



BUY

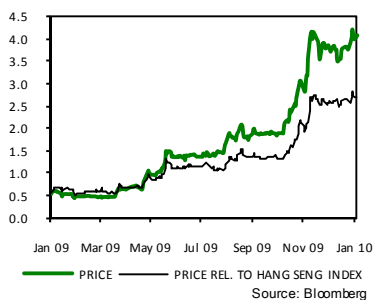
Initiating Coverage

Analyst

Ivan Li, CFA
ivanli@kimeng.com.hk
(852) 2268 0641

Price HK\$4.14
Target HK\$6.00
HSI 22,327

Historical Chart



Performance	1m	3m	6m
Absolute (%)	5.6	110.0	175.2
Relative (%)	3.8	106.3	149.3

Stock Information

Bloomberg code	746 HK
Market cap (US\$m)	422
52-week high (HK\$)	4.25
52-week low (HK\$)	0.425
Shares issued (m)	825
6m avg daily volume (m)	1.4
Free float (%)	19.9
Major shareholders (%)	
	The Lee Family (75.0)
	DJE Investment (5.1)

Key Indicators

ROE (%)	29.8
Net gearing (%)	20.1
NTA (HK\$)	1.21

Lee & Man Holding

Explosive chemicals mix, upstream domestic consumption play
Initiating with BUY and TP of HK\$6.00

What's New

- Lee & Man Holding (LMH) was only a handbag manufacturer previously, with profit of ~HK\$100m per annum.
- In late-2006, it invested ~Rmb1.2b to set up Lee & Man Chemical (LMC) (main products: Chloromethane, caustic soda, and hydrogen peroxide).
- The chemical segment is already profitable and will likely become a new driver in the coming years. We believe the market has not fully reflected its potentials.

Our View

- With CMS supply shortage in China creating opportunities, LMC is well positioned over peers in terms of location, synergy with sister company, and industry know-how; the company is looking at expanding capacity further and developing new products.
- With stable recurring income from the traditional handbag business, we believe the potential high-growth chemical business offers an attractive story. LMH is not being covered by any other broker house at present.
- LMH's balance sheet is quite stretched (net gearing near 50%). We forecast the company to return to net cash position in FY10, assuming recurring free cashflow of more than HK\$350m p.a. However, we do not rule out the possibility of a fund-raising exercise in case expansion opportunities arise.

Action & Recommendation

- We initiate coverage on LMH with a BUY rating and a target price of HK\$6, equivalent to 13x FY10E earnings. Further upside to our target price would depend on the pace of the un-projected expansion.
- A short-term potential catalyst would be the FY09 results (due Apr-10). We expect LMH's FY09 net profit to be more than 3x that of FY08. We believe the stock would then undergo a re-rating.
- We expect strong demand growth for LMC's products, driven by continued support from the government on spending on household appliances.

Year end Dec 31	2008	2009F	2010F	2011F	2012F
Sales (HK\$m)	1,064.1	1,352.8	1,814.0	1,875.0	2,195.0
Pre-tax profit (HK\$m)	91.6	287.1	426.7	431.4	537.9
Net profit (HK\$m)	81.6	257.6	376.1	380.1	473.4
EPS (HK\$)	0.10	0.31	0.46	0.46	0.57
EPS growth (%)	(23.0)	215.8	46.0	1.1	24.5
PER (x)	41.9	13.3	9.1	9.0	7.2
EV/EBITDA (x)	43.0	10.5	6.4	5.9	4.4
Yield (%)	1.0	2.6	4.4	5.0	6.2

SEE APPENDIX I FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Overview

Decision to step into a new business proving to be a success; but still not noticed by the market

Lee & Man Holdings Ltd. (LMH, “the group”) was listed on the HKSE in 1997. It owns 100% of Lee & Man Handbag, an OEM/ODM handbag manufacturer (Fig.1).

Handbag business is stable, but records low growth

LMH’s handbag business generates around HK\$100m recurring profit per annum and is a cash cow for the company (Fig. 2). The handbag business is very stable and was not much affected even during the global credit crunch in 2H08. The segment’s profit in 1H09 and 2H08 was HK\$49m and HK\$48m respectively, not much lower than the HK\$52m the company recorded before the economic crisis in 1H08.

LMH set up the chemical unit in late-2006

In late-2006, LMH invested Rmb1.2b to set up Lee & Man Chemical Limited (LMC, 100% owned). LMC reported profit of HK\$22m in 1H09 and we believe that it will be the growth driver for the group.

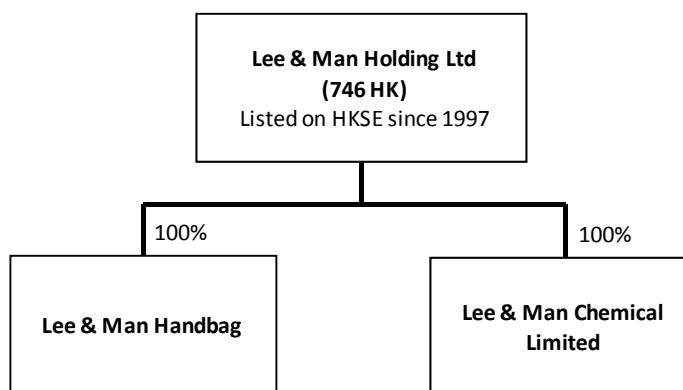
Market has still not fully recognized LMH’s potential

LMH is not being covered by any broker house at present. We believe that the market has still not recognized the company’s potential, considering it an old-fashioned handbag maker with little growth. LMC’s profit is set to rise rapidly in 2H09, as Phase 2A and 2B of the new production facilities commenced production in February and June 2009 respectively. For similar reasons, we expect the chemical segment’s profit to be significantly higher in FY10 than in FY09. (Fig.3)

Upcoming results should trigger a re-rating

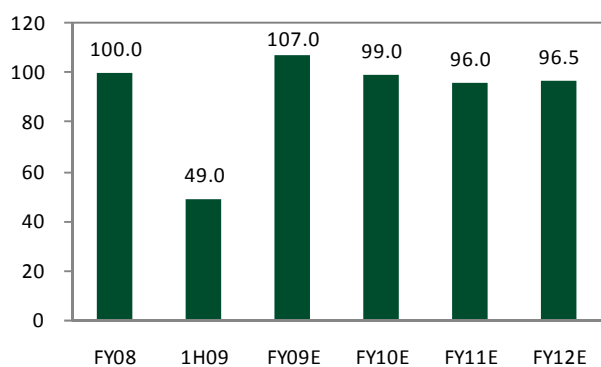
LMH’s FY09 results (due April-10) would be a short-term share price catalyst, in our view. We expect LMH’s FY09 net profit to be more than 3 times that of FY08. (Fig.4) We believe that the stock would then undergo a re-rating. We estimate the company to deliver 55% net profit CAGR over FY08-FY12E (22% net profit CAGR over FY09-FY12E).

