


HEALTHCARE

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Stock Profile/Statistics

Bloomberg ticker	1110 HK
Hang Seng Index	18,491.2
Issued share capital (m)	622.5
Market capitalization (HK\$m)	771.9
52 week H L price (HK\$)	3.44 1.15
Average volume (3m) '000	737.8
YTD returns	-56.6%
Net gearing (x)	Net cash of Rmb142m
Altman Z-Score	4.28
ROCE/WACC	119.6%
Beta (x)	N/A
Book value/share (RMB)	0.595

Major Shareholders (%)

Chairman Zhao & family	73.26%
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Share Performance (%)

Month	Absolute	Relative
1m	-12.59%	-12.16%
3m	-21.88%	-16.11%
6m	-34.56%	-21.27%
12m	N/A	N/A

12-month Share Price Performance

Non-rated Note

Private Circulation Only

**Kingworld Medicines
 (1110.HK)**

NON-RATED

Price **HK\$1.24**Target **N.A.**
An OTC healthcare distributor

Kingworld Medicines is a distributor of branded imported pharmaceutical, healthcare products and nutritional supplement in China, which are mostly OTC products. Its flagship sales from Nin Jiom Pei Pa Koa 京都念慈庵川贝枇杷膏 ('Nin Jiom') achieved +20%YoY growth in 1HFY11, accounting for about 76% of total revenue. Nin Jiom's turnover grew by 07-10 CAGR of 9%, vs. 11% CAGR for the cough relieving medicine market growth in China over the same period. The company has over 60 imported healthcare products currently, and is expanding in various healthcare products; therefore sales will be more diversified in the future. Kingworld was ranked 66th among top 100 PRC importers of pharma & healthcare products in 2010. The recent launch of the new wound plaster product, with Walt Disney design will be a potential catalyst for the stock.

Over 60 imported healthcare products portfolio. Despite major sales coming from Nin Jiom, Kingworld's OTC product sales span across various areas, such as gastrointestinal, vitamin, orthopedics, cardiovascular, influenza, organic food and wound plaster or ointment. Kingworld also has about 190 distributors and 400 sub-distributors, covering 45 cities across 17 provinces. Major customer bases are the retail drugstore chains and related healthcare chains. More than 70% of purchases are settled in HKD, while Kingworld sells in Rmb, which enables the company to take advantage of the appreciation of the Rmb.

Overall GPM/ OPM/ NPM at premium vs. other distributor peers. GPM expanded by 180bps YoY to 22% in 1HFY11 (vs. 7-8% for Sinopharm), thanks to the contribution from higher margin products especially Imada Red Flower Oil (53%). OPM also increased by 287bps YoY to 8.6% (vs. <3% for Sinopharm), due to a decrease in S/D cost (from 12% of total 1HFY10 revenue to 10% of total 1HFY11 revenue), resulting from the absorption of some S/D costs by the relevant producers. Overall, net margin stands at 4.8% in 1HFY11 vs. 1.5% for Sinopharm over the same period. According to the historical seasonal pattern (FY09-10) of 24%/ 76% for 1H/ 2H adj net profit, we believe 2H would usually have better earning contribution vs 1H.

Attractive valuation. Kingworld trades at an attractive multiple of 8.6x FY12 consensus earnings vs. HK-listed distributor peers' average of 12.2x FY12 PER; and also at 28% discount to HK-listed health supplement sector average of 12.0x. We believe its share price level is unjustified for its above-average profitability (NPM >5% vs. peers <3%), dividend yield of >3% (vs. peers average of ~1.3%) and PEG of 0.5x (vs. peers ~1.0x).

FYE Dec (RMBm)	2008A	2009A	2010A
Total revenue	536	556	638
Net profit (adjusted)	28	31	37
% chg YoY	26%	13%	19%
Diluted EPS (RMB)*	0.055	0.060	0.069
% chg YoY	17%	9%	15%
DPS (RMB)*	0.012	0.023	0.034
P/E (X)*	19.0	17.4	14.9
Dividend yield (%)*	7.3%	4.1%	3.9%
P/B (x)*	6.5	4.9	2.1
ROE	23.1%	19.9%	10.0%

Based on November 18, 2011 closing price * all are on pro-forma basis (622.5m shares).

