

Company Report

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

Springland International Holdings (1700 HK)

Maintain **NEUTRAL** on its conservative business strategy

- Deteriorating SSSG trend of department stores and continuous margin erosion
- Prudent expansion plan and no specific O2O strategy
- 2014/2015E earnings revised down by 9%/7%, TP HK\$3.3, valuation based on 8.0x2015E P/E, 10% discount to its historical average, maintain **NEUTRAL** rating.

What's new

1H14 Group GSP increased 0.2% with department stores down by 1.7% and supermarkets up by 6.6%. Department stores SSSG reported -1.1% while supermarkets SSSG reached 1%. Gift cards sales dropped by 15% YoY in 1H14 vs. 10% YoY growth in 1H13.

Implications

Weak growth indicating a deteriorating industry outlook but should be expected by the market. The company is very conservative in its O2O strategy with only WeChat launched for products promotion. Considering a slight erosion of concessionaire rate and 10% labour costs hike, we estimate that 1H14 earnings would drop around 10%, in line with its China peers (10%-15% drop in 1H14).

Catalyst

We are cautious to 2H 2014 outlook as no specific O2O strategy rolling out and limited stores are opening. 3 shopping malls will be completed by 2017, which would support the company's GSP growth from 2016.

Valuation

The company is trading at 7.6x2015E P/E, with 5.3% dividend yield and 9% net gearing. We revised down our earnings forecast for the company by 9%/7% for 2014/2015, our new TP HK\$3.3 is based on 8x2015E P/E, 10% discount to its historical average due to its more conservative business model. We maintain our **NEUTRAL** rating for the company.

Financials

| RMB mn | 2012 | 2013 | 2014E | 2015E | 2016E |
|------------|-------|-------|-------|-------|-------|
| Revenue | 3,807 | 4,162 | 4,454 | 4,812 | 5,296 |
| Growth (%) | 5.7% | 9.3% | 7.0% | 8.0% | 10.1% |
| Net profit | 651 | 730 | 721 | 833 | 969 |
| Growth (%) | 12.2% | 12.1% | -1.2% | 15.4% | 16.4% |
| EPS (RMB) | 0.26 | 0.29 | 0.29 | 0.33 | 0.39 |
| DPS (RMB) | 0.13 | 0.15 | 0.12 | 0.13 | 0.15 |
| P/E (x) | 9.7 | 8.7 | 8.8 | 7.6 | 6.5 |
| P/B (x) | 1.3 | 1.3 | 1.1 | 1.0 | 0.9 |
| ROE (%) | 13.8% | 14.5% | 12.9% | 13.6% | 14.3% |

Source: Company data, CMS (HK) estimates

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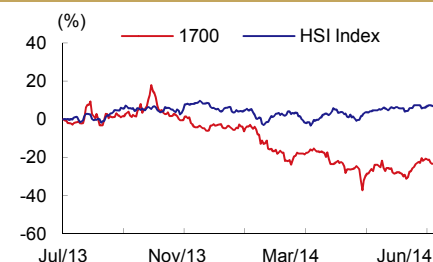
WHAT'S NEW

TP/estimate changes

NEUTRAL

| | |
|--|---------------|
| Previous | Neutral |
| Price | HK\$3.19 |
| 12-month Target Price (Potential upside) | HK\$3.3 (+3%) |
| Previous | HK\$4.1 |

Price Performance



Source: Bigdata

| % | 1m | 6m | 12m |
|---------|-----|--------|--------|
| 1700 HK | 8.1 | (18.2) | (21.7) |
| HSI | 0.8 | 1.5 | 9.5 |

Industry: Retail

| | |
|-----------------|-------|
| Hang Seng Index | 23387 |
| HSCEI | 10356 |

Key Data

| | |
|-------------------------|-----------|
| 52-week range (HK\$) | 2.55-4.93 |
| Market cap (HK\$ mn) | 16015 |
| Avg. daily volume(mn) | 298.64 |
| BVPS (HK\$) | 1.3 |

Shareholdings Structure

| | |
|--------------------------------|-------|
| JianQiang Chen | 58.4% |
| Mathews International | 7.1% |
| International Value Advisers | 5.3% |
| Value Partners | 5% |
| No. of shares outstanding (mn) | 2468 |
| Free float | 40.7% |

