

China

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Real Gold

246.HK / 246 HK

Still gold focused

- ▶ **Results in line with expectation** – Real Gold's sales increased 35% YoY to RMB1,368m, 5% higher than our forecast, and net profit went up 52% to RMB798m, 2% higher than our forecast. ASP for gold concentrates in 2010 was ~RMB244/g, up 32% YoY, 1% higher than our forecast. Meanwhile, the company produced ~4.22t gold concentrates, up 16% YoY, in line with our previous forecast of 4.24t.
- ▶ **Contribution from copper increased** - According to the company, copper occupied 21% of total sales in 2010, compared to 14% in 2009. The significant increase in copper contribution could be explained by the 39% surge in copper price as well as the output increase in copper from the capacity expansion in the Luotuochang mine. We estimate sales from copper more than doubled to RMB291m in 2010, 36% higher than our forecast, which we think is the main reason for the higher-than-expected sales. We believe the company's gold focusing strategy will not change and expect the proportion of gold in total sales will increase to 74% (vs. 77% of our previous forecast) by the end of 2013 from the current of 64% after all the newly acquired mines, which only contain gold, become wholly operational.
- ▶ **Other operating expenses increased** - Other operating expenses increased to RMB72m from RMB13m in 2009, or 5% of total sales vs. 1% in 2009. The increase was mainly explained by an exchange loss of RMB49.5m, which arose from the translation and the settlement of monetary items such as bank balances and loans receivable denominated in HKD and USD. As at the end of 2010, the company still had HK\$337.5m of IPO proceeds unused, which may leave further loss in exchange due to the continuous appreciation in RMB.
- ▶ **Valuation still cheap, maintain BUY** - We raised our forecast on 11F & 12F copper sales by 37.5% and 40.2% to RMB336m and RMB346m, respectively, to reflect the increased contribution from copper sales. We also adjusted 11F and 12F other operating expenses upwards to RMB57m and RMB74m, accounting for 3.5% and 3.5% of total sales in 2011 and 2012 (nil in our previous model) to incorporate the continuous appreciation in RMB. As a result, we raised 11F & 12F net profit upwards by 0.8% and downwards by 2.5%, respectively, to RMB988m and RMB1,261m. Our target price was consequently adjusted down by 4% to HK\$18.60 per share, translating to 14.5x 11F PER. Real Gold is now trading at 9.3x 11F PER, a 39% and 38% discount to its HK listed peers' 15.3x and global peers' 15.0x. With 56% upside potential, we maintain our BUY rating.

BUY

Maintain

HK\$11.94 (Mar 11, 11)

Target price: HK\$18.60 (Up: 56%)
HSI: 23,249.78 (Mar 11, 11)

Share Data

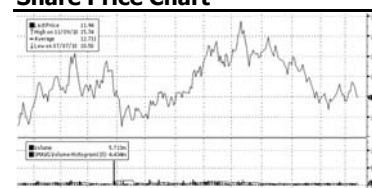
52week Hi/Lo (HK\$)	15.78/10.42
Avg. daily t/o (US\$m)	6.4
Market cap. (US\$m)	1393
Total issued shares (m)	909
Public float (%)	22.6%
Major shareholder:	
Wu Rinlin	40.9%
Citi Group	28.2%
Value Partner	8.3%

Source: HKEx & Bloomberg

Company Profile

Real Gold specializes in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sales.

Share Price Chart



Source: Bloomberg

Earnings Forecasts

Year ended 31 Dec	2009A	2010A	2011F	2012F	2013F
Sales (RMB'm)	1,011	1,368	1,641	2,101	2,293
EBITDA (RMB'm)	725	1,163	1,245	1,582	1,738
Net profit (RMB'm)	527	798	988	1,261	1,405
EPS (RMB)	0.785	0.964	1.084	1.378	1.529
YoY change (%)	+65.9	+22.9	+12.4	+27.1	+10.9
Consensus EPS (RMB)			1.139	1.292	1.400
PE (x)	12.8	10.4	9.3	7.3	6.6
EV/EBITDA (x)	8.0	5.3	4.4	2.9	2.2
DPS (RMB)	0.000	0.042	0.000	0.000	0.000
Yield (%)	0.0	0.4	0.0	0.0	0.0
ROE (%)	35.3	22.6	19.4	20.3	18.6
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Kingsway Research estimates



