

# Goldbond Group



**STRONG BUY**  
(unchanged)

## At expansion stage

### Key points:

- Non-bank financial services provider
- Consumer/SME focus
- Beneficiary of China's credit tightening measures
- Return on loan book to exceed 40.0% p.a.
- Expands into leasing business in China
- Increasing number of outlets
- Three-years earnings CAGR projected at 77.3%
- Major shareholder boosts stake, proposes general offer
- Undemanding valuation at 8.7x FY03/09F EPS

**Investment summary.** After divesting its property assets and interests in an investment bank, Goldbond has emerged as a niche non-bank financial play focusing on China's booming but underbanked consumer/SMEs segment through its 71.0%-owned financial flagship Rongzhong.

Currently, Rongzhong is engaged in the provision of secured bridge financing to SMEs and high net worth individuals in China and loan guarantee business to major Chinese banks. Backed by its solid working relationship with banks, the group's secured bridge financing business has been expanding rapidly since its launch in 2006. Its bridge finance loan book generates a lucrative annual return of more than 40.0%. With six outlets in Wuhan, Chongqing, Chengdu and Nanjing, Rongzhong plans to expand to Guangzhou, Hangzhou and Changsha by the end of 2009.

With its recently granted leasing licence, Rongzhong is setting up a leasing arm to turn itself into a fully integrated non-bank financial service provider in China.

Goldbond also has a project financing division. Its three-year RMB115.0m loan to a Zhuhai property development project is expected to generate a lucrative annual return of above 40.0%.

Goldbond's net profit is expected to grow at a CAGR of 77.3% between FY03/07A and FY03/10F. Trading at FY03/09F P/E of 8.7x, or a 28.2% discount to the benchmark valuation, the company deserves a re-rating due to its strong growth momentum. Our target price of HK\$1.85 represents a FY03/09F PEG of 0.30x, which is undemanding for a growing company in a fast expanding market. The Wong family increased its stake in Goldbond by 21.4% to 50.8% and proposed in 2Q08 a general offer at HK\$0.69/share, showing their confidence in its outlook and indicating that the counter has been undervalued. STRONG BUY call reiterated.

**Credit tightening creates opportunities.** In a bid to curb excessive fixed asset investment and ease inflation pressure, China's government has again turned to credit tightening policies. By hiking the benchmark and lending rate six times last year, the People's

## China Banking/Finance

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### Stock data

<b>Price</b>	<b>HK\$0.70</b>
<b>Target price</b>	HK\$1.85 (+164.3%)
<b>12 mth range</b>	HK\$0.38-1.53
<b>Market cap.</b>	US\$229.8m
<b>Daily t/o, 3 mth</b>	US\$0.95m
<b>Free float %</b>	41.8%
<b>Ticker</b>	0172.HK/172 HK

### Financial summary

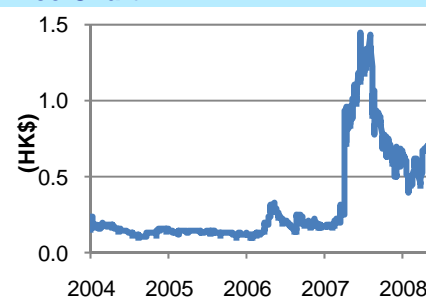
Year to Mar	06A	07A	08F	09F	10F
Turnover (HK\$m)	8.1	24.9	210.2	486.9	635.6
Net Profit (HK\$m)	3.9	48.7	140.1	208.2	271.4
EPS (HK\$m)	0.002	0.029	0.054	0.079	0.100
EPS Δ %	(99.8)	1161.0	85.2	45.8	26.7
P/E (x)	297.1	23.6	12.7	8.7	6.9
P/B (x)	3.21	2.79	1.91	1.52	1.26
EV/EBITDA (x)	na	na	12.1	4.4	3.3
Yield (%)	-	-	-	-	-
ROE (%)	1.1	11.8	15.0	17.5	18.3
ROCE (%)	0.6	8.1	11.7	13.8	14.5
N. Gear. (%)	(66.2)	(20.6)	Cash	(16.3)	(15.7)

### Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	-5.8	+27.1	-48.9
Actual price changes (%)	+1.5	+35.3	-37.3

	08F	09F	10F
Consensus EPS (HK\$)	na	na	na
Previous forecasts (HK\$m)	128.1	193.8	223.3
Previous EPS (HK\$)	0.056	0.075	0.087

### Price Chart



Bank of China (PBOC) lifted the one-year time deposit rate by 1.62pcp to 4.14% and one-year lending rate by 1.35pcp to 7.47% at end-2007. It also increased the reserve requirement ratio for banks to 14.5% from 9.5%. In 1Q 2008, China's GDP expanded 10.6% YoY, while its CPI inflation increased 8.0% YoY (8.3% in March). In response, PBOC ordered banks to keep loan growth in 2008 below the effective loan growth of 13.9% in 2007 (RMB3,630.0b). It has also lifted the reserve requirement ratio four times so far this year to 16.5%, currently, slowing loan growth by 1.32pcp QoQ to 14.8% in 1Q 2008 and money supply growth (M3) by 0.45pcp QoQ to 16.3%. According to a PBOC survey, China's debt financing demand remained strong in 1Q 2008, with SMEs and individuals willing to pay high interest rates. This provides expansion opportunities for financial institutions such as Goldbond.

Rongzhong provides secured bridge financing services to customers via its branches in Wuhan (three outlets), Chongqing (one), Chengdu (one) and Nanjing (one). It plans to expand to Guangzhou, Hangzhou and Changsha by end-2009. Technically, each outlet can provide secured bridge loans nationwide. However, if real estate is used as collateral, an outlet can provide bridge financing loans only within the province where the property is located. We estimate that more than 50.0% of the group's loan book is real-estate backed.

Rongzhong's annual return on bridge financing is estimated at more than 40.0%. Its loan-to-asset value ratio (LVR) is below 50.0%, implying that its bridge financing outlets lend only below 50.0% of the collateral's value. This should provide sufficient protection against defaults.

In 1H FY03/08F, Rongzhong's bridge financing loans totaled RMB744.3m. At end-Sep 2007, its portfolio stood at HK\$194.5m. We estimate Rongzhong's bridge financing loan book at more than HK\$500.0m.

**High entry barriers.** Pawn shop licences are difficult to obtain since their issuance is centralized and handled by the headquarters of the Ministry of Commerce. They are issued once a year for particular cities or regions based on local GDP growth and the supply and demand situation. It is quite difficult for pawn shops to obtain debt financing from banks, as collateral mortgaged against their loans still is owned by the borrower. Currently, most of China's pawn shop operators use their own resources as working capital and not many are able to finance large-scale operations this way.

**Consumer loan guarantee business.** Rongzhong has loan guarantee operations in seven cities (Changsha, Chengdu, Chongqing, Wuhan, Guangzhou, Nanjing and Hangzhou). It is serving major Chinese banks such as Changsha Commercial Bank, Shenzhen Development Bank, China Construction Bank, Guangdong Development Bank, Industrial and Commercial Bank of China, Shanghai Pudong Development Bank, China Merchant Bank, China Minsheng Banking, Industrial Bank, China Everbright Bank and Agricultural Bank of China. Rongzhong plans to enter second tier cities such as Taiyuan, Shenyang, Xian and Qingdao from 2009.

Rongzhong provides guarantees on loans with terms from one to five years, mostly secured. In return, it receives fees of 1.0-9.0% of the guaranteed loan size from borrowers. In case of defaults, Rongzhong has to repay the outstanding amount in exchange for the collateral. By selling the collateral, Rongzhong can recoup its outlay.

Since 2005, the company has guaranteed RMB5.0b of consumer loans, with an overdue rate below 0.2%. Its guaranteed consumer loans totaled RMB1,510.1m in FY03/07A and RMB1,961.4m in 1H FY03/08F. We expect the total to reach RMB4.5b by FY03/10F, with the average loan term of two to three years.