Figure 1: Company structure



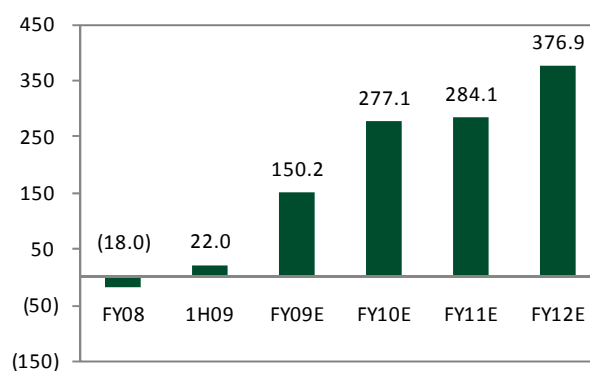
Source: Company data, Kim Eng Securities

Figure 2: Segment profit: Handbag (HK\$m)



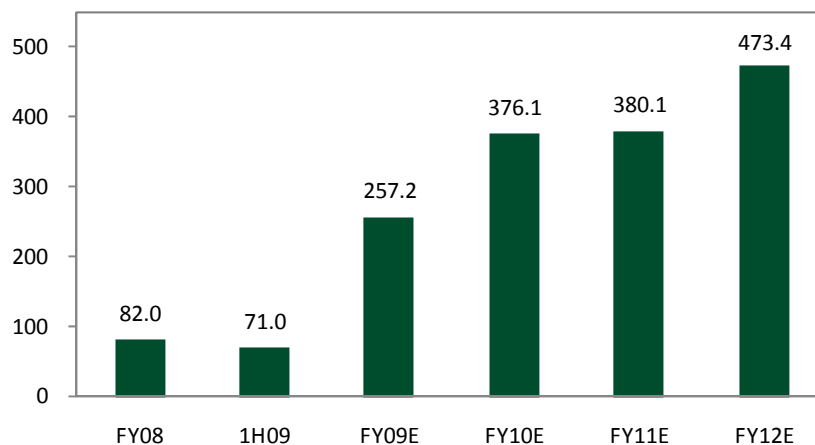
Source: Company data, Kim Eng Securities

Figure 3: Segment profit: Chemical (HK\$m)



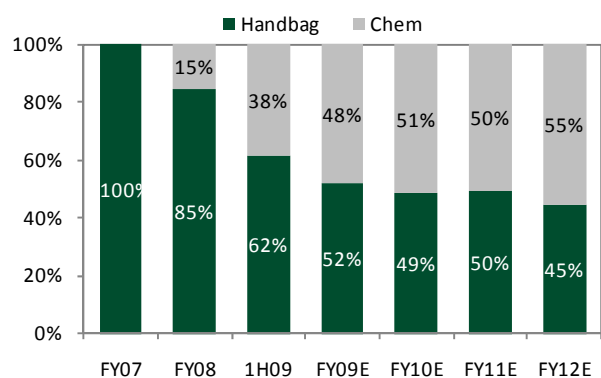
Source: Company data, Kim Eng Securities

Figure 4: Group profit (HK\$m)



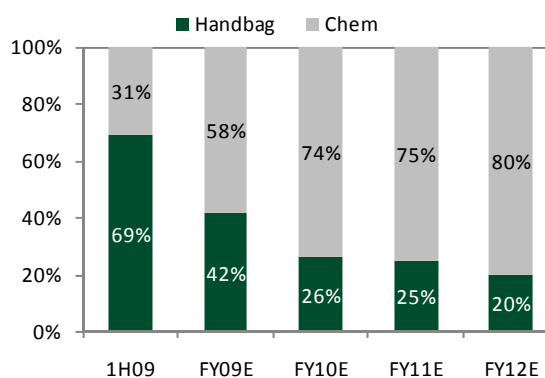
Source: Company data, Kim Eng Securities

Figure 5: Revenue breakdown



Source: Company data, Kim Eng Securities

Figure 6: Profit breakdown



Source: Company data, Kim Eng Securities

Products

LMC's products include chloromethanes, hydrogen peroxide, and caustic soda

CMS (Methylene Chloride and Chloroform) are the major products

Mainly used for making refrigerants

LMC's raw materials include common salt (NaCl, to make chlorine gas, hydrogen gas and sodium hydroxide) and methanol (CH₃OH). The chemical unit has four major products: Note that the first two products (Methylene Chloride and Chloroform) are collectively known as chloromethanes (CMS). (Fig.7)

1) Methylene Chloride (CH₂Cl₂, one of the two CMS)

Other names: Dichloromethane, 二氯甲烷 in Chinese

Source: Reaction between methanol (bought outside) and chlorine (self produced).

Uses: It is used in adhesives, solvents, pharmaceuticals, and refrigerants (CFC -32) in air conditioners and refrigerators.

2) Chloroform (CHCl₃, one of the two CMS):

Other names: Trichloromethane, 三氯甲烷 or 哥羅芳 in Chinese

Source: Same as Methylene Chloride

Uses: It is used in refrigerants (CFC-33 in air conditioners), solvents, and coating layers of cooking utensils.

3) Hydrogen peroxide (H₂O₂):

Other names: 過氧化氫 or 雙氧水 in Chinese

Source: Reaction between hydrogen (self produced) and oxygen.

Uses: It is used in washing powder, disinfectant, antiseptic, and bleaching agents.

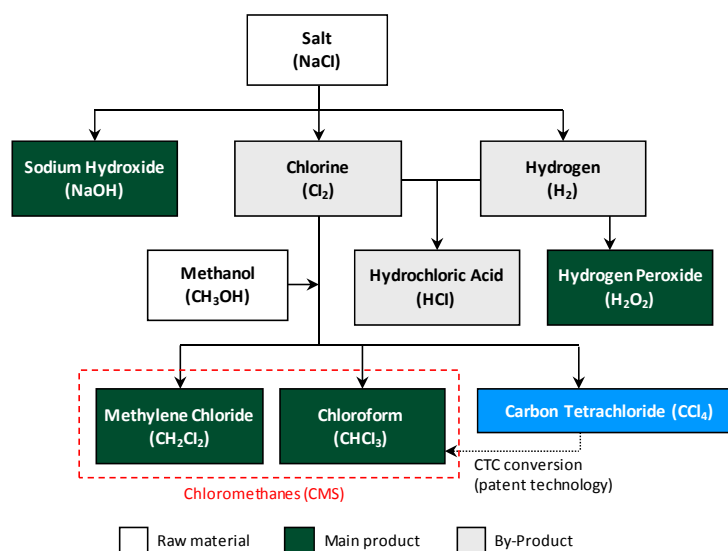
4) Sodium hydroxide (NaOH):

Other names: Caustic soda, 氫氧化鈉, 燒鹼 or 哥士的 in Chinese

Source: Electrolysis of brine (concentrated salt water).

