

Lower costs to fuel earnings growth

BUY (Int. coverage)

Financial summary

Year to Dec	07A	08A	09F	10F	11F
Turnover (RMBm)	2,445.73	585.34	377.24	827.55	426.7
Net Profit (RMBm)	45.1	294.7	503.1	552.3	591.8
EPS (RMB)	0.028	0.178	0.303	0.333	0.356
EPS Δ%	(86.0)	533.9	70.8	9.8	7.2
P/E (x)	62.6	9.9	5.8	5.3	4.9
P/B (x)	2.01	1.67	1.39	1.24	1.12
EV/EBITDA (x)	22.5	6.4	3.8	3.3	2.5
Yield (%)	0.5	5.0	10.4	11.4	12.2
ROE (%)	4.6	18.5	26.2	24.8	23.9
ROCE (%)	2.4	16.6	25.5	25.7	27.6
N. Gear. (%)	40.6	22.8	11.4	4.8	Cash

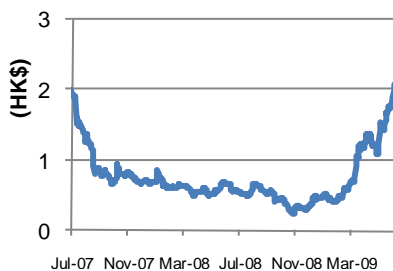
Source: SBI E2-Capital

Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	+24.6	+71.6	+307.6
Actual price changes (%)	+37.0	+170.3	+227.9

	09F	10F	11F
Consensus EPS (RMB)	n.a.	n.a.	n.a.
Previous forecasts (RMBm)	n.a.	n.a.	n.a.
Previous EPS (RMB)	n.a.	n.a.	n.a.

Price Chart



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RMB351.3/tonne in North China, RMB645.3/tonne in East China), which suggests, assuming all others remain the same, unit production cost in Inner Mongolia can be ~5% lower for glutamic acid / MSG and ~20% for xanthan gum. Although this advantage is somewhat offset by the higher freight expenses associated (~RMB102/tonne for 1,144km railway transportation from Hohhot to Jinan, equivalent to 1.6%, 1.5% and 0.5% of Fufeng's effective ASP of glutamic acid, MSG and xanthan gum in FY12/08A), production in Inner Mongolia presents apparent cost efficiency. Fufeng realized this fact and made its move in 2006 by building a plant in Hohhot. According to the management, production cost of xanthan gum is only RMB10,000/tonne in Inner Mongolia, versus RMB18,000/tonne in Shandong.

Ticker:	0546.HK	12 mth range:	HK\$0.21-2.12
Price:	HK\$2.00	Market cap:	US\$425.6m
Target:	HK\$2.77 (38.5%)	Daily t/o, 3 mth:	US\$1.1m
		Free float %:	40.3%

Key points:

- * Leading player for glutamic acid, MSG and xanthan gum.
- * Cost advantage built upon Inner Mongolia plant.
- * Rising environmental requirements to discourage small MSG producers.
- * Expanding capacities for MSG and xanthan gum.
- * Steady MSG price this year due to reduced supply and inelastic demand.
- * To capture more xanthan gum market share by aggressive pricing strategy.
- * Steep decline in raw materials costs to favor gross margin, especially in 1H.
- * Foreseeable explosive earnings growth for FY12/09F.
- * BUY with target price at HK\$2.77.

Competitive strengths

Impressive market position. Headquartered in Shandong province, Fufeng has operations in Junan (Shandong), Baoji (Shannxi) and Hohhot (Inner Mongolia). Principal products include glutamic acid, monosodium glutamate (MSG) and xanthan gum, which contributed 29.4%, 28.0% and 12.6%, respectively, of the total revenue in FY12/08A. Market shares for the three products in 2008 were ~20% (domestic), ~10% (domestic) and ~20% (global), respectively, in turns of sales volume.

