



Company Report: Kingworld Medicines (01110 HK)

公司报告: 金活医药 (01110 HK)

Johnson Sun 孙凤强

+852 25097589

johnson.sun@gtjas.com.hk

25 August 2011

1H11 Results Beat Estimates, Revise-up Earnings Estimates

1H11业绩好于预期, 上调盈利预测

- **1H11 results:** sales, gross profit and net profit grew by 15.6%, 26.0% and 85.1% yoy, respectively. Sales of Nim Jiom Pei Pa Koa increased by 19.8% yoy to RMB274.6 mn, accounting to 75.7% of the Company's total sales. Gross margin of Nin Jion Pei Pa Koa increased by 2.8pts to 19.8% and the Company's total gross margin increased by 1.8pts to 22.0%. The results generally beat our estimates.
- **Sales for 2011-13 is revised up by 2.7%, 9.4% and 12.8%**, reflecting a growth of 19.3%, 25.0% and 21.7% respectively, because of the effective **hospital channel development and penetration in second and third-tier cities** for its Nin Jiom Pei Pa Koa product and the **fast growth of second-line products**. Gross margin for 2011-13 is revised up to 23.1%, 23.6% and 22.6%, as a result of the increase of Nin Jiom Pei Pa Koa's gross margin and fast growth of high-margin second-line products. .
- **We changed our basic judgment of Kingworld from "stable growth" to "fast growth"**. EPS estimate is revised up to RMB0.090, 0.124 and 0.147 in 2011-2013, reflecting a growth of 39.6%, 37.4% and 18.7%, respectively. **Maintain the "Buy" rating with TP of HK\$2.00**, reflecting 18.4x11 PE and 13.4x12 PE. **Valuation is much more attractive** because of revised-up earnings estimates.
- **1H11 业绩:** 收入、毛利和净利分别同比增长 15.6%, 26.0% 和 85.1%。来自念慈庵枇杷膏的收入同比增长 19.8%至 RMB274.6 百万元, 占到公司总收入的 75.7%, 该产品毛利率提高 2.8 个百分点至 19.8%, 致使公司整体毛利率上升 1.8 个百分点至 22.0%。**业绩整体好于预期。**
- **2011-13 年收入预测分别上调 2.7%, 9.4%和 12.8%**, 相当于分别有 19.3%, 25.0%和 21.7%的增长率, 主要由于念慈庵枇杷膏在**医院销售渠道和二、三级城市市场的有效拓展和其二线产品的快速增长**。由于念慈庵枇杷膏毛利率提升及高毛利二线产品增长迅速, 我们将 2011-13 年毛利率预测上调至 23.1%, 23.6%和 22.6%。
- **我们对金活的基本判断由“稳定增长”变为“快速增长”**。2011-13 年 EPS 预测分别上调至人民币 0.090 元、0.124 元和 0.147 元, 相当于分别有 39.6%, 37.4%和 18.7%的增长。**维持“买入”评级和目标价 2.00 港元**, 相当于 18.4x11 PE 和 13.4x12 PE。因为上调盈利预测, 估值变得更加吸引。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

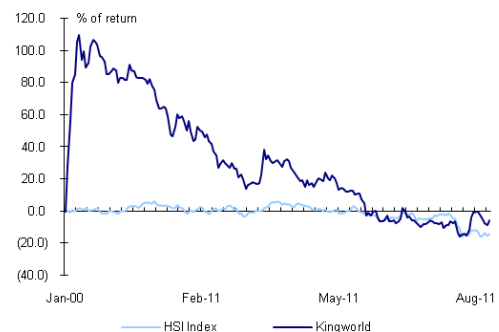
HK\$2.00

Share price 股价:

HK\$1.510

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	6 M 6 个月
Abs. % 绝对变动 %	2.0	(17.5)	(33.5)
Rel. % to HS index 相对恒指变动 %	(11.4)	(13.2)	(14.)
Avg. share price(HK\$) 平均股价 (港元)	1.77	1.90	2.25

Source: Bloomberg, Guotai Junan International

Year End 年结 12/31	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	EPS 每股净利 (RMB)	EPS 每股净利变动 (Δ%)	PER 市盈率 (x)	BPS 每股净资产 (RMB)	PBR 市净率 (x)	DPS 每股股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2009A	556.4	37.2	0.083	8.4%	15.9	0.347	3.8	0.059	3.9%	27.1%
2010A	638.6	40.2	0.092	10.9%	14.0	0.845	1.5	0.057	3.8%	15.3%
2011F	761.3	56.2	0.090	-1.7%	13.7	0.664	1.9	0.027	1.8%	14.3%
2012F	951.4	77.2	0.124	37.4%	10.0	0.751	1.6	0.037	2.5%	17.5%
2013F	1,157.5	91.6	0.147	18.7%	8.4	0.777	1.6	0.044	2.9%	19.2%

