
Xilinmen Furni-A	603008 CH	N/A	N/A	N/A	4.2	N/A	32.6	24.1	17.6	35.6	27.8	N/A	0.9	N/A	N/A	N/A
Overseas listed furniture companies																
Adjusted sector avg*						19.6	16.7	15.2	16.0	22.8	16.9	1.6	2.5	3.2	2.0	2.5
Bassett	BSET US	21.61	N/A	227	0.6	24.6	22.9	16.1	7.4	41.8	N/A	N/A	2.2	N/A	1.4	N/A
La-Z-Boy Inc	LZB US	27.36	N/A	1,416	7.8	26.3	20.2	17.0	30.0	18.7	19.2	1.4	1.0	N/A	2.7	2.6
Hooker Furniture	HOFT US	18.33	N/A	197	0.5	24.8	17.4	14.2	42.6	22.3	26.3	0.9	2.2	N/A	1.4	1.4
Osim Intl Ltd	OSIMSP	1.87	N/A	1,075	5.3	13.3	14.6	13.5	(8.8)	8.6	5.1	2.6	3.2	3.2	3.4	3.5
Everpia Vietnam	EVEVN	28,000.00	N/A	36	0.0	9.0	8.3	N/A	9.0	N/A	N/A	N/A	3.9	N/A	1.0	N/A
China listed furniture companies																
Adjusted sector avg*						39.3	28.2	21.7	16.3	29.2	23.0	1.5	1.5	1.1	3.0	3.0
Guangdong Yihu-A	600978 CH	6.34	N/A	1,503.86	29.7	17.61	17.2	13.7	2.2	25.8	17.7	0.99	1.3	1.45	1.49	1.32
Yotrio Group-A	002489 CH	14.98	N/A	1,146	11.3	27.2	27.0	21.7	0.9	24.3	12.8	2.1	3.3	N/A	2.4	2.2
Markor Intl Ho-A	600337 CH	11.40	N/A	1,179	9.9	42.2	32.8	24.5	28.9	33.6	29.3	1.4	1.3	N/A	2.7	2.6
Suofeiya Home-A	002572 CH	26.69	N/A	1,883	10.7	47.7	35.8	26.9	33.2	33.1	32.2	1.5	0.9	0.7	6.4	5.9
Jiangsu Xiuqia-A	300160 CH	12.29	N/A	367	2.9	61.7	N/A	N/A	N/A	N/A	N/A	N/A	0.4	N/A	2.1	N/A
HK listed furniture companies																
Adjusted sector avg*						14.7	12.6	11.9	46.0	6.1	16.0	1.3	9.6	11.3	1.3	1.9
Royale Furniture	1198 HK	6.49	N/A	48	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	1.01	N/A	1,650	2.6	12.1	12.1	10.8	(0.3)	12.1	7.6	1.6	9.6	7.2	2.5	2.9
Samson Hldg Ltd	531 HK	4.34	N/A	397	0.1	25.1	13.0	13.0	92.3	0.0	24.4	1.0	11.9	15.4	0.8	0.8
Carpenter Tan	837 HK	4.49	N/A	140	0.1	7.0	N/A	N/A	N/A	N/A	N/A	N/A	7.4	N/A	1.7	N/A

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

Source: CMS (HK), Bloomberg

Based on January 26, 2015 closing prices

Figure 2: Key parameters for export business (overseas)