Uses: It is used in manufacture of paper, textiles, soaps and drain cleaners. It is also used as a reagent for making more complex chemicals.

Figure 7: Products



Source: Company data, Kim Eng Securities

Note that LMC uses hydrogen (from electrolysis of brine) to make hydrogen peroxide, while other plants release it as waste. Similarly, chlorine (also from electrolysis of brine) is converted into CMS instead of being sold, while some companies purchase chlorine externally.

Most of the products are sold domestically at present

Currently LMC sells most of its products domestically, but it may begin exports to the USA or India in the future.

Current capacity and operations

Plants are located in Changshu, near the harbour for easy transportation

LMC's current plants are located in Changshu city, 120km northwest of Shanghai, where most of its customers are located. The plants occupy around 800 hectares of land and are located near the harbour for easy transportation of raw materials and products.

Phase 2A and 2B will contribute to full-year production and profit next year

LMC's current CMS capacity is 120,000 tons/year, of which 60,000 tons is for Methylene Chloride and the rest is for Chloroform. (Fig. 8). Note that Phase 2A and 2B (40,000 t/y of CMS each) commenced operations in February and June 2009 respectively. In 2010, they will contribute to full-year production and profit.

The chemical unit's current hydrogen peroxide capacity is 60,000 tons/year; it is expected to increase to 120,000 tons/year after Phase 3 is completed in February 2010.

Actual output can exceed stated capacity

The above capacities are "designed capacities"; in fact, the actual output can exceed the designed capacities by as much as 20%.

Revenue jumped after Phase 2B started operations

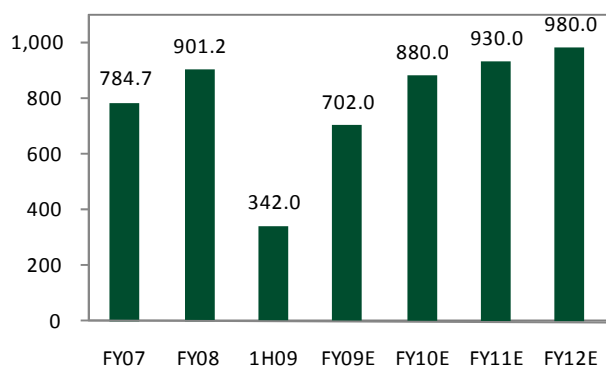
In 1H09, LMC contributed around 38%, or HK\$212m, to LMH's revenue of HK\$554m. (Fig. 9-12). Management believes that contribution of the chemical business could go up to 70% in the long term. In fact, after the completion of Phase 2B in June 2009, revenue in July, August and September was HK\$60m, HK\$70m and HK\$70m respectively, much higher than the monthly average (~HK\$35m) in 1H09 (Fig.13).

Figure 8: LMC production capacity (in tons/year)

Product	Phase 1	Phase 2A	Phase 2B	Phase 3	Total
Chloromethanes (CMS)					
- Methylene Chloride	20,000	20,000	20,000	-	60,000
- Chloroform	20,000	20,000	20,000	-	60,000
Total CMS	40,000	40,000	40,000	-	120,000
Hydrogen peroxide (concentration of 24.5%)			60,000	60,000	120,000
Production Commencement	Jun 2008	Feb 2009	Jun 2009	Feb 2010	

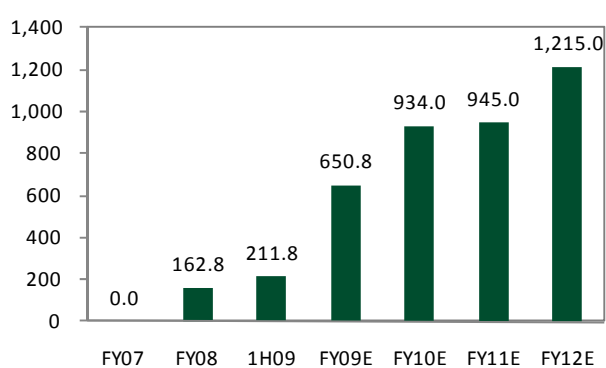
Source: Company data, Kim Eng Securities

Figure 9: Segment revenue: Handbag (HK\$m)



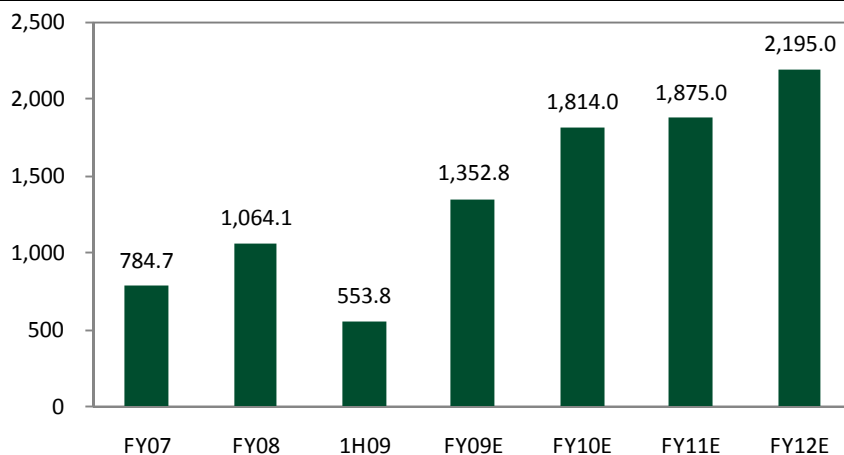
Source: Company data, Kim Eng Securities

Figure 10: Segment revenue: Chemical (HK\$m)