Results comparison

	2009A	2010A	YoY%	2010F	Actual vs forecast	Comments
Sales	1,011	1,368	35%	1,304	5%	Sales pretty much in line with our expectation The 5% surprise was mainly due to the increase in contribution from copper sales
COGS	(263)	(311)	18%	(314)	-1%	
Gross profit	749	1,057	41%	990	7%	Higher than expected gross profit was mainly explained by the increase in contribution from copper sales
Gross margin	74.0%	77.3%		75.9%		
Other income	36	157		182	-14%	
% of sales	4%	11%		14%		
Admin expenses	(35)	(34)	-1%	(62)	-45%	
% of sales	3%	3%		5%		
Other operating expenses	(13)	(72)	440%	(22)	231%	Surge in other operating expenses due to exchange losses
% of sales	1%	5%		2%		
Total opex	(48)	(106)	120%	(84)	27%	
Operating profit	736	1,108	50%	1,088	2%	
Operating margin	72.8%	81.0%		83.5%		
Profit before tax	736	1,108	50%	1,088	2%	
Tax	(193)	(299)	55%	(283)	6%	
Effective tax rate	26.2%	27.0%		26.0%		
MI	(17)	(10)		(26)		
% of PAT	3%	1%		3%		
Net profit	527	798	52%	780	2%	Net profit in line with expectation
Net margin	52.1%	58.3%		59.8%		

Source: Kingsway Research

Shanghai Gold Exchange Au9995 spot price (RMB/g)

Shanghai Changjiang copper spot price (RMB/g)



Source: Bloomberg



Revisions for earnings and key parameters			
	2011F	2012F	2013F
Sales (RMBm) - New	1,641	2,101	2,293
Old	1,581	2,060	2,278
% chg	+3.8	+2.0	+0.7
Sales from copper (RMBm) - New	336	346	356
Old	244	247	259
% chg	+37.5	+40.2	+37.9
% of total sales - New	20%	16%	16%
Old	15%	12%	11%
Chg in bpts	+502	+450	+420
Gross profit - New	1,261	1,589	1,721
Old	1,217	1,579	1,745
% chg	+3.6	+0.6	-1.4
Gross margin - New	76.9%	75.6%	75.0%
Old	77.0%	76.7%	76.6%
Chg in bpts	-13	-102	-154
Other operating expenses - New	(57)	(74)	(80)
Old	0	0	0
% chg	N/A	N/A	N/A
Net profit - New	988	1,261	1,405
Old	980	1,294	1,455
% chg	+0.8	-2.5	-3.4
Net margin - New	60.2%	60.1%	61.2%
Old	62.0%	62.8%	63.8%
Chg in bpts	-178	-275	-260

Source: Company data, Kingsway Research estimates

Risk Factors

- 1) Gold price fluctuations
- 2) Exchange rate changes
- 3) Interest rate changes
- 4) Decline in consumer and industrial demand
- 5) Investment demand shrinks if inflationary worries subside
- 6) Uncertainties in production & sales volume
- 7) Uncertainties in the estimation of gold resources and reserves
- 8) Policy risks for VAT and resource tax reform
- 9) Compliance to environmental and safety rules



Updated DCF model						
	2011F	2012F	2013F	2014F	2015F	2016F
EBITDA	1,245	1,582	1,738	1,801	1,856	1,941
Chg in working cap	(0)	(11)	(37)	(1)	1	1
Adjusted tax	(373)	(479)	(483)	(491)	(499)	(513)
Capex & product dev	(410)	(378)	(344)	(350)	(357)	(362)
Unleveraged FCF	461	715	874	959	1,002	1,068
YoY%						
DCF 12-16	3,362					
PV (Terminal value)	7,364					
EV (End-11)	10,726					
Cash from options/warrants conv	0					
Yer-end net cash/(debts)	3,662					
Fully diluted equity value (End-11)	14,389					
Fully diluted no. of shares (m)	912					
Fully diluted equity value/share (RMB)	15.78					
HKD/RMB	1.18					
Fully diluted equity value/share (HKD)	18.60					
Risk-free rate	3.5%					
Risk premium	8.0%					
Unleveraged industry beta	0.92					
Gearing	0.0%					
Tax	25.0%					
Beta	0.92					
Cost of equity	10.9%					
Cost of debt	5.0%					
Tax rate	25.0%					
After-tax cost of debt	3.8%					
Debt to total capital	0.3%					
WACC	10.8%					
Terminal growth	2.0%					