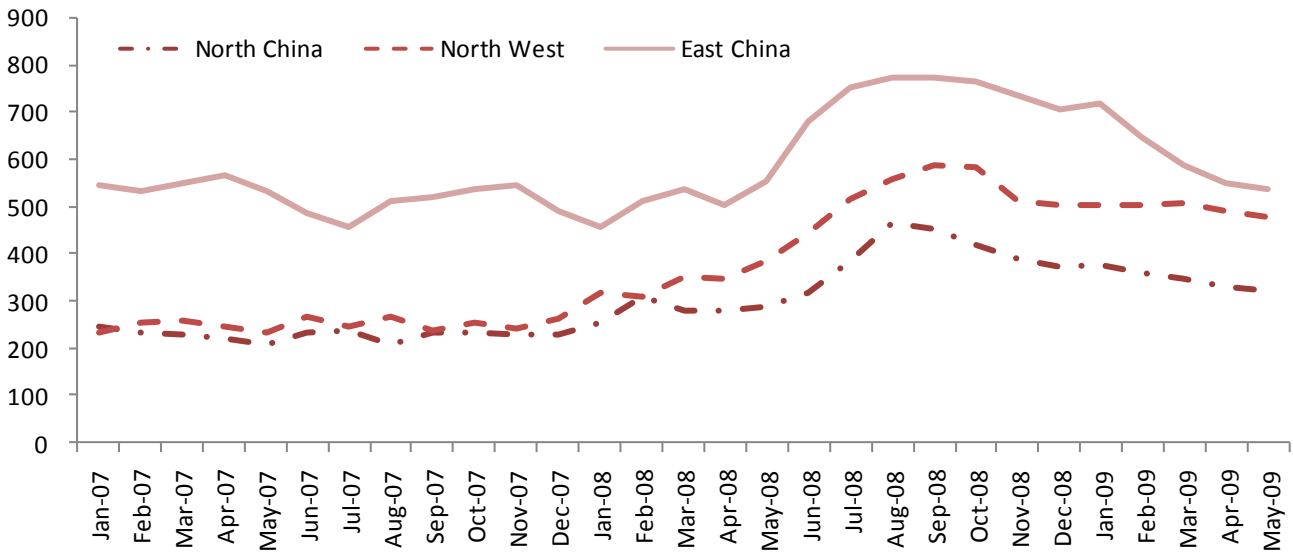
Table 1: Production facilities

Location	Major capacities
Junan	MSG (80,000 tonnes) and xanthan gum (8,000 tonnes)
Baoji	glutamic acid (150,000 tonnes) and MSG (100,000 tonnes)
	glutamic acid (200,000 tonnes), MSG (100,000 tonnes) and xanthan gum
Hohhot	(24,000 tonnes)

Source: Company data

Cost advantage from well-picked plant location. Coal makes up ~40% of xanthan gum's COGS or ~10% of glutamic acid / MSG's. Coal price in Inner Mongolia is about half of which in Shandong (2008:

Chart 1: Coal prices in China (RMB/tonne)



Source: www.sxcoal.com

Competition landscape.

Rising concentration in MSG market. MSG is a widely used food seasoning in China while Glutamic acid is a key raw material for the prior with a conversion ratio of 0.8 (i.e. 0.8 tonne glutamic acid can produce 1.0 tonne MSG). Entry barrier used to be low, which explained over-expansion during market prosperous. Nevertheless participants have been differentiated by their scale, cost control and management. Laggard can hardly make profit under keen competition. Hence, we expect market share to converge to market leaders continuously.

- MSG – market size is estimated at ~1.6m tonnes in 2008, growing at single-digit organically (6.5% CAGR from 2001 to 2005) with increase mainly from food industry, especially convenient food. There were 35 manufacturers in China in 2008, 28 less than one year before, with a total capacity of ~1.6m tonnes. Meihua (capacity: 400,000 tonnes), Fufeng and Lianhua (capacity: 200,000+ tonnes) are the top three players, with ~50% market share, followed by 4 tier-two players (aggregate capacity: 290,000 tonnes), 7 tier-three (aggregate capacity: 270,000 tonnes) and 21 tier-four (aggregate capacity: 265,000 tonnes).
- Glutamic acid – there were 21 manufacturers in 2008, down from 31 one year before, with a total capacity of ~1.5m tonnes. Fufeng and Meihua (capacity: 200,000+ tonnes) are the top two, occupying near 50% market share, followed by 6 tier-two players (aggregate capacity: 490,000 tonnes), 6 tier-three (aggregate capacity: 190,000 tonnes) and 7 tier-four (aggregate capacity: 110,000 tonnes).

Table 2: MSG market segmentation

	MSG		Glutamic acid	
	Companies	Capacity	Companies	Capacity
Tier-One	Meihua (梅花), Fufeng, Lianhua (蓮花)	200,000+ tonnes each	Meihua (梅花), Fufeng	200,000+ tonnes each
Tier-Two	Eppen (伊品), Linghua (菱花), Qilu (齊魯), Xinle (信樂)	60,000 - 200,000 tonnes each with aggregate of 290,000 tonnes	Eppen (伊品), Lianhua (蓮花), Xuehua (雪花), Linghua (菱花), Qilu (齊魯), Xinle (信樂)	60,000 - 200,000 tonnes each with aggregate of 490,000 tonnes
Tier-Three	7 firms	30,000 - 60,000 tonnes each with aggregate of 270,000 tonnes	6 firms	30,000 - 60,000 tonnes each with aggregate of 190,000 tonnes
Tier-Four	21 firms	<30,000 tonnes each with aggregate of 265,000 tonnes	7 firms	<30,000 tonnes each with aggregate of 110,000 tonnes

Source: compiled by SBI E2-Capital

Strengthening regulation to squeeze room for small players. Chinese government issued “the Discharge Standard of Pollutants for Monosodium Glutamate Industry” in 2004, which was implemented in two stages. The second one came into force since 2007. In 2008, the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine jointly drafted “Effluent Standard of Pollutants for Monosodium Glutamate Industry” with intention to replace the 2004 one and lift standard

further. Although this new standard has not been adopted yet, we see the government's willingness and believe environmental protection will be an important issue for the industry in the future. In order to meet these standards, firms have to invest heavily on related facilities and equipment, which creates extra capital requirement and, eventually, rule weak players out of the market.

