



## Company Report: CSPC Pharmaceutical Group (01093 HK)

公司报告: 石药集团 (01093 HK)

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# Solid 3Q2019 Results With Strong Pipeline Layout, Maintain "Buy"

2019年第3季度业绩稳健，管线布局深厚，维持“买入”

- **1-3Q2019 revenue/ shareholders' profit of CSPC surged YoY by 27.5%/ 24.0% to RMB16,761 mn/ RMB2,811 mn, respectively, broadly in line with our expectation.** 3Q2019 revenue/ shareholders' profit increased YoY by 27.4%/ 22.3%, respectively.
- **Faster and stronger-than-expected R&D pipeline layout.** The Company now has over 300 projects under development, of which 50+ / 40+ / 20+ / 110+ are innovative macromolecules/ innovative small molecules/ new preparations/ generics. As for the innovative pipeline, 12 innovative products are expected to be launched in 2020-2022, including 5 macromolecules, 3 small molecules and 4 new preparations, whose combined peak sales is expected to reach more than RMB28 bn. Moreover, over 60 generics are expected get production approval in 2019-2022, of which more than 50 products are expected to have sales potential of over RMB100 mn.
- 1-3Q2019 results revealed that the Company's overall operations is quite stable and its growth momentum remains strong, with sound anti-risk ability and R&D capability. Therefore, we still hold to the opinion that the Company is a target for medium-term to long-term investment. With consideration to basically in-line 1-3Q2019 results, we maintain our current earnings forecasts for 2019-2021. However, given faster and stronger-than-expected R&D pipeline layout, **we raise the TP to HK\$24.90, implying 29.0x 2020F PER and reiterate our "Buy" investment rating for CPSC.**
- **2019年前三季度石药集团收入/ 股东净利分别同比上升 27.5%/ 24.0%至人民币 16,761 百万元/ 2,811 百万元，基本符合预期。** 2019 年第 3 季度，收入/ 股东净利分别同比上升 27.4%/ 22.3%。
- **研发管线进展快于预期且厚度高于预期。** 公司目前有在研项目 300 余项，其中 50 余项/ 40 余项/ 20 余项/ 110 余项为大分子创新药/ 小分子创新药/ 新型制剂/ 仿制药。就创新药管线而言，有 12 个创新产品预计将于 2020 年-2022 年上市，包括 5 个大分子、3 个小分子以及 4 个新型制剂，它们的合并销售峰值预计将达到人民币 280 亿元以上。另外，超过 60 个仿制药预计将于 2019 年-2022 年获批生产，其中销售额过亿元品种预计将超过 50 个。
- 2019 年前 3 季度业绩揭示公司的营运十分稳健，增速保持强劲，并且抗风险能力以及研发能力优异。因此，我们依然认为公司是中长期投资的一个不错的标的。考虑到 2019 年前三季度业绩大致符合预期，我们暂不调整 2019 年-2021 年的盈利预测。然而，鉴于公司的研发管线进展快于预期且厚度高于预期，**我们上调石药集团的目标价至 24.90 港元，对应 29.0 倍 2020 年的市盈率，并重申“买入”投资评级。**

Rating:

**Buy**

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

**HK\$24.90**

Revised from 原目标价:

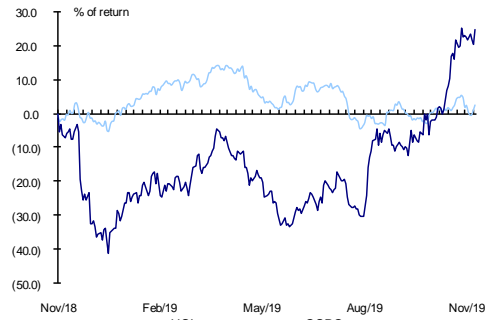
HK\$19.00

Share price 股价:

HK\$21.300

### Stock performance

股价表现



| Change in Share Price             | 1 M  | 3 M  | 1 Y  |
|-----------------------------------|------|------|------|
| 股价变动                              | 1 个月 | 3 个月 | 1 年  |
| Abs. % 绝对变动 %                     | 22.4 | 64.4 | 24.6 |
| Rel. % to HS Index 相对恒指变动 %       | 21.0 | 61.3 | 21.8 |
| Avg. share price (HK\$) 平均股价 (港元) | 19.8 | 17.2 | 14.4 |

Source: Bloomberg, Guotai Junan International.

| Year End                                | Turnover | Net Profit | EPS   | EPS            | PER                                    | BPS   | PBR | DPS                   | Yield | ROE    |
|---|----------|------------|-------|----------------|--|-------|-----|-----------------------|-------|--------|
| 年结                                      | 收入       | 股东净利       | 每股净利  | 每股净利变动         | 市盈率                                    | 每股净资产 | 市净率 | 每股股息                  | 股息率   | 净资产收益率 |
| 12/31                                   | (RMB m)  | (RMB m)    | (RMB) | (Δ %)          | (x)                                    | (RMB) | (x) | (RMB)                 | (%)   | (%)    |
| 2017A                                   | 13,409   | 2,403      | 0.394 | 30.5           | 45.0                                   | 2.181 | 8.1 | 0.130                 | 0.7   | 21.9   |
| 2018A                                   | 17,753   | 3,086      | 0.494 | 25.4           | 37.9                                   | 2.313 | 8.1 | 0.152                 | 0.8   | 22.3   |
| 2019F                                   | 22,720   | 3,810      | 0.611 | 23.7           | 31.4                                   | 2.773 | 6.9 | 0.183                 | 1.0   | 24.0   |
| 2020F                                   | 28,671   | 4,907      | 0.787 | 28.8           | 24.4                                   | 3.376 | 5.7 | 0.236                 | 1.2   | 25.6   |
| 2021F                                   | 34,972   | 6,058      | 0.971 | 23.4           | 19.7                                   | 4.112 | 4.7 | 0.291                 | 1.5   | 25.9   |
| Shares in issue (m) 总股数 (m)             |          |            |       | 6,236.3        | Major shareholder 大股东                  |       |     | Mr.Cai Dongchen 23.2% |       |        |
| Market cap. (HK\$ m) 市值 (HK\$ m)        |          |            |       | 132,833.2      | Free float (%) 自由流通比率(%)               |       |     | 76.8                  |       |        |
| 3 month average vol. 3 个月平均成交股数('000)   |          |            |       | 42,357.3       | FY19 Net gearing (%) FY19 净负债/股东资金 (%) |       |     | Net cash              |       |        |
| 52 Weeks high/low (HK\$) 52 周高/低 (HK\$) |          |            |       | 21.800 / 9.900 | FY19 Est. NAV (HK\$) FY19 每股估值 (港元)    |       |     | 28.1                  |       |        |

Source: the Company, Guotai Junan International.

**1-3Q2019 revenue/ shareholders' profit of CSPC surged YoY by 27.5%/ 24.0% to RMB16,761 mn/ RMB2,811 mn, respectively, accounting for 73.8%/ 73.8% of our full-year forecast and broadly in line with our expectation.** Innovative drug business continued to be a major growth driver to the Company, with sales increasing by 51.9% YoY to RMB9,525 mn. With changes on sales strategy, common generic drugs merely recorded aggregate sales of RMB3,862 mn, up 6.0% YoY. Despite a fall in API price, sales of Vitamin C bulk drug business increased by 15.3% YoY to RMB1,596 mn, mainly attributable to the additions of different specifications which boosted sales volume. Due to uninterrupted sluggish market demand, sales of antibiotics bulk drug decreased YoY by 17.2% to RMB715 mn. Sales of other business delivered stable YoY growth of 8.2% to RMB1,063 mn. Gross profit margin was largely improved YoY by 5.7 ppts to 70.9%, mainly resulted from higher proportion of sales from innovative drugs which have a relatively higher profit. Nevertheless, dragged by increasing S&D expense ratio (38.5%, +4.3 ppts YoY), rising R&D expense ratio (9.0%, +2.0 ppts YoY) and slashed prices of Vitamin C bulk drug, operating profit margin/ net profit margin dropped by 0.7 ppt YoY/ 0.5ppt YoY to 21.0%/ 16.8%, respectively. The Company did not propose an interim dividend for 1-3Q2019.