Source: Kingsway Research estimates

Sensitivity analysis									
Average gold price (US\$/oz)	-200	-150	-100	-50	Base case	+50	+100	+150	+200
2011F	1,200	1,250	1,300	1,350	1,400	1,450	1,500	1,550	1,600
2012F	1,250	1,300	1,350	1,400	1,450	1,500	1,550	1,600	1,650
2013F	1,300	1,350	1,400	1,450	1,500	1,550	1,600	1,650	1,700
Effect on FY11 P&L									
Revenue (RMB'm)	1,489	1,527	1,565	1,603	1,641	1,679	1,717	1,755	1,793
% chg from base case	-9%	-7%	-5%	-2%	N/A	2%	5%	7%	9%
Net profits (RMB'm)	865	896	927	958	988	1,019	1,050	1,080	1,111
% chg from base case	-12%	-9%	-6%	-3%	N/A	3%	6%	9%	12%
EPS (RMB)	0.949	0.983	1.017	1.050	1.084	1.118	1.151	1.185	1.219
% chg from base case	-12%	-9%	-6%	-3%	N/A	3%	6%	9%	12%
DCF value (HK\$/share)	16.78	17.24	17.69	18.14	18.60	19.05	19.50	19.95	20.41
% chg from base case	-10%	-7%	-5%	-2%	N/A	2%	5%	7%	10%

