

Financial summary

Year to Dec	06A	07A	08A	09F	10F
Turnover (HK\$m)	66.8	198.2	364.2	-	-
Net Profit (HK\$m)	10.1	36.1	51.0	-	-
EPS (HK\$)	0.038	0.100	0.120	-	-
EPS Δ%		163.2	20.0	-	-
P/E (x)	14.7	5.6	4.7	-	-
P/B (x)	7.0	0.5	0.5	-	-
EV/EBITDA (x)	19.6	1.0	1.4	-	-
Yield (%)	-	-	6.7	-	-
ROE (%)	47.9	10.7	12.8	-	-
ROCE (%)	36.5	10.8	13.8	-	-
N. Gear. (%)	17.6	cash	cash	-	-

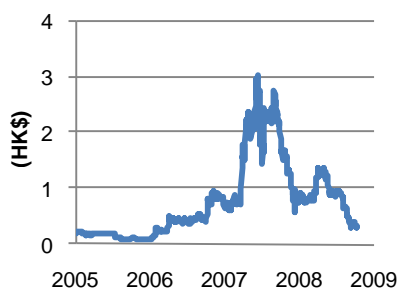
Source: Company data

Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	+3.0	+2.5	-10.0
Actual price changes (%)	+3.5	+2.0	-8.5

	08F	09F	10F
Consensus EPS (RMB)	-	-	-
Previous forecasts (RMBm)	-	-	-
Previous EPS (RMB)	-	-	-

Price Chart



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extent also partly helped by sales of drum containers to the same clients. During 2H FY12/08A, DeTeam began to source plastic container drums at the request of their existing woven bag customers. Management saw this as an added service they could offer to the clients as the products were complimentary (both used for storage packaging). At present, DeTeam outsources production of the drum containers to 3rd parties. For FY12/09F, we expect growth momentum to slow compared to FY12/08A given overall slower economic growth and lower corn starch prices may somewhat affect demand for the small woven bags.

Coal segment update. DeTeam began to consolidate contribution from its coal trading business under 51%-owned JV DeFeng since 1 Sep 2008, implying 4 months of contribution and shipping ~400K tonnes in the process. For FY12/09F, management indicated that they are close to securing agreements to ship their allotted 800k tonnes. Management aims to maintain net profit of around HK\$25/tonnes, to target around HK\$10m

Ticker:	8112.HK	12 mth range:	HK0.255-1.48
Price:	HK\$0.56	Market cap:	US\$30.4m
Target:	n/a	Daily t/o, 3 mth:	<US\$0.2m
		Free float %:	53.9%

Key points:

- ★ Strong FY12/08A results with net profit surging 58.7% YoY to HK\$51.0m. Dividend of HK\$0.038/share represents 31.5% payout ratio
- ★ Woven bags leading the way. Sales rose 55.5% YoY to HK\$304.0m and contributed an estimated 87% of bottom line
- ★ Revenue from coal trading was HK\$60.1m compared to HK\$2.8m a year ago
- ★ Woven bags business looks to be steady in FY12/09F with higher contribution from drum containers offset by a general slower economy and weaker demand from small woven bags
- ★ Focus for management in this year is to get the coal underground mine operational by 4Q FY12/09F in preparation for a strong FY12/10F

FY12/08A results in line. Coal to manufacturing play DeTeam announced FY12/08A results. Revenue increased 83.7% YoY to HK\$364.2m while net profit jumped 41.2% YoY to HK\$51.0m after including discontinued operations of intelligent transportations solutions, which was disposed in FY12/07A. Excluding discontinued operations, net profit surged 58.7% YoY. The company proposed a dividend of HK\$0.038/share (FY12/07A: nil), representing 31.5% payout ratio. In addition, the company also recommended a bonus issue of shares on the basis of one bonus share for every five shares held.

Coal contribution growing within overall revenue pie. Sales of woven bags rose 55.5% YoY to HK\$304.0m, while revenue from coal trading was HK\$60.1m compared to HK\$2.8m a year ago. More importantly, EBIT for the coal segment turned in a profit of HK\$11.2m. Though still coming off a low base, the EBIT margin of 18.7% was comparable to that of the woven plastic bag segment (19.9%). We estimate that in terms of bottom line contribution, the coal segment accounted for around 13.0% of net profit, with the remaining 87% coming from woven bags.

Woven bags steady for FY12/09F. The strong growth in the woven bags business was primarily driven by sales of large volume woven bags (up to 1,000kg carried weight), which commands a higher ASP and correspondingly higher margins. The result was to a lesser

bottom line contribution for FY12/09F. The company's underground coal mine JV (also with Inner Mongolian based Yuanyuan Energy Group) is not expected to contribute until 4Q FY12/09F. Tunneling of the mine is currently at 550m depth (target depth: ~700m). The budgeted capex for the whole project is HK\$200m.

HK\$138.8m net cash position. At the end of FY12/08A, the company was in a net cash position of HK\$138.8m (incl. HK\$4.5m of restricted bank deposits).

Focus is getting underground mine operational. We think that the major focus of DeTeam's management for FY12/09F is to get the underground coal mine operational. Hence, we are expecting a steady year from the company in FY12/09F after the fast growth of FY12/08A. That said, DeTeam is still likely to deliver positive growth this year given a steady woven bags business and larger contribution from the coal trading business, which may arguably be a solid achievement given the current economic uncertainty.

Valuation. DeTeam is currently trading at 4.7x FY12/08A P/E and 0.6x FY12/08A book value.

Table 1: P&L

Year to Dec (HK\$m)	06A	07A	08A
Turnover	66.8	198.2	364.5
Cost of sales	(53.7)	(157.2)	(272.4)
Gross profit	13.1	41.0	91.7
Other net (loss)/income	0.1	4.1	4.8
Income from excess of fair value over cost of acquisition of a subsidiary	4.0	-	-
Distribution costs	-	-	(6.5)
Administrative expenses	(5.1)	(12.1)	(21.9)
Impairment of invest in an associate	-	-	-
Other operation expenses	-	(1.7)	(0.2)
Operating profit	12.1	31.3	68.3
Financial costs	(0.5)	(0.6)	(0.3)
Share of loss an associate	-	-	-
Loss on disposals of subsidiaries	(0.1)	-	-
Pre-tax profit	11.5	30.7	67.9
Tax	-	1.4	(14.1)
Profit/(loss) for the year from discontinued operation	(1.4)	3.1	-
Minority interests	-	(0.8)	(2.9)
Net profit	10.1	34.4	51.0

Source: Company data

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