Related Research

- 1) Supermarkets face fierce competition, initiate with Neutral rating 2013/10/16
- 2) Springland International: Promotions dragged down profit margin, 2014/1/20

公司报告

招商证券(香港)有限公司

华地国际控股 (1700 HK)

业务策略保守，维持中性评级

- 同店销售恶化，毛利率继续受压
- 未来扩张策略谨慎，线上线下业务融合无具体措施
- 下调2014-15年盈利预测9%/7%，目标价到3.3港元，基于8x2015P/E，10%折价其历史平均PE，我们认为公司策略较为保守，维持中性评级

1H14同店负增长

2014年上半年总销售额增加0.2%，其中百货下降1.7%，商超增加6.6%。百货同店销售减少1.1%，商超同店增加1%。公司礼品卡销售同比下降15%，而去年同期则同比增加10%。

我们的解读

同店数据显示行业前景恶化，但在预期之中。公司今年扩张计划谨慎，而且公司并无详细线上线下策略抵挡电子商务冲击。由于促销带来公司佣金率略有下降以及劳动力成本上涨10%，我们预计1H14公司净利润下降10%左右，与中国百货公司同行利润下降水平相当(10%-15%下降)。

催化剂

我们对于2H14运营前景较为谨慎，因为新开店计划少，且并无线上线下融合的具体策略。不过公司2016年开始将受益于新的购物中心建成对收入贡献。

估值

公司目前估值7.6x2015P/E，5.3%股息收益率，9%的净负债率。我们按照8x2015E P/E给予公司估值(10%折扣于历史平均P/E水平)，下调公司目标价到3.3港元，我们维持公司中性评级。我们给予公司较低的P/E估值是因为我们认为公司在线上业务方面转型较为保守，难以抵挡未来的电商冲击。

盈利预测及估值

| 人民币百万元 | 2012 | 2013 | 2014E | 2015E | 2016E |
|---------|-------|-------|-------|-------|-------|
| 营业额 | 3,807 | 4,162 | 4,454 | 4,812 | 5,296 |
| 同比增长(%) | 5.7% | 9.3% | 7.0% | 8.0% | 10.1% |
| 净利润 | 651 | 730 | 721 | 833 | 969 |
| 同比增长(%) | 12.2% | 12.1% | -1.2% | 15.4% | 16.4% |
| 每股盈利(元) | 0.26 | 0.29 | 0.29 | 0.33 | 0.39 |
| 每股股息(元) | 0.13 | 0.15 | 0.12 | 0.13 | 0.15 |
| 市盈率(X) | 9.7 | 8.7 | 8.8 | 7.6 | 6.5 |
| 市净率(X) | 1.3 | 1.3 | 1.1 | 1.0 | 0.9 |
| ROE(%) | 13.8% | 14.5% | 12.9% | 13.6% | 14.3% |

资料来源：公司资料，招商证券(香港)预测

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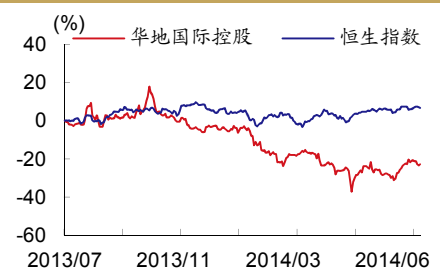
最新变动

目标价/EPS估值变动下调

中性

| | |
|-------------------|-----------------|
| 前次评级 | 中性 |
| 股价 | HK\$3.19 |
| 12个月目标价 (上涨空间) | HK\$ 3.3 (4.3%) |
| 前次目标价: | HK\$4.1 |

股价表现



资料来源：贝格数据

| % | 1m | 6m | 12m |
|---------|-----|--------|--------|
| 1700 HK | 8.1 | (18.2) | (21.7) |
| HSI | 0.8 | 1.5 | 9.5 |

行业：零售

| | |
|------|-------|
| 恒生指数 | 23387 |
| 国企指数 | 10356 |

重要数据

| | |
|-------------|-----------|
| 52周股价区间(港元) | 2.55-4.93 |
| 港股市值(百万港元) | 16015 |
| 日均成交量(百万股) | 298.64 |
| 每股净资产(港元) | 1.3 |