Shares in issue (m) 总股数 (m)	622.5	Major shareholder 大股东	Zhao Lisheng 58.1%
Market cap. (HK\$ m) 市值 (HK\$ m)	940	Free float (%) 自由流通比率 (%)	27.5
3 month average vol. 3 个月平均成交股数 ('000)	1,293.39	FY11 Net gearing (%) FY11 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (HK\$) 52 周高/低	3.440 / 1.250		

Source: the Company, Guotai Junan International.

Summary of 1H11 results

1H11 sales grew by 15.6% yoy to RMB362 mn. The growth was in-line with our full year revenue growth estimates of 16.1%. Sales of major product, Nin Jiom product grew by 19.8%. The total gross margin of 24.4% is higher than our full year estimate of 22.0%, because of the increased gross margin of Nin Jiom Pei Pa Koa. Besides the growth in sales and gross margin, its net profit grew robustly by 85.1% yoy as a result of 1) Selling expenses to revenue ratio reduced from 11.95% in 1H10 to 9.93% in 1H11, 2) the RMB appreciation brought the Company a foreign exchange income of RMB3.4 mn.

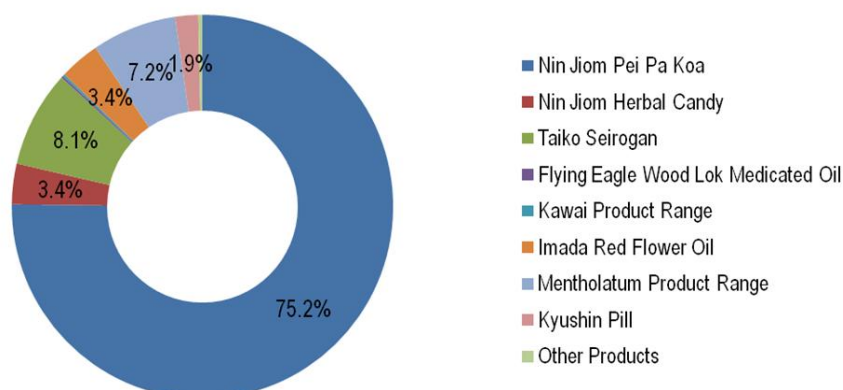
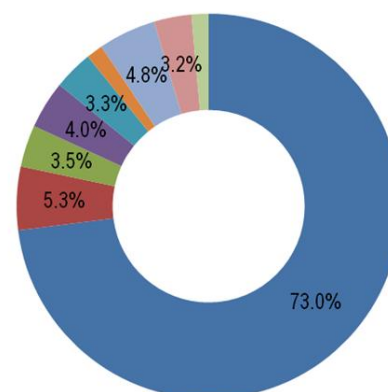
Table-1: Key fundamentals of the 1H11 results and comparison with 1H10 results

	1H11	1H10	yoy%
Sales	362.55	313.71	15.6%
Gross profit	79.83	63.35	26.0%
<i>Gross margin</i>	22.0%	20.2%	1.8 pts
Other revenue	2.38	3.74	-36.4%
Other net income	3.43	0.03	10281.8%
Distribution expenses	(36.00)	(37.49)	-4.0%
<i>% of Revenue</i>	9.9%	11.9%	2.0pts
Administrative expenses	(18.39)	(11.61)	58.5%
<i>% of Revenue</i>	5.1%	3.7%	1.4pts
Operating profit	31.24	18.03	73.2%
<i>Operating margin</i>	8.6%	5.7%	2.9pts
Financial costs	(2.57)	(3.57)	-28.0%
Profit before tax	28.67	14.47	98.2%
Taxiation	(9.03)	(3.85)	134.2%
<i>Effective tax rate %</i>	31.5%	26.6%	4.9pts
Net profit	19.65	10.61	85.1%
<i>Net margin</i>	5.4%	3.4%	2.0pts
EPS	3.16	2.36	33.9%

Source: the Company, Guotai Junan International

Sales analysis

In 1H11, the top 5 products sold by the Company were Nin Jiom Pei Pa Koa, Taiko Seirogan, Mentholatum Product Range, Nin Jiom Herbal Candy and Imada Red Flower Oil, accounting about 75.2%, 8.1%, 7.2%, 3.4% and 3.4% of the Company's total sales, compared to the 73.0%, 3.5%, 4.8%, 5.3% and 1.4% in 1H10. Although the sales growths of the Non-Nin Jiom were quite different, the general portion of the Nin Jiom and Non-Nin Jiom products maintained stable.

