CIMB

SINGAPORE- INITIATION REPORT

6 February 2012

Qingmei Group Holdings

Riding the wave of growth

Recommendation:	BUY
Price / Tgt. Price:	S$0.161/ S$0.241
Mkt. Cap:	S$109.5m
Board / Sector:	Main / Textiles

QMEI SP

CIMB Research Pte Ltd +(65)-6225-1228

- **Initiate with Buy, TP S$0.241**, based on 2.6x CY13 estimates (its historical average forward P/E). This offers an upside of 49.9%. With all shoe soles registering growth of roughly 7-11%, even amidst the slower economic backdrop in 2011, we are confident that Qingmei has the right recipe to continue healthy growth uptrend. This is reflected in its ability to keep ASP's stable, while boosting overall sales.
- **Unbelievably attractive double-digit yields trading at low valuations.** With a projected yield of 14.3% in FY12F, this stock is a steal at current price. Qingmei currently trades at undemanding 1.7x CY13 P/E vs historical average forward P/E of 2.6x. With a high cash net per share of S$0.141 in 1QFY12, we believe the stock is a steal.
- **Positive trends support the growth of demand for sports shoe soles.** The impact of slowing global demand on the sports shoe sole market has been rather muted, thanks to the high consumption capacity of China's domestic market (CAGR of 7.9% from 2007 to 2010. Coupled with effective government efforts to promote sporting activities, we believe that there is much room for demand to increase further. Frost & Sullivan predict a 16.1% CAGR from 2010 to 2015.
- **Benefiting from higher ASPs.** Qingmei places significant emphasis on securing its position as an original design manufacturer (ODM) which allows Qingmei to differentiate itself through innovation of value-added products and has the benefit of higher margins and ASPs.
- **Capacity expansion to capitalise on increasing demand.** Qingmei has announced its plan to model its expansion plans on consumer demand growth patterns. As such, high domestic demand for its products have led them to expand capacity in two phases, of which Phase 1 is already completed as of Dec 2010, leaving Phase 2 and R&D Centre construction to end in Dec 2012.

Financial summary

FYE Jun 30 (RMB m)	2010	2011	2012F	2013F	2014F
Revenue	1,180.9	1,292.4	1,444.1	1,641.7	1,835.7
Gross Profit	360.7	373.2	439.0	499.1	558.1
yoy growth (%)	41.6%	9.4%	11.7%	13.7%	11.8%
EBITDA	330.3	378.2	436.8	503.5	573.4
EBITDA margins (%)	28.0%	29.3%	30.2%	30.7%	31.2%
Pretax profit	295.3	321.5	369.8	420.2	469.8
Net profit	250.0	275.6	262.3	298.2	333.5
yoy growth (%)	37.0%	10.3%	-4.8%	13.7%	11.8%
EPS (S cts)	9.3	8.6	7.9	8.7	9.7
EPS (RMB cts)	47.5	43.1	39.7	43.9	49.1
EPS growth (%)	24.9%	-9.3%	-7.8%	10.6%	11.8%
P/E (x)	1.7	1.9	2.0	1.9	1.7
Gross DPS (S cts)	3.8	2.6	2.3	2.6	2.9
Dividend yield (%)	23.6%	15.9%	14.3%	16.2%	18.2%
P/NTA (x)	0.7	0.6	0.5	0.4	0.4
NTA/sh (RMB cts)	116.7	145.0	164.0	195.0	229.6
NTA/sh (S cts)	22.8	28.8	32.5	38.6	45.5
BVPS (RMB cts)	128.7	160.0	177.8	208.5	242.9
BVPS (S cts)	25.1	31.8	35.2	41.3	48.1
ROE (%)	44.6%	29.8%	23.5%	22.7%	21.8%
Net cash per share (RMB cts)	59.8	59.4	78.2	109.1	140.9
Net cash per share (S cts)	11.6	11.8	15.5	21.6	27.9
P/CF (x)	1.8	1.6	1.7	1.4	1.3
EV/EBITDA (x)	0.3	0.3	0.2	0.2	0.2

Source: Company, CIMB estimates

Market capitalisation & share price info

Market cap	S$109.5m
12-mth price range	S$0.111/S$0.365
3-mth avg daily volume	S$0.11m
# of shares (m)	679.8
Est. free float (%)	0.37
Wrts/ICULS o/s (m)	-
Strike price (S$)	-

Share price perf. (%)	1M	3M	12M
Relative	15.0	0.0	(46.3)
Absolute	24.8	3.9	(51.2)

Major shareholders	% held
Su Qingyuan	63.1%
Hunter Hall Investme	7.0%
Ing Investment Manag	0.1%