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14E	FY15E	FY16E
Total revenue from export business	877	1,020	1,254	1,504	1,784	2,058
<i>% change YoY</i>	-0.3%	16.3%	23.0%	20.0%	18.6%	15.4%
<i>% of total revenue</i>	49.3%	51.7%	52.9%	52.8%	54.3%	54.8%
No. of distributors/retailer clients	38	54	54	56	57	57
Revenue by product categories:						
- Own brand sales	184	305	555	728	901	1,050
<i>% change YoY</i>	-11.1%	66.1%	81.7%	31.2%	23.9%	16.5%
<i>% of total revenue</i>	10.3%	15.5%	23.4%	25.5%	27.5%	27.9%
sales per distributor/retailer clients	4.8	7.3	10.3	13.4	16.0	18.4
<i>% change YoY</i>	NA	50.3%	41.3%	30.0%	20.0%	15.0%
- Licensed brand sales	0	11	49	98	182	277
<i>% change YoY</i>	NA	NA	324.6%	101.9%	85.8%	52.0%
<i>% of total revenue</i>	0.0%	0.6%	2.0%	3.4%	5.5%	7.4%
sales per distributor/retailer clients	0.0	0.3	0.9	1.8	3.2	4.9
<i>% change YoY</i>	NA	NA	230.3%	100.0%	80.0%	50.0%
- Third-party brand sales	693	703	651	679	701	731
<i>% change YoY</i>	3.0%	1.4%	-7.4%	4.3%	3.2%	4.4%
<i>% of total revenue</i>	39.0%	35.7%	27.5%	23.8%	21.3%	19.5%
sales per distributor/retailer clients	18	17	12	12	12	13
<i>% change YoY</i>	NA	-8.2%	-28.0%	3.3%	0.0%	3.0%
Gross profit	184	224	301	364	444	515
<i>% change YoY</i>	NA	21.8%	34.2%	21.0%	22.0%	15.8%
Gross Margin	21.0%	22.0%	24.0%	24.2%	24.9%	25.0%
Segmental profit	178	177	265	322	391	453
<i>% change YoY</i>	NA	-0.5%	49.3%	21.7%	21.3%	15.9%
Segmental profit margin	20.3%	17.4%	21.1%	21.4%	21.9%	22.0%
<i>% of total segmented profit</i>	58.9%	51.1%	61.8%	63.2%	64.1%	64.3%

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

Figure 3: Key parameters for retail and corporate sales business

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14E	FY15E	FY16E
Total revenue from retail/corporate sales	304	297	284	391	437	529
<i>% change YoY</i>	39.9%	-2.5%	-4.2%	37.5%	12.0%	21.0%
<i>% of total revenue</i>	17.1%	15.0%	12.0%	13.7%	13.3%	14.1%
Revenue by sales channels:						
Self-operated retail shops revenue	22	25	36	60	92	125
<i>% change YoY</i>	25.4%	11.3%	44.2%	67.9%	52.7%	36.2%
<i>% of total revenue</i>	1.3%	1.3%	1.5%	2.1%	2.8%	3.3%
- Hong Kong	22	25	35	55	79	100
<i>% change YoY</i>	25.4%	11.3%	41.1%	57.3%	43.8%	26.6%
<i>% of total revenue</i>	1.3%	1.3%	1.5%	1.9%	2.4%	2.7%
No. of stores	10	9	12	16	20	22
SSSG	NA	5.6%	41.1%	18.0%	10.0%	5.0%
- PRC	0	0	1	5	12	25
<i>% change YoY</i>	N/A	N/A	N/A	549.0%	150.0%	97.4%
<i>% of total revenue</i>	0.0%	0.0%	0.0%	0.2%	0.4%	0.7%
No. of stores	0	0	4	10	20	34
SSSG	NA	NA	NA	18.0%	10.0%	5.0%
Self-operated concession counters revenue	147	162	176	180	182	195
<i>% change YoY</i>	22.9%	9.8%	8.6%	2.6%	0.9%	7.4%
<i>% of total revenue</i>	8.3%	8.2%	7.4%	6.3%	5.5%	5.2%
- Hong Kong	69	67	74	77	80	84
<i>% change YoY</i>	NA	-3.1%	10.4%	3.3%	5.0%	5.0%
<i>% of total revenue</i>	3.9%	3.4%	3.1%	2.7%	2.5%	2.2%
No. of counters	26	25	28	28	28	28
SSSG	0.0%	0.6%	10.4%	-5.0%	5.0%	5.0%
- PRC	78	94	101	104	101	111
<i>% change YoY</i>	NA	21.3%	7.3%	2.2%	-2.2%	9.3%
<i>% of total revenue</i>	4.4%	4.8%	4.3%	3.6%	3.1%	2.9%
No. of counters	155	214	234	240	250	260
SSSG	NA	-13.9%	-16.8%	-5.0%	-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 4: Key parameters for retail and corporate sales business (continued)

