Buy (unchanged)

Share price: HK$6.69
Target price: HK$10.0

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Stock Information

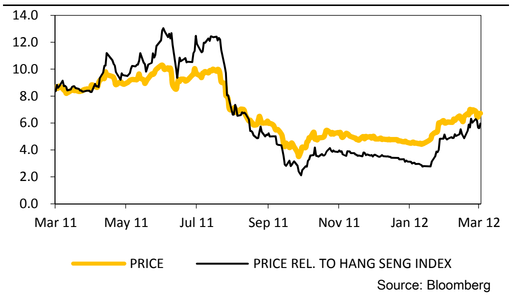
Description: Lee and Man Chemical manufactures various kinds of chemical products.

Ticker:	746 HK
Shares Issued (m):	825
Market Cap (US$m):	708
3-mth Avg Daily Turnover (US$m)	0.4
HSI:	20,900
Free float (%):	25.0
Major Shareholders:	%
The Lee Family	75.0

Key Indicators

ROE – annualised (%)	28.3
Net debt (HK$m):	574
NTA/shr (HK$):	2.39
Interest cover (x):	30.5

Historical Chart



Source: Bloomberg

Performance:
52-week High/Low HK$10.44/HK$3.44

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	11.5	33.8	11.9	(22.9)	42.9
Relative (%)	12.1	24.4	6.9	(11.0)	29.5

Lee & Man Chemical

FY13 profit to double, due to the new plant

LMC's FY11 net profit was HK$637m, up 78% yoy. The yoy profit growth drivers are 1) higher ASP, 2) higher volume output and 3) higher margins. On a hoh basis, 2H11 net profit was HK$264m, down 29% hoh, but better than expected. On hoh basis average ASPs fell, but the growth in output volume partly helped offset this.

Management believes that FY12 will be tough. Based on our estimates, LMC will report a 19% profit decline in FY12. The growth in output volume would not be enough to offset the fall in ASP.

We are bullish on the company because of expected FY13 earnings. We expect net profit to rebound sharply (by ~100%) in FY13. This is because of the profit contribution from the new fluorochemical plant in Ruichang city. Management expects production to start in mid-FY13. We expect the new plant to contribute around 46% of LMC's revenue and profit in FY13. On our estimates, the group's net profit will reach HK$1b.

No equity fund-raising expected. We believe that LMC will be able to fund the new plant project from internal resources and bank loans. We do not expect the company to raise new equity capital

Shares rallied when the old plant began to make profit. Back in late FY06, when LMC decided to go into the chemical business and invested Rmb1b to do so, few investors were convinced. Share prices however began to ramp up in 1H09, when the chemical business first reported a profit.

LMC is building a second plant; we believe the story is likely to repeat. LMC is now trading at around 5x our projected FY13E earnings, which is undemanding. The next share price catalyst will come when LMC announces the grant of a license from the government (expected in 2Q12), and investors begin to look at the expected profit contribution from the new plant. We maintain our BUY rating with TP of HK$10.0, equivalent to 8x FY13E projected earnings.

Lee & Man Holding – Summary Earnings Table

FYE Dec (HK$m)	2010A	2011A	2012F	2013F
Revenue	1,285.3	1,808.3	1,614.0	3,132.0
EBITDA	421.3	643.5	585.1	1,229.0
Recurring Net Profit	358.1	636.9	515.5	1,032.8
Recurring Basic EPS (HK$)	0.43	0.77	0.62	1.25
EPS growth (%)	182.3	77.8	(19.1)	100.3
DPS (HK$)	N/A	0.29	0.19	0.38
PER (x)	15.4	8.7	10.7	5.3
EV/EBITDA (x)	13.4	8.2	10.4	5.2
Div Yield (%)	N/A	4.3	2.8	5.6
P/BV(x)	4.3	3.3	2.8	2.0
Net Gearing (%)	10	0	29	30
ROE (%)	33.2	43.1	28.3	43.2
ROA (%)	19.3	25.5	16.6	25.9
Consensus Net Profit (HK$m)	N/A	N/A	582	1,103

Source: Company data, Kim Eng Securities

Section 1: FY11 results commentary and outlook for FY12

Profit up by 78% yoy. LMC announced FY11 results, and while the reported figures included the discontinued handbag operations, we will focus on the chemical segment only. LMC's FY11 net profit was HK$637m, up 78% yoy. Revenue was up 41% to HK$1.8b (Fig.1). The company declared a final DPS of HK$0.12, bringing full-year DPS to HK$0.29. This translates into a payout ratio of 38%; management expects the payout ratio to range between 30-35% in the future.

Higher ASP, volume and margins, compared to FY10. The yoy profit growth drivers are 1) higher ASP, 2) higher volume output and 3) higher margins. Estimated average ASP of CMS3 (chloroform) rose from Rmb5,000 per tonne in FY10 to Rmb6,400 per tonne in FY11 (Fig.2). In terms of volume growth, estimated total CMS output for FY11E was around 190,000 tonnes versus ~150,000 tonnes in FY10, as Phase 4 of the production line started in Mar 2011 (Fig.3 and 4). Net profit margin improved from 27.9% to 35.2%, due to the higher ASPs and utilisation rates.