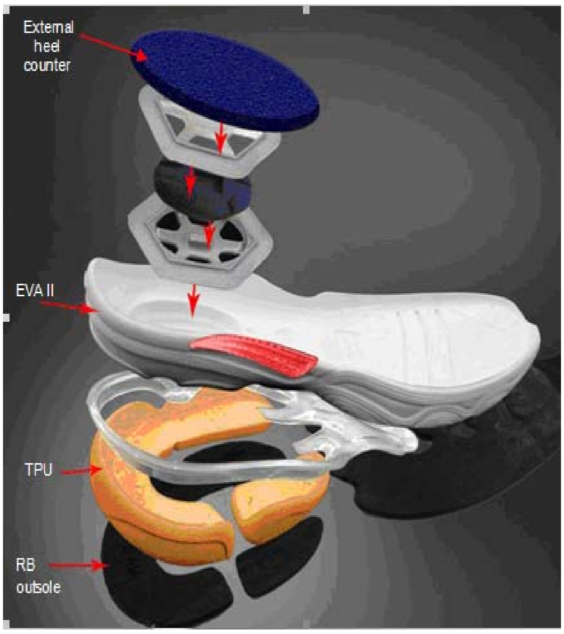
Source: Bloomberg, Company

Background

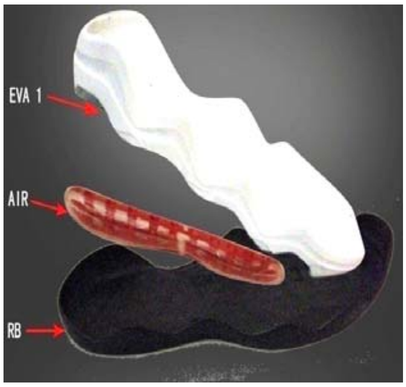
Qingmei Group Holdings began its humble beginnings back in 1998, initially doing trading of sports shoe soles, their components and materials (Uppers, clothe material, laces), progressing into an original equipment manufacturer (OEM) of shoe soles (MD I, RB) and midsoles (MD II, EVA I, EVA II) in 2003. It was only later in 2006 that Qingmei positioned itself as an original design manufacturer (ODM) under Qingmei (PRC), upon realising the potential of being one of few companies that possessed the expertise to design and manufacture sports shoe soles.
Currently, Qingmei is a vertically integrated manufacturer of mid- to high- end sports shoe soles under the trademark “ “ and “Qingmei” brand name, designed for athletic activities, with focus on MD II, MD I and RB shoe soles. The ability to manufacture key semi-processed raw materials (EVA compound pellets, TPU pellets, RB) enables better control over the production process and end quality of their products. Strong emphasis is placed on product design development, as shown by collaborations with Hefei Institute of Physical Sciences, Chinese Academy of Sciences (“CASHIPS”) and recent initiatives to release 3-5 prototypes annually. Qingmei is also in the process of constructing its own self-contained R&D Centre.

Figure 1: Product examples

MD II Shoe Soles



MD I Shoe Soles



RB Shoe Soles

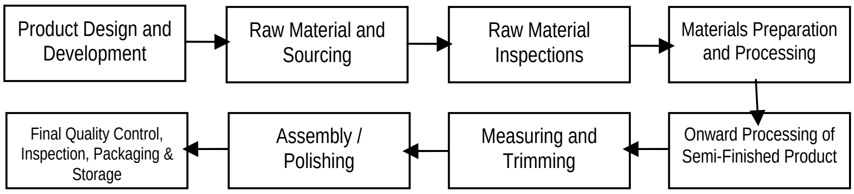
Source: Company

MD II Shoe soles are an integrated unit comprising EVA II Midsole and RB Outsole, where the EVA II production process consists of 2-stages, enabling incorporation of more intricate design of components that increase functionality. These soles are targeted for the manufacture of high-end functional sports shoes (for basket ball, running, tennis, etc).

MD I Shoes soles are an integrated unit comprising EVA I Midsole and RB Outsole, where the EVA I is produced in a 1-stage injection moulding process that is generally less flexible in design compared to EVA II. These soles are used for mid-end functional shoes.

RB Shoe soles are a single piece, produced primarily from synthetic rubber (RB) and small amounts of natural rubber. These are highly resistant to wear and tear, but provide less dimensional stability, cushioning and shock absorption. These soles are suitable for casual shoes, and are combined with EVA I and EVA II to create more functional shoe soles.

Figure 2: Production process



Source: Company

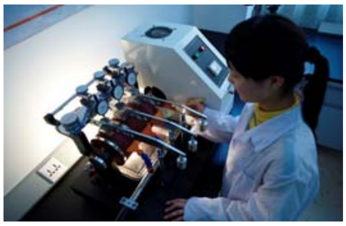
Figure 3: Quality Assurance

Shoe soles undergo a 4-stage process that includes comprehensive testing of shoe soles in the product design stage through the inspection of end product.

Product design and development stage:	Different tests are conducted on prototypes and formulations of raw materials, such as material strength test, colour test, endurance test, abrasion resistance, skid test and bending test.
Raw materials quality control:	Incoming raw materials are selected on a sampling basis and subject to visual inspection and tests to ensure that they meet our specifications.
Production process quality control:	Visual inspection of semi-finished products at various stages of the production process.
Finished products quality control:	Visual inspection before packing; random samples of finished products are subjected to material strength testing to ensure proper assembly.








Source: Company

Qingmei's quality products have earned recognition by the Fujian Provincial People's Government through the Fujian Quality Brand Product in December 2008.

Figure 4: Fixed Assets

Old Production Facility

R&D Centre under construction **Administrative Buildings**

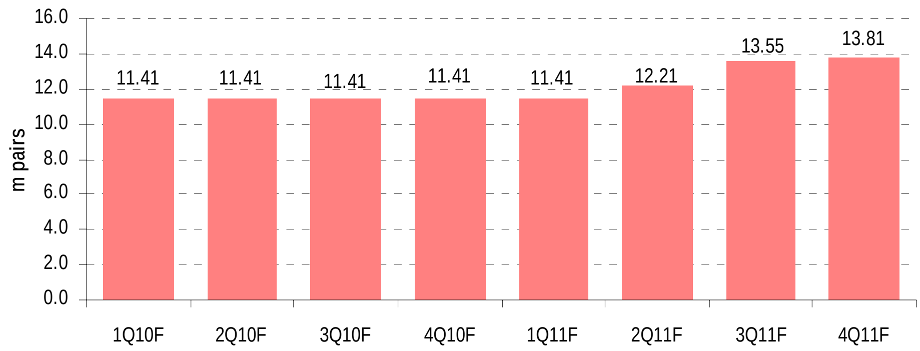
Source: Company

Figure 5: Phase I Construction

Source: Company

Phase I expansion has been completed in December 2010, increasing the group's production capacity per annum by 43% to approx 65m pairs of sports shoe soles. Operations have since commenced in the new facility.