Source: Kingsway Research estimates



Peers Comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	EPS FY1 YoY%	EPS FY2 YoY%	3-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)
Real Gold Mining	246 HK	11.94	1,393	6.4	10.6	9.3	7.3	12.4	27.1	16.6	0.56	N/A	0.0	1.99	1.64
Gold miner - HK															
Adjusted sector avg*					30.9	28.3	14.8	58.1	102.2	(51.5)	0.73	1.1	1.4	6.71	3.43
Zijin Mining-H	2899 HK	6.40	16,238	18.4	22.5	15.9*	12.1	41.3	31.3	25.3	0.63	1.8	2.5	4.04	3.58
Zhaojin Mining-H	1818 HK	33.90	6,340	8.4	34.9	24.6	22.6	41.6	9.2	20.4	1.20	0.7	1.5	7.74	6.30
Lingbao Gold-H	3330 HK	6.28	624	1.0	35.3	18.5*	11.0	91.3	68.3	50.9	0.36	0.9	1.7	2.13	2.05
China Gold Inter	2099 HK	42.30	2,150	1.4	N/A	54.3*	13.6	N/A	300.0	(302.7)	N/A	N/A	0.0	12.93	1.81
Gold miner - global															
Adjusted sector avg*					501.5	19.4	15.0	49.0	32.1	30.4	0.92	0.6	0.5	3.22	2.74
Barrick Gold Crp	ABX CN	49.13	50,170	229.2	15.1	11.7	11.2	29.0	4.4	11.3	1.04	1.2	1.0	2.63	2.17
Goldcorp Inc	G CN	46.01	37,564	200.1	22.0	22.0	18.1	0.1	21.1	7.6	2.91	0.5	0.8	1.86	1.81
Newcrest Mining	NCM AU	37.59	28,752	142.5	32.6	22.3	17.4	46.2	28.2	29.8	0.75	0.7	0.8	2.07	2.00
Newmont Mining	NEM US	51.49	25,463	410.7	11.1	12.0	10.9	(7.1)	9.4	1.0	12.44	1.1	1.1	1.90	1.61
Kinross Gold	K CN	14.61	16,939	137.7	15.9	23.5	16.4	(32.3)	43.2	(1.2)	N/A	0.7	0.6	1.26	1.21
Anglogold Ashant	ANG SJ	31,594.00	17,472	5,083.9	18,476.0	12.1	11.2	1,421.8	8.4	138.7	0.09	0.5	0.0	4.63	3.33
Gold Fields Ltd	GFI SJ	11,759.00	12,230	3,305.9	2,283.3	13.7	12.6	67.0	8.6	13.3	1.03	1.2	0.0	1.96	1.62
Agnico-Eagle Min	AEM CN BUENAVI1 PE	64.15	11,079	75.2	32.0	23.0	20.1	38.9	14.4	17.6	1.31	0.2	1.0	3.02	2.84
Buenaventura-Inv	PE	100.00	12,171	0.0	13.8	11.0	11.0	25.3	0.5	N/A	N/A	1.3	N/A	3.52	N/A
Polyus Gold Ojsc	PLZL RM	1,675.20	11,110	25.0	32.4	26.7	18.2	21.1	46.8	34.1	0.78	1.1	1.0	3.63	2.45
Shandong Gold-Mi	600547 CH	48.53	10,504	117.0	56.4	37.1	31.5	52.0	18.0	N/A	N/A	0.1	0.4	17.76	13.01
Eldorado Gold	ELD CN	14.84	8,320	64.8	39.9	21.7	15.8	84.2	37.0	25.7	0.84	0.7	0.6	2.80	2.50
