Orca Capital

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POP MART INTERNATIONAL GROUP LTD
HKG: 9992
Current Price: 22.05 HKD
Target Price: 17.17 HKD

RECOMMENDATION:
SELL

We issue a SELL recommendation for POP MART (9992.HK) with a 12-month blended target price of HKD 17.17, representing a material downside of 22.1%. We believe that the unjustified market optimism on designer toys, misguided management of the competitive landscape, and overambition with capital expenditures will cause its share price to moderate downwards.

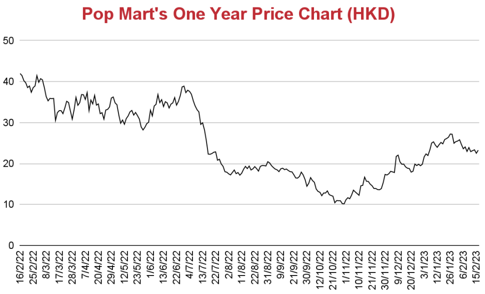


Figure 1: Pop Mart's Historical Price (HKD)

INVESTMENT THESIS

1. Pop mart's high capital expenditure on expanding internationally and aggressively might cause them to over-leverage. Pop Mart has expanded overseas to seek greater revenue potential, but this move may not be successful due to narrowing margins and potential over-leveraging, particularly with the company's theme park plans, due to their lack of understanding of overseas consumer markets.

2. Pop Mart has a "reactive" rather than "leading" business model, putting them at risk in the long run, making it difficult to maintain a resilient gross margin. This is due to the trendy nature of its IPs being fads that come and go, entailing uncertain revenue streams that are faltering in recent times.

3. Pop Mart has not encountered many challenges in an industry that has killed many companies. Inexperienced management, on top of being in the middle of a global economic slowdown will be a challenge for Pop Mart. Management in Pop Mart seem inexperienced, with few having been in positions of leadership in bigger firms, suggesting potential difficulties when facing headwinds.

CATALYSTS

1. China's continued gambling crackdown: China shows a more strictly regulated gambling landscape, which our team believes will impede Pop Mart's revenue streams and further restrict the growth of the blind box economy that Pop Mart heavily relies upon.

2. Pop Mart's overly ambitious theme park plans: Pop Mart will need to assume a level of debt or equity that would not be feasible to repay or recover quickly.

3. Socially-motivated trend of 'Lying-flat' common in young adults in this post-pandemic era: With economic activities in China expected to slow on the whole and inflation still yet to stabilise, purchasing powers of consumers remain weak in the consumer discretionary sector.

FY22 Earnings Highlight

Pop's Mart Gross profit margin decreased from 61.43% in FY 21 to 59.33% in FQ2 22

Pop's Mart percentage net income dropped 7.32% in 2022H1 from 2021H1

BUSINESS DESCRIPTION

Pop Mart International Group Ltd is a Chinese-based company listed on the Hong Kong Stock Exchange that focuses on designing, developing, manufacturing and selling popular toys. It is best known for its blind boxes. While they generate the majority of their revenue through their retail stores, they also profit from IP sales, online sales and wholesale distribution. In December 2020, Pop Mart launched its initial public offering (IPO). As of December 31, 2021, Pop Mart had a sales and distribution network consisting of 288 retail stores and 1870 roboshops.

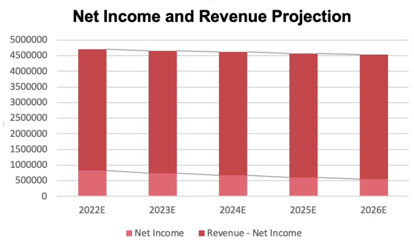


Figure 2: Net Income and Revenue Projection

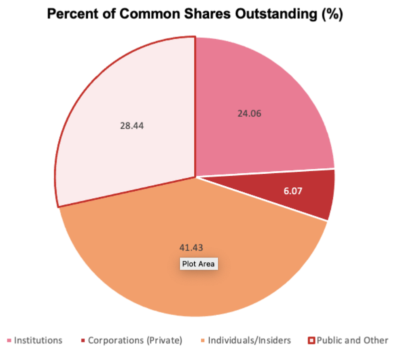


Figure 3: Percent of Common Shares Outstanding (%)