Two possible scenarios of the industry. According to our channel check, there is no major capacity expansion plan in the market except some in-house MSG projects. Possible reasons behind this cautiousness, in our view, include: 1) lesson learned in 2007 when the industry experienced substantial margin contraction after an irrational expansion in 2006; 2) insufficient funding support due to minimal profit in the past two years (e.g. Shanghai-listed Lianhua reported RMB6.0m and RMB8.5m net profit for FY12/07A and FY12/08A. Cash reserve was only RMB19.7m at end-08.). Nevertheless, the recovering profitability industry-wide will probably motivate another round of expansion in the future. Hence we have two scenarios in our forecasts. Expansion is assumed to be somewhat under control in the base-case scenario while the market-consolidation-case scenario assumes aggressive capacity expansion in 2009/2010, which will temporarily push down the industry's profitability again but reward survivors with even larger market share in long term.

Oligopoly xanthan gum market. Xanthan gum is used as food additive to increase viscosity and rheology modifier in oil drilling. Global demand is estimated at ~100,000 tonnes each year, dominated by three major suppliers: Shandong Deosen, Fufeng and CP Kelco plus some in-house production. CP Kelco is an American company, concentrating on the high-end market. The mass market is shared by the two Chinese companies, Deosen (capacity: ~30,000 tonnes) and Fufeng.

Developing strategy.

More in-house MSG conversion. Fufeng completed expansion plans to increase in-house MSG production to extend its value chain. 125,000 tonnes new MSG capacity was added during 2008, bringing total to 280,000 tonnes. Another 100,000 tonnes production line will be constructed in Baoji this year. Thereafter, ~90% of the glutamic acid output can be converted into MSG before selling.

Raising xanthan gum capacity. With plants in Shandong, Deosen is believed to produce xanthan gum at a much higher cost base due to more expensive coal locally, which grants Fufeng chance to expand. Fufeng enlarged its capacity by 14,000 tonnes in 2008 and will build 12,000 tonnes more this year (both in Inner Mongolia). Total capacity, thereafter, will reach 44,000 tonnes. And the company's plan is to capture 50-60% of xanthan gum finally.

Exploring new opportunities. The company acquired 100% interest in Shenhua Pharmaceutical, a company that operates in the bio-chemical field by applying fermentation technology, at RMB3.5m in Jan 2008. Other than that, Fufeng is also studying other possibilities, according to the management.

FY12/09F Capex. Production lines for 100,000 tonnes MSG and 12,000 tonnes xanthan gum have been planned for 2009, both of which will be in Inner Mongolia. In addition, the company will build capacities for two new products: 5,000 tonne threonine and 1,000 tonne branched chain amino acid (BCAA). FY12/09F capex budgeted at RMB380m, which will be fulfilled by cash reserve (RMB267.6m at end-FY12/08A) and operating cash inflow (FY12/08A: RMB448.9m).

Table 3: Capacity expansion

(tonnes)	Effective in 2007	Effective in 2008	Actual at end-2008	Target at end-2009
Glutamic acid	280,000	275,000	350,000	350,000
MSG	75,000	171,667	280,000	380,000
Xanthan gum	11,333	21,000	32,000	44,000
Fertilizers	490,000	405,000	460,000	460,000
Sweetener	100,000	100,000	100,000	100,000

Source: Company data

Table 4: Capacity distribution at end-2008

(tonnes)	Glutamic acid	MSG	Xanthan gum
Junan	-	80,000	8,000
Baoji	150,000	100,000	-
Hohhot	200,000	100,000	24,000
Total	350,000	280,000	32,000