Net profit fell hoh, due to falls in ASPs. On a hoh basis, 2H11 net profit was HK$264m, down 29% hoh, but better than expected. Average ASPs fell hoh; for example, estimated ASP of CMS3 fell from Rmb8,100 per tonne to Rmb4,800 per tonne in 2H11, and net margins fell accordingly. The hoh growth in output volumes partly offset this, as 2H11E CMS output was 100,000 tonnes, versus around 90,000 tonnes in 1H11.

Company in net cash position, unlikely to raise equity capital. As at Dec 2011, LMC was in a net cash position (cash: HK$1.2b, debt: HK$967m), versus 10% net debt/equity in Dec 2010. We do not expect the company to raise equity capital, despite the upcoming expansion plan (discussed below).

Management believes that FY12 will be tough. Based on our estimates, the company will report a 19% profit decline in FY12. We believe: 1) ASP of products has finally bottomed out, but is still below the 2H11 average. For example, the latest price of CMS3 is around Rmb4,200 per tonne, versus Rmb4,800 in 2H11. 2) Volume output in FY12 should be slightly higher than in FY11, as there will be a full-year contribution from phase 4 of the production line (versus 9 months in FY11). This however is not enough to offset the fall in ASP.

We are bullish on the company because of expected FY13 earnings. While we expect net profit to fall in FY12, we are still bullish on the company because we expect net profit to rebound sharply (by ~100%) in FY13. This is because of the profit contribution from the new fluorochemical plant in Ruichang city, which we will discuss in the next section. For those who are not familiar with LMC's existing chloro-alkaline plant (in Changshu city, Jiangsu) and its existing products, please refer to Appendix A on p.4.

Figure 1: LMC: FY11 results

HK$m	FY10	FY11	yoy (%)	1H11	2H11	hoh (%)
Turnover	**1,285.3**	**1,808.3**	**41**	**1,000.7**	**807.6**	**(19)**
Cost of Sales	(710.5)	(963.1)		(463.6)	(499.5)	
Gross profit	574.7	845.2	**47**	537.2	308.1	**(43)**
Other income	8.3	55.3		10.9	44.4	
Distribution costs	(46.6)	(58.6)		(26.8)	(31.8)	
Administrative expenses	(106.8)	(143.1)		(84.1)	(59.0)	
Interest expenses	(8.8)	(11.3)		(3.8)	(7.5)	
Profit before tax	420.8	687.5	**63**	433.4	254.1	**(41)**
Income tax	(62.7)	(50.6)		(60.2)	9.7	
Profit for the year	**358.1**	**636.9**	**78**	**373.2**	**263.7**	**(29)**
EPS (HK$)	0.434	0.772		0.452	0.320	
DPS (HK$)	N/A	0.290		0.170	0.120	
Gross profit margin (%)	44.7	46.7		53.7	38.1	
Net profit margin (%)	27.9	35.2		37.3	32.7	
Effective tax (%)	14.9	7.4		13.9		
Dividend payout (%)	N/A	37.6				

Source: Company data, Kim Eng Securities

Figure 2: Price levels of CMS2 and CMS3

Price (Rmb)	FY10	1H11	2H11	FY11	Current
CMS2	5,000	6,200	3,900	4,900	**4,000**
CMS3	5,000	8,100	4,800	6,400	**4,200**

Source: Company data, Kim Eng Securities

Figure 3: Actual output volume for CMS2 and CMS3

Actual output (tons)	FY09	FY10	1H11E	2H11E	FY11E	FY12E	FY13E
CMS2 and CMS3	119,000	148,000	88,000	100,000	188,000	192,000	192,000

Source: Company data, Kim Eng Securities

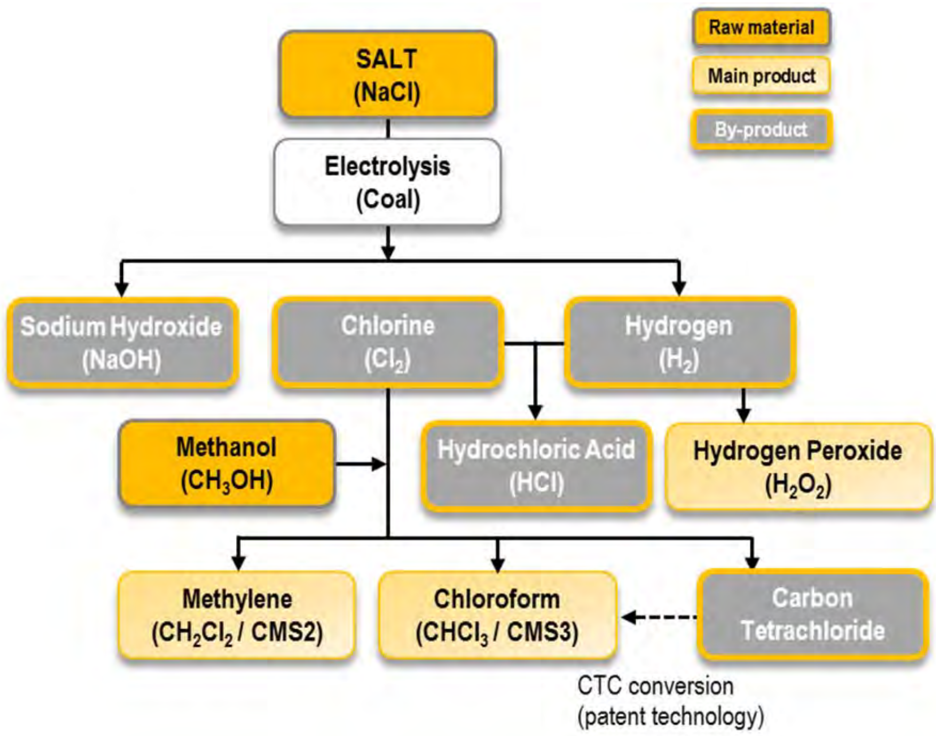
Figure 4: Chemicals production capacity, old plant (tonnes/year)