主理

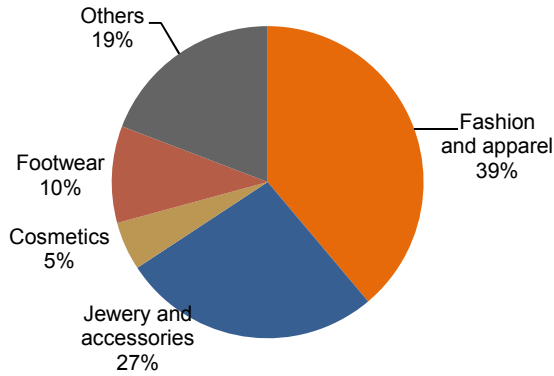
| | |
|------------------------------|-------|
| 陈建强 | 58.4% |
| Matthews International | 7.1% |
| International Value Advisers | 5.3% |
| Value Partners | 5% |
| 总股数(百万股) | 2468 |
| 自由流通量 | 40.7% |

相关报告

- 1) 商超业务面临激烈竞争，首次给予中性评级 2013/10/16
- 2) 华地国际：2013年运营数据点评：促销带来利润挤压 2014/1/20

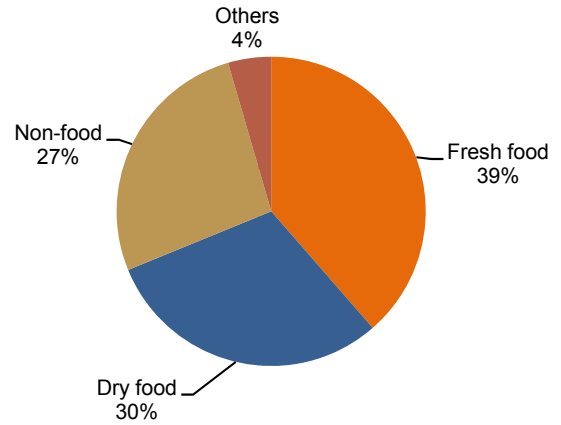
Focus charts

Figure 1: Sales mix of department stores in 2013



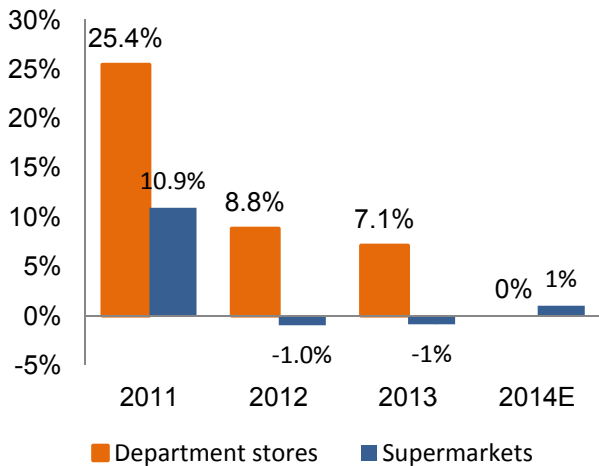
Source: CMS (HK), company

Figure 2: Sales mix of supermarkets in 2013



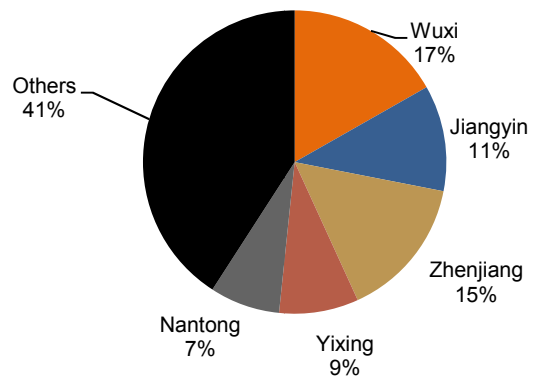
Source: CMS (HK), company

Figure 3: Deteriorating SSSG in 2014



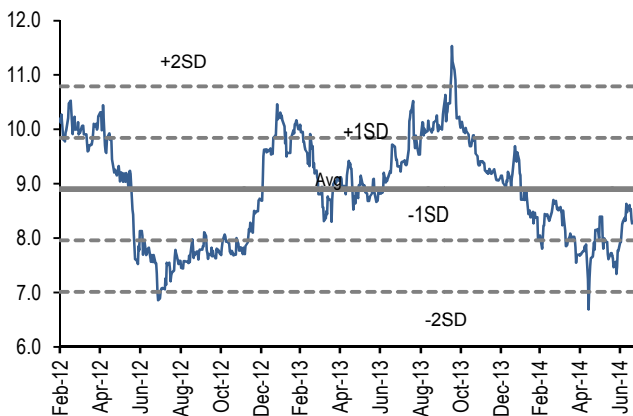
Source: CMS (HK) estimates, company

Figure 4: Sales contribution of the 5 biggest stores



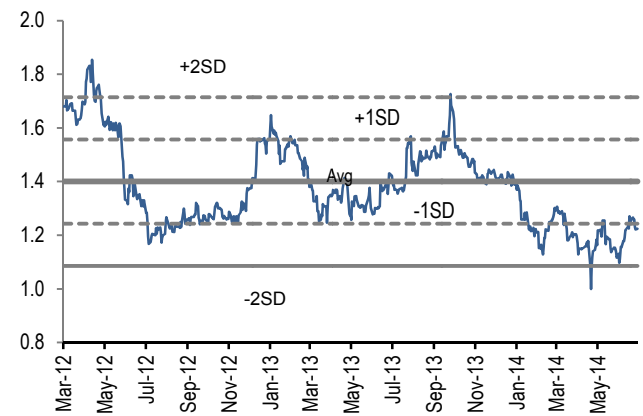
Source: CMS (HK) estimates, company

Figure 5: PE Band



Source: CMS (HK), Bloomberg

Figure 6: PB Band



Source: CMS (HK), Bloomberg

Department stores not recovering yet

Department stores GSP declined by 1.7% YoY with SSSG down 1.1%. SSSG of Wuxi store and Yixing store, the company's two biggest stores, recorded -10.4% and -14.4% respectively, mainly because Hang Lung Plaza entered Wuxi market in September 2013 and eroded the company's market share as both stores are targeting higher-end luxury brands. Yixing store is enduring internal decoration with only 3 floors opened to customers.