Figure-1: Sales breakdown in 1H11

Figure-2: Sales breakdown in 1H10


Source: the Company, Guotai Junan International

Source: the Company, Guotai Junan International

Table-2: Sales comparison of 1H10 and 1H11

	1H10		1H11		yoy%
	Sales	% of total Sales	Sales	% of total Sales	
Nin Jiom Pei Pa Koa	229,196	73.1%	274,597	75.7%	19.8%
Nin Jiom Herbal Candy	16,741	5.3%	12,498	3.4%	-25.3%
Taiko Seirogan	11,034	3.5%	29,686	8.2%	169.0%
Flying Eagle Oil	12,587	4.0%	(649)	-0.2%	-105.2%
Kawai Product Range	10,442	3.3%	659	0.2%	-93.7%
Imada Red Flower Oil	4,363	1.4%	12,478	3.4%	186.0%
Mentholatum Products	15,201	4.8%	26,217	7.2%	72.5%
Kyushin Pill	9,921	3.2%	7,115	2.0%	-28.3%
Other Products	4,504	1.4%	1,281	0.4%	-71.6%
Total	313,710	100.0%	362,552	100.0%	15.6%

Source: the Company, Guotai Junan International

In 1H11, sales of Nim Jiom Pei Pa Koa increased by 19.8% yoy to RMB274.6 mn, accounting to 75.7% of the Company's total sales. The sales growth of Nim Jiom Pei Pa Koa were mainly due to 1) Kingworld realigned its strategy for the wholesale customers, and expanded its coverage in the second and third tier cities, thereby increasing the penetration rate of Nin Jiom in these cities, 2) Kingworld tapped into the hospital market in Shanghai, Hangzhou, Ningbo, Xi'an, Nanchang and Nanjing. The branding and recognition of Nin Jiom were thus enhanced through the promotional efforts devoted there.

Sales of Nin Jiom Pei Pa Koa to continue growing fast. We think the above two measures to push the sales of Nin Jiom are successful till now, and thus the growth of 19.8% was much higher than our full year growth assumption of 15%. Besides to above two initiatives, we think the growth of Nin Jiom would also benefit from its high-end market positioning. Currently, Daily Treatment Cost of Nin Jiom is about RMB7.2, much higher than its competitors, for example, RMB3.9 of Jizhi Tangjiang (急支糖浆), or RMB3.4 of Qiangli Peipa Lu (强力枇杷露). With the fast economy growth and fast growth in disposable personal income in China, the high-end positioning may drive the growth of the product. Meanwhile, the product is also marketed as a healthy food with refrigerant taste.

Fast growing second-line products: In 1H11, sales of Taiko Seirogan, Mentholatum Product Range and Imada Red Flower Oil and grew by 169.0%, 72.5% and 186.0% yoy to RMB 29.7mn, RMB25.4 mn and RMB1.25mn, respectively. We think the fast growth of these products are mainly because the market expansion as well as effective market promotions. Fundamentally, the famous brands of these products, and the growing demand for high-end imported pharmaceutical products would support the sales of these products to continue growing by over 20% yoy, after the current explosive growth.

Sales of Flying Eagle Wood Lok Medicated Oil would recover in 2H11. The import registration license of Flying Eagle Wood Lok Medicated Oil was expired in Dec 2010, and Kingworld has been applying for the renewal of the license. Hence, the sales of this product was affected to a certain extent. The Company expects that with the approval obtained for the license in 2H11, the sales of this product will soon recover.

The Company might remove the Kawai Products from its product portfolio. Sales of Kawai Products dropped from RMB10.4 mn by 93.7% to RMB 0.7 mn, and the Company explained that it was because of the disastrous earthquake in Japan and China banning the import of foodstuff from Japan. However, we think the earthquake on 11 March 2011 could not influence the sales of the Kawai products so greatly. We think that it was because the fierce competition of healthy food stuff, especially Vitamin products, in China market is forcing Kingworld to drop the Kawai Products. Sales of Kawai Products accounted to only about 3.3% and 0.9% of the Company's total sales in 1H10 and 2H10, or 2.1% of the total sales of 2010, respectively, and thus the effect on the Company's total sales as a whole was minimal.

