HIGH CONVICTION INITIATION

CIMB

Company Note | Alpha series

Yestar International

In good health

Hong Kong

ADD

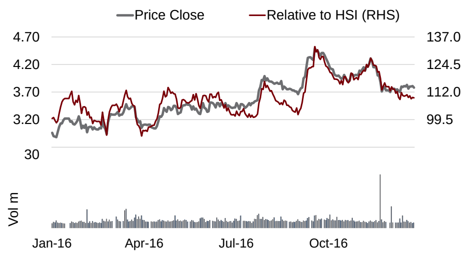
Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	HK$3.78
Target price:	HK$5.30
Previous target:	HK$
Up/downside:	40.2%
CIMB / Consensus:	10.4%
Reuters:	2393.HK
Bloomberg:	2393 HK
Market cap:	US$1,060m
	HK$8,222m
Average daily turnover:	US$1.56m
	HK$12.12m
Current shares o/s:	2,012m
Free float:	29.4%

*Source: Bloomberg

Key changes in this note

- N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.9	-14.3	28.1
Relative (%)	-3.4	-12.2	6.9

Major shareholders	% held
Hartono Jeane	31.1
Hartono James	14.2
Hartono Rico	12.2

- Yestar has successfully transformed into a leading medical consumables name.
- Further earnings accretive acquisitions pushing Yestar from current 15% market share of Roche's IVD business to 20-30% seen as the key share price driver.
- IVD market set to post CAGR of more than 15% over the next 4 years to Rmb64bn, with Yestar expected to be a key consolidator of consumables distribution.
- See further re-rating as our numbers yet to include upside from future acquisitions.
- We initiate with Add rating and 39% upside to our HK$5.30 target price, based on 26x FY18F P/E.

Yestar has completed transformation into healthcare company

Over the past few years, Yestar has successfully acquired several key distributors of Roche In-Vitro Diagnostic (IVD) products in China and has seen a shift in its revenue mix from 7% in 2010 to 77% of 1H16 revenues derived from medical consumables, which not only have a higher growth outlook but also generate higher margins compared to Yestar's traditional imaging product business with Fujifilm.

Largest distributor of market leader in IVD

Roche is the IVD market leader both globally and in China. It aims to expand its market share in China from 22% in 2015 to 28% in 2018. As the largest distributor of Roche's IVD products in China, Yestar currently accounts for c.15% of Roche's IVD revenue. Following several acquisitions, Yestar is distributing medical consumables to over 1,000 hospitals and clinics in eastern and southern China. The company aims to account for 20-30% of Roche's IVD revenue in the China market within the next 2 years.

M&A with favourable terms

Yestar entered the IVD business through the acquisition of 5 of Roche's largest distributors (3 of which were completed in 4Q16). For all acquisitions, Yestar negotiated to acquire 70% stakes in all the companies with 3-year profit guarantees and the option to purchase the remaining stake after the 3 years are complete. In our view, all acquisitions were reasonably valued between 8x and 12x forward P/E, significantly below Yestar's trading multiples, and therefore generating positive shareholder value.

Enlarging its nationwide IVD distribution network

We believe Yestar may make 1-2 more acquisitions of Roche's distributors this year to solidify its position as the latter's largest distributor and further enhance its geographic reach in China. With an enhanced distribution network, the company may look to distribute other IVD brands in China where there is no conflict with Roche (90% of its IVD revenues are currently from Roche products).

40% upside to 26x 2018F P/E target

We initiate with an Add rating. It is currently trading at 22.5x 2017F P/E and 5.6x 2017F P/BV. We believe current valuations are justified given the faster-than-industry revenue and earnings growth. We are confident of further upside potential as Yestar continues its expansion through acquisitions (not yet reflected in our forecasts). We think the stock should trade at 1 s.d. above its mean since 2013 listing (26x FY18F P/E), offering 40% upside from current levels. Key risk: the failure to complete further IVD acquisitions.

Analyst(s)

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Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (Rmbm)	1,531	2,455	3,208	3,830	4,452
Operating EBITDA (Rmbm)	145.8	288.7	490.3	658.0	779.3
Net Profit (Rmbm)	100.9	162.8	261.7	323.3	394.1
Core EPS (Rmb)	0.05	0.08	0.12	0.15	0.18
Core EPS Growth	(69.6%)	49.7%	48.7%	23.5%	21.9%
FD Core P/E (x)	37.07	39.93	26.80	22.54	18.49
DPS (Rmb)	0.019	0.025	0.037	0.046	0.056
Dividend Yield	0.58%	0.74%	1.11%	1.37%	1.67%
EV/EBITDA (x)	42.34	23.08	15.82	11.42	9.29
P/FCFE (x)	NA	NA	7.01	13.10	10.81
Net Gearing	(28.5%)	(9.4%)	31.4%	1.5%	(19.9%)
P/BV (x)	19.82	7.43	6.70	5.55	4.60
ROE	31.1%	26.6%	26.2%	26.9%	27.2%
% Change In Core EPS Estimates					
CIMB/consensus EPS (x)			0.98	1.00	0.98

SOURCE: COMPANY DATA, CIMB FORECASTS

In good health

Company transformation complete

From film and colour paper to medical consumables

Yestar is headquartered in Shanghai (which is also the headquarters for the China operations of key partners Roche and Fujifilm). The company was established in 2000, initially engaged purely in the imaging business but expanded through a partnership with Fujifilm from Japan through the distribution of photo paper and film. Yestar developed the relationship further to become a manufacturer of Fujifilm products, including some medical consumables.

This combined experience of China distribution and medical consumable manufacturing has enabled Yestar to tie up with some key medical brands, including Roche, ThermoFisher and Becton Dickinson (BD).

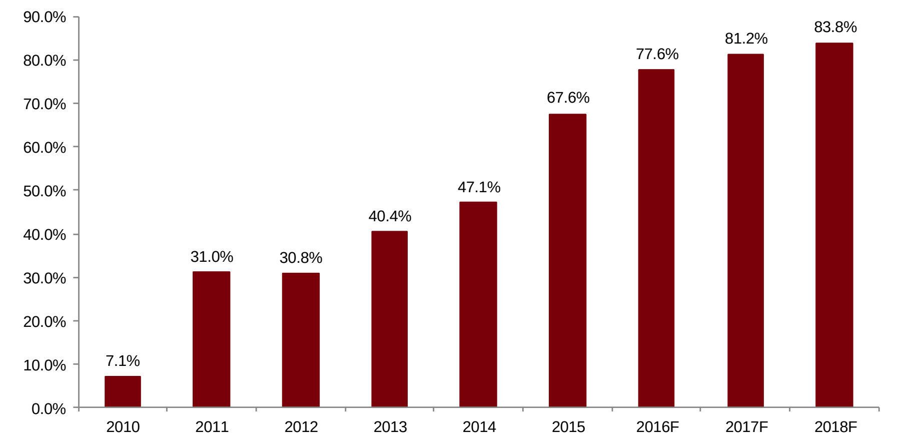
Figure 1: Yestar's transformation

Yestar timeline 2000-2016		
	2000 -	Yestar Shanghai founded to engage in imaging business
	2004 -	reached 25 branches in China
	2005 -	First production line of colour photo paper and film in Guangxi
	2007 -	became largest authorised distributor for Fujifilm in China
	2009 -	became largest manufacturer of Fujifilm colour paper and films
	2010 -	commenced production of Fujifilm medical dry films
	2011 -	designed and produced own brand industrial x-ray and dental films
	2012 -	distribute Fujifilm industrial NDT x-ray film and made medical wet film
	2013 -	listed in October on the SEHK main board
	2014 -	Acquired Jiangsu Uno, distributing Roche and BD diagnostic products in Jiangsu and Anhui (70% stake for Rmb245m)
	2015 -	Acquired Shanghai Emphasis (and 4 other co's): distribution right Roche and Thermo Fisher IVD products in Shanghai (70% stake for Rmb910m
	2016 -	Oct : Acquired Guangzhou Hongen gaining distribution right for Roche in Guangdong, Fujian and Hainan provinces (70% stake for Rmb336m) Oct: Acquired Shenzhen De Run Li Jia - sales and distribution of Roche IVD products in Shezhen (70% stake for Rmb428.4m) Nov: Acquired Guangzhou Shengshiyuan - sales and distribution of Roche products in Guangdong and Hainan (70% stake for Rmb166.6m)

SOURCE: CIMB RESEARCH, COMPANY

Back in 2010, when Yestar initially entered the medical imaging products business, total revenue derived from medical products was Rmb37m in FY10 or 7.1% of overall group turnover. By FY12, this rose to 30.8% of group revenue or Rmb295m in sales. Adding the In-Vitro Diagnostics (IVD – diagnosis out of the body) medical consumables business with Roche starting from 2014, Yestar now generates over 77% of its group revenue from medical consumable products (or Rmb1.11bn in sales in 1H16, which was also before the latest 3 IVD distribution acquisitions).

