

Company Report

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

Sinomax (1418 HK)

Multiple drivers continue to drive earnings growth

- Lower oil prices to further boost GPM
- Sustainable FY15E revenue growth in all business segments
- Maintain BUY, TP HKD1.49 (undemanding 10x FY15E target P/E)

Lifting GPM by 0.5-0.8ppt on oil price decline

Other than product/sales mix improvement, GPM will also improve slightly on raw material prices decline as prices of TDI and PPG (crude oil derivatives), which account for about 67% of the company's COGS, have declined 20%-30% YTD. As such, we lift our FY15E/16E GPM slightly by 0.8ppt/0.5ppt (refer to page 2 for forecast parameters and sensitivity analysis). We do not expect the impact to be large as the decline in raw material prices will primarily affect the retail segment (13% of total earnings) and only partially positive to export business (66% of earnings) as it is predominantly cost plus pricing but the lag time between the contract order and pricing negotiations will still give Sinomax a GPM boost for a part of their export sales. In addition, we expect the impact on GPM to be mainly in 2H given 2-3 month's inventory period and the rate of raw material price decline.

US factory to be set up

On 21 May, 2015, Sinomax placed 100mn shares at HKD1.06 per share (net proceeds HKD101.8mn) with minimal dilution on EPS (3%/6% for FY15E/16E based on weighted average). Part of the proceeds will be used for setting up its US factory which will give Sinomax advantages including: i) lower transportation cost for export business, especially with low priced items (labor cost is minimal as it is highly automated) and ii) client base expansion with "made in USA" products.

Maintain BUY TP unchanged at HKD1.49

We adjust our FY15E/16E earnings by +1%/-4%. Although we lift our FY15E/16E GPM, we have lowered FY15E export revenue growth from +17% to +12% YoY as US consumer/economic growth has been improving at a slower-than-expected pace. Maintain BUY, TP HKD1.49 based on an unchanged 10x FY15E target P/E, about 20% discount to Sinomax's closest HK-listed peer, Man Wah (1999 HK, Non-rated). The discount is justified by smaller market cap and scale of operations.

Financials

HKD mn	2013	2014	2015E	2016E	2017E
Revenue	2,370	2,683	3,024	3,443	3,894
Growth (%)	20.2	13.2	12.7	13.9	13.1
Recurring net profit	157	197	247	287	328
Growth (%)	44.4	25.7	25.7	15.9	14.5
Recurring EPS (HKD)	0.09	0.12	0.15	0.16	0.19
DPS (HKD)	NA	0.04	0.04	0.05	0.06
P/E (x) - Recurring	12.2	9.7	8.0	7.1	6.2
P/B (x)	3.3	2.1	1.7	1.4	1.2
ROAE (%)	31.5	27.8	24.4	22.6	21.7

Source: Company data, CMS (HK) estimates

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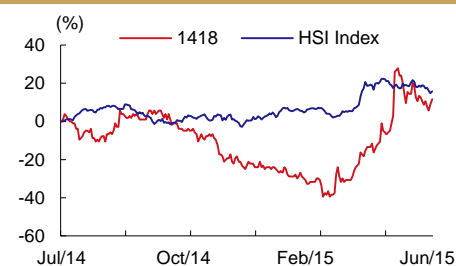
WHAT'S NEW

Estimate changes

BUY

Previous	BUY
Price	HK\$1.16
12-month Target Price (Potential upside)	HK\$1.49 (+28%)
Previous	HK\$1.49

Price Performance



Source: Bigdata

%	1m	6m	12m
1418 HK	5.6	27.2	0.2
HSI	(3.2)	13.4	14.5

Sector: Retail

Hang Seng Index	26908
HSCEI	13743

Key Data

52-week range (HK\$)	0.63-1.5
Market cap (HK\$ mn)	2030
Avg. daily volume (mn)	4.36
BVPS (HK\$)	0.55

Shareholdings Structure

Lam Chi Fan	60.59%
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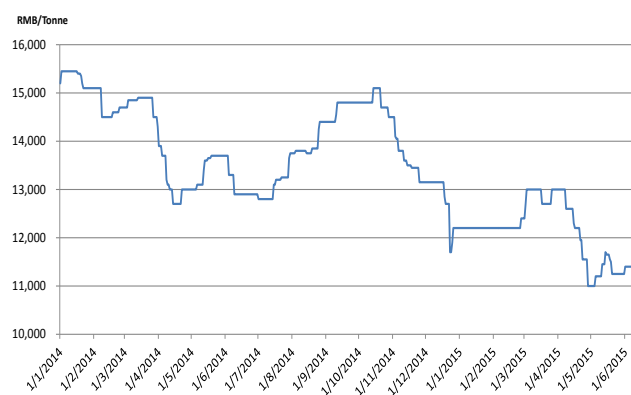
No. of shares outstanding (mn)	1750
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Free float	59.53%
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Related Research