**NBP and oncology franchise are expected to maintain strong growth momentum.** In 1-3Q2019, sales of NBP and oncology franchise surged YoY by 35.7% and 170.7% to RMB4.0 bn and RMB3,483 mn, respectively. The Company aims to expand the sales force for NBP/ oncology franchise from the current amount of around 2,300/ 2,700 people to around 2,700-2,800/ 4,500 people by the end of 2020. The management indicated that 1) NBP has low likelihood to be included into the KMDL of another province, 2) Keaili is safe from the joint procurement without inclusion into the NRDL; and 3) although there is some possibility that Aiduo (mecapegfilgrastim injection) and Lipusu (paclitaxel liposome for injection) may enter into the NRDL through negotiation; the impact on Jinyouli and Keaili is expected to be limited.

**Top-line growth of Xuanning and common generics is expected to rebound.** Sales of Xuanning barely grew to RMB770 mn in 1-3Q2019 but we expect sales growth of Xuanning to accelerate in 2020, when the NDA of Xuanning in the U.S. is expected to get approval. Sales of Oulaining was down slightly to RMB1.2 bn in 1-3Q2019 and it is expected to remain distressed due to its inclusion into the national KMDL. Growth of common generics sales decelerated to 4.3% YoY in 3Q2019 from 11.6% YoY in 2Q2019. We expect rapid momentum of recovery from next year as 1) the sales team is expected to expand to around 6,000 ppl from the current 3,500 people; 2) the Company plans to launch 66 common generics in the upcoming 3 years of which over 20 have applied for registration and over 20 are under BE or clinical trials.

**Faster and stronger-than-expected R&D pipeline layout.** The Company now has over 300 projects under development, of which 50+/ 40+/ 20+/ 110+/ 18/ 60+ are innovative macromolecules/ innovative small molecules/ new preparations/ generics/ ANDA projects/ projects of consistency evaluations. As for the innovative pipeline, we anticipate the launch of 12 innovative products in 2020-2022, including 5 macromolecules, 3 small molecules and 4 new preparations, whose combined peak sales is expected to reach more than RMB28 bn. R&D expenses reached RMB1.5bn in 1-3Q2019, up 64.0% YoY and accounting for 9.0% of sales. The management guided that R&D expenses will stabilize at 10%-15% of sales in the upcoming 5-10 years, which will be mostly dedicated into innovative projects.

1-3Q2019 results revealed that the Company's operations are quite stable and its growth momentum remains strong, with sound anti-risk ability and R&D capability. Therefore, we still hold to the opinion that the Company is a target for medium-term to long-term investment. With consideration to basically in-line 1-3Q2019 results, we maintain our current earnings forecasts. However, given faster and stronger-than-expected R&D pipeline layout, **we raise the TP to HK\$24.90, implying 29.0x 2020F PER and reiterate our "Buy" investment rating for CPSC.**

**Risks include:** 1) Government policy risks; 2) Delays in the Company's pipeline; 3) Slower-than-expected tender progress; 4) Margin erosion triggered by further price cuts in key products; 5) Fluctuations in ASP of bulk drugs; 6) Exchange rate volatility.

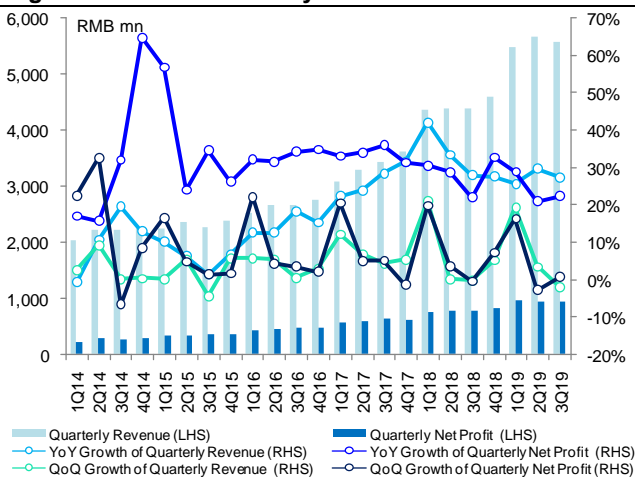
**Table-1: CSPC's 1-3Q2019 Results Review**

| RMB million                      | 1-3Q2018      | 1-3Q2019      | YoY          | 3Q2018       | 3Q2019       | YoY          |
|----------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                   | <b>13,143</b> | <b>16,761</b> | <b>27.5%</b> | <b>4,383</b> | <b>5,583</b> | <b>27.4%</b> |
| - Finished drug segment          | 9,912         | 13,387        | 35.1%        | 3,504        | 4,621        | 31.9%        |
| --- Innovative drugs             | 6,269         | 9,525         | 51.9%        | 2,311        | 3,376        | 46.1%        |
| --- Common generic drugs         | 3,643         | 3,862         | 6.0%         | 1,194        | 1,245        | 4.3%         |
| - Bulk drug and other segment    | 3,231         | 3,373         | 4.4%         | 879          | 962          | 9.4%         |
| --- Antibiotics API              | 864           | 715           | -17.2%       | 237          | 184          | -22.5%       |
| --- Vitamin C API                | 1,384         | 1,596         | 15.3%        | 333          | 438          | 31.5%        |
| --- Caffeine API and others      | 982           | 1,063         | 8.2%         | 308          | 340          | 10.2%        |
| <b>Gross profit</b>              | <b>8,569</b>  | <b>11,888</b> | <b>38.7%</b> | <b>2,974</b> | <b>4,075</b> | <b>37.0%</b> |
| S&D expenses                     | (4,496)       | (6,458)       | 43.6%        | (1,575)      | (2,231)      | 41.7%        |
| G&A expenses                     | (499)         | (583)         | 16.9%        | (171)        | (200)        | 17.4%        |
| R&D expenses                     | (916)         | (1,502)       | 64.0%        | (357)        | (560)        | 57.0%        |
| <b>Operating profit</b>          | <b>2,849</b>  | <b>3,523</b>  | <b>23.6%</b> | <b>963</b>   | <b>1,183</b> | <b>22.8%</b> |
| Finance costs                    | (50)          | (30)          | -40.1%       | (21)         | (3)          | -84.4%       |
| Share of profit of associates&JV | 29            | 35            | 17.7%        | 10           | 10           | -2.1%        |
| <b>Profit before tax</b>         | <b>2,828</b>  | <b>3,527</b>  | <b>24.7%</b> | <b>952</b>   | <b>1,190</b> | <b>24.9%</b> |
| Taxation                         | (574)         | (680)         | 18.5%        | (194)        | (231)        | 19.4%        |
| <b>Profit After Tax</b>          | <b>2,254</b>  | <b>2,847</b>  | <b>26.3%</b> | <b>759</b>   | <b>959</b>   | <b>26.3%</b> |
| <b>Shareholder's Profit</b>      | <b>2,267</b>  | <b>2,811</b>  | <b>24.0%</b> | <b>763</b>   | <b>933</b>   | <b>22.3%</b> |
| Basic EPS (cent)                 | 36.32         | 45.15         | 24.3%        | 12.22        | 15.02        | 22.9%        |
| <br>                             |               |               |              |              |              |              |
| Gross Margin                     | 65.2%         | 70.9%         | 5.7 pts      | 67.8%        | 73.0%        | 5.1 pts      |
| Operating Margin                 | 21.7%         | 21.0%         | -0.7 ppt     | 22.0%        | 21.2%        | -0.8 ppt     |
| - Finish drug segment            | 21.0%         | 21.9%         | 0.9 ppt      | 22.3%        | 23.0%        | 0.7 ppt      |
| - Bulk drug and other segment    | 23.5%         | 17.5%         | -6.0 pts     | 18.4%        | 14.0%        | -4.4 pts     |
| --- Antibiotics API              | 3.7%          | 2.1%          | -1.6 ppt     | -6.9%        | -8.0%        | -1.0 ppt     |
| --- Vitamin C API                | 37.3%         | 22.4%         | -14.9 pts    | 33.9%        | 13.3%        | -20.6 pts    |
| --- Caffeine API and others      | 21.4%         | 20.6%         | -0.9 ppt     | 21.2%        | 26.9%        | 5.7 pts      |
| PAT Margin                       | 17.2%         | 17.0%         | -0.2 ppt     | 17.3%        | 17.2%        | -0.1 ppt     |
| Net Profit Margin                | 17.3%         | 16.8%         | -0.5 ppt     | 17.4%        | 16.7%        | -0.7 ppt     |