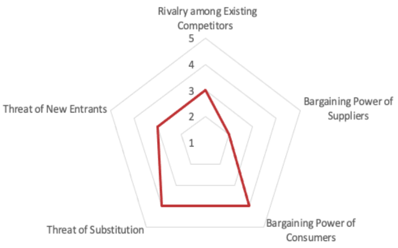


Figure 4: Illustration of Pop Mart's Porter's Five Forces

Figure 5: Existing Competition in the Market

INDUSTRY ANALYSIS

Pop Mart operates in the entertainment industry, with revenue mostly from China. Its principal operating activities include blind boxes containing figurines designed based on proprietary, exclusively licensed and non-exclusively licensed IPs.

Increasing Operating Costs in a Maturing Industry

Over 2021 and 2022, the supply chain has become more disrupted and procurement more competitive. Constant innovation in the designs of figurines are also resulting in more complex moulding processes. This is observed by the 60% increase in supply chain costs year-on-year in 2021 and a 70% increase in mould costs in 2021 and is further worsened by the sustained US-China tensions that have continued to disrupt supply chains and drive-up operating costs.

China's bid to Curb the Allure of Gambling

In 2022, China initiated efforts to control gambling. On August 16, the State Administration of Market Supervision (SAMS) requested feedback on the Guidelines for the Standardized Operation of Blind Box Business Activities. Additionally, there are fresh rules to control speculation in the secondary market. SAMS emphasized that blind box operators must not use these activities for gambling purposes, and any concealed withdrawals should be disclosed. These actions indicate a more strictly regulated landscape, which may impede progress in the blind box industry.

COMPETITIVE POSITIONING – Porter's Five Forces

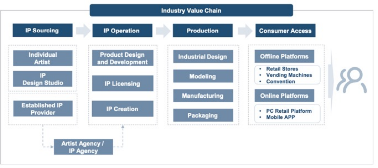
1. Threat of New Entrants (3): While producing dolls with mass-market moulds is still relatively affordable, Pop Mart's actual danger is rooted in its ownership or licensing of Intellectual Property (IP) rights. As a result, Pop Mart's edge over other competitors is primarily limited to access to capital, which could enable it to increase production and benefit from economies of scale. However, this would necessitate Pop Mart offering more for licensing or purchasing IP rights, which could diminish operating margins and nullify scale benefits. As consumers are more loyal to IP designs than companies, established players are unlikely to establish a strong foothold in the market to sustain high profits. Additionally, blind box regulations may prevent new entrants from tapping into potential income from this market segment.

2. Bargaining Power of Suppliers (2): Pop Mart has got a wide selection of PVC suppliers to choose from, given China's extensive PVC manufacturing. The PVC resin used for toy manufacturing is also not unique to any specific manufacturing company. Regulators have previously also handed out hefty fines to manufacturers colluding to raise prices, which could keep prices low for the foreseeable future. A sustainability push could however weaken this pressure.

3. Rivalry among Existing Competitors (3): Pop Mart exists in an oligopolistic market selling blind boxes, with Top Toy, a subsidiary of Miniso, being its closest competitor. However, as Top Toy focuses primarily on non-exclusive IPs by companies with established characters such as Disney and Marvel while Pop Mart focuses on Proprietary IPs, they are not in direct competition. Yet, Top Toy's dominance in the space of non-exclusive IPs prevents Pop Mart from being able to expand further in the non-exclusive IP market. Thus, Top Toy stands as moderate competition. On the other hand, due to the low BTEs, presently, there are still many in direct competition with Pop Mart, like Dongguan Weihong Animation Technology. As such, Pop Mart faces significant competition by smaller companies and moderate competition by Top Toy.