Sources: Company data; OSK Securities Hong Kong Limited

Kingworld took up >40% sales in PRC's Nin Jiom market in 2009. As of June 2010, there were 4 licensed imported Chinese medical cough relieving products in the PRC OTC market, while Nin Jiom was the leading product with >95% market share in this sales area. All Nin Jiom products are made in Nin Jiom Factory in Hong Kong and the product series has two assigned distributors, namely Kingworld and Guangdong Minglin. Kingworld currently covers 14 regions in China (incl. Shanghai). The ASP of Nin Jiom is currently at Rmb29 for 300ml bottle (vs. current retail price in China of Rmb35-40 for 300ml). However, the retail price of Nin Jiom is also subject to the PRC government price control, and was set at Rmb40 for 300ml bottle (vs. about HK\$37 for 300ml bottle).

New business lines such as wound plasters post potential catalyst for the stock. Kingworld obtained an licence from Walt Disney and rolled out the wound plaster products in PRC. According to the company, China's wound plaster market is now estimated to be Rmb550m, and the company targets to open the wound plaster market for children through its exclusive plaster products with Disney cartoons. In addition Kingworld signed up a sales tie-up with 11 distributors incl. Sinopharm (1099.HK NR). According to the company, Kingworld will also act as an agent for organic foods which are produced and packaged in the US, incl. organic dried milk. Earlier in Sept, Kingworld also raised HK\$51.8m through issuance of 37m warrants, which if it is fully converted, it will account for about 5.6% of the enlarged share capital.

Aiming for stronger distribution network. Kingworld has about 190 distribution customers with strong competence in distribution activities, 400 sub-distributors and over 40,000 retail outlets under specific mgmt. In order to enhance the end-user network, the company is in the process of identifying regional distributors as acquisition targets. Such distributors are mainly domestic enterprises located in the coastal regions in the Eastern & Southern parts of China that have higher spending power. Kingworld also plans to have its own delivery centre in Shenzhen, with an estimated size of about 25,000 square metres.

Exhibit 1: Nin Jiom Pei Pa Koa (>70% total 1HFY11 revenue) with GPM about 15.7% in 1HFY10



Source: Company data, OSK Securities Hong Kong Limited.

Investment risk:

- 1) About 6% receivables aged > 180 days or more in 1HFY11 (vs. 0% in 1HFY10), which we believe this was due to the economic conditions in PRC, which was thought to affect some of its distributor customers. Mgmt indicated this was relatively small portion of receivables, but we noticed that the average receivable days in 1HFY11 increased to 108 days from 68 days in 1HFY10. We believe the receivable day level in 1HFY11 was obviously longer if we compare the full-year average receivables in FY10 of 80 days (vs. 77 days in FY09). Kingworld granted credit terms ranging from 30 days to 90 days to its customers, except for the customers purchased, Flying Eagle Wood Lok Oil (about 4.5% of total 1HFY11 receivables vs. 12% of total 1HFY10 receivables), to which credit terms within of 12 months were granted. Kingworld's average inventory days were at healthy level of 25 days in 1HFY11 compared to 40 days in 1HFY10. Nonetheless, the company is able to maintain a positive operating cash flow in 1HFY11 of Rmb0.5m vs. Rmb0.3m in 1HFY10.

- 2) Imports for certain products from Japan such as Kawai Kanyu are affected by Japanese earthquake. The import for this product type is temporarily suspended due to the disastrous earthquake in Japan and China is now banning the import of certain foodstuff from Japan. As the sales of liver oil drop only accounted about 3.3% of 1HFY11 sales, the company believes the effect as a whole was minimal.
- 3) Major sales relying on its single flagship distribution product, Nin Jiom. Sales from Nin Jiom accounted for about 76% of total 1HFY11 revenue. The growth has been steady at about 20% per annum. Should there be any adverse issues related to Nin Jiom product series, this may directly have a negative impact on Kingworld's top-line.
- 4) Renewal of import license for Flying Eagle Wood Lok Medicated Oil still pending. The import registration for this product expired in Dec 2010, sales from this orthopaedic medicine represented about 5% of total 1HFY11 revenue. The company believes the sales will soon recover once they receive the renewal of the licenses.