Yamana Gold Inc	YRI CN	12.16	9,221	58.7	20.4	13.2	12.0	54.9	9.9	14.1	0.94	0.7	1.0	1.27	1.19
Randgold Res Ltd	RRS LN	4,481.00	6,530	1,219.3	2,456.5	17.3	13.7	263.8	26.5	67.7	0.26	N/A	0.0	3.64	3.00
Zhongjin Gold	600489 CH	37.14	8,039	85.3	101.3	49.7	35.1	103.7	41.5	50.5	0.99	0.2	0.4	11.44	8.00
Iamgold Corp	IMG CN	20.17	7,726	55.7	27.5	15.6	16.6	76.8	(6.3)	19.5	0.80	0.4	0.3	2.77	2.33
Harmony Gold Mng	HAR SJ	8,380.00	5,179	1,395.8	N/A	29.3	12.7	N/A	129.9	(348.8)	N/A	0.6	0.0	1.22	1.18
Centerra Gold In	CG CN	15.84	3,821	11.6	11.8	12.1	8.5	(2.0)	41.5	11.5	1.05	0.4	0.4	3.01	2.55
African Barrick	ABG LN	512.50	3,359	249.9	1,487.7	11.2	9.0	33.2	23.7	22.2	0.50	0.2	0.0	1.30	1.33
New Gold Inc	NGD CN	9.85	4,020	30.6	21.9	23.5	17.6	(7.0)	33.6	10.2	2.32	N/A	0.0	2.15	1.87
Petropavlovsk	POG LN	1,004.00	3,015	515.0	640.3	23.6	11.0	(30.5)	114.7	23.4	1.01	0.3	0.0	2.20	2.01
Semafo Inc	SMF CN	8.72	2,428	39.7	49.5	23.1	17.9	114.4	28.8	48.5	0.48	N/A	0.0	5.20	4.97
European Gold	EGU CN	12.05	2,264	18.3	N/A	N/A	N/A	N/A	N/A	(239.2)	N/A	N/A	0.0	4.02	3.99
Royal Gold Inc	RGLD US	48.04	2,585	23.6	98.0	36.3	26.5	170.0	37.0	60.4	0.60	0.8	0.9	1.80	1.77
Centamin Egypt	CEY LN	128.40	2,216	751.3	6,368.6	11.9	7.9	1,265.1	50.0	197.6	0.06	N/A	0.0	4.66	6.30
Allied Nevada Go	ANV US	30.50	2,711	18.3	74.4	47.4	27.0	57.1	75.6	34.1	1.39	N/A	N/A	5.19	3.66
Coeur D'Alene Mn	CDE US	31.70	2,838	76.4	N/A	11.4	11.3	N/A	0.3	(236.2)	N/A	N/A	0.0	1.39	1.23
China Gold Inter	CGG CN	5.33	2,159	3.7	N/A	54.5	13.6	N/A	300.0	(302.7)	N/A	N/A	0.0	12.99	1.82
Koza Altin Islet	KOZAL TI	20.45	1,965	8.1	21.2	13.3	10.0	60.0	32.5	38.0	0.35	0.9	1.4	8.31	6.99
Alamos Gold Inc	AGI CN	17.13	2,040	12.8	33.7	32.4	25.0	3.8	29.6	27.5	1.18	0.4	0.4	4.68	4.62
Gold Fields-Inv	LACIMA1 PE	3.15	1,676	0.5	10.3	12.6	N/A	(18.5)	N/A	N/A	N/A	1.9	3.2	2.25	N/A
Medusa Mining	MML AU	6.51	1,225	6.1	17.2	12.0	9.4	43.4	27.3	25.3	0.48	1.5	1.6	5.27	4.38
Shandong Humon-A	002237 CH	48.15	1,403	19.6	48.4	27.6	21.7	75.2	27.5	N/A	N/A	N/A	N/A	6.87	N/A

*2010F PER for Zijin Mining, Lingbao Gold and China Gold.