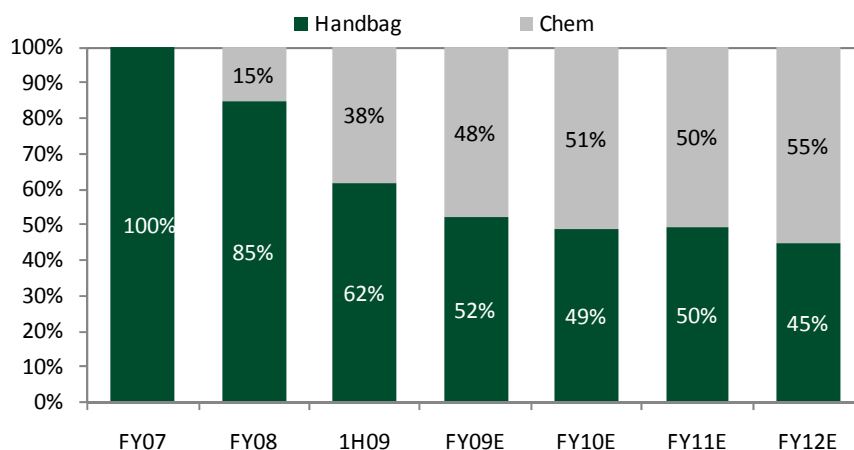
Source: Company data, Kim Eng Securities

Figure 11: Group revenue (HK\$m)

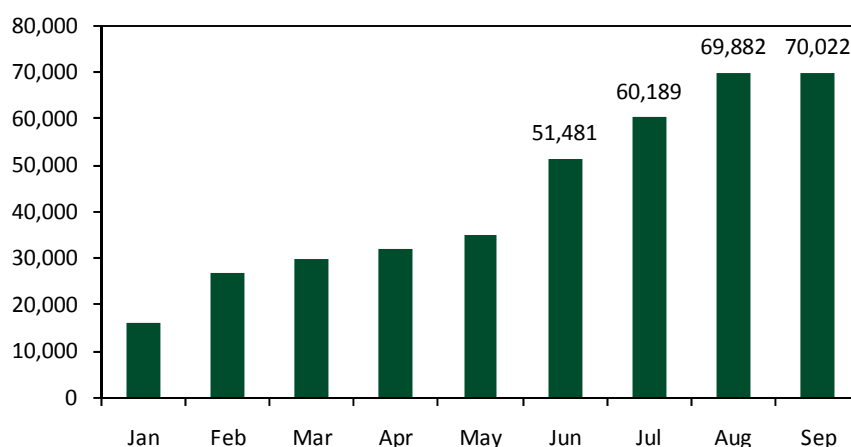


Source: Company data, Kim Eng Securities

Figure 12: Revenue breakdown



Source: Company data, Kim Eng Securities

Figure 13: LMC Sales revenue 2009 (HK\$ 000)

Source: Company data, Kim Eng Securities

Opportunities: Shortage of CMS supply

China imports more than 50% of chemicals

Currently, China imports more than 50% of chemicals. Shortage of CMS supply brings about opportunities for LMC, with the company being the second-largest CMS producer in the country.

There is shortage of CMS supply, especially in the Eastern part of China

For Methylene chloride, total domestic demand is around 520,000 tons/year, while supply is only 470,000 tons/year (Fig.14). The shortage is most pronounced in Eastern China with demand of 250,000 tons/year and supply of only 190,000 tons/year (of this, LMC supplies 60,000 tons/year).

CMS demand is likely to grow due to subsidies on electrical appliances

For chloroform, total domestic demand is 460,000 tons/year versus supply of 220,000 tons/year. Total demand in Eastern China is 310,000 tons/year while supply is only 60,000 tons/year (completely by LMC).

Furthermore, CMS demand is likely to grow with the Chinese government providing subsidies on purchase of household electrical appliances in rural areas.

Figure 14: Demand of Supply of chemicals in China

Methylene Chloride	Demand	Supply	Shortage	LMC supply
China	520,000 t/y	470,000 t/y	50,000 t/y	
of which: in Eastern China	250,000 t/y	190,000 t/y	60,000 t/y	60,000 t/y
Chloroform	Demand	Supply	Shortage	LMC supply
China	460,000 t/y	220,000 t/y	240,000 t/y	
of which: in Eastern China	310,000 t/y	60,000 t/y	250,000 t/y	60,000 t/y (the only supplier in Eastern China)
Hydrogen peroxide	Demand	Supply	Shortage	LMC supply
Yangtze Delta	450,000 t/y	440,000 t/y	10,000 t/y	120,000 t/y (the largest one)

Source: Company data, Kim Eng Securities

Advantage: Location

Changshu is one of the largest production bases for refrigerants

Changshu is one of the largest production bases for CFC-22 (refrigerant) in the world. Two big producers of refrigerants, 3F and Arkema, demand 90,000 t/y and 60,000 t/y of Chloroform respectively. These companies are located near LMC's plants, which gives it the advantage of lower transportation cost and an opportunity to provide better services.

Plants are located near the harbour, saving transportation costs for LMC

Moreover, LMC is the only company in China with CMS plants located near the harbour, which again lowers transportation cost for the company. Transport by water is much cheaper (~50%) than that by road.

Newcomers will find it difficult to enter this industry

Also, it is difficult for new competitors to set up plants near the harbour, as not much land is left in the area for industrial use. At present, the China government strongly discourages establishment of new CMS plants, especially in the Jiangsu province, mainly due to concerns about the ozone pollutant, carbon tetrachloride (CCl₄, CTC). LMC owns proprietary technology to convert carbon tetrachloride into chloroform.

Advantage: Favourable policies

CMS production is restrictive, with new licences unlikely to be granted

The NDRC has imposed restrictions on CMS production in China. New licenses are unlikely to be granted (though existing operators can expand). Moreover, new Chloro-Alkali plants are forbidden in the Jiangsu province, and foreign companies are banned from entering the industry.

LM enjoys favorable tax rates

LMC will enjoy a favorable tax rate of 12.5% until 2012. It is in the process of applying for a change in status to "innovative technology firm"; if the application is accepted, the company may enjoy a tax rate of 15% (instead of the normal 25%) after 2012. Management is optimistic about this.

Synergy with sister company

Shares ports and power sources with sister company

Lee & Man Paper (2314), a sister company of LMH, has its own ports and electricity power sources in Changshu city. LMC also uses these facilities for stable and efficient production. LMC shares electricity supply with Lee & Man Paper, which reduces the risk of unstable power supply (a common problem in China).

Well-designed manufacturing system

LMC has a well designed manufacturing system...

LMC purchases only two raw materials (salt and methanol) from third parties. It produces other raw materials such as chlorine and hydrogen, resulting in lower wastage and production cost.

Chemicals business has high entry barriers; industry know-how is required to step in

and high levels of technical expertise

The chemical engineering business is capital intensive and it requires technical expertise. Professor C.K. Poon, the former vice-chancellor of the Hong Kong Polytechnic University, is an advisor of LMC, while Professor Albert Chan Sun-chi, the next vice-chancellor of the Hong Kong Baptist University has designed LMC's chemicals production system. Thus, the company's technical expertise is quite ahead of peers.