Exhibit 2: Major Kingworld's product portfolio – all under distributorships**Nin Jiom Pei Pa Koa 京都念慈庵川貝枇杷膏 – Herbal Cough Relief**

>70% total 1HFY11 revenue, imports from Nin Jiom Medicine Hong Kong; GPM of 15.7% in 1HFY10
Relieving cough and phlegm and soothing sore throats.
>95% market share for the imported proprietary Chinese medical cough relieving products in PRC
Only distributed by Kingworld and Guangdong Minglin
Distributed in 3 bottle sizes, namely 300ml, 150ml and 75ml.

Flying Eagle Wood Lok Medicated Oil 飛鷹活絡油 - Orthopedics

Sales account for about 5% of total 1HFY11 revenue. GPM of 57.5% in 1HFY10
This product took up about 2% market share of PRC orthopedics product market.
Prescription pharmaceutical liniment; manufactured in Hong Kong
Treatment of rheumatism, sore muscles and faintness; offered only in one 20ml bottle size.
This product is now subject to the renewal for the import registration license, which expired in Dec 2010. The sales of this product in 1HFY11 were affected to a certain extent. The company believes the sales will soon recover once Kingworld successfully obtains the approval of the import license in 2HFY11.

Kawai Kanyu Product Range 可愛的肝油丸 - Vitamins

Imports from Japan
sales account for about 3.3% of total 1HFY11 revenue; GPM of 37.8% in 1HFY10
The import for this product types temporarily suspended due to the disastrous earthquake in Japan and China banning the import of foodstuff from Japan
The series include 4 variants of fruit-flavored chewable jelly tablets; namely Drop S – a rich supplement of vitamins A & D for improving appetite and eye-sight and strengthening bone density; Drop 20 – supplement of vitamins A, D and C, aiding in development of healthy bone and teeth, maintaining healthy vision and relieving dry eyes; Drop M400 – supplement of calcium and vitamins A & D, ideally for teeth & bone growth; Vitamin EC – supplement of vitamin E and C, essential for healthy skin, teeth, gums and bones and serving as effective antioxidant that protects body and skin (in addition to collagen creation).
China market size for vitamin supplement in 2009 was Rmb16.8bn.

Taiko Seriogon 喇叭牌正露丸 – Gastrointestinal products

Originated and manufactured in Japan, distributed by Kingworld in 2 sizes, namely 50 capsules or 100 capsules
Sales account for about 8.1% of total 1HFY11 revenue; GPM of 35.6% in 1HFY10
It is effective against diarrhea and other and other common ailments of the digestive system
Expect gastrointestinal ('GI') product to reach Rmb1.8bn by 2012; while PRC's GI market grew by 11% on average over the last 5 years.

Mentholatum 曼秀雷敦 Product Range – Pain Relief

Originated in US and manufactured in China
Sales account for about 7% of total 1HFY11 revenue; GPM of 10.7% in 1HFY10
Pharmaceutical product for external use only.
1) Deep heating rub – the relief of aches and pains of muscles and joints associated with arthritis, simple backache, strains and sprains
2) Compound Mentholatum Ointment – an aid to cold symptoms. It is offered in 2 sizes namely, 10g and 28g.

Kyushin Pill 救心丸 - Cardiovascular

Imports from Japan and gained distributorship since 1997
Sales accounts for about 3% of total revenue; GPM of 37.6% in 1HFY10
prescription pharmaceutical product – a preventive and treatment medicine for coronary heart disease
Available in two sizes as 50 capsules or 20 capsules per bottle
China cardiovascular market grew at 16.5% 2005-2009 CAGR.

Imada Red Flower Oil 依馬打紅花油 – Pain Relief

Orthopedic products – prescription pharma liniment; GPM of 16.8% in 1HFY10
Sales accounts for 3.4% of total 1HFY11 revenue (+186%YoY growth), due to recent approval to be sold in China.
immediate relief of all kinds of external pains, such as rheumatism, neck and backache, sprains and bruises spasms, burns
And cuts, swelling limbs,, insect bites, stomach-ache and all kinds of joint pains.
China's liniment market expanded rapidly with an average growth rate of 17% per annum in 2005-2009.
Expect the liniment market to reach Rmb8 bn.

Source: Company data, OSK Securities Hong Kong Limited.

Exhibit 3: Taiko Seriogan (for gastrointestinal) and Kawai Kanyu Products (Supplement)

Taiko Seriogan (about 8% total 1HFY11 revenue)



Kawai Kanyu Products (about 3% of total 1HFY11 sales)



Source: Company data, OSK Securities Hong Kong Limited.