Assuming a commission rate of 2.0%, annualized returns of the loan guarantee business are estimated at 0.7%. The business is labor intensive (Rongzhong has about 600 staff) but with its overdue rate below 0.2% and costs relatively fixed, it generates stable income. It also creates synergies with the company's high-yield bridge financing business, serving as a platform for developing working relationships with China's banks. Unlike in developed markets such as Hong Kong, loans in China cannot be transferred to other banks or rolled over upon maturity. Borrowers must repay their existing borrowings with interest before applying for a new loan. If unable to repay, the bank has to liquidate the borrower, even if it wants to retain him. Rongzhong's bridge financing is designed to fill the gap. Thus, if customers of Rongzhong's partner banks need bridge financing, the banks refer them to Rongzhong. Apart from the source of funding (loan guarantees come from a bank's capital, bridge financing comes from own capital), operations of the two lines of business (loan guarantees and secured bridge financing) are very similar, enabling Rongzhong to use resources effectively.

**Goldbond Management.** China's financial sector is still developing, with limited financing alternatives to conventional debt and equity financing. To capitalize on opportunities in China's financial sector, Goldbond established Goldbond Management (Shanghai) Co Ltd in Aug 2007. The company provides project finance, project consultancy, distressed asset management, direct investment and property investment services. Its

material contribution cannot be estimated at the moment but its development prospects are great. The new division should create synergies with Rongzhong and use Rongzhong's operation platform and senior management network to source deals and perform due diligence. So far, Goldbond has obtained a project financing project in Zhuhai this way.

**Zhuhai deal.** In Sep 2007, Goldbond agreed to provide an RMB100.0m three-year loan to Zhuhai Poly Sanhao and RMB15.0m three-year loan to Worldpro International Investment. The loans were drawn in Jan 2008. Zhuhai Poly Sanhao, which owns 85.0% in property developer China King (Zhuhai China-King owns 15%), is 51.0% owned by Worldpro. Thus, indirectly, Worldpro holds 43.3% and Zhuhai Poly Sanhao 85.0% in the property development project in Zhuhai. Goldbond took Zhuhai Poly Sanhao's 85.0% stake in China-King and Worldpro's 51.0% stake in Zhuhai Poly Sanhao as collaterals of Zhuhai Poly Sanhao's loan. It took all the assets and the entire share capital of Worldpro as collateral for Worldpro's loan. China-King plans to develop a 91,643.0m<sup>2</sup> site located south of Lanpu Road in Qianshan, Zhuhai, Guangdong, into Huaxia Zhongguan City, a residential/commercial/retail complex with a total GFA of 350,000.0m<sup>2</sup>. The loan's total return is estimated at about HK\$150.0m, or 40.0% per annum, which is very lucrative.

**Leasing business.** Rongzhong has recently obtained a leasing licence from the Ministry of Commerce and is setting up a leasing division. We expect this new business to expand thanks to the country's surging fixed asset investment and listed companies' search for ways to finance it without boosting their debt level. Purchasing financed by an operating lease allows assets and associated liabilities to stay off companies' balance sheets and enables the lessee to obtain the right to use assets over designated term by paying rent to the lessor, who retains the ownership and associated risks. Under the leasing revenue model, the leasing division is expected to mortgage assets it purchases for the lessees and obtain loans. Its profit margin will be represented by the difference between the rent charged to lessees and interest paid to lenders.

**General offer.** Originally, Rongzhong had a total of 2,582.0m shares outstanding and the concerting parties collectively owned about 1,189.9m shares or 46.1% of the company. Its major shareholder, the Wong family owned 553.2m shares, or 21.4%. On 2 Apr 2008, the company announced that on 26 March, the Wong family acquired 508.7m shares at HK\$0.485 for HK\$246.7m through the acquisition of Ace Solomon, another major shareholder of the company, and 16.0m shares at HK\$0.148 by exercising its 16.0m option.

After the transactions, the Wong family's stake expanded to 39.3% and since it exceeded 30.0%, the family has made a mandatory general cash offer to acquire all of the company's issued share capital at HK\$0.69/share. The total cost to acquire the outstanding options, publicly traded shares and shares owned by non-executive directors is estimated at HK\$968.6m. Between 2 April and 13 May, the Wong family acquired 308.5m shares at HK\$0.69 each boosting its stake to 50.8%. The deals, totaling about HK\$462.0m, demonstrate the family's confidence in the company's outlook and suggest that the counter was undervalued.