LMC has its own technology for treating pollutants

The China government mandates proper treatment of pollutants. For example, during the production of CMS, Carbon Tetrachloride (CCl₄, CTC) is released; it is an ozone pollutant and has to be treated properly before being released into the atmosphere. LMC owns proprietary technology to convert CTC into chloroform.

Strong cashflow and working capital

LMH's accounts receivable cycle is as short as 3.5 days, while its inventory level is around 20 days. Cash is obtained on delivery for 90% of the transactions.

At present, we do not expect huge capex in coming years. We estimate capex of ~HK\$200m only over FY10-FY12. As a result, the company can generate more than HK\$350m of free cash flow in each of the next -three years.

Future plans

- 1) The company intends to produce hydrogen peroxide with higher concentration (35% or 50% vs. the current 24.5%), as competition in the high-concentration segment is lower.
- 2) LMH also plans to further expand either its production capacity of CMS to 160,000 tons/year or set up production of Trichlorosilane (HCl₃Si, 60,000 ton/year). The capex would be around Rmb150m.
- 3) LMC also intends to develop high-end downstream consumer chemicals.

Peers

There are no direct HK-listed comparable peers; we have compared LMH with some companies in the same industry:

- 1) Kingboard Chem (148) – KBC generates around one-third of its revenue from chemicals. Its products include methanol, phenol, and acetone. It also manufactures caustic soda and hydrogen peroxide, but not CMS. KBC is trading at around 11x FY09E earnings.
- 2) Yip's Chemical (408) - Yip's is a pure chemical play. It manufactures paints, solvents, lubricants and coatings. It sell products to customers (B to C model), while LMC sell products to other cooperates (B to B model). Yip's is trading at around 7x 1H09 annualized earnings
- 3) Dongyue Group (189) – Dongyue is also a pure chemical play. Refrigerants account for 50% of its revenue. The company also manufactures caustic soda and Methylene chloride. Dongyue is trading 24x 1H09 annualized earnings.

Valuation and Recommendation

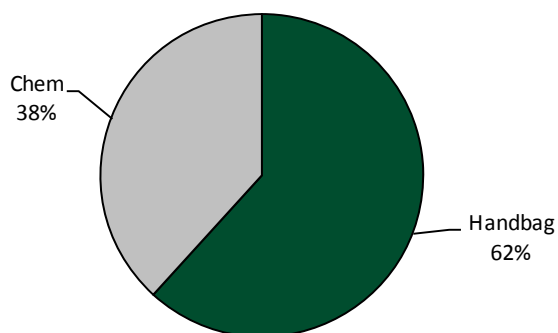
- We believe that LMH's FY09 results (due Apr-10) would be a short-term share price catalyst. We expect the company's FY09 net profit to be more than three times that of FY08. We believe the stock would then undergo a re-rating.
- In the medium term, profit (and the share price) would depend on LMC's upcoming expansion plan.
- Demand growth for LMC's products is expected to be strong, driven by the continued support of the Chinese government on spending on household appliances.
- We have a BUY rating on LMH with a target price of HK\$6.00, equivalent to 13x FY10E earnings.
- Its closest peer (still not a directly comparable), KBC, is trading at around 11x 1H09 annualized earnings, but chemical segment accounted for only 18% of KBC's 1H09 profit. In contrast, chemical segment contributed 31% of LMH's 1H09 profit. We expect the chemical segment to contribute 58% and 74% of LMH's profit in FY09 and FY10, respectively. As a result, we believe that LMH deserve a higher multiple than KBC.
- Further upside to our target price would depend on the pace of the unprojected expansion.
- Earnings growth in FY11 is projected to be relatively static, mainly on the ground of limited capacity growth during the year. We are expecting further earnings growth in FY12 when the potential expansion starts to contribute.

Company background

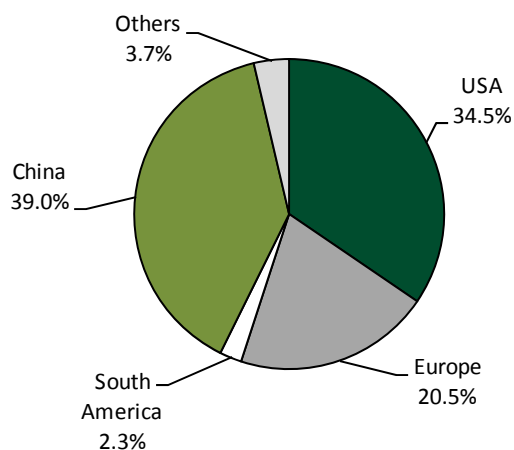
Nov-05	Announced the set-up chemical production plant in Jiangsu
2006	Invested Rmb1.2b and founded Lee & Man Chemical Limited, a 100% subsidiary
Jun-08	Phase 1 of the chemical plant started production; it contributed to the group's profit in 1H08.
2009	Phase 2A and 2B started production.

Business profile

Sales breakdown by product (1H09)



Sales breakdown by market (1H09)



Source: Company data, Kim Eng Securities estimates

Competitive analysis

(For the chemical segment)

Substitutes

There are no simple substitutes for chemical products. Most of them are used as raw materials for producing other sophisticated chemicals.

Suppliers

The company buys salt from local companies and methanol from overseas suppliers. It also purchases coal from different suppliers to generate electricity for chemical processes.

Competitive threats

Currently, chemical products are in shortage in China, while the company has established critical mass.

Customers

Customers are manufacturers and other chemical industry companies.

New entrants

The industry is capital-intensive; a firm would need technical know-how to enter this industry. Foreign players are banned from entering the industry.

Risks

The company is exposed to changes in commodity prices, which may affect its profitability. Another risk is customer concentration.

Profit and loss

YE Dec (HK\$m)	FY08A	FY09E	FY10E	FY11E	FY12E
Sales	1,064.1	1,352.8	1,814.0	1,875.0	2,195.0
Cost of goods sold	(825.9)	(866.0)	(1,078.3)	(1,118.6)	(1,285.1)
Gross profit	238.2	486.9	735.7	756.4	909.9
Other income	15.5	(30.0)	(69.0)	(68.0)	(77.0)
Distribution costs	(45.4)	(60.2)	(90.0)	(95.0)	(105.0)
Administrative expenses	(107.7)	(93.0)	(132.0)	(140.0)	(165.0)
Interest expenses	(9.1)	(16.6)	(18.0)	(22.0)	(25.0)
Profit before tax	91.6	287.1	426.7	431.4	537.9
Income tax	(10.0)	(29.5)	(50.6)	(51.3)	(64.6)
Net profit	81.6	257.6	376.1	380.1	473.4
EPS (HK\$)	0.099	0.312	0.456	0.461	0.574
EBITDA	85.1	333.6	513.7	521.4	639.9