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14E	FY15E	FY16E
Revenue from third-party distributors	46	54	45	49	48	53
% change YoY	NA	18.2%	-16.5%	7.9%	-1.7%	10.3%
% of total revenue	2.6%	2.7%	1.9%	1.7%	1.5%	1.4%
- PRC	41	48	38	39	37	41
% change YoY	NA	18.6%	-21.5%	1.7%	-4.7%	10.5%
% of total revenue	2.3%	2.5%	1.6%	1.4%	1.1%	1.1%
No. of counters	135	183	206	190	200	210
SSSG	NA	-25.6%	-38.9%	-5.0%	0.0%	5.0%
- Macau	5	6	7	10	11	12
% change YoY	NA	14.3%	26.8%	41.5%	10.0%	10.0%
% of total revenue	0.3%	0.3%	0.3%	0.4%	0.3%	0.3%
No. of counters	3	3	4	4	4	4
SSSG	NA	-14.3%	17.1%	15.0%	10.0%	10.0%
Direct corporate sales/others	80	49	13	72	40	40
% change YoY	202.2%	-38.4%	-74.1%	465.1%	-44.4%	0.0%
% of total revenue	4.5%	2.5%	0.5%	2.5%	1.2%	1.1%
E-commerce and others	9	7	15	30	76	117
% change YoY	16.1%	-22.4%	113.6%	98.4%	155.8%	52.5%
% of total revenue	0.5%	0.4%	0.6%	1.0%	2.3%	3.1%
Gross profit	143	136	187	262	297	360
% change YoY	NA	-5.2%	38.3%	39.6%	13.7%	21.0%
Gross Margin	47.0%	45.7%	66.0%	67.0%	68.0%	68.0%
Segmental profit	71	82	52	74	87	106
% change YoY	NA	15.0%	-36.3%	42.4%	17.9%	21.0%
Segmental profit margin	23.4%	27.6%	18.3%	19.0%	20.0%	20.0%
% of total segmented profit	23.5%	23.6%	12.2%	14.6%	14.3%	15.0%

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

Figure 5: Key parameters for polyurethane foam sales

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14E	FY15E	FY16E
Revenue from polyurethane foam sales	597	655	831	955	1,062	1,172
<i>% change YoY</i>	<i>30.6%</i>	<i>9.7%</i>	<i>26.9%</i>	<i>14.9%</i>	<i>11.2%</i>	<i>10.3%</i>
<i>% of total revenue</i>	<i>33.6%</i>	<i>33.2%</i>	<i>35.1%</i>	<i>33.5%</i>	<i>32.3%</i>	<i>31.2%</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%	86%	90%	100%
Haining	83%	82%	98%	100%	100%	100%
Total	74%	78%	87%	91%	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	32,418	39,766	47,340
Haining	9,894	9,798	11,753	11,993	11,993	11,993
Total	44,137	53,602	65,090	74,078	82,372	90,893
<i>% change YoY</i>	<i>2.3%</i>	<i>21.4%</i>	<i>21.4%</i>	<i>13.8%</i>	<i>11.2%</i>	<i>10.3%</i>
<i>% of foam sold through direct sales (tonnes)</i>	<i>44%</i>	<i>43%</i>	<i>45%</i>	<i>46%</i>	<i>46%</i>	<i>46%</i>
Actual tonnes	19,233	23,168	29,343	33,705	37,479	41,356
<i>% change YoY</i>	<i>13.1%</i>	<i>20.5%</i>	<i>26.7%</i>	<i>14.9%</i>	<i>11.2%</i>	<i>10.3%</i>
Gross profit	69	105	133	139	159	176
<i>% change YoY</i>	<i>NA</i>	<i>53%</i>	<i>27%</i>	<i>5%</i>	<i>14%</i>	<i>10%</i>
Gross Margin	11.5%	16.0%	16.0%	14.6%	15.0%	15.0%
Segmental profit	53	88	111	114	132	145
<i>% change YoY</i>	<i>NA</i>	<i>64.8%</i>	<i>27.2%</i>	<i>2.0%</i>	<i>15.9%</i>	<i>10.3%</i>
Segmental profit margin	8.9%	13.4%	13.4%	11.9%	12.4%	12.4%
<i>% of total segmented profit</i>	<i>17.6%</i>	<i>25.3%</i>	<i>26.0%</i>	<i>22.3%</i>	<i>21.6%</i>	<i>20.6%</i>