**Table 1: Shareholding structure before and after the general offer**

Shareholder	Before		As of March 28		As of May 13	
	shares (m)	Stake (%)	shares (m)	Stake (%)	shares (m)	Stake (%)
Wong's Family	553.2	21.4	1,021.9	39.3	1,330.5	50.8
Mr. Kee	464.7	18.0	12.0	0.5	12.0	0.5
Mr. Wang Jun	101.3	3.9	101.3	3.9	101.3	3.9
Other executives	70.8	2.7	70.8	2.7	78.8	3.0
Sub total: concerting parties	1,189.9	46.1	1,205.9	46.4	1,522.5	58.2
Non-executive directors	3.3	0.1	3.3	0.1	3.3	0.1
Public	1,388.7	53.8	1,388.7	53.5	1,092.1	41.7
Total	2,582.0	100.0	2,598.0	100.0	2,618.0	100.0

Source: Company, SBI E2-Capital

**Earnings estimates lifted.** Based on latest developments and interim results, we increase our net profit forecasts for Goldbond by 9.3% (from HK\$128.1m) for FY03/08F, 7.4% (from HK\$193.8m) for FY03/09F and 21.5% (from HK\$223.3m) for FY03/10F.

**FY03/08 projection.** We expect Goldbond's net profit to increase 187.6% YoY to HK\$140.1m in FY03/08 boosted by a disposal gain of HK\$57.5m from the following transactions:

- 1) Mar 2007 - sale of units in Golden Plaza in Mongkok, Kowloon, for HK\$530.0m (gain of HK\$4.8m booked in 1H FY03/08F).
- 2) Jun 2007 – disposal of 25.0% in a property project in Nanjing for HK\$125.3m (disposal gain of HK\$19.6m).
- 3) Oct 2007 – disposal of 20.0% in Goldbond Capital (now Piper Jaffray) for US\$10.2m (disposal gain of

HK\$33.1m).

Rongzhong reported a non-current gain of HK\$33.1m from a provision write-back. We expect it to contribute HK\$108.3m in after-tax earnings to Goldbond in FY03/08F. Meanwhile, Goldbond's project financing for the property development project in Zhuhai is expected to yield a return of HK\$8.5m to Goldbond.

**FY03/09 and FY03/10 earnings projection.** Net profit is expected to increase 48.7% YoY to HK\$208.2m and 30.3% YoY to HK\$271.4m, respectively, due to:

- 1) Interest income – to increase 91.0% YoY in FY03/09F and 33.3% in FY03/10F on loan book expansion
- 2) Loan guarantee fee income - to increase 146.5% YoY in FY03/09 and 61.6% in FY03/10. Since it is recognized in three-year terms, our loan guarantee fee income projection for FY03/09F consists 1/3 of fee income generated in FY03/08F and 1/3 in FY03/09F.
- 3) Minority interest decrease from 39.0% in FY03/08F to 29.0% from 2H FY03/08 onward. In Aug 2007, the company acquired 20.0% interests in Rongzhong from executive director Xie for HK\$135.0m. It was settled by an issue of convertible bonds with a conversion price of HK\$1.08/conversion share. Mr Xie has the right to convert the CBs into shares in phases from Dec 2008 onward. After the acquisition, Goldbond has a 71.0% stake in Rongzhong.
- 4) Interest income from project financing - expected to be recognized between FY03/08F and FY03/11F

**Table 2: Major assumptions for Goldbond**

	08F	09F	10F
Loan book (RMBm)	350.0	600.0	800.0
Annual interest rate (%)	48.0	48.0	48.0
Loan guarantee amount (HK\$m)	3,300.0	4,000.0	4,500.0
Commission rate on loan guarantee (%)	2.0	2.0	2.0
Interest income realized from project financing (HK\$m)	8.5	51.1	51.1
Cash flow of project financing (HK\$m)	(128.2)	10.3	72.7
Sales tax rate (%)	6.0	6.0	6.0
Corporate income tax rate (%)	18.0	18.0	25.0