Source: Company data

Table 5: Capex budget for FY12/09F

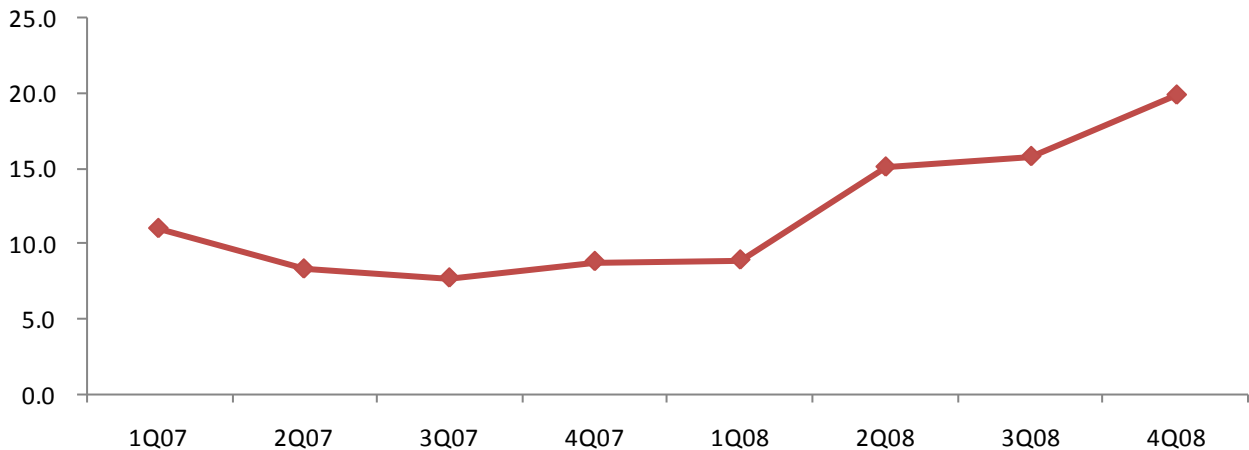
Projects	Amount (RMBm)
12,000 tonnes xanthan gum	200
100,000 tonnes MSG	50
5,000 tonnes threonine	40
1,000 tonnes BCAA	30
Environmental protection facilities	60
Total	380

Source: Company data

Outlook

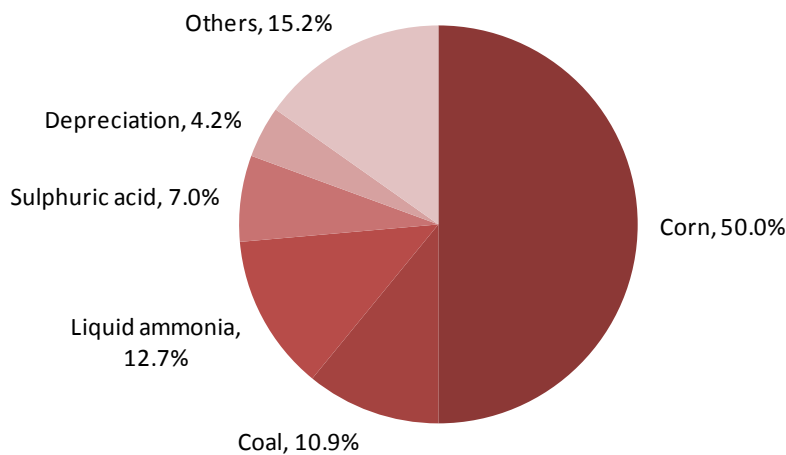
Margin expansion for MSG. Gross margin of the entire MSG segment (mainly MSG and glutamic acid plus other non-xanthan gum products like fertilizer and sweeteners) had been improving throughout FY12/08A from 8.9% in 1Q to 19.9% in 4Q, despite the outbreak of financial crises in 2H, thanks to inelastic MSG demand as well as the reduced supply. As raw materials (except coal) prices dropped substantially in 4Q 08 but has stabilized since Jan, we estimate Fufeng’s MSG production cost declined 10.0% QoQ in 1Q FY12/09F but will step up mildly by 2.2% in 2Q due to a slight rebound in raw materials prices. On contrary, MSG price stays relatively stable, changing -5.0% and +0.9% QoQ in 1Q and 2Q (Apr/May), respective, which makes further margin enhancement possible (correlation coefficient between MSG and glutamic acid prices was 0.92 in 2007-2008). For the second half, however, the recovery in the industry’s profitability will likely encourage production, resulting in some pressure on selling price. Nevertheless, we expect the full-year segmental gross margin to widen 5.9pcp to 21.5%.

Chart 2: MSG segment COGS structure in FY12/08A



Source: Company data

Chart 3: MSG segment gross margin



Source: Company data

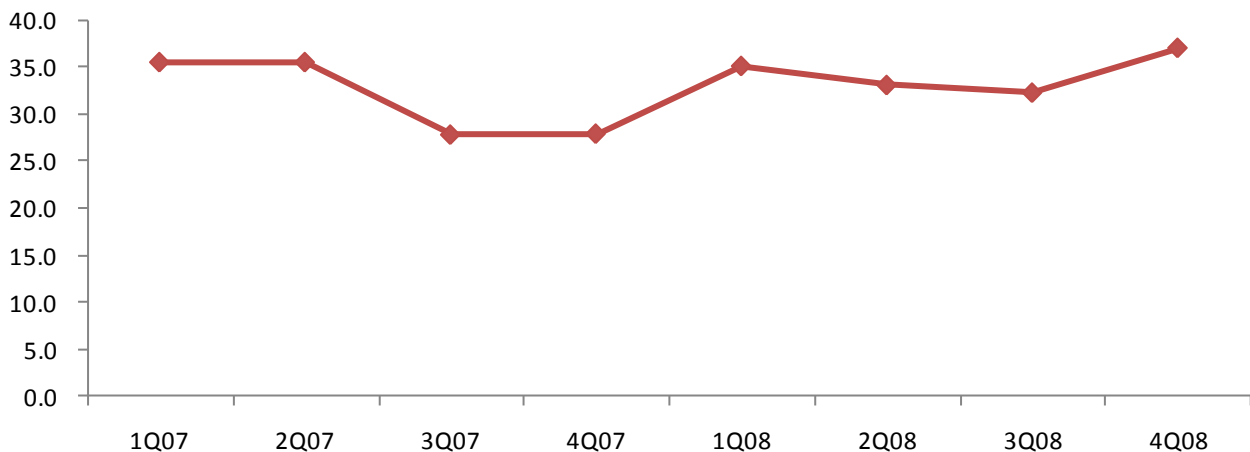
Table 6: Prices of MSG and its main raw materials