4. Threats of Substitutes (4): Pop Mart's IP value chain has not been tested with time yet. "Molly" has been the primary IP driver of its revenue, and customer's affinity to IP designs, and not the firm, does not earmark the firm with much of a value proposition. The traction of "Molly" however will take some doing to be displaced.

5. Bargaining Power of Customers (4): The ability of consumers to drive prices down is especially high with fears over the Chinese property markets and unwillingness of the population to spend on non-necessities. Buyers also have the ability to seek out cheaper alternatives, given the exorbitant price points of their products.



(Source: IPO prospectus)

Figure 6 : Industry Value Chain

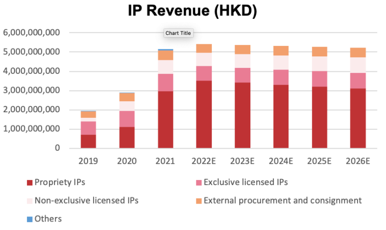


Figure 7 : Projected IP Revenue (HKD)

INVESTMENT THESIS

1. Pop mart's high capital expenditure on expanding internationally and aggressively on roboshops might cause them to over-leverage in this recovery stage of the economy.

The after effects of the Covid-19 pandemic still lingers in China, with consumer demand for entertainment products continuing to weaken due to high inflation and unemployment rates. To seek greater potential for revenue, Pop Mart chose to expand overseas through offline channels. For this to pay off, Pop Mart has to market to new customer profiles overseas successfully and maintain their margins. Given the narrowing margins in recent years after their expansion efforts and unlikely thorough understanding of overseas consumer markets, it is anticipated this move will not bear fruit and in the process, cause over-leveraging.

Over-leveraging has for long been the bane of recent-IPO firms, as taking on debt beyond the optimal point (i.e minimum of WACC) causes both equity and debt holders to continue demanding more returns in anticipation of potential insolvency, causing a vicious cycle of the firm continuously taking on that very same debt and equity as capital. This drives up prices and eventually leads to potential insolvency, similar to a self-fulfilling prophecy. Recently, the increased propensity of the firm to take on debt (especially given its recent theme park plans) certainly reflects such bleak sentiments.

2. Pop Mart having a "reactive" rather than "leading" business model puts them at risk in the long run, making it difficult to maintain a resilient gross margin.

Pop Mart's business model is easily threatened by new and upcoming competitors, who can easily procure IP rights from famous designers and artists. This necessitates urgency in liaising with artists to consistently produce new designs for IPs to entice new and recurring customers. Such a business model is unsustainable since there is no guarantee that Pop Mart will be able to own or capitalise on the next wave of big IPs. Competition in the industry will be fierce as toy retail companies will try to grab as much market shares from their competitors. Pop Mart has to create an edge over their competitors or face the risk of being overtaken by their competitors.

Furthermore, coupled with China's constant change in consumer trends and behaviours, Pop Mart must ensure that the IPs designed are well-received by their customers as there is strong emphasis placed on how the figurines look. Even with Pop Mart's strategy of employing and training their full-time artists, it is difficult to guarantee the success of each IP's release. This uncertainty is inherent in relying on a reactive business model, placing Pop Mart in an contentious position within the industry.

3. Pop Mart has not encountered many challenges in an industry that has killed many companies. Inexperienced management, on top of being in the middle of a global economic slowdown will be a challenge for Pop Mart.

Many small companies have entered and left the industry, hoping to ride the "everything can be a blind box" trend. Pop Mart, on the other hand, has so far been able to avoid many financial troubles by relying upon the popularity of "Molly" and "Skull Panda" figurines. Yet, this also means Pop Mart has not faced many significant headwinds in its operations that are usually faced by large companies.

This is coupled with the fact that the board of directors are dominated by management without experience of leading large companies. Doubts have been cast over the management's leadership style, including being too "dictatorial" and devaluing the feedback of employees. Another concern is potential continued management inefficiencies arising from conflicts of interest, with Mr Wang Ning's wife (Ms Yang Tao) serving as the topmost executive director, thereby raising doubts over whether she is the best individual to run the "art flow" of the company. Our team believes these inefficiencies will surface as prominent issues in the following years hindering Pop Mart's ability to sustain revenue streams.

Overall, we believe that the management's aggressive expansion of offline stores and roboshops will potentially put Pop Mart at risk of incurring high debt due to high rental costs and hiring of staff. A misstep in this competitive industry is enough to throw Pop Mart off the opportunity in grabbing market share and retaining its customers.

CATALYST

China's crackdown on gambling activities related to blind boxes

In 2022, China had issued warnings to control gambling. There are new rules to limit speculation in the secondary market, including emphasising that blind box operators must not use these activities for gambling purposes, and any concealed withdrawals should be disclosed. These actions showcase a more strictly regulated landscape, which our team believes will impede Pop Mart's revenue streams and further restrict the growth of the blind box economy that Pop Mart heavily relies upon.

Plans for a theme park in Beijing likely to be an overly ambitious venture during a period of global economic downturn

In 2022, Pop Mart announced that they will be building a theme park in Chaoyang Park that spans 288.7 hectares. The theme park that Pop Mart is planning to build is approximately one third of Shanghai's Disneyland theme park, which cost 27.9 billion HKD to build. Even with a conservative estimate of 10% of the cited cost, Pop Mart has to spend at least 2.79 billion HKD for the construction of this theme park, which already easily exceeds Pop Mart's total assets totalling 1.49 billion HKD. Hence, taking on such a huge endeavour is likely to weigh heavily on their finances - Pop Mart will have to take on an unsustainable amount of debt or equity which will not be easily recovered.

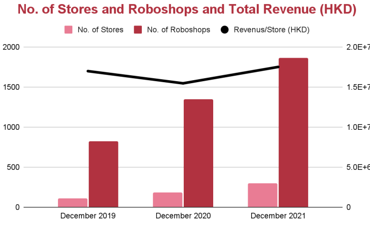


Figure 8: Graphical Representation Revenue per Store

"Lying flat" social movement driving unemployment rates in China among young adults, lowering purchasing power

Similar to the "Great Resignation", younger citizens of China, the largest consumer age group of Pop Mart, have become less motivated and are striving less in their careers. As such, young adults in China have been facing high unemployment rates - 16.7% in December 2022. With economic activities in China slowing on the whole and inflation still yet to stabilise, purchasing powers of consumers remain weak in the consumer discretionary sector.

FINANCIAL ANALYSIS - public listing of stocks to the HK Exchange coincided with the pandemic

a. Concern of lower dividend pay-outs come with lowering profit margins over the pandemic

Pop Mart has shown signs of not having been able to ride out the pandemic and maintain its profitability margins to some degree over the pandemic. The data prior to that represent stark differences due to the nature of an IPO, causing overall equity and asset values of the firm to go up, by extension causing ROA, ROIC and ROE to go down significantly. Top line growth per unit trends such as revenue per store however suggest that profitability may go back to 2020FY levels when operating and capital expenditures fall, contingent on the aggressive nature of expansion overseas along with its productive capacity.

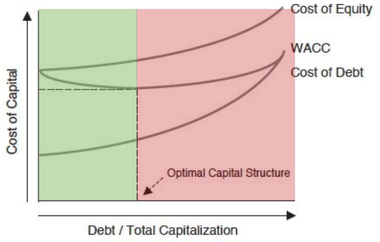


Figure 9: Desirable Capital Structure Range

b. Excellent Debt Ratios propelled only by the IPO trampoline

As per capital expenditure intentions of the firm, there is an increased probability it takes on more debt, however made only possible by the room to do so before attainment of optimal capital structure (i.e it lies in the range where its suboptimal, but still acceptable). It therefore operates in the region where the benefits of tax-deductibility still outweigh the probability of insolvency, and still risks succumbing to the vicious cyclical increase in both the cost of equity and debt as it experiments with its capital structure.

VALUATION

DCF (Primary Valuation Methodology)

1. Revenue Forecast: A IP-segmented approach was taken to forecast revenue. This was carried out as opposed to a geographic breakdown due to the IP-centric nature of its revenue growth. Respective growth rates were assigned to different IP segments and up to 5 years were forecasted for projections to compute implied share price.

WACC Computation	Values	Source
Cost of Equity	4.09%	Team Analysis
Desired Equity to Total Cap ratio	0.85	Team Estimate
Cost of Debt	5.29%	Synthetic Computation (Damodaran)
Marginal Tax Rate	25%	PWC Worldwide Tax Summaries
Desired Debt to Total Cap ratio	0.15	Team Estimate
WACC	4.08%	Team Analysis

Figure 10: WACC Computation

2. WACC: Cost of Equity was calculated using the Capital Asset Pricing Model (CAPM). The risk-free rate was the 10Y US treasury yield (as at 13/2/2023) of 3.72%, the Market Risk Premium used was 0.28% and a relevered beta of 1.34 was computed as well (by levering unlevered beta for entertainment industry ascribed by Damodaran). A synthetic computation (Damodaran) for Cost of Debt was computed by summing up the aforementioned risk-free rate, two-thirds of China default spread (⅔ x 0.86%), and company default spread (1%). Our team arrived at a WACC value of 4.08%.

3. Terminal Value: A 80-20 blended average between Exit Multiple method value and Gordon Growth method value respectively was used. The Exit Multiple used was the mean for the EV/EBITDA LTM amongst the peers (18.62). The terminal growth rate of 2.23% was based on the Statista forecast for GDP growth rate of China.

4. Scenario Analysis: We varied our assumptions for the different components of revenue, cost of goods sold, SG&A and capital expenditure. Our bull case represented an upside of 168% and our bear case yielded an continued to give a downside of 100% (down to 0). We tested the variance of assumptions by Monte Carlo Analysis through 10,000 iterations, varying the WACC, risk-free rate, exit multiple, revenue and cost growth. 62.5% of the outcomes lie below the target price proposed in this report.

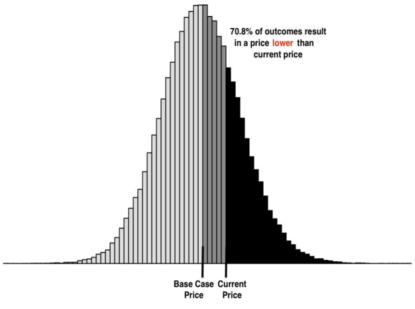


Figure 11: Monte Carlo Simulation highlighting risk-reward assymtery

Relative Valuation-Trading Comparable (Secondary Valuation Methodology)
Trading comparables were used as a sense check for the DCF (as opposed to models like Dividend Discount) due to the relatively young nature of the company.

5. Screening Process: We used S&P Capital IQ to screen for comparable companies based on 1) Industry: Consumer Cyclical, 2) Geography: Asia, predominantly China, and 3) Similar trading multiples. The leisure/entertainment sector was not factored in due to the companies with similar valuations trading outside of Asia (Mattel, Hasbro, etc.). We chose comparable companies with only 3 screening criteria due to the limited number of comparable companies in the region.

RISKS AND UNCERTAINTIES

1. Reopening Risk (R1) – High Impact, Medium Probability
China's reopening can have significant impact on the share price. We performed indirect sensitivity analysis against a number of variables used in our model and found that the variance of terminal growth rate has a significant impact on the target price. The sensitivity of the share price to the terminal growth rate and WACC values was also explored upon, with a sell recommendation still maintained. An increase in China's growth rate, dictated by its reopening, could thus drastically drive up share price. In addition, China's reopening also means that there will be an increase in tourism activities in the near future. Although not immediate, the gradual increase of foreign travelers into the country will allow the retail industry to flourish, and improve the sales of Pop Mart as the retail industry starts to pick up on sales.

		Growth Rate				
WACC	17.168514	1.23%	1.73%	2.23%	2.73%	3.23%
	3.08%	17.20954567	18.26129773	20.55040513	29.37981943	NA
	3.58%	16.57865093	17.18519236	18.24102374	20.54	29
	4.08%	16.15729501	16.5525346	17.16141721	18.22132399	20.5281799
	4.58%	15.85190342	16.13022609	16.52698394	17.13820549	18.20218374
	5.08%	15.61750457	15.8243233	16.10370999	16.50198464	17.11554289

Figure 12: Sensitivity Analysis of WACC against Terminal Growth Rate

2. Consumer Traction Risk (R2) – Medium Impact, Medium Probability
Pop Mart's growing community and customer loyalty will put them in a position that differentiates themselves from their competitors. Pop Mart has growing influences on social platforms such as Weibo and Bilibili, with many fan communities emerging. This has allowed Pop Mart and their products to be made socially aware by these social media users. With a potential growing fan base and brand loyalty, every release of Pop Mart's product will be successful, leading to a growth in their revenue

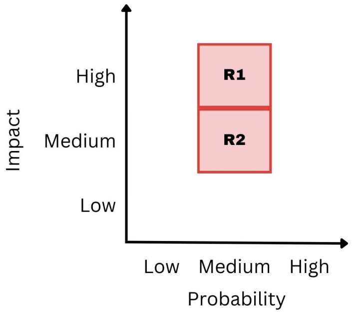


Figure 13: Risk Matrix for Pop Mart

3. Valuation Uncertainty
The nature of our valuation tends to be relatively forward looking, with fairly limited backward looking elements (such as Damodaran's unlevered beta). This is in part due to its relatively recent public listing. Data over the last few financial years has thus been naturally inflated with higher equity values. This risk is however mitigated to an extent by the trading comparables sanity check, with companies that have been established for longer in the consumer cyclical space, albeit not entertainment sector specific. This uncertainty would thus be also implicitly present across valuations of this firm done by other analysts.

APPENDIX A

Board of Directors				
Role on Board	Name	Age	Tenure (Years)	Highest Education
Chairman of the Board	Mr. Wang Ning	37	14	Master’s Degree in Business Administration (Guanghua School of Management of Peking University)
Executive Directors	Ms. Yang Tao (Spouse of Mr Wang Ning)	37	14	Master’s Degree in Communication Studies (Hong Kong Baptist University in Hong Kong)
	Ms. Liu Ran	36	13	Master’s Degree in Business Administration (Guanghua School of Management of Peking University)
	Mr. Si De	35	9	Master’s Degree in Business Administration (Guanghua School of Management of Peking University)
Non-Executive Directors	Mr. Tu Zheng	45	5	Master’s Degree in Public Policy (University of Chicago)
	Mr. He Yu	43	5	Master’s Degree in Finance (University of Lancaster)
Independent Non-Executive Directors	Mr. Zhang Jianjun	57	4	Ph.D in Sociology (University of California, Berkeley)
	Mr. Wu Liansheng	53	14	Ph.D in Management (Zhongnan University of Finance and Economics)
	Mr. Ngan King Leung Gary	40	14	Bachelor of Science Degree in Economics (Wharton School, University of Pennsylvania)

APPENDIX B: DCF

				1	2	3	4	5	
		FY		FY+1	FY+2	FY+3	FY+4	FY+5	CAGR
Revenue		**$ 4,490,651.00**		**$ 4,713,636.00**	**$ 4,664,706.22**	**$ 4,619,728.84**	**$ 4,578,657.84**	**$ 4,541,450.85**	**-0.74%**
Cost of Goods Sold		$ 1,732,027.00		$ 1,766,667.54	$ 1,855,000.92	$ 1,947,750.96	$ 2,045,138.51	$ 2,147,395.44	
Gross Profit		**$ 2,758,624.00**		**$ 2,946,968.46**	**$ 2,809,705.30**	**$ 2,671,977.87**	**$ 2,533,519.33**	**$ 2,394,055.42**	**-4.07%**
SG&A		$ 1,609,162.00		$ 1,657,436.86	$ 1,707,159.97	$ 1,707,159.97	$ 1,707,159.97	$ 1,707,159.97	
EBITDA		**$ 1,149,462.00**		**$ 1,289,531.60**	**$ 1,102,545.33**	**$ 964,817.91**	**$ 826,359.36**	**$ 686,895.45**	**-11.84%**
D&A (Less)		$ 351,571.00		$ 359,411.03	$ 367,425.90	$ 375,619.50	$ 383,995.81	$ 392,558.92	
EBIT		**$ 797,891.00**		**$ 930,120.57**	**$ 735,119.43**	**$ 589,198.41**	**$ 442,363.55**	**$ 294,336.53**	**-20.56%**
Taxes (Less)		$ 199,472.75		$ 232,530.14	$ 183,779.86	$ 147,299.60	$ 110,590.89	$ 73,584.13	
EBIAT		**$ 598,418.25**		**$ 697,590.43**	**$ 551,339.58**	**$ 441,898.81**	**$ 331,772.66**	**$ 220,752.40**	**-20.56%**
D&A (Add)		$ 351,571.00		$ 359,411.03	$ 367,425.90	$ 375,619.50	$ 383,995.81	$ 392,558.92	
Capital Expenditures (Less)		$ 333,748.00		$ 341,190.58	$ 348,799.13	$ 356,577.35	$ 364,529.03	$ 372,658.02	
Increase in Net Working Capital (Less)									
Unlevered FCF		**$ 815,714.00**		**$ 948,341.02**	**$ 753,746.20**	**$ 608,240.56**	**$ 461,830.34**	**$ 314,237.43**	**-19.82%**
WACC	**4.08%**								
Discount Factor				0.96	0.92	0.89	0.85	0.82	
PV of FCF				**$ 911,204.36**	**$ 695,869.25**	**$ 539,546.82**	**$ 393,629.35**	**$ 257,344.08**	

Cumulative PV of FCF	**$ 2,797,593.86**
PV of Terminal Value	**$ 13,604,148.22**
Implied Enterprise Value	**$ 16,401,742.08**
Total Debt	$ 621,452.00
Preferred Stock	$ -
Noncontrolling Interest	$ 1,824.00
Cash and Cash Equivalents	$ 5,264,710.00
Implied Equity Value	**$ 21,043,176.08**
Fully Diluted Shares Outstanding	1,401,937,550
Implied Share Price (CNY)	**$ 15.01**
CNY/HKD	HK$ 1.14
Implied Share Price (HKD)	**17.17**

APPENDIX C: Trading Comparables

CNY in thousands, less share price and trading multiples, unless stated otherwise

As at 14th Feb 2023	Trading Multiples											
	EV/Revenue			EV/EBITDA			EV/EBIT			P/E		
Company Name	LTM	FY+1	FY+2	LTM	FY+1	FY+2	LTM	FY+1	FY+2	LTM	FY+1	FY+2
Evaluating Company												
Pop Mart International Group Limited	4.44x	4.33x	3.38x	13.66x	15.54x	11.09x	20.30x	22.98x	15.82x	32.88x	37.20x	27.59x
Public Companies												
Maoye International Holdings Limited	3.66x			9.64x			18.40x			11.67x		
MINISO Group Holding Limited	3.16x	2.76x	2.21x	22.38x	15.22x	12.12x	30.25x	19.22x	14.97x	40.68x	27.29x	21.99x
Maoye Commercial Co., Ltd.	4.19x			11.13x			24.12x			50.14x		
Hunan Friendship&Apollo Commercial Co.,Ltd.	4.65x	5.47x	5.35x	34.38x	36.40x	34.28x		87.99x	56.16x		38.70x	29.77x
Nanjing Central Emporium (Group) Stocks Co., Ltd.	3.95x			17.06x			36.54x			73.41x		
Liqun Commercial Group Co.,Ltd.	1.62x			13.04x			47.97x					
Fujian Dongbai (Group) Co.,Ltd.	6.04x			22.71x			32.36x			24.89x		

Max	6.04x	5.47x	5.35x	34.38x	36.40x	34.28x	47.97x	87.99x	56.16x	73.41x	38.70x	29.77x
0.75	4.42x	4.79x	4.57x	22.55x	31.11x	28.74x	35.50x	70.80x	45.86x	50.14x	35.85x	27.83x
Median	3.95x	4.12x	3.78x	17.06x	25.81x	23.20x	31.31x	53.61x	35.57x	40.68x	33.00x	25.88x
Mean	3.90x	4.12x	3.78x	18.62x	25.81x	23.20x	31.61x	53.61x	35.57x	40.16x	33.00x	25.88x
0.25	3.41x	3.44x	3.00x	12.09x	20.52x	17.66x	25.65x	36.41x	25.27x	24.89x	30.14x	23.94x
Min	1.62x	2.76x	2.21x	9.64x	15.22x	12.12x	18.40x	19.22x	14.97x	11.67x	27.29x	21.99x

LTM EV/Revenue	Max	75th Percentile	**Median**	Mean	25th Percentile	Min
Multiples	6.04	4.42	3.95	3.90	3.41	1.62
Implied Enterprise Value	27123532.04	19848677.42	17738071.45	17494293.25	15313119.91	7274854.62
Less: Total Debt	621452.00	621452.00	621452.00	621452.00	621452.00	621452.00
Less: Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Less: Noncontrolling interest	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00
Add: Cash and Cash Equivalents	5264710.00	5264710.00	5264710.00	5264710.00	5264710.00	5264710.00
Implied Equity Value	31764966.04	24490111.42	22379505.45	22135727.25	19954553.91	11916288.62
Fully Diluted Shares Outstanding	1,401,937,550	1401937550	1401937550	1401937550	1401937550	1401937550
Implied Share Price (CNY)	22.65790373	17.46876059	15.96326844	15.78938181	14.23355406	8.49987121
Implied Share Price (HKD)	HK$ 26.06	HK$ 20.09	HK$ 18.36	HK$ 18.16	HK$ 16.37	HK$ 9.77

LTM EV/EBIT	Max	75th Percentile	**Median**	Mean	25th Percentile	Min
Multiples	47.97	35.50	31.31	31.61	25.65	18.40
Implied Enterprise Value	38274831.27	28321141.05	24977977.76	25218674.87	20467898.88	14681194.40
Less: Total Debt	621452.00	621452.00	621452.00	621452.00	621452.00	621452.00
Less: Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Less: Noncontrolling interest	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00
Add: Cash and Cash Equivalents	5264710.00	5264710.00	5264710.00	5264710.00	5264710.00	5264710.00
Implied Equity Value	42916265.27	32962575.05	29619411.76	29860108.87	25109332.88	19322628.40
Fully Diluted Shares Outstanding	1401937550	1401937550	1401937550	1401937550	1401937550	1401937550
Implied Share Price (CNY)	30.61210913	23.51215648	21.127483	21.2991719	17.91045035	13.78280252
Implied Share Price (HKD)	HK$ 35.20	HK$ 27.04	HK$ 24.30	HK$ 24.49	HK$ 20.60	HK$ 15.85