Source: SBI E2-Capital

**Table 3: Breakdown of earnings projections**

	08F	09F	10F
Revenue (HK\$m)			
Rongzhong	178.6	352.7	484.7
Project financing	8.5	51.1	51.1
Total	187.1	403.8	535.8
Non-recurrent gain/loss (HK\$m)			
Disposal gain (HK\$m)	57.5	-	-
Contribution from associates (HK\$m)	4.2	-	-
Other income	9.7	6.9	5.8
Total	71.5	6.9	5.8
Head office income/expenses (HK\$m)			
Operating expenses	(44.4)	(38.3)	(38.4)
Interest expenses	(8.2)	(6.8)	(6.8)
Total	(52.6)	(45.1)	(45.2)
Segmental after-tax profit (HK\$m)			
Rongzhong	108.3	176.0	243.1
Project financing	6.4	38.3	38.3
Interest income on shareholder's loan (HK\$m)	23.1	83.1	99.9
Total	137.8	297.5	381.3
Minority interests in Rongzhong (HK\$m)	(16.6)	(51.1)	(70.5)
Net profit (HK\$m)	140.1	208.2	271.4

Source: SBI E2-Capital

**Table 4: Earnings projection on Rongzhong**

Year to Mar (HK\$m)	08F	09F	10F
Rongzhong's interest income	168.0	320.9	427.9
Loan guarantee fees	22.0	54.2	87.7
Sales tax	(11.4)	(22.5)	(30.9)
Turnover	178.6	352.7	484.7
Other operating expenses	(61.0)	(51.0)	(55.7)
DD&A	(2.8)	(3.9)	(5.0)
Operating profit	114.8	297.8	423.9
Interests expenses	(23.1)	(83.1)	(99.9)
Exceptional gain -provision write back	33.1	-	-
Pre-tax profit	124.9	214.7	324.1
Taxation	(16.5)	(38.6)	(81.0)
After tax profit	108.3	176.0	243.1
Minority interests	(42.3)	(51.1)	(70.5)
Net profit	66.1	125.0	172.6

Source: SBI E2-Capital

**Valuation.** Goldbond's revenue model is unique, with no close comparisons. We selected non-bank financial institutions with similar attributes to Goldbond, such as serving the underbanked segment of the market. However, unlike Goldbond, which serves the emerging segment (high net worth individuals, consumers and SMEs) in China, they operate in highly developed markets such as Hong Kong, the US and Japan. This peer group is trading at one-year forward P/E of 13.8x and two-year forward P/E of 12.5x. Another benchmark is the valuation of the Chinese banks. Although they are very different from Goldbond in terms of their capital structure and funding sources, they are engaged in the same business (provision of debt financing to individuals and enterprises) and their valuations reflect the market's view on the prospects of China's financial segment. Hong Kong-listed Chinese banks are trading at one-year forward P/E of 15.3x and two-year forward P/E of 12.6x. Trading at P/E of 8.7x for FY03/09F, Goldbonds' valuation is still way below the benchmark 12.3x or HK\$0.98, calculated as the average two-year P/E of the China's banking sector and selected non-bank financial institutions in the developed market. Since Goldbond is growing in a fast expanding emerging market, we adopt the PEG approach to value the company. Our target price of HK\$1.85 represents PEG of 0.30x (3-year CAGR of 77.3% between FY03/07A and FY03/10F), which is undemanding. With upside potential of 164.3%, we reiterate our STRONG BUY call on Goldbond.