1. Sinomax (1418 HK) - US growth story still under the radar, "BUY" March 18, 2015
2. Sinomax (1418 HK) - Acquiring polyurethane foam business for expansion, "BUY" January 27, 2015
3. Sinomax (1418 HK) - Share price weakness unjustified - Maintain BUY, "BUY" November 28, 2014

Figure 3: China soft foam polyether price



Source: Baiinfo, CMS (HK) Ltd.

Figure 4: Changes in major P&L estimates

(HKDm)	Old Estimates	New Estimates	Difference	Old Estimates	New Estimates	Difference
	FY15E	FY15E		FY16E	FY16E	
Turnover	3,098	3,024	-2.4%	3,554	3,443	-3.1%
Gross profit	893	896	0.3%	1,031	1,017	-1.4%
Gross margin	28.8%	29.6%	0.8ppt	29.0%	29.5%	0.5ppt
Operating profit	325	328	1.1%	390	378	-3.2%
Operating margin	10.5%	10.9%	0.4ppt	11.0%	11.0%	0.0ppt
Recurring net profit	245	247	0.8%	298	287	-3.7%
Recurring net margin	7.9%	8.2%	0.3ppt	8.4%	8.3%	0.0ppt

Source: Company, CMS (HK)

Figure 5: Sinomax profit and loss summary

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total revenue	1,778	1,971	2,370	2,683	3,024	3,443	3,894
<i>% change YoY</i>	14.4%	10.9%	20.2%	13.2%	12.7%	13.9%	13.1%
Gross profit	396	465	621	736	896	1,017	1,161
<i>% change YoY</i>	11.7%	17.4%	33.5%	18.7%	21.7%	13.5%	14.2%
<i>Gross margin</i>	22.3%	23.6%	26.2%	27.4%	29.6%	29.5%	29.8%
Other income and expenses	14	(4)	0	6	1	(3)	(7)
- R&D expense	(4)	(4)	(6)	(16)	(18)	(21)	(23)
<i>% of revenue</i>	0.2%	0.2%	0.2%	0.6%	0.6%	0.6%	0.6%
SG&A costs	(283)	(302)	(405)	(487)	(569)	(637)	(726)
<i>% change YoY</i>	28.6%	6.4%	34.4%	20.2%	16.7%	11.9%	14.0%
<i>% of revenue</i>	15.9%	15.3%	17.1%	18.2%	18.8%	18.5%	18.6%
Operating profit	126	159	215	255	328	378	428
<i>% change YoY</i>	-17.2%	26.5%	35.1%	18.4%	28.8%	15.0%	13.4%
<i>Operating margin</i>	7.1%	8.1%	9.1%	9.5%	10.9%	11.0%	11.0%
Recurring net profit	88	108	157	197	247	287	328
<i>% change YoY</i>	-14.4%	23.3%	44.4%	25.7%	25.7%	15.9%	14.5%
<i>Recurring net margin</i>	4.9%	5.5%	6.6%	7.3%	8.2%	8.3%	8.4%

Source: Company, CMS (HK)

Figure 6: Key parameters for export business (overseas)