Figure 2: Medical revenue as a % of group sales



SOURCES: CIMB, COMPANY REPORTS

Partner of choice for several global leaders

Both medical and imaging giants

Having over 15 years' experience in consumables distribution in China (initially photographic film and paper), Yestar has become an ideal partner for some of the leading names in the medical diagnosis industry. These include:

Figure 3: Yestar's key partners – all global leaders in their respective fields

SOURCE: CIMB RESEARCH, COMPANY

Fujifilm:

Fujifilm is one of the world's leading photography and imaging companies. Yestar has been a partner of Fujifilm in China since 2000. The company has been recognised as Fujifilm's largest authorised distributor of Fujifilm colour photographic paper and colour films in China since May 2007.

In 2008, Yestar became the sole distributor for Fujifilm's photographic paper when the brand was facing strong competition from Kodak and Lucky (local China brand). According to a Frost & Sullivan report, in 2009 Fujifilm commanded a 33% market share of the China colour photographic paper market (vs. 31% for Kodak and 24% for Lucky). Since then, Yestar has been able to drive the market share of Fujifilm to a dominant position of an estimated 55%. This has helped strengthen the relationship between the two companies and we expect the company to continue to develop new business opportunities with Fujifilm.

Yestar is also involved in other Fujifilm products (both manufacturing and distribution) including:

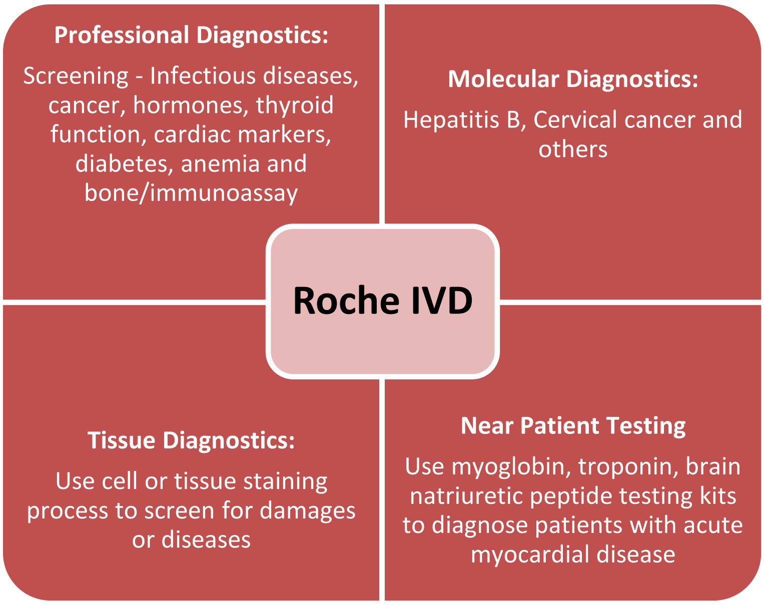
- **Medical:** Medical film used in diagnostic imaging (e.g. x-ray) and dental film.
- **Industrial Imaging:** NDT (non-destructive testing) x-ray films and Printed wiring board (PWB) films for production of printed circuit boards.

Roche:

Roche Diagnostics is the diagnostic division of Swiss-based Hoffman-la Roche and is the largest global IVD player, with approximately 18.3% share (2014 data) and generating almost US$9.2bn in sales. The company has generated most of its growth in China (10% of its Roche's global business came from China in 2014, having risen from 4% in 2010) and the country will continue to be the key market for Roche IVD over the next 5 years.

Roche Diagnostics products are mainly for the testing of patients' blood and other samples (such as tissue) to obtain information related to health and diseases. The tests can be conducted in laboratories or at the point-of-care. Diseases screened include infectious diseases, cancer, hormones, thyroid functions, cardiac markers, hepatitis B, cervical cancer and acute myocardial diseases.

Figure 4: Major types of Roche's IVD products carried by Yestar



SOURCE: CIMB RESEARCH, COMPANY

ThermoFisher:

The US-based multinational lab equipment company is the fifth-largest global player in IVD sales, with approximately 6.2% global market share in 2014. Yestar become a distributor for ThermoFisher through its 2015 acquisition of Shanghai Emphasis.

Becton Dickinson (BD):

BD is a US medical technology company manufacturing and selling medical devices, instrument systems and reagents. BD is the sixth-largest global player in IVD sales, with 5.4% market share as of 2014. Yestar is a distributor for BD in Jiangsu and Anhui through the 2014 acquisition of Jiangsu UNO.

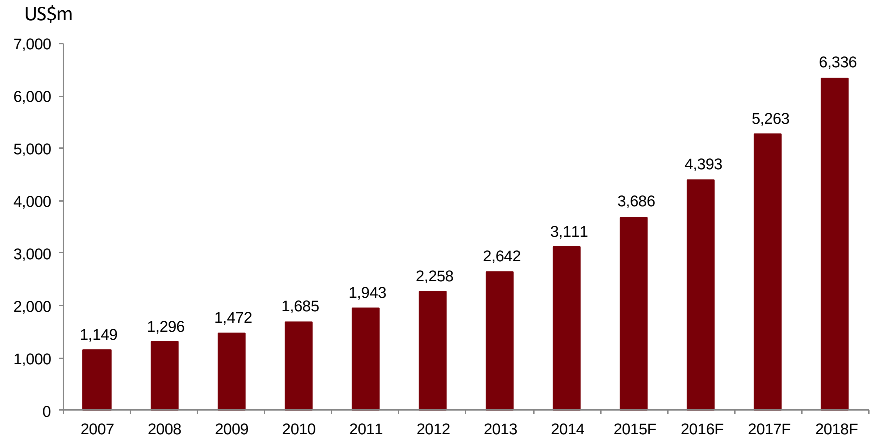
IVD market set to post >15% CAGR in China

Yestar exposed to fastest growing IVD market

Yestar is now the largest distributor for Roche In-Vitro Diagnostics (IVD) products in China and, in turn, Roche has the largest share of the China IVD market. China's IVD market is one of the fastest growing markets globally, with OCN Industry Research Centre forecasting it to post 15% CAGR between 2017 and 2020 to reach Rmb64bn, equivalent to being the second-largest market globally behind the US (US is forecast to become a US$26bn market by 2020 according to MNM Research, equivalent to a CAGR of 4.7% from 2015-2020). MNM Research also forecasts global growth of 5.5% between 2016 and 2021.

Data from Renub Research in 2014 forecast that the IVD market in China will grow to US$6.3bn in 2018 or compound annual growth of 19.5%.

Figure 5: China's IVD market



SOURCES: RENUB

Reasons for the faster growth in IVD in China:

1. The United Nations forecasts China's over-65s to grow 93% to 243m between 2014 and 2030. An aging population leads to significant growth in chronic diseases, such as diabetes, heart disease and cancer. IVD is used to diagnose and monitor such conditions (Roche Diagnostics is a specialist in this area).

2. Rising disposable incomes have resulted in Chinese consumers being more willing and able to spend more money on healthcare.

3. Investment in hospitals. Under the 13th Five-Year plan, the Chinese government will encourage investment in private hospitals and increase public hospital beds by 30%.

4. Government policies encourage direct and indirect investment in IVD processing facilities and diagnostics labs. IVD is helping hospitals increase revenues potentially lost from the ban on drug markups. The Ministry of Health is also shifting to preventive rather than reactive care in order to save costs and this could provide support for further IVD demand, in our view.

