

	2004	2005	2006	2007	2008	2009E	2010E	2011E
<b>Revenue</b>								
Medical Device	22026	28918	31753	34444	36526	39996	45995	49675
Cord Blood Bank	482	1879	4382	8243	17765	33754	70884	131135
Herbal Medicine	0	12	36	1281	686	0	0	0
Total Revenue	22507	30809	36170	43969	54978	73750	116879	180809
<b>Operating Expenses</b>								
Medical Device	7365	10198	7577	9857	10622	12598	14718	16393
Cord Blood Bank	514	1226	4367	5002	9668	19571	38986	69501
Herbal Medicine	0	399	3394	5527	4001	0	0	0
Segment Operating Expense	7879	11823	15339	20386	24291	32169	53704	85894
<b>Operating Profit</b>								
Medical Device	14661	18719	24175	24587	25904	27398	31277	33282
Cord Blood Bank	-32	653	15	3241	8097	14183	31898	61633
Herbal Medicine	0	-387	-3359	-4246	-3314	0	0	0
Segment Operating Profit	14628	18985	20831	23582	30687	41581	63174	94915
Other Income/Expenses	-2158	-2006	48291	5144	35009	34487	37000	37000
<b>EBIT</b>	<b>12470</b>	<b>16979</b>	<b>69122</b>	<b>28727</b>	<b>65695</b>	<b>41582</b>	<b>63175</b>	<b>94916</b>
EPS	0.01	0.01	0.06	0.02	0.06	0.03	0.04	0.06
<b>Operating Margin</b>								
Medical Device	66.6%	64.7%	76.1%	71.4%	70.9%	68.5%	68.0%	67.0%
Cord Blood Bank	-6.7%	34.8%	0.3%	39.3%	45.6%	42.0%	45.0%	47.0%
Herbal Medicine		-3195.7%	-9371.6%	-331.3%	-482.8%	0.0%	0.0%	0.0%
<b>Total Operating Margin</b>	<b>65.0%</b>	<b>61.6%</b>	<b>57.6%</b>	<b>53.6%</b>	<b>55.8%</b>	<b>56.4%</b>	<b>54.1%</b>	<b>52.5%</b>

	2004	2005	2006	2007	2008	2009E	2010E	2011E
<b>Free Cash Flow</b>								
EBIT	12470	16979	69122	28727	65695	41582	63175	94916
Cash Taxes	0	-1263	-1517	-1748	-3709	-3000	-4000	-5000
Depreciation	1373	1669	2840	2425	2724	2700	2700	2700
Amortization	245	489	1405	3980	3103	3000	3000	3000
NWC	-4060	-19497	-23812	-12146	6441	6000	1000	-3000
CAPEX	-17698	-424	2107	-1136	-14109	-18000	-12000	-8000
<b>FCF</b>	<b>-7670</b>	<b>-2046</b>	<b>50145</b>	<b>20101</b>	<b>60145</b>	<b>32282</b>	<b>53875</b>	<b>84616</b>

	FCF		
	3.50%	3.00%	2.50%
<b>Terminal Growth</b>	<b>15,617</b>	<b>14,391</b>	<b>13,334</b>
Terminal Value (HKD)	9,807	9,037	8,373
Implied Enterprise Value	11,846	10,650	9,557
less Debt	350	350	350
plus Cash	1,130	1,130	1,130
Implied Equity Value	12,625	11,430	10,336
Shares outstanding	1,613	1,613	1,613
P* - HK	\$7.83	\$7.09	\$6.41
P* - USD	\$1.01	\$0.91	\$0.83
Current Price	\$0.19	\$0.19	\$0.19
% Undervalued	431%	381%	335%

Price Sensitivity Analysis		
Growth Rate	WACC	
	10.25%	9.75%
3.5%	\$0.89	\$0.97
3%	\$0.81	\$0.87
2.5%	\$0.73	\$0.79
	\$0.85	\$0.85

**Business Overview**  
Golden Meditech is a holding company of leading hi-tech integrated medical corporations in China. Its subsidiaries are segmented into two unique focuses: medical devices and healthcare services. Golden Meditech recently bought majority shares into two hospital groups and it is planning to release two new products later in the 2008 fiscal year.

