

Sino Biopharma

Price adjusted with bonus shares

HOLD (unchanged)

Financial summary

Year to Dec	07A	08A	09F	10F	11F
Turnover (HK\$m)	1,164.32	2,282.23	427.94	400.44	642.2
Net Profit (HK\$m)	224.4	297.6	379.5	460.3	540.9
EPS (HK\$)	0.074	0.099	0.126	0.152	0.179
EPS Δ%	58.9	32.7	27.5	21.3	17.5
P/E (x)	18.7	14.1	11.1	9.1	7.8
P/B (x)	2.08	1.88	1.39	1.18	0.89
EV/EBITDA (x)	10.4	4.7	3.2	2.1	0.5
Yield (%)	3.2	3.2	3.2	4.9	5.8
ROE (%)	11.4	14.0	14.5	14.0	13.1
ROCE (%)	12.3	22.3	23.1	24.0	22.8
N. Gear. (%)	Cash	Cash	Cash	Cash	Cash

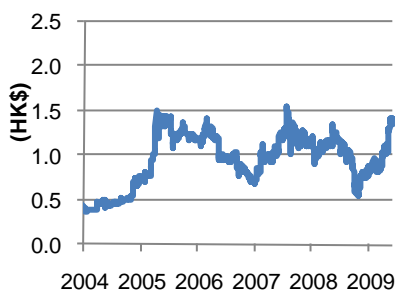
Source: SBI E2Capital

Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	+18.1	+6.3	+43.2
Actual price changes (%)	+34.3	+62.6	+10.3

	09F	10F	11F
Consensus EPS (HK\$)	0.165	0.205	0.230
Previous forecasts (HK\$m)	379.5	460.3	540.9
Previous EPS (HK\$)	0.168	0.203	0.239

Price Chart



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Ticker: 1177.HK
 Price: HK\$1.39
 Target: HK\$1.26 (-10%)

12 mth range: HK\$0.53-1.46
 Market cap: US\$538.3m
 Daily t/o, 3 mth: US\$0.9m
 Free float %: 43.5%

Key points:

* SB's share price adjusted down corresponding to the bonus share issue.

* Maintain HOLD, revising our target price to HK\$1.26, representing 10.0x and 4.9 ex-cash FY12/09F P/E.

Share price adjusted with issued bonus share. SB's share price adjusted down to reflect its bonus share issue. SB announced on 18 April that it will issue one bonus share for every three existing shares for improving liquidity of the company. The total bonus share would be about 754.6m shares. Although this will dilute the company's EPS, we think that the increasing shares would helpful in improving SB's liquidity.

Maintain HOLD, revised target price to 1.26. Corresponding to the bonus share, we revised our EPS accordingly. We also revised our target price to HK\$1.26, representing 10.0x and ex-cash 4.9x FY12/09F P/E, corresponding to the issued bonus share. We maintain HOD call on the counter. SB is currently trading at 11.1x P/E and 6.2x ex-cash P/E on FY12/09 earnings.

Table 1: P&L

Year to Dec (HK\$m)	07A	08A	09F	10F	11F
Turnover	1,164.3	2,282.2	3,427.9	4,000.4	4,642.2
Cost of sales	(205.8)	(473.2)	(941.9)	(1,139.2)	(1,391.6)
Gross profit	958.5	1,809.0	2,486.0	2,861.2	3,250.6
Other income and gains	98.4	95.0	76.3	81.4	84.4
Selling and distribution costs	(503.8)	(876.6)	(1,238.1)	(1,404.9)	(1,583.8)
Administrative expenses	(154.7)	(305.5)	(416.3)	(420.0)	(441.0)
Other operating expenses	(53.7)	(112.5)	(170.2)	(240.0)	(278.5)
Operating profit	344.7	609.4	737.7	877.7	1,031.7
Finance costs, net	(2.6)	(9.1)	(14.2)	(8.0)	(7.0)
Share of profits of an associated	0.2	-	-	-	-
Profit before taxation	342.3	600.3	723.5	869.6	1,024.7
Taxation	(34.0)	(118.3)	(151.7)	(217.4)	(256.2)
Profit after tax	308.3	482.0	571.8	652.2	768.5
Minority interests	(84.0)	(184.4)	(192.2)	(192.0)	(227.6)
Profit attributable to shareholders	224.4	297.6	379.5	460.3	540.9
% chg	58.9	32.6	27.5	21.3	17.5
Dividends	135.8	135.8	135.8	207.1	243.4

Source: Company data & SBI E2-Capital

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- STRONG BUY** : absolute upside of >50% over the next three months
- BUY** : absolute upside of >10% over the next six months
- HOLD** : absolute return of -10% to +10% over the next six months
- SELL** : absolute downside of >10% over the next six months

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