

<b>Name</b>	<b>China King</b>	Number of Shares	80,000,000
<b>Ticker</b>	<b>900120</b>	Market Cap	186,000,000
Market Price	2.33	Cash	211,000,000
Target Market Price	2.33	Debt	52,000,000
App./(Dep.)	0.00%	Net Cash	159,000,000
Sellside Target	186,000,000	Enterprise Value	27,000,000
		EBIT	80,000,000
		EV/EBITDA	0.34

\*Figures converted using USDKRW 1000 FX rate.

**Business Overview**

The Co. sells herbal, health supplements to a network of 3,800 retail points with operations in China.

**Shareholder**

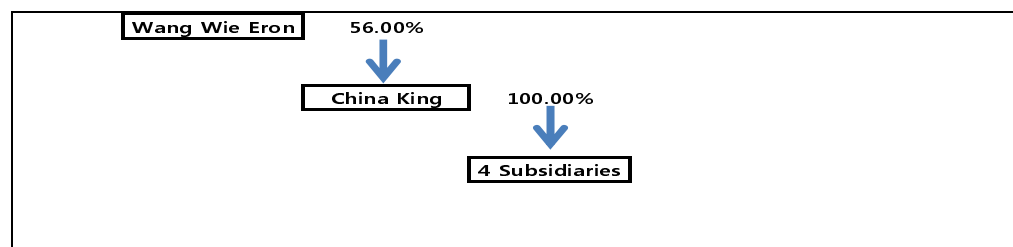
Wang Wie Eron (왕위에런) owns 56% of the shares. 5053 shareholders own 37% of the shares.

We came across a company named Excelsior Capital, and the Co. states it has an unrealized stake in the Co, although the Co. is not listed as a greater than 5% owner, so they probably have a stake less than \$5MM.

**Subsidiaries**

The Co. owns 4 subsidiaries – all are private entities, which are the Operations piece in China.

**Holdings Diagram**



**Cash flow**

Op. Cash flow is 60BB and cap ex is difficult to categorize, but we estimate about 10BB, so 26% FCF/Price yield. 2012 FY numbers reflect 200BB KRW in revenue, 58% GM, 40% EBIT, 28% NI.

**Dividend**

Co. pays out 1.4MM KRW in dividend, or a 0.3% dividend yield.

**Valuation**

Net tangible book value, excluding cash, is near 350BB KRW. Add on top of this 8 years of op. cash flow and you have 750BB KRW, which is 416% of market value. 194% downside protection.

**Summary**

Tooooo cheap to be true. Something is wrong – either fraud, or a toasted industry. We find it odd that this Chinese co. would sell shares in the Korean market, and have the subsidiaries, which runs the operations, all located in China. Doesn't make much sense... There were a lot of fraud stories related to the Chinese stocks in the US, and I think investors are shying away from this stock because it is difficult to validate the sales figures. It is a larger size Co. (150<sup>th</sup> largest in Kosdaq). So people should have heard about it, looked into, and many are staying

away. We will not include, but want to follow the price, since it is so cheap.

## SN Valuation Korean Portfolio

As of 2013-07-17

### Buy

Name	Ticker	Market Price	Entry Price	Date	Gain/(Loss)
Idis Holdings	054800	12.95	13.00	07/16/2013	-0.38%
Moatech	033200	3.66	3.61	07/12/2013	1.39%

### Follow

Name	Ticker	Market Price	Entry Price	Date	Gain/(Loss)
China King	900120	2.30	2.30	07/17/2013	0.00%