

Playmates: Entering Xbox's virtual world

Recommendation: BUY (re-initiating coverage)

Hong Kong Industrials

Price	HK\$1.14	Year to	Net profit	EPS	EPS	P/E	P/B	EV/EBITDA	Yield	ROE	ROCE	N. Gear.
Target price	HK\$1.50 (+31.6%)	Dec	HK\$m	HK\$	Δ %	x	x	x	%	%	%	%
12 mth range	HK\$0.67-1.14	04A	255.3	0.167	198.5	6.8	1.52	7.7	3.5	24.7	20.5	Cash
Market cap.	US\$273.3m	05A	196.1	0.110	(34.2)	10.4	1.21	14.0	4.4	13.7	11.7	Cash
Daily t/o, 3 mth	US\$0.53m	06F	156.4	0.084	(23.9)	13.6	1.36	n.a.	2.2	9.1	(1.1)	Cash
Free float %	50.4%	07F	168.4	0.090	7.6	12.7	1.23	9.4	3.2	9.2	9.0	Cash
Ticker	635.HK/635 HK	08F	197.0	0.105	17.0	10.8	1.23	8.0	3.7	9.2	9.0	Cash

Relative to Hang Seng Index (1 mth, 3 mth, 12 mth): +22.8% +24.3%, -13.5%

Actual price changes (1 mth, 3 mth, 12 mth): +28.7%, +38.8%, +9.8%

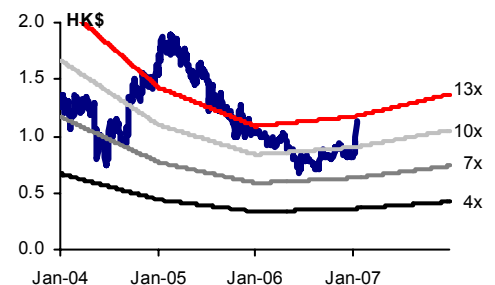
Consensus EPS (06F-08F): HK\$0.01, HK\$0.10; HK\$0.126

Key points:

- The 1st computer-generated (CG) Teenage Mutant Ninja Turtles (TMNT) movie is premiering on 23rd March 2007, staging a comeback for Playmates' Turtles.
- The success of Microsoft's Xbox 360 game in adult entertainment will be replicated in children entertainment with "Viva Piñata" game, leading Playmates into another rapid stage of growth.
- Playmates holds an investment property portfolio of HK\$1.1b and trades at a 34.0% discount to NAV per share of HK\$1.70 (ex-cash: HK\$1.49).

- ❑ **What does Playmates do with Microsoft's Xbox 360?** In a bid to replicate the success of its Xbox 360 in adult entertainment Microsoft launched its Xbox "Viva Piñata" game in November 2006, shortly after the first animated Viva Piñata series was premiered in September 2006 on "4Kids TV" with 52 episodes. Viva Piñata targets at the 6-11 age group and is Microsoft's first step into the children's entertainment business. Playmates has acquired the master toy license for Viva Piñata to produce "smart" figures to play interactively with Xbox 360. We believe Viva Piñata will mark a revolutionary change to the traditional toys industry by bringing physical toys into the digital world. Playmates plans to launch 60 basic and deluxe smart figures, with the first batch of 24 scheduled for launch in 3Q FY12/07F.