**DCF Assumptions**

- Capital structure of 91.5% equity and 8.5% debt.
- Cost of Debt at 4.4%.
- Cost of Equity at 10.55%.
- WACC at 9.75%
- DCF analysis provides the best valuation method because of the lack of good comparables.

**Golden Meditech (8180.HK)**  
**Recommendation: BUY**  
Price (USD): \$0.19 (10/21/08)  
Target Price: \$0.80  
Currency Exchange as of 10/21/08: 1 USD = 7.75 HKD  
Relative Value Statistics as of 10/21/08

**Investment Thesis**

- Golden Meditech is positioned to grow by over 30% in the coming years with the Chinese economy and its expanding middle class that will further demand healthcare services.
- Medical Device sales should increase by 12% for several years following the release of the Model 3000H Plasma Exchange System and the Model HS9000 Accelerated Thermostatic Infusion Pump later this year.
- Cord Blood Bank sales will double in coming years following recent hospital acquisitions in China.

	Relative Valuation			
	Market Cap	Profit Margin	ROE	P/E
MR	1,602	26.5%	25.8%	29.8
BLUD	1,787	27.4%	27.1%	24.6
HAE	1,429	10.1%	10.7%	27.8
ABT	88,716	13.9%	22.7%	19.8
CMED	846	35.5%	22.9%	16.3
<b>Median/Average</b>	<b>1,602</b>	<b>26.5%</b>	<b>22.9%</b>	<b>24.6</b>
Golden Meditech	312	138.1%	38.8%	3.5
Earnings				46
Market Cap : TEV				1,276
Less: Debt				-
Plus: Cash				145.7
Implied Equity Value				1,422
Shares Outstanding				1,613
Implied Intrinsic Value				\$0.88
% Undervalued				356%

	TEV/EBITDA	
	09 P/E	TEV/EBITDA
MR	39.0	14.8
BLUD	34.0	13.7
HAE	26.4	12.8
ABT	17.6	14.6
CMED	20.3	12.6
<b>Median/Average</b>	<b>27.5</b>	<b>13.7</b>
Golden Meditech	6.7	2.2
Earnings	46	88
Market Cap : TEV	1,276	1,199
Less: Debt	-	45
Plus: Cash	145.7	145.7
Implied Equity Value	1,422	1,299
Shares Outstanding	1,613	1,613
Implied Intrinsic Value	\$0.88	\$0.81
% Undervalued	356%	316%

Pro-Forma (Millions Dollars)	2004	2005	2006	2007	2008	2009E	2010E	2011E
Revenue	349	418	473	504	519	537	569	626
-Cost of Revenue	224	267	302	328	327	344	370	407
Gross Profit	124	151	171	175	192	193	199	219
-SG&A	101	120	135	151	168	163	162	173
Operating Income	23	31	36	24	24	30	38	46
-Interest Exp	7.0	10.7	10.6	11.9				
-Foreign Exg Loss	-1.7	-5.1	1.8	0.1				
-Net Non-Op Loss	-6.4	-3.4	-4.1	0.3				
Pretax Income	24	29	28	12	27	28	30	33
-Inc Tax & Prof Shr	5.1	0.5	3.3	5.4	5.9	8.4	8.9	9.8
Income Before XO	19	28	24	6.7	21	20	21	23
-Minority Interests	3.5	2.3	4.6	4.1				
Net Income	16	26	20	2.6	21	20	21	23
Basic EPS	0.11	0.16	0.12	0.02	0.13	0.12	0.13	0.14
SHOUT (weighted)	147	163	163	163	163	163	163	163
Revenue Growth	9.8%	20%	13%	6.4%	3.0%	3.5%	6.0%	10%
Gross Margin	36%	36%	36%	35%	37%	36%	35%	35%
EBITDA Margin	12%	13%	13%	10%	11%	11%	13%	13%
Operating Margin	6.7%	7.4%	7.6%	4.9%	4.7%	5.6%	6.2%	5.8%

Free Cash Flow	2004	2005	2006	2007	2008	2009E	2010E	2011E
EBITDA	42	53	61	52	51	56	64	72
Taxes	-5.1	-0.5	-3.3	-5.4	-5.9	-8.4	-8.9	-9.8
NWC Change	-0.7	-6.4	-21	-5.7	-10	8.0	-6.0	-8.0
CAPEX	-37	-24	-15	-55	-13	-14	-18	-21
FCF	-0.8	-36	22	-14	22	42	31	33