Note: closing price as at 11 Mar 2011



Peers Comparison

Company	Rev Hist (US\$m)	Rev FY1 (US\$m)	NP Hist (US\$m)	NP FY1 (US\$m)	Net gearing Hist (%)	Net gearing FY1 (%)	Unlev beta	Gross margin Hist (%)	Net margin Hist (%)	Net margin FY1 (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
Real Gold Mining	208	255	121	153	0.0	0.0	0.96	77.3	58.3	60.2	22.6	19.4	0.7	(15.4)
Gold miner - HK														
Adjusted sector avg*					74.9	0.0	0.69	34.7	9.6	18.1	6.7	16.5	9.2	(2.6)
Zijin Mining-H	3,075	4,000	540	758	0.6	0.0	1.14	32.5	17.6	18.9	20.7	25.3	10.5	(12.4)
Zhaojin Mining-H	623	862	183	263	19.6	0.0	0.68	56.4	29.3	30.6	24.1	24.1	13.8	9.2
Lingbao Gold-H	603	703	18	36	98.4	N/A	0.26	19.1	3.0	5.1	6.7	12.6	6.4	(3.1)
China Gold Inter	81	145	(9)	26	180.9	N/A	N.A	30.7	(11.5)	17.6	(24.6)	3.9	6.0	(3.9)
Gold miner - global														
Adjusted sector avg*					8.4	0.8	0.88	44.0	22.8	27.1	12.1	13.6	(0.2)	(9.3)
Barrick Gold Crp	10,924	12,837	3,274	4,299	13.1	5.3	0.76	50.6	30.0	33.5	19.2	18.5	4.9	(8.7)
Goldcorp Inc	3,800	5,313	1,574	1,715	0.7	0.0	1.07	44.7	41.4	32.3	8.8	8.1	8.5	(1.1)
Newcrest Mining	2,802	4,426	557	1,272	0.0	0.9	0.76	44.0	19.9	28.7	12.0	12.8	1.2	(6.6)
Newmont Mining	9,540	10,448	2,277	2,068	1.7	0.0	0.91	53.6	23.9	19.8	18.9	14.7	(9.5)	(16.2)
Kinross Gold	3,010	3,756	772	749	0.0	0.0	1.04	41.1	25.6	19.9	8.1	5.9	(9.8)	(21.5)
Anglogold Ashant	5,592	6,962	92	1,476	51.8	18.5	0.29	33.5	1.6	21.2	2.7	31.4	(3.7)	(4.9)
Gold Fields Ltd	4,545	5,908	523	900	10.3	0.0	0.45	24.5	11.5	15.2	8.8	12.8	1.3	(3.1)
Agnico-Eagle Min	1,423	1,959	332	482	14.9	2.4	0.91	38.8	23.3	24.6	10.4	13.0	(9.7)	(23.3)
Buenaventura-Inv	1,048	1,169	663	843	0.0	N/A	N.A	51.9	63.3	72.1	28.4	23.0	0.0	(9.1)
Polyus Gold Ojsc	1,225	1,694	322	448	0.0	N/A	0.65	51.0	26.2	26.5	11.0	13.0	2.9	(8.6)
Shandong Gold-Mi	4,793	5,131	186	254	51.1	N/A	0.71	9.6	3.9	5.0	36.1	31.1	7.1	(11.2)
Eldorado Gold	791	1,085	206	374	0.0	0.0	1.07	50.8	26.0	34.4	7.3	10.4	(8.1)	(18.0)
Yamana Gold Inc	1,687	2,159	451	715	2.1	0.0	1.16	44.8	26.8	33.1	6.5	8.0	4.9	(2.5)
Randgold Res Ltd	485	1,068	104	352	0.0	0.0	0.82	42.3	21.4	32.9	6.0	19.7	(8.4)	(20.1)
Zhongjin Gold	2,841	3,412	79	159	73.9	N/A	0.62	10.7	2.8	4.6	12.4	23.0	7.8	(7.3)
Iamgold Corp	1,167	1,575	280	506	0.0	0.0	1.51	39.7	24.0	32.1	10.8	14.9	0.6	14.5
Harmony Gold Mng	1,625	2,048	(28)	188	1.4	1.7	0.44	25.9	(1.7)	9.2	(0.7)	3.7	6.0	0.4
Centerra Gold In	846	896	323	306	0.0	0.0	1.04	59.7	38.1	34.1	29.0	20.5	(9.4)	(24.6)
African Barrick	395	398	88	120	0.0	0.0	N.A	39.6	22.4	30.0	13.8	11.5	(0.8)	(15.1)
New Gold Inc	530	617	177	174	0.0	0.0	1.32	85.5	33.4	28.2	9.9	7.6	8.8	6.0
Petropavlovsk	472	643	143	123	1.5	5.8	1.54	58.7	30.3	19.2	17.6	9.5	(6.1)	(13.4)
Semafo Inc	241	322	44	106	0.0	0.0	1.24	N/A	18.1	32.9	18.6	23.1	(18.4)	(29.2)
European Gold	63	56	(12)	(25)	0.0	0.4	N.A	17.6	(18.8)	(45.1)	(2.0)	(5.0)	(21.9)	(12.6)
Royal Gold Inc	137	223	21	75	0.0	2.2	0.78	41.8	15.7	33.4	2.0	4.7	0.6	(10.5)
Centamin Egypt	37	307	13	155	0.0	N/A	0.64	90.4	34.7	50.5	3.0	19.1	(14.1)	(24.0)
Allied Nevada Go	131	200	34	62	0.0	0.0	N.A	50.6	26.1	30.7	9.2	5.3	8.6	15.0
Coeur D'Alene Mn	515	912	(91)	205	15.6	0.0	N.A	22.5	(17.7)	22.5	(4.5)	11.0	27.6	19.8
China Gold Inter	81	145	(9)	26	180.9	N/A	N.A	30.7	(11.5)	17.6	(24.6)	3.9	4.7	0.8
Koza Altin Islet	216	298	93	150	7.5	0.0	N.A	65.3	42.9	50.2	76.4	67.0	6.2	2.5
Alamos Gold Inc	171	193	56	65	0.0	0.0	1.42	52.8	32.6	33.7	22.4	16.1	8.3	(7.6)
Gold Fields-Inv	485	421	159	128	14.3	N/A	0.64	64.6	32.8	30.4	24.1	16.7	(9.0)	(0.9)
Medusa Mining	94	139	66	101	0.0	0.0	1.20	76.1	70.1	73.2	46.6	46.9	(7.4)	0.9
Shandong Humon-A	379	N/A	29	N/A	112.0	N/A	0.49	13.6	6.0	N/A	13.0	N/A	7.1	(10.7)