Chart 1: P/E bands



Source: SBI E2-Capital

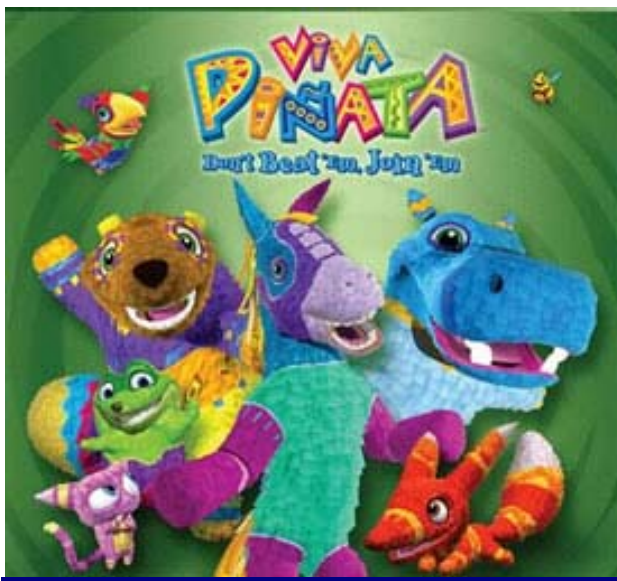
Chart 2: Microsoft Xbox 360 Viva Piñata Game



Source: www.Xbox.com

- ❑ **Interactive game** Unlike traditional games, Viva Piñata is an interactive game through the use of 1) smart figures; 2) hand-held device; 3) Xbox 360 video game; 4) T.V. show; 5) retail scanner and 6) customized website. It can be played alone or plugged into a handheld device with a bar-code recorder. A digital DNA is embedded in each smart figure with the use of “J-Sync” technology. The digital DNA can record the points these smart figures gained from each game. Players can also exchange their accessories in the Viva Piñata community through the Internet and download additional “power” or attributes by scanning the bar codes of various retail items from retail stores.
- ❑ **Targeting younger gamers.** Viva Piñata, which translates to “long live the piñata”, invites gamers to create a world where living piñatas inhabit an ever-changing environment. Beginning with a few basic tools, build and take control of this environment, using creativity and imagination to attract, protect, nurture and manage more than 60 piñata species that can visit their world and make it their home. With the launch of Viva piñata, Microsoft extends the Xbox 360 brand to younger gamers and more diverse audiences.

Chart 3: Viva Piñata



Source: www.Xbox.com

Chart 4: Viva Piñata



Source: www.Xbox.com

- ❑ **Popularity of Xbox 360.** Xbox 360 is the video game system from Microsoft, which also offers rich online game play, known as Xbox Live. Xbox Live is a unified global online console games service that allow gamers experience online games, exclusive programming and continuous downloadable content. According to Microsoft, about 10.4m Xbox 360 consoles were shipped worldwide last year and more than 20m games have been downloaded to date from Xbox Live Arcade. Currently, Xbox Live has around 4m users. Sales of Xbox 360 are expected to reach 13-15m by the end of 2007. We believe the popularity of online gaming is rising.
- ❑ **The Turtles return with the first computer generated (CG) TMNT movie.** The CG movie, premiering on 23 March 2007 and collaborated by “Warner Bros. Studios”, “The Weinstein Company” and “Imagi Films”, will feature a brand new CG and three-dimensional TMNT. The movie is expected to generate US\$150m-180m box office from U.S. alone. Playmates has already launched fresh lines of toys with a brand new CG look. The new lines include new six-inch action figures featuring new Turtles, villains and monsters. In the past, the release of mega movies lead to surges in TMNT toy sales. Shortly after the first TMNT cartoon series was launched in 1987, Playmates acquired the master toy license for TMNT toys and introduced them to the market in 1988, generating around US\$50m in sales. When the first TMNT movie was released in 1990, Playmates’ toy sales surged to US\$500m. We expect the motion picture will lead Playmates’ Turtles sales into another new height
- ❑ **Who controls the movie making?** As the sales of TMNT toys depend heavily on the TV series and motion pictures, the Playmates invested in these series and movies to ensure ongoing publicity while promoting its TMNT toy series.