Contribution of new products is still unknown. The Company is always sourcing new products worldwide to enrich its product portfolio. Currently, it is working to introduce an organic milk powder product from the US, a series of Band-Aid products with authorized Disney brand and radiation-relieving products. The preliminary preparation work for the launch of these new products was already completed, and the new products are now in a pipeline for launch into the market during 2H11. The Company is very confidence of the prospects of these products. However, we think it is too early to make some positive forecasts. Tentatively, we expect new products would contribute RMB5.2mn, 9.4mn, and 18.5mn in 2011-2013.

In total, we expect the sales of the Company to grow by 19.3%, 25.0% and 21.7% yoy to RMB762.1 mn, RMB952.3 mn and RMB1,158 mn in 2011-2013.

Table-3: Sales model (RMB mn)

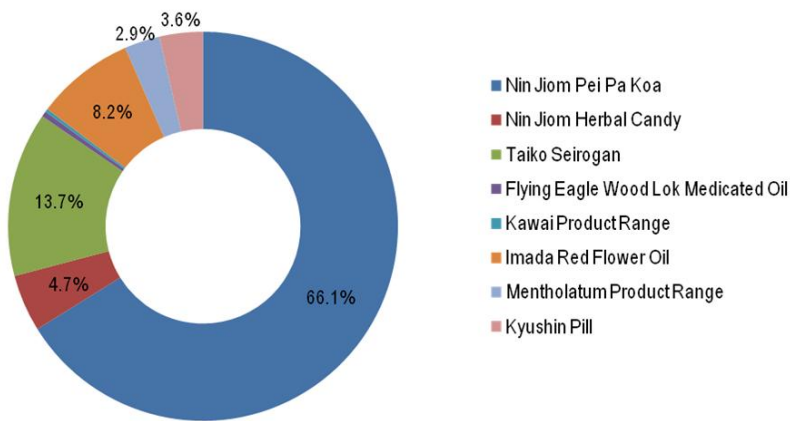
RMB mn	FY09A	FY10A	FY11F	FY12F	FY13F	FY14F
Nim Jiom Pei Pa Koa	373.7	458.6	550.8	669.2	801.7	951.7
yoy	4.6%	22.7%	20.1%	21.5%	19.8%	18.7%
Nin Jiom Herbal Candy	22.4	24.8	25.6	28.5	32.0	35.9
yoy	56.9%	10.6%	3.3%	11.4%	12.3%	12.2%
Taiko Seirogan	42.3	41.3	63.3	78.3	95.9	118.8
yoy	-31.3%	-2.4%	53.2%	23.7%	22.5%	23.8%
Flying Eagle Wood Lok Medicated Oil	28.6	33.5	13.4	33.7	44.6	57.9
yoy	182.2%	17.0%	-60.0%	151.5%	32.5%	29.7%
Kawai Product Range	29.1	13.4	0.4	0.0	0.0	0.0
yoy	12.7%	-54.0%	-97.0%	-100.0%	0.0%	0.0%
Imada Red Flower Oil	26.1	10.1	28.5	36.3	46.0	57.7
yoy	-8.5%	-61.3%	181.9%	27.4%	26.8%	25.5%
Mentholatum Product Range	1.3	32.6	50.9	68.4	85.3	104.2
yoy	218.0%	2330.5%	56.1%	34.4%	24.6%	22.2%
Mentholatum Eye Drop Range	26.2	0.0	0.0	0.0	0.0	0.0
yoy	30.8%					
Kynshin Pill	1.2	15.5	14.0	15.6	17.7	20.3
yoy	-92.9%	1192.9%	-10.0%	11.2%	13.8%	14.6%
Other products	6.0	8.8	10.1	13.0	17.0	23.2
yoy	275.0%	46.3%	14.7%	28.8%	31.4%	35.9%
New products			5.2	9.4	18.5	37.1
yoy				81.4%	95.6%	101.2%
Total gross sales	557.0	638.6	762.1	952.3	1,158.7	1,406.6
yoy	3.8%	14.6%	19.3%	25.0%	21.7%	21.4%