Figure 6: Quarterly Capacity Trend (m pairs)



Source: Company

Major customers

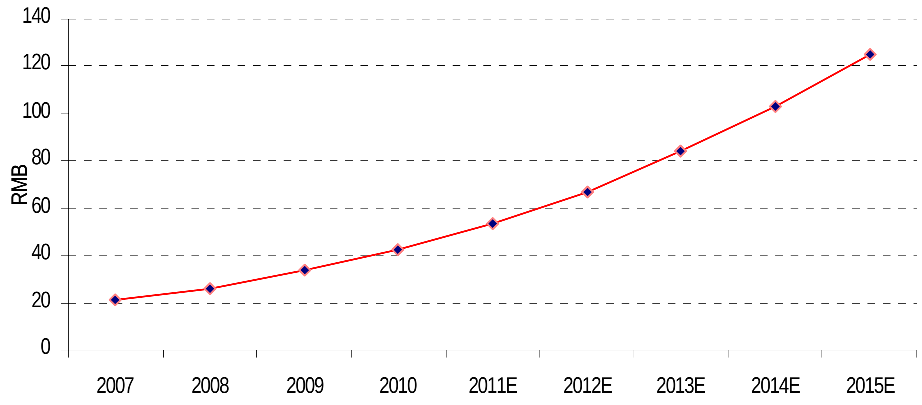
Qingmei has created a well-established customer base, comprised of renowned domestic branc names such as Xtep, Double Star, Jin Shu Wang, Kang Ta, Qiao Dan, Deerway, Ming Zu, Ba Ge, Wen Ke Wang and K-Bird. Customers are well-distributed, with each customer accounting for less than 5% of revenue, according to management guidance. This number has been growing over the years, reaching over 90 customers at present.

Competitors

The Group competes in the mid- to high-end shoe sole market, with main competitors being Tai Ya Shoes Development Co Ltd, Wan Jia Xin (Fujian) Leather and Rubber Shoes Co Ltd, Fujian Hongwei Shoe Plastics Co Ltd, and Quanzhou Yi De (Heng Mao) Shoe Materials Trading Co Ltd, with the former, Tai Ya, being the closest-matched competitor, and the only one listed. However, Qingmei is an original design manufacturer (ODM) whereas Tai Ya is an original equipment manufacturer (OEM).

Industry outlook

Figure 7: Per Capita Expenditure : Sports Footwear (PRC), 2007 – 2015E



Source: Frost & Sullivan

Sports Footwear Industry. The industry has expanded from 2001 to 2010, with the per capita expenditure on sports footwear increasing from RMB 21.0 to RMB 42.1, representing a CAGR of 26.2% over the period.

Government efforts on improving health awareness. The implementation of the National Fitness Program (NFP) in 2005, a set of guidelines for sporting activities, has mandate set the stage for widespread construction of gymnasiums and stadiums and other initiatives aimed at increase participation in sports activities. By 2010, there were 18,000 community fitness clubs, over 2,200 national physique monitoring stations, 37,000 schools with sports facilities. The China State General Sports Administration has been ramping up on hosting sports events, such as World Olympic Games in Beijing (2008), more recent Shenzhen World University Games (2011), World Swimming Championships (Shanghai, 2011) and upcoming Youth Olympic Games (Nanjing, 2014), which helped improve the public's health consciousness. The 2nd outline of the NFP has gained a lot of traction since the 1st outline. The number of gymnasiums and stadiums nationwide is set to rise from 1m to 1.2m from 2010 to 2015, and a target of 32% of the population should be taking at least 30min of exercise at least3 times a week by 2015, 3.8% higher than 2007's figure. In many large and medium-sized cities, expenditure on sporting activities has become trendy. **With all these facilitation in place, the forecast expenditure of sports footwear in 2015 is RMB 125.1, with a CAGR of 24.3% between 2010 and 2015.**

Figure 8: Revenue growth trend

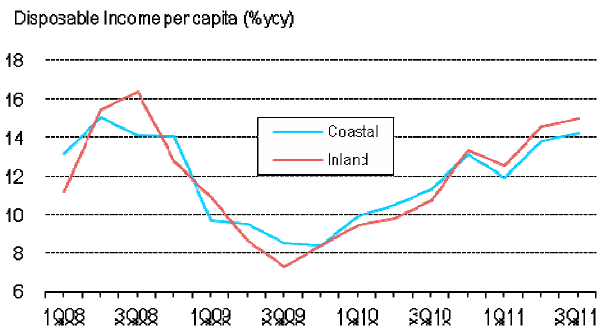
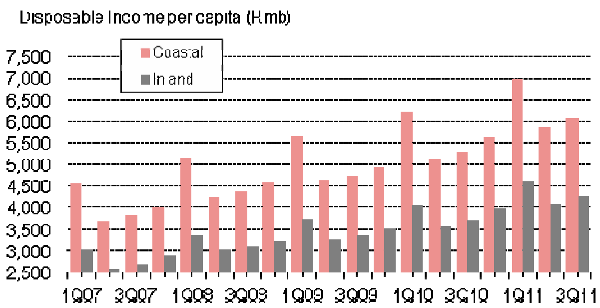