5. Abandonment of the one-child policy could result in an additional 2.1m births per year in China.

Yestar's current exposure is 8 provinces in China and these have a total GDP of Rmb26.6tr, equivalent to over 39% of China's total GDP in 2015.

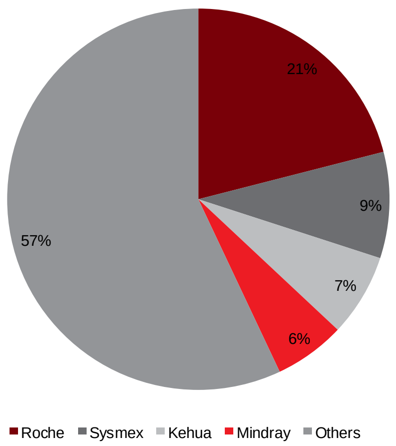
Yestar utilising the 'Gillette' business model in IVD

Sales from IVD include both equipment and the medical consumables/reagents that are used once for each test. The company follows a 'Gillette'-type business model (freebie marketing), whereby it distributes both the equipment and consumables, making very little, if any, profit from the equipment but signing contracts with each hospital for 3-5 years for the medical consumables (subject to a minimum quantity per year) where it generates gross margins in the range of 30%.

Roche is the largest player in China IVD

Roche is the clear leader in IVD in China and is enhancing its position by gaining share on an annual basis. At the time of Yestar's IPO in 2013, Roche had a 21% market share of the IVD marketing in China – a significant gap over Sysmex from Japan in second place with 9% share. Since 2013, Roche has added 1.5% pts share per year to 24.2% in 2015 and according to report by Renub, is forecast to account for 28% of the China market by 2018.

Figure 6: China IVD market share 2013



SOURCES: CIMB, FROST & SULLIVAN

Executing expansion plan

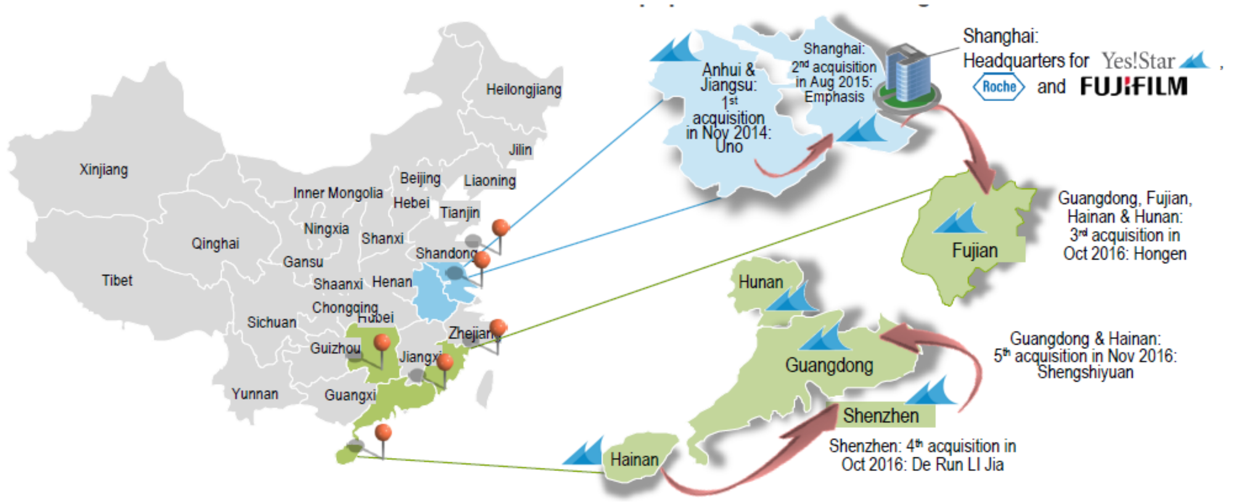
Excellent track record

After some initial market skepticism over its ability to transform into a medical consumables play, Yestar has been very successful over the past 3 years, having executed an acquisition-based expansion strategy to become the largest player in the high-growth IVD industry in China.

Well-structured deals

Yestar negotiated to acquire 70% stakes in all the companies with 3-year profit guarantees and the option to purchase the remaining stake after the 3 years are complete. All transactions were reasonably valued at between 8x and 12x P/E, significantly below the trading multiples of Yestar and therefore generating positive value to shareholders. The management teams of the distributors are therefore locked in for 3 years and incentivised to achieve or exceed the profit guarantee in order to maximise the value of the remaining 30% stake they hold in the interim.

Figure 7: Yestar's growing China footprint in IVD



SOURCE: CIMB RESEARCH, COMPANY

Executed 5 attractive IVD acquisitions since 2014

1. Nov 2014 – Acquired 70% stake in **Jiangsu Uno** for Rmb245m
   a. First acquisition of a Roche distributor by Yestar (Yestar was then the sixth-largest distributor for Roche in China)
   b. Uno holds distribution rights for Jiangsu and Anhui provinces for Roche Diagnostics products
   c. Profit guarantee of Rmb45m, Rmb54m and Rmb64m for years 2014, 2015 and 2016, respectively
   d. Deal done at 7.8x 2014 and 6.5x 2015 P/E
   e. Remaining 30% stake to be acquired at 10x 2016 P/E
2. Oct 2015 – Acquired 70% stake in **Shanghai Emphasis** for Rmb910m
   a. Acquisition of Roche's second-largest distributor in China
   b. Emphasis holds distribution rights for Shanghai
   c. Profit guarantee of Rmb156m, Rmb187m and Rmb225m for years 2015, 2016 and 2017, respectively
   d. Deal done at 8.3x 2015 and 7.0x 2016 P/E
   e. Remaining 30% stake to be acquired at 10x 2017 P/E
3. Oct 2016 – Acquired 70% stake in **Guangzhou Hongen** for Rmb336m
   a. Extensive network for Roche products in Guangdong, Fujian, Hainan and Hunan
   b. Profit guarantee of Rmb48m, Rmb62.4m and Rmb81.1m for years 2017, 2018 and 2019, respectively
   c. Deal done at 10x 2017 P/E
   d. Remaining 30% stake to be acquired at a maximum consideration of Rmb270m
4. Oct 2016 – Acquired 70% stake in **SZ De Run Li Jia** for Rmb428m
   a. Primary-level distributor of Roche in Shenzhen
   b. First the first to set up an automated workflow for Roche in southern China
   c. Profit guarantee of Rmb51m, Rmb68m and Rmb92m for years 2017, 2018 and 2019, respectively
   d. Deal done at 12x 2017 P/E
   e. Remaining 30% stake to be acquired at a maximum consideration of Rmb332m
5. Nov 2016 – Acquired 70% stake in **GZ Shengshiyuan** for Rmb167m
   a. Primary-level agent for Roche in Guangdong and Hainan
   b. Over 10-year relationship with Roche (also distributes products from Sekisui and Luminex)
   c. Profit guarantee of Rmb23.8m, Rmb29.6m and Rmb37.2m for years 2017, 2018 and 2019, respectively
   d. Deal done at 10x 2017 P/E
   e. Remaining 30% stake to be acquired for a maximum consideration of Rmb120m

Network of over 1,000 hospitals and clinics

Following these acquisitions, Yestar now has a total distribution network for IVD products of over 1,000 hospitals and clinics across 8 provinces in China.

Figure 8: Summary of IVD distributors acquired by Yestar

	Shanghai Emphasis	Jiangsu UNO	Guangzhou Hongen	Shenzhen De Run Li Jia	Guangzhou Shengshiyuan
Brand	Roche, ThermoFisher Scientific	Roche, BD	Roche	Roche	Roche, Sekisui, Luminex
Operation area	Shanghai	Jiangsu & Anhui	Guangdong, Fujian, Hainan & Hunan*	Shenzhen	Guangdong & Hainan
Total hospital and clinic distribution	**258**	**330**	**291**	**47**	**116**

SOURCE: CIMB RESEARCH, COMPANY

Further deals expected

Following the 3 latest acquisitions, Yestar saw its market share of Roche's China IVD business rise from 10% at the end of 1H16 to 15% as at the end of 2016. The company is seeking additional acquisitions in this space to further enhance the relationship with Roche, according to management. We believe that the company could reach 20-30% share of Roche's business in China within the next 2-3 years.