Exhibit 4: Mentholatum product series (about 7% total 1HFY11 revenue) & Golden 100 Disney Range (multi-vitamin supplement).

Compound Mentholatum Ointment



Source: Company data, OSK Securities Hong Kong Limited.

Exhibit 5: Orthopedic and cardiovascular products

Flying Eagle Wood Lok Medicated Oil (about 5% total 1HFY11 sales)



Kyushin Pill (about 3% total revenue)



Source: Company data, OSK Securities Hong Kong Limited.

Exhibit 6: Yearly P&L model (Historical)

	FY07	FY08	FY09	FY10
Revenue	527.3	536.0	556.4	638.0
YoY change		1.6%	3.8%	14.7%
COGS	(431.0)	(406.6)	(435.8)	(497.9)
Gross profit	96.3	129.4	120.7	140.1
YoY change		34.4%	-6.8%	16.2%
GPM	18.3%	24.1%	21.7%	22.0%
Extraordinary items	9.1	9.1	7.7	7.9
investment income	3.6	7.2	6.8	8.7
Selling & distribution costs	(51.7)	(62.4)	(58.4)	(64.9)
S/D costs to sales	9.8%	11.6%	10.5%	10.2%
Admin costs	(12.7)	(21.3)	(20.4)	(25.5)
Admin costs to sales	2.4%	4.0%	3.7%	4.0%
Opex to sales ratio	12.2%	15.6%	14.2%	14.2%
Operating profit	44.5	62.0	56.4	66.4
YoY change		39.3%	-9.1%	17.8%
OPM	8.4%	11.6%	10.1%	10.4%
Finance costs	(9.0)	(16.6)	(9.6)	(8.0)
PBT	35.6	45.4	46.8	58.3
PBT margin	6.7%	8.5%	8.4%	9.1%
Tax	(6.3)	(11.0)	(9.5)	(15.5)
Tax rate	17.8%	24.3%	20.3%	26.5%
Net profit (reported)	29.2	34.4	37.2	42.9
YoY change		17.7%	8.3%	15.1%
Net margin	5.5%	6.4%	6.7%	6.7%
Net profit (adjusted)	21.8	27.5	31.1	37.1
YoY change		26.3%	12.9%	19.3%
Adjusted net margin	4.1%	5.1%	5.6%	5.8%
Diluted EPS (pro-forma)*	0.047	0.055	0.060	0.069
Average inventory days	N/A	178	73	50
Average receivables days	N/A	77	80	92
Average payables days	N/A	92	86	92
Cash conversion cycle	N/A	162	67	49
Net debt (cash)	139	228	223	(72)
Net gearing	105%	192%	143%	net cash
Operating cash flow	(123)	6	159	13
Free cash flow	(125)	5	158	12
Dividend payout ratio	0	139%	71%	58%
Dividend coverage ratio	0	0.1	6.0	0.5

Source: Company data, OSK Securities Hong Kong Limited, on pro-forma basis.

Exhibit 7: Comparison of three HK-listed pharmaceutical related distributors and agency (as of 6-mth ended 1HFY11)

	Kingworld (1110.HK)	Sinopharm (1099.HK)	China Medical System (867.HK)
GPM	22.0%	8.2%	55.3%
OPM	8.6%	3.8%	35.8%
Net margin (adjusted)	4.8%	1.5%	31.0%
Opex/ sales	15.0%	4.5%	24.1%
ROE	4.7%	3.8%	12.8%
Net gearing	Net cash	Net cash (Jun 2011)	Net cash
Inventory days	25	34	71
Receivable days	108	83	91
Payable days	75	92	38
Cash conversion cycle	58	25	124

Source: Company data, OSK Securities Hong Kong Limited.