Source: the Company, Guotai Junan International.

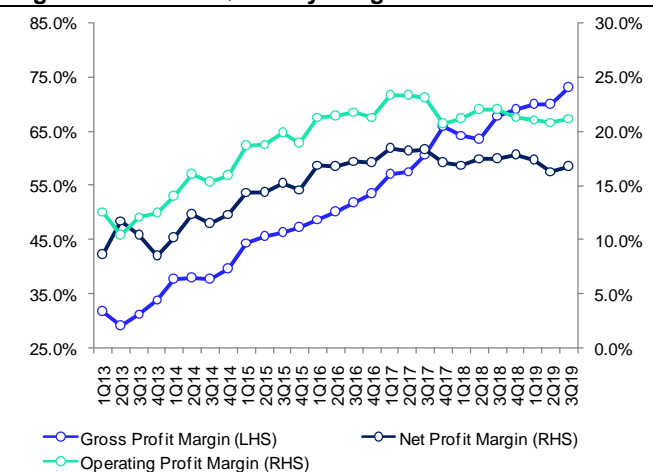
- Note:
- 1) Presentation currency for financial statements has changed to RMB from HK\$ since the beginning of 2019.
  - 2) Revenue generated from health products has been included in revenue derived from other businesses rather than revenue derived from finished drug segment since the beginning of 2019. 3Q2018/ 1-3Q2018 figures have been restated in this table.

**Figure-1: CSPC's Quarterly Revenue and Net Profit**



Source: the Company, Guotai Junan International.

**Figure-2: CSPC's Quarterly Margins**



Source: the Company, Guotai Junan International.

**Table-2: Innovative Pipeline of CSPC - Small Molecules**

| Therapeutic Area       | Major Candidates                                | Indication                                       | Mechanism/Target           | Expected Launch Time | Estimated Peak Sales (RMB mn) | Status                             |
|------------------------|---|--|----------------------------|----------------------|-------------------------------|------------------------------------|
| CCV                    | Levamlodipine maleate tablets (US)              | Hypertension                                     | CCB                        |                      |                               | Registration                       |
| CCV                    | SYHA136   | Antithrombotic agent                             | Factor Xa inhibitor        |                      |                               | Phase I                            |
| Oncology               | Duvelisib                                       | Lymphoma   | PI3K-γ/δ inhibitor         | 2021                 | >1,000                        | Phase III / Pivotal Clinical Trial |
| Oncology               | SKLB1028  | Acute myeloid leukemia                           | FLT3-ITD inhibitor         | 2023                 | >1,000                        | Phase II                           |
| Oncology               | SYHA121-28                                      | Gastric cancer                                   | TKI                        | 2022                 | >3,000                        | Phase I                            |
| Oncology               | SYHA1817  | Gastric cancer, cholangiocarcinoma, SCLC         | FGFR/ KDR/ CSF1R inhibitor |                      |                               | Phase I                            |
| Oncology               | SYHA1801  | Advanced solid tumor                             | BRD4                       |                      |                               | Phase I                            |
| Oncology               | SYHA1803  | Liver cancer                                     | Pan-FGRR                   |                      |                               | Phase I                            |
| Oncology               | SYHA1807  | Lung cancer                                      | LSD1                       |                      |                               | Phase I                            |
| Digestion & Metabolism | DBPR108   | Diabetes   | DPP-4 inhibitor            | 2022                 | >1,000                        | Phase III / Pivotal Clinical Trial |
| Digestion & Metabolism | SYHA1402  | Diabetic neuropathy                              | aldose reductase inhibitor | 2024                 |                               | Phase I                            |
| Psychiatry & Neurology | NBP soft capsule                                | Vascular dementia                                |                            |                      |                               | Phase III / Pivotal Clinical Trial |
| Psychiatry & Neurology | RMX1002   | Cancer or neuropathic pain                       | EP4 receptor antagonist    | 2022                 | >1,000                        | Phase III / Pivotal Clinical Trial |
| Psychiatry & Neurology | NBP soft capsule (US)                           | Ischemic stroke                                  |                            |                      |                               | Phase II                           |
| Psychiatry & Neurology | Ammuxetine hydrochloride enteric-coated tablets | Antidepressant                                   | 5-HT/NE SNRIs              | 2024                 |                               | Phase II                           |
| Psychiatry & Neurology | RMX1001   | Cancer or neuropathic pain                       | COX-2 inhibitor            |                      |                               | Phase I                            |
| Anti-infection         | Baicalein tablets                               | Influenza  |                            |                      |                               | Phase II                           |
| Anti-infection         | RMX2001   | Tuberculosis or gram-positive bacteria infection | oxazolidinone analogue     |                      |                               | Phase I                            |
| Autoimmunity           | CSPCHA115                                       | Allergic rhinitis and asthma                     | CRTH2                      |                      |                               | Phase I                            |

Source: the Company, Guotai Junan International.

**Table-3: Innovative Pipeline of CSPC - Macromolecules**

| Therapeutic Area       | Major Candidates              | Indication                         | Mechanism/Target                    | Expected Launch Time | Estimated Peak Sales (RMB mn) | Status                             |
|------------------------|-------------------------------|------------------------------------|-------------------------------------|----------------------|-------------------------------|------------------------------------|
| Oncology               | SCT400                        | Non-Hodgkin's lymphoma             | anti-CD20 mAb                       | 2020                 | >1,500                        | Registration                       |
|                        |                               | Hypercalcemia                      |                                     |                      |                               | Phase III / Pivotal Clinical Trial |
| Oncology               | JMT103                        | Giant-cell tumor of bone           | anti-RANKL mAb                      | 2021                 | >3,000                        | Phase III / Pivotal Clinical Trial |
|                        |                               | Osteoporosis                       |                                     |                      |                               | Phase I                            |
|                        |                               | Bone metastasis                    |                                     |                      |                               | Phase I                            |
| Oncology               | JMT101                        | Multiple solid tumors              | anti-EGFR mAb                       | 2024                 | >1,000                        | Phase II                           |
| Oncology               | SYSA1802                      | Tumor                              | anti-PD-1 mAb                       | 2022                 | >3,000                        | Phase I                            |
| Oncology               | M802                          | Breast cancer, gastric cancer      | bsAb (HER2/CD3)                     | 2025                 | >1,500                        | Phase I                            |
| Oncology               | M701                          | Ascites caused by tumor            | bsAb (EpCAM/CD3)                    | 2022                 | >1,500                        | Phase I                            |
| Oncology               | SYSA1501                      | Breast, gastric or ovarian cancer  | Her2 ADC                            | 2025                 | >4,000                        | Phase I                            |
| Psychiatry & Neurology | ALMB0166                      | Spinal cord injury                 | CX43 antagonist                     | 2023                 | >3,000                        | Phase I                            |
| Digestion & Metabolism | TG103                         | Diabetes                           | recombinant GLP-1 Fc fusion protein | 2022                 | >2,000                        | Phase I                            |
| Autoimmunity           | SYN008/ Omalizumab biosimilar | Moderate or severe allergic asthma | anti-Ig E mAb                       | 2024                 | >2,000                        | Phase III / Pivotal Clinical Trial |

Source: the Company, Guotai Junan International.