**Table 5: Peer group comparison: Non-bank financial institutions**

Company name	Ticker	Year End	Currency	Price	Market cap (US\$m)	P/E (x)		P/B (x)
						1-yr forward	2-yr forward	
Aeon Credit Service Asia Co Ltd	900 HK	Feb	HKD	6.9	370.4	9.2	8.5	1.9
Credit Saison Co Ltd	8253 JP	Mar	JPY	2970.0	5138.2	20.5	17.1	1.4
OMC Card Inc	8258 JP	Feb	JPY	399.0	812.0	13.3	9.3	1.7
Aiful Corp	8515 JP	Mar	JPY	1904.0	3036.9	10.8	9.2	1.0
Takefuji Corp	8564 JP	Mar	JPY	2210.0	3100.3	9.0	11.7	0.7
Aeon Credit Service Co Ltd	8570 JP	Feb	JPY	1579.0	2360.5	16.2	13.8	1.5
Acom Co Ltd	8572 JP	Feb	JPY	3220.0	4895.4	10.9	13.2	1.1
Promise Co Ltd	8574 JP	Mar	JPY	3320.0	4264.4	14.4	10.6	1.1
Cattles PLC	CTT LN	Dec	GBp	24.3	1205.2	12.1	12.2	1.6
CIT Group Inc	CIT US	Dec	USD	13.2	653.5	15.1	9.0	1.2
Dollar Financial Corp	DLLR US	Jun	USD	8.0	310.5	8.0	7.1	0.6
Average						13.8	12.5	1.2

Source: Bloomberg

**Table 6: Peer group comparison: HK-listed Chinese banks**

Company name	Ticker	Year End	Currency	Price	Market cap (US\$m)	P/E (x)	
						1-yr forward	2-yr forward
China Construction Bank	939 HK	Dec	HKD	7.22	217,855.1	15.2	12.5
Bank of China	3988 HK	Dec	HKD	4.06	166,556.1	12.7	10.5
Bank of Communications	3328 HK	Dec	HKD	10.9	68,335.0	16.7	13.8
China Citic Bank	998 HK	Dec	HKD	4.96	33,865.6	14.0	11.5
Industrial & Commercial Bank of China	1398 HK	Dec	HKD	6.12	291,703.8	15.8	13.2
China Merchants Bank	3968 HK	Dec	HKD	31.25	66,483.0	19.3	15.7
Average						15.3	12.6

Source: Bloomberg

### Description of peers

**Aeon Credit Service Asia** - provides consumer credit finance services including credit cards, vehicle financing, hire purchase financing and personal loan financing.

**Credit Saison** - provides financial services such as credit cards, consumer installment credits, loan guarantees, loans, consignment operations and leases.

**OMC Card** – provides consumer installment credits, loan guarantee, loans, leasing, real estate and other financial services.

**Aiful Corporation** - provides consumer finance, mortgage loans, guaranteed loans and real estate services.

**Takefuji Corporation** - provides consumer financing services in Japan.

**Aeon Credit Service** - provides financial services including loans, credit card and customer installment credit.

**ACOM** - provides secured/unsecured loans and consumers installment credit. Also operates rental/advertising services, real estate business and agencies.

**Promise Co** - provides unsecured/non-guarantee/small-lot loans, credit cards and shopping cards. Also operates real estate business and credit analyzing business.

**Cattles** - provides consumer credit, installment loans, hire purchase credit services, debt collection, reinsurance and credit investigation services.

**CIT Group** - leading commercial and consumer finance company, providing financing and leasing products and services.

**Dollar Financial Corp** - leading international financial services company serving under-banked consumers and providing consumer financial products and services such as check cashing, short-term consumer loans, Western Union money orders and money transfers, utility bill payments, currency exchange and tax preparation.

SBI E2-Capital Securities Ltd. acted as the Placing Agent for Goldbond Group (350.5m vendor shares at HK\$1.26) on August 6, 2007.