Source: Company data, Kim Eng Securities estimates

Balance sheet

YE Dec (HK\$m)	FY08A	FY09E	FY10E	FY11E	FY12E
Total assets	1466.5	1705.3	1923.2	2136.3	2421.3
Current assets	328.8	405.5	572.1	733.5	918.0
Cash & ST investment	63.5	133.8	270.1	382.2	507.8
Inventories	126.1	140.4	160.0	200.0	240.0
Accounts receivable	138.1	130.8	141.5	150.8	169.7
Others	1.0	0.5	0.5	0.5	0.5
Other assets	1137.7	1299.8	1351.1	1402.8	1503.3
LT investments	21.8	24.0	25.0	26.0	26.0
Net fixed assets	1106.8	1263.1	1314.2	1365.6	1466.8
Others	9.1	12.7	11.9	11.2	10.5
Total liabilities	748.2	695.0	614.2	531.3	464.2
Current liabilities	571.6	399.3	387.1	386.2	410.1
Accounts payable	263.2	303.4	320.8	340.9	370.8
ST borrowings	302.3	80.0	50.0	30.0	20.0
Others	6.1	15.9	16.3	15.3	19.3
Long-term liabilities	176.6	295.7	227.1	145.1	54.1
Long-term debts	124.8	257.1	187.1	107.1	17.1
Others	51.8	38.6	40.0	38.0	37.0
Shareholder's equity	718.2	1010.3	1309.0	1604.9	1957.1
Paid-in capital	82.5	82.5	82.5	82.5	82.5
Reserve	635.7	927.8	1226.5	1522.4	1874.6
Minority interests	0	0	0	0	0

Source: Company data, Kim Eng Securities estimates

Cash flow

YE Dec (HK\$m)	FY08A	FY09E	FY10E	FY11E	FY12E
Operating cash flow	145.6	353.8	427.0	424.0	518.5
Operating profit	91.6	287.1	426.7	431.4	537.9
Depreciation & amortization	54.7	73.7	80.2	94.3	97.4
Change in working capital	21.0	39.1	(11.3)	(28.4)	(27.2)
Others	(21.7)	(46.1)	(68.6)	(73.3)	(89.6)
Investment cash flow	(346.4)	(156.3)	(50.1)	(51.2)	(100.9)
Net capex	(351.8)	(155.6)	(50.0)	(50.0)	(100.0)
Change in LT investment	0.0	(0.7)	(0.1)	(1.2)	(0.9)
Change in other assets	5.4	0.0	0.0	0.0	0.0
Cash flow after invt.	(200.8)	197.5	376.9	372.8	417.6
Financing cash flow	218.1	(127.1)	(240.6)	(260.7)	(292.0)
Dividend paid	(41.3)	(37.1)	(140.6)	(160.7)	(192.0)
Net change in debt	259.3	(90.0)	(100.0)	(100.0)	(100.0)
Change in other LT liab.	0.0	0.0	0.0	0.0	0.0
Net cash flow	17.3	70.3	136.3	112.1	125.6

Source: Company data, Kim Eng Securities estimates

Key ratios

YE Dec	FY08A	FY09E	FY10E	FY11E	FY12E
Growth (% YoY)					
Sales	35.6	27.1	34.1	3.4	17.1
Gross profit	7.7	104.4	51.1	2.8	20.3
EBITDA	(20.1)	291.8	54.0	1.5	22.7
Net profit	(23.4)	215.8	46.0	1.1	24.5
EPS	(23.0)	215.8	46.0	1.1	24.5
Profitability (%)					
Gross margin	22.4	36.0	40.6	40.3	41.5
EBITDA margin	8.0	24.7	28.3	27.8	29.2
Net margin	7.7	19.0	20.7	20.3	21.6
ROA	6.6	16.2	20.7	18.7	20.8
ROE	12.0	29.8	32.4	26.1	26.6
Stability					
Gross debt/equity (%)	59.5	33.4	18.1	8.5	1.9
Net debt/equity (%)	50.6	20.1	0.0	0.0	0.0
Int. coverage (X)	11.1	18.3	24.7	20.6	22.5
Cash flow int. coverage (X)	18.4	24.1	27.5	22.6	24.3
Current ratio (X)	0.6	1.0	1.5	1.9	2.2
Quick ratio (X)	0.4	0.7	1.1	1.4	1.7
Net cash/(debt) (HK\$m)	(363.6)	(203.3)	33.0	245.1	470.7
Per share data (HK\$)					
EPS	0.10	0.31	0.46	0.46	0.57
CFPS	0.02	0.09	0.17	0.14	0.15
BVPS	0.86	1.21	1.58	1.94	2.37
SPS	1.29	1.64	2.20	2.27	2.66
EBITDA/share	0.10	0.40	0.62	0.63	0.78
DPS	0.04	0.11	0.18	0.21	0.26

Source: Company data, Kim Eng Securities estimates

SINGAPORE

Stephanie WONG *Head of Research*
Regional Head of Institutional Research
 +65 6432 1451 swong@kimeng.com