**Table-4: Innovative Pipeline of CSPC - New Preparations**

| Therapeutic Area | Major Candidates   | Indication  | Expected Launch Time | Estimated Peak Sales (RMB mn) | Status                             |
|------------------|--|---|----------------------|-------------------------------|------------------------------------|
| Oncology         | Paclitaxel for injection (albumin-bound)                 | Lung cancer   |                      |                               | Phase III / Pivotal Clinical Trial |
| Oncology         | Mitoxantrone hydrochloride liposome injection            | PTCL  | 2020                 | >5,000                        | Phase III / Pivotal Clinical Trial |
| Oncology         | Irinotecan liposome injection (US)                       | Pancreatic cancer   | 2021                 | >3,000                        | Phase III / Pivotal Clinical Trial |
| Oncology         | Mitoxantrone hydrochloride liposome injection            | Liver cancer  |                      |                               | Phase I                            |
| Oncology         | Vinorelbine tartrate liposome injection                  | Multiple solid tumors and myeloma                           |                      |                               | Phase I                            |
| Oncology         | Paclitaxel cationic liposome for injection               | Breast cancer, pancreatic cancer                            | 2024                 | >3,000                        | Phase I                            |
| Oncology         | Epirubicin liposome injection                            | Multiple hematologic cancers and solid tumors               |                      |                               | Phase I                            |
| Oncology         | Daunorubicin cytarabine liposome for injection           | Leukemia  |                      |                               | Pre-clinical                       |
| Oncology         | Octreotide acetate microspheres for injection            | Acromegaly, gastrointestinal and pancreatic endocrine tumor |                      |                               | Pre-clinical                       |
| Oncology         | Docetaxel for injection (albumin-bound)                  | Multiple solid tumors                                       | 2024                 | >5,000                        | Pre-clinical                       |
| Oncology         | Cisplatin micelle  | Multiple solid tumors                                       |                      |                               | Pre-clinical                       |
| Oncology         | Toll-like receptor agonist liposome                      | Solid tumors  |                      |                               | Pre-clinical                       |
| Oncology         | ADC liposome   | Solid tumors  |                      |                               | Pre-clinical                       |
| Anti-infection   | Amphotericin B cholesteryl sulfate complex for injection | Invasive fungal infection                                   | 2020                 | 3,000-5,000                   | Registration                       |
| Anti-infection   | Amphotericin B liposome for injection                    | Invasive fungal infection                                   | 2021                 | 3,000-5,000                   | Pre-clinical                       |

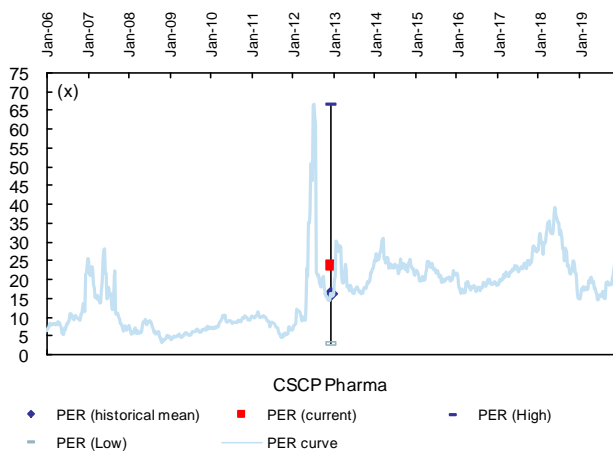
CCV Alprostadil liposome for injection Vasodilation 2023 >2,000 Phase II  
Source: the Company, Guotai Junan International.

**Table-5: Launch Plan of CSPC's Common Generics Candidates in 2019-2022**

| Candidate                                       | Therapeutic Area       | Expected Launch Time | Candidate   | Therapeutic Area       | Expected Launch Time |
|---|------------------------|----------------------|---|------------------------|----------------------|
| Pramipexole hydrochloride tablets               | Psychiatry & Neurology | 2019                 | Alogliptin benzoate tablets                             | Digestion & Metabolism | 2021                 |
| Pregabalin capsules (US)                        | Psychiatry & Neurology | 2019                 | Sofosbuvir tablets                                      | Anti-infection         | 2021                 |
| Sunitinib malate capsules                       | Oncology               | 2019                 | Ertapenem for injection (US)                            | Anti-infection         | 2021                 |
| Montelukast sodium tablets                      | Autoimmunity           | 2019                 | Oseltamivir phosphate capsules                          | Anti-infection         | 2021                 |
| Montelukast sodium chewable tablets             | Autoimmunity           | 2019                 | Apremilast tablets                                      | Autoimmunity           | 2021                 |
| Rivaroxaban tablets                             | CCV                    | 2020                 | Tofacitinib citrate tablets                             | Autoimmunity           | 2021                 |
| Sacubitril / Valsartan sodium tablets           | CCV                    | 2020                 | Nifedipine extended-release tablets                     | CCV                    | 2022                 |
| Nintedanib esilate soft capsules                | CCV                    | 2020                 | Dabigatran etexilate capsules                           | CCV                    | 2022                 |
| Omega-3-Acid Ethyl Esters 90 Soft Capsules (US) | CCV                    | 2020                 | Roxadustat capsules                                     | CCV                    | 2022                 |
| Memantine hydrochloride tablets                 | Psychiatry & Neurology | 2020                 | Selexipag tablets                                       | CCV                    | 2022                 |
| Paliperidone extended-release tablets (US)      | Psychiatry & Neurology | 2020                 | Fondaparinux injection                                  | CCV                    | 2022                 |
| Carbamazepine extended-release tablets (US)     | Psychiatry & Neurology | 2020                 | Vortioxetine hydrobromide tablets                       | Psychiatry & neurology | 2022                 |
| Paroxetine extended-release tablets (US)        | Psychiatry & Neurology | 2020                 | Gabapentin capsules                                     | Psychiatry & neurology | 2022                 |
| Acarbose tablets                                | Digestion & Metabolism | 2020                 | Pramipexole extended-release tablets                    | Psychiatry & neurology | 2022                 |
| Sitagliptin phosphate tablets                   | Digestion & Metabolism | 2020                 | Donepezil hydrochloride tablets                         | Psychiatry & neurology | 2022                 |
| Esomeprazole magnesium capsules (US)            | Digestion & Metabolism | 2020                 | Lacosamide injection                                    | Psychiatry & neurology | 2022                 |
| Ornithine aspartate API & injection             | Digestion & Metabolism | 2020                 | Pazopanib tablets                                       | Oncology               | 2022                 |
| Imatinib mesylate tablets (US)                  | Oncology               | 2020                 | Lenalidomide capsules                                   | Oncology               | 2022                 |
| Entecavir tablets                               | Anti-infection         | 2020                 | Lenvatinib mesylate capsules                            | Oncology               | 2022                 |
| Celecoxib capsules                              | Others                 | 2020                 | Olapali tablets   | Oncology               | 2022                 |
| Apixaban tablets                                | CCV                    | 2021                 | Regorafenib tablets                                     | Oncology               | 2022                 |
| Candesartan amlodipine tablets                  | CCV                    | 2021                 | Exenatide injection                                     | Digestion & Metabolism | 2022                 |
| Pregabalin tablets                              | Psychiatry & Neurology | 2021                 | Liraglutide injection                                   | Digestion & Metabolism | 2022                 |
| Lacosamide tablets                              | Psychiatry & Neurology | 2021                 | Dapagliflozin Tablets                                   | Digestion & Metabolism | 2022                 |
| Duloxetine enteric-coated capsules              | Psychiatry & Neurology | 2021                 | Esomeprazole magnesium enteric-coated capsules          | Digestion & Metabolism | 2022                 |
| Paliperidone extended-release tablets           | Psychiatry & Neurology | 2021                 | Baloxavir tablets                                       | Anti-infection         | 2022                 |
| Dasatinib tablets                               | Oncology               | 2021                 | Tenofovir alafenamide Fumarate tablets                  | Anti-infection         | 2022                 |
| Sorafenib tosylate tablets                      | Oncology               | 2021                 | Moxifloxacin hydrochloride tablets                      | Anti-infection         | 2022                 |
| Alfatinib maleate tablets                       | Oncology               | 2021                 | Moxifloxacin hydrochloride in sodium chloride injection | Anti-infection         | 2022                 |
| Linagliptin tablets                             | Digestion & Metabolism | 2021                 | Zoledronic acid injection                               | Others                 | 2022                 |