To avoid face-to-face competition, Wuxi Springland will restructure its product portfolio and target entry luxury instead of top brands from now on, which would probably take 2 years for growth to recover. Department stores would see positive SSSG in 2H2014 due to base effect in our view.

Figure 7: Department stores gross sales proceeds forecast

| RMB mn | Commencement | 2012 | 2013 | 2014E | 2015E | 2016E |
|-----------------------|--------------|-------|-------|-------|-------|-------|
| Yixing | Dec 1994 | 841 | 809 | 704 | 704 | 732 |
| Liyang | Aug 2002 | 567 | 591 | 615 | 645 | 684 |
| Danyang | Sep 2004 | 523 | 569 | 609 | 658 | 697 |
| Yixing (Hexin Branch) | Nov 2004 | 271 | 248 | 238 | 250 | 262 |
| Changshu | Dec 2004 | 458 | 475 | 504 | 544 | 587 |
| Jiangyin | Sep 2005 | 947 | 966 | 1005 | 1035 | 1066 |
| Wuxi Yaohan | Jul 2006 | 1,598 | 1607 | 1463 | 1433 | 1448 |
| Nantong Yaohan | Nov 2009 | 477 | 572 | 618 | 667 | 707 |
| Ma'anshan | Nov 2009 | 424 | 518 | 648 | 790 | 908 |
| Zhenjiang Yaohan | Jan 2010 | 942 | 1167 | 1459 | 1751 | 2066 |
| Changzhou | Apr 2011 | 156 | 161 | 166 | 171 | 178 |
| Jintan | Dec 2011 | 135 | 177 | 230 | 299 | 299 |
| Changxing | Aug 2012 | 63 | 189 | 255 | 306 | 352 |
| Xuancheng | Dec 2012 | 14 | 129 | 161 | 185 | 204 |
| Yangzhou (YJF) | Dec 2012 | 26 | 202 | 263 | 310 | 353 |
| Nanjing | Dec 2013 | - | 90 | 100 | 110 | 120 |
| Total | | 7442 | 8470 | 9035 | 9858 | 10664 |
| YoY | | 14.1% | 13.8% | 6.7% | 9.1% | 8.2% |