Figure 9: Net profit and net margin trend

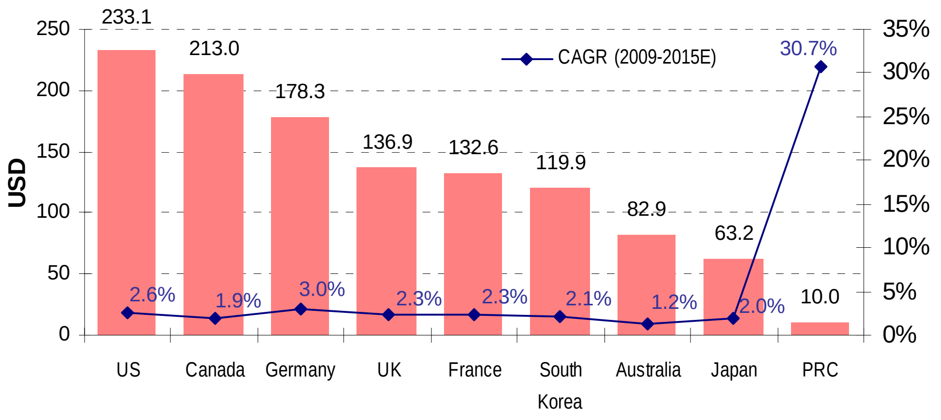


Source: Company, CIMB Research

Qingmei's target market consists of consumers in the 2nd and 3rd Tier cities, which constitutes the highest growth in spending. Rising affluence in the nation, especially in inland cities (mostly 2nd, 3rd & 4th Tier) has been observed, with yoy growth of disposable income per capita inland overtaking that of coastal cities.

Management believes that these trends will lead to growing preference for fashionable and functional sports footwear, explaining the company's move to mid- and high-end functional sports shoe soles. Qingmei's clients possess a high brand awareness amongst consumers (Double Star, K-Bird, Xtep, etc), and will benefit from such trends that will lead to increasing volumes for Qingmei.

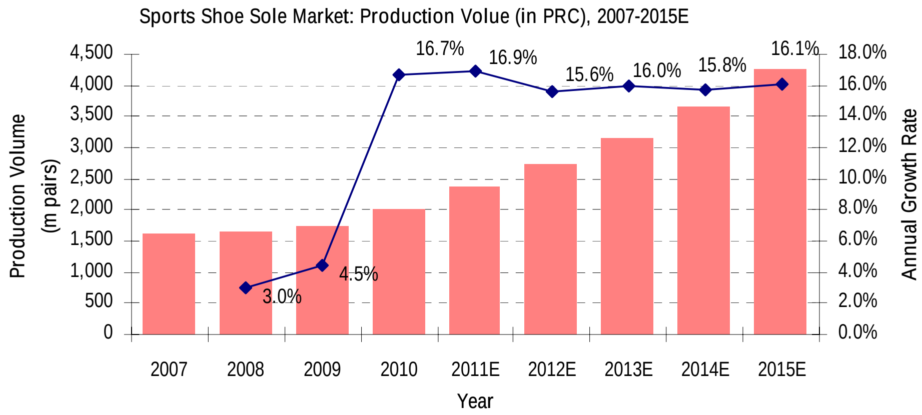
Figure 10: Per Capita Expenditure on Sportswear (Global) 2009-2015E



Source: Frost & Sullivan

PRC per capita expenditure on Sportswear in 2009 was still far below all leading developed countries, showing the high potential for growth of the industry in the PRC. Frost & Sullivan forecasted a CAGR of 30.7% in USD from 2009 to 2015.

Figure 11: Sports shoe sole market to continue double digit growth



Source: Frost & Sullivan

Sports shoe sole industry. From 2007 to 2010, the total sports shoe sole market in the PRC increased 1,608.1m pairs to 2,018.6m pairs, representing a CAGR of 7.9% for the period. Growth before 2007 was also double-digit, but decreased in 2008 and 2009 due to the Global Financial Crisis which caused a decline in demand. Frost & Sullivan forecasts total sales volume to be 4,251.8m pairs in 2015, with a CAGR of 16.1% from 2010 to 2015.

Company outlook

Positive trends support the growth of demand for sports shoe soles, such as the growing interest in sports in the PRC as well as the approaching of the London 2012 Olympic Games.

Still undergoing capacity expansion with expectations of increasing demand towards 2H12. Its utilization rate (assuming 100% sales) in 1Q12 was 84%, up from the last reported 75% in FY11, showing adjustment to the greater capacity within Phase I.

1. Phase I: Added a capacity of 19.4m pairs per annum, bringing the total capacity to 65m pairs per annum as at Dec 2010.
2. Phase II: Addition of 19m pairs per annum, bringing total capacity to 84m pairs per annum.

Gross margin improved 1.5 percentage points due to a reduction in average cost per unit as the Group increased its production volume and spread costs over more units. The Group intends to keep production capacity in line with market demand. Any further expansion may improve net margins further from a healthy 22.1% posted in 1Q12.

Qingmei is changing its revenue breakdown to obtain higher ASP contribution, focusing more on MD II shoe soles, which draws strong demand and commands higher ASP.

Emphasis on broadening R&D capabilities for product design and development. Qingmei has its eye on the prize, attempting to keep competitive by investing in its own self-contained R&D Centre and 2 new R&D projects initiated in 4Q11 for development of new materials used in production.

Should be able to continue posting strong earnings on the back of increasing sales volume. The number of shoe soles sold increasing 24.5% from 11.0m pairs to 13.7m pairs in 1QFY12, after the Group's first phase of expansion. Total revenue from all 3 types of shoe soles, namely MDII, MDI and RB increased, by 8.8%, 33.7% and 105.6% respectively.