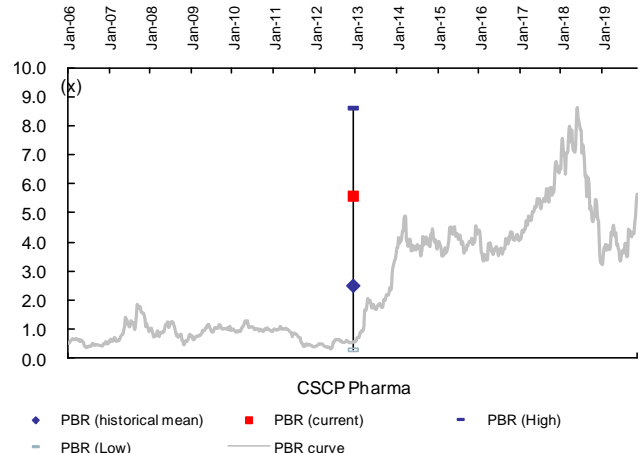
Source: the Company, Guotai Junan International.

**Figure-3: Forward PE Band of CSPC**



Source: Bloomberg, Guotai Junan International.

**Figure-4: Forward PB Band of CSPC**



Source: Bloomberg, Guotai Junan International.

**Table-6: Peers Group Comparison of CSPC**

| Company                             | Stock Code | Currency | Last price | Market Cap<br>HKD mil | PE (fiscal year) |      |      |      | PB (fiscal year) |      |      |      | PEG  | ROE(%) |       | ROA(%) |      | EV/EBITDA |      |  |  |
|-------------------------------------|------------|----------|------------|-----------------------|------------------|------|------|------|------------------|------|------|------|------|--------|-------|--------|------|-----------|------|--|--|
|                                     |            |          |            |                       | 18A              | 19F  | 20F  | 21F  | 18A              | 19F  | 20F  | 21F  |      | 19F    | 19F   | 18A    | 19F  | 20F       | 21F  |  |  |
| <b>HK-listed Pharmaceuticals</b>    |            |          |            |                       |                  |      |      |      |                  |      |      |      |      |        |       |        |      |           |      |  |  |
| CSPC Pharma                         | 1093 HK    | HKD      | 21.30      | 132,834               | 36.4             | 30.0 | 24.3 | 20.0 | 7.8              | 6.8  | 5.7  | 4.8  | 1.1  | 23.2   | 16.2  | 12.4   | 19.8 | 16.2      | 13.5 |  |  |
| Sihuan Pharma                       | 460 HK     | HKD      | 1.02       | 9,655                 | 5.0              | 46.4 | 5.0  | 4.7  | 0.7              | 0.8  | 0.7  | 0.6  | 1.9  | 0.9    | (7.3) | 3.9    | n.a. | n.a.      | n.a. |  |  |
| Sino Biopharm                       | 1177 HK    | HKD      | 11.68      | 147,031               | 13.5             | 39.7 | 33.7 | 28.0 | 4.4              | 3.9  | 3.5  | 3.1  | n.a. | 10.6   | 7.6   | 4.9    | 19.7 | 16.6      | 14.2 |  |  |
| Luye Pharma                         | 2186 HK    | HKD      | 6.47       | 21,150                | 13.4             | 12.0 | 10.6 | 8.9  | 2.4              | 2.0  | 1.7  | 1.5  | 0.7  | 18.9   | 9.8   | 9.2    | 9.3  | 8.0       | 6.3  |  |  |
| Livzon Pharma-H                     | 1513 HK    | HKD      | 24.25      | 30,392                | 13.5             | 16.4 | 14.2 | 12.5 | 1.4              | 1.8  | 1.6  | 1.5  | 5.4  | 11.0   | 7.6   | 8.9    | 12.7 | 10.8      | 9.2  |  |  |
| HEC-H                               | 1558 HK    | HKD      | 43.90      | 19,703                | 17.7             | 11.1 | 10.1 | 8.4  | 5.1              | 3.8  | 3.0  | 2.4  | 0.4  | 35.9   | 21.1  | 8.7    | 8.7  | 7.6       | 6.8  |  |  |
| 3Sbio Inc                           | 1530 HK    | HKD      | 12.42      | 31,546                | 20.9             | 22.5 | 16.6 | 13.8 | 3.2              | 2.9  | 2.5  | 2.1  | 1.1  | 13.4   | 8.7   | 13.3   | 15.5 | 11.4      | 9.3  |  |  |
| Fosun Pharma-H                      | 2196 HK    | HKD      | 23.60      | 75,308                | 18.6             | 16.4 | 14.7 | 12.7 | 1.9              | 1.7  | 1.6  | 1.5  | 1.1  | 10.6   | 4.0   | 18.7   | 24.8 | 20.3      | 17.2 |  |  |
| Fosun Int.                          | 656 HK     | HKD      | 10.92      | 93,230                | 5.9              | 5.7  | 5.1  | 4.8  | 0.8              | 0.7  | 0.6  | 0.6  | 0.7  | 13.2   | 2.3   | 6.4    | 7.5  | 7.0       | 6.7  |  |  |
| SSY Group                           | 2005 HK    | HKD      | 6.44       | 19,535                | 21.2             | 17.7 | 14.7 | 12.2 | 4.6              | 3.8  | 3.2  | 2.7  | 0.7  | 23.8   | 15.2  | 12.9   | n.a. | n.a.      | n.a. |  |  |
| United Lab.                         | 3933 HK    | HKD      | 4.95       | 8,117                 | 10.0             | 12.5 | 10.8 | 9.4  | 1.2              | 1.2  | 1.0  | 0.9  | 5.6  | 9.5    | 4.7   | 5.3    | 4.4  | 4.5       | 4.8  |  |  |
| Xinhua Pharma-H                     | 719 HK     | HKD      | 3.76       | 4,101                 | 7.9              | n.a. | n.a. | n.a. | 0.8              | n.a. | n.a. | n.a. | n.a. | n.a.   | n.a.  | n.a.   | n.a. | n.a.      | n.a. |  |  |
| China Grand Pharma                  | 512 HK     | HKD      | 4.52       | 15,267                | 16.3             | 13.6 | 10.2 | 7.9  | 2.0              | 1.7  | 1.5  | 1.3  | 0.4  | n.a.   | n.a.  | 11.2   | n.a. | n.a.      | n.a. |  |  |