Exhibit 8: Historical half yearly P&L

	1HFY09	2HFY09	1HFY10	2HFY10	1HFY11
Revenue	274.8	281.6	313.7	324.3	362.552
YoY change			14.2%	15.2%	15.6%
HoH change		2.5%	11.4%	3.4%	11.8%
COGS	(222.0)	(213.8)	(250.4)	(247.5)	(282.7)
Gross profit	52.8	67.8	63.4	76.8	79.8
YoY change					26.0%
GPM	19.2%	24.1%	20.2%	23.7%	22.0%
Extraordinary items	3.3	4.4	0.0	7.8	3.4
investment income	4.5	2.3	3.7	4.9	2.4
Selling & distribution costs	(34.0)	(24.4)	(37.5)	(27.4)	(36.0)
S/D costs to sales	12.4%	8.7%	11.9%	8.4%	9.9%
Admin costs	(10.3)	(10.2)	(11.6)	(13.9)	(18.4)
Admin costs to sales	3.7%	3.6%	3.7%	4.3%	5.1%
Opex to sales ratio	16.1%	12.3%	15.6%	12.7%	15.0%
Operating profit	16.4	40.0	18.0	48.3	31.2
YoY change			10.1%	20.9%	73.2%
OPM	6.0%	14.2%	5.7%	14.9%	8.6%
Finance costs	(6.1)	(3.5)	(3.6)	(4.5)	(2.6)
PBT	10.3	36.4	14.5	43.9	28.7
PBT margin	3.8%	12.9%	4.6%	13.5%	7.9%
Tax	(1.7)	(7.8)	(3.9)	(11.6)	(9.0)
Tax rate	16.9%	21.3%	26.6%	26.5%	31.5%
Net profit (reported)	8.6	28.7	10.6	32.3	19.6
YoY change			24.0%		85.1%
Net margin	3.1%	10.2%	3.4%	9.9%	5.4%
Net profit (adjusted)	5.8	25.2	10.6	26.5	17.3
YoY change			82.0%	5.1%	63.4%
Adjusted net margin	3.1%	10.2%	3.4%	8.2%	4.8%
Average inventory days			40		25
Average receivables days			64		108
Average payables days			76		75
Cash conversion cycle			29		58
Net debt (cash)			206		-142
Net gearing			153%		net cash
Operating cash flow			315		10
Free cash flow			315		6.4

Source: Company data, OSK Securities Hong Kong Limited

Exhibit 9: Distributors' peer group

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER	PER	PER	EPS	EPS	3-Yr	PEG (x)	Div	Div	P/B	P/B
					Hist (x)	FY1 (x)	FY2 (x)	FY1 YoY%	FY2 YoY%	EPS Cagr (%)		yld Hist (%)	yld FY1 (%)	Hist (x)	FY1 (x)
Kingworld Medici	1110 HK	1.24	99	0.1	11.0	10.4	8.6	5.7	20.6	22.1	0.5	3.0	4.3	1.70	1.56
HSI		18,491			8.3	10.0	9.2	(17.5)	9.4	0.3	30.89	3.5	4.0	1.31	1.28
CSI300		2,606			13.1	12.2	10.0	8.1	21.3	16.1	0.76	1.5	2.0	2.07	1.88
HK-listed average					42.2	22.3	18.1	28.2	22.2	26.0	0.99	1.1	1.3	3.02	1.89
Adjusted sector															
avg*		15.44	5,924	4.1	18.3	17.1	15.6	6.4	10.1	13.1	1.31	N/A	0.8	2.75	1.43
Shanghai Pharm-H	2607 HK	5.32	1,100	0.5	27.9	16.8	12.7	67.4	31.7	43.3	0.39	2.5	2.2	4.88	2.81
China Medical Sy	867 HK	6.07	1,393	0.7	14.4	12.1	10.4	18.6	16.4	15.7	0.77	1.0	1.0	1.09	1.03
Guangzhou Phar-H	874 HK	1.31	182	0.3	N/A	4.6	4.0	N/A	15.2	N/A	N/A	N/A	N/A	N/A	0.67
China Nt Pharma	1011 HK	18.40	5,677	12.4	28.3	23.1	18.3	23.0	26.5	25.7	0.90	1.0	1.2	2.90	2.29
Sinopharm-H	1099 HK	11.80	2,638	7.6	43.7	34.9	26.9	25.2	29.6	33.0	1.06	0.8	N/A	4.32	3.87
Jointown Pharm-A	600998 CH	5.63	614	12.4	402.1	N/A	N/A	N/A	N/A	N/A	N/A	0.4	N/A	3.95	N/A
Nanjing Pharma-A	600713 CH	27.86	1,903	2.8	38.2	29.6	23.4	28.8	26.8	25.2	1.17	N/A	1.2	8.39	7.32
Huadong Medici-A	000963 CH	2.49	259	0.1	124.5	40.2	33.2	210.0	21.0	55.4	0.73	12.1	6.7	1.21	1.14
China Nepsta-Adr	NPD US	1.24	99	0.1	11.0	10.4	8.6	5.7	20.6	22.1	0.5	3.0	4.3	1.70	1.56