Product	Phase 1	Phase 2A	Phase 2B	Phase 3	Phase 4	Total
Chloromethanes (CMS)						
- Methylene Chloride (CMS2)	20,000	20,000	20,000	0	20,000	80,000
- Chloroform (CMS3)	20,000	20,000	20,000	0	20,000	80,000
CMS Total	40,000	40,000	40,000	0	40,000	160,000
Hydrogen Peroxide	0	0	60,000	60,000	0	120,000
Production commencement	Jun 2008	Feb 2009	Jun 2009	Feb 2010	Mar 2011	

Source: Company data, Kim Eng Securities

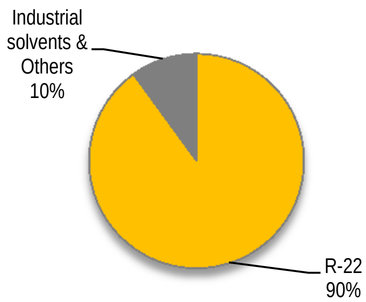
Appendix A: Background information on the old plant and usage of chloro-alkaline products

Figure 5: Chloro-alkaline plant production process (old plant)



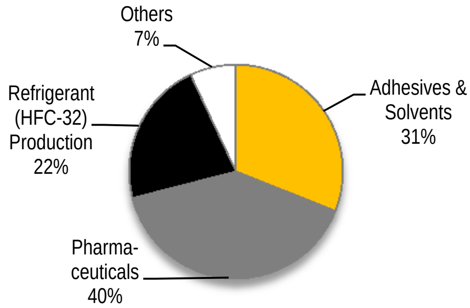
Source: Company data, Kim Eng Securities

Figure 6: Use of CMS3 (Chloroform/$CHCl_3$)



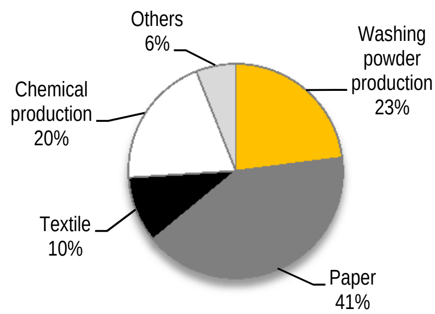
Source: Company data, Kim Eng Securities

Figure 7: Use of CMS2 (Methylene Chloride/CH_2Cl_2)



Source: Company data, Kim Eng Securities

Figure 8: Hydrogen Peroxide (H_2O_2)



Source: Company data, Kim Eng Securities

Section 2: Information about the new fluorochemical plant in Jiangxi

New fluorochemcial plant will be the share price and earnings driver. We believe that LMC's new earnings and share price driver will come from its new plant in Ruichang city, Jiangxi province (Fig.9). As mentioned in our previous reports, LMC will build a fluorochemical plant, and plans to manufacture fluorochemcial products. To quickly recap, LMC made an announcement in Jan 2011, stating that it has entered a project agreement with the government of Ruichang City. The area of the land is 870,000 square metres. Note that the area of the Ruichang plant is around 75% larger than its existing Changshu plant. The government has also agreed to assist LMC in obtaining various licenses and approvals for the set-up of its chemical business.

Jiangxi province has one of the largest production bases for fluorite. LMC chose Jiangxi Province to set up its new plant partly because it is one of the largest production bases for fluorite (螢石, also known as fluorspar, chemically Calcium Fluoride), a mineral that is known as "the mother of all fluorochemicals." LMC will not acquire any fluorite mines, but they have preliminary agreements with local mining companies to ensure the supply of fluorite will be secure and reliable.

Total investment around Rmb1.9b; no equity fund-raising needed. LMC will invest around Rmb1.9b for this new plant. In FY11, it invested around Rmb100m, and the investments in FY12/13 will be around Rmb900m in each year. As mentioned, we believe that LMC will be able to finance the project via internal resources and bank loans. We expect LMC's net debt to equity ratio to ramp up from 0% at Dec 2011 to 29/30% at Dec 2012/13. We do not expect the company to raise new equity capital.

Production expected to start in mid-FY13, profit from new plant comparable to that of old plant. LMC is now building some of the auxiliary facilities, including power plants and ports, and expects that the government will grant formal approval and the license in 2Q12. Management expects production to start in mid-FY13. Under our estimates, profit contribution from the new plant will be comparable to the old plant in FY13, and in subsequent years the profit at the new plant will exceed that of the old plant.