Figure 12: Group has been able to keep ASPs stable (RMB)

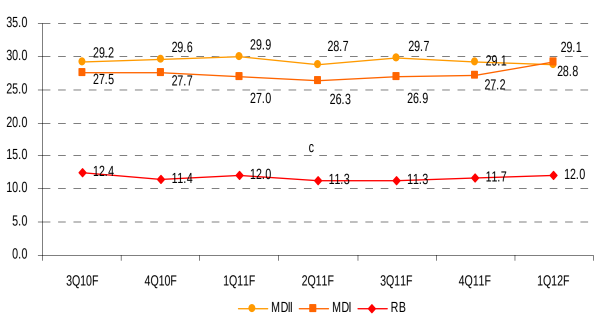
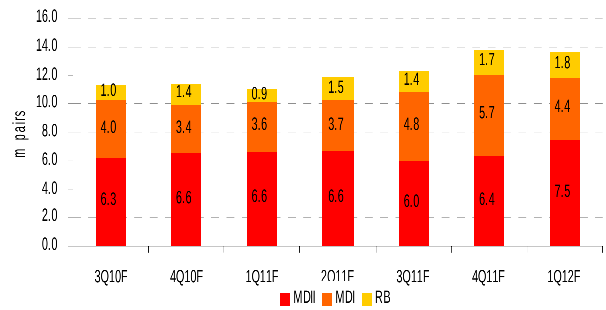


Figure 13: Total production volumes inching up



Source: Company, CIMB Research

Figure 14: SWOT analysis

Strengths	Opportunities
• Strong brand quality assurance • Competitive advantage as an vertically-integrated ODM, with the ability and willingness to meet customers' needs for customisation • Healthy margins • Mainly exposed to domestic PRC consumer trends, not affected as much by European debt crisis.	• Plenty of room for growth in PRC sportswear market. • Continued initiatives by Government in National Fitness Program to heighten health awareness in PRC which have been highly effective
Weaknesses	**Threats**
• Dependent on shoe sole manufacturing client's sales	• Slowing demand due to economic woes • Increased competition may put pressure on ASPs • Higher raw material costs

Source: CIMB Research

Risks

High competitive nature of ODM industry requires continuous innovation through optimisation and adjustment to product mix. The lack of government regulations comprising barriers to entry/exit in the PRC has resulted in intensifying competition in the country. Qingmei is at risk of price cutting pressures, if it does not differentiate its products. Initiatives to expand R&D capabilities have been put in place, but in the event that Qingmei does not accurately factor consumer preferences into its product enhancements, its products would quickly lose demand.

Healthy lifestyle trend may soften. In the event that China's middle class adopt other trends and the predicted continuous growth in sportswear expenditure were to stall, our growth estimates would have to be revised. This depends greatly on continued government initiatives to spur interest in sporting activities, which have caused double-digit growth in sportswear expenditure in recent times.

Rising costs of production in the PRC. Raw material (primarily rubber), as well as labour costs in the PRC have been on the uptrend over the past few years (especially after implementation of the minimum wage in inland cities). The ability to pass on these costs to clients is of great importance to protect margins.

Danger that overall expansion may be in excess, as Phase II capacity expansion was planned 2 years ago when growth was high.

Financials

Revenues steadily increasing due to increase in shoe soles delivered. A 24.0% increase in shoe sole volumes resulted in the last 1Q12 revenues increasing 20.1% yoy. Albeit rising material costs and labour costs due to implementation of minimum wage in the PRC, Qingmei saw an increase in net margins of 22.8% due to the Phase I capacity expansion, which began operations in 1Q12. Phase II only begins in June 2012 and is planned to become operational in CY13.

Figure 15: Revenue growth trend

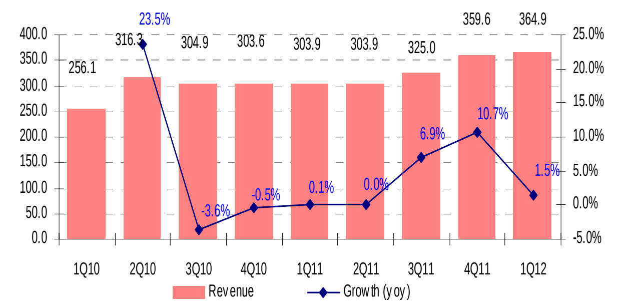
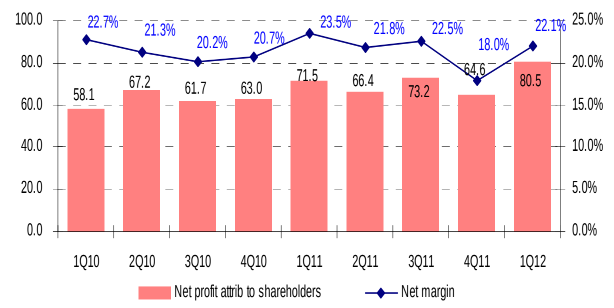


Figure 16: Net profit and net margin trend



Source: Company, CIMB Research

Yields way above market; dividend payouts backed by high net cash. Management mentioned that they will keep the current payout consistent as far as possible. Assuming that Qingmei keeps its payout ratio at 30% of net profits, we would see yields in the range of 15%-20% over the forecast period. The company is currently net cash, with net cash per share of S$0.141 (87.6% of current share price), and is more than able to keep up with dividend payments. In fact, the balance sheet is so strong that Current Assets are 351.5% of Total Liabilities, as at 1Q12.