Source: the Company, Guotai Junan International

Margin analysis

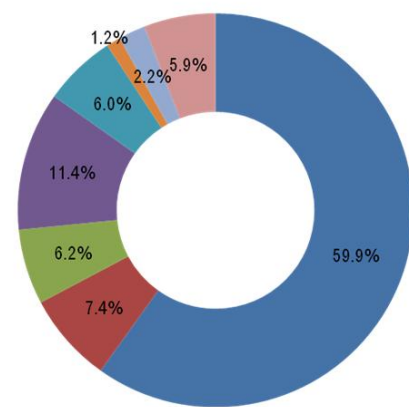
Total gross margin grew from 20.2% in 1H10 to 22.2% in 1H11. The growth was mainly because 1) gross margin of the major product, Nin Jiom Pei Pa Koa increased by 2.8 pts to 19.8% as a result of RMB appreciation. 2) The Company has gradually changed the overseas manufacturer of Imada Red Flower Oil to a domestic one, and the gross margin of this product increased from 39.3% in 2010 to 57.0% in 2011. 3) high-gross margin products, such as Imada Red Flower Oil and Kynshine Pill grew faster than the total sales growth.

Figure-3: Gross profit breakdown in 1H11



Source: the Company, Guotai Junan International

Figure-4: Gross profit breakdown in 1H10



Source: the Company, Guotai Junan International

We expect the gross margin to continue growing from 21.5% in 2010 to 23.1% and 23.6% in 2011 and 2012, respectively, based on the above reasons. However, in 2013, we may see more risks for the Nin Jiom manufacturer to increase the factory prices because of inflation and raw material increase, and thus the gross margin of Nin Jiom Pei Pa Koa may be reduced to around 18.1%, and the total gross margin to reduce to 22.6%.

Table-4: Gross margins of the products distributed by Kingworld

	FY09A	FY10A	FY11F	FY12F	FY13F
Nin Jiom Pei Pa Koa	18.1%	17.0%	19.8%	19.8%	18.1%
Nin Jiom Herbal Candy	28.0%	28.0%	31.2%	31.2%	31.2%
Taiko Seirogan	38.5%	35.6%	35.8%	35.8%	35.8%
Flying Eagle Wood Lok Medicated Oil	58.3%	57.5%	57.5%	57.5%	57.5%
Kawai Product Range	32.5%	39.8%	33.3%	33.3%	33.3%
Imada Red Flower Oil	18.4%	39.3%	57.0%	57.0%	57.0%
Mentholatum Product Range	1.6%	10.5%	11.1%	11.2%	11.4%
Mentholatum Eye Drop Range	1.5%	1.5%	1.5%	1.5%	1.5%
Kynshin Pill	24.5%	38.4%	41.6%	42.5%	43.4%
Other products	-46.2%	30.7%	30.0%	30.0%	30.0%
New products			30.0%	30.0%	30.0%
Total gross margin	21.7%	21.5%	23.1%	23.6%	22.6%

Source: the Company, Guotai Junan International

Operating margin increased from 5.7% in 1H10 to 8.6% in 1H11. The increase was because 1) increased gross margin, 2) increased foreign exchange income of RMB3.4 mn, as a result of RMB appreciation, 3) reduced distribution expenses ratio. We expect the above reasons to continue supporting the operating margin. Meanwhile, the administrative expenses to revenue ratio increased from 3.7% in 1H10 to 5.1% in 1H11, as a result of more business travels for M&A, new product

sourcing and the hospital channel development. With the expectations of the Company's valuation gain on investment property, which is stated annually, we expect the operating margin to be 11.3%, 11.6% and 11.2% in 2011-2013.

Net margin grew from 3.4% in 1H10 to 5.4% in 1H11. The growth supports our forecasts of growing net margin, which are revised up to 7.4%, 8.1% and 7.9% in 2011-2013. Excluding the valuation gain on investment property, and other income and revenue, we expect the recurring net margin of the Company's core business to grow from 4.4% in 2010 to 6.0%, 7.1% and 7.0% in 2011-2013.

Earnings estimates, valuation and rating

We revise up our net profit estimates from RMB 49mn, 55mn and 64mn by 14%, 40% and 44% to RMB 56mn, 77mn and 92mn in 2011-2013, respectively, reflecting a growth of 39.6%, 37.4% and 18.7%. We think the Company is in its fast growth phase in 2011-2012, and the growth might slow down in 2013. EPS is revised up to RMB0.090, 0.124 and 0.147 in 2011-2013. We maintain our TP of HK\$2.00, reflecting 18.4x11 PE, 13.4x12 PE and 11.3x 13PE, respectively. We maintain the "Buy" rating. Valuation is much more attractive because of revised-up earnings estimates.