(RMB/tonne)	1Q08	2Q08	3Q08	4Q08	1Q09	QoQ change	YoY change	2Q09 (Apr/May)	QoQ change	YoY change
MSG	5,645.7	6,804.0	7,087.7	6,815.0	6,472.7	(5.0)	14.6	6,532.0	0.9	(4.0)
Coal	303.8	344.5	495.0	463.3	433.3	(6.5)	42.6	406.8	(6.1)	18.1
Corn	1,432.3	1,460.3	1,482.7	1,380.7	1,295.3	(6.2)	(9.6)	1,364.0	5.3	(6.6)
Liquid ammonia	2,136.3	2,792.7	3,060.7	2,717.0	2,161.7	(20.4)	1.2	2,162.0	0.0	(22.6)
Sulphuric acid	855.0	1,107.0	1,312.7	416.3	273.3	(34.3)	(68.0)	280.0	2.4	(74.7)

Source: www.bbcafi.com, www.sxcoal.com, www.ex-starch.com, www.cheminfo.gov.cn, www.chemcp.com

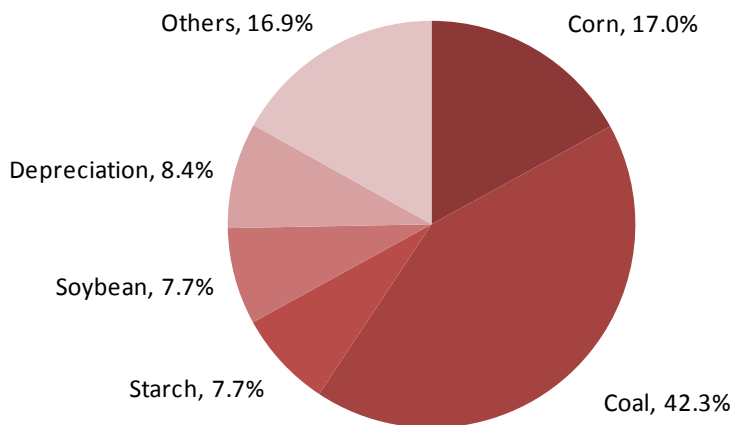
Xanthan gum to gain market share. Oil industry consumes ~40% of xanthan gum output each year. Oil exploring and drilling activities went down substantially in 1Q due to the financial crisis, which depressed demand for xanthan gum. However, following the improving market sentiment, such demand has been coming back gradually, according to the management. Full-year target is to sell ~30,000 tonnes xanthan gum (FY12/08A: 20,589 tonnes), which we think is feasible given the company's huge cost advantage though a more aggressive pricing strategy should be necessary. On the margin side, we expect it to improve slightly in 1H from 4Q FY12/08A level (37.0%) amid the backdrop of steady selling price and high-single-digit drop in raw materials costs. The expected price cut might occur in 3Q. Based on the price/sales elasticity shown in FY12/08A (sales volume up by 14,373 tonnes, ASP down by RMB2,457/tonne or 10.2%), we assume ASP in FY12/09F will reduce by 11.3% to RMB19,154/tonne in exchange for 43.4% increase in sales volume to 30,000 tonnes.

Chart 4: Xanthan gum segment COGS structure in FY12/08A



Source: Company data

Chart 5: Xanthan gum segment gross margin



Source: Company data

Table 7: Prices of xanthan gum's main raw materials

(RMB/tonne)	1Q08	2Q08	3Q08	4Q08	1Q09	QoQ change	YoY change	2Q09 (Apr/May)	QoQ change	YoY change
xanthan gum	22,271.0	21,111.0	21,622.0*	21,622.0*	Steady	n.a.	n.a.	Steady	n.a.	n.a.
Coal	281.3	295.7	434.7	393.3	361.3	(8.1)	28.4	327.5	(9.4)	10.8
Corn	1,432.3	1,460.3	1,482.7	1,380.7	1,295.3	(6.2)	(9.6)	1,364.0	5.3	(6.6)
Soybean	4,589.0	4,829.7	4,600.3	3,480.0	3,441.7	(1.1)	(25.0)	3,571.0	3.8	(26.1)

Source: Company data, www.sxcoal.com, www.ex-starch.com, www.feedonline.cn

Note: * the price is the 2H average

Explosive earnings growth in FY12/09F. Leveraged by capacity expansion in MSG and xanthan gum, we expect top line in FY12/09F to increase 22.1% to RMB4,377.2m, comprising RMB3,802.6m from MSG segment, up 21.3% YoY, and RMB574.6m from xanthan gum segment, up 27.2% YoY. Blended gross margin will widen 5.5pcp to 23.4% due to improvement in each business segment as well as more contribution from xanthan gum in the sales mix. Net profit, therefore, is forecasted to surge 70.7% to RMB503.1m.