Chart 5: CG Teenage Mutant Ninja Turtles



Source: www.imdb.com

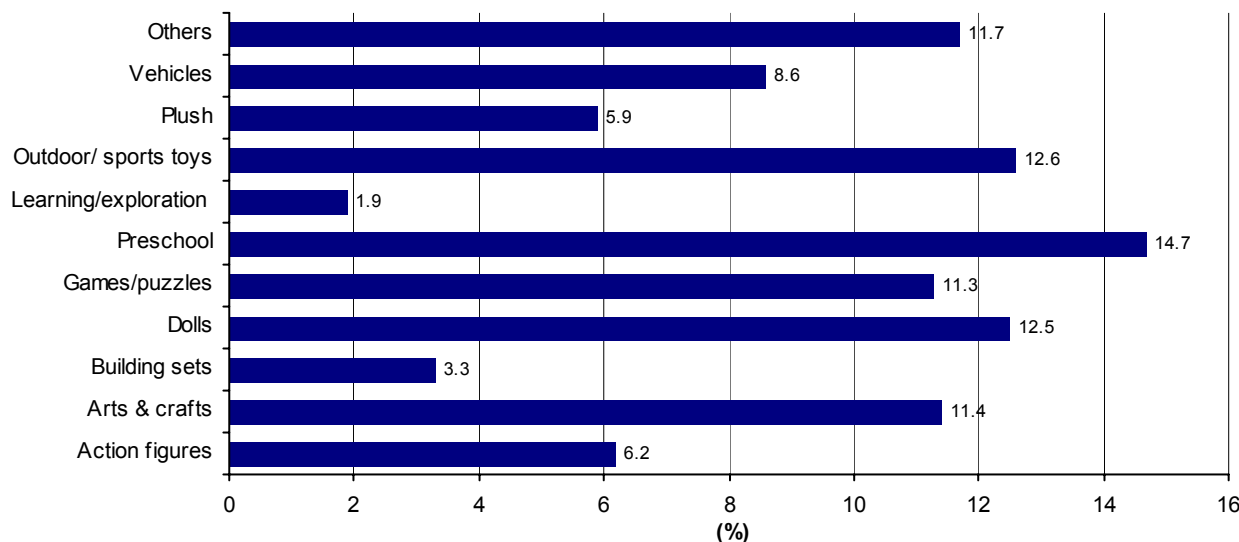
Chart 6: CG Teenage Mutant Ninja Turtles



Source: www.imdb.com

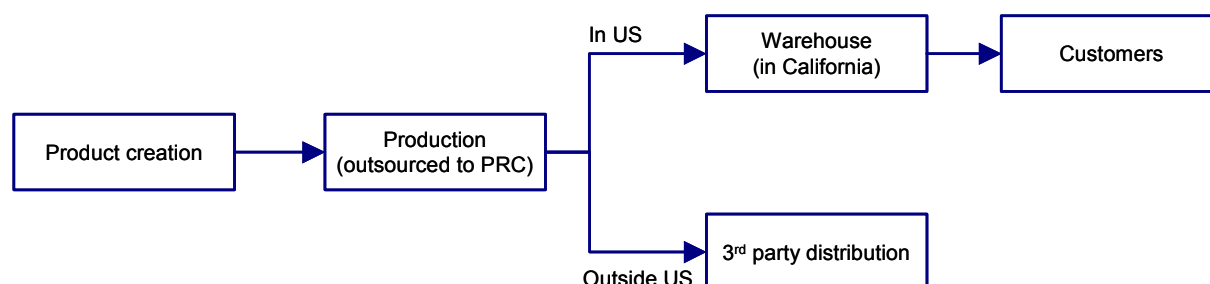
- **“Disney Fairies” from Tinkerbell.** Playmates acquired the master toy license for Disney Fairies, which extended its partnership with Disney Consumer Products and targets the older girls market, complementing the Disney Princess product line. Playmates’ new lines of small dolls and playsets were launched in fall 2006. The first Disney Fairies full-length animation film was originally planned to premier in 2007 but it might be delayed to 2008. Nonetheless, Playmates will gain as the film will expand the Fairies story and introduce new characters.