Figure 9: Summary of new plant

Location :	Ruichang City (瑞昌市), Jiangxi province
Size :	870,000 sq meters
Capex :	Around Rmb900m in each of FY12 and FY13
Financing :	We expect LMC to finance the project via internal resources and bank loans. We do not expect the company to raise new equity capital.
Production capacities :	AHF - 50,000 tons/year
	HFC-32- 20,000 tons/year
	HFC-125 – 10,000 tons/year
	PTFE – 7,000 tons/year
	HFP – 2,000 tons/year
Other auxiliary facilities :	Power Plant 180,000 kW
	Piers 2x 5,000 tons dwt

Source: Company data, Kim Eng Securities

Figure 10: Timeline for the development of new plant

1Q11	Acquisition of land, announcement of entering fluorochemical industry
1Q12	Announcement of business plan and production flow for new plant
1Q12	Building auxiliary facilities (hostel, power station, piers)
Early 2Q12	Expected to obtain license and start to build production plant
Mid FY13	Expected to start production

Source: Company data, Kim Eng Securities

Section 3: More about the fluorochemical industry and LMC's fluorochemical products

Flurochemical products are more downstream and higher value added. Compared to the old plant, LMC's new plant is much bigger, and the products are also different (though closely related) (Fig.11). LMC's new plant will produce fluorochemcial products that are more downstream (compared to the products in old plant), higher value-added, and requiring more technology know-how. The downstream fluorochemcial products are known as "fine chemical products", which are more customised to meet client needs, and the selling prices (per tonne) are much higher than the conventional products.

LMC will produce five products. LMC has decided that it will produce five products (AHF, HFC-32, HFC-125, PTFE and HFP). (Fig.12) AHF is a useful reactant in various industries, including pharmaceuticals, petrochemicals etc. HFC-32 and HFC-125 are both refrigerants and can be mixed to form R-410A, a new refrigerant that will replace the traditional R-22, as R-22 will be phased out gradually according to the Montreal Protocol. PTFE is a fluoropolymer than can be used in coating, building materials and fabrics, due to its non-sticky, water-resistant and anti-corrosive nature. HFP can be used as fire extinguishant. .

LMC will source fluorite from local suppliers. The raw materials required for making these products include fluorite and sulfuric acid. As discussed above, LMC will source fluorite from local suppliers, while sulfuric acid is very easy to get. The production process will also involves the use of CMS2 and CMS3, which LMC can either manufacture by themselves, or purchase from outside. For those who want to understand more about the production process and more details of the products, please refer to Fig. 13 and 14.

PTFE, HFC-32 and HFC-125 will be key products. We believe that PTFE, HFC-32 and HFC-125 will be the key products of the new plant. According to our estimates, these three products will represent 75% of the new plant's revenue in FY13, and 35% of LMC group's revenue. Currently, China's PTFE production capacity is around 100,000 tonnes per year, and China has to rely on imports to satisfy its PTFE demand. LMC's new PTFE capacities will represent around 7% of national production capacity. For HFC-32 and HFC-125, the key demand will come from replacement of refrigerants. As discussed, HFC-32 and HFC-125 can be mixed to form mixed to form R-410A, a new refrigerant that will replace the traditional R-22 refrigerant, as the R-22 refrigerant will be phased out gradually according to the Montreal Protocol. China will ban R-22 refrigerant completely in 2030, and the phase-out process will start in 2015. Currently R-22 accounts for around 70% of the refrigerant used in China, therefore the demand for R-410A should be huge, and this will in turn drive the demand for HFC-32 and HFC-125.

China's 12th 5-year plan explicitly highlighted "new materials" as a strategically important industry. Some media reports suggest that China might tighten its control on fluorite, one of the key upstream materials in the fluorochemical industry. China may also further limit the exports of fluorite, as well as related chemicals such as AHF. The 12th 5-year plan specifically mentions the overhaul of the industry, setting higher entry barriers, as well as promoting the overall sophistication of the players in the industry. We believe that the government wants to eliminate the smaller players and let existing qualified players step into higher value-added and more technically sophisticated products, so that the country can rely less on imports and third-party technology. We believe that LMC has positioned itself well to cope with the government's directions.

Figure 11: Comparison between old and new plant

	Old Plant	New Plant
Location	Changshu city, Jiangsu Province	Ruichang City, Jiangxi province
Size	500,000 sq meters	870,000 sq meters
Capex	Rmb1.4b	Rmb1.9b
Auxiliary facilities	Share power station and ports from sister company Lee and Man Paper	Building power station and ports
Industry	Chloro-alkaline plant	Fluorochemical plant
Products	Upstream, low price per tonne	Downstream, high price per tonne
Technology level	Relatively low	Relatively high
Value added	Relatively low	Relatively high