| GZ BYS Pharma                       | 874 HK     | HKD      | 24.75      | 58,966                | 9.9              | 11.5 | 9.7  | 9.0  | 1.6              | 1.5  | 1.3  | 1.2  | 3.0  | 14.5   | 6.9   | 12.5   | 13.4 | 9.8       | 9.4  |  |  |
| Essex Bio Tech                      | 1061 HK    | HKD      | 6.67       | 3,855                 | 16.5             | 13.7 | 11.1 | 9.2  | 4.2              | 3.2  | 2.6  | 2.1  | 0.5  | n.a.   | n.a.  | 8.1    | n.a. | n.a.      | n.a. |  |  |
| Dawnrays Pharma                     | 2348 HK    | HKD      | 1.40       | 2,191                 | 6.2              | 4.3  | 3.7  | n.a. | 1.0              | 0.8  | 0.7  | n.a. | n.a. | 14.3   | 10.9  | 2.6    | n.a. | n.a.      | n.a. |  |  |
| LEE's Pharma                        | 950 HK     | HKD      | 4.32       | 2,540                 | 6.1              | 12.4 | 9.5  | 9.1  | 1.2              | 1.1  | 1.0  | 0.9  | n.a. | 8.5    | n.a.  | 5.6    | n.a. | n.a.      | n.a. |  |  |
| Fudan-Zhangjiang-H                  | 1349 HK    | HKD      | 5.32       | 4,910                 | 27.4             | 25.3 | 21.9 | 19.3 | 4.4              | n.a. | n.a. | n.a. | 1.8  | n.a.   | n.a.  | 13.4   | n.a. | n.a.      | n.a. |  |  |
| Ni Pharma                           | 1011 HK    | HKD      | 0.27       | 514                   | n.a.             | n.a. | n.a. | n.a. | 0.8              | n.a. | n.a. | n.a. | n.a. | n.a.   | n.a.  | n.a.   | n.a. | n.a.      | n.a. |  |  |
| Jacobson Pharma                     | 2633 HK    | HKD      | 1.50       | 3,023                 | 13.5             | 11.6 | 10.3 | 8.8  | 1.4              | 1.1  | 1.1  | 1.0  | 0.7  | 10.8   | 6.4   | 8.8    | 7.0  | n.a.      | n.a. |  |  |
| Simple Average                      |            |          |            |                       | 14.7             | 17.9 | 13.1 | 11.7 | 2.5              | 2.3  | 2.0  | 1.8  | 1.7  | 14.6   | 8.2   | 9.3    | 13.0 | 11.2      | 9.7  |  |  |
| Weighted Average                    |            |          |            |                       | 17.8             | 22.5 | 18.4 | 15.6 | 3.6              | 3.2  | 2.8  | 2.4  | 1.5  | 15.3   | 8.6   | 10.0   | 16.4 | 13.6      | 11.7 |  |  |
| <b>China-listed Pharmaceuticals</b> |            |          |            |                       |                  |      |      |      |                  |      |      |      |      |        |       |        |      |           |      |  |  |
| Hengrui Medicine                    | 600276 CH  | CNY      | 95.63      | 471,368               | 86.9             | 81.0 | 62.3 | 48.8 | 17.8             | 17.0 | 13.5 | 10.7 | 2.9  | 22.0   | 20.1  | 39.6   | 67.0 | 51.3      | 39.9 |  |  |
| Fosun Pharma-A                      | 600196 CH  | CNY      | 27.79      | 75,307                | 26.0             | 22.3 | 19.1 | 16.0 | 2.6              | 2.3  | 2.1  | 1.9  | 1.1  | 10.1   | 4.0   | 18.7   | 21.3 | 17.9      | 15.0 |  |  |
| Kelun Pharma                        | 002422 CH  | CNY      | 24.28      | 38,960                | 28.6             | 25.9 | 20.8 | 17.3 | 2.7              | 2.5  | 2.3  | 2.1  | 1.1  | 9.8    | 4.2   | 13.0   | 14.3 | 11.7      | n.a. |  |  |
| Livzon Pharma-A                     | 000513 CH  | CNY      | 33.03      | 30,392                | 21.9             | 24.3 | 20.9 | 18.3 | 2.2              | 2.5  | 2.3  | 2.2  | 3.4  | 11.0   | 7.7   | 8.9    | 12.6 | 10.6      | 8.9  |  |  |
| Shyndec Pharma                      | 600420 CH  | CNY      | 8.72       | 9,980                 | 13.5             | 11.3 | 10.3 | n.a. | 1.4              | n.a. | n.a. | n.a. | n.a. | 10.7   | n.a.  | 7.5    | n.a. | n.a.      | n.a. |  |  |
| Zhejiang Medicine                   | 600216 CH  | CNY      | 13.40      | 14,413                | 35.3             | 21.4 | 10.6 | 8.2  | 1.7              | 1.6  | 1.4  | 1.2  | 0.2  | 7.1    | 5.9   | 8.5    | n.a. | n.a.      | n.a. |  |  |
| Hisun Pharma                        | 600267 CH  | CNY      | 10.77      | 11,589                | n.a.             | 10.2 | 33.7 | 19.9 | 1.7              | n.a. | n.a. | n.a. | n.a. | n.a.   | n.a.  | 18.7   | n.a. | n.a.      | n.a. |  |  |
| Lukang Pharma                       | 600789 CH  | CNY      | 6.68       | 6,553                 | 28.0             | n.a. | n.a. | n.a. | 1.5              | n.a. | n.a. | n.a. | n.a. | n.a.   | n.a.  | 18.8   | n.a. | n.a.      | n.a. |  |  |
| Haisco Pharma                       | 002653 CH  | CNY      | 22.74      | 27,479                | 73.4             | 51.7 | 41.3 | 32.0 | 12.0             | 9.1  | 7.4  | 6.0  | 1.3  | 17.7   | n.a.  | 33.8   | n.a. | n.a.      | n.a. |  |  |