Too big to ignore

Yestar positioning itself as a consolidator of choice

One of the key reasons for Roche's success in IVD in China has been its use of local distributors to better manage the relationship with hospitals and clinics and working capital. However, after Roche achieved almost 25% market share and established itself as the clear leader in a fast growing market, its strategy has now shifted to distributor consolidation. With a peak of 160 distributors, Roche has consolidated this number down to 140 currently and we expect it to continue to focus on a few key distributors.

We believe that, with Yestar expected to reach over 20% of Roche's IVD business in China, the company is in a strong position to be the distributor of choice for Roche in China and could help accelerate the consolidation process.

In addition to working with Roche, Yestar's growing reputation in IVD and other medical consumables could attract business from other IVD brands (complementary products with Roche) and other medical products, in our view.

Financial track record

Strong growth track record

Yestar has grown from a company recording a net profit of less than Rmb20m in 2010 to a company we forecast to report a net profit of Rmb262m in 2016F (with earnings growth every year between 2010 and 2016F). Over the same period, the company has seen its medical consumables business grow from 7% of group revenues to 80% this year and in turn net margins have more than doubled from 3.7% to 8.2%.

Figure 9: Income Statement

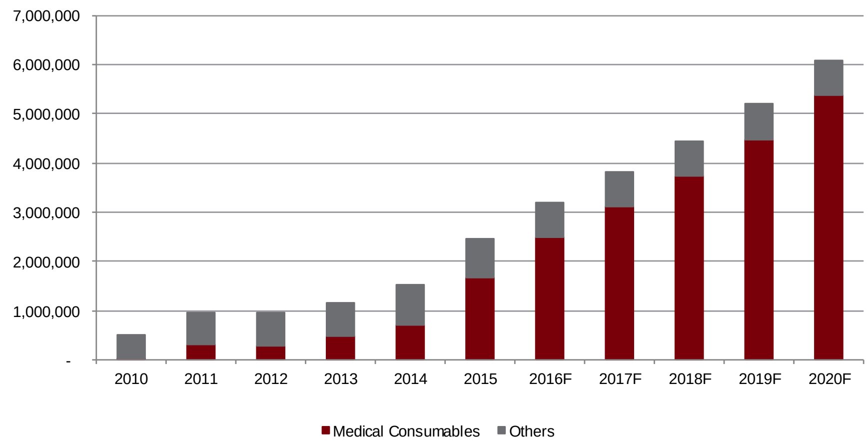
RMB '000	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Total Revenue	**523,177**	**977,098**	**955,818**	**1,173,334**	**1,531,353**	**2,454,684**	**3,207,783**	**3,829,920**	**4,452,057**	**5,198,622**	**6,094,500**
Cost of sales	(437,873)	(813,679)	(788,508)	(963,899)	(1,267,888)	(1,937,276)	(2,395,077)	(2,806,191)	(3,269,802)	(3,748,478)	(4,379,500)
Depreciation	(8,932)	(9,382)	(9,316)	(12,585)	(14,046)	(18,024)	(22,421)	(24,788)	(27,613)	(30,898)	(34,734)
Others	(428,941)	(804,297)	(779,192)	(951,314)	(1,253,842)	(1,919,252)	(2,372,657)	(2,781,404)	(3,242,189)	(3,717,580)	(4,344,766)
Gross profit	**85,304**	**163,419**	**167,310**	**209,435**	**263,465**	**517,408**	**812,705**	**1,023,729**	**1,182,255**	**1,450,144**	**1,715,000**
SG&A expenses	(63,158)	(97,242)	(90,739)	(115,377)	(115,678)	(225,235)	(320,778)	(363,842)	(400,685)	(447,082)	(518,033)
Selling and distribution costs	(38,464)	(55,777)	(49,638)	(52,430)	(57,005)	(83,360)	(112,272)	(126,387)	(138,014)	(155,959)	(182,835)
Administrative expenses	(24,694)	(41,465)	(41,101)	(62,947)	(58,673)	(141,875)	(208,506)	(237,455)	(262,671)	(291,123)	(335,198)
Research and development	(282)	(1,008)	(1,165)	(1,567)	(1,988)	(3,434)	(1,604)	(1,915)	(2,226)	(2,599)	(3,047)
Operating income/loss	**21,864**	**65,169**	**75,406**	**92,491**	**145,799**	**288,739**	**490,323**	**657,971**	**779,344**	**1,000,463**	**1,193,920**
Other income (loss)	7,886	7,440	5,470	5,678	2,639	15,231	16,039	19,150	22,260	25,993	30,473
Other income and gains	8,140	10,578	4,896	5,908	6,384	19,058	32,078	38,299	44,521	51,986	60,945
Other expenses	(536)	(4,146)	(591)	(1,797)	(5,733)	(7,261)	(16,039)	(19,150)	(22,260)	(25,993)	(30,473)
Finance costs	(2,559)	(3,306)	697	(4,503)	(1,390)	(24,044)	(16,367)	(71,824)	(63,744)	(48,516)	(34,876)
Interest Income	44	256	3,572	1,268	4,335	1,672	28,237	35,226	43,306	58,534	72,174
Interest Expense	(2,603)	(3,562)	(2,875)	(5,771)	(5,725)	(25,716)	(44,604)	(107,050)	(107,050)	(107,050)	(107,050)
Profit Before Taxes	27,191	69,303	81,573	93,666	147,048	279,926	489,995	605,297	737,860	977,941	1,189,517
Income Tax	(5,515)	(21,008)	(23,540)	(28,331)	(43,502)	(81,412)	(142,507)	(176,041)	(214,595)	(284,418)	(345,952)
Tax Rate	20%	30%	29%	30%	30%	29%	29%	29%	29%	29%	29%
Minority interest	(2,379)	(983)	(1,516)	(263)	(2,646)	(35,757)	(85,749)	(105,927)	(129,125)	(171,140)	(208,165)
Net Income	**19,297**	**47,312**	**56,517**	**65,072**	**100,900**	**162,757**	**261,739**	**323,329**	**394,140**	**522,383**	**635,399**
Diluted EPS	**0.0572**	**0.1402**	**0.1675**	**0.1780**	**0.0540**	**0.0809**	**0.1203**	**0.1486**	**0.1812**	**0.2402**	**0.2921**
Diluted Weighted Average Shares	337,500	337,500	337,500	365,594	1,867,500	2,011,710	2,175,200	2,175,200	2,175,200	2,175,200	2,175,200

Margins	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Gross margin	**16.3%**	**16.7%**	**17.5%**	**17.8%**	**17.2%**	**21.1%**	**25.3%**	**26.7%**	**26.6%**	**27.9%**	**28.1%**
Depreciation as % of COGS	2.0%	1.2%	1.2%	1.3%	1.1%	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%
Gross margin excl depreciation	18.0%	17.7%	18.5%	18.9%	18.1%	21.8%	26.0%	27.4%	27.2%	28.5%	28.7%
SG&A	12.1%	10.0%	9.5%	9.8%	7.6%	9.2%	10.0%	9.5%	9.0%	8.6%	8.5%
Selling expense	7.4%	5.7%	5.2%	4.5%	3.7%	3.4%	3.5%	3.3%	3.1%	3.0%	3.0%
G&A	4.7%	4.2%	4.3%	5.4%	3.8%	5.8%	6.5%	6.2%	5.9%	5.6%	5.5%
R&D	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Operating margin	**4.2%**	**6.7%**	**7.9%**	**7.9%**	**9.5%**	**11.8%**	**15.3%**	**17.2%**	**17.5%**	**19.2%**	**19.6%**
Other income (loss)	1.5%	0.8%	0.6%	0.5%	0.2%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%
Interest income	0.0%	0.0%	0.4%	0.1%	0.3%	0.1%	0.9%	0.9%	1.0%	1.1%	1.2%
Interest expense	0.5%	0.4%	0.3%	0.5%	0.4%	1.0%	1.4%	2.8%	2.4%	2.1%	1.8%
Profit before tax margin	**5.2%**	**7.1%**	**8.5%**	**8.0%**	**9.6%**	**11.4%**	**15.3%**	**15.8%**	**16.6%**	**18.8%**	**19.5%**
Net margin	**3.7%**	**4.8%**	**5.9%**	**5.5%**	**6.6%**	**6.6%**	**8.2%**	**8.4%**	**8.9%**	**10.0%**	**10.4%**