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total revenue from export business	877	1,020	1,254	1,375	1,532	1,756	1,985
<i>% change YoY</i>	-0.3%	16.3%	23.0%	9.6%	11.5%	14.6%	13.1%
<i>% of total revenue</i>	49.3%	51.7%	52.9%	51.2%	50.7%	51.0%	51.0%
No. of distributors/retailer clients	51	85	85	89	89	89	89
Revenue by product categories:							
- Own/licensed brand sales	184	317	603	784	982	1,261	1,465
<i>% change YoY</i>	-11.1%	72.3%	90.5%	29.9%	25.3%	28.4%	16.2%
<i>% of total revenue</i>	10.3%	16.1%	25.5%	29.2%	32.5%	36.6%	37.6%
sales per customer	3.6	5.3	7.1	9.1	11.0	14.2	16.5
<i>% change YoY</i>	NA	47.7%	33.3%	28.4%	21.1%	28.4%	16.2%
- Third-party brand sales	693	703	651	591	551	495	520
<i>% change YoY</i>	3.0%	1.4%	-7.4%	-9.2%	-6.9%	-10.0%	5.0%
<i>% of total revenue</i>	39.0%	35.7%	27.5%	22.0%	18.2%	14.4%	13.4%
sales per customer	14	12	8	7	6	6	6
<i>% change YoY</i>	NA	-13.1%	-35.2%	-10.3%	-10.0%	-10.0%	5.0%
Gross profit	184	224	301	363	444	493	560
<i>% change YoY</i>	NA	21.8%	34.2%	20.6%	22.4%	11.1%	13.5%
Gross Margin	21.0%	22.0%	24.0%	26.4%	29.0%	28.1%	28.2%
Segmental profit	178	177	265	355	423	476	540
<i>% change YoY</i>	NA	-0.5%	49.3%	34.0%	19.3%	12.5%	13.5%
Segmental profit margin	20.3%	17.4%	21.1%	25.8%	27.6%	27.1%	27.2%
<i>% of total segmented profit</i>	58.9%	51.1%	61.8%	65.9%	66.1%	65.8%	65.7%

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

Figure 7: Key parameters for retail and corporate sales business

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total revenue from retail/corporate sales	304	297	284	381	421	505	604
% change YoY	39.9%	-2.5%	-4.2%	34.0%	10.6%	20.1%	19.5%
% of total revenue	17.1%	15.0%	12.0%	14.2%	13.9%	14.7%	15.5%
Revenue by sales channels:							
Self-operated retail shops revenue	22	25	36	57	82	109	132
% change YoY	25.4%	11.3%	44.2%	58.6%	45.4%	32.0%	21.6%
% of total revenue	1.3%	1.3%	1.5%	2.1%	2.7%	3.2%	3.4%
- Hong Kong	22	25	35	51	74	90	100
% change YoY	25.4%	11.3%	41.1%	45.1%	45.0%	22.0%	11.0%
% of total revenue	1.3%	1.3%	1.5%	1.9%	2.4%	2.6%	2.6%
No. of stores	10	9	12	18	22	24	25
SSSG	NA	5.6%	41.1%	4.8%	3.0%	3.0%	3.0%
- PRC	0	0	1	6	9	19	33
% change YoY	N/A	N/A	N/A	676.7%	49.1%	115.0%	71.3%
% of total revenue	0.0%	0.0%	0.0%	0.2%	0.3%	0.6%	0.8%
No. of stores	0	0	4	8	18	32	47
SSSG	NA	NA	NA	5.0%	5.0%	5.0%	3.0%
Self-operated concession counters revenue	147	162	176	175	173	186	195
% change YoY	22.9%	9.8%	8.6%	-0.4%	-1.0%	7.5%	4.8%
% of total revenue	8.3%	8.2%	7.4%	6.5%	5.7%	5.4%	5.0%
- Hong Kong	69	67	74	75	79	83	86
% change YoY	NA	-3.1%	10.4%	1.7%	5.0%	5.0%	3.0%
% of total revenue	3.9%	3.4%	3.1%	2.8%	2.6%	2.4%	2.2%
No. of counters	26	25	28	28	28	28	28
SSSG	0.0%	0.6%	10.4%	-2.0%	5.0%	5.0%	3.0%
- PRC	78	94	101	99	94	103	109
% change YoY	NA	21.3%	7.3%	-1.9%	-5.5%	9.5%	6.2%
% of total revenue	4.4%	4.8%	4.3%	3.7%	3.1%	3.0%	2.8%
No. of counters	155	214	234	229	239	249	249
SSSG	NA	-13.9%	-16.8%	-5.3%	-5.0%	5.0%	3.0%

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

Source: Company, CMS (HK)

Figure 8: Key parameters for retail and corporate sales business (continued)