Figure 17: Payout ratio (%) trend

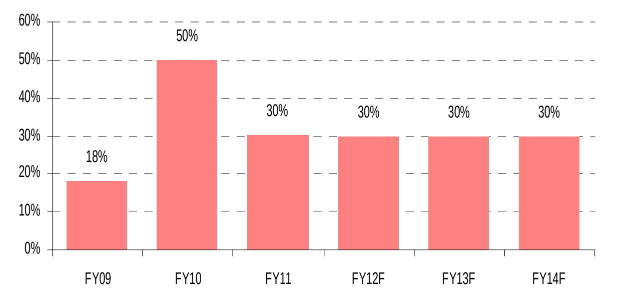
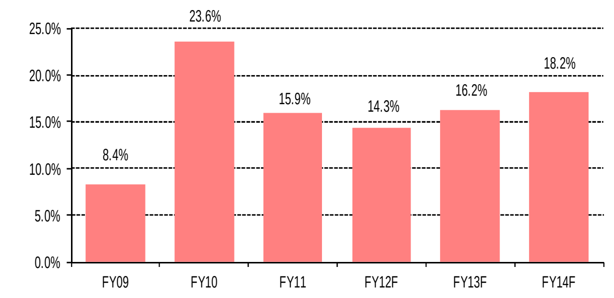


Figure 18: Attractive dividend yields (%)



Source: Company, CIMB Research

Figure 19: Net cash per share of current price

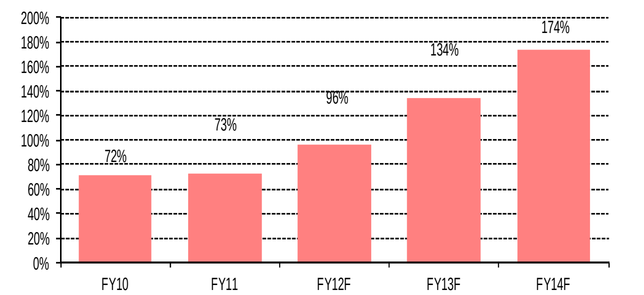
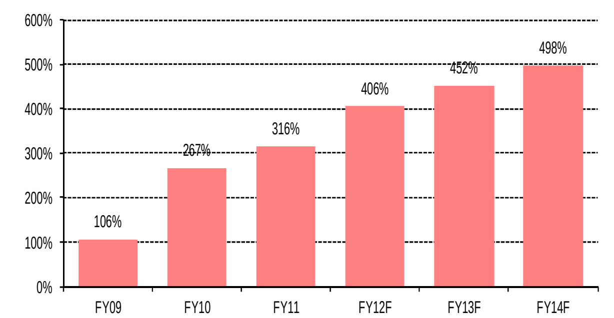


Figure 20: Current assets as a % of total liabilities



Source: Company, CIMB Research

Valuation and recommendation

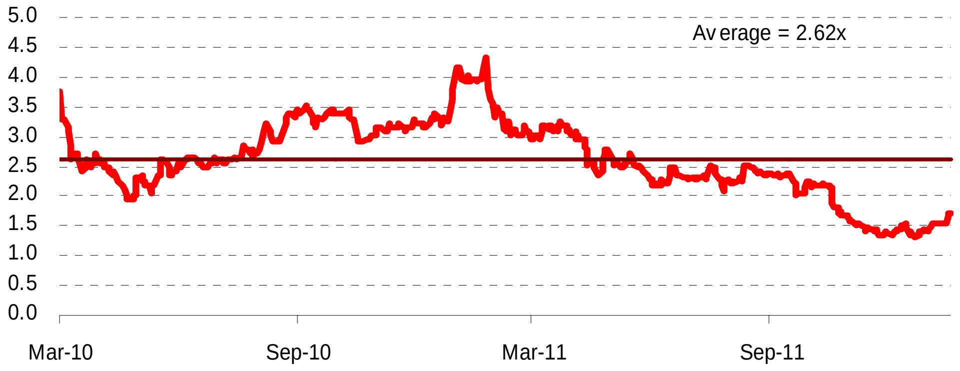
We initiate coverage on Qingmei (PRC) with a **BUY** recommendation and target price of S$0.241, representing an upside of 49.9%. This is derived based on historical average forward P/E of 2.62x on CY13 EPS. With its highly attractive dividend yield, convincing growth story and rock steady balance sheet, we believe that this stock is a steal, at current levels.

Figure 21: Peer comparisons

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US$ m)	Core P/E (x) CY2012	Core P/E (x) CY2013	3-year EPS CAGR (%)	P/BV (x) CY2012	Recurring ROE (%) CY2012	Dividend Yield (%) CY2012
QingMei Group Holdings Ltd	**QMEI S**	**BUY**	**0.16**	**NA**	**85**	**1.9**	**1.7**	**4.4%**	**0.42**	**23.1%**	**14.3%**
Multi Sports Holdings Ltd	MSH MK	NR	0.39	NA	66	1.8	na	na	0.51	23.9%	8.1%
Maxwell International Holdings	MAXWLL	NR	0.40	NA	52	na	na	na	na	na	na
XingQuan International Sports	XISH M	NR	0.86	NA	87	1.9	7.3	7.3%	na	22.5%	3.9%
Sarup Tanneries Ltd	SRT IN	NR	31.65	NA	2	na	na	na	na	na	na
Taiya Shoes Co Ltd	002517 CS CNY	NR	14.70	NA	206	16.2	30.0	30.0%	na	na	na
Simple Average (ex QMEI)						**6.6**	**18.6**	**18.6%**	**0.51**	**23.2%**	**6.0%**