Chart 7: U.S. toy retail sales by dollar value in 2005



Source: NPD Group/NPD Toy Service/ Consumer Panel

- **Tapping the pre-school market.** According to the survey by NDP Group, a global market research firm, the pre-school segment captured the largest toy retail sales in the US by value in 2005. The pre-school segment captured 14.7% followed by dolls with 12.5% and arts & crafts with 11.4%. As a result, Playmates targets to increase its resources in developing the pre-school market. Universal Studios’ “The Land Before Time” is one of the best selling children’s home video series of all time. A new animated television series is scheduled to premier on Cartoon Network in spring 2007. Playmates will create a line of pre-school figures, playsets and plush toys, which will be launched in 3Q FY12/07F.
- **Entry barrier.** With over 40 years of history, Playmates has established strong relationship with major entertainment licensors, such as Walt Disney, American Greetings and Universal Studios, which set a barrier for newcomers to enter the market. Besides, Playmates’ production is highly flexible compared with other multinationals, which allows the Group to enjoy “speed-to-market” advantage. It only takes around eight weeks from production to ready-for-sell. Playmates has two different channels of distribution. In the U.S., products are directly distributed to customers from the warehouse. Outside the U.S., Playmates relies on third party distributors. Usually, products are launched during spring and fall seasons. Playmates will discuss new products with its clients 10 months or a year before each season.

Chart 8: Supply chain management

Source: SBI E2-Capital

Property investment exposure. Playmates completed the acquisition of residential suites in MacDonnell Road, Midlevels in Jan 2006, with a total consideration of HK\$218.4m (c.HK\$6,400/sq.ft.). The company already has 60% of the 34 units, which means that if it acquires another 20% it can apply for redevelopment. A nearby site, “No.11 MacDonnell Road”, co-developed by New World Development Group and Henderson Land is selling at HK\$11,000/sq.ft. Currently, Playmates collects rental income from these properties with an average yield of 5-6%.

Table 1: Investment property portfolio

Building name	Location	Use	GFA (sq.ft.)	Interest %	Market value* (HK\$m)	Acquisition cost per sq. ft (HK\$)
The Toy House	100 Canton Road, TST	Commercial	107,400	100	745.3	n.a.
Playmates Factory Building	1 Tin Hau Road, Tuen Mun	Industrial	317,100	100	111.8	n.a.
MacDonnell Road	Nos.21, 21A & 23A	Residential	32,000	100	260.9	6,823
Total					1,118.0	

* As of 30 June 2006

Source: Company data

Remodeling its property portfolio to maximize income. Playmates began to remodel its principal commercial property, “The Toy House” in Tsim Sha Tsui in 2005. It has modified its tenant mix to include upscale restaurants and retailers, such as sushi bars and spa centers. It has remodeled four floors into restaurants, which lead to a 1.35x increase in operating profit for the property segment in 1H FY12/06A. The Group plans to remodel another three to four floors in FY12/07F. The exercise can boost its rental income by no less than HK\$10/sq. ft.

Valuation

1H FY12/06A results review. In 1H FY12/06A, overall sales declined 26.7% YoY to HK\$338.8m but net profit rose 31.9% YoY to HK\$125.1m fuelled by a revaluation surplus on investment properties. Excluding the revaluation gains, the group recorded an operating loss of HK\$32.3m as a result of the decline in the sales volume, lower gross margin and increased spending on the marketing of new brands in its toys segment. The sales decline in 1H FY12/06A was mainly caused by lower TMNT sales and the discontinuation of the “Speedez”. Although 1H sales usually account for only 25-30% of the annual total, we do not expect much upside in its core business in FY12/06F since the contribution from King Kong will not figure prominently in 2H FY12/06F. We expect 2H FY12/06F sales to be supported mainly by TMNT, Strawberry Shortcake, Disney Princess, as well as Disney Fairies, which have just been launched in fall 2006.