Exhibit 10: Distributors' peer group

Company	Rev	Rev	NP Hist (US\$m)	NP FY1 (US\$m)	Net	Net	Unlev beta	Gross	Net	Net	ROE	ROE	Sh px	Sh px
	Hist (US\$m)	FY1 (US\$m)			gearing Hist (%)	gearing FY1 (%)		margin Hist (%)	margin FY1 (%)	margin Hist (%)	margin FY1 (%)	Hist (%)	FY1 (%)	1-mth %
Kingworld Medici	100	124	7	9	0.0	N/A	N.A	22.0	6.7	7.0	16.3	15.2	(10.1)	(22.5)
HSI											15.8	12.7	2.3	(7.6)
CSI300											15.7	15.5	0.6	(8.0)
Adjusted sector avg*					32.8	0.0	0.76	20.0	2.8	3.6	14.8	14.3	6.6	(5.2)
Shanghai Pharm-H	5,885	8,431	215	300	6.0	0.0	N.A	17.8	3.7	3.6	15.7	12.4	7.8	(4.6)
China Medical Sy	132	220	31	62	0.0	0.0	N.A	59.1	23.1	28.2	24.1	19.9	4.5	(12.5)
Guangzhou Phar-H	693	827	44	51	0.0	N/A	0.99	27.6	6.4	6.2	7.8	8.3	18.8	(7.3)
China Nt Pharma	420	529	20	36	136.4	N/A	N.A	24.9	4.8	6.7	31.8	23.0	28.4	(15.5)
Sinopharm-H	10,900	15,338	190	249	14.0	0.0	0.62	8.4	1.7	1.6	10.3	11.9	(6.0)	5.1
Jointown Pharm-A	3,341	3,889	56	71	41.1	N/A	N.A	6.4	1.7	1.8	12.8	10.4	2.0	8.8
Nanjing Pharma-A	2,411	N/A	1	N/A	181.4	N/A	1.84	6.9	0.1	N/A	1.2	N/A	8.5	(13.1)
Huadong Medici-A	1,409	1,701	50	64	65.1	N/A	0.60	18.6	3.5	3.8	28.4	26.1	5.3	1.0
China Nepsta-Adr	357	390	3	6	0.0	N/A	0.83	49.4	0.7	1.5	1.0	2.4	12.2	(9.1)

Based on Nov 18, 2011 closing prices for HK-listed equities * Outliners and "N/A" entries are in red and excl. from the calculation of averages,