Table-5: Details of key revisions in revenue, earnings and margins

	New			Old			Change		
	2011F	2012F	2013F	2011F	2012F	2013F	2011F	2012F	2013F
Revenue(RMB mn)	761	951	1,158	741	870	1,026	2.7%	9.4%	12.8%
Net profit(RMB mn)	56	77	92	49	55	64	14.6%	40.3%	43.1%
EPS(RMB)	0.090	0.124	0.147	0.078	0.089	0.104	14.6%	40.3%	43.1%
Gross margin	23.1%	23.6%	22.6%	22.0%	22.2%	22.2%	1.1pts	1.4pts	0.4pts
Net margin	7.4%	8.1%	7.9%	6.5%	6.4%	6.3%	0.9pts	1.7pts	1.6pts

Source: Bloomberg, Guotai Junan International

Major risks

- 1) Kingworld depends largely on Nin Jiom Pei Pa Koa.
- 2) Kingworld has a relatively smaller size than many other pharmaceutical distributors in China.
- 3) Risks in the distribution network expansion.
- 4) Risks of new products.

Table-6: Peers Comparison

Company	Stock Code	Currency	Share Price	Mkt Cap (million)	PER			PBR			ROE (%)	
					11F	12F	13F	11F	12F	13F	11F	12F
HK listed companies												
Kingworld Medicines Group	01110 HK	HK\$	1.51	940	13.6	9.9	8.4	1.9	1.6	1.6	14.3	17.5
Sinopharm Group Co-H	01099 HK	HK\$	19.40	46,611	22.6	17.6	14.1	2.5	2.3	2.1	12.4	14.0
Shanghai Pharmaceuticals-H	02607 HK	HK\$	16.72	49,386	18.0	14.9	11.6	1.5	1.5	1.4	12.4	11.0
China Medical System Holding	00867 HK	HK\$	7.30	9,401	18.7	13.8	10.2	3.9	3.5	2.9	21.6	25.3
Guangzhou Pharmaceutical-H	00874 HK	HK\$	6.50	12,397	13.1	11.1	10.9	1.1	1.0	0.9	8.2	8.8
Sihuan Pharmaceutical Hldgs	00460 HK	HK\$	2.61	13,507	17.5	15.5	14.0	1.6	1.5	1.2	9.7	14.5
China Shineway Pharmaceutica	02877 HK	HK\$	9.99	8,262	7.5	6.5	5.5	1.9	1.6	1.3	25.0	25.2
Simple Average					17.2	13.5	11.1	2.2	2.0	1.8	13.8	15.3
Weighted Average					18.4	14.9	12.1	2.0	1.9	1.7	13.2	14.0
China listed companies												
Shenzhen Accord Pharmaceut-A	000028 CH	RMB	29.71	7,800	25.7	20.0	16.1	6.0	4.7	3.7	24.9	24.4
Shanghai Pharmaceuticals-A	601607 CH	RMB	15.59	40,475	17.9	14.9	12.5	1.9	1.7	1.5	14.7	13.4
Jointown Pharmaceutical-A	600998 CH	RMB	11.04	15,682	32.0	23.7	16.4	3.6	3.2	2.7	10.4	12.2
Nanjing Pharmaceutical Co-A	600713 CH	RMB	6.59	4,571	73.2	54.9	43.9	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					25.2	19.5	15.0	3.8	3.2	2.6	16.7	16.7
Weighted Average					25.7	20.1	15.9	2.6	2.3	1.9	13.9	13.5
US listed companies												
Mckesson Corp	MCK US	US\$	75.91	18,697	15.3	12.2	10.9	3.0	2.5	2.2	16.6	20.4
Cardinal Health Inc	CAH US	US\$	40.98	14,367	15.4	13.1	11.7	2.7	2.3	2.1	17.2	18.1
Amerisourcebergen Corp	ABC US	US\$	38.19	10,463	15.0	13.6	12.1	3.3	2.9	2.6	23.1	23.5
Simple Average					15.2	13.0	11.6	3.0	2.6	2.3	19.0	20.6
Weighted Average					15.3	12.8	11.4	3.0	2.5	2.3	18.4	20.4

Source: Bloomberg, Guotai Junan International

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as director in the listed corporation mentioned in this Research Report.
- (2) The Analysts and their associates have no financial interests in the listed corporation mentioned in this Research Report.
- (3) Except for Shandong Chenming (01812), Guotai Junan and its group companies do not hold more than 1% of the market capitalization of listed corporation mentioned in this Research Report.
- (4) Guotai Junan and its group companies have had investment banking relationships within the preceding 12 months for the listed corporation mentioned in this Research Report.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services and etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2011 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queens' Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk