新鴻基金融集團
SUN HUNG KAI FINANCIAL

Key Takeaways

8 June 2010

China VTM Mining (893.HK)

Iron concentrate and iron pellets accounted for 98% of FY09 sales (95% in FY08). Around 80% of sales are through distributors, which enables faster receivables collection than when selling direct to steel mills. We believe VTM will continue to focus on sales in Sichuan, as transport costs are high for cross-province sales and Sichuan's transport infrastructure is not fully developed. The company is well placed to benefit from strong local iron and steel demand. Provincial crude-steel production capacity is expected to increase by 13 mt over 2010-12, equal to 80% of 2009 crude steel production volume. Such demand will be supported by:

- **Sichuan's reconstruction plans.** Sichuan Development and Reform Commission projects provincial demand for steel products at 36.7 mt in 2009 and 32.6 mt in 2010, with 16.7 mt and 12.6 mt respectively used in reconstruction. This should boost short-term demand for iron ore, as we expect Sichuan reconstruction to continue to late 2010.

- ***China Western Development* policy and investment in rural areas.** Sichuan is one of six provinces included in this policy, which aims to reduce wealth disparity between Eastern and Western China by developing infrastructure and enticing foreign investment. Sichuan's annual disposal income per capita was RMB18,839 in 2009, 36% less than the 36-city average and 20% lower than urban households. Ongoing development should support higher iron and steel demand in Sichuan.

- **Government policy encouraging the use of vanadium-bearing resources in Sichuan.** Most iron-ore resources in the province and all of VTM's are vanadium-bearing titanomagnetite deposits, with Sichuan accounting for 83% of China's total. Vanadium and titanium steel are among the province's 10 prioritized industries, which are targeted to account for more than 90% of provincial industrial production by 2020, from 76% in 2008.

Using vanadium-bearing titanomagnetite ore results in lower-grade iron concentrate, with only 55% iron content. This means a lower ASP than in eastern regions such as Hebei. However, Sichuan iron-ore prices are highly correlated to China domestic and import spot prices, just less volatile. VTM should therefore still benefit from high global iron-ore prices, which are expected to be supported by: 1) the consolidated nature of global iron-ore suppliers (top three account for a dominant 69% of seaborne trade); 2) an iron-ore shortfall in China, with only 50% of demand met over 2005-09; 3) higher Indian export tariffs on iron ore and iron-ore fines, which would increase export costs and limit supplies.

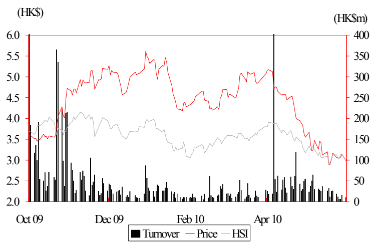
Revenue will be driven by rising capacity. A series of acquisitions during January-May 2010 increased VTM's self-owned production capacity for iron concentrate by 85% to 2.39 mt, from 1.29 mt in 2009. Self-owned capacity for iron pellets is expected to increase more than 500% from 360 kt to 1.86 mt through the planned construction of a pelletizing plant over 2010-11. Use of processing and pelletizing contractors will be replaced by self-owned production capacity, leading to higher margins.

VTM's business model seems attractive, with low-cost operations from open-pit mining and no transport costs. 9.9X 12-month forward P/E is attractive, given the 31% consensus two-year EPS CAGR and its leadership position in the attractive iron-ore industry, where the domestic shortfall equals 52% of demand.

12-month rating	**Not Rated**
12m target price	**N/A**

View at a Glance	**(+ / O / –)**		
Fundamental	+		
Valuation	+		
Performance (%)	**1m**	**3m**	**12m**
Absolute	(15.8)	(36.2)	N/A
Relative to HSI	(13.1)	(27.7)	N/A

VTM – Price vs. HSI, Share Data



Price – HK$	2.99
52W high/low (HK$)	5.70/2.80
Shares in issue – millions	2,075.00
Market cap – HK$m	6,204.25
Market cap – US$m	795.00
3M avg. turnover – HK$m	48.51
3M avg. turnover – US$m	6.22
Major shareholder (%)	
Trisonic International Ltd.	48.36

Sources: Bloomberg and Sun Hung Kai Financial
Note: Volume excludes outlier

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Figure 1: Earnings Summary

Year ending 31 Dec.	FY06	FY07	FY08	FY09	FY10E	FY11E
Net profit – RMBm	23.0	53.7	248.7	327.9	532.5	616.0
Net-profit growth – %	N/A	133.0	363.2	31.8	62.4	15.7
EPS – RMB fen	2.0	4.0	17.0	20.0	27.0	34.3
EPS growth – %	N/A	100.0	325.0	17.6	35.0	27.0
P/E – X	134.5	67.3	15.8	13.5	9.9	7.8
DPS – RMB fen	0.0	0.0	0.0	0.0	5.2	6.7
Dividend yield – %	0.0	0.0	0.0	0.0	1.5	2.8
BVPS – RMB	N/A	N/A	N/A	1.2	1.6	1.9
P/B – X	N/A	N/A	N/A	2.2	1.7	1.5
Oper. cash flow/share – RMB fen	3.0	(6.5)	28.2	21.0	34.0	45.0
Free cash flow/share – RMB fen	2.2	N/A	N/A	4.0	N/A	N/A
Free-cash-flow yield – %	0.8	N/A	N/A	1.5	N/A	N/A
Net debt (net cash) / share – RMB fen	N/A	N/A	N/A	(86.0)	N/A	N/A

Sources: Bloomberg and Sun Hung Kai Financial
Forecasts based on consensus numbers

Company Background

China VTM Mining (VTM) is the second largest Sichuan-based operator of iron-ore mines, with a 9% provincial market share. It produces and sells iron concentrate, iron pellets and medium-grade titanium concentrate. Iron concentrate and pellets accounted for 98% of FY09 sales (2008: 95%). Sichuan iron concentrate is produced from vanadium-bearing titanomagnetite deposits, resulting in lower iron content of 55%. Thus local iron-concentrate prices are lower than in eastern regions.

VTM operated two iron mines as at end-FY09, Xiushuihe Mine and Baicao Mine, with total iron-ore resources of 75 mt. Through a series of acquisitions and further explorations, particularly at Xiushuihe Mine which has a remaining life of only five years, VTM's iron-ore resource base is expected to reach 278 mt, sufficient for more than 20 years of production at the FY10 level. Options to acquire five more mines could add 126 mt to its resource base.

The company's major competitive advantage is low operating costs (lowest 10%-20% on the PRC cost curve), due to its adoption of open-pit mining. This translated into high gross margins of 46%-54% over FY06-FY09.

About 80% of FY09 sales were to distributors, with the remainder direct to steel mills. We believe it will continue to sell mainly through distributors, as they pay much quicker than steel mills.

VTM has signed supplementary agreements with major customers to set benchmark sales prices for FY09-FY10, which would apply even if the market prices for iron concentrate/pellets are below the benchmarks. This limits ASP downside risk. However, when market prices are above the benchmarks, VTM can add only 50% of the difference for its final sales price. The market price for iron concentrate in Sichuan was only RMB620-RMB630/t as at 31 May 2010, slightly above the FY10 benchmark of RMB590/t.

VTM listed in Hong Kong in October 2009, raising net proceeds of about RMB1.44bn, which will be used to acquire other mines, expand existing mine boundaries, and expand and upgrade production facilities. Controlling shareholder Trisonic International holds a 48.36% equity interest.

Figure 2: VTM – Investment Highlights

Key investment positives

- **Rapid growth in Sichuan crude-steel production capacity, rising by 13 mt over 2010-12,** equal to 80% of crude-steel production volume in 2009. Sichuan is China's third largest province by iron-ore resources. Reserves are 2.9 bt (13% of China's total resources), making it a good location for VTM to expand its crude-steel production base. Demand for iron and steel is expected from:
  1. **Sichuan's reconstruction plan.** Sichuan Development and Reform Commission projects provincial demand for steel products at 36.7 mt in 2009 and 32.6 mt in 2010, with 16.7 mt and 12.6 mt respectively used in reconstruction. This should boost short-term demand for iron ore, as we expect Sichuan reconstruction to continue to late 2010.
  2. ***China Western Development* policy and investment in rural areas.** Sichuan is one of six provinces included in this policy, which aims to reduce wealth disparity between Eastern and Western China by developing infrastructure and enticing foreign investment. Sichuan's annual disposal income per capita was RMB18,839 in 2009, 36% less than the 36-city average and 20% lower than urban households. Ongoing development should support higher iron and steel demand in Sichuan.
  3. **Government policy encouraging the use of vanadium-bearing resources in Sichuan.** Most iron-ore resources in province and all of VTM's are vanadium-bearing titanomagnetite deposits, with Sichuan accounting for 83% of China's total. Vanadium and titanium steel are among the province's 10 priority industries, which are targeted to account for more than 90% of provincial industrial production by 2020, from 76% in 2008.
- **Crude-steel supply shortfall in southwest China.** Over 2006-08, Sichuan crude-steel production and demand respectively accounted for 7.5% and 10.9% of China's total. We expect provincial crude-steel production to continue to grow to meet supply shortfalls. Improving technology should increase the use of vanadium-bearing titanomagnetite deposits, easing the reliance on crude-steel imports.
- **High iron prices to be supported by**:
  1. **Consolidated nature of global iron-ore suppliers.** Top three – Vale, BHP and Rio Tinto – accounted for a dominant 69% of seaborne trade in 2008. This gives them substantial pricing power.
  2. **Persistent iron-ore shortfalls in China,** equal to 50% of total demand over the past five years. We do not expect the shortfall to be resolved soon given ongoing steel demand and limited imports.
  3. **Higher Indian export tariffs.** Delhi raised export duties on iron-ore lumps from 5% to 10% and on iron-ore fines from nil to 5% in December 2009. It has further increased export duty on iron-ore lumps to 15%. As India is the third largest iron-ore exporter to China, accounting for 17% of 2009 imports, this would increase export costs and further limit supply.
- **Local leader,** the second largest iron mine operator in Sichuan, with 9% market share.
- **Pure iron play,** and the only Hong Kong-listed company involved in upstream iron-concentrate and iron-pellet production (98% of FY09 revenue).
- **Low production costs,** due to adoption of open-pit mining (lowest 10%-20% on the PRC's cost curve), resulting in high gross margin of 46%-54% over FY06-FY09.
- **No transport costs,** as most customers collect goods direct or from contractors' processing plants. As a result, selling and distribution costs were only 3% of FY08-FY09 sales. Where VTM pays transport costs, it is reimbursed by customers by adding these costs onto the sales price.
- **Protected against ASP downside in FY10.** VTM has signed supplementary agreements with major customers to set benchmark sales prices for FY09-FY10, which would apply even if the market prices for iron concentrate/pellets are below the benchmarks (RMB590/t for iron concentrate and RMB868/t for iron pellets in 2010). This limits the ASP downside risk, as the market price for iron concentrate in Sichuan was only RMB620-RMB630/t as at 31 May 2010, slightly above the FY10 benchmark of RMB590/t.

Key investment negatives

- **Heavily dependant on top five suppliers,** which accounted for 88%-95% of total purchases in FY08-FY09, with the largest supplier accounting for 49%-61%. This dependence lowers bargaining power in cost negotiations.
- **Global iron-concentrate supply surplus** of 232 mt in 2008, equal to 15% of global demand. This could slow any further iron-ore price hikes.
- **Expiration of tax concessions** could cut profitability. From 2012, effective tax rate will increase from the current 16% to 26%-27%.
- **Lack of track record.** VTM only commenced operations in 2004. Nearly all sales over FY06-FY07 were related-party sales to Weiyuan Steel, controlled by one of VTM's founders.

Source: Sun Hung Kai Financial

Figure 2: VTM – Investment Highlights (continued)

Key investment positives

- **Revenue growth from capacity ramp-up.** A series of acquisitions during January-May 2010 increased VTM's self-owned production capacity for iron concentrate by 85% to 2.39 mt, from 1.29 mt in 2009. Self-owned capacity for iron pellets is expected to increase more than 500% from 360 kt to 1.86 mt through the planned construction of a pelletizing plant over 2010-11.
- **Replacing processing and palletizing contractors** with self-owned production capacity will further drive up margins.
- **Strong bargaining power over customers** given iron shortfall in China. Customers are willing to commit to three-year sales contracts over 2008-10 and credit terms of only 30 days.
- **Solidifying resource base.** VTM had total iron-ore reserves of 75.1 mt as at end-FY09. Through acquisitions and further exploration, this is estimated to increase 270% to 278 mt, sufficient for more than 20 years of production at the FY10 level. Options to acquire five more mines could add 126 mt to its resource base.
- **Efficient use of working capital; short trade-receivables turnover.** VTM's cash conversion cycle was only 20 days with trade-receivables turnover at just 38 days in FY09. This was because: 1) its sales are mainly to distributors, who pay faster than steel mills; 2) it gives only 30 days credit to customers. The trade-receivables balance accounted for only 3% of total assets and 8% of sales in FY09.
- **Steady financial performance,** with sales and earnings CAGRs of 72% and 125% respectively over FY06-FY09 on a 70% increase in sales volume. The gross margin has stayed high at 46%-54% due to low production costs and no transport costs. The net margin improved from 11% in 2006 to 30% in 2009. ROE was 23% in FY09, with a consensus of 18% for FY10.
- **Net cash of RMB1.8bn** as at end-FY09, sufficient for planned capex of RMB1.0bn-RMB1.1bn in 2010. Consensus is for an operating-cash-flow yield of 12.5% in 2010. High net cash can allow VTM to pursue more growth opportunities and withstand drops in iron-ore prices better than its peers.

Key investment negatives

Figure 3: VTM – upside/downside price catalysts

Upside price catalysts

- **Renewing sales contracts at favorable benchmark prices** after contracts end in 2010.
- **Iron-ore prices could climb further due to:**
  1. Further increases in iron-ore export duty by India.
  2. Australia's proposed 40% resources super-profit tax causing BHP and Rio Tinto to review their iron-ore projects. Any delays could limit global iron-ore supplies.
- **Further increases in shareholding by controlling shareholder.**
- **Future sales opportunities to other provinces** with improvements in Sichuan's transport infrastructure from the construction of high-speed railways.

Downside price catalysts

- **Changes in transport arrangements** could increase transport costs, up to 10%-30% of ASP.
- **Losing existing customers** after supply contracts end in 2010. Sales to top six customers accounted for 91%-98% of revenues in FY08-FY09, with sales to the largest customer accounting for 18%-21%. Not renewing contracts with any of these clients could adversely affect VTM given its customer concentration.
- **Operational risk from using contractors.**
- **Higher-than-expected production costs** could lower the net margin.
- **Possible production disruption from natural disasters**, such as droughts or earthquakes. Water or electricity shortages could also adversely affect operations
- **Sichuan iron-supply surplus,** from its expected 80% increase in crude-steel production capacity over 2010-12, could reduce VTM's bargaining power over customers. Sichuan had a supply shortfall for iron concentrate over 2005-08. However, iron-concentrate production increased 46% in 2009, with only an 8% increase in pig-iron production, and we estimate the 4.22-mt iron-concentrate shortfall in 2008 turned into a surplus of 3.58 mt in 2009.
- **Demand and prices for steel/iron ore could decrease due to:**
  1. **China's effort to close down small, inefficient steel plants** to ease overcapacity in steel production by 100 mt in 2010-11, from current capacity of more than 700 mt.
  2. **Further anti-dumping duties on China steel exports or lack of recovery in steel exports.** Domestic steel-industry growth hinges on the export market, given local overcapacity.
  3. **RMB appreciation**, which could dampen demand for steel exports.
  4. **Possible policy tightening and expiration of car subsidies in China** this year may reduce steel demand (55% from construction and railways, a further 25% from industrial machinery and autos.).

Source: Sun Hung Kai Financial

Figure 4: VTM – Profit and Loss Statement

Year ended 31 Dec., RMBm	FY06	FY07	FY08	FY09	FY06-09 CAGR (%)
Revenue	211.1	366.7	791.2	1,083.9	72.5
COGS	(100.1)	(187.8)	(364.1)	(582.1)	79.8
Gross profit	111.0	178.9	427.0	501.7	65.4
Operating expenses	(59.4)	(102.1)	(92.4)	(96.7)	17.6
Other operating income	0.1	1.4	17.1	40.6	N/A
Operating profit	51.6	78.2	351.7	445.6	105.1
Finance expenses	(1.8)	(1.9)	(3.0)	(7.8)	63.0
PBT	49.4	75.7	348.8	436.6	106.7
Tax	(17.1)	(1.4)	(30.1)	(69.7)	59.7
Net profit	23.0	53.7	248.7	327.9	142.3
EPS attributable to shareholders – RMB fen	2.0	4.0	17.0	20.0	N/A

Sources: Bloomberg and Sun Hung Kai Financial

Figure 5: VTM – Profit and Loss Statement (Year on Year Growth)

Year ended 31 Dec., %	FY06	FY07	FY08	FY09	FY07-09 CAGR (%)
Revenue	N/A	73.7	115.8	37.0	72.5
COGS	N/A	87.5	93.9	59.9	79.8
Gross profit	N/A	61.2	138.7	17.5	65.4
Operating expenses	N/A	71.7	(9.4)	4.6	17.6
Other operating income	N/A	1,472.4	1,152.2	136.9	N/A
Operating profit	N/A	51.5	349.8	26.7	105.1
Finance expenses	N/A	7.1	58.8	154.8	63.0
PBT	N/A	53.1	360.9	25.2	N/A
Tax	N/A	(92.0)	2,081.9	131.8	59.7
Net profit	N/A	133.0	363.2	31.8	N/A
EPS attributable to shareholders	N/A	100.0	325.0	17.6	N/A

Sources: Bloomberg and Sun Hung Kai Financial

Figure 6: VTM – Profit and Loss Statement (Common Size)

Year ended 31 Dec., %	FY06	FY07	FY08	FY09	FY06-09 Average
Revenue	100.0	100.0	100.0	100.0	100.0
COGS	(47.4)	(51.2)	(46.0)	(53.7)	(49.6)
Gross profit	52.6	48.8	54.0	46.3	50.4
Operating expenses	(28.2)	(27.8)	(11.7)	(8.9)	(19.2)
Other operating income	0.0	0.4	2.2	3.7	N/A
Operating profit	24.5	21.3	44.5	41.1	32.8
Finance expenses	(0.8)	(0.5)	(0.4)	(0.7)	(0.6)
PBT	23.4	20.6	44.1	40.3	32.1
Tax	(8.1)	(0.4)	(3.8)	(6.4)	(4.7)
Net profit	10.9	14.6	31.4	30.2	21.8

Sources: Bloomberg and Sun Hung Kai Financial

Figure 7: VTM – Balance Sheet

As at 31 Dec., RMBm	FY06	FY07	FY08	FY09	FY06-09 CAGR (%)
Cash and securities	3.3	7.6	133.1	1,884.0	730.5
Accounts receivable	0.3	0.0	87.6	137.4	646.8
Inventory	20.5	31.8	65.6	70.9	51.3
Other current assets	58.7	266.9	119.3	140.9	33.9
Total current assets	82.8	306.3	405.7	2,233.3	199.9
Net fixed assets	100.6	122.9	380.4	544.7	75.6
Other long-term assets	27.6	163.7	165.2	295.5	120.5
Total assets	211.0	592.9	951.3	3,073.5	144.2
Short-term debt	44.3	44.3	0.0	100.0	31.2
Accounts payable	32.6	64.4	108.0	85.9	38.2
Other current liabilities	60.0	193.2	181.9	275.0	66.1
Total current liabilities	136.9	301.9	290.0	460.9	49.9
Long-term debt	0.0	0.0	0.0	0.0	N/A
Other long-term liabilities	0.5	5.0	57.2	5.7	131.7
Total liabilities	137.4	306.9	347.2	466.6	50.3
Shareholders equity	73.6	286.0	604.1	2,606.8	228.4
Minorities	23.7	83.0	64.8	92.8	57.6
Total equity and liabilities	211.0	592.9	951.3	3,073.5	144.2

Sources: Bloomberg and Sun Hung Kai Financial

Figure 8: VTM – Balance Sheet (Common Size)

As at 31 Dec., %	FY06	FY07	FY08	FY09	FY06-09 Average
Total assets					
Cash and securities	1.6	1.3	14.0	61.3	19.5
Accounts receivable	0.2	0.0	9.2	4.5	3.5
Inventory	9.7	5.4	6.9	2.3	6.1
Other current assets	27.8	45.0	12.5	4.6	22.5
Total current assets	39.3	51.7	42.6	72.7	51.6
Net fixed assets	47.7	20.7	40.0	17.7	31.5
Other long-term assets	13.1	27.6	17.4	9.6	16.9
Total assets	100.0	100.0	100.0	100.0	100.0
Total equity and liabilities					
Short-term debt	21.0	7.5	0.0	3.3	7.9
Accounts payable	15.4	10.9	11.4	2.8	10.1
Other current liabilities	28.4	32.6	19.1	8.9	22.3
Total current liabilities	64.9	50.9	30.5	15.0	40.3
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.2	0.8	6.0	0.2	1.8
Total liabilities	65.1	51.8	36.5	15.2	42.1
Shareholders equity	34.9	48.2	63.5	84.8	57.9
Minorities	11.2	14.0	6.8	3.0	8.8
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0