Table 2: Interim results

Six months to June	Turnover (HK\$m)	Gross profit (HK\$m)	Gross margin (%)	Pre-tax profit (HK\$m)	Tax rate (%)	Net profit (HK\$m)	EPS (HK\$)	DPS (HK\$)
1H FY06A	339	165	48.8	142	17.5	125	0.069	0.020
1H FY05A	463	241	52.0	93	17.5	95	0.056	0.025
YoY (%)	(26.8)	(31.5)		52.7		31.6	19.0	(20.0)

Source: Company data

Table 3: Earnings model

Year to Dec (HK\$m)	04A	05A	06F	07F	08F
Turnover					
- Toys	1,282.1	1,277.5	934.1	1,373.1	1,785.0
- Investment properties	30.2	32.8	46.4	50.2	54.2
	1,312.3	1,310.3	9,80.5	1,423.2	1,839.1
% chg	34.2	(0.2)	(25.2)	45.2	29.2
Gross profit	728.2	673.0	470.6	725.8	956.4
EBITDA	256.9	177.4	(6.8)	185.5	218.1
EBIT	251.4	172.4	(19.6)	170.8	202.3
Net int. income/(exp.)	(14.1)	(7.6)	(3.4)	(7.0)	(7.6)
Exceptional	10.2	32.3	202.8	29.7	31.7
Associates	(0.7)	1.8	0.0	0.0	0.0
Pre-tax profit	246.8	198.9	179.8	193.5	226.5
Tax	8.5	(2.8)	(23.4)	(25.2)	(29.4)
Headline net profit	255.3	196.1	156.4	168.4	197.0
Core net profit (excludes exceptional and investment gains)	192.9	128.5	(28.6)	156.4	183.0

Source: SBI E2-Capital and Company data

Turnaround in the toy segment in FY12/07F We expect subdued FY12/06F results to be released in early March. We forecast a core net loss of HK\$28.6m, excluding the revaluation surplus on investment properties and other investment of c.HK\$185m. However, we believe Playmates will stage a significant turnaround in FY12/07F onwards, boosted by the new CG TMNT movie. It will also enter another rapid stage of growth with the launch of smart figures for Microsoft's Xbox 360 Viva Piñata game in 3Q FY12/07F. We expect core net profit to grow at a 3-year CAGR of 13% in FY12/05-FY12/07F.

Discount to NAV. Playmates' property investment provides a steady income stream to mitigate the fluctuations in its toy business. With net cash of HK\$387m (HK\$0.21 per share), the company is well positioned to acquire the remaining units of MacDonnell Road for redevelopment. Playmates is trading at a deep discount of 34.0% to our estimated NAV per share of HK\$1.7 (includes HK\$0.21 net cash per share) based on our sum-of-the-parts valuation. On a peer comparison basis, it is trading at 12.7x P/E for FY12/07F on a fully diluted basis, compared with an industry average of 15.5x. (ref: Table 5). It targets to pay out about 30-50% of its net profit in FY12/06F. We are re-initiating coverage with a BUY rating and a target price of HK\$1.5, equivalent to 14.3x P/E for FY12/08F on a fully diluted basis or a discount of 11.8% to its NAV.

Table 4: NAV valuation

	Gross asset value (HK\$m)	Basis of valuation
Toys	1,785.0	Assuming an EBIT margin of 10% for the toys segment
Investment property	1,118.0	Market value
Net cash (debt)	352.9	
Net asset value	3,255.8	
No. of shares	1,884.9	
NAV/ shs (HK\$)	1.7	
NAV/shs (HK\$) ex-cash	1.49	
Current share price (HK\$)	HK\$1.14	
Premium/ (Discount) (%)	(34.0)	

Source: SBI E2-Capital

Table 5: Peers comparison

Stock	Ticker	Mkt Cap (US\$m)	Curr	Last Price	PE (x)		Operating margin (%)	ROA (%)	ROE (%)
					1-yr forward	2-yr forward			
Hasbro	HAS US	4,431.4	USD	28.0	21.5	18.7	13.94	6.48	12.61
Mattel	MAT US	8,909.7	USD	23.6	17.8	16.0	21.34	9.14	18.59
RC2 Corp	RCRC US	823.4	USD	38.8	15.5	14.3	13.98	8.74	14.25
Jakks Pacific	JAKK US	582.1	USD	21.2	9.2	9.0	14.21	8.75	13.01
Marvel	MVL US	2,371.4	USD	27.6	44.2	19.5	22.4	15.96	22.67
Leapfrog	LF US	632.2	USD	9.5	n.a.	n.a.	3.84	3	3.89
Average					21.7	15.5	15.0	8.7	14.2

Source: SBI E2-Capital

Company background

Founded in 1966 and headquartered in California, Playmates has successfully transformed itself into a pure hard toy marketing company from an OEM toy manufacturer after the complete disposal of all manufacturing facilities in 1990. After outsourcing all production to five to six OEM suppliers based in China, the company is focusing on product creation, design, selling, distribution and marketing under its proprietary and licensed product brands. Its major proprietary brands include “Amazing” dolls, “Waterbabies” dolls, Battle Dice and R.E.V.s, while licensed products and entertainment brands include “Teenage Mutant Ninja Turtles” (TMNT), “Viva Piñata”, “Kiba”, “The Land Before Time”, “Disney Princess”, “Disney Fairies”, “Strawberry Shortcake” and “Popples”. The U.S. remains as its major market accounting for 76.5% of total sales in 1H FY12/06A. Walmart, Toy R’us and Target are Playmates’ major customers, contributing 70-80% of its total sales in FY12/05A. The Group also engaged in property investment and has increased its exposure by acquiring residential properties in Hong Kong’s Midlevels in January 2006. The group had 138 employees in Hong Kong, China and the US as of 31 Dec 2005. Its major marketing and product creation team is based in the U.S. and engineering team stations in Hong Kong.

Risk factors. 1) High exposure to the U.S. economy; 2) sales relies heavily on whether the licensed product will become a blockbuster or not; 3) low sales visibility as the lead-time is only 7-10 days from its clients and 4) losses from property revaluations.