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Revenue from third-party distributors	46	54	45	34	33	36	39
% change YoY	NA	18.2%	-16.5%	-23.9%	-4.3%	10.4%	7.4%
% of total revenue	2.6%	2.7%	1.9%	1.3%	1.1%	1.1%	1.0%
- PRC	41	48	38	27	25	28	30
% change YoY	NA	18.6%	-21.5%	-29.1%	-5.5%	10.5%	8.1%
% of total revenue	2.3%	2.5%	1.6%	1.0%	0.8%	0.8%	0.8%
No. of counters	135	183	206	188	198	208	218
SSSG	NA	-25.6%	-38.9%	-33.6%	0.0%	5.0%	3.0%
- Macau	5	6	7	7	7	8	9
% change YoY	NA	14.3%	26.8%	4.0%	0.0%	10.0%	5.0%
% of total revenue	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
No. of counters	3	3	4	4	4	4	4
SSSG	NA	-14.3%	17.1%	-15.5%	0.0%	10.0%	5.0%
Direct corporate sales/others	80	49	13	70	40	40	50
% change YoY	202.2%	-38.4%	-74.1%	452.4%	-43.2%	0.0%	25.0%
% of total revenue	4.5%	2.5%	0.5%	2.6%	1.3%	1.2%	1.3%
E-commerce and others	9	7	15	44	92	134	188
% change YoY	16.1%	-22.4%	113.6%	194.6%	108.2%	45.2%	40.0%
% of total revenue	0.5%	0.4%	0.6%	1.7%	3.1%	3.9%	4.8%
Gross profit	143	136	187	251	290	343	411
% change YoY	NA	-5.2%	38.3%	34.0%	15.6%	18.3%	19.5%
Gross Margin	47.0%	45.7%	66.0%	66.0%	69.0%	68.0%	68.0%
Segmental profit	71	82	52	71	84	101	127
% change YoY	NA	15.0%	-36.3%	35.5%	19.1%	20.1%	25.5%
Segmental profit margin	23.4%	27.6%	18.3%	18.6%	20.0%	20.0%	21.0%
% of total segmented profit	23.5%	23.6%	12.2%	13.1%	13.2%	14.0%	15.4%

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

Figure 9: Key parameters for polyurethane foam sales

FY-end Dec (HKDmn)	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Revenue from polyurethane foam sales	597	655	831	928	1,071	1,182	1,305
% change YoY	30.6%	9.7%	26.9%	11.7%	15.4%	10.3%	10.4%
% of total revenue	33.6%	33.2%	35.1%	34.6%	35.4%	34.3%	33.5%
Designed production capacity (tonnes)							
Dongguan	31,560	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	56,808
Haining	11,993	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	100,361
Utilization rate							
Dongguan	70%	81%	90%	94%	97%	100%	100%
Jiashan	76%	73%	79%	83%	90%	100%	100%
Haining	83%	82%	98%	98%	100%	100%	100%
Total	74%	78%	87%	89%	94%	100%	100%
Actual production volume (tonnes)							
Dongguan	22,187	25,690	28,372	29,666	30,613	31,560	31,560
Jiashan (still have 1/3 expansion space)	12,056	18,114	24,964	31,434	39,766	47,340	56,808
Haining	9,894	9,798	11,753	11,753	11,993	11,993	11,993
Total	44,137	53,602	65,090	72,853	82,372	90,893	100,361
% change YoY	2.3%	21.4%	21.4%	11.9%	13.1%	10.3%	10.4%
% of foam sold through direct sales (tonnes)	44%	43%	45%	45%	46%	46%	46%
Actual tonnes	19,233	23,168	29,343	32,487	37,479	41,356	45,664
% change YoY	13.1%	20.5%	26.7%	10.7%	15.4%	10.3%	10.4%
Gross profit	69	105	133	121	161	177	189
% change YoY	NA	53%	27%	-9%	33%	10%	7%
Gross Margin	11.5%	16.0%	16.0%	13.0%	15.0%	15.0%	14.5%
Segmental profit	53	88	111	113	133	147	155
% change YoY	NA	64.8%	27.2%	1.1%	18.0%	10.3%	6.0%
Segmental profit margin	8.9%	13.4%	13.4%	12.1%	12.4%	12.4%	11.9%
% of total segmented profit	17.6%	25.3%	26.0%	20.9%	20.8%	20.3%	18.9%

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

Figure 10: 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	1.16	262	1.0	9.7	8.0	7.1	21.8	13.1	16.3	0.6	3.0	3.7	2.1	1.7
HSI		26,908			11.2	12.9	11.7	(13.4)	10.7	1.6	8.12	3.1	3.1	1.4	1.4
HSCFI		13,743			10.0	9.8	8.8	2.3	11.1	7.2	1.35	3.0	3.1	1.4	1.3
CSB300		5,307			22.5	19.6	17.1	15.2	14.3	15.6	1.25	1.2	1.4	3.1	2.8
Overseas listed mattress companies															
Adjusted sector avg*					49.1	29.7	22.3	67.6	29.6	36.4	1.3	0.4	0.2	9.7	7.5
Tempur Sealy Int	TPX US	63.75	3,890	41.1	26.3	21.0	17.7	69.4	18.8	31.3	0.8	N/A	N/A	20.0	12.3
Select Comfort	SCSS US	31.09	1,626	20.7	24.5	22.1	17.4	10.9	27.1	17.7	1.4	N/A	N/A	6.0	5.9
Mattress Firm	MFRM US	58.67	2,064	20.4	45.5	22.5	17.9	101.9	26.1	44.3	1.0	N/A	0.0	4.6	4.4
Xilinmen Furni-A	603008 CH	30.07	1,526	48.1	100.2	53.2	36.3	88.3	46.5	52.3	1.9	0.4	0.5	8.2	7.2
Overseas listed furniture companies															
Adjusted sector avg*					20.5	18.9	17.1	21.2	10.8	10.3	7.4	2.4	3.4	2.0	2.9
Bassett	BSET US	28.53	307	1.9	32.4	21.6	20.5	50.0	5.3	N/A	N/A	1.8	N/A	1.9	N/A
La-Z-Boy Inc	LZB US	27.03	1,384	7.2	26.0	21.2	17.4	22.6	21.6	19.7	1.3	1.1	N/A	2.7	2.7
Hooker Furniture	HOFT US	26.41	286	1.8	22.6	17.8	17.0	26.5	5.1	N/A	N/A	1.5	N/A	2.0	N/A
Osim Intl Ltd	OSIM SP	1.74	974	2.6	12.9	15.1	13.6	(14.2)	11.3	1.0	13.5	3.5	3.4	2.9	3.1
Everpia Vietnam	EVE VN	25,600.00	32	0.0	8.3	N/A	N/A	N/A	N/A	N/A	N/A	4.3	N/A	0.9	N/A
China listed furniture companies															
Adjusted sector avg*					88.3	55.2	46.6	27.8	21.4	24.5	3.5	0.5	0.6	6.9	6.7
Guangdong Yihu-A	600978 CH	23.07	5,511.58	196.4	62.35	52.1	41.9	19.7	24.2	22.5	2.77	0.4	0.61	5.27	4.93
Yotrio Group-A	002489 CH	48.20	4,827	36.4	93.5	74.2	70.9	26.1	4.6	13.3	7.0	0.8	N/A	8.3	8.1
Markor Intl Ho-A	600337 CH	21.95	2,286	36.3	61.0	47.1	38.3	29.4	23.0	28.8	2.1	0.7	0.4	4.9	4.5
Suofeiya Home-A	002572 CH	47.69	3,388	33.1	64.4	47.4	35.3	36.1	34.1	33.5	1.9	0.7	0.8	10.5	9.2
Jiangsu Xiuqia-A	300160 CH	31.25	940	25.2	160.0	N/A	N/A	N/A	N/A	N/A	N/A	0.2	N/A	5.4	N/A
HK listed furniture companies															
Adjusted sector avg*					15.5	13.4	12.1	9.8	11.1	10.2	1.5	8.4	4.1	1.8	3.2
Royale Furniture	1198 HK	0.53	114	1.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.6	N/A
Man Wah Holdings	1999 HK	8.20	2,055	4.4	14.7	13.4	12.1	9.8	11.1	10.2	1.5	7.6	4.1	3.6	3.2
Samson Hldg Ltd	531 HK	1.01	397	0.2	22.9	N/A	N/A	N/A	N/A	N/A	N/A	11.9	N/A	0.8	N/A
Carpenter Tan	837 HK	5.75	185	0.3	8.9	N/A	N/A	N/A	N/A	N/A	N/A	5.6	N/A	2.0	N/A