Source: I/B/E/S, OSK Securities Hong Kong Limited

Exhibit 11: Health Supplement related Peers' group

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	EPS FY1 YoY%	EPS FY2 YoY%	3-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)
Kingworld Medici	1110 HK	1.24	99	0.1	11.0	10.4	8.6	5.7	20.6	22.1	0.47	3.0	4.2	1.70	1.56
HSI		18,491			8.3	10.0	9.2	(17.5)	9.4	0.3	30.89	3.5	4.0	1.31	1.28
HSCEI		9,957			8.3	8.3	7.4	0.9	12.2	8.2	1.00	3.3	3.8	1.46	1.38
CSI300		2,607			13.1	12.2	10.0	8.1	21.3	16.1	0.76	1.5	2.0	2.07	1.88
HK-listed average						15.6	12.0								
Adjusted sector avg*					20.0	17.1	14.2	15.9	19.6	19.1	0.97	2.1	1.8	2.15	2.03
Guangzhou Phar-H	874 HK	6.07	1,393	0.7	14.4	12.1	10.4	18.6	16.4	15.7	0.77	1.0	1.0	1.09	1.03
Lee'S Pharm	950 HK	2.85	172	0.1	22.3	16.8	12.4	32.8	35.3	31.3	0.53	1.1	1.4	5.08	4.38
China Pharmaceut	1093 HK	2.12	416	1.8	4.3	6.4	6.3	(32.6)	1.8	(5.7)	N/A	11.3	5.3	0.56	0.55
Want Want China	151 HK	7.22	12,256	14.5	34.2	32.0	25.1	7.0	27.6	21.0	1.52	2.1	2.0	11.10	9.97
Real Nutraceutic	2010 HK	2.97	429	3.2	7.0	5.7	4.8	21.9	19.4	19.1	0.30	1.4	2.0	1.15	1.04
China Huiyuan	1886 HK	2.81	533	1.0	17.0	19.0	12.4	(11.1)	52.5	18.9	1.00	1.4	1.4	0.66	0.65
China Mengniu Da	2319 HK	26.10	5,908	18.4	29.9	22.7	18.1	32.0	25.9	27.0	0.84	0.7	1.0	3.58	3.30
Uni-President	220 HK	4.63	2,140	1.9	26.2	32.6	21.5	(18.9)	51.3	20.5	1.59	1.1	0.9	2.04	1.93
China Foods Ltd	506 HK	6.12	2,195	1.6	40.0	25.7	19.9	55.5	29.0	36.6	0.70	1.2	1.4	2.71	2.72
Besunyen Holding	926 HK	1.44	311	0.2	23.5	7.3	5.7	220.0	29.4	74.8	0.10	2.1	3.4	1.14	1.03
Huabao Internati	336 HK	4.87	1,974	12.3	9.5	8.9	7.6	7.8	17.6	14.1	0.63	3.1	4.3	3.04	2.40
Daqing Dairy Hol	1007 HK	1.65	214	1.4	4.0	3.8	3.1	6.0	22.7	15.5	0.25	N/A	3.0	0.86	0.71
Yashili Internat	1230 HK	1.16	524	0.9	5.6	9.6	8.5	(41.8)	12.1	(12.0)	N/A	7.2	3.6	0.92	0.84
Taiko Pharmaceut	4574 JP	775.00	131	0.3	N/A	168.5	37.1	N/A	354.3	(152.8)	N/A	0.6	0.6	1.21	N/A
Nissin Foods Hol	2897 JP	2,971.00	4,545	9.7	15.8	14.9	16.2	6.4	(8.0)	1.0	14.75	2.5	2.5	1.17	1.15
Ajinomoto Co Inc	2802 JP	906.00	8,012	33.2	20.8	15.8	14.7	31.3	8.0	17.8	0.89	1.8	1.8	1.07	1.00
Meiji Hd	2269 JP	3,275.00	3,256	7.2	25.3	20.1	18.6	25.7	8.3	16.2	1.24	2.4	2.4	0.84	N/A
Yakult Honsha Co	2267 JP	2,341.00	5,364	10.4	30.6	27.7	24.3	10.5	13.8	13.0	2.13	1.0	1.0	1.72	1.70
Cerebos Pacific	CER SP	4.68	1,143	0.1	14.3	15.6	12.0	(8.2)	30.0	8.7	1.79	6.8	5.3	3.66	3.25
Nu Skin Enterp-A	NUS US	46.59	2,896	35.4	21.4	17.8	15.9	20.4	11.6	15.4	1.15	1.2	1.2	5.38	5.20
Herbalife Ltd	HLF US	55.99	6,513	86.7	22.9	17.6	16.0	30.2	10.1	17.1	1.03	1.3	1.4	12.59	12.27
Vitamin Shoppe	VSI US	38.23	1,116	16.5	35.7	24.1	21.2	48.5	13.3	26.0	0.93	N/A	N/A	3.23	3.25
Schiff Nutrition	WNI US	11.61	334	0.8	26.4	20.6	17.1	28.0	20.8	N/A	N/A	N/A	N/A	3.30	N/A
Simcere Phar-Adr	SCR US	7.46	398	0.5	29.8	16.5	16.9	80.8	(2.5)	29.6	0.56	N/A	0.0	1.25	1.24
Usana Health Sci	USNA US	34.22	512	2.4	11.6	10.6	9.8	9.9	8.5	10.1	1.05	N/A	N/A	3.22	2.87