P & L (HK\$m)	06A	07A	08F	09F	10F	Cash Flow (HK\$m)	06A	07A	08F	09F	10F
<b>Year to Mar</b>						<b>Year to Mar</b>					
<b>Turnover</b>	<b>8.1</b>	<b>24.9</b>	<b>210.2</b>	<b>486.9</b>	<b>635.6</b>	EBIT	(27.0)	(23.5)	144.9	400.6	542.3
% chg	5.7	207.5	744.9	131.6	30.6	Depre./amort.	1.0	1.7	2.8	3.9	5.0
Gross profit	(27.0)	(23.5)	144.9	400.6	542.3	Net int. paid	(9.5)	(16.7)	(21.5)	(83.0)	(100.8)
						Tax paid	(0.5)	(2.2)	(16.0)	(48.6)	(80.4)
EBITDA	(26.0)	(21.8)	147.7	404.5	547.3	Dividends received	0.6	0.0	-	-	-
Depre./amort.	(1.0)	(1.7)	(2.8)	(3.9)	(5.0)	<b>Gross cashflow</b>	<b>(35.4)</b>	<b>(40.7)</b>	<b>110.2</b>	<b>272.9</b>	<b>366.1</b>
EBIT	(27.0)	(23.5)	144.9	400.6	542.3	Chgs. in working cap.	(0.3)	(56.8)	(364.5)	(476.0)	(499.0)
Net int. income/(exp.)	(10.5)	(20.5)	(31.3)	(89.9)	(106.6)	<b>Operating cashflow</b>	<b>(35.7)</b>	<b>(97.5)</b>	<b>(254.4)</b>	<b>(203.0)</b>	<b>(132.8)</b>
Exceptionals	35.9	87.2	57.5	-	-	Capex	(5.0)	(1.1)	-	-	-
Associates	5.8	6.1	4.2	-	-	<b>Free cashflow</b>	<b>(40.7)</b>	<b>(98.6)</b>	<b>(254.4)</b>	<b>(203.0)</b>	<b>(132.8)</b>
Jointly-controlled entit.	-	-	-	-	-	Dividends paid	-	-	-	-	-
<b>Pre-tax profit</b>	<b>4.2</b>	<b>49.2</b>	<b>175.3</b>	<b>310.7</b>	<b>435.7</b>	Net distribution to MI	-	-	-	-	-
Tax	(0.4)	(0.5)	(18.6)	(51.4)	(93.8)	Investments	(74.1)	(42.8)	(177.8)	-	-
Minority interests	-	-	(16.6)	(51.1)	(70.5)	Disposals	-	-	700.0	-	19.6
<b>Net profit</b>	<b>3.9</b>	<b>48.7</b>	<b>140.1</b>	<b>208.2</b>	<b>271.4</b>	New shares	-	-	321.1	-	-
% chg	(86.2)	1,161.4	187.6	48.7	30.3	Change in loans	35.1	8.0	(392.6)	-	-
Dividends	-	-	-	-	-	Others	87.9	290.3	(97.8)	3.4	66.9
Retained earnings	3.9	48.7	140.1	208.2	271.4	<b>Net cashflow</b>	<b>8.1</b>	<b>156.9</b>	<b>98.5</b>	<b>(199.7)</b>	<b>(46.4)</b>
EPS (HK\$) - Basic	0.002	0.029	0.061	0.081	0.103	Net (debt)/cash - Beg.	(244.7)	(236.6)	(79.7)	18.9	(180.8)
EPS (HK\$) - F.D.	0.002	0.029	0.054	0.079	0.100	Net (debt)/cash - End.	(236.6)	(79.7)	18.9	(180.8)	(227.2)
DPS (HK\$)	-	-	-	-	-						
No. sh.s o/s (m) - W.A.	1,662.4	1,662.9	2,288.1	2,582.0	2,632.0	<b>Interim Results (HK\$m)</b>	<b>05A</b>	<b>06A</b>	<b>07A</b>		
No. sh.s o/s (m) - Y.E.	1,662.4	1,674.4	2,582.0	2,632.0	2,707.0	<b>Six months to Sep</b>					
No. sh.s o/s (m) - F.D.	1,662.4	1,662.9	2,582.0	2,632.0	2,707.0	<b>Turnover</b>	<b>11.9</b>	<b>16.4</b>	<b>26.1</b>		
						% chg	(8.0)	38.0	59.1		
<b>Margins (%)</b>						Profit from operations	5.7	11.9	40.2		
Gross	(333.3)	(94.6)	68.9	82.3	85.3	Interest expenses	(1.2)	(7.5)	(11.9)		
EBITDA	(320.8)	(87.7)	70.3	83.1	86.1	Associates	-	(1.6)	0.1		
EBIT	(333.3)	(94.6)	68.9	82.3	85.3	Jointly-controlled entit.	(2.4)	3.0	0.1		
Pre-tax	52.1	197.7	83.4	63.8	68.5	<b>Pre-tax profit</b>	<b>2.2</b>	<b>5.8</b>	<b>28.5</b>		
Net	47.7	195.8	66.6	42.8	42.7	Tax	(0.5)	(4.3)	(8.0)		
						Minority interests	-	-	-		
<b>Balance Sheet (HK\$m)</b>	<b>06A</b>	<b>07A</b>	<b>08F</b>	<b>09F</b>	<b>10F</b>	<b>Net profit</b>	<b>1.7</b>	<b>1.5</b>	<b>20.5</b>		
<b>Year to Mar</b>						% chg	(88.9)	(11.0)	1,277.9		
Fixed assets	464.3	5.0	7.2	8.3	8.2	EPS (HK\$) - Basic	0.001	0.001	0.012		
Intangible assets	-	-	103.7	103.7	103.7	DPS (HK\$)	-	-	-		
Other LT assets	135.0	679.4	351.9	296.5	63.0						
Cash	65.4	108.4	263.9	64.2	17.8	<b>Shareholding Structure</b>					
Accounts receivable	29.6	110.4	450.0	910.0	1,400.0						
Other receivables	-	-	-	-	-						
Inventories	-	-	-	-	-						
Due from related co.s	51.9	0.0	-	-	-						
Other current assets	7.9	8.0	105.0	207.4	373.1						
<b>Total assets</b>	<b>754.1</b>	<b>911.3</b>	<b>1,281.6</b>	<b>1,590.1</b>	<b>1,965.8</b>						
Accounts payable	-	-	-	-	-						
Other payable	(29.3)	(70.6)	(71.2)	(72.2)	(73.0)						
Tax payable	(0.8)	(0.6)	(3.3)	(6.1)	(19.6)						
Due to related co.s	(42.0)	(69.2)	-	-	-						
ST debts	(62.1)	(178.1)	(110.0)	(110.0)	(164.0)						
Other current liab.	(0.3)	(162.7)	(3.6)	-	-						
LT debts	(239.9)	(10.0)	(135.0)	(135.0)	(81.0)						
Other LT liabilities	(22.1)	(5.9)	(1.4)	(1.4)	(1.4)						
<b>Total liabilities</b>	<b>(396.6)</b>	<b>(497.1)</b>	<b>(324.5)</b>	<b>(324.7)</b>	<b>(339.0)</b>						
Share capital	166.2	167.4	258.2	272.7	277.7						
Reserves	191.3	246.7	676.3	918.9	1,205.0						
<b>Shareholders' funds</b>	<b>357.5</b>	<b>414.2</b>	<b>934.5</b>	<b>1,191.7</b>	<b>1,482.7</b>						
Minority interest	-	-	22.6	73.7	144.2						
<b>Total</b>	<b>357.5</b>	<b>414.2</b>	<b>957.2</b>	<b>1,265.3</b>	<b>1,626.9</b>						
Capital employed	659.5	602.3	1,202.2	1,510.3	1,871.9						
Net (debt)/cash	(236.6)	(79.7)	18.9	(180.8)	(227.2)						
						<b>Key Ratios</b>	<b>06A</b>	<b>07A</b>	<b>08F</b>	<b>09F</b>	<b>10F</b>
						Net gearing (%)	(66.2)	(20.6)	Cash	(16.3)	(15.7)
						Net ROE (%)	1.1	12.6	20.8	19.6	20.3
						EBIT ROCE (%)	(4.1)	(3.7)	16.1	29.5	32.1
						Dividend payout (%)	-	-	-	-	-
						Effective tax rate (%)	8.4	0.9	10.6	16.5	21.5
						Net interest coverage (x)	na	na	4.6	4.5	5.1
						A/R turnover (days)	-	-	-	-	-
						A/P turnover (days)	-	-	-	-	-
						Stock turnover (days)	-	-	-	-	-

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