| Huadong Medicine                    | 000963 CH  | CNY      | 25.54      | 49,806                | 16.5             | 15.6 | 13.1 | 11.0 | 3.7              | 3.6  | 3.0  | 2.5  | 0.9  | 24.1   | 13.1  | 11.9   | 10.9 | 8.8       | 7.4  |  |  |
| North China Pharma                  | 600812 CH  | CNY      | 7.49       | 13,613                | 81.4             | n.a. | n.a. | n.a. | 2.2              | n.a. | n.a. | n.a. | n.a. | n.a.   | n.a.  | 12.9   | n.a. | n.a.      | n.a. |  |  |
| Northeast Pharma                    | 000597 CH  | CNY      | 7.14       | 7,199                 | 19.8             | n.a. | n.a. | n.a. | 1.2              | n.a. | n.a. | n.a. | n.a. | n.a.   | n.a.  | 17.3   | n.a. | n.a.      | n.a. |  |  |
| Salubris Pharm-A                    | 002294 CH  | CNY      | 18.86      | 21,986                | 13.6             | 16.1 | 14.4 | 13.5 | 3.0              | 2.8  | 2.5  | 2.3  | 50.2 | 18.1   | 14.7  | 11.3   | 11.9 | 10.3      | 8.9  |  |  |
| Huahai Pharma-A                     | 600521 CH  | CNY      | 19.34      | 28,502                | 214.9            | 39.9 | 37.6 | 22.8 | 5.9              | 4.5  | 4.2  | 4.1  | 0.3  | n.a.   | n.a.  | 16.7   | 24.9 | 23.5      | 15.1 |  |  |
| Jingxin Pharma-A                    | 002020 CH  | CNY      | 10.30      | 8,321                 | 20.1             | 13.7 | 11.7 | 9.5  | 2.0              | 1.8  | 1.6  | 1.4  | 0.4  | 13.4   | 9.5   | 9.8    | n.a. | n.a.      | n.a. |  |  |
| Simple Average                      |            |          |            |                       | 48.6             | 27.8 | 24.6 | 19.8 | 4.1              | 4.8  | 4.0  | 3.4  | 6.2  | 14.4   | 9.9   | 16.5   | 23.3 | 19.1      | 15.9 |  |  |
| Weighted Average                    |            |          |            |                       | 69.9             | 58.3 | 45.9 | 36.3 | 11.8             | 11.7 | 9.4  | 7.6  | 3.7  | 19.0   | 15.9  | 29.5   | 49.8 | 38.6      | 31.3 |  |  |
| <b>Global Pharmaceuticals</b>       |            |          |            |                       |                  |      |      |      |                  |      |      |      |      |        |       |        |      |           |      |  |  |
| Abbvie Inc                          | ABBV US    | USD      | 88.73      | 1,027,131             | 24.2             | 9.9  | 9.0  | 8.2  | n.a.             | n.a. | 21.2 | 8.0  | 0.2  | 110.0  | n.a.  | 20.7   | 9.3  | 8.3       | 7.6  |  |  |
| BMS Co                              | BMJ US     | USD      | 57.65      | 735,252               | 19.2             | 13.3 | 9.5  | 8.0  | 6.7              | 5.4  | 2.9  | 2.6  | 0.3  | 44.9   | 9.0   | 14.1   | 11.3 | 13.2      | 11.7 |  |  |
| Eli Lilly & Co                      | LLY US     | USD      | 114.07     | 857,317               | 36.3             | 19.7 | 17.1 | 15.3 | 12.3             | 13.4 | 13.6 | 10.4 | 0.5  | 63.0   | 14.9  | 24.0   | 16.7 | n.a.      | n.a. |  |  |
| Johnson & Johnson                   | JNJ US     | USD      | 134.83     | 2,777,737             | 23.7             | 15.5 | 14.8 | 13.7 | 6.0              | 4.8  | 4.2  | 3.8  | 0.7  | 34.6   | 12.8  | 13.0   | 12.4 | 11.2      | 10.1 |  |  |
| Merck & Co. Inc.                    | MRK US     | USD      | 84.13      | 1,676,665             | 36.0             | 16.5 | 15.0 | 13.3 | 8.2              | 8.1  | 7.1  | 6.0  | 0.4  | 48.1   | 14.4  | 16.7   | 12.2 | 11.2      | 10.2 |  |  |
| Pfizer Inc                          | PFE US     | USD      | 37.22      | 1,612,370             | 19.6             | 12.6 | 13.6 | 12.6 | 3.4              | 3.6  | 3.3  | 3.2  | 0.9  | 28.1   | 10.3  | 13.4   | 10.1 | 11.2      | 10.8 |  |  |
| Mylan Nv                            | MYL US     | USD      | 17.23      | 69,612                | 25.0             | 3.9  | 3.8  | 3.7  | 0.7              | 0.7  | 0.7  | 0.7  | 0.0  | 17.7   | 3.1   | 9.1    | 5.9  | 6.2       | 5.4  |  |  |
| Allergan Plc                        | AGN US     | USD      | 184.50     | 474,108               | n.a.             | 10.9 | 10.8 | 10.2 | 0.9              | 1.0  | 1.0  | 1.0  | n.a. | 9.1    | n.a.  | 131.8  | 10.8 | 9.5       | 9.4  |  |  |
| Simple Average                      |            |          |            |                       | 26.3             | 12.8 | 11.7 | 10.6 | 5.4              | 5.3  | 6.8  | 4.4  | 0.4  | 44.4   | 10.7  | 30.4   | 11.1 | 10.1      | 9.3  |  |  |
| Weighted Average                    |            |          |            |                       | 26.2             | 14.5 | 13.5 | 12.3 | 5.6              | 5.3  | 7.1  | 4.9  | 0.6  | 46.3   | 12.4  | 21.8   | 11.8 | 10.8      | 10.0 |  |  |