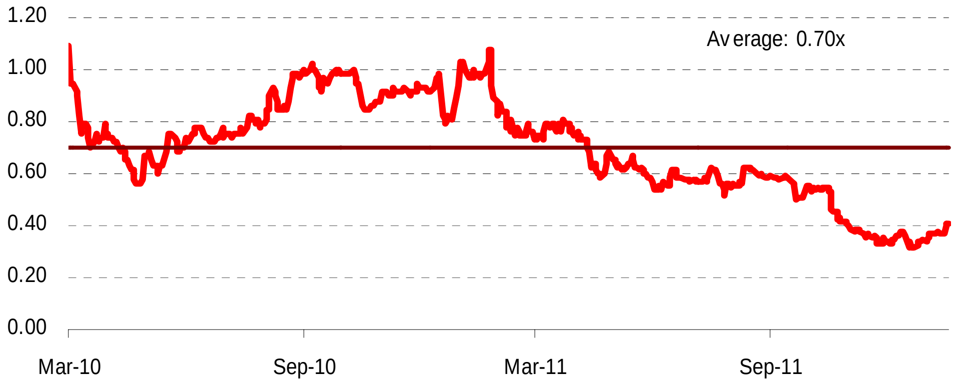
Source: Bloomberg, Company, CIMB Research

Figure 22: Historical average forward P/E



Source: Bloomberg, CIMB Research

Figure 23: Historical average P/BV



Source: Bloomberg, CIMB Research

Board of Directors

Mr Su Qingyuan ***Executive Chairman & CEO (Founder)***	Mr Su has more than 10 years of experience in the sports shoe industry, starting as a sole proprietor trading in sports shoe soles and their components and shoe materials, such as uppers, cloth material and laces in June 1998. In April 2006, he jointly established Fujian Qingmei with his brother, which operated as an OEM of MDI and RB shoe soles. It was in April 2006 that he founded Qingmei (PRC) to carry on the original design manufacturing sports shoe business on his own. Mr Su has also been a committee member of the 11th Jinjiang City Government Committee since 2006, after receiving numerous awards that attested to his leadership and entrepreneurship abilities.
Mr Su Qingjiang ***Executive Director***	Mr Su joined Qingmei (PRC) in September 2006 as the VP of Sales & Production, after joining his brothers in Fujian Qingmei since September 2003. He currently heads the production team of Qingmei (PRC).
Mr Su Shubiao ***Executive Director***	Mr Su began his relevant career experience in November 199, when he joined Quan Xing Shoe Plastic Co., Ltd. As its finance and administrative manager. He joined Fujian Qingmei in September 2003 as General Manager, and continued in the same role in Qingmei (PRC). He was promoted to VP Finance and Administration in July 2009.
Tan Siok Sing ***Lead Independent Director***	Mr Tan was appointed to his current position on 28 December 2009, and is the Chairman of the Audit and Remuneration Committee as well as a member of the Nominating Committee. He has more than 18 years of experience in the financial industry as the Executive Director in Millennium Securities Pte Ltd. Mr Tan's present directorships in other listed companies include CentraLand Limited, Changtian Plastic & Chemical Limited, Dukang Distillers Holdings Limited and Li Heng Chemical Fibre Technologies Limited.
Ni Xiaorong ***Independent Director***	Ms Ni Xiaorong was appointed as our Independent Director on 28 December 2009. She is a member of the Audit, Nominating and Remuneration Committees. She has received several labour awards such as the Outstanding Worker award in 2003 and the Fujian Province May 1st Labour Award by Fujian Province Federation of Trade Union in 2007.
Foo Say Tun ***Independent Director***	Mr Foo Say Tun was appointed as our Independent Director on 28 December 2009. He is the Chairman of our Nominating Committee and a member of the Audit and Remuneration Committees. Mr Foo is a partner of Messrs Wee, Tay & Lim, where he practices in the Litigation Department, primarily in the areas of civil and commercial litigation. He is a member of the Disciplinary Committee that presides over cases against lawyers for misconduct under the Legal Profession Act since 2003. Mr Foo's present directorships in other listed companies include Fu Yu Corporation Limited, JLJ Holdings Limited and Sino Techfibre Limited.
Pek Yew Chai ***Independent Director***	Mr Pek Yew Chai was appointed as our Independent Director on 23 August 2010. He is a member of the Audit, Nominating and Remuneration Committees. Mr Pek was originally the Country Head of Siemens IT Solutions and Services from December 2005 to March 2010, Chief Operating Officer from January to August 2003, Managing Director of Siemens Business Services Pte Ltd from April 2001 to December 2002, and the Chief Operating Officer of Mediaring.com Ltd from October 1999 to January 2001.

Source: Company

Management Team

Tso Sze Wei, Jackson ***Chief Financial Officer / Chief Company Secretary***	Mr. Tso Sze Wai, Jackson, was formerly Qingmei's financial controller. He is also a member of Certified Practicing Accountant of Australian Society and has over 10 years of experience in auditing, corporate finance as well as secretarial matters. Prior to joining our Group, he had held senior management positions in a number of listed companies in Hong Kong and Singapore.
Du Jinfeng ***Finance Manager***	Ms Du Jinfeng is our Finance Manager and she has been with our Group since Qingmei (PRC) was incorporated in April 2006. She started her career with Fujian Qingmei as an accounts manager and was involved in the day-to-day maintaining of accounts of the company. She joined Qingmei (PRC) in April 2006 as our Group's Finance Manager and oversees the finance activities of our Group.
Liu Qi ***Research and Development Manager***	Mr Liu Qi is our R&D Officer and spearheads our research and development activities and projects. Since April 2009, he has been playing an instrumental role in spearheading our product design and development initiatives of our Group. Mr Liu has been engaged in the technical work of footwear manufacturing for over 20 years.
Deng Chuangneng ***Product Design Officer***	Mr Deng Chuangneng is our Product Design Officer. He joined Qingmei (PRC) when it was incorporated in April 2006 and was made the VP of research and development. He oversees the entire product design and development process and assists the CEO in the daily running and management of the product design and development team.
Du Kunming ***Sales and Marketing Officer***	Mr Du has been with our Group since we commenced operations in April 2006. Upon completion of his studies, he embarked on his career with Fujian Qingmei as a product design worker involved in the design and production operations. In April 2006, he joined Qingmei (PRC) as a product design supervisor. In July 2008, he was appointed as the Sales and Marketing Officer of Qingmei (PRC) and he took his current role of supervising the sales team.
Zhang Yuguang ***Procurement Officer***	Mr Zhang joined Fujian Qingmei in January 2006 as a production manager and Qingmei (PRC) as a production supervisor in May 2006. In September 2006, he took on a different role in Qingmei (PRC) as its assistant administrative manager. He is currently in charge of the procurement department that purchases raw materials necessary for our production.