Exhibit 12: Health Supplement related Peers' group

Company	Rev Hist (US\$m)	NP Hist (US\$m)	EV/ Ebitda Hist	EV/ Ebitda Cur Yr	Net gearing Hist (%)	Net gearing FY1 (%)	Gross margin Unlev beta	Net margin Hist (%)	ROIC Hist (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %	
Kingworld Medici	100	124	7	9	0.0	N/A	N.A	22.0	6.7	7.0	16.3	15.2	(10.1)	(22.5)
HSI											15.8	12.7	2.3	(7.6)
Adjusted sector avg*			9.3	8.1	1.7	0.2	0.74	50.8	9.5	13.5	16.8	15.5	3.3	(4.3)
Guangzhou Phar-H	693	44	33.1	23.4	0.0	N/A	0.99	27.6	6.4	3.2	7.8	8.3	18.8	(7.3)
Lee'S Pharm	33	7	16.1	12.0	0.0	N/A	0.64	69.8	22.7	27.1	30.1	29.7	9.6	4.8
China Pharmaceut	999	97	2.9	3.9	14.8	N/A	0.91	29.2	9.7	11.4	13.8	8.3	9.3	(34.8)
Want Want China	2,244	358	25.0	22.2	0.0	0.0	0.67	37.6	16.0	22.8	34.8	35.7	7.1	7.8
Real Nutraceutic	214	55	3.1	2.5	0.0	N/A	1.40	72.6	26.0	20.4	22.2	16.7	36.9	(16.3)
China Huiyuan	584	31	13.1	14.0	54.5	28.9	0.65	36.7	5.3	2.1	4.0	3.4	35.1	(27.2)
China Mengniu Da	4,765	195	16.1	12.2	0.0	0.0	0.66	25.7	4.1	11.9	13.5	15.8	(0.9)	(1.5)
Uni-President	1,982	82	14.9	14.0	0.0	0.0	0.73	32.1	4.1	5.7	7.9	6.1	8.7	0.7
China Foods Ltd	2,563	55	17.3	12.2	0.0	0.0	0.92	25.5	2.1	5.8	7.5	10.4	8.7	(1.0)
Besunyen Holding	138	9	3.5	2.5	N/A	N/A	N.A	89.6	6.8	12.6	5.9	14.9	(25.0)	(46.5)
Huabao Internati	366	206	7.6	6.6	0.0	0.0	0.52	74.3	56.3	30.0	36.3	31.4	(0.4)	(27.2)
Daqing Dairy Hol	145	41	2.3	1.8	0.0	N/A	N.A	51.9	28.3	23.4	27.5	20.8	24.1	(37.5)
Yashili Internat	465	79	1.4	1.7	0.0	0.0	N.A	56.9	17.0	18.5	20.1	9.0	(1.7)	(15.9)
Taiko Pharmaceut	58	(29)	(6.6)	N/A	0.0	N/A	N.A	64.6	(49.8)	N/A	(23.6)	0.7	(4.3)	(6.5)
Nissin Foods Hol	4,871	270	6.4	6.9	0.0	0.0	0.14	45.8	5.5	5.5	7.7	8.0	(3.7)	3.1
Ajinomoto Co Inc	15,688	395	5.4	5.3	0.0	0.0	0.64	33.4	2.5	7.6	5.0	6.2	2.8	0.2
Meiji Hd	14,473	124	6.4	N/A	60.6	N/A	0.37	34.2	0.9	4.3	3.3	N/A	(7.2)	0.2
Yakult Honsha Co	3,974	171	10.0	9.3	0.0	0.0	0.41	54.8	4.3	5.7	5.9	6.1	5.1	9.6
Cerebos Pacific	715	80	8.6	8.4	0.0	N/A	0.44	47.9	11.1	21.5	27.2	21.2	(4.5)	(5.6)
Nu Skin Enterp-A	1,537	136	11.5	9.6	0.0	0.0	1.11	82.3	8.9	27.2	32.1	32.9	7.2	26.5
Herbalife Ltd	2,734	291	14.4	10.4	0.0	N/A	0.96	79.6	10.6	42.6	68.6	78.4	(1.2)	8.8
Vitamin Shoppe	751	29	13.5	11.3	16.7	2.1	0.90	33.2	3.9	9.7	11.0	11.8	0.5	(0.5)
Schiff Nutrition	214	13	13.8	10.5	0.0	N/A	0.73	38.0	5.9	12.7	12.8	N/A	(1.7)	30.3
Simcere Phar-Adr	337	27	9.8	10.0	5.1	N/A	0.67	84.0	8.1	8.8	8.9	11.1	(15.7)	(9.0)
Usana Health Sci	518	46	6.3	5.7	0.0	N/A	1.14	81.6	8.8	39.3	41.6	31.8	13.2	45.0

Based on Nov 18, 2011 closing prices for HK-listed equities * Outliners and "N/A" entries are in red and excl. from the calculation of averages,

Source: I/B/E/S, OSK Securities Hong Kong Limited

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