Source: CMS(HK) estimates, company

No specific O2O strategy rolling out

Springland is conservative in O2O strategy comparing with Intime (1833 HK, BUY, TP HK\$8.3). It has just launched WeChat for promotion and WIFI coverage of its stores, but it has no online selling website. E-commerce needs huge initial input and many department stores are not willing to do that to sacrifice their profitability. We believe that department stores will be impacted negatively in the current situation and more proactive plans needed to defense its market share and competitiveness.

Prudent expansion plan

The supermarkets grew by 6.6% with SSSG reaching 1%. 5 new stores opened in 2013 contributing to the company's GSP in 2014 and only 2 stores will be opened in 2014 considering the operating environment. The company is in the process of establishing three shopping malls and will be completed during 2016- 2017. We think the company is very prudent in its business expansion plan.

Figure 8: Supermarket GSP forecasts

| RMB mn | 2012 | 2013 | 2014E | 2015E | 2016E |
|---------------------|-------|-------|-------|-------|-------|
| Yixing | 470 | 441 | 432 | 441 | 450 |
| Zhenjiang & Danyang | 458 | 462 | 467 | 476 | 485 |
| Wuxi | 119 | 199 | 249 | 299 | 358 |
| Jiangyin | 566 | 605 | 629 | 661 | 694 |
| Changzhou & Liyang | 653 | 637 | 650 | 669 | 696 |
| Other cities | 151 | 321 | 449 | 562 | 730 |
| Total | 2,417 | 2,665 | 2,876 | 3,107 | 3,413 |
| YoY | 11.7% | 10.3% | 7.9% | 8.0% | 9.9% |

Source: CMS(HK)estimates, company

1H14 would see around 10% decline of net profit

The company's concessionaire rate declined a bit due to promotions launched in 1H14. Labour costs hiked 10% while rental price was relatively stable. This will cause margin erosion and lead to around 10% decline of net profit according to our estimates.

Earnings revision and valuation

SSSG: Department stores April SSSG was a 20% decline; May-June SSSG was flat with that in 1H13; we believe 2H14 SSSG would continue to improve due to base effect.

Operating expenses: Labour costs will continue to rise 10% every year while rental costs will be relative stable as 65% of the company's stores are self-owned.

Gross margin: Concessionaire rate will decline a bit as frequent promotions are launched in 2014 and gross margin will be lower than that in 2013.

Figure 9: Earnings estimates

| RMB mn | 2011 | 2012 | 2013 | 2014E | 2015E | 2016E |
|------------------------------|---------|---------|---------|---------|---------|---------|
| GSP | 8,697 | 9,859 | 11,135 | 11,835 | 12,831 | 14,226 |
| YoY | 26.9% | 13.4% | 12.9% | 6.3% | 8.4% | 10.9% |
| Revenue | 3,602 | 3,807 | 4,162 | 4,454 | 4,812 | 5,296 |
| YoY | 20.5% | 5.7% | 9.3% | 7.0% | 8.0% | 10.1% |
| Other income | 436 | 566 | 709 | 649 | 759 | 899 |
| COGS | (2,104) | (2,112) | (2,310) | (2,477) | (2,680) | (2,966) |
| Gross margin/GSP | 41.6% | 44.5% | 44.5% | 44.4% | 44.3% | 44.0% |
| Staff costs | (430) | (483) | (573) | (615) | (667) | (754) |
| D&A | (221) | (254) | (317) | (330) | (362) | (392) |
| Rental costs | (55) | (68) | (81) | (89) | (115) | (142) |
| Other operating expenses | (396) | (489) | (494) | (500) | (500) | (500) |
| Operating profit | 833 | 967 | 1,095 | 1,092 | 1,246 | 1,441 |
| EBIT margin/GSP | 9.6% | 9.8% | 9.8% | 9.2% | 9.7% | 10.1% |
| Financing costs | -2 | -44 | -56 | -67 | -65 | -65 |
| Association | 0 | -1.9 | -3.7 | 0 | 0 | 0 |
| Pretax income | 831 | 922 | 1,035 | 1,025 | 1,181 | 1,376 |
| Taxation | (239) | (266) | (299) | (295) | (340) | (399) |
| Effective tax rate | -28.8% | -28.8% | -28.8% | -28.8% | -28.8% | -29.0% |
| Net profit | 592 | 656 | 737 | 729 | 841 | 977 |
| Attributable to stockholders | 581 | 651 | 730 | 721 | 833 | 969 |
| YoY | 56% | 12% | 12% | -1% | 15% | 16% |
| Net margin/GSP | 6.7% | 6.6% | 6.6% | 6.1% | 6.5% | 6.8% |

Source: CMS(HK)estimates, company

Overall, we revised down 2014-2015E earnings forecast by 9%/7% respectively, -5%/1% comparing with market consensus. Our TP of HK\$3.3 is based on 8x2015E P/E, 10% discount to its historical average P/E of 8.9x, we maintain NEUTRAL rating on the stock. The reason why we apply a lower PE valuation to the company is that we think the company is de-rating due to its conservative business model.

Figure 10: Peer valuation

| Company | Ticker | Market cap (US\$ m) | Share price | P/E (x) | | | P/B(x) | | EV/EBITDA (x) | ROE | Dividend Yield |
|-----------------------|-----------|------------------------|-------------|-------------|-------------|-------------|------------|------------|---------------|------------|----------------|
| | | | | 13 (x) | 14E (x) | 15E (x) | 13 (x) | 14E (x) | 14E (x) | 14E (%) | 14E (%) |
| HK market | | | | | | | | | | | |
| Intime Retail | 1833 HK | 2061 | 7.2 | 10.8 | 11.7 | 10.4 | 1.2 | 1.1 | 12.2 | 11.2 | 2.8 |
| Springland | 1700 HK | 1016 | 3.2 | 8.7 | 8.8 | 7.6 | 1.1 | 1.0 | 6.1 | 13 | 4.6 |
| Golden Eagle | 3308 HK | 2177 | 9.4 | 11.4 | 11.2 | 10.2 | 2.2 | 1.9 | 6.4 | 21.7 | 2.2 |
| Parkson | 3368 HK | 818 | 2.3 | 14.4 | 14.2 | 14.1 | 0.9 | 0.8 | 4.5 | 6.2 | 2.6 |
| New World Dept Store | 825 HK | 690 | 3.2 | 8.0 | 7.8 | 7.2 | 0.6 | 0.6 | 2.3 | 9.9 | 5.9 |
| Maoye Int'l | 848 HK | 930 | 1.4 | 7.1 | 7.4 | 6.7 | 0.9 | 0.8 | 8.5 | 13.0 | 3.2 |
| Lifestyle | 1212 HK | 3197 | 15.2 | 10.3 | 11.5 | 10.5 | 1.6 | 1.5 | 8.9 | 19.3 | 3.5 |
| Average | | | | 10.1 | 10.3 | 9.6 | 1.2 | 1.1 | 6.7 | | |
| China market | | | | | | | | | | | |
| Wangfujing Dept Store | 600859 CH | 1183 | 15.8 | 10.6 | 9.7 | 8.8 | 0.8 | 0.7 | 2.5 | 11.2 | 1.8 |
| Chongqing Dept Store | 600729 CH | 1297 | 19.8 | 9.6 | 9.0 | 7.8 | 1.2 | 1.0 | 3.1 | 17.9 | 2.2 |
| Rainbow Dept Store | 002419 CH | 1270 | 9.8 | 12.8 | 11.3 | 9.8 | 1.3 | 1.2 | 3.0 | 15.8 | 5.1 |
| Average | | | | 11.0 | 10.0 | 8.8 | 1.1 | 1.0 | 2.8 | | |
| US | | | | | | | | | | | |
| Macy's | M US | 21323 | 43.3 | 14.5 | 13.2 | 11.6 | 2.7 | 2.5 | 6.7 | 26.1 | 2.0 |
| Kohl's | KSS US | 10992 | 52.1 | 13.2 | 12.4 | 11.2 | 1.4 | 1.4 | 5.8 | 14.8 | 0.0 |
| Nordstrom | JWN US | 13260 | 56.6 | 18.8 | 18.0 | 16.3 | 4.7 | 4.0 | 8.3 | 34.4 | 2.9 |
| Average | | | | 15.5 | 14.5 | 13.1 | 2.9 | 2.6 | 6.9 | | 1.9 |

Source: CMS (HK), Bloomberg

Financial Summary

Balance Sheet

| RMB million | 2012 | 2013 | 2014E | 2015E | 2016E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Current Assets | 2,867 | 3,897 | 3,902 | 3,917 | 4,088 |
| Inventory | 314 | 383 | 410 | 443 | 487 |
| Trading investments | 0 | 0 | 0 | 0 | 0 |
| ST bank deposits | 0 | 0 | 0 | 0 | 0 |
| Trade receivables | 9 | 13 | 9 | 10 | 11 |
| Other receivables | 264 | 283 | 283 | 283 | 283 |
| Cash | 1,539 | 892 | 676 | 656 | 783 |
| Other current assets | 741 | 1,926 | 2,525 | 2,525 | 2,525 |
| Non-current assets | 7,515 | 8,235 | 8,804 | 9,442 | 10,050 |
| Investment property | 55 | 50 | 50 | 50 | 50 |
| Property, Plant & Eqt. | 5,805 | 6,132 | 6,701 | 7,339 | 7,947 |
| Intangible assets | 229 | 248 | 248 | 248 | 248 |
| Other non-current assets | 1,426 | 1,273 | 1,273 | 1,273 | 1,273 |
| Total assets | 10,382 | 12,132 | 12,706 | 13,359 | 14,139 |
| Current liabilities | 4,253 | 5,344 | 5,449 | 5,549 | 5,684 |
| Bank loans | 794 | 941 | 900 | 900 | 900 |
| Trade payables | 1,111 | 1,163 | 1,247 | 1,347 | 1,483 |
| Prepaid accounts | 2,263 | 2,229 | 2,290 | 2,290 | 2,290 |
| Other liquid liabilities | 85 | 81 | 81 | 81 | 81 |
| Long term Liabilities | 1,418 | 1,762 | 1,670 | 1,670 | 1,670 |
| Loans | 655 | 992 | 900 | 900 | 900 |
| Others | 472 | 469 | 469 | 469 | 469 |
| Total Liabilities | 5,671 | 7,106 | 7,118 | 7,219 | 7,354 |
| Issued capital | 22 | 22 | 22 | 22 | 22 |
| Others | 0 | 0 | 0 | 0 | 0 |
| Reserves | 4,214 | 4,607 | 5,040 | 5,540 | 6,122 |
| Minority interests | 232 | 230 | 238 | 246 | 254 |
| Dividends | 243 | 167 | 289 | 333 | 388 |
| Total equity and liabilities | 10,382 | 12,132 | 12,706 | 13,359 | 14,139 |

Cash Flow Statement

| RMB million | 2012 | 2013 | 2014E | 2015E | 2016E |
|----------------------------|---------|---------|-------|---------|---------|
| Operating cash flow | 1,327 | 1,003 | 1,144 | 1,236 | 1,423 |
| Profit before tax | 922 | 1,035 | 1,025 | 1,181 | 1,376 |
| Deprec & Amort. | 254 | 440 | 525 | 589 | 637 |
| Finance costs | (147) | (153) | (106) | (98) | (101) |
| Working capital chg | 455 | 40 | 123 | 67 | 90 |
| Others | (157) | (359) | (422) | (502) | (579) |
| CF from IA | (2,414) | (2,511) | (861) | (967) | (964) |
| Capital expenditure | (693) | (689) | (900) | (1,000) | (1,000) |
| Other investments | 0 | 7 | 0 | 0 | 0 |
| Others | (1,720) | (1,828) | 39 | 33 | 36 |
| CF from FA | 158 | 928 | (499) | (289) | (333) |
| Borrowings | 508 | 485 | (133) | 0 | 0 |
| Share capital | 22 | 22 | 22 | 22 | 22 |
| Changes of reserves | 310 | 393 | 433 | 500 | 582 |
| Dividends | (243) | (167) | (289) | (333) | (388) |
| Others | (438) | 195 | (532) | (477) | (549) |
| Net cash flow | 620 | (928) | (579) | (216) | (19) |