Scenario analysis. Our base-case scenario assumes Fufeng will have sustainable ~25% market share for MSG by FY12/11F and ~45% market share for xanthan gum by FY12/12F. We project the company's bottom line to grow at a CAGR of 6.2% from FY12/09F to FY12/13F, containing a rising effective tax rate from 9.4% to 27.3%. In the market-consolidation-case scenario, we expect the company to suffer earnings retreat in FY12/10F but long-term market share will be ~30%, reached by FY12/12F. Xanthan gum assumption remains the same. Accordingly, earnings growth is estimated at 7.1% p.a. till FY12/14F.

Table 8: Capacity expansion

Year to Dec (RMBm)	07A	08A	09F	10F	11F	12F	13F	14F	15F
Base-case									
Revenue	2,445.7	3,585.3	4,377.2	4,827.5	5,426.7	5,705.5	5,865.6	6,030.6	6,200.5
MSG	2,296.2	3,133.6	3,802.6	4,140.5	4,603.6	4,739.1	4,872.8	5,010.6	5,152.5
Xanthan gum	150.2	451.7	574.6	686.9	823.2	966.4	992.8	1,020.0	1,048.0
Gross profit	249.7	644.3	1,026.3	1,114.1	1,253.1	1,354.9	1,388.7	1,426.5	1,465.4
MSG	203.5	488.9	817.9	882.8	975.9	1,011.7	1,038.6	1,068.0	1,098.2
Xanthan gum	46.1	155.4	208.4	231.3	277.2	343.2	350.1	358.6	367.2
Net profit	45.1	294.7	503.1	552.3	591.8	682.3	640.2	658.0	676.1
Market-consolidation									
Revenue	2,445.7	3,585.3	4,377.2	4,492.5	5,190.0	6,163.8	6,419.9	6,600.5	6,786.6
MSG	2,296.2	3,133.6	3,802.6	3,805.5	4,366.8	5,197.4	5,427.1	5,580.5	5,738.6
Xanthan gum	150.2	451.7	574.6	686.9	823.2	966.4	992.8	1,020.0	1,048.0
Gross profit	249.7	644.3	1,026.3	841.5	1,056.5	1,405.7	1,509.1	1,548.6	1,590.9
MSG	203.5	488.9	817.9	609.5	779.3	1,069.0	1,163.2	1,195.0	1,228.9
Xanthan gum	46.1	155.4	208.4	232.0	277.2	336.7	345.9	353.5	362.0
Net profit	45.1	294.7	503.1	313.5	433.3	681.1	690.8	707.7	727.4

Source: SBI E2-Capital

Valuation

Peers comparison. Two listed peers can be found in Hong Kong and China, including Vedan (2317 HK) and Lianhua (600186 CH). However, we do not regard them as real comparables to Fufeng, considering: 1) Fufeng's exposure to xanthan gum, which accounted for 32.3% of operating profit in FY12/08A; 2) Vedan's focus on overseas market (16.4% sales came from PRC market in FY12/08A); 3) minimum earnings base of Lianhu, gearing up P/E multiple. A notable fact is that Meihua is seeking a backdoor listing in Shanghai exchange, which might be the closest comparable to Fufeng in the future.

Table 9: Peers comparison

Company	Ticker	MarLet cap (US\$m)	Fiscal Yr-end	Historical P/E (x)	PB	ROE (%)
Fufeng	546 HK	421.4	12/2008	9.8	1.66	18.5
Vedan	2317 HK	103.5	12/2008	12.4	0.41	3.3
Lianhua	600186 CH	616.7	12/2008	339.3	2.62	0.8

Source: Bloomberg

HK\$2.77 target price. We derive the company's fair value at HK\$3.01 per share at end-FY12/10F based on a two-stage DDM model with a discount rate of 13.7% (risk-free rate: 2.7%, market risk premium: 8.9%, beta=1.0, liquidity premium=2.0%), assuming a constant 60.0% dividend payout ratio in the first stage from FY12/09F to FY12/13F (FY12/08A: 49.6%) and a residual dividend policy thereafter. We set our target price at HK\$2.77 based on 8.0x one-year forward P/E, which represents a slight 8.0% discount to the fair value. In the market-consolidation-scenario, fair value is HK3.00 per share, close to which in the base-case scenario, suggesting short-term earnings retreat can be offset by the long-term gain in market share. We initiate our coverage on the counter with a BUY call.