DCF			
Terminal Growth	3.50%	3.0%	2.5%
Terminal Value (USD)	727	653	593
PV of Terminal Value	552	496	450
Implied Enterprise Value	661	605	559
EV after 35% Liquidity Disc.	429	393	364
less Debt	160	160	160
plus Cash	21	21	21
Implied Equity Value	290	254	224
Shares outstanding	163	163	163
P* - USD	\$1.78	\$1.56	\$1.38
Current Price	\$1.33	\$1.33	\$1.33
% Undervalued	33.95%	17.3%	3.5%

Price Sensitivity Analysis		
Growth Rate	WACC	
	3.5%	8.5%
3%	\$1.62	\$1.89
2.5%	\$1.43	\$1.65
	\$1.26	\$1.45
	\$1.26	\$1.68

Business Overview  
Internacional de Ceramica, also known as Interceramic, manufactures and distributes ceramic tile in Mexico and North America. The company produces residential and commercial tile used in flooring, walls, and countertops. The company has four major distribution centers and 26 company owned showrooms in the US.

DCF Assumptions

- Capital structure of 57.4% equity and 42.6% debt.
- Cost of Debt at 5.8%.
- Cost of Equity at 10%.
- WACC at 8.19% for Illiquidity.
- DCF analysis provides the best valuation method because of the lack of good comparables.

**Interceramic (CERAMICB/D.MX)**

**Recommendation: HOLD**

Price (USD): \$1.33  
Target Price: \$1.45  
Currency Exchange as of 10/24/08:  
1 USD = 13.396 pesos

Investment Thesis

- The US housing market, which makes up 40% of Interceramic's sales, will continue to have stagnant sales growth until 2010, when the US market will rebound from current credit crisis
- High investment in the consolidation and improvement of their distribution network in the US will increase operating margin when US sales revive
- The market share in Mexico will continue to expand because of their higher quality image creating a competitive advantage in the market
- The increase in value of the dollar over 2008 to 13.59 pesos per dollar will negatively impact their USD valuation

**Relative Valuation**

	Market Cap	Profit Margin	ROE	P/E	09 P/E	TEV/ EBITDA
Lamosa	463.6	8.2%	22.7%	12.3	10.5	9.5
Mohawk	3,047	9%	13%	4.7	10.1	6.3
<b>Median/Average</b>	<b>1,755</b>	<b>8.6%</b>	<b>17.8%</b>	<b>8.5</b>	<b>10.3</b>	<b>7.88</b>
Interceramic	216.3	0.1%	0.2%	22.2	11.1	6.2
Earnings					19.5	56
Market Cap : TEV					202	441.5
Less: Debt					-	160
Plus: Cash					21	21
Implied Equity Value (after 35% illiquidity Discount)					151.8	155.7
Shares Outstanding					163	163
<b>Implied Intrinsic Value</b>					<b>\$0.93</b>	<b>\$0.96</b>
% Undervalued					-30%	-28%

# LAUNCH

## Launch Tech (8196.HK) BUY

### Business Overview

Launch Tech is a Chinese producer and distributor of aftermarket automobile diagnostics and lifts. Its core product is the X-431 diagnostic device. Launch Tech is moving into the pre-market for automobile parts. The company operates in four zones: China, Asia Pacific, Europe, and the Americas.

### LAUNCH TECH (8196.HK)

#### Recommendation: BUY

Price (USD): \$0.05  
Target Price: \$0.20  
Currency Exchange Rates (10/21/08):  
1 RMB = 0.1462 USD  
1 HKD = 0.129 USD

### DCF Assumptions

- WACC at 9.22%
- Change in capital structure to 1/4 debt and 3/4 equity.
- Illiquidity discount of 35% on implied enterprise value.
- Strong growth through 2010 from rapidly growing Chinese auto market and entrance into pre-market.
- Increasing operating margins from shift to higher margin products and increased operating efficiencies.