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

Financial Summary

Balance Sheet

HKD million	2012	2013	2014E	2015E	2016E
Current Assets	1,018	1,122	1,553	1,799	2,157
Cash & equivalents	169	165	397	471	629
Trading investments	0	0	0	0	0
ST bank deposits	47	55	55	55	55
Trade receivables	410	509	627	710	817
Other receivables	112	47	57	86	87
Inventories	280	346	417	477	569
Other current assets	0	0	0	0	0
Non-current assets	265	307	333	430	484
Investment property	32	29	31	33	36
Property, Plant & Eq.	176	202	215	289	325
Intangible assets	0	0	0	0	0
Other non-current assets	57	75	87	108	123
Total assets	1,283	1,429	1,886	2,230	2,641
Current liabilities	793	844	994	1,105	1,244
Bank loans	191	163	163	163	163
Trade payables	290	329	417	453	515
Prepaid Accounts	0	0	0	0	0
Other liquid liabilities	312	353	415	489	566
Long term Liabilities	10	9	12	14	16
Loans	0	0	0	0	0
Others	10	9	12	14	16
Total Liabilities	803	853	1,006	1,119	1,259
Issued capital	0	0	165	165	165
Reserves	455	540	661	878	1,132
Minority interests	25	35	54	68	84
Total equity and liabilities	1,283	1,429	1,886	2,230	2,641

Cashflow Statement

HKD million	2012	2013	2014E	2015E	2016E
Operating cashflow	139	124	184	220	284
Profit before tax	155	190	254	321	386
Deprec & Amort.	16	20	22	24	31
Net finance costs/ (income)	5	5	3	2	(0)
Working capital chg	(41)	(82)	(70)	(94)	(92)
Others	5	(8)	(25)	(33)	(41)
CF from IA	(52)	16	(29)	(91)	(58)
Capital expenditure	(39)	(22)	(33)	(96)	(65)
Other investments	(13)	38	4	5	7
CF from FA	(70)	(146)	76	(55)	(68)
Net borrowings	(25)	(30)	0	0	0
Dividends	0	0	(60)	(48)	(61)
Others	(45)	(116)	136	(7)	(7)
Net cash flow	17	(6)	231	75	158
Cash at the beginning	151	169	165	397	471
Exchange difference	0	3	0	0	0
Cash at the end	169	165	397	471	629

Source: Company data, CMS (HK) estimates

Profit & Loss Statement

HKD million	2012	2013	2014E	2015E	2016E
Revenues	1,971	2,370	2,850	3,283	3,759
Cost of sales	(1,507)	(1,749)	(2,086)	(2,385)	(2,711)
Gross profit	465	621	764	898	1,048
Selling exp	(213)	(281)	(352)	(405)	(466)
Admin exp	(88)	(124)	(148)	(163)	(185)
Op expenses	(4)	0	(4)	(7)	(10)
Op Profit	159	215	260	323	386
Net fin. costs	(5)	(5)	(3)	(2)	0
FV changes	0	0	0	0	0
Inv income	0	0	0	0	0
Non-recurring expenses	0	(21)	(4)	0	0
PBT	155	190	254	321	386
Taxes	(39)	(45)	(53)	(68)	(81)
Profit after tax	116	145	200	254	305
Minority interests	7	9	9	9	9
Reported Net Profit	108	136	191	245	296
Recurring Net Profit	108	157	195	245	296
EPS (HKD) - Recurring	NA	0.095	0.118	0.148	0.179

Financial Ratios

	2012	2013	2014E	2015E	2016E
YoY growth rate					
Revenue	10.9%	20.2%	20.3%	15.2%	14.5%
Op profit	26.5%	35.1%	20.9%	24.2%	19.5%
Recurring net profit	23.3%	44.4%	24.8%	25.3%	20.9%
Profitability					
Gross margin	23.6%	26.2%	26.8%	27.4%	27.9%
Recurring NP margin	5.5%	6.6%	6.9%	7.5%	7.9%
ROAE	27.1%	31.5%	28.6%	26.2%	25.3%
ROIC	25.1%	29.2%	26.5%	24.3%	23.5%
Liquidity					
Debt to Asset	14.9%	11.4%	8.6%	7.3%	6.2%
Net Debt to Equity	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Liquid ratio (x)	1.3	1.3	1.6	1.6	1.7
Quick ratio (x)	0.9	0.9	1.1	1.2	1.3
Operating efficiency					
Asset turnover (x)	1.5	1.7	1.5	1.5	1.4
Inventory turnover days	67	65	67	68	70
AR turnover days	69	71	73	74	74
AP turnover days	66	65	65	67	65
Per share data (HKD)					
Recurring EPS	NA	0.09	0.12	0.15	0.18
CFPS	NA	0.08	0.11	0.13	0.17
BVPS	NA	0.35	0.53	0.67	0.84
DPS	NA	NA	0.03	0.04	0.04
Valuation ratios					
P/E - Recurring	NA	8.3	6.7	5.3	4.4
P/B	NA	2.3	1.5	1.2	0.9
EV/EBITDA	NA	5.6	3.7	2.8	1.9

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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