Table 10: P&L

Year to Dec (RMBm)	07A	08A	09F	10F	11F
Turnover	2,445.7	3,585.3	4,377.2	4,827.5	5,426.7
Cost of sales	(2,196.0)	(2,941.0)	(3,350.9)	(3,713.3)	(4,173.7)
Gross profit	249.7	644.3	1,026.3	1,114.1	1,253.1
Other income	32.8	44.3	36.1	37.4	38.4
Selling and marketing expenses	(104.2)	(166.4)	(218.3)	(236.1)	(260.5)
Administrative expenses	(113.7)	(142.0)	(197.4)	(210.8)	(230.8)
Other operating expenses	(16.7)	(12.2)	(15.8)	(16.6)	(18.0)
Profit from operations	47.9	368.0	630.8	688.1	782.2
Interest income from IPO subscription deposits	42.8	-	-	-	-
Finance costs	(45.2)	(42.7)	(75.4)	(61.4)	(47.4)
Profit before income tax	45.5	325.4	555.4	626.7	734.8
Income tax expenses	(0.4)	(30.7)	(52.3)	(74.4)	(143.0)
Profit for the period	45.1	294.7	503.1	552.3	591.8
Attributable to:					
Equity holders of the Company	45.1	294.7	503.1	552.3	591.8
Minority interests	-	-	-	-	-
EPS - Basic (RMB)	0.028	0.178	0.303	0.333	0.356
EPS - Diluted (RMB)	0.028	0.178	0.303	0.333	0.356
Proposed DPS (RMB)	0.008	0.088	0.182	0.200	0.214
Proposed dividend	13.5	146.3	301.9	331.4	355.1

Source: SBI E2-Capital

Risks

Fluctuation in raw materials costs. Given the less volatile MSG price, the company is quite sensitive to any fluctuation in raw materials.

Headquartered in Shandong province, Fufeng has operations in Junan (Shandong), Baoji (Shannxi) and Hohhot (Inner Mongolia). Principal products include glutamic acid, monosodium glutamate (MSG) and xanthan gum, which contributed 29.4%, 28.0% and 12.6%, respectively, of the total revenue in FY12/08A. Market shares for the three products in 2008 were ~20% (domestic), ~10% (domestic) and ~20% (global), respectively, in turns of sales volume.