### Investment Thesis

- Increased diagnostic revenue from a higher priority to repair old cars.
- Revenue growth from entrance into the pre-market. Chinese car output expected to grow by 23% through 2010.
- Increasing operating margins from shift to higher margin software products and greater operating efficiencies through expansion.
- Launch Tech's depressed stock is trading at less than book value.
- The steady large dividend at roughly 50% of earnings results in 10-15% returns.
- Illiquidity remains a significant issue, with a small percentage not owned by management.

Pro Forma							
	2004	2005	2006	2007	2008E	2009E	2010E
Revenues	40.6	50.1	44.5	60.3	78.3	93.9	108.0
% Growth		23%	-11%	36%	30%	20%	15%
COGS	(21.2)	(26.3)	(20.7)	(26.9)	(38.3)	(43.2)	(48.6)
Gross Profit	19.4	23.8	23.8	33.4	40.0	50.7	59.4
Gross Margin	48%	48%	54%	55%	51%	54%	55%
Operating Expenses	(12.6)	(17.6)	(16.8)	(20.7)	(21.3)	(29.2)	(36.6)
EBIT	6.9	6.2	7.0	12.8	18.7	21.5	22.8
Operating Margin	17%	12%	16%	21%	24%	23%	21%
Financial Costs	(1.2)	(1.6)	(1.3)	(3.8)	(5.9)	(4.7)	(3.7)
Taxes	0.2	(0.6)	0.3	(0.0)	(1.6)	(2.2)	(2.6)
Net Income	5.8	4.0	6.0	9.0	11.2	14.6	16.6
EPS	\$0.01	\$0.01	\$0.01	\$0.02	\$0.02	\$0.02	\$0.03
P/E				3.0	2.6	2.0	1.7

### FCF

	2004	2005	2006	2007	2008E	2009E	2010E
EBIT	6.9	6.2	7.0	12.8	18.7	21.5	22.8
Cash Taxes	-	(1.3)	(0.3)	(0.1)	(1.9)	(2.2)	(2.6)
Depreciation & Amortization	1.9	2.9	3.8	5.0	5.8	6.1	6.6
NWC	19.8	(38.3)	(16.9)	(8.6)	(7.3)	(4.4)	(2.9)
CAPEX	(9.2)	(2.0)	(20.2)	(5.0)	(1.5)	(2.9)	(4.4)
PPE gain/loss	0.0	1.5	0.3	(0.4)	-	-	-
Free Cash Flow	19.5	(31.0)	(26.2)	3.7	13.9	18.1	19.5
PV of FFCF (9.22% WACC)					15.1	18.0	17.7

### DCF Calculations

	3% T/G	5.5 E/M
PV of FFCF	50.8	50.8
Terminal Value	297.6	162.0
PV of Terminal Value	238.7	130.0
Implied Enterprise Value	289.6	180.8
Liquidity Discount	35%	35%
Implied EV after Discount	188.2	117.5
Less: Debt	47.3	47.3
Plus: Cash	21.0	21.0
Implied Equity Value	161.9	91.3
Shares Outstanding	604	604
<b>Implied Intrinsic Value</b>	<b>\$0.27</b>	<b>\$0.15</b>
% Undervalued	462%	217%

### DCF Sensitivity Analysis

T/G	WACC		
	8%	9%	10%
2.0%	\$0.30	\$0.25	\$0.22
2.5%	\$0.33	\$0.27	\$0.23
3.0%	\$0.36	\$0.30	\$0.25

### Relative Valuation

	Market Cap	Profit Margin	ROE	P/E	09 P/E	TEV/EBITDA
SMP	124	0.3%	1.2%	16.2	6.6	4.9
ATAC	501	7.5%	15.5%	14.0	11.0	5.8
MPAA	78	3.5%	6.6%	13.2	5.5	5.0
DORM	240	5.9%	11.7%	14.3	12.4	5.8
<b>Average</b>	<b>236</b>	<b>4.3%</b>	<b>8.7%</b>	<b>14.4</b>	<b>8.9</b>	<b>5.4</b>
8196	29	14.7%	12.0%	3.0	2.0	3.6
Earnings				14.6		27.6
Market Cap : TEV				129.3		148.2
Liquidity Discount				35%		35%
Less: Debt						47.3
Plus: Cash						21.0
Implied Equity Value						70.0
Shares Outstanding						604
<b>Implied Intrinsic Value</b>						<b>\$0.17</b>
% Undervalued						265%