Source: Company

Financial tables

PROFIT & LOSS (RMB m, FYE Jun)	2010	2011	2012F	2013F	2014F
Revenue	1,180.9	1,292.4	1,444.1	1,641.7	1,835.7
Operating expenses	(61.9)	(63.6)	(72.9)	(82.9)	(92.7)
EBITDA	330.3	378.2	436.8	503.5	573.4
Depreciation & amortisation	(34.9)	(56.7)	(67.0)	(83.3)	(103.6)
EBIT	298.8	309.6	366.1	416.2	465.4
Net interest & invt income	(3.5)	11.9	3.7	4.1	4.5
Associates' contribution	-	-	-	-	-
Exceptional items	-	-	-	-	-
Pretax profit	295.3	321.5	369.8	420.2	469.8
Tax	(45.3)	(45.9)	(107.5)	(122.0)	(136.3)
Minority interests	-	-	-	-	-
Net profit	250.0	275.6	262.3	298.2	333.5
Wt. shares (m)	526.5	640.0	660.9	679.3	679.3
Shares at year-end (m)	640.0	640.0	679.3	679.3	679.3

BALANCE SHEET (RMB m, FYE Jun)	2010	2011	2012F	2013F	2014F
Fixed assets	226.2	423.8	410.3	410.4	410.3
Intangible assets	92.9	96.0	94.0	92.1	90.1
Other long-term assets	-	-	-	-	-
Total non-current assets	319.1	519.8	504.3	502.5	500.4
Cash and equivalents	470.1	400.0	541.2	751.3	967.4
Stocks	50.7	39.1	27.5	31.3	35.0
Trade debtors	279.8	289.4	356.1	382.3	427.5
Other current assets	5.3	9.6	8.7	8.7	8.7
Total current assets	805.8	738.1	933.4	1,173.6	1,438.5
Trade and other creditors	149.9	134.8	126.7	144.0	161.0
Short-term borrowings	87.6	20.0	10.0	10.0	10.0
Other current liabilities	63.9	79.0	93.3	105.6	117.9
Total current liabilities	301.5	233.8	230.0	259.6	288.9
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Total long-term liabilities	-	-	-	-	-
Shareholders' funds	823.4	1,024.1	1,207.7	1,416.5	1,650.0
Minority interests	-	-	-	-	-
NTA/share (S$)	0.22	0.29	0.33	0.39	0.46

CASH FLOW (RMB m, FYE Jun)	2010	2011	2012F	2013F	2014F
Pretax profit	295.3	321.5	369.8	420.2	469.8
Depreciation & non-cash adjustments	39.1	60.3	68.3	82.0	99.8
Working capital changes	(73.1)	(17.6)	(51.1)	(2.9)	(22.3)
Cash tax paid	(43.1)	(42.3)	(105.3)	(119.6)	(133.6)
Others	-	-	-	-	-
Cash flow from operations	218.3	321.9	281.7	379.9	413.8
Capex	(71.7)	(246.7)	(51.5)	(81.5)	(101.5)
Net investments & sale of FA	(3.3)	-	-	-	-
Others	10.2	3.4	0.5	2.1	4.6
Cash flow from investing	(64.7)	(243.3)	(51.0)	(79.4)	(96.9)
Debt raised/(repaid)	25.6	(67.6)	(10.0)	-	-
Equity raised/(repaid)	225.9	-	-	-	-
Dividends paid	(50.0)	(75.0)	(78.7)	(89.5)	(100.1)
Cash interest & others	95.7	(4.0)	(0.8)	(0.8)	(0.8)
Cash flow from financing	297.3	(146.6)	(89.5)	(90.3)	(100.9)
Change in cash	450.8	(68.0)	141.2	210.2	216.0
Change in net cash/(debt)	425.2	(0.4)	151.2	210.2	216.0
Ending net cash/(debt)	25.5	25.2	176.4	386.5	602.6

KEY RATIOS (FYE Jun)	2010	2011	2012F	2013F	2014F
Revenue growth (%)	3,047.9	9.4	11.7	13.7	11.8
EBITDA growth (%)	1,400.7	14.5	15.5	15.3	13.9
Pretax margins (%)	25.0	24.9	25.6	25.6	25.6
Net profit margins (%)	21.2	21.3	18.2	18.2	18.2
Interest cover (x)	59.9	-	328.9	373.8	417.9
Effective tax rates (%)	15.3	14.3	29.1	29.0	29.0
Net dividend payout (%)	39.1%	28.5%	27.8%	28.6%	28.6%
Debtors turnover (days)	86	82	90	85	85
Stock turnover (days)	23	16	10	10	10
Creditors turnover (days)	67	54	46	46	46

Source: Company, CIMB Research

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