Source: Company data, CMS (HK) estimates

Profit & Loss Statement

| RMB million | 2012 | 2013 | 2014E | 2015E | 2016E |
|----------------------|---------|---------|---------|---------|---------|
| Revenue | 3,807 | 4,162 | 4,454 | 4,812 | 5,296 |
| Other income | 566 | 709 | 649 | 759 | 899 |
| COGS | (2,112) | (2,310) | (2,477) | (2,680) | (2,966) |
| Labour costs | (483) | (573) | (615) | (667) | (754) |
| D&A | (254) | (317) | (330) | (362) | (392) |
| Rental costs | (68) | (81) | (89) | (115) | (142) |
| Other expenses | (489) | (494) | (500) | (500) | (500) |
| Op profit | 967 | 1,095 | 1,092 | 1,246 | 1,441 |
| Finance costs | (44) | (56) | (67) | (65) | (65) |
| Other income | (2) | (4) | 0 | 0 | 0 |
| Non-operating income | 0 | 0 | 0 | 0 | 0 |
| Associates | 0 | 0 | 0 | 0 | 0 |
| PBT | 922 | 1,035 | 1,025 | 1,181 | 1,376 |
| Taxation | (266) | (299) | (295) | (340) | (399) |
| PAT | 656 | 737 | 729 | 841 | 977 |
| Minority interests | 4,974 | 6,217 | 8 | 8 | 8 |
| Net profit | 651 | 730 | 721 | 833 | 969 |
| EPS (HKD) | 0.26 | 0.29 | 0.29 | 0.33 | 0.39 |

Financial Ratios

| | 2012 | 2013 | 2014E | 2015E | 2016E |
|-------------------------------|-------|-------|-------|-------|-------|
| YoY growth rate | | | | | |
| Revenue | 6% | 9% | 7% | 8% | 10% |
| Op profit | 11% | 12% | -1% | 15% | 17% |
| Net profit | 12% | 12% | -1% | 15% | 16% |
| Profitability | | | | | |
| Gross margin | 44.5% | 44.5% | 44.4% | 44.3% | 44.0% |
| NP margin | 6.6% | 6.6% | 6.1% | 6.5% | 6.8% |
| ROE | 13.8% | 14.5% | 12.9% | 13.6% | 14.3% |
| ROIC | 6.9% | 7.2% | 7.7% | 8.1% | 8.6% |
| Liquidity | | | | | |
| Debt to asset | 54.6% | 58.6% | 56.0% | 54.0% | 52.0% |
| Net debt to equity | -2% | 21% | 9% | 9% | 6% |
| Liquid ratio | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Quick ratio | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 |
| Operating efficiency | | | | | |
| Asset turnover | 0.37 | 0.34 | 0.35 | 0.36 | 0.37 |
| Inventory turnover | 1.4 | 1.7 | 1.6 | 1.6 | 1.6 |
| AR turnover | 17 | 16 | 15 | 15 | 16 |
| AP turnover | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 |
| Per share ratios (RMB) | | | | | |
| EPS | 0.26 | 0.29 | 0.29 | 0.33 | 0.39 |
| CFPS | 0.53 | 0.40 | 0.46 | 0.49 | 0.57 |
| BPVS | 1.9 | 2.0 | 2.2 | 2.5 | 2.7 |
| DPS | 0.13 | 0.15 | 0.12 | 0.13 | 0.15 |
| Valuation ratios | | | | | |
| P/E | 9.7 | 8.7 | 8.8 | 7.6 | 6.5 |
| P/B | 1.3 | 1.3 | 1.1 | 1.0 | 0.9 |
| EV/EBITDA | 6.8 | 6.5 | 6.1 | 5.5 | 4.8 |

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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