YOY%	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Total Revenue	n/a	**87%**	**-2%**	**23%**	**31%**	**60%**	**31%**	**19%**	**16%**	**17%**	**17%**
Gross profit	n/a	**92%**	**2%**	**25%**	**26%**	**96%**	**57%**	**26%**	**15%**	**23%**	**18%**
Selling and distribution costs	n/a	45%	-11%	6%	9%	46%	35%	13%	9%	13%	17%
Administrative expenses	n/a	68%	-1%	53%	-7%	142%	47%	14%	11%	11%	15%
R&D expense	n/a	257%	16%	35%	27%	73%	-53%	19%	16%	17%	17%
Operating income/loss	n/a	**198%**	**16%**	**23%**	**58%**	**98%**	**70%**	**34%**	**18%**	**28%**	**19%**
Profit Before Taxes	n/a	155%	18%	15%	57%	90%	75%	24%	22%	33%	22%
Net Income	n/a	**145%**	**19%**	**15%**	**55%**	**61%**	**61%**	**24%**	**22%**	**33%**	**22%**
Diluted EPS	n/a	145%	19%	6%	-70%	50%	49%	24%	22%	33%	22%

SOURCES: CIMB, COMPANY REPORTS

Figure 10: Yestar medical consumable revenue growth (Rmb 000s)



SOURCES: CIMB, COMPANY REPORTS

Balance sheet supported by bond issue

Figure 11: Balance sheet

RMB '000	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Cash and ST Investments	68,537	146,605	162,896	286,343	198,824	506,487	1,232,006	1,240,039	1,977,582	2,380,285	3,392,115
Cash	68,537	142,039	160,393	283,027	194,724	505,987	1,213,300	1,221,333	1,958,876	2,361,579	3,373,409
Pledged Deposits	0	4,566	2,503	3,316	4,100	500	17,000	17,000	17,000	17,000	17,000
Short Term Receivables	11,826	36,941	100,754	16,848	105,197	552,852	307,087	719,634	473,869	919,772	714,035
Inventories - Total	143,093	132,827	177,768	272,704	327,201	414,767	502,537	572,222	680,098	755,552	921,776
Other Current Assets	31,489	67,358	1,916	0	0	0	0	0	0	0	0
Total Current Assets	**277,257**	**401,435**	**467,673**	**605,154**	**654,121**	**1,515,660**	**2,084,810**	**2,575,074**	**3,174,728**	**4,098,789**	**5,071,106**
Property. Plant & Equipment - Net	56,519	53,247	95,888	104,352	104,009	116,939	118,753	122,900	128,922	137,299	148,608
Property Plant & Equipment - Gross	96,511	102,120	152,242	170,444	184,548	229,565	253,800	282,734	316,369	355,645	401,688
Accumulated Depreciation	39,992	48,873	56,354	66,092	80,539	112,626	135,047	159,834	187,448	218,346	253,080
Total Non-current Asset	**62,039**	**74,426**	**119,528**	**130,832**	**463,798**	**1,647,849**	**2,948,782**	**2,912,013**	**2,877,118**	**2,844,579**	**2,814,972**
Total Assets	**339,296**	**475,861**	**587,201**	**735,986**	**1,117,919**	**3,163,509**	**5,033,591**	**5,487,087**	**6,051,846**	**6,943,368**	**7,886,078**
Accounts Payable	102,073	183,855	244,246	215,322	282,778	449,975	455,936	605,474	631,292	786,528	869,969
ST Debt & Current Portion of LT Debt	20,000	46,600	25,000	117,212	101,713	247,912	247,912	247,912	247,912	247,912	247,912
Income Taxes Payable	3,882	12,954	22,422	7,371	29,409	118,744	155,175	30,639	35,616	20,794	24,378
Other Current Liabilities	61,084	45,736	116,269	40,450	39,815	143,454	143,454	143,454	143,454	143,454	143,454
Total Current Liabilities	**187,039**	**289,145**	**407,937**	**380,355**	**551,715**	**1,142,085**	**1,184,477**	**1,209,480**	**1,240,274**	**1,380,688**	**1,467,713**
Long Term Debt	17,000	0	20,000	0	4,500	172,500	1,536,250	1,536,250	1,536,250	1,536,250	1,536,250
Total Non-current Liabilities	**18,965**	**5,129**	**30,161**	**13,446**	**241,147**	**1,104,027**	**2,666,893**	**2,771,502**	**2,905,776**	**3,130,385**	**3,340,784**
Total Liabilities	**206,004**	**294,274**	**438,098**	**393,801**	**792,862**	**2,246,112**	**3,851,370**	**3,980,982**	**4,146,050**	**4,511,073**	**4,808,497**
Common Equity	111,123	158,435	140,153	332,972	315,659	907,414	1,087,119	1,306,900	1,578,122	1,935,394	2,373,272
Share Capital	0	0	0	37,044	37,044	43,116	43,116	43,116	43,116	43,116	43,116
Share Premium	0	0	0	85,688	35,079	814,113	814,113	814,113	814,113	814,113	814,113
Contributed Surplus	108,855	108,855	111,526	84,991	84,991	0	0	0	0	0	0
(Accumulated Losses)/Retained Earnings	(1,283)	42,521	17,638	75,369	170,736	0	179,705	399,486	670,708	1,027,980	1,465,858
Proposed Final Dividend	0	0	0	32,667	50,450	50,185	50,185	50,185	50,185	50,185	50,185
Exchange Flactuation Reserve	0	0	0	(1,117)	(911)	0	0	0	0	0	0
Total Equity	**133,292**	**181,587**	**149,103**	**342,185**	**325,057**	**917,397**	**1,182,221**	**1,506,105**	**1,905,796**	**2,432,295**	**3,077,581**
Total Liabilities & Shareholders' Equity	**339,296**	**475,861**	**587,201**	**735,986**	**1,117,919**	**3,163,509**	**5,033,591**	**5,487,087**	**6,051,846**	**6,943,368**	**7,886,078**

SOURCES: CIMB, COMPANY REPORTS

Potential earnings impact from future acquisitions

From our analysis, we see approximately Rmb2.2-2.3bn in revenue being derived from Roche related product distribution in FY17F (or 60% of our total FY17F revenue forecast – numbers are still estimated as no revenue details of the 4Q16 acquisitions have been released yet). We attempt to estimate a "Blue-sky" scenario, assuming the company successfully completes enough acquisitions in 2017F to increase its share of Roche's total China IVD business to 25% from 15% currently.

(1) REVENUE – We would expect to see an additional Rmb1.4-1.5bn in revenue, taking group revenue to Rmb5.3bn in 2017F.

(2) NET PROFIT – On the assumption that the company would generate a conservative 8% net margin (after minority interest - assuming all deals continue to be done on an initial 70% stake basis), we could see an additional Rmb120m added to the bottom line, lifting FY17F net profit to Rmb434m, lowering FY17F P/E to 17x (from current 23x).

Multiple funding strategies

Yestar has successfully raised funds through several means in order to fund its strategies and we expect further rounds of fund raising in the future depending on success in acquiring more distirbutors and the size of the deals. So far the company has raised capital through both debt (bond issuance) and equity (IPO and secondary placing):

(3) IPO - Completed in Oct 2013, raising US$22.5m (112.5m shares at HK$1.55/share). Funded the majority of the Uno acquisition

(4) Share placement – Completed in June 2015 raising US$121m (at HK$3.00/share), funding the acquisition of Anbaida.

(5) Bond issuance – in Sep 2016, Yestar announced the issuance of a 5-year US$200m corporate note with an annual interest rate of 6.9%. This provided the funding for the 3 acquisition completed in 4Q16.

Risks

Customer dependency

Approximately 90% of Yestar's IVD business is with Roche products and the majority of the non-IVD business is with Fujifilm products. While this highlights the strong reputation Yestar has with these large multinational corporations, it also could be a risk should either of these companies have some business disruption/or reputational damage, in our view.