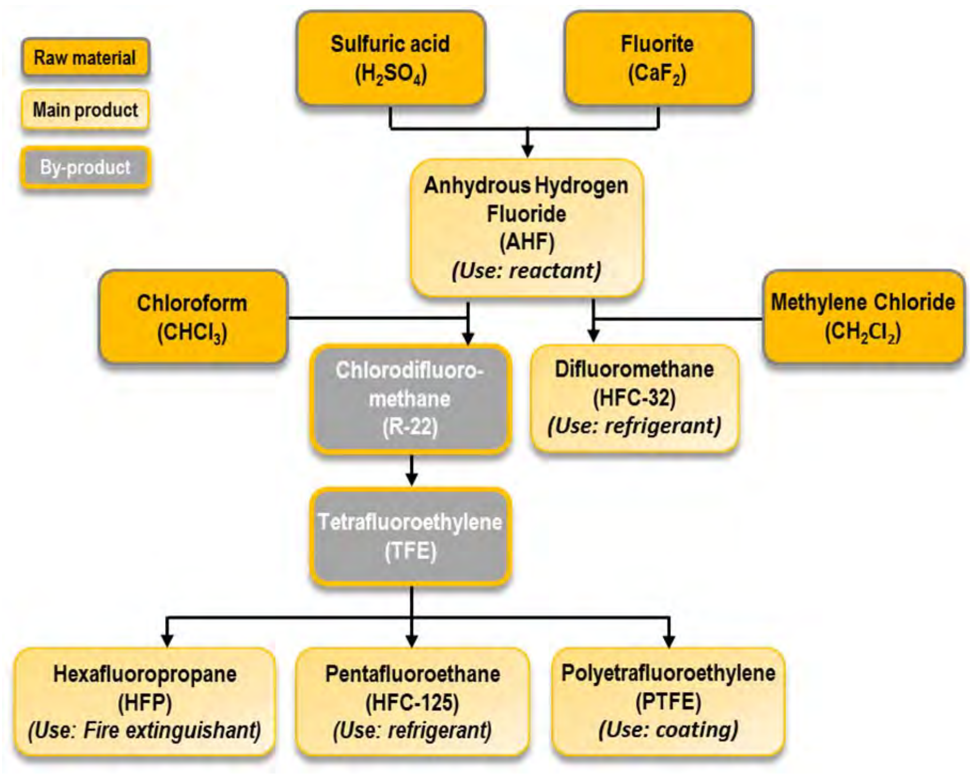
Source: Company data, Kim Eng Securities

Figure 12: Current selling price of LMC's fluorochemical products

Products	Selling price range (Rmb/tonne)	LMC capacities
AHF	8,000-10,000	50,000 tons/year
HFC-32	18,000-30,000	20,000 tons/year
HFC-125	50,000-80,000	10,000 tons/year
PTFE	72,000-135,000	7,000 tons/year
HFP	50,000-80,000	2,000 tons/year

Source: Company data, Kim Eng Securities

Figure 13: Fluorochemical Plant production process (new plant)



Source: Company data, Kim Eng Securities

Figure 14: Overview of LMC's fluorochemical products

Short name	**AHF**
Quick summary	A versatile upstream chemical
Full name	Anhydrous hydrogen fluoride
Other names/forms	Hydrofluoric acid
Chinese name	無水氟化氫
Chemical Formula	HF
Production	Produced from Fluorite and sulfuric acid
Major use	Production of fluorochemical compounds (including TFE)
Other use	Pharmaceuticals (including the antidepressant "Prozac"), petrochemical (catalyst in oil refineries) Industrial (production of $LIPF_6$, the electrolyte in lithium batteries; corrosion of glasses)
Current price	Rmb8,000-10,000 per tonne
LMC capacity	50,000 tons/year
Short name	**HFC-32**
Quick summary	New refrigerant with zero ozone depletion potential, can be further modified
Full name	Difluoromethane
Other names/forms	R-32, Freon-32, FC-32
Chinese name	二氟甲烷
Chemical Formula	CH_2F_2
Production	Reaction between methylene chloride (CMS2) and AHF
Major use	Mixed with HFC-125 to make R-410A, a new refrigerant that will replace the traditional R-22, as R-22 will be phased out according to the Montreal Protocol
Other use	Direct use as refrigerant
Current price	Rmb18,000-30,000 per tonne
LMC capacity	20,000 tons/year
Short name	**HFC-125**
Quick summary	New refrigerant with zero ozone depletion potential, can be further modified
Full name	Pentafluoroethane
Other names/forms	R-125
Chinese name	五氟乙烷
Chemical Formula	CF_3CHF_2
Production	From TFE
Major use	Mixed with HFC-32 to make R-410A, a new refrigerant that will replace the traditional R-22, as R-22 will be phased out according to the Montreal Protocol
Other use	Direct use as refrigerant Fire suppression agent
Current price	Rmb50,000-80,000 per tonne
LMC capacity	10,000 tons/year
Short name	**PTFE**
Quick summary	Fluoropolymer used in coatings, building materials and fabrics
Full name	Polytetrafluoroethylene
Other names/forms	Teflon (the DuPont brand name)
Chinese name	聚四氟乙烯
Chemical Formula	$(C_2F_4)_n$
Production	Reaction of chloroform (CMS3) and AHF will produce R-22, which is modified into TFE, and then PTFE
Major use	Non-sticky and anti-corrosive coating for buildings and pipelines Famous building that made use of PTFE include: Beijing National Stadium ("Bird's Nest"), China Allianz Arena, Munich, Germany Denver International Airport, US Millennium Dome, London, UK Centennial Olympic Park, Atlanta, US
Other use	Coating for cooking utensils, waterproof and breathable fabric, Gore-Tex
Current price	Rmb72,000-135,000 per tonne
LMC capacity	7,000 tons/year
Short name	**HFP**
Quick summary	Fire extinguishant
Full name	Hexafluoropropane
Other names/forms	N/A
Chinese name	六氟丙烷
Chemical Formula	$C_3H_2F_6$
Production	From TFE
Major use	Fire extinguishant
Other use	Fluoro-rubber production
Current price	Rmb50,000-80,000 per tonne
LMC capacity	2,000 tons/year