P & L (HK\$m)	07A	08A	09F	10F	11F	Cash Flow (HK\$m)	07A	08A	09F	10F	11F
Year to Dec						Year to Dec					
Turnover	2,445.7	3,585.3	4,377.2	4,827.5	5,426.7	EBIT	39.5	365.9	627.8	684.7	777.2
% chg	36.8	46.6	22.1	10.3	12.4	Depre./amort.	105.5	141.4	194.3	237.6	278.9
Gross profit	249.7	644.3	1,026.3	1,114.1	1,253.1	Net int. paid	3.8	(40.5)	(72.4)	(58.0)	(42.4)
EBITDA	145.0	507.3	822.1	922.2	1,056.1	Tax paid	(9.4)	(18.2)	(41.5)	(66.5)	(118.6)
Depre./amort.	(105.5)	(141.4)	(194.3)	(237.6)	(278.9)	Dividends received					
EBIT	39.5	365.9	627.8	684.7	777.2	Gross cashflow	139.4	448.6	708.2	797.7	895.1
Net int. income/(exp.)	6.0	(40.5)	(72.4)	(58.0)	(42.4)	Chgs. in working cap.	(140.9)	(2.2)	(56.5)	(8.8)	(15.7)
Exceptionals						Operating cashflow	(1.5)	446.4	651.7	788.9	879.5
Associates						Capex	(577.6)	(401.4)	(374.6)	(386.6)	(110.6)
Jointly-controlled entit.						Free cashflow	(579.1)	44.9	277.1	402.3	768.9
Pre-tax profit	45.5	325.4	555.4	626.7	734.8	Dividends paid	(96.1)	(13.5)	(146.2)	(301.9)	(331.4)
Tax	(0.4)	(30.7)	(52.3)	(74.4)	(143.0)	Net distribution to MI					
Minority interests						Investments					
Net profit	45.1	294.7	503.1	552.3	591.8	Disposals	0.3	4.7	0.0	0.0	0.0
% chg						New shares	955.1	0.0	0.0	0.0	0.0
Dividends	(13.5)	(146.3)	(301.9)	(331.4)	(355.1)	Others	27.5	6.5	13.2	12.2	3.5
Retained earnings	31.5	148.4	201.3	220.9	236.7	Net cashflow	307.4	37.9	144.1	112.7	441.0
EPS (HK\$) - Basic	0.028	0.178	0.303	0.333	0.356	Net (debt)/cash - Beg.	(708.5)	(401.2)	(363.3)	(219.2)	(106.6)
EPS (HK\$) - F.D.	0.028	0.178	0.303	0.333	0.356	Net (debt)/cash - End.	(401.2)	(363.3)	(219.2)	(106.6)	334.4
DPS (HK\$)	0.008	0.088	0.182	0.200	0.214						
No. sh.s o/s (m) - W.A.	1,610.0	1,660.0	1,660.0	1,660.0	1,660.0	Interim Results (HK\$m)	07A	08A			
No. sh.s o/s (m) - Y.E.	1,660.0	1,660.0	1,660.0	1,660.0	1,660.0	Six months to Jun					
No. sh.s o/s (m) - F.D.	1,610.0	1,660.0	1,660.0	1,660.0	1,660.0	Turnover	1,119.1	1,630.4			
						% chg		45.7			
Margins (%)						Profit from operations	10.5	117.1			
Gross	10.2	18.0	23.4	23.1	23.1	Interest expenses	24.0	(22.4)			
EBITDA	5.9	14.1	18.8	19.1	19.5	Associates					
EBIT	7.0	7.0	7.0	7.0	7.0	Jointly-controlled entit.					
Pre-tax	1.9	9.1	12.7	13.0	13.5	Pre-tax profit	34.5	94.7			
Net	1.8	8.2	11.5	11.4	10.9	Tax	(1.7)	(8.9)			
						Minority interests					
						Net profit	32.8	85.9			
						% chg		161.7			
						EPS (HK\$) - Basic	0.021	0.052			
						DPS (HK\$)					
Balance Sheet (HK\$m)	07A	08A	09F	10F	11F	Shareholding Structure				Shares o/s (m)	%
Year to Dec						Li Xuechun				786.0	47.3
Fixed assets	1,737.1	2,087.2	2,255.3	2,393.1	2,216.8	Ever Soar				205.7	12.4
Intangible assets						Others				668.3	40.3
Other LT assets	6.4	0.4	0.0	0.0	0.0	Total				1,660.0	100.0
Cash	228.8	224.7	268.8	281.4	622.4						
Accounts receivable	541.0	548.4	669.5	738.3	830.0	Background					
Other receivables						Headquartered in Shandong province, Fufeng has operations in Junan (Shandong), Baoji (Shannxi) and Hohhot (Inner Mongolia). Principal products include glutamic acid, monosodium glutamate (MSG) and xanthan gum, which contributed 29.4%, 28.0% and 12.6%, respectively, of the total revenue in FY12/08A. Market shares for the three products in 2008 were ~20% (domestic), ~10% (domestic) and ~20% (global), respectively, in turns of sales volume.					
Inventories	326.4	356.3	405.9	449.9	505.6						
Due from related co.s	0.0	0.0	0.0	0.0	0.0	Key Ratios	07A	08A	09F	10F	11F
Other current assets	42.2	45.5	52.3	57.7	64.9	Net gearing (%)	40.6	22.8	11.4	4.8	Cash
Total assets	2,881.8	3,262.5	3,651.8	3,920.5	4,239.8	Net ROE (%)	4.6	18.5	26.2	24.8	23.9
Accounts payable	(770.8)	(887.5)	(1,011.2)	(1,120.6)	(1,259.5)	EBIT ROCE (%)	2.4	16.6	25.5	25.7	27.6
Other payable						Dividend payout (%)	30.0	49.6	60.0	60.0	60.0
Tax payable	(0.9)	0.0	0.0	0.0	0.0	Effective tax rate (%)	0.9	9.4	9.4	11.9	19.5
Due to related co.s	0.0	0.0	0.0	0.0	0.0	Net interest coverage (x)	na	9.0	8.7	11.8	18.3
ST debts	(318.0)	(276.0)	(226.0)	(176.0)	(126.0)	A/R turnover (days)	67.1	55.4	50.8	53.2	52.7
Other current liab.	(5.5)	(6.7)	(6.2)	(6.5)	(6.7)	A/P turnover (days)	103.1	84.4	79.2	80.6	80.0
LT debts	(312.0)	(312.0)	(262.0)	(212.0)	(162.0)	Stock turnover (days)	39.4	42.4	41.5	42.1	41.8
Other LT liabilities	(25.8)	(38.7)	(48.0)	(56.5)	(76.4)						
Total liabilities	(1,433.0)	(1,521.0)	(1,553.4)	(1,571.7)	(1,630.6)						
Share capital	169.0	169.0	169.0	169.0	169.0						
Reserves	1,279.8	1,572.5	1,929.4	2,179.8	2,440.2						
Shareholders' funds	1,448.8	1,741.5	2,098.4	2,348.8	2,609.2						
Minority interest	-	-	-	-	-						
Total	1,448.8	1,741.5	2,098.4	2,348.8	2,609.2						
Capital employed	2,078.8	2,329.5	2,586.4	2,736.8	2,897.2						
Net (debt)/cash	(401.2)	(363.3)	(219.2)	(106.6)	334.4						

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