Source: Bloomberg, Guotai Junan International.

Note: PEG is calculated by 2020 PE ÷ 2018-2021F CAGR × 100.

**Financial Statements and Ratios**

| Income Statement                  |         |         |         |          |          | Balance Sheet                 |          |          |          |          |          |
|-----------------------------------|---------|---------|---------|----------|----------|-------------------------------|----------|----------|----------|----------|----------|
| Year end 31 Dec (RMB m)           | 2017A   | 2018A   | 2019F   | 2020F    | 2021F    | Year end 31 Dec (RMB m)       | 2017A    | 2018A    | 2019F    | 2020F    | 2021F    |
| Total Revenue                     | 13,409  | 17,753  | 22,720  | 28,671   | 34,972   | PPE                           | 5,778    | 6,420    | 7,531    | 9,004    | 10,820   |
| Cost of sales                     | (5,304) | (6,007) | (6,745) | (7,757)  | (8,817)  | Other Non-current Assets      | 1,080    | 2,610    | 3,101    | 3,614    | 4,082    |
| Gross Profit                      | 8,105   | 11,745  | 15,975  | 20,914   | 26,156   | Total Non-current Assets      | 6,858    | 9,031    | 10,632   | 12,618   | 14,902   |
| Other Income/ Gains (Losses)      | 52      | 293     | 132     | 135      | 153      | Cash & Cash Equivalents       | 4,543    | 4,159    | 4,544    | 5,734    | 6,994    |
| Selling and Distribution Expenses | (3,794) | (6,187) | (8,634) | (11,428) | (14,427) | Restricted Bank Deposits      | 1,144    | 2,202    | 2,423    | 2,665    | 2,932    |
| Administrative Expenses           | (556)   | (658)   | (795)   | (1,001)  | (1,219)  | Inventories                   | 2,516    | 2,921    | 3,426    | 4,059    | 4,752    |
| Other Expenses                    | (788)   | (1,363) | (1,937) | (2,520)  | (3,144)  | Trade and Other Receivables   | 2,024    | 2,442    | 3,226    | 4,071    | 4,966    |
| Operating Profit                  | 3,019   | 3,831   | 4,740   | 6,099    | 7,520    | Bills Receivables             | 1,281    | 1,244    | 1,590    | 2,007    | 2,448    |
| Finance Costs                     | (23)    | (74)    | (51)    | (59)     | (66)     | Other Current Assets          | 317      | 273      | 222      | 234      | 245      |
| Share of Results of JV            | 9       | 43      | 55      | 71       | 90       | Total Current Assets          | 11,824   | 13,242   | 15,432   | 18,770   | 22,337   |
| Other Gains                       | 0       | 0       | 0       | 0        | 0        | Total Assets                  | 18,682   | 22,273   | 26,064   | 31,388   | 37,240   |
| Profit Before Tax                 | 3,005   | 3,800   | 4,745   | 6,111    | 7,544    | Short-term Debts              | 804      | 68       | 241      | 590      | 616      |
| Income Tax                        | (594)   | (737)   | (916)   | (1,179)  | (1,456)  | Trade and Other Payables      | 3,914    | 5,027    | 5,609    | 6,451    | 7,332    |
| profit After Tax                  | 2,411   | 3,063   | 3,829   | 4,931    | 6,088    | Bills Payable                 | 52       | 1,587    | 1,686    | 1,939    | 2,204    |
| Non-controlling Interest          | (8)     | 22      | (19)    | (25)     | (30)     | Other Current Liabilities     | 225      | 271      | 269      | 268      | 267      |
| Shareholders' Profit / Loss       | 2,403   | 3,086   | 3,810   | 4,907    | 6,058    | Total Current Liabilities     | 4,995    | 6,952    | 7,805    | 9,248    | 10,419   |
| Basic EPS                         | 0.394   | 0.494   | 0.611   | 0.787    | 0.971    | Long-term Debts               | 52       | 0        | 27       | 66       | 68       |
| Diluted EPS                       | 0.394   | 0.494   | 0.611   | 0.787    | 0.971    | Other Non-current Liabilities | 274      | 422      | 464      | 525      | 595      |
|                                   |         |         |         |          |          | Total Non-current Liabilities | 326      | 422      | 491      | 590      | 663      |
|                                   |         |         |         |          |          | Total Liabilities             | 5,321    | 7,375    | 8,295    | 9,838    | 11,082   |
|                                   |         |         |         |          |          | Total Shareholders' Equity    | 13,288   | 14,440   | 17,291   | 21,055   | 25,641   |
|                                   |         |         |         |          |          | Minority Interest             | 74       | 458      | 477      | 495      | 517      |
|                                   |         |         |         |          |          | Total Equity                  | 13,362   | 14,898   | 17,768   | 21,550   | 26,158   |
|                                   |         |         |         |          |          |                               |          |          |          |          |          |
| Cash Flow Statement               |         |         |         |          |          | Financial Ratios              |          |          |          |          |          |
| Year end 31 Dec (RMB m)           | 2017A   | 2018A   | 2019F   | 2020F    | 2021F    |                               | 2017A    | 2018A    | 2019F    | 2020F    | 2021F    |
| PBT                               | 3,005   | 3,800   | 4,745   | 6,111    | 7,544    | Margins and Efficiency        |          |          |          |          |          |
| D&A                               | 621     | 630     | 716     | 843      | 1,007    | Gross Margin                  | 60.4%    | 66.2%    | 70.3%    | 72.9%    | 74.8%    |
| Other Adjustments                 | (42)    | (219)   | (98)    | (123)    | (154)    | EBITDA Margin                 | 27.2%    | 25.4%    | 24.3%    | 24.5%    | 24.6%    |
| Changes in WC                     | (234)   | 172     | (878)   | (772)    | (854)    | Operating Margin              | 22.5%    | 21.6%    | 20.9%    | 21.3%    | 21.5%    |
| Income Tax Paid                   | (499)   | (645)   | (890)   | (1,146)  | (1,415)  | Net Profit Margin             | 17.9%    | 17.4%    | 16.8%    | 17.1%    | 17.3%    |
| Cash from Operating Activities    | 2,852   | 3,738   | 3,594   | 4,913    | 6,129    | Dividend Payout Ratio         | 33.8%    | 31.1%    | 30.0%    | 30.0%    | 30.0%    |
| Capital Expenditure               | (1,021) | (1,644) | (1,818) | (2,294)  | (2,798)  | Inventory Days                | 143.5    | 165.2    | 171.8    | 176.1    | 182.4    |
| Others                            | (1,830) | (1,918) | (633)   | (667)    | (619)    | Receivable Days               | 72.4     | 64.1     | 60.2     | 60.5     | 61.4     |
| Cash from Investing Activities    | (2,851) | (3,562) | (2,451) | (2,961)  | (3,417)  | Payable Days                  | 83.5     | 138.3    | 179.5    | 175.2    | 176.0    |
| Issues of Shares                  | 2,039   | 0       | 0       | 0        | 0        | Growth and Profitability      |          |          |          |          |          |
| Debt Paid/Raised                  | (251)   | (792)   | 200     | 388      | 29       | Revenue                       | 26.6%    | 32.4%    | 28.0%    | 26.2%    | 22.0%    |
| Dividends Paid                    | (630)   | (791)   | (958)   | (1,143)  | (1,472)  | EBITDA                        | 30.6%    | 23.4%    | 22.3%    | 27.3%    | 22.9%    |
| Others                            | 275     | 10      | 0       | (7)      | (9)      | Operating Profit              | 33.1%    | 26.9%    | 23.7%    | 28.7%    | 23.3%    |
| Cash from Financing Activities    | 1,415   | (151)   | (759)   | (762)    | (1,452)  | Net Profit                    | 33.6%    | 28.4%    | 23.5%    | 28.8%    | 23.5%    |
| Net Changes in Cash               | 1,416   | 26      | 385     | 1,190    | 1,260    | ROE                           | 21.9%    | 22.3%    | 24.0%    | 25.6%    | 25.9%    |
| Cash at Beg of Year               | 2,805   | 4,359   | 4,159   | 4,544    | 5,734    | ROA                           | 15.4%    | 15.0%    | 15.8%    | 17.2%    | 17.7%    |
| FX Adjustments                    | 257     | (225)   | 0       | 0        | 0        | ROIC                          | 31.6%    | 36.6%    | 39.3%    | 40.0%    | 40.0%    |
| Time deposit                      | 65      | 0       | 0       | 0        | 0        | Financial Ratios              |          |          |          |          |          |
| Cash at End of Year               | 4,543   | 4,159   | 4,544   | 5,734    | 6,994    | Net Debt/Equity               | net cash | net cash | net cash | net cash | net cash |
|                                   |         |         |         |          |          | Liabilities/Assets            | 28.5%    | 33.1%    | 31.8%    | 31.3%    | 29.8%    |
|                                   |         |         |         |          |          | Current Ratio                 | 2.4X     | 1.9X     | 2.0X     | 2.0X     | 2.1X     |
|                                   |         |         |         |          |          | Interest Coverage Ratio       | 131.1X   | 52.4X    | 94.9X    | 104.0X   | 116.1X   |

Source: the Company, Guotai Junan International.

### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

| Rating     |    | Definition  |
|------------|----|---|
| Buy        | 买入 | Relative Performance > 15%;<br>or the fundamental outlook of the company or sector is favorable.            |
| Accumulate | 收集 | Relative Performance is 5% to 15%;<br>or the fundamental outlook of the company or sector is favorable.     |
| Neutral    | 中性 | Relative Performance is -5% to 5%;<br>or the fundamental outlook of the company or sector is neutral.       |
| Reduce     | 减持 | Relative Performance is -5% to -15%;<br>or the fundamental outlook of the company or sector is unfavorable. |
| Sell       | 卖出 | Relative Performance < -15%;<br>or the fundamental outlook of the company or sector is unfavorable.         |

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

| Rating       |      | Definition   |
|--------------|------|--|
| Outperform   | 跑赢大市 | Relative Performance > 5%;<br>or the fundamental outlook of the sector is favorable.       |
| Neutral      | 中性   | Relative Performance is -5% to 5%;<br>or the fundamental outlook of the sector is neutral. |
| Underperform | 跑输大市 | Relative Performance < -5%;<br>Or the fundamental outlook of the sector is unfavorable.    |

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