Competition

Although Roche has approximately 24% of the China IVD market in 2015 and is the clear leader, there are other international companies such as Sysmax (Japan) also focusing on the China market. Domestic players such as Mindray Medical and Shanghai Kehua also have sizeable market share in the China IVD market. Market growth and acceptance for more domestic brands could have a negative impact on Roche and Yestar (if Yestar does not start selling locally produced products).

Integration risk

The majority of Yestar's earnings growth outlook is driven by successful acquisitions and subsequent integration. One key risk to the company is any difficulties in integrations, whether it be operational or management philosophy clashes. Yestar's strategy to retain key management and incentivising them to achieve certain profit targets to obtain a high value for their remaining 30% stake acts as a hedge against any integration risk in the first 3 years, in our view.

Government policy

The Chinese Government has positive policies in place driving demand for medical consumables including 1) 2020 target of universal healthcare access 2) encouragement of hospital investment under the 13th Five-Year Plan and 3) drive for more proactive treatment to help demand for IVD to offset the cost of an aging population. However, a shift in government policy could have a negative impact on Yestar, in our view – for instance should the government develop a strategy to encourage use of locally developed medical technology creating a more difficult operating environment for the likes of Roche and Fujifilm.

SWOT analysis

Figure 12: Yestar SWOT analysis

Strengths	Opportunities
Large market share of Roche's business in China	Capturing further distributors to further enhance market share
Roche expected to further enhance its leading market share	Potential to diversify into other medical products
Track record in distribution management in China	Ability to cross sell products throough network of hospitals and clinics
Weaknesses	**Threats**
High dependency on Fujifilm and Roche	Slower-than-expected growth from China
One market focused - China	Growth in new medical technologies that could disrupt existing IVD products
Still a relative newcomer to the medical industry	Faster-than-expected slowdown in traditional imaging business

SOURCES: CIMB

Valuations

Upside from further expansion

Yestar has traded at a relatively high forward P/E multiple since its listing on the Hong Kong main board in October 2013 (112.5m shares at HK$1.55/share). We believe that this is due to the company's rapid growth through acquisitions, which contribute to earnings 12 months and beyond.

Although the company trades at 22.6x consensus FY17F P/E, we see three key reasons for Yestar to continue to enjoy a high rating and possibly expand further:

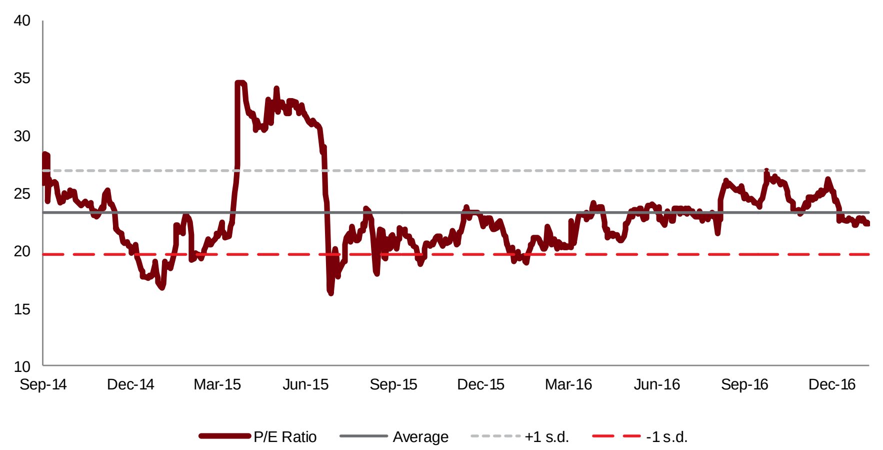
1. **Increased coverage:** Despite recording over US$1bn in market cap, the stock is not well-covered by the broker community, with only 4 brokers' forecasts available. We believe, given the company size and business potential, more brokers will initiate coverage on the stock.
2. **Further acquisitions:** Yestar currently commands approximately 15% of Roche's IVD business in China and it is expected to continue to enhance this position.
3. **Diversification:** Given the company's strong reputation with Fujifilm and Roche, we understand that Yestar may look to leverage its distribution network and relationships to a) diversify into products from other corporations that complement Roche's IVD business, and b) look to move into IVD related manufacturing.

Set target valuation at 26x FY18F P/E

We forecast the company to achieve a 3-year EPS CAGR of 30.6% from 2015 through to 2018F, this is significantly higher than the 22% forecast CAGR for the average of its HK-listed medical devices and pharmaceutical companies (we believe this is a fair group to compare with given almost 80% of group revenues are derived from Yestar's medical consumables business and an even higher proportion of group profits).

Since listing, the stock has trading on an average forward P/E of 23x, we believe that the company's outlook is even stronger following the latest 3 acquisitions and could justify a rerating above the mean, especially as we believe the company is likely to make further earnings accretive acquisitions that are yet to be factored into our earnings forecast. We set our target price at 26x FY18F P/E equivalent to +1 s.d. above the historic mean. This is equivalent to 0.8x PEG, which is a premium to the 0.64x for HK-listed peers and a similar PEG to A-share listed IVD plays.

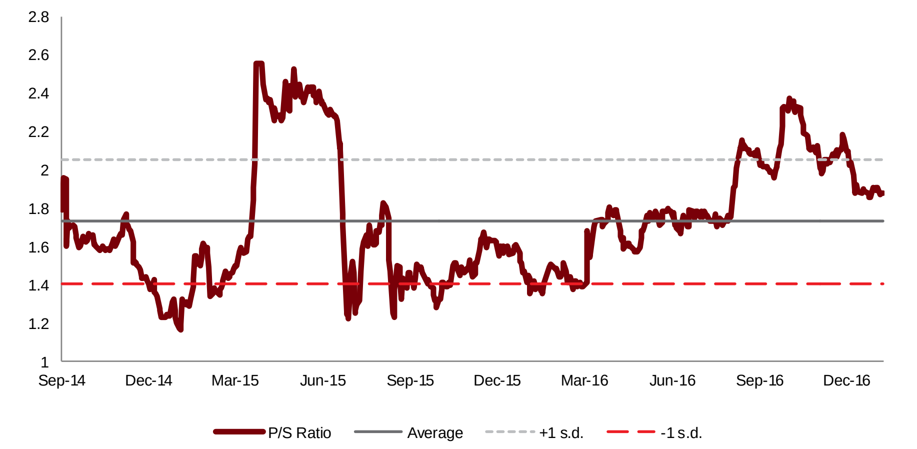
Figure 13: Yestar forward P/E chart



SOURCES: CIMB, BLOOMBERG

Yestar has traded at a mean forward P/S of 1.7x since listing and is currently trading just above the mean at 1.9x (1 s.d. above the mean would be equivalent to 2.1x forward sales). However, this is significantly below the peak of 2.5x in mid-2015 and 2.3x in Oct 2016.

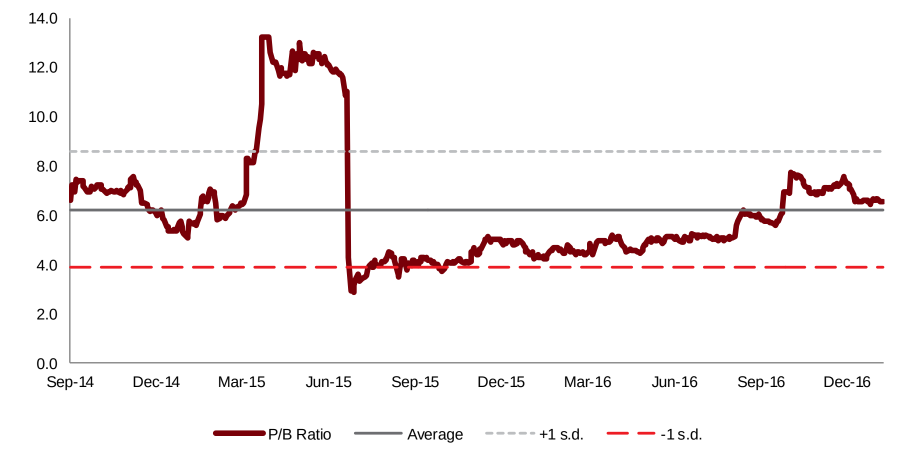
Figure 14: Yestar forward price-to-sales chart



SOURCES: CIMB, BLOOMBERG

Yestar is currently trading just above the mean since 2013 IPO of 6x forward P/B, the stock has rerated from below 4x P/B in July 2015 following the share placement.