P & L (HK\$m)	04A	05A	06F	07F	08F
Year to Dec					
Turnover	1,312.3	1,310.3	980.5	1,423.2	1,839.1
% chg	34.2	(0.2)	(25.2)	45.2	29.2
Gross profit	728.2	673.0	470.6	725.8	956.4
EBITDA	256.9	177.4	(6.8)	185.5	218.1
Depre./amort.	(5.5)	(5.0)	(12.8)	(14.7)	(15.8)
EBIT	251.4	172.4	(19.6)	170.8	202.3
Net int. income/(exp.)	(14.1)	(7.6)	(3.4)	(7.0)	(7.6)
Exceptionals	10.2	32.3	202.8	29.7	31.7
Associates	(0.7)	1.8	-	-	-
Jointly-controlled entit.	-	-	-	-	-
Pre-tax profit	246.8	198.9	179.8	193.5	226.5
Tax	8.5	(2.8)	(23.4)	(25.2)	(29.4)
Minority interests	-	-	-	-	-
Net profit	255.3	196.1	156.4	168.4	197.0
% chg	253.3	(22.6)	(20.2)	7.6	17.0
Dividends	(93.8)	(93.4)	(46.9)	(67.3)	(78.8)
Retained earnings	161.5	102.7	109.5	101.0	118.2
EPS (HK\$) - Basic	0.167	0.110	0.084	0.090	0.105
EPS (HK\$) - F.D.	0.165	0.108	0.083	0.089	0.105
DPS (HK\$)	0.040	0.050	0.025	0.036	0.042
No. sh.s o/s (m) - W.A.	1,557.7	1,781.3	1,868.7	1,868.7	1,868.7
No. sh.s o/s (m) - Y.E.	1,557.7	1,781.3	1,868.7	1,868.7	1,868.7
No. sh.s o/s (m) - F.D.	1,575.2	1,810.7	1,884.9	1,884.9	1,884.9
Margins (%)					
Gross	55.5	51.4	48.0	51.0	52.0
EBITDA	19.6	13.5	(0.7)	13.0	11.9
EBIT	19.2	13.2	(2.0)	12.0	11.0
Pre-tax	18.8	15.2	18.3	13.6	12.3
Net	19.5	15.0	16.0	11.8	10.7
Balance Sheet (HK\$m)	04A	05A	06F	07F	07F
Year to Dec					
Fixed assets	679.7	785.4	1,158.9	1,188.8	1,230.2
Intangible assets	6.0	6.0	4.0	2.1	0.1
Other LT assets	39.6	140.0	39.6	39.6	39.6
Cash	156.6	444.0	393.5	424.0	477.1
Accounts receivable	341.2	371.6	254.9	370.0	478.2
Other receivables	45.9	50.7	34.3	49.8	64.4
Inventories	36.7	57.8	27.5	39.9	51.5
Due from related co.s	-	-	-	-	-
Other current assets	146.8	248.1	107.9	156.6	202.3
Total assets	1,452.6	2,103.6	2,020.6	2,270.9	2,543.4
Accounts payable	(78.7)	(92.9)	(58.8)	(85.4)	(110.3)
Other payable	(131.2)	(155.5)	(98.0)	(142.3)	(183.9)
Tax payable	2.4	(56.8)	(11.7)	(12.6)	(14.7)
Due to related co.s	-	-	-	-	-
ST debts	(13.1)	(20.0)	(9.8)	(14.2)	(18.4)
Other current liab.	-	(51.8)	-	-	-
LT debts	(40.9)	(1.3)	(39.2)	(56.9)	(73.6)
Other LT liabilities	(14.2)	(45.3)	(45.3)	(45.3)	(45.3)
Total liabilities	(275.8)	(423.6)	(262.9)	(356.7)	(446.2)
Share capital	156.0	186.8	186.8	186.8	186.8
Reserves	1,029.9	1,493.2	1,571.0	1,727.4	1,910.4
Shareholders' funds	1,181.3	1,680.0	1,757.8	1,914.2	2,097.2
Minority interest	-	-	-	-	-
Total	1,181.3	1,680.0	1,757.8	1,914.2	2,097.2
Capital employed	1,235.3	1,701.3	1,806.8	1,985.3	2,189.2
Net (debt)/cash	102.6	422.7	344.5	352.9	385.1
Cash Flow (HK\$m)	04A	05A	06F	07F	08F
Year to Dec					
EBIT	251.4	172.4	(19.6)	170.8	202.3
Depre./amort.	(5.5)	(5.0)	(12.8)	(14.7)	(15.8)
Net int. paid	1.6	15.0	6.6	4.0	3.4
Tax paid	(62.1)	(3.3)	-	-	-
Dividends received	3.3	2.8	17.7	17.7	17.7
Gross cashflow	170.1	51.2	17.6	207.2	239.3
Chgs. in working cap.	(147.9)	(3.6)	20.1	(72.2)	(67.8)
Operating cashflow	22.1	47.6	37.7	135.1	171.5
Capex	(39.4)	(72.5)	(29.4)	(42.7)	(55.2)
Free cashflow	(17.2)	(24.9)	8.3	92.4	116.3
Dividends paid	(62.1)	(120.1)	-	-	-
Net distribution to MI	-	-	-	-	-
Investments	(27.7)	(98.1)	36.3	(48.7)	(45.8)
Disposals	30.8	72.8	-	-	-
New shares	7.4	428.4	-	-	-
Others	30.8	62.0	(95.0)	(13.1)	(17.5)
Net cashflow	(38.0)	320.1	(50.5)	30.5	53.1
Net (debt)/cash - Beg.	140.6	102.6	422.7	344.5	352.9
Net (debt)/cash - End.	102.6	422.7	344.5	352.9	385.1
Interim Results (HK\$m)	04A	05A	06A		
Six months to Jun					
Turnover	436.7	462.8	338.8		
% chg	57.4	6.0	(26.8)		
Profit from operations	45.3	91.5	135.6		
Interest expenses	(5.1)	(2.7)	(2.0)		
Associates	(2.0)	2.4	8.8		
Jointly-controlled	-	-	-		
Pre-tax profit	40.0	91.3	142.4		
Tax	(2.8)	3.5	(17.3)		
Minority interests	-	-	-		
Net profit	37.2	94.8	125.1		
% chg	275.5	154.8	32.0		
EPS (HK\$) - Basic	0.024	0.056	0.097		
DPS (HK\$)	0.020	0.020	0.025		
Shareholding Structure					
				Shares o/s (m)	%
Thomas Chan				731.4	39.09
Sansar Capital				187.5	10.02
Tiaa Cref Investment				119.4	6.38
Public				832.8	44.51
Total				1,871.1	100.0
Background					
Playmates was founded in 1966 in toy OEM. It acquired the master toy licence for TMNT (Teenage Mutant Ninja Turtles) in 1987. After the disposal of all manufacturing facilities in 1990, Playmates has outsourced all production to OEM suppliers and focus on selling, distribution and marketing.					
Key Data	04A	05A	06F	07F	08F
Net gearing (%)	Cash	Cash	Cash	Cash	Cash
Net ROE (%)	24.7	13.7	9.1	9.2	9.8
EBIT ROCE (%)	20.5	11.7	(1.1)	9.0	9.7
Dividend payout (%)	36.7	47.6	30.0	40.0	40.0
Effective tax rate (%)	(3.4)	1.4	13.0	13.0	13.0
Net interest cover. (x)	17.8	22.7	na	24.4	26.7
A/R days	107.3	102.0	80.1	110.8	105.5
A/P days	25.1	25.9	18.7	25.9	24.7
Inventory days	11.7	16.1	8.7	12.1	11.5