Sources: Bloomberg and Sun Hung Kai Financial

Figure 9: VTM – Cash Flow Statement

Year ended 31 Dec., RMBm	FY06	FY07	FY08	FY09
Profit before tax	49.4	75.7	348.8	436.6
Depreciation and amortization	10.8	11.6	26.6	42.5
Change in WC	(15.7)	(180.1)	72.1	(106.1)
Other adjustments	0.2	(4.1)	(24.5)	(31.0)
Cash flows from operations	44.7	(96.9)	423.0	342.1
Capex	(11.5)	(31.7)	(184.6)	(276.4)
Other adjustments	(18.1)	(4.5)	(82.5)	(51.4)
Cash flows from investing	(29.5)	(36.2)	(267.1)	(327.7)
Shares issues/(purchases)	0.0	0.0	0.0	1,661.7
Dividends	0.0	0.0	0.0	(20.0)
Change in debt	(14.8)	0.0	(30.0)	100.0
Cash flows from financing	(15.4)	137.4	(30.5)	1,736.6
Cash at beginning of year	N/A	3.3	7.6	133.1
Change in cash	(0.2)	4.3	125.5	1,750.9
Cash at end of year	3.3	7.6	133.1	1,884.0

Sources: Bloomberg and Sun Hung Kai Financial

Figure 10: VTM – Key Ratios

Year ended 31 Dec.	FY06	FY07	FY08	FY09	FY06-09 Average
Profitability ratios					
Gross margin – %	52.6	48.8	54.0	46.3	50.4
Operating margin – %	24.5	21.3	44.5	41.1	32.8
Net margin – %	10.9	14.6	31.4	30.2	21.8
ROAA – %	10.9	13.4	32.2	16.3	18.2
ROAE – %	31.3	29.9	55.9	20.4	34.4
Other ratios					
Capex/sales – %	5.4	8.6	23.3	25.5	15.7
Capex/depreciation – %	107.5	292.4	979.7	889.5	567.3
Net debt/equity (net cash) – %	55.7	12.8	(22.0)	(68.4)	(5.5)
Inventory/sales – %	9.7	8.7	8.3	6.5	8.3
Effective tax rate – %	34.6	1.8	8.6	16.0	15.3
Inventory turnover – days	N/A	50.8	49.0	138.38	109.2
A/R turnover – days	N/A	0.2	20.3	13.1	14.6
A/P turnover – days	N/A	88.9	79.3	52.2	33.4
ROAA component analysis					
Revenue/average assets – %	N/A	91.2	102.5	53.9	82.5
COGS/average assets – %	N/A	(46.7)	(47.2)	(28.9)	(40.9)
Gross profit/average assets – %	N/A	44.5	55.3	24.9	41.6
Operating expenses/average assets – %	N/A	(25.4)	(12.0)	(4.8)	(14.1)
Other operating income/average assets – %	N/A	0.3	2.2	2.0	N/A
Operating profit /average assets – %	N/A	19.5	45.6	22.1	29.1
Finance expenses/average assets – %	N/A	(0.5)	(0.4)	(0.4)	(0.4)
PBT/average assets – %	N/A	18.8	45.2	21.7	28.6
Tax/average assets – %	N/A	(0.3)	(3.9)	(3.5)	(2.6)
Net profit/average assets – %	N/A	13.4	32.2	16.3	20.6
ROAE component analysis					
Revenue/average equity – %	N/A	203.9	177.8	67.5	149.7
COGS/average equity – %	N/A	(104.4)	(81.8)	(36.3)	(74.2)
Gross profit/average equity – %	N/A	99.5	96.0	31.3	75.6
Operating expenses/average equity – %	N/A	(56.8)	(20.8)	(6.0)	(27.9)
Other operating income/average equity – %	N/A	0.8	3.8	2.5	N/A
Operating profit/average equity – %	N/A	43.5	79.0	27.8	50.1
Finance expenses/average equity – %	N/A	(1.1)	(0.7)	(0.5)	(0.7)
PBT/average equity – %	N/A	42.1	78.4	27.2	49.2
Tax/average equity – %	N/A	(0.8)	(6.8)	(4.3)	(4.0)
Net profit/average equity – %	N/A	29.9	55.9	20.4	35.4

Sources: Bloomberg and Sun Hung Kai Financial

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Sun Hung Kai Financial Research Products

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