Source: Company data, Kim Eng Securities

Section 4: Financial impact

New plant to contribute 46% of group profit in FY13. As LMC's new plant is expected to start production in mid-FY13, the new fluorochemcical products will not contribute a full year revenue and profits. We currently expect the actual output volume in FY13 to reach around 40-50% of the capacity. Under this assumption, the new plant will contribute around 46% of revenue and profit for LMC in FY13 (Fig.15). Under our estimates, the group's net profit will reach HK$1b in FY13, almost 100% higher than FY12.

Figure 15: Revenue and profit breakdown by old and new plant

	(HK$m) FY12E			(HK$m) FY13E			(% of group total) FY12E			(% of group total) FY13E		
	Old Plant	New Plant	Total	Old Plant	New Plant	Total	Old Plant	New Plant	Total	Old Plant	New Plant	Total
Revenue	1,614	0	1,614	1,697	1,435	3,132	100.0	0.0	100.0	54.2	45.8	100.0
Net profit	516	0	516	560	473	1,033	100.0	0.0	100.0	54.2	45.8	100.0

Source: Company data, Kim Eng Securities

Figure 16: Revenue breakdown by products

		Revenue (HK$)		Revenue (% of group total)	
Products	**Use**	**FY12E**	**FY13E**	**FY12E**	**FY13E**
CMS2	Pharmaceuticals	472.3	495.9	29.3%	15.8%
CMS3	Reactant	495.9	519.6	30.7%	16.6%
Hydrogen proxide	Paper and bleaching	120.4	124.0	7.5%	4.0%
Hydrogen chloride	Reactant	21.3	22.1	1.3%	0.7%
Caustic soda	Reactant	503.8	535.3	31.2%	17.1%
Old plant total		1613.8	1696.9	100.0%	54.2%
AHF	Reactant	0.0	265.7	0.0%	8.5%
HFC-32	Refrigerant	0.0	236.2	0.0%	7.5%
HFC-125	Refrigerant	0.0	354.2	0.0%	11.3%
PTFE	Coating	0.0	495.9	0.0%	15.8%
HFP	Fire extinguishant	0.0	82.7	0.0%	2.6%
New plant total		0.0	1434.7	0.0%	45.8%
Group total		1613.8	3131.6	100.0	100.0

Source: Company data, Kim Eng Securities

No equity fund raising expected. As discussed above, we believe that LMC can fund the new plant project from internal resources and bank loans. Investments for the old plants have been completed, and the old plant is generating reliable cashflow that can partly fund the investment of the new plant. We expect LMC's net debt to equity ratio to ramp up from 0% at Dec 2011 to 29/30% at Dec 2012/13. We do not expect the company to raise new equity capital, and expect the company would keep its dividend payout ratio at 30-35% in FY12 and FY13.

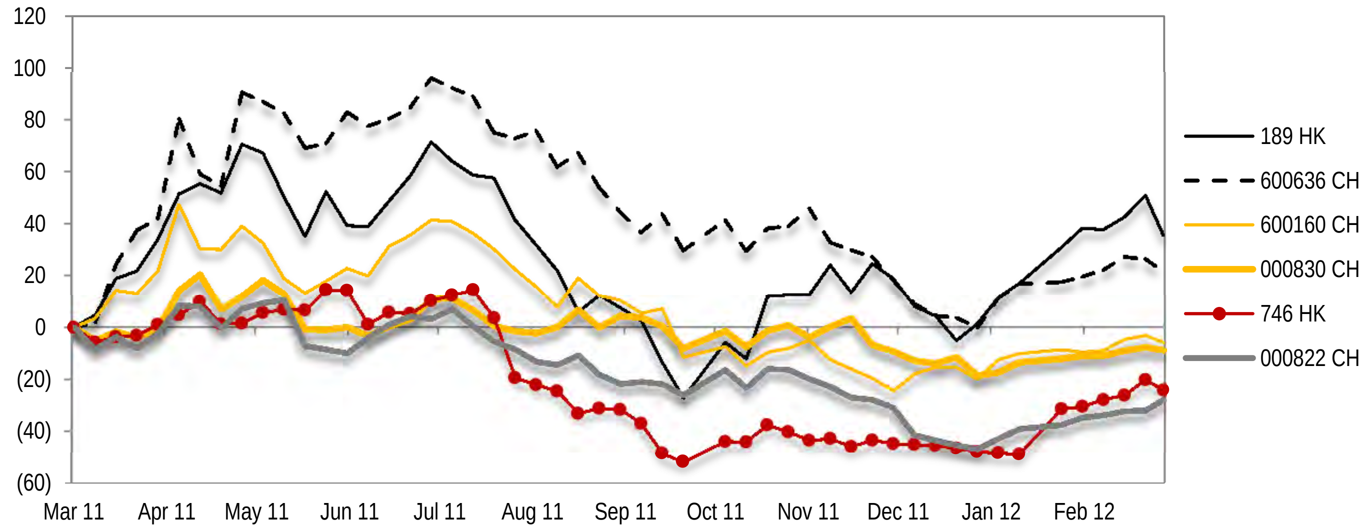
Section 5: Conclusion and recommendation