SBI E2-Capital is a dedicated small/mid cap investment banking/ stockbrokerage house. Find our research on: sbie2capital.com, thomsononeanalytics.com, factset.com and multex.com

SBI E2-Capital stock ratings:

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

Investors should assume that SBI E2-Capital is seeking or will seek investment banking or other related businesses with the companies in this report.

Analyst certification: The views expressed in this report accurately reflect the analyst's personal views of the subject securities and that the analyst has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

Disclaimer: This research report is not an offer to sell or the solicitation of an offer to buy or subscribe for any securities. The securities referred to in this report may not be eligible for sale in some jurisdictions. The information contained in this report has been compiled by the Research Department of SBI E2-Capital Securities Limited ('SBI E2-Capital') from sources that it believes to be reliable but no representation, warranty or guarantee is made or given by SBI E2-Capital or any other person as to its accuracy or completeness. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of SBI E2-Capital as of the date of this report only and are subject to change without notice. Neither SBI E2-Capital nor any other person, accepts any liability whatsoever for any loss howsoever arising from any use of this report or its contents or otherwise arising in connection therewith. Each recipient of this report shall be solely responsible for making its own independent investigation of the business, financial condition and prospects of the companies referred to in this report. SBI E2-Capital and their respective officers, directors and employees, including persons involved in the preparation or issuance of this report, may from time to time (1) have positions in, and buy or sell, the securities of companies referred to in this report (or related investments); (2) have a consulting, investment banking or broking relationship with any company referred to in this report; and (3) to the extent permitted under applicable law, have acted upon or used the information contained or referred to in this report including effecting transactions for their own account in an investment (or related investment) in respect of any company referred to in this report, prior to or immediately following its publication. This report may not have been distributed to all recipients at the same time. This report is issued only for the information of and may only be distributed to professional investors and dealers in securities and must not be copied, published, reproduced or redistributed (in whole or in part) by any recipient for any purpose. This report is distributed in Hong Kong by SBI E2-Capital. Any recipient of this report who requires further information regarding any securities referred to in this report should contact the relevant office of SBI E2-Capital located in such recipient's home jurisdiction.

Copyright © SBI E2-Capital Securities Limited 2007. All rights reserved.