Figure 15: Yestar forward price-to-book chart



SOURCES: CIMB, BLOOMBERG

CIMB

Figure 16: Yestar peer comps (19 Jan)

Company	Ticker	Recom.	Price (LC$)	TP (LC$)	Mkt cap (US$)	P/E (x) CY16F	P/E (x) CY17F	P/E (x) CY18F	3-year EPS CAGR (%)	P/BV (x) CY16F	P/BV (x) CY17F	EV/EBITDA (x) CY16F	EV/EBITDA (x) CY17F	Dividend yield (x) CY16F	Dividend yield (x) CY17F
HK listed medical device companies															
Yestar	2393 HK	Add	3.8	5.3	1,063	27.2	22.6	18.1	37.7%	7.4	6.6	12.8	10.2	1.6%	1.8%
Bloomage	963 HK	Non Rated	11.2	na	526	16.8	13.7	11.0	23.1%	2.6	2.2	11.1	9.6	0.2%	0.2%
Shangdong Weigao	1066 HK	Non Rated	5.3	na	3,041	18.3	15.0	13.4	12.9%	1.8	1.6	11.1	9.1	1.4%	1.8%
Shanghai Haohai	6826 HK	Non Rated	37.2	na	768	17.4	14.4	12.5	15.6%	1.8	1.6	9.6	7.6	0.9%	1.1%
Average						***19.9***	***16.5***	***13.8***	***22.3%***	***3.4***	***3.0***	***11.1***	***9.1***	***1.0%***	***1.2%***
HK listed pharma companies															
3SBio	1530 HK	Non Rated	7.6	na	2,465	22.6	17.0	14.1	40.3%	2.7	2.4	17.8	13.8	0.3%	0.5%
China Medical Sys	867 HK	Non Rated	12.9	na	4,130	21.1	17.3	14.7	24.2%	4.4	3.6	18.8	15.3	1.7%	2.0%
CSPC Pharma	1093 HK	Non Rated	8.4	na	6,578	23.9	19.5	16.1	22.9%	5.0	4.3	15.5	12.9	1.5%	1.9%
Fosun Pharma	2196 HK	Non Rated	25.1	na	8,473	18.6	16.1	14.2	32.8%	2.5	2.2	27.1	23.0	1.5%	1.8%
Livzon Pharma	1513 HK	Non Rated	43.9	na	3,160	21.1	17.8	14.8	16.9%	2.7	2.4	15.5	13.1	1.2%	1.4%
Luye Pharma	2186 HK	Non Rated	5.0	na	2,119	16.6	13.8	12.1	16.8%	2.3	2.0	12.0	10.2	0.6%	0.9%
Sino Biopharm	1177 HK	Non Rated	5.8	na	5,581	21.2	19.3	17.0	12.3%	4.1	3.4	11.5	10.4	0.8%	1.0%
SSY Group	2005 HK	Non Rated	2.5	na	897	14.8	13.2	11.1	15.2%	2.6	2.3	10.3	9.4	2.0%	2.3%
Average						***20.0***	***16.8***	***14.3***	***22.7%***	***3.3***	***2.8***	***16.1***	***13.5***	***1.2%***	***1.5%***
China listed IVD companies															
Autobio Diagnostics	603658 CH	Non Rated	44.1	na	2,699	50.2	37.7	29.0	31.5%	10.9	8.5	34.0	27.3	0.0%	0.0%
Beijing Leadman	300289 CH	Non Rated	10.6	na	657	42.6	38.0	N/A	N/A	3.6	3.3	22.1	20.5	0.4%	0.4%
Dian Diagnostics	300244 CH	Non Rated	29.6	na	2,381	59.9	42.6	31.4	47.5%	7.0	5.8	44.6	32.8	0.2%	0.3%
Dirui Industrial	300396 CH	Non Rated	33.9	na	757	37.2	31.4	26.7	24.7%	3.6	3.3	N/A	N/A	0.0%	0.0%
Guangdong Wondfo	300482 CH	Non Rated	57.5	na	1,475	62.7	47.2	35.6	30.4%	12.4	10.6	N/A	N/A	0.0%	0.0%
Humanwell Health	600079 CH	Non Rated	19.0	na	3,557	28.1	21.6	17.9	32.2%	2.6	2.3	17.3	14.2	0.7%	0.9%
Ningbo Medical	300439 CH	Non Rated	26.0	na	1,320	44.9	36.7	25.8	34.0%	5.8	4.9	32.2	24.3	0.4%	0.0%
Shanghai Fosun Pharma	600196 CH	Non Rated	24.5	na	8,476	20.7	17.6	15.2	33.1%	2.7	2.4	27.3	23.2	1.4%	1.6%
Shanghai Kehua	002022 CH	Non Rated	19.4	na	1,446	38.5	31.8	27.1	26.1%	5.2	4.6	28.7	22.9	0.7%	0.8%
Shanghai Runda	603108 CH	Non Rated	27.5	na	1,291	62.8	48.0	36.7	38.9%	5.1	4.6	39.4	32.2	0.5%	0.4%
Sichuan Maker Bio	300463 CH	Non Rated	21.6	na	1,761	39.0	32.5	27.2	25.9%	5.3	4.5	25.2	20.5	0.5%	0.6%
Sinocare Inc	300298 CH	Non Rated	18.0	na	889	64.4	46.2	27.3	19.9%	5.1	4.6	N/A	N/A	0.0%	0.0%
Average						***45.9***	***35.9***	***27.3***	***31.3%***	***5.8***	***4.9***	***30.1***	***24.2***	***0.4%***	***0.4%***
International IVD companies															
Abbot Lab	ABT US	Non Rated	40.8	na	70,360	18.5	16.6	14.9	16.5%	2.9	2.1	14.0	10.4	2.6%	2.7%
Bayer	BAYN GR	Non Rated	101.8	na	89,578	13.7	12.7	11.8	16.0%	3.1	2.8	9.1	8.6	2.7%	2.8%
Becton Dickinson	BDX US	Non Rated	174.0	na	37,098	20.3	18.4	16.7	30.6%	4.5	4.4	13.6	13.0	1.5%	1.7%
Roche	RHHBY US	Non Rated	29.4	na	202,916	16.1	15.0	13.9	11.1%	8.1	7.0	10.9	10.3	3.6%	3.8%
Sysmex	6869 JP	Non Rated	6810	na	12,399	40.4	31.9	31.9	18.5%	7.3	6.6	19.9	19.3	0.7%	0.8%
Average						***21.8***	***18.9***	***17.8***	***18.5%***	***5.2***	***4.6***	***13.5***	***12.3***	***2.2%***	***2.4%***

SOURCES: CIMB, BLOOMBERG

Management team

Experienced management team

Mr. James HARTONO – Founder/Chairman/CEO/Executive Director

- Responsible for overall strategic development
- Has over 16 years' experience in China business operations
- Alumni of Harvard Business School
- Awarded honorary citizenship from Nanning City in 2009

Ms. WANG Hong – CFO/Executive Director

- Responsible for overseeing finance and accounting and financial planning
- Over 16 years' experience in PRC financial accounting and auditing
- Joined Yestar in 2007, prior to which worked as an accountant for >5 years

Mr. CHAN To Keung – Executive Director

- Responsible for overseeing the company's production facilities
- Over 34 years' experience in the production of imaging products
- Worked in Fuji Photo Products Co Ltd distributing Fujifilm products in Hong Kong and Macau

Ms. WANG Ying – Executive Director

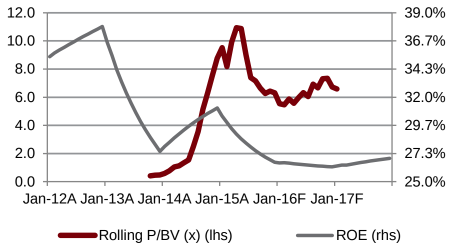
- Responsible for formulating sales strategies and product development
- Over 31 years' experience in the imaging industry
- A committee member of the Chinese Society for Imaging Science and Technology since 2001