- Strategy
- Small & Mid Caps

Gregory YAP

+65 6432 1450 gyap@kimeng.com

- Conglomerates
- Technology & Manufacturing
- Transport & Telcos

Rohan SUPPIAH

+65 6432 1455 rohan@kimeng.com

- Airlines
- Marine & Offshore

Pauline LEE

+65 6432 1453 paulinelee@kimeng.com

- Bank & Finance
- Consumer
- Retail

Wilson LIEW

+65 6432 1454 wilsonliew@kimeng.com

- Hotel & Resort
- Property & Construction

Anni KUM

+65 6432 1470 annikum@kimeng.com

- Industrials
- REITs

James KOH

+65 6432 1431 jameskoh@kimeng.com

- Infrastructure
- Resources

David LOOMIS

+65 6432 1417 dloomis@kimeng.com

- Special Situations

HONG KONG / CHINA

Edward FUNG *Head of Research*

+852 2268 0632 edwardfung@kimeng.com.hk

- Power
- Construction

Ivan CHEUNG

+852 2268 0634 ivancheung@kimeng.com.hk

- Property

Ivan LI

+852 2268 0641 ivanli@kimeng.com.hk

- Banking & Finance

TAM Tsz Wang

+852 2268 0636 tamtszwang@kimeng.com.hk

- Telcos
- Small Caps

Emily LEE

+852 2268 0631 emilylee@kimeng.com.hk

- Retail

Jacqueline KO

+852 2268 0633 jacquelineko@kimeng.com.hk

- Food & Beverage

GUICE Fei Ling

+852 2268 0635 feiling@kimeng.com.hk

- Ports & Shipping

Christina LIE

+852 2268 0640 christinalie@kimeng.com.hk

- Auto

INDIA

Jigar SHAH *Head of Research*

+91 22 6623 2601 jigar@kimeng.co.in

- Oil & Gas
- Transportation

Anubhav GUPTA

+91 22 6623 2605 agupta@kimeng.co.in

- Property
- Capital goods

Urmil SHAH

+91 22 6623 2606 urmil@kimeng.co.in

- Software
- Telecom

R. SRINIVASAN

+912266232625 rsrinivasan@kimeng.co.in

- Banking and Financial services

Nikhil Agarwal

+912266232611 nikhil@kimeng.co.in

- Cement
- Metals

MALAYSIA

YEW Chee Yoon *Head of Research*

+603 2141 1555 cheeyoon@kimengkl.com

- Strategy
- Banks
- Telcos
- Property
- Conglomerates & others

LIEW Mee Kien

+603 2141 1555 meekien@kimengkl.com

- Gaming
- Media
- Power
- Construction

Research Team

- +603 2141 1555
- Food & Beverage
- Manufacturing
- Plantations
- Tobacco
- Technology

INDONESIA

Katarina SETIAWAN *Head of Research*

+6221 2557 1125 ksetiawan@kimeng.co.id

- Consumer
- Infra
- Shipping
- Strategy
- Telcos
- Others

Ricardo SILAEN

+6221 2557 1126 rsilaen@kimeng.co.id

- Auto
- Energy
- Heavy Equipment
- Property
- Resources

Rahmi Marina

+6221 2557 1128 rmarina@kimeng.co.id

- Banking

Adi N. WICAKSONO

+6221 2557 1130 anwicaksono@kimeng.co.id

- Generalist

Arwani PRANADJAYA

+6221 2557 1129 apranadjaya@kimeng.co.id

- Technical analyst

VIETNAM

King Yoong CHEAH *Head of Research*

+84 838 38 66 36 x 161 cheah.yoong@kimeng.com.vn

- Strategy
- Nguyen Thi Ngan Tuyen**
- +84 838 38 66 36 x 163 tuyen.nguyen@kimeng.com.vn
- Pharmaceutical
- Confectionary and Beverage
- Oil and Gas

Ngo Bich Van

+84 838 38 66 36 x 164 van.ngo@kimeng.com.vn

- Bank
- Insurance

Nguyen Quang Duy

+84 838 38 66 36 x 162 duy.nguyenquang@kimeng.com.vn

- Shipping
- Seafood
- Rubber

Trinh Thi Ngoc Diep

+84 838 38 66 36 x 166 diep.trinh@kimeng.com.vn

- Property
- Construction

THAILAND

Naphat CHANTARASEREKUL

+662 658 6300 x 4770 naphat.c@kimeng.co.th

- Energy

Piya ORANRIKSUPHAK

+662 658 6300 x 4710 piya.o@kimeng.co.th

- Property

Supattra KHONGRUNGPHAKORN

+662 6586300 ext 4800 supattra.k@kimeng.co.th

- Media & Publishing
- Retail
- Information & Communication Technology

Kanchan KHANIJOU

+ 662 658 6300 x 4750 kanchan@kimeng.co.th

- Banks
- Construction Materials

KELIVE Thailand (for retail clients)

George HUEBSCH *Head of Research*

+662 658 6300 ext 1400 george.h@kimeng.co.th

PHILIPPINES

Ricardo PUIG *Head of Research*

+63 2 849 8835 ricardo_puig@atr.com.ph

- Strategy
- Property
- Telcos

Laura DY-LIACCO

+63 2 849 8840 laura_dyliacco@atr.com.ph

- Utilities
- Conglomerates

Robin SARMIENTO

+63 2 849 8839 robin_sarmiento@atr.com.ph

- Banking
- Ports
- Mining

Lovell SARREAL

+63 2 849 8841 lovell_sarreal@atr.com.ph

- Consumer
- Cement
- Media

REGIONAL

Luz LORENZO *Economist*

+63 2 849 8836 luz_lorenzo@atr.com.ph

- Economics

TAIWAN

Gary Chia

Head of Greater China Research

+886 2 3518 7900 gary.chia@yuanta.com

Boris Markovitch

COO, Greater China Research

+852 3969 9518 boris.markovic@yuanta.com

John Brebeck, CFA

Head of Taiwan Strategy

Head of Research, Taiwan

+886 2 3518 7906 john.brebeck@yuanta.com

George Chang, CFA

Head of Upstream Tech

+886 2 3518 7907 george.chang@yuanta.com

Vincent Chen

Head of Downstream Tech

+886 2 3518 7903 vincent.chen@yuanta.com

Dennis Chan – NB Supply Chain

+886 2 3518 7913 dennis.chan@yuanta.com

Andrew C Chen – IC Backend

+886 2 3518 7940 andrew.chen@yuanta.com

Ellen Chiu – Taiwan Consumer

+886 2 3518 7936 ellen.chiu@yuanta.com

Danny Ho – Taiwan Petrochemical

+886 2 3518 7923 danny.ho@yuanta.com

Min Li – Alternative Energy

+852 3969 9521 min.li@yuanta.com

May Lin – Taiwan Telecom

+886 2 3518 7942 may.lin@yuanta.com

Tess Wang – Taiwan Financials

+886 2 3518 7901 tess.wang@yuanta.com

Recommendation definitions

Our recommendation is based on the following expected price performance within 12 months:

- +15% and above: BUY
- 15% to +15%: HOLD
- 15% or worse: SELL

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLOSURES AND DISCLAIMERS**Disclaimer**

The information, tools and material presented herein are provided for informational purposes only and are not to be used or considered as an offer or a solicitation to sell or an offer or solicitation to buy or subscribe for securities, investment products or other financial instruments, nor to constitute any advice or recommendation with respect to such securities, investment products or other financial instruments. This research report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. You should independently evaluate particular investments and you should consult an independent financial adviser before making any investments or entering into any transaction in relation to any securities mentioned in this report.

The information, tools and material presented herein are 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 Kim Eng Holdings Limited and/or its subsidiaries or affiliates (collectively "Kim Eng") to any registration or licensing requirement within such jurisdiction.

Information and opinions presented in this report have been obtained or derived from sources believed by Kim Eng to be reliable, but Kim Eng makes no representation as to their accuracy or completeness and Kim Eng accepts no liability for loss arising from the use of the material presented in this report where permitted by law and/or regulation. This report is not to be relied upon in substitution for the exercise of independent judgment. Kim Eng may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them.

The research analyst(s) primarily responsible for the preparation of this report confirms that (a) all of the views expressed in this report accurately reflects his or her personal views about any and all of the subject securities or issuers; and (b) that no part of his or her compensation was, is or will be, directly or indirectly, related to the specific recommendations or views he or she expressed in this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance.