* Outliners and "N/A" entries are in red and excl. from the calculation of averages

Source: Kingsway Research estimates for Real Gold & Zhaojin Mining and Bloomberg for others



Financial forecasts

Year ended 31 Dec	2009	2010	2011F	2012F	2013F	Year ended 31 Dec	2009	2010	2011F	2012F	2013F
Income Statement (RMBm)						Ratios					
Turnover	1,011	1,368	1,641	2,101	2,293	Gross margin (%)	74.0	77.3	76.9	75.6	75.0
YoY%	224	35	20	28	9	Operating margin (%)	72.8	81.0	84.2	84.4	84.2
COGS	(263)	(311)	(380)	(512)	(572)	Net margin (%)	52.1	58.3	60.2	60.1	61.2
Gross profit	749	1,057	1,261	1,589	1,721	Selling & dist'n exp/Sales (%)	0.0	0.0	0.0	0.0	0.0
Gross margin	74.0%	77.3%	76.9%	75.6%	75.0%	Admin exp/Sales (%)	3.5	2.5	3.0	3.0	3.0
Other income	36	157	227	320	359	Payout ratio (%)	0.0	4.4	0.0	0.0	0.0
Selling & distribution	0	0	0	0	0	Effective tax (%)	26.2	27.0	27.0	27.0	25.0
Admin	(35)	(34)	(49)	(63)	(69)	Total debt/equity (%)	0.0	0.0	0.0	0.0	0.0
Other opex	(13)	(72)	(57)	(74)	(80)	Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Total opex	(48)	(106)	(107)	(137)	(149)	Current ratio (x)	4.49	18.07	8.35	7.96	9.33
Operating profit (EBIT)	736	1,108	1,382	1,773	1,931	Quick ratio (x)	4.48	18.02	8.33	7.93	9.30
Operating margin	72.8%	81.0%	84.2%	84.4%	84.2%	Inventory T/O (days)	9	9	10	10	15
Provisions	0	0	0	0	0	AR T/O (days)	12	12	12	15	20
Finance costs	0	0	0	0	0	AP T/O (days)	64	72	70	70	70
Profit after financing costs	736	1,108	1,382	1,773	1,931	Cash conversion cycle (days)	(44)	(51)	(48)	(45)	(35)
Associated companies & JVs	0	0	0	0	0	Asset turnover (x)	0.55	0.34	0.30	0.30	0.27
Pre-tax profit	736	1,108	1,382	1,773	1,931	Financial leverage (x)	1.23	1.13	1.09	1.11	1.11
Tax	(193)	(299)	(373)	(479)	(483)	EBIT margin (%)	72.8	81.0	84.2	84.4	84.2
Minority interests	(17)	(10)	(20)	(32)	(43)	Interest burden (x)	1.00	1.00	1.00	1.00	1.00
Net profit	527	798	988	1,261	1,405	Tax burden (x)	0.72	0.72	0.72	0.71	0.73
YoY%	407	52	24	28	11	Return on equity (%)	35.3	22.6	19.4	20.3	18.6
Net margin	52.1%	58.3%	60.2%	60.1%	61.2%	Year ended 31 Dec	2009	2010	2011F	2012F	2013F
EBITDA	725	1,163	1,245	1,582	1,738	Balance Sheet (RMBm)					
EBITDA margin	71.7%	85.0%	75.9%	75.3%	75.8%	Fixed assets	384	462	798	1,061	1,255
EPS (RMB)	0.785	0.964	1.084	1.378	1.529	Intangible assets	180	168	155	142	129
YoY%	66	23	12	27	11	Associated companies & JVs	0	0	0	0	0
DPS (RMB)	0.000	0.042	0.000	0.000	0.000	Long-term investments	89	1,261	1,261	1,261	1,261
Year ended 31 Dec	2009	2010	2011F	2012F	2013F	Other non-current assets	0	0	257	566	911
Cash Flow (RMBm)						Non-current assets	654	1,892	2,471	3,031	3,556
EBITDA	725	1,163	1,245	1,582	1,738	Inventories	6	8	10	14	24
Chg in working cap	3	1	(0)	(11)	(37)	AR	33	45	54	86	126
Others	56	(533)	0	0	0	Prepayments & deposits	0	0	0	0	0
Operating cash	784	631	1,245	1,572	1,701	Other current assets	427	0	0	0	0
Interests paid	0	0	0	0	0	Cash	1,958	2,965	3,663	4,493	5,381
Interests received	2	6	8	9	11	Current assets	2,424	3,018	3,728	4,593	5,531
Tax	(136)	(66)	(106)	(373)	(479)	AP	46	61	73	98	110
Net cash from operations	650	570	1,146	1,208	1,233	Tax	66	106	373	479	483
Capex	(88)	(137)	(410)	(378)	(344)	Accruals & other payables	0	0	0	0	0
Investments	(517)	(428)	0	0	0	Bank loans	0	0	0	0	0
Dividends received	0	0	0	0	0	Finance leases	0	0	0	0	0
Sales of assets	0	0	0	0	0	Other current liabilities	427	0	0	0	0
Investing cash	(605)	(565)	(410)	(378)	(344)	Current liabilities	540	167	446	577	592
FCF	45	5	736	829	889	Bank loans	0	0	0	0	0
Issue of shares	1,443	1,430	0	0	0	Finance leases	1	1	1	1	1
Buy-back	0	0	0	0	0	Deferred tax	17	17	17	17	17
Minority interests	0	0	0	0	0	MI	37	135	155	188	231
Dividends paid	0	0	(38)	0	0	Non-current liabilities	55	152	173	205	248
Net change in bank loans	0	0	0	0	0	Total net assets	2,484	4,590	5,580	6,841	8,246
Others	427	(427)	0	0	0	Shareholder's equity	2,484	4,590	5,580	6,841	8,246
Financing cash	1,871	1,002	(38)	0	0	Share capital	675	796	798	798	798
Net change in cash	1,915	1,007	698	829	889	Reserves	1,808	3,794	4,782	6,044	7,448
Opening cash	42	1,958	2,965	3,663	4,493	Book NAV (RMB)	3.23	5.06	6.14	7.53	9.07
Closing cash	1,958	2,965	3,663	4,493	5,381						

Source: Company data, Kingsway Research estimates



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