Mr. CHAN Chung Man – Executive Director

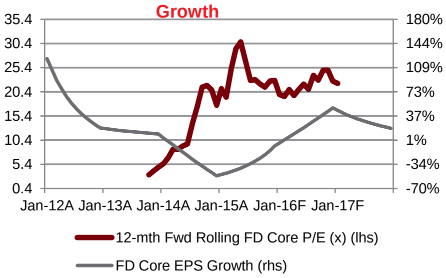
- Responsible for business development, marketing and management of the medical consumable division
- Over 16 years' experience in distribution development and management both overseas and in the China market
- Master of Management degree (majoring in logistics and operations management) from Macquarie University

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(Rmbm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	**1,531**	**2,455**	**3,208**	**3,830**	**4,452**
Gross Profit	**263**	**517**	**813**	**1,024**	**1,182**
Operating EBITDA	**146**	**289**	**490**	**658**	**779**
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	**146**	**289**	**490**	**658**	**779**
Financial Income/(Expense)	(1)	(24)	(16)	(72)	(64)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	3	15	16	19	22
Profit Before Tax (pre-EI)	**147**	**280**	**490**	**605**	**738**
Exceptional Items					
Pre-tax Profit	**147**	**280**	**490**	**605**	**738**
Taxation	(44)	(81)	(143)	(176)	(215)
Exceptional Income - post-tax					
Profit After Tax	**104**	**199**	**347**	**429**	**523**
Minority Interests	(3)	(36)	(86)	(106)	(129)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**101**	**163**	**262**	**323**	**394**
Recurring Net Profit	101	163	262	323	394
Fully Diluted Recurring Net Profit	**101**	**163**	**262**	**323**	**394**

Cash Flow

(Rmbm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	145.8	288.7	490.3	658.0	779.3
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(25.5)	(139.1)	39.4	(3.5)	(165.4)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	17.8	57.5	63.3	65.7	68.5
Other Operating Cashflow	(28.2)	(66.1)	96.2	(242.1)	(81.8)
Net Interest (Paid)/Received	3.2	24.0	16.4	71.8	63.7
Tax Paid					
Cashflow From Operations	**113.1**	**165.2**	**705.6**	**549.9**	**664.4**
Capex	(10.4)	(18.5)	(24.2)	(28.9)	(33.6)
Disposals Of FAs/subsidiaries	0.1	0.8	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(140.8)	(790.5)	(1,042.7)	0.0	0.0
Other Investing Cashflow	2.4	1.1	28.2	35.2	43.3
Cash Flow From Investing	**(148.7)**	**(807.2)**	**(1,038.7)**	**6.3**	**9.7**
Debt Raised/(repaid)	(11.0)	314.2	1,334.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	728.6	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(36.2)	(50.2)	(80.7)	(99.7)	(121.5)
Preferred Dividends					
Other Financing Cashflow	(5.7)	(40.5)	(44.6)	(107.0)	(107.0)
Cash Flow From Financing	**(52.9)**	**952.2**	**1,208.7**	**(206.7)**	**(228.6)**
Total Cash Generated	(88.5)	310.2	875.6	349.4	445.5
Free Cashflow To Equity	**(46.6)**	**(327.8)**	**1,000.9**	**556.2**	**674.1**
Free Cashflow To Firm	**(41.3)**	**(667.7)**	**(377.7)**	**449.1**	**567.0**

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS… cont'd

Balance Sheet

(Rmbm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	198.8	506.5	1,411.8	1,761.3	2,165.3
Total Debtors	105.2	552.9	430.0	513.4	596.8
Inventories	327.2	414.8	502.5	572.2	680.1
Total Other Current Assets	22.9	41.6	43.2	43.2	43.2
Total Current Assets	**654.1**	**1,515.7**	**2,387.5**	**2,890.0**	**3,485.3**
Fixed Assets	104.0	116.9	118.8	122.9	128.9
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	337.0	1,510.4	2,513.1	2,473.1	2,433.2
Total Other Non-Current Assets	22.8	20.5	19.6	18.7	17.8
Total Non-current Assets	**463.8**	**1,647.8**	**2,651.5**	**2,614.7**	**2,579.8**
Short-term Debt	101.7	247.9	247.9	247.9	247.9
Current Portion of Long-Term Debt					
Total Creditors	312.2	568.7	611.1	636.1	666.9
Other Current Liabilities	137.8	325.5	325.5	325.5	325.5
Total Current Liabilities	**551.7**	**1,142.1**	**1,184.5**	**1,209.5**	**1,240.3**
Total Long-term Debt	4.5	172.5	1,536.3	1,536.3	1,536.3
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	236.6	931.5	1,134.1	1,245.3	1,373.1
Total Non-current Liabilities	**241.1**	**1,104.0**	**2,670.4**	**2,781.6**	**2,909.4**
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**792.9**	**2,246.1**	**3,854.8**	**3,991.0**	**4,149.7**
Shareholders' Equity	315.7	907.4	1,088.4	1,312.1	1,584.7
Minority Interests	9.4	10.0	95.7	201.7	330.8
Total Equity	**325.1**	**917.4**	**1,184.2**	**1,513.7**	**1,915.5**

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	30.5%	60.3%	30.7%	19.4%	16.2%
Operating EBITDA Growth	57.6%	98.0%	69.8%	34.2%	18.4%
Operating EBITDA Margin	9.5%	11.8%	15.3%	17.2%	17.5%
Net Cash Per Share (Rmb)	0.05	0.04	(0.17)	(0.01)	0.18
BVPS (Rmb)	0.17	0.45	0.50	0.60	0.73
Gross Interest Cover	25.47	11.23	10.99	6.15	7.28
Effective Tax Rate	29.6%	29.1%	29.1%	29.1%	29.1%
Net Dividend Payout Ratio	35.9%	30.8%	30.8%	30.8%	30.8%
Accounts Receivables Days	14.54	48.92	56.07	44.95	45.51
Inventory Days	86.35	69.90	70.09	69.90	69.90
Accounts Payables Days	71.70	69.03	69.22	69.03	69.03
ROIC (%)	78.2%	61.6%	27.8%	24.5%	28.0%
ROCE (%)	33.7%	32.8%	24.1%	22.1%	23.5%
Return On Average Assets	11.3%	10.4%	8.9%	9.5%	10.1%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	0.0%	0.0%	0.0%	0.0%	0.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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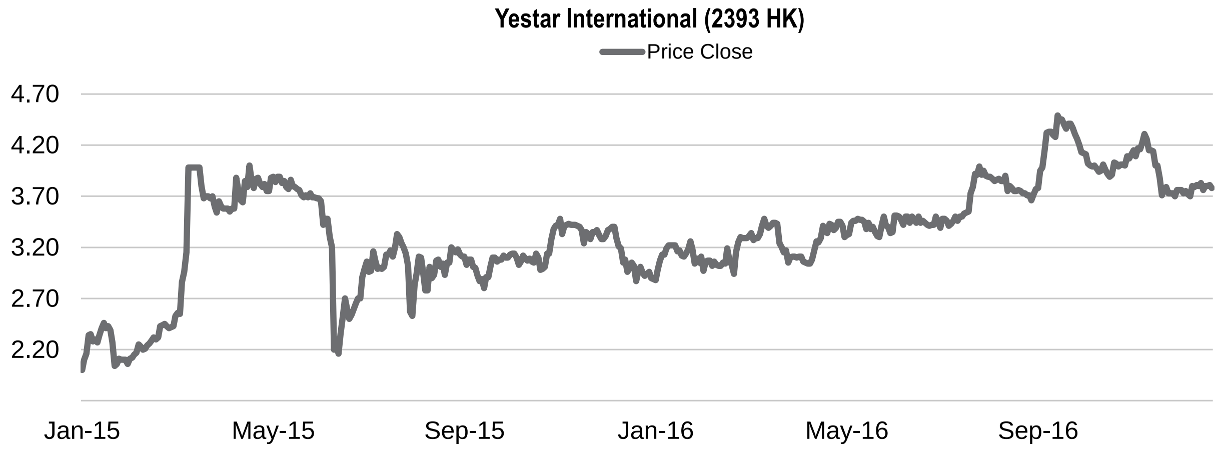
Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016 1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, SC – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Very

Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:
- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.