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

Source: CMS (HK), Bloomberg

Based on June 11, 2015 closing prices

Financial Summary

Balance Sheet

HKD million	2013	2014	2015E	2016E	2017E
Current Assets	1,122	1,309	1,720	1,914	2,319
Cash & equivalents	165	254	530	554	840
Trading investments	0	0	0	0	0
ST bank deposits	55	55	55	55	55
Trade receivables	509	585	651	744	818
Other receivables	47	17	58	52	59
Inventories	346	398	426	509	547
Other current assets	0	0	0	0	0
Non-current assets	307	312	419	466	516
Investment property	29	22	21	20	19
Property, Plant & Eq.	202	221	295	331	367
Intangible assets	0	0	0	0	0
Other non-current assets	75	68	103	115	129
Total assets	1,429	1,621	2,139	2,380	2,835
Current liabilities	844	698	896	893	1,061
Bank loans	163	233	233	233	233
Trade payables	329	276	404	364	492
Prepaid Accounts	0	0	0	0	0
Other liquid liabilities	353	189	258	296	336
Long term Liabilities	9	10	15	17	20
Loans	0	0	0	0	0
Others	9	10	15	17	20
Total Liabilities	853	708	911	911	1,081
Issued capital	0	165	175	175	175
Reserves	540	711	978	1,205	1,471
Minority interests	35	37	75	90	107
Total equity and liabilities	1,429	1,621	2,139	2,380	2,835

Cashflow Statement

HKD million	2013	2014	2015E	2016E	2017E
Operating cashflow	124	(0)	314	165	443
Profit before tax	190	247	326	375	428
Deprec & Amort.	20	27	24	31	35
Net finance costs/ (income)	5	6	3	2	1
Working capital chg	(82)	(168)	3	(197)	25
Others	(8)	(112)	(41)	(47)	(45)
CF from IA	16	5	(91)	(58)	(61)
Capital expenditure	(22)	(30)	(96)	(65)	(70)
Other investments	38	35	5	7	9
CF from FA	(146)	84	53	(84)	(95)
Net borrowings	(30)	71	0	0	0
Dividends	0	(83)	(41)	(74)	(86)
Others	(116)	97	94	(9)	(9)
Net cash flow	(6)	89	276	24	287
Cash at the beginning	169	165	254	530	554
Exchange difference	3	(0)	0	0	0
Cash at the end	165	254	530	554	840

Source: Company data, CMS (HK) estimates

Profit & Loss Statement

HKD million	2013	2014	2015E	2016E	2017E
Revenues	2,370	2,683	3,024	3,443	3,894
Cost of sales	(1,749)	(1,947)	(2,128)	(2,426)	(2,733)
Gross profit	621	736	896	1,017	1,161
Selling exp	(281)	(332)	(381)	(427)	(486)
Admin exp	(124)	(156)	(188)	(210)	(239)
Op expenses	0	6	1	(3)	(7)
Op Profit	215	255	328	378	428
Net fin. costs	(5)	(6)	(3)	(2)	(1)
FV changes	0	0	0	0	0
Inv income	0	0	0	0	0
Non-recurring expenses	(21)	(2)	0	0	0
PBT	190	247	326	375	428
Taxes	(45)	(44)	(68)	(79)	(90)
Profit after tax	145	203	257	297	338
Minority interests	9	9	10	10	10
Reported Net Profit	136	194	247	287	328
Recurring Net Profit	157	197	247	287	328
EPS (HKD) - Recurring	0.095	0.119	0.145	0.164	0.187

Financial Ratios

	2013	2014	2015E	2016E	2017E
YoY growth rate					
Revenue	20.2%	13.2%	12.7%	13.9%	13.1%
Op profit	35.1%	18.4%	28.8%	15.0%	13.4%
Recurring net profit	44.4%	25.7%	25.7%	15.9%	14.5%
Profitability					
Gross margin	26.2%	27.4%	29.6%	29.5%	29.8%
Recurring NP margin	6.6%	7.3%	8.2%	8.3%	8.4%
ROAE	31.5%	27.8%	24.4%	22.6%	21.7%
ROIC	29.2%	26.1%	22.8%	21.0%	20.1%
Liquidity					
Debt to Asset	11.4%	14.4%	10.9%	9.8%	8.2%
Net Debt to Equity	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Liquid ratio (x)	1.3	1.9	1.9	2.1	2.2
Quick ratio (x)	0.9	1.3	1.4	1.6	1.7
Operating efficiency					
Asset turnover (x)	1.7	1.7	1.4	1.4	1.4
Inventory turnover days	65	70	71	70	71
AR turnover days	71	74	75	74	73
AP turnover days	65	57	58	58	57
Per share data (HKD)					
Recurring EPS	0.09	0.12	0.15	0.16	0.19
CFPS	0.08	0.00	0.18	0.09	0.25
BVPS	0.35	0.55	0.70	0.84	1.00
DPS	NA	0.04	0.04	0.05	0.06
Valuation ratios					
P/E - Recurring	12.2	9.7	8.0	7.1	6.2
P/B	3.3	2.1	1.7	1.4	1.2
EV/EBITDA	8.3	7.2	5.1	4.4	3.2

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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