Share price had a strong run when the old plant started to make profit. Looking back to late FY06, when Lee and Man Holdings (the predecessor of LMC, then a handbag manufacturer) decided to go into the chemical business and invested Rmb1b, few investors were convinced. Share prices however began to ramp up in 1H09, when the chemical business first reported a profit (production started in 2H08). The rebound in global equity markets played a role, but LMC's outstanding share price performance was mainly due to the explosive growth in profit from the old plant.

Investors should be more convinced this time. Now LMC is building a second plant, investors should be more convinced, given that management has proved their ability to deliver results. We believe that the story is likely to repeat. Investors who missed the last rally can consider accumulating at current levels. LMC is now trading at around 5x our projected FY13E earnings, which is undemanding.

LMC underperformed peers in the past 12 months. Looking at the 12-month share price performance, LMC underperformed most of its peers in the fluorochemical or related industries, perhaps due to the relatively small size of the company and the lack of trading liquidity.

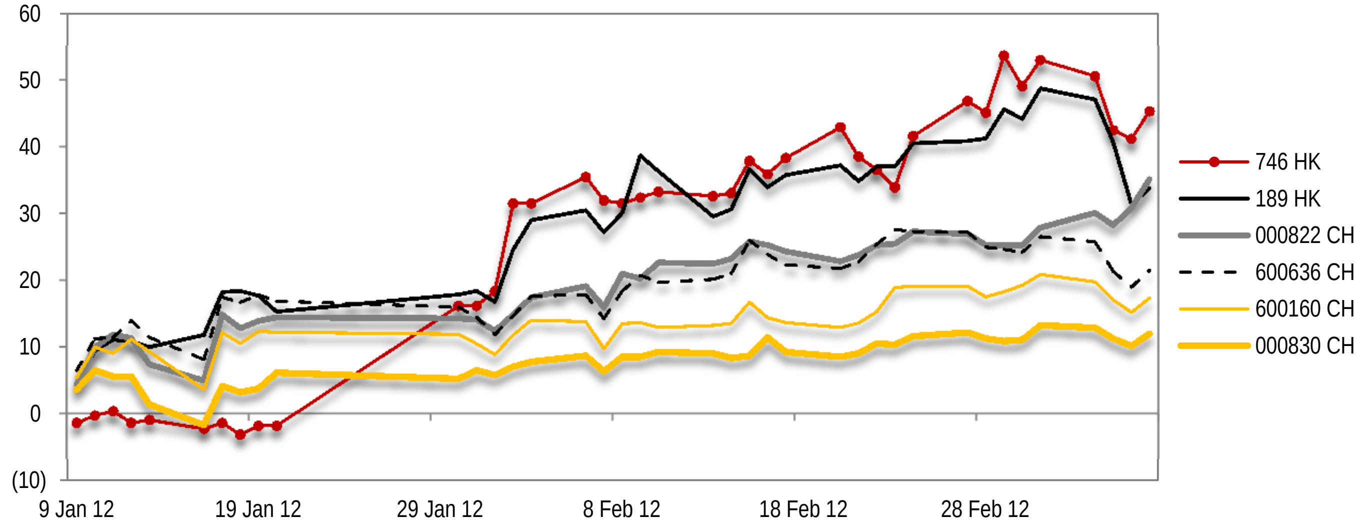
Figure 17: Share price performance of flurochemical-related plays (Mar11-Mar12)



Source: Company data, Kim Eng Securities

LMC outperformed all peers ytd. Looking at the ytd share price performance, the picture looks very different, as LMC was the best performer ytd. LMC's management disclosed more details about the new plant, and we believe that this may have helped its share price performance. As mentioned, LMC still underperformed peers if one looks at longer time horizon (say 12 months), and we believe that its share price could continue to catch up.

Figure 18: Share price performance of flurochemical related plays (Jan12-Mar12)



Source: Company data, Kim Eng Securities

Maintain BUY with TP HK$10.0; grant of license will be share price catalyst. We believe that the FY11 results were a slight positive, while the FY12 results will be a non-event. The next share price catalyst will come when LMC announces the grant of a license from the government (expected in 2Q12), and investors will begin to look at the profit contribution from the new plant. LMC is trading at only 5x our projected FY13E earnings, which looks undemanding. We maintain our BUY rating with TP HK$10.0, equivalent to 8x FY13E projected earnings.