Kim Eng, its directors and employees may have investments in securities or derivatives of any companies mentioned in this report, and may make investment decisions that are inconsistent with the views expressed in this report.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own investigation and analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

General Disclosure

Kim Eng and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. Kim Eng may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. One or more directors, officers and/or employees of Kim Eng may be a director of the issuers of the securities mentioned in this report. Kim Eng may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

This research report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report.

The information contained herein is believed to be reliable, its completeness and accuracy is however not guaranteed. Opinions expressed in this report are subject to change without notice, and no part of this publication is to be construed as an offer, or solicitation of an offer to buy or sell any securities or financial instruments whether referred therein or otherwise. We do not accept any liability whatsoever whether direct or indirect that may arise from the use of information contained in this report. Any transactions by US persons in any security discussed in this report must be carried out through Kim Eng Securities (USA) Inc which has distributed this report in the USA. In addition, this document has been distributed in the UK for information only and circulated only to existing customers of Kim Eng, who are not private customers as classified under FSA's Rules.

Regulatory Disclosures as required by the Hong Kong Securities and Futures Commission

Policies of Kim Eng Securities (Hong Kong) Limited ("KESHK"):

- *Research analysts who publish investment research are not directly supervised by, and do not report directly to, investment banking or sales and trading personnel.*
- *Research analysts' compensation or remuneration should not be linked to any specific investment banking function or to recommendations in research.*
- *Research analysts or their associates are prohibited from dealing in the securities or any derivatives of any companies the research analysts review/analyse/cover.*
- *Research analysts or their associates are prohibited from holding any directorship or other position in any company the research analysts review/analyse/cover.*

Group companies of Kim Eng (inclusive of KESHK) which are carrying on a business in Hong Kong in investment banking, proprietary trading or market making or agency broking (the "Firms") are not a market maker in the securities of the subject companies mentioned in this report.

The Firms do not have any investment banking relationship with the companies mentioned in this report within the last 12 months.

As of 13 January 2010, Kim Eng Securities (Hong Kong) Limited and the authoring analyst does not have interests in the said company/companies.

Analyst Certification:

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

© 2010 Kim Eng Securities (Hong Kong) Limited. All rights reserved. Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Kim Eng Securities (Hong Kong) Limited. Kim Eng Securities (Hong Kong) Limited accepts no liability whatsoever for the actions of third parties in this respect.

Singapore

Kim Eng Securities Pte Ltd Kim Eng Research Pte Ltd

9 Temasek Boulevard
#39-00 Suntec Tower 2
Singapore 038989

Tel: +65 6336 9090
Fax: +65 6339 6003

LAU Wai Kwok (sales)
lauwk@kimeng.com

Stephanie WONG (research)
swong@kimeng.com

Hong Kong

Kim Eng Securities (HK) Ltd

Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

Tel: +852 2268 0800
Fax: +852 2877 0104

Ray LUK (sales)
rluk@kimeng.com.hk

Edward FUNG (research)
edwardfung@kimeng.com.hk

Philippines

ATR-Kim Eng Securities Inc.

17/F, Tower One & Exchange
Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: +63 2 849 8888
Fax: +63 2 848 5738

Lorenzo ROXAS (sales)
lorenzo_roxas@atr.com.ph

Ricardo PUIG (research)
ricardo_puig@atr.com.ph

South Asia Sales Trading

Connie TAN
connie@kimeng.com
Tel: +65 6333 5775
US Toll Free: +1 866 406 7447

London

Kim Eng Securities (London) Ltd

6/F, 20 St. Dunstan's Hill
London EC3R 8HY, UK

Tel: +44 20 7621 9298
Dealers' Tel: +44 20 7626 2828
Fax: +44 20 7283 6674

Giles WALSH (sales)
gwals@kimeng.co.uk

Geoff HO (sales)
gho@kimeng.co.uk

James JOHNSTONE (sales)
jjohnstone@kimeng.co.uk

Thailand

Kim Eng Securities (Thailand) Public Company Limited

999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road, Pathumwan,
Bangkok 10330, Thailand

Tel: +66 2 658 6817 (sales)
Tel: +66 2 658 6801 (research)

Vikas KAWATRA (sales)
vkawatra@kimeng.co.th

Naphat CHANTARASEREKUL (research)
naphat.c@kimeng.co.th

Vietnam

Kim Eng Vietnam Securities Joint Stock Company

1st Floor, 255 Tran Hung Dao St.
District 1
Ho Chi Minh City, Vietnam

Tel: +84 838 38 66 36
Fax: +84 838 38 66 39

Mai Phan Lam Hoa (sales)
Hoa.maiph@kimeng.com.vn

King Yoong CHEAH (research)
cheah.yoong@kimeng.com.vn

North Asia Sales Trading

Eddie LAU
eddielau@kimeng.com.hk
Tel: +852 2268 0800
US Toll Free: +1 866 598 2267

New York

Kim Eng Securities USA Inc

406, East 50th Street
New York, NY 10022, U.S.A.

Tel: +1 212 688 8886
Fax: +1 212 688 3500

Jeffrey S. SEO (sales)
jseo@kesusa.com

Warren KIM (trading)
wkim@kesusa.com

Indonesia

PT Kim Eng Securities

Plaza Bapindo
Citibank Tower 17th Floor
Jl Jend. Sudirman Kav. 54-55
Jakarta 12190, Indonesia

Tel: +62 21 2557 1188
Fax: +62 21 2557 1189

Kurnia SALIM (sales)
ksalim@kimeng.co.id

Katarina SETIAWAN (research)
ksetiawan@kimeng.co.id

India

Kim Eng Securities India Pvt Ltd

2nd Floor, The International,
Plot No.16, Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: +91.22.6623.2600
Fax: +91.22.6623.2604

Vikas KAWATRA (sales)
vkawatra@kimeng.co.th

Jigar SHAH (research)
jigar@kimeng.co.in

North America Sales Trading

Warren KIM
wkim@kesusa.com
Tel: +1 212 688 8886

Taiwan

Yuanta Securities Investment Consulting Co.

10/F, No 225, Nanking East Rd
Section 3
Taipei 104, Taiwan

Tel: +886 2 8770-6078
Fax: +886 2 2546-0376

Arthur LO (sales)
Arthur.lo@yuanta.com.tw

Gary CHIA (research)
Gary.chia@yuanta.com.tw

Malaysia

Kim Eng Research Sdn Bhd

16/F, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

Tel: +603 2141 1555
Fax: +603 2141 1045

YEW Chee Yoon (research)
cheeyoon@kimengkl.com