INCOME STATEMENT

FYE Dec (HK$m)	2010A	2011A	2012F	2013F
Sales	1,285.3	1,808.3	1,614.0	3,132.0
Cost of goods sold	(710.5)	(963.1)	(871.6)	(1,660.0)
Gross profit	574.7	845.2	742.4	1,472.0
Other income	8.3	55.3	24.0	26.0
Distribution costs	(46.6)	(58.6)	(57.0)	(73.0)
Administrative expenses	(106.8)	(143.1)	(100.3)	(170.0)
Interest expenses	(8.8)	(11.3)	(20.0)	(40.0)
Profit before tax	420.8	687.5	589.1	1,215.0
Income tax	(62.7)	(50.6)	(73.6)	(182.3)
Net profit	358.1	636.9	515.5	1,032.8
EPS (HK$)	0.434	0.772	0.625	1.252
EBITDA	421.3	643.5	585.1	1,229.0

CASH FLOW

FYE Dec (HK$m)	2010A	2011A	2012F	2013F
Operating cash flow	449.4	698.2	615.3	1,212.9
Pre-tax profit	418.4	687.5	589.1	1,215.0
Depreciation & amortization	164.0	111.2	140.0	239.1
Change in working capital	(95.3)	(49.9)	(40.2)	(59.0)
Others	(37.8)	(50.6)	(73.6)	(182.3)
Investment cash flow	(211.6)	(40.8)	(1,207.0)	(1,196.0)
Net capex	(215.0)	(53.2)	(1,195.5)	(1,180.0)
Change in LT investment	0.0	10.4	(14.5)	(20.0)
Change in other assets	3.4	2.0	3.0	4.0
Cash flow after invt.	237.7	657.4	(591.7)	16.9
Financing cash flow	77.0	207.1	(83.7)	77.8
Dividend paid	(132.0)	(226.9)	(196.9)	(232.2)
Net change in debt	173.5	445.4	133.3	350.0
Others	35.5	(11.3)	(20.0)	(40.0)
Net cash flow	314.7	864.6	(675.4)	94.6

BALANCE SHEET

FYE Dec (HK$m)	2010A	2011A	2012F	2013F
Total assets	2170.2	2833.7	3360.4	4615.2
Current assets	869.8	1623.3	1027.5	1272.3
Cash & ST investment	393.4	1233.1	526.3	620.9
Inventories	168.1	95.6	140.0	200.0
Accounts receivable	304.3	293.6	360.0	450.0
Others	4.1	0.9	1.2	1.4
Other assets	1300.3	1210.4	2332.9	3342.9
LT investments	26.3	0.0	0.0	0.0
Net fixed assets	1255.8	1184.6	2299.5	3309.5
Others	18.2	25.8	33.4	33.4
Total liabilities	870.9	1175.1	1377.0	1820.0
Current liabilities	828.5	425.3	473.0	665.0
Accounts payable	313.5	190.2	250.0	340.0
ST borrowings	479.6	220.1	200.0	300.0
Others	35.4	14.9	23.0	25.0
Long-term liabilities	42.4	749.7	904.0	1155.0
Long-term debts	41.8	746.6	900.0	1150.0
Others	0.6	3.1	4.0	5.0
Shareholder's equity	1299.3	1658.6	1983.4	2795.2
Paid-in capital	82.5	82.5	82.5	82.5
Reserve	1216.8	1576.1	1900.9	2712.7
Minority interests	0	0	0	0

KEY RATIOS

FYE Dec (HK$m)	2010A	2011A	2012F	2013F
Growth (% YoY)				
Sales	90.2	40.7	-10.7	94.1
Gross profit	188.7	47.1	-12.2	98.3
EBITDA	207.0	52.7	-9.1	110.0
Net profit	182.3	77.8	-19.1	100.3
EPS	182.3	77.8	-19.1	100.3
Profitability (%)				
Gross margin	44.7	46.7	46.0	47.0
EBITDA margin	32.8	35.6	36.3	39.2
Net margin	27.9	35.2	31.9	33.0
ROA	19.3	25.5	16.6	25.9
ROE	33.2	43.1	28.3	43.2
Stability				
Gross debt/equity (%)	40.1	58.3	55.5	51.9
Net debt/equity (%)	9.9	0.0	28.9	29.7
Int. coverage (X)	49.0	61.6	30.5	31.4
Cash flow int. coverage (X)	52.2	67.0	35.4	35.9
Current ratio (X)	1.0	3.8	2.2	1.9
Quick ratio (X)	0.8	3.6	1.9	1.6
Net debt/(cash) (HK$m)	128.0	(266.4)	573.7	829.1
Per share data (HK$)				
EPS	0.43	0.77	0.62	1.25
CFPS	0.38	1.05	(0.82)	0.11
BVPS	1.56	2.00	2.39	3.38
SPS	1.56	2.19	1.96	3.80
EBITDA/share	0.51	0.78	0.71	1.49
DPS	N/A	0.29	0.19	0.38

Source: Company data, Kim Eng Securities

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Capex = Capital Expenditure
CY = Calendar Year
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DPS = Dividend Per Share
EBIT = Earnings Before Interest And Tax
EBITDA = EBIT, Depreciation And Amortisation
EPS = Earnings Per Share
EV = Enterprise Value
FCF = Free Cashflow
FV = Fair Value
FY = Financial Year
FYE = Financial Year End
MoM = Month-On-Month
NAV = Net Asset Value
NTA = Net Tangible Asset
P = Price
P.A. = Per Annum
PAT = Profit After Tax
PBT = Profit Before Tax
PE = Price Earnings
PEG = PE Ratio To Growth
PER = PE Ratio
QoQ = Quarter-On-Quarter
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ROE = Return On Equity
ROSF